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**PRESS  
RELEASE**

## S&P revises Generali rating to A- from A, as a consequence of the downgrade of Italy

Trieste - The rating agency Standard & Poor's has revised Generali rating to A- from A as consequence of the Italy's downgrade on July 9. The outlook is negative. S&P continues to view Generali as having "a very strong business risk profile based on international diversification".

*"While our view of Generali's 'a' anchor is unchanged, its rating is limited under our criteria to two notches above that on Italy" notes S&P. The rating agency continues "to rate Generali two notches above our rating on Italy as its operations span the European Economic and Monetary Union (EMU), and it has leading market shares in the highly rated countries of Austria, the Czech Republic, France and Germany. This diversification reduces Generali's direct link to domestic sovereign risk".*

**Please find below the original press release by S&P.**

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## Assicurazioni Generali And Core Subsidiaries Lowered To 'A-' After Sovereign Downgrade, Outlook Negative

### Overview

- On July 9, 2013, Standard & Poor's lowered its unsolicited sovereign credit ratings on Italy to 'BBB+/A-2' from 'BBB+/A-2', with a negative outlook.
- Although Italy-based Assicurazioni Generali has a very strong business risk profile based on international diversification, we consider that this only partially insulates Generali from Italian sovereign risk.
- Consequently, we are lowering our long-term ratings on Generali and its core subsidiaries to 'A-' from 'A'; while our view of the 'a' anchor is unchanged, the rating is limited to two notches above that on Italy.
- The outlook is negative, both because of the negative outlook on the sovereign rating on Italy and the negative trend regarding operating and financial conditions in Generali's key Italian market.

### Rating Action

On July 12, 2013, Standard & Poor's Ratings Services lowered to 'A-' from 'A' its long-term counterparty credit and insurer financial strength ratings on Italy-based global multiline insurer

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Assicurazioni Generali SpA and its coresubsidiaries (Generali). We also lowered the senior, ubordinated, and juniorsubordinated debt ratings by one notch. The outlook on Generali and its coresubsidiaries is negative.

In addition, we revised the outlook to negative from stable on thecounterparty credit and insurer financial strength ratings on Ceska PojitovnaAS ('A-') and Generali Pan Europe (GPE; 'BBB+') and on the counterparty creditrating on Deutsche Bausparkasse Badenia AG (Badenia; 'BBB+') and affirmedtheir respective ratings.

## Rationale

The rating actions follow the lowering to 'BBB' from 'BBB+' of the unsolicitedlong-term sovereign credit rating on Italy, with a negative outlook (see "Long-Term Ratings On Italy Lowered To 'BBB'; Outlook Negative," published onJuly 9, 2013, on RatingsDirect).

While our view of Generali's 'a' anchor is unchanged, the ratingis limitedunder our criteria to two notches above that on Italy (the maximum availablewould be three notches as Italian policyholder liabilities represent about 30%of total group liabilities). We limit the rating because, in our view,although Generali has a very strong business risk profile with wideinternational diversification, we consider Generali's capitalization to be arelative weakness. Potential volatility in capitalization exposes Generali todeterioration in operating and financial conditions in Italy.

We continue to rate Generali two notches above our rating on Italy as itsoperations span the European Economic and Monetary Union (EMU), and it hasleading market shares in the highly rated countries of Austria, the CzechRepublic, France, and Germany. This diversification reduces Generali's directlink to domestic sovereign risk (see "Nonsovereign Ratings That Exceed EMUSovereign Ratings: Methodology And Assumptions," published on June 14, 2011).

We consider Generali's financial risk profile a relative weakness for therating. Our assessment of its moderately strong capital and earnings rests onour expectation that profitability will see a strong recovery and thatGenerali will complete a number of asset sales. These xpectations are sensitive to change in Italian operating and financial onditions. Inaddition, Generali is reliant on forms of capital such as value in force (VIF)and unrealized gains. In our opinion, these form a weaker buffer againstdeterioration in sovereign risk than common equity because they are lessliquid and more-sensitive to market conditions.

We revised the outlooks on GPE and Badenia because our group ratingmethodology caps the potential uplift for extraordinary support from Generaliat one notch below the group ratings for these entities. The outlook on GPEand Badenia is now aligned with that on Generali. We have revised the outlookon Ceska Pojitovna to negative as the ratings on this subsidiary cannot exceedthose on its parent.

The ratings on Generali are now constrained by the sovereign ratings on Italy.Our view of Generali's very strong business risk

profile and upper adequate financial risk profile still leads us to derive an anchor of 'a'. Our assessment of Generali's business risk profile is based on our view of its very strong competitive position and intermediate insurance industry and country risk. The financial risk profile is based on our opinion of Generali's moderately strong capital and earnings, combined with a moderate risk position and adequate financial flexibility. We consider enterprise risk management (ERM) and management and governance to be neutral rating factors.

The base-case assumptions that underpin our moderately strong assessment of capital and earnings are that Generali will likely:

- Generate average net income of about €1.7 billion per year over 2013-2015;
- Improve its non-life combined (loss and expense) ratio to about 95% by end-2014. (Lower combined ratios indicate better profitability. A combined ratio of greater than 100% signifies an underwriting loss.);
- Record much lower impairments compared with 2011 (€800 million) or 2012 (€1.3 billion); and
- Complete the asset sales it has announced--those of Generali USA Life Reassurance and BSI Bank.

Our assessment of capital and earnings also takes into account the commitment to buy out the remaining minority stakes in its Central and Eastern European subsidiary--Generali PPF Holding (GPH)--by the end of 2014 and to increase the dividend payout to 40%.

Our view of Generali's moderate risk position results from the volatility and market risk generated by its very large exposure to Italian sovereign debt securities of €57 billion at end-March 2013--equivalent to more than 2x the regulatory capital level of €25 billion at the same date. This exposure increases volatility of capital as the Italian sovereign yields significantly affect the value of VIF and shareholders' equity as the value of the bond portfolio is marked to market.

In addition, weak Italian growth prospects elevate the risk of further impairments on the domestic investment portfolio, including unlisted stakes such as Telco SpA. We also recognize the potential volatility that could arise from the group's exposure to interest rate risk in European markets, particularly Germany.

## Outlook

The outlook is negative, primarily reflecting that on Italy. In addition, the negative trend of the operating and financial conditions in Generali's key Italian market could delay capital rebuilding and reduce Generali's ability to successfully execute its strategy.

We could lower the ratings if we lowered the rating on Italy, given Generali's material domestic exposures. We could also lower the ratings if Generali's capitalization and financial flexibility

both materially deteriorate from current levels because of weakening operating and financial conditions in Italy. We could revise the outlook to stable if we revised the outlook on Italy to stable or if we anticipated that Generali would sustainably meet or exceed our base-case assumptions.

## Ratings Score Snapshot

Financial Strength Rating A-/Negative  
Anchor a  
Business Risk Profile Very Strong  
IICRA Intermediate Risk  
Competitive Position Very Strong  
Financial Risk Profile Upper Adequate  
Capital and Earnings Moderately Strong  
Risk Position Moderate Risk  
Financial Flexibility Adequate  
Modifiers 0  
ERM and Management 0  
Enterprise Risk Management Adequate With Strong Risk Controls  
Management and Governance Satisfactory  
Holistic Analysis 0  
Liquidity Exceptional  
Sovereign Risk -1  
Support 0  
Group Support 0  
Government Support 0  
IICRA--Insurance Industry And Country Risk Assessment.

## Related Criteria And Research

### Related research

- Long-Term Ratings On Italy Lowered To 'BBB'; Outlook Negative, July 9, 2013
- Assicurazioni Generali And Core Subsidiaries Ratings Affirmed At 'A' After Insurance Criteria Change; Outlook Negative, May 22, 2013
- Standard & Poor's Assigns Insurance Industry And Country Risk Assessments, May 7, 2013

### Related criteria

- Insurers: Rating Methodology, May 7, 2013
- Group Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- General Criteria: Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011).

## Ratings List

Downgraded  
To From

Assicurazioni GeneraliGenerali Vie  
Generali Versicherung AG  
Generali Versicherung AG  
Generali Lebensversicherung AG  
Generali Italia SpA  
Generali IARD  
Generali Deutschland Pensionskasse AG  
Envivas Krankenversicherung AG  
Cosmos Versicherung AG  
Cosmos Lebensversicherungs AG  
Central Krankenversicherung AG  
Alleanza Toro S.p.A  
Advocard Rechtsschutzversicherung AG  
AachenMuenchener Versicherung AG  
AachenMuenchener Lebensversicherung AG  
Counterparty Credit Rating  
Local Currency A-/Negative/-- A/Negative/--  
Assicurazioni Generali SpA  
Generali Vie  
Generali Versicherung AG  
Generali Versicherung AG  
Generali Lebensversicherung AG  
Generali Italia SpA  
Generali IARD  
Generali Deutschland Pensionskasse AG  
Generali (U.S. branch)  
Envivas Krankenversicherung AG  
Cosmos Versicherung AG  
Cosmos Lebensversicherungs AG  
Central Krankenversicherung AG  
Alleanza Toro S.p.A  
Advocard Rechtsschutzversicherung AG  
AachenMuenchener Versicherung AG  
AachenMuenchener Lebensversicherung AG  
Financial Strength Rating  
Local Currency A-/Negative/-- A/Negative/--  
Generali Holding Vienna AG  
Generali Rueckversicherung AG  
Counterparty Credit Rating  
Local Currency BBB/Negative/-- BBB+/Negative/--  
Financial Strength Rating  
Local Currency BBB/Negative/-- BBB+/Negative/--  
Assicurazioni Generali SpA  
Senior Unsecured BBB+ ASubordinated  
BBB BBB+  
Junior Subordinated BBB- BBB  
Generali Finance B.V.  
Senior Unsecured\* BBB+ AJunior  
Subordinated\* BBB- BBB  
Ratings Affirmed; CreditWatch/Outlook Action  
To From  
Ceska pojistovna a.s.  
Counterparty Credit Rating  
Local Currency A-/Negative/-- A-/Stable/--  
Financial Strength Rating  
Local Currency A-/Negative/-- A-/Stable/--  
Senior Unsecured BBB+  
Generali PanEurope Ltd.  
Counterparty Credit Rating

Local Currency BBB+/Negative/-- BBB+/Stable/--

Financial Strength Rating

Local Currency BBB+/Negative/-- BBB+/Stable/--

Deutsche Bausparkasse Badenia AG

Counterparty Credit Rating BBB+/Negative/A-2 BBB+/Stable/A-2

\*Guaranteed by Assicurazioni Generali SpA.

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers:

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**The Generali Group is one of Europe's largest insurance providers and the biggest European life insurer, with 2012 total premium income of € 70 billion.**

**With 80,000 employees worldwide and 65 million clients in more than 60 countries, the Group occupies a leadership position on Western European markets and an increasingly important place in Central and Eastern Europe and Asia.**