S&P Capital IQ

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Mapfre, S.A. BME:MAP

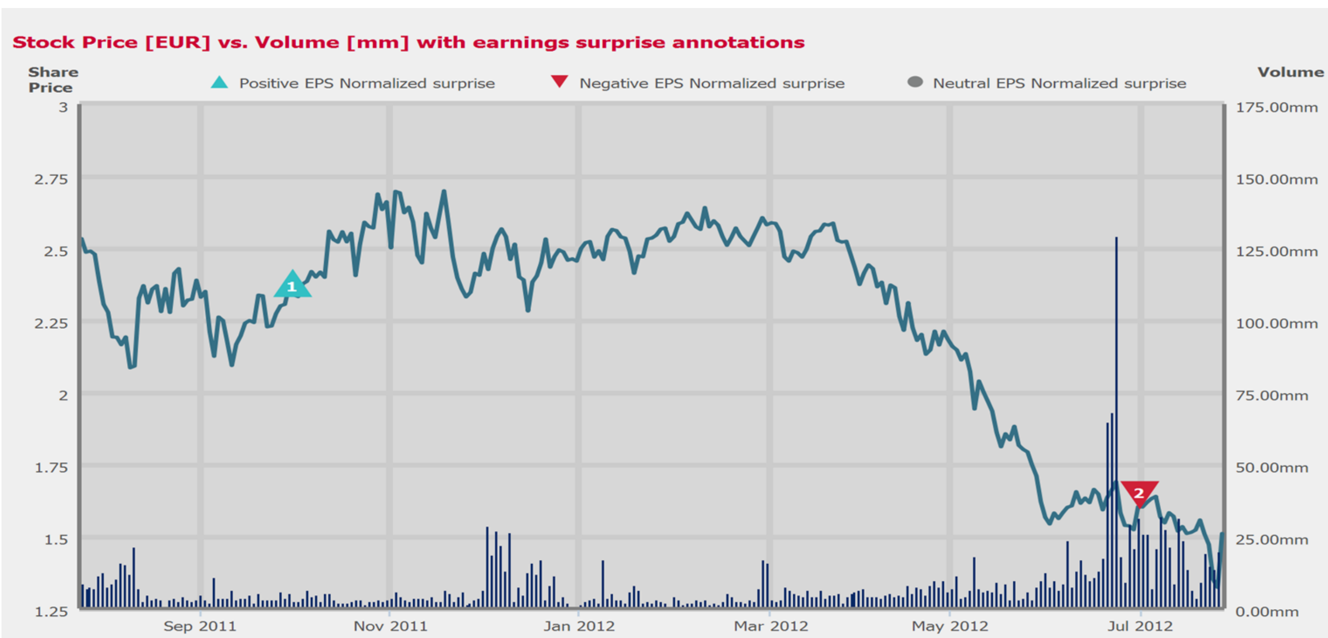
FY 2012 Earnings Call Transcripts

Wednesday, February 06, 2013 3:00 PM GMT

S&P Capital IQ Estimates

	-FQ4 2012-		-FY 2012-	-FY 2013-
	CONSENSUS	SURPRISE	CONSENSUS	CONSENSUS
EPS Normalized	0.05	-	0.28	0.31
Revenue (mm)	4381.72	▼(3.29 %)	20155.67	20904.87

Currency: EUR
Consensus as of Feb-05-2013 12:37 PM GMT



Call Participants

EXECUTIVES

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

Jesus Amadori

Luigi Lubelli

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Vinit Malhotra
Goldman Sachs Group Inc., Research Division

William Hardcastle
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Presentation

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

Good afternoon, ladies and gentlemen. Welcome to MAPFRE's Full-Year 2012 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 us now move to Slide #3.

As you know, we, in Spain, 2012, remember -- will remember as it is a year increasing fiscally. Although the year was challenging also, but although it was challengingly worse, not so much. And the only thing you [indiscernible] was the Hurricane Sandy. Today we've unlocked MAPFRE's delivery of a strong performance, revenues grew 7.5%, receiving EUR 25 billion for the first time. Premiums grew a strong 10% exceeding EUR 20 billion -- actually EUR 21 billion for the first time. Funds from the managed money went up nearly 6%. And the combined ratio fell 1.5 percentage points to 95.4%, which taking into account the impact of Hurricane Sandy was a solid result according to [indiscernible] of the underwriting profits. The return on equity is 2.9%, a very respectable [indiscernible] of this environment. The net profit fairly around EUR 300 million or 31% to a net attributable result of EUR 666 million. These figures must be analyzed, bearing in mind, that this was achieved after recognizing write-downs and other losses amounting to EUR 630 million pretax. Adjusting for these and other items such as the cited hurricane, the underlying profit result was strong, up -- it was -- I think, up a strong 9.6%.

Please move to the next slide where we have the highlights of the year's results. With here, I would like to underline the diversification of our group. We have increased our diversification from the point of view of geography. And we have continued to grow organically, and we have now a very healthy balanced -- after the balance we have done in the financials in the real estate, mainly inland. As I said before, the organic growth has driven the growth of the company and especially the international business. In Non-life, we have an excellent combined ratio and for the first time we report a combined ratio that was under 100% in our business in Latin America. In Life insurance, we have improvement in the recurring results. Thanks to the strength of the domestic business and the growth of Life division business in Latin America, mainly in Brazil and in Colombia.

On the point of view of the balance, we have made a significant report to reduce exposures, that together with the appropriation of reserves for the impairment of financial and property assets, otherwise, we have a remaining balance have been for the year. In the meantime, we have increased our own funds in excess of EUR 750 million, reflecting the results of the year and the recovery in the value of financial assets especially in the second half of the year. Even if this was partly offset by the appreciation of the euro.

Please move on to the next slide, please, where we report the nonrecurring items that were especially valuable in last year. We have a total net amount of EUR 276.3 million. This is the main difference in the [indiscernible] we have reported in the third quarter. Even if we incur the biggest part of our financials in the first half of the year. We have reporting negative results from financial instruments. As a group, primarily the write-downs for the securities used by Bankia. The difference here -- this was the figures of the euro is actually that here that the price of the share for Bankia is the [indiscernible] quotation of the shares. And then we have here also the impairments of CATTOLICA, [indiscernible] the figures reported in further to be complete. We have also negative results from properties that include provisions appropriated to cover potential losses, mainly on that, and this is 1 special item in this quarter due to the fact that the Board of Directors and the management after the creation in Spain of the [indiscernible] its of the assets of the banks. Perhaps the commitment of having our own land at a proper price [indiscernible] assessment of the land in the new price of the land is included according to this total review of the land in our portfolio and according to the new circumstances of the market in Spain. The impairment on intangible assets mainly relates to the goodwill relating in the insurance business with CATALUNYACAIXA. On whole, MAPFRE was able to resolve these charges thanks to its strong underlying profitability, which is proving these charges will start taking our net results close to EUR 950 million.

Moving onto the next slide. Here, we tried to show how the assets that were submitted to more uncertainty after all in our balance sheet. The exposure to Bankia shares at the end of the year in our balance sheet is only EUR 11.5 million. Exposure to land is EUR 442 million. With the total provisions appropriated that represent 40% of the acquisition cost. You must keep in mind that part of our land portfolio was acquired previous to the initiation of the financial crisis in Spain, and we sustained average depreciation of 40%. And now the Greek debt that was a concern in previous year is now totally out of our balance sheet because we have sold the total portfolio on this financial assets. So this represents in total more than 4% of the MAPFRE's own funds.

In Slide #7, we show how we make, I believe, money in September, about increasing our strength, our capitalization, our liquidity and our financial flexibility. As of December, we can recall the issue a 3-year EUR 1 billion senior bond. I suppose you know very well for the news was the first issue of the senior bonds in the Spanish market. It was made by MAPFRE and it would make markets open in the third quarter last year. With this -- with EUR 1 billion senior bond, we have to conservate [ph] it our one facility of EUR 500 million with maturity in the spring of this year. And we have reduced through sale -- and we have availability of additional credit in another line of credit of EUR 500 million with maturity in the spring of 2014.

During the quarter -- last quarter, we have increased our available cash in EUR 230 million. And the solvency ratio at the end of the year is 261%.

In the Slide #8, we underline the success of the bond issue launched in November, where the demand was 3.7x the amount we underwrite -- we issue. And it's important to say also that we have received the trust of our large clients in their renewal period [indiscernible] from the reinsurance with global risks and campaign at the beginning of the year, which is very important for us.

In Page 9, the Board of Directors has approved to -- during the general assembly the approval of a final dividend against the 2012 results of EUR 0.07 per share. Thus, the total dividend proposed against in 2012 results amount to EUR 0.11 per share. In 2012, a dividend is paid in cash without any operation of the exclusive dividend amounted to EUR 370 million. And I will now hand the call to Mr. Lubelli, who will explain the financials in greater detail.

Luigi Lubelli

Thank you, Esteban, and good afternoon, everyone. Please let's move on to Slide #11. On the slide, as usual, we have the breakdown of premiums and results by geographical area. This year, foreign operations contributed over 2/3 of our premiums, up from 62% a year ago. And you would see on the following slide, Latin America was the main driver of this trend. In terms of profits, the contribution was similar at 62%, up from 45% a year ago, that is 17 percentage points more. This figure, of course, has to be interpreted -- it's a bit unflattering for Spain, and that's because Spain bore the lion share of negative items this year. If we use the recurring profit information that you will find on the next slide as well as in the appendix, we see that the foreign operations contributed 48% of total insurance profits. That is to say, about half from just 1/3 a year ago. This picture is fairer but anyway, by no means less spectacular the contribution of the foreign subsidiaries in terms of profits has been really substantial this year.

We have -- MAPFRE, as you know, does not have any projections of its own but we have the projections by the monetary fund, which was the economic growth of 3.5% in Brazil, 2.5% in the U.S. in 2013, while for Spain, of course, it's 1.5% contraction. So I have no crystal ball, but an easy guess would be to expect a continuation of the this trend in 2013.

On Slide #12, we have the information by business areas. It is evident that Latin America and more specifically, Brazil have considerably increased their weight over total premiums, reflecting mainly organic growth and the consolidation for a full year of the operations with Banco do Brasil. I remind you that last year, we did not consolidate 5 years of the month -- of the year -- 5 months of the year, excuse me, of the Brazilian operation. This contribution from the Latin American operations to growth was in terms of weight of the total figures was compounded by the 4.5% contraction in Spain. A probably [ph] similar meaning can be applied to profits, with the caveat on nonrecurring items I just made on the previous slide. Generally speaking, like we saw in previous quarters and in recent years, Spain, the Americas and REINSURANCE continue to bring in over 90%, 9 0, of premiums and results.

On slide #13, we get a more detailed view of the Non-life results. The international insurance division is by far the main contributor to growth this year in terms of premiums. The main drivers of our organic growth in Brazil, Venezuela, Mexico and Turkey, as long as the full year consolidation of Brazil I just mentioned and the depreciation of the euro against a number of currency including the U.S. dollar. The growth in the underwriting results was driven primarily by Brazil. The fees for this country are affected positively by the reclassification in the Non-life accounts of some lines of business, which until the third quarter of this year were included in the Life business of that country. That is the -- on a quarterly basis, is a swing that you may have noticed already.

Equally important in terms of the underwriting results was the improvement in MAPFRE RE and MAPFRE USA, which were comparatively less affected by natural catastrophes. They did have Sandy, but Sandy was not as large as the catastrophes we recorded last year. Most of the figures have recorded significant improvements in their combined ratios. The only exceptions was the Spanish business whose combined ratio remains exceptionally good. However, it was higher than it was in 2011, and MAPFRE ASISTENCIA, which grew primarily in lines characterized by comparatively higher loss ratios.

On Slide 14, we have the specific information of Non-life accounts. I already explained the main trend. In addition to the information I just talked about, I would like to highlight the EUR 200 million combined impact on net financial income. That is, last year, it had gains of EUR 100 million and this year, it has losses of EUR 100 million. So it's a net impact on a comparative basis of EUR 200 million. If we exclude these, the underlying figures growth around 10%, and that was driven by recurring financial income. We also have the discontinuation of part of the Argentine operations. As you may already know, we have agreed to sell 2 subsidiaries to an Argentine group, and that depresses premiums growth but it does improve the combined ratio. I think it's 0.6 percentage points of the MAPFRE AMÉRICA combined ratios.

On Slide 15, we have the Life business. In absolute terms, the Life premiums growth was driven overwhelmingly by Brazil and the rest of Latin America. Although it has to be said that the other subsidiaries grew very respectively [ph] just with the sheer size of the Latin American and contribution was very large. Even the Spanish business, which here appears to have contracted, which it has, had a very good year because that contraction compares with the 9% contraction for the market at large. As a matter of fact in Spain, we have increased our market share 0.5 percentage points to 11.4%. Thanks to the strong performance of the agents channel and the winning of corporate pension transactions in the amount of EUR 350 million.

If we look at the [indiscernible] growth financial results, it experienced a contraction due to write-downs in the Spanish business. The reclassification of some lines of business in Brazil. I just talked about that, of course, flatters the Non-life account, and the prices of the Life account, and higher loss ratio in the REINSURANCE business. These negative developments were partly offset by an EUR 18.3 million gain in MAPFRE AMÉRICA we talked about in previous quarters on the purchase of a 35% stake in La MUNDIAL, which is being done, and the consolidation for full year of Middlesea which this year benefited from positive mark-to-market adjustments.

On Slide 16, we have the Life account, but basically I've already told you everything there is to say on this account. So I will move on to the next, the other business activities. Here, you can read the explanations, I think the one -- compared to the third quarter, the item that stands out the most is the negative results from the land portfolio, which closed the year at negative figure of EUR 200 million, this is one of the largest items in the nonrecurring accounts, which goes down to EUR 140 million after-tax.

On Slide 18. We have the bottom line. Here, we like to draw the attention to the fact that despite the charges that Mr. Tejera referred to, the pretax profit only fell 16.2% or EUR 265 million. And that was thanks to the strong underwriting results and to the growth of our international business. But then we see the bottom line falling not 16% but 31%. The difference is due to the larger weight of the minority interest, that is obvious given the strong growth and greater contribution of the alliance with Banco do Brasil. A higher tax rate due to the greater weight of results from the international business. Brazil expects at 40% and if I'm not wrong, the U.S. expects a higher rate, then Spain also. And then there is a negative item of the discontinued activities in the Argentine business. They don't weigh that much but they contributed to the difference.

On Slide 19, we have the balance sheet. Here, basically the main variations are spelled out in the comments. We have the impairment of goodwill and portfolio acquisition expenses. On an equity basis, that was compensated to a significant extent by the new recognition of earn-outs liabilities connected with these goodwill items. The cash and equivalents fell year-on-year because of its partial reinvestment in financial assets. Even though, as Mr. Tejera said, on a quarterly basis, it went up by about EUR 250 million. Investments and liabilities -- technical liabilities that is, go up because of growth and because of the recovery in the value of the securities prices. And then we also have a benefit from the -- well not a benefit, a detriment of the appreciation of the euro against the currencies with a great weight in the business.

As usual, with the full-year accounts, we provide a breakdown of the investment portfolio. On Slide #20, you have the main figures. Really, there are no major variations against the breakdown in 2011. The weights remain pretty much the same. The only thing I can note here is the slightly lower weight of Spain and the higher weight of Latin America.

On Slide 21, we have a breakdown of the fixed income portfolio. Here again, no major differences with respect to 2011 except for the fact that the sovereign debt portfolio weighs comparatively more and is more diversified than it was a year ago.

Third, breakdown of investments, once again, of the fixed income portfolio on Slide 22. Here, there are slightly more significant changes, but which I believe you must be aware of already by this time. It's a big swing between the weights of the AA- and the BBB-rated debts. And that, as you all can imagine, is due to the downgrade in Spain sovereign rating. Aside from that, everything pretty much stays the same except for a slightly higher weight of guaranteed debt.

Here, we have on Slide 23, the changes in equity. We'd like to note that shareholders' equity grew in excess of EUR 750 million during the year. Here, we have several changes. We have investments available-for-sale, which we covered very strongly in the second half of the year. We closed June with a loss investment available-for-sale of EUR 300 million, and we closed the year with a gain of EUR 1 billion. And that is because the recovery, on an equity basis, after-tax, the impact of the recovery in the prices of securities amounted to EUR 1 billion. As usual, about 50% of that was absorbed by shallow accounting as we've explained to you several times.

We have sizable translation adjustments that are due to the appreciation of the euro against the U.S. dollar and the Brazilian real. Then of course we have the profits for the year, the dividends and other items which are combination of things that mainly the changes of the final valuation of the assets recognized in the alliance with Banco do Brasil, and a reduction in minorities in which we single out the acquisition of the 35% shareholding in MAPFRE MUNDIAL.

Finally, on Slide 24, we have the capital structure. Banking, the same, I would say it's just that on comparing to 2011, bank financing and senior debt have swapped places because of the bond issue, and because of the fact that the bond issue was used to pay down the syndicated credit facilities that have been drawn down. So overall, their weights together is the same. Equity has gone up as a percentage, 1 percentage point. Last year, it was 83%; this year, it's 84%. And interest coverage and leverage remain at levels that are consistent with the AAA rating.

And that's all in my side, I'll give 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, we have finished our presentation, and now we open the Q&A session. [indiscernible]

Question and Answer

Operator

[Operator Instructions] Your first question comes from William Hardcastle from Bank of America.

William Hardcastle
BofA Merrill Lynch, Research Division

Can you firstly explain what the EUR 55 million provision for the risks and expenses and other nonrecurring items related to, please? And the second question is, you've mentioned that land is now valued at 40% of acquisition costs, and I think your property portfolio is worth around EUR 2 billion, but could you tell us what percentage of property that is relative to its acquisition costs, please?

Luigi Lubelli

Will, it's Luigi speaking. Very quickly, the EUR 55 million charges in provision for risks and expenses are basically, in nature, somehow comparable to the reserves we took last year due to the fluctuation of the financial market. But this time, this refers -- primarily, this is a collection, of course, like all provisions for risks and expenses. Tomorrow is going to be in dealing in the accounts and there you have more details. But essentially, the main item there is an expectation that the evolution of demand in Spain might be negative if it continues the trends that we saw in 2012. As you will really know in the slide of MAPFRE FAMILIAR, we already mentioned the fact that this year, the year was characterized by a contraction in demand. If that contraction were to continue, it could lead to expenses, and that's what we try to anticipate with these charges.

William Hardcastle
BofA Merrill Lynch, Research Division

Sorry. Sorry, Luigi. What sort of expenses should we expect that, that would lead to?

Luigi Lubelli

It's essentially expenses related with distribution, the cost -- unexpected cost, so unexpected charges I believe we might have in the Spanish operations if the contraction in demand were to continue.

William Hardcastle
BofA Merrill Lynch, Research Division

Okay. I'm not sure 100% I followed that actually. And it relates to distribution charges that would increase it if demand slows down, is that correct?

Luigi Lubelli

Not per se, fees, commissions, it's not anticipation of commissions. It's -- let's say, organization expenses and the like.

William Hardcastle
BofA Merrill Lynch, Research Division

Okay, fine. All organization expenses.

Luigi Lubelli

And the figure -- the charges we -- they are -- you're right, the figure calls for the real estate portfolio is the entirely real estate portfolio, but these charges related to the land. This is the old MAPFRE INMUEBLES operations. The old real estate development operations. The one we've spoken of length during the previous conference calls. If you remember, we have -- that land had about, if my memory does not fail me, EUR 720 million, EUR 740 million. As of September, we had, if I'm not wrong, EUR 140 million provision. And then we said further charges in the quarter, which are the ones that we've recognized in the accounts that we're presenting today. So this refers to the land. On the rest of the real estate portfolio, you would have to bear with me for a moment, but I think that we continue to have unrealized gains. So, there -- yes, we have EUR 1 billion unrealized gains still. So there is no need of any charge or provision for the buildings let's say.

William Hardcastle
BofA Merrill Lynch, Research Division

Sure and now it's being held around EUR 2 billion at the moment?

Luigi Lubelli

Correct.

Operator

The next line is coming from Federico Salerno from MainFirst Bank.

Federico Salerno
MainFirst Bank AG, Research Division

Just on solvency. Shareholders' equity was up EUR 800 million in the year. Solvency however declined roughly 30 percentage points. Can you please explain what's going on with here? And then just to clarify, you didn't quite get what the write-down on the MAPFRE INMUEBLES had been in the 9 months, just to understand what the effect was in the last quarter?

Luigi Lubelli

So for the solvency ratio went down simply. I mean, in a very rough terms. The calculation is a bit complex but essentially because the speed of growth in premiums was faster than the speed of growth in equity. Just to keep things very simple. That was basically the reason for the decrease in the solvency ratio. Is that clear or do you..

Federico Salerno
MainFirst Bank AG, Research Division

Okay. Yes, sure. Yes.

Luigi Lubelli

And the charges for the year as of September were EUR 40 million, 4 0, for the land.

Federico Salerno
MainFirst Bank AG, Research Division

Okay. On solvency there wasn't any major impact from -- others impact from Spanish sovereign debts?

Luigi Lubelli

Well, no, actually, on the contrary it was positive as I just said on the [indiscernible] available for sale.

Federico Salerno
MainFirst Bank AG, Research Division

No, I mean, on the side of required capital, I was thinking?

Luigi Lubelli

No, no, no.

Operator

The next line is coming from Raphael Caruso from Raymond James.

Raphael Caruso
Raymond James Euro Equities

Three quick questions on my side. First of all, how do you explain the drop in profitability return. I mean you're you return on equity has dropped from 17% in 2011 to 10% in 2012, and by extension is the level of minorities sustainable in return? My second question in Argentina, do expect further declassification or can we take the 2012 figures premiums as a new base for our forecast? And my third question, according to the information on Slide 6, do we have to understand that your stake in Bankia is now EUR 11.5 million, that is EUR 154 million a year ago, and your Spanish property portfolio is now EUR 442 million that's just EUR 608 million a year ago?

Luigi Lubelli

Okay. Good afternoon. Let's see, one by one. The drop in profitability is because we had nonrecurring gains in Latin America a year ago. We had, if my memory does not fail me, about EUR 136 million, which were recognized when we finally co-initiate the alliance with Banco do Brasil. If you take our presentations, I think they are for March and June of 2011, you will find the information by that and then they are mentioned on Slide 5 of this presentation as a figure. So that's the main reason I would say because underlying, I think, it's doing better than a year ago. It has to be because the combined ratio has improved substantially. You ask me whether minorities are sustainable in America. And my own -- on available information now, I would say so, yes because we have bought back most of the minorities in the holding company itself this year from Bankia. So we now have 99.22% of Latin America. So at the holding company level, there's really almost nothing. And we bought back, well -- we didn't buyback, we bought the 35% we did not already own in La MUNDIAL in Panama. And then we left with Banco do Brasil, which predictably is not going to change. The ownership of the stake of Banco do Brasil may change once they lift their holdings of insurance operations, but that will not affect our minorities in our accounts. Have I answered your question on this time?

Raphael Caruso
Raymond James Euro Equities

Yes.

Luigi Lubelli

Figures in Argentina. Now, if the figures that we have here, I suspect, yes. If my memory does not fail, it must be about EUR 200 million, it's about something like that but it's going to -- yes, it's around EUR 200 million less should the figure in 2013, and the result should be better because as you can see, we recognize losses because of the discontinuation of these operations.

Raphael Caruso
Raymond James Euro Equities

Okay, so we have to plan EUR 200 million less, that's in premiums, that's right?

Luigi Lubelli

Roughly. You know how you can get it. If you go to the non-life account, we give you figure with and without and so that's, right? Sorry. Jesus Amadori, our Investor Relations Officer will [indiscernible]. ..

Jesus Amadori

This is Jesus. Just to be on -- to clarify, the December accounts already excludes the Argentinian operations. The discontinued part of the Argentinian operations. So what you have as of December should be the basis to project 2013. As of September, however, that wasn't the case.

Raphael Caruso
Raymond James Euro Equities

Okay. Yes.

Jesus Amadori

The results, however...

Luigi Lubelli

Yes, the results will be better because this year, we recognize the charge and the operation will no longer be there next year. So no gains and no charges. On Slide #6 was your last question. What we have there is the value of the stake in Bankia. I mean, basically you can get to the stake because we tell you what its value than the price of which we valued it. So you can get it from there. And that's basically what's the weight. Just to be clear, the EUR 442 million is the depreciated value of the land. There is no buildings in there, it's just land.

Raphael Caruso
Raymond James Euro Equities

Okay. And do we -- do you have the global value of your or the total value of your properties? Spanish portfolio?

Luigi Lubelli

Well, it's pretty much coincide with our total real estate portfolio overall because we do have properties abroad, but their amount is not that significant. On Slide 20, we have the property which is EUR 2.4 billion, I don't know. Take EUR 100 million or EUR 200 million away from that property that we might have abroad and the rest is Spanish.

Operator

Your next question comes from the line of Chris Esson from Credit Suisse.

Christopher Esson
Crédit Suisse AG, Research Division

Just one question. Clarifying the earlier question from Will about the expense and a second one, if I may. Firstly, I mean, if you look at the 9-month versus full-year '12 underlying ratio so, combined ratio in the domestic business, it has seen a fairly sizable increase q-on-q, can I just confirm that, that's mainly due to the expense provisions that you discussed earlier on? Or is there something else that's happening there particularly on the expense side? And also, can you just advise if that's something that would recur this time next year if the volume outlook remains weak at the same point? Second question relates to the comments you made in the pack and in your presentation around receding volumes in the global business. Can you just confirm whether that is what you're seeing in terms of the level of demand, your access to good quality programs in the 1/1 renewal, and also, if you can give us a sense of how much of that business you've effectively renewed since the most recent credit-rating actions? That would be appreciated.

Luigi Lubelli

Okay, so, the first question, the answer to your interpretation is correct. That's the main reason for the increasing the expense ratio. With presently available information, I would not expect it to be a recurring item. The second question, I'm not sure I fully understood it. You asked me -- asked us whether...

Christopher Esson
Crédit Suisse AG, Research Division

So in the Global business, you have said the fact that you had fairly stable premium volumes, sorry, in reinsurance...

Luigi Lubelli

After the downgrade.

Christopher Esson

Crédit Suisse AG, Research Division

And yes -- and so, I just want to get a sense of is that commentary relating to your experiences in the 1st of January renewals for a lot of that wholesale business?

Luigi Lubelli

That's correct.

Christopher Esson
Crédit Suisse AG, Research Division

And if you could let me know how much of the business -- of your book you've renewed since the credit rating was downgraded?

Luigi Lubelli

I don't have the exact percentage. But the rough answer would be most of it because the bulk of the Insurance business is renewed between the beginning of December and the end of January. And then there's the facultative business that is renewed more piecemeal. It's renewed on a more ongoing basis. Last, on the commercial side, contracts tend to be renewed at the beginning of the year. So by and large, the picture is clear by now. So the answer I would say, that, yes, most of the business has already been renewed after the ratings downgrade, yes.

Christopher Esson
Crédit Suisse AG, Research Division

Okay. And so the commentary about stability reflects that?

Luigi Lubelli

It does.

Operator

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

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

Actually, my question has just been asked on the expense ratio. And the -- and what about -- I just wanted to clarify one thing and just for benefit of my own doubts, because on the motor book in Spain, the fourth quarter combined ratio would have gone all the way to 98% or so and that's still -- that's what I'm taking in line with the market. And I'm just double confirming that this is the same effect and there's nothing else, so just if you can double confirm that. And second thing is, just on this land. Given that this topic has come up so many times, and we understand that there are external surveyors that are -- that come into the -- in the picture in the fourth quarter every year and then they evaluate the market value of land. I just wanted to know if there's any potential or maybe you can throw a head on what more could what we expect here or what more could happen here on that book, on that EUR 440 million less?

Luigi Lubelli

The answer to the first question is, by and large, yes. As you can imagine, these figures reflect many elements, that is the biggest one. Clearly, you see it in our accounts pretty much every year. There's seasonality, there's winter. So winter does affect negatively the loss experience in the motor and household lines in the last quarter of the year. So we have the charge but it also have the life happening basically. In terms of the -- yes, the properties were fully surveyed this year. We have 100% of them surveyed by Knight Frank, that's the company we use. And my answer to your question is the same that we've always given. These are the charges based on the presently available information and valuation. That is what we were told by surveyors and that is what we reflected in the accounts. Gone a year from now, I don't know. I would say that this is a pretty robust reduction in the value of properties. And that, who knows. Also in the past, we've already -- always encouraged you not to take a blanket approach. We have a portfolio of land, but we are not a massive land owner. We are not representative of the prices of land throughout Spain because we have plots in some parts of the country, which have certain valuation. Some of these lands, I don't know, for instance, in prime locations in Balearic Islands, they don't trade the same way as a remote industrial area in the province of Central Spain. So you have to be taking with a grain of salt, obviously.

Vinit Malhotra
Goldman Sachs Group Inc., Research Division

No, I believe you can't predict 1-year output of -- the thing I'm trying to understand is, the Solvay [ph] have given you any sense of conservatism and I think you are trying to tell me that yes, there has been some conservatism here. It's a bit like reserving like you don't know but you tend to [indiscernible]...

Luigi Lubelli

[indiscernible] have been extended. But anyway, something I'll always tell you, we're talking about EUR 440 million. I always think, I know it's a rough way to go about it, but I think it's the one that makes you sleep the best. To keep it simple. Imagine that we write-down 100% of what is left, the EUR 444 million. And after-tax, it will be a charge of EUR 300 million. Just to put you in the picture for foreign exchange valuation in the changes in equity this year, we have EUR 400 million. So no one on this side of the phone would be ecstatic about losing EUR 300 million, of course not. But it's something that we believe the company can withstand well given it's present size of equity. Then, further changes or further adjustments, further charges can be made. But please, put them in the context of the scale of our equity.

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

In any case, I would like to ask him about the [indiscernible] -- of the land as we make -- after knowing the criteria of the depreciation of the land that was included after the setup of the -- setup in Spain in the bank margin.

Luigi Lubelli

For that bank.

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

We stay true to the resource, that we have through the ones [indiscernible] that can foresee according to the available information and we have done these this way, we know that with the appreciation of value of the land now in Spain is in worst figure throughout history but we're going to keep what we have done and of this month, a bit more realistic and possible.

Operator

Your next question comes from Rodrigo Vazquez from N+1 Equities.

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

On dividend, what is the dividend for 2013? Do you consider the current dividend payout as sustainable?

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

In dividend, we have [indiscernible] policy for the 2013 but we have the -- it's a policy of the dividends without the -- that is according to the results of the year and according -- keeping the solvency of the group or balance sheet. This year, we have reduced the interim dividend when the situation in Spain was very, very tough. During the first half of the year, the situation was really tough. And now at the low-end, the final results, we've had May 24 to pay EUR 0.87 [ph] that is nearly and the same figure that is last year. Even the Board of Directors had proposed this to the [indiscernible] and said that the shareholders knowing that the we are comfortable with the state of our balance sheet ever since, I can't say [ph]. In any case, we must keep in mind that in 2012. We have paid fully in cash the dividends have [indiscernible] we have exclude the operations.

Operator

Your next question comes from Niccolo Palma from Exane BNP Paribas.

Niccolo Cornelis Modesto Dalla-Palma
Exane BNP Paribas, Research Division

First, I wanted to follow-up on the dividend policy. Maybe if you could elaborate also what the -- what you see is the binding constraint, i.e., if the rating agency required capital something that does at the moment constitute a binding constraint for paying a dividend? Or is Solvency I and recurring profitability going to be the main driver especially, again, in the context of the rating actions of last year. The second question is whether you could or not exclude an extension of the agreement with Bankia following their agreement on their side with Aviva. If they deny, were you would be ready to allocate more capital or not, I guess, it might change also depending on whether there's a cap on deposits or not because that might actually make the life insurance product more or less interesting than the deposits?

Luigi Lubelli

Niccolo, we'll answer separately your question. The first one, I'll take and the second one, Esteban will answer. Look, we thank you for asking the question because I know the idea can be in the minds of several of the participants. This is something -- what happened is something actually along the lines of what we said in October when we released the third quarter results. It doesn't have anything to do with the rating agencies. MAPFRE is now very well capitalized and it's, secondly, very well capitalized above its present rating levels. However, we cannot behave as if we didn't know that the reality has changed compared to 1 or 2 years ago. Being a Spanish company these days, you are subject to a much greater degree of scrutiny and a much greater degree of analysis than in the past. And so the group, the Board of Directors of the company has taken the resolve or decided that it is a profit for the company to be more solvent and more liquid than in the past because the business requires so, not because any rating agency requires so. We are and more than 2.5x Solvency I, and there is no issue -- specific issue with the rating agency. But still we think that in order to continue with the confidence and the trust of our stakeholders especially policyholders, seeding companies and large corporate customers is having the company we think that our business requires that. That, of course is the reason for going about the dividends that way we did. I wonder if this answers your question. And then the second question will be answered by Esteban.

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

Yes, with relating to the -- our relationship with Bankia, while it's true that Bankia had to close -- the conference or [indiscernible] in the process of cutting primarily with Aviva. We really are now the main partner of Bankia in bancassurance. And we're also included in Bankia up to the merit of the seven different [indiscernible] in the whole Bankia. But the most important was Aviva and it's canceled. We have the intention of being the partner of Bankia but say that [ph] we know very well, know that you must wait [indiscernible] to be able to know exactly what is the final dilution of Bankia as a bank and you know very well and they are in the process of optimization in the whole group that will last several months. At the end of this process, we can have Bankia, I suppose, as a whole picture of both possibilities of the new bank and the possibilities of the working to where it is the case according to the situation of the bank. So it's hard to know what will happen.

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

So to be careful -- for the moment, you cannot yet distribute your products on the part of Bankia that is not yet CAJA MADRID part? And...

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

Not yet, no. We only have the agreement that we had from the beginning with CAJA MADRID.

Operator

Your next question's comes from Luis Peña of JB Capital Markets.

Luis Peña

I just want to know out of the intangibles that you have on the balance sheet, EUR 2.3 billion. If you can explain how much of those are related to the JVs that MAPFRE has with savings banks at the moment?

Luigi Lubelli

Luis, let's see. The accounts have not yet been published. They will be released tomorrow. The figures are not terribly different from the figures we gave you a year ago. So a year ago, for instance, we had, sorry, we had a 160 -- goodwill, I'm talking now, EUR 160 million in BANKINTER VIDA, EUR 91 million in CCM VIDA, EUR 17 million in DUERO VIDA, EUR 13 million in DUERO PENSIONES and EUR 339 million in CATALUNYACAIXA, a further EUR 100 million in CATALUNYACAIXA General Insurance and that would be in terms of goodwill. I'm talking about 2011 figures, the 2012 figures you will see tomorrow. And in terms of portfolio acquisition expenses, we have EUR 110 million in BANKINTER VIDA, EUR 18 million in CCM VIDA, EUR 42 million in DUERO VIDA, EUR 15 million in DUERO PENSIONES and EUR 327 million in CATALUNYACAIXA VIDA.

Luis Peña

And I mean, can you give us a bit of insight of what would be MAPFRE's position in case there's a change in control in CATALUNYACAIXA? So, I mean, is the JV that MAPFRE has right now with CATALUNYACAIXA protected by production in the hands of MAPFRE in case where someone else were to buy CATALUNYACAIXA, and what would be the price? So basically, will MAPFRE be able to exit that JV at a senior price as the acquisition cost?

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

Well, the CATALUNYA -- one of the [indiscernible] half now is the evolution of CATALUNYACAIXA but at the end of things, we have around [indiscernible] the change in control. We should -- let's see, maybe the situation but we don't know what will happen with the banking in the next month.

Luis Peña

Okay. So but...

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

Now we continue using our products and we have public relations in CATTOLICA and CAIXA [indiscernible] goes very badly for everybody in bancassurance in Spain, you can work it could be [indiscernible].

Luis Peña

I was just basically looking out of information that we have on the breakup of the JV between Aviva and Bankia and also the breakup of the JV between Aegon and Unnim and based on the price of those transactions, it seems that basically, insurers have been able to recover most of the investment made on those JVs. I just wanted to know with if you expect to recover most of the investment in CATALUNYACAIXA in case there was a change in control, which I think that is very likely.

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

As you know, this kind of process it end usually with a negotiation overall. The clause of exit is very important but finally, there is a negotiation. So that's -- it's very happy to know or even to make any kind of advances to how in the possible negotiation in case of the system could face. So we have the exit clause and depending on the coverage of control, and that aside, that would depends on the [indiscernible] new partner and who is the partner and what kind of agreement with them and so it's I don't have legal information that would address anything.

Operator

Your next question comes from Chris Esson from Credit Suisse.

Christopher Esson
Crédit Suisse AG, Research Division

Just a -- I guess, just a quick follow-up question. So in your presentation package, again, you mentioned that you've had a little success with YCAR and VERTI which are now in a building scale, I think, quite quickly. Just wanted to get or hear from you some observations on each of those businesses where you're customers are coming from, I mean, are there new customers to the group or are you cannibalizing on existing customer base? And also, I appreciate that it's early days but just to, I guess, attain a bit of a sense of what you're seeing in terms of relative profitability between that and your traditional book?

Luigi Lubelli

Okay. In terms of customers, as usual, there's -- the customers come from everywhere. So there are also some MAPFRE customers, but let's say that the number of MAPFRE customers is well below the MAPFRE share in the market. So by and large, in the net base is most of the customers do not come from companies in our group. They come from our competitors, but not from companies in our group, in their majority. And we do not disclose public figures about the profitability of these businesses. As you can imagine, I mean, VERTI is a company that is 1.5 years old. So it's a start-up and this is a business in which the advertising expenses are extremely large. So when we announced it a year ago, in the beginning of 2011, if I'm not wrong, the -- what we said is that we were expecting this company to break even by the fifth year of operation. And that's something that we maintain at this moment. That continues to be our expectation for these activities, which in reverse, means that they are not making money now, answering your question.

Operator

Your next question comes from William Hardcastle from Bank of America.

William Hardcastle
BofA Merrill Lynch, Research Division

Just one quick question. You've mentioned or it's being discussed at the last couple of quarters how obviously your S&P rating has pegged to the sovereign. And would you believe you're -- without exceptions, it would be AA equivalent, but actually with the S&P, even on their ratings, you still feel you'd be an A equivalent. Is that still the same?

Luigi Lubelli

Yes, nothing is changed; if anything, from a capitalization standpoint, our position has become stronger this year. Where for instance, we're affected by unrealized losses on financial investments, which have been reversed through a substantial degree by the end of the year. We have retained capital through the reduction of the dividend. We are even more diversified in terms of premiums and profits, that is we're even less Spanish than we were a year ago. Not to say anything bad about Spain [Audio Gap] but that's to address the issue because the issue clearly has done away with any concerns that might be with the renewal of our syndicated loan facilities. But particularly, I would say, because of the great success [Audio Gap] that the issue makes which means that significant doubts about this credit profile so [Audio Gap] the more to that has been, I answered the question before about the renewals and reinsurance and commercial insurance in which we basically have stayed where we were, which means that customers put a strong trust in our company. So cutting a long story short. Combining our business position, our diversification, our liquidity, our equity strength, I would say that, yes, we're at least as convinced if not more convinced that we would deserve a AA rating on a standalone basis.

Operator

Your next question comes from Marcus Rivaldi from Morgan Stanley.

Marcus Rivaldi

Just looking at Slide 24 in your presentation today. I mean, clearly, what you see there is a pattern of a relatively lowly levered business with very, very strong interest coverage. You talked early on in this presentation about a number of things including which to remain optically, a very strong from the solvency and liquidity perspective. You sort of also talked about how well receded debt was received. Just wondering whether you thought about your coming back to both markets perhaps there's some sub-debt issues down the line?

Luigi Lubelli

Thank you, Marcus. And good try. No. The answer is, at the moment, we're not considering such an issue. We, basically, what we had -- the future will tell. At this moment, we're not aware of any large financing needs that we'll need to address. For the moment between the funds raised on the senior issue and the internal cash generation, we are fine and we don't need to raise other funds. The only one that comes to my mind, but it's down to 0 at the moment is the syndicated loan that matures in 2014. So for the moment, we would firstly need to use that money and then refinance it, which we are not aware of at present. So as far as the information is now, our funding horizon is clear, meaning, vacant between now and 2015. And so no need to issue either hybrids or any other bonds.

Operator

The next question comes from Rodrigo Vazquez from N+1 Equities.

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

Just a quick question on provisions. How much was the impairment booked this quarter related to the Bankia hybrid debt?

Luigi Lubelli

Rodrigo, we did not exactly disclose that. But what we can tell you over -- firstly, we have -- we always had those bonds at market value. The bank announced 14% reduction, which is the one we recognize in our accounts on these bonds. But anyway, the amount is small. It's not an especially large amount. But I cannot give it to you unfortunately, because it was not disclosed separately.

Operator

[Operator Instructions] We currently have no further questions. Please continue.

Esteban Tejera Montalvo
Former First Vice Chairman, Director General and Non Executive Chairman of Mapfre Re
Well, since there's no more questions, thank you for attending our conference call. And as always, we will meet again for the first quarter results. Thank you.