

Mapfre, S.A. BME:MAP

FQ3 2011 Earnings Call Transcripts

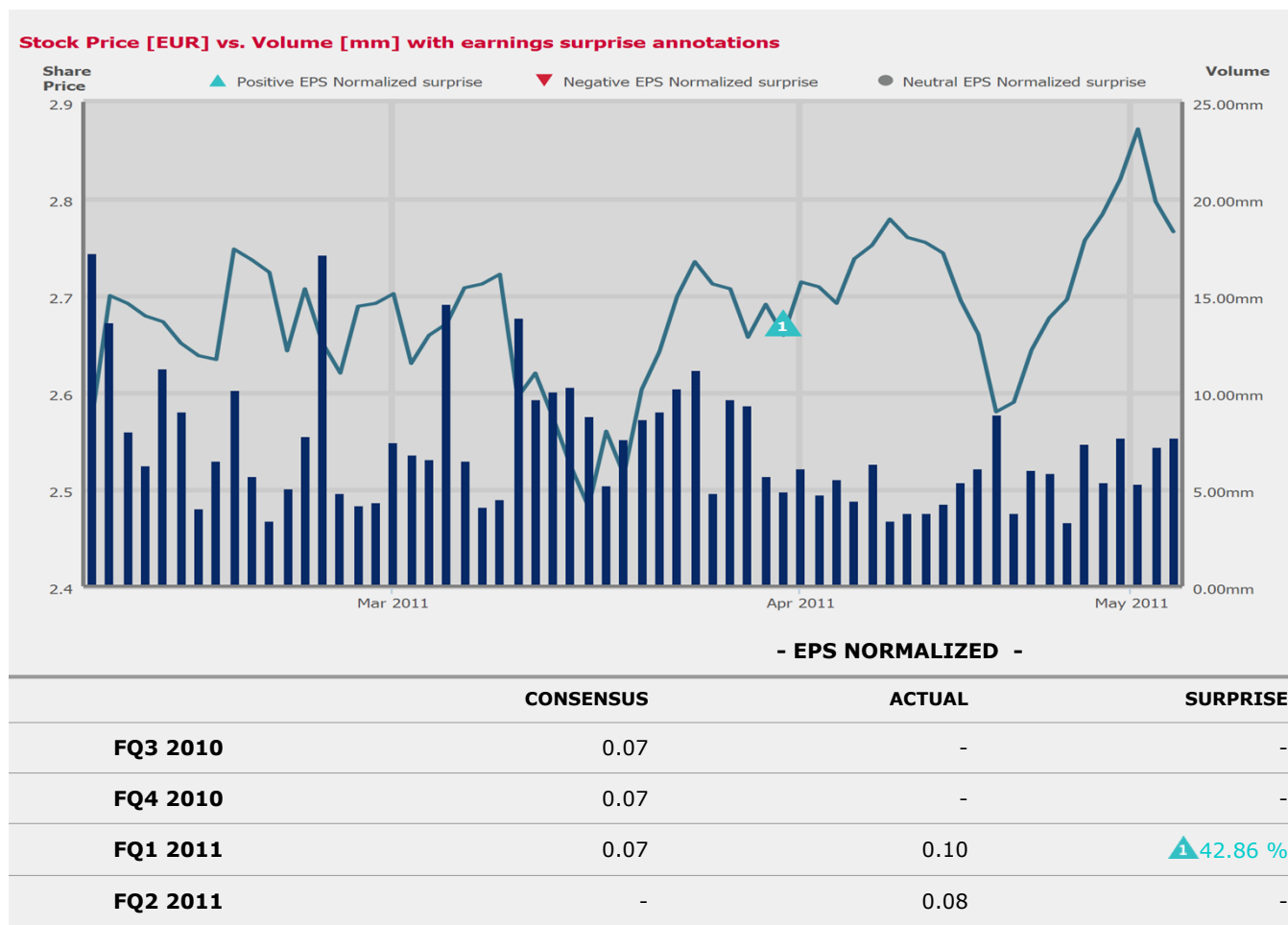
Thursday, October 27, 2011 12:00 AM GMT

S&P Capital IQ Estimates

	-FQ3 2011-			-FY 2011-		-FY 2012-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	GUIDANCE	CONSENSUS
EPS Normalized	7.19	7.23	▲0.56	0.32	-	0.34
Revenue (mm)	-	-	-	17526.42	22500.00	18614.33

Currency: EUR

Consensus as of Oct-25-2011 12:26 AM GMT



Call Participants

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*Former First Vice Chairman,
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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

Ladies and gentlemen, welcome to MAPFRE's Third Quarter 2011 Results Presentation. As usual, I'll give an overview of the results and the main business developments. Later, Mr. Lubelli will explain the financials in greater detail. And finally, we will take your questions.

Please let's move to Slide #3. MAPFRE was once again capable of delivering growth in an increasingly complex environment. This reflects the strength of the business model and the successful outcome of the strategic decisions that were taken.

Premiums grew 12% and revenues about 14%. Funds under management were basically stable due to the negative impact of the market volatility. Excluding mark-to-market adjustment, they would have grown 3.4%. The combined ratio has remained broadly stable and below 97% despite substantial catastrophe claims, which is a national result. The net result grew nearly 9% while earnings per share went up over 6%.

Let's move on to the next slide, please. Here, you can see the highlights of our results during this period. Business growth in Spain and abroad has released in this quarter our significant growth in life insurance in Spain

Favorable trends in the loss experience of Direct Insurance, which has mitigated the impact of the natural catastrophes in Asia, the USA, Australia and New Zealand.

Growth of the Non-life financial result, institutional variations that we have talked about in the earlier presentations. In this occasion, I would like to refer especially the consolidation of the Middlesea Insurance in Malta and an increase in equity of nearly EUR 1.5 billion, which represent 18.6%, driven mainly by the results, the scrip dividend plan and the agreement with Banco do Brasil. And these, together with a new decrease in debt levels.

In this page, on Page 5, there is a breakdown of the main nonrecurring or extraordinary items in 2010 and 2011. The results from the insurance business grew over 6%. In both GRs, we contained large earthquake losses and financial claims. Even adjusting for this, they continue to roll at about the same rate and underscoring the resilience of our business.

Noninsurance losses have decreased substantially in spite of the EUR 6 million write-down of the value of our land [ph] stock providing evidence of our stated intention to focus on our insurance operations.

I must note that the item other companies and consolidation adjustments includes EUR 40 million provision to cover potential losses in the value of financial investments, arising from the instability in the financial markets. This was included in the first half results.

Taking into account all nonrecurring items, the results are slightly larger than those of the previous year, a performance that can be viewed as very satisfactory in the present business environment. The decrease in earnings per share reflects the impact of the capital increases derived from the reinvestment of dividends.

Please let's move on to the following slide. Here, you can see the agreement of our Board of Directors who has resolved to pay an interim dividend of EUR 0.07 per share, the same amount paid in 2010. The total amount paid out is 3% larger as a result of the dividend reinvestment capital increases during the year. The interim dividend on this occasion will be paid out fully in cash with no split dividend option.

In Page 7, there is a breakdown of the main figures. So in the first half of this year, debt stands below EUR 2 billion. It has decreased a further EUR 180 million in the third quarter, while equity has increased despite of substantial market volatility.

As we highlighted in the first half, total equity, including minority interests, has grown considerably at the transaction with Banco do Brasil enhancing the fall in our leverage ratios.

Finally, I would like to draw your attention to our very strong Solvency I ratio, which remains in line with year end 2010. It's half [ph] a level of 285%.

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

Luigi Lubelli

Thank you, Esteban. Good afternoon, everybody on the line, especially those following us through the Web.

With no further delay, let's please move onto Slide #9. Here, we show our usual breakdown of premiums and profit by region.

If we compare it to the first half, the weight of foreign business on total aggregate premiums broke through the 60% threshold on the back of the consolidation of the alliance with Banco do Brasil and also due to the growth differentials of our business abroad compared to Spain. By year end, at present growth rates, this figure may be well around 65%.

Conversely, if we look at profits, the reverse happened. The weight of Spain grew from 56% to 58% compared to the first half, and that was due to strong domestic profitability and new large catastrophe claims affecting the foreign and global businesses.

On Slide #10, we have the breakdown of premiums growth by region. Here, the trends are broadly similar to what we saw by the first half. Premiums growth is increasingly driven by MAPFRE AMÉRICA due primarily to the development of the Brazilian business, which was considerably accelerated by alliance with Banco do Brasil.

And the second driver would be MAPFRE VIDA, which benefits from a strong sales performance in the agents network and the successful campaign at CATALUNYACAIXA in the third quarter.

Growth was also notable in MAPFRE RE which benefited from strong new business inflows and MAPFRE ASISTENCIA due to the consolidation of InsureandGo and organic growth in Turkey and Latin America.

Premiums fell marginally in Spain due to weak economic activity. However, relative to the market, the performance is especially strong in motor and household insurance, which recorded positive growth rates and then increasing market shares.

For your information, in Motor insurance we are gaining 0.5 percentage point in market share which now stands at 20.8%; and household insurance grew twice as fast as the market, 9% versus 4.5%.

On Slide #11, we have the breakdown of premiums by distribution channel in Spain. If you look at the agents channel, the performance as of the third quarter was perfectly in line with the first half. And as was the case then, it reflected a strong performance in the life savings business and falling sales in commercial insurance.

The bancassurance channel shows quite a different picture compared to the first half in the Life line, thanks to a successful campaign at CATALUNYACAIXA. The sales through this bank also explain the strong performance in the Non-life business, which in this case is very much in line with the first half.

On Slide #12, we have the development of technical results. At the consolidated level of the figure is only marginally worse than 2010, which given the catastrophe claim is an excellent result, as was already noted by Mr. Tejera.

MAPFRE FAMILIAR had a technical result in line with the first half. The ratio is lower than in 2010, thanks to strong underwriting performance, which more than compensates for the increase in the expense ratio which, among other things, reflects the launch of VERTI.

Global -- MAPFRE GLOBAL RISKS showed a strong improvement over 2010 when it was strongly affected by the Chilean earthquake. Compared to the previous quarter, the ratio deteriorates due to a higher severity of loan catastrophe claims.

EMPRESAS is recording a very strong year, thanks to exceptionally good frequency and severity. Compared to the previous quarter, there is a deterioration in the third quarter, but I think it's fair to say that the levels were extraordinarily low until the first half.

MAPFRE AMÉRICA shows a marked improvement as of the third quarter compared to both the previous year and the previous quarter, which is the first half, as the general insurance business of the alliance with Banco do Brasil has strong underwriting results.

ASISTENCIA is positively affected by the relative strength of the euro, which lowers the cost of foreign claims. That's a trend we've been seeing throughout the year.

MAPFRE RE was strongly affected by a long series of catastrophe claim in the year. If we compare it to the previous quarter, there is a slight deterioration due to tornadoes in the U.S. and an update of the losses incurred in previous quarters.

MAPFRE INTERNACIONAL is very much in line with the first half and was negatively affected -- and is negatively affected by catastrophe and weather-related claims. Specifically, in the third quarter it was affected by claims caused by Hurricane Irene.

On Slide #13, we have the Non-life account. I have explained already a lengthy development of premiums and losses in the previous slide. And as far as the expense ratio is concerned, we see an increase, which is driven by the cost of launching VERTI in Spain.

Greater weight of the business originated through brokers and new channels in the business so it's abroad, and the costs linked to the setting up of the infrastructure of the alliance with Banco do Brasil.

The figures are clearly affected on the up by the consolidation of insurance growth, Banco do Seguros terminal fee. Compared to the previous year, realization gains are basically half of what they were.

In this quarter, we have seen an improvement in the ordinary or recurring, whichever way you want to call it, financial income which was mainly driven by an improvement of MAPFRE FAMILIAR and MAPFRE AMÉRICA.

On Slide #14, we have the Life account. I think I will skip the comment on premiums, we've already talked about that. The underwriting and financial result, as was indicated of June, reflects a result of about EUR 140 million recognized upon the establishment of the alliance with Banco do Brasil.

And here too, the figure's affected on the up by the insurance operation of CATALUNYACAIXA, Banco do Brasil Seguros and Middlesea.

On Slide #15, we have the account of other business activities. Here, the situation is very much in line with the first half. The revenues and expenses fall sharply compared to the previous year and that's due to the sale of MAPFRE QUAVITAE assistance business.

We have the net financial income which shows a larger loss. A big chunk of it comes from the loss on the sale of the shareholding in BANCO DE SERVICIOS FINANCIEROS.

Conversely, we have a positive impact from MAPFRE INMUEBLES, whose revenues are now recognized here. Previously, there were recognized in the Life and Non-life account. That was partly offset by an appropriation of a EUR 6 million provision for property stock depreciation in this quarter. And then clearly, as the debt amounts are falling, we're paying a smaller amount of interest payments.

The result of minority interests reflect, as was the case in the first half, our share in the results of BANCO DE SERVICIOS FINANCIEROS until we were its shareholders, which was until the first quarter of this year.

On Slide #16, we have the development of results by subsidiaries. This is very much in line with what we already saw in June. MAPFRE AMÉRICA stands out because of the gains recognized after the granting of the authorization to create the alliance with Banco do Brasil, as well as the profits which still are increasingly flowing from this alliance.

The contraction in MAPFRE FAMILIAR reflects the large realization gains recorded in 2010. If you were to adjust for these type of gains in both years, the net income would have grown approximately EUR 35 million or 16%. MAPFRE INTERNACIONAL suffered a significant fall due to large weather-related and catastrophe claims in the U.S., partially compensated by larger realization gains. MAPFRE RE also suffered a fall due to a series of catastrophe claims. And MAPFRE GLOBAL RISKS, conversely, shows a strong improvement this year, basically because it was strongly affected by the Chilean earthquake in 2010.

As said before, MAPFRE EMPRESAS is benefiting from lower claims frequency and severity as well cost containments.

On Slide #17, we have the bottom line. If we compare it to the first half, we see an acceleration in the growth rate of pretax profit that is mainly due to the consolidation of the alliance with Banco do Brasil, which also has an impact on the tax rate and on minority interests. We have a negative impact of EUR 16 million arising from the restatement of financial accounts in Venezuela. It's a larger charge than the previous year, which was about -- then, was about EUR 12 million. And we have a lower tax rate due to the positive tax impact of the sale of the shareholding in BANCO DE SERVICIOS FINANCIEROS, as was the case as of June.

Slide 18, we have the balance sheet. We here clearly, there's a strong impact of the consolidation of the alliance with Banco do Brasil, of Middlesea, which is reflected this quarter and has a respectively large amount and of insurance -- the InsureandGo.

The appreciation of the euro against most currencies has clearly a negative impact in terms of the value of the assets that we consolidate from them. And surprisingly, we have a negative impact from the increase in the risk premium amount on the market value of investments.

We see a decrease in cash balances. We saw it in the previous quarter, it's even further in this quarter because we redeemed the senior bonds which matured on the 12th of July of this year.

Finally, on Slide 19, we have the variation in equity. The impact, as was said by Mr. Tejera, is about EUR 1.5 billion. That's -- everything here is detailed. We have the results clearly: The cumulative results of September; the negative impact of the volatility on the market value of investments, which is hardly offset by shadow accounting; negative translation differences because, as I said also already on previous slides, the appreciation of the euro reduces the value of our investments abroad; and then other items, which is large -- mostly that is due to the consolidation of the minority shareholdings in Banco do Brasil.

Then, there we have the scrip dividend. And as a negative element, we have the decrease in minorities as a result of the acquisition of the shareholding in MAPFRE INTERNACIONAL, which previously was owned by CAJA MADRID CIBELES.

And that's all on my side, and I'm giving back -- handing back the call to Mr. Tejera for the Q&A session.

Esteban Tejera Montalvo

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

Thank you, Luigi. Well you have now our figures, and we are ready for you for questions. Thank you.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Vinit Malhotra of Goldman Sachs.

Vinit Malhotra

Goldman Sachs Group Inc., Research Division

I'm Vinit from Goldman's. Just you mentioned the very strong growth in property lines, almost double the market growth. And I also picked up that there's a huge improvement in the combined ratio in property. Now again -- and I've asked this question in the context of Motor for you in the past. But how is it that you're growing so much faster and also improving combined ratios so rapidly? I quickly gather it was around an 81% combined ratio for third quarter in property. That's the main question from my side.

Luigi Lubelli

Well, I hope that the growth differentials in property lines are because we're doing something right, in the sense that clearly is because of product competitiveness and because of the sales efforts of our distribution network. On the Household line, there is also a positive contribution coming from the inclusion of CATALUNYACAIXA. On the Motor line, we have a positive contribution from the launch of VERTI, which is clearly contributing sales to our group. So that, I would say, is the main reasoning of -- the main explanation for the increase in sales. Why is the combined ratio falling? As I said before, there's a very strong improvement in MAPFRE EMPRESAS. That is clearly strongly felt even at group level because the frequency and severity are low. That's a consequence of the slow level of economic activity. It's not all bad news from that. And Motor insurance -- I mean, the Property lines, the Retail Property lines are doing better. I mean, there the swings usually are not that large. You have to remember that last year, in the Health business, we were negatively affected by the cancellation of the civil service lines which no longer affects the accounts this year. Last year, we also had very bad weather. This year, it was only bad. And Burial insurance also is doing well this year. Does that answer your questions?

Vinit Malhotra

Goldman Sachs Group Inc., Research Division

Yes, I mean, between first half and between -- between first half and third quarter, in FAMILIAR business property, there's a very big change in combined ratio. And I was just wondering if there's anything else to be known here. I can appreciate that you must be doing something better than the market.

Operator

Your next question comes from the line of Atanasio Pantarrotas of Cheuvreux.

Atanasio Pantarrotas

CA Cheuvreux, Research Division

I have some question. First of all, I would like to have an overview of the trend of the Motors in Spain, if there is some pressure on -- due to competition tariff, because I saw that your number of the clients increased while the premiums remained flat. Or there is just a change in the coverage of your client in the Motor policies? Another other question regards the impairments, the potential impairments on Greek bonds. If I am not wrong, you made a provision of EUR 40 million due to the poor trend of the financial market in the last quarter. But if I'm not wrong, I don't see any impact of any write-down on Greek bonds. If I remember well, you have almost EUR 400 million of Greek bonds par value, and I would like to know if we can expect something to be impaired in the full year results. A final question regards the joint venture in Brazil. I would like to know what was the contribution of your bancassurance partners. Not the premium of the joint venture, but just the premium driven by your partner Banco do Brasil in the third quarter. And if it's possible, to have the split between Life and Non-life premiums.

Luigi Lubelli

Now, let's go one by one. You're absolutely right, you have to bear in mind it's not necessary -- I mean, the market remains competitive. I don't think there's been anytime at which it wasn't in Motor insurance. As far as we are concerned, you have to bear in mind 2 trends: Mainly, one, you're right. Indeed, this is a crisis time, so customers somehow are making their policies lighter by giving up some coverage. And that clearly means that, per policy, some of them are paying less than before simply because they're buying less coverage. And then, there's also some impact coming from VERTI. VERTI, because of its positioning in the market, is a company that sells at an average premium which is comparatively lower than, let's say, the traditional MAPFRE business. So as far as we are concerned that would be an explanation. Indeed, there was no impairment -- no additional impairment on the Greek bonds. We have the EUR 40 million provision. We did not have EUR 400 million in market value. We have not given a figure as of the third quarter, but as of June, it was EUR 225 million, roughly. That was the amount at then. We'll see by year end. I mean, we clearly are expecting developments here. And as we -- as clearer information becomes available, then we will have a clearer idea of what to do with this bond. At any rate, these bonds are fully mark-to-market against our equity. And you have to bear in mind that the average market price of these bonds -- well, you know that better than I do, but it's about 35 cents on the euro. So that's quite a harsh reduction and that's fully recognized in our equity. I'm afraid I cannot give you the precise contribution from the joint venture itself. What we are providing in the presentation, we've given the figures for Brazil as a whole. You'll find them in the statistical appendix there, that improvement.

Atanasio Pantarrotas

CA Cheuvreux, Research Division

Sorry, just to follow up. EUR 225 million was the Greek bond exposure?

Luigi Lubelli

As the market values of June, that was it, yes. And that included an impairment of EUR 101 million. If you gross it up, taking into account the tax rates, you come out with a figure of about EUR 370 million, at the time, in June. At that time, it was trading at about 40 cents on the euro -- 45 cents on the euro, now it's about 35.

Operator

Your next question comes from the line of Maciej Wasilewicz of Morgan Stanley.

Maciej Wasilewicz

Morgan Stanley, Research Division

It's Maciej from Morgan Stanley. Just on that second point on the impairment of Greek debt. The question I would have is, looking at the shadow account, which works to sort of prevent the full -- well, works to, I guess, offset some of the unrealized losses in the Greek debt, I'm just wondering how much of the shadow account relates to Greek debt. I mean, a rough calculation is kind of hard to do here. But would I be right to say that somewhere between EUR 100 million and EUR 200 million of the shadow account might be related to Greek debt or is it much smaller than that? And also related to that question, the EUR 40 million provision, I'd understood that was a provision against general potential impairments rather than specifically Greek, or is that wrong? Is it specifically related to the Greek exposures? Those are my 2 main questions.

Luigi Lubelli

Actually the Greek bonds are no longer back in Life reserve, so there's no shadow accounting mitigating their impact. So the shadow accounting would not mitigate that. The provision that was appropriated in June was not specifically earmarked for Greece but clearly, and surprisingly, that is the kind -- the class of assets where you know, let's say, that the odds are highest that some loss might be suffered upon. So that's the most likely application of those amounts. But it was -- it wasn't specifically earmarked for Greece. It's in our half yearly accounts anyway.

Maciej Wasilewicz

Morgan Stanley, Research Division

So the Greek's bonds are no longer being backed by shadow accounting. What about the Portuguese and Irish, are they still being backed or are they also not being backed by the shadow accounting?

Luigi Lubelli

We would have to look into that for you. I mean the shadow accounting, it's such a large portfolio, to give you precisely how much and which is, that's it's difficult for us to answer you now. But we know of the interest of the Greek bonds, we know the Greek bonds, but we would have to look into that for you.

Operator

Your next question comes from the line of Giulia Raffo of Autonomous.

Giulia Raffo

Autonomous Research LLP

Just one follow-up on Greece. If I'm doing my math correctly and I think about -- let's assume you use the EUR 40 million entirely on Greek impairment. You would assume that you have implicitly allowed for only a 15% haircut because EUR 40 million after tax would be roughly EUR 60 million pretax, which against EUR 375 million of gross exposure would suggest a 15%. Would that be a fair calculation? And then, presumably you can give us a sense of how much was the available for sale negative for Greek bonds at the end of September? Then moving away from this, just one question. You haven't given us what has been the profit contribution from the Caixa Catalunya joint venture at the 9 months in terms of like profit before tax and minorities. I was wonder if you can give us that number? And my final question is on the Banco do Brasil joint venture and more broadly on South America. Was there anything exceptional in the Q3 net income from South America? And if not, 1 consideration I would make is that the top line is growing and it's 15% stronger in Q3 than it was quarterly in 2010. But when I look at the net income contribution in Q3, you had a lower net income contribution on MAPFRE AMÉRICA than you did have normally on a quarter in 2010. So I was wonder if there was any exceptional in Q3 2011 that depressed the South America net income?

Luigi Lubelli

Okay. So your calculation is fair. Yes, indeed, I mean, if you take the figures, that would be a 15%. I would once again stress the fact that our investment in Greece, as well as in mostly any other assets, is fully mark to market to our equity. So at this moment, if these bonds are trading at 35 cents on the euro, that's fully in our equity. In our equity, we have a loss of 65 cents on the euro, after tax clearly, and after minority, which is already fully recognized. So...

Giulia Raffo

Autonomous Research LLP

Yes, but that's true for all the issuance stock, right? Everybody in Europe has got this bond at -- it's available for sale. No one has not taken any impairment, if I may say.

Luigi Lubelli

Well, fair enough. I mean, we have at this moment, I mean, there is -- there is, frankly, not much clarity. I mean, we think it's an easy guess that some impairment there will be, but we don't know what the scale of that is. What I think is that from a -- I mean, from what I understand your viewpoint should be, which is what's the equity worth? Well, the worth of the equity already full recognized a -- recognizes an adjustment which is, to my knowledge, harsher than the harshest which is being considered now. So it might be a way of recognizing it or somehow truing it up through the P&L. But frankly, from a valuation standpoint, unless I'm missing out of something major, it doesn't make much of a difference.

Giulia Raffo

Autonomous Research LLP

Oh, yeah, no, that's of course. I'm just saying that's true for all the insurance company.

Luigi Lubelli

WWW.SPCAPITALIQ.COM

Okay. But, yes, the calculation was fair. I think I've not noted down well your second question because I have sense some negative -- Well, I mean, the -- yes, yes. Okay, fine. I mean, we have not given the actual value of the investment, but as I say, we are all handling the same figures. The bonds on average were roughly trading at 45 cents on the dollar in June. Now they are trading at about 35 cents on the euro. So it's a 10% loss. So you can do the math fairly easily. Anyway, the figure, taking all into account is not so tremendously large at our level. I'm afraid I cannot give you the profit for Caixa Catalunya because we don't disclose the profits of the various less [ph] bancassurance JV. So I don't have that figure for you.

Giulia Raffo

Autonomous Research LLP

But you did give us at the first half.

Luigi Lubelli

We gave the -- okay, well I don't know. The -- but now, I don't have that figure as of September.

Giulia Raffo

Autonomous Research LLP

If we can have it for the full year, that would help because it give us a sense on how the price you paid, how much is working out as time goes on. Because clearly, you spend EUR 450 million plus. So it's interesting to see how the net income contribution develops.

Esteban Tejera Montalvo

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

Giulia, I'm Esteban. We talked in June about this figure. I have not here the top figure, but is -- I don't remember exactly, and it's not public. But I think that we are over EUR 52 million of profit in this. It's true that it's a small profit in comparison with our investment. But as I said, in June, it's a profit that is increasing and the contribution is growing. And I think that in the near future we can see how they are improving in the Life assurance. Part of the growth comes from here, this quarter. And in Non-life, they are working very well also. So it's early to take opposition about the profitability or not of this investment, I have said before. We are working very well with these partners and I think that the possibilities of growth are important.

Luigi Lubelli

And on your last question, Giulia, there are not any exceptional freak du sensu [ph] in America. What is happening is that, as was the case in June, we've had to incur in some expenses for the setting up of the alliance with Banco do Brasil with all the infrastructure, and those expenses are bearing on the results. They are not exactly unexceptional or you may want to consider them an exceptional. It's the expenses that are being recognized this year for the setting up of the joint venture. You have to, I mean, bear with us a bit with that because it's fairly recent. So it's been in the process of being setting up and some activities that were previously performed by another provider and now are being transferred to MAPFRE. But in terms of exceptionals, what you would term as an exceptional, extraordinary items or anything of the sort, no there's nothing, there's nothing to report in this quarter.

Giulia Raffo

Autonomous Research LLP

Okay, no, that's clear. Because roughly last year, there has been some swing between quarters, but you made roughly EUR 50 million per quarter from the MAPFRE shareholder share of South America. You made roughly EUR 200 million. So I was expecting you to achieve something of that kind. Whereas, clearly, Q3 was EUR 34 million. So that's why I was trying to figure out, if there was some exceptional, but perhaps those one-off costs. Can you give us a sense if it's like 2, 3 points in the expense ratio? Would that be fair or is it...

Luigi Lubelli

Honestly, I cannot give you that figure. I don't have it precisely. But you have to bear in mind, I mean, just to graphically explain it to you, I mean, we are hiring people and we are hiring people in sizable amounts. You can see that in the CNMV filing, in the other document we filed today, you can see that the staff in the foreign operation is increasing considerably. And so that's clearly -- that clearly bears on the expenses.

Operator

Your next question comes from the line of Federico Salerno of MainFirst Bank.

Federico Salerno

MainFirst Bank AG, Research Division

Just a question on MAPFRE INTERNACIONAL. I noticed that the combined ratio stood at 107%, basically unchanged on the first half. I was expecting some decline. Can you just say what's going on in there and what the outlook is for the remainder of the year?

Luigi Lubelli

So were we, until the hurricane came. So I'm afraid that's the long and short of it. We had further catastrophe losses. I mean, basically, it's about 7 percentage points which are added this year between weather-related and catastrophe claims on the top of combined. And I'm afraid that's what happened in the third quarter.

Federico Salerno

MainFirst Bank AG, Research Division

Can you say how many points to the loss ratio were added by weather?

Luigi Lubelli

I think it's in the presentation. I think it's exactly 7.3 percentage points.

Federico Salerno

MainFirst Bank AG, Research Division

In the third quarter, that is?

Luigi Lubelli

Oh, In the third quarter, I don't know. But basically, if I'm not wrong, the combined ratio stood flat between the first half and the third quarter cumulative. So there must not be too much of a difference. Let me just see. Just bear with me for a moment, please. I think the combined ratio itself is standing flat. However, as of the first half, the impact of weather-related and catastrophe losses was 5.8 percentage points and is now 7.3%. So it's about 1.5 additional percentage points from these sort of losses in the quarter.

Operator

Your next question comes from the line of Francisco Riquel of N+1.

Francisco Riquel

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

Just a brief question because most of them have been answered already. It's in the reinsurance business. It's another unit which, as well as the U.S. that you were commenting on, is also operating with a combined ratio of 100% in the third quarter. I thought the catastrophes were already recorded in the first half. So if you could please update on the trends here and what do you expect going forward for the reinsurance business.

Luigi Lubelli

As I said in the -- my explanation of the accounts, what happened here is that the company was affected by the tornadoes in the U.S., which were an additional catastrophe claim of the third quarter. And then as you may imagine, as the year goes on, we are receiving updates on the claims that ceding companies are reporting to us from the catastrophes occurred in the first half. So there's been an update of those losses which has been higher than the initial estimate as of the close of June. So those were the 2 main reasons for the increase in the loss ratio of MAPFRE RE in the quarter.

Operator

[Operator Instructions] Your next question comes from the line of Maciej Wasilewicz of Morgan Stanley.

Maciej Wasilewicz

Morgan Stanley, Research Division

I was going to actually ask, someone mentioned the U.S. results that was unfortunately hit by weather claims again this quarter. I wanted to know -- because there's a substantial portion of goodwill that's backed by the Commerce Group business over there. I was wondering, first of all, when you do your calculation for the net present value of cash flows to test the impairment of that goodwill, do you use actual historical results, so you would include these weather losses? Or do you strip these weather losses out as a one-off and then you sort of project higher results into the future on stripping those out? And secondly, would you -- how close is the net present value of future profit streams to the value of the goodwill plus the equity in Commerce Group? Is there a big buffer, or is it fairly close, given that we've had a number of unlucky, bad years? And finally, if you did have to impair that goodwill, could it be a partial impairment or would it just be writing off the whole lot in one go?

Luigi Lubelli

That's quite a lot of nonpublished information I cannot give you. I'd say, in essence, I mean, the -- when you -- when we do the impairment based on our goodwills at year end, it's basically evaluation like any other. So clearly, you try to ascertain what's the underlying and separate what's nonordinary from the underlying. I mean, this year, as we were saying before, the impact of the catastrophes is really massive. So that clearly is something that must be borne into account. I have to say that we've had a fair deal of bad luck with Commerce that, that one has to be honest, since we've taken on this company. But clearly, the fact whether some losses are ordinary or extraordinary clearly is taken into account when -- it's a valuation like any other, basically.

Maciej Wasilewicz

Morgan Stanley, Research Division

Because I think on the underlying basis, it's probably not so bad when you add back in the weather losses.

Luigi Lubelli

No, no, it's not that bad, actually, no.

Maciej Wasilewicz

Morgan Stanley, Research Division

But if you did have to impair -- I guess you probably don't have to. But if you did, would it be possible to just impair it slightly or would you have to write off the entire amount?

Luigi Lubelli

Well, I mean, I have to check it out with our colleagues. But you basically make an adjustment compared to your value. I mean, it's not an entire write-off. You compare it to the expected present value and to the extent that it's below, you correct it until you reach the level which is below, but it's not the full 100% write-down.

Operator

Your next question comes from the line of Michael Broom of Berenberg.

Michael Broom*Berenberg, Research Division*

I just have 3, hopefully, quick questions. First on MAPFRE INTERNACIONAL. You were just saying first half weather and cat was 5.8 points and that was 7.3 points with the 9-month, which kind of implies 3 quarter -- third quarter alone was close to 10 points. Now -- whatever that number is, 8 or 9 or whatever. Of that third quarter, how much is genuinely relating to the third quarter or is any of it relating to a revision of the first half estimates? That was the first question. The second question is just on Slide 33. I think it was touched on previously, but I think in the past, you've indicated how much of that Brazil premium relates to the -- kind of the newly consolidated Banco do Brasil joint venture. I'm just looking for you to give that number so I can work out what the growth would have been without that joint venture. I think that's a number you've given before. And third and finally, apologies for my confusion, coming back to the CATALUNYACAIXA profit, my recollection was at the half year, you said profit before tax was EUR 36 million, whereas just now, in your response, you mentioned a number, I think EUR 62 million. I'm not entirely sure what that EUR 62 million is. Is it a pretax, posttax, what time period it is? Or maybe simply my recollection of EUR 36 million being the profit before tax for the first half was incorrect. Just maybe if you can help me where I'm getting something wrong.

Luigi Lubelli

Okay. Let's go piece by piece. The losses in MAPFRE INTERNACIONAL was -- were fully on the third quarter. There was no -- not any material adjustment of previous quarter figures. As far as Brazil is concerned, I'm afraid you might be getting confused with the figures we were giving before for MAPFRE Nossa Caixa actually with -- which is a company that now has been folded into the new -- the structure of the new alliance with Banco do Brasil. But we actually did not give up as of the first half the specific premiums coming from the alliance.

Michael Broom*Berenberg, Research Division*

Sorry, Luigi, can I just dive in? Maybe -- I'm looking at the first half slide pack and I must be misinterpreting the footnote to Slide 34 from the first half. The footnote 2 to Slide 34 back then said that the figures for Brazil include the following data, referring to the business contributed by Banco do Brasil. Premium is EUR 202.4 million. So I was just after what that EUR 202.4 million number on Slide 34 previously would have been if you had included it on Slide 33 today?

Luigi Lubelli

No, you're actually right. The one who was confused was me. No, you're right about the figure of Banco do Brasil as of the first half. But no, what we've done in this quarter, we have given the full P&L of the Brazilian operations in the statistical appendix. So you have the -- all the figures for Brazil in the appendix.

Michael Broom*Berenberg, Research Division*

Yes. No, that's fine. Okay. If you're not going to give it, that's obviously fine. On the CATALUNYACAXIA...

Luigi Lubelli

And I'm afraid that must have been our poor English because we did not give that figure. The...

Michael Broom*Berenberg, Research Division*

Sorry, let me go back. Sorry, I don't think you gave the figure. But if I remember at the first half, there was a table that showed -- I don't know whether it was premium growth or profit -- it must have been profit growth, obviously. And I think there was a footnote at the bottom of that table that said all the profit growth instead of whatever it was reported, would have been something else without CATALUNYACAIXA and so you could back into what the CATALUNYACAIXA contribution was. So that was my estimate. Anyway, if you can't kind of comment on that, can you just clarify for me what the number was that

was referred to a few minutes ago when you were talking about CATALUNYACAIXA? I thought you said something like EUR 62 million. I'm not sure whether that's the right number or exactly what that number was anyway.

Esteban Tejera Montalvo

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

Excuse me, when I have talked before about CATALUNYACAIXA, I stated that, I have it here the figure, that I remember, that we're nearly EUR 50 million before taxes. Unfortunately, I can't give you the exact figure because I have it here.

Michael Broom

Berenberg, Research Division

That's fine. And that nearly EUR 50 million before taxes, was that for the first half or the 9-month?

Esteban Tejera Montalvo

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

Excuse me?

Michael Broom

Berenberg, Research Division

When you say the number was nearly EUR 50 million before taxes, was that the half year or the 9 months?

Esteban Tejera Montalvo

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

The 9 months.

Michael Broom

Berenberg, Research Division

Nine months. Okay, perfect. The profit before tax in CATALUNYACAIXA nearly EUR 50 million for the 9 months.

Operator

[Operator Instructions] 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. There is no more questions. I would like to thank you again for attending our presentation. And I hope that we will meet again for the last total 2011 GR presentation day in the months coming. Thank you.

Operator

Ladies and gentlemen, that does conclude...

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