

August 31, 2007

Mapfre S.A.

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Mapfre S.A.

Major Rating Factors

Strengths:

- Very strong operating performance providing extremely strong interest coverage
- Very strong competitive position in Spain and Latin America
- Diversified income streams from subsidiaries in Spain and 39 other countries offering insurance, reinsurance, financial services, real estate, and related services
- Strong capitalization, reflected in very strong capital adequacy and low levels of group debt relative to that of peers

Weaknesses:

- Possible regulatory restrictions on capital flows from group operating subsidiaries to holding company

Counterparty Credit Rating
Local Currency
A+/Stable/--

Rationale

The 'A+' long-term counterparty credit rating on Spain-based Mapfre S.A. (formerly Corporación Mapfre) reflects its status as the holding company for the Mapfre insurance group (Mapfre), of which core operating entities include Mapfre Re, Compañía de Reaseguros, S.A. (Mapfre Re; AA/Stable/--) and Mapfre Empresas, Compañía de Seguros y Reaseguros, S.A. (Mapfre Empresas; AA/Stable/--). The rating on Mapfre S.A. therefore reflects the financial strength characteristics of the Mapfre group, which are based on its very strong operating performance, very strong competitive position in Spain and Latin America, and strong (albeit weakened) capitalization, together with its management, which Standard & Poor's Ratings Services considers as positive for the ratings. These factors are offset by the group's recent more aggressive growth and acquisition strategy.

Positive stand-alone rating factors for Mapfre S.A. are its strongly diversified income streams, strong debt-servicing ability, and very strong earnings. These positive factors are offset by the structural subordination of creditors to policyholders of the Mapfre group's operating entities and the possibility of regulatory limitations on the group's ability to upstream capital to the holding company to service principal and interest. In practice, the dividend flows from the large number of subsidiaries would reduce the impact of regulatory action taken on any one subsidiary.

Liquidity

Mapfre S.A.'s liquidity reflects that of the Mapfre group. Although Mapfre S.A. has few liquid assets of its own, Standard & Poor's believes that the overall liquidity of the Mapfre group is very strong, based on its very positive net operating cash flow ratio of 123% in 2006 and on the high percentage of readily realizable assets held within the group: Mapfre invests mainly in highly liquid government and corporate bonds and, at the group level, technical reserves are more than matched by liquid assets (by 105.8%).

Mapfre S.A.'s principal sources of liquidity include dividend payments from its main operating subsidiaries and the Mapfre group's financial flexibility (defined as the ability to source capital relative to requirements). Standard & Poor's believes the group could generate additional liquidity in light of its very strong financial flexibility. Further

potential sources of liquidity are the group's €500 million revolving debt facility arranged with eight European banks, and also Caja de Ahorros y Monte de Piedad de Madrid (AA-/Stable/A-1), a 49% shareholder in Mapfre S.A.'s subsidiary, Mapfre Caja Madrid Holding.

Outlook

The stable outlook reflects Standard & Poor's expectation that Mapfre S.A. will continue to occupy a central role within the Mapfre group, and will continue to benefit from a steady stream of dividends and positive cash flows from operating subsidiaries. The outlook also reflects the additional revenue streams accruing to Mapfre S.A. through the various businesses it acquired following the corporate restructure of the Mapfre group at the end of 2006, although this will be offset by the increased payout ratio derived from the widening of the shareholder base. Overall, Mapfre's financial flexibility has been enhanced by the restructure, and the enlarged Mapfre S.A. should as a result be able to raise capital more effectively.

Financial Profile: More Aggressive Financial Leverage And Capital Management Strategy Than In Prior Years, But Consistent With Rating

Mapfre S.A. is the quoted 72%-owned holding company of the Mapfre group. As the primary financing entity for the group, it was recently the vehicle for the issue of the group's first hybrid debt of €700 million. This followed a senior debt issue of €275 million in 2001.

Financial strategy has historically been conservative, although capital is expected to be managed more aggressively following the restructure. 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 Mapfre S.A. The group's funding includes low levels of debt, with the group's consolidated debt-to-equity ratio standing at 13.8% in 2006, although this will since have been increased following a €700 million hybrid debt issue in July 2007.

Mapfre S.A./Financial Statistics					
	--Year ended Dec. 31--				
(Multiples of coverage)	2006*	2005†	2004†	2003†	2002†
Debt/capital (excl. policyholder capital) (%)	13.8	12.1	11.7	13.9	11.3
Interest coverage (incl. operational debt) (x)	44.6	53.5	67.9	N.A.	N.A.
Interest coverage (excl. operational debt) (x)	71.8	58.1	50.8	39.8	31.3

*Mapfre S.A. pro forma, including businesses contributed from Mapfre Mutualidad de Seguros y Reaseguros a Prima Fija. †2002-2005 data relate to Sistema Mapfre (consolidated). N.A.--Not available/applicable.

Ratings Detail (As Of August 31, 2007)*	
Mapfre S.A.	
Counterparty Credit Rating	
Local Currency	A+/Stable/--
Senior Unsecured	
Local Currency	A+
Subordinated	
Local Currency	A-

Ratings Detail (As Of August 31, 2007)* (cont.)

Counterparty Credit Ratings History

02-Jul-2007	<i>Local Currency</i>	A+/Stable/--
19-Jun-2003		AA-/Stable/--
18-Jul-2002		A+/Positive/--

*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.

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