

# Mapfre, S.A. BME:MAP

## FY 2013 Earnings Call Transcripts

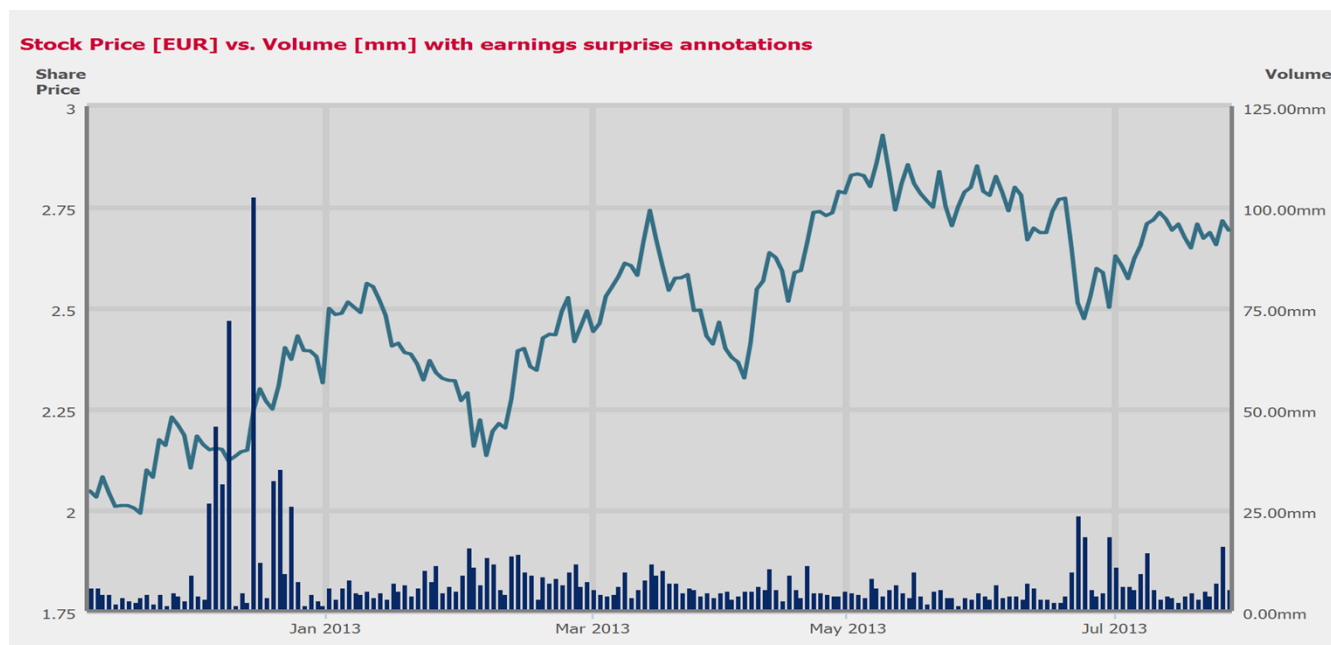
Tuesday, February 11, 2014 3:00 PM GMT

### S&P Capital IQ Estimates

	-FQ3 2013-			-FQ4 2013-		-FY 2013-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	SURPRISE	CONSENSUS
<b>EPS Normalized</b>	-	-	-	-	-	0.30
<b>Revenue (mm)</b>	5703.00	4777.20	▼ (16.23 %)	5371.00	▼ (25.79 %)	20619.56

Currency: EUR

Consensus as of Feb-07-2014 7:28 AM GMT



# Call Participants

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## EXECUTIVES

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# Presentation

## Esteban Tejera Montalvo

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

Thank you. Good afternoon, ladies and gentlemen. Welcome to MAPFRE's Full Year Results Presentation for 2013. As usual, I'll give an overview of the results and the main business developments, and later Mr. Lubelli will explain the financial in greater detail. Finally, we will take your questions. Please then, go to Page 3. This page summarizes our revenues development in 2013. All our working figures grew in the year despite a strong negative impact of the appreciation of the euro and the fall in interest rates.

We report to you thanks to the sustained organic development of our foreign business activities and the maintenance of -- and indirectly, the result of [indiscernible]. Our profits are up nearly 19% year-on-year, and the return on equity is back, again, about 10%. I would like to note that, at constant exchange rates, premiums would have grown 8% and profits 26%.

Please, let's turn to the next slide. Here, we highlight the main drivers of the results. First, the growth of Non-Life insurance, with an excellent combined ratio reflecting a significant cost-cutting effort in Spain, especially in Spain, in a situation of decline in the premium income. We have made a lot of efforts to reduce our structural cost and the ratio, of course, has improved. Even in the situation in Spain, from the point of view of being kind of, I've said, is -- VAT, 1 year away. There's an Improvement in the underwriting and financial results in Life Assurance in a context of lower business volumes. Also, as you will begin to see later, we have a significant decrease in nonrecurring items. And in the diversification of the balance sheet has mitigated the impact of the significant appreciation of the euro, especially against the Latin American currencies and the Turkish Lira. This year the diversification has played a role that is the opposite of that in the previous years, because this year we see the increasing price of the investments in euro the area which compensates the depreciation of the net asset view to the opposition of the euro. We have continued, on our part, the reduction of the financial debt, and now, we have a ratio of the equity-to-debt that shows 6x the level of equity according to the debt. From the point of view of liquidity, the situation is very comfortable, we, constant, during the year, the 2 syndicated loans that have maturity, one in 2013 and the other in 2014, of EUR 500 million each. And we restructured this debt, and now we have a revolving credit facility of EUR 750 million, that is undrawn at the moment, and has a maturity in June 2018.

On Page 5, we'd try to show you how the evolution of the sales rates have impacted in our accounts. Excluding these, premiums would have grown 8.1% and results would increase 26.3%. The appreciation of the euro, especially against the Brazilian real, had a very significant impact on our finance revision in our premiums, by EUR 1.5 billion in profit by more than EUR 50 million.

Next, on to the next slide. Here is, as usual, our breakdown of our nonrecurring items, where we can see that this effect of constant exchange rates, without this, the recurring profits would have fallen only 1.2%, that is, would have remained virtually stable despite the falling demand, with the combined ratios in Spain, would have related to losses we have suffered in the year. The appreciation of the euro, I mentioned, and the lower recovery of financial income due to a decrease in interest rates in Europe, in the U.S.A. and the negative mark-to-market adjustment in Brazil due to devolution of the interest rate.

In Page 7, you can see the proposal of the Board of Directors to the General Assembly this year, of increasing dividends, it's the second time we have increased dividend this year, and the total increase is \$0.02, that is 28% over the dividend paid against the 2012 results. The total amount of dividends paid in cash were EUR 370 million during the year, and the total amount against the results of the year will be EUR 400 million.

On Page 8, we tried to show how the situation in Spain is changing. Now, the GDP is growing after several quarters of depression, and even the figures have been playing on -- remain very tough, there are signs of a slight improvement in all the economic indicators, like new car registrations, were used to -- our growth in the last quarter. And it's the same for another indicator like petrol at the pump sales and sales

in department stores, now, in Spain. So there is some kind of hope about the evolution of the Spanish economy.

On Page 9, we show you how the evolution of the GDP and the demand for Non-Life insurance is tied. Our figures point to a clear correlation GDP and Non-Life insurance growth. And if the passage to be taken as right, given that GDP is what we expected to grow in the region of 1% in 2014, Non-Life insurance will resume its growth as well. Although, it is yet early to take it as a definitive trend, sales, if you're not yet familiar, in the third and fourth quarter of 2013, grew slightly compared to the figures for the same periods of the last year.

On Page 10, we show you the new structure of MAPFRE. Here, from the beginning of the 2014, we have to reorganize our business activities and strengthen our central services. The new structure is much better adapted to MAPFRE's multinational nature. In combining our management of business activities that is closer to the market, with a strong centralized control. This structure will be the vehicle which we will utilize to implement our new strategy.

And on Slide 11, you can see how, according to this new regional area organization is split in their income and the attributable result. In the next quarters, financial information will be adjusted to this new structure.

On Page 12, we set out the key points of our changes in structure and in strategy that will enable us to align both of them. We are seeking to increase the efficiency in the management of our resources. We are in the time of simplifying our corporate structure and making it more transparent. We want to enhance our customer focus, leveraging our close business relationships and introducing a unified view of the client across the group. And we think that these would -- will facilitate the decision-making and bidirectional communication.

Our new structure, in summarizing MAPFRE support implementation and development of our new corporate strategy, we are working as a local company. And as you can see on Page 13, we have probably, 2 new corporate areas to support our new strategy. First, we'll have the new area of business with clients that promotes the development of the common strategy for each type of client across the organization and reinforces the implementation of the best practices and ideas and interchanges with strategies among the different countries. And the new area of business support comprises IT, processes and operations, and these abet for standardization within the group and for improvement our operational model and redesigning the operations to optimize our available resources.

Changes suggested on Page 14, I would like to communicate with you the details of the new agreement between MAPFRE and Bankia. This allows us to become the Bankia's exclusive bancassurance provider. This agreement is an extension of the old agreement we have with CAJA MADRID and a cover for all the insurers lines, and includes our business plan that is -- we share with Bankia. And we have access to the whole network branches of the new Bankia. According to the new agreement, MAPFRE acquires Bankia's 51% stake in Aseval, in Laietana Vida, as well as 100% of Laietana Seguros Generales, for a consideration of EUR 151.7 million. The final economic value of the agreement is linked to sales targets, that, it will allow both parts to take advantage of the -- improve the months in the business plan. As you can see, the amount, or the price, is moderate and MAPFRE will fully finance the operation with available cash.

On Page 15, I would like to share with you that, 1 year passed, the uncertainties that weighed on MAPFRE's stock a year ago, have changed dramatically. Mainly, there were high risks on our shareholders' structure, due to the fact that, 1 year ago, Bankia owned 15% of our shareholders' structure. It was sold 3 months ago with a higher-than-expected demand from the market. The future of our bancassurance activity with Bankia is now clear, also. The outlook for the Spanish economy is improving clearly, and our funding structure is out of doubt due to the fact that we have reduced our debt. We had improved our solvency ratios and the liquidity availability. These, coupled with the efforts we are undertaking to increase of our efficiency and effectiveness, as well as our rigorous approach to the valuation of our assets, so that, we sow, again, this quarter, the first of fertile ground of business development in 2014.

I will now hand over the call to Mr. Lubelli who will cover our financial, as usual, in detail.

**Luigi Lubelli**

Thank you, Esteban. Good afternoon to everyone on the line and on the Internet. I'm on Slide 17, where we have the breakdown of business by origin. We can see, as we have been seeing for the past 4 years, that MAPFRE's firmly become a group that derives most of its business from abroad. This trend continuous in 2013, and basically, both premiums and profits, if we exclude nonrecurring items, have gone up a further 5 percentage points year-on-year. So by year end, the figure that you have in front of you, nearly 3/4 of all premiums and over 1/2 of the profits came from abroad. These are the full year figures. For those of you who compare them with the third quarter, there is not a major change in the contribution to premiums. However, there is, in the contribution to profits, and that is simply because, in this last quarter, as most of you will have already noticed by now, we took some further write-downs in Spain, which reduced the profits in Spain. If we were to eliminate those, basically, contribution from Spain remains the same. That is, in terms of profits, 32% from Non-Life and 15% from Life.

On Slide #18, we have the breakdown, by major business areas, of the contribution to premiums and results. Spain continue to experience a contraction in premiums, that is because of the lower Asian volume and the contraction in the economy at large, which as we just said, we're expecting to change as a trend from now on. In the quarter, the last quarter, the contraction was amplified by comparatively lower volume of premiums in Life. While it has to be said, in line with the trend that Mr. Dajer was pointing to, we saw some encouraging increases, albeit small, in FAMILIAR and impressed with the last quarter. In terms of the variation of the consolidated profit, year-on-year, Spain was the main contributor, thanks, among other elements to a remarkable reduction in fixed costs, which was of nearly EUR 50 million. However, the contribution fell, both on a yearly and a quarterly basis, due to lower business volumes, a higher combined ratio, lower recurring financial income and, worse, without an affiliate. The second largest contribution to profit growth came from the line, Other. Other includes, mainly, Turkey and Puerto Rico. In terms of premiums, this growth went up because of the reclassification of Puerto Rico, last year. We have in MAPFRE AMERICA. And from the very strong growth in Turkey, which was about 40% in euros and 50% in local currency, in lira. Brazil was the largest contributor to premiums growth, and the third largest in profit growth, and that was mainly due to business development.

In the quarter, there is an -- there was an agreement with the tax authorities. It's actually a bit complex to explain, but bottom line, it added EUR 47 million to profits. Brazil was especially -- strongly affected by the depreciation -- of the depreciation of the euro, the depreciation of the real, which reduces premiums by about EUR 700 million, and its profits by about EUR 76 million, so it was especially strong. The fourth contributor to profit was Global Risks. Thanks to a much better combined ratio, as well as a one-off gain from the creation of SOLUNION, the credit insurance JV with Euler Hermes. MAPFRE RE was the fifth company in terms of profit growth. Its contribution to premiums went up, basically, because of a 9% increase in the business with third party, plus an operation with MAPFRE FAMILIAR. MAPFRE U.S.A. was the fifth largest contributor to profit growth. Mainly because this year, we had EUR 30 million less in weather-related losses. The company's developing quite well. Premiums are growing in Massachusetts and, most -- more importantly, in other states, where they basically are up 10% year-on-year, as well as to -- thanks to tariff hikes. MAPFRE ASISTENCIA continues to grow organically in Asia and Europe and it's benefiting in the development of the network and -- through the winning of new contracts in the United States. It's had a much better combined -- a better combined ratio that helped its profit. Finally, the other Latin American countries show a fall and that's because we sold 2 subsidiaries in Argentina and we transferred the Puerto Rican business to MAPFRE INTERNACIONAL. It also suffers from weather-related claims and changes in reserving requirements in Argentina, as well as, in the last quarter, the write-down of the goodwill on the investment in Central America. Growth in premiums was especially strong in Venezuela, Colombia and Peru.

Okay, now go into greater detail in the Non-Life account, which, I imagine, has caught some attention in terms of first reaction. In Spain and Portugal, we see falling premiums, and the reasons, I think, are obvious to everyone, it's the falling GDP and very intense price competition. The loss ratio was higher and -- a higher loss ratio, a higher loss experience, together with lower net premiums earned, of course, has led to an increase in the loss ratio. On the quarterly basis, I'm sure you will have noticed it has gone up, and that was due to a review we carry out every year, in the quarter, in which we take into account the expectations that we have for the forthcoming year, and that has led to an increase in this quarter

which was, basically, driven by what we know of Baremo today, and also to increasing the economic development which, in the growth of the economy, which has an impact of frequency, at least it's expected to have one.

Notwithstanding this, it remains exceptionally low. I think, one of the most remarkable achievements of MAPFRE, this year, was the cost reduction in Spain, virtually all of the EUR 48 million were achieved in the Non-Life business. And that means that MAPFRE FAMILIAR reduced its expense ratio about 40 basis points year-on-year, and MAPFRE EMPRESAS, 30 basis points.

Brazil grew, thanks to business development, and as you know, in the third quarter, we announced the reclassification of the burial business which, previously, was in Life. And that has an impact on the variations in figures. Its underwriting results remain firmly positive, although, on both a yearly and a quarterly basis, it has decreased -- increased, sorry, the loss ratio has increased in Motor Insurance, and also, we had an impact on the expense ratio of the reclassification of the burial business, as well as of the agreements with the tax authorities, which has an impact on reserving as well. As I said, on the previous slide, we have an apparent fall in MAPFRE AMERICA's non-Brazilian business and that was due, as I said, to the sale of the Argentine subsidiaries and the transfer of the Puerto Rican business, as well as the appreciation of the euro, which is affecting, negatively, most of our businesses abroad. If we adjust for that, we had an increase in premiums, thanks to growth in most countries, I should site, Venezuela, in Motor Insurance, among them, especially. We had a slight deterioration in the combined ratio, in the underwriting result, in the last quarter, but year-on-year, it's virtually the same, modestly better than a year ago.

In MAPFRE RE, we have premium growth which reflects new third-party business, about 9% up year-on-year, as well as a reinsurance operation with group companies which, if my memory doesn't fail me, took place in the first quarter of the year. The combined ratio is much better than a year ago because the non-cat business has done especially well, and, on a quarterly basis, we see a deterioration compared to September because of expenses in the proportional business.

In the case of MAPFRE U.S.A., we have larger sales and tariff increases which contribute to offset the impact of the appreciation of the euro. As I said, before, on both a yearly and a quarterly bases, the loss ratio improved considerably because we had a much smaller impact of weather-related claims, about EUR 33 million less, year-on-year. The premiums of GLOBAL RISKS has slightly, because as we said before, this company has spun off its credit business into SOLUNION, and because of the depreciation of the U.S. dollar as well. Conversely, the depreciation of the U.S. dollar turns out to be beneficial on the loss ratio because the amount which we need to reserve for claims, in dollars, goes down in euros. And it was especially positive in the last quarter because of an improvement in the underlying loss experience. As I said before, MAPFRE ASISTENCIA is growing in Europe, Asia, the U.S., and it has a similar impact as MAPFRE GLOBAL RISKS because of the depreciation of the U.S. dollar which benefits its loss ratio.

Let's move on to the consolidated Life account on Slide 20, I think I've covered this at length. In terms of the financial income at the consolidated level, we have realization gains of EUR 92 million, of which EUR 20 million came from the sale of the headquarters in Istanbul, and EUR 25.7 million from the transfer of the business to SOLUNION. So we are comparing EUR 90 million-plus this year against the loss of EUR 100 million a year ago. So it's a big swing year-on-year. Here, we also have EUR 34.6 million, EUR 35 million coming -- positive gain, coming from the agreement with the tax authorities in Brazil. If we take all of this into account, we see an increase in the financial income. And then, as we have already explained in previous quarters, is due to the fact that yields have been falling across many countries in which we operate in this year, and also due to the negative mark-to-market adjustments in Brazil which were EUR 54 million for the year as a whole. We also have, as you know, because of the recent devaluation of the bolivar, EUR 12 million gained in that country.

On Slide 21, we have the Life account. We have the main drivers of the Life business. If we look at Spain, we have a significant fall, and that's -- a combination of elements would drive that. Decline in demand, of course, this year, we had a very prominent swing of demand towards mutual funds which, happily in our case, have developed very well. We have restructuring issues which have affected some of our bancassurance partners. And on -- in terms of comparison last year, we had EUR 354 million in corporate



sales, corporate standardization accounts, which were not repeated this year, including the effects of the comparison. The technical financial results, the results is much better year-on-year because, although we had write-downs, they were much smaller than a year ago, and also because of a better loss experience.

On a quarterly basis, if you compare this quarter with the previous one, the main difference is the write-downs. Brazil's sale, because, as I said before, we reclassified the burial business as Non-Life and of course, because of the depreciation of the euro. If we adjust for both, the premiums would be up 19%, 1 - 9, reflecting business development. The technical financial results grew considerably in the fourth quarter, and because of this agreement with the tax authorities in this account, it led to a recognition of a EUR 19 million gain, which may be possible to offset the impact of the loss of the burial business in negative mark-to-market and the appreciation of the euro.

The rest of MAPFRE America's Life business developed strongly, primarily in Colombia. And while the technical financial result shows a fall both year-on-year and compared to the previous quarter, because of the write-down of goodwill on the Central American operations.

In MAPFRE RE, there's an accounting element, there's a difference between the business that's actually being underwritten and the business that has been accounted for. So because of the difference in accounting timing, we have a falling premiums. And in the technical financial results, we have a worse loss experience, which was largely offset by financial income. And finally, we [indiscernible] see has done especially well in the light savings business this year. There's really not much more to say on Life that I have not already said.

So I'll move to Slide 23. We have the other business activities. Major swings year-on-year in the bottom line results of this account, which has led to an overwhelming expense driven by the fact that year-on-year, the write-downs and losses have fallen EUR 230 million, so that basically explains everything. In the last quarter of the year, we see a swing into a loss of the net balance between revenues and expenses. And that is due to personnel expenses in noninsurance operations, and as well as expenses related to the start-up of new subsidiaries of the, assistance business MAPFRE ASISTENCIA.

On Slide 24, we have the bottom line. Pretax profit growth increased both on a quarterly and a yearly basis because the amount of realized losses and write-downs is substantially lower in 2013 than it was in 2012. We also see a significant fall in the tax rate year-on-year, which has exceeded explanations. A big one is the agreement with the tax authorities in Brazil, but we also have the use of tax credits at some subsidiaries, and the fact that last year, we recognized real estate losses which came into the accounts as equity accounted and led to an artificial increase in the rate a year ago. So all of this contributes to a strong fall in tax rate. The growth in minorities is larger than the growth in net profit, and that's because primarily, our profit growth and this agreement that I [indiscernible] in Brazil, each benefit disproportionately the Brazilian business.

On Slide 25, we have the account. The account is -- the balance sheet -- the balance sheet is very largely driven by the interplay of exchange rates and the appreciation, the revaluation of financial assets especially in Spain. And of course, business growth. We have more money to invest. Mr. Tejera already talked about the reduction in debt. That was due to the fact, primarily, that MAPFRE U.S.A. amortized the senior bonds we had outstanding of about EUR 150 million equivalent. We issued, as we say, we entered into a new revolving credit facility. By year end, it was fully undrawn. We also see a decrease on the quarterly basis in the reserve for [indiscernible] expenses and that is because of the agreement with the Brazilian government, and the write-down, the recognition of our notes in Spain.

On Slide 26, we have the breakdown of the investment portfolio. You have the data there. We'll focus on the variations year-on-year. If we compare these figures with those over a year ago, we see a reduction of the exposure to fixed income issued by financial institutions, which here are shown under corporate, which was matched by an almost equal increase in public debt. We have a higher weight of European and especially, Spanish paper, reflecting the appreciation on the euro and the recovery in market prices. And for similar reasons, we have a reduction in the weight of the assets located in the Americas because of the depreciation of that region's currency.

On Slide 27, we go deeper into the fixed income portfolio. Here, you can see more clearly if you have the previous year's data close to you that the weight of financial institution's paper has fallen, and it was matched by an increase of European public debt, which was mostly Spain and Italy. And that was because of a rise in the market prices, the appreciation of the euro which means that the value of those investments compared to the other investments goes up. And the investments of maturing corporate paper, primarily in the sovereign. We had some GGBs, for instance, maturing this year. And Brazil tells you the depreciation of its currency.

More on the fixed income portfolio we find on Slide 28. You will see in the breakdown by guarantee, the decreasing of guarantees. There's several reasons to explain this. Among them, I would say, that the larger one would be -- relatively larger one would be the maturity of the GGBs I just referred to, which we reinvested in public debt which explains why ordinary, i.e. senior, is going up. The euro goes up, should be obvious by now, goes up because of its appreciation, and the BBB paper goes up because also of the appreciation of the euro and because of the rise in the market value of Spanish and Italian paper.

On Slide 29, we have the changes in equity. In qualitative terms, 2013 was a year similar to 2012. The only difference is the size of the variations. We had falling interest rates especially in Spain, which generated once again very large mark-to-market gain, broadly similar to those of the previous year, 79% of which were absorbed by shadow accounting.

And on the negative side, this one was worse than the previous year. We had the appreciation of the euro, especially against the Brazilian real, which we use equity by over EUR 800 million. Really, this is offset, the EUR 800 million, are offset by the -- partly by the appreciation of the financial assets, and of course, the profits. The net fall year-on-year is EUR 240 million once we take into account the dividends paid out.

Finally, on Slide 30, we have the capital structure and main debt ratios. Capital structure is basically unchanged. It's -- there is an inconsequential change of 1% of an increase in equity and equal decrease in ordinary debt. And we continue to have coverage and leverage ratios, which remain among the strongest of any European insurance group and are very much consistent with a AAA rating. That's all on my side. And I'll now give the call back to Mr. Tejera for the Q&A.

### **Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

Thank you, Luigi. While we hope that this summarized our results for 2013. And now we are available for your questions as usual. Thank you.



## Question and Answer

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### Operator

[Operator Instructions] Our first question comes from the line of Farouk Aneef [ph] from Citigroup.

### Unknown Analyst

Just one question, actually. You referred to the increase in claims frequency in Spain. I was wondering if you could give us a little bit more kind of quantitative data on that. Maybe to what extent do you think the current claims frequency is below what you might call an average level and where you think that's going?

### Luigi Lubelli

It's difficult to answer your question precisely because it's just an incipient phenomenon. I mean, we don't have a -- firstly, there's no public figure. If anything could guide you, I would say that the impact of the frequency was seen comparatively more intensely in the MAPFRE EMPRESAS, the commercial insurance business than it was in the Motor business. Said that, I mean, this is a common, I would say, a welcome development we'd rather have a developing economy with a writing frequency because it seems that things are moving on again. Prices will match that in due course. So it's just a temporary blip. But in order to -- I'm unable at this moment to precisely quantify how much of the increase came from that.

### Unknown Analyst

Okay. But...

### Luigi Lubelli

Also I have to say that the, in all honesty, it truly goes up. But I think MAPFRE EMPRESAS hasn't even reached 90% in terms of combined ratio. So it was incredibly low a year ago, and that's just low.

### Unknown Analyst

Okay. So I mean, basically, it sounds like there might be some timing differences, but you feel confident that pricing could offset any major shift that we may have?

### Luigi Lubelli

Well, if insurance is supposed to continue working as it does, yes. I mean, clearly, this is the way in which we have -- I mean, what we have done for instance in Motor, there was less evidence of that happening. But I mean, we're seeing as I was pointing out on the description of the economy, I mean, we are seeing several -- we're seeing evidence that the economy is moving again. And in those conditions, frequency should pick up until we have, to the extent possible, we have taken into account when reserving especially on the Motor side.

### Operator

Our next question comes from the line of Sami Taipalus from Berenberg.

### Sami Taipalus

*Berenberg, Research Division*

Just 2 areas, please. First of all, on the new Bankia agreement. Would you be able to give us any more detail about any potential changes to the commission structure there? And in particular, is there a profit-sharing element to that structure? And second of all, are you able to give us any kind of guidance on how reserve releases have moved year-on-year? Is there any difference basically to the prior year?

### Esteban Tejera Montalvo

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

Bankia agreement, we can say that [indiscernible] the change in the commissions in order to have an approach that is homogeneous within the whole network. And in this sense, the agreement is taken into account the possibility of the MAPFRE receiving compensations for the raising of the commissions in the old branches of CAJA MADRID. I think it will depend on the evolution of the business. So it's too early to know. It's a scheme [ph] that allow both parts to share the profits of the increase in the business plan. So summarizing, there is a homogenization of the commissions on the whole work. In the cases that this means an increase of the whole leverage of commissions in the branches of the old CAJA MADRID, they will imply economic compensation for that I think will depend on the evolution of the business. I need to say, in terms of the possibility of having sale profits according to the evolution of the loss ratio.

### **Luigi Lubelli**

Okay. In terms of the reserving, as you know, we don't specifically provide a figure of releases on Slide 15 -- sorry, Slide 16 of the presentation, you have the development of reserve which was taken straight from the Annual Report. There, you see the development year-on-year. I mean, it's similar to what we saw in 2010. There is an impact of the FX on that. So I would say, in both terms, it's kind of similar to what we saw a year ago in 2011.

### **Operator**

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

### **Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

Just 3 questions, please. First is on the just on what the competition is doing in Spain. And if I just draw your attention to Slide 36, we can already see that in that total Non-Life, the gap is narrowing between yourself and the competition, excluding yourself. And if you look at this data in the past, this gap was even more wider at 4 points in 2011, I did bother to check [indiscernible]. So that means something -- but interestingly, this gap is more in your favor in Motor. So clearly, it seems the competition is doing a lot more different than better things in non-Motor. Is that something that you can corroborate from your experiences, though? And what is a gut feel on what's going on in the Spanish competition area from the non-Life side? That's first question. Second question, and just to clarify. I apologize if I missed it. The EUR 35 million in mentioned in Slide 33, is that all from MAPFRE FAMILIAR Motor, or most of it, because if I adjust that, I still get 100 or combined ratio for MAPFRE Motor in fourth quarter standalone. And is that all better related the usual levels tend to get much lower than that? And just one last very minor question. The Spanish business health expense ratio was remarkably low in fourth quarter, and in the previous quarters, you mentioned that you want to expand on health. Is there something just a scale effect there coming in?

### **Luigi Lubelli**

Let's see, quite a few questions. Let's see if we can answer them satisfactorily. I take your point on Spain. The -- just sorry, we're having a small problem here. We're having some technical problems here in the room.

[Technical Difficulty]

### **Luigi Lubelli**

Hi, sorry. We had some problems here in the room. Now, in terms of the -- I mean, you're right. It's difficult for me to give you a precise answer. I think in qualitative terms, it's true that, let's say, most of the thrust in competition is going into Motor. That is one reason for which you could explain the fact that the job became greater in Motor and less great in the rest of Non-Life. I mean, in Motor there have been especially some fleet business in which we not want it to go because the prices were simply evidently nontechnical. To be exactly precise of how to explain the rest, because in Non-Life, the rest of Non-Life is made by so many lines of businesses with more difficult. I mean, we can look into that and give you, and try to give you more a legal explanation. But Motor was certainly subject of a level of competition which many in the country now have no problem in defining as irrational. I think you they're only speaking what

something we find especially important this year in Spain, which strengthens our position and the point is this reduction in EUR 48 million in fixed expenses fixed cost that we carried out this year, which, by and large, was entirely on the Non-Life side. So in that, I mean, there is a trend we have always observed in Spain. MAPFRE tends to be undercuts at crisis times and then to outperform when the economy recovers. The reality now is that our cost base has EUR 50 million less than it had a year ago, which means that we can -- we have much less pressure than our competitors in order to raise prices because we already start from a low level. So hopefully, you should see the results of that in the coming months. And I think it's necessarily exactly the answer you were hoping for, I hope it helps what I told you, it helps and clarifies your doubts.

**Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

I mean, of course Motor, you're getting better and I can see that the fleet is answering that question. But I'm happy to take offline [indiscernible].

**Luigi Lubelli**

Because then we have to dig a bit deeper. On the rest of the Non-Life lines, we have to dig a bit deeper.

**Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

No, I just wanted a qualitative view if you've noticed something. If you haven't noticed, then maybe something else is happening which I love to also explore, but thank you for trying.

**Luigi Lubelli**

Okay. Then you're talking about the EUR 35 million. Let me see, the EUR 35 million is a provision of a similar nature to the provision of EUR 57 million that we appropriated a year ago. What your question is, whether -- I think it does affect the combined ratio, the expense ratio. Yes.

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

It's not on the Motor, but mainly Motor.

**Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

Yes, that was the point, yes. It's not only Motor, it's Non-Life in Spain.

**Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

Sure. Because even -- I mean what I'm trying to understand is that, even when I adjust for this results strengthening, the Motor combined ratios in Spain still looks a little high, much high. And is that all weather-related then? And I think you did mention that but I...

**Luigi Lubelli**

Well, it's not -- I mean there's reserving, there is provisioning, there is more frequency, as we said before. And so all these elements go into that. The frequency was more on the commercial business than on the Motor business. The Motor -- however, the Motor business also see will be more frequency. For instance, seeing that in Spain, the consumption of petrol is going up. And some people are moving around more than before. And the last one on health was...

**Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

Expense ratios.

**Luigi Lubelli**

The expense ratio...

**Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

Because it's rather low. I mean, remarkably low. It's 77 [ph] in the fourth quarter. Is it just volume pickup or is it just some accounting effect you think? Is there nothing really to note?

**Luigi Lubelli**

Just give me a moment.

**Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

I only ask because you have been more bullish on health in the last few quarters.

**Luigi Lubelli**

Okay. Have I seen -- in health, we have some improvement in the loss ratio in the fourth quarter, rather than the expense ratio. This -- what we have is at the very beginning, the very beginning of the year, we announced a change in the accrual of the provisions. And also the -- and then we had both forward the cancellation of policy to the first quarter. So that caused a spike, if you remember in the loss ratio, the beginning of the year, and which has been slightly diluted down towards the year. And impact of that was especially strong in the fourth quarter. I have no data for the expense ratio, if you're talking the combined ratio in health for this region.

**Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

I was just asking the Slide 35. Again, happy to take offline, but if you see the Slide 35, you see a 16.4% for health versus 18.2% last year. And just to compare it to this 9 months but also the 18. So I just -- so maybe it's just some of the accounting.

**Luigi Lubelli**

Yes, we'll look into that, because I cannot recall right now. It's a year ago. It was especially high for some other reasons. So [indiscernible] offline if you don't mind.

**Vinit Malhotra**

*Goldman Sachs Group Inc., Research Division*

I don't mind.

**Operator**

Our next question comes from Niccolo Dalla Palma from Exane BNP Paribas.

**Niccolo Cornelis Modesto Dalla-Palma**

*Exane BNP Paribas, Research Division*

So my first question is still on Spain, and clearly on the reserve review and the potential impact of Baremo. I just was curious if you could elaborate a little bit, I mean, on how you did the calculation given there's no tables available yet. I mean, how you quantified that risk and when you think, in your view, that this could come through? Just if I look at the 9-month combined ratio in motor insurance, it was 92%. And on that basis, in Q4, there was probably like EUR 70 million more claims than on a run rate basis. EUR 35 million is probably related to general expenses and provision, but the remaining EUR 35 million, I guess, is related to this Baremo. Is that the fair way of thinking of it in order -- just to have on a idea of the magnitude of the impact? And secondly, if you could elaborate a bit more on the general provision for risk and expenses because there's EUR 35 million this year, EUR 57 million last year, which are supposedly

nonrecurring. Just trying to understand how I should look at it for next year. So will it definitely be a 0? What kind of expenses are these provisions set aside for exactly? And thirdly, on Brazil, I noticed that the slight deterioration in the combined ratio towards the end seems to be driven by the expense ratio side. Is that just quarterly volatility or was there some specific element in that?

**Luigi Lubelli**

Okay, Niccolò, fine. Let's see, Baremo. We don't know exactly what it's going to be eventually, but there's more information about that. So, I mean, as we have -- and I'm very happy to explain it at every result presentation. Whenever we appropriate our reserves, we do so by taking into account all available information. So now, there is more available information about that. It's not fully available but there's more available. And that has gone into that. Precisely, I cannot tell you also because it's an undisclosed figure how much of that -- but I wouldn't ascribe entirely all the appropriation to Baremo. The appropriation was due to Baremo, it was due to frequency, it was due to many elements that go into the setting of the reserves. Baremo is now, if I'm not wrong, in a testing phase. We've been somehow revised technically now. According to what the director general of the insurance supervising in Spain said recently, it should come into force towards the end of this year and most likely with actual effects in 2015. That's kind of when we expect it to come into force. So the EUR 35 million, you're right. I mean, if it's recurring, this is nonrecurring. I mean, as you know, I would say that the short answer is that to the extent that we recover from the economic crisis, it will stop becoming recurring. Essentially, it's because it had several elements. We have sales expenses, we launched 2 campaigns, new products, and we also have adjustments in the structure of the distribution networks. So possibly, the latter part will become less relevant as the economy progresses.

**Niccolo Cornelis Modesto Dalla-Palma**

*Exane BNP Paribas, Research Division*

Okay. But am I right in saying that basically the EUR 57 million of last year got very used during 2012 -- '13, sorry. And this one, you'll probably use in 2014, right?

**Luigi Lubelli**

Indeed. And then in the expense ratio in Brazil, there is basically 2 elements. One is the burial business. The burial business adds about 0.2 percentage points, so 20 basis points to the expense ratio. And then, we also have the impact of the tax agreement because surprisingly, it does have an impact on reserving because you have to take into account some, let's say, additional expenses in underwriting somehow, some payments that you have to make every time you underwrite a premium. So it has an impact on the underwriting as well.

**Operator**

Our next question comes from the line of Rodrigo Vazquez from N+1.

**Rodrigo Vazquez**

*Alantra Equities Sociedad de Valores, S.A., Research Division*

A couple of questions from my side. First one on the impairment of goodwill on CatalunyaCaixa, could you provide the -- an exact figure? Another question I have is on the LatAm results, excluding Brazil. You mentioned the combined ratio was around 100% in the quarter. Could you provide a little bit more light on the performance in those regions? And finally, on the Bankia JV, do you have the figure of the net profit of Laietana and Aseval in 2013?

**Luigi Lubelli**

Okay. Let's see. In terms of the, I believe we gave it on some slide, but otherwise the write-down in the goodwill of CatalunyaCaixa [indiscernible]

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

It's in another account.

**Luigi Lubelli**

It's in the other account. It's about EUR 200 million, roughly.

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

No. No.

**Luigi Lubelli**

No?

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

The net [indiscernible].

**Luigi Lubelli**

The net, sorry. That's the gross. That's the gross. That's the gross. Then you have to take out 70 of the recognition of our notes. And this is Jesus Amadori speaking by the way.

**Jesus Amadori**

Basically, so the net effect, the tax is after, let's say, the write-down and the earn out is around EUR 95 million. But then if we take into account taxes and minorities, it's roughly in the region of EUR 50 million.

**Rodrigo Vazquez**

*Alantra Equities Sociedad de Valores, S.A., Research Division*

EUR 50 million? Okay.

**Jesus Amadori**

Yes, bottom line. What I was telling you was the pretax impact, that was actually what is taken away from the balance sheet figures.

**Rodrigo Vazquez**

*Alantra Equities Sociedad de Valores, S.A., Research Division*

So you have EUR 50 million from the impairment on CatalunyaCaixa and around EUR 50 million from another impairment in LatAm and another EUR 50 million from real estate. What's left until -- what, 112?

**Luigi Lubelli**

I'm not sure I -- so you said EUR 50 million from...

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

You understood the question?

**Luigi Lubelli**

Yes. I think that you're talking about Life account, right?

**Rodrigo Vazquez**

*Alantra Equities Sociedad de Valores, S.A., Research Division*

No. I'm taking this, the 112 you have on the page of nonrecurring results.

**Luigi Lubelli**



Yes, okay. Yes, basically, it's -- there's roughly EUR 50 million of CatalunyaCaixa then you have the Latin American. And then you have...

**Jesus Amadori**

EUR 18 million pretaxes, Latin America, yes.

**Luigi Lubelli**

And then, you have real estate in duration as well. That is the tune of 30 -- EUR 25 million, roughly, I think. And then the outstanding balance is other deteriorations. You can see once we release the annual accounts for [indiscernible], you will see all of them entity by entity.

**Jesus Amadori**

You will see all the figures.

**Luigi Lubelli**

But basically, those are the largest ones. Then you said the combined ratio of Latin America without Brazil. Latin America, without Brazil, the combined ratio has fallen slightly, 10 basis points year-on-year. However, you have to bear in mind that there, we have a -- as Argentina goes, you can consider it to be a one-off, we'll see. There was the change in the requirements by the supervisor on the appropriation of reserves. And that had an impact of EUR 17.2 million before tax. That is equal to roughly 40 basis points of the combined ratio. So the combined ratio excluding Argentina would be about 99.5, 99.6. So it will have decreased year-on-year on Latin America without Brazil.

**Rodrigo Vazquez**

*Alantra Equities Sociedad de Valores, S.A., Research Division*

Okay. But in the fourth quarter, only LatAm excluding Brazil, it shows an increase compared to third quarter, and is there a change in the competition or something...

**Luigi Lubelli**

Actually, this is LatAm without Brazil, sorry. Because Brazil would then have an increase because of Motor. Let's see. Just a moment.

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

This is in Argentina.

**Luigi Lubelli**

Yes, okay. Yes, once again, Argentina. We had about EUR 5 million extra expenses in Argentina in the quarter alone, restructuring expenses.

**Rodrigo Vazquez**

*Alantra Equities Sociedad de Valores, S.A., Research Division*

Restructuring expenses. Okay, understood.

**Luigi Lubelli**

In the quarter, yes. And you had one question on Bankia, do I remember one?

**Rodrigo Vazquez**

*Alantra Equities Sociedad de Valores, S.A., Research Division*

Yes. What net profit the...

**Luigi Lubelli**

Ah, on Laietana. Well, we cannot give you -- I don't think they have prepared yet their account. I don't think they themselves know the profit for 2013.

**Operator**

Our next question comes from the line of Marciej from Morgan Stanley.

**Maciej Wasilewicz**

*Morgan Stanley, Research Division*

It's Marciej from Morgan Stanley. Actually, most of my questions have already been asked, thanks everyone else. But I wanted to ask one final question on the S&P rating that you have. If we look at your balance sheet now, you've done a little bit more cleaning up. Your debt ratio is even lower. Solvency's down marginally. But overall, your business as well as Spain, generally, seems to be in a better position than it was a while ago. Do you have any expectations that you might get some benefit in that -- in your S&P rating from the recent developments in your business? Or do you think it's going to be a slow grind and potentially, we should expect nothing this year?

**Luigi Lubelli**

I mean, this is a question that you should ask S&P, not me. I mean, if you ask me what I think our rating should be, my answer is going to be well above what it is today. I don't know. I think, I mean, really, this is a question for S&P to take and to answer. I think that taken from their standpoint, I mean, what I can see and I can say after many years of MAPFRE is that year in, year out, there is some element in the accounts of our company, some company somewhere in our group which somehow contributes to us going up in either premiums or profits or both every year, and that's called diversification in plain English. And that is proved year in, year out. So I think it is evident, I mean, after the crisis we've gone through in Spain, what is MAPFRE's stance compared to other companies that are solely exposed to Spain, I think it is evident that we have more than a certain degree of decoupling from the Spanish economy. That is already recognized in S&P's rating of MAPFRE. We just have to wait and see what they finally conclude based on the new revised methodology on sovereign ceiling. But I'm afraid, that's an answer that they should give. Of course, I think that our rating should be way higher than it is today. So that is my official stance.

**Operator**

Our next question comes from the line of Andreas Fernando [ph] from JPMorgan.

**Andreas Evert Cornelis de Groot van Embden**

*JP Morgan Chase & Co, Research Division*

I'm Andreas van Embden of JPMorgan. Just 2 questions. One on Spain. Could you maybe comment on the recent developments around your VERTI direct channel, how is that business doing? Is it growing? And I think some time ago, you mentioned that you were planning for the business to break even in 2015, is that still on track for that? And my second question is on LatAm. Is there any risk of reserve additions in the high inflation countries or have you already added to reserves in Q4?

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

Andreas, in relation with the direct channel, I can say that the reason this is going -- it's going well, premiums are up 26%, but obviously, the evolution of the business have suffered in the impact of the crisis in the Spanish economy. So I think that there would be a delay in the breakeven achievement. But the good news is that the evolution of the company is, as I've said, 26% up in relation with the premiums of last year. And then, the number I suppose you saw is not only in Motor insurance but also in Home insurance. So summarizing, the business is doing well, but there is some delay in the business plan due to the impact of the Spanish crisis.

**Luigi Lubelli**

Your second question was regarding reserve strengthening in Latin America, is it so, in Latin America excluding Brazil?

**Andreas Evert Cornelis de Groot van Embden**

*JP Morgan Chase & Co, Research Division*

Yes, particularly in the high-inflation countries like Argentina or Venezuela. Is there any risk of reserve additions versus your reserve position there? Are you comfortable with your reserving or is there a risk you would need to add to reserves if inflation continues to spike?

**Luigi Lubelli**

Andreas, we are comfortable with our reserving in Spain and in Latin America. What has happened -- I mean, there are -- as one would say and put it, they are the unknown unknowns. I mean, what we have witnessed in 2013 was, let's say, the regulator in Argentina has become especially zealous, let's say, in reviewing the reserve appropriation by the companies. And basically, they have taken the interpretation of the law to the extreme. So that's the regulators. They ask you to -- just to appropriate reserves, then you have to obey. So I don't know to what extent a similar development can happen elsewhere. I mean, if that is a source of comfort for you, I think that there's a company in the world that has a very long experience when dealing with reserving in highly inflationary economies, that is MAPFRE. And certainly, in Venezuela, we have no shortage of skills in that respect. And so, what I can tell you is the reserves there are appropriated to the extent possible taking that into account. But what I cannot tell you is whether there's going to be some external development which forces us, as was the case in Argentina in 2013 to strengthen reserves. That's an unknown unknown.

**Andreas Evert Cornelis de Groot van Embden**

*JP Morgan Chase & Co, Research Division*

Okay, that was it? There was no major reserve strengthening at the end of last year as far as you know?

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

In any case, I would like to say that the decrease we had on the appropriating reserving is also a problem of the demand of this kind of situations. In this sense, our managers have the skills in underwriting to fight against inflation by shorten the period of coverage of premiums. So instead of having premiums for a period of a year, now we are issue premiums and policies with a coverage period that are a month, 2 months. There is a reduction of the length of the coverage in order to offset the leverage in the terms, shorten the terms in accepting the impact of inflation. It is not only appropriate for reserving, it's appropriate for the proper underwriting.

**Operator**

Our next question comes from the line of Avinash Singh from Nomura.

**Avinash Singh**

*Nomura Securities Co. Ltd., Research Division*

Yes. Most of the questions have been answered. Just 2 quick questions. One on your adjusted currency versus your underlying net income. Still, it's down kind of 2%, 3% in 2013. So going into 2014, when you see increasing comp in Spain and claim inflation there as well as the Latin American currency pressure is there, how do you see -- how do you think that you can reverse the trend and then you can enter into a growth periphery? And second thing regarding that EUR 194 million gross impairment, goodwill impairment or intangible impairment in Spain. I mean, do you see that possibility going forward in 2014, or should we consider it just one-off for 2013?

**Luigi Lubelli**

Avinash, if I understood well your first question, you're asking whether we are anticipating the combination of higher frequency in Spain in 2014 and further devaluation in Latin America, is it so what you're asking?

**Avinash Singh**

*Nomura Securities Co. Ltd., Research Division*

Yes. My question was if we look at these other 2 headwinds going in 2014. In 2013 on adjusted basis, adjusted for currency effects and one-offs, your profit is still down 2% as given on Slide 6 or 7, if I'm not wrong.

**Luigi Lubelli**

Yes.

**Avinash Singh**

*Nomura Securities Co. Ltd., Research Division*

So, I mean, my question to you, how this 2014 going to turn this around? And then, from where do you expect the profit growth to come from because your profit has -- I mean, it's broadly flat on an underlying basis for many years.

**Luigi Lubelli**

Well, I mean, in every year, and it's actually possibly a question even more for Mr. Tejera. In every year, there is positives and negatives. I mean, I think I understand why people are becoming concerned with the negative impact of the Spanish recovery. But the Spanish recovery also has a positive impact. I mean, to the extent that the premium sales pickup and generally speaking, the economy stabilizes and people become more confident, that means business. And business is good for us. So the fact that Spain recovers is, in itself, a positive element. The depreciation, frankly, it's unfathomable for me. One would think that Brazil has undergone already quite a big one. So we will have to see whether we have a comparable depreciation in the year. But let's say, the business continues to grow, it's actually growing extremely well, the business with Banco do Brasil, so that is bringing in good news. Commerce has -- well, what is now called MAPFRE U.S.A., has shown a quite material improvement in salary this year compared to the previous year. So there's bad things and good things. It's difficult how to tell you how they would interplay. Mr. Tejera wants to add something.

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

Yes, the rating in Spain, according to our experience, will have happened always again at the economic cycle that MAPFRE have gained all these markets here, in motor insurance, in home insurance, in general. And this is due to the fact that as we have showed in our figures, we have improved our efficiency during the tough period. We have suffered in the price war more than our competitors. And we remain with a combined ratio that is, by far, the best in the market. So usually, what happened -- what would have happened in past periods of crisis is that we are in a better position for competition in our growing market. And we have this strong brand that allows us to grow more than our competitors when the economic situation improves. And this is a reality that we have to spend part of these provisions that are general provisions for financial instability that appeared last year. We have our programs for improving loyalty among our insurers and our policy holders. So usually, in a situation of new growth, we take advantage of this better than our competitors.

**Luigi Lubelli**

Does that answer your question, Avinash?

**Avinash Singh**

*Nomura Securities Co. Ltd., Research Division*

Yes, that broadly answers my question. And my second question is more on that. Should we expect 2014 to be a normal year for Spanish business? Because in Spain, you had a lot of impairments. Even this year you had a significant goodwill impairment and then you had -- yes, also you had this provisioning -- and this provisioning of -- for in all properties, should we expect 2014 to be normal in Spain?

**Luigi Lubelli**

That's a very good question. I mean, you are going a bit into astrology. I mean, we can answer what we know, let's say. The jokes aside, the write-down of the goodwill of CatalunyaCaixa, like all write-downs, is a reflection of the expectations of business compared to the initial expectation when the company was put in the books. So it has been written down to what the expectations are presently. In a year's time, we'll see if the expectations are where they are now, are they better or are they are worse. Clearly, the economy improves, it helps in one way. What we do not know is what will become of this bank, that is without our control. That depends on how the sale by the government of this bank will develop which is completely unknown to everyone, I would say, in Spain. So that is something very difficult to answer. But of course, to the extent that the economy improves, obviously, there's -- there are going to be less and less reasons for impairments.

**Avinash Singh**

*Nomura Securities Co. Ltd., Research Division*

Okay. Can you please give us a number for your goodwill in Spain out of, I mean, you have close to EUR 1.9 billion goodwill on your balance sheet, how much of that is in Spain?

**Luigi Lubelli**

If you bear with me for a moment, I can try to answer your question on the spot. If I cannot, then we may have to take it offline. But 800 roughly in goodwill...

**Avinash Singh**

*Nomura Securities Co. Ltd., Research Division*

Pardon?

**Luigi Lubelli**

800, 8-0-0 in goodwill, and then I'm calculating the value of business acquired, roughly. I mean, it's really rough calculation on the back of an envelope.

**Avinash Singh**

*Nomura Securities Co. Ltd., Research Division*

Okay, so it be that number for Spain?

**Luigi Lubelli**

And let's say, EUR 400 million more in the value of business acquired, roughly. So it's about EUR 1.2 billion, roughly.

**Operator**

Our next question comes from the line of Atanasio Pantarrotas from Kepler Cheuvreux.

**Atanasio Pantarrotas**

*Kepler Cheuvreux, Research Division*

I just have one question left. Regarding the agreement with the fiscal '13 in Brazil, my understanding is that the positive impact of more than EUR 50 million affected the earnings before taxes. However, I noted also a very low tax rate in the quarter, below 10%, especially Brazil again. So I would like to have some more color on this. If there is any other fiscal impact which should positively affect your net profit during the last quarter?

**Luigi Lubelli**

Atanasio, before I answer your question, I just have to thank everyone. And unfortunately, this is the last question we can take because we actually have to catch a plane to London. I believe, Atanasio, you will find the answer to your question on the Slide 40 where we have broken out the various impacts of the agreement with the tax authorities on MAPFRE Brazil itself, on MAPFRE AMERICA and the MAPFRE S.A. If you can see that slide, I think it possibly has the answers you're looking for.

**Esteban Tejera Montalvo**

*Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re*

Well, thank you for your attendance. Unfortunately, we are now in a hurry to catch a plane. And I think that we will have the opportunity to see several of you in [indiscernible]. And thank you again for attending our presentation. And for those that we don't meet in [indiscernible], we would hope to be with you in our next presentation. Thank you.



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