



UNIPOL GROUP: MOODY'S IMPROVES RATINGS TO Ba1

Bologna, May 31st 2018

The rating agency Moody's Investor Services has announced the upgrade of the Long-term Issuer rating of Unipol Gruppo S.p.A. to Ba1 from Ba2.

The full text of the press release issued by Moody's Investor Services is attached.

Unipol Gruppo S.p.A.

Unipol is one of the main insurance groups in Europe with total premiums of approximately €12.3bn, of which €7.9bn in Non-Life and €4.4bn in Life (2017 figures). Unipol adopts an integrated offer strategy and covers the entire range of insurance and financial products, operating primarily through the subsidiary UnipolSai Assicurazioni S.p.A., founded at the start of 2014 and a leader in Italy in the Non-Life Business, particularly MV TPL. The Group is also active in direct MV insurance (Linear Assicurazioni), transport and aviation insurance (Siat), health insurance (UniSalute) and supplementary pensions, and maintains a presence in the bancassurance channel. Lastly, it also operates in the banking realm through the network of Unipol Banca branches, and manages significant diversified assets in the real estate, hotel and agricultural (Tenute del Cerro) sectors. Unipol Gruppo S.p.A. is listed on the Italian Stock Exchange.

UnipolSai Assicurazioni S.p.A.

UnipolSai Assicurazioni S.p.A. is the insurance company of the Unipol Group, Italian leader in Non-Life Business, in particular in vehicle liability insurance. Also active in Life Business, UnipolSai has a portfolio of over 10 million customers and holds a leading position in the national ranking of insurance groups with a direct income amounting to approximately €11.1bn, of which €7.4bn in Non-Life Business and €3.7bn in Life Business (2017 figures). The company has the largest agency network in Italy, with approximately 2,800 insurance agencies and about 6,000 sub-agencies spread across the country. UnipolSai Assicurazioni is a subsidiary of Unipol Gruppo S.p.A. and, like the latter, is listed on the Italian Stock Exchange, being one of the most highly capitalized securities.

Unipol Gruppo

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Rating Action: Moody's upgrades to Ba1 the senior debt rating on Unipol Gruppo S.p.A. following a change in methodology and places it on review for downgrade following the Italian sovereign rating action

30 May 2018

London, 30 May 2018 -- Moody's Investors Service has today upgraded to Ba1 from Ba2 the senior unsecured debt rating on Unipol Gruppo S.p.A. (UG; the Group) following a change in rating methodology.

At the same time, the rating agency has placed the Group and its main operating subsidiary UnipolSai Assicurazioni S.p.A. (UnipolSai; Insurance Financial Strength Rating Baa2) on review for downgrade following the review for downgrade on the Italian government's Baa2 debt rating. Moody's considers that the Group's key credit fundamentals (asset quality, capitalisation, profitability and financial flexibility) are partly correlated with -- and thus linked to -- the economic and market conditions in Italy, where UG is domiciled and runs its insurance operations.

A complete list of ratings affected by this rating action is available at the end of this press release. For further information on the sovereign rating action, please refer to Moody's press release dated 25 May 2018 (https://www.moodys.com/research/--PR_384025) and to Moody's issuer comment dated 29 May 2018 (https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1127479).

RATINGS RATIONALE

UPGRADE OF HOLDING COMPANY RATINGS

The upgrade of UG's senior unsecured debt follows yesterday's publication of a new cross sector methodology for assigning instrument ratings for insurers (Assigning Instrument Ratings for Insurers, https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1093824). In this methodology, the rating agency has modified its guidance for rating certain insurance holding company instruments, and specifically now applies narrower notching for certain Insurance groups domiciled in locations with enhanced regulatory supervision at a group-wide level.

With respect to Italian insurers, Moody's considers that Solvency II, the regulatory regime in effect in the European Union and in Norway, is a regime which provides enhanced group supervision. Solvency II includes key features such as (i) inclusion of the holding company within regulatory oversight, notably through regulatory capital requirements which apply to groups on a consolidated basis in addition to regulatory requirements at the operating company level, and (ii) group-wide risk-assessment and risk-reporting requirements.

The rating action on the Group's senior debt reflects UG's domicile in Italy and the fact that its operations are supervised under the Solvency II regulatory regime. UG is the ultimate holding company of the Unipol Group which operates and maintains its regulatory capital in Italy, primarily via its largest operating subsidiary UnipolSai.

REVIEW FOR DOWNGRADE

At the same time, Moody's has placed UG and UnipolSai on review for downgrade. This action reflects the above mentioned sovereign rating action on Italy and the insurer's direct exposure to Italian sovereign risk in terms of both investment portfolio and business profile. As at year-end 2017, Italian government bonds represented approx. 50% (EUR 31.7 billion at book value) of UG's investment portfolio and around 4.15x of its shareholders' equity. In addition to material asset exposure to Italy, operating exposure results from UnipolSai sourcing close to 100% of its premiums in Italy. Notwithstanding the adequate intrinsic fundamentals of the insurer, with notably a good market position and very good P&C profitability in recent years, Moody's constrains UnipolSai's Insurance Financial Strength Rating at the level of Italy's sovereign rating.

WHAT COULD CHANGE THE RATINGS UP/ DOWN

Given the review for downgrade on UnipolSai and UG, upwards ratings pressure is currently limited.

Nonetheless, Moody's would likely stabilise UnipolSai and UG's outlooks if the outlook on Italy was stabilised.

Downwards pressure on UnipolSai and UG's ratings could develop following (i) a deterioration in Italy's sovereign creditworthiness, (ii) any significant loss of market share, (iii) a significant deterioration of the P&C profitability, or (iv) any further significant assets impairments or costs associated to the integration of Premafin HP SpA, including legal expenses and compensation in case of unfavorable resolution of pending legal actions.

LIST OF AFFECTED RATINGS

Issuer: Unipol Gruppo S.p.A.

..Upgraded and placed under Review for Downgrade:

...Long-term Issuer Rating, upgraded to Ba1 from Ba2

...Senior Unsecured Medium-Term Note Program, upgraded to (P)Ba1 from (P)Ba2

...Senior Unsecured Regular Bond/Debenture, upgraded to Ba1 from Ba2

..Outlook Action:

...Outlook changed to Rating under Review from Negative

Issuer: UnipolSai Assicurazioni S.p.A.

..Placed on Review for Downgrade:

...Insurance Financial Strength, currently Baa2

...Junior Subordinated Regular Bond/Debenture, currently Ba2(hyb)

...Subordinate Medium-Term Note Program, currently (P)Ba1

...Senior Unsecured Medium-Term Note Program, currently (P)Baa3

...Subordinate Regular Bond/Debenture, currently Ba1(hyb)

..Outlook Action:

...Outlook changed to Rating under Review from Negative

Issuer: Unipol Assicurazioni S.p.a.

..Placed on Review for Downgrade:

...Backed Subordinate Regular Bond/Debenture, currently Ba1 (hyb)

..No Outlook assigned

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Life Insurers published in May 2018, and Property and Casualty Insurers published in May 2018. Please see the Rating Methodologies page on www.moody.com for a copy of these methodologies.

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Numero di Pagine: 8