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1.2007

23rd GENERAL ASSEMBLY OF THE GENEVA ASSOCIATION
Bordeaux, June 1996

**Bancassurance and Assurfinance: Complementarities
and Competition in the World Financial Arena**

(The case of the "BANCO MAPFRE")

FILOMENO MIRA

*Vice-Chairman CORPORACION MAPFRE
(Spain)*

The MAPFRE System is an independent Spanish group of companies which operates in the insurance, reinsurance, financial, real estate and service sectors in Spain and in another 22 countries. MAPFRE MUTUALIDAD is the parent company and is specialised in motor insurance. In addition to MAPFRE MUTUALIDAD itself, the System consists of another mutual insurance company which operates in the fields of agricultural and cattle insurance, 158 trading companies which are either directly or indirectly controlled by MAPFRE MUTUALIDAD and 6 private Foundations which carry out non-profit making activities as the System's contribution to the general interests of society. Consolidated total income in 1995 reached Ptas540,000 millions and consolidated profits were Ptas34,000 millions.

The Spanish financial sector has gone through some important changes since the end of the 80's, some of the most important of which were:

- a) A concentration of the sector through mergers and/or acquisitions in order to increase size, lines of business and competitiveness.
- b) A decrease in the financial margin and an increase in income due to services, so as to compensate for this decrease.

- c) A growth of the Bancassurance phenomenon with strategies specifically aimed towards its commercial development and the diversification of financial business. This is shown to be appropriate by the high potential for growth of the Spanish insurance sector (the percentage of premiums as a proportion of GDP is still far below that of the main countries of the European Union), and by the necessity of offering a wider range of financial services to clients as a way of increasing customer loyalty. The banking sector has also discovered that insurance is a way of increasing its results, although it also knows its limitations and has concentrated on the sale of mass products, mainly life, although it has now begun to move into the non-life sector.

Given this situation, and also given the fact that since its beginnings the MAPFRE System has aimed towards increasing the products and services it offers to its clients, it took advantage of the experience it had acquired from its financial and banking services companies (finance, leasing, mortgage and factoring companies) to create its own bank -BANCO MAPFRE- in 1990. The bank has become the head of a specialised Operative Unit whose basic strategic objectives are:

- a) To complete the range of insurance, financial and service products by complementing them with the sale of banking products and services. This was done through the establishment and development of BANCO MAPFRE as a commercial and retail bank principally aimed at individuals and small businesses, a sector in which MAPFRE has long experience.
- b) To take full advantage of the possibilities for co-operative actions with the rest of the Operative Units of the System, mainly insurance, so as to increase efficiencies.
- c) To respond to the changes which have taken place in the Spanish financial sector, both in the offer of products and in the channels and methods of distribution.

All these arguments are supported by an exceptional starting point which has allowed the concept of "Bancassurance" to be replaced by "Assurfinance":

- . A network of more than 2,300 offices open to the public in Spain.
- . More than 37,000 agents in Spain.
- . A large portfolio of clients, which in Spain numbers more than 3,300,000.

These points allowed the previously mentioned objectives to be carried out through the following actions:

- . Full integration of the bank into the management and organisational structure of the insurance network of the MAPFRE System. Furthermore, the regional managers of the insurance units take a full and effective role in the local introduction and development of the banking business.
- . Decentralisation of management and decision taking, as occurs in insurance.
- . Creation of a network of full-service bank offices in areas where MAPFRE has a strong presence and where there is a high potential for growth of banking business.
- . Integration of banking activities into the network of common offices of the System. Since 1993, there has been a move towards the creation of tiny bank offices ("capillary offices") inside the direct insurance offices as a new concept to promote banking activities, reducing set-up costs and with a common management structure.
- . The introduction of banking business to representative offices and agents, increasing their lines of business through the sale of very simple banking products to the individuals, families and professionals in their portfolio, providing them with a competitive range of combined banking-insurance products.

Use of the synergy within the MAPFRE System in order to design new star products every year directed towards savings, vehicle financing and house purchases for policyholders and for small and medium size business in co-operation with the bond and industrial risks companies.

The organisation of this new management structure in MAPFRE must also allow the System to produce management and sales teams who can take on areas of responsibility in the development of the MAPFRE companies, and specially in its distribution network.

Although this process is still relatively new, it is allowing MAPFRE System to increase its presence in the market and is acting as a base to allow an increase of the range of products and services offered to its clients of those companies, thereby further increasing client loyalty. MAPFRE's banking activity is also contributing to the improvement of its extensive network of representative offices and agents, allowing them to gain new business insights and to obtain access to new areas of clients through the offer of banking products and services.

FM/mfv
1996-06-03

KEY FIGURES FOR BANCO MAPFRE

	PTAS. MILLIONS		
	1995	EST. 1996	% GROWTH
1. TOTAL ASSETS	181,378	211,100	16
2. TOTAL AVERAGE ASSETS	161,336	191,000	18
3. EQUITY	24,811	25,800	4
4. EXCESS OF EQUITY	18,051	17,161	(5)
5. LOAN PORTFOLIO	72,312	101,000	40
6. DEPOSITS	134,827	159,000	18
7. PRE-TAX PROFIT	703	950	35
8. NUMBER OF OFFICES	114	130	14
9. NUMBER OF EMPLOYEES	522	564	8

1996-06-03

BANCO MAPFRE IN THE SPANISH BANKING SECTOR

Banco MAPFRE occupied the following positions in 1995 and 1994 in the ranking published by the Spanish Banking Association (A.E.B) on December 31, 1995.

	POSITION	
	1995	1994
TOTAL ASSETS	32	35
DEPOSITS	35	42
EQUITY	31	33
LOAN PORTFOLIO	40	61
NUMBER OF OFFICES	30	35

The Spanish banking sector is made up of 167 banks, of which 84 are domestic and 83 foreign.

	TOTAL SECTOR		BANCO MAPFRE	
	% T.A.A. (*)		% T.A.A. (*)	
	1995	1994	1995	1994
RETURN OF LOANS	8.91	8.70	9.67	9.08
COST OF DEPOSITS	6.64	6.14	5.71	4.81
FINANCIAL MARGIN	2.27	2.56	3.96	4.27
INCOME FROM SERVICES	0.72	0.48	0.74	0.99
OPERATING EXPENSES	2.02	2.13	3.85	4.40
COST OF BAD DEBTS	0.37	0.46	0.43	0.58
PROFIT AFTER TAX	0.69	0.27	0.44	0.26

Source: A.E.B.

(*) Total Average Assets.

1996-06-03