

MAPFRE, S.A.

And MAPFRE Asistencia Compania Internacional de Seguros y Reaseguros, S.A.

Key Rating Drivers

Very Strong Business Profile: Fitch Ratings ranks MAPFRE Group's (MAPFRE) business profile as favourable compared with other European-based insurance groups and scores 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 market share in Spain was 14% in non-life and 7% in life in 2020, and 7% of non-life in Latin America in 2020. This makes it the 11th-largest European and the third-largest Latin American insurer.

Very Strong Capital Adequacy: Fitch considers MAPFRE to be well-capitalised, based on a 'Very Strong' score from Fitch's Prism Factor-Based Capital Model (FBM). The group's regulatory Solvency II (S2) ratio was very strong at 201% at end-1Q21 (end-2020: 193%; end-2019: 187%). Own funds backing the S2 ratio largely consist of unrestricted Tier 1 capital. The Prism FBM score and the S2 ratio exclude MAPFRE's goodwill of EUR1.4 billion at end-1H21 from available capital, which is equivalent to 14% of total equity.

Strong Financial Leverage: MAPFRE's financial leverage was stable at 24% at end-1H21 (end-2020: 23%). We view MAPFRE's leverage as 'Strong', comparing well with similarly rated peers.

Strong, Resilient Profitability: MAPFRE's underwriting performance has remained resilient, despite the impact of the coronavirus pandemic. The group reported a combined ratio of 95.1% in 1H21 and 94.8% in 2020 (2019: 97.6%) and targets a combined ratio (excluding natural catastrophe events) of 96%–97% on average for 2019–2021. MAPFRE's overall profitability also remained strong in 1H21 with a net result, excluding minorities, of EUR364 million equalling an annualised return on equity of 8.5% (1H20: 6.3%).

Fitch believes that MAPFRE's financial performance is susceptible to challenges stemming from the coronavirus crisis, such as higher claims activity, lower top-line growth, and currency volatility, in particular in Latin America. However, Fitch expects the overall impact of the pandemic to be manageable for MAPFRE due to its strong capital position. Fitch also expects MAPFRE's technical profitability to remain strong.

Sovereign Risk: MAPFRE's Insurer Financial Strength (IFS) rating takes into account the group's significant exposure to Spanish sovereign debt at 123% of total equity at end-1H21 (end-2020: 130%). MAPFRE is also substantially exposed to the Spanish economy, as about 60% of its attributable result originates from Spain (A-/Stable). However, Fitch believes that MAPFRE's capital is resilient against potential stress from substantial exposure to Spanish sovereign debt.

Rating Sensitivities

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.

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

Ratings

MAPFRE, S.A.

Long-Term Foreign-Currency IDR	A-
Senior Unsecured	BBB+
Subordinated	BBB-

MAPFRE Asistencia Compania Internacional de Seguros y Reaseguros, S.A.

Insurer Financial Strength Ratings A+

See full rating list on page 9.

Outlooks

Insurer Financial Strength	Stable
Long-Term Foreign Currency IDR	Stable

Financial Data

MAPFRE, S.A. (Consolidated)

(EURm)	2019	2020
Gross written premiums	23,044	20,482
Total assets ^a	66,124	63,774
Total equity	10,106	9,838
Net result ^b	955	821
Non-life combined ratio (%)	97.6	94.8

^a Excluding reinsurance assets
^b Before minority interests
Source: Fitch Ratings; MAPFRE

Applicable Criteria

[Insurance Rating Criteria \(April 2021\)](#)

Related Research

[Spanish Insurance Dashboard: December 2020 \(December 2020\)](#)

[Spain \(June 2021\)](#)

[Brazilian Insurance Dashboard: 1Q21 \(June 2021\)](#)

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Key Credit Factors – Scoring Summary

MAPFRE, S.A.



Insurance Ratings Navigator
EMEA Composite

Factor Levels	Operational Profile		Financial Profile							Insurer Financial Strength	
	Industry Profile & Operating Environment	Business Profile	Capitalization & Leverage	Debt Service Capabilities and Financial Flexibility	Financial Performance & Earnings	Investment and Asset Risk	Asset/Liability & Liquidity Management	Reserve Adequacy	Reinsurance, Risk Mitigation & Catastrophe Risk		Other Factors & Criteria Elements (see below)
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB
bbb-											BBB-
bb+											BB+
bb											BB
bb-											BB-
b+											B+
b											B
b-											B-
ccc+											CCC+
ccc											CCC
ccc-											CCC-
cc											CC
c											C
d or rd											D or RD

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 / Group Support	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

Latest Developments

- The merger between CaixaBank, S.A. and Bankia S.A. was completed in March 2021. MAPFRE had an exclusive agreement with Bankia to sell life and non-life insurance through the bancassurance channel. The banking merger constituted a change of control of BANKIA, as stipulated by the contract, and MAPFRE exercised the put options stipulated by contract, effective 31 March. As a result of the bancassurance contract termination, MAPFRE is entitled to compensation of 120% of the market value of 51% of Bankia MAPFRE VIDA and 120% of the market value of the non-life insurance business underwritten via the BANKIA channel.

In January 2021, MAPFRE increased its stake in the investment adviser Abante Asesores by 10% to a total of 18.8%. In 2019 MAPFRE and Abante signed a strategic alliance to develop insurance and asset management in Spain.

Peer Comparison

Click [here](#) for a report that shows a comparative peer analysis of key credit factor scoring.

Industry Profile and Operating Environment (IPOE)

Click [here](#) for a report that summarises the main factors driving the above IPOE score.

Business Profile

Very Strong Business Profile

Fitch ranks MAPFRE's business profile as 'favourable' compared with other Europe-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.

With EUR20 billion of gross written premiums (GWP) in 2020, 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 7%, respectively. It has a 7% market share 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.

MAPFRE's business risk profile compares favourably with other European insurance groups. This is because MAPFRE matches its investments well with respect to the 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 fairly small share of MAPFRE's total premium income.

MAPFRE underwrites life, which, including savings, accounted for 16% of revenue in 2020. It also underwrites non-life business, which, excluding reinsurance, accounted for 60% of revenue in 2020. Most of its business is primary insurance, but MAPFRE also acts as a reinsurer through MAPFRE RE, Compania De Reaseguros, S.A., which accounts for 24% of total revenue.

MAPFRE has multichannel distribution comprising its own branch network, agents, brokers and bancassurance agreements (such as Bankinter, Banco Santander and Banco do Brasil), 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. Digital distribution also has an important role in MAPFRE's multi-channel strategy.

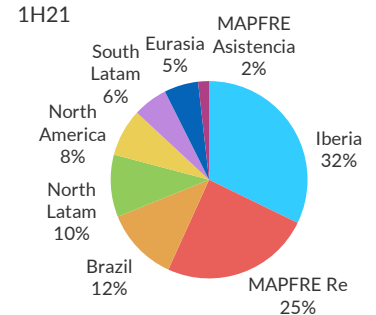
Outside of Spain and Latin America, MAPFRE's international insurance operations comprise subsidiaries in North America, EMEA and Asia Pacific. Most of these operations were acquired by MAPFRE to strengthen its presence in these regions.

Ownership

MAPFRE, S.A., the holding company of the MAPFRE group, is listed on the Madrid and Barcelona stock exchanges. MAPFRE is a subsidiary of Cartera MAPFRE S.L. Sociedad Unipersonal, which is 100% controlled by Fundacion MAPFRE (FM). At end-2020, FM held 69.8%, of MAPFRE's capital. The rest is a free float held by local and foreign shareholders. MAPFRE itself holds 1% of its shares as treasury stock.

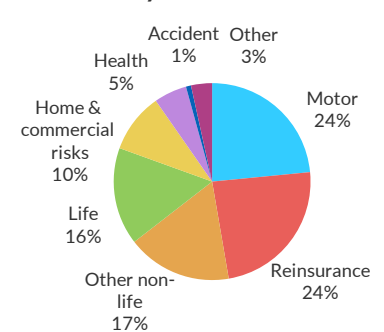
FM is a non-profit institution created by MAPFRE in 1975, the main purpose of which is to promote the well-being of society and citizens across the company's geographical footprint. FM works to drive economic, social and cultural improvements for society's most disadvantaged people and groups. Its operations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

Total Written Premiums



Source: Fitch Ratings, MAPFRE 1H21 results presentation

Revenue by Line of Business



Source: Fitch Ratings, MAPFRE annual report 2020

Capitalisation and Leverage

Very Strong Capitalisation and Leverage

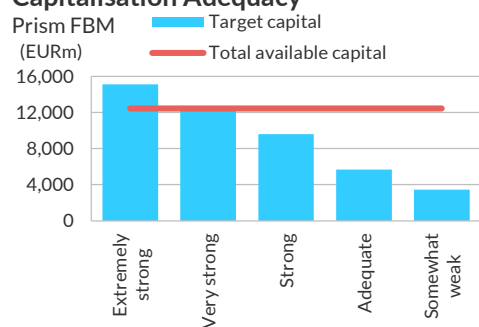
Fitch regards capitalisation and leverage as 'Very Strong' and as having a high influence on MAPFRE's ratings.

Fitch believes MAPFRE is strongly capitalised, as reflected in the 'Very Strong' Prism FBM score. The group's regulatory solvency position is also very strong, as shown in the 201% reported S2 ratio at end-1Q21 (end-2020: 193%; end-2019: 187%). MAPFRE uses the standard formula calculation approach, with the exception of the longevity risk capital calculation for the Spanish life business, which is calculated using an internal model. 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 188% at end-1Q21 (end-2020: 178%). Own funds backing the S2 ratio largely consist of unrestricted Tier 1 capital.

At end-1H21, shareholders' funds (excluding minorities) were stable at EUR8.5 billion. In 2020 shareholders' funds reduced to EUR8.5 billion from EUR8.8 billion at end-2019. The reduction in 2020 was mostly driven by negative currency conversion differences.

Fitch views MAPFRE's capital position as strong and supportive of its current ratings. The Prism FBM score as well as the S2 ratio exclude MAPFRE's goodwill of EUR1.4 billion at end-1H21, which is equivalent to 14% of total equity from available capital.

Capitalisation Adequacy



Source: Fitch Ratings

Financial Highlights

(EURm)	2020	2019
Prism score	Very Strong	Strong
Prism total AC currency	12,453	12,106
Prism AC/TC at Prism score (%)	101	121
Prism AC/TC at higher Prism score (%)	82	95

AC – Available Capital, TC – Target Capital
Note: Reported on an IFRS basis
Source: Fitch Ratings, MAPFRE

Financial Highlights

(EURm)	2019	2020
Total equity (including minorities)	10,106	9,838
Regulatory S2 ratio (%)	187	193
Financial leverage (%)	23	23
Total financing and commitments ratio (x)	0.5	0.5
Net premium written (non-life) to equity (x)	1.3	1.3

Source: Fitch Ratings; MAPFRE

MAPFRE's financial leverage was 23.7% at end-1H21 (2020: 23.3%), which Fitch considers to be moderate and in line with MAPFRE's rating. It is also lower than those of its peers.

Fitch Expectations

- We expect MAPFRE's capitalisation to remain stable and for financial leverage not to increase significantly over the next 12–24 months.

Debt Service Capabilities and Financial Flexibility

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.

MAPFRE's fixed-charge coverage ratio remained very strong at 14x in 2020 (2019: 17x). The five-year average (2016–2020) is exceptionally strong at 19x.

Fitch considers MAPFRE's market access and diversity of funding to be strong. The group has a EUR1 billion syndicated loan facility, of which EUR600 million were drawn at end-2020, and has proven its ability to access capital markets with two subordinated bond issues of EUR500 million (2018) and EUR600 million (2017) following a EUR1 billion senior bond issue in 2016.

MAPFRE's refinancing risk is low. The group's syndicated loan facility matures in 2025, senior bond in 2026, and the subordinated bonds in 2047 and 2048, respectively.

Fitch Expectations

- We expect MAPFRE's fixed-charge coverage ratio to remain 'Very Strong'.

Financial Performance and Earnings

Resilient Financial Performance

Fitch regards MAPFRE's financial performance as 'Strong' and as having a high impact on the group's ratings.

MAPFRE's underwriting performance remained resilient in 2020 and 1H21, despite losses from natural catastrophe events and the impact of the coronavirus pandemic. MAPFRE reported EUR266 million losses that were directly attributable to the pandemic in 1H21. The lines most affected by the pandemic were life protection and health insurance in Latin America; however, this was offset by lower claims activity in motor. The group reported a combined ratio of 95.1% in 1H21 and 94.8% in 2020 (2019: 97.6%). MAPFRE targets combined ratio (excluding natural catastrophe events) of 96%–97% on average for 2019–2021. The group expects to achieve a combined ratio of around 95% for 2021.

MAPFRE's overall profitability also remained strong in 2020, despite the EUR132 million write-off of goodwill and intangibles at several business units, where MAPFRE followed a prudent approach to valuation, as recommended by ESMA. The group's 2020 net result, excluding minorities, of EUR526 million equals a return on equity of 6.1% (2019: 7.2%). In 1H21 MAPFRE reported net income of EUR364 million, equivalent to an annualised return on equity of 8.5% (1H20: 6.3%).

Fitch believes the reporting volatility resulting from currency fluctuations in some of MAPFRE's main markets is manageable. In 2020, premiums in euros reduced by 11%, while at constant exchange rates the reduction would have been only 4%. This was mainly driven by the depreciation of the Brazilian real. In 2019, the impact of currency fluctuations was much lower as premium growth at constant exchange rates of 2.0% was only marginally lower than premium growth of 2.2% in euros.

Fitch Expectations

- Fitch expects MAPFRE's technical profitability to remain strong over the next 12–24 months.

Financial Highlights

(EURm)	2019	2020
Fixed-charge coverage ratio (x)	17	14
Financial debt interest payments	79	82

Source: Fitch Ratings; MAPFRE

Debt Maturities

(As of 31 December 2020)	(EURm)
short-term bank debt	266
2025	600
2026	1,006
2047	618
2048	504
Total	2,994

Source: Fitch Ratings; MAPFRE

Financial Highlights

(%)	2019	2020
Net income ^a	609	527
Net income ^a return on assets	1.0	0.8
Net income ^a return on equity	7.2	6.1
Combined ratio (non-life) ^b	97.6	94.8
Loss ratio (non-life)	68.9	65.5

^a Excluding minority interests

^b Net earned premium basis

Source: Fitch Ratings; MAPFRE

Investment and Asset Risk

Prudent Investment Strategy Offset by High Concentration

Fitch regards MAPFRE's investment and asset risk as 'Strong' and as 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 123% of total equity at end-1H21 (end-2020: 130%), which results in an 'A-' score cap being applied to this credit factor. However, Fitch believes that MAPFRE's capital is resilient against potential stress from substantial exposure to 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 about 54% of total government bonds at end-1H21.

Most of MAPFRE's fixed income and cash investments are allocated to 'A' or higher-rated instruments; however, 22% of the fixed income portfolio was allocated to 'BBB' rated instruments at end-2020.

MAPFRE has continued to increase its exposure to equities, but this remains low at 46% of total equity, including minorities, at end-1H21, according to Fitch's calculations (end-2020: 42%). We consider this to be prudently low. The ratio of risky assets to shareholders' equity was 54% at end-2020, which Fitch also considers as strong and supportive of the ratings.

Fitch Expectations

- We do not expect a significant change in MAPFRE's investment strategy over the next 12-24 months.

Asset Liability and Liquidity Management

Strong Liquidity and Asset/Liability and Liquidity Management

Fitch regards MAPFRE's asset/liability and liquidity management as 'Strong' and as having a low impact on the group's ratings. 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.

Fitch considers MAPFRE's balance sheet as liquid and able to support its policyholder liabilities. The agency also considers the investment portfolio liquid as 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 tradeable.

MAPFRE 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 has a syndicated loan facility of EUR1 billion, of which EUR600 million was drawn down at end-2020 (2019: EUR610 million), due in February 2025.

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 risks relating to changes in exchange rates manageable. The group has translation risks because of its reporting currency, even though currency-mismatch risk is minimised in its operations.

Fitch Expectations

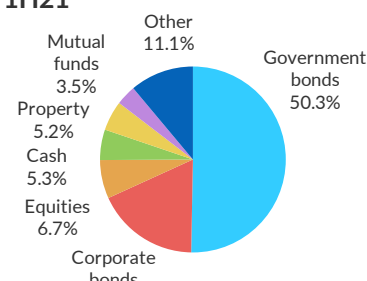
- We expect MAPFRE to maintain its liquid balance sheet.

Financial Highlights

(%)	2019	2020
Unaffiliated shares to total equity ^a	45	42
Investments in affiliates to total equity	2	3
Below-investment-grade bonds to total equity	10	9
Risky assets to total equity ^b	57	54

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

Investment Portfolio Split 1H21



Source: Fitch Ratings, MAPFRE 1H21 results presentation

Financial Highlights

(%)	2019	2020
Liquid assets to policyholder liabilities ^a	109	111

^a Life and non-life combined
Source: Fitch Ratings; MAPFRE

Reserve Adequacy

Strong Reserve Adequacy

Fitch regards MAPFRE's reserve adequacy as 'Strong' and as having a moderate influence on the group's ratings.

MAPFRE 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.

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

The Fitch-calculated reserves ratio (net technical reserves to net earned premiums) was 104% at end-2020. 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.

Fitch Expectations

- We expect MAPFRE's reserving practice to remain prudent and the development of prior-year reserves to be favourable.

Reinsurance, Risk Mitigation and Catastrophe Management

Efficient Centralised Reinsurance Programme

We view MAPFRE's reinsurance, risk management and catastrophe risk as 'Very Strong' and as having a moderate influence on the ratings.

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 in 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. This exposes MAPFRE to natural catastrophe risks. However, the group has a strong record of withstanding natural catastrophe events, which is also a reflection of its effective reinsurance programme. 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 domestic natural hazards and political and social risks such as terrorism or riots.

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 a long-term relationship, rather than more opportunistic contracts.

Fitch Expectations

- We expect MAPFRE's reinsurance programme to remain effective.

Financial Highlights

(%)	2019	2020
Loss reserves to CY incurred losses (x)	0.8	0.8
Non-life loss reserves to equity	69	66
Net technical reserves to net earned premiums (non-life)	104	104

Source: Fitch Ratings; MAPFRE

Financial Highlights

(%)	2019	2020
Net written to gross written premiums (non-life)	77	79
Reinsurance recoverables to equity (life and non-life)	53	49

Source: Fitch Ratings; MAPFRE

Appendix A: 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. MAPFRE Asistencia Compania Internacional de Seguros Y Reaseguros, S.A. is considered ‘Core’ as it is material in size and supports the group’s strategic objectives. As a result, MAPFRE Asistencia’s rating has been aligned with Fitch’s view of the financial strength of the group as a whole.

The group operates in 44 countries through 216 subsidiaries.

Complete Ratings List

Entity	Rating type	Rating
MAPFRE, S.A.	Long-Term IDR	A-/Stable
Senior unsecured		
EUR1bn, 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 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 is 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 EUR600m 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 EUR500m 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.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating
Source: Fitch Ratings

Short-Term Ratings

Not applicable.

Hybrid – 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.

Appendix B: Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

			Overall ESG Scale			
MAPFRE, S.A. has 7 ESG potential rating drivers			key driver	0	issues	5
➔	MAPFRE, S.A. has exposure to underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations but this has very low impact on the rating.		driver	0	issues	4
➔	MAPFRE, S.A. has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating.					
➔	MAPFRE, S.A. has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.		potential driver	7	issues	3
➔	Governance is minimally relevant to the rating and is not currently a driver.					
			not a rating driver	2	issues	2
				5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk	2
Exposure to Environmental Impacts	3	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment & Asset Risk	1

How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The **Environmental (E), Social (S) and Governance (G)** tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The **Credit-Relevant ESG Derivation** table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Business Profile; Reserve Adequacy	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Corporate Governance & Management	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Business Profile; Investment & Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Corporate Governance & Management; Business Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Corporate Governance & Management	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Corporate Governance & Management; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Corporate Governance & Management	2
				1

CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means 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.

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.

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