18/11/2014
PRESS RELEASE

Moody’s assigned expected rating on hybrid bonds issued by Generali Finance B.V.

Trieste – Moody’s assigned the expected Ba1(hyb) rating on the Fixed-Floating Rate Perpetual notes placed on November 14 by Generali Finance B.V. and guaranteed by Assicurazioni Generali SpA.

Moody's has also assigned a (P)Ba1 junior subordinated rating to the Euro Medium Term Note (EMTN) program of Generali Finance B.V. and Assicurazioni Generali SpA.

Please find attached Moody’s original press release

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THE GENERALI GROUP

The Generali Group is one of the largest global insurance providers with 2013 total premium income of €66 billion. With 77,000 employees worldwide serving 65 million clients in more than 60 countries, the Group occupies a leadership position on West European markets and an increasingly important place on markets in Central Eastern Europe and Asia.

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's rates Generali Finance B.V.'s undated subordinated bonds Ba1(hyb)

Global Credit Research - 18 Nov 2014

London, 18 November 2014 -- Moody's Investors Service has today assigned a Ba1(hyb) rating to the undated junior subordinated bonds issued by Generali Finance B.V. and guaranteed by Assicurazioni Generali S.p.A. (rated Baa1 for insurance financial strength rating, stable outlook). Moody's has also assigned a (P)Ba1 junior subordinated rating to Generali Finance B.V. and Assicurazioni Generali S.p.A.'s Euro Medium Term Note (EMTN) program.

RATINGS RATIONALE

The Ba1(hyb) rating of the bonds issued by Generali Finance B.V. is three notches below Assicurazioni Generali S.p.A.'s insurance financial strength rating and reflects the combination of (i) the junior subordination of the bonds (ii) the optional and mandatory weak coupon deferral mechanisms, (iii) the cumulative nature of deferred coupons, in case of deferral, (iv) the temporary loss absorption features of the bond, (v) the variation and substitution language included in the documentation and (vi) the unconditional and irrevocable guarantee from Assicurazioni Generali S.p.A..

The new bonds are undated junior subordinated bonds. They will rank junior to senior bonds and to all dated subordinated bonds, and senior to all classes of shares. They will rank pari passu with all outstanding perpetual hybrid obligations issued by Generali Finance B.V. and by Assicurazioni Generali S.p.A. (together, "Generali").

Moody's indicates that the new instrument allows the issuer to defer interest payment on any interest payment date notably if, during the previous 6-month period (or 3-month for securities other than shares where remuneration is paid every 3 months), no dividend on any class of shares was declared or paid or any class of shares was repurchased and if no coupon was paid on pari passu securities or no pari passu securities was repurchased or redeemed (save for certain exceptions). The instrument also contains mandatory interest deferral triggers, notably based upon breach of solvency requirements. Under the existing EU Solvency I rules, Moody's regards this trigger as weak, and Moody's will evaluate the strength of this trigger when Solvency II is activated.

However, any deferred interest payment, optional or mandatory, will constitute arrears of interest and remains due by Generali at a future date (cumulative coupon deferral mechanism).

The new bonds also include a temporary principal write-down mechanism, according to which, if the solvency ratio of Assicurazioni Generali S.p.A. falls below 100% after losses, Generali's obligation to repay the principal and the coupons would be deferred. The obligation to repay principal would then be reinstated if the solvency ratio increased again to at least 100%, or upon early redemption or at liquidation of the company. Interest will continue to accrue on the nominal value of the bonds.

Furthermore, the documentation of the bonds allows Generali to redeem, exchange or vary the terms of the securities under certain circumstances, including the situations where, as a result of change in regulation, the instrument would no longer qualify as regulatory capital under Solvency I, or if the newly issued instrument would not be recognized as Tier 1 capital under the grandfathering provisions of the Solvency II framework.

According to the currently available rules for grandfathering subordinated debts, the bonds should be grandfathered as Tier 1 capital under Solvency II, for up to 10 years after the implementation date of the new regime. However, Moody's mentions that after 10 years, the debt would not meet the current criteria for eligibility as regulatory capital. Therefore, should the debt not be called and remain outstanding at that time, Generali would have the option to vary the terms of the bonds. Moody's mentions that, according to the documentation, in case of exchange or variation, the terms cannot be changed in a way that is materially adverse to the investor, after consultation of an independent investment bank. Nonetheless, Generali would be allowed to include a new principal write-down or conversion into shares mechanism based on an objective and measurable trigger. Moody's believes that the new capital requirements under Solvency II could represent a basis for such an objective and measurable trigger. The Ba1(hyb) rating on the bonds reflects Moody's opinion that there is currently a low probability that the security is not called before the end of the grandfathering period and that the terms of the bonds are varied in a way which would be materially adverse to investors and which would impact the rating of the bonds.

The proceeds of the issuance will be used by Generali to buy back existing perpetual hybrid securities callable in 2016 and 2017. Moody's says that it considers the combination of the buy back and of the new issuance to be credit positive as it reduces future refinancing risk for Generali with no impact on its financial leverage.

Commenting on the (P)Ba1 junior subordinated EMTN rating for "more deeply subordinated bonds" to be issued under Generali's program, Moody's says that the rating reflects the expected ranking of these bonds, their expected deferral coupon mechanisms and their expected variation and exchange language. Nonetheless, ratings on individual bonds issued under the program will be subject to Moody's review of the terms and conditions of the notes.

WHAT COULD CHANGE THE RATING UP/DOWN

Commenting on what could change the debt rating up or down, Moody's mentions that, as the debts are notched down from Assicurazioni Generali S.p.A.'s insurance financial strength rating, any change in this rating would affect the debt ratings.

Upwards pressure on Assicurazioni Generali S.p.A.'s insurance financial strength rating could develop following (1) an improvement in the credit quality of Italy; (2) a continued improvement of the group's solvency and/or a significantly lower exposure to Italian assets; (3) improvements of the financial flexibility, notably through improvements in earnings coverage.

Downwards pressure on Assicurazioni Generali S.p.A.'s ratings could develop following (1) a deterioration in the credit quality of Italy; (2) a material deterioration of solvency or a 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 below 2x and/or a significant reduction on the cash flows from the (re)insurance business.

RATING LIST

The following rating has been assigned with a stable outlook:

Generali Finance B.V. -- backed junior subordinated rating at Ba1(hyb).

The following ratings have been assigned:

Generali Finance B.V. -- backed junior subordinated EMTN rating at (P)Ba1;

Assicurazioni Generali S.p.A. -- junior subordinated EMTN rating at (P)Ba1.

PRINCIPAL METHODOLOGIES

The methodologies used in this rating were Global Life Insurers published in August 2014, and Global Property and Casualty Insurers published in August 2014. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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