

## Spain-Based Multiline Insurance Group Mapfre's Proposed Subordinated Notes Rated 'BBB-'

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MILAN (S&P Global Ratings) March 22, 2017--S&P Global Ratings said today that it has assigned its 'BBB-' rating to the proposed subordinated notes of Spain-based multiline insurance group Mapfre S.A. (BBB+/Stable/--).

The notes will have a 30-year term and will be callable after 10 years. We expect the notes will qualify as tier 2 instruments under Solvency II regulation. The rating is subject to confirmation of the notes' final terms and conditions.

The rating reflects our standard notching approach for rating junior subordinated debt issues, which in this instance is two notches below the long-term counterparty credit rating on the issuer. We have analyzed and rated the proposed issuance on the understanding that:

- The noteholders will be subordinated to senior creditors;
- Interest deferral can occur at the option of the issuer;
- Interest deferral is mandatory should the group be unable to continue meeting its minimum regulatory capital requirements; and
- The proposed notes will be eligible as regulatory solvency capital.

Mapfre can exercise a call of the notes in 2027 and on each interest payment date thereafter. The coupon is fixed until the first call date, when it will reset to the three-month Euro Interbank Offered Rate plus the initial margin and a step-up of 100 basis points.

Subject to certain conditions, Mapfre has the option to redeem the notes for tax or accounting reasons, or to exchange, redeem, or vary the terms of the notes for rating methodology or regulatory reasons.

We expect to classify the notes as having intermediate equity content. We include securities of this category, up to a maximum of 25%, in our calculation of total adjusted capital, which forms the basis of our assessment of an insurance company's consolidated risk-based capital. The amount of hybrid capital we include cannot exceed the total eligible as regulatory capital.

We assume that the proposed issue is intended for the group's general corporate purposes. We expect the group's financial leverage and fixed-charge coverage ratios will remain broadly similar to those at year-end 2016.

#### RELATED CRITERIA

- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 07, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 07, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 07, 2010
- Criteria - Financial Institutions - General: Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010
- Criteria - Financial Institutions - Banks: Assumptions: Clarification Of The Equity Content Categories Used For Bank And Insurance Hybrid Instruments With Restricted Ability To Defer Payments, Feb. 09, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

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