

Q3 2011 Earnings Call

Company Participants

- Esteban Tejera, General Manager
- Luigi Lubelli, Deputy General Manager of Finance

Other Participants

- Atanasio Pantarrotas, Analyst
- Federico Salerno, Analyst
- Francisco Riquel, Analyst
- Giulia Raffo, Analyst
- Maciej Wasilewicz, Analyst
- Michael Broom, Analyst
- Vinit Malhotra, Analyst

Presentation

Operator

Thank you for standing by and welcome to the Third Quarter 2011 results call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. (Operator Instructions) I must advise you that today's conference is being recorded today, Wednesday, October 26, 2011.

I would now like to hand the conference over to your speaker today, Esteban Tejera. Please go ahead, sir.

Esteban Tejera {BIO 3910673 <GO>}

Good afternoon, ladies and gentlemen. Welcome to MAPFRE's Third Quarter 2011 results presentation. As usual, I will give an overview of the results and the main business developments. Later, Mr. Lubelli will explain the financials in greater detail and finally, we will take your questions.

Please let's move to slide number 3. MAPFRE was once again capable of delivering growth in an increasingly complex environment. This (represents) the expense of the business model and the successful outcome of the strategic decisions that were taken. Premiums grew 12% (sic -- see slides) and revenues about 14% (sic -- see slides).

Funds under management were basically stable due to the negative impact of the market volatility. Excluding mark-to-market adjustments, they would have grown 3.4%. The

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combined ratio has remained broadly stable and below 97% despite substantial catastrophe claims, which is an excellent result. The net result grew nearly 9% while earnings-per-share went up over 6%.

Let's move on to the next slide, please. Here you can see the highlights of our results during this period. Business growth in Spain and abroad has released in this quarter a significant growth in life assurance in Spain. Favorable trends in the loss experience of Direct Insurance, which has mitigated the impact of the natural catastrophes in Asia, the USA, Australia, and New Zealand.

Growth of the non-life financial results, institutional operations we have talked about in the earlier presentations. In this occasion, I would like to refer especially the consolidation of the Middlesea Insurance in Malta and an increase in equity of nearly EUR1.5 billion, which represents 18.6%, driven mainly by the results, the scrip dividend plan, and the agreement with Banco do Brasil and these together which are the new decrease in debt levels.

In the next page, on page 5, there is a breakdown of the main nonrecurring or extraordinary items in 2010 and 2011. The results from the insurance business grew over 6%. In (both) GR we (contained) large earthquake losses in financial (gains). Even adjusting for this, they continue to (grow) at about the same rate underscoring the resilience of our business.

Non-insurance losses have decreased substantially in spite of the EUR6 million write-down of the value of our (inaudible) stock, providing evidence of our stated intention to focus on our insurance operations.

I must note that item other companies and consolidation adjustments includes a EUR40 million provision to cover potential losses in the value of financial investments ranging from the instability in the financial markets. This was included in the first-half results.

Taking into account all nonrecurring items, the results are slightly larger than those of the previous year, a performance that can be viewed as very satisfactory in the present business environment. The decrease in earnings-per-share reflects the impact of the capital increases derived from the reinvestment of dividends.

Please let's move on to the following slide. Here you can see the agreement of our Board of Directors, who has resolved to pay an interim dividend of EURO.07 per share, the same amount paid in 2010. The total amount paid out is 3% larger as a result of the (dividend reinvestment) capital increases during the year. The interim dividend in this occasion will be paid out fully in cash with no risk dividend option.

In page 7, there is a breakdown of the main figures. In the first half of this year, debt stands below EUR2 billion. It has decreased a further EUR180 million in the Third Quarter while equity has increased despite the substantial market volatility. As we highlighted in the first half, total equity including minority interest has grown considerably after the transaction with Banco do Brasil, enhancing the fall in our leverage ratios.

Finally, I would like to draw your attention to our very strong solvency 1 ratio which remains in line with year-end 2010, (in) half 2011 for 285%.

I will now hand the call to Mr. Lubelli, who will comment on our financials in greater detail.

Luigi Lubelli {BIO 4108780 <GO>}

Thank you, Esteban. Good afternoon, everybody on the line, especially those following us through the Web. With no further delay, let's please move on to slide number 9.

Here we show our usual breakdown of premiums and profit by region. If we compare it to the first half, the weight of foreign business on total aggregate premiums broke through the 60% threshold on the back of the consolidation of the alliance with Banco do Brasil and also due to the growth differentials of our business growth compared to Spain. By year-end, at present growth rates, this figure may be well around 65%.

Conversely, if we look at profits the reverse happened. The weight of Spain grew from 56% to 58% due to the first compared the first half and that was due to strong domestic profitability and new large catastrophe claims affecting the foreign and global businesses.

On slide number 10, we have the breakdown of premium growth by region. Here the trends are broadly similar to what we saw by the first half. Premiums growth is increasingly driven by North America, due primarily to the development of the Brazilian business, which was considerably accelerated by alliance with Banco do Brasil. And the second driver would be MAPFRE Vida, which benefits from a strong sales performance in the agents network and a successful campaign at CatalunyaCaixa in the Third Quarter.

Growth was also notable at MAPFRE Re, which benefited from strong new business inflows and MAPFRE Asistencia due to the consolidation of Insureandgo and the organic growth in Turkey and Latin America.

Premiums fell marginally in Spain due to weak economic activity. However relative to the market, the performance is especially strong in motor and household insurance, which recorded positive growth rates and an increase in market share. However, for your information in motor insurance, we are gaining 0.5percentage point in market share, which now stands at 20.8% and household insurance grew twice as fast as the market, 9% versus 4.5%.

On slide number 11, we have the breakdown of premiums by distribution channel in Spain. If you look at the agents channel, the performance as of the Third Quarter was perfectly in line with the first half and as was the case then, it reflected a strong performance in the life savings business and falling sales in commercial insurance.

The bank assurance channel shows quite a different picture compared to the first half in the lifeline thanks to a successful campaign at CatalunyaCaixa. The sales through this bank

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also explained the strong performance in the non-life business, which in this case is very much in line with the first half.

On slide number 12, we have the development of technical results. At the consolidated level, the figure is only marginally worse than 2010, which given the catastrophe claim is an excellent result, as was already noted by Mr. Tejera.

MAPFRE Familiar had a technical result in line with the first half. The ratio is lower than in 2010 thanks to strong underwriting performance, which more than compensates for the increase in the expense ratio which among other things reflects the launch of VERTI.

Global, MAPFRE Global Risks showed a strong improvement over 2010 when it was strongly affected by the Chilean earthquake. Compared to the previous quarter, the ratio deteriorates due to a higher severity of loan catastrophe claims.

Empresas is recording a very strong year thanks to exceptionally good frequency in severity compared to the previous quarter, the rate of deterioration in the Third Quarter but I think it's fair to say that the levels were extraordinarily low until the first half.

MAPFRE America shows a marked improvement as of the Third Quarter compared to both the previous year and the previous quarter, which is the first half as the general insurance business of the alliance with Banco do Brasil has strong underwriting results.

Asistencia is positively affected by the relative strength of the euro, which lowers the cost of foreign claims. That's a trend we've been seeing throughout the year.

MAPFRE Re was strongly affected by a long series of catastrophe claim in the year. If we compare it to the previous quarter, there is a slight deterioration due to tornadoes in the US and an update of the losses incurred in previous quarters.

MAPFRE Internacional is very much in line with the first half and is negatively affected by catastrophe and weather-related claims. Specifically beginning in the Third Quarter, it was affected by claims caused by Hurricane Irene.

On slide number 13, we have the non-life account. I have explained already at length the development of premiums and losses in the previous slide. As far as the expense ratio is concerned, we see an increase which is driven by the cost of launching VERTI in Spain, greater weight of the business originated through brokers and new channels in the business (source) abroad, and the costs linked to the setting up of the infrastructure of the alliance with Banco do Brasil.

The figures are clearly affected on -- the up by the consolidation of insurance growth, Banco do Brasil, Seguros, and Middlesea. Compared to the previous year, realization gains are basically half of what they were. In this quarter, we have seen an improvement in the ordinary or recurring, whichever way you want to call it, financial income which was mainly driven by an improvement at MAPFRE Familiar and MAPFRE America.

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On slide number 14, we have the life account. I think I will skip the comment on premiums. We already talked about that. The underwriting and financial results, as was the case as of June, reflects a result of about EUR140 million recognized upon the establishment of the alliance with Banco do Brasil. And here, too, the figures are affected on the up by the insurance operation of CatalunyaCaixa, Banco do Brasil, Seguros, and Middlesea.

On slide number 15, we have the account of other business activities. Here the situation is very much in line with the first half. The revenues and expenses fall sharply compared to the previous year and that's due to the sale of MAPFRE Quavita's assistance business.

We have the net financial income which shows a larger loss. A big chunk of it comes from the loss on the sale of the shareholding in Banco de Servicios Financieros. Conversely, we have a positive impact from MAPFRE Inmuebles whose revenues are now recognized here. Previously they were recognized in the life and non-life accounts. That was partly offset by an appropriation of a EUR6 million provision for property stock depreciation in this quarter.

Then clearly as the debt amounts are falling, we are paying a smaller amount of interest payments.

The result of minority interests reflect as was the case in the first half, our share in the results of Banco de Servicios Financieros until we were its shareholders, which was until the First Quarter of this year.

On slide number 16, we have the development of results by subsidiary. This is very much in line with what we already show in June. MAPFRE America stands out because of the gains recognized after the granting of the authorization to create an alliance with Banco do Brasil as well as the profits which are increasingly flowing from this alliance.

The contraction in MAPFRE Familiar reflects the large realization gains recorded in 2010. If you were to adjust for these type of gains in both years, the net income would have grown approximately EUR35 million or 15%.

MAPFRE Internacional suffered a significant fall due to large weather-related and catastrophe claims in the US partially compensated by larger realization gains.

MAPFRE Re also suffered a fall due to series of catastrophe claims. MAPFRE Global Risks conversely shows a strong improvement this year basically because it was strongly affected by the Chilean earthquake in 2010.

As said before, MAPFRE Empresas is benefiting from lower claims frequency and severity as well as cost containment.

On slide number 17, we have the bottom line. If we compare it to the first half, we see an acceleration in the growth rate of pretax profit. That is mainly due to the consolidation of

the alliance with Banco do Brasil, which also has an impact on the tax rate and the minority interest.

We have a negative impact of EUR16 million arising from the restatement of financial accounts in Venezuela. It is a larger charge than in the previous year, which is, what about - then was about EUR12 million. And we have a lower tax rate due to the positive tax impact of the sale of the shareholding in Banco de Servicios Financieros as was the cases of June.

Slide 18, we have the balance sheet. We -- here clearly there's a strong impact of the consolidation of the alliance with Banco do Brasil of Middlesea, which is reflected this quarter, and as a respectively large amount and of insurance -- of Insureandgo.

The appreciation of the euro against most currencies has clearly a negative impact in terms of the value of the asset that we consolidate from them. Unsurprisingly, we have a negative impact from the increase during the risk premium (modes), the under market value of investments.

We see a decrease in cash balances. We saw it in the previous quarter. It's even further in this quarter because we redeemed the senior bonds which matured on July 12 of this year.

Finally on slide 19, we have the variation in equity. The impact, as was said (inaudible) of about EUR1.5 billion, that's everything here is detailed. We have the results clearly, the accumulative results of September. The negative impact of the volatility on the market value of investments which is partly offset by shadow accounting, negative translation differences because as I said also already on previous slides, the appreciation of the euro reduces the value of our investments abroad.

Then other items which is large -- mostly that is due to the consolidation of the minority shareholdings in Banco do Brasil. Then there we have in the scrip dividend and as a negative element, we have the decrease in minorities as a result of the acquisition of the shareholding in MAPFRE International, which previously was owned by Caja Madrid Cibeles.

That's all on my side and I'm giving back -- handing back the call to Mr. Tejera for the Q&A session.

Esteban Tejera {BIO 3910673 <GO>}

Thank you, Luigi. Well you have now our figures and we are available for you for questions. Thank you.

Questions And Answers

Operator

(Operator Instructions) Vinit Malhotra, Goldman Sachs.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Just you mentioned the very strong growth in property lines, almost double the market growth. I also picked up that there's a huge improvement in the combined ratio in property.

Now again, and I've asked this question in the context of motor for you in the past, but how is it that you are growing so much faster and also improving combined ratios so rapidly? I quickly gather it was around an 81% combined ratio for Third Quarter in property. Thanks. That's the main question from my side. Thank you very much.

A - Esteban Tejera {BIO 3910673 <GO>}

Good afternoon. Well the growth differentials in property lines are because we're doing something right in the sense that clearly it's because of product competitiveness and because of the sales efforts of our distribution network.

On the household line, there is also a positive contribution coming from the inclusion of CatalunyaCaixa. On the motor line, we have a positive contribution from the launch of VERTI, which is clearly contributing sales to our group. So that I would say is the main reasoning of the main explanation for the increase in sales.

Why is the combined ratio falling? As I said before, there's a very strong improvement in MAPFRE Empresas that is clearly strongly felt even at group level because the frequency and severity are low. That's a consequence of the slower level of economic activity. It is not all bad news from that.

Motor insurance, I mean the property lines, the retail property lines are doing (better) -- there the swings usually are not as large. You have to remember that last year in the health business we were negatively affected by the cancellation of the civil servants lines, which no longer affects the accounts this year.

Last year we also had very bad weather. This year it was only bad. And burial insurance also is doing well this year. Does that answer your question?

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes, between first half and between second -- between first half and Third Quarter in Familiar business property, there's a very big change in combined ratio and I was just wondering if there's anything else to be known here. But thanks a lot. I can appreciate that's you must be doing something better than the market. Thank you very much for that.

Operator

Atanasio Pantarrotas, Chevreaux.

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Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Yes, good evening to everybody. I have some question. First of all, I would like to have an overview of the trend of the motors in Spain. If there is some pressure due to competition tariffs because I saw that your number of declines increased while the premiums remained flat, or there is just a change in the coverage of your client in the motor policies?

Another question regards the impairments, the potential impairments on Greek bonds. If I am not wrong, you made the provision of EUR40 million due to the poor trend in the financial markets in the last quarter. But if I am not wrong, I don't see any impact of any -- on any write down on Greek bonds. If I remember where you have almost EUR400 million of Greek bonds par value and I would like to know if we can expect something to be impaired in the full-year results?

A final question regards the joint venture in Brazil. I would like to know what was the contribution of your bank assurance partners, not the premium of the joint venture but just the premium driven by your partner Banco do Brasil in the Third Quarter? And if it is possible to have the split between life and nonlife premiums? Thanks.

A - Luigi Lubelli {BIO 4108780 <GO>}

Good afternoon. Now let's go one by one. You are absolutely right you have to bear in mind it's not necessarily -- the market remains competitive. I don't think there has been any time at which it wasn't in motor insurance. As far as we are concerned, you have to bear in mind two trends, mainly one, you are right indeed this is a crisis time so customers are somehow making their policies lighter by giving up some covers and that clearly means that per policy, some of them are paying less than before simply because they are buying less coverage.

Then there's also some impact coming from VERTI. VERTI because of its positioning in the market is a company that sells as an average premium which is comparatively lower than let's say the traditional MAPFRE business. So as far as we are concerned, that would be an explanation.

Indeed there was no impairment, no additional impairment on the Greek bonds. We have the EUR40 million provision. We did not have EUR400 million in market value. We have not given a figure as of the Third Quarter but as of June, it was EUR225 million roughly. That was the amount then.

We will see by year-end -- we are clearly all expecting developments here and as we -- as clearer information becomes available, then we will have a clearer idea of what to do with this bond.

At any rate, these bonds are fully marked to market against our equity and you have to bear in mind that the average market price of these bonds, well, you know that better that I do -- but it's about EURO.35 on the euro. So that's quite a harsh reduction and that's fully recognized in our equity.

I'm afraid I cannot give you the precise contribution from the joint venture itself. What we are providing in the presentation we are giving the figures for Brazil as a whole. You find them in the statistical appendix. That information -- (multiple speakers)

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Sorry, just to follow up, EUR225 million was the Greek bond exposure --

A - Luigi Lubelli {BIO 4108780 <GO>}

The market value as of June, that was it. That included an impairment of EUR101 million. If you gross it up, taking into account the tax rate, you come up with a figure of about EUR370 million at that time in June. At that time, it was trading at about EURO.40 on the euro -- EURO.45 on the euro. Now it's about EURO.35.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Okay. Thanks.

Operator

Maciej Wasilewicz, Morgan Stanley.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

Just on that second point on the impairment of Greek debt, the question I would have is looking at the shadow account, which works to sort of prevent the fall or works to I guess offset some of the unrealized losses in the Greek debt, I'm just wondering how much of the shadow account relates to Greek debt?

A rough calculation is kind of hard to do here, but would I be right to say that somewhere between EUR100 million and EUR200 million of the shadow account might be related to Greek debt or is it much smaller than that?

And also related to that question, the EUR40 million provision, I had understood that was a provision against general potential impairments rather than specifically Greek, or is that wrong? Is it specifically related to the Greek exposures? Those are my two main questions.

A - Luigi Lubelli {BIO 4108780 <GO>}

Good afternoon. Actually the Greek bonds are no longer backing life reserves, so there's no shadow accounting mitigating their impact, so the shadow accounting would not mitigate that. The provision that was appropriated in June was not specifically earmarked for Greece but clearly not surprisingly that is the class of assets where let's say that the odds are highest that some loss might be suffered upon. So that's the most likely application of those amounts. But it wasn't specifically earmarked for Greece. It is in our half yearly accounts anyway.

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Q - Maciej Wasilewicz {BIO 16462204 <GO>}

So the Greek bonds are no longer being backed by shadow accounting. What about Portuguese and Irish? Are they still being backed or they also not being backed by the shadow account?

A - Luigi Lubelli {BIO 4108780 <GO>}

We would have to look into that for you. The shadow accounting is such a large portfolio, to give you precisely how much and which it's difficult for us to answer you now, but we know of the interest of the Greek bonds. We know the Greek bonds but we would have to look into that for you.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

Thank you very much.

Operator

Giulia Raffo, Autonomous.

Q - Giulia Raffo {BIO 7573856 <GO>}

Thank you very much. Just one follow-up on Greece. If I am doing my math correctly and I think about -- let's assume you use the EUR40 million entirely on Greek impairments. You would assume that you have implicitly allowed for only a 15% haircut because EUR40 million after tax would be roughly EUR60 million pretax, which against EUR375 million of gross exposure would suggest 15%. Would that be a fair calculation?

Then presumably you can give us a sense of how much was the available for sale negative for Greek bonds at the end of September.

Then moving away from this, just one question. You haven't given us what has been the profit contribution from the Caixa-Catalunya joint venture at the nine months in (terms of like) profit before tax and minorities. I was wondering if you can give us that number?

My final question is on the Banco do Brasil joint venture and more broadly on South America. Was there anything exceptional in the Q3 net income from South America and if not, one consideration I would make is that the topline is growing and it's 50% stronger in Q3 than it was quarterly in 2010. So when I look at the net income contribution in Q3, you had a lower net income contribution from MAPFRE America that you did have normally on a quarter in 2010. So I was wonder if there was any exceptional in Q3 2011 that depressed the South America net income? Thank you very much.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay. Good afternoon. Congratulations by the way. So your calculation is fair. Yes indeed, if you take the figures that would be 15%. I would once again stress the fact that our investments in Greece as well as in mostly any other assets is fully marked to market to our equity. So at this moment if these loans are trading at EURO.35 on the euro, that's fully

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non-equity. Non-equity, we have a loss of EURO.65 on the euro after tax clearly and after minorities, which is already fully recognized.

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes. But that's true for all the issue on stock, right? Everybody in Europe has got these bond debt (multiple speakers)

A - Luigi Lubelli {BIO 4108780 <GO>}

I don't know, I say --

Q - Giulia Raffo {BIO 7573856 <GO>}

-- available for sale. No one has not taken any impairment, if I might say.

A - Luigi Lubelli {BIO 4108780 <GO>}

Well whatever, fair enough. We have at this moment -- there is frankly not much clarity. I think it's an easy guess that some impairment will be but we don't know what the scale of that is. What I think is that from a -- from what I understand your viewpoint should be, which is what's the equity worth? Well the worth of the equity already fully recognizes an adjustment which is to my knowledge harsher than the harshest which is being considered now. So it might be a way of recognizing it or somehow truing it up through the P&L but frankly from a valuation standpoint unless I'm missing out of something major, it doesn't make much of a difference.

Q - Giulia Raffo {BIO 7573856 <GO>}

No, of course. I'm just saying that's true for all of the insurance companies.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay, but yes, the Catalunya calculation was fair. I think I have not noted down well your second question because I have sense some negative -- well, yes, yes, okay, fine. We have not given the actual value of the investment but as I say, we are all handling the same figures. The bonds on average were roughly trading at EURO.45 on the dollar in June. Now they are trading at about EURO.35 on the euro, so it's a 10% loss. So you know, you can do the math fairly easily.

Anyway the figure taken all into account is not so tremendously large at our level. I'm afraid I cannot give you the C&D profit for Caixa-Catalunya because we don't disclose the profits of the various less bank assurance JVs, so I don't have that figure for you.

Q - Giulia Raffo {BIO 7573856 <GO>}

Because you did give it at the first half.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay, I don't know. Now I don't have that figure as of September.

Q - Giulia Raffo {BIO 7573856 <GO>}

If we can have it for the full year, that would help because it give us a sense on how the price you paid, how much is working out as time goes on. Because clearly you spend EUR450 million plus, so it is interesting to see out how the net income contribution develops.

A - Esteban Tejera {BIO 3910673 <GO>}

Giulia, I (inaudible). When we talked in June about this figure. I have not (hear) such figure, but it is -- perhaps I don't remember exactly and it's not public, but I think that we are over EUR62 million of profit in this. It is true that this has more profit in comparison with our investment but as I said in June, it is a profit that keeps increasing. And the contribution is growing and I think that in the near future we can see how they are improving and the life assurance part of the growth comes from here this quarter.

And in non-life they are working very well also. So it's early to take a position about the profitability or not of this investment as I have said before. We are working very well with these partners and I think that the possibilities of our growth are important.

A - Luigi Lubelli {BIO 4108780 <GO>}

On your last question, Giulia, there are not any exceptional (fecto senso) in America. What is happening is that as was the case in June, we've had to incur in some expenses for the setting up of the alliance with Banco do Brasil with all the infrastructure and those expenses are bearing on the results. They are not exactly an exceptional. You may want to consider them an exceptional. It's the expenses being recognized this year for the setting up of the joint venture.

You have to bear with us a bit with that because it's fairly recent, so it's still in the process of being setting up and some activities that were previously performed by another provider are now being transferred to MAPFRE.

Then the exceptionals with what you would term as exceptional extraordinary items or anything of the sort, no, there's nothing. There's nothing to report in this quarter.

Q - Giulia Raffo {BIO 7573856 <GO>}

Okay, that's clear because roughly last year there has been some swing between quarters but you made roughly EUR50 million per quarter as a MAPFRE shareholder share of South America. You made roughly EUR200 million. So I was expecting you to achieve something of that kind whereas clearly Q3 was EUR34 million, so that is why I was trying to figure out if there was some exceptional, but perhaps those were not costs. Can you give us a sense if it's like 2, 3 points in the expense ratio? Would that be fair or is it --?

A - Luigi Lubelli {BIO 4108780 <GO>}

Honestly I cannot give you that figure. I don't have it precisely but you have to bear in mind just to graphically explain it to you, we are hiring people and we are hiring people in sizable amounts. You can see that in the (CNMB) filing, in the other document we filed

today you will see that the staff in the foreign operation is increasing considerably and so that's clearly -- that clearly bears on the expenses.

Q - Giulia Raffo {BIO 7573856 <GO>}

Okay. Thank you.

Operator

Federico Salerno, MainFirst Bank.

Q - Federico Salerno {BIO 2565091 <GO>}

Yes. Good afternoon. Just a question on MAPFRE Internacional. I noticed the combined ratio stood at 1.07, basically unchanged on the first half. I was expecting some decline. Can you just say what's going on in there and what the outlook is for the remainder of the year? Thank you.

A - Luigi Lubelli {BIO 4108780 <GO>}

Good afternoon, to you. So were we until the hurricane came, so I'm afraid that's the long and short of it. We had further catastrophe losses. Basically it's about 7percentage points which are added this year between weather-related and catastrophe claims of the total combined and I'm afraid that's what happened in the Third Quarter.

Q - Federico Salerno {BIO 2565091 <GO>}

Can you say how many points to the loss ratio were added by weather?

A - Luigi Lubelli {BIO 4108780 <GO>}

I think it is in the presentation. I think it's exactly 7.3percentage points.

Q - Federico Salerno {BIO 2565091 <GO>}

In the Third Quarter, that is.

A - Luigi Lubelli {BIO 4108780 <GO>}

In the Third Quarter, I don't know, but basically if I'm not wrong the combined ratio stood flat between the first half and the Third Quarter (cumulative), so there must not be too much of a difference (inaudible). Let me just -- just bear with me for a moment please, Federico.

The combined ratio itself is standing flat. However, as of the first half, the impact of weather-related and catastrophe losses was 5.8percentage points and is now 7.3. So it's about 1.5 additional percentage points from the sort of losses in the quarter.

Q - Federico Salerno {BIO 2565091 <GO>}

Okay. Thanks.

Operator

Francisco Riquel, N+1.

Q - Francisco Riquel {BIO 3050316 <GO>}

Yes. Good afternoon. Just a brief question because most of them have been answered already. It's in the reinsurance business it's another unit which as well as the US that you were commenting on is also operating with a combined ratio of about 400% in the Third Quarter. And I thought the catastrophes were already recorded in the first half. So if you could please update on the trends here, what you expect going forward for the reinsurance business? Thank you.

A - Luigi Lubelli {BIO 4108780 <GO>}

Good afternoon, Paco. As I said in the main explanation of the account, what happened here is that the Company was affected by the tornadoes in the US, which were an additional catastrophe claim of the Third Quarter and then as you may imagine, as the year goes on, we are receiving updates on the claims that ceding companies are reporting to us from the catastrophes occurred in the first half. So there has been an update of those losses which has been higher than the initial estimate as of the close of June. So those were the two main reasons for the increase in the loss ratio in MAPFRE in the quarter.

Q - Francisco Riquel {BIO 3050316 <GO>}

Thank you.

Operator

(Operator Instructions) Maciej Wasilewicz.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

Thanks for taking a second one from me. I was going to actually ask -- someone mentioned the US results that was unfortunately hit by weather claims again in this quarter. I wanted to know because there is a substantial portion of goodwill that is backed by the commerce group business over there. I was wondering first of all, when you do your calculation for the net present value of cash flows to test the impairment of that goodwill, do you use actual historical results so you would include these weather losses? Or do you strip these weather losses out as a one-off and then you sort of project higher results into the future on stripping those out?

Secondly, would you -- how close is net present value of future profit streams to the value of the goodwill plus the equity in commerce group? Is there a big buffer or is it fairly close given that we've had a number of unlucky bad years?

And finally, if you did have to impair that goodwill, could it be a partial impairment or would it just be writing off the whole lot in one go?

A - Luigi Lubelli {BIO 4108780 <GO>}

That's quite a lot of non-public information I cannot give you. I'd say in essence when you - when we do the impairment based on our goodwills at year-end it's basically a valuation like any other. So clearly you try to ascertain what's the underlying and separate what's non ordinary from the underlying.

This year as we were saying before, the impact of the catastrophes is really massive, so that clearly is something that must be borne into account. I have to say that we have had a fair deal of bad luck with commerce that one has to be honest since we have taken on this company, but clearly the fact whether some losses are ordinary or extraordinary clearly is taken into account when -- it's a valuation like any other, basically.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

Because I think on an underlying basis it's probably not so bad when you add back in the weather losses.

A - Luigi Lubelli {BIO 4108780 <GO>}

No. It's not that bad, actually, no.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

But if you did have to impair -- I guess you probably don't have to, but if you did, would it be possible to just impair it slightly or would you have to write off the entire amount?

A - Luigi Lubelli {BIO 4108780 <GO>}

Well I have to check it out with our colleagues, but you basically make an adjustment compared to your value. It's not an entire write off. You compare it to the expected present value and to the extent that it's below, you correct it until you reach the level which is below, but it's not, that full 100% write down.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

That's very clear. That's very clear, thank you.

Operator

Michael Broom, Berenberg.

Q - Michael Broom {BIO 1868182 <GO>}

Good afternoon. I just had three hopefully quick questions. First on MAPFRE Internacional, you are just saying first-half weather and cat was 5.8 points and that was 7.3 points at nine months, which kind of implies a three quarter circle for loan was close to 10 points.

Now whatever that number is, 8 or 9 or whatever, of that Third Quarter, how much is generally relating to the Third Quarter or is any of it relating to a revision of the first half estimate? That's the first question.

The second question is just on slide 33. I think it was touched on previously but I think in the past you have indicated how much of that Brazil premium relates to the newly consolidated Banco do Brasil joint venture. Just looking for you to give that number so I can work out what the growth would have been without that joint venture. I think that's a number you've given before.

And third and finally, apologies for my confusion, coming back to the CatalunyaCaixa profit, my recollection was at the half year, you said profit before tax was EUR36 million, whereas just now in your response, you mentioned a number I think EUR62 million. I'm not entirely sure what that EUR62 million is. Is it a pretax/post-tax? What time period it is? Or maybe simply my recollection of EUR36 million being the profit before tax for the first half was incorrect. And just maybe if you can help me where I am getting something wrong.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay, let's go piece by piece. Good afternoon, firstly. The losses in MAPFRE Internacional were fully on the Third Quarter. There was not any material adjustment of previous quarter figures.

As far as Brazil is concerned, I am afraid you might be getting confused with the figures we were giving before for MAPFRE (inaudible) actually which is a company that now has been folded into the new -- the structure of the new alliance with Banco do Brasil but it actually did not give up as of the first half the specific premiums coming from the alliance.

Q - Michael Broom {BIO 1868182 <GO>}

Sorry, Luigi, can I just dive in? Maybe I'm looking at the first half slide pack and I must be misinterpreting the footnote to slide 34 for the first half. The footnote 2 to slide 34 back then said that the figures for Brazil include the following data, referring to the business contributed by Banco do Brasil, premiums EUR202.4 million. So I just asked what that EUR202.4 million number on slide 34 previously would've been if you had included it on slide 33 today?

A - Luigi Lubelli {BIO 4108780 <GO>}

You're actually right. The one who was confused was me. No you are right about the figure Banco do Brasil is up the first half but no, what we have done in this quarter, we have given the full P&L of the Brazilian operations in the statistical appendix. So you have all the figures for Brazil in the appendix.

Q - Michael Broom {BIO 1868182 <GO>}

That's fine, okay. If you're not going to give it, that's obviously fine. And on CatalunyaCaixa --

A - Luigi Lubelli {BIO 4108780 <GO>}

I'm afraid that might have been our poor English because we did not give that figure.

Q - Michael Broom {BIO 1868182 <GO>}

Let me go back, sorry. I don't think you gave the figure but if I remember at the first half, there was a table that showed -- I don't know whether it was premium growth or profit growth -- it must have been profit growth obviously and I think there was a footnote at the bottom of that table that said all the profit growth instead of whatever it was reported, would've been something else without CatalunyaCaixa. And so you could back into what the CatalunyaCaixa contribution was. So anyway, that was my estimate.

Anyway if you can't kind of comment on that, can you just clarify for me what the number was that was referred to a few minutes ago when you're talking about CatalunyaCaixa? I thought you said something like EUR62 million but I'm not sure that that's the right number or exactly what that number was anyway.

A - Esteban Tejera {BIO 3910673 <GO>}

Excuse me, when I have talked before about CatalunyaCaixa, I said that I haven't here the figures but I remember that we are nearly EUR50 million before taxes. Unfortunately I can't give you such a figure because I don't have it here.

Q - Michael Broom {BIO 1868182 <GO>}

That's fine, and nearly EUR50 million before taxes, was that the first half or the nine months?

A - Esteban Tejera {BIO 3910673 <GO>}

Excuse me?

Q - Michael Broom {BIO 1868182 <GO>}

When you say the number was nearly EUR50 million before taxes, was that the half-year or the nine months?

A - Esteban Tejera {BIO 3910673 <GO>}

The nine months, yes.

Q - Michael Broom {BIO 1868182 <GO>}

Okay, perfect, so profit before tax, CatalunyaCaixa nearly EUR50 million for the nine months. Thanks very much.

Operator

(Operator Instructions) There are no further questions at this time. Please continue.

A - Esteban Tejera {BIO 3910673 <GO>}

Well thank you. There's no more questions. I would like to thank you again for attending our presentation and I hope that we will meet again for the total 2011 GR presentation day -- months coming. Thank you.

Operator

Ladies and gentlemen. that does conclude our conference for the day. Thank you for participating. You may all disconnect.

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