

Q4 2011 Earnings Call

Company Participants

- Esteban Tejera, General Manager
- Jesus Amadori Carrillo, Head
- Luis Davila, General Secretary

Other Participants

- Atanasio Pantarrotas, Analyst
- Federico Salerno, Analyst
- Giulia Raffo, Analyst
- Luis Pena, Analyst
- Marcus Rivaldi, Analyst
- Matteo Vasilovich, Analyst
- Patrick Noel, Analyst
- Silvia Rigol, Analyst
- Vinit Malhotra, Analyst
- Will Hardcastle, Analyst

Presentation

Operator

Thank you for standing by and welcome to the year 2011 results conference call. At this time all participants are in listen-only mode. There will be a presentation, followed by a question-and-answer session. (Operator Instructions) I must advise you that this conference is being recorded today, Wednesday, the 8th of February, 2012. I would now like to hand the conference over to your first speaker today, Esteban Tejera. Please go ahead, sir.

Esteban Tejera {BIO 3910673 <GO>}

Thank you. Good afternoon, ladies and gentlemen. Welcome to MAPFRE's full-year 2011 results presentations. As usual I'll give an overview of the results and the main business developments. Later, Mr. (Luis Davila) will explain the financials in greater detail and finally, we will take your questions.

Please move to slide number three. Last year I began this call by saying that 2010 had not been an easy year. Well 2011 was at least equally challenging from a macroeconomic and market standpoint as well as the worst year on record for a non-insurance catastrophe point of view. Against this backdrop I feel that the results of MAPFRE were exceptionally

good. Revenues and premiums grew about 15% against 9% in 2010. Profits grew 3.2% against 0.7% in 2010, revenues per share grew 0.7% as opposed to 3.6% for a year ago.

The combined ratio worsened but is seen in the life of the seasonal severity of catastrophe losses, it was actually very good.

Assets under management grew a further 4.2% over a figures that last year has increased 15.5% due to the consolidation of CatalunyaCaixa. Overall, a performance we are very proud of in which replace the strength of our (risk) business, the benefits of our expansion abroad with our overall proven management approach.

Please move to the following slide. Here we highlight the results. The most important thing maybe is the business growth in Spain and abroad. And in general we maintained our tradition of growing more than the markets where we are present.

We had a favorable trend in loss experience in the costliest year ever in terms of catastrophe losses. We reinforced our focus on the insurance business together with such significant improvement in results from non-insurance activities and we register a growth in the recurrent financial results which has mitigated an impact of the market crisis in excess of EUR100 million.

And also, we had strengthen our financial position. We have increased our equity over EUR1.900 billion, which represents an increase of nearly 25%. We have larger interest coverage than the year -- in the previous year. This year it is 36.5 times, against of 70 times in 2010. We have lower leverage, 15.6% against 19.8 % in 2010, and we remain with a very, very high solvency margin of 287%, which is better than the previous year.

Let's move to next page. Here is a breakdown of the main non-recurring items in our results. As I said before, this was the worst year on record in terms of insurance catastrophe losses. Actually here we have included only those that had truly a seasonal in with nature, such as the earthquakes in Japan and New Zealand, and the floods in Thailand.

However, our figures were also strongly impacted by losses in the US, with costs (commit) \$95 million more that did see the previous year. In fact, in 2011 we registered EUR115 million and in the previous year, we registered only EUR20 million. We have also -- we have had also the losses in Australia and in the US for MAPFRE. In any case, even (inaudible) for this, our profits went up nearly 5% in terms of insurance profits.

We also dealt decisively with the losses from our non-insurance activities which have disappeared. In fact, we recorded a small profit up to EURO.5 million. Adjusting followed with items, we are left with an underlying profit growth in excess of 5% which provides evidence of the strength of the insurance business model in general, and of MAPFRE specifically.

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Please move to the following slide. During the last year we have paid dividends for an amount of EUR456.5 million, which represents an increase up to 2.7% and today the board of directors has agreed to propose to the AGM the payment of a final dividend against the 2011 results of EURO.08 gross per share. The total dividend proposed against the 2011 results amounts to EURO.15 per share.

In page seven, you can see the key highlights of the year. In January we launched Verti, the MAPFRE FAMILIAR'S direct sales company for motor and home insurance. In April, we transferred the shareholding in Banco De Servicios Financieros Caja Madrid-MAPFRE to Caja Madrid. And we purchased the 20 -- excuse me, the 12.5% of MAPFRE Internacional.

In June, we launched the start up of the alliance with Banco do Brasil. In August we consolidated Middlesea Insurance in Malta. In October, a new operational structure was put in place and finally in December, the announcement of the reorganizations of MAPFRE and the changes in the Chairman that will be approved in the next meeting of the general assembly of shareholders in March.

Please move to the next slide. Here is a summary of our figures. I just wish to highlight that our premiums have now very close to EUR20 billion. Our profits are very close to EUR1 billion. Equity has continued to grow and debt has continued to fall while our solvency levels have remained extremely strong and very close to three times the minimum requirement.

As we said already we'll in greater detail our financial strength is consistent with a high AA rating, although some rating agencies have a different view. Our return on equity remains above 14% and these are the main figures. I will now hand the call to Mr. Luis Davila who will explain the financials in greater detail. Thank you.

Luis Davila {BIO 16121079 <GO>}

Thank you, Esteban. Good afternoon, to everybody on the line and over the internet and with no further delay, please let's move to slide number 10. On this slide we can see the breakdown of premiums and results by line of business and geographical areas.

The trend observed in previous years of an increasing rate of foreign business activities continues as we have seen throughout the year. Such activities made up over 62% of aggregated premiums against 59% in 2010. The contribution to total profits rose to 38% from 30% a year ago, however, it must be said that this is affected by a series of non-recurring items and catastrophe losses. If we were to adjust for these, the contribution would be broadly stable at the level it was in 2010, which was 50% in the case of Spain, and 30% in the case of foreign business activities.

On the following slide, number 11, we show the contribution of the various subsidiaries to premium growth. Of the EUR2.7 billion aggregate increase shown on this page, EUR1.2 billion came from the business with Banco do Brasil. That means that even excluding this venture, MAPFRE America was the main contributor to the increasing premiums, thanks to

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growth in motor, general and life protection insurance as well as new distribution agreements.

MAPFRE VIDA grew thanks to the strong sales performance in the agents network and the full-year consolidation of CatalunyaCaixa. Growth was also notable in MAPFRE RE, which benefitted from strong, new business inflows and Asistencia due to the consolidation of Insure & Go and organic growth in Turkey and Latin America.

Premiums fell marginally in Spain due to the weak economic activity, however, relative to the market the performance was especially strong in motor and household insurance, which recorded positive growth rate and then increasing market shares.

Please, let's move to slide number 12 where we find the breakdown of sales in Spain by distribution channel. The performance of the agents' channel reflected strong sales of savings business in the lifeline and falling sales of commission insurance in non-life. The growth in the bank assurance channel was due primarily to the full-year consolidation of the insurance activities of CatalunyaCaixa and that applies to both life and non-life.

On slide number 13, we have the development of the consolidated technical results, not the technical result, sorry. At the consolidated level, as we've seen before on page number three, the combined ratio was 1 percentage point worse than in 2010, which given the catastrophe claims, I consider as an excellent result.

It is evident at first glance where the catastrophe claims hit, which was the case of RE and Internacional at the bottom of the chart. MAPFRE FAMILIAR had a better technical result than in 2010 thanks to strong underwriting performance that more than compensated for the increase in the expense ratio, which was due, among others, to the launch of Verti.

Global improved considerably over 2010, when it was strongly affected by the Chilean earthquake. Compared to the previous quarter, the ratio deteriorated due to higher claim severity and the appreciation of the dollar. Empresas had a very strong year thanks to exceptional good frequency and severity. Compared to the previous quarter, there is a slight deterioration.

America improved both -- compared to both the previous year and the previous quarter, thanks to the good underwriting results of the business with Banco do Brasil.

On slide number 14 we find the non-life accounts. I believe I've explained at length the development of premiums and losses on the previous slide. The expense ratio increased due to the larger contribution from the Internacional business which, as we know, especially in the case of America, has a higher cost ratio and a larger weight of business originated through brokers and new channels. There is a strong general effect on the account of the consolidation of BB Seguros, the banking group Seguros, and the financial income has several items to be understood.

On one hand, the realization gains were about EUR60 million lower in 2010, compared to the previous year. Virtually we did not have any exchange rate differences and there are write downs of about EUR34 million from exposure to Greek sovereign bonds.

On slide number 15, we have the life account. Here once again the account, year-on-year, is strongly affected by the full year consolidation of the operations of CatalunyaCaixa and the insurance operations of CatalunyaCaixa, the business with Banco do Brasil and Middlesea, which has a sizeable life business in Malta.

The agents channel performed very well. In addition to that, and in addition to Banco do Brasil, we had organic growth of business in Latin America and the very good development of life re-insurance. And here, too, we have two items affecting the underwriting and financial results. We have a gain of about EUR136 million recognize upon the establishment of the alliance with Banco do Brasil and about EUR47 million of write-downs, once again, coming from Greek sovereign bonds.

On slide 16 we have the other business activities where we see, as we've been seeing throughout the years, the year decrease in operating revenues and operating expenses which comes from lower business volumes in MAPFRE FAMILIAR and its non-insurance subsidiaries and the discontinuation of MAPFRE INMUEBLES real estate activities.

The net financial income falls compared to the previous year -- the net financial loss falls compared to the previous year and here, too, it reflects a combination of elements which are detailed there on the slide. The negative result from the sale of Banco De Servicios Financieros.

Last year we had an impairment on the shares of Cattolica. There were revenues from MAPFRE INMUEBLES, which now comes under this line as well as a new appropriation of provisions for the depreciation of its property stock and as we had also see in the interest coverage, lower interest payments for about EUR14 million.

The result from minority interest basically have disappeared until March. The reflected would be a recognition of the result of Banco De Servicios Financieros Caja Madrid-MAPFRE and the other revenues last year included impairment with property stock which, as I said previously, this year forms part of the net financial income.

On slide 17 we have the developed results by subsidiaries. MAPFRE America turns out because of the gains recognized after the granting of the authorization to create the alliance with Banco do Brasil as well as the profits flowing from this alliance. MAPFRE FAMILIAR shows a contraction which reflects the large realization gains recorded in 2010, excluding realization gains and write-downs for both years, the net income would have grown approximately 7%.

MAPFRE Internacional suffered a significant fall due to large, weather-related and catastrophe claims in the US, partially compensated by larger realization gains. MAPFRE RE also suffered a fall due to a series of catastrophe claims. This as, as Mr. Tejera was saying before, was the worst year on record.

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MAPFRE Global Risks improved mainly because last year it was affected by catastrophe claims, which was the case of the Chilean earthquake, and MAPFRE Empresas and MAPFREVIDA recorded small losses due primarily to write-downs and in addition, MAPFRE Empresas in 2010 had a considerably larger amount of realization gains.

On slide 18 we have the bottom line. There are several elements affecting this. We have the agreements with Banco do Brasil, which is an impact. We have the restatement of financial accounts for a similar amount in both years in Venezuela. We have the appropriation of a provision for financial market instability, part of which -- most of which was appropriated in June and the remainder in the last quarter of the year for a total amount of EUR55.8 million, and the tax figure includes the positive impact of the sale of the shareholding in Banco De Servicios Financieros.

On slide 19 we have the balance sheet. Here we have clearly the three elements which the consolidation of Banco do Brasil, Middlesea, and to a lesser extent insurance -- Insure & Go, which affect the variation. In 2011, we had the appreciation of the euro against the main Latin American currencies. Clearly, as you may expect and we've seen throughout the year, the market value of investments was negatively affected by the rise in the risk premium.

We have an increase in other intangible assets and minority interest, which was actually singled out precisely in this last quarter for the full-year account. This is because of the value of business-acquired assignments to the assets consolidated after the alliance with Banco -- the accounting of the alliance with Banco do Brasil, and we also see a decrease in cash balances which was mainly due to the redemption of the senior bonds issued in 2011, which we did in July.

If we compare to the Third Quarter the balance sheet shows a notable increase in goodwill along with larger intangible assets and the significant increase in minorities. As I said before, this is due to the recognition of the value of business acquired, arising from the business with Banco do Brasil.

On slide number 20, we have the breakdown of the investment portfolio as last year we had three slides about this. The breakdown is broadly in line with 2010. We have a slightly larger weight of government bonds. In terms of geographical breakdown, Spain has gone up due to the purchase of government paper and Latin America due to the business with Banco do Brasil, while the rest of Europe has fallen due to falls in the market value primarily and to a minor extent, sales of some bonds.

Investments kept their value through P&L of double in weight, primarily because this is the accounting approach employed by Middlesea, while investments held to maturity increased primarily because Banco do Brasil accounts for a substantial part of its investment through this approach.

On slide 21, we see an increase in the weight of government papers due to the investment in Spanish government bonds I just cited, along with the fact that the large

proportion of the holdings of the business with Banco do Brasil and Middlesea are made up by government bonds.

The weight of peripheral euro zone countries excluding Spain, has fallen to 11.1% from 18.5% a year ago, so it a decrease of more than 7percentage points. The weight of financial institutions holdings also has fallen, in this case, by 6percentage points, while its breakdown is broadly identical to 2010.

On slide 22, we have a further breakdown of the fixed-income portfolio. The breakdown by type of guarantee is virtually unchanged. In terms of currency there is an obvious increase in the weight of the Brazilian real from 4% in 2010 to 10% this year, and the breakdown by ratings has recorded a downwards trend due to the numerous downgrades by the rating agencies. Nevertheless, 86% of the portfolio remains rated single A or better, while in 2010 the proportion was 92%. This breakdown was before the downgrade of Spain by Standard & Poor's, which obviously would increase notably the single A slice.

On slide number 23, we have the changes in equity. Increase is just a bit south of EUR2 billion and that includes the result for the year. The negative impact of the volatility of financial markets on the value of investments, which as usual, is partly offset by shadow accounting.

Unlike last year we have negative translation difference because the euro appreciated as I said before, against the main Latin American currencies, and most of the change is in other items where we have the about EUR1.8 billion of minorities.

In Banco do Brasil, the scrip dividend which was a further positive amount of about EUR170 million, and they were compensated by the decreasing minority shareholders as a result of the acquisition of the 12.5% in MAPFRE Internacional.

Lastly, slide 24, we have the financing structure. As a direct result of the lower leverage and increase in equity we see that the total weight of equity has gone up to about 85% of total financing and interest coverage and leverage ratio are extremely strong. We have nearly 37 times interest coverage and 15% leverage, which are consistent with high AA or even AAA ratings and are clearly at odds with the ratings bestowed on us by some agencies. And this would be all on my side and I'll give back the call to Mr. Tejera for the Q&A.

Esteban Tejera {BIO 3910673 <GO>}

Thank you, Luis. We are available for your questions.

Questions And Answers

Operator

We will now begin the question-and-answer session. (Operator Instructions) Your first question comes from Vinit Malhotra of Goldman Sachs. Please ask your question.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes. Thank you. Good afternoon, (Davi). Good afternoon, (inaudible). Just -- I've always been curious about the Spanish motor business that you have been growing, as you have pointed out, faster than market, and if I go to slide 33, please, we can see that the whether the market has improved a bit on the motor, you kind of (worth) them in the nine-month period.

Is there something that we should be thinking about, this faster than market growth catching up with the combined ratio? Is that something there? So that's the first question there, please. And the second question is, again, (inaudible) on MAPFRE FAMILIAR, properties seem to have fairly strong improvement in the Fourth Quarter. Was anything there that we should know? All right. Thank you very much -- in combined ratios, I mean. Thank you.

A - Luis Davila {BIO 16121079 <GO>}

Hi. Good afternoon. Well no, the two things in the first -- regarding the first question, these two things do not go hand in hand because that is a trend -- the growth trend is something that we have seen throughout the year. It was not seen just in the last quarter.

The last quarter we just had a higher loss ratio. It happens, it usually -- year-on-year tends to be an even figure or a figure with not massive change but we have seen in other quarters variation of this kind. It happens from time to time. It was also relatively normal at year end when you review there, so there's nothing which we have not seen in previous quarters in other years. Property -- you're right, and it was due to a sales campaign which took place in the last quarter.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay. Thank you very much.

A - Luis Davila {BIO 16121079 <GO>}

You're very welcome.

Operator

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

Q - Giulia Raffo {BIO 7573856 <GO>}

Hi. Good afternoon. I have a few questions. A couple are a bit boring on numbers but one would be helpful if on the (Vova) asset that you talk about for the other intangible, if you can give us a sense of what is the minority share of that EUR2.45 billion item so that when

we calculate your tangible book value after minorities we can attribute this other intangible correctly.

The second question is a follow-up from what Vinit was asking. I understand that there are fluctuation between one quarter and the other, but if we look at the combined ratio progression in your Spanish motor, there has been quite a sharp deterioration in Q3 and Q4. The first half you were running at 95%, and then you had Q3 at 96%, and now Q4 at 99%.

Was there anything particular in the quarter or perhaps at the end of the year when you look at the initial loss peak that you took on the first three quarters, you thought that perhaps more conservative was necessary.

And my other question is on the dividend side, as far as I understand, you have the intention to pay the dividend in cash. Now, is there anything that could happen between now and the AGM that might change your view on that, and specifically I was wondering whether you can give us any update on the Bankia relationship.

And finally, on the motor, I believe there has been some news on the (Baremo) so I was wondering whether you can give us some first comment on what you would expect for 2012 and whether we should expect any indication from that, in your motor business loss ratio. Thanks. Thank you very much.

A - Esteban Tejera {BIO 3910673 <GO>}

Hi, Giulia. Esteban. I prefer to answer first the question on dividends and our relationship with Bankia. As you have said, our policy is to pay in cash and unless something happens from here to the payment of March that implies a new operation or new necessities after increasing our capital and or continuing our solvency, we will pay in cash, the dividend.

In terms of the restructuration of the Bankia, base have -- and base were -- we can see hear all types of rumors and information possible to foresee what will happen. I think that Bankia is a great franchise and from the point of view of MAPFRE, and from the point of view of insurance we have -- our news is that the government has approved a delay of two years in the application of the law that established that every -- each bank will have only one partner in insurance.

So there will be -- in any case, independently of what will happen in the map of the financial situation in Spain due to merger for acquisitions or changes of the property, we are secure we have two years to fix the situation if this situation changes in a significant way, so I am sorry for not having more information. That is not available at the moment, but the good news for us is this that we can maintain our (calm) in the design, the position, just in case it is necessary. Any further questions?

A - Luis Davila {BIO 16121079 <GO>}

Have we answered your question on the first one, Giulia?

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Q - Giulia Raffo {BIO 7573856 <GO>}

Yes. I believe -- I don't remember which one. I think the first one was the (offer) intangible -- sorry.

A - Luis Davila {BIO 16121079 <GO>}

No, no. The one on dividend, then Bankia.

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes. Yes. No. I think it is clear. You can't -- at this stage you don't know whether something will happen in the next six weeks but it doesn't -- we'll see. At the end of the day, that's clear.

A - Luis Davila {BIO 16121079 <GO>}

Okay. In terms of the Vova -- roughly it's about EUR1.2 billion, the amount. Regarding whether there was conservatism in reserves, I suppose you can say so. We've tried to value them prudently based on how we see expected trends in the market going forward into 2012.

Q - Giulia Raffo {BIO 7573856 <GO>}

I guess what I was trying to check is whether it was too optimistic -- the 95% that we saw in the first half and perhaps equally it is wrong to extrapolate on the 99% in Q4 -- the full year view of 96% is more of a proxy.

A - Luis Davila {BIO 16121079 <GO>}

I would say so. As I said before, it's not the first time we see. Quarterly trends are what they. Quarters are quarters. The yearly figure is much more of a benchmark to go awry and we've seen in previous years spikes and falls of similar amount. It happens, so on a quarterly basis it does happen.

As far as the Baremo is concerned, we have a new director general of the supervisory authority and she said that she expects, quote, News in 2012. As far as the industry is concerned, we have -- are letting the supervisor and the ministry know that we'd rather have it sooner than later, because we'd much rather have a clear framework to operate in but that's as much as we can tell you. We don't know where it's going to happen. The director general has said that she expects news but that's as much as we can tell you.

Q - Giulia Raffo {BIO 7573856 <GO>}

Okay. Just one quick thing -- sorry, I forgot to ask before. On slide 20, out of the held to maturity on your fixed income, the EUR1.767 billion, is there any of that which is either Portugal or Greece within the EUR1.8 billion?

A - Luis Davila {BIO 16121079 <GO>}

Yes. It's primarily Latin America.

Q - Giulia Raffo {BIO 7573856 <GO>}

Okay. Thank you.

A - Luis Davila {BIO 16121079 <GO>}

And actually, Giulia, you will see that there's been a considerable increase, year-on-year, and that comes from Brazil.

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes, I know. That's why I just -- I was curious whether it is inclined to have a sense because that's the only category together with --

A - Luis Davila {BIO 16121079 <GO>}

Well because --

Q - Giulia Raffo {BIO 7573856 <GO>}

Which we don't see a value for.

A - Luis Davila {BIO 16121079 <GO>}

The euro zone bonds are held in Europe and Europe is a fair value through equity.

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes. I just wanted to check. Okay.

A - Luis Davila {BIO 16121079 <GO>}

Okay.

Q - Giulia Raffo {BIO 7573856 <GO>}

Okay. Thank you.

Operator

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

Q - Will Hardcastle {BIO 16346311 <GO>}

Hi, there. It looks like you've increase your provision in the quarter for the financial market instability despite the additional Greek write-down. Can you explain what specific concerns have driven that increase and also maybe touch on the level of impairment your Greek debt write-down implies?

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And the final question is on (Gerais Segurta), it looks like you've increased the reserves due to regulatory changes -- could you maybe just touch on what those changes were and how much that has actually impacted? Thank you.

A - Luis Davila {BIO 16121079 <GO>}

Hi, Will. Good afternoon. Well I think it's obvious the reason for which the provision was increased anyway. It wasn't a dramatic amount compared to the stock that was already appropriated in June. It's clearly uncertainty and the reason for which the provision is appropriated. I'm afraid there's no better answer than that one. Prudence -- call it prudence -- whatever you want.

Roughly Greece is at 50% of its nominal value, on the books, roughly.

And last question, Gerais Segurta -- I'm afraid the precise change in regulation, do you know it, is it --

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

Yes, sir. Hi, this is Jesus Amadori. There was a change in our resource policy, basically part of the expenses -- expense policy that can be attributed to (Ibenar) has been changed, and also led the industry to provision more in that precise reserve. Obviously, the precise impact we cannot tell you, because that's non-confidential, but obviously the results would have been much more in line with premium development.

A - Luis Davila {BIO 16121079 <GO>}

Unfortunately, in Turkey there have been some comings and goings in terms of the regulation on reserve so we've had -- if my memory does not fail me, we had a positive impact last year and negative impact this year. There's been a bit of swings. That's the reality.

Q - Will Hardcastle {BIO 16346311 <GO>}

Okay. That's great. Thanks.

Operator

Your next question comes from Atanasio Pantarrotas of Cheuvreux. Please ask your question.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Yes. Good afternoon to everybody. I have a few questions. First of all, regarding your Spanish motor business, I saw that the average premium paid by customers declined 5.5% compared to the past years, and this trend is the first time after two, three years that there is a decline of the average premium paid by customers. So I wonder if this is a trend that concerns you and if this explains why there was a slight reiteration in the last part of the year in the motor business?

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My second question is in regards the expense ratio. Do you think that we will see some improvement in the expense ratio, so some expenses in 2011 like the launch of Verti are not -- will not be repeated in 2012.

And my third question is in regards to the tax rate. Do you expect any increase in tax rate in next year, given also I think that the weight of the Brazilian operation are increasing and am I correct the tax rate there is around 40%?

And final question regarding the (re-sovereign) offering is slide 63 -- I appreciated that you disclosed the data regarding the run-up, I wondered if the numbers -- the figures you give in the number 63 are on the net premiums so the combined effect, or on the final reserve (built) in the -- at the end of the year, and if you can provide us in the future, also, the triangle evolution? Thank you.

A - Luis Davila {BIO 16121079 <GO>}

Hi Atanasio. Many questions. Let's see. The decrease in the average premium per customer is fundamentally due to two reasons. The main one is the fact that we have an economic slowdown and so there's two trends. We have fewer policies from new business so the policies in the portfolio age and people, when the policies age, usually tend to reduce their covers.

And secondly this is compounded by the fact that because of the prices, people can afford to pay less money for their insurance premiums so they down shift. They reduce the number of covers, not because the car gets older but simply because they cannot pay as much. So that is fundamentally the reason for the decrease in the premium per customer which have seen -- believe it's a trend we've just seeing throughout the year. And you say this is the first year but I think we already saw that --

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

No. The first since 2008 -- the end of 2008, beginning of 2009, so it's the first.

A - Luis Davila {BIO 16121079 <GO>}

Yes. Yes.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

There was some recovery in late '09 and beginning of '10 of the --

A - Luis Davila {BIO 16121079 <GO>}

Then to a smaller extent, Verti. Verti, by its very nature is a company that in terms of price positioning is stays at the level which is below the average amount for premium and Verti has had to relatively a large contribution is 67,000 policies in its first year. It's not an immense amount of the total policy stock of MAPFRE but it also has an impact.

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The expenses of Verti -- clearly we expect them to have gradually a smaller influence of the total -- over a total amount because clearly as the premiums grow, there is going to be less sales. In terms of the rest of the trends, somehow the question on expenses connects to the question on the tax rate.

The more we have an increase in the weight of the foreign, both the expense ratio and the tax rate tends to go up. You've seen that in MAPFRE America. If you look at MAPFRE America we have seen quite a material swing between the loss ratio and the expense ratio and that is because the business is now coming through Banco do Brasil -- has a better loss ratio and clearly there is a flip side on the expense ratio.

We also have a growing volume of broker intermediated business on the commercial side, which also has an impact of this, so as a trend -- clearly as these businesses are growing weight, it does have a bearing on the expense ratio and the tax ratio -- you're absolutely right.

Clearly with Brazil having a larger weight, we do have an upward trend. If the US, by the way, also were to go up because the US really this year was banged hard on the head by catastrophes, the US also has a tax rate which is higher than Spain so if they were, as we expect them and hope that no such catastrophes appear, at least not to the same extent in 2012, then also we would pressure the tax rate up.

The figures on slide number 63, are for direct insurance that's before re-insurance. I'm not sure -- but the triangles are found in our annual report so we do give the triangles. And the annual report, I think, is going to be filed tomorrow.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Yes. Okay. Thank you.

A - Luis Davila {BIO 16121079 <GO>}

You're welcome.

Operator

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

Q - Mattheo Vasilovich

Oh, hi, it's Mattheo here from Morgan Stanley. Unfortunately I want to focus a little bit on the negatives just to get to some comfort around those issues. In terms of impairments, my first question is on Commerce Group. I realize last year was a bad year for Commerce Group for reasons other than fundamental, underlying performance but nevertheless there's been several bad years in a row on Commerce Group.

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I'm just wondering how close you came to triggering a goodwill impairment on that part of the business? The second question I had on the land impairments that you've had. I understand that you've taken about a 20% overall over time impairment on the regional INMUEBLES portfolio.

I was just wondering, if this is vacant land and it's valued at 20% less than it was a couple of years ago, is it possible for you guys to just offload it at the price that you're currently valuing it at on your balance sheet, because obviously it's not yielding anything in terms of income so it would be better to just offload it at the price that's on the balance sheet, if that price is achievable, and the final question is just one of fact. I'm just wondering on your portfolio of equities, what level of impairments did you take in 4Q and how much unrealized gains do you have on equity still in your shareholders equity?

A - Luis Davila {BIO 16121079 <GO>}

Okay, Matteo. Good afternoon. Let's see. No. In commerce we have not come close to an impairment. I mean, these are figures which I reviewed with the auditors and if they had -- impairment there is or there is not. That is the fact, so it has been reviewed with the auditors and the auditors have not demanded any impairment, which means that the valuations hold. That's the long and short of it.

Why do we not offload the land in INMUEBLES? We value it, actually, once again -- the auditors require quite extensive test of the valuations of a very large sample of stock, so the valuations we are comfortable with and it -- and the auditors also require that it is appraised by external valuers so we're reasonably safe there.

I suspect that if we got a decent offer, as we do with buildings from time to time -- if someone comes along and makes us an offer for land we could sell it but this is a moment in which you have to be careful about selling whatever is property in Spain. So it depends. If there is a good opportunity, why not, but unless we find it I wouldn't say we would be rushing to dispose of these properties.

And the last question on the impairment of equities -- I'm afraid I don't have that answer for you. But since you're asking me exactly what impairment it was in the last quarter on equities?

Q - Matteo Vasilovich

Yes, because you have a EUR1 billion in equities and the markets were quite weak, at least in 3Q last year. I don't think you took large impairments in 3Q from what --

A - Luis Davila {BIO 16121079 <GO>}

It's not a matter of impairments. We had a third value strike with this so whatever is the value, they are recognizing equity for their value.

Q - Matteo Vasilovich

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Yes, I guess the question is whether or not they'll eventually flow through the P&L, and that will depend whether or not you've got unrealized gains on them still, so I was just wondering whether or not we can expect in 1Q or 2Q, if the market stays where it is, further impairments on equities or whether we're relatively secure that that won't happen if the market stays where it is at this level?

A - Luis Davila {BIO 16121079 <GO>}

Well I suspect that would apply only to equities which suffer a very deep and prolonged decrease in price, and then we've had that. The one I can recall was the deterioration with the impairment we did last year with Cattolica, but otherwise the -- it has to be 18 months and 40% continuous for which usually is only in very limited cases.

At any rate, this is what I'm saying. Whatever impairment there is, is in equity. There's -- our equity reflects the value -- our shareholders' equity reflects the value of our equity investments in the market at any time.

Q - Matteo Vasilovich

Okay. Great, thank you very much for that. Thank.

Operator

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

Q - Frederico Salerno

Good afternoon. Just a couple of things. The first question I have is on the dividend reinvestment plan. I browsed the presentation. I couldn't see any mention of it, so I was wondering if you plan to implement one going forward for this year or not. Then the second, on the property portfolio, besides INMUEBLES I had realized gains of roughly EUR800 million at the full-year 2010. I was wondering if you can give us a figure as updated as possible on that. Thank you.

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

Hi, Frederico. As I have said to Giulia before, our policy is paying in cash. The only changes in this could happen if we have something to acquire and I don't foresee anything now. There is nothing I can say to you. As I have said before, from the point of view of the operations in the Banco do Brasil's business and so on, there is a situation where enough things are moving but I don't think that these moving along will happen in the near future and we will be very prudent in these kind of thinks in the future.

A few mainly because our strategic position from the geographical point of view is okay, so the policy is paying in cash. The only thing that could change this policy is one specialty opportunity happens, and I don't foresee at the moment.

A - Luis Davila {BIO 16121079 <GO>}

Okay. And regarding your question on the unrealized gains, on slide number 56 of the presentation you will find the unrealized gains. They were EUR795.2 million last year and they have fallen to EUR607.3 million this year.

Q - Frederico Salerno

Okay. That's including everything basically?

A - Luis Davila {BIO 16121079 <GO>}

Yes. That's the like-for-like amount where you have EUR800 million you have in mind.

Q - Frederico Salerno

Okay. Thanks very much.

A - Luis Davila {BIO 16121079 <GO>}

You're very welcome.

Operator

(Operator Instructions) Your next question comes from Marcus Rivaldi of Morgan Stanley. Please ask your question.

Q - Marcus Rivaldi {BIO 5739374 <GO>}

Good afternoon, everybody. And so I'll just come back to the property questions again, and of course all your presentations here today are on IFRS accounting for these assets but if we're looking across in the banking space at the moment, we've got a regulator who's the Bank of Spain asking banks to take a very different approach to how they may make marks on properties going forward to sort of restore confidence in the Spanish banking system.

So are you getting similar -- sort of having similar discussions with your regulator as well about your property assets. First of all, if you could just clarify to what extent some of those unrealized gains of balance sheet are actually included in your regulatory solvency position and may just extend on from that to maybe discussion around whether there's been any read across from we're seeing from the Bank of Spain to the insurance sector. Thank you.

A - Luis Davila {BIO 16121079 <GO>}

Hi, Marcus. The last part of the -- so let's imagine I may not, at this point, be able at this point to give you a precise figure. We're looking into that now. For real estate, generally speaking for investments -- insurance balance sheets are much more solid than insurance balance sheets of banks because our valuations on asset are much closer to market than those of banks.

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None here is an expert on banking accounting but somehow the way real estate assets have been valued in the banking industry in Spain resembles some sort of an embedded value approach. There is a certain inclusion in the value of the properties of expected future profits flowing from the property. Ours is market. We take the properties, have a surveyor assess their value in the market and tell us you are below or above that, and if you are below you have to appropriate a provision.

So it's -- let's say it's a much tougher valuation approach than the one used in insurance, so what happens on the banking side does not necessarily have an impact on what happens on the insurance side. And roughly 6% of the positive amounts in the sovereignty margin come from unrealized gains in property.

Q - Marcus Rivaldi {BIO 5739374 <GO>}

So just to clarify, the EUR600 million that you're referring to, the off balance sheet -- only 6 points of the solvency margin is coming from that source.

A - Luis Davila {BIO 16121079 <GO>}

Yes.

Q - Marcus Rivaldi {BIO 5739374 <GO>}

Okay. And just to be clear, again, and obviously the Bank of Spain is maybe asking banks to take a closer look at maybe that approach to how they account for those assets going forward, and there may be potential impacts on valuations in the market. Have you thought about maybe making some general provisions against that as of this stage?

A - Luis Davila {BIO 16121079 <GO>}

Once again, thank you for asking this because this is a popular question we receive. I am sometimes under the impression that with this and with our financial investments, somehow we improvise in the valuation. We have clear deadlines to go about when we value the assets and our valuation is to take the assets.

We are actually required by the auditors to provide evidence of market valuation of those as well as by regulations, and that's the approach we follow. It's not as if we fancy a percentage, write it down and apply that. We have some guidelines that we follow and this year -- and I must tell you we were extensively tested because as you can imagine, the auditors at this time in history want to be double -- want to make face that they have the valuations under control before the signoff.

So I'm afraid that's the way it works. We have an approach and we follow it. You know, if next year there is a new prevailing wisdom of how these assets have to be valued and then that leads to percentage X then percentage X will be applied, but this year that's the approach that was followed.

Q - Marcus Rivaldi {BIO 5739374 <GO>}

No. I appreciate that. And obviously there was an approach or obviously just the Bank of Spain changed is really sort of (inaudible) probably since you closed the books for the year end, just wondering whether -- how that's -- maybe you're thinking about --

A - Luis Davila {BIO 16121079 <GO>}

I imagine what you're saying is that if the approach by the Bank of Spain translates into a new market valuation, if it does then possibly, yes, it will have an impact even that we go by market valuation, but it's not a direct impact, given that the Bank of Spain requires such valuation then the GS, which is the insurance supervisor, will do the same because to begin with, the way assets are valued is different. So the Bank of Spain has to fix troubles which the insurance sector does not have.

Q - Marcus Rivaldi {BIO 5739374 <GO>}

Thank you very much. Appreciate that. Thank you.

A - Luis Davila {BIO 16121079 <GO>}

You're welcome.

Operator

Your next question comes from Luis Pena, JB Capital Markets. Please ask your question. Your line is open. Please go ahead.

Your next question comes from Giulia Raffo. Please ask your question.

Q - Giulia Raffo {BIO 7573856 <GO>}

Hi, sorry. Just to follow up on numbers detail actually. On the EUR600 million unrealized gains on property on page 56, can you give us a sense of how much belonged to minorities because the scope has changed greatly with the Brazilian transaction, so I just wanted to understand as to what would be the minority share of that?

Then just the final detail -- am I right in thinking when I look at slide number 59 where you show the profit breakdown by unit, the Greek impairment has all affected the line called Other companies and consolidation adjustments, so which is to say the result of FAMILIAR, Empresas, et cetera have not been impacted by Greek impairment. If that is not correct, could you give us the detail of the Greek impairment by the main units? Thank you.

A - Luis Davila {BIO 16121079 <GO>}

We have not actually disclosed the figure but it's negligible, the share of minorities in those unrealized gains, so by and large they're all of the main shareholder. You can take them to be fundamentally of the main shareholder. The impairment in Greece was, let's say, complex in terms of the assessment. There is some in their line, and some in the lines of companies, but primarily there's a big chunk in the other companies' line, yes, but it's also in the company, at the company's level.

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Q - Giulia Raffo {BIO 7573856 <GO>}

Can you give us the number at the companies' level?

A - Luis Davila {BIO 16121079 <GO>}

As they were not put as a figure I'm afraid I cannot give you. We have given the total impact at a consolidated level.

Q - Giulia Raffo {BIO 7573856 <GO>}

It's not helpful to us, though, because when we are making forecasts by division and trying to get a clean --

A - Luis Davila {BIO 16121079 <GO>}

Yes. But we --

Q - Giulia Raffo {BIO 7573856 <GO>}

(Investing) an income by line --

A - Luis Davila {BIO 16121079 <GO>}

But that you can do, Giulia, because we give you the total figure of non-recurring items or realization and write-downs for each company, so you have the total amount and you can deduct it to arrive at the underline. So if you just --

Q - Giulia Raffo {BIO 7573856 <GO>}

Not really, because for Familiar we just get pre-tax gain. We don't know what's the net of impairment and capital.

A - Luis Davila {BIO 16121079 <GO>}

No, no, no. Pre-tax gain is net of write-downs.

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes. But in fact, so how can I guess what the write-down is? I mean, there are infinite solutions that give me EUR13 million and some of them --

A - Luis Davila {BIO 16121079 <GO>}

Yes. But you have only one -- you only have one solution for the underline. I mean, what we give you is if you adjust for that figure, you get the underline.

Q - Giulia Raffo {BIO 7573856 <GO>}

Okay.

A - Luis Davila {BIO 16121079 <GO>}

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Does it answer your question, Giulia?

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes, I guess it does. Yes.

A - Luis Davila {BIO 16121079 <GO>}

Okay.

Operator

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

Q - Luis Pena {BIO 15131020 <GO>}

Can you hear me now?

A - Luis Davila {BIO 16121079 <GO>}

Yes.

Q - Luis Pena {BIO 15131020 <GO>}

Oh, okay. So I have different questions. Well first in follow-up. I apologize because I joined late and somewhat the questions might have been answered already, so the first one is on Bankia and if you can give us some sort of information on how the situation is evolving regarding the bank assurance agreement of Bancaja and whether that -- whether you would be interested in acquiring or being a partner of Bankia in this division network?

The second one is if you can give us an outlook for the international business this year, especially in the US, Turkey, and Latin America. So how do you see actually (payment) growth and the combined ratio evolving in these geographies.

And finally, regarding the one-offs. Okay. So MAPFRE had very significant negative and positive one-offs in 2011. On the negative one-offs I think that we could see again some sort of continuation of negative one-offs, especially in property with potentially some financial impairments, so the question is will we see again the positive one-offs in 2012, and what could be the sources of positive one-offs, if you are foreseeing any? Thank you.

A - Esteban Tejera {BIO 3910673 <GO>}

I had said before, regarding Bankia that we remain with Bankia as main partners. We don't know how we like Bankia in the next months in order to make or not new acquisitions for mergers, et cetera.

But I said before that the changes in the regulation approved last week give us two additional years to establish the final composition of our joint ventures with Bankia and the other partners, which means that in the meantime we can have our agreement with

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Bankia in current terms and Bankia has the way to maintain their position in the JV that is coming from Bancaja, they could maintain it.

So from this point of view, we must wait and see what happens in the financial evolution during the next months and our intention and vocation is to be the main partners of Bankia now and in the future, but for doing that we have more time now that we have in the situation of the old regulation that are banks and insurance company to agree to remain with only one partner. This is the main difference now.

From the point of view of our -- for the other question about the evolution of the international business, while in the USA, in commerce, and especially we have had this year, it's been a very bad year from the point of view of catastrophes. I remind you that we have to see where there are no storms of the year, then we had the hurricanes.

We had the kind of catastrophes that never had occurred in the State of Massachusetts before. I hope that this will not happen this year and we have to increase our tariffs twice during the year, and there is an increase of more than 4% in local currency of the gross premium in commerce. Commerce is working very well from the point of view of the current business and I think that this is a company that is working in the way that MAPFRE works usually, and in the branches that we are specialists, so not fully maintained but we are gaining market share in Massachusetts and we are starting to develop business in other states.

And in Turkey the situation is similar. We have these new regulations that were commentative before about the calculation of provisions in Turkey but we have to suffer the evolution of the currency against the euro, but in local currency the growth is very important and last year in the situation from the point of view of profitability of the company, even if the competition there is very hard.

It's improving and we are starting to develop our scheme, open new home branches in the territory that will give us organical growth in the next years in the way that we did before in Latin America, so we are very comfortable in the international business. And I hope that the catastrophe side this year will be better than the year before.

A - Luis Davila {BIO 16121079 <GO>}

And as far as the last question is concerned, Luis, one-offs by their very nature are unexpected figures so both the positive and negative we just have no idea about. It's something that we adjust for as if and if they happen. For the moment, clearly at the outset of the year and there's nothing that I can think of which is not already reflected in the 2011 accounts.

Q - Luis Pena {BIO 15131020 <GO>}

Thank you.

Operator

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Your next question comes from Sylvia Rigol. Please ask your question.

Q - Silvia Rigol {BIO 15126791 <GO>}

Hi. Good afternoon. The continued relationship with Bankia and if the decision to choose only one insurer for the group in two years, how are you going to set the distribution channel of Bankia with Aviva, so do -- how much the branches continue selling (inaudible) product and Bancaja branches is continuing selling Aviva products. How it is possible that after the method of the bank? Thank you.

A - Esteban Tejera {BIO 3910673 <GO>}

In the meantime, there is a status quo situation where they're all branches of the different franchises continue to act in the same way that they acted before. And what's the --

A - Luis Davila {BIO 16121079 <GO>}

No. That is the question.

A - Esteban Tejera {BIO 3910673 <GO>}

Oh.

A - Luis Davila {BIO 16121079 <GO>}

Those which -- there's a -- let's say a branch number -- branch number X sells MAPFRE. Branch Y sells Aviva.

Q - Silvia Rigol {BIO 15126791 <GO>}

Okay. Thank you.

Operator

Your next question comes from Patrick Noel of Groupama Asset Management. Please ask your question.

Q - Patrick Noel {BIO 4200300 <GO>}

Yes. Good afternoon. I have firstly a question about the quality of your technical provision. I'd like to know what is the level of technique and provision on premiums and the amount, and what is the trend compared to last year's? Reserve release, there are any -- what is the level of reserve release?

Concerning your activity, I'd like to have a view of the gross in Suisse America at the same perimeter. Without Banco do Brasil it looks that without Banco do Brasil we have a big slowdown in growth. But MAPFRE VIDA saw the growth without CatalunyaCaixa, it looks that is decrease. Could you explain that, develop that

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And last question is about the loss ratio, the (inaudible). It looks that in Spain and in Brazil we saw an equal amount of loss ratio except catastrophes, of course. What is the reason of this good loss ratio? Is it sustainable?

A - Luis Davila {BIO 16121079 <GO>}

Okay, Patrick. Before I answer your question, I would just like to say to the participants I apologize. We are actually glad to receive so many questions but we actually have to catch a flight to London to continue this conversation tomorrow, so I'm afraid we'll -- if you don't mind this will be the last questions we answer.

Now, Patrick, in terms of the quality of reserving -- one of the participants made reference to the table on slide number 63 which shows the run of our reserves, which is positive consistently over the last eight years so that is the -- I believe the answer to your question.

We also have our reserves reviewed externally on a yearly basis by actuarial consultants and if the reserves are insufficient we would have to make -- if they were insufficient we would have to make additional provisions and that would be reflected in the notes to our accounts and to my memory, that has never happened, at least since I've been with MAPFRE, so the quality of reserving this year is very much the same as it was last year.

In Latin America -- you're right. Clearly there is such a large addition. If my memory doesn't fail me, excluding Banco do Brasil, the increase is about 11%. That has an element which comes from Venezuela and Argentina where we've consciously decided to contain, let's say, our growth because we are not comfortable with the underwriting terms in the market and with the quality of the business that can be written so it does have a bearing on the total growth of the business.

Anyway, you will find a detailed breakdown of the growth by country on -- which I believe, if you're asking that question you already looked at, but anyway also for the benefit of the other participants, you have it on slide number 41. And excluding Venezuela, and just Argentina, Puerto Rico, you have growth of 16% in Mexico, 22% in Colombia, 25% in Chile, 16% in Peru -- these are respectable growth rates, so -- but Venezuela and Argentina, indeed, if you adjust them for the inflation it leads to a decrease and that's because we believe we have to be extra prudent on the business we write.

In MAPFRE VIDA, you're right. If you adjust for CatalunyaCaixa, there is a fall in there. It is due to the fact that the Casa Madrid Bankia has sold a lower amount of premiums in 2011 than they did in 2010. 2011 was an especially delicate year for the Spanish banking system and especially delicate for savings banks and banks coming from savings banks, so there was an intense competition for deposits and there was a need for banks to focus on deposit taking so that in this case, and in the case of (inaudible) had a bearing on the sales of the life assurance.

The most pressure year, you're right. The year was an especially good one and actually was very good. In terms of, let's say, call it direct -- call it ordinary or non-catastrophe insurance -- it's difficult to make exact predictions about the loss ratio. One company comes to my mind, which is the commercial insurance business in Spain, MAPFRE

Empresas, which actually -- fortunately or unfortunately, depending on the way you look at it -- because of the slowdown in the economy had lower frequency and lower severe.

The economy doesn't seem to be about to spring up again so then they continue in 2012. The Brazilian has, by nature, a lower loss ratio than the Latin American business before the business with Banco do Brasil, so that also pressures the loss ratio downward but then there are the known unknowns. I cannot tell you exactly how the loss ratio will come out in 2012, seen from now.

Q - Patrick Noel {BIO 4200300 <GO>}

I'd like to be sure to understand. You said that without Banco do Brasil the growth in South America would be 11%?

A - Luis Davila {BIO 16121079 <GO>}

Roughly, because it's EUR1.2 billion in premiums so if you net that out -- MAPFRE America grossed EUR1.7 billion. If you take out EUR1.2 billion, you're left with half a billion, which works at about 11%.

Q - Patrick Noel {BIO 4200300 <GO>}

Yes. Okay.

A - Luis Davila {BIO 16121079 <GO>}

Thank you.

Q - Patrick Noel {BIO 4200300 <GO>}

Thank you.

A - Luis Davila {BIO 16121079 <GO>}

I -- so this, in our case, as I said before, we must leave but thank you for the many questions and give back the word to Esteban.

A - Esteban Tejera {BIO 3910673 <GO>}

Thank you. We thank you for attending our conference call. I hope to meet you again for the First Quarter results presentation. Thank you. Bye.

Operator

This concludes our conference for today. Thank you for participating. You may all disconnect.

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