

## PRESS RELEASE

### S&P upgrades Cattolica's rating at BBB outlook stable

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*Verona, October 31<sup>st</sup>, 2017.* Today Standard & Poor's has raised Cattolica's rating from BBB- to BBB. Outlook is affirmed stable.

Cattolica's rating follows, as set out under S&P's criteria, the upgrade of Italy's rating to BBB stable, made public on October, 27.

Cattolica's stand-alone credit profile (SACP) is affirmed at bbb+, one notch higher than Italy's rating, thanks to an "upper adequate" financial risk profile and a "strong" business risk profile that benefits from the improvements of the Italian insurance industry and from the updated assessment of country risk.

SOCIETÀ CATTOLICA DI ASSICURAZIONE

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**Research Update:**

**Italy-Based Societa Cattolica di  
Assicurazione Upgraded To 'BBB'  
Following Sovereign Upgrade; Outlook  
Stable**

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## Research Update:

# Italy-Based Societa Cattolica di Assicurazione Upgraded To 'BBB' Following Sovereign Upgrade; Outlook Stable

## Overview

- On Oct. 27, 2017, S&P Global Ratings raised its unsolicited long-term sovereign credit ratings on the Republic of Italy to 'BBB' from 'BBB-'.
- The ratings on Italian insurer Societa Cattolica di Assicurazione (Cattolica) are limited by the sovereign credit rating on Italy due to Cattolica's material exposure to Italian investments. Cattolica's credit profile before taking into account the sovereign cap is 'bbb+'.
- As a result of the sovereign upgrade, we are raising our ratings on Cattolica to 'BBB' from 'BBB-'.
- The stable outlook reflects that on the Republic of Italy.

## Rating Action

On Oct. 31, 2017, S&P Global Ratings raised to 'BBB' from 'BBB-' its long-term counterparty credit rating and insurer financial strength rating on Italian insurer Societa Cattolica di Assicurazione (Cattolica). The outlook is stable.

We also raised our rating on Cattolica's subordinated debt issue to 'BB+' from 'BB'.

## Rationale

The rating actions follow the upgrade of Italy. We raised our unsolicited sovereign credit ratings on Italy to 'BBB/A-2' from 'BBB-/A-3' on Oct. 27, 2017 (see "Italy Upgraded To 'BBB/A-2' On Firming Economic Recovery; Outlook Stable," published on RatingsDirect).

We believe Cattolica's exposure to sovereign risk has improved following the raising of our ratings on Italy. We expect Cattolica to benefit from the improved economic conditions in Italy, as well as the improved credit risk associated with Italian sovereign bonds. As of June 30, 2017, Cattolica had invested about €11 billion in Italian government securities, or approximately 5.4x the consolidated shareholders' equity. As result of its material investment exposure to Italian assets, we cap our rating on Cattolica at the level of the long-term sovereign ratings on Italy.

Cattolica's stand-alone credit profile (SACP)--our opinion of its creditworthiness before taking into account sovereign risk--is unchanged at

'bbb+', one notch higher than the ratings.

We believe Cattolica's business risk profile is set to benefit from the improved Italian insurance industry and country risk assessment. In addition, since Oct. 17, 2017, Cattolica has been holding exclusive discussions with Banco BPM, Italy's third-largest bank, for a long-term distribution agreement and the acquisition of two bancassurance joint ventures. We believe the insurer's business profile would benefit from such an agreement with Banco BPM, as it would strengthen its position in the Italian life and property/casualty insurance market, while providing scope for significant economies of scale.

On the other hand, we believe Cattolica's capital adequacy and financial risk profile may potentially weaken due to the cost of the acquisition and the impact of the consolidation of the joint ventures with Banco BPM. For this reason, we currently factor a negative adjustment under our holistic analysis to the 'bbb+' SACP.

## Outlook

The stable outlook mirrors that on the sovereign credit rating on the Republic of Italy.

### Upside scenario

We could raise the ratings on Cattolica if we were to raise our ratings on Italy.

### Downside scenario

We could lower the ratings on Cattolica if we were to lower our ratings on Italy.

## Ratings Score Snapshot

	To	From
Financial Strength Rating	BBB/Stable	BBB-/Stable
Indicative SACP	bbb+	bbb+
Anchor	a-	bbb+
Business Risk Profile	Strong	Satisfactory
IICRA	Intermediate Risk	Moderate Risk
Competitive Position	Strong	Strong
Financial Risk Profile	Upper Adequate	Upper Adequate
Capital & Earnings	Upper Adequate	Upper Adequate
Risk Position	Intermediate Risk	Intermediate Risk
Financial Flexibility	Adequate	Adequate

*Research Update: Italy-Based Societa Cattolica di Assicurazione Upgraded To 'BBB' Following Sovereign Upgrade; Outlook Stable*

Modifiers	0	0
ERM and Management	0	0
Enterprise Risk Management	Adequate	Adequate
Management & Governance	Satisfactory	Satisfactory
Holistic Analysis	-1	0
Liquidity	Exceptional	Exceptional
Sovereign risk	-1	-2
Support	0	0
Group Support	0	0
Government Support	0	0

SACP--Stand-alone credit profile. IICRA--Insurance Industry And Country Risk Assessment.

## Related Criteria

- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Insurance - General: Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

## Ratings List

### Upgraded

	To	From
Societa Cattolica di Assicurazione		
Counterparty Credit Rating		
Local Currency	BBB/Stable/--	BBB-/Stable/--
Financial Strength Rating		
Local Currency	BBB/Stable/--	BBB-/Stable/--
Subordinated	BB+	BB

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Outlook Stable*

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