STANDARD & POOR'S

RATINGSDIRECT®

August 29, 2008

Mapfre Group

Primary Credit Analyst:
Peter McClean, London (44) 20-7176-7075; peter_mcclean@standardandpoors.com

Secondary Credit Analyst:
Mark Coleman, London (44) 20-7176-7006; mark_coleman@standardandpoors.com

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Mapfre Group

Please note that the ratings covered by this full analysis apply only to core entities of the group, which are listed below. These ratings do not apply to any noncore or unrated entities of the group. Ratings assigned to noncore entities of the group are published individually.

Major Rating Factors

Operating Company Covered By This Report
Financial Strength Rating
Local Currency
AA/Stable/--

Strengths:

- Very strong operating performance
- Very strong competitive position in Spain and core regions of Latin America
- Positive management

Weaknesses:

- Weakened capitalization
- Risks derived from more aggressive acquisition strategy

Rationale

The ratings on Mapfre Empresas, Compañía de Seguros y Reaseguros, S.A., and Mapfre Re Compañía de Reaseguros, S.A., core operating entities of the Spain-based Mapfre insurance group (Mapfre), reflect the Mapfre group's very strong operating performance and very strong competitive position in Spain and Latin America, together with its management, which Standard & Poor's Ratings Services considers as positive for the ratings. These factors are offset by the group's weakened capitalization and the risks emanating from Mapfre's more aggressive growth and acquisition strategy.

The Mapfre group's operating performance continues to be very strong, with return on revenue (ROR) increasing to 11.5% in 2007 from 11.0% in 2006. The quality of earnings is expected to be reinforced by the increasing diversification derived from the newly acquired businesses. In Standard & Poor's view, earnings from the large commercial, reinsurance and motor businesses have reached the top of their cycle, however.

The Mapfre group has a very strong competitive position. It is present in 43 countries and is the leading Spanish insurance group, with an overall market share of 14.4%. Mapfre is also one of the strongest groups in Latin America, where it has a direct insurance presence in 12 countries. The group's very strong competitive position is underpinned by its strong and diversified distribution network in Spain, by a growing distribution network in Latin America, and by its increasing expansion outside its traditional markets.

Management is considered positive for the ratings. It has demonstrated its ability to grow, both organically and by acquisition, without losing its focus on profitability and customer service. However, this reputation will be put to the test by its recent more aggressive growth and acquisition strategy, with the associated risks that such a strategy entails.

The Mapfre group's consolidated capitalization has weakened to a level where it is no longer supportive of the ratings. Nevertheless, the quality of capital remains very strong, supported by the 2007 hybrid equity issue, very strong earnings, improved fungibility of capital, adequate reserving, and a conservative use of reinsurance. Our view of capitalization is further strengthened by Mapfre's very strong financial flexibility.

Outlook

The stable outlook reflects Standard & Poor's expectation that the Mapfre group's operating performance will remain very strong. Full-year figures for 2008 are expected to show strong contributions from virtually all businesses. This includes six months' contribution from the newly-acquired Massachusetts-based Commerce Group Inc. (CGI; main operating entities are rated A/Stable/--) companies, which we expect to continue producing earnings in line with its historical five-year averages. Overall, Standard & Poor's expects a non-life combined ratio below 95% in 2008 and 2009, with underlying return on equity (ROE) remaining around its current high level.

Standard & Poor's expects Mapfre to address the weakening capitalization by returning capital adequacy to a level more supportive of the ratings by early 2009. In this respect, we do not expect any additional material acquisitions, nor do we expect any significant changes in the management or strategy of CGI. Standard & Poor's also expects fixed-charge coverage at the group consolidated level to be maintained at a minimum of 15x and hybrid equity leverage to be less than 25%. Failure to achieve this may result in a negative rating action. A positive rating action is viewed as unlikely over the rating horizon.

Corporate Profile: An Increasingly Diversified Multinational Group

Mapfre Mutualidad de Seguros y Reaseguros a Prima Fija (Mapfre Mutualidad) was established in 1933 as a mutual to provide coverage for work-related accidents. Following a corporate restructuring at the end of 2006, Mapfre Mutualidad transferred its shareholdings in some operating subsidiaries and in Corporación Mapfre S.A., the quoted holding company, to a new holding company, Cartera Mapfre, S.L. Corporación Mapfre was renamed Mapfre S.A. (A+/Stable/--). As a result of this restructuring, Mapfre S.A. now controls all the operating companies of the group, and is itself ultimately 63.41%-owned by Fundación Mapfre, which has become the parent entity of the Mapfre group. A further restructuring at the beginning of 2008 resulted in Mapfre S.A.'s acquiring the 49% minority stake in Mapfre Caja Madrid Holding (MCMH; not rated) from Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid; AA-/Negative/A-1), in exchange for which Caja Madrid received 15% of new share capital in Mapfre S.A. as well as a 12.5% stake in Mapfre Internacional, the holding company for the direct insurance subsidiaries operating outside Latin America. Consequently, Mapfre S.A. now owns all of the group's operating companies in Spain, including Mapfre Empresas and Mapfre Vida (not rated), and the new Mapfre Familiar, formed from a merger of Mapfre Seguros Generales, Mapfre Caja Salud, and Mapfre Automóviles (all not rated), which is the largest writer of motor business in Spain, in addition to Mapfre Re Compañía de Reaseguros S.A. (Mapfre Re; AA/Stable/--), Mapfre America (not rated), and Mapfre Asistencia (not rated).

Competitive Position: Geographical Diversification Helped By Recent Acquisitions

Table 1

Mapfre Group/Business Statistics*

	--Year ended Dec. 31--				
(Mil. €)	**2007**	**2006**	**2005¶**	**2004¶**	**2003¶**
Total assets under management	29,025	26,521	25,374	22,498	18,278
Annual change (%)	9.4	4.5	12.8	23.1	23.7
Non-life gross premiums written	9,384	8,532	7,801	6,736	5,707
Annual change (%)	10.0	8.3	15.8	18.0	7.9
Non-life net premiums written	8,166	7,400	6,803	5,813	5,061
Annual change (%)	10.3	8.8	17.0	14.9	7.6
Life gross premiums written	2,926	2,401	2,309	2,176	1,876
Change in long-term business provision (%)	9.5	2.6	10.9	17.5	28.5

*All reinsurance business has been classified as non-life business for the purposes of our analysis. This includes some life business which will affect the numbers and ratios in this report. ¶2003-2005 data relates to Sistema Mapfre (Consolidated), and therefore the 2006-2007 figures are not directly comparable with prior years.

The Mapfre group has a very strong competitive position (see table 1). It is present in 43 countries and is the leading Spanish insurance group, with an overall market share of 14.4%. Mapfre is also one of the strongest groups in Latin America, where it is present in 12 countries. The Mapfre group's very strong competitive position is underpinned by its strong and diversified distribution network in Spain, by a growing distribution network in Latin America, and by its increasing expansion outside its traditional markets.

Diversity

Mapfre is very strong in the Spanish non-life market, which it leads with a share of about 17%, more than twice the share of its nearest competitor, and in which it attained above-average (5.8% versus 5.3%) growth in 2007. It is also a strong player in the life market, with a market share in excess of 8%. Mapfre Automóviles is the largest underwriter of motor business in Spain and has a market share in excess of 20%, while Mapfre Seguros Generales is the Spanish leader in nonmotor lines. This leadership in personal and small commercial lines is reinforced by market-leading positions in large corporate/industrial business through Mapfre Empresas. Mapfre Vida ranked as the second-largest life insurer in Spain in 2007 and is also the largest asset manager among Spanish insurers. The competitive position is further strengthened by the power of the Mapfre brand, which has seen the group expand its activities into add-on services, such as domestic and roadside assistance, and a gradual entry into care homes and vehicle sales and leasing.

Distribution

Historically, the group's geographic coverage of the entire Spanish territory has been a distinct competitive advantage, reinforced by a single extensive distribution network of over 3,000 offices for the sales activities of the various Mapfre businesses. The successful alliance with Caja Madrid has been followed by similar ventures with other, smaller, Spanish savings banks.

International business

The Mapfre group operates in 43 countries, with a very strong presence in Latin America. It is one of the largest foreign players in the area, with an estimated market share of about 4.5% in 2007. Further expansion of the sales network, together with the acquisition of Nossa Caixa in Brazil, contributed to growth of nearly 19% in Latin American premium volumes in 2007, consolidating its position as the largest non-life insurer in the region. The most international of the Mapfre group companies is Mapfre Asistencia, which has a direct presence in all 43 countries.

Following the acquisition in 2007 of Genel Sigorta in Turkey, in June 2008 Mapfre completed its largest acquisition to date, that of CGI, which is a significant and entrenched player in Massachusetts with privileged access to various American Automobile Assoc. organizations. Further geographical and business diversification is provided by Mapfre Re, the group's reinsurance arm (for further details, see the full analysis published Aug. 31, 2008, on RatingsDirect).

Prospective

The Mapfre group is expected to maintain its very strong competitive position by consolidating its market-leading positions in Spain and Latin America, as well as by assimilating its recent acquisitions. Domestically, the creation of Mapfre Familiar strengthens the possibilities for cross-sales between the customers of its constituent companies. The full potential, notably in life and personal lines business, of the acquisitions and agreements completed in 2007 and 2008 with Banco Bilbao Vizcaya Argentaria, S.A. (AA/Stable/A-1+), Bankinter S.A. (A/Stable/A-1), Caja Castilla La Mancha (not rated), Mutua Valenciana Automovilista (not rated) and Caja Duero (not rated) has yet to be realized, while further small-scale transactions cannot be ruled out. These factors will enable Mapfre to achieve its target of continuing to grow above the market average in each of its main markets. Internationally, the recent period of expansion is expected to move to one of consolidation as the Turkish and U.S. acquisitions are brought into the Mapfre fold, while similar considerations apply to Latin America, where the opening of new branch offices is expected to tail off. Longer-term, the CGI operation may be used as a springboard for cautious expansion in personal lines in certain U.S. states.

Standard & Poor's expects the completion of the CGI acquisition to contribute to premium volumes reaching about €14.5 billion in 2008 and over €16.0 billion in 2009.

Management And Corporate Strategy: Proven Track Record, But More Aggressive Acquisition Strategy Carries Risks

Mapfre's management is regarded as positive for the rating. It has demonstrated its ability to grow, both organically and by acquisition, without losing its focus on profitability and customer service. This reputation will be put to the test by its recent more aggressive acquisition strategy, with the associated risks that such a strategy entails.

Strategy

Long-term strategy continues to be centered on the strengthening of the group, which is moving away from, albeit still influenced by, its mutualist origins. The acquisitions in the U.S. and Turkey provide ready evidence of a widening of Mapfre's geographic focus beyond its traditional core regions of the Iberian peninsula and Latin America. Nevertheless, the collapse of the proposed joint venture with Societa Cattolica di Assicurazione (A-/Negative/--) in Italy is regarded as a strategic set-back in Mapfre's stated ambition to become one of the five largest European non-life companies. The recent growth and acquisition strategy is viewed as more aggressive than previously, although it is more in line with that of other major European insurance groups. While Standard & Poor's sees little strategic risk in further small-scale acquisitions in Spain, we believe that the acquisition of CGI, with the associated risks of operating in a highly regulated, unfamiliar market, represents the greatest challenge yet to Mapfre's proven track record of successfully integrating newly acquired companies.

Operational management

Following the major corporate restructuring that took place at the end of 2006, Standard & Poor's views the further restructuring announced at the beginning of 2008, involving the creation of Mapfre Familiar and the buy-out of MCMH, as being further logical steps in the tidying-up of the group structure, from the point of view of both operational efficiency and market transparency. The rationalized structure, together with the roll-out of a groupwide information technology platform, should enable Mapfre to build on its existing operating strengths in tight cost-control policies: centralized reporting of underwriting, investment, and planning. Other group strengths, such as training, transfer of expertise, and pricing, are being put to the test by the recent acquisitions, and it remains to be seen to what extent they challenge Mapfre's hitherto successful ability to rapidly integrate newly acquired companies with minimal business disruption.

Financial management

Financial strategy has historically been conservative, although capital is now being managed more aggressively following the 2006 restructuring. The group maintains a good level of capitalization for all subsidiaries, and is enhancing this process via capital allocation based on internal capital models, so that any excess capital is held in its holding company, Mapfre S.A. The group successfully placed a €700 million hybrid debt issue through this entity in July 2007, and a further issue is expected to refinance the short-term funding of the CGI acquisition. Although Mapfre's strength in Latin America exposes it to sovereign risk, its exposure to any one single country is small and it keeps only a minimum level of regulatory capital in these countries, while balance sheet currency risk is well managed.

Enterprise Risk Management: Adequate With A Positive Trend

ERM in the Mapfre group is considered to be adequate overall; however, if the planned developments across the group are implemented in line with expectations the assessment is likely to rise to strong in the next few years. ERM is of moderate importance to the group's overall rating--the group operates in a number of countries and business lines, but has a conservative approach to risk and strong capital that helps to mitigate the risks. Insurance risks are the most important risk exposure for the group and these are generally controlled with strong or well developed risk controls. Investment risk is the second most important exposure for the group and this is assessed as strong.

The group's risk culture is robust but the assessment is currently held back to adequate as the group has not articulated its risk appetite in a comprehensive framework. There is also a concern regarding the ability of the group to spread the positive risk management culture across all its operating entities. A group project is underway to develop this as part of the 2009 planning process. Mapfre is also undertaking a project to develop an economic capital framework across this group. This has been successfully piloted in Mapfre Re. The group already uses return on risk-adjusted capital approaches in its pricing and planning processes, but these hold back the strategic risk management score to adequate because they are broadly based on the Standard & Poor's risk-based capital model, rather than Mapfre's own internal assessment of risks. The group is acquisitive and risk concerns are a key part of these considerations.

The controls over the group's underwriting processes are strong and are based on a clear articulation of limits, authorizations etc. against the group's minimum standards. Local underwriters can write most business locally, however more complex cases and large cases are assessed centrally. A similar process operates for life assurance underwriting. Reserving is carried out using traditional tools. Reserves for complex and large cases are managed centrally. Mapfre uses regular external actuarial reviews to ensure that reserves are appropriate. The group makes substantial use of Mapfre Re for all reinsurance needs. Mapfre Re's process for assessing its outward program is assessed as strong as it uses its internal capital model to decide on the best program to be used to gain the best return for the group.

Accounting: Analytical Adjustments Made To IFRS Numbers For EEV, Goodwill, And Discounting In Capital Analysis

Mapfre S.A. reports under International Financial Reporting Standards, although the Mapfre group still reports under Spanish generally accepted accounting practices for regulatory purposes. Standard & Poor's view of Mapfre's capital involves various adjustments to its capital model, the largest of which is the European Embedded Value (EEV). Other adjustments from published financial statements made within this model relate to goodwill and recognition of loss reserve discount.

Operating Performance: Very Strong Earnings Maintained, While Performance Is Increasingly Diversified

Table 2

Mapfre Group/Operating Statistics*

	--Year ended Dec. 31--				
(%)	**2007**	**2006**	**2005¶**	**2004¶**	**2003¶**
Non-life gross combined ratio	90.4	88.9	93.5	86.6	86.2
Non-life gross loss ratio	68.2	67.3	72.9	67.1	66.8
Non-life net combined ratio	93.0	94.2	95.8	92.4	92.7
Non-life net loss ratio	68.1	69.0	73.5	70.2	70.9
Non-life net expense ratio	25.0	25.2	22.2	22.2	21.8
Non-life reinsurance result	(159)	(281)	(60)	(286)	(262)
Non-life three-year average combined ratio	94.9	94.1	93.6	93.8	95.9
Non-life return on revenue	7.3	6.1	10.3	12.2	11.5
Life smoothed pre-tax before bonus return on assets (bps)	129	120	97	106	103
Life post-tax return on technical reserves (bps)	125	114	92	94	93
Life pre-tax before bonus life technical result on life reserves (bps)	146	134	111	124	116
Return on reported equity	18.2	19.5	15.6	20.0	22.6
Five-year average return on reported equity	16.2	14.8	17.7	16.7	14.1
Change in adjusted equity/total adjusted equity	11.1	59.9	20.8	36.3	16.3
Retained profit/total equity	10.7	10.7	9.4	13.1	16.3
EBITDA (excl. non-recurring)/total capitalization	21.0	24.2	18.8	23.1	24.5

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The Mapfre group's operating performance continues to be very strong (see table 2), with ROR increasing to 11.5% in 2007 from 11% in 2006. The quality of earnings is expected to be reinforced by the increasing diversification derived from the newly acquired businesses. In Standard & Poor's view, the earnings from the large commercial, reinsurance, and motor businesses have reached the top of their cycle, however.

Underwriting earnings

Strong contributions from all the group's Spanish operations meant that the non-life combined ratio improved to a very strong 93.0% in 2007 (94.2% in 2006). This positive trend applied particularly to the general and commercial insurance divisions, which recorded impressive combined ratios below 90%, while Mapfre Automóviles continued to defy market trends by improving slightly to 91.2% (92.0% in 2006) in the face of increasing competition in the Spanish motor market. Outside Spain, Latin American loss ratios continue to be offset by the costs of expanding the branch network, although there are signs that their high expense ratio is now being contained. In life business, new business margins fell slightly to a still respectable 4.2% (4.8% in 2006), while changes in the cost of capital calculation methodology were primarily responsible for a fall in the return on EEV to 7.1% from 26.1% in 2006. EEV itself increased to €1,939 million from €1,574 million in 2006, reflecting mainly the contributions from the new life acquisitions in Spain.

Quality of earnings

The quality of earnings is very strong and is expected to be reinforced by the increasing diversification derived from the new acquisitions. ROR increased to 11.5% in 2007 from 11.0% in 2006, driven by the impressive underwriting performance of the business units mentioned above. In terms of bottom-line return, the most significant result was the 49% increase in net profit recorded by the general insurance division, demonstrating the group's diversified sources of earnings, with virtually all units again recording strong profit levels. The return from investments was stable at a respectable 5.1%.

Prospective

Standard & Poor's expects the Mapfre group's operating performance to remain very strong. This expectation is currently borne out by the impressive results as at the first quarter 2008, which show a 26% increase in underlying earnings against Q1 2007. Full-year figures for 2008 are expected to show a similar picture, with strong contributions from all the Spanish operations, including the new life acquisitions, as well as from the reinsurance business and the inclusion of six months' contribution from CGI. Prospective earnings will benefit from expense savings derived from the Mapfre Familiar restructuring, in line with the group's aim of reducing the non-life ratio by 1%. Although they have held up surprisingly well, in Standard & Poor's view, the earnings from the large commercial, reinsurance, and motor businesses have reached the top of their cycle, with the latter not unexpectedly beginning to be negatively affected by competitive pressures. Overall, Standard & Poor's expects a non-life combined ratio below 95% in 2008 and 2009, with underlying ROE remaining around its current high level.

Investments: Very Strong, Albeit Slightly Less Conservative

Table 3

Mapfre Group/Investment Statistics*

	--Year ended Dec. 31--				
(Mil. €)	**2007**	**2006**	**2005**	**2004**	**2003**
Bonds & other fixed interest securities	21,764.0	20,169.0	19,834.3	16,576.3	12,009.9
(Insurance & reinsurance receivables)/total assets (%)	6.7	6.6	6.8	6.3	7.0
Underwriting cash flow ratio (old basis) (%)	110.8	110.5	121.7	118.4	122.0
Cash & bank deposits	1,639.4	1,422.0	1,424.5	1,453.9	2,113.4
Change in cash & bank deposits	217.0	(3.0)	(29.4)	(659.5)	324.3
Total investments	29,025.0	26,521.0	25,374.3	22,497.7	18,278.2
Total non-linked investments (%)	98.8	99.0	98.8	98.4	97.6
Investment in affiliates (%)	1.2	1.0	0.9	0.8	2.1
Bonds and other fixed-interest securities (%)	75.9	76.8	79.1	74.9	67.3
Mortgages (%)	0.0	0.0	0.0	0.0	0.1

Table 3

Mapfre Group/Investment Statistics*(cont.)					
Equities and other variable interest securities (%)	8.5	8.9	6.8	6.9	6.9
Property (%)	6.1	6.0	5.4	5.4	6.0
Cash and bank deposits (%)	5.7	5.4	5.7	6.6	11.9
Loans and private placements (%)	0.0	0.0	0.0	0.0	1.3
Other investments (%)	2.50	1.90	2.0	5.4	4.4

*2003-2005 data relates to Sistema Mapfre (Consolidated), and therefore the 2006-2007 figures are not directly comparable with prior years.

Strategy

Standard & Poor's regards Mapfre's investments as very strong (see table 3). Investment strategy has traditionally been very conservative, with a strong focus on quality and liquidity, although there are signs of a slightly more aggressive stance in holdings of equities.

Credit risk

Credit risk is low, with just under 80% of the predominantly bond-based portfolio rated 'AA' or higher. Apart from credit and sovereign ratings, the group uses indicators such as breakdown by geography, type of entity, and sector to control credit risk.

Market risk

Market risk is generally low, although it has increased following a raising of the equities exposure cap in 2006 to 25% of the portfolio value. In 2007, the bulk (76%) of the portfolio was invested in bonds, followed by equities (9%), property (6%), and cash and bank deposits (6%). However, 2008 has seen a more aggressive stance in holdings of equities, which have risen to over 15%. Equity investments are mainly held via mutual funds investing almost entirely in listed companies. A holding in Italian government bonds gives rise to some investment concentration risk, although this is being reduced.

Asset-liability management

Given the strong regulatory control in this area, asset-liability management is not regarded as a major issue, except to a small extent in the life and funeral expense classes, where the average duration of assets exceeds liabilities by about two years. There exists a theoretical exposure to interest rate risk arising from life insurance contracts carrying guaranteed rates of return above the risk-free rate of 3%, but these liabilities represent only a very small proportion of the total and in any case are matched by corresponding assets. Liabilities deriving from the pensions externalization process are matched through swaps.

Liquidity: Very Strong

Liquidity is very good, given the high percentage of readily realizable assets. Mapfre invests mainly in highly liquid government and corporate bonds. The ratio of liquid assets to technical reserves remained virtually stable at 106.5% in 2007. The current profitability of the group is generating strong positive cash flows, while there is ready access to bank facilities, as evidenced by the syndicated loan facility provided for the acquisition of CGI.

Capitalization: More Aggressive Use Of Capital Expected

The goodwill resulting from the series of acquisitions has weakened the Mapfre group's consolidated capitalization to a level where it no longer supports the ratings. Nevertheless, the quality of capital remains very strong, supported by the 2007 hybrid equity issue, very strong earnings, improved fungibility of capital, adequate reserving, and a conservative use of reinsurance. Capital adequacy is expected to return to a level more supportive of the ratings by early 2009.

Capital adequacy

The capital adequacy ratio according to Standard & Poor's risk-based model has fallen to a level where it no longer supports the ratings. While Standard & Poor's view of capital adequacy reflects very strong earnings generation, the goodwill resulting from the series of acquisitions, most recently that of CGI, has caused a weakening from the historically very strong level. Offsetting this is an improved fungibility of capital derived from the Caja Madrid restructuring.

Quality of capital

Quality of capital is very strong, with the high equity component reinforced by a €700 million hybrid equity issue in 2007, with a further issue expected to refinance the short-term funding of the CGI acquisition. Quality of capital is reinforced by the relative lack of exposure to equity market volatility and to catastrophe risks in Spain, its largest market, although the increasing geographical expansion of Mapfre Re is raising the previously relatively low exposure to such risks elsewhere.

Reserves

Standard & Poor's considers the group's reserves to be adequate, particularly for its Spanish business. 2007 reserves were slightly higher than in 2006, with the ratio of non-life technical reserves to net premiums written at about 97%. While this figure may not appear at first sight to be particularly high, this can be explained by Mapfre's speed of claims settlement and its predominantly short-tail book of business: the reserving policy is in fact conservative, as confirmed by external actuarial reviews.

Reinsurance

The Mapfre group's use of reinsurance is low but conservative, with Mapfre Re being the group's reinsurer. The reinsurance utilization ratio reduced slightly to a low 10.5% in 2007. The ultimate net retention level is conservative, and the retrocessionaires used by Mapfre Re are of excellent quality.

Prospective

Standard & Poor's view of capitalization is reinforced by the strength of Mapfre's earnings. Consequently, Mapfre is expected to address the weakening capitalization by returning capital adequacy to a level more supportive of the ratings by early 2009, with further debt issues expected to fall within the existing debt tolerances. We do not expect any additional material acquisitions. Standard & Poor's also expects fixed-charge coverage at the group consolidated level to be maintained at a minimum of 15x and hybrid equity leverage to be less than 25%.

Financial Flexibility: Very Strong Following Restructuring

Table 4

Mapfre Group/Financial Statistics*

	--Year ended Dec. 31--				
(Mil. €)	**2007**	**2006**	**2005¶**	**2004¶**	**2003¶**
New solvency measure	1.4	1.4	1.4	1.3	1.1
Total adjusted equity/total assets (bps)	1,582	1,584	1,463	1,393	1,265
Total adjusted equity	5,291	4,893	4,466	3,696	2,712
Change in adjusted equity (%)	8.1	13.2	20.8	36.3	16.3
Total capital	6,810	5,701	5,082	4,187	3,149
Equity minorities (%)	31.3	24.4	43.6	45.0	60.7
Debt and subdebt (%)	22.9	20.3	42.9	44.2	40.7
Reinsurance exposure ratio (%)	22.1	22.1	22.5	17.8	26.4
Investment leverage (incl. all quasi capital) (%)	85.9	85.6	74.0	78.7	98.4
Debt/capital (excl. policyholder capital) (%)	22.3	14.2	12.1	11.7	13.9
Reinsurance utilization ratio (%)	10.6	11.1	10.7	11.2	9.3
Non-life net technical reserves/gross technical reserves (%)	70.3	70.9	73.1	74.9	74.6
Non-life technical reserves/NWP (%)	96.8	95.1	97.8	66.8	65.3
Non-life loss reserves/NWP (%)	32.9	32.0	50.5	30.5	29.5
Non-life net claims paid/ net claims incurred (%)	99.2	98.9	86.2	89.9	91.8
Life technical reserves/net written premiums (%)	589.6	654.0	674.0	724.0	722.6

*All reinsurance business has been classified as non-life business for the purposes of our analysis. This includes some life business which will affect the numbers and ratios in this report. ¶2003-2005 data relates to Sistema Mapfre (Consolidated), and therefore the 2006-2007 figures are not directly comparable with prior years. bps--basis points. NPW--Net premiums written.

Mapfre's financial flexibility (defined as the ability to source capital relative to capital requirements) is regarded as very strong (see table 4). Following the corporate restructuring over the last year or so, Mapfre S.A. is now able to raise capital more effectively. This has been demonstrated by the 2007 hybrid debt issue, as well as by the more recent syndicated loan facility arranged with eight European banks, with a further debt issue planned within existing tolerances. Financial flexibility is also derived from the agreement with Caja Madrid, which may be a source of additional capital if needed. An additional potential source of capital is Fundación Mapfre, the ultimate shareholder, which has the ability to subscribe to any further share issue.

Ratings Detail (As Of August 29, 2008)*	
Operating Company Covered By This Report	
Mapfre Empresas, Compania de Seguros y Reaseguros, S.A.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Counterparty Credit Rating	
Local Currency	AA/Stable/--
Domicile	Spain

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

Additional Contact:
Insurance Ratings Europe; InsuranceInteractive_Europe@standardandpoors.com

Additional Contact:
Insurance Ratings Europe; InsuranceInteractive_Europe@standardandpoors.com