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PRESS RELEASE

## Generali, Moody's assigns rating "Baa3" (hyb) to January 21 subordinated bond issue

Trieste – The rating agency Moody's announced today that it has assigned a "Baa3" (hyb) rating to the €500 million fixed rate senior dated subordinated Tier 2 notes issued on January 21, 2019.





**Please find attached Moody's original press release.**

For more info: **Ratings**

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### THE GENERALI GROUP

Generali is an independent, Italian insurance and asset management group, with a strong international presence. Established in 1831, it is among the world's leading insurers and is present in 50 countries with total premium income exceeding € 68 billion in 2017. With nearly 71,000 employees in the world and 57 million customers, the Group is a major player in Western Europe and has an increasingly significant presence in Central and Eastern Europe as well as in Asia.

**Rating Action: Moody's assigns Baa3(hyb) rating to Assicurazioni Generali's EUR500 million senior dated subordinated Tier 2 notes**

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22 Jan 2019

London, 22 January 2019 -- Moody's Investors Service ("Moody's") has today assigned a Baa3(hyb) rating to the EUR500 million fixed rate senior dated subordinated Tier 2 notes due 2029 to be issued by Assicurazioni Generali S.p.A (Generali, Baa2 senior unsecured rating, stable outlook) under its EUR15 billion EMTN programme.

**RATINGS RATIONALE**

The Baa3(hyb) rating is two notches below Generali's Baa1 insurance financial strength rating reflecting (i) the dual role of Generali which acts as both a holding company and an internal reinsurer for the Generali group (ii) Generali's reliance on subsidiary dividends, as opposed to own generated reinsurance cash flows, mitigated by the benefits from the geographically diversified sources of dividends originated outside Italy (iii) the current level of cash flows available at the holding company which in 2017 covered around 4x interest and holding expenses. In addition, the issue rating also reflects the subordination of the notes, the mandatory (based on breach of regulatory capital requirements) coupon skip mechanism and the cumulative nature of deferred coupons, in case of deferral. The dated subordinated notes rank pari passu with existing dated subordinated debt of Generali.

The notes contain a mandatory interest deferral trigger based upon breach of regulatory capital requirements of the issuer and/or the Group. However, any deferred interest payment will constitute arrears of interest and remain due by Generali at a future date (cumulative coupon skip mechanism). The notes do not contain an optional deferral of interest condition.

According to the terms and conditions of the notes, Generali may exchange or vary the terms of the notes under certain circumstances, although Moody's believes that the terms cannot be changed in a way that is materially adverse to the investor.

The notes are intended to qualify as Tier 2 capital under Solvency II, but their hybrid features will not result in any equity credit under Moody's debt equity continuum based on the notes' maturity of only ten years. The issuance, which is intended to partially refinance €750 million subordinated liabilities callable in 2019, will have a small negative increase (less than 1% point on a pro-forma YE17 basis) on Generali's adjusted financial leverage (27.9% at YE17) and will reduce the cost of debt. The issuance together with the redemption of the €750 million callable securities will also have a small negative impact on the Group's regulatory Solvency II ratio which was 200% at 9m 18.

**WHAT COULD MOVE THE RATINGS UP/DOWN**

Upwards pressure could develop on Generali's ratings in case of 1) an improvement in the credit quality of Italy, as evidenced by an upgrade of Italy's sovereign rating, and 2) a continued improvement of the group's solvency and a reduction in exposure to Italian assets.

Conversely, downwards pressure could develop in case of 1) further deterioration in the credit quality of Italy, as evidenced by a downgrade of Italy's sovereign rating, 2) a material deterioration of solvency or a significantly higher exposure to Italian assets, 3) a deterioration in operating performance also resulting in a deterioration in the group's financial flexibility, or 4) a deterioration in the cash flows at the holding, for example with a significant reduction in the cash flow coverage (available cash flows over holding interests and expenses) below 2x.

A deterioration in the stand-alone credit quality of Generali's French or German operations would also place downwards pressure on Generali's ratings.

The following rating has been assigned:

Assicurazioni Generali S.p.A senior subordinated Tier 2 notes -- rating at Baa3(hyb).

## PRINCIPAL METHODOLOGY

The methodologies used in this rating were Life Insurers published in May 2018, and Property and Casualty Insurers published in May 2018. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

## REGULATORY DISCLOSURES

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