

## Q4 2010 Earnings Call

### Company Participants

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

### Other Participants

- Federico Salerno, Analyst
- Francisco Riquel, Analyst
- Giulia Raffo, Analyst
- James Quin, Analyst
- Luis Pena, Analyst
- Marcus Rivaldi, Analyst
- Matze Wasil, Analyst
- Michael Broom, Analyst

### Presentation

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

Good afternoon, ladies and gentlemen. Welcome to MAPFRE's full-year 2010 results presentation. As usual, I'll give you an overview of the results and the main business developments during the last year. Later Mr. Lubelli will explain the financials in greater detail. Finally, we will take your questions.

Please let's move to slide number two. 2010 has not been an easy year from a macro economic standpoint nor was it in the capital markets. Against this backdrop we consider our results for the year as very satisfactory. I wish to note that MAPFRE achieved an increase of nearly 9% in both revenues and premiums, a positive growth in funds under management despite a substantial (inaudible) in asset values.

In the second half of the year, they grew by EURO.5 million, excluding CATALUNYACAIXA. Once again, understanding a combined ratio even if we take into account claims arising from the Chilean earthquake in (February). And also an increase of nearly 1% in profits, which is remarkable even though earnings per share contracted by 3.6 because of the (inaudible) of the final dividend for 2009.

These results underline the growing international diversification of our Group, its consistently proven approach to underwriting. And its financial strength.

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Please let's move to the following slide. For the fifth consecutive year our international and reinsurance operations have grown faster than our Spanish business, raising even further the contribution to our consolidated figures. If this pace continues, this year MAPFRE may obtain most of its premiums and insurance profits from abroad.

I would like to highlight that the Spanish business has also recovered, despite a very unfavorable operating environment. Recording premium growth up to 1.4% against (inaudible) up to 2.2% in 2009. This performance has allowed MAPFRE to further engage its market share to nearly 15% because the market contracted 3.9% in the same period.

MAPFRE pays great attention to its distribution power. Evidence of this is the creation of Verti, an online Company for the Spanish market, the acquisition of InsureandGo, a leading British Internet insurance portal, the agreement with CATALUNYACAIXA and a long list of new distribution agreements with Bank (inaudible) in Latin America.

The combined ratio remained basically on balanced. Even accounting for the Chilean earthquake, which caused the largest losses in MAPFRE's history. Excluding this, this ratio actually fell by 1.3percentage points.

As you know, MAPFRE's known for its financial strength and this year provided further evidence of it. Equity grew nearly 10% since to retain profits and the dividend by investment plan. This allowed us to absorb the payment of the largest amount of dividends ever and substantial mark-to-market losses as we (consolidate). At the same time, cash balances increased by over EUR600 million to EUR1.5 billion.

Leverage has fallen further with an increase to the equity to debt ratio to 3.7 times. (inaudible) contributed to profit growth underscoring at the same time the prudence of our approach to asset valuations.

In the next page you can see the evolution of the net results in earnings per share, which I have already commented on.

Moving to slide six, we will take a look at the non-recurring items in these periods. Page six is familiar to you I suppose because we have showed during the last quarters the impact of the Chilean earthquake. This is actually the update of this figure. The latest estimate of these losses EUR106 million. In this slide, as usual you can see it's break down by both high (inaudible) and -(subsidiary) and as is logical, MAPFRE RE took the largest loss.

Moving to slide seven, here is our reconciliation of the largest non-recurring items in both years. It is (inaudible) to start by highlighting that our core insurance business maintained a very healthy profit growth in both unadjusted and adjusted terms, underlining the strength of recent model in a difficult year.

As we always say, as long as our insurance machine keeps delivering, all other challenges should be manageable.

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(inaudible) the main non-recurring items in 2010 are the Chilean earthquake and the (inaudible) gains, which I have already talked about. Some new items were added in the last quarter, including two large but non-recurring tax gains in Brazil. And our write-down in the value of our shareholding in Cattolica due to the persistent fall in the share price compared to our book values.

As you may recall, 2009 results also included some non-recurring items. On a like-for-like basis, the adjusted result for our insurance operation shows a healthy 20% growth. Even if we (inaudible) without realization gains, growth would still be 12.5%. In (inaudible) results (inaudible) primarily additional losses at Banco de Servicios Financieros Caja Madrid-MAPFRE due to mandatory provisioning requirements.

In 2009, the other entities in cost consolidation adjustment line included two large positive items, that were not repeated this year obviously, were the gains on the purchases of our subordinated bond and the release of the provision for economic environment that we -- a provisioning at the end of 2008. Adjusting for that, we have a net loss of probably similar amount in both years. Taking into account all these items, the adjusted profit grew 11.4%.

Let's move to slide number eight. Here you can see that the bar we proposed last year a final dividend payment of EURO.08 per share to the annual general meeting of shareholders. This figure, as well as the total dividend is the same was paid in 2009, which is consistent with our broadly stable net result. The total amount of dividends paid out grew 5.9% in 2010, reflecting the increase in the number of shares following the dividend (inaudible) capital increases.

In slide number nine, you can see the key highlights of the year. We, as you know from our former presentations, we reached an agreement of the bancassurance agreement with CATALUNYACAIXA in March. In October we acquired InsureandGo in UK. In October we realized the reorganization of MAPFRE's real estate activities and (stopped) the run of the real estate of the development projects.

In October also a new management and operating structures for the Group were approved. In December, we launched Verti, the direct sales company for Motor and Home Insurance of MAPFRE FAMILIAR. And finally, at the end of the year we reached an agreement for selling QUAVITAE, our operating unit in care for the elder people.

The next page, as usual our -- we show the figures and I would like to highlight our solvency ratio that it's improving. It reached this year 285.7%, which is remarkable in these tough conditions of the market and the economic environment.

I will now hand over the call to Mr. Lubelli, who will explain our financials in greater detail. Then we will take your questions.

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

Thank you, Esteban. Good afternoon to everybody on the line and on the Internet. With no further delay, let's move onto slide 12.

Here we have the usual breakdown of premiums and profits by geographical area. As already -- as was already noted by Mr. Tejera, the foreign business activities continued to raise the contribution to the total Group figures. We have introduced a new presentation for the contribution to profits, which we hope you will find clearer.

On slide 13 we show premiums growth by the main unit. As was already noted by Mr. Tejera, foreign business activities and reinsurance provided most premium growth for the fifth consecutive year. I would like to add that Brazil contributed EUR460 million to such growth, which the US added EUR160 million.

As was previously mentioned, Spain shows a turnaround with a net positive growth of 1.4% over the previous year, which raises to 3.2% if the figures are adjusted for the voluntary reconciliation of loss making policies with civil servants.

Acquisitions contributed about EUR360 million to total premium growth, split as follows. CATALUNYACAIXA EUR186 million, Grupo Mundial EUR147 million. And Finibanco EUR25 million.

Let's move on to slide 14. Here we find the breakdown of premiums by channel in Spain. In the agents channel we see a contraction that was motivated by very successful sales campaigns in the life business in 2009 that were not repeated this year. And the previously mentioned voluntary reconciliation of loss making health insurance policies with civil servants in 2010. Adjusting for these, premiums actually grew 1.6%.

Conversely, the bancassurance channel turned in a very strong performance, thanks to a strong recovery at Caja Madrid, whose premium grew EUR260 million or 30%. And the already mentioned consolidation of the insurance operation of CATALUNYACAIXA, which contributed EUR178 million to life sales and EUR8 million to non-life sales.

On slide 15, we find the evolution of combined ratios. As was said, the combined ratio evolved extremely well, remaining virtually stable on an unadjusted basis and falling 1.3percentage points once the Chilean earthquake and weather related claims are excluded. As was said before, the Chilean earthquake was the largest claim ever incurred by MAPFRE.

What is this performance owed to? It basically reflects a significant improvement at MAPFRE America, which benefitted from a much better loss experience in the motor business and at MAPFRE Empresas, thanks to lower frequency and severity.

The deterioration in MAPFRE Global Risks and MAPFRE was mainly due to the impact of the Chilean earthquake. MAPFRE INTERNACIONAL and MAPFRE FAMILIAR were affected by weather related claims. Excluding these their combined ratios barely varied with respect to 2009. Overall positive impacts are broadly equal to negative impacts, leaving

the combined ratio virtually unchanged on an unadjusted basis and lower on an adjusted basis.

On slide 16 we find the non-life account. We've already seen the reasons for premium growth against 2009 as well as for the stability of the combined ratio. Noteworthy on this page is the amount of realization gains, which exceeds by about EUR120 million the figure for the previous year. In addition, the non-life account includes foreign exchange gains of EUR46 million in 2010 against the loss of EUR4 million in 2009. This on a net basis implies a decrease in financial income if we -- that is, if we eliminate the items I just mentioned, which basically is due to lower average returns in Spain.

Let us move on to the next slide, where we find the life account. The page explains the main variations, premiums growth, basically reflects larger issuance in bancassurance in Spain and the continued growth abroad. The underwriting and financial results also improved strongly, thanks to very strong technical results in Brazil and the good performance of the loss experience in Spain.

I already mentioned the figures for CATALUNYACAIXA and Finibanco, which provide a positive contribution to premium growth. Basically 40% of premiums growth and 30% of the result growth come from these entities.

On next slide we find the other business activities. This is traditionally a complex account and I will explain it piecemeal. The operating revenues and expenses decreased due to the fact that QUAVITAE was, as we've reached an agreement to sell it, was reclassified as a discontinued operation. In addition to that, if we look at the operating expenses, the figure for 2009 included on one hand the release of the provision for the economic environment for the amount of EUR56 million and a negative balance of the appropriation of restructuring provisions for the healthcare business of MAPFRE Familiar of EUR18.8 million.

Adjusting for these items, the net balance, that is revenues minus expenses, shows a significant improvement in 2010, which comes primarily from MAPFRE VIDA, thanks to better results in MAPFRE (inaudible) and to the consolidation of the pensions business of CATALUNYACAIXA.

Net financial business in 2009 included EUR53.8 million of gains on the repurchase of subordinated bonds and in 2010 includes the write down of EUR34.5 million for the stake in Cattolica. So a large positive item in 2009 and a large negative item in 2010.

Adjusting for these, we have a net financial expense in both years and the figure is larger in 2010, basically due to negative mark-to-market adjustments to MAPFRE S.A.'s interest rate and equity swaps.

Results from minority interests correspond to our share in the results of Banco de Servicios Financieros Caja Madrid-MAPFRE. The increase in losses versus 2009 reflects mainly the most stringent non-performing loans reserving regulations that have come into force in the Third Quarter of 2010.

Other net revenues include the property stock depreciation provisions at MAPFRE INMUEBLES, which were EUR11.7 million this year and EUR25.7 million the previous one.

Let's move on to slide 19. There are two subsidiaries that stand out clearly in their contribution to profit growth and that is MAPFRE AMERICA. Due to large business volumes much improved technical results and the series of non-recurring items totaling EUR75 million and MAPFRE EMPRESAS reflecting primarily a much better combined ratios.

In other two subsidiaries we called it losses. MAPFRE INTERNACIONAL, due primarily to the write-down on not losses, reduction in net results. MAPFRE INTERNACIONAL, due primarily to the write-down of the shareholding in Cattolica and MAPFRE FAMILIAR due to a higher combined ratio and the series of expenses, including the cost of the launch of Internet subsidiary Verti.

On slide 20 we find the bottom line. The -- as was said before, the underlying results grossed 11.4%, excluding the effect of Chile's earthquake, extraordinary results and realization gains.

The pre-tax result includes a negative impact of EUR15.1 million from the restatement of financial accounts in Venezuela, which was EUR18.5 million in 2009.

We see that taxes decreased and that is due to the utilization of tax loss carry forwards at MAPFRE AMERICA and MAPFRE INTERNACIONAL.

Minorities, as was the trend throughout the year, have increased due to the larger contribution of bancassurance JVs and to the international operations in which we have minority interests.

On slide 22, we find the balance sheet. There are several variations here. Things really do not change compared to previous quarters, at least they don't change much. We have on one hand the positive impact of the appreciation of the currencies of the countries in which we operate. Then we have a negative impact from the mark-to-market of the investments, due to the higher risk premiums for the peripheral countries, including Spain. And that's rather the end of the year.

In addition to that, we have the consolidation of the insurance operation of especially CATALUNYACAIXA, which is a large one and then to a lesser extent Finibanco and Grupo Mundial.

On slide 22, we find the first of three slides of the breakdown of our investment portfolio. Compared to the previous year, the breakdown by asset class has not changed materially. The most notable change being a lower weight of government paper, which fell by about 4percentage points.

On the next slide, number 23, we do not find other substantial changes either, except for the larger weight of financial institutions and the Spanish government, which are mainly

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explained by the consolidation of CATALUNYACAIXA and the new business written by the life unit. We also show you our exposure to those asset classes that have received a fair bit of scrutiny lately.

We feel it is important to highlight that circa 50% of our exposure to Spanish paper is much matching our life reserves and hence our capital is partially buffered by shadow accounting, as we will see in a few slides.

Slide 24, there's the main breakdown. So the fixed income portfolio, the main change is the full end weight of AAA rated paper, matched by roughly equal increase in AA rated paper, which is due to the downgrade of the Spanish government.

On slide 25, we find the variations in equity. The net increase is EUR702 million and that includes the result for the year. The negative impact of the volatility in financial markets, in here you see what I was mentioned two slides ago. The effect of shadow accounting, which compensates in part, to a large extent I would say, about 60% of the negative impact of the mark-to-market.

Positive translation differences, as I said before, the American at large currencies appreciated in 2010. Then we have other items, which basically includes the incorporation of the minority interest in the insurance operations of CATALUNYACAIXA and the funds obtained through this Group dividend.

Finally on slide 26, we have capital structure in coverages. We continue to have an extremely strong interest coverage ratio, which has improved materially compared to 2009, where it was already very high. Leverage also fell in the year. The main change in the capital structure is the slightly larger weight of equity. But by and large the composition doesn't change much.

And that would be all on my side. And I'll hand the conversation back to Mr. Esteban Tejera.

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

Thank you, Luigi. Now we are available for your questions. Thank you.

## Questions And Answers

### Operator

(Operator Instructions) James Quin, Citigroup.

**Q - James Quin** {BIO 3878205 <GO>}

Three numbers questions please. The first one is. And I know this is something that's come up on previous calls. But I'm going to ask you anyway, is just could you give us a

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sense of what the prior releases contribution is to the 2010 combined ratio? And if you could give us the number for 2009. I know there's been some debate about the reinsurance combined ratio, for example. So if you could help us understand some of the moving parts in there, that would be helpful.

The second question, just looking at Latin America in Q4, seems to have had a very strong combined ratio, about 98 that came on the back of a not particularly good combined ratio in Q3. So I'm just wondering if you could perhaps help us with the ups and downs there.

And the third question is just then on the phasing of investment income. If I take the non-life business and I back out the financial income -- I'm sorry, the realized gains from the financial income, I end up with quite a volatile number. And I'm just wondering what is driving that? Are there sort of unrealized elements going through that that we should be aware of? Or is there something else? Thank you.

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

Good afternoon, James. Let's see. Prior year release. As you know, we have traditionally not given that figure. What we do give is the triangles and they will come out in the annual report that will be filed tomorrow. Unfortunately it's in Spanish. But as far as triangles go, it's pretty self explanatory. So it should work for you. There's -- I'm afraid there's not much more I can tell you and I know the question comes up in all conference calls.

**Q - James Quin** {BIO 3878205 <GO>}

I mean just on that point, I guess preempting what will be there tomorrow, I mean will we see a change year-on-year in the amount of reserve releases?

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

Once again, we are not giving the reserve releases. What we do give is the triangles. What you will see in the triangles is that we have positive run-off for another year. So we have a -- I was actually looking at those triangles myself and it's basically a continued trend of positive reserve developments.

**Q - James Quin** {BIO 3878205 <GO>}

Okay. And there's nothing in those triangles that is misleading or distorting in any way. So we should take that as a fair representation of what's going on.

**A - Jesus Amadori**

James, just -- this is Jesus here. Remember that the triangles that we do publish our direct insurance triangles and this year they will be significantly biased by the Chilean earthquake. That as you know was taken -- was done in fronting by American global risks and then we proceeded. Right? The information, or obviously as you know, we have said in the past from the Chilean earthquake is only given on a net basis. If we were to strip this out the run-offs from previous year would be lined with '08, '07. And '06. As you know

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also, '09 was a bit biased by the disintegration of global risks at EMPRESAS. We have this cost out in the past. Right?

**Q - James Quin** {BIO 3878205 <GO>}

Okay, I might have to give you a call after tomorrow then. Okay. Thank you.

**A - Jesus Amadori**

You're going to have to take our word on this because (multiple speakers) said in the past publishing the run-offs on the triangles for every quarter and on a net basis gives away pretty sensitive information. We have debated that and we have decided to keep our reporting policy on that matter as it currently is.

**Q - James Quin** {BIO 3878205 <GO>}

Providing we can have a conversation with you about the triangles, then that's no problem. So.

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

So the ups and downs in America. Indeed there was an increase. The fact is if you look at it on a quarter-by-quarter basis, there have been some swings, which we have explained in the previous quarter. Really there was rather a very low expense ratio in the Second Quarter. The other expense ratios are more or less comparable. What you saw was a spike in the claims ratio in the second and Third Quarter, which you, as you know in that area are characterized by a higher incidence of weather-related claims. That's actually what happened. So it was roughly around 70%, the loss ratio in the second and the Third Quarter.

Then in the last quarter, which is what possibly has struck your attention, the loss ratio fell considerably and that's because there were no such weather-related claims in the -- at least not in a comparable amount in the last quarter. And that was compounded by very strong underwriting performance in some countries.

It's explained today in the presentation. But the loss ratio went very well in Columbia, it went very well in Venezuela. In Mexico there were several countries in which the loss experience was especially favorable in the last quarter. And by comparison that has caused a decrease. I wonder if this answers your question?

**Q - James Quin** {BIO 3878205 <GO>}

Yes, I mean I guess I'm just trying to work out if there's any change in the overall expectation of a combined ratio of somewhere around about 101% level. But --

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

Well we've always said that this is actually a common question and it's worth to answer it again. Never forget that you are talking about emerging markets. You on one hand do not have the same stability in currencies as you would have elsewhere. And you have higher

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financial returns in these regions than you have in more advanced markets. That does create some structural differences compared to Spain.

Then another structural element, if you look at the -- at how the combined ratio of Latin America is composed you will see that traditionally the loss ratio is lower than it is in Spain. They have normally 3, 4 percentage points left. But their expense ratio is twice as large. And there's a strong element, one of scale because even the larger operations that we have in Latin America are not as large as we are relative to the Spanish market. So there's a scale element in there.

Then distribution is not as advanced as I would -- and by that is not as competitive as it is over here in Europe. So distributors charge higher tariffs for selling premiums on one hand. And secondly, we have been traditionally comparatively much more reliant on brokers in Latin America than we have been in Spain.

We've been changing that. We've enlarged our own distribution network and then another initiative we have taken this year, which is actually detailed in the presentation, is that we are pressing the pedal on distribution agreements with non-insurance, non-banking distributors. That is, supermarkets, department stores, car dealerships, other distributors of this kind. Does that answer your question, James?

**Q - James Quin** {BIO 3878205 <GO>}

Yes, I think more or less, yes. Thank you.

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

Then the -- probably on your third question, the volatility in the non-life account if you strip out the realization gains. As I was mentioning when I explained the figures, don't forget that ForEx is a big component in our accounts. So last year we had a negative EUR4 million and this year we have a positive EUR46 million. So that does create volatility in the result.

**Q - James Quin** {BIO 3878205 <GO>}

And is that why Q4 investment incomes were a lot lower than in Q3?

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

Oh, that I -- is it?

**A - Jesus Amadori**

Yes. If you look at the quarterly effects gains go down significantly. If you were to strip out the non-life and other activities financial income from FX unrealizations gains actually the yield is quite stable.

**Q - James Quin** {BIO 3878205 <GO>}

Okay. And what is the yield, just roughly speaking?

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

It's slightly less than 3, right?

**A - Jesus Amadori**

That's correct, 2.85. We do publish it at the end of the presentation in the appendix.

**Q - James Quin** {BIO 3878205 <GO>}

Okay. All right. Thank you. Thanks very much.

**Operator**

Marcus Rivaldi, Morgan Stanley.

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

Good afternoon, gentlemen. Couple of follow-up questions please to disclosure you provided on your asset mix. First of all, in terms of the financial debt. And particularly to the Spanish institutions, can you give me a breakdown, please, between how that splits by classification of debt? Because I think on subsequent slides you do talk about cover bonds. And I just want to make sure that the figures that you're presenting on that first slide, just be clear exactly that you're talking about there.

Then secondly, if you can maybe give some color about again maybe any financial exposure in your equity portfolio as well, please. Thank you.

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

Hi, Marcus. Good afternoon. I'm afraid I have a problem with both of them. That this is the disclosure we have given. I -- and that -- and we don't give more disclosure in the annual accounts that will be published tomorrow either. So I'm afraid I don't have the information to answer your question. Public information, that's what I mean.

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

Fair enough. Would the covered bonds that you disclose on slide 12, would they be wrapped up in the financial institutions data that you include on slide 23?

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

Absolutely, cover bonds are only issued by financial institutions.

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

Okay, I just checked. Okay. Thank you very much.

**Operator**

Federico Salerno, MainFirst.

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**Q - Federico Salerno** {BIO 2565091 <GO>}

Yes, good evening. Just can you give us another look on Spanish P&C and in particular property (inaudible) lines for this year? What are you seeing now in the first few weeks of the year? Then again, on slide 22, I was wondering what the component of the Spanish (cars) would be within the 42.6% of corporate fixed income, if you have the number? Thank you.

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

Hi, Federico. Now not much of the year is run yet as to speak about trends. We have an impression of some, just some firming up in (motor) on the tariff. Let's say not massive increases that say perhaps a bit more discipline by writers in the motor business.

And the -- in the other lines, we're not seeing any especially clear trends. There had been some pickup in competition in household insurance. But it has somehow retrenched towards the end of the year. And nothing much to report on health.

Corporate remains very tough and actually the trading environment is a difficult one. The performance of our subsidiary in commercial insurance is actually pure muscle. That's been the commercial efforts by the Company, the good work done in terms of distribution because the trading environment remains a very competitive one.

The second question was on how much of the corporate fixed income in (inaudible) I'm afraid is the -- the answer is the same one I gave to Marcus just a while ago. That's, I'm afraid, that's the disclosure that there is. So I --

**Q - Federico Salerno** {BIO 2565091 <GO>}

Okay, we wait until tomorrow.

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

No. But there's no more disclosure tomorrow, Federico. Good try. But not.

**Q - Federico Salerno** {BIO 2565091 <GO>}

(Multiple speakers) Okay. Thank you.

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

(inaudible)

**Operator**

Giulia Raffo, Autonomous.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

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I have a few questions. First one, just a clarification on the non-life running investment income. I think am I right that some distortion in Q4 comes from the fact that you move out the property assets, which are sitting in FAMILIAR and you move them into the INMUEBLES? So part of the reason why the financial income ex-ForEx, ex-realized gains is actually falling relative to Q3 has to do with the fact that the rent income has been moved out of the P&C segment? Is that correct?

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

Hi, Giulia, sorry. I was expecting a further question. I don't think so because there was actually the asset transfer was carried out really at the end of the year so it -- the impact is not material.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

In that case though then it's very difficult to square what you were saying before about running (inaudible) in the sense that the ForEx, they are 46 at the full year but they were about EUR33 million at the nine month. So there as an extra EUR10 million positive coming in Q4 and there were some positive gains as well coming in Q4 and in spite of that the financial income has dropped quite a lot. So but perhaps it's easier if I take this question off line because it's quite a lot of numbers.

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

I think there's some number crunching, yes, in this question. Yes.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

All right. My second question is on slide 22. You're getting quite a lot of questions. Just one clarification. You showed that 18.6% of your assets are valued with something, which is not provided through profit and losses or to maturities, not AFS treatment. I assume it can only be cost basis and if you can clarify if it's mainly the property portfolio and some loans or if there is something else.

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

Yes. The -- you're absolutely right. But this actually -- mostly that you find they are treasury, that's why. The other one, you're absolutely right. The categories in (inaudible) are what they are. Fundamentally of the cash and world --

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

Yes, property.

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

Property and cash.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

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Properties, yes. And can you confirm on CATALUNYACAIXA, is it now at the market value or you took an impairment but it's not fully aligned yet with the market value?

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

We took an adjustment comparing the average price of the stock over a certain period with that carrying value and that's what we provision in agreement with the auditors.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

But it's not in the accounts at the December 31st value yet?

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

No.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

And when you showed the unrealized gains in that slide that only refers to property, doesn't reflect the unrealized loss position left in the stake. Is that correct? If I look at slide 76.

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

Slide 76 is equity debt and leverage.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

Yes. But you show an unrealized gains (line), right? Which in the past has always been property.

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

And that's what it is.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

Does it include Cattolica as well? Because presumably you had an unrealized loss there.

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

No, Giulia, this is always only real estate. Bear in mind that whatever valuation differences we have in Cattolica, that's in equity. It's fair value through equity. So it's recognized in the equity, the only thing that changes is that it goes through a P&L when you do the impairment. But it's recognized in equity.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

Okay. So it's mark-to-market.

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

Yes.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

It is (inaudible).

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

Yes. All our investments except for property and the few held to maturity, they are mark-to-market, mostly through equity and a few through P&L. So --

**Q - Giulia Raffo** {BIO 7573856 <GO>}

I didn't know if you were using an equity accounting because it's a (multiple speakers).

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

No. It's not a strategic, it's classified as a financial investment. It would be an equity.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

Okay. Thank you very much. Again on the asset side, you disclosed how much of your debt is hybrid on page 24, which is 5%, which is roughly between EUR1.3 billion and EUR1.4 billion. Can you disclose how much of that, if any, is Spanish savings banks?

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

Giulia, I'm sorry but as many times as I'm asked this question, I will always give the same answer. I'm afraid that's the disclosure we have given. So I cannot give you the amount. Bear in mind that we are not just invested in Spanish banks and (inaudible), we also own bonds issued by non-Spanish banks.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

Yes, fair enough. And a final question, which is more strategic. I mean clearly there has been quite a lot of changes in the Spanish banking system. And I was wondering whether for your final dividend, are you in a position now to say that 100% certainty the EURO.08 of will be paid in cash? Or do you foresee a scenario where the current consolidation to Spanish banking system could open up opportunities for you that might -- reinvestment choice, right, like we did 12 months ago?

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

Hi, Giulia. As you know, the changes in the Spanish saving banks map is starting. We don't know how it will finish and when it will finish. So I don't foresee at this moment what will be in the agreement of the general assembly of the shareholders propose. But the more of the directors after will be whole the day before. I am talking about the five of the -- the 5th of March.

At this moment. And as you know our policy is to pay in cash and only use the reinvestment policy if it's necessary. And honestly I think that it's very, very early to know

this at this moment. I suppose that the final situation of the different savings bonds will be more clear at the end of the first half of the year, more or less. But this is very early to say something that this -- that must be approved by the Board. In any case, I think that it's early and in any case you know, because I have repeated several times, our policies to pay in cash. Only if maybe we would reinvest.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

But just one quick follow-up on that. Considering how much your leverage has come down and how much your solvency improved over the last three years, how much would -- and in investment -- how big would a new investment need to be for you to consider not to pay the dividend in cash? I mean I'm trying to assess what is your internal firepower if you are comfortable on before you start considering paying the dividend in shares.

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

Well if it was not which kind of opportunity you'll face at the moment and it's a question of the amount of cash needed for this kind of opportunity. At the moment, we haven't any opportunity and our policy is to pay in cash. It's not a question of the reaching an amount of the -- of money and then start reinvesting in -- investing again in a new target. The process is just the opposite. If we have an opportunity we analyze from a strategic and business model approach and then we look for the money and the money comes from different sources. It's not a question of reaching an amount of cash and investing. It's just the opposite feeling.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

This is clear, I'm just trying to have a feel on what you consider as your internal firepower. (Multiple speakers)

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

I think that I have displayed our policy, Giulia. And I know because we have talked several times about this that your approach is likely different from ours. And it's very difficult to convince you about this matter. But our policy is paying in cash and only if an opportunity is at the moment present we will change this policy.

**Q - Giulia Raffo** {BIO 7573856 <GO>}

Thank you.

**Operator**

Francisco Riquel, N+1.

**Q - Francisco Riquel** {BIO 3050316 <GO>}

Hello. I have a couple of questions. First one is a follow-up on this strategy, if I may. I read your Chairman in the press conference this morning said MAPFRE would eventually



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become shareholder of Caja Madrid and potentially of any other Caja. If you could please elaborate on this strategy conditions for MAPFRE going forward.

And second question is about the known insurance businesses. First one is the real estate MAPFRE INMUEBLES. If you could please explain a bit the reorganization. I know that you already sent a statement with details. But if you could please update with the final figures what you have done with the stocks that have fallen sharply. What else we have on the asset side. How comfortable you feel with the value of these assets, why type of impairments, how you reduced the debt on the equity. So there are enough data MAPFRE INMUEBLES, please.

And also on the bank, if you think that the provisions you have already taken into (inaudible) you feel comfortable with the type of coverage that you have for the (inaudible) and expect the losses you think they are already fully covered or not. And what type of outlook we have for 2011 in the banking unit.

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

I will answer your first question and part of the second and the third. And Luigi and Jesus will complement the fillers.

This morning when our Chairman talked about investment in Caja as shareholders was in an ironic way saying that if the saving banks become banks and they are listed it's clear that at the end we will have in our portfolio some investments in these banks like we have investments in other banks in Spain and abroad. And industrial list of companies and so on because we invest more than EUR30 billion and obviously we have our very diversified portfolio.

It was a way of telling the journalists that we are not interested now in one special participation in a new bank or new joint venture in the saving banks' new situation in Spain. It was an elliptic way of doing that. But it was just this was he was talking about, not about taking a participation in a bank.

From the point of view of the other questions, your question about the real estate. Well as you know we have to -- we started the run off of the real estate activities. And we have put together the assets of MAPFRE INMUEBLES and the real estate assets of our insurance companies. This implies some changes in the classification of figures and the figures that appear before us (inaudible) now appear like the real estate investment. So it explains the change in the figures.

In any case, I think that Luigi and Jesus can complement these figures. And in any case in the next presentation we will change the release of figures according to the new situation that will be the situation of our investment portfolio in real estate more than our Company that is working real estate.

And in the case of the bank, even if the solvency ratio is bigger, even if the figures are improving, the situation of this kind of the business continues going bad and we are

working with our partners to improve the situation. A position probably now related to (inaudible) the situation of the former quarters. But we will continue working this way.

I don't know if --

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

Have we answered your question or do you need more details?

**Q - Francisco Riquel** {BIO 3050316 <GO>}

Yes. If you could please give more details from the MAPFRE INMUEBLES. I see the stock has fallen from EUR650 million to EUR250 million.

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

Yes. That's because the land that was on the books of MAPFRE INMUEBLES has been reclassified as an investment.

**Q - Francisco Riquel** {BIO 3050316 <GO>}

Have you taken any impairment on that land?

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

Well we given the other activities account that's written in the presentation. There was an additional charge of EUR11.7 million this year in terms of write-downs. What has happened -- you will see it in the accounts when the -- once the accounts become public, which will be tomorrow. There's two movements. One is that the existing stock of write-downs has been transferred from stock to investments. It's just an accounting reclassification. Then in addition to that there are further write-downs, which are all EUR11.7 million, which have been taken on the stock this year.

**Q - Francisco Riquel** {BIO 3050316 <GO>}

And could you also detail what type of financial income have you removed from the insurance companies and will be now accounted in this new company as well?

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

That I'm afraid I cannot give you because that's another figure that we have disclosed. We actually have some figures for the -- and you will find them in the annual report for the revenues from real estate investments. But we have not given that disclosure.

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

And in any case, this operation was made at the end of the year.

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

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It's not affecting the accounts for the year 2010. Well you will not see the consolidated accounts of MAPFRE affected by this because on the consolidated accounts you have no impact. What you will see is an impact on per company. A slight impact per company, which of course ends up in MAPFRE INMUEBLES. At the consolidated level the transaction is transparent.

**Q - Francisco Riquel** {BIO 3050316 <GO>}

Sorry, the last question on the bank? Caja Madrid said that it already covered the expected losses in the loan portfolio. Does it also apply to this unit and therefore we should expect lower cost of risk next year?

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

It should because Caja Madrid, if I'm not wrong, has said that they've provisioned 80% of the loans and this bank stands at 77.4. So it's not -- it's basically in line with what is the provisioning level for the Caja as a whole.

**Q - Francisco Riquel** {BIO 3050316 <GO>}

Thank you.

**Operator**

(Matze Wasil), Morgan Stanley.

**Q - Matze Wasil**

Matze from Morgan Stanley here. I've got two questions. I'm just wondering first of all I realize it might be too early to comment. But I'm just wondering whether you can take us through the possibilities and the probabilities coming out of the Caja Madrid developments. And in particular the Banco de Financiero, the equity raise they need. Are there any operational impacts that you see that sort of could occur at this stage that we should be aware of? Or alternatively are there any sort of changes to the relationship with Caja Madrid that could be possible out of this arrangement? Or perhaps even some opportunities if it broadens your distribution channels somewhat, it would be interesting to know that.

Second thing is your reinsurance business recorded very strong premium growth, 15.5%. I recognize that a lot of that would be internal reinsurance, not that your own strong premium growth would seed a lot of that growth. But nevertheless, it comes against a backdrop of very soft pricing and steep competition in the reinsurance industry as a whole. I was just wondering how do you reconcile the strong growth in that for a RE against what is essentially a pretty weak growth in the rest of the reinsurance sector?

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

I think the first part of the question will be taken by Esteban.

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

I don't think that the current situation at the Caja Madrid will take any problem with our current situation of commercialization agreements. In fact this year 2010 the situation has been very, very good.

In the near future obviously one clarification should arise from the point of view of who partners will be in the future partners. We are very proud about being the main partners for Caja Madrid and we will continue.

From the point of view of the property of the bank, we are insurers and we haven't any vocation about in the common bankers. Save that, in the near future the map will change a lot in Spain. And we don't foresee to take (inaudible) in any bank from the point of view of the partners and main shareholders. As I said before, in the same way that Mr. Martinez said this morning. So we are not planning any kind of operation of this kind.

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

Yes, Matze, the -- as a matter of fact -- well, there's a simple answer although it sounds jokingly. Possibly we've grown so much in reinsurance because we're good. The -- if it was not the MAPFRE originated business in the back pages of the presentation you will find the split by seeding company and it's basically spot on the same as it was last year. So the growth has been roughly the same on both the MAPFRE originated business and the third party originated business.

And the reason for that as what we put in the presentation is just we've won new business. Usually here the business comes more from taking more business from existing customers, even though we also win new customers in the year. And there's also sessions from the Group's Companies. But as I say, the growth is more or less the same in both third party and Group business.

There's been some growth in life assurance and personal lines this year to note compared to the previous year. So it's basically sheer growth from new business.

### **Q - Matze Wasil**

Thank you very much.

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

You're welcome.

### **Operator**

Luis Pena, JB Capital.

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

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I have two questions. The first one is that if you can give us an idea of the marketing effort that MAPFRE's going to make with Verti. And in line with that, if you can give us an idea of the sort of negative contributions of that Company will have for the Group in 2011.

Then the second question is regarding Brazil. You mentioned that MAPFRE has recorded a capital gain in the Fourth Quarter. If you can elaborate a bit on what is the capital gain coming from. Then if you can give us an update on the JV with Banco Brasil. Thank you.

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

I don't quite understand what you mean marketing effort. But I might give it a shot. I think what you're referring to is what expenses we're going to incur this year with Verti. We have not given that figure nor a budget. But logically this is a startup. So at the beginning a start up has an expense. This is a Company that needs comparatively more advertising the way traditional company will need. So that will have a bearing on the account in the year. But I cannot give you the budgeted figure and then we'll have to see how in practice this evolves.

What we can say and was said today by the general manager of the unit heading this -- the chairman of the unit owning Verti is that the initial three weeks of operations of this Company are going extremely well. Company's selling about 200 new policies a day and it's actually surprising on the positive side in terms of performance. But as I say the expenses I cannot give you. But of course there will be such expenses because it's a startup.

Does that answer your question?

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

Yes.

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

We actually have no capital gain in Brazil. In Brazil what we recognized was two elements essentially, a tax credit, tax loss carried forward basically and then there's been a chain of sentences regarding a certain tax that was levied on financial income in Brazil, which was taken to the courts by the financial industry and the financial industry has eventually won. So what we have recognized is the fact that these financial gains are subject to a lower tax than they were before. But we have no realization gains, no capital gains in Brazil.

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

And can you give us an update on how the JV with Banco de Brasil is evolving?

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

The Banco de Brasil is -- we have now the first authorization of the authorities. And we expect to have the second one that will be the last one within this quarter according to the conversation we have had recently with the authorities in Brazil.

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

Thank you.

## Operator

You have a follow-up question from Federico Salerno, MainFirst.

**Q - Federico Salerno** {BIO 2565091 <GO>}

Just a follow-up question on MAPFRE INMUEBLES. The EUR10 billion-plus write-downs that you were referring to before, was that all on the development portfolio? Can you clarify that? Thanks.

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

Federico, honestly I don't have the splits of -- for the two figures. I cannot tell you. I suspect there's some of both. But I cannot tell you in what proportion. Anyway, it's not a terribly large amount.

**Q - Federico Salerno** {BIO 2565091 <GO>}

Okay. Thanks.

## Operator

And at this time there are no further questions in the queue. You just did have one pop in. Michael Broom, Berenberg Bank.

**Q - Michael Broom** {BIO 1868182 <GO>}

Mike Broom from Berenberg here. I just had I think a straightforward question. Maybe you could help with what I'm missing. I'm looking at page -- slides 23 and 24. If you look at slide 23 on the right hand side you've got 53% and 47% of those portfolios you're saying are matched with life assurance reserves. So if you add the government and the financial institutions together you've probably got about, what, let's say roughly 50% matched with life assurance reserves.

If you now go on to slide 24 in the bottom right hand corner, now I may not be comparing apples with apples. But bottom right hand corner of slide 24 you're saying that 37% of the entire fixed income book is matched portfolio. Now if that -- I don't understand how the 37% number can be calculated in the same way as the 53% and 47% from the previous slide. So I'm just hoping you can help me reconcile how those numbers, the 53% and 47% on slide 23, how they reconcile with the 37% on page 24.

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

Hi, Michael. Thanks for asking that question so it helps clarify those for the other listeners. Actually it's 53% of 54.1 and 47% of 24.5. In that case you can reconcile the figures with the one on --

**Q - Michael Broom** {BIO 1868182 <GO>}

(Multiple speakers) probably works. Okay, that's great. Thank you very much. That was all.

**Operator**

And at this time there are no further questions.

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

Well thank you again for attending this conference call. And I'll see you shortly. We will see you again in the First Quarter results presentation. Thank you.

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