European Embedded Value 2006

Madrid, 26 April 2007

MAPFRE

Nº 2007 - 16

Analysis

Appendix and glossary

Executive Summary

- In 2006, the value of the Life Assurance and Savings business of MAPFRE VIDA and its subsidiaries developed very favourably:
  - Value of In-force Business (VIF): €1,049 million (+25.2%)
  - Embedded Value (EEV[1]): 1,574.2 million (+19.8%)
  - Return on Embedded Value (RoEV): 26.1% (2005: 18.6%)
  - Value added by New Business (VNB): €132.8 million (+57.1%)
  - New business margin: 4.8% (2005: 3.2%)

- These outstanding increases reflect:
  - Significant new business growth in Life Protection Assurance, as well as in mutual and pension funds
  - A change in the corporate tax rate, which decrease from 35 to 32.5% in 2007, and will be 30% from 2008 onwards
  - A positive impact from the increase in interest rates and in unrealised gains in equity investments, which more than compensated for the value reduction arising from the use of higher discount rates
  - Improvements in mortality for Life Protection products, lapses and expenses

- The figures shown herein have been revised and certified by Watson Wyatt, which also verified their compliance with the EEVP[1]

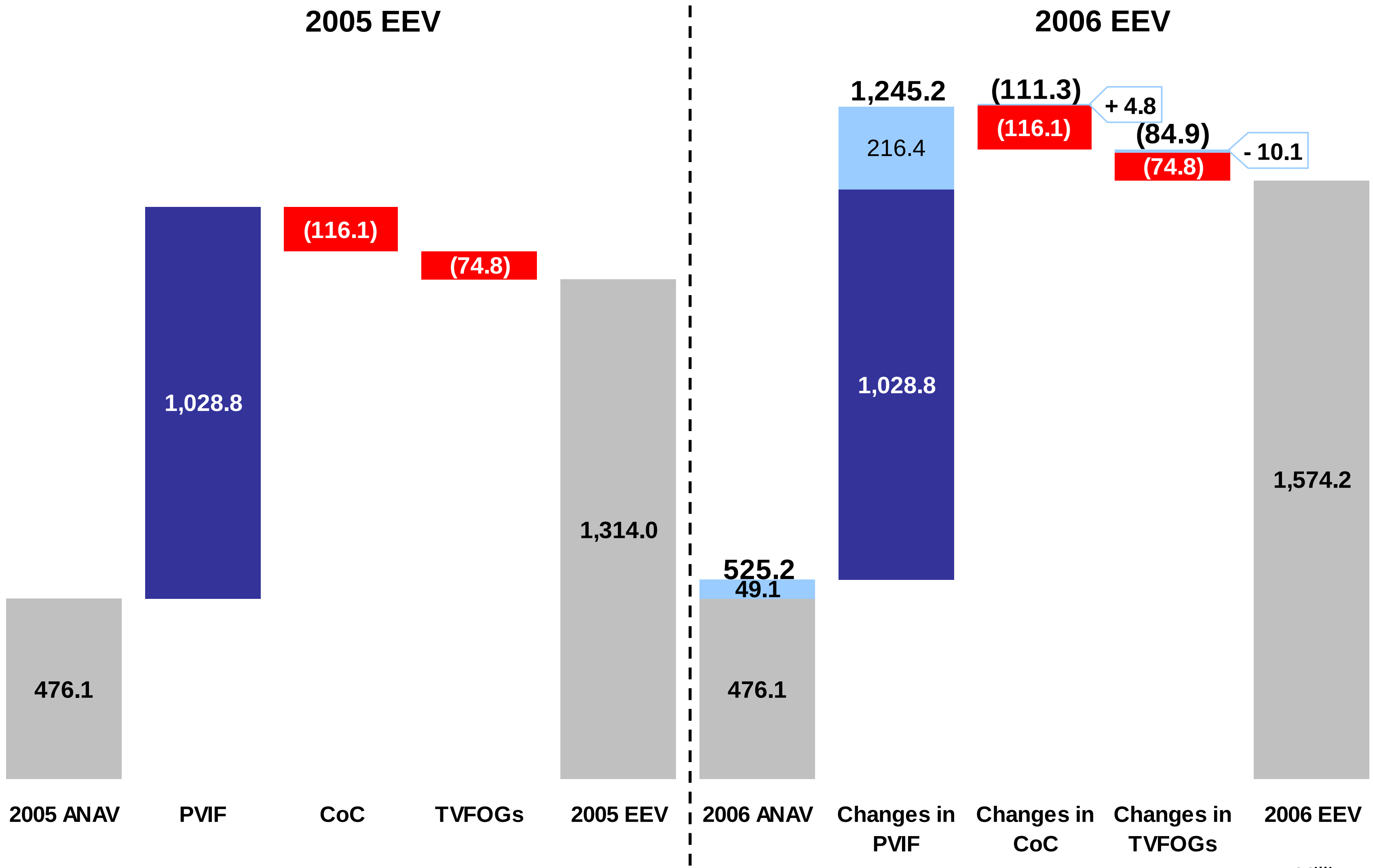
1) European Embedded Value, or "EEV", is the embedded value calculated in accordance with European Embedded Value Principles or "EEVP". EEVP were agreed upon by the CFOs of the multinational European insurers belonging to the "European Insurance CFO Forum" in order to increase the comparability and transparency of the embedded value calculations carried out by insurance companies

Components of EEV

- **ANAV**: adjusted net asset value.
- **PVIF**: value of the in-force business, after tax, calculated on the basis of risk-free investment returns and discounted using the risk-free yield curve.
- **TVFOGs**: time value of embedded financial options and guarantees.
- **CoC**: cost of capital.

EEV = ANAV + PVIF – TVFOGs – CoC

MAPFRE VIDA:
EEV components and their variation in 2006



Million euros

MAPFRE VIDA:
2006 EEV[1]

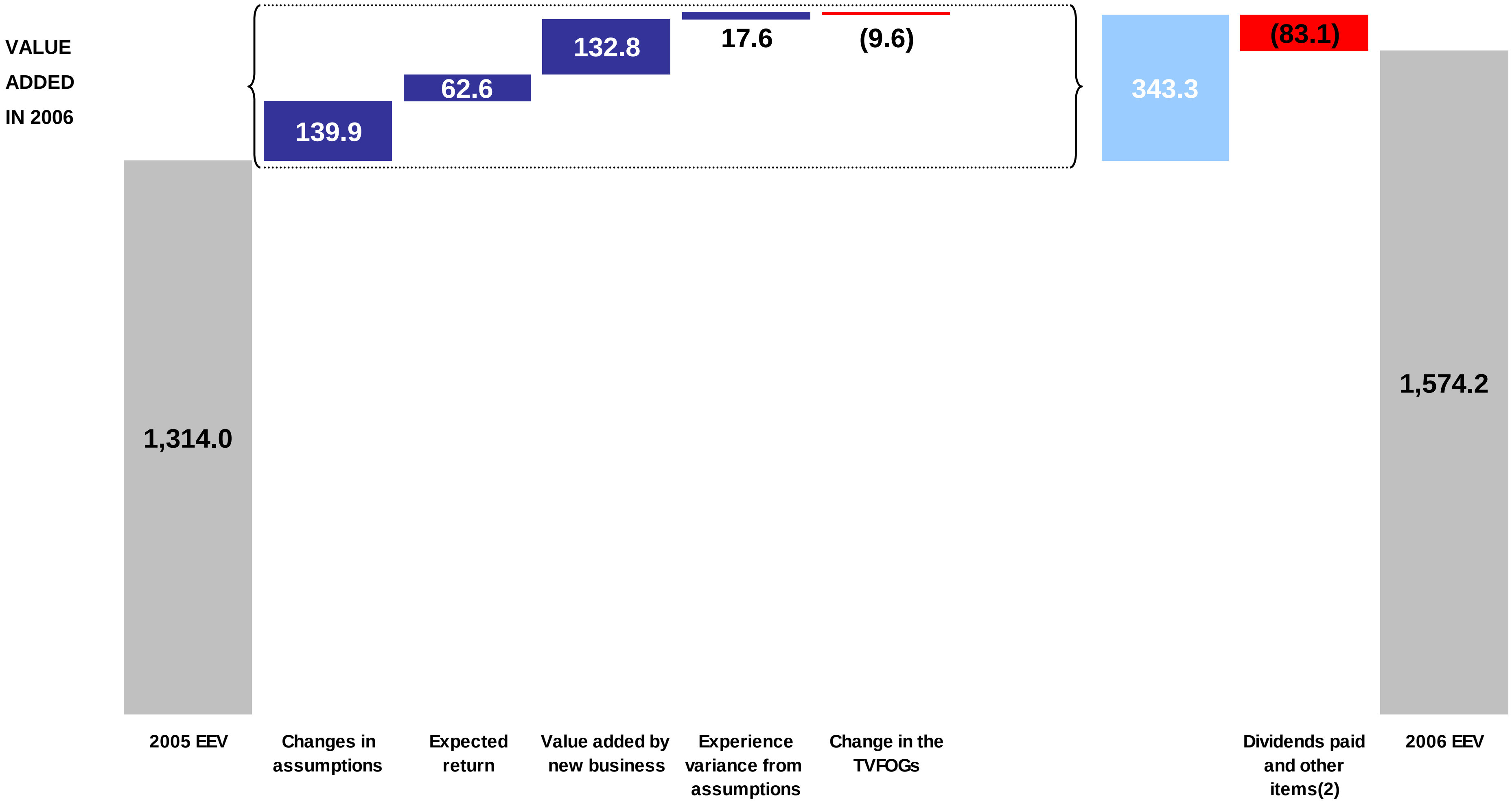
	2005	%	2006	%	Var.	% Var.
Adjusted Net Asset Value	**476.1**	**36.2%**	**525.2**	**33.4%**	**49.1**	**10.3%**
Net PVIF[2]: Life Insurance[3]	**583.2**	**44.4%**	**731.8**	**46.5%**	**148.6**	**25.5%**
- PVIF	692.5	52.7%	836.3	53.1%	143.8	20.8%
- CoC[4]	(109.3)	-8.3%	(104.4)	-6.6%	4.9	-4.5%
Net PVIF[2]: Investment Funds	**172.9**	**13.2%**	**211.1**	**13.4%**	**38.2**	**22.1%**
- PVIF	175.2	13.3%	213.2	13.5%	38.0	21.7%
- CoC[4]	(2.3)	-0.2%	(2.2)	-0.1%	0.1	-4.3%
Net PVIF[2]: Pension Funds	**156.6**	**11.9%**	**191.0**	**12.1%**	**34.4**	**22.0%**
- PVIF	161.1	12.3%	195.7	12.4%	34.6	21.5%
- CoC[4]	(4.5)	-0.3%	(4.7)	-0.3%	(0.2)	4.4%
TVFOGs	**(74.8)**	**-5.7%**	**(84.9)**	**-5.4%**	**(10.1)**	**13.5%**
EEV	**1,314.0**	**100.0%**	**1,574.2**	**100.0%**	**260.2**	**19.8%**
Initial capital used to calculate the CoC[5]	**1,136.0**	**---**	**1,174.5**	**---**	**38.5**	**3.4%**

1) The European Embedded Value was calculated by Consultora MAPFRE VIDA and certified by Watson Wyatt. The certification letter is shown in the Appendix.
2) PVIF = Present Value of In-Force business calculated using a risk-free rate.
3) Includes the in-force values of the Life and accidental death insurance businesses.
4) The cost of maintaining a capital equal to the minimum required by the European Union was €57.8 million as at 31/12/2005 and €56.5 million as at 31/12/2006.
5) The calculations were made on the basis of an amount of capital equal to 197% of the required minimum as at 31/12/2006 (201% as at 31/12/2005). The minimum capital required by the European Union was €565.2 million and €596,2 millon as of 31/12/2005 and 31/12/2006, respectively.

Million euros

MAPFRE VIDA:
2005 Embedded Value Earnings

RoEV[1] = 26.1%



Million euros

1) Return on Embedded Value = Value added in the year / embedded value at the close of the previous year.
2) "Other" items include the donation to the MAPFRE VIDA Foundation.

MAPFRE VIDA:
Analysis of the main variations in EEV in 2006

- The changes in the following assumptions have increased the value of the in-force business:

  - Taxation: the corporate tax rate decreases from 35 to 32.5% in 2007, and will be 30% from 2008 onwards. This change reduces the cost of capital (CoC) and increases the value of the in-force business by €68.2 million.

  - Financial: higher interest rates and larger unrealised gains in equity investments increase the value of the in-force business by €47.1 million, net of the impact of higher discount rates.

  - Demographic/operating: mortality improved for Life – Protection products, adding €23.3 million to the value of the in-force business. Lapses and expenses also improved, although their contribution was minor (€2 million).

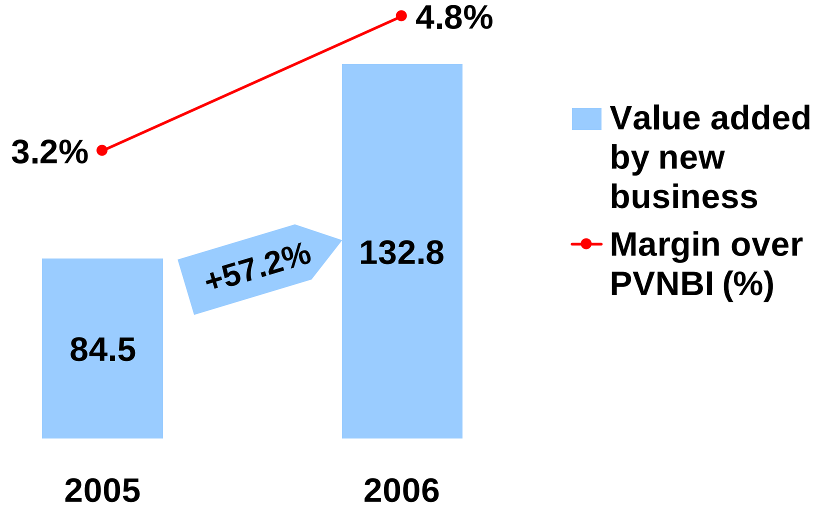
MAPFRE VIDA:
Breakdown of 2006 embedded value earnings between ANAV and value of in-force business[(1)]

	Value in 2005	Changes in assumptions	Expected return	Value added by new business	Experience variance from assumptions	Change in the TVFOGs	Value added in 2006	Dividends paid and other items	**Value in 2006**	**RoEV**
Value of in-force business[(1)]	**837.9**	140.6	-85.7	173.8	-7.9	-9.6	211.1	---	**1,049.0**	**25.2%**
ANAV	**476.1**	-0.7	148.3	-41.0	25.5	---	132.2	-83.1	**525.2**	**27.8%**
TOTAL	**1,314.0**	139.9	62.6	132.8	17.6	-9.6	343.3	-83.1	**1,574.2**	**26.1%**

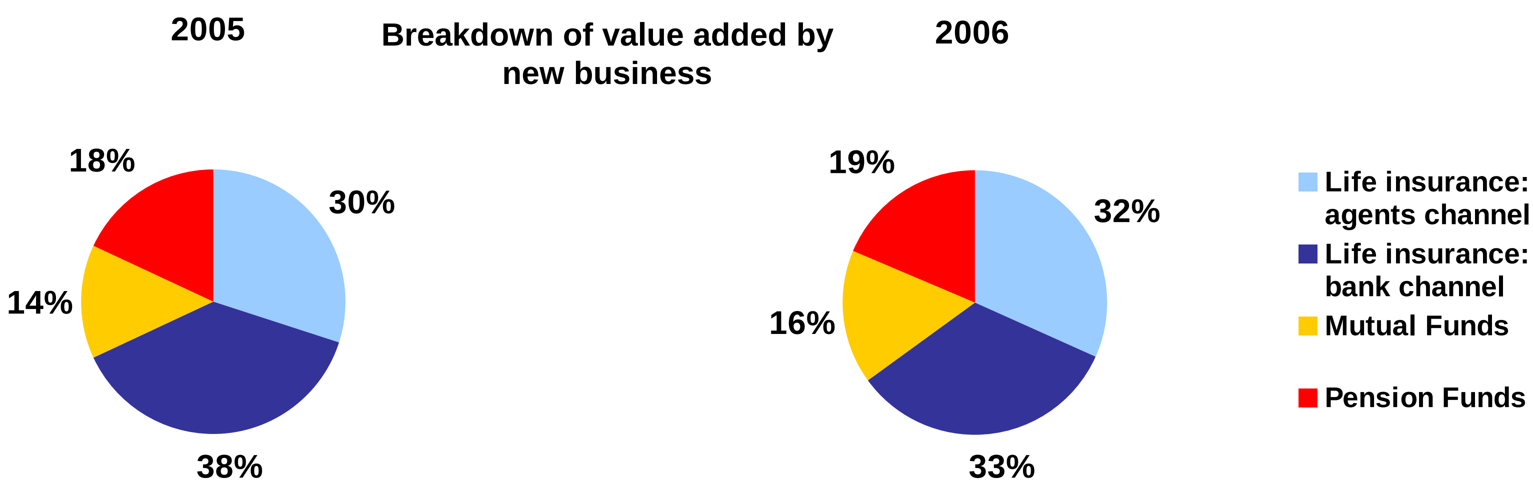
Million euros

1) PVIF - TVFOGs – CoC

MAPFRE VIDA:
Value added by new business



Breakdown of value added by new business



Million euros

MAPFRE VIDA:
Value added by new business

	PVNBI[1]		VNB[2]		VNB/PVNBI	
	2006	2005	**2006**	2005	**2006**	2005
Life insurance:	**1,566.3**	1,651.7	**86.4**	57.6	**5.5%**	3.5%
- Agents channel	**670.6**	817.7	**41.9**	25.4	**6.2%**	3.1%
- Bank channel	**895.7**	834.0	**44.5**	32.2	**5.0%**	3.9%
Mutual Funds	**709.1**	571.5	**21.6**	11.6	**3.0%**	2.0%
Pension Funds	**518.2**	384.2	**24.8**	15.3	**4.8%**	4.0%
TOTAL	**2,793.6**	2,607.4	**132.8**	84.5	**4.8%**	3.2%

Million euros

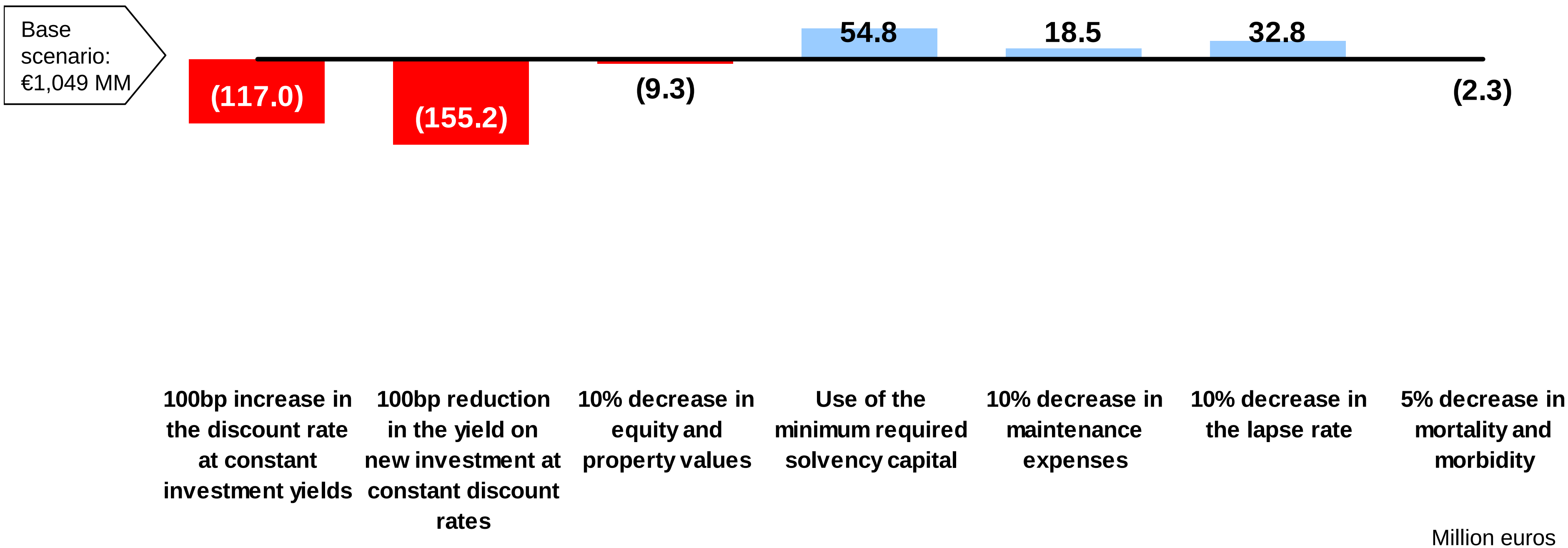
1) Present Value of New Business Income.
2) Value added by new business.

MAPFRE VIDA:
Analysis of the main variations in the value of new business

- The value added by new business increased significantly compared to the previous year, reflecting:
  - The growth in the Life – Protection business and the increase of its weight on the new business of the agents channel.
  - The notable increase in the new production of mutual and pension funds.
  - Higher interest rates, which raised the value added by Life – Savings products and by mutual and pension funds.
  - A reduction in unit acquisition expenses.
  - The decreases in tax rates and mortality referred to previously.

MAPFRE VIDA:
Sensitivity analysis of the value of in-force(1)

RESULTING VALUE	932.0	893.8	1,039.7	1,103.8	1,067.5	1,081.8	1,046.7

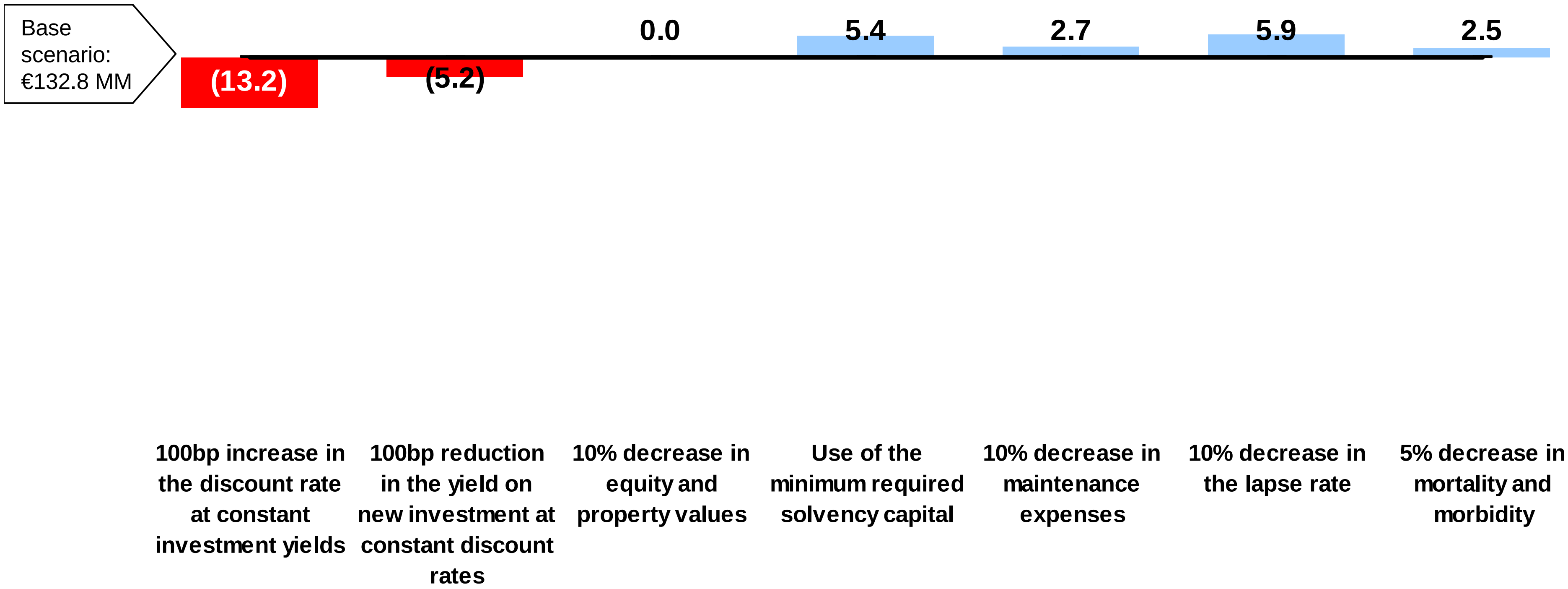


Million euros

1) PVIF - TVFOGs – CoC

MAPFRE VIDA:
Sensitivity analysis of the value added by new business

RESULTING VALUE	119.6	127.6	132.8	138.2	135.5	138.7	135.3



Million euros

Analysis

Appendix and glossary

Covered business

- The calculation of the consolidated embedded value of MAPFRE VIDA includes the following blocks of business:
  - Insurance business of the Life (including complementary) insurance and and accidental death insurance of MAPFRE VIDA, sold through the agents channel, both in Spain and in Portugal, and through the bank channel in Spain.
  - Mutual funds and pension funds businesses of MAPFRE INVERSIÓN S.V., S.A., MAPFRE INVERSIÓN DOS, S.G.I.I.C., S.A. and MAPFRE VIDA PENSIONES, E.G.F.P., S.A. de Seguros, S.A. ("MAPFRE INVERSIÓN Y PENSIONES").

Methodology

- The consolidated embedded value of the Life insurance, accidental death, mutual funds and pension funds businesses includes the adjusted net asset value and the value of in-force business, defined as follows:
  - Embedded value = Adjusted Net Asset Value + Value of the In-Force Business
  - Adjusted Net Asset Value (ANAV) = Shareholders' equity at market value, adjusted to obtain the economic value of capital
  - Value of the In-Force Business = PVIF – TVFOGs – CoC
- A bottom-up approach was followed to comply with EEVP, valuing separately each component of risk in the business.
- MAPFRE decided to calculate EEV under a bottom-up approach as it believes that this methodology provides the most transparent information about shareholder value, better quantifies the risk in each product, differentiating between in-force and new business, and is independent from the subjective choice of a set of financial return assumptions.
- **Adjusted Net Asset Value:**
  - The Adjusted Net Asset Value or "ANAV" is equal to shareholders' equity as defined under Spanish GAAP (PGC) adjusted for: unrealised gains or losses belonging to shareholders; committed donations and dividends; goodwill; deferred expenses; and any other item needed to calculate the economic capital.
- **Present Value of In-force Business:**
  - The Present Value of In-force Business or "PVIF" is determined as the present value of future statutory profits which are expected to be generated from the existing business in force at the valuation date, after tax, calculated on the basis of risk-free investment returns and discounted using the risk-free yield curve. PVIF includes the intrinsic value of financial options and guarantees granted to the insured.

Methodology (ctd.)

- **TVFOGs:**
  - Under EEVP, FOGs are defined as those features of the covered business that imply the existence of significant guarantees on the amount or the nature of the benefits payable to policyholders, or options to vary such benefits, which can be exercised at the discretion of the policyholder and whose potential value is driven by changes in financial variables.
  - The cost of FOGs is valued through the measurement of two different elements:
    - intrinsic value: the cost of FOGs under existing conditions at the valuation date.
    - time value: the increase in the cost of FOGs that can result from potential changes in policyholder's benefits that may occur throughout the life of the policy.
  - The intrinsic value of FOGs is already recognised implicitly in the calculation of the PVIF. It is therefore necessary to include the additional cost arising from the time value of FOGs (TVFOGs).
  - TVFOGs was calculated for the main FOGs in MAPFRE VIDA's life business. Specifically, the calculation focussed on the TVFOGs corresponding to the guaranteed interest rate in with-profits products.
  - The calculation of TVFOGs assumed the realisation of gains/losses on equity and property investments to:
    - minimise the impact of profit sharing on the Company's results; and
    - keep the asset mix close to its breakdown as at 31 December 2006.
  - TVFOGs is based on a 1,000 stochastic simulations of market-consistent assumptions and is equal to the difference between the value of in-force business calculated under a deterministic approach and the average value of the in-force business calculated stochastically.

Methodology (ctd.)

- **PVIF – TVFOG:**
  - The difference between these two components yields the "risk-neutral" value of the in-force business, which is equal to the value of said business adjusted for financial risks.

- **CoC:**
  - The Cost of Capital or "CoC" is equal to the difference between the amount of required capital and the present value of future releases, allowing for future investment return, of that capital. The CoC was quantified using an estimate of the risk-adjusted capital calculated with a model based on that of Standard & Poor's.
  - The CoC as defined above is equal to the tax payable on the returns earned on the assets backing such required capital.
  - It provides an indication of the cost of the required capital including the capital needed to cover financial and non-financial risks. Non-financial risks are not considered in any other part of the calculation of the EEV.

Methodology (ctd.)

- **With-profits business:**
  - MAPFRE's with-profits in-force business comprises products with the following features that are common in the Spanish insurance market:
    - A minimum return guarantee, ranging between 2.25% and 6% in the case of MAPFRE.
    - A profit-sharing mechanism defined as: X%*(Financial return – minimum guaranteed return – expense loadings) on the average mathematical reserve, which cannot be negative under any circumstance. X% varies by product, although it is equal to 90% in most cases. Financial returns and their volatility depend on the book returns of the assets backing the product and is subject to some degree of discretion by management, including, for instance, decisions on the realisation of gains/losses and on the asset mix.
  - The combination of a minimum return guarantee and a profit-sharing mechanism that cannot yield negative results generates asymmetric flows for shareholders and, as a consequence, a time value of FOGs.

Methodology (ctd.)

- **Look through EEVP:**

  – In order to assign correctly revenues and expenses to the businesses that generate them and measure the value of each block of business more consistently with its economic reality, the following adjustments were made:

    • Mutual funds (not linked to Life insurance) and pension fund businesses, as well as a part of the accidental death business, are sold through the distribution network of MAPFRE VIDA. The income statement of MAPFRE VIDA shows its total expenses with no adjustment for the service referred to above. The values of the aforementioned mutual funds, pension funds and accidental death businesses have been adjusted in order to include the expenses (other than commissions) incurred by the aforesaid MAPFRE VIDA distribution network in connection with the effort of selling the said businesses.

    • The assets of the Life insurance business are managed by MAPFRE INVERSIÓN Y PENSIONES. The income statement of MAPFRE INVERSIÓN Y PENSIONES shows its total expenses with no adjustment for the service referred to above. The value of the aforementioned Life insurance business has been adjusted in order to include the asset management expenses incurred by MAPFRE INVERSIÓN Y PENSIONES in said business.

Methodology (ctd.)

- **Value added by new business:**

  - In Life insurance, new business is defined as single, extraordinary and regular premiums written in the year, as well as extraordinary contributions to existing policies. In the mutual funds business, new business is defined as new contributions. In the pension funds business, new business is defined as single, extraordinary and regular contributions from new participants, as well as extraordinary contributions from existing participants.

  - The value added by new business is the value of in-force added by new business in the period, net of acquisition expenses, TVFOGs and CoC, valued at year-end using the assumptions applicable at that point in time.

MAPFRE VIDA: Assumptions

	2006 EEV	2005 EEV
Discount rate	Euroswap zero-coupon curve as at 31/12/2006	Euroswap zero-coupon curve as at 31/12/2005
	1 year 4.08% 5 years 4.12% 10 years 4.21% 15 years 4.30% 20 years 4.35%	1 year 2.87% 5 years 3.22% 10 years 3.48% 15 years 3.69% 20 years 3.81%
Financial returns		
- Existing assets	Book returns until maturity	Book returns until maturity
- Reinvestment yield	Based on the euroswap zero-coupon curve as at 31/12/2006	Based on the euroswap zero-coupon curve as at 31/12/2005
Maintenance expenses	– Based on internal analyses – Expressed in euros per policy – Indexed to a 2.5% inflation	– Based on internal analyses – Expressed in euros per policy – Indexed to a 2.5% inflation
Fees and commissions	In line with the existing fee structure	In line with the existing fee structure
Mortality, disability, surrenders and turnovers	Tables based on the company's own experience	Tables based on the company's own experience
Cost of capital		
- Reference capital	197% of the minimum solvency margin	201% of the minimum solvency margin
- Yield on backing assets	Based on the euroswap zero-coupon curve as at 31/12/2006	Based on the euroswap zero-coupon curve as at 31/12/2005
Tax rate	32.5% in 2007 and 30% from 2008	35%
Stochastic asset model	Market-consistent as at 31/12/2006 1,000 simulations	Market-consistent as at 31/12/2005 1,000 simulations

MAPFRE VIDA:
IFRS adjustments and reconciliation to adjusted net asset value

Consolidated net assets for MAPFRE VIDA as at 31/12/06 (IFRS)	**644.3**
Net shadow accounting adjustments	-102.9
Other adjustments	-13.7
Consolidated net assets for MAPFRE VIDA as at 31/12/06 (PGC)	**527.7**
Unrealised gains	47.2
- of which: property	7.9
- of which: financial assets	39.3
Donations and dividends	-27.3
Goodwill	-15.7
Acquisition costs net of taxes	-7.5
Other	0.9
Adjusted consolidated net assets for MAPFRE VIDA as at 31/12/06(1)	**525.2**

Million euros

1) Amount used in embedded value calculations.

Watson Wyatt certification letter

26 April 2007

The Directors
Corporación Mapfre, S.A.
Carretera de Pozuelo de Alarcón a Majadahonda, S/N
Edificio 3
28220 Majadahonda (Madrid)

Dear Sirs,

Review of the embedded value of the life insurance, accidental death, mutual fund and pension fund business of Mapfre Vida

1 Corporación Mapfre, S.A. has appointed Watson Wyatt Worldwide ("Watson Wyatt") to review the calculation of the consolidated embedded value ("EV") as at 31 December 2006, of 100% of the life insurance, accidental death, mutual fund and pension fund business of Mapfre Vida, S.A. de Seguros y Reaseguros sobre la Vida Humana ("Mapfre Vida") and its subsidiaries, Mapfre Inversión Dos, S.G.I.I.C., S.A., and Mapfre Vida Pensiones, E.G.F.P., S.A. de Seguros, S.A., carried out by Consultora Actuarial y de Pensiones Mapfre Vida, S.A. ("Consultora Mapfre Vida"). The EV results have been prepared to comply with the European Embedded Value Principles and Guidance issued by the CFO Forum in May 2004 (the "EEV Principles").

Scope of the review

2 The scope of our work was to review:

- The methodology used to calculate the value of in-force business. This included checking sample policies, applying reasonableness checks to product level projections and reviewing the validation of the modelling against the draft accounts and liability schedules.
- The bases and assumptions used to calculate the value of in-force business. In addition, sample checks that the assumptions have been applied correctly and reasonableness tests have been carried out, including reasonableness checks on the results of the sensitivities of the EV and value of new business to changes in assumptions.
- The methodology used to analyse the change in value of in-force business over the year including the split of embedded value earnings into its various components.

3 For the purpose of carrying out our work, we have been provided with calculations carried out by Consultora Mapfre Vida and with supporting data. The assumptions on which the calculations have been based have been discussed with Consultora Mapfre Vida and are based upon information provided by them. We have relied upon the accuracy of this supporting information without verification, although we have reviewed it for reasonableness and consistency.

4 Our work and this letter are subject to the reliances and limitations contained in paragraphs 14 to 18 of this letter. The work is based on information received up to and including 25 April 2007.

Watson Wyatt Worldwide

EV at 31 December 2006

5 On the assumptions made, the consolidated embedded value of 100% of the life insurance, accidental death, mutual fund and pension fund business of Mapfre Vida and its subsidiaries as at 31 December 2006 was calculated by Consultora Mapfre Vida to be:

Table 1: Consolidated embedded value as at 31 December 2005 and 2006 (thousand euros)

	2005	2006
Adjusted net assets	476.135	525.215
Value of in-force business	837.894	1.049.011
Embedded value	**1.314.029**	**1.574.226**

6 The values shown in Table 1 assume taxation on future statutory profits of 35,0% in 2006, 32,5% in 2007 and 30,0% from 2008, and are net of the cost of holding a level of capital equal to 197% of the minimum legal requirement in 2006 and 201% in 2005.

7 The adjusted net assets shown in Table 1 are equal to the consolidated statutory net assets of Mapfre Vida and its subsidiaries, adjusted by taking into account the market value of assets and by deducting unamortised acquisition expenses, goodwill, donations and dividends not considered in the statutory net assets, all after tax.

Embedded value earnings in 2006

8 Embedded value earnings are defined as the change in embedded value during the year, including dividends paid, and provide a measure of the economic performance during the year.

9 Table 2 shows the embedded value earnings of Mapfre Vida and its subsidiaries in 2006.

Table 2: Embedded value earnings in 2006 (thousand euros)

	2006
Change in embedded value	260.227
Dividends paid and donations	83.062
Embedded value earnings	**343.289**

10 The embedded value earnings shown in Table 2 above was analyzed as follows:

Table 3: Analysis of embedded value earnings in 2006 (thousand euros)

	2006
Changes in assumptions	139.883
Expected return	62.606
Value added by new business	133.228
Experience variance from assumptions	17.626
Changes in the TVFOGs	(10.054)
Embedded value earnings	**343.289**

Assumptions

11 The principal assumptions used in the calculation of the embedded values are set out below:

- New money pre-tax investment returns, before investment expenses, have been based on Euroswap yields at the valuation date without any investment spreads. Book investment returns on existing assets continue to apply until assets reach their maturity or are sold.

2

Watson Wyatt Worldwide

Watson Wyatt certification letter (ctd.)

- The cost of capital has been calculated assuming that the level of capital held is equal to 197% of the minimum legal requirement in 2006 and 201% in 2005, and that the assets backing the required capital earn pre-tax investment returns based on Euroswap yields at the valuation date without any investment spreads.
- To derive the expense assumptions used in the 2006 calculation, actual management expenses in 2006 assigned to the life insurance, accidental death, mutual fund and pension fund business, with the exception of non-recurrent expenses, have been fully allocated to different product lines and, within each line, between expenses related to the acquisition of new business and those related to the maintenance of in-force business. The expense assumptions used in the 2005 calculation were derived in the same manner, using 2005 actual management expenses.
- Maintenance expenses, expressed in euros per policy, have been assumed to increase at 2.5% per annum in the 2005 and 2006 embedded value calculations.
- Salesforce commissions have been assumed to continue in the future at the scales existing at each respective valuation date.
- Life policyholder profit participation rates and product charges, as well as mutual fund and pension fund commission rates, have been assumed to continue in the future at the levels existing at each respective valuation date.
- Mortality, lapse and other discontinuance assumptions have been based on internal studies of recent operating experience and, where appropriate, on industry experience.
- It has been assumed that there will be no change in the methods and bases used to calculate technical reserves and surrender values, except for the future strengthening of the group and individual annuity and endowment mathematical reserves required to satisfy Spanish regulations.

Sensitivities

12 Consultora Mapfre Vida has prepared calculations of the sensitivity of the value of in-force business and new business contribution to various changes in assumptions. The results are summarised in Table 4.

Table 4: Summary of sensitivities (thousand euros)

	Change in the value of in-force business	Change in new business contribution
100bp increase in the risk discount rate	(117.026)	(13.247)
100bp reduction in interest rates	(155.203)	(5.215)
10% decrease in equity and property values	(9.275)	0
Use of the minimum required solvency capital	54.813	5.420
10% decrease in expenses	18.528	2.738
10% decrease in the lapse rate	32.756	5.917
5% decrease in mortality and morbidity	(2.299)	2.480

Conclusions

13 In our opinion:

a. The methodology adopted to determine the value of in-force business complies with the EEV Principles;

b. The assumptions made in the determination of the value of in-force business comply with the EEV Principles; and

c. The presentation of the movement in the value of in-force business and the sensitivities of the value of in-force business and the new business contribution is reasonable based on Principle 12 of the EEV Principles.

Reliances and limitations

14 In carrying out our review we have relied without independent verification upon the accuracy and completeness of the data and information provided to us, both in written and oral form, by Consultora Mapre Vida and Mapfre Vida and its subsidiaries.

15 Reliance has been placed upon, but not limited to, information regarding historic annual reports and accounts, life insurance and mutual and pension fund product characteristics and charges, asset allocations by product line, asset values, expense analyses, salesforce commission scales, internal claim and discontinuance studies, levels of in-force premiums, number of policies, technical reserves, mutual and pension funds by product, terms of reinsurance agreements, and electronic policy data bases.

16 We have not attempted to assess the suitability, quality or value of the assets of Mapfre Vida and its subsidiaries or to provide any warranty as to the adequacy of the technical reserves. We have also not investigated any claims against Mapfre Vida or its subsidiaries other than those made by policyholders or fund participants under the normal terms of insurance, mutual fund or pension fund business. In particular, no account has been taken of liabilities in respect of pension entitlements, service contracts, leases and breaches of legislation, regulatory rules or guidance.

17 Assumptions are made about future experience, including economic and investment experience, tax, expenses, lapse rates, mortality and reinsurance. These assumptions have been made on the basis of reasonable estimates. However, actual future experience is likely to differ from these assumptions, due to random fluctuations, changes in the operating environment and other factors. Such variations in experience could have a significant effect on the results and conclusions of this letter. No warranty is given by Watson Wyatt that the assumptions made in this letter will be reflected in actual experience.

Watson Wyatt certification letter (ctd.)

18 The calculation carried out by Consultora Mapfre Vida does not consider possible financial implications arising from the introduction of new regulatory reporting requirements which may, for example, increase the level of capital support required to sustain the business or constrain the way in which the assets are invested.

Yours sincerely

Julio Koch

Felipe Gómez Rojas

5

Watson Wyatt Worldwide

Glossary

- The **European Embedded Value Principles** or **“EEVP”** are the principles that establish the methodology that must be applied in order to calculate the European Embedded Value. The EEVP were agreed upon by the CFOs of the multinational European insurers belonging to the “CFO Forum” in order to increase the comparability and transparency of the embedded value calculations carried out by insurance companies. The document that contains the EEVP can be obtained at the following Internet address: www.cfoforum.nl.
- The **Adjusted Net Asset Value** or **"ANAV”** is equal to shareholders’ equity as defined under Spanish GAAP (PGC) adjusted for: unrealised gains or losses belonging to shareholders; committed donations and dividends; goodwill; deferred expenses; and any other item needed to calculate the economic capital.
- **Financial Options and Guarantees** or **“FOGs”** are those features of the covered business that imply the existence of significant guarantees on the amount or the nature of the benefits payable to policyholders, or options to vary such benefits, which can be exercised at the discretion of the policyholder and whose potential value is driven by changes in financial variables.
- The **Value of an Option** is composed by two elements: the **Intrinsic Value** and the **Time Value**. In the case of a call option, the intrinsic value is equal to the difference between the price of the underlying asset and the strike price of the option (in the case of a put option the order of the difference is inverted). The intrinsic value cannot be less than zero. The time value is equal to the difference between the total value and the intrinsic value and it is ascribed to the potential for benefits under the option to increase in value prior to expiry.
- The **Present Value of In-force Business** or **“PVIF”** is determined as the present value of future statutory profits which are expected to be generated from the existing business in force at the valuation date, after tax, calculated on the basis of risk-free investment returns and discounted using the risk-free yield curve. PVIF includes the intrinsic value of financial options and guarantees granted to the insured.

Glossary

- The **Cost of Capital** or **"CoC"** is equal to the difference between the amount of required capital and the present value of future releases, allowing for future investment return, of that capital. The CoC was quantified using an estimate of the risk-adjusted capital calculated with a model based on that of Standard & Poor's.
- The **Value of In-force Business** or **"VIF"** is equal to: PVIF – Time Value of FOGs (**"TVFOGs"**) - CoC.
- The **European Embedded Value** or **"EEV"** is the embedded value obtained calculated in accordance with "European Embedded Value Principles". EEV is equal to: ANAV + VIF.
- **Embedded value earnings** are defined as the change in embedded value during the period, including dividends paid and excluding capital injections, and provide a measure of the economic performance during the year.
- **Changes in Assumptions** are changes in the future experience assumed in the calculation of the present value of in-force business, including economic, expense, lapse, and mortality assumptions.
- The **Expected Return on the Beginning of the Year Embedded Value** is equal to the actual after-tax investment return on the beginning-of-the-year adjusted net asset value less the cost of capital, plus the return, at the discount rate, on the beginning-of-the-year value of the in-force business and capital.
- **Experience Variance from Assumptions** arise from the variance between the actual experience during the year and the assumed experience used to calculate the beginning-of-the-year embedded value.
- The **Return on Embedded Value** or **"RoEV"** is obtained by dividing the value added in the year by the embedded value at the close of the previous year.

Glossary

- **New Business** is defined as: in the case of Life insurance, single, extraordinary and regular premiums from policies written in the year, as well as extraordinary contributions to existing policies; in the case of Mutual Funds, new contributions; in the case of Pension Funds, single, extraordinary and regular contributions from new participants, as well as extraordinary contributions from existing participants.
- The **Present Value of New Business Income** or **"PVNBI"** corresponds to: in the case of Life insurance, the present value of received and expected premiums from new business; in the case of Mutual Funds, contributions received in the year; and in the case of Pension Funds, contributions received in the year and expected from new business.
- The **Value added by New Business** or **"VNB"** is the value of in-force added by new business in the period, net of acquisition expenses, TVFOGs and CoC, valued at year-end using the assumptions applicable at that point in time.

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This document has merely informative character. Their content doesn't constitute offer or invitation to hire neither it links in way some to the entity radio station. The relative information to the plans of the society, their evolution, their results and their dividends constitute simple forecasts whose formulation doesn't suppose guarantee with regard to the future performance of the entity or the attainment of the objectives or of the dear benefits. The addressees of this information should keep in mind that, in the elaboration of these forecasts, hypothesis and estimates are used with regard to which a high grade of uncertainty exists, and that multiple factors that can determine that the future results differ significantly of those foreseen converge. Among these factors, they deserve to be outstanding the following ones: evolution of the market insurer and of the economic general situation in the countries in those that it operates the entity; modifications of the legal mark; changes in the monetary politics; circumstances that can affect to the competitiveness of the products and services insurers; changes in the tendencies in those that the charts of mortality and morbilidad are based that affect to the activity insurance company in the fields of life and health; frequency and graveness of the catastrophes covering object, so much in the environment of the activity reaseguradora and of the general insurance as in the one of those of life; fluctuation of the types of interest and of the exchange rates; risks associated to the use of derived products; effect of future acquisitions.

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