

PRESS RELEASE

STANDARD & POOR'S UPGRADED CATTOLICA'S RATING FROM BBB TO A- WITH POSITIVE OUTLOOK. THE RATING OF THE BOND ISSUES ALSO UPGRADED FROM BB+ TO BBB

Verona, 11 November 2021. Today Standard & Poor's upgraded Cattolica Assicurazioni's rating from BBB to A- with a positive outlook. S&P has also upgraded the rating of Cattolica's bond issues from BB+ to BBB.

The rating upgrade is a direct consequence of the result of the tender offer launched by Generali which allowed the latter to reach an ownership of 84.475% of Cattolica. S&P considers Cattolica to be of highly strategic importance to Generali and that the combined group would be resilient to a hypothetical default of Italian Government bonds.

The agency stated that they could upgrade Cattolica to 'A' within the next 24 months if there were news of Cattolica's swift integration into the Generali group.

SOCIETÀ CATTOLICA DI ASSICURAZIONE

Cattolica Assicurazioni is one of the main players on the Italian insurance market, listed on the Milan Stock Exchange, where it has been present since November 2000. With around 3.5 million customers who rely on the insurance solutions and products it distributes, the Group has total premium income of €5.7 billion (2020). At the Group level, Cattolica has 1,338 agencies throughout Italy, covering both large cities and smaller towns, and a network of 1,840 agents. For further information: www.cattolica.it/profilo-societario

CONTACT INFORMATION

Chief Financial Officer

Atanasio Pantarrotas, CFA

Tel. +39 045 8391738

Investor.relations@Cattolicaassicurazioni.it

Media Relations Office

Erminia Frigerio – Media Relations

erminia.frigerio@Cattolicaassicurazioni.it

Tel +39 337 1165255

Angelo Cipriani – Local Media

Tel. +39 347 5074052

angelo.cipriani@cattolicaassicurazioni.it

Comin & Partners

Giuseppe Stamegna

giuseppe.stamegna@cominandpartners.com

Tel +39 392 0240063

Research Update:

Societa Cattolica di Assicurazione Upgraded To 'A-' On Generali Takeover; Outlook Positive

November 11, 2021

Overview

- On Nov. 4, 2021, Assicurazioni Generali SpA (Generali) announced it had reached 84.475% share ownership of Societa Cattolica Assicurazione SpA on the closing of its takeover offer.
- We now consider Cattolica to be of highly strategic importance to Generali and believe the combined group would be resilient to a potential default of Italy (unsolicited BBB/Positive/A-2).
- We therefore raised our ratings on Cattolica to 'A-' from 'BBB' and removed the ratings from CreditWatch with positive implications.
- The positive outlook reflects possible further integration of Cattolica in the Generali Group. We also consider the positive outlook on Italy.

PRIMARY CREDIT ANALYST

Taos D Fudji
Milan
+ 390272111276
taos.fudji
@spglobal.com

SECONDARY CONTACT

Eleonore Landolt
Paris
eleonore.landolt
@spglobal.com

Rating Action

On Nov. 11, 2021, S&P Global Ratings raised its long-term insurer financial strength and issuer credit ratings on Italy-domiciled Societa Cattolica di Assicurazione (Cattolica) to 'A-' from 'BBB'. The outlook is positive. We also raised to 'BBB' from 'BB+' our issue ratings on Cattolica's hybrid debt instruments. We removed all ratings on Cattolica and its debt from CreditWatch with positive implications, where we had placed them on June 15, 2021.

Rationale

The upgrade reflects our view that Cattolica is now a highly strategic part of the Generali Group (unrated). On Nov. 4, 2021, Generali announced its ownership of 84.475% of Cattolica following the closing of its takeover offer.

In our view, the credit quality of the combined group would be resilient to a hypothetical default of Italy (unsolicited BBB/Positive/A-2). We see Generali as resilient to a hypothetical Italian sovereign stress because of our assumption that Generali would not entirely deplete its regulatory capital base after applying our sovereign stress test. We have applied the sovereign stress test for the combined Generali and Cattolica group given the collective exposure to Italian assets (excluding

unit-linked and third-party assets under management) is material and estimated to be around 25% of general account investments.

Since end-2014, when we last rated Generali, the group has significantly strengthened its profitability and materially increased its regulatory capital. Solvency II eligible own funds stood at €47.7 billion on June 30, 2021, much higher than the Solvency I capital base at end-2014. Since then, direct exposure to Italian sovereign bonds has declined 5% to about €58 billion despite a close to 40% increase in Italian general account life reserves. Although we estimate that Generali's exposure to Italian assets has likely risen in some other asset classes in the past six years, we assume it would pass our sovereign stress test by a much wider margin than in 2014. This leads us to believe the Generali Group could be rated up to three notches above the rating on Italy, reflecting the group's diversified sources of earnings generation, both by country and between life and property/casualty (P&C) insurance business lines.

At the time of the withdrawal of our ratings on Generali in February 2015, we believed that Generali passed the sovereign stress test only with the help of a robust risk mitigation plan and noted the group's high sensitivity to Italian country risk. This prompted us to rate Generali two notches above the rating on Italy.

We consider that Cattolica has a strong strategic fit for Generali since the acquisition would increase Generali's P&C market share in Italy to about 21% from about 15% currently. In particular, we anticipate that Cattolica will boost the groups position in Italian motor premiums line, where Generali is only No. 3.

We see limited integration risk. Generali already has partnership agreements on new insurance products and on asset management already in place. Generali announced the acquisition would not materially affect its solvency, with only about an 7 point potential decline in the Solvency II ratio.

Our 'bbb+' assessment of Cattolica's stand-alone credit profile reflects our view of its strong business risk profile in Italy and satisfactory financial risk profile. Following the acquisition, we no longer cap the ratings on Cattolica at the level of our ratings on Italy. We now factor in the potential for extraordinary support from Generali.

Outlook

The positive outlook reflects both possible further integration of Cattolica in Generali and the positive outlook on Italy, which may benefit the creditworthiness of Generali.

Upside scenario

We could upgrade Cattolica to 'A' within the next 24 months if there were news of Cattolica's swift integration into the Generali group, for example via the announcement of a prospective merger of Cattolica with one of Generali's core operating entities. In its prospectus of the public takeover offer Generali had indicated it will explore several options regarding Cattolica's integration. We could also upgrade Cattolica if we considered that an upgrade of Italy, if one were to occur, would benefit the creditworthiness of the Generali group.

Downside scenario

We could revise our outlook on Cattolica to stable within the next 24 months if the company's integration in the Generali group became more complicated than forecast, or if we revised the

outlook on Italy to stable.

Ratings Score Snapshot

Ratings Score Snapshot -- Societa Cattolica di Assicurazione

	To	From
Business Risk Profile	Strong	Strong
Competitive position	Strong	Strong
IICRA	Intermediate risk	Intermediate risk
Financial Risk Profile	Satisfactory	Satisfactory
Capital and earnings	Satisfactory	Satisfactory
Risk exposure	Moderately low	Moderately low
Funding structure	Neutral	Neutral
Anchor*	bbb+	bbb+
Modifiers		
Governance	Neutral	Neutral
Liquidity	Exceptional	Exceptional
Comparable ratings analysis	0	0
Support	1	-1
Financial Strength Rating	A-	BBB

*The choice of the 'bbb+' anchor reflects our view of earnings volatility and reduced market position in life insurance.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- Societa Cattolica di Assicurazione 'BBB' Ratings Placed On CreditWatch Positive On Generali Takeover Offer, June 15, 2021

Ratings List

Upgraded; Outlook Action

	To	From
Societa Cattolica di Assicurazione		
Issuer Credit Rating		
Local Currency	A-/Positive/--	BBB/Watch Pos/--
Financial Strength Rating		
Local Currency	A-/Positive/--	BBB/Watch Pos/--
Societa Cattolica di Assicurazione		
Subordinated	BBB	BB+/Watch Pos

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceld/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings 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.

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