

# Mapfre, S.A. BME:MAP

## FQ1 2011 Earnings Call Transcripts

Wednesday, May 04, 2011 10:15 AM GMT

### S&P Capital IQ Estimates

	-FQ4 2010-	-FQ1 2011-		-FY 2010-	-FY 2011-	
	CONSENSUS	CONSENSUS	SURPRISE	CONSENSUS	CONSENSUS	GUIDANCE
<b>EPS Normalized</b>	0.07	0.07	▲42.86	0.31	0.32	-
<b>Revenue (mm)</b>	3939.50	4642.00	▲10.28	16227.34	17854.14	22500.00

Currency: EUR

Consensus as of May-03-2011 11:10 AM GMT



# Call Participants

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## EXECUTIVES

**Esteban Tejera Montalvo**

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

**Jesus Amadori**

**Luigi Lubelli**

## ANALYSTS

**Andreas Evert Cornelis de  
Groot van Embden**

*JP Morgan Chase & Co, Research  
Division*

**Atanasio Pantarrotas**

*CA Cheuvreux, Research Division*

**Francisco Riquel**

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

**Giulia Raffo**

*Autonomous Research LLP*

**Maciej Wasilewicz**

*Morgan Stanley, Research Division*

**Marcus Rivaldi**

# Presentation

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## Esteban Tejera Montalvo

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

Thank you. Good afternoon, ladies and gentlemen. I would like to apologize for the scheduling of our conference call due to technical problems with our providers of the technical advice. And welcome to MAPFRE's First Quarter 2011 Results Presentation. As usual, I'll give an overview of the results and the main business developments and later, Mr. Lubelli will explain the financials in greater detail. Finally, we will take your questions. Please, let's now move to Slide #3.

The performance in this first quarter of 2011 reflects several traditional strengths of MAPFRE, diversification with the foreign business driving group growth. Program underwriting, with exceptional results in spite of a large catastrophe claims and recurring financial income. As you can see in the slide, the revenue grew by 4%, the premiums went up by 3.7%, funds under management grew by 12%, due primarily to the consolidation of the business of CATALUNYACAIXA, which compensates for the falling market value of the assets. And the combined ratio fell nearly one percentage point, and in both profits and revenues per share grew by 13.5% and 10.2%, respectively, which is a significant improvement.

Going to Slide #4. We have here, the highlights of our results. In Non-Life, we have it listed our sustained growth of the International business, as is usual in the last quarters. In the larger market share in Motor and Home insurance in Spain. Even in the situation in Spain from the point of view of growth is not good in general, we were able to grow 0.2% in Motor insurance against a decline of the market of 2.2%. And in home insurance, we have growth in homeowners multi-risk of more than 8%.

In Life, there is a lower issuance in Spain, as a result of the different schedules for sales campaigns in bank assurance channels, primarily due to the situation of the interest rate in Spain. And as you remember last year, in this period, we had a very significant campaign coming from CAJA MADRID due to the different situation of the interest rate at which -- at that moment in 2010.

And this was offset partially by the business growth in Latin America. The technical results from Non-Life have had favorable development, especially in Spain. And even if we have to absorb the impact of the earthquakes in Japan and New Zealand.

As I announced in the 2010 final results presentation, MAPFRE continue to focus its activity in insurance operations, and we have reached during the quarter an agreement with CAJA MADRID to transfer our share on MAPFRE on BANCO DE SERVICIOS FINANCIEROS CAJA MADRID-MAPFRE. So we continue focusing our activity in insurance, which is our specialty. And the results of our news in this quarter is the authorization for the establishment of the joint venture with BANCO DO BRASIL, perhaps being granted at the end of the quarter. So we will be able to consolidate these operations in the second quarter of this year.

Let's move on the following slide, where you can see the evolution of profits and revenues per share. As I have already note, both grew significantly against the same period of 2010. In the Slide #6, we explain the terms of the operation with CAJA MADRID in order to transfer, to acquire the 12.5% shareholding held by the savings bank in MAPFRE INTERNACIONAL, and the operation is completed by the selling of our stake in Banco CAJA MADRID-MAPFRE of 49%, roughly. And this operation includes a payment of EUR 188.6 million to CAJA MADRID in compensation for our acquisition of the 12.5% in MAPFRE INTERNACIONAL.

It's important to note that this agreement maintains our strategic alliance for both the groups signed in 1998, and the corporation between our respective distribution network will continue. I would like to remember here that it's not only a bank assurance agreement, but also an agreement to sell banking products to the network of the branches of MAPFRE.

As a result of the transaction, an impairment of EUR 40.8 million before taxes has been accounted in our first quarter results, which is reduced to EUR 3.4 million after taxes and minorities due to the tax

deductibility of the losses generated by the bank so far. So after this, operation has been of course, authorized and the rates, we will complete the operation in the next weeks and the Banco CAJA MADRID-MAPFRE will disappear from our perimeter of consolidation.

Let's now move on the following slide, where after the meeting of the Board of Directors this morning, the Board approved, agreed in dividend operation in order to finance the acquisition of the 12.5% stake in MAPFRE INTERNACIONAL, which represent a high note before payment of EUR 188 million. The operation is in the same scheme that the previous one's in, and the issuance price will be fixed at the end of May.

On Slide 8, we explain how the consolidation of corporations with BANCO DO BRASIL and the conclusion of the agreement in the subsequent authorization implies for us the necessity of recognizing our result corresponding to the cancellation of market value of the put option we held on the 51% shareholding in MAPFRE NOSSA CAIXA VIDA E PRÊVIDENCIA that was granted to MAPFRE upon its acquisition. And this result amounts a contribution to the consolidating result after our taxes and minority of EUR 96.8 million.

And in Page 9, there is a breakdown of the main non-recurring or extraordinary items in 2010 and 2011. In both years, accounting results contain exceptionally large earthquake losses and financial gains. The news is that adjusting for these, the profit of the insurance business continues to grow about 10%, and that noninsurance losses have decreased significantly, reinforcing our stated intention to focus on our insurance operation, as I said before. If we move to the following slide, you can see in the main figures of our group in this quarter compared with the same quarter of 2010.

I will now hand over the call to Mr. Lubelli, who will explain our financial in greater detail.

### **Luigi Lubelli**

Thank you, Esteban. Good afternoon to you all. Let us move to Slide #12, where we find the usual breakdown of premiums and profits by region and business.

As is to be expected, taking into account growth differentials, the weight of the foreign business went up again, bringing in 54% of premiums against 49% in the same period of 2010. Conversely, adjusting for the non-recurring items and earthquake claims in both years, the contribution to insurance profits of the foreign business has fallen from 50% roughly in 2010 to about 40% this year, due to the strong improvement in underwriting profits in Spain.

On the next Slide #13, we see a summary of premiums growth. It has come primarily from Latin America, with increases of 24% in Non-Life and 10% in Life over there. Brazil remains the main contributor and brought in 11% of MAPFRE's total consolidated premiums. Among the main drivers of the growth was the Commercial Insurance business, as well as the success of several sales initiatives and a distribution agreements undertaking in the past quarters.

Growth was also remarkable at MAPFRE ASISTENCIA, thanks to the Travel Insurance business written through INSURE AND GO, the company we acquired last year in the U.K. and organic growth in Latin America. Growth was also significant in MAPFRE RE, reflecting a successful renewal campaign and at MAPFRE INTERNACIONAL, owing to larger business volumes and tariff hikes in the U.S. and Turkey.

The Spanish business shows a contraction that is concentrated primarily in Life, due to a different timing of sales campaigns in the bancassurance channel. The fall in the Non-Life business reflects primarily the slow growth of the economy.

Moving on to the next Slide #14, we find the breakdown of sales by distribution channel in Spain. Asian sales in the Life business fell modestly in Spain, due to the intense competition for savings, especially from banks. The fall in Non-Life came primarily from the motor and commercial lines. Life bancassurance sales fell, as I said before due to the different timing of sales campaigns. Non-Life sales, on the contrary, grew primarily due to the consolidation of the Insurance business of CATALUNYACAIXA, which brought in premiums for slightly over EUR 9 million.

On Slide #15, we find the development of technical results. Mr. Tejera already spoke about that the combined ratio shows a considerable improvement compared to the same period of the previous year.

More specifically, the loss ratio fell 2.7 percentage points, which reflects primarily the impact of the Chilean earthquake in the same quarter of the previous year, which affected very strongly MAPFRE RE and MAPFRE GLOBAL RISKS and MAPFRE AMÉRICA.

This year, we also had 2 earthquakes, the Japanese and the New Zealand earthquakes, which only affect MAPFRE RE and also have a very large impact but an impact, which however, is comparatively smaller to the impact of the Chilean earthquake, which is then a positive effect.

MAPFRE FAMILIAR had a strong performance, thanks to a much smaller weight of weather-related and civil servants claims. As you remember last year, we had especially bad weather in Spain, and we still had in our books, the Civil Service business. This was reinforced by a very benign experience in household and burial insurance this year, as well as strong growth in net premiums earned.

MAPFRE EMPRESAS benefited from exceptionally low frequency and severity. And MAPFRE RE from very good results, resulting from the closure of the previous year accounts. This was very strong positive impact overall, which compensated for the significant spike at MAPFRE INTERNACIONAL, where we suffered from severe weather-related claims in the U.S.

On the contrary, the expense ratio went up, mainly due to the impact of reorganization costs at the Spanish distribution network, the costs linked to the launch of VERTI and the rise of VAT in Spain, which was especially noted in MAPFRE FAMILIAR. The acquisition expenses went up at MAPFRE GLOBAL RISKS, basically because of the relative growth of the International business, which is mostly intermediated through brokers.

On Slide #16, we find the explanation of the Non-Life account. I think I've already covered the length, the drivers of premium growth and the combined ratios. So I will not repeat that again. Only to note that the financial income decreased compared to the first quarter of 2010, due to smaller realization gains. Last year, as you can remember, the amount was quite large.

On Slide #17, we have the Life accounts. Here, as I've already said twice, we have different schedule for sales campaigns in Spain, that's really the most significant impact and leads to a contraction of premiums, with respect to the previous year. That was partly compensated by business growth in Latin America.

We see a material increase in the underwriting and financial results. This is because the gains in Brazil, Mr. Tejera was referring to previously, are reflected in this line. And they compensation for lower underwriting results in Brazil and smaller business volume in the quarter in Spain. All these figures include the consolidation of the operations of CATALUNYACAIXA, which last year were not there.

On Slide #18, we have the other business activities. Here, we see that both revenues and expenses fall considerably, that has an explanation. MAPFRE QUAVITAE is reclassified as a discontinued operation, so we no longer show their figures here, but just as a line before the very bottom-line. And then a decrease in business volumes at the known insurance operations of MAPFRE FAMILIAR. The net financial income you see that shows a much larger net negative balance than the previous year, and that's because it includes the impairment from BANCO DE SERVICIOS FINANCIEROS CAJA MADRID-MAPFRE that Mr. Tejera referred to. If you adjust for that figure, it's broadly similar to that of the previous year. The results from minority interests, on the contrary, improved notably because of an improvement once again in BANCO DE SERVICIOS FINANCIEROS CAJA MADRID-MAPFRE.

On Slide 19, we see the variation in profit at the operating companies. There's a very large improvement at MAPFRE AMÉRICA, which once again, reflects the gains in Brazil we already cited. If you were to exclude that, the profit would grow about 10%. The MAPFRE FAMILIAR shows a contraction on the other end. This is because last year, they had realization gains. They actually have realization gains also this year, but of a much smaller scale. If you adjust for both, in both years, net income would've grown roughly 25%, about EUR 20 million more.

As I've said, MAPFRE INTERNACIONAL suffered from large weather-related claims in the U.S., which explains the fall in its profit. MAPFRE RE also shows a fall due to earthquake-related claims in Japan and New Zealand. They also had some impact from the floods in Australia. MAPFRE GLOBAL RISKS was significantly affected by the Chilean earthquake in 2010. Given that they no longer have that this year,

they have a strong improvement. And as I've said before, MAPFRE EMPRESAS is benefiting from lower claims, frequency and severity.

On Slide #20, we find the bottom line. As Mr. Tejera pointed out, we have an underlying result growth of 2.2%, we have the reinstatement of the financial accounts in Venezuela, which basically is a comparable impact, it's not material. We have a larger income tax because of the rate applied to the results recognized in Brazil. Last year, conversely, we had a comparatively lower tax rate because of the significant weight of realization gains in Spain.

As we have seen in other quarters, the minority shareholders grow faster than the net result, because of the growing contribution from bancassurance JVs in Spain and from the international operations in which we have minorities.

On Slide #21, we have the balance sheet. The page shows the main explanations. We clearly have been affected by the depreciation of the U.S. dollar, and generally speaking, of the American currencies. You will notice a decrease in the cash balances, that is mainly due to the fact that we have decided to reinvest part of them in longer-dated assets.

As was to be expected, the market value of investments has fallen, due to the volatility in the markets, I believe you are all aware of. And in terms of magnitudes, as compared to the same period of the previous year, we have the consolidation of CATALUNYACAIXA and INSURE AND GO, primarily CATALUNYACAIXA.

Finally, we find on Slide 22, the changes in equity. We see a decrease from the close of the previous year. As I said before, we are negatively impacted by the volatility in financial markets, although as usual, we have shallow accounting, compensating to a large extent for that. We have negative translation differences. Last year, we have a gain, the overall, the net balance is quite large. It's more than EUR 330 million. And of course, there is a dividend approved by the AGM and the result for the quarter.

And that is all for me, and I'm handing 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. Well, as usual, we are available for you for questions. Have you any questions?

## Question and Answer

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### Operator

[Operator Instructions] Your first question comes from Francisco Riquel of N+1.

### Francisco Riquel

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

I have a couple of questions. First, is on the rationale for returning to discrete dividend. You mentioned that this is to finance the acquisition of the minorities in MAPFRE INTERNACIONAL. So I would like to understand what's the impact on there? On the solvency ratios from this acquisition, because I understand the goodwill that this acquisition bringing is small, is limited, whereas the impairment of the sale of the Banking business is small, and you are also having a material capital gain in you Brazilian operations to the capital base. So in other words, why your capital increased for such a small acquisition? I mean, if that is anything new in the capital models, in solvency 2? If you are more concerned with them -- with the risk of your investment portfolio at this point in time? And so this would be the first question. Shall I make the second question or...

### Esteban Tejera Montalvo

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

Francisco, if you want, we can reply first to your first question. Well, it's true that our situation on capital was comfortable, and the amount of the operation is now so big. But in any case, there is a necessity of paying EUR 188 million. That's probably not the capital one, but there have been some changes during the last year in the requirements of capital free spot portfolio of Standard & Poor's, that requires more investment for the same -- more capital for the same investments, mainly the investments located in Spain, in real estate and in -- and there is also some concerns about the possible evolutions of the split in this month, mainly in Portugal. So we can't survive without business dividend, obviously. But we've seen that this operation will have an impact -- of course, it will impact in the future, in our stake in MAPFRE, in the BANCO DE SERVICIOS FINANCIEROS customers in MAPFRE. And at the same time, we have more requirements of capital even in the same situation than before. But the 12.5% of the MAPFRE INTERNACIONAL, also introduced a little bit more requirements from the insurance risk in our capital model, even if we have now goodwill in this operation of [indiscernible]. Summarizing, we've got -- we can do or not do this dividend, but the final decision of the Board this morning has been to make this dividend.

### Luigi Lubelli

If I may add, Franco, there's a technical element in the minority shareholders are one of the components of the economic capital. So to the extent that we are losing a part of that, that basically makes up for the loss. As far as the Brazilian impact is concerned, you're right. There's also a negative foreign exchange impact in our accounts. So basically, one kills out the other. So they are compensated for one another. So it's basically a way of maintaining capital, economic capital levels where they are. Have we answered your question? Franco, or do you need further clarification?

### Francisco Riquel

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

Yes, it's very clear. Thank you. I will now proceed to the second question, which is now that you have already the regulatory approval for the Brazilian JV, if you could please update us with some numbers on the impact from the consolidation of Brazil? And what would be the pro forma income that you would consolidate? The impact on the combined ratio, I have seen that you are approaching 100% combined ratio already in the Latin American operations. Would it have fallen below 100 if consolidating Brazil? Impacting net profit, would it be accretive or not? ROE in Latin America, how would it will look like? So updates on the impact on Brazil.

### Luigi Lubelli



Franco, we have not released any figures basically, because we think/hope that the consolidation will take place in the second quarter of this year. So hopefully, with the figures from June onwards, you will see the contribution of the JV coming into our accounts. I think we have the latest pro formas we gave about this, were last year, I think it was with the Goldman Sachs conference presentation. So I wouldn't be able to give you more information at that -- I mean, historically, the combined ratio of the operations of BANCO DO BRASIL was below, slightly below the level of the operations of MAPFRE. So theoretically, it should dilute the combined ratio down, if things stay as they were. But as I said we don't have updated performance for that.

## Operator

Your next question comes from Maciej Wasilewicz of Morgan Stanley.

### Maciej Wasilewicz

*Morgan Stanley, Research Division*

Hi, Maciej from Morgan Stanley. I'll take 2 questions, if that's possible. The first question I'd ask is on just whether or not you could reveal, whether or not reserve releases played a material role in your combined ratio overall or in particular markets this quarter? And also, request that if possible, it would be useful to get that reserve release information perhaps in the presentation in the future? So that's, I guess, a request. And the second question, I just want to ask is to do with the Bankia situation, whether or not there's any further statements you can make about what you know about the intentions within MAPFRE stake, whether it might be transferred into various different organisms within the Bankia restructure? Or alternatively, also, what MAPFRE's intentions are, whether or not MAPFRE can categorically rule out supporting Bankia IPO?

## Luigi Lubelli

Okay, Good afternoon, Maciej. As you rightly point out, we have not given the figures for the result releases. So that amount, we cannot give you. What we can tell you from a qualitative standpoint is that they were not material in this account. So they were not significant. With regards to the second question, perhaps, Esteban will...

### Esteban Tejera Montalvo

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

Yes, good afternoon. While our relationship with the CAJA MADRID allow us to be very comfortable for the future in the -- as partners of Bankia in the Bank Assurance business, but it's very early to know how exactly will we act from the point of view of the evolution of these business where a lot of [indiscernible] should be done in the near future inside these operation, where our partners have more than 50% of the operation, as you know. From the point of view of taking the stake in capital of Bankia, it will depend on how this operation will be planned in the future and from an independent approach from MAPFRE. Because if the conditions of the operation are good, we are traditional investors, and we can take a stake. In any case, this stake will be -- either take as investor and not as a stake as a position of the referring partners of the operation. So from the point of view of our position as bank assurers, our -- the evolution of the business will mark our position there, and I think that we must wait, and we must wait for the future. As a possible shareholders of the Bankia, we are insurers, and we are institutional investors. And we will invest in Bankia, as far as the conditions of the issue of the new capital in Bankia, provides us the rationale of a good investment from the point of view of profitability. And this, in any case, would be within the limits of our prudent investment policy in MAPFRE and the stocks.

### Maciej Wasilewicz

*Morgan Stanley, Research Division*

So would it be correct to say then, based on the fact that you invest as an investor rather than a strategic partner, that the size of any stake that you purchase in Bankia would be relatively small? Or would that be fair to say, like, I guess, you can put a figure on it, but I guess if you're just an investor, you wouldn't take EUR 500,000,000 stake or anything like that, would you?



**Esteban Tejera Montalvo**

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

Just a second, Maciej. Yes, our position will be more as an institutional investor than a preferential [ph] partner as a general rule. But it will depend, obviously, on the condition of the issuance.

**Operator**

The next question comes from Giulia Raffo of Autonomous.

**Giulia Raffo**

*Autonomous Research LLP*

My first question relates again to the rationale for the dividend reinvestment plan. I understand what you said before and about maintaining your capital level unchanged. But you have to say, it has to be said that when we look at the cash flow of EUR 188 million, EUR 189 million that you have to pay as a compensation, that should be around the level of quarterly free cash flow generation from your part. I mean, I would've expected you to be able to fully compensate that with internal capital generation since you are making profit. So I was wondering why did you not take into account the fact that you are only distributing 50% of your earnings in dividend? And therefore, every year, you are retaining free cash flow? My second question relates, sorry, as a follow-up on that, should we then expect that if future acquisition opportunities will present themselves in the coming months, you would like to maintain your capital unchanged at current levels? And therefore, we should expect either script or capital issuance to finance those? My third question relates to the gain of 90 million plus that you book in Q1 for the BANCO DO BRASIL. I was wondering whether you can clarify the nature of that capital gain? Am I right in thinking that it's just simply a writeup on your current book of business that you will contribute in the joint venture? And that is going to be contributed with a valuation, higher than its current book value? And if that is the case, should we expect an intangible item to come in the balance sheet to offset that EUR 90 million capital gain?

**Luigi Lubelli**

Okay, let's go one by one. You are right in your initial conclusion. The fact is that things do not stand still in the sense that, it is true that we are earning a profit every quarter, but it's also true that the risks we have to cover move. As the volume of business grows, also, the risks we have to cover grow, and they require capital. So the capital that is generated is employed. There are reasons for which we don't pay the full amount of our profits in dividends is because we need that capital and we need that cash for the operations. So that is essential liquidity. It seems that we are only accumulating profits, but as a matter of fact, we're using those profits.

**Giulia Raffo**

*Autonomous Research LLP*

Sorry on that, but it's true that you've grown. But if I look at the last 18 months, you're main growth has been external. I mean, organically, your Spanish business has been declining, so risk there have not increased. And where you grow in Spain is because you bought things. And what you bought in Spain, you finance it with scripts. So I mean, South America is the only area where you've had genuine organic growth. So I can see that not the 100% of your profit are free cash flow, but I would expect 70% of your earnings to be free cash flow. Therefore, the delta between the 45% payout and the 70%, it should be there to finance those small deals. But as I said, it's just my view. Maybe I'm completely wrong in that.

**Luigi Lubelli**

No, you're not completely wrong, Giulia. The fact is that, I'm afraid it's -- you are directionally correct, but then when it comes to the interplay of the various factors and loadings, things are not that straightforward. So it depends. Some risks require more capital than others. And then as Esteban just pointed out before, on the Standard & Poor's side, there's also been a -- I would say quite substantial increase of loadings on some risks based in Spain, which have somehow changed the equation. So you could even say that we've been parsimonious in the use of capital for that purpose. So yes, but no. Your

initial conclusion is right, but when you get into the reality of the various loadings, it is more complex than this script dividend was warranted, and it was not frankly such a substantial increase of our economic capital at the end of the day. Relative to the risk we have to cover, I mean.

**Giulia Raffo**

*Autonomous Research LLP*

So should we expect that you're happy with the current level of capital, therefore, any future deals, if it comes, should be financed in a similar way?

**Luigi Lubelli**

The fact is, you're looking for a sworn declaration of our future capital raising plans, which I cannot give you. That depends, jokes aside, I mean that you're very well linking it to your second question. You know this probably better than we do, it is very difficult to say a priori [ph] How you're going to finance an acquisition. It very much depends on what you're buying. And it especially depends on the profile of the cash flows that the assets you're buying generates. It's not the same, and I'm not telling you anything you don't already know. An asset which does not generate cash immediately, perhaps has a higher equity content than an asset, which is immediately cash generating in large amounts. So I cannot tell you, that's an answer I cannot give you. It depends on what's you're buying.

**Giulia Raffo**

*Autonomous Research LLP*

If you thought that EUR 190 million investment warranted a script, it's fair to say that you would not like to deviate materially from your current solvency situation, is that fair?

**Luigi Lubelli**

Well, we are trying to preserve it. As we said before, well we clearly -- we don't want to weaken our capital position. And also, as you also know very well, this is a moment of great uncertainty with respect to Solvency II and how it can affect you. So doing funny things with your capital structure at this time is not the most sensible approach. As I said before here, I mean, the models have plugs, and one of the plugs in the model is the minorities. In this case, it was very clear. You extract a certain amount of minorities, so your capital is less limping, if you wish on that side. And the replacement plug is the script dividend in this case. Then we also have to see how much money is raised on this through this script dividend. We know how much money we have lost. I wouldn't assume that penny by penny or cent by cent, we're actually going to raise exactly the same money. So but broadly, that's kind of the thinking behind that. And because this case, you are like-for-like, if it were an acquisition, it would have to be dealt with in a different way. Does this clarify your -- does this answer your question?

**Giulia Raffo**

*Autonomous Research LLP*

Yes, yes very much.

**Luigi Lubelli**

And the -- do I take it that I also answered your question on future acquisition opportunity?

**Giulia Raffo**

*Autonomous Research LLP*

Yes, yes, fair enough. I wasn't expecting more on that.

**Luigi Lubelli**

And in terms of the option, basically, this is a bit contorted but I'll try to explain it. In many, if not in every bancassurance agreements, there's always put options granted on both sides for those instances, in which for some reasons, one of the 2 partners has to leave the JV. And so we had it in the case of NOSSA CAIXA. So given the fact that there was change in ownership due to the movements of assets because of the

alliance with BANCO DO BRASIL, that option had a value. And we could've exercised that option. However, given that we have agreed to contribute this asset, along with other assets to the JV...

**Giulia Raffo**

*Autonomous Research LLP*

You're not cashing in, you're not cashing in anything?

**Luigi Lubelli**

It's not a matter of cashing in, but basically, you're relinquishing an option which is in the money. And as part of several assets movements that you're doing, it's part of the transaction. So this value becomes recognized as part of the transaction together with other values so...

**Giulia Raffo**

*Autonomous Research LLP*

Right. Am I right that there will be an intangible compensation for it at some point in Q2 when you're going to consolidate?

**Luigi Lubelli**

I heard your question on intangibles. With respect to that one, I would hold my answer until the next quarter, because this transaction is so complex and there are so many movements from an accounting standpoint. Because true, there are movements on intangibles, but true also there are movements from the reserves. So in order to get the whole picture and which by the way, we don't have because it's been done just now, I mean, it's being processed now, I would ask you to wait until next quarter. Supposing you mean this finally takes place as we hope and expect in the next quarter, you will be getting much more precise information on this one. Presently, we don't have it.

**Giulia Raffo**

*Autonomous Research LLP*

Thank you. Just very, very quick one. Can you tell us the net-net contribution of CATALUNYACAIXA? Because you are like EUR 16.5 million pre-tax free minority. I assume the net number should be between EUR 7 million and EUR 8 million. But I would just be curious to have the net-net figure.

**Jesus Amadori**

Well, the calculate -- sorry, this is -- I'm Jesus, the calculation is pretty simple. It's 16 x 50 then times 70%. So net-net, it would be pretty much for this set, EUR 5 million.

**Luigi Lubelli**

EUR 7 million.

**Giulia Raffo**

*Autonomous Research LLP*

Yes, that EUR 6 million, yes okay.

**Luigi Lubelli**

Yes, EUR 6 million.

**Giulia Raffo**

*Autonomous Research LLP*

So are you still satisfied about that transaction with EUR 24 million, EUR 25 million earnings power against EUR 450 million spent 12 months ago?

**Esteban Tejera Montalvo**

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

We are -- Hi I'm Esteban, we are just starting. We are just starting and this quarter has been very, very tough for everybody in bankassurance in Spain, and especially in CATALUNYACAIXA. They had quite a lot of other problems. But in any case, the way they are working is a very professional one. And I think that in the next future, if the condition of the interest rate change from the point of view of launching these kind of products, the figures will improve. In any case, in Non-Life, they are working very well, and we will see the fruits of this in the nearest future, I hope.

**Operator**

And your next question comes from Marcus Rivaldi of Morgan Stanley.

**Marcus Rivaldi**

Just 2 questions for me. Could you give us some sort of sense about the cash position of the Holding Company, given the sort of requirements of cash over this coming month? You've got the dividend off in June, there's some debt repayment coming up in July, as a minority, I guess, we have to wait when the authorizations occur. But the obviously, the consolidated numbers you've given, it's roughly about EUR 980 million, something like that, and this is potentially outgoing of over EUR 700 million. Granted there's obviously the script option there as well. And then just make some more -- some further clarification about your intentions around that July senior debt repayment as well, please.

**Luigi Lubelli**

Thank you for the question. I think it's relevant for everybody. As I was telling Julia before, when we decide both the dividend payments, and we make our capital budgeting, we take into account all of these aspects. Clearly, we have incoming and outgoing cash at the holding company, plus we have in the lines. So taking into account, if you're asking -- basically, I take it that the 2 questions are linked. If your question is whether we are planning to raise additional funding in order to repay the EUR 270 million maturing bonds on the 11th of July, the answer is no. We believe we have enough cash resources through the dividends we are going to receive and through uncommitted or unused credit facilities to be able to repay that amount without going to the markets. Am I answering both questions or am I leaving anything out?

**Marcus Rivaldi**

No, I think that is exactly right. It's obviously uncommitted credit. Could you just clarify exactly what the headroom under that is at the moment, please? And maybe if you can give something...

**Luigi Lubelli**

Well you will find it in the presentation on slide, but I am telling you which slide you'll find it on. It's at the beginning of the appendix and it's Slide 45. So we have a syndicated credit facility, which matures in 2013, which at the close of March, had EUR 260 million drawn. So you had EUR 240 million undrawn, plus the incoming cash, et cetera, et cetera, et cetera.

**Operator**

[Operator Instructions] Your next question comes from Atanasio Pantarrotas of Cheuvreux.

**Atanasio Pantarrotas**

*CA Cheuvreux, Research Division*

I have 2 questions. The first, related on the financial income in the Non-Life business. Can you provide in this line number 16, which part of the EUR 193.5 million of revenues came from the financial income? And the related figure in the Q1 '10? Second question, again, on the joint venture in Brazil. Just to clarify, the unrealized gain of EUR 98 million is linked to the disposal of part of the Life business to your partner? Or it's a different story?

**Luigi Lubelli**

Atanasio, I believe you will find the information you're looking regarding the Non-Life account, otherwise, you can tell me if it's not on Slide 50, where you have a breakdown of the financial income. There, you should have enough information to compare this report. So I wonder if you can check it out whether that provides the information you're looking for.

**Atanasio Pantarrotas**

*CA Cheuvreux, Research Division*

Okay.

**Luigi Lubelli**

So you have the financial income and then we show you how much is realized capital gains and how much is ForEx. So deducting those, you get the underlying in both years. And if you will -- so your net-net balance will be a growing financial income because of larger financial income in Latin America and higher returns in Spain. Higher -- the average reinvestment rate is higher this year than it was last year. And the second question, well, of course, it is. In the sense that it's not as if we wouldn't have been able to recognize this amount, had it not been for the granting of the authorization. So yes, it's a gain that is recognized within the framework although -- but it has to be understood, it's not because of the option itself. It's recognizing the framework of the whole transaction with the bank. As you remember, when we announced it the first time, there also will be a cash payment by BANCO DO BRASIL, reflecting the differences in the -- a net amount of all the differences are going to this one. Unfortunately, this is a very complex transaction that was part of my answer to Giulia. It is very difficult to say this item precisely, valued this much. It's a combination of many movement of assets, which leads to net balances.

**Operator**

Your next question comes from Andreas van Embden of JP Morgan.

**Andreas Evert Cornelis de Groot van Embden**

*JP Morgan Chase & Co, Research Division*

I have a question about MAPFRE RE. Can you maybe describe what type of exposures you have in Japan, and how much of the EUR 150 million net cat loss for the quarter was Japan, how much was New Zealand and/or Australia? The same question as well on Japan, is what is the maximum loss or your repeat exposure for Japanese quake? And the last question is this year, did you also underwrite hurricane risk in the U.S. or quake risk in the U.S.?

**Luigi Lubelli**

Okay, very detailed questions, Marcus (sic)[Andreas]. Let's see, the nature of the exposure in essentially property. The one we have. I cannot give you because it's not disclosed, the precise amount of Japan. Also bear in mind one thing. Japan is an amount that is being assessed. The devastation was significant. So also, the information that's coming from the ceding companies is yet to be collected in full. What I can tell you is that we have been -- we have tried to be as prudent as we could possibly be. So we'd rather approach it conservatively. And in that respect, although the maximum amount, which we could lose, is not disclosed, I can tell you that we're not that far away from that amount. So we've tried to be prudent in this regard with an information that is scant to some extent. Now I think everyone has been trying to make their best efforts to tell exactly what their exposure is, but you can only get that far. In terms of quake exposure to the U.S., I don't have that information with me. I don't know, it doesn't ring a bell as one of the biggest exposures we have in MAPFRE quake to the U.S. Hurricanes is part of the exposures we have, and it's priced according to market. We do have that exposure. Quakes, I'm not that sure. But I know in MAPFRE what is most likely to affect us would be a quake in Latin America, as was the case last year in Chile. That would be among the top PMLs. But U.S. does not ring a bell as one of them.

**Andreas Evert Cornelis de Groot van Embden**

*JP Morgan Chase & Co, Research Division*

But if the U.S. PML, is that more or less the same as Japan or LatAm or well below?

**Luigi Lubelli**

I mean, that amount, you're asking me amounts which are not disclosed. So I cannot answer your question. But I can tell in terms of qualitative exposures, MAPFRE because of the business is right and because of the countries where it is present, is primarily exposed to events of the nature, let's say, in Latin America. It is evident that we have been affected by Japan. So there's -- it's there. But the largest ones would still be -- the largest PMLs would still be there. I think it is difficult to see one that is larger than Chile last year, so that gives you perhaps a benchmark in order to gauge to what extent we are exposed.

**Operator**

Your next question comes from Maciej Wasilewicz of Morgan Stanley.

**Maciej Wasilewicz**

*Morgan Stanley, Research Division*

I guess, third and fourth question, actually, because my third question would be just on the CAJA MADRID situation again, I mean, we know that there's break clauses that sort of tie up various distribution agreements within the Bankia structure at the moment, such -- and we heard from some of your competitors those break clauses are extremely punitive in that -- actually leveraging a competitor out of Bankia, could be an extraordinarily expensive move. I guess, I'm just wondering whether or not you can sort of, in any way, quantify what we can expect from there or alternatively, give us some kind of a timeline as to when we might be able to get a little bit more information on that front? And I guess, the last question I'll ask is just whether or not it might be possible to publish PMLs in the future for the insurance business, given that it's now becoming a very, very significant or a more significant part of your overall business?

**Esteban Tejera Montalvo**

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

We are not tie up for all their agreements, all the agreements we sign. So if Bankia had a previous agreement, we assume that Bankia must solve. We are possible future partners in this kind of business and we'll assess this business according to the business plan, preparing the future. But how to solve previous problems, is not our concern in this case. So I think that the situation now is that we must wait for several months to know exactly how the situation evolves in Bankia and in other -- these kind of agreements with other bank institutions. And I think that part of the process is to restructure the commercial networks and to solve this kind of previous agreement they have with different partners. And then when the situation is clarified, we can talk to you about the new business plan, how this business plans affect the evolution, the future evolution of the business, and then be able to assess a value for this kind of business. Talking now is too early for that.

**Luigi Lubelli**

With regards to your question on the PML, Maciej, I take note of your suggestions or recommendation. I classified along the requirements with the reserve releases. This is something we have to speak to our reinsurance people. I mean, at times, I'm under the impression that you feel that we actually are not releasing information because we like to be opaque. In reality, that some information are sensitive from a business standpoint. So we would have to see to what extent they feel comfortable with revealing that information without that being detrimental to their commercial interest. So -- but for the moment, we have no intentions, we have no plans to release the PMLs.

**Operator**

There are no further questions at this time. Please continue.

**Esteban Tejera Montalvo**

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

Well, thank you for being with us. And as usual, I hope you will join again in the next second quarter presentation. Thank you. Bye.



**Operator**

That does conclude...

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