STANDARD & POOR'S

RATINGSDIRECT®

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Mapfre Group

Primary Credit Analyst:
Angelo Sacca, London (44) 20-7176-7073; angelo_sacca@standardandpoors.com

Secondary Credit Analyst:
David Laxton, London (44) 20-7176-7079; david_laxton@standardandpoors.com

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Mapfre Group

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 in core regions of Latin America.
- Very strong capitalization.
- Positive management.

Weaknesses:

- Challenging operating environment in Spain, Mapfre's core market.

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 Mapfre's very strong operating performance, its very strong competitive position in Spain and Latin America, and its very strong capitalization, together with its management, which Standard & Poor's Ratings Services considers as positive for the ratings. These factors are partially offset by the challenging operating environment in Spain, Mapfre's core market.

Despite the challenging operating environment, we believe that Mapfre's operating performance remains very strong, thanks to a remarkable underwriting performance across all business units, a conservative investment strategy, and the positive impact of recent acquisitions. The quality of earnings continues to improve, as strong business-line diversification is paired with increasing geographical diversification. Net income before minorities was €995.9 million in 2008, which corresponded to a return on equity (ROE) of 17.6%. In Standard & Poor's view, 2009 full-year earnings will be slightly under pressure owing to the severe recession in Spain and to lower income from investments. However, because of the reasons stated above, we believe that Mapfre will post a net income in the region of €1 billion and deliver a ROE in excess of 14%.

The Mapfre group has a very strong competitive position. It currently has a presence in 45 countries and is the leading Spanish insurance group, with an overall market share of 13.8% at the 2008 year-end. Mapfre is also one of the strongest groups in Latin America, where it has a direct insurance presence in 13 countries. Underpinning the group's very strong competitive position are: its strong and diversified distribution network in Spain, its own distribution network in Latin America, and its increasing expansion outside its traditional markets, most notably the U.S.

We consider the Mapfre group's consolidated capitalization as very strong. According to Standard & Poor's risk-based capital model, capital adequacy has rebounded to a level that we consider more supportive of the ratings. Furthermore, we believe that quality of capital remains very strong, supported by the 2007 hybrid equity issue, improved fungibility of capital, adequate reserving, and a conservative use of reinsurance. In our opinion, the de-risking and capital management actions that Mapfre initiated in 2008, together with the retained earnings, will restore capital to historically very strong levels by the end of 2009.

We consider management as a positive factor 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, in our view, this reputation will be put to the test by its recent more aggressive growth and acquisition strategy outside Mapfre's core regions, with the associated risks that such a strategy entails.

Outlook

The stable outlook reflects our view that Mapfre's earnings and management of capital will restore capitalization somewhat closer to historical levels by the end of 2009. We believe that, notwithstanding prospectively lower investment returns, more challenging economic conditions in Mapfre's core markets--Spain and Latin America--and the current competitive pressures in Spain, Mapfre will post net income in the region of €1 billion and an underlying ROE in excess of 14% at 2009 year-end, a marginal improvement of these values is expected in 2010. From an underwriting perspective, the ratings assume a combined ratio below 96% in 2009 and 2010. Over the longer term, we have slight concerns that Mapfre's very strong earnings quality may be diluted by weakening profitability in the Commerce Group (main operating entities are rated A/Stable/--) in the light of stronger competitive pressures in its home state of Massachusetts. Should this weakening in earnings quality occur to any significant degree, then it may lead to the ratings being lowered. We currently see no potential upside to the ratings.

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., which is the new parent company of the group and is fully owned by Fundación Mapfre, a charitable foundation. Corporación Mapfre was renamed Mapfre S.A. (A+/Stable/--) and remains the group's listed entity. As a result of this restructuring, Mapfre S.A. now controls all the operating companies of the group, and is itself ultimately 64.1%-owned by Cartera Mapfre. A further restructuring at the beginning of 2008 resulted in Mapfre S.A. 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; A/Negative/A-1). In exchange for this, 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 international direct insurance subsidiaries operating outside of Latin America, including the Commerce Group in the U.S. Consequently, Mapfre S.A. now owns all of the group's operating companies in Spain, including Mapfre Vida (not rated), Mapfre Empresas, which at the end of 2008 absorbed Mapfre Agropecuaria, the agricultural and livestock insurance business and 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 and homeowners business in Spain. Mapfre SA also owns 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. €)	**2008**	**2007**	**2006**	**2005**	***2004**
Total Assets Under Management	47,759	44,820	38,988	36,552	31,481
Annual change (%)	6.6	15.0	6.7	16.1	--
NL: gross premiums written (GPW)	10,982	9,384	8,531	5,337	4,501
Annual change (%)	17.0	10.0	59.8	18.6	--
NL: net premiums written (NPW)	9,572	8,165	7,400	4,285	3,554
Annual change (%)	17.2	10.3	72.7	20.6	--
L: GPW	3,322	2,926	2,401	1,923	1,912
Annual change (%)	13.5	21.9	24.9	0.6	--

*2004-2005 data relate to Sistema Mapfre (Consolidated), therefore 2006-2007 figures are not directly comparable with prior years. All figures prepared under IFRS. Before 2004, figures were prepared under Spanish GAAP, hence year-on-year percentage variations cannot be calculated.

The Mapfre group has a very strong competitive position (see table 1). It is currently present in 45 countries and is the leading Spanish insurance group, with an overall market share of 13.8% at the 2008 year-end. Mapfre is also one of the strongest groups in Latin America, where it has a presence in 13 countries. Underpinning the Mapfre group's very strong competitive position are: its strong and diversified distribution network in Spain, a sizable distribution network in Latin America, and its increasing expansion outside its traditional markets. In 2008, more than 40% of gross premiums written (GWP) derived from business outside Spain.

Spanish operations

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. Mapfre Vida ranked as the third-largest life insurer in Spain in 2008, with a market share of about 10% and is also the largest asset manager among Spanish insurers. Mapfre Familiar is the largest underwriter of motor business in Spain of which it has a market share in excess of 20%, and it is also 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. 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 3,200 offices for the sales activities of the various Mapfre businesses. Life products are also distributed via joint ventures and agreements with Spanish banks, most notably Caja Madrid, and via a specialized network of agencies that target middle-to-high income individuals. Distribution of life products could benefit from more effective cross-selling initiatives to Mapfre Familiar's massive client base

International business

The Mapfre group is one of the largest players in Latin America. Further expansion of Mapfre's tied agent network, together with distribution agreements with financial and nonfinancial entities, contributed to growth of nearly 24% in Latin American premium volumes in 2008, consolidating its position as the largest non-life insurer in the region, with a 6.1% share (2007 figures). The most international of the Mapfre group companies is Mapfre Asistencia, which has a direct presence in 45 countries. Following the acquisition in 2007 of Genel Sigorta in Turkey, in June 2008, Mapfre completed its largest acquisition to date, that of Commerce, which is a significant and entrenched player in Massachusetts with privileged access to various American Automobile Association organizations. Further geographical and business diversification is provided by Mapfre Re, the group's reinsurance arm.

Prospective

We anticipate that Mapfre group will maintain its very strong competitive position by consolidating its market-leading positions in Spain and Latin America, as well as by completing the integration of its more recent acquisitions. Domestically, whilst a protracted recession of the Spanish economy might hinder volume growth prospects, we believe that Mapfre should still outperform the market if it leverages on its main competitive advantages and if it exploits the full potential of cross-selling to its large customer base. Internationally, the recent period of expansion is expected to move to one of consolidation as the Turkish and U.S. acquisitions are fully brought into the Mapfre fold, while similar considerations apply to Latin America, where the opening of new branch offices is now tailing off. Longer term, we anticipate that the Commerce operation will be used as a springboard for cautious expansion in personal lines in certain U.S. states. We believe that in the medium term, Mapfre's increasing focus on international operations will result in a higher contribution of these businesses to top- and bottom-line growth.

Standard & Poor's expects the completion of the Commerce acquisition and the growth of the other business units to contribute to an overall premium increase of about 10% in 2009 and 7% in 2010.

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

We view Mapfre's management 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 more recent acquisition strategy outside Mapfre's traditional core regions, with the associated risks that such a strategy entails.

Strategy

Mapfre's long-term strategy continues to be centered on strengthening the group, which has largely moved away from 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. In addition, the announced creation of Mapfre Global Risks, as a separate unit, reflects the group's intention to compete in the international large corporate insurance market.

The recent growth and acquisition strategy, which we view as more aggressive than previously, is likely to decline in the short term to allow management to focus on the consolidation of newly acquired businesses. While Standard & Poor's sees little strategic risk in further small-scale acquisitions in Spain, we believe that the acquisition of Commerce, 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

We view the major corporate restructuring that has taken place over the past few years as a logical step 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 (IT) platform, should enable Mapfre to build on its existing operating strengths in tight cost-control policies: centralized reporting of underwriting, investment, and planning. These, along with other group strengths such as training, transfer of expertise, and pricing, are being put to the test by the recent acquisitions. Nevertheless, we have noted some significant progress in the integration of newly acquired businesses in areas such as financial reporting and controls, internal audit, and IT. From these first steps, we feel that Mapfre is on track to align these companies with minimal business disruption.

Financial management

We believe that financial strategy was historically conservative, although capital is now being managed more actively. The group maintains a good level of capitalization for all subsidiaries, and is enhancing this process via capital allocation based on internal capital models. The increased level of debt to finance the acquisitions has pushed the financial leverage and the economic fixed-charge coverage ratios, at 28% and 9x, respectively, at the 2008 year-end; the former is slightly outside the rating category tolerance range. Nevertheless, we view Mapfre's conscious efforts to reduce its outstanding debt favorably.

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 small excess over the minimum regulatory capital requirements in most of these countries, while balance sheet currency risk is well managed.

Enterprise Risk Management: Adequate With Strong Risk Controls

We consider enterprise risk management (ERM) in the Mapfre group as adequate overall, with strong risk controls for most of its major risks. ERM is currently of moderate importance to the group's overall rating; however, its importance is increasing in line with the group's more active capital management strategy and expansion into new markets and product lines. 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 we assess this as strong. The group's risk culture is robust, but our assessment is currently held back to adequate as it has not articulated its risk appetite in a comprehensive framework. We also question the group's ability to spread the positive risk management culture across all entities in the group, although we feel that the appointment of risk managers in each subsidiary and the implementation of ERM training programs help diminish this. A group project is underway to develop this as part of the 2009 planning process. While the appointment of the General Manager as group CRO is likely to contribute positively to ERM implementation, we have reservations about a General Manager fulfilling this role on a continuing basis in a group of Mapfre's size. An economic capital framework has been successfully piloted in Mapfre Re and is being rolled out to some other group subsidiaries. The group already uses return on risk-adjusted capital (RORAC) approaches in its pricing and planning processes; however, as these are still broadly based on the Standard & Poor's risk-based capital (RBC) model rather than on its internal assessment of risk, this holds back its Strategic Risk Management score to adequate. The group is acquisitive and risk concerns are a key part of these considerations.

The controls over the group's underwriting processes are generally regarded as strong and are based on a clear articulation of limits, authorizations and so on against the group's minimum standards. Local underwriters can write most business locally; however, more complex 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. The group uses regular external actuarial reviews to ensure that reserves are appropriate and makes substantial use of Mapfre Re for all reinsurance needs. We consider Mapfre Re's process for assessing its outward programs to be strong as it uses its internal capital model to decide on the best program that will bring 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 (IFRS), although for regulatory purposes the Mapfre group still reports under Spanish generally accepted accounting practices (GAAP), which now closely resemble IFRS. We have used economic capital available (ECA) as a basis for our debt leverage calculations and total adjusted capital available (TAC) in our risk-based capital model.

Standard & Poor's capital computation involves various adjustments to the group's 2008 reported (IFRS) amounts, the most material changes included:

- Equity credit given to the off-balance-sheet value of business in-force before minorities;
- Credit for off-balance-sheet unrealized gains and losses on real estate investments; and
- Adding the discount of non-life loss reserves to ECA.

In adjusting the 2008 ECA to TAC, the most material changes include:

- Deduction of goodwill included in the balance sheet (€1.6 billion);
- Deduction of 50% of the off-balance-sheet value in force before minorities; and
- Adjustment for the capital tied up in the group's participating life business, which we regard as partly nonfungible.

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

Table 2

Mapfre Group/Operating Statistics*

	--Year-ended Dec. 31--				
(Mil. €)	**2008**	**2007**	**2006**	***2005**	***2004**
NL: Gross combined ratio (%)	92.0	90.4	88.9	93.5	86.6
NL: Gross loss ratio (%)	69.2	68.2	67.3	72.9	67.1
NL: Net combined ratio (%)	94.2	93.0	94.2	97.5	95.6
NL: Net loss ratio (%)	68.8	68.1	69.1	69.5	67.9
NL: Net expense ratio (%)	25.4	25.0	25.1	28.0	27.7
NL: three-year average combined ratio	93.8	94.9	95.8	96.6	98.0
NL: Return on revenue (%)	12.0	14.6	12.7	8.2	9.4
L: Smoothed pretax before bonus ROA (bps)	161.0	129.2	120.3	99.5	112.0
L: Post-tax return on technical reserves (bps)	156.0	125.2	114.1	92.0	94.0
L: Pretax pre-bonus life technical result on life reserves (bps)	182.4	146.0	133.8	110.8	123.9

Table 2

Mapfre Group/Operating Statistics* (cont.)					
Return on equity (ROE)--reported equity (%)	17.6	18.2	19.5	13.4	14.8
Five-year average ROE--reported equity (%)	16.7	16.2	14.8	12.9	12.2
Change in adjusted equity/total adjusted equity (%)	14.5	11.1	59.9	20.8	36.3
Retained profit/total equity (%)	8.7	7.6	10.9	8.5	13.1
Cons: EBITDA (excl. nonrecurring)/total capitalization (%)	16.7	21.0	24.2	18.8	23.1

bps--Basis points. *2004-2005 data relate to Sistema Mapfre (Consolidated), therefore 2006-2007 figures are not directly comparable with prior years. All figures prepared under IFRS. Before 2004, figures were prepared under Spanish GAAP, hence year-on-year percentage variations cannot be calculated.

Mapfre's operating performance continues to be very strong, despite the challenging operating environment, due to a remarkably resilient underwriting performance across all business units, a conservative investment strategy, and the positive impact of recent acquisitions. The quality of earnings continues to improve, as strong business-line diversification is paired with increasing geographical diversification. The 2008 net income before minorities was €995.9 million (€972.1 in 2007), which corresponded to a ROE of 17.6%. As a result of the restructuring involving the Caja Madrid shareholding, net income after minorities increased significantly to €900.7 million in 2008 from €731 million in 2007. In Standard & Poor's view, 2009 full-year earnings will be slightly under pressure owing to an increasingly competitive environment, the severe recession in Spain, and lower income from investments. However, on the basis of the strengths mentioned above, we believe that Mapfre will post a net income in the region of €1 billion and deliver a ROE in excess of 14%.

Underwriting earnings

We believe that the group's Spanish non-life operations, which contributed to about 60% of the overall earnings, delivered another impressive performance in 2008 with the combined ratio down to 88.7% from 89.3% in 2007. The results are even more remarkable given the softening market conditions in both motor and commercial insurance. Outside Spain, the completed expansion of the branch network in Latin America has contributed to a 0.1% reduction in the expense ratio to 36.1%. We expect this trend to continue in 2009, together with a reduction in the loss ratio. Net results for the whole region increased 14% to €114 million from the previous year, a sign that Mapfre's 25-year commitment in the area is bearing some fruit. In life business, new business margins increased to 5.5% (4.2% in 2007), while value added by new business primarily contributed to an increase in the return on European Embedded Value (EEV) to 9.4% from 7.1% in 2007. EEV itself increased to €2,192 million from €1,939 million in 2007, mainly reflecting the inclusion of Caja Duero and the effects of the fall in interest rates. The international unit's combined ratio decreased to 98.6% from 103.5%, reflecting the integration of Commerce (from May 31, 2008) and Genel Sigorta.

Quality of earnings

Quality of earnings is very strong and is reinforced by the increasing diversification derived from the new acquisitions. ROR decreased marginally to 9.6% in 2008, 10% if we include realized gains, from 11.5% in 2007. Nevertheless, in our view the five-year average is a high 9.6%, which is evidence of the continuity of Mapfre's results.

The group's well-diversified sources of earnings are reflected in its bottom-line return, with all units again recording strong profit levels. At the 2008 year-end, Mapfre generated approximately 25% of its profits from operations outside Spain; this figure increased in the first half of 2009 and we expect it to reach about one-third at the end of 2009. The benefits of a prudent investment strategy are reflected in the return from investments, which increased to a respectable 5.4%, despite the turbulence in the financial markets.

Prospective

Standard & Poor's expects the Mapfre group's operating performance to remain very strong. This expectation is currently borne out by the positive €530.6 million net result as at the first half of 2009, which remained in line with the same period in 2008, despite the difficult operating environment. 2009 full-year earnings are expected to show an improvement from last year in the region of 10% as a result of the full consolidation of Commerce's 12-month earnings, a weaker yet solid performance of the Spanish operations, and the growing contribution of the Latin American business. This unit will benefit from higher margins deriving from cost-cutting initiatives, higher volumes, and lower distribution costs owing to the expanded branch network. We anticipate that results of the life business in Spain will be the most affected by the economic and the financial climate, in line with the overall sector performance. Low interest rates and reduced consumer spending are likely to dampen volumes and returns in this segment.

Although they have held up surprisingly well, in Standard & Poor's view, earnings from the large commercial, reinsurance, and motor businesses have reached the top of their cycle, with the latter, as expected in our opinion, being pressured by the competitive landscape.

On a consolidated basis, Standard & Poor's expects a non-life combined ratio below 96% in 2009 and 2010, with underlying ROE remaining well above 14% in both years.

Investments: Very Strong, Albeit Slightly Less Conservative

Table 3

Mapfre Group/Investment Statistics*

	--Year-ended Dec. 31--				
(Mil. €)	**2008**	**2007**	**2006**	***2005**	***2004**
Bonds & other fixed interest securities	24,205	21,764	20,169	19,834	16,576
Underwriting cash flow ratio (old basis) (%)	102.3	110.8	110.5	121.7	118.4
Cash & bank deposits	1,415	1,639	1,422	1,425	1,454
Change in cash & bank deposits	(224.4)	217.0	(3.0)	(29.4)	(659.5)
Total Investments	31,023	29,025	26,521	25,374	22,498
Total non linked investments (%)	98.5	98.8	99.0	98.8	98.4
Investment in affiliates (%)	1.1	1.2	1.0	0.9	0.8
Bonds and other fixed interest securities (%)	79.2	75.9	76.8	79.1	74.9
Mortgages (%)	0.0	0.0	0.0	0.0	0.0
Equities and other variable interest securities (%)	4.8	8.5	8.9	6.8	6.9
Property (%)	6.1	6.1	6.0	5.4	5.4
Cash and bank deposits (%)	4.6	5.7	5.4	5.7	6.6
Derivatives (%)	0.1	0.0	0.0	0.0	0.0
Other investments (%)	4.1	2.5	1.9	2.0	5.4

*2004-2005 data relate to Sistema Mapfre (Consolidated), therefore 2006-2007 figures are not directly comparable with prior years. All figures prepared under IFRS. Before 2004, figures were prepared under Spanish GAAP, hence year-on-year percentage variations cannot be calculated.

Strategy

Standard & Poor's regards Mapfre's investments as very strong (see table 3). Investment strategy has traditionally been very conservative with a focus on quality and liquidity, and low credit and market risks.

Credit risk

Credit risk is low, with over 70% of the bond 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 has decreased following a divestment of equities from 9% in 2006 to less than 5% of the total invested assets at the 2008 year-end. The concentration risk arising from holdings in fixed-income investments in Eurozone sovereign paper (other than Spain) has been reduced.

Asset-liability management

Given the strong regulatory control in this area, we do not consider asset-liability management to be 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 is 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 105% in 2008. The current profitability of the group has generated strong cash flows, albeit not as positive as in 2007. Mapfre has ready access to bank facilities, as evidenced by the syndicated loan facility provided for the acquisition of Commerce, as well as committed credit lines. In addition, the group holds around €1.5 billion in cash and cash equivalents.

Capitalization: Restored To A Very Strong Level

Standard & Poor's views Mapfre's capitalization as very strong. According to Standard & Poor's risk-based capital model, capital adequacy has rebounded to a level more supportive of the ratings.

We believe that the quality of capital remains very strong, supported by the 2007 hybrid equity issue, improved fungibility of capital, adequate reserving, and a low reliance on reinsurance. In our opinion, the de-risking and capital management actions that Mapfre initiated in 2008, together with the retained earnings, will restore capital to historically very strong levels by the end of 2009.

Capital adequacy

The capital adequacy ratio according to Standard & Poor's risk-based model has rebounded to the 'AA' range. We believe that risk mitigation and capital preservation actions undertaken by Mapfre's management have made significant progress toward improving the group's capital position.

Quality of capital

Quality of capital is very strong, with the high equity component reinforced by a €638 million hybrid equity issued in 2007. Quality of capital is further strengthened 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. Large outstanding debt levels, which in our opinion impair the quality of capital, have been significantly reduced over the course of 2009.

Reserves

Standard & Poor's considers the group's reserves to be adequate, particularly for its Spanish business. The ratio of non-life technical reserves to net premiums written was about 97% at the 2008 year-end. While this figure may not appear at first sight to be particularly high, this can be explained by Mapfre's predominantly short-tail book of business and the speed of its claims settlement; the reserving policy is in fact conservative, as confirmed by external actuarial reviews.

Reinsurance

The Mapfre group's reliance on reinsurance is low, with Mapfre Re being the group's reinsurer. The reinsurance utilization ratio remained stable at 10.5% in 2008. The ultimate net retention level is conservative, and the retrocessionaires used by Mapfre Re are of excellent quality.

Prospective

We expect capital to remain at very strong levels in the next few years. Standard & Poor's view of capitalization is reinforced by the strength of Mapfre's earnings. Furthermore, de-risking actions such as the reduction of the weight of equity investments and of the concentration risk arising from the exposure to Eurozone sovereigns (other than Spain), and capital management transactions such as the dividend reinvestment plan will significantly contribute to further strengthen the capital. Total debt issued is expected to fall within the existing debt tolerances and we do not anticipate any additional material acquisitions.

Financial Flexibility: Very Strong

Table 4

Mapfre Group/Financial Statistics*

	--Year-ended Dec. 31--					
(Mil. €)	**2008**	**2007**	**2006**	***2005**	***2004**	***2003**
New Solvency Measure	1.3	1.4	1.4	1.4	1.3	1.1
Total Adjusted Equity/ Total Assets (bps)	1,643	1,783	1,584	1,463	1,393	1,265
Total adjusted equity	6,022	6,003	4,893	4,466	3,696	2,712
Change in adjusted equity (%)	0.3	22.7	13.2	20.8	36.3	16.3
Total capital	9,067	7,523	5,701	5,082	4,187	3,149
Equity Minorities (%)	25.1	31.3	24.4	43.6	45.0	60.7
Investment leverage (incl. all quasi capital) (%)	63.7	80.9	82.9	74.0	78.7	98.4
Debt/capital (excl. p/h capital) (%)	33.6	20.2	14.2	12.1	11.7	13.9
Reinsurance utilization ratio (%)	10.6	10.6	11.1	10.7	11.2	9.3
NL: Net technical reserves/gross technical reserves (%)	70.4	70.3	70.9	73.1	74.9	74.6
NL: Technical reserves/net premiums written (NPW) (%)	96.9	96.8	95.1	97.8	66.8	65.3
NL: Loss reserves/NPW (%)	32.6	32.9	32.0	50.5	30.5	29.5

Table 4

Mapfre Group/Financial Statistics* (cont.)						
NL: Net claims paid/ net claims incurred (%)	99.2	99.2	98.9	86.2	89.9	91.8
L: Technical Reserves /NPW (%)	528.9	589.6	654.0	674.0	724.0	722.6

bps--Basis points. *2004-2005 data relate to Sistema Mapfre (Consolidated), therefore 2006-2007 figures are not directly comparable with prior years. All figures prepared under IFRS. Before 2004, figures were prepared under Spanish GAAP, hence year-on-year percentage variations cannot be calculated.

We consider Mapfre's financial flexibility (defined as the ability to source capital relative to capital requirements) as very strong, although slightly weakened in the current capital market environment (see table 4). Following the corporate restructuring in 2008, Mapfre S.A. is now able to raise capital more effectively. This was demonstrated by the 2007 hybrid debt issue, as well as by the more recent €1 billion syndicated loan facility arranged with 16 European banks. Financial flexibility is also enhanced by 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 27, 2009)*	
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

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