

# Mapfre, S.A. BME:MAP

## FH1 2011 Earnings Call Transcripts

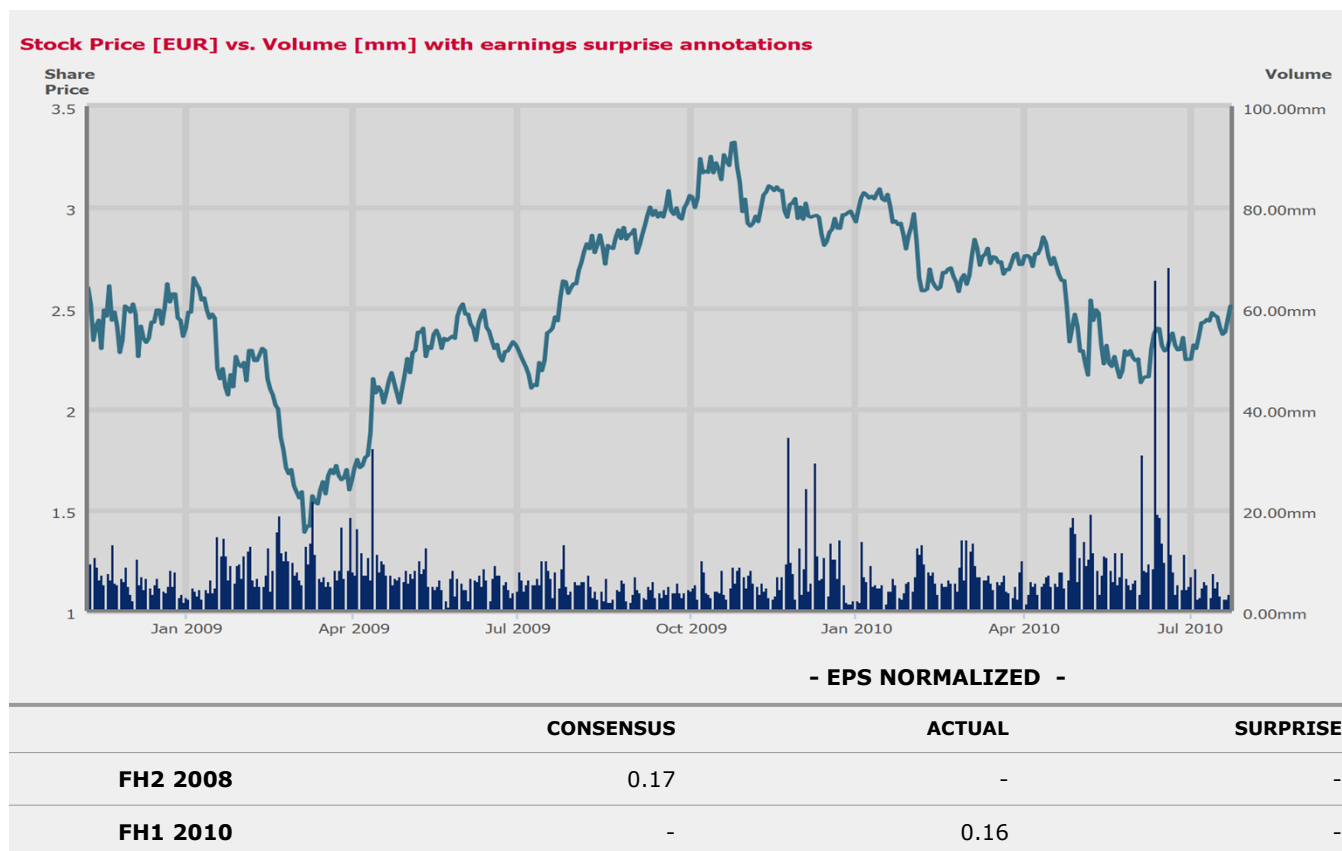
Friday, July 22, 2011 11:30 AM GMT

### S&P Capital IQ Estimates

|                       | -FH2 2010- |         |          | -FH1 2011- | -FY 2011- |          |  |
|-----------------------|------------|---------|----------|------------|-----------|----------|--|
|                       | CONSENSUS  | ACTUAL  | SURPRISE | CONSENSUS  | CONSENSUS | GUIDANCE |  |
| <b>EPS Normalized</b> | 0.14       | 0.15    | ▲7.14    | 0.17       | 0.32      | -        |  |
| <b>Revenue (mm)</b>   | 7820.14    | 8651.84 | ▲10.64   | 9550.00    | 17294.46  | 22500.00 |  |

Currency: EUR

Consensus as of Jul-22-2011 11:54 AM GMT



# Call Participants

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## EXECUTIVES

**Esteban Tejera Montalvo**

*Former First Vice Chairman,  
Director General and Non  
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**Luigi Lubelli**

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# Presentation

## Esteban Tejera Montalvo

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

Good afternoon, ladies and gentlemen. Welcome to MAPFRE's First Half's 2011 Results Presentation. As usual, I'll give an overview of the results and the main business development. And later Mr. Lubelli would explain the financial in greater detail and present the European Embedded Value presentation for 2010. Finally, we will take your questions. Please move to Slide 3.

MAPFRE was once again capable of delivering growth in premiums, fund under money demand and profits in an environment that is clearly quite complex. Premiums and revenues grew about 6%, funds under management grew nearly 15%. The combined ratio were roughly stable, despite substantial catastrophe claims and the net result grew nearly 9%, while revenues 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, growth of the international business and noteworthy improvement in Spain in the second quarter. Excellent trend in the loss premiums, which has mitigated the impact of the natural catastrophe in Asia, the U.S.A., 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 12.5% shareholding in MAPFRE INTERNACIONAL 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 EUR 1.2 billion, which means a 15% increase in the first half due to the results, the scrip dividend plan and the agreement with BANCO DO BRASIL, together a new decrease in debt levels.

In the Slide 5, 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. As of June 2011, Seguros Participações and Grupo Segurador Mapfre started to operate jointly under the name GRUPO SEGURADOR BANCO DO BRASIL & MAPFRE.

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 the existing businesses in the aforementioned markets. The resulting company will have a premium volume of approximately EUR 200 million according to 2010 figures. Then this means to 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, it's a breakdown of the main nonrecurring or extraordinary items in 2010 and 2011. The results of the insurance business grow over 11%. In both years, we contained large earthquake losses and financial gains. Even adjusting for it, we continued grow nearly 10%, underscoring the resilience of the power ventures of our insurance wins. Noninsurance losses have decreased almost to 0, providing evidence of our stated intention to focus on our insurance operations.

Taking into account all nonrecurring items, the results are slightly lower than those of previous year, a performance that contribute a satisfactory in the present business environment. The decrease in revenues per share reflects this as well as the impact of the capital increases derived from the reinvestment of dividends.

On the Slide #7, there is our breakdown of the main figures. As I mentioned before, debt levels have fallen again and are now below EUR 2 billion, while equity has increased. Total equity, including minority interest, has grown considerably after the construction with BANCO DO BRASIL. Therefore, our leverage ratios have decreased substantially and I'm quite comfortable with our rating levels.

I will now hand the call to Mr. Lubelli, who will comment on our financials in great detail.

### Luigi Lubelli

Thank you, Esteban. Good afternoon to all those following us today on this conference call. With no further delay, let us move to Slide #9, where we find our customary breakdown of premiums and profit by regions.

As also we 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 adverse happened in terms of insurance profits where Spain contributes 60% of the total result, as well as the case in March.

The following slide, number 10, we have the summary of business growth and the inter-annual change in premiums. This year has boomed the attendance within March. Growth has come primarily from Latin America, with increases of 19% in Non Life and 22% in Life within 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 in life lines as the result of new sales initiative and distribution agreements.

We're also remarkable at MAPFRE ASISTENCIA, thanks to the Travel Insurance business we control, INSURE AND GO, and the organic growth in Latin America and Turkey. MAPFRE RE also grew reflecting a successful renewal campaign in new business in Europe and Latin. And MAPFRE GLOBAL RISKS, on the back of strong growth in the property and fire lines would grow, most especially in Latin America.

MAPFRE INTERNACIONAL commonly which was growing about 8% in March showed a small decrease, due mainly to the depreciation of the U.S. dollar and the slowdown of sales to a private bank 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 flattered by the fact that in the second quarter of last year, account sales contains were canceled due to competition by banks to deposit rates.

And in the Non Life business, agent sales showed a slight fall, pretty much in line with what in saw in March, coming mainly from the motor and commercial lines. Nevertheless, monthly sales that motor sales were up 0.1%, which is not much, but compares against the 1.7% for the March it was 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 full 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 were in premiums from -- for EUR 18.5 million.

On the next slide, we can see the development of technical results. The combined ratio is broadly in line with the figure for the period of 2010. It's just slightly higher. More specifically, if I'll make an aggregate comment on the total figures given explanation by company, the loss ratio between a Non Life insurance and global business subsidiaries, net compensated for the impact of catastrophe and weather-related claims at MAPFRE in MAPFRE INTERNACIONAL.

The expense ratio went up because of the impact of distribution network and organization costs in Turkey and the writing VAT at market from the year in Spain and high acquisition expenses at MAPFRE AMÉRICA,

MAPFRE GLOBAL RISKS and MAPFRE RE and MAPFRE ASISTENCIA. If we compare to the figures of March, the expense ratios have gone up at MAPFRE AMÉRICA due to changes connected to the startup 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 U.S.

MAPFRE GLOBAL RISKS, MAPFRE RE and MAPFRE ASISTENCIA also saw the expense ratios go up due to higher acquisition costs. The loss ratio has gone up in MAPFRE FAMILIAR, especially in the property and media lines where we were 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 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 which lights the development of the international and insurance businesses and the difficult environment in Spain were nonetheless MAPFRE's market share continues to grow in Motor and Home insurance. I've already commented upon the loss in expense ratio in detail, so we'll skip that. Clearly, the figures, which like the consolidation of insurance, INSURE AND GO 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 renovation gains, basically less than half of what they were a year ago.

On the next slide, we find the Life account. Here, the premium 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 bancassurance channel performed better in this period. And this was complemented by business growth in Latin America.

The variation of the underwriting and financial result reflects this, affected clearly by the EUR 139 million recognized upon the establishment of the JV with BANCO DO BRASIL. Here also, the figures are affected by strategic transactions. In this case, it's the inclusion of the insurance operations of CATALUNYACAIXA, and once again, BB Seguros in Brazil.

On Slide 15, we have the results from other business activities. Here are the operating revenues and expenses shortfall that's due to the fact that MAPFRE QUAVITAE wasn't classified as an activity held for sale. The net financial income, as was the case in March, include a loss of EUR 40.8 million as a result of the sale of our shareholding in BANCO DE

SERVICIOS FINANCIEROS CAJA MADRID-MAPFRE. And the small amount that we see in minority interests also is what is left from BANCO DE

SERVICIOS FINANCIEROS CAJA MADRID-MAPFRE and was the same period. This 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 AMÉRICA increases in growth because of the gains recognized, I'll say, the granting of the authorization to create a joint venture with BANCO DO BRASIL. The contraction in MAPFRE FAMILIAR is mainly due to the larger elevation gain which we recorded in 2010. If we exclude them -- if we were to exclude them in both year, net income would grow about EUR 25 million, which is around a 14% increase.

The significant fall in MAPFRE INTERNATIONAL is due to weather-related and catastrophe claims in the U.S. MAPFRE RE also suffered a fall due to earthquake-relating 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, showed a strong improvement in 2011. And that's basically by virtue of comparison. MAPFRE EMPRESAS had 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 had an impact on pretax 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 the BANCO SERVICIOS FINANCIEROS. We expect the same as well as 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 INSURE AND GO. There are other noteworthy development due to the impact of the depreciation of the U.S. dollar and most of the Latin America currencies, which we'd use as the value of the assets there. We see, as well as the case in March, lower cash balances that maybe because we have invested part of those balances in longer-dated assets. And clearly, that they will be known to everyone on the call, we had a negative impact of risk premium on the market value investments. After the close on the 12th July, we have retired the bonds that were issued in 2001 for their full amount.

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 results for the first half; the negative impact, as I was mentioning before, or the volatility of financial markets and risk premium on the value of investments, which as usual, is partly offset by shadow accounting. As I was mentioning before, we have the depreciation of U.S. dollars, U.S. dollar and Latin America currencies, and that leads to a negative translation differences.

We paid a dividend, but that was mostly offset, or to large extent, I'm afraid by the extreme investments to a strict dividend plan. And then we have, as part of the development, about EUR 1.2 billion coming from the minorities of BANCO DO BRASIL. And that more than compensated for the deduction in minorities, stemming from the purchase of the share of CAJA MADRID CIBELES and MAPFRE INTERNACIONAL.

That, on my side, concludes the result presentation. And I now invite you to open the European Embedded Value presentation on Page 3 of that document.

Overall, the Value of the In-Force business grew nearly 16% against 2009, which increased primarily reflect the inclusion of the Life and Pensions business of CATALUNYACAIXA. We also, for your convenience, provide the figures without such inclusion, because clearly, it's -- 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 new business.

We see a comparatively faster growth of the EEV tree against 1%, and that is the result of the fact that changing assumptions and deviations from estimates, which this year have a negative impact, tend to have a proportionally higher impact of the volume in-force than they do would be enough. The Return on Embedded Value decreased significantly mainly due to the fact that in 2009, this return was favored by a significant drop in the cost of the time value of financial options and guarantees, which then up it EUR 67.3 million. This year, on the other hand, it was negatively affected by higher laps and lower financial return assumptions.

The present value of new business income sales due to the focus on Life-Protection business in 2010 and the competition from banks and savings products. I must say that 2009 was exceptionally good in the agents channel. And as a matter of fact, this year, we're not yet within that figure. There was a slight fall in the value of the business, which reflected lower sales volumes, higher acquisition expenses and the comparatively higher weight of the unit-linked products. Crude effect was mitigated to a large extent by the greater volume of the Life-Protection business. It must be noted that because it has been the cause of the latter of the Life-Protection business, the value added by new business fell comparatively less than the Present Value of New 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 #5, we have the variation of the main components of the European Embedded Value in 2010. Here once again, a distinction must be made between figures with and without CATALUNYACAIXA. If we see these figures as they are as we've seen 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 Life and Pensions business of CATALUNYACAIXA. Excluding this, variations of the present Value of the In-Force in cost of capital are not material.



While the ANAV would show a growth of EUR 51 million, driven mainly by the expected return and around EUR 100 million in dividends and donations. The change in the time value of financial options and guarantees is significant in percentage terms, but it isn't even material over the total EEV figure. Nevertheless, this variation was mainly due to reduction in our related gains in the backing portfolio and to fall in interest rates.

On Slide #6, 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 growing sales of Life-Protection business in the bancassurance channel.

Currently expelling the agents channel, as the impact of the changes in assumptions I referred to previously affected mainly the portfolios of this channel. Well, following 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 #7, we show you the European Embedded Value figures, net of minority interest. These interest increased about EUR 160 million if we compare them to last year's figure. And clearly, once again, this is strongly affected by inclusion of Life and Pensions business of CATALUNYACAIXA.

On Slide #8, 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 EUR 41.2 million, which are due to the positive impact of the upgrade in the day-to-day use for the valuation of the Life Insurance business.

We see large admissions and variation in intangible assets, and there should be no surprise that comes from CATALUNYACAIXA, which lead us to with CATALUNYACAIXA figures for this year. We have EUR 81.2 million negative in changes in assumption, which are due to the falling interest rate, which added about EUR 41 million as a result of the application of lower discount rates, a negative amount of about EUR 18 million due to the adjustment of expected investments return for credit risks, a change in the financial assumptions to reflect the scenario with lower capital gains and interest rates that we -- in which cash flow are invested with a negative impact of about EUR 29 million, a positive impact from a better performance of expenses for about EUR 14 million and the use of more severe lapse rates assumptions, which amounted to a negative effect of EUR 80 million.

The expected return was EUR 80 million, and that includes primarily the impact of the unwinding of the discounts rates, which was EUR 39 million, and the actual asset tax investment return on the adjusted net asset value at the beginning of the year, net of the cost of capital, about EUR 42 million. 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, the time value of financial options and guarantees. And that's increased slightly, which has a negative impact as a result of the falling interest rates and lower capital gains in asset portfolios.

Let us now move to Slide #11. And here, we show you the variation in demand of margin of the new business at the beginning of the year. As was explained on Slide #3, the value added by the new business growth due to the inclusion of Life and Pensions business of CATALUNYACAIXA. If we were to exclude this, the figure shows a fall, reflecting lower sales volumes, high acquisition expenses and the comparatively higher weight of unit-linked products, whose effect was mitigated to a large extent by largest sale of the Life-Protection business. Once again, the growth in margin 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 the new business, which on the following slide are most sensitive to the variations in interest rates and the lapse rate. Probably, it is no surprise, we've gotten a new sensitivity to increase in the probability of default of the fixed-income portfolio, which is there for your information.

And that on my side, I'll now hand the call 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. Finally, we have finished our presentation. Now we'll start our question-and-answer session. Did you have any questions?



## Question and Answer

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### Operator

[Operator Instructions] Your first question comes from Atanasio Pantarrotas.

#### Atanasio Pantarrotas

*CA Cheuvreux, Research Division*

I have 3 questions. One, first on your Life financial income. I saw that these are bit volatile quarter-by-quarter, and there was a significant decrease in the second quarter compared to the first one. Maybe, I guessing 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 to the -- but anyone would like to know if there is a possibility that the Spanish authority co-change compensation table in the next future? And third question, regards to your joint venture in Brasil. I would like to know what could be the impact there, 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.

### Luigi Lubelli

Atanasio, this is Luigi speaking. I think I may be wrong, but I think that the reason -- the volatility you see is due to the fact that in first quarter, we included the gain stemming from the JV with BANCO DO BRASIL. If you exclude that, I don't see...

#### Atanasio Pantarrotas

*CA Cheuvreux, Research Division*

No, I don't think -- because this was included in the net other technical earnings cost in the Life insurance.

### Luigi Lubelli

You're right. But actually, you have to understand one thing, and that -- and thanks for asking because this is a process which we're through. We are progressively updating the accounting as we advance in the transaction. We've actually reclassified it in financial gains here. So it's there. It's the EUR 139 million R&D, EUR 319.6 million figure. Does that answer your question, Atanasio, on financial income, I mean?

#### Atanasio Pantarrotas

*CA Cheuvreux, Research Division*

Okay.

### Luigi Lubelli

Then, but EMO, I'm afraid no news to report. There is nothing we actually know about EMO, to tell you at this moment. I know it's something that is -- I think it's mostly spoken about in London debate, but we actually have no news on this side. And we have given no forecast or outlook on the impact 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 pretax results of the JV with BANCO DO BRASIL. And that's actually the actual figures recognizing the accounts.

#### Atanasio Pantarrotas

*CA Cheuvreux, Research Division*

The EUR 202 million refers for a one month?

### Luigi Lubelli

Correct. And EUR 24 million of profit for one month, that's correct.

### Operator

[Operator Instructions] Your next question comes from Federico Solano [ph].

**Unknown Analyst**

Just from the deadline of those, can we assume whether you're planning to reduce debts to assess your debt week any further from this level so what your price is going to be like?

**Luigi Lubelli**

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, there was a scheduled maturity and that's matured, and we decided to retire it. But as you may imagine, this is not an ideal moment to issue that to the Spanish institutions. So I actually thought we -- it would be best to retire it. And as cash becomes available, that would possibly be most likely course of action I will take. I'm answering your question, Federico?

**Unknown Analyst**

Yes.

**Operator**

Your next question from Juan Panovas [ph].

**Unknown Analyst**

Luigi, I have a couple of questions. One, would you quantify the amount costs of that -- the amounts of 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 -- I mean, you had bought the EUR 139 million gain, used to be EUR 180 million, is there a compensation effect in the second quarter? And finally, the -- you have this transaction, could we expect any adjustment gains? I mean, last time, you reported premiums on pre-insurance, you have EUR 125 million, I don't know whether that has come down, but it appears that your business in that region, you said with larger than that of, hopefully, EULER HERMES.

**Luigi Lubelli**

Let's see, I can only partly answer your first question because the figures for BANCO DO BRASIL are not probably -- I think the -- I can tell you that a large extent of the increase that you see in -- to a large extent, the increases that you see in the expense ratio in this quarter comes from that. That's the most I can tell you. Those should be provided on Slide 23, and we've given, together with the expense of the development organization of the distribution network and they are EUR 24 million in total. Going to your second question, that was actually a part of my answer to the previous question. And I said that's growing and isolate it. It's a -- 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 introduction of IFRS is in Brazil for the first time. So, I mean, the most honest way of putting it is that we are kind of making way in the sense we've first recognized the items -- based on the available information on the first quarter, we recognize the transaction, what we could recognize of the transaction at that time, then the JV is actually gone live. And then it involve a large number of accounting movement. And they've led to, for instance, the reduction in these realized gains. IFRS themselves allow for a certain number of adjustment during the first year after a JV is regionally recognizing the accounts. I wonder if I'm -- if this answer your question?

**Unknown Analyst**

Yes, fantastic. Yes.

**Luigi Lubelli**

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

**Unknown Analyst**

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 credit insurance, you had EUR 125 million premiums, which appears to be more than half of the combined premiums you reported.

**Luigi Lubelli**

Okay, Jesus will take that call -- that question because it has to be more complex than we think will be.

**Jesus Amadori**

Juan, this is Jesus. Each transaction have just been announced. It involves us, either case, when you have many, many companies in Latin America. So corporate transactions in many countries. So we cannot comment on that at this stage.

**Operator**

Your next question comes from Maria Ojeda.

**Maria Paz Ojeda Fernandez**

*Ahorro Corporacion Financiera, S.V, S.A., Research Division*

I was just -- I'm wondering if you can elaborate a bit about the information that has gone in rumor, you have invested close to EUR 300 million in Bankia. And I wanted to know if there has been none insurance at the holding level, or at the subsidiaries level?

**Luigi Lubelli**

In fact, it was actually done by subsidiaries. Sorry, just a clarification, when you say, lubiran expansiones [ph], you're not actually right because they mention MAPFRE as having invested EUR 300 million. But the fact is that MAPFRE is safe, which is a company that we represent has invested EUR 160 million. And the rest has been invested by the foundation through that amount.

**Operator**

Your next question comes from Michael Broom.

**Michael Broom**

*Berenberg, Research Division*

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. And I think all of the interest in hearing is for CATALUNYACAIXA. How much of that year-end embedded value relates to CATALUNYACAIXA?

**Luigi Lubelli**

Let me see. If you -- by difference, it's about what EUR 466 million.

**Michael Broom**

*Berenberg, Research Division*

So is that item on Slide 8, the EUR 466 million? That is the impact of the year end embedded by the -- from CATALUNYACAIXA? So I don't have to -- I guess my problem is I don't quite understand what the EUR 350.2 million was?

**Luigi Lubelli**

It's a goodwill, net of liabilities.

**Michael Broom**

*Berenberg, Research Division*

On CATALUNYACAIXA?

**Luigi Lubelli**

WWW.SPCAPITALIQ.COM

Indeed.

**Michael Broom**

*Berenberg, Research Division*

Okay. Maybe I'll take this off-line. So yes, okay. I'm not sure I quite understand what's going on there because in that safe place do you know was EUR 316 million, and that would seem to be from the description on Slide 9. You attribute both of those items to CATALUNYACAIXA so I was just wondering whether the difference between the 2 is what ends up in the EUR 2,490 at the year. From the sounds of it, not?

**Luigi Lubelli**

I actually believe it is, yes. I mean, those you see the...

**Michael Broom**

*Berenberg, Research Division*

Net fro the 2 amounts ends up unless you have -- sorry?

**Luigi Lubelli**

Okay. You can take the EUR 2,309.2, you add the EUR 41.2 million, EUR 466.6 million, then deduct the EUR 350.2 million and that is your starting base. But, of course, that implicitly means that they are included in the EUR 2 billion or EUR 190.5 million.

**Michael Broom**

*Berenberg, Research Division*

Yes, that does not imply that the EUR 2,490.50 includes EUR 116.4 million related to CATALUNYACAIXA rather than EUR 466.6 million?

**Luigi Lubelli**

Yes, it did. It includes the net, net of the 2.

**Michael Broom**

*Berenberg, Research Division*

And the EUR 116.4 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?

**Luigi Lubelli**

Yes, that was being taken that's why the restatement of this number because that's the starting point.

**Michael Broom**

*Berenberg, Research Division*

Okay. And just to -- so I understand this. So if the contribution to EEV is EUR 116 million, CATALUNYACAIXA, how does that compare with the payment schedule that you announced back in whatever it was, was it early 2010? I've got a current, off the top of my head -- I thought you remember you paying something like EUR 450 million, is that right? Is that EUR 450 million payment comparable with the EUR 116 million EEV?

**Luigi Lubelli**

Yes, because it seems that the EUR 350 million you're seeing is the goodwill minus the precise the amounts owed to CATALUNYACAIXA. It's like gross goodwill minus the funding liability that we have.

**Operator**

Your next question comes from Francisco Riquel.

**Francisco Riquel**

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

And I would like to ask if you can give us some -- an indication of the sensitivity of your shareholders' equity to the solo increase liability we are observing in July? If you can give us an update on your solo increase in this portions to European peripheral countries as of June? I mean, just that any type of impairments in this portfolio following the summit of the European Union yesterday.

**Esteban Tejera Montalvo**

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

Well, the first answer to your question will be sensitivity to the sovereign crisis on what day of the month of July because that I'm afraid that would be a good 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 they have demand so your asking that question. It's difficult to say. We don't know if it's retrenching. If it's not retrenching, and that's not at all clear to me. Regarding the exposure, you'll actually find it today, we have released the CNMV filings with the quarterly accounts, which come with their footnotes. 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, you have the exposure by country there. The actual accounts also tell you in the footnotes, what was the loss that we recorded in our equity from which was EUR 102 million. That's in the footnotes to the quarterly accounts. And your last question was?

**Francisco Riquel**

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

It would be impairment.

**Luigi Lubelli**

Who knows? I don't have for the moment, but there's nothing we can't comment about that. There's nothing. For the moment, there's nothing.

**Operator**

[Operator Instructions] We have no further questions at this time. Please continue.

**Esteban Tejera Montalvo**

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

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

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