

Q1 2012 Earnings Call

Company Participants

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

Other Participants

- Atanasio Pantarrotas, Analyst
- Federico Salerno, Analyst
- Giulia Raffo, Analyst
- Maciej Wasilewicz, Analyst
- Niccolo Dalla Palma, Analyst
- Raphael Caruso, Analyst
- Rodrigo Vasquez, Analyst
- Vinit Malhotra, Analyst
- Will Harkers, Analyst

Presentation

Operator

Thank you for standing by and welcome to the First Quarter results 2012. (Operator Instructions) I must advise you that this conference is being recorded today on Wednesday the 9th of May 2012. I would now like to hand the conference over to your speaker today, Esteban Tejera. Please go ahead.

Esteban Tejera {BIO 3910673 <GO>}

Good afternoon, ladies and gentlemen. Welcome to MAPFRE's First Quarter 2012 results presentation. As usual, I give an overview of the results and the main recent developments, and later, Mr. Lubelli will explain the financials in greater detail. Finally, we will take your questions. Please move to slide number two.

Despite the bad conditions of our environment, we can say that we have started in the year with a good start. Revenues grew by more than 11%; premiums by more than 15%; annual savings more than 8%. And we have improved our nonlife combined ratio in 1percentage point to 95.6%. In evaluating the activity results drops by 12%, the recurring attributable result is growing nearly 4%. These results is in a line that I would like to underline.

In these results, we haven't any extraordinary gains and these -- our difference between these results and their results of the First Quarter of the last year. The revenues grew a little less than premiums but we should keep in mind that in the First Quarter of last year, we refinanced our gain of EUR182 million arising from the agreement with Banco Do Brasil, which was not repeated in this year.

The growth of the funds under management reflect growth in Spain as well as the consolidation of Banco Do Brasil. And the improvement in the combined ratio, which is now in a level more normal in our activity, when we talk about the combined ratio of MAPFRE of (inaudible), it's not (inaudible) this year by the earthquakes of Japan and New Zealand, and the whatever related place that we suffer in MAPFRE USA last year.

So as I mentioned before, the underlying profitable growth was close to 4%, taking into account the EUR97 million net gain in Brazil booked in this quarter in 2011 as well as the realized gains in place I just referred to. I consider these to be a fine increase of results with even the present environment.

We go to the next slide. On page 4, we have the main highlights of the results. The growth in the international business has been usual, given the last quarters. The improvement in the underwriting results nonlife seems to (inaudible) of the domestic (inaudible) in the lower part of catastrophe (with a) related losses. We have an improvement in life as serious the current results tend to the growth of the international business and the focus on life protection insurance, which is an objective we have established two years ago. And that we are maintaining a view to the special circumstances of saving life assurance in Spain this moment. And we have also as a sustained and group money, the current financial results.

In page 5, we have the development of the recurrent results. This year there is only one truly nonrecurring item, which is the impact of the impairment of Greek debt which is EUR41.5 million. And as you remember, we had a provision for general deterioration of the financial environment at the end of last year of EUR56 million in our accounting. So there has been a release, a partial release of this provision. And this has an effect of neutralization of the impairment of the Greek debt.

There are no recessional claims. And on the other hand, as you know, last year, and I mentioned before, our accounting, especially MAPFRE, were impacted by the earthquakes in Japan and New Zealand. This year we haven't catastrophe or weather related to special conditions in our claims. And the recessional gains this year are much lower than in the year before ours, where there was a large one-off gain in Brazil that I mentioned before also.

In page number 6, we saw the details of the agreement we reached given the quarter with Banco Financieros to acquire their share holding in Latin America which was 10%. And we acquired these share holding policies. And now, we are the owners of 99% -- more than 99% of our main subsidiary of growth. The operation will be financed from the group's own catharsis and the price was EUR244 million. This is -- and remember that it's accretive from scratch. It has a positive impact in our accounting.

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In page 7, we saw our policy of dividends the Board of Directors in our meeting celebrated this morning. And has established to pay fully in cash the final dividend payroll against the 2011 results. This was as you remember EURO.08 (gross) per share and this means that it will be paid on the 29th of June 29. And this implies our rights and the amount take of the dividends against 2011, which represent an increase of 2.2%.

And finally, on page 8, we provide a breakdown of our investment and to clarify several questions we have received over the past month. As you can see, our exposure to Spanish financial institutions is concentrated in better quality assets, and our own exposure to financial institutions is more diversified than normally assumed by the market.

I will now hand the call to Mr. Lubelli who will explain the financials in greater detail as usual, and then we'll take your questions. Thank you.

Luigi Lubelli {BIO 4108780 <GO>}

Thank you, Esteban. Good afternoon, to everyone on the line and on the Internet. Before I go ahead, some of you may already know that today, the Board of Directors of MAPFRE has appointed Mr. Tejera as first Vice Chairman of the group, and therefore I wish to congratulate Esteban publicly on this call for his appointment.

Esteban Tejera {BIO 3910673 <GO>}

Thank you, Luigi.

Luigi Lubelli {BIO 4108780 <GO>}

With no further delay, let's move on to slide number 10. Just as a preface to what I will say about the rest of the content, you will have noticed that we have changed the presentation of the figures. This is in order to adapt them to the new management structure of MAPFRE.

If you had the chance to look in greater detail at the presentation, you may not worry because the usual figures we provided about each subsidiary are found in the statistical appendix as usual. It's just a matter of presenting the figures in the main presentation according to our new management approach.

On slide 11, we have the usual breakdown of premiums by line of business and geography. The weight of the foreign business activities of the total premiums has remained in line with the full-year 2011 figures. That is about 62%. The figure was pretty much the same at the end of last year. And surprisingly, the dramatic increase of the previous year comes from the consolidation of the business held jointly with Banco Do Brasil, which in addition to this, was by far the main contributor to premium growth in the First Quarter.

Due to the absence of significant nonrecurring items, the contributions to insurance profits is basically in line with the actual underlying level. The foreign business including reinsurance has gone up to 45% of total insurance profit compared to 40% a year ago.

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This is a result of the startup and consolidation of the new Brazilian business, as well as a much larger contribution from commerce, which as we will see, has experienced a notable improvement.

On slide number 12, we have a new slide which we -- through which we wish to provide additional color on the breakdowns shown on the previous slide. In a nutshell, what I would like to show here is that Spain, the US and Brazil bring in 60% of total premiums and about 70% of total profits. Spain remains the main contributor to profits, but as I already explained in the previous slide, the contribution of Brazil and the USA has gone up materially year-on-year.

If we were to add to these geographies, the reinsurance business, we would go up to about 75% of premiums and 85% of profit. So three countries plus your insurance business make up 85% of our total profits. Premiums fell 3.7% in Spain, which nonetheless was way lower than the 11% contraction for the market at large. This has translated into another early increase in MAPFRE's market share of about 0.7 percentage points.

On slide 13, we have another new slide would be development of nonlife insurance results, and which we also want to show you how different geographies and subsidiaries play. As I said before, the nonlife premiums growth was driven mainly by MAPFRE America. Thanks to both the business with Banco Do Brasil as well as to an average increase of about 20% in the other countries.

All other subsidiaries grew as well except in Spain, which was unsurprisingly, we had a contraction which was due to the impact of the economic slowdown on sales. As I said on the previous slide, nonetheless, we outperformed the market in this decrease, meaning that we decrease less, of course.

Overall, our year-on-year, the combined ratio recorded an improvement and this improvement is a result of several variations. In the Spanish business, we had an increase, although overall, the combined ratio remains outstanding. This is basically a comparison effect with the previous year where we have an exceptionally low experience in the burial business. This year, this is compounded for -- by a change in the expense accrual criteria and not embedded, which any way will be diluted as the year progresses.

Latin America recorded an increase due to a higher loss ratio in motor, agricultural, health and accident insurance. This was especially concentrated in Brazil. If you follow other groups that operate there, you will have noticed that the country has largely experienced a deterioration in the combined ratio on the motor business, as well as the impact of the severe drought on agricultural insurance.

MAPFRE RE improved very materially and that is no surprise to anyone. Last year, you had the earthquakes in Japan and New Zealand, and fortunately it had none in the First Quarter of this year. Something similar must be said about MAPFRE USA, which last year suffered the consequences of historically severe winter storms, which once again, fortunately, were not repeated this year.

MAPFRE Global Risk had (incurred) into a higher cost of rain insurance protections. And in addition to that on the cost side, it had a greater proportion of its business sold through brokers. And finally, MAPFRE Asistencia recorded a negative impact of foreign exchange variations on its reserve. And in addition to that, had a business mix driven by products with higher commissions.

On slide number 14, we have the nonlife account. I've already explained at length the drivers of premiums growth and the technical results. I would just like to add with respect to the technical results, the combined ratio more specifically, that compared to the full year 2011 figures, we have the expense ratio up 0.4percentage points, but the loss ratio is down 1.7percentage points. So we have a net improvement of 1.3percentage points since the closing of the previous year. The growth in the financial results benefited from higher recurring yields generally speaking, and the strong increase in Brazil, which more than compensated for the lower amount of realization gains.

On slide number 15, we have a new summary as well for the life business. Brazil was the main driver of growth also in the life accounts. The explanation is more complicated in this account last year. The Nossa Caixa business was in runoff awaiting the commencement of the business activities with Banco Do Brasil. And this year, these business activities are up and running, and they've had a strong impact on both sales and the technical financial results.

MAPFRE Vida on the Spanish side benefited from a strong performance of the agents channel, which largely made up for the contraction in sales through the bank assurance channel. And this explained why MAPFRE strongly outperformed the market, because for those of you who may not know that, the marketing space contracted nearly 19% -- one-nine. The technical financial results continues to benefit in Spain from the growing weight of life protection insurance. MAPFRE RE recorded a very large increase in sales, which mainly came from European selling companies.

The summary of the life accounts is found on slide 16. Here too I've already explained the main drivers. Earlier on, Mr. Tejera made reference to the gain booked in 2011 on the agreement with Banco Do Brasil which excludes that. The technical financial results grew nearly 90%, which once again was driven by Brazil; but this year, it actually comes from the development of the business.

On slide 17, we have the development of other business activities. Generally speaking, we have low interest payments this year, and we have an impact on the year-on-year comparison, which is positive, by the provision which we are appropriating in 2011, as a result of the sale of the shareholding in (spoken in Spanish) the De Servicios Financieros Caja Madrid-Mapfre.

If we exclude that as well as interest payments, we see that the net balance is a small profit. And this is a testimony to MAPFRE's strategic choice to exit the noninsurance businesses and increase the profitability of those it holds.

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Next slide we have the bottom line. Little to say here. I'd say the major change here which is most striking is the increase in the result attributable to the minority shareholders, which is mainly a result of the alliance with Banco Do Brasil. Just as an add-on, which is not covered here, I'd just like to add that some of you may have been surprised compared to your expectations by the results of MAPFRE Familiar.

That is actually quite easily understood, if you take into account the fact that last year after taxes and minorities, it had a positive impact of about EUR25 million from realized gains, which this year, has fallen to just EUR9 million. And this year on the contrary, it has a write-down on Greek debt of about EUR29 million. If you adjust for everything plus some small really material write-ups that we also had, it basically has an adjusted net result of -- in the region of EUR82 million, which is closer to what we saw as the expectations of some analysts.

Vito for the case of America, there's been some surprise possibly with that. Here we have bigger swings. Last year, we had the -- realized the profit on the recognition of the alliance with Banco Do Brasil, which added about EUR109 million, EUR110 million to its bottom line, plus EUR5 million of inflation adjustments in Venezuela. This year, it actually has about EUR7 million of amortization of value business acquired arising from the alliance with Banco Do Brasil, and a smaller adjustment for inflation in Venezuela.

If you take into account this amortization of the BOBA, and the inflation adjustment, the net profit comes out at around EUR55 million, which is basically in line with what we understand most people expected the result to be.

After this digression, I'll go back to the presentation on slide 19. We have the balance sheet. You will have noticed a seasonal decrease in cash and equivalents, and that is simply the result of the pressures of financial assets. And year-on-year, we also have a comparison -- a fall of about EUR280 million, which is almost entirely due to the repayments on maturity of the bonds issued in 2011, which basically were of the same amount.

Our assets as well as liabilities see seasonal increases in the case of the assets is receivable from insurance and reinsurance operations. Those of you who follow us should not be surprised by the increase in minority interest and technical reserves. Minority interests grow because of the consolidation of Banco Do Brasil. And technical reserves because of this and in addition to that because of the consolidation of (middle to) insurance. I'd just like to add that compared to year-end, debt recorded a further decrease, a small one, but yet a decrease of about EUR75 million -- EUR65 million.

And finally, we have the statement of changes in equity. This year, unlike the other year, we have a positive impact from the changes in market value of the investments, which was partly offset by the application of share accounting, and translation adjustments mainly coming from the depreciation of the US dollar.

We have the dividend approved by the general meeting. And I wish to stress this -- this has already taken away from equity. It's already recognizing in equity. So there will be not

be another charge for this.

And this concludes my side. I'll hand the call back to Mr. Tejera for the Q&A session.

Esteban Tejera {BIO 3910673 <GO>}

Thank you, Luigi. Well we have finished our presentation and we are available for you for questions. Thank you.

Questions And Answers

Operator

(Operator Instructions) Niccolo Dalla Palma, BNP Paribas.

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

I have three questions, please. Firstly on Brazil. If you could on the P&C side, please give us the like-for-like growth in premiums? And also if you could say something more on what drove the larger loss experience? Was it frequency? Severity? Was it on current or past accident years?

And on the life side in Brazil instead, if you could re-explain what happened in Nossa Caixa, because I got a bit lost there. And if the (VOBA) amortization is a one-off or if that is a recurring level of amortization of your VOBA.

Secondly, if you could confirm on the accounting change at MAPFRE Empresas that is that only a one-off change in the -- in Q1? Or is that a new recurring level of, let's say, expense ratio due to the change in accounting? So just to clarify if that's -- if we will go back to the normal expense ratio in the coming quarters?

And finally, on the fixed income portfolio, where you give some more details on slide 8, which are useful, if you could also just add two little pieces of information on the financials exposure, just to better understand the covered and senior exposure to banks, i.e., is it fair to assume that around the half of that is to savings banks, which is the number we get to looking at the full year disclosure and mixing it with this one? And is there any concentration risk? You mentioned that it's a well-diversified portfolio. Could you give us an idea of what the maximum size is to (one) institutions, obviously no names, but just an idea. Thank you.

A - Luigi Lubelli {BIO 4108780 <GO>}

Good afternoon, and I hope I can remember everything you asked. So if I do not, please remind me. I'm afraid we cannot provide a like-for-like for Brazil. We've explained this in previous conference calls but I'll explain it again. It is not that easy because there's been quite a movement around the portfolios. The transaction was consumed. So it is difficult to give a precise like-for-like comparison, I'm afraid.

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The loss ratio in Brazil was a generalized deterioration in the country. If I'm not wrong, it's especially frequency of pets if I'm in -- the car theft in the country. Nossa Caixa, yes. What happened was the following -- which actually last year caused the negative comparison we explained. If you -- you may remember the last year in Latin America we have an increasing expense ratio. That was due to the fact that somehow the year began and we stopped selling life business through Nossa Caixa. This business began to be sold through the then subsidiaries of Banco Do Brasil. And at the same time, we were actually setting up a structure of what would be the present holding companies now.

So last year actually had an initial negative impact of the alliance, because we recognized a significant portion of the expenses, but we have stopped temporarily recognizing the revenues and of profits of the subsidiaries. Then, this of course, was taken into account in the valuations, in Europe evaluations, and then the business came in. So this year, you're comparing a business that is up and running with a business that last year was temporarily stopped. And that of course, causes a big upward swing in the result of the life account at large. That's basically -- and have I explained myself?

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

Yes. That's very clear.

A - Luigi Lubelli {BIO 4108780 <GO>}

And the values business acquired is -- yes, it will continue. It's just a -- an accounting procedure. So it will continue for a period of 20 -- (multiple speakers) 20 years, about.

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

But the rate at which it will continue that we cannot convince that it's similar to the, I think, EUR22 million you mentioned for (multiple speakers) --

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes. Yes.

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

Okay.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay. The change in accrual in MAPFRE Vida was basically due to somehow a timing difference between -- let me be clear on this one -- in this business, like in other two businesses in Spain, which is better than health, most premiums issued in the First Quarter of the year. So there was a certain timing disconnection between the recognition of expenses and the recognition of premiums.

So that is basically what has been fixed. I'm afraid it will somehow affect the year-on-year comparisons of just this year. Then next year being an accrual, I would think will revert to normal.

Next question was a fixed income portfolio, right?

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

Yes.

A - Luigi Lubelli {BIO 4108780 <GO>}

So you said the covenant and the (multiple speakers) --?

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

And the senior, just understand if it's a fair assumption that roughly how savings banks and other office -- non-savings banks which is the number I would get to applying the full year disclosure to the detailed one.

A - Luigi Lubelli {BIO 4108780 <GO>}

I'm afraid we don't have a disclosure of that and I cannot give it to you. I would say it's a fair-ish assumption in the sense that, obviously -- I mean the market is what it is. And so, the issuance of covered bonds was clearly skewed towards the banks which had the larger mortgage portfolio. And so, the bigger had the bigger share. So as a rough smell test, that would swing it towards the banks rather than towards the savings banks. But that's, I'm afraid, as far as I can go. Niccolo?

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

Yes. That's very clear. And in terms of concentration risk just to -- not specific names clearly, but just -- you said it was a very well-diversified portfolio. Can you give us a number on the maximum size to one single institution or (multiple speakers) --?

A - Luigi Lubelli {BIO 4108780 <GO>}

I'm afraid that being non-public information, I cannot.

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

Okay. Thank you.

Operator

Maciej Wasilewicz, Morgan Stanley.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

It's Maciej from Morgan Stanley. A few questions if you don't mind. The first question is if we assume that let's say the Spanish property market went through more rapid adjustment in terms of pricing than might have been expected in the coming months, I just wanted to know in terms of timing, would you -- how often would you revalue your portfolio? If there was evidence that say property was revalued at much lower much sooner than you might have been expecting, would you revalue that portfolio in 2Q? Or

would we have to wait for a reevaluation of the portfolio until the end of the year, even if there was some compelling evidence that the portfolio might have lost some value?

Number two, could you just give us an update on your solvency position? Is that still above 200%? Or what can we expect there?

And number three very briefly, and I don't think you'll be able to answer this anyway, but if we, for a second, entertain the idea that there was a secondary offering of your stock, would MAPFRE FUNDACION potentially be a sizable buyer of that stock? I don't know if you can answer that actually, but I'll ask anyway. That's it for my questions.

A - Luigi Lubelli {BIO 4108780 <GO>}

I'm sorry. I was going to say sorry I had something wrong with the mic. You can never blame for asking. Good afternoon, Maciej. Now, let's see. The -- I'll begin from the end in the first question.

We revalue properties at year-end. We've explained this a few months ago on occasion the full-year results that's the established procedure. And honestly, unless havoc breaks through, I wouldn't see a reason for such an adjustment. I mean, I think we've had a fair share of frights today in Spain and of rapid falls in the price of real estate values. And we've never faced such a situation. And at this date, prices have fallen quite considerably already in the market.

So I would not anticipate -- and I don't know what exactly you have in mind, but with the present market situation, I would anticipate that the reevaluation would take place as usual at year-end. Is there anything you have specifically in mind?

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

Well I just thought that perhaps given the current situation, you might consider some of your property to be worth materially less than it currently sits out at the balance sheet. So you might choose to recognize that loss in value, if there is a loss in value, sooner rather than waiting until year-end. And just wanted to test if that was a possibility. It sounds like you'll wait until year-end -- the normal procedure.

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes, because among other things, I mean there's nothing that we have noticed in terms of any more rapid depreciation in asset values which would warrant that. So no, I couldn't see any reason now for anticipating that devaluation.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

Okay.

A - Luigi Lubelli {BIO 4108780 <GO>}

So in terms of the solvency position, no, there has not been any -- I mean we have not -- we normally do not release that, just such little time has passed since year-end and there have been no material changes. I mean, what is great right now but it wouldn't have any material impact on the situation.

Actually, we had, as you can see from the change in equity, we had a positive impact from asset valuation on equity. So actually, solvency would be a bit better.

And the last question I'm afraid has no answer. A, because it is at this stage, science fiction. And secondly, no, we cannot speak on behalf of the foundation to tell you to tell you what they will do (technical difficulty). I mean, as a hunch you would expect them to be interested in the capital increase of MAPFRE but that's as far as I can go. That they are independent from our Company and they take their own investment (technical difficulty). That's the long and short of it.

Q - Maciej Wasilewicz {BIO 16462204 <GO>}

Yes, I completely understand. Thank you very much.

Operator

Atanasio Pantarrotas, Cheuvreux.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

I have three questions. First of all on the motor Spanish business. I saw that you reported a healthy trend in the loss ratio, which improved by 3.8% year-on-year despite some lower premiums income. I wonder if you can give us some more color on the motor business? If the premium decline is totally due to lower targets or lower coverage both by your clients? What is the claim inflation trend and expectation regarding the possible change in the compensation scheme named Baremo?

The second question is on the life business results, which was very strong in the First Quarter. And I wonder what could be a sustainable level? Because I saw a higher volatility in your life and life results. You even screwed in the game booked for the intervention in Brazil last year, there was a high volatility in the quarter by quarter life results, which passed from less than EUR60 million in the Second Quarter last year, then jumped to EUR135 million, then declined to EUR65 million. Also (two) impairments in the last quarter and then it jumped again to (EUR165 million) in the First Quarter this year. So what could be a sustainable level going forward of course in the next quarters?

Last question regards impairments, is now your Greek balance in line with the market valuation? And what could be expectation regarding the possible impairments in the next quarter's? I mean maybe, for example, in Bankia at the end of the day, Mac evaluation bank is now far below the IPO price, I know that you both, if I remember well, EUR165 million. So I wonder if there is potentially some impairments on this stake going forward? Thank you.

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A - Luigi Lubelli {BIO 4108780 <GO>}

Good afternoon, Atanasio. Now let's see. Health is really the combined ratio. I would say more or less reverted to normal as we said last year -- well, not last year, a few -- three months ago, with the full-year results. In the last quarter of last year, we took a cautious decision to strengthen reserves in expectation of potential (securitizations) to happen this year.

So if you compare quarter on quarter, that quarter was not that normal. This quarter is more normal. Falling premiums, I'm afraid that the economic situation is what it is. So the -- there is a -- it's a competitive market and the volume of car sales is falling and falling. So there's the cars are not being replaced. So cars grow older and people somehow downshift with their policies that the cars get old, they no longer have a fully comprehensive. They perhaps go to a third-party liability policy or a policy which has fewer coverage, although it has more than a third-party liability.

It's just basically an adjustment to a lower level of economic activity and sales. So nothing is special to report on the claims inflation and on the Baremo front. There are no news on Baremo for the moment.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

And sorry, in regard to the inflation costs, so is stable, is zero, is negative?

A - Luigi Lubelli {BIO 4108780 <GO>}

I don't have the precise figure. Inflation at large Spain has fallen and then more or less moves in sync with that. Life business, when you said a strong Q1, you are referring to technical results or you're referring to premiums?

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

(Spoken in Spanish) financial income, so that the results was EUR165 million -- and I mean it was much higher than compared to the past three quarters, which was an average (EUR86 million). Of course it may be partially due to some one-off -- negative one-off about anyway it's --?

A - Luigi Lubelli {BIO 4108780 <GO>}

I was going to say. Last year, you had Greece and this year it fell on the year-on-year comparison you have Brazil. If you now look at technical financial results, the (multi's) would be absorbed so it wouldn't impact on that. So it's just basically business activity. There are not many (gains) to the quarter or anything.

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

This is Jesus Amadori. Good afternoon. Actually looking at our life account, if you adjust the quarter on quarter evolution and you take out last year, obviously the impact of the one-off in Brazil. And in the last quarter, the Greek impact on the life accounts typically gives you roughly between (EUR60 million and EUR80 million) per quarter. We can take it

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offline if you want and then we can debate a bit further, but leave it at that. That is what it should have been last year, right?

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Yes, okay.

A - Luigi Lubelli {BIO 4108780 <GO>}

And with regard to the impairments, well, clearly the Greek bonds are there. Whatever impairment they had to be there has been and now the bonds are (it might take) value like all our investments. So and the same answer applies to Bankia. So there has been a difference in Bankia with respect -- I honestly do not recall what was the share price on the 31st of March; but whatever falls there has been in the price would be reflected in the accounts at the close of June, if it stays on at this price by the end of June.

So there are actually no write-downs if you adjust our investment according to market price. So if the market price falls, it goes into others. And the same is for Greek bonds. Now they're trading at market and whatever permanent impairments that have been, have gone through the P&L and the rest now trade with market.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Okay. Thank you.

Operator

Federico Salerno, MainFirst Bank.

Q - Federico Salerno {BIO 2565091 <GO>}

Just a quick question on slide 40. I think you mentioned the realization of gains at Familiar which fell from 35 million to 13 million. Which level going forward should I assume is the sustainable one for the coming quarters? That's the first question. Then just on the Spanish motor, is it possible to have an idea or share of your customers have a comprehensive policy, as opposed to your DPL, even a rough idea if possible. Thanks.

A - Luigi Lubelli {BIO 4108780 <GO>}

I'm afraid you have a rough idea on both in the sense that realization gains, honestly there's no budget for realization gains. The realization gains happen depending on the evolution of investments. So I cannot -- I honestly, I don't have an answer for your question.

For the second one, I can give you rough guidance. Let's say in terms of PPL, MAPFRE is the largest writer in Spain. Our market share on third-party liability insurance for motor is comparatively larger. So in our book, it is more. Now I do not precisely recall the weight in Spain. I think it's something like 70% is fully comprehensive or something like that, and 30% is (TPL). We have a comparatively larger weight. And honestly I don't have -- I mean I think the relative majority is fully comprehensive and other guarantees and MAPFRE as

well, but I would not be able to tell you to give you a precise percentage for that, I'm afraid.

Q - Federico Salerno {BIO 2565091 <GO>}

Okay. Thank you.

Operator

Will Harkers, Bank of America.

Q - Will Harkers

Clearly, it's a difficult situation with the current restructuring in the banking sector, but I do see some comments made in another conference call hitting the tape. Could you perhaps just comment on your long-term strategy with Bankia and perhaps just verify the exact percentage holdings?

A - Luigi Lubelli {BIO 4108780 <GO>}

We just understood the first part of the question, long-term strategy with Bankia and then the second part was --?

Q - Will Harkers

Just verify the exact percentage holdings. I see that you're commenting it's a 2% stake in Bankia.

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes. The stake precisely is 2.14%. We originally had a 2.4% stake and then Bankia converted preferred stock into shares, and then that diluted our shareholding to 2.14%. With respect to the long-term strategy, I'll pass the word on to Mr. Tejera.

A - Esteban Tejera {BIO 3910673 <GO>}

Our relationship with Bankia has -- we have mentioned an alliance that keeps the euro commercial agreement for selling insurance policies. You have the (WA) agreement where we sell financial products for the two-hour network of branches. From this point of view, identification with Bankia is that we have agreement with. We continue having the agreement with Bankia.

The evolution of the business in Bankia I hope that will improve in the near future. Great utilities that where we should be taking place in the near future. And we have to work and continue to work to develop new ways of cooperation in our field that is insurance provision of products for them actually in the future.

So this is the position. It remains the same. And when we have this disagreement in even if the situation they're selling -- the saving products, this is now in that situation view to the special conditions of the deposits more in the financial modern in Spain. We have the

products and the procedures are there to take advantage of the new situation until we return to normal.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay, that answer your question?

Q - Will Harkers

Yes. Thank you.

Operator

Giulia Raffo.

Q - Giulia Raffo {BIO 7573856 <GO>}

First of all, just one quick thing. It would be very helpful if for the next quarter, you can let us know what the like-for-like comparison is on South America premium-wise. I understand it was a complex transaction, but we get like-for-like comparisons from all of your competitors.

Now just going to question. One, I just want to ask you on the reinsurance side, if we look last year in Q1, March where you had the combined ratio of about (EUR106 million) but within that, MAPFRE had to absorb about 20 points of nat cat. This year in Q1, can you confirm that there was no nat cat? And if that is the case, what happened to the attritional performance in the sentence -- in the quarter was zero, nat cat I would expect a better combined ratio than (94).

Second question is still on reinsurance but on the license side, if I read your number correctly, we have a situation where your top line on life re is up to by 55% Q1 on Q1. But then if I look at the financial and technical profit, that is down by 42%. So I'm just wondering whether you can highlight whether there was any one-off item there?

The other question is on the consolidation line. If I add the impact of the macro provision utilization, I end up with a pretax loss of about EUR18 million. I just want to check whether there is a normal run rate for future quarter, because I was expecting more like EUR10 million to EUR12 million as opposed to EUR18 million. So I just wanted to check whether there was any one-off item impact in that.

Then I suppose you can't comment on that, but can you give us a sense for what is your total exposure to Bankia in addition to the 2.1% equity stake? And finally, if you can give any comment on your potential interest on Groupama Seguros.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay. Good afternoon, Julia. Quite a full list of questions. Let's see. Let's go to the first one.

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You're right and it has to be understood. And actually thank you for asking that question. This is basically an accounting policy. You have premiums and you have the announced premium reserve. And the release of the announced premium reserve has to go in line with what is called seasonality. Seasonality was when it comes to cut losses is basically translated into occurrence.

So what happened last year was that Greeley was an exceptionally large loss. Clearly, it was unlikely and fortunately that was the case that another loss of a similar nature could happen for the same account. So the release of the unearned premium reserve was enhanced in that quarter in order for the premiums collected on each account to bear their share of losses.

So actually, making a like-for-like, I take stock of the fact that we do not provide a like-for-like change in the unearned premium reserve. If you just take it to take out the losses on catastrophes, you leave the additional release of the unearned premium reserves. Then makes it seem as the ordinary loss experience deteriorated last year. It's just an accounting effect. Have I made myself clear or not?

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes. Clear. It's just that I would have expected still in spite of that, if I just look at your 94% combined ratio in Q1 2012 for a short-tail property cat, I mean your book is very skewed towards property.

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes (multiple speakers) --

Q - Giulia Raffo {BIO 7573856 <GO>}

You've given -- you don't give us P&L, but you always say that you roughly price the business for a 95% to 96% combined ratio. And that would include a normal loading of nat cat. (multiple speakers) So I'm just saying that in a clean quarter with no nat cat, I would have expected a lot less than 94%.

A - Luigi Lubelli {BIO 4108780 <GO>}

Right, no, I mean, there has been -- I mean there's nothing especially strong to report. There is an impact on the expenses. There's a -- which has a certain -- can have a certain impact on the combined ratio. You will have noticed that the expense ratio has gone up. And that is because there's been a greater way of this recession through XL contracts. And that has a certain impact upwards, impact on the expense ratio, which I imagine answers part of your doubt. But about was the impact I explained to you.

Q - Giulia Raffo {BIO 7573856 <GO>}

Okay. Thank you.

A - Luigi Lubelli {BIO 4108780 <GO>}

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Staying on RE, I thought this would be asked. I mean this is something that -- claims happen. This is the First Quarter and that is what it is. It's just the beginning of the year. We will have to see how this result develops in future quarters. I mean, this is a large-scale business and the movements in claims is not linear. So it -- maybe it is connected on a quarterly basis.

As part of your question and consolidation EUR18 million, you can take it to be a normal run rate. It probably is in the range of a normal run rate. The total exposure to Bankia, you're right in your guesses. We have not given that figure in the presentation. I cannot give you the precise number.

Obviously, we have exposure to fixed income securities issued by Bankia but I cannot give you the precise amount. And I'm afraid there's nothing to comment on your comment. I mean, this is a -- Esteban, perhaps you would like to --?

A - Esteban Tejera {BIO 3910673 <GO>}

No. It's a process that keeps open and obviously we can't make any comment about the process, but it's open the market. I believe you can understand this.

Q - Giulia Raffo {BIO 7573856 <GO>}

Yes, yes, totally. Can I just ask a follow-up? You mentioned in the speech that you have gained market share in your Spanish insurance. If I look at the market statistics, that's definitely through on the license side. But if I look at the P&C side, your top-line dropped by roughly 3.5%, whereas the market was down by 2%. Is there any specific line where you didn't participate it into rational competition?

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes, you're absolutely correct. The -- when I referred to the increasing market share, I was referring to MAPFRE large for the whole market. In the nonlife, we have a split picture. We have the retail lines. We have motor and household, in which we have increased our market share. And while on the industrial lines, we have decreased the market share. So on the balance, the usual construction (is up). On the balance, the -- on nonlife, you're absolutely right. In nonlife, we go -- well, we contract more than life.

Q - Giulia Raffo {BIO 7573856 <GO>}

It also seems that the market grew a lot in health, whereas you haven't sold one, that if there was any irrational competition there on health?

A - Luigi Lubelli {BIO 4108780 <GO>}

I'm afraid, Julia, I could not understand what line did the market grow?

Q - Giulia Raffo {BIO 7573856 <GO>}

Health.

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A - Luigi Lubelli {BIO 4108780 <GO>}

Health? Oh, health. Well yes, but let me just check if we have -- it's health --

A - Esteban Tejera {BIO 3910673 <GO>}

There is there, Julia, an increase in the sense of the market (inaudible) to increases of pricing and but there is also assembling of the market where we have no presence. We, as you know, that this signature one. And we have also a very strict underwriting policy in group policies. So the market is growing and we have already laid down the market.

A - Luigi Lubelli {BIO 4108780 <GO>}

And just while on this, we are comparatively stronger than the market in what is called the reimbursement health insurance, which is more upmarket and more expensive. So there also in this moment of time depending on the affordability of the product, it also has an impact on our sales.

A - Esteban Tejera {BIO 3910673 <GO>}

In any case, our policies here have insurance is to be very cautious, because we think that our aim here is to be profitable, not to gain market share.

A - Luigi Lubelli {BIO 4108780 <GO>}

As a matter of fact, the combined ratios improved considerably in health year-on-year.

Q - Giulia Raffo {BIO 7573856 <GO>}

Thank you.

Operator

Raphael Caruso, Raymond James.

Q - Raphael Caruso {BIO 17417164 <GO>}

You have already answered some of my questions but I have just one more. Concerning your real estate exposure, what type of real estate do you have in portfolio and in which country? If we can have a geographical split, it would be much appreciated. Thanks.

A - Luigi Lubelli {BIO 4108780 <GO>}

So the -- broadly it is Spain. I mean, we do have properties -- some properties in Latin America, but by and large, the book is mostly commercial property located in Spain. We do not have residential properties except for a few leftovers from -- and a few means 100 homes or that from previous developments. And we have some development land in Spain. We do have that. But basically it's Spain. We have some headquarters of our subsidiaries in Latin America and that's pretty much all.

Q - Raphael Caruso {BIO 17417164 <GO>}

Okay. Thanks. I just have a follow-up question. What is your portfolio duration, please?

A - Luigi Lubelli {BIO 4108780 <GO>}

It's about seven I think? (multiple speakers) A total of five.

Q - Raphael Caruso {BIO 17417164 <GO>}

Excuse me?

A - Luigi Lubelli {BIO 4108780 <GO>}

The total portfolio is five. I think seven is on the life side.

Q - Raphael Caruso {BIO 17417164 <GO>}

Okay. Okay, perfect. Thanks a lot.

Operator

Rodrigo Vasquez, N+1 Equities.

Q - Rodrigo Vasquez {BIO 3356902 <GO>}

This is Rodrigo Vasquez, N+1. My first question is regarding MAPFRE USA. In the first -- in this year, combined ratio was (level) 100% despite a lower claims environment. By when could we expect more sustainable combined ratio leverage below 100%?

And the second question is, I don't know if you can give me an estimation of what could be the contribution of Bankia to the life Spain net income? I know that it's roughly 20% of the premiums, but about what level -- do you have any estimate of how much of that it represents? Thank you.

A - Luigi Lubelli {BIO 4108780 <GO>}

Okay. Good afternoon, Rodrigo. The MAPFRE USA (clearly meant) has to be said is one of the main contributors to the increase in profit in the foreign business this year in the First Quarter, which had to be expected. Now, this last year was an exceptionally bad quarter winter storms-wise in Latin America -- sorry, in the USA. But it remains a winter quarter. So compared to other quarters, it does have some more claims.

There also have been a cancellation of business in some states, which has led to a contraction of premiums, which exemplified that development of the combined ratio. We believe -- we have done this because we were not satisfied with the underwriting performance of the business. So we'll move on to the year we will expect that to be a positive. But in the short-term, it does have a negative impact on the results.

If you exclude the other states where we are reducing the premiums consciously, Massachusetts is about 5% up in terms of premiums. I'm afraid I cannot give you the

contribution of Caja Madrid, because it's not provided specifically in the accounts.

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

Rodrigo, this is Jesus Amadori again. We just said it's not public info, but making a quick exercise based on what we published in the Annual Report, you can (cause) that it's paid then. MAPFRE Caja Madrid roughly makes EUR10 million a quarter. We retain 51% of that, so that gives you a (five) which is a bit north of 10% of MAPFRE RE profits.

Q - Rodrigo Vasquez {BIO 3356902 <GO>}

Okay. Thank you, Jesus.

Operator

Vinit Malhotra, Goldman Sachs.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Vinit from Goldman's. Just going back to the growth we saw in the MAPFRE America in the premium side -- I'm just looking for the slide, but I remember that in Argentina also, there was a growth of 18% in Venezuela.

Now I remember, I think it was last quarter, and there was a discussion around how you were slowing down growth -- slowing down writing business deliberately. You said it on slide 27. And just you were slowing down growth. And I was wondering if this pickup in growth is just some seasonality? Or if there's still some focus on managing the growth in Latin America? That's the first question.

And I understand at the moment that Brazil, the Banco Do Brasil is not in these countries. So just to clarify. And the second question is on the breakup of the combined ratio in domestic business, I was just wondering, I mean what is going on in the burial and other? Because in the past, you used to clump health in burial and other. This time you can see quite a deterioration in the Third Quarter -- in the First Quarter. And we also saw a very strong curtain premiums. And apologies if you already described this. But these are the two questions. Thank you.

A - Luigi Lubelli {BIO 4108780 <GO>}

Good afternoon. I'll -- if we move on, I would ask you kindly to just clarify your question, because I did not quite understand with regards to the question in Spain.

With regard to Latin America, you have to bear in mind that both Venezuela and Argentina are high inflation countries. So actually the inflation is higher than the growth in premiums that you see on those countries. Therefore, in real terms, it actually amounts to a net contraction.

Specifically in the case of Argentina, you have that breaks up a bit, because the inflation in the country is about 25%, and here we have a 32%. And that is because on Workers'

Compensation, tariff hikes were approved in the country and that creates the difference. But it's not precisely growth.

Now, if that answers your question on America, your question in Spain was basically how to reconcile the trends in premium growth and combined ratio? Or did I misunderstand it?

FINAL

Q - Vinit Malhotra {BIO 16184491 <GO>}

Oh, no, no. Just on the blind burial and other. Because in the past, you used to combine health, burial and other, and this time you split it out -- that's very nice. I just see that there is a sharp cut in premiums and also, there is a sharp increase in combined ratio. Is that something we should know there in that trend to (multiple speakers) --?

A - Luigi Lubelli {BIO 4108780 <GO>}

Well the -- there's nothing special to report home. The biggest one is the one I mentioned when I spoke about the new life accounts at large. Last year, and we said it last year, the technical results of the burial line was exceptionally low. It was abnormal. The -- this year, it's normal. The year 2010 was normal but this one is not normal. That's kind of the plain English answer to your question.

So it was just exceptionally low and then it recovered throughout the year. And the rest is this other has lined up among other some type of commercial, some type of corporate SMEs, and the reason for the decrease is I'm afraid I'll be able to say.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Thank you. And if I can just ask one simple question. The commercial lines, the one on the same slide 24, that's a constant 77% combined ratio, once we adjust the 7% one-off commission effect. So and last year, I remember this, you mentioned the seasonality. And just wanted to check that you anticipate a similar pattern this year as well in commercial? Or is there something else going on, because at lower volumes and recession, are you seeing some lower frequency? Or just on commercial lines, please? Thank you.

A - Luigi Lubelli {BIO 4108780 <GO>}

If I understand this one, you're asking me if we are observing any trends in commercial. No. There are no new trends in commercial.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Because the underlying -- the combined ratio are flat, almost equal between the two quarters, if once you adjust the 7% this quarter for the commissions.

A - Luigi Lubelli {BIO 4108780 <GO>}

That would basically coincide with what was the answer. I mean, there's no special trend or no special change in trend that we have observed compared to last year. I mean, this is a difficult matter at present, given strange economic situations. I mean, it's the same in

last year. It's depressed activities so it's not conducive to large premium growth. At the same time, it's accompanied by a quite benign loss experience.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay, so the frequency is going -- it's still under control (multiple speakers) --?

A - Luigi Lubelli {BIO 4108780 <GO>}

It's more or less -- I wouldn't be able to point to any major change in this business compared to the previous quarter.

Q - Vinit Malhotra {BIO 16184491 <GO>}

Fair enough. Thank you. Thank you very much. Thank you.

Operator

(Operator Instructions) Niccolo Dalla Palma, BNP Paribas.

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

If I may just have a very quick follow-up on the topic which was already discussed at full year, but it was early days, because following the rating changes, is there any update on whether this is having an impact on your commercial lines? And you mentioned the reduction in market share and commercial lines. And I mean, clearly, reinsurance renewals were not yet impacted because they were too early. But just to have an update, if you have any signs that this is not going in the right direction or if it has no impact so far, just very briefly. Thanks.

A - Luigi Lubelli {BIO 4108780 <GO>}

Well the -- I mean, clearly, it's not something we are happy about. There's, I'd say, to date, the future will tell; but to date, there are not any major impacts. Clearly, this downgrade has required us to step up our communication efforts with our clients. Because, as you all know, the downgrade did not reflect any intrinsic deterioration at MAPFRE itself; but are rather exogenous on the Company.

So for the moment, we have enhanced communication with our customers on the front-end. By and large, there has not been any significant impact on issuance going forward. And time and situations will tell.

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

Thanks.

Operator

Federico Salerno, MainFirst Bank.

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Q - Federico Salerno {BIO 2565091 <GO>}

(inaudible; microphone inaccessible)?

A - Luigi Lubelli {BIO 4108780 <GO>}

Federico (multiple speakers) -- I cannot hear you.

Q - Federico Salerno {BIO 2565091 <GO>}

Sorry. Now?

A - Luigi Lubelli {BIO 4108780 <GO>}

Yes.

Yes. Just on slide 8, on the table at the bottom by the title Country, you show (162.8) in Spanish hybrids. Is it possible to know if that is listed or nonlisted players by chance?

Listed the shares or listed the bonds?

Q - Federico Salerno {BIO 2565091 <GO>}

Listed the shares.

A - Luigi Lubelli {BIO 4108780 <GO>}

No, of course, because I would have to give you the breakdown which is not public. Now, if your other question was if the bonds were listed, the bonds are mostly listed, yes. But the -- (multiple speakers)

Q - Federico Salerno {BIO 2565091 <GO>}

It's -- but you can't confirm it's not just one issue or it's more than one there?

A - Luigi Lubelli {BIO 4108780 <GO>}

No, no, it's more than one, yes, yes, yes, yes.

Q - Federico Salerno {BIO 2565091 <GO>}

Okay. Okay. So it's fair to assume it's a combination of listed and nonlisted?

A - Luigi Lubelli {BIO 4108780 <GO>}

It's fair to assume that, yes.

Q - Federico Salerno {BIO 2565091 <GO>}

Okay. Thanks.

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Operator

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

A - Esteban Tejera {BIO 3910673 <GO>}

Well thank you for attending our conference call. I'm afraid that we have to announce that tomorrow, it will be impossible for us to be in our traditional best practice meeting with analysts in London, due to the conference of the information about the strikes in the airports of London, and the weather forecasts of severe storms affecting flights. We are very sorry that not being able of attending our traditional meeting.

In any case, our Department of Relations with investors and analysts, and all of us are available for you for questions for the next days. And I hope that in this situation would be up critically in the next quarters. In any case, thank you for attending the conference call. And I hope to meet you again in the next presentation of quarter results. Thank you. Bye.

Operator

That does conclude our conference for today. Thank you for participating. You may all now disconnect.

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