MAPFRE, S.A.

And its Main Operating Subsidiaries

Full Rating Report

Ratings

MAPFRE, S.A.

Insurer Financial Strength Rating[a]	A+
Long-Term Foreign-Currency IDR	A-
Senior Unsecured	BBB+
Subordinated	BBB-

[a] Of main operating entities
See full rating list on page 16

Sovereign Risk

Long-Term IDR	A-

Outlooks

Insurer Financial Strength Rating	Stable
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable

Financial Data

MAPFRE, S.A. (Consolidated)

(EURm)	1H19	2018
Gross written premiums	12,528	22,537
Total assets[a]	67,376	61,408
Total equity	10,134	9,198
Net result[b]	542	878
Non-life combined ratio (%)	95.9	97.6

[a] excluding reinsurance assets
[b] before minority interests
Source: Fitch Ratings, MAPFRE

Related Research

Spain (July 2019)

Spanish Insurance in Strong Position (November 2018)

Fitch Ratings 2019 Outlook: Brazilian Insurance (November 2018)

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Key Rating Drivers

Very Strong Business Profile: Fitch Ratings ranks MAPFRE Group's (MAPFRE) business profile as favourable compared with other Europe-based insurance groups and score its business profile at 'aa-'. MAPFRE has a very strong market position in Spain, where it is a leader in the non-life segment, and in Latin America, particularly Brazil. MAPFRE's share of Spanish non-life insurance was 14%, life 8% and Latin American non-life 7% in 2018. This makes it the 11th-largest European and the third-largest Latin American insurance group.

Strong Capital Adequacy: Fitch considers MAPFRE to be well-capitalised, based on a 'Strong' score from the agency's Prism Factor-Based Model (FBM). The group's regulatory Solvency II (S2) ratio also was very strong at 189% at end-1Q19 (end-2018: 190%). Own funds backing the S2 ratio largely consist of unrestricted Tier 1 capital. The FBM score and the S2 ratio exclude MAPFRE's goodwill of EUR1.8 billion at end-1H19, which is equivalent to 18% of total equity, from available capital.

Very Strong Financial Leverage: MAPFRE's financial leverage weakened to 22% at end-2018 from 18% at end-2017, following a EUR500 million issue of a Tier 2 subordinated bond in September 2018. MAPFRE's financial leverage was 23% at end-1H19. Despite the deterioration we view MAPFRE's leverage as 'Very Strong', and lower than that of similarly-rated peers.

Sovereign Risk: MAPFRE's IFS rating takes into account the group's significant exposure to sovereign debt at 178% of total equity at end-1H19 (end-2018: 174%). MAPFRE is also substantially exposed to the Spanish economy as around 60% of its attributable result originates from Spain. However, Fitch believes that MAPFRE's capital is resilient against potential stress from substantial exposure to Spanish sovereign debt.

Resilient Underwriting Performance: MAPFRE's underwriting performance remained resilient in 1H19 and 2018, despite difficulties in some of its core markets, including an economic downturn in Brazil in 2018. The group reported a combined ratio of 95.9% in 1H19 (1H18: 97.4%) and 97.6% in 2018. MAPFRE's target combined ratio is unchanged at 96% or less on average for 2019-21. Fitch expects MAPFRE's technical profitability to remain strong over the next 12-24 months.

Rating Sensitivities

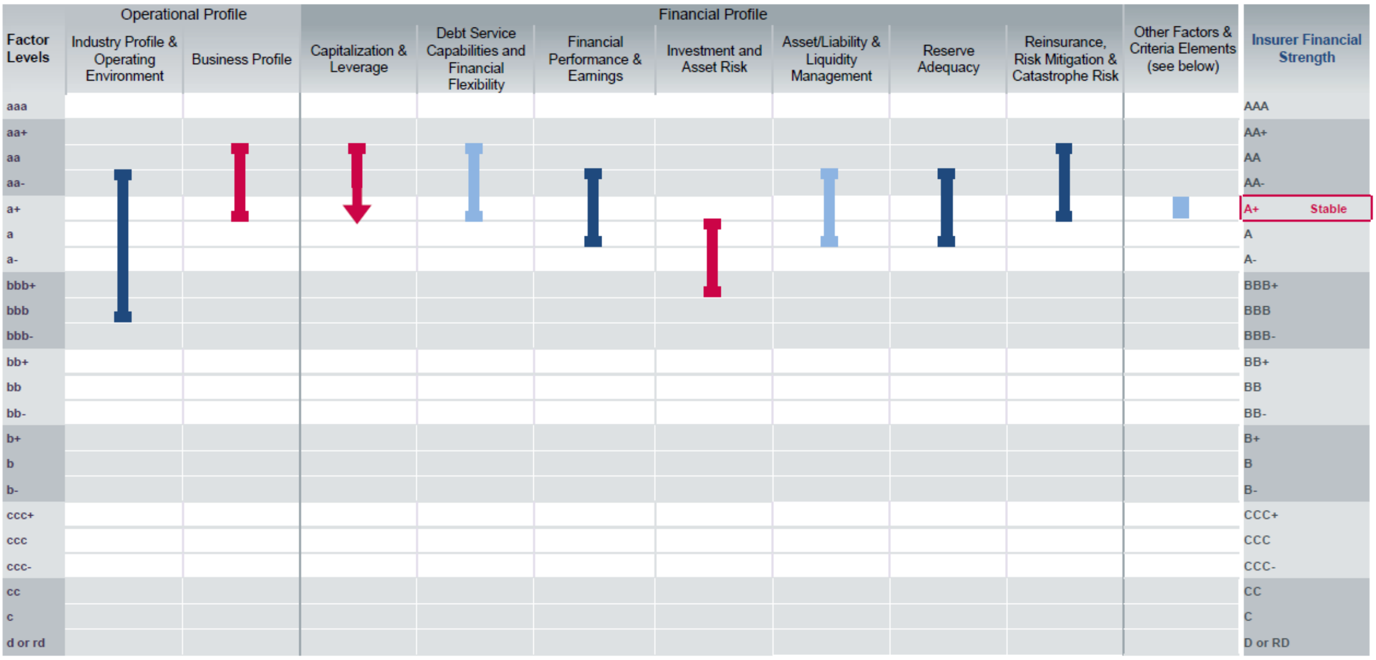
Improved Capitalisation and Profitability: MAPFRE's ratings could be upgraded if the group's capital position improves, as measured by a Prism FBM score of 'Very Strong', and financial performance improves, as measured by net income return on shareholders' equity of 10% or more on a sustained basis.

Weaker Capitalisation, Sovereign Downgrade: MAPFRE's ratings could be downgraded if the group's capital position, as measured by the Prism FBM score, falls below 'Strong' or if Spain's sovereign rating is downgraded by two or more notches.

MAPFRE, S.A.

ESG Relevance:

Insurance Ratings Navigator
European Composite



Other Factors & Criteria Elements				
Provisional Insurer Financial Strength				**A+**
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Corporate Governance & Management	**Effective**	Some Weakness	Ineffective	+0
Ownership	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	AA+	+0
Insurer Financial Strength (IFS)			Final:	**A+**
IFS Recovery Assumption	**Good**			-1
Issuer Default Rating (IDR)			Final:	**n.a.**

Bar Chart Legend:

Vertical Bars = Range of Rating Factor

Bar Colors = Relative Importance
- Higher Influence
- Moderate Influence
- Lower Influence

Bar Arrows = Rating Factor Outlook
- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- □ Stable

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3' – ESG issues are credit neutral or have only a minimal impact on the entity, either due to their nature or the way in which they are being managed by the entity.

For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg.

Related Criteria

Insurance Rating Criteria (January 2019)

Business Profile

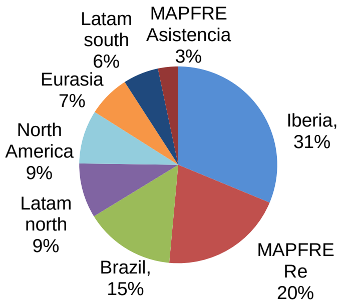
Very Strong Business Profile

Fitch ranks MAPFRE's business profile as 'Favourable' compared to other European-based insurance groups due to its most favourable competitive position and its favourable business risk profile and diversification. Given this ranking, Fitch scores MAPFRE's Business Profile at 'aa-' under its credit factor scoring guidelines.

Strong International Franchise

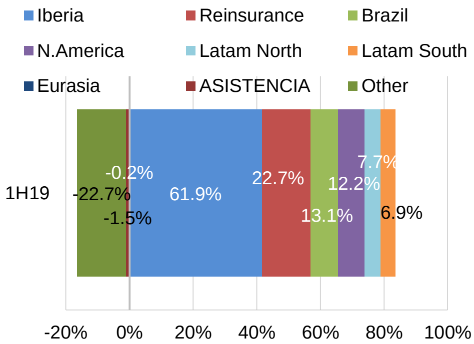
With EUR22.5 billion of gross written premiums (GWP) in 2018, MAPFRE has a strong franchise in Spain and Latin America. It is a market leader in Spain and has a strong presence in Latin America. In non-life and life insurance in Spain, MAPFRE's market shares are 14% and 8%, respectively, and 7% in Latin American non-life. This makes MAPFRE the 11th-largest European insurer and the third-largest insurer in Latin America. Both Spain and Latin America are core regions for MAPFRE and a profitable source of growth.

Total Written Premiums
1H19



Source: Fitch Ratings, MAPFRE 1H19 results presentation

Contribution to Consolidated Results

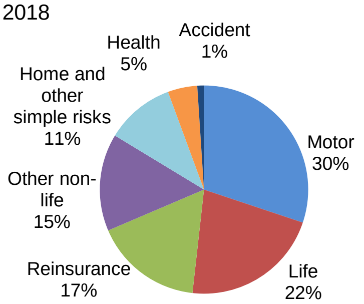


Source: Fitch Ratings, MAPFRE SA

Favourable Business Risk Profile

MAPFRE's business risk profile compares favourably with other European insurance groups. This is because of MAPFRE matching its investments well in regards to duration and currencies of its liabilities, the group's strong capital position and very strong liquidity as well as life insurance premiums making up a relatively small share of MAPFRE's total premium income.

Premium Split by Line of Business
2018



Source: Fitch Ratings, MAPFRE SA annual report 2018

Well Diversified by Products, Sectors and Distribution Channels

MAPFRE underwrites life (including savings), which accounted for 22% of GWP in 2018, and non-life business (excluding reinsurance), which accounted 61% of GWP in 2018. Most of its business is primary insurance, but MAPFRE also acts as a reinsurer through MAPFRE RE, Compania De Reaseguros, S.A. (MAPFRE RE), which accounts for 17% of total GWP.

MAPFRE has multichannel distribution comprising its own branch network, agents, brokers and bancassurance agreements, and a wide geographical presence within Spain and Latin America. Non-life business is predominantly distributed through agents. Life business is distributed through agents and bancassurance partnerships (such as Bankia, Bankinter and Banco do Brasil). Digital distribution plays also an important role in MAPFRE's multi-channel strategy.

Acquisitions Support International Growth Strategy

Outside of Iberia and Latin America, MAPFRE's international insurance operations comprise subsidiaries in North America, EMEA and Asia Pacific. Most of these operations were acquired by MAPFRE to strengthen its presence in these regions.

MAPFRE International Acquisitions

Year	Company	Country
2007	Genel Sigorta	Turkey
2008	The Commerce Group	US
2011	Middlesea Insurance Plc	Malta
2015	Direct Line Insurance S.p.A.	Italy
2015	Direct line Versicherung Aktiengesellschaft	Germany
2016 - 2017	PT Asuransi Bina Dana Arta Tbk (ABDA)[a]	Indonesia
2018	BB MAPFRE[b]	Brazil

[a] Increase in stake in ABDA to 62.3%
[b] Increase in stake in BB MAPFRE SH2 to 100%
Source: Fitch Ratings, MAPFRE

In 2018, MAPFRE reached an agreement with Banco do Brasil to update the terms of their strategic alliance, which started in 2010. Under the agreement, MAPFRE now controls 100% of MAPFRE BB SH2 (which has been renamed MAPFRE SEGUROS), including all businesses from the traditional channel and auto business from the bank channel as well as the renewal rights of the large risks business from the bank channel.

MAPFRE keeps its 25% stake in BB MAPFRE SH1, which focuses on life, agriculture, mortgage life, SMEs and homeowners insurance lines for BB clients, and maintains the large risks run-off portfolio. The acquisition strengthens MAPFRE's position in Brazil and is expected to result in increased profit contribution to the group.

In 2017, MAPFRE acquired a further 42.3% of share capital of the Indonesian insurance company PT Asuransi Bina Dana Arta Tbk (ABDA) for EUR121 million. MAPFRE now holds a major interest in the company with 62.3% of capital and have management control. ABDA is ranked fifth in the country's motor insurance market, with a share of 6.4%.

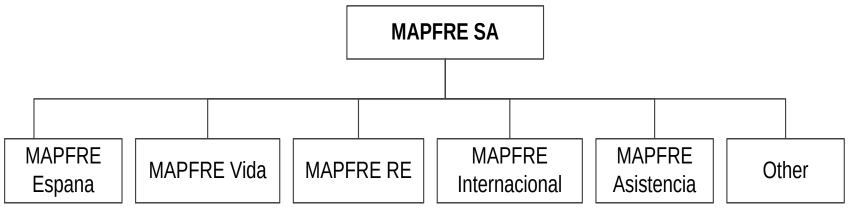
In 2015, MAPFRE completed the acquisition of Direct Line, which was rebranded to Verti, in Italy and Germany, both well-established and growing operations. Verti is a leading company in the Italian direct motor insurance market and the third-largest in Germany's direct motor market. Fitch believes these acquisitions will allow MAPFRE to strengthen its position in Europe and improve its global diversification in line with its profitable growth strategy.

Ownership

MAPFRE, S.A., the holding company of the MAPFRE group, is listed on the Madrid and Barcelona stock exchanges. The group operates in 45 countries through 224 subsidiaries. MAPFRE is a subsidiary of Cartera MAPFRE S.L. Sociedad Unipersonal, which is 100% controlled by Fundacion MAPFRE (FM). At the end of 2018, FM held 68.2%, directly and indirectly, of MAPFRE's capital. The rest is a free float held by local and foreign shareholders.

FM is a non-profit institution created by MAPFRE in 1975, the main purpose of which is to promote the well-being of society and citizens across the company's footprint. FM works to drive economic, social and cultural improvements for society's most disadvantaged people and groups. Its operations focus on five areas: accident prevention and road safety, insurance and social protection, culture, social action and health promotion.

Group Structure



Source: Fitch Ratings, MAPFRE

Capitalisation and Leverage

(EURm)	2014	2015	2016	2017	2018	Fitch's expectation
Total equity (including minorities)	11,469	10,408	11,444	10,513	9,198	Fitch expects MAPFRE to maintain very strong levels of capitalisation and financial leverage.
Regulatory solvency I ratio (%)	259	255	n.a.	n.a.	n.a.	
Regulatory solvency II ratio (%)	n.a.	198	210	200	190	
Total financing and commitments (TFC) ratio (x)	0.2	0.2	0.3	0.3	0.4	
Financial leverage (%)	13	15	16	18	22	
Net premiums written (non-life) to equity (x)	1.2	1.3	1.3	1.4	1.5	

Source: Fitch Ratings, MAPFRE

Very Strong Capitalisation and Leverage

Fitch regards Capitalisation and Leverage as very strong and as having a strong influence on MAPFRE's ratings.

Very Strong Capital

Fitch believes MAPFRE is strongly capitalised as reflected in the 'Strong' Prism FBM score. The group's regulatory solvency position is also very strong, as shown in the 189% reported S2 ratio at end-1Q19 (end-2018: 190%, end-2017: 200%) under the standard formula calculation approach. The group uses transitional measures for technical provisions and for equity as well as the matching adjustment and volatility adjustment. Without the transitional measures for technical provisions and equity, the solvency ratio would be 174% at end-1H19 (end-2018 173%). Own funds backing the S2 ratio largely consist of unrestricted Tier 1 capital (87% at end-1Q19).

In 1H19, shareholders' funds (excluding minorities) increased to EUR8.8 billion, up from EUR8.0 billion at end-2018 (end-2017: EUR8.6 billion). The increase in 1H19 was largely driven by increased net unrealised gains, while the reduction in 2018 reflected reduced unrealised gains, negative currency conversion differences, goodwill write-downs and the costs for the BB MAPFRE acquisition.

Fitch views MAPFRE's capital position as strong and supportive of its current ratings. The FBM score as well as the S2 ratio exclude MAPFRE's goodwill of EUR1.8 billion at end-1H19, which is equivalent to 18% of total equity, from available capital.

Financial Leverage in Line with Rating

In September 2018, MAPFRE issued a 30-year EUR500 million callable subordinated bond with a fixed coupon of 4.125% for the first 10 years. The issuance is a S2 Tier 2 instrument and is given 100% equity credit in Fitch's Prism FBM model and considered as 100% debt in the agency's financial leverage calculations.

As a result of the new subordinated bond issue, MAPFRE's financial leverage increased to 22% at end-2018 from 18% at end-2017. MAPFRE's financial leverage was 23% at 1H19, which Fitch considers to be moderate and in line with MAPFRE's rating. It is also lower than those of its peers.

Debt Service Capabilities and Financial Flexibility

(EURm)	2014	2015	2016	2017	2018	Fitch's expectation
Fixed-charge coverage ratio excluding gains and losses (x)	11	11	20	14	18	Fitch expects MAPFRE's fixed-charge coverage ratio to remain at current strong levels.
Financial debt interest payments	118	107	64	90	77	

Source: Fitch Ratings, MAPFRE

Holding Company Liquidity/ Bank Facilities

In 2018 MAPFRE extended the maturity of its syndicated loan facility of EUR1 billion from December 2023 to February 2024. At 30 June 2019, EUR745 million was drawn down under the credit facility (2018: EUR490 million).

Very Strong Debt Service Capabilities and Financial Flexibility

Fitch views Debt Service and Financial Flexibility as very strong and as having a low influence on MAPFRE's ratings.

Very Strong Fixed-Charge Coverage

MAPFRE's debt-servicing capabilities, calculated excluding unrealised gains and losses, improved to exceptionally strong 18x in 2018 (2017: 14x) as reduced interest expenses more than offset lower earnings.

In September 2018, MAPFRE issued a EUR500 million subordinated bond with a fixed coupon of 4.125%. Fitch expects MAPFRE's fixed-charge coverage ratio to remain at least very strong, given its strong earnings generation.

Very Strong Market Access and Diversity of Funding

Fitch considers MAPFRE's market access and diversity of funding to be strong. The group has a EUR1 billion syndicated loan facility and has proven its ability to access capital markets with two recent subordinated bond issues of EUR600 million (2017) and EUR500 million (2018) following a EUR1 billion senior bond issue in 2016.

Low Refinancing Risk

MAPFRE's refinancing risk is low. The group's syndicated loan facility matures in 2024, senior bond in 2026, and the subordinated bonds in 2047 and 2048, respectively.

Financial Performance and Earnings

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Net income[a] (EURm)	845	709	776	701	529	Fitch expects MAPFRE to continue to deliver profitable underwriting returns, with a combined ratio below 100%.
Net income[a] return on assets	1.5	1.2	1.3	1.1	0.9	
Net income return on equity	10.0	8.0	8.8	7.9	6.4	
Combined ratio (non-life, net earned premium basis)	95.8	98.6	97.4	98.1	97.6	
Loss ratio (non-life)	68.0	70.0	70.0	70.7	69.8	

[a] Excluding minority interests
Source: Fitch Ratings, MAPFRE

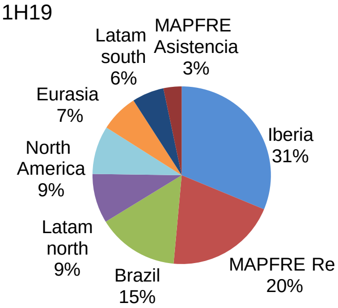
Underwriting Profitability Maintained

Fitch regards MAPFRE's financial performance as very strong and as having a big impact on the group's ratings.

Resilient Non-Life Underwriting Performance

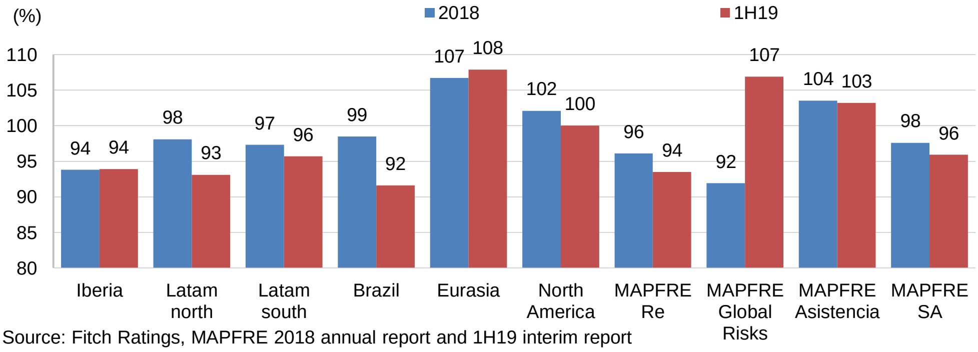
In 1H19 and 2018, MAPFRE's underwriting performance remained resilient despite difficulties in some of its core markets, including an economic downturn in Brazil in 2018. The group reported a combined ratio of 95.9% in 1H19 (1H18: 97.4%) and 97.6% in 2018. MAPFRE's return on equity (ROE) was stable at 6% in 1H19 despite the improved combined ratio due to goodwill write-downs, which reduced the ROE by around two percentage points. MAPFRE's target combined ratio is unchanged at 96% or less on average for 2019-21.

Total Written Premiums[a]
1H19



[a] before consolidation adjustment
Source: Fitch Ratings, MAPFRE results presentation

Combined Ratio by Geography
2018 + 1H19



Source: Fitch Ratings, MAPFRE 2018 annual report and 1H19 interim report

MAPFRE's largest regional segment, Iberia, continued to perform well with a combined ratio of 93.9% in 1H19 (1H18: 93.7%), helped by strong premium growth in all non-life segments offsetting rising claims costs in motor, which had improved in 2018. Latam North and Latam South also demonstrated an improved performance. Brazil and the US showed also improved combined ratios in 1H19. The 2018 combined ratio in Brazil had been affected by a higher loss ratio resulting from the difficult economic environment and adjustments to bodily injury claims reserves and reinsurance receivables. In the US the 2018 combined ratio was negatively affected by snow storms while MAPFRE Re's 2018 combined ratio was affected by typhoons in Asia.

MAPFRE was exposed to 3Q17 catastrophe events – hurricanes Harvey, Irma and Maria and Mexican earthquakes through its operations in MAPFRE Global Risks, MAPFRE Re and MAPFRE Puerto Rico. Although the gross loss from these events of EUR1 billion was significant for MAPFRE, its reinsurance programme reduced the final loss to EUR161 million at end-September 2018.

Strong Profitability and Premium Growth in Life Insurance

The consolidated result of life business remained strong at EUR682 million in 2018 but declined by 5% from 2017, mainly driven by a reduction in financial income in Brazil due to lower interest rates and outweighing the positive effect from the reversal of unexpired risk provision. Despite the difficult operating environment, however, Brazil remains the largest contributor to the overall life business result before minorities, followed by Spain.

In 2018, MAPFRE's total life insurance GWP increased by 3% to EUR5,476 million from EUR5,326 million in 2017. The increase in premiums was driven by strong performance in Iberia, which saw underlying premium growth of 5% due to strong sales through agent and bancassurance channel. In Brazil, life premiums rose by 4% in local currency as a result of recovering lending activity by Banco do Brasil, MAPFRE's strategic partner. However, Brazilian life premiums declined by 13% in Euro reflecting a weaker Real due to the economic downturn in Brazil.

Growth, Net Income Exposed to Currency Movements

Fitch believes the reporting volatility resulting from currency fluctuations in some of MAPFRE's main markets is manageable. In 2018, the Brazilian real, the Turkish lira, the Argentinian peso and other Latin American currencies depreciated against the euro. This has led to a 5.0% reduction in reported premiums in 2018 over 2017. However, at constant exchange rates MAPFRE's premiums grew by 0.8% in 2018. In 1H19 the impact of currency fluctuations was much lower as premium growth at constant exchange rates of 6.9% was only marginally higher than premium growth in euro terms of 6.8%.

Geographical Distribution of Premium Income and Results 1H19

(EURm)	Consolidated premiums	Contribution to premiums (%)	Attributable results	Contribution to result before eliminations (%)
Iberia	4,337	31	231.7	50
Brazil	2,056	15	48.9	11
Latam North	1,252	9	28.9	6
Latam South	807	6	25.7	6
North America	1,216	9	45.6	10
Eurasia	951	7	-0.6	0
MAPFRE Re	2,804	20	84.9	18
MAPFRE Asistencia	452	3	-5.6	-1
Consolidation adjustments	-1,348		-85.0	
Total	**12,528**	**100**	**374.5**	**100**

Source: Fitch Ratings, MAPFRE half-year results 2019

The group has well-diversified and profitable sources of earnings. Iberia accounted for around 60% of total results (after consolidation adjustments) in 1H19, while the majority of premiums were written by the group's international operations.

Investment and Asset Risk

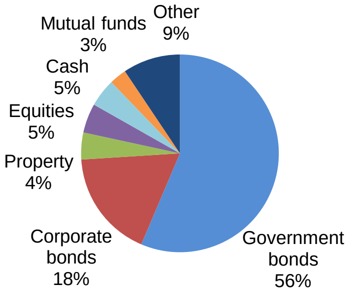
(%)	2014	2015	2016	2017	2018	Fitch's expectation
Unaffiliated shares to capital[a]	21	26	28	38	41	Fitch expects MAPFRE's asset mix to
Investment in affiliates to capital	2	2	2	2	2	remain prudent although concentration risk
Below-investment-grade bonds to capital	16	13	12	10	11	is likely to persist.
Risky assets to capital[b]	39	41	42	50	54	

[a] Ratio includes equities and mutual funds
[b] Ratio includes equities, mutual funds, affiliates and non-investment-grade bonds
Source: Fitch Ratings, MAPFRE

Prudent Investment Strategy Offset by High Concentration

Fitch regards MAPFRE's investment and asset risk as strong and having a high impact on the group's ratings. Our assessment of this factor is constrained by the group's significant exposure to Spanish sovereign debt at 178% of total equity at end-1H19 (end-2018: 174%). However, Fitch believes that MAPFRE's capital is resilient against potential stress from substantial exposure to sovereign debt.

Investment Portfolio Split 1H19



Source: Fitch Ratings, MAPFRE 1H19 interim results presentation

High Exposure to Spanish Sovereign Debt

Fitch assesses MAPFRE's overall investment portfolio as well balanced and prudent, with more than 95% of total investments in fixed income and cash allocated to investment-grade instruments.

However, fixed-income assets have a high degree of concentration in Spanish sovereign debt, which accounted for 60% of total government bonds at end-1H19.

Following Fitch's upgrade of Spain's sovereign rating to 'A-' from 'BBB+' in January 2018, most of MAPFRE's fixed-income and cash investments are allocated to 'A' or higher-rated instruments.

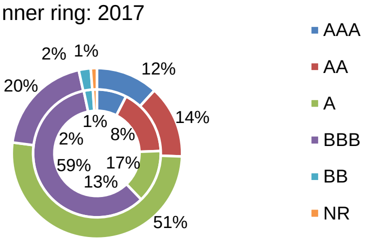
Fixed-Income Portfolio by Issuer (End-1H19) (%)

Corporates	**24**
Governments	**76**
of which	
Spain	60
Rest of Europe	17
Brazil	9
Rest of Latin America	6
US	6
Others	2

Source: Fitch Ratings, MAPFRE 1H19 results presentation

Fixed Income & Cash Investments Credit Quality

Outer ring: 2018
Inner ring: 2017



Source: Fitch Ratings, MAPFRE annual report 2018 Assumed a mapping of MAPFRE's reported credit ratings to Fitch's rating scale

Low-Risk Asset Allocation

MAPFRE continued to increase its exposure to equities, but it remains low at 41% of total capital according to Fitch's calculations (end-2017: 38%), which we consider prudently low.

The ratio of risky assets to shareholders' equity was 54% at end-2018, which Fitch also considers strong and supportive of the ratings.

Asset/Liability and Liquidity Management

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Liquid assets to policyholder liabilities (life and non-life combined)	100	100	102	105	103	MAPFRE has a liquid balance sheet, which Fitch expects to be maintained.

Source: Fitch Ratings, MAPFRE

Strong Liquidity and ALM

Fitch regards MAPFRE's Asset/Liability and Liquidity Management as strong and as having a low impact on the group's ratings.

Strong Liquidity Position

Fitch considers MAPFRE's balance sheet as liquid and able to support its policyholder liabilities. The agency also considers the investment portfolio liquid and supportive of the rating with over 95% of its fixed-income and cash portfolio allocated to investment-grade, fixed-income instruments. Fitch believes these are likely to be readily tradable.

Holding company MAPFRE S.A.'s liquidity position improved in 2018 due to EUR741 million of dividends from its subsidiaries (up 17% yoy) of which only EUR447 million was paid as dividends to the group's shareholders and EUR231 million was used to increase MAPFRE International's (EUR200 million) and MAPFRE Asistencia's (EUR31 million) capital position . MAPFRE S.A. has a favourable debt maturity profile – its EUR1 billion senior bond matures in 2026 and its two subordinated bonds of EUR600 million and EUR500 million mature in 2047 and 2048 respectively. MAPFRE's holding company liquidity also benefits from a syndicated loan facility of EUR1 billion, of which EUR745 million was drawn down at end-1H19 (2018: EUR490 million), due in February 2024.

Assets and Liabilities Closely Matched by Currencies

MAPFRE has some exposure to currency volatility. Its principal foreign-currency risk arises because its functional currency is the euro, whereas the currencies of a large part of its operations include the Brazilian real and US dollar.

Reported premiums and earnings are exposed to exchange rates but capital and shareholders' equity are also exposed. MAPFRE closely matches its assets and liabilities by currency exposure, which, in Fitch's opinion, keeps the risk relating to changes in exchange rates manageable. Although currency-mismatch risk is minimised in its operations, the group has translation risks because of its reporting currency.

Interest-Rate Risk Manageable

MAPFRE manages its exposure to interest-rate risk through close matching of the life assets and liabilities exposed to interest-rate fluctuations. At group level, asset and liability durations have little mismatch, protecting the company against fluctuations in interest rates.

Reserve Adequacy

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Loss reserves to CY incurred losses (non-life) (x)	0.6	0.6	0.6	0.7	0.7	Fitch expects MAPFRE's reserving practice to remain prudent and development of prior-year reserves favourable.
Non-life loss reserves/equity	48	58	58	66	79	
Net technical reserves to net earned premiums (non-life)[a]	95	100	103	101	106	

Source: Fitch Ratings, MAPFRE

Strong Reserve Adequacy

Fitch regards MAPFRE's Reserve Adequacy as strong and as having a moderate influence on the group's ratings.

Prudent Reserving Practices

Fitch considers MAPFRE's non-life reserve adequacy as strong. The company uses generally accepted actuarial techniques for projecting ultimate losses and calculating reserves for claims incurred but not yet reported.

MAPFRE's corporate actuarial area sets guidelines for reserves setting at the group's business unit level and monitors reserve adequacy for non-life business on a regular basis. MAPFRE's reserve adequacy is also subject to external independent actuarial reviews.

Favourable Claims Run-Off Development

Fitch's analysis of MAPFRE's reported claims development triangles suggests that the development of prior-year reserves has largely been favourable in the past decade.

The Fitch-calculated reserves ratio (net technical reserves to net earned premiums) was 106% at end-2018. Fitch views this level as adequate. We believe the ratio adequately reflects the group's high claims settlement speed and the short-tail nature of its non-life business. A vast majority of the outstanding provision is released one year after the event.

Reinsurance, Risk Management and Catastrophe Risk

(%)	2014	2015	2016	2017	2018	Fitch's expectation
Net written premiums to gross written premiums (non-life)	84	80	81	79	81	Fitch expects MAPFRE's reinsurance programme to remain effective.
Reinsurance recoveries to equity (life and non-life)	26	31	28	40	57	

Source: Fitch Ratings, MAPFRE

Efficient Centralised Reinsurance Programme

We view MAPFRE's Reinsurance, Risk Management and Catastrophe Risk criteria factor as very strong and has having a moderate influence on the ratings.

Centralised Reinsurance Protection via MAPFRE RE

MAPFRE RE provides the group with catastrophe risk management expertise and has a central procurement role in defining and arranging the group's outwards reinsurance programme, and monitoring and controlling catastrophe risk exposure across the group. MAPFRE RE acts as a reinsurer on 100% of all treaty reinsurance in the group and also participates on facultative reinsurance placements which local subsidiaries place individually.

MAPFRE RE also acts as a writer of external reinsurance business and is ranked 16th in the global reinsurance rankings.

Effective Protection against Natural Catastrophes

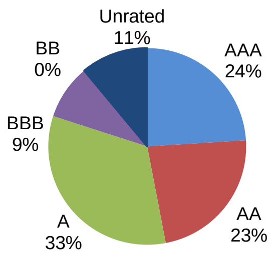
MAPFRE is exposed to natural catastrophe risks. However, the group comfortably withstood the impact of the three hurricanes (Harvey, Irma and Maria) and two Mexican earthquakes in 2H17 and typhoons in Spain in 2018. MAPFRE's reinsurance protection proved to be effective, reducing the gross loss from 2017 catastrophe events from EUR1 billion to a final loss of EUR161 million as per 30th September 2018.

The Spanish insurance industry also benefits from the presence of the Consorcio de Compensacion de Seguros (Insurance Compensation Consortium in Spain) – the Spanish government scheme set up to cover the costs of the direct damage from natural hazards and political and social risks such as terrorism or riots.

Strong Quality of Reinsurance Providers

Fitch views the credit quality of MAPFRE's reinsurance panel as strong with the main providers rated within the 'AAA', 'AA' and 'A' categories. MAPFRE's reinsurance buying philosophy favours placing contracts with traditional reinsurers with whom the company has developed long-term relationship, rather than being opportunistic.

Ratings of Reinsurance Counterparties



Source: Fitch Ratings, MAPFRE 2018 annual report

Appendix A: Industry Profile and Operating Environment

This section discusses the Spanish insurance sector.

Regulatory Oversight

Fitch considers regulatory oversight in Spain as very strong. The Spanish insurance market is highly regulated, with well-developed regulatory practices and supervision processes. As member of the European Union, Spain adopted the risk-adjusted solvency framework (Solvency II), which came into force on 1 January 2016. The Spanish insurance regulator is focused on ensuring that insurance organisations are viable and their conduct of business is appropriate. Fitch considers the regulator's enforcement to be effective.

Technical Sophistication of Insurance Market; Diversity & Breadth

The insurance market in Spain is well developed with a large number of domestic and foreign companies that offer a comprehensive range of products. Overall, the Spanish insurance market reported EUR64.4 billion of premium income, of which EUR35.4 billion relate to non-life insurance products and EUR29 billion to life insurance offerings.

Competitive Profile

The Spanish insurance market is of moderate concentration with the top 10 companies representing 63% of the market's total premiums. The insurance penetration rate is lower than in other developed economies (5.2% in 2018), providing potentially significant growth opportunities.

The Spanish insurance market has benefited from improving economic conditions. Total premium volumes were 1.5% higher in 2018 than in 2017 due to 4.0% increase in non-life insurance premiums which more than offset declining life premiums (minus 1.4%). Life premium income was affected by the continued low interest-rate environment.

Financial Markets Development

The Spanish financial market is sophisticated and has considerable width and depth both in its insurance and non-insurance segments. The Spanish stock and bond markets provide sufficient liquidity in most traded products. Companies' and financial institutions' access to capital markets is strong.

Country Risk

Spain's Long-Term IDR is currently 'A-' with a Stable Outlook. Spain's sovereign rating is supported by a relatively high value-added and diversified economy, and governance indicators in line with the 'A' median. This is set against a very large stock of general government debt, external leverage that is among the highest of Fitch-rated sovereigns, political risk and uncertainty around resolution of the Catalan government's policy of pursuing independence, and a still-high unemployment rate.

Peer Comparison 2018

(EURbn)	IFS Rating/ Outlook[a]	Total assets[b]	Total equity[c]	Gross written premiums	Net income[c]	Return on equity[d] (%)	Reported combined ratio (%)	Solvency II SCR ratio (%)	Financial leverage (%)	PrismFBM score
Zurich	AA-/Stable	453	37	56	4.6	12	97.8	216[e]	26	Very strong
Ageas	A+/Stable	101	12	9	0.8	9	94.0	215	21	Extremely strong
MAPFRE	**A+/Stable**	**61**	**9**	**23**	**0.9**	**6**	**97.6**	**190**	**22**	**Strong**
Groupama	A/Positive	97	8	14	0.5	6	99.3	167	28	Strong
Generali	A/Negative	516	25	66	2.5	10	93.0	216	32	Very strong

Foreign-exchange rates used: period average: USD1 = EUR0.847; period end: USD1 = EUR0.875
[a] Of groups' primary operating entities
[b] Excluding reinsurance assets
[c] Including minorities
[d] Net income to 2017,2018 average equity
[e] Swiss Solvency Test result as of 1 January 2019
Source: Fitch Ratings, companies' accounts

Appendix B: Peer Analysis

Smaller and Less Profitable but also Less Leveraged than Peers

MAPFRE's closest peers are the largest European composite insurance groups and some financial conglomerates with significant insurance operations.

In 2018, MAPFRE's return on equity was at the weaker end of the peer group reflecting difficulties in some of the group's core markets, including an economic downturn in Brazil. MAPFRE's reported combined ratio is 97.6% and the group continues to target sub-96% combined ratios.

MAPFRE's financial leverage of 22% compares favourably with similarly rated peers. Despite its diversification it has, similar to Generali, a high exposure to sovereign debt in its home market (Spain).

Appendix C: Other Ratings Considerations

Below is a summary of additional ratings considerations that are part of Fitch's ratings criteria.

Group IFS Rating Approach

MAPFRE is rated on a consolidated group approach, with all the rated subsidiaries considered 'Core'. All the rated subsidiaries are material in size and support the group's strategic objectives. As a result, the operating subsidiaries' ratings have been aligned with Fitch's view of the financial strength of the group as a whole.

Complete Ratings List

Entity	Rating type	Rating
MAPFRE, S.A.	Long-Term IDR	A-/Stable
Senior unsecured		
EUR1000m, 1.625%, maturity 19 May 2026 (ES0224244071)	Long-Term	BBB+
Subordinated debt		
EUR600m, 4.375%, maturity 31 March 2047 (ES0224244089)	Long-Term	BBB-
EUR500m, 4.125%, maturity 7 September 2048 (ES0224244097)	Long-Term	BBB-
MAPFRE Espana Compania de Seguros y Reaseguros, S.A.	IFS	A+/Stable
MAPFRE RE, Compania De Reaseguros, S.A.	IFS	A+/Stable
MAPFRE Vida SA de Seguros y Reaseguros	IFS	A+/Stable
MAPFRE Asistencia Compania Internacional de Seguros y Reaseguros, S.A.	IFS	A+/Stable

Source: Fitch Ratings, MAPFRE

Notching

For notching purposes, the regulatory environment of Spain is assessed by Fitch as being 'Effective', and classified as following a Group Solvency approach.

Notching Summary

IFS Ratings
A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS "anchor" rating to the implied operating company IDR.

Operating company debt
Not applicable

Holding company IDR
Notching between the implied insurance operating company and holding company IDRs was expanded by one notch relative to standard notching for a group solvency regulatory environment due to foreign earnings and/or capital being greater than 30% of consolidated group totals.

Holding company debt
A baseline recovery assumption of 'Below Average' was applied to senior unsecured debt issued by MAPFRE,S.A. Standard notching relative to the IDR was used.

Hybrids
For the EUR600 million Tier 2 subordinated bond issued by MAPFRE, S.A. in March 2017, a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Notching of three notches was applied relative to the IDR, which was based on two for recovery and one for non-performance risk.
For the EUR500 million Tier 2 subordinated bond issued by MAPFRE, S.A. in September 2018, a baseline recovery assumption of 'Poor' and a non-performance risk assessment of 'Moderate' were used. Notching of three notches was applied relative to the IDR, which was based on two for recovery and one for non-performance risk.

Source: Fitch Ratings

Short-Term Ratings

Not applicable

Hybrids – Equity/Debt Treatment

Hybrids Treatment

Hybrid	Amount	CAR Fitch (%)	CAR reg. override (%)	FLR debt (%)
MAPFRE, S.A.				
ES0224244089	600	0	100	100
ES0224244097	500	0	100	100

CAR – Capitalisation ratio: FLR – Financial leverage ratio. N.A. – Not applicable
For CAR, % shows portion of hybrid value included as available capital, both before (Fitch %) and the regulatory override. For FLR, % shows portion of hybrid value included as debt in numerator of leverage ratio
Source: Fitch Ratings

Corporate Governance and Management

Corporate governance and management are adequate and neutral to the rating.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.