

Q1 2011 Earnings Call

Company Participants

- Esteban Tejera, General Manager
- Jesus Amadori Carrillo, Head of IR
- Luigi Lubelli, Finance Director

Other Participants

- Andreas Van Embden, Analyst
- Atanasio Pantarrotas, Analyst
- Francisco Riquel, Analyst
- Giulia Raffo, Analyst
- Marcus Rivaldi, Analyst
- Masish Vasilovich, Analyst

Presentation

Esteban Tejera {BIO 3910673 <GO>}

Thank you. Good afternoon, ladies and gentlemen. I would like to apologize for the rescheduling of our conference call due to technical problems with our providers of technical advice.

Welcome to MAPFRE's First Quarter 2011 results presentation. As usual, I'll give an overview of the results in the main business developments, and later Mr. Lubelli will explain the financials in greater detail.

Finally, we will take your questions.

Please let's now move to slide number three. The performance in this First Quarter of 2011 reflects several traditional strengths of MAPFRE. Diversification with the foreign business driving group growth, proven underwriting with exceptional results in spite of large catastrophe claims and recurring financial income.

As you can see in the slide, the revenues grew by 4%. The premiums went up by 3.7%. Funds under management grew by 12%, due primarily to the consolidation of the business of CATALUNYACAIXA which compensates for the fall in the market value of the assets.

And the combined ratio fell nearly 1percentage point, and both profits and earnings per share grew by 13.5% and 10.2% respectively, which is a significant improvement.

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Going to slide four, we have here the highlights of our results. In non-life we have sustained growth of the international business, as is usual in the last quarters.

And a larger market share in motor and home insurance in Spain. Even in the situation in Spain from the point of view of growth is not good in general, we were able to grow 0.2% in motor insurance against a decline of the market of 2.2%.

And in home insurance we had the growth in home owner's multi risk of more than 8%.

In Life there is a lower issuance in Spain as a result of the different schedules for sales campaigns in bancassurance channels, primarily due to the situation of the interest rate in Spain.

As you remember, last year in this period we had a very significant campaign coming from Caja Madrid due to the different situation of the interest rate at that moment in 2010. And this was offset partially by the business growth in Latin America.

The technical results from non-life had a favorable development, especially in Spain, and even if we had to absorb the impact of the earthquakes in Japan and New Zealand.

As I announced in the 2010 final results presentation, MAPFRE continue to focus this activity in insurance operations and we have reached, during the quarter, an agreement with Caja Madrid to transfer our shareholding on MAPFRE Banco do Servicios Financieros Caja Madrid-MAPFRE. So we continue focusing our activity in insurance, which is our specialty.

There is also news in this quarter, is the authorization for the establishment of the joint venture with Banco do News has been granted at the end of the quarter. So we will be able to consolidate these operations in the Second Quarter of this year.

Let's move on to the following slide where you can see the evolution of profits and earnings per share. As I have already note, both grew significantly against the same period of 2010.

In slide number six we explain the terms of the operation with Caja Madrid in order to transfer -- to acquire the 12.5% shareholding held by the savings bank in MAPFRE Internacional. And the operation is completed by the selling of our stake in Banco Caja Madrid-MAPFRE of 49% roughly. And this operation includes a payment of EUR188.6 million to CAJA Madrid in compensation for our acquisition of the 12.5% in MAPFRE Internacional.

It's important to note that this agreement maintains our strategic alliance for both the groups signed in 1998, and the cooperation between our respective distribution networks will continue.

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I would like to remember here that it's not only a bancassurance agreement, but also an agreement to sell banking products through the network of branches of MAPFRE.

As a result of the transaction, an impairment of the EUR40.8 million before taxes has been accounted in our First Quarter results, which is reduced to EUR3.4 million after taxes and minorities due to the tax deductibility of the losses generated by the bank so far.

So after this operation has been authorized in these ways, we will complete the operation in the next weeks and Banco Caja Madrid-MAPFRE will disappear off our perimeter of consolidation.

Let's now move on the following slide where, after the meeting of the Board of Directors this morning, the Board approved a scrip dividend operation in order to finance the acquisition of the 12.5% stake in MAPFRE Internacional which is the percent as I note before, payment of EUR188m. The operation is in the same scheme that the previous ones and the issuance price will be fixed at the end of May.

On slide eight we explain how the consolidation of operations with Banco Do Brasil and the conclusion of agreement and the subsequent authorization in place for us the necessity of recognizing our result corresponding to the cancellation of market value of the put option we held on the 51% shareholding in MAPFRE Nossa Caixa Vida E Previdencia and was granted to MAPFRE upon its acquisition.

This result amounts a contribution to the consolidating result after taxes and minorities of EUR96.8m.

In page nine there is a breakdown of the main non-recurring or extraordinary items in 2010 and 2011. In both years, accounting results contain exceptionally large earthquake losses and financial gains.

The good news is that adjusting for these, the profit of the insurance business continues to grow about 10% and that non-insurance losses have decreased significantly reinforcing our stated intention to focus on our insurance operation as I said before.

If we move to the following slide you can see the main figures of our Group in this quarter compared with the same quarter 2010.

I will now hand over the call to Mr. Lubelli who will explain our financial in greater detail.

Luigi Lubelli {BIO 4108780 <GO>}

Thank you, Esteban. Good afternoon, to you all. Let us move to slide number 12 where we find the usual breakdown of premiums and profit by region and business.

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As is to be expected, taking into account growth differentials, the weight of the foreign business went up again bringing in 54% of premiums against 49% in the same period of 2010.

Conversely, adjusting for the non-recurring items and earthquakes claims in both years, the contribution to insurance profits of the foreign business has fallen from 50% roughly in 2010 to about 40% this year due to the strong improvement in underwriting profits in Spain.

On the next slide number 13 we see a summary of premiums growth. It has come primarily from Latin America with increases of 24% in non-life and 10% in Life over there. Brazil remains the main contributor and brought in 11% of MAPFRE's total consolidated premiums.

Among the main drivers of the growth was the commercial insurance business, as well as the success of several sales initiatives, and a distribution agreements undertaking in the past quarters.

Growth was also remarkable at MAPFRE Asistenica thanks to the travel insurance business written through Insure And Go, the company we acquired last year in the UK and organic growth in Latin America.

Growth was also significant in MAPFRE Re, reflecting a successful renewal campaign and at MAPFRE Internacional, owing to larger business volumes and tariff hikes in the US and Turkey.

The Spanish business shows a contraction that is concentrated primarily in Life, due to a different timing of sales campaigns in the bancassurance channel.

The fall in the non-Life business reflects primarily the slow growth of the economy.

Moving on to the next slide number 14, we find the breakdown of sales by distribution channel in Spain. Agent sales in the Life business fell modestly in Spain due to the intense competition for savings, especially from banks.

The fall in non-Life came primarily from the motor and commercial line.

Life bancassurance sales fell, as I said before, due to the different timing of sales campaigns. Non-Life sales on the contrary grew, primarily due to the consolidation of insurance business of CATALUNYACAIXA which brought in premiums for slightly over EUR9m.

On slide number 15 we find the development of technical results. Mr. Tejera already spoke about that. The combined ratio shows a considerable improvement compared to the same period of the previous year. More specifically, the loss ratio fell 2.7percentage

points, which reflects primarily the impact of the Chilean earthquake in the same quarter of the previous year which affected very strongly MAPFRE Re and MAPFRE Global Risk and MAPFRE America.

This year we also have two earthquakes; the Japanese and the New Zealand earthquakes, which only affect MAPFRE Re, and also have a very large impact but an impact which however, is comparatively smaller to the impact of the Chilean earthquake which is then a positive effect.

MAPFRE Familiar had a strong performance thanks to a much smaller weight of weather related and civil servant claims. As you remember, last year we had especially bad weather in Spain and we still had in our books the civil servant's business. This was reinforced by a very benign experience in household and peril insurance this year, as well as strong growth in net premiums earned.

MAPFRE Empresas benefitted from exceptionally low frequency and severity.

And MAPFRE Re from very good result, resulting from the closure of the previous year accounts.

This was very strong positive impact overall which compensated for the significant spike at MAPFRE Internacional where we suffered from severe weather related claims in the US.

On the contrary, the expense ratio went up, mainly due to the impact of reorganization costs of the Spanish distribution network, the costs linked to the launch of Verti and the rise of VAT in Spain which was especially noted at MAPFRE Familiar.

The acquisition expenses went up at MAPFRE Global Risk, basically because of the relative growth of Internacional business which is mostly intermediated through brokers.

On slide number 16 we find the explanation of the non-Life accounts. I think I have already covered at length the drivers of premium growth and the combined ratios. I will not repeat that again. Only to note that the financial income decreased compared to the First Quarter of 2010 due to smaller realization gains last year. As you can remember, the amount was quite large.

On slide number 17 we have the Life accounts. Here, as I have already said twice, we have different schedule for sales campaigns in Spain. That's really the most significant impact and leads to a contraction of premiums. With respect to the previous year, that was partly compensated by business growth in Latin America.

We see a material increase in the underwriting and financial result. This is because the gains in Brazil Mr. Tejera was referring to previously, are reflected in this line and they compensated for lower underwriting results in Brazil and smaller business volume in the quarter in Spain.

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All these figures include the consolidation of the operations of CATALUNYACAIXA which last year were not there.

On slide 18 we have the other business activities. Here we see that both revenues and expenses fall considerably. That has an explanation. MAPFRE Quavitaie is reclassified as a discontinued operation, so we no longer show their figures here but just as a line before the very bottom line. Then a decrease in business volumes as we know in insurance operations of MAPFRE Familiar.

The net financial income, you see that shows a much larger net negative balance than the previous year and that's because it includes the impairment from Banco De Servicios Financieros Caja Madrid-MAPFRE that Mr. Tejera referred to.

If you adjust for that, the figure is broadly similar to that of the figures here.

The results from minority interests, on the contrary, improved notably because of an improvement once again in Banco De Servicios Financieros Caja Madrid-MAPFRE.

On slide 19 we see the variation in profit at the operating companies. There is a very large improvement in MAPFRE America which, once again, reflects the gains in Brazil we already cited. If you were to exclude that, the profit would grow about 10%.

The MAPFRE Familiar shows a contraction on the other hand. This is because last year they had realization gains. They actually have realization gains also this year but on a much smaller scale.

If you adjust for both in both years, net income would have grown roughly 25%, about EUR20 million more.

As I said, MAPFRE Internacional suffered from large weather related claims in the US which explains the fall in its profit.

MAPFRE Re also shows a fall due to earthquake related claims in Japan and New Zealand. They also had some impact from the floods in Australia.

MAPFRE Global Risk was significantly affected by the Chilean earthquake in 2010. Given that they no longer have that this year, they have a strong improvement.

And as I said before, MAPFRE Empresas is benefitting from lower claims frequency and severity.

On slide number 20 we find the bottom line. As Mr. Tejera pointed out, we have an underlying result growth of 2.2%. We have the restatement of the financial accounts in Venezuela which basically is a comparable impact. It's not material.

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We have a larger income tax because of the rate applied to the results recognized in Brazil. Last year, conversely we had a comparatively lower tax rate because of the significant weight of realization gains in Spain.

As we have seen in other quarters, the minority shareholders grow faster than the net result because of the growing contribution from bancassurance JVs in Spain and from the international operations in which we have minorities.

On slide number 21 we have the balance sheet. The page shows the main explanations. We clearly have been affected by the depreciation of the US dollar and generally speaking of the American currencies.

You will notice a decrease in the cash balances. That is mainly due to the fact that we have decided to reinvest part of them in longer dated assets. As was to be expected, the market value of investments has fallen due to the volatility in the markets I believe you are all aware of.

And in terms of magnitude, compared to the same period over the previous year, we have the consolidation of CATALUNYACAIXA and of Insure And Go; primarily CATALUNYACAIXA.

Finally, we find on slide 22 the changes in equity. We see a decrease from the close of the previous year. As I said before, we are negatively impacted by the volatility in financial markets, although, as usual, we are shadow accounting compensating to a large extent for that.

We have negative translation differences. Last year we have a gain. The overall, the net balance is quite large. It's more than EUR330m. Of course, there is a dividend approved by the AGM and the results of the quarter.

That is all from me. I'm handing the call back to Mr. Tejera for the Q&A.

Esteban Tejera {BIO 3910673 <GO>}

Thank you, Luigi. Well as usual, we are available for you for questions. Have you any questions?

Questions And Answers

Operator

We will now begin the question and answer session. (Operator Instructions) Your first question comes from Francisco Riquel of N+1. Please ask your question.

Q - Francisco Riquel {BIO 3050316 <GO>}

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Yes hello. I have a couple of questions. First is on the rationale for returning to the scrip dividend. You mentioned that this is to finance the position of the minorities in MAPFRE Internacional. So I would like to understand what's the impact on the solvency ratios from this acquisition because I understand the goodwill of this acquisition is bringing is small, is limited whereas the impairment for the sale of the banking business is small, and you are also having a material capital gain in your Brazilian operations to the capital base. So in other words, why a capital increase for such a small acquisition? I mean there is anything new in the capital models, in Solvency II? You are more concerned with the risk of your investment portfolio at this point in time? So this would be the first question.

Shall I make the second question?

A - Esteban Tejera {BIO 3910673 <GO>}

Francisco, if you want we can reply to the first question. Well it's true that our situation capital was comfortable and the amount of the operation is not so big. But in any case, there is a necessity of paying EUR188m. That's a cash problem, not a capital one. But there have been some changes in the last year in the requirements of capital in the (technical difficulty) of (604) that would require more investment for the same -- more capital for the same investments, mainly the investment located in Spain in real estate. There is also some concerns about the possible evolutions of the split in this month mainly in Portugal.

So we can't survive without dividends obviously. But we feel that these operations will have a impact -- positive impact in the future in our stake in MAPFRE, in the Banco De Servicios Financieros Caja Madrid-MAPFRE, and at the same time, we had more requirements of capital even in the same situation than before.

But the 12.5% of the MAPFRE Internacional also introduced a little bit more requirements from the insurance risk in our capital model even if we have now goodwill in this operation.

Summarizing, we can do or not do this scrip dividend, but the final decision of the Board this morning has been to make these scrip dividends.

A - Luigi Lubelli {BIO 4108780 <GO>}

If I may add Paco, there is a technical element. The minority shareholders are one of the components of the economic capital. So to the extent that we are losing a part of that, that basically makes up for the loss.

As far as the Brazilian impact is concerned, you are right there is also a negative foreign exchange impact in our accounts. So basically, one kills out the other. So they are compensated for one another. So it's basically a way of maintaining capital, economic capital levels where they are.

Have we answered your question Paco or do you need further clarification?

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Q - Francisco Riquel {BIO 3050316 <GO>}

Yes it is very clear, thank you. I will now proceed to the second question which is now that you have already the regulatory approval for the Brazilian JV, if you could please update us with some numbers and the impact from the consolidation of Brazil. What would be the pro forma income that you would consolidate?

The impact on the combined ratio, I have seen that you are approaching 100% combined ratio already in your Latin American operations. Would it have fallen below 100% if consolidating Brazil?

Impact in net profit would it be accretive or not?

ROE, Latin America, how would it look like?

So updates on the impact on Brazil.

A - Luigi Lubelli {BIO 4108780 <GO>}

Paco, we have not released any figures basically because we think/hope that the consolidation will take place in the Second Quarter of this year. So hopefully, with the figures of June -- from June onwards, you will see the contribution of the JV coming into our accounts.

I think the latest pro formas we gave about this were last year. I think it was with the Goldman Sachs conference presentation. So I wouldn't be able to give you more information.

At that time -- I mean historically the combined ratio of the operations of Banco Do Brasil was below, slightly below the level of the operations of MAPFRE. So theoretically, it should dilute the combined ratio down if things stay as they were. But as I say, we don't have updated pro formas for that.

Q - Francisco Riquel {BIO 3050316 <GO>}

Okay. Thank you.

Operator

Your next question comes from (Masish Vasilovich) of Morgan Stanley. Please ask your question.

Q - Masish Vasilovich

Hi, Masish from Morgan Stanley. I'll take two questions if that's possible.

The first question I'd ask is on just whether or not you can reveal whether or not reserve releases played a material role in your combined ratio overall or in particular markets this

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quarter.

And also a request that, if possible, it would be useful to get that reserve release information perhaps in the presentation in the future. So that's I guess a request.

The second question, I just want to ask is to do with the Bankia situation. Whether or not there's any further statements you can make about what you know about the intentions with MAPFRE stake. Whether it might be transferred into various different organisms within the Bankia restructure, or alternatively also what MAPFRE's intentions are; whether or not MAPFRE can categorically rule out supporting a Bankia IPO?

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay. Good afternoon Masish. As you rightly point out, we have not given the figures for the reserve releases, so that amount we cannot give you.

What we can tell you from a qualitative standpoint is that they were not material in these accounts. So they were not significant.

With regards to the second question, perhaps Esteban will.

A - Esteban Tejera {BIO 3910673 <GO>}

Yes. Good afternoon. Well our relationship with Caja Madrid allow us to be very comfortable for the future as partners of Bankia in the bancassurance business. But it's very early to know how this actually where we are at from the point of view of the evolution of this business where a lot of (inaudible) should be done in the near future inside this operation where our partners have more than 50% of the operation as you know.

From the point of view taking a stake in the capital of Bankia it will depend on how this operation will be planned in the future and from an independent approach from MAPFRE because if the conditions of the operation are good, we are the original investors and we can take a stake. In any case this stake will be as investor and not as a stake as a position of the reference partners of the operation.

So from the point of view of our position as bancassurance, our -- the evolution of the business will mark our position there and I think that we must wait for the future.

As possible shareholders of the Bankia we are insurers and we are institutional investors and we will invest in Bankia as far as the conditions of the issue of the new capital in Bankia provides us the rationale of a good investment from the point of view of the profitability. And this, in any case, would be within the limits of our prudent investment policy in MAPFRE in stocks.

Q - Masish Vasilovich

So would it be correct to say then, based on the fact that you invest as an investor rather than a strategic partner, that the size of any stake that you purchase in Bankia would be relatively small? Would that be fair to say? I guess you can't put a figure on it but I guess if you're just an investor, you wouldn't take a \$0.5 billion stake or anything like that would you?

A - Luigi Lubelli {BIO 4108780 <GO>}

Just a second Masish.

A - Esteban Tejera {BIO 3910673 <GO>}

Yes, our position will be more as an institutional investor than a preferential partner as a general rule. But it will be depend obviously on the conditions of the issuance.

Q - Masish Vasilovich

Yes. Thank you.

Operator

The next question comes from Giulia Raffo of Autonomous. Please ask your question.

Q - Giulia Raffo {BIO 7573856 <GO>}

Thank you very much. Good afternoon. My first question relates again to the rationale for the dividend reinvestment plan. I understand what you said beforehand about maintaining your capital level unchanged, but it has to be said that when we look at the cash flow of EUR188m, EUR189m, that you have to pay as a compensation, that should be around the level of a quarterly free cash flow generation from your part. So I would have expected you to be able to fully compensate that with internal capital generation since you are making profit. So I was wondering why did you not take into account the fact that you are only distributing 50% of your earnings in dividend, and therefore every year you are retaining free cash flow.

My second question relates, sorry, as a follow-up on that, should we then expect that if future acquisition opportunities will present themselves in the coming months you would like to maintain your capital unchanged at current levels and therefore we should expect either scrip or capital issuance to finance those?

My third question relates to the gain of EUR90 million plus that you book in Q1 for the Banco do Brasil. I was wondering whether you can clarify the nature of that capital gain. Am I right in thinking there is just this simply a write-up on your current book of business that you will contribute in the joint venture and that is going to be contributed with a valuation higher than its current book value? And if that is the case, should we expect an intangible item to come in the balance sheet to offset that EUR90 million capital gain. Thank you very much.

A - Luigi Lubelli {BIO 4108780 <GO>}

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Good afternoon, Giulia. Okay let's go one-by-one. You are right in your initial conclusion. The fact is that things do not stand still in the sense that it is true that we are earning a profit every quarter, but it's also true that the risks we have to cover move. As the volume of business grows, also the risks we have to cover grow and they require capital, so the capital that is generated is employed.

There are reasons for which we don't pay the full amount of our profits in dividends is because we need that capital and we need that cash for the operations. So that is essential liquidity. It seems that we're only accumulating profits, but as a matter of fact, we're using those profits.

Q - Giulia Raffo {BIO 7573856 <GO>}

Sorry, on that, it's true that you've grown by, if I look at the last 18 months your main growth has been external. I mean organically, your Spanish business has been in a decline, so your risks there have not increased and where you've grown in Spain is because you bought things and what you bought in Spain you financed with scrip. So South America is the only area where you've had genuine organic growth. I can see that not 100% of your profit of free cash flow, but I would have expected 70% of your earnings to be free cash flow. Therefore the delta between the 45% payout and the 70% it should be there to finance those small deals. But as I said, this is just my view. Maybe I'm completely wrong in that.

A - Luigi Lubelli {BIO 4108780 <GO>}

No, you're not completely wrong Giulia. The fact is that I'm afraid it's, you're directionally correct, but then when it comes to the interplay of the various factors and loadings things are not that straightforward. So it depends. Some risks require more capital than others.

Then as Esteban just pointed out before, on the Standard & Poor's side there's also been a, I would say quite substantial increase of loadings on some risks based in Spain which has somehow changed the equation. So you could even say that we've been parsimonious in the use of capital for that purpose. So yes, but no. Your initial conclusion is right, but when you get into the reality of the various loadings, it is more complex than this scrip dividend was warranted and it was not, frankly, such a substantial increase of our economic capital at the end of the day relative to the risk we have to cover I mean.

Q - Giulia Raffo {BIO 7573856 <GO>}

So should we expect that you're happy with the current level of capital. Therefore any future deal, if it comes, should be financed in a similar way?

A - Luigi Lubelli {BIO 4108780 <GO>}

The fact is you're looking for a sworn declaration of our future capital raising plans which I cannot give you. That depends, jokes aside. You're very well linking it to your second question. You know this probably better than we do; it's very difficult to say prior how you're going to finance an acquisition. It very much depends on what you are buying and it especially depends on the profile of the cash flows that the asset you're buying generates. It's not the same, and I'm not telling you anything you don't already know, an

asset which does not generate cash immediately perhaps has a higher equity content than an asset which is immediately cash generating a large amount. So I cannot tell you. That's an answer I cannot give you. It depends on what you're buying.

Q - Giulia Raffo {BIO 7573856 <GO>}

If you thought that EUR190 million investment warranted a scrip, it's fair to say that you would not like to deviate materially from your current solvency situation. Is that fair?

A - Luigi Lubelli {BIO 4108780 <GO>}

Well we're trying to preserve it, as we said before, where we clearly, we don't want to weaken our capital position and also, as you also know very well, this a moment of great uncertainty with respect to Solvency II and how it can affect you. So doing funny things with your capital structure at this time perhaps is not the most sensible approach.

As I said before here, the models have plugs and one of the plugs in the model is the minorities. In this case, it was very clear. You extract a certain amount of minorities so your capital is left limping, if you wish, on that side and the replacement plug is the scrip dividend in this case.

Then we also have to see how much money is raised through this scrip dividend. We know how much money we have lost. I wouldn't assume that penny by penny or cent by cent we're actually going to raise exactly the same money, but broadly that's kind of the thinking behind that because this case you have like-for-like. If it were an acquisition, it would have to be dealt with in a different way.

Does this clarify your -- does this answer your question Giulia?

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes, yes, very much.

A - Luigi Lubelli {BIO 4108780 <GO>}

And do I take it that I also answered your question on future acquisition opportunities?

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes, yes, fair enough. I wasn't expecting more on that.

A - Luigi Lubelli {BIO 4108780 <GO>}

And in terms of the option, basically this is a bit contorted but I'll try to explain it. In many, if not in every, bancassurance agreements there's always put options granted on both sides for those instances in which, for some reason, one of the two partners has to leave the JV. And so we had it in the case of Nossa Caixa.

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So given the fact that there was change in ownership due to the movements of assets because of the alliance with Banco do Brasil, that option had a value and we could have exercised that option. However, given that we have agreed to contribute this asset along with other assets to the JV --

Q - Giulia Raffo {BIO 7573856 <GO>}

You're not cashing in anything?

A - Luigi Lubelli {BIO 4108780 <GO>}

It's not a matter of cashing in, but basically you're relinquishing an option which has a, which is in the money, and it's part of several asset movements that you're doing as part of the transaction. So this value becomes recognized as part of the transaction, together with other values.

Q - Giulia Raffo {BIO 7573856 <GO>}

Right, so am I right that there will be an intangible compensation for it at some point in Q2 when you're going to consolidate?

A - Luigi Lubelli {BIO 4108780 <GO>}

I heard your question on intangibles. With respect to that one, I will hold my answer until the next quarter because this transaction is so complex and there are so many movements from an accounting standpoint, because true there are movements on the intangibles, but true also there are movements on the reserves. So in order to get the whole picture and which, by the way, we don't have because it's been done just now. I mean it's being processed now. I would ask you to wait to the next quarter, supposing, you mean, this finally takes place, as we hope and expect in the next quarter you will be getting much more precise information on this one. Presently we don't have it.

Q - Giulia Raffo {BIO 7573856 <GO>}

Thank you. Just a very, very quick one. Can you tell us the net/net contribution of CATALUNYACAIXA, because you highlight EUR16.5 million pretax, pre-minority. I assume the net number should be between EUR7 million and EUR8m, but I would just be curious to have the net/net figure.

A - Jesus Amadori Carrillo {BIO 17699282 <GO>}

Sorry, I'm Jesus. The calculation is pretty simple. It's 16 times 50 times 70%. So net/net it would be pretty much what you said, EUR5m.

Q - Giulia Raffo {BIO 7573856 <GO>}

EUR6m, yes okay. So are you still satisfied about that transaction with EUR24m, EUR25 million earnings power against EUR450 million spent 12 months ago.

A - Esteban Tejera {BIO 3910673 <GO>}

Giulia, I'm Esteban. We are just starting. We are just starting and this quarter has been very, very tough for everybody in bancassurance in Spain. Especially in CATALUNYACAIXA they have had a lot of other problems.

But in any case, the way they are working is a very professional one and I think that in the near future the condition of the interest rate change for better, from the point of view of launching these kinds of products, the figures will improve. In any case, in non-life they are working very well and we will see the fruits of this in the near future, I hope.

Q - Giulia Raffo {BIO 7573856 <GO>}

Thank you.

A - Esteban Tejera {BIO 3910673 <GO>}

Thank you.

Operator

Your next question comes from Marcus Rivaldi of Morgan Stanley. Please ask your question.

Q - Marcus Rivaldi {BIO 5739374 <GO>}

Good afternoon, gentlemen. Just two questions for me. Could you give some sort of sense about the cash position of the holding company given the sort of requirements for cash over the coming months? You've got the dividend obviously in June. There's some debt repayment coming up in July. The minorities, I guess we have to wait for when the authorizations occur, but obviously the consolidated numbers you've given, it's roughly about EUR980 million something like that, and this is potentially an outgoing of over EUR700m. Granted there's obviously the scrip option in there as well.

Then just giving some further clarification about your intentions about that July senior debt repayment as well please.

A - Luigi Lubelli {BIO 4108780 <GO>}

Good afternoon, Marcus. Thank you for the question. I think it's relevant for everybody. As I was telling Giulia before, when we decide both the dividend payments and we make our capital budgeting we take into account all of these aspects.

The -- clearly we have incoming and outgoing cash at the holding company, plus we're have in lines. So taking into account, if you're asking, basically I take it that these two questions are linked. If your question is whether we are planning to raise additional funding in order to repay the EUR270 million maturing bond on the July 11, the answer is no. We believe we have enough cash resources through the dividends we're going to receive and through uncommitted or unused credit facilities to be able to repay that amount without going to the markets. Am I answering both questions or am I leaving anything out?

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Q - Marcus Rivaldi {BIO 5739374 <GO>}

No I think that is exactly right It's obviously uncommitted credit. Could you just clarify exactly what the headroom under that is at the moment please?

A - Luigi Lubelli {BIO 4108780 <GO>}

Well you will find it in the presentation on slide, now I'm telling you on which slide you'll find it on, it's at the beginning of the Appendix and it's slide 45. So we have a syndicated credit facility which matures in 2013 which at the close of March had EUR260 million drawn, so it had EUR240 million undrawn.

Q - Marcus Rivaldi {BIO 5739374 <GO>}

EUR240 million undrawn, okay, sorry. I beg your pardon.

A - Luigi Lubelli {BIO 4108780 <GO>}

Plus the incoming cash etc, etc, etc.

Q - Marcus Rivaldi {BIO 5739374 <GO>}

Okay and that would fill the gap, okay. Thank you very much.

A - Luigi Lubelli {BIO 4108780 <GO>}

You're very welcome.

Operator

(Operator Instructions) Your next question comes from Atanasio Pantarrotas of Cheuvreux. Please ask your question.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Yes. Good afternoon to everybody. I have two questions. The first related on the financial income in the Non-life business. Can you provide in the slide number 16 which part of the EUR193.5 million of revenues came from the financial income and the related figure in Q1 '10?

The second question, again, on the joint venture in Brazil. Just to clarify, the realized gain of EUR98m, is it linked to the disposal of part of the Life business to your partner or it's a different story? Thank you.

A - Luigi Lubelli {BIO 4108780 <GO>}

Good afternoon, Atanasio. I believe you will find the information you're looking for regarding the Non-life accounts, otherwise you can tell me if it's not on slide 50, where you have a breakdown of the financial income. There you should have enough information to compare these two quarters. I wonder if you can check it out whether that provides the information you're looking for?

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Okay.

A - Luigi Lubelli {BIO 4108780 <GO>}

So you have the financial income and then we show you how much is realized capital gains and how much is ForEx. So deducting those you get the underlying in both years. And if you will, your net/net balance will be a growing financial income because of larger financial income in Latin America and higher returns in Spain. The average reinvestment rate is higher last year than it was last year.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Okay.

A - Luigi Lubelli {BIO 4108780 <GO>}

And the second question, well of course, it is in the sense that it's not as if we, we wouldn't have been able to recognize this amount had it not been for the granting of the authorizations. So yes it's a gain that is recognized within the framework of the -- but it has to be understood it's not because of the option itself. It's recognized in the framework of the whole transaction with the bank.

As you remember, when we announced it the first time there also will be a cash payment by Banco do Brasil reflecting the differences in the -- the net amount of all the differences that go into this one. Unfortunately this is a very complex transaction. That was part of my answer to Giulia. It is very difficult to say this item precisely is valued this much. It's a combination of many movements of assets which leads to net balances.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Okay. Thanks.

Operator

Your next question comes from Andreas Van Embden of JPMorgan. Please ask your question.

Q - Andreas Van Embden {BIO 1795530 <GO>}

Yes. Good afternoon. I've a question about MAPFRE Re. Are you able to describe what type of exposures you have in Japan and how much of the EUR150 million net cat loss for the quarter was Japan and how much was New Zealand and/or Australia?

The second question as well on Japan is what is the maximum loss, or your peak exposure, for the Japanese quake?

And the last question is this year did you also underwrite hurricane risk in the US or quake risk in the US? Thank you.

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A - Luigi Lubelli {BIO 4108780 <GO>}

Okay, very detailed questions. Marcus let's see. The nature of the exposure is essentially property the one we have. I cannot give you, because it's not disclosed, the precise amount of Japan. Also bear in mind one thing, Japan is an amount that is being assessed. The devastation was significant so also the information that's coming from the receiving companies is yet to be collected in full.

What I can tell you is that we have tried to be as prudent as we could possibly be. So we'd rather approach it conservatively, and in that respect, although the maximum amount which we could lose is not disclosed, I can tell you that we're not that far away from that amount. So we've tried to be prudent in this regard with any information that is scant to some extent. Now I think everyone is trying to make their best efforts to tell exactly what their exposure is but you can only get that far.

In terms of quake exposure to the US I don't have that information with me. I don't know. It doesn't ring a bell as one of the biggest exposures we have in MAPFRE quake to the US. Hurricanes is part of the exposures we have and it's priced according to market. We do have that exposure. Quakes I'm not that sure. But I know in MAPFRE what is most likely to affect us would be a quake in Latin America as was the case last year in Chile. They would be among the top PMLs, but the US does not ring a bell as one of them.

Q - Andreas Van Embden {BIO 1795530 <GO>}

No, but is the US PML, is that more or less the same as Japan or LatAm or well below?

A - Luigi Lubelli {BIO 4108780 <GO>}

That amount, you're asking me amounts which are not disclosed so I cannot answer your question, but I can tell you in terms of qualitative exposures. MAPFRE, because of the business it writes and because of the countries where it is present is primarily exposed to events of that nature, let's say, in Latin America. It is evident that we have been affected by Japan, so there it's there. But the largest ones would still be, the largest PMLs would still be there. I think it is difficult to see one that is larger than Chile last year, so that gives you perhaps a benchmark in order to gauge to what extent we are exposed.

Q - Andreas Van Embden {BIO 1795530 <GO>}

Okay. Thank you.

Operator

Your next question comes from Masish Vasilovich of Morgan Stanley. Please ask your question.

Q - Masish Vasilovich

Hi, it's me again. Thanks for taking the second question from me. Well I guess the third and fourth question actually, because my third question would be just on the Caja Madrid situation again, we know that there's break clauses that tie up various distribution

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agreements within the Bankia structure at the moment such, and we've heard from some of your competitors that those break clauses are extremely punitive in that actually leveraging a competitor out of Bankia could be an extraordinarily expensive move. I guess I'm just wondering whether or not you can, in any way quantify what we can expect from there, or alternatively, give us some kind of a timeline as to when we might be able to get a little bit more information on that front?

And I guess the last question I'll ask is just whether or not it might be possible to publish PMLs in the future for the Reinsurance business given that it's now becoming a very, very significant -- well a more significant part, of your overall business.

A - Esteban Tejera {BIO 3910673 <GO>}

Thank you. We are not tied for all the agreements that we sign. So if Bankia had previous agreements, it's a question that Bankia must solve. We, as possible or future partners in this kind of business, will assess this business according to the business plan they prepare in the future. But how to solve previous problems is not our concern in this case.

So I think that the situation now is that we must wait for several months to know exactly how the situation evolves in Bankia and in other, these kinds of agreements with other banks and institutions. And I think that part of the process is to restructure the commercial networks and to solve this kind of previous agreement they have with different partners. Then, when the situation is clarified, we can talk about a new business plan, how these business plans affect the future evolution of the business and then be able to assess a value for this kind of business. Talking now is too early for that.

Q - Masish Vasilovich

Okay.

A - Luigi Lubelli {BIO 4108780 <GO>}

With regard to your question on the P&L Masish, I take note of your suggestion/recommendation. I classify it along the requirements with the reserve releases. This is something we will have to speak to our reinsurance people.

At times I'm under the impression that you feel that we actually are not releasing information because we like to be opaque. In reality is that some informations are sensitive from a business standpoint. So we will have to see to what extent they feel comfortable with revealing that information without that being detrimental to their commercial interests. But for the moment we have no intentions, we have no plans to release the PMLs.

Q - Masish Vasilovich

Okay. Thank you.

Operator

There are no further questions at this time. Please continue. There are no further questions at this time. Please continue.

A - Esteban Tejera {BIO 3910673 <GO>}

Well thank you for being with us and as usual I hope we join again in the next Second Quarter presentation. Thank you. Bye.

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