

FITCH RATES MAPFRE'S PROPOSED SUBORDINATED TIER 2 NOTES 'BBB-'

Fitch Ratings-London-31 August 2018: Fitch Ratings has assigned MAPFRE SA's proposed subordinated Tier 2 notes a 'BBB-' rating.

The notes are rated three notches below MAPFRE's Issuer Default Rating (IDR) of 'A-', to reflect their subordination (two notches) and moderate risk of non-performance (one notch), in line with Fitch's notching criteria.

KEY RATING DRIVERS

The proposed issue will rank pari passu with MAPFRE's other dated subordinated Tier 2 notes and rank senior to all classes of share capital and to any junior subordinated indebtedness. The level of subordination is reflected in a 'poor' baseline recovery assumption for the issue as defined in Fitch's insurance criteria.

The notes are expected to include a mandatory interest deferral feature, which would be triggered if the issuer or all or part of the group is not able to meet the applicable solvency capital requirement or the applicable minimum capital requirement on a group basis. Fitch regards this feature as leading to 'moderate' non-performance risk.

Fitch will treat the issue as 100% debt in our financial debt leverage ratio (FLR) calculation given that the instrument will be dated and the notes will receive 100% equity credit in Fitch's Prism Factor-Based Model due to the application of regulatory override. The notes are expected to qualify for 100% regulatory capital recognition under Solvency II.

MAPFRE's FLR is likely to increase by 3-4pp as a result of the proposed issue, but will remain commensurate with the group's ratings. At end-1H18 the FLR was 19.5%, a level that Fitch considers as strong for the rating. MAPFRE's fixed-charge coverage ratio is expected to remain strong given its stable earnings generation.

RATING SENSITIVITIES

The notes' rating is subject to the same sensitivities that may affect MAPFRE's Long-Term IDR (for more details, see 'Fitch Upgrades MAPFRE to IFS 'A'; Outlooks Stable' dated 25 January 2018 at www.fitchratings.com).

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Applicable Criteria

Insurance Rating Criteria (pub. 30 Nov 2017)

<https://www.fitchratings.com/site/re/905036>

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