

S2 2011 Earnings Call

Company Participants

- Esteban Tejera, General Manager
- Jesus Amadori Carrillo, Head, IR
- Luigi Lubeli, Deputy General Manager, Finance

Other Participants

- Atanasio Pantarrotas, Analyst
- Federico Salerno, Analyst
- Francisco Riquel, Analyst
- Juan Canovas, Analyst
- Michael Broom, Analyst
- Unidentified Participant, Analyst

Presentation

Esteban Tejera {BIO 3910673 <GO>}

Thank you. Good afternoon, ladies and gentlemen. Welcome to MAPFRE's first-half 2011 results presentation. As usual, I'll give an overview of the results and the main business development and later Mr. Lubeli will explain the financials in greater detail and present the European embedded value figures for 2010. Finally, we will take your questions.

Please move to slide three. MAPFRE was once again capable of delivering growth continuous [ph] funds under management and profits in an environment that is clearly quite complex. Premiums and revenues grew above 6%, funds under management grew nearly 15%, the combined ratio was broadly stable despite substantial catastrophe claims and the net result grew nearly 9%, while earnings per share went up nearly 6%.

Moving on to next slide, here you can see the highlights of the first half. In Non-Life an excellent development of the international business and success of the sales initiatives implemented in Spain in the Second Quarter. In Life a growth of the international business and noteworthy improvement in Spain in the Second Quarter.

Excellent trend in the loss experience, which has mitigated the impact of the natural catastrophes in Asia, the USA, Australia and New Zealand. As we informed you in the First Quarter, we formalized the agreement with Caja Madrid Cibeles for the transfer of Banco de Servicios Financieros Caja Madrid-MAPFRE and the acquisition of the 12.5% shareholding in MAPFRE International by MAPFRE.

Finally, this last month we have start up the joint venture with Banco do Brasil and during the period we have registered an increase in equity of nearly EUR1.2b, which means a 15% increase during the first half due to the results, the scrip dividend plan and the agreement with Banco do Brasil, together with a new decrease in debt levels.

In slide five you can see our strategic alliance during this period. The Brazilian supervisory body granted the approval for the establishment of the joint venture with Banco do Brasil. At June of 2011 Seguros Participacoes and Group Segurador MAPFRE started to operate jointly under the name Grupo Segurador Do Brasil & MAPFRE (sic; see presentation).

In the Second Quarter MAPFRE and Euler Hermes have signed a memorandum of understanding for the establishment of a strategic alliance aimed to jointly developing their credit and surety insurance business in Spain, Portugal and Latin America.

As a result of this alliance both groups will hold a 50% shareholding in a joint venture which will integrate their existing businesses in the aforementioned markets. The resulting company will have a premium volume of approximately EUR200m, according to 2010 figures. Then this means ranking first or second in most of the markets covered by the agreement. This joint venture is expected to start operating by the end of 2011, subject to the completion of the required regulatory approvals.

On the next slide is a breakdown of the number (inaudible) items in 2010 and 2011. The results of the insurance business grew over 11%. In both years they contained large earthquake losses to financial gains. Even adjusting for these they continued to grow nearly 10%, underscoring the resilience our insurance business.

Non-insurance losses have decreased almost to zero, providing evidence of our stated intention to focus on our insurance operations. Taking into account all non-recurring items the results are slightly lower than those of the previous year, a performance that can be viewed as satisfactory in the present business environment. The decrease in earnings per share reflects these, as well as being part of the capital increases derived from the reinvestment of dividends.

On slide number seven there a some breakdown of the main figures. As we mentioned before, debt levels have fallen again and are now below EUR2b, while equity has increased. Total equity including minority interest has grown considerably after the transaction with Banco do Brasil. Therefore, our leverage ratios have decreased substantially and are quite comfortable for our rating levels.

I will now hand it over to Mr. Lubeli who will comment on our financials in detail.

Luigi Lubeli

Thank you, Esteban. Good afternoon, to all those following us today on this conference call. With no further delay let us move to slide number nine, where we find a customary breakdown of premiums and profits by region.

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As was to be expected on account of the growth differentials, the weight of the foreign business continued to go up and now stands at about 60% of total aggregated premiums. The merge [ph] happens in terms of insurance profits, where Spain contributes 60% of the total result, as was the case in March.

On the following slide, number 10, we have the summary of business growth and the inter-annual change in premiums. The picture is broadly the same as it was in March. Growth has come primarily from Latin America, with increases of 19% in Non-Life and 22% in Life. Brazil remained the main contributor and brought in 14% of MAPFRE's total consolidated premiums.

Among the main drivers of such growth are the first-time consolidation of the JV with Banco do Brasil as well as the growth of the motor, general insurance and life lines as a result of new sales initiatives and distribution agreements.

Growth was also remarkable at MAPFRE ASISTENCIA, thanks to the travel insurance business written through INSUREANDGO and organic growth in Latin America and Turkey. MAPFRE RE also grew, reflecting a successful renewal campaign and new business in Europe and LatAm. And MAPFRE GLOBAL RISKS, on the back of strong growth in the property and fire lines, saw growth [ph], especially in Latin America.

MAPFRE INTERNACIONAL, conversely, which was growing about 8% in March, showed a small decrease due mainly to the depreciation of the US dollar and the slowdown of sales through FINIBANCO in Portugal. MAPFRE VIDA, although still decreasing, turned in a much better performance than in March. Let us move on to the following slide to see that in greater detail.

Here we have the breakdown of premiums by distribution channel in Spain. Agent sales performed quite well in the Life business, recording a volume in line with the First Quarter as sales targets were achieved. The comparison with 2010 is flatter by the fact that in the Second Quarter of last year some sales campaigns were cancelled due to competition by banks through deposit rates.

In the Non-Life business agent sales show a slight fall, pretty much in line with what we saw in March, coming mainly from the Motor and Commercial lines. Nevertheless, it must be said that Motor sales were up 0.1%, which is not much but compares against the 1.7% fall for the market at large, which means that our market share has continued to grow. Household sales also were up way above market average, about twice as much. And on a quarterly comparison Commercial insurance sales were up against 2010.

Life Bancassurance sales also grew in the Second Quarter against the same period of 2010, reducing considerably the year-on-year fall compared to what we saw in March. Non-Life Bancassurance sales accelerated their growth compared to the First Quarter, thanks to an increasing contribution from CatalunyaCaixa, which brought in premiums from -- for EUR18.5m.

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On the next slide we can see the development of technical results. The combined ratio is broadly in line with the figure for the same period of 2010; it's just slightly higher. More specifically, if -- I'll make an aggregate comment on the total figures, give you an explanation by Company. The loss ratio decreased at all direct insurance and global business subsidiaries and that compensated for the impact of catastrophe and weather-related claims in MAPFRE RE and MAPFRE INTERCIONAL.

The expense ratio went up because of the impact of distribution network reorganization costs, (inaudible) and the rising VAT at MAPFRE FAMILIAR in Spain and high acquisition expenses of MAPFRE AMERICA, MAPFRE GLOBAL RISKS and MAPFRE RE and MAPFRE ASISTENCIA.

If we compare it to the figures of at March the expense ratio has gone up at MAPFRE AMERICA due to expenses connected to the start up of the JV with Banco do Brasil. And MAPFRE INTERNACIONAL, due to the expansion of the network and higher acquisition costs in Turkey, as well as expenses arising from weather-related claims in the US. MAPFRE GLOBAL RISKS, MAPFRE RE and MAPFRE ASISTENCIA also saw their expense ratios go up due to higher acquisition costs.

The loss to ratio has gone up at MAPFRE FAMILIAR, especially in the Property and Burial lines, where it was exceptionally low in the First Quarter. And in MAPFRE GLOBAL RISKS, due to a higher frequency of non-catastrophic claims. Such increases were more than compensated for by the lower incidence of weather-related and catastrophe claims at MAPFRE INTERNACIONAL and MAPFRE RE.

On the next slide we find the Non-Life account. As I already mentioned in previous slides, premium growth reflects the development of the international and reinsurance businesses and the difficult environment in Spain where, nonetheless, MAPFRE's market share continues to grow in Motor and Home insurance. I've already commented upon the loss and expense ratio in detail. So we'll skip that.

Clearly, the figures reflect the consolidation of INSUREANDGO and Banco do Brasil Seguros, BB Seguros. And compared to last year we see a fall in the net financial and other non-technical income due mainly to lower realization gains, basically, less than half of what they were a year ago.

On the next slide we find the Life account. Here the premiums development mainly reflects different schedules for sales campaigns in Spain compared to 2010, offset by a very good performance of the agents channel in the Second Quarter and, as I said, also the Bancassurance channel performed better in this period. And this was complemented by business growth in Latin America.

Generation of the underwriting and financial result reflects this, affected clearly by the EUR139 million recognized upon the establishment of the JV with Banco do Brasil. Here also the figures are affected by a strategic transaction. In this case it is the inclusion of insurance operations of CatalunyaCaixa and, once again, BB Seguros in Brazil.

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On slide 15 we have the results from other business activities. Here the operating revenues and expenses show a fall. That's due to the fact that MAPFRE QUAVITAE was reclassified as an activity held for sale.

The net financial income, as was the case in March, includes a loss of EUR40.8 million as a result of the sale of our shareholding in Banco de Servicios Financieros Caja Madrid-MAPFRE. And this small amount that we see in minority interests also is what is left from Banco de Servicios Financieros Caja Madrid-MAPFRE and that was the same figure -- that is the same figure as in March 2011.

On slide 16 we have the development of net results by subsidiary. The picture is pretty much in line with what we saw in March. MAPFRE AMERICA clearly stands out because of the gains recognized after the granting of the authorization to create the joint venture with Banco do Brasil. The contraction in MAPFRE FAMILIAR is mainly due to the larger elevation gains which were recorded in 2010. If we exclude them -- if we were to exclude them in both years net income would grow about EUR25m, which is around a 14% increase.

The significant fall in MAPFRE INTERNACIONAL is due to weather-related and catastrophe claims in the US. MAPFRE RE also suffered a fall due to earthquake-related claims primarily in Japan and New Zealand. And on the other hand, MAPFRE GLOBAL RISKS, which in 2010 was strongly affected by the Chilean earthquake, shows a strong improvement in 2011 and that's basically by virtue of comparison. MAPFRE EMPRESAS has a very strong performance this year and that's due to lower claims frequency and severity as well as cost containment.

On slide 17 we have the bottom line. Mr. Tejera already commented upon the development of results. Results include the signing of the agreement with Banco do Brasil in the Second Quarter, which has an impact on pre-tax results, on the tax rate and on minority interests. We also have the impact of the restatement of financial accounts in Venezuela, as we've been seeing for a few quarters now. And on the amount of taxes we also have a positive impact from the sale of the shareholding in Banco de Servicios Financieros. That's the same as it was in March.

Slide 18 we find the balance sheet, where we have a clear increase of the figures, both compared to June of the previous year and to December. And that's due to the consolidation of the joint venture with Banco do Brasil, of the insurance operations of CatalunyaCaixa and of INSUREANDGO. There are other noteworthy developments.

The impact of the depreciation of the US dollar and most of the Latin American currencies, which reduces the value of the assets there. We see, as was the case in March, lower cash balances that's basically because we have invested part of those balances in longer-dated assets. And clearly that will be known to everyone on the call; we've had a negative impact of risk premia on the market value of the investments. After the close, on July 12, we have retired the bonds that were issued in 2001 for their full amount.

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On slide 19 we have the changes in equity. There's a large increase compared to the close of 2010 and it's much larger than what we saw in March. That includes the result for the first half, the negative impact, as I was mentioning before, of the volatility of financial markets and risk premia on the value of the investments which, as usual, is partly offset by shadow accounting.

As I was mentioning before, we have the depreciation of US dollars -- the US dollar and Latin American currencies and that leads to negative translation differences. We paid a dividend. But that was mostly offset, to a large extent I would say, by the Easter investments through a scrip dividend plan.

And then we have, as a positive element, about EUR1.2 billion coming from the minorities of Banco do Brasil and that more than compensated for the reduction in minorities stemming from the purchase of this share of Caja Madrid Cibeles in MAPFRE INTERNACIONAL.

That on my side concludes the results presentation and I now invite you to open the European Embedded Value presentation on page three of that document.

Overall, the value of the In-Force business grew nearly 16% against 2009. This increase primarily reflects the inclusion of the Life and Pensions business of CatalunyaCaixa. We also, for your convenience, provide the figures without such inclusion because, clearly, it has a strong impact on the variations. Without CatalunyaCaixa the value of the In-Force and the European embedded value grew 1% and 3% respectively and were driven primarily by the value of new business.

We see a comparatively faster growth of the EEV3 against 1% and that is as a result of the fact that changes in assumptions and deviations from estimates, which this year have a negative impact, tend to have a proportionally higher impact on the value of In-Force than they do on the ANAV.

The return on embedded value decreased significantly, mainly due to the fact that in 2009 this return was stabled by a significant drop in the cost of the time value of financial options and guarantees, which then added 16 -- EUR67.3m. This year, on the other hand, it was negatively affected by higher lapse and lower financial return assumptions.

The present value of new business income fell, due to the focus on Life-Protection business in 2010 and the competition from banks in savings products. I must say that 2009 was exceptionally good in the agents' channel. As a matter of fact, this year when we are not yet repeating that figure. There was a slight fall in the value of new business, which reflected lower sales volumes, higher acquisition expenses and a comparatively higher weight of unit-linked products, whose effect was mitigated to a large extent by the greater volume of the Life-Protection business.

It must be noted that, precisely because of the latter of the Life-Protection business, the value added by new business fell comparatively less than the present value of new

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business income. And, as can be expected from what I just said, the growth in margin was driven as well by the Life-Protection business.

On slide number five we have the variation of the main components of the European embedded value 2010. Here, once again, a distinction must be made between figures with and without CatalunyaCaixa. If we see figures as they are, as we see them here, the main driver behind the variations in the ANAV, the present value of the In-Force and the cost of capital, is the inclusion of the Life and Pensions business of CatalunyaCaixa.

Excluding this, the variations of the present value of the In-Force and the cost of capital are not material, while the ANAV would show a growth of EUR51m, driven mainly by the expected return and around EUR100 million in dividends and donations.

The change in the time value of financial options and guarantees is significant in %age terms. But it is immaterial over the total EEV figure. Nevertheless, this variation was mainly due to a relaxing in our realized gains in the Banking portfolio and to a fall in interest rates.

On slide number six we have the breakdown of the 2010 European embedded value by business line and distribution channel. I've just commented upon the changes on the ANAV and the time value of financial options and guarantees. So I will not repeat that. The growth of the present value of the In-Force of the Life business was driven mainly by the inclusion, once again, of CatalunyaCaixa, as well as by the growing sales of Life-Protection business in the Bancassurance channel.

Conversely, it fell in the agents' channel as the impact of the changes in assumptions I referred to previously affected mainly the portfolios of this channel. The fall in the present value of the In-Force of the Mutual Funds was mainly due to outflows, while the increase in the case of Pension Funds reflected, once again, the inclusion of the business of CatalunyaCaixa and the value added by new business.

On the next slide, number seven, we show you the European embedded value figures net of minority interests. These interests increase about EUR160 million if we compare them to last year's figure and, clearly, once again, this is strongly affected by the inclusion of the Life and Pensions business of CatalunyaCaixa.

On slide number eight we find the customary roll forward, which breaks down the change in European embedded value into its main components. We see changes in the model of EUR41.2m, which are due to the positive impact of the update in the databases that are used for the valuation of the Life Assurance business. We see large additions and variation in intangible assets and there should be no surprise that comes from CatalunyaCaixa, which leads us to -- with the restated business figure for this year.

We have EUR81.2 million negative in changes in assumptions, which are due to the falling interest rate, which added about EUR41 million as a result of the application of lower discount rate, a negative amount of about EUR18 million due to the adjustment of expected investment returns for credit risk, a change in the financial assumptions to reflect a scenario with lower capital gains and interest rates at which cash flows are

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invested, with a negative impact of about EUR29m, a positive impact from a better performance of expenses of about EUR14 million and the use of more severe lapse rate assumptions, which amounted to a negative effect of EUR80m.

The expected return was EUR80 million and that includes primarily the impact of the unwinding of the discounts rate, which was EUR39m. And the actual after-tax investment return on the adjusted net asset value at the beginning of the year net of the cost of capital, about EUR42m. We have a negative deviation of actual value from expectations due to a slightly lower than expected profit -- accounting profit and higher than expected lapse rates.

And, finally, I already spoke about the variation in the time value of financial options and guarantees and that's increased slightly, which has a negative impact, as a result of the fall in interest rates and lower capital gains in asset portfolios.

Let us now move to slide number 11 and here we show you the variation in the amount of margins of the new business written in the year. As was explained on slide number three, the value added by the new business written in the year. As was explained on slide number three, the value added by the new business grows due to the inclusion of the Life and Pensions business of CatalunyaCaixa.

If we were to exclude this the figure shows a fall, reflecting lower sales volumes, higher acquisition expenses and a comparatively higher weight of unit-linked products, whose effect was mitigated to a large extent by the larger sales of the Life-Protection business. Once again, the growth in margins was driven by Life-Protection business.

On slide 12, we have the sensitivities; no big changes here. As was the case for many years, both the value of In-Force and the value added by new business, which is on the following slide, are most the sensitive to the variations in interest rates and the lapse rate. Probably no surprise that we've added a new sensitivity to increases in the probability of default of the fixed income portfolio, which is there for your information.

And that, on my side, I am now handing back the call to Mr. Tejera for the Q&A.

Esteban Tejera {BIO 3910673 <GO>}

Thank you, Luigi. Well, we have finished our presentation. And now, with our question and answer session, if you have any questions we are available. Thank you.

Questions And Answers

Operator

We will now begin the question and answer session. (Operator Instructions). Your first question comes from Atanasio Pantarrotas. Please ask your question.

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Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Yes. Good afternoon to everybody. I have three questions; one refers on your Life financial income. I saw that it's a bit volatile quarter by quarter and there was a significant decrease in the Second Quarter compared to the first one, maybe, I guess, also due to the less favorable ForEx compared to the First Quarter. But I wonder if there are other elements and if you can explain us.

Second question regarding -- regards the Baremo. I would like to know if there is a possibility that the Spanish authority could change composition table in the next future.

And a third question regards your joint venture in Brazil. I would like to know what could be the impact on a yearly basis of the new joint venture, because I think that you didn't provide any update since the announcement of the deal in late 2009. Thank you.

A - Luigi Lubeli

Good afternoon, Atanasio, this is Luigi speaking. I may be wrong. But I think that the decrease -- the volatility you see is due to the fact that in the First Quarter we included the gain outstanding from the JV with Banco do Brasil. If you exclude that I don't think there are --

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

No, I don't think it, because this was included in the net other technical reinsurance [ph] cost in the Life insurance.

A - Luigi Lubeli

You're right. But, actually, you have to understand one thing. And thanks for asking, because this is a process which we are through. We are progressively updating the account as we advance in the transaction and we actually reclassified it in financial gains here. So it's there. It's the EUR139 million are in the EUR319.6 million figure.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Okay.

A - Luigi Lubeli

Does it answer your question, Atanasio, on financial income I mean?

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Okay.

A - Luigi Lubeli

Then, Baremo, I'm afraid no news to report. There is nothing we actually know about Baremo to tell you at this moment. I know it's something that is -- I think is mostly spoken about in London these days. But we actually have no news on this side.

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And we have given no forecast or outlook on the insights on a yearly basis of Banco do Brasil. However, if you go to the presentation. And I'll tell you where, on slide 34, you will find the figures for the first month in terms of premiums and pre-tax results of the JV with Banco do Brasil. And that's actually the actual figures recognized in the accounts.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

The EUR202 million refers for one month?

A - Luigi Lubeli

Correct. And EUR24 million of profit for one month, that's correct.

Q - Atanasio Pantarrotas {BIO 5933123 <GO>}

Okay. Thank you.

A - Luigi Lubeli

Okay, you're welcome.

Operator

Thank you. (Operator Instructions). We have no further questions at this time. Please continue. We've just had three questions come through; would you like to take the questions?

A - Esteban Tejera {BIO 3910673 <GO>}

Of course.

Operator

Thank you. Your next question comes from Federico Salerno. Please ask your question.

Q - Federico Salerno {BIO 2565091 <GO>}

Yes, good day, everyone. I just want the debt levels. I was curious to know whether you plan to reduce the debt to assets or debt to equity further from these levels, or what your policy's going to be like.

A - Luigi Lubeli

Hi, Federico. Well, actually, the policy has been quite consistent through time, I would say. As we have been in the position of paying down debt, we've done so. This time actually it was a scheduled maturity. The debt matured and we decided to retire it. As you may imagine, this is not an ideal movement to issue that if you're a Spanish institution. So we actually thought we -- it would be best to retire it. And as cash becomes available that possibly be most likely a course of action that we'll take. Am I answering your question, Federico?

Q - Federico Salerno {BIO 2565091 <GO>}

Yes. Thank you. Thanks.

Operator

Thank you. Your next question comes from Juan Canovas. Please ask your question.

Q - Juan Canovas {BIO 15915647 <GO>}

Hi, Luigi. I have a couple of questions. One, could you quantify the launch costs of VERTI and also the ones you have mentioned on the joint venture with Banco do Brasil?

And also, on the joint venture with Banco do Brasil, I don't exactly follow. You report the EUR139 million gain, used to be EUR180m. Is there a compensation effect in the Second Quarter?

And, finally, the Euler Hermes transaction. Could we expect any adjustment gains? Last time you reported premiums on pre-insurance [ph], you had EUR125m. I don't know whether that has come down. But it appears that your business in that region is a bit larger than that of Euler Hermes. Thank you.

A - Luigi Lubeli

Hi, Juan. Let's see. I can only partly answer your first question because the figures for Banco do Brasil are not public. I can tell you that a large extent of the increase that you've seen -- to a large extent the increase that you've seen in the expense ratio in this quarter comes from that. And that's the most I can tell you. Those of VERTI should be provided on slide 23. And we give them together with the expenses of the organization of the distribution network. And they are EUR24 million in total.

Going to your second question, that was actually part of my answer to the previous question --

Q - Juan Canovas {BIO 15915647 <GO>}

I'm sorry.

A - Luigi Lubeli

-- by Atanasio Pantarrotas. No, it's all right, it's all right.

This is a very complex transaction which involves many companies and many portfolios and many assets. And in addition to that we found ourselves with the introduction of IFRSs in Brazil for the first time. The most honest way of putting it is that we are making way, in the sense we first recognized the items -- based on the available information on the First Quarter we recognized the transaction, what we could recognize of the transaction at that time. Then the JV has actually gone live.

And then -- and that has involved a large number of accounting movements. And they have led to, for instance, the reduction in these realized gains. IFRSs themselves allow for a certain number of adjustments during the first year after a JV is originally recognized in the accounts. I wonder if this answers your question.

Q - Juan Canovas {BIO 15915647 <GO>}

Yes, fantastic. Yes.

A - Luigi Lubeli

And then can you please repeat your last question, because I'm not sure I actually understood it?

Q - Juan Canovas {BIO 15915647 <GO>}

My question was whether we could expect any capital gain on the Euler Hermes joint venture, given that the last time you reported premiums in grade insurance you had EUR125 million premiums, which appears to be more than half of the combined premiums you reported.

A - Luigi Lubeli

Okay, I'll -- Jesus will take that call -- that question, because he seems to be more conversant than me in this.

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

Hi, Juan, this is Jesus. This transaction has just been announced and it involves, as is the case when you have many, many companies in Latin America, several corporate transactions in many countries. So we cannot comment on that at this stage.

Q - Juan Canovas {BIO 15915647 <GO>}

Thank you.

Operator

Thank you. Your next question comes from Maria Oceda [ph]. Please ask your question.

Q - Unidentified Participant

Yes, sorry. I was just wondering if you can elaborate a bit about the information that has come in rumor. You have invested close to EUR300 million in bank [ph]. And I wanted to know if that has been done through the -- at the holding level or at the subsidiaries level?

A - Luigi Lubeli

Hi. It was actually done by subsidiaries.

Q - Unidentified Participant

Okay, thank you. That's all the information I needed, thank you.

A - Luigi Lubeli

Sorry. But just a clarification. When you say (inaudible), I'm sorry, it's not actually right. Because they mention MAPFRE as having invested EUR300m. But the fact is that MAPFRE SA, which is the Company that we represent, has only invested EUR160m. And the rest has been invested by the foundation through (inaudible).

Operator

Thank you. Your next question comes from Michael Broom. Please ask your question.

Q - Michael Broom {BIO 1868182 <GO>}

Hi, afternoon. I think it's a very simple question. I'm just struggling, to be honest, with some of these moving parts in the embedded value. I think all I'd be interested in hearing is, for CatalunyaCaixa, how much of that year-end embedded value relates to CatalunyaCaixa?

A - Luigi Lubeli

All right, Michael, let me see. Good afternoon, first. If you -- by difference is about EUR466m.

Q - Michael Broom {BIO 1868182 <GO>}

So 400 -- so that item on slide eight, the EUR466m, that is the impact on the year-end embedded value from CatalunyaCaixa. So I don't have to -- I guess my problem -- because I didn't quite understand what the EUR350.2 million negative [ph] --

A - Luigi Lubeli

It's goodwill.

Q - Michael Broom {BIO 1868182 <GO>}

-- was.

A - Luigi Lubeli

It's goodwill, net of liabilities.

Q - Michael Broom {BIO 1868182 <GO>}

On CatalunyaCaixa?

A - Luigi Lubeli

Indeed.

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Q - Michael Broom {BIO 1868182 <GO>}

Okay. Maybe I'll take this offline -- yes, okay, I'm not sure I quite understand what's going on there. Because the net effect of those two numbers is obviously EUR116 million and that would seem to be, from the description on -- on the description slide nine you attribute both of those items to CatalunyaCaixa. So I was wondering whether the difference between the two was what ends up in the EUR2,490 million at the end of the year. But from the sounds of it, not.

A - Luigi Lubeli

I actually believe it is, yes. Those you see, the --

Q - Michael Broom {BIO 1868182 <GO>}

The net of the two amounts ends up in the EUR2,490m.

A - Luigi Lubeli

Exactly.

Q - Michael Broom {BIO 1868182 <GO>}

Sorry?

A - Luigi Lubeli

If you take EUR2,309.2m, you add the EUR41.2m, EUR466.6 million and deduct the EUR350.2m. And that is your starting base. But of course that implicitly means that they are included in the EUR2,490.5m.

Q - Michael Broom {BIO 1868182 <GO>}

Yes. Does that not imply that the EUR2,490.5 million includes EUR116.4 million related to CatalunyaCaixa, rather than EUR466.6m?

A - Luigi Lubeli

Yes, indeed, it includes the net, the net of the two.

Q - Michael Broom {BIO 1868182 <GO>}

And the 100 and -- let me write that, EUR116.4 million relating to CatalunyaCaixa is -- just to be clear, that is the amount that appears in the year-end embedded value? Or is that the amount that was theoretically taken into the embedded value at the date at which you did the deal?

A - Luigi Lubeli

Yes, it was the intake -- that's why it's a restatement of the (inaudible) figure, because that's the starting point.

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Q - Michael Broom {BIO 1868182 <GO>}

Okay. And just to -- so I understand this. So if the contribution to the EV is EUR116m, CatalunyaCaixa, how does that compare with the payment schedule that you announced back in whenever it was? Was it early 2010? Off the top of my head I vaguely remember you paying something like EUR450m. Is that right? Is that EUR450 million payment comparable with the EUR116 million EV?

A - Luigi Lubeli

Yes, because it's in -- the EUR350 million you see is the goodwill minus precisely the amounts owed to CatalunyaCaixa. It's like the gross goodwill minus the funding liabilities that we have.

Q - Michael Broom {BIO 1868182 <GO>}

Okay. Okay, I think that's clear. Thanks very much.

A - Luigi Lubeli

You're very welcome.

Operator

Thank you. Your next question comes from Francisco Riquel. Please ask your question.

Q - Francisco Riquel {BIO 3050316 <GO>}

Yes, hello. I would like to ask if you can give us an indication of the sensitivity of your shareholders' equity to the sovereign risk volatility we are observing in July. If you can give us an update of your sovereign risk portion [ph] to European peripheral countries as of June. And do you expect any type of impairments in this portfolio following the summit of the European Union yesterday?

A - Luigi Lubeli

Hi, Paco. Well, the first answer to your question would be sensitivity to the sovereign crisis on what day of the month of July? Because that's -- I'm afraid that's a difficult answer to give. I think, the jokes aside. And forgive me for that, I think that the -- really the cleanest answer we can give you is what we have in the equity at the end of June. Because, honestly, it really would be depending on what day of the month you're asking that question. It's difficult to say. We don't know if it's re-trenching, if it's not re-trenching and that's not at all clear to me.

Regarding the exposure, you actually find it today where we have released the CNMV filings with the quarterly accounts, which come with their footnote. And then actually in the management report you will find, with the balance sheet, a breakdown of the exposure to all the countries that we think matter and a few more and. So, we have the exposure by country there. The actual accounts also tell you in the footnote what was the loss that we

recorded in our equity from Greece, which was EUR102m. That's in the footnotes to the quarterly accounts.

And your last question was -- the impact --?

Q - Francisco Riquel {BIO 3050316 <GO>}

(Multiple speakers).

A - Luigi Lubeli

Who knows? For the moment, there's nothing we can comment about that. For the moment, there's nothing.

Q - Francisco Riquel {BIO 3050316 <GO>}

Okay, thank you.

Operator

Thank you. (Operator Instructions). We have no further questions at this time. Please continue.

A - Esteban Tejera {BIO 3910673 <GO>}

Okay. If there is no new questions I would like to thank you for attending our conference call and I hope to meet you again in our next presentation of results. Thank you. Bye.

Operator

Thank you.

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