



PRESS RELEASE

Unipol Assicurazioni : Standard & Poor's confirmed its 'A-' rating with stable outlook

It is hereby communicated that Standard & Poor's confirmed today its 'A-' long-term counterparty credit and insurer financial strength ratings on Unipol Assicurazioni. The outlook is stable.

Annexed is the press release issued by Standard & Poor's.

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Please note that the original Press Release is in Italian. In case of doubt, the Italian version prevails.

RESEARCH

Research Update:

Italian Composite Insurer Compagnia Assicuratrice Unipol 'A-' Ratings Affirmed; Outlook Stable

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Rationale

On Nov. 10, 2006, Standard & Poor's Ratings Services affirmed its 'A-' long-term counterparty credit and insurer financial strength ratings on Italian composite insurer Compagnia Assicuratrice Unipol SpA (Unipol). The outlook is stable.

The ratings reflect Unipol's strong competitive position in the Italian insurance market, strong operating performance, strong capitalization, and strong financial flexibility. These positive factors are partially offset, however, by Unipol's somewhat unsophisticated financial and risk management.

Major rating factors:

- Strong competitive position. Unipol has a strong competitive position in the Italian insurance market, achieved through a well-recognized brand name and a solid, stable customer base. Unipol's banking model, which is quite unique in the Italian market, also adds to its competitive position by strengthening relationships with customers and agents and by leveraging on the insurance client base to generate banking revenues. Unipol is, however, dependent on volatile bancassurance agreements to sell life products.
- Strong operating performance. The group's overall operating performance is strong, underpinned by sound underwriting results in property/casualty, with a combined ratio of 94.1% in 2005 (95.0% in 2004). The contribution of life business remains marginal due to the type of products sold, which have low margins.
- Strong capitalization. The group's capital raising in October 2005 has brought the capital base and quality of capital to a very strong level. Unipol intends to use part of this capital to increase banking activity through acquisitions and to buy out minorities in Italy-based insurer Aurora Assicurazioni SpA and bank Unipol Banca SpA, however, and management is committed to maintaining a strong level of capitalization over the rating horizon.
- Strong financial flexibility. Financial flexibility is strong, thanks to Unipol's financially strong shareholders.
- Unsophisticated, although improving, financial and risk management. Financial management needs to improve as management tools have not reached the level of sophistication expected from a group with the size and business diversification of Unipol. In particular, asset-liability management is performed using traditional tools, whereas the group is exposed to a significant interest rate risk as a consequence of a high, although decreasing, mismatch of assets and liabilities. We recognize, however, that together with the new management, important measures are being taken to speed up the development of value-based management. Enterprise risk management is still at the very early stages, and while basic risk controls for Unipol's major risks exist, the group does not yet have a holistic approach to risk management.

Outlook

The stable outlook reflects Standard & Poor's expectation that the new management will pursue a cautious and prudent corporate strategy.

Capitalization is currently at a very strong level due to the October 2005 capital raising. Unipol's management intends to use existing excess of capital to boost growth in banking business through external acquisitions, but capitalization is not expected to deteriorate below a strong level.

Competitive position is expected to remain strong, despite a slowdown of life growth due to a more prudent underwriting approach to capitalization products, a general slowdown of the market, and a possible review of bancassurance agreements.

Unipol's operating performance is expected to remain strong, thanks to the exploitation of unrealized synergies and increasing weight in the portfolio of profitable nonmotor business.

The outlook could be revised to negative if the new management were to pursue an aggressive growth strategy with a resulting deterioration in Unipol's capitalization to below a strong level. Conversely, a positive outlook would be considered if the new management were to significantly improve financial and risk management, maintain capitalization at a strong level, and prove its ability to meet its goals in terms of profitability and market position.

Ratings List

Counterparty credit rating

A-/Stable/-- A-/Stable/--

Insurer financial strength rating

A-/Stable A-/Stable

NB: This list does not include all ratings affected.

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