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Fitch Rates MAPFRE's Proposed Tier 3 Notes 'BBB-'

Fitch Ratings - Madrid - 05 Apr 2022: Fitch Ratings has assigned MAPFRE SA's EUR500 million proposed Tier 3 subordinated notes a 'BBB-' rating. MAPFRE SA is the holding company of the Spanish insurance and reinsurance group.

Key Rating Drivers

The notes will be used for general corporate purposes. They will have an eight-year maturity and a fixed coupon.

The notes rank ahead of ordinary shares and Solvency II restricted Tier 1 hybrid capital instruments and pari passu with existing subordinated notes in the event of a winding-up, but behind senior creditors. The level of subordination results in our baseline recovery assumption of 'poor' for notes issued from holding companies.

The proposed notes include a mandatory redemption deferral feature that would be triggered if MAPFRE is unable to meet its solvency capital requirements (SCR) or its minimum capital requirement (MCR). Fitch regards the mandatory redemption deferral feature as leading to 'moderate' non-performance risk.

We have therefore notched down the notes' rating thrice from MAPFRE's 'A-' Issuer Default Rating (IDR), two notches for 'poor' recovery prospects and one notch for 'moderate' non-performance risk.

The notes qualify as tier 3 capital under Solvency II and are treated as 100% equity in Fitch's Prism Factor-Based Model, due to the application of the agency's regulatory override. However, given that these notes are a dated instrument, they are treated as 100% debt in Fitch's financial debt leverage calculation.

Fitch views the notes as positive for MAPFRE's capitalisation, but marginally negative for financial leverage and fixed-charge coverage. We expect these metrics to remain commensurate with MAPFRE's ratings in the medium term.

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 credit 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 Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING SENSITIVITIES

The rating of the notes is subject to the same sensitivities that may affect MAPFRE's IDR

Factors that could, individually or collectively, lead to positive rating action/upgrade:

-- Material improvement to the group's capital position, as measured by a Prism FBM score of 'Very Strong', and to financial performance, as measured by net income return on shareholders' equity of 10% or more on a sustained basis

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Deterioration to the group's capital position, as measured by the Prism FBM score falling below 'Strong'

--Downgrade of Spain's sovereign rating by two or more notches

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
MAPFRE, S.A.			
• subordinated	BBB-		New Rating

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	⊙	

Applicable Criteria

[Insurance Rating Criteria \(pub.26 Nov 2021\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

MAPFRE, S.A. EU Issued, UK Endorsed

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