



PRESS RELEASE

Standard & Poor's affirms the 'A-' rating on Unipol Assicurazioni. The outlook is stable.

Standard & Poor's has today announced that it has affirmed the long-term counterparty credit and insurer financial strength ratings on Unipol Assicurazioni S.p.A., confirming last year's evaluation. The outlook for Unipol remains stable.

In a press release issued today Standard & Poor's affirms that "Unipol's ratings are based on its strong competitive position in the Italian insurance market, on its strong operating performance and on its strong financial flexibility". The stable outlook reflects Standard & Poor's expectation that capitalization will improve from 2005 onward, based on higher earnings retention. Stress is also laid on the benefits arising out of the synergies of cost that are expected to result from the merger between Winterthur Italia and Meieaurora (which has given rise to Aurora Assicurazioni).

The rating assigned by Standard & Poor's confirms Unipol Group's growth strategies and the results achieved so far.

(Standard & Poor's press release is attached.)

Bologna, 23 December 2004

Compagnia Assicuratrice UNIPOL S.p.A.

(www.unipol.it)



Italy-Based Insurer Compagnia Assicuratrice Unipol SpA Ratings Affirmed at 'A-'; Outlook Stable

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Rationale

On Dec. 23, 2004, Standard & Poor's Ratings Services affirmed its 'A-' long-term counterparty credit and insurer financial strength ratings on the fourth-largest Italian insurer Compagnia Assicuratrice Unipol SpA (Unipol). The outlook is stable.

The ratings on Unipol are based on its strong competitive position in the Italian insurance market, strong operating performance, and strong financial flexibility. The ratings are constrained by the group's weak capitalization, however.

Major rating factors:

- Strong competitive position. Unipol enjoys a strong competitive position in the Italian insurance market, achieved through a well-recognized brand name and a solid, stable customer base. The company targets mainly retail customers and small and midsize enterprises, serving more than six million clients in Italy, with certain segments benefiting from strong historical relationships. Unipol is shifting toward an integrated financial services model, offering insurance, banking, and asset management products. Although the group's growing banking activities may strengthen its position and diversify income sources in the medium-to-long term, they are altering Unipol's risk profile by increasing the contributions from more volatile activities such as corporate banking.
- Strong operating performance. Unipol's overall operating performance is strong, underpinned by sound underwriting results in the property/casualty (P/C) business and a profitable life book. The P/C operations are the main driver of the company's strong performance, which has benefited from a benign claims environment and improving pricing discipline. A decline in claims frequency in the motor business and portfolio pruning in general liability have been the main forces behind the decline in the loss ratio. On the life side, the group is performing well overall, generating positive new business margins, in line with those of its peers.
- Strong financial flexibility. Unipol is not expected to have major capital needs in the short-to-medium term. As demonstrated by the €1 billion (\$1.3 billion) in capital raised in 2003, Unipol benefits from financially strong shareholders.
- Weak capitalization. Unipol's capitalization remains weak, owing to the €1.2 billion in goodwill from past acquisitions and the significant amount of capital locked into banking operations.

Outlook

The stable outlook reflects Standard & Poor's expectation that capitalization will improve from 2005 onward, based on higher earnings retention, to reach a good level by 2006. The current rating nevertheless does not reflect any additional capital requirements to fund the bank. The rating would come under renewed pressure if substantial additional capital were needed to support banking operations. Furthermore, Standard & Poor's expects Unipol to manage its banking risk conservatively and expand cautiously into corporate lending. Standard & Poor's does not expect Unipol to exceed its 2006 bank targets for 300-400 branches and total customer loans of €5.1 billion.

Standard & Poor's believes that the non-life combined ratio will stabilize at about 95% in the next two to three years. A possible softening of the motor cycle in Italy may put pressure on the combined ratio; however, the company is expected to reap the benefits of cost synergies from the Winterthur Italia merger, which should translate into a €100 million reduction in costs by 2006.



Profitability in the life business should improve as a result of the group's strategy to increase premiums generated via proprietary channels rather than third-party distributors.

Ratings List

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|-----------------------------------|--------------|
| Counterparty credit rating | A-/Stable/-- |
| Insurer financial strength rating | A-/Stable |
| Subordinated debt | BBB |

<<BOILERPLATE>>

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