

## Q4 2012 Earnings Call

### Company Participants

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

### Other Participants

- Chris Esson, Analyst
- Federico Salerno, Analyst
- Luis Pena, Analyst
- Marcus Rivaldi, Analyst
- Niccolo Dalla Palma, Analyst
- Raphael Caruso, Analyst
- Rodrigo Vazquez, Analyst
- Vinit Malhotra, Analyst
- Will Hardcastle, Analyst

### Presentation

#### Esteban Tejera {BIO 3910673 <GO>}

Good afternoon, ladies and gentlemen. Welcome to Mapfre's full year 2012 results presentation. As usual, I'll give an overview of the results and the main business developments, and later Mr. Lubelli will explain the financials in greater detail. Finally, we will take your questions.

Please, let us now move to slide number two. You know in Spain 2012 will not be remembered as the best year in business history. Abroad the year was challenging also, but although it was challenging, it was not so much.

The only significant event was the Hurricane Sandy. Against this backdrop, Mapfre delivered a strong performance. Revenues grew 7.5% exceeding EUR25 billion for the first time. Premiums grew a strong 10%, exceeding EUR20 billion, actually EUR21 billion, for the first time. Funds under management went up nearly 6% and the combined ratio fell 1.5percentage points to 95.4%, which, taking into account impact of Hurricane Sandy, was a very solid result, (inaudible) underwriting profits.

The return on equity stood at 9%, a very respectable figure in this environment. The net profit fell around EUR300 million or 31% to a net attributable figure of EUR665 million. This figure must be analyzed bearing in mind that this was achieved after recognizing

writedowns and other losses amounting to EUR630 million, pretax. Adjusting for this and other items, such as the cited hurricane, the underlying profit growth was strong at -- was increasing at a strong 9.6%.

Please move to the next slide where we have the highlights of the year results. Mainly, I would like to underline the (inaudible) of our Group. We have increased our diversification from the point of view of geography, and we have continued to grow organically, and we have now a very healthy balance after the impairments we have done in the financials and real estate, mainly in land.

As I said before, the organic growth has driven the growth of the Company, and especially the international business. In non-life we have an excellent combined ratio, and, for the first time, we report a combined ratio that is under 100% in our business in Latin America. In life insurance, we have improvement in the current (inaudible) domestic business, and the growth of the life business in Latin America, mainly in (inaudible) in Colombia.

From the point of view of the balance, we have made a significant effort to reduce exposures, that, together with the appropriation of reserves for the impairment of financial and property assets, otherwise to have a clean balance at the end of the year.

In the meantime, we have increased our own funds in the sales of EUR750 million, reflecting the results of the year, the recovery in the value of financial assets, particularly in the second half of the year, even if this was partly offset by the appreciation of the euro.

Let's move on to the next slide, please, where we report the non-recurring items that were especially relevant in last year. With a total net amount of (EUR276.3 million) this is the main difference with the figures we had reported in the Third Quarter, even if we incur the biggest part of our financials in the first half of the year.

We have reported the negative results of financial instruments that include primarily the writedowns of securities used by Bankia. The difference here versus the figures of June is that here the (inaudible) of the shares of Bankia is reflected at the year-end quotation of the shares. And we have here, also, the impairments for Cattolica (inaudible) the previous figures reported for the Republic of Greece.

We have also negative results from property that include provisions appropriated to cover potential losses, mainly on land. And this is one special item this quarter, due to the fact that the Board of Directors and the management, after the (inaudible) of the (inaudible) real estate assets of the banks that have been stabilized, (inaudible) the commitment of having our land at a proper price (inaudible) a third-party assessment of the land. The new price of the land is included according to this total review of the land in our portfolio, according to the new circumstances of the market in Spain.

The impairment on intangible assets mainly relates to the goodwill relating in the insurance business with CatalunyaCaixa.

(On the whole), Mapfre was able to absorb these charges thanks to its strong underlying profitability, which is proving these charges (inaudible) taking our net result close to EUR950 million.

Please move on to the next slide. Here we try to show how the assets that were submitted to more uncertainty have evolved in our balance sheet.

The exposure to Bankia shares at the end of the year in our balance sheet is only EUR11.5 million. Exposure to land is EUR442 million, with total provisions appropriated that represent 40% of the acquisition cost.

We must keep in mind that part of our land portfolio was acquired previous to the initiation of the financial crisis in Spain, and this explains this average depreciation of 40%.

And now, the Greek debt that was a concern in previous years is now totally out of our balance sheet, because we have sold the (inaudible) total portfolio on this financial asset.

So this represents, in total, less than 4% of Mapfre's own funds.

In slide number seven we show how we made a commitment in September about increasing our strength, our capitalization, our liquidity, and our financial flexibility. As of December, we can report the issue of three-year EUR1 billion senior bonds that I suppose you know very well for the news was the first issue of senior bonds in the Spanish market that was made by Mapfre when the markets opened in the (third) quarter of last year.

With this EUR1 billion in senior bonds, we have consolidated our (inaudible) facility of EUR500 million we had with maturity in the spring of this year, and we have reduced (inaudible) with additional liquidity, a longer line of credit at EUR500 million with maturity in the spring of 2014.

During the quarter, last quarter, we have increased our available cash by EUR230 million, and the solvency ratio at the end of the year is 261%.

In the slide number eight, we underline the success of the bond issue launched in November, where the demand was 3.7 times the amount we underwrite or issued, and it's important to say, also, that we had received the trust of our large clients in the renewal period and subscription of the reinsurance, the global reinsurance campaign at the beginning of the year, which is very important for us.

On page nine, the Board of Directors has approved to give the General Assembly the approval of a final dividend against the 2012 results of EURO.07 per share. Thus, the total dividend proposed against the 2012 results amounts to EURO.11 per share.

In 2012, the dividends paid in cash, without any operation (inaudible) dividends, amounts to EUR370 million.

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I will now hand the call to Mr. Lubelli, who will explain the financials in a little detail.

**Luigi Lubelli** {BIO 4108780 <GO>}

Thank you, Esteban. Good afternoon, everyone.

Please, let's move on to slide number 11. On this slide, as usual, we have the breakdown of premiums and results by geographical area.

This year foreign operations contributed over two-thirds of our premiums, up from 62% a year ago, and, as you will see on the following slide, Latin America was the main driver of this trend. In terms of profits, the contribution was similar, at 62%, up from 45% a year ago, that is, 17percentage points more.

This figure, of course, has to be interpreted. It's a bit unflattering for Spain, and that's because Spain bore the lion's share of negative items this year.

If we use the recurring profit information that you will find on the next slide, as well as in the appendix, we see that the foreign operations contributed 48% of total insurance profits, that is to say, about half, half from just one-third a year ago. This picture is fairer, but anyway, by no means less spectacular. The contribution of the foreign subsidiaries in terms of profits has been really substantial this year.

We have -- Mapfre, as you know, does not have any projections of its own, but we have the projections by the monetary fund, which was the economic growth of 3.5% in Brazil, 2.5% in the US in 2013, while for Spain it foresees a 1.5% contraction. So I have no crystal ball, but (inaudible) guess would be to expect a continuation of this trend in 2013.

On slide number 12, we have the information by business areas. It is evident that Latin America and, more specifically, Brazil, have considerably increased their weight over total premiums, reflecting, mainly, organic growth and the consolidation for a full year of the operations with Banco do Brasil. I remind you that last year, we did not consolidate five years of the month -- five months of the year, excuse me, of the Brazilian operations.

This contribution from the Latin American operations to growth was, in terms of weight of the total figures was compounded by the 4.5% contraction in Spain.

A very similar reading can be applied to profits, with the caveat on non-recurring items I just made on the previous slide. Generally speaking, like we saw in previous quarters and in recent years, Spain, the Americas, and reinsurance continued to bring in over 90%, 9-0, of premiums and results.

On slide number 13, we get a more detailed view of the non-life results. The international insurance division is, by far, the main contributor to growth this year, in terms of premiums. The main drivers were organic growth in Brazil, Venezuela, Mexico, and Turkey, along as

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the full-year consolidation of Brazil I just mentioned, and the depreciation of the euro against a number of currencies, including the US dollar.

The growth in the underwriting results was driven primarily by Brazil. The figures for this country are affected positively by the reclassification in the non-life account of some lines of business, which, until the Third Quarter of this year, were included in the life business of that country. That is, on a quarterly basis, is a swing that you may have noticed already.

Equally important in terms of the underwriting results was the improvement in Mapfre Re and Mapfre USA, which were comparatively less affected by natural catastrophes. They did have Sandy, but Sandy was not as large as the catastrophes we recorded last year.

Most subsidiaries recorded significant improvements in their combined ratios. The only exceptions were the Spanish business, whose combined ratio remains exceptionally good, however, it's higher than it was in 2011, and Mapfre Asistencia, which grew primarily in lines characterized by comparatively higher loss ratios.

On slide 14, we have the specific information on the non-life accounts. I've already explained the main trends. In addition to the information I just talked about, I would like to highlight the EUR200 million combined impact on net financial income. That is, last year it had gains of EUR100 million, and this year it has losses of EUR100 million. So it's a net impact, on a comparative basis, of EUR200 million. If we exclude this, the underlying figure is growth around 10%, and that was driven by recurring financial income.

We also have the discontinuation of part of the Argentine operations. As you may already know, we have agreed to sell two subsidiaries to an Argentine group, and that depresses premium growth, but it does improve the combined ratio. I think it's 0.6percentage points of the Mapfre America combined ratio.

On slide 15, we have the life business, seeing, in absolute terms, life premium growth was driven overwhelmingly by Brazil and the rest of Latin America, although it has to be said that the other subsidiaries grew very respectably. It's just that the sheer size of the Latin America contribution was very large.

Even the Spanish business, which here appears to have contracted, which it has, had a very good year, because that contraction compares with a 9% contraction for the market at large. As a matter of fact, in Spain we have increased our market share 0.5percentage points to 11.4%, thanks to the strong performance of the agents channel, and the winning of corporate pension transactions in the amount of EUR350 million.

If we look at the technical and financial result, it experienced a contraction due to writedowns in the Spanish business, the reclassifications of some lines of business in Brazil I just talked about -- that, of course, flatters the non-life account and depresses the life account -- and a higher loss ratio in the reinsurance business.

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These negative developments were partly offset by an EUR18.3 million gain Mapfre America we talked about in previous quarters on the purchase of the 35% stake in La Mundial which it didn't own, and the consolidation for a full year of Middlesea, which this year benefited from positive mark-to-market adjustments.

On slide 16 we have the life account, but, basically, I've already told you everything there is to say on this account, so I will move on to the next, the other business activities. Here you can read the explanations, I think. The one -- compared to the Third Quarter, the item that stands out the most is the negative result from the land portfolio, which closed the year at a negative figure of EUR200 million. This is one of the largest items in our non-recurring accounts, which goes down to EUR140 million, after tax.

On slide 18 we have the bottom line. Here I would like to draw your attention to the fact that, despite the charges Mr. Tejera referred to, the pretax profit only fell 16.2% or EUR265 million, and that was thanks to the strong underwriting results and to the growth of our international business.

But then we see the bottom line falling, not 16%, but 31%. The difference is due to the larger weight of minority interests -- that is obvious, given the strong growth and greater contribution of the alliance with Banco do Brasil -- a higher tax rate, due to the greater weight of results from the international business, Brazil is taxed at 40%, and if I'm not wrong, the US is taxed at a higher rate, also, and then there is a negative item of the discontinued activities in the Argentine business -- they don't weigh that much, but they contribute to the difference.

On slide 19, we have the balance sheet. Here, basically, the main variations are spelled out in the comments. We have the impairment of goodwill and portfolio acquisition expenses. On an equity basis, that was compensated, to a significant extent, by the de-recognition of earn-out liabilities connected with these goodwill items.

The cash and equivalent fell year on year because its partial reinvestments in financial investments, even though, as Mr. Tejera said, on a quarterly basis it went up by about EUR250 million.

Investments in liabilities, technical liabilities that is, go up because of growth and because of the recovery in the value of the securities prices.

Then we also have a benefit from the -- well, not a benefit, a detriment, of the appreciation of the euro against the currencies with a great weight in the business.

As usual with the full-year accounts, we provide a breakdown of the investment portfolio. On slide number 20, you have the main figures. Really, there are no major variations against the breakdown in 2011. The weights remain pretty much the same. The only thing I can note here is a slightly lower weight of Spain and a higher weight of Latin America.

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On slide 21, we have a breakdown of the fixed income portfolio. Here again, no major differences with respect to 2011, except for the fact that the sovereign debt portfolio weighs comparatively more and is more diversified than it was a year ago.

Third, a breakdown of investments, once again, of the fixed income portfolio on slide 22. Here there are slightly more significant changes, but which I believe you must be aware of already by this time. It's a big swing between the weights of the AA and the BBB-rated debt, and that, as you all can imagine, is due to the downgrade in Spain's sovereign rating. Aside from that, everything pretty much stays the same, except for a slightly higher weight of guaranteed debt.

Here we have, on slide 23, the changes in equity. We'd like to note that shareholders' equity grew in excess of EUR750 million during the year. Here we have several changes. We have investments available for sale, which recovered very strongly in the second half of the year.

We closed June with a loss investment available for sale of EUR300 million, and we closed the year with a gain of EUR1 billion, and that is because the recovery on an equity basis, after tax, the impact of the recovery in the prices of securities amounted to EUR1 billion. As usual, about 50% of that was absorbed by shadow accounting, as we've explained to you several times.

We have sizable translation adjustments, and they are due to the appreciation of the euro against the US dollar and the Brazilian real.

Then, of course, we have the profit for the year, the dividends, and other items, which are a combination of things, but mainly the changes are the final valuation of the assets recognized on the alliance with Banco do Brasil, and a reduction in minorities, in which, here, we single out the acquisition of the 35% in Mapfre Mundial.

Finally, on slide 24 we have the capital structure. Bang on the same, I would say, it's just that on comparing to 2011 bank financing and senior debt have swapped places because of the bond issue, and because of the fact that the bond issue was used to pay down the syndicated credit facilities that had been drawn down.

So overall, their weight together is the same. Equity has gone up as a percentage, 1percentage point. Last year it was 83%, this year's it's 84%. And interest coverage and leverage remain at levels that are consistent with a AAA rating.

That's all on my side. I'll give back the call to Mr. Tejera for the Q&A session.

**Esteban Tejera** {BIO 3910673 <GO>}

Thank you, Luigi. Well we have finished our presentation, and now we open the Q&A session. We are available to you.

## Questions And Answers

### Operator

(Operator Instructions) Your first question comes from the line of Will Hardcastle. Please ask your question, from Bank of America.

**Q - Will Hardcastle** {BIO 16346311 <GO>}

All right, guys. Thanks for taking the call.

Can you, firstly, explain what the EUR55 million provision for risks and expenses and other non-recurring items relate to, please?

And the second question is, you've mentioned that land is now valued at 40% of acquisition costs, and the I think the property portfolio is worth around EUR2 billion, but could you tell us what percentage of property that is, relative to its acquisition cost, please?

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Hi, Will. It's Luigi speaking.

Very quickly, the EUR55 million charges in provision for risks and expenses are basically in nature somehow comparable to the reserves we took last year due to the fluctuation of the financial markets, but this time, this refers primarily -- this is a collection, of course, like all provisions for risks and expenses, to (inaudible) accounts, and there you have more details, but essentially the main item there is an expectation that the evolution of demand in Spain might be negative if it continues the trends that we saw in 2012.

As you will read in the slide on Mapfre Familiar, we already mentioned the fact that this year the year was characterized by a contraction in demand. If that contraction were to continue, it could lead to expenses, and that's what we've tried to anticipate with these charges.

**Q - Will Hardcastle** {BIO 16346311 <GO>}

Sorry, what sort of expenses should we expect that would lead to?

**A - Luigi Lubelli** {BIO 4108780 <GO>}

It's essentially expenses related with distribution, the costs, unexpected or unexpected charges that we might have in the Spanish operations if the contraction in demand were to continue.

**Q - Will Hardcastle** {BIO 16346311 <GO>}

Okay. I'm not sure I 100% follow that, actually. It relates to distribution charges that would increase if demand slows down. Is that correct?

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**A - Luigi Lubelli** {BIO 4108780 <GO>}

Not per se. Fees, commissions. It's not anticipation of commissions. It's, let's say, organization expenses and the like.

**Q - Will Hardcastle** {BIO 16346311 <GO>}

Okay, fine. Organization expenses.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

And the figure, the charges we -- they are, the figure you quote for the real estate portfolio is the entire real portfolio, but these charges related to the land. This is the old Mapfre Inmuebles operations, the old real estate development operations, the one we've spoken at length during many previous conference calls.

If you remember, we had that land at about, if my memory does not fail me, EUR720 million, EUR740 million. As of September, if I'm not wrong, we had EUR140 million provision. Then we've had further charges in the quarter which are the ones that we've recognized in the accounts that we are presenting today.

So this refers to the land. On the rest of the real estate portfolio, you will have to bear with me for a moment, but I think that we continue to have unrealized gains. So there -- yes, we have EUR1 billion unrealized gains, still. So there is no need of any charge or provision for the buildings, let's say.

**Q - Will Hardcastle** {BIO 16346311 <GO>}

Sure. And that's being held at around EUR2 billion at the moment.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Correct.

**Q - Will Hardcastle** {BIO 16346311 <GO>}

Okay. Great. Thanks very much.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

You're welcome.

**Operator**

The next question comes from Frederico Salerno from MainFirst Bank. Please ask your question.

**Q - Frederico Salerno**

Thank you. Good evening.

Just on solvency, shareholders' equity was up EUR800 million in the year. Solvency, however, declined roughly 30percentage points. Can you please explain what's going on here?

Then just to clarify, I didn't quite get what the writedown on Mapfre Inmuebles had been in the nine months? Just to understand what the effect was in the last quarter. Thank you.

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**A - Luigi Lubelli** {BIO 4108780 <GO>}

So Federico, the solvency went down simply, I mean, in very rough terms -- the calculation is a bit complex -- but essentially the speed of growth in premiums was faster than the speed of growth in equity, just to keep things very simple. That was basically the reason for the decrease in the solvency ratio. Is that clear, or do you have --?

**Q - Federico Salerno**

Okay, Yes, sure. Yes.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

And the charges for the year as of September were EUR40 million, 4-0, for the land.

**Q - Federico Salerno**

Okay. Also, let's say, there wasn't any major impact from -- adverse impact from Spanish sovereign debt?

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Well no. Actually, on the contrary, it was positive, as I just said, on the investments available for sale.

**Q - Federico Salerno**

No. I mean, on the side of required capital, I was thinking.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Oh. No, no, no, no. No.

**Q - Federico Salerno**

Okay. Thank you.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

You're very welcome.

**Operator**

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The next question comes from Raphael Caruso from Raymond James. Please ask your question.

**Q - Raphael Caruso** {BIO 17417164 <GO>}

Good afternoon, everyone. Three quick questions on my side.

First of all, how do you explain the drop in profitability in LATAM? I mean, your return on equity has dropped from 17% in 2011 to 10% in 2012, and, by extension, is the level of minorities sustainable in LATAM?

My second question, in Argentina, do you expect further declassification? Or can we take the 2012 figure, the premiums, as a new base for our forecast?

And my third question, according to the information on slide six, do we have to understand that your stake in Bankia is now EUR11.5 million versus EUR154 million a year ago, and your Spanish property portfolio is now EUR442 million versus EUR608 million a year ago? Thanks.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Okay. Good afternoon. Let's see, one by one.

The drop in profitability, it's because we had non-recurring gains in Latin America a year ago. We had, if my memory does not fail me, about EUR136 million, which were recognized when we finally could initiate the alliance with Banco do Brasil. If you take our presentations -- I think they are for March and June of 2011, you will find the information about that. Then they are mentioned on slide five of this presentation as a figure.

**Q - Raphael Caruso** {BIO 17417164 <GO>}

Okay.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

So that's the main reason, I would say, because underlying, I think it's doing better than a year ago. It has to be, because the combined ratio has improved substantially.

You asked me whether minorities are sustainable in America, and in my own on available information, I would say so, yes, because we have bought back most of the minorities in the holding company itself this year, from Bankia. So we now have 99.22% of Mapfre America. So at the holding company level, there's really almost nothing. And we bought back -- well, we didn't buy back, we bought the 35% we did not already own in La Mundial in Panama, and then we're left with Banco do Brasil, which, predictably, is not going to change.

The ownership of the stake of Banco do Brasil may change once they lift their holdings of insurance operations, but that will not affect our minorities in our accounts.

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Have I answered your question at this time?

**Q - Raphael Caruso** {BIO 17417164 <GO>}

Yes, perfect. Thanks.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Figures in Argentina -- now, the figures that we have here, I suspect yes. If my memory does not fail me, must be about EUR200 million, about in Argentina, something like that, that is going -- yes, it's already EUR200 million less should be the figure in 2013. And the results should be better, because, as you can see, we recognized losses because of the discontinuation of these operations.

**Q - Raphael Caruso** {BIO 17417164 <GO>}

Okay. So we have to plan EUR200 million less in premiums, that's right?

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Roughly. You know how you can get it? If you go to the non-life account, we give you a figure within/without, and so that's -- right?

**A - Jesus Amadori**

Sorry, Jesus Amadori, Investor Relations Officer. Hi, just to be -- to clarify, the December accounts already exclude the Argentinian operations, the discontinued part of the Argentinian operations. So what you have as of December should be the basis to project 2013.

**Q - Raphael Caruso** {BIO 17417164 <GO>}

Fair enough. (inaudible).

**A - Jesus Amadori**

As of September, however, that wasn't the case.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

The results, however, the results will be better because this year we recognized a charge and the operation will no longer be there next year, so no gains and no charges.

**Q - Raphael Caruso** {BIO 17417164 <GO>}

Okay.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

And slide number six was your last question. What we have there is the value of the stake in Bankia. I mean, basically, you can get to the stake, because we tell what it's valued and

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the price at which we valued it. So you can get it from there. And that's basically what there is.

Just to be clear, the EUR442 million is the depreciated value of the land. There is no buildings in there. It's just land.

**Q - Raphael Caruso** {BIO 17417164 <GO>}

Okay. And do you have the global value or total value or your total Spanish portfolio?

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Well it pretty much coincides with total real estate portfolio overall, because we do have properties abroad, but their amount is not that significant. On slide 20, you have the property which is EUR204 billion. I don't know, take EUR100 million or EUR200 million away from that for properties that we might have abroad, and the rest is Spanish.

**Q - Raphael Caruso** {BIO 17417164 <GO>}

Okay, perfect. Thanks a lot.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

You're welcome.

**Operator**

Your next question comes from the line of Chris Esson from Credit Suisse. Please ask your question.

**Q - Chris Esson** {BIO 6194371 <GO>}

Hi. Good afternoon. Just one question clarifying the earlier question from Will about the expense and a second one, if I may.

Firstly, I mean, if you look at the nine months versus full-year '12 underwriting ratio, so combined ratio, in the domestic business, it has seen a fairly sizable increase, Q on Q. Can I just confirm that that's mainly due to the expense revisions that you discussed earlier on? Or is there something else that's happening there, and particularly on the expense side?

And also, can you just advise if that's something that would recur this time next year if the volume outlook remains weak at the same point?

The second question relates to the comments you made in the pack and in your presentation around resilient volumes in the global business. Can you just confirm whether that is your -- what you're seeing in terms of the level of demand and your access to good quality programs in the 1-1 renewal?

And also, if you can give us a sense of how much of that business you've effectively renewed since the most recent credit rating actions, that would be appreciated. Thanks.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Okay. So the first question, the answer to your interpretation is correct.

**Q - Chris Esson** {BIO 6194371 <GO>}

Okay.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

That's the main reason for the increase in the expense ratio. With presently available information, I would not expect it to be a recurring item.

**Q - Chris Esson** {BIO 6194371 <GO>}

Okay.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

The second question, I'm not sure I fully understood it. You asked me, asked us, whether -

**Q - Chris Esson** {BIO 6194371 <GO>}

So in the global business, you refer to the fact that you've had fairly stable premium volumes -- so, in reinsurance --

**A - Luigi Lubelli** {BIO 4108780 <GO>}

After the downgrade.

**Q - Chris Esson** {BIO 6194371 <GO>}

Yes. And so, I just wanted to get a sense of is that commentary relating to your experiences in the 1st of January renewals for a lot of that wholesale business?

**A - Luigi Lubelli** {BIO 4108780 <GO>}

That is correct.

**Q - Chris Esson** {BIO 6194371 <GO>}

And if you could let me know how much of the business, of your book, you've renewed since the credit rating was downgraded?

**A - Luigi Lubelli** {BIO 4108780 <GO>}

I don't have the exact percentage, but the rough answer would be most of it, because the bulk of the reinsurance business is renewed between the beginning of December and

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the end of January.

**Q - Chris Esson** {BIO 6194371 <GO>}

Okay.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Then, there's the facultative business that is renewed more piecemeal. It is renewed on a more ongoing basis.

Plus, on the commercial side, contracts tend to be renewed at the beginning of the year. So by and large, the picture is clear by now. So the answer, I would say, is yes, most of the business has already been renewed after the ratings downgrade. Yes.

**Q - Chris Esson** {BIO 6194371 <GO>}

Okay. And so the commentary around stability reflects that?

**A - Luigi Lubelli** {BIO 4108780 <GO>}

It does.

**Q - Chris Esson** {BIO 6194371 <GO>}

Okay. Great. Thank you very much.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Okay. You're welcome.

**Operator**

The next question comes from the line of Vinit Malhotra from Goldman Sachs.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Yes, hi. Yes. Actually, my question has just been asked on the expense ratio and the motor, but I just wanted to clarify one thing, just for the benefit of my own doubt, because on the motor book in Spain, the Fourth Quarter combined ratio would have gone all the way to 98% or so, and that still -- that would have taken your line of the market, and I'm just double-confirming that this is the same effect and there is nothing else. So just, if you could double-confirm that?

And second thing is, just on this land. I remember this topic has come up so many times and we understand that there are external surveyors that are -- that come into the picture in the Fourth Quarter every year. Then they evaluate the market value of land. I just wanted to know if there's any potential view you could provide on what more could we expect here and what more could happen here on that book, on that EUR440 million left on it? Thanks.

## A - Luigi Lubelli {BIO 4108780 <GO>}

Hi, Vinit. The first -- the answer to the first question is, by and large, yes. As you can imagine, these figures reflect many elements. That is the biggest one.

Clearly, it -- you it seen in our accounts pretty much every year. There is seasonality. There is winter. So winter does affect negatively the loss experience in the motor and household lines in the last quarter of the year. So you have the charge, but you also have life happening, basically.

In terms of the -- yes, the properties were fully surveyed this year. We had 100% of them surveyed by Knight Frank. That's the company we use. And my answer to your question is the same that we've always given. These are the charges based on the presently available information and valuation. That is what we were told by surveyors, and that is what we reflected in the accounts.

Gone a year from now, I don't know. I would say this is a pretty robust reduction in the value of properties, and -- but who knows? Also, in the past we've already -- always encouraged you not to take a blanket approach.

We have a portfolio of land, but we are not a massive land owner. We are not representative of the prices of land throughout Spain, because we have plots in some parts of the country we have certain valuations. Some of these lands, I don't know, for instance, in prime locations in the Balearic Islands, they don't trade the same way as a remote industrial in a province in central Spain.

So it has to be taken with a grain of salt, obviously.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Sure. No, no, yes, I appreciate you can't predict one year out, but I was indirectly trying to understand if the surveyors have given you any sense of conservatism and I think you are kind of telling that, yes, there has been some conservatism here. It's a bit like reserving, right? You don't know, but you tend to be conservative.

## A - Luigi Lubelli {BIO 4108780 <GO>}

You reserve to the extent that you know, but, anyway, something I always tell you, we're talking about EUR440 million. I always make -- I know it's a rough way to go about it, but I think it's the one that makes you sleep the best. To keep it simple, imagine that we write down 100% of what is left, the EUR444 million, and after tax, it would be a charge of EUR300 million. Just to put you in the picture, for foreign exchange valuations in the changes in equity this year, we have EUR400 million. So no one on this side of the phone would be ecstatic about losing EUR300 million -- of course not. But it's something that we believe the Company can withstand well, even at the present size of equity.

Then, further changes, further adjustments, further charges can be made, but please put them in the context of the scale of our equity.



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**Q - Vinit Malhotra** {BIO 16184491 <GO>}

No, no, sure. I appreciate that. Yes. Thank you.

**A - Esteban Tejera** {BIO 3910673 <GO>}

In any case, I would like to add that these assets (inaudible) the land have been made after knowing the criteria in the depreciation that was (inaudible) after they set up the SAREB in Spain --

**A - Luigi Lubelli** {BIO 4108780 <GO>}

The bad bank.

**A - Esteban Tejera** {BIO 3910673 <GO>}

The bad bank. And we said to the assessors that we had the worst scenario they can foresee, according to the available information. They have done it this way. We know that the -- in the appreciation of value of the land (inaudible) worst in history, but we want it with (inaudible) banks (inaudible) more realistically possible.

**Q - Vinit Malhotra** {BIO 16184491 <GO>}

Thank you. Okay. Thank you. That's very reassuring. Thank you.

**Operator**

Your next question comes from Rodrigo Vazquez from N+1 Equities. Please go ahead.

**Q - Rodrigo Vazquez** {BIO 17490418 <GO>}

Good afternoon. On dividends, what is the dividend policy for 2013? Do you consider the current dividend payout sustainable? Thank you.

**A - Esteban Tejera** {BIO 3910673 <GO>}

The dividend-- we have not changed the dividend policy for 2013. It's a policy on dividends that it's according to the results of the year, and according -- keeping the solvency of the (inaudible) and the state of our balance sheet.

This year we had -- we reduced the interim dividend when the situation in Spain was very, very tough in the first half of the year. The situation was really tough, and now, after knowing the final results, we have made an effort to pay EURO.07 that is nearly in the same figure that last year. And the Board of Directors have proposed this to the General Assembly of Shareholders, knowing that we are comfortable with the state of our balance sheet. This is (inaudible).

In any case, we must keep in mind that in 2012, we have paid fully in cash the dividends. Investors (inaudible) had scrip dividend operations.

**Q - Rodrigo Vazquez** {BIO 17490418 <GO>}

Thank you.

**A - Esteban Tejera** {BIO 3910673 <GO>}

Thank you.

**Operator**

Your next question comes from Niccolo Dalla Palma from Exane BNP Paribas. Please go ahead.

**Q - Niccolo Dalla Palma** {BIO 16052945 <GO>}

Yes. Good afternoon. First, I wanted to follow up on the dividend policy. Maybe if you could elaborate, also, on what the -- what you see as the binding constraint, i.e., is the rating agency required capital something that does, at the moment, constitute a binding constraint for paying a dividend, or is Solvency I and recurring profitability going to be the main driver, especially, again, in the context of the rating actions of last year?

The second question is whether you could, or not, exclude an extension of the agreement with Bankia following their agreement, on their side, with Aviva? Is there a scenario where you would be ready to allocate more capital or not? I guess it might change, also, depending on whether there is a cap on deposits or not, because that might, actually, make the life insurance product more or less interesting versus the deposits. Thank you.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Hi, Niccolo. We'll answer separately your questions. the first one, I'll take, and the second Esteban will answer.

Look, we -- thanks for asking the question, because I imagine it can be in the minds of several of the participants. This is -- what happened is something exactly along the lines of what we said in October when we released the Third Quarter results.

It doesn't have anything to do with the rating agencies. Mapfre is very well capitalized and is certainly very well capitalized above its present rating levels.

However, we cannot behave as if we didn't know that the reality has changed compared to one or two years ago. Being a Spanish company these days, you are subject to a much greater degree of scrutiny and a much greater degree of analysis than in the past. And so, the group -- the Board of Directors of the Company has taken the resolve, decided that it is appropriate for the Company to be more solvent and more liquid than in the past, because the business requires so, not because any rating agency requires so.

We have a more than 2.5 times Solvency I and there's no issue, specific issue, with the rating agency. But still, we think that in order to continue with the confidence and the trust

that our stakeholders especially policy holders, ceding companies and large corporate customers have in the company, we think that our business requires that. That was the reason for going about the dividends the way we did.

I wonder if this answers your question.

**Q - Niccolo Dalla Palma** {BIO 16052945 <GO>}

It does. Thank you.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Then the second question will be answered by Esteban.

**A - Esteban Tejera** {BIO 3910673 <GO>}

Yes. Relating to our relationship with Bankia, while it's true that Bankia has closed -- has (come to grief) in the process of (inaudible) its agreement with Aviva, we have -- we are now the main partner of Bankia in bank assurance, (inaudible) included in Bankia after the marriage of the several different caixas that included in the whole Bankia, but the most important was Aviva and (inaudible) and we have (inaudible) the partners of the -- of Bankia.

But (inaudible) we know very well, we know that we must wait a period of time, too, and be able to know certainly what is the final dimension of Bankia as a bank and, as you know very well, they are in the process of restoration of the whole group, and that will last several months.

At the end of this process, we can have Bankia and, I suppose, us, a whole picture of the possibilities of the new bank, and the possibilities of working together (inaudible) the case, according to the new situation of the bank. So it's early to know what will happen.

**Q - Niccolo Dalla Palma** {BIO 16052945 <GO>}

So to be clear, for the moment, you cannot yet distribute your products on the part of Bankia that is not yet Caixa Madrid part?

**A - Esteban Tejera** {BIO 3910673 <GO>}

Not yet, nope. We only have the remnant that we had from the beginning with Caixa Madrid. That's all.

**Q - Niccolo Dalla Palma** {BIO 16052945 <GO>}

Okay. Okay. Thank you.

**Operator**

The next question comes from Luis Pena from JB Capital Markets. Please ask your question.

**Q - Luis Pena** {BIO 15131020 <GO>}

Yes, hi. I just wanted to know, out of the intangibles that you have on the balance sheet, EUR2.3 billion, if you can explain how much of those are related to the JVs that Mapfre has with savings banks at the moment? Thank you.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Hi, Luis. Let's see. The accounts have not yet been published. They will be released tomorrow.

The figures are not terribly different from the figures we gave you a year ago. so, a year ago, for instance, we had -- sorry, we had EUR160 million -- goodwill, I'm talking now -- EUR160 million in Bankinter Vida; EUR91 million in CCM Vida; EUR70 million in Duero Vida; EUR13 million in Duero Pensiones; EUR339 million in CatalunyaCaixa; a further EUR100 million in CatalunyaCaixa general insurance; and that would be it, in terms of goodwill.

I'm talking about 2011 figures. The 2012 figures you will see tomorrow.

And in terms of portfolio acquisition expenses, we had EUR110 million in Bankinter Vida; EUR80 million in CCM Vida; EUR42 million in Duero Vida; EUR13 million in Duero Pensiones; and EUR327 million in CatalunyaCaixa Vida.

**Q - Luis Pena** {BIO 15131020 <GO>}

And I mean, can you give us a bit of insight of what would be Mapfre's position in case there's a change in control in CatalunyaCaixa? So I mean, is the JV that Mapfre has right now with CatalunyaCaixa protected by a put option in the hands of Mapfre in case, well, someone else were to buy CatalunyaCaixa? And what would be the price? So basically, will Mapfre be able to exit that JV at the same price as the acquisition cost?

**A - Esteban Tejera** {BIO 3910673 <GO>}

Well (inaudible) that we have now is the (inaudible) CatalunyaCaixa. (inaudible) if there is a change in control. This is the situation, but we don't know is what will happen with (inaudible).

**Q - Luis Pena** {BIO 15131020 <GO>}

Okay, so --

**A - Esteban Tejera** {BIO 3910673 <GO>}

Now, we continue selling our products, and we have a very good relationship with CatalunyaCaixa's management team. (inaudible) year was very bad for everybody in bank assurance in Spain. We continue working with them (inaudible).

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**Q - Luis Pena** {BIO 15131020 <GO>}

I was just basically talking out of the information that we had on the breakup of the JV between Aviva and Bankia, and also the breakup of the JV between (inaudible) and (inaudible). Based on the price of those transactions, it seems that basically insurers have been able to recover most of the investment made on those JVs. I just wanted to know if you expect to recover most of the investment in CatalunyaCaixa in case there was a change in control, which I personally think is very likely.

**A - Esteban Tejera** {BIO 3910673 <GO>}

Well as you know, this kind of process ends usually with a negotiation where the clause of the asset is very important, but finally, there is a negotiation. So it's very early to know or even to make any kind of advances to how the possible negotiation, in case of (inaudible). So we have to sit close and, depending on the changes of control, we will exercise, but it depends on the (inaudible) if there is a new partner and who the partner is and what kind of agreement can we reach with them, and so on. So it's -- I don't have (inaudible).

**Q - Luis Pena** {BIO 15131020 <GO>}

Okay. Thank you, Esteban.

**Operator**

Your next question comes from Chris Esson from Credit Suisse. Please ask your question.

**Q - Chris Esson** {BIO 6194371 <GO>}

Hi, sorry. Just, I guess, a quick follow-up question.

So in your presentation pack, again, you mentioned that you have a lot of success with Ycar and VERTI, which are now building scale, I think, quite quickly. I just wanted to get or hear from you some observations on each of those businesses. Where are your customers coming from? I mean, are they new customers to the Group, or are you cannibalizing an existing customer base?

And also, I appreciate that it's early days, but just to, I guess, obtain a bit of sense of what you're seeing in terms of relative profitability between that and your traditional book? Thanks.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Okay. Well in terms of customers, as usual, there's -- the customers come from everywhere. So there are also some Mapfre customers, but, let's say, that the number of Mapfre customers is well below the Mapfre share in the market. So by and large, on a net basis, most of the customers do not come from companies in our Group. They come from other competitors, but not from companies in our Group, in the majority.

We do not disclose public figures about the profitability of these businesses. As you can imagine, I mean, VERTI is a company that is one and a half years old. So it's a startup and

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this is a business in which the advertising expenses are extremely large.

So we -- when we announced it a year ago, at the beginning of 2011, if I'm not wrong, the -- what we said is that we were expecting this company to break even by the fifth year of operation, and that's something that we maintain at this moment. That continues to be our expectation for these activities, which, in reverse, means that they're not making money now, answering your question.

**Q - Chris Esson** {BIO 6194371 <GO>}

Yes, okay.

## Operator

The next question comes from Will Hardcastle from Bank of America. Please ask your question.

**Q - Will Hardcastle** {BIO 16346311 <GO>}

Hi, guys. Just one quick question. We've mentioned, or there's been discussed over the last couple of quarters, how, obviously, your S&P rating is pegged to the sovereign and with -- you believe you're, without exception, you'd be a AA equivalent, but actually with the S&P, even on their ratings, you still feel you'd be an A equivalent. Is that still the same?

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Yes, nothing has changed. If anything, from a capitalization standpoint, our position has become stronger this year. We, for instance, affected by unrealized losses on financial investments which have been reversed to a substantial degree by the end of the year. We have retained capital through the reduction of the dividend. We are even more diversified in terms of premiums and profits. That is, we are even less Spanish than we were a year ago -- not to say anything bad about Spain, but that's to address the concerns of the rating agencies regarding our credit profile.

And it cannot be disputed that our financial flexibility has improved very strongly in the last quarter of the year, both because of the issue -- because the issue, clearly, has done away with any concerns there might be with the renewal of our syndicated loan facilities, but, particularly, I would say, because of the great success that the issue met, which means that the capital markets are very willing to lend money to Mapfre, which means they don't have significant doubts about its credit profile.

Furthermore to that has been, I answered a question before about the renewal of the reinsurance and commercial insurance, in which we basically have stayed where we were, which means that our customers put a strong trust in our Company.

So cutting a long story short, combining our business position, our diversification, our liquidity, our equity strength, I would say that, yes, we're at least as convinced, if not more convinced that we would deserve a AA rating on a stand-alone basis.

**Q - Will Hardcastle** {BIO 16346311 <GO>}

Okay, very clear.

**Operator**

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

**Q - Marcus Rivaldi** {BIO 5739374 <GO>}

Good afternoon, everybody. Just looking at slide 24 in your presentation today, I mean, clearly, what you see there is a pattern of a relatively lowly levered business with very, very strong interest coverage. You talked earlier on in this presentation about a number of things, including wish to remain optically very strong from a solvency and liquidity perspective. You also talked about how well the senior debt was received.

I'm just wondering whether you've thought about coming back to the bond markets, perhaps with some sub-debt issues down the line? Thanks.

**A - Luigi Lubelli** {BIO 4108780 <GO>}

Thank you, Marcus, and good try. The -- no. The answer is at the moment, we're not considering such an issue. We -- basically, what we had -- the future will tell. At this moment we are not aware of any large financing needs that we need to address. For the moment, between the funds raised on the senior issue and internal cash generation, we are fine and we don't need to raise other funds.

The only one that comes to my mind, but it's down to zero at the moment, is the senior-dated loan that matures in 2014. So for the moment, we would, firstly, need to use that money, and then refinance it, which we are not aware of, at present.

So as far as the information is now, our funding horizon is clear, meaning vacant, between now and 2015. And so, no need to issue either hybrid or any other bonds.

**Q - Marcus Rivaldi** {BIO 5739374 <GO>}

Okay. Thank you very much.

**Operator**

The last question comes from Rodrigo Vazquez from N+1 Equities. Please ask your question.

**Q - Rodrigo Vazquez** {BIO 17490418 <GO>}

Yes. Thank you. Just a quick question on provisions. How much was the impairment booked this quarter related to the Bankia hybrid debt? Thank you.

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**A - Luigi Lubelli** {BIO 4108780 <GO>}

We -- Rodrigo, we did not exactly disclose that, but what we can tell you -- well, firstly, we have -- we've always had those bonds at market value. The bank announced a 14% reduction, which is the one we recognized in our accounts on these bonds. But anyway, the amount is small. It's not an especially large amount, but I cannot give it to you, unfortunately, because it was not disclosed separately.

**Q - Rodrigo Vazquez** {BIO 17490418 <GO>}

Okay. Thank you.

**Operator**

(Operator Instructions) We currently have no further questions. Please continue.

**A - Esteban Tejera** {BIO 3910673 <GO>}

Well if there's no more questions, thank you for attending our conference call, and, as always, we will meet again for the First Quarter results. Thank you.

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