UNIQA Insurance Group AG Junior Subordinated Fixed-To-Floating-Rate Notes Rated 'BBB'

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FRANKFURT (Standard & Poor's) June 3, 2015--Standard & Poor's Ratings Services said today that it has assigned its 'BBB' long-term issue rating to the proposed junior subordinated fixed-to-floating-rate notes to be issued by Austria-based UNIQA Insurance Group AG (A-/Stable/--), the operating holding company of the UNIQA group.

The rating is subject to our review of the final terms and conditions.

The rating on the proposed notes incorporates our methodology for junior subordinated debt issues. We consequently rate the proposed notes two notches below the long-term counterparty credit rating on the issuer, UNIQA Insurance Group AG (UNIQA).

The rating is based on our understanding that holders of the proposed notes will be subordinated to UNIQA's senior creditors and that UNIQA has the option of deferring interest payments if, during the previous 12-month period:
- No dividend, other distribution, or payment in respect of any class of shares has been agreed upon in the most recent ordinary general meeting of shareholders; or
- No payment on account of balance-sheet profit has been made; or
- There was no repurchase of issuer shares of any class for cash.

Furthermore, we note that interest deferral is mandatory under certain conditions. These include a breach of solvency capital requirements, or if

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nonpayment is required for the proposed notes to be eligible as Tier 2 capital under the applicable regulations.

We understand that the proposed notes will have a tenor of 31 years, but will be callable at the option of the issuer 11 years after issuance and on any quarterly interest payment date thereafter. The issuer may also redeem the notes early owing to a regulatory event, gross-up, tax, accounting, or rating agency event. In case of such early redemption, prior to Jan. 1, 2021, and the fifth anniversary of the Solvency II implementation date, whichever is latest, the instrument would need to be replaced by a new instrument of at least equivalent capital quality. The coupon is fixed until the first call date. After that, the coupon will be reset to a quarterly floating rate coupon based on three-month Euribor, plus the initial margin, and a step-up of 100 basis points.

Although the proposed notes fulfil our criteria for intermediate equity content, we do not expect to include these notes in our calculation of total adjusted capital (TAC) on issuance because the notes are not likely to qualify as regulatory capital under the current Solvency I regime, as applied in Austria. However, the regulatory capital treatment may change under Solvency II in 2016, after implementation of new standards for the eligibility of own funds items.

We understand that UNIQA plans to issue the proposed notes to take advantage of current financing conditions and to strengthen its capital base under Solvency II. We consequently do not expect this issue to materially affect our view of the group's financial flexibility. We expect our financial leverage ratio (debt plus hybrids to economic capital) for UNIQA will remain comparably low, at less than 20% in 2015-2016. Fixed-charge coverage will likely be at about 7x-9x in the same period.

RELATED CRITERIA AND RESEARCH

- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

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Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.