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PRESS RELEASE

S&P revises the Generali rating to BBB+ from A- due to the downgrade of Italian sovereign rating. The outlook is stable.

Trieste – Standard & Poor's, the rating agency, has today revised the Generali rating to BBB+ from A- as an automatic consequence of the downgrade of Italian sovereign rating. The outlook has been revised from negative to stable.

In 2013 S&P implemented a global criteria change that has the effect of limiting the rating of Generali to two notches above that of Italy. The rating agency also said that the indicative group credit profile (GCP) remains unchanged at 'a' reflecting S&P's view of Generali's "very strong business risk profile and upper adequate financial risk profile".

[Please find attached the original S&P release](#)

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THE GENERALI GROUP

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.

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Research Update:

Assicurazioni Generali And Core Subsidiaries Ratings Lowered To 'BBB+' After Italy Sovereign Downgrade; Outlook Stable

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Overview

- On Dec. 5, 2014, Standard & Poor's lowered its unsolicited long-term sovereign credit ratings on the Republic of Italy to 'BBB-' from 'BBB'.
- Under our criteria, and considering that the group passes our hypothetical sovereign default stress test based on a risk mitigation plan approved by the group's board of directors on Dec. 5, 2014, we cap our ratings on Generali at two notches above the sovereign ratings, as Generali retains high sensitivity to Italian country risk.
- Consequently, we are lowering our ratings on Generali to 'BBB+' from 'A-', although Generali's 'a' indicative group credit profile remains unchanged.
- The stable outlook reflects that on Italy.

Rating Action

On Dec. 12, 2014, Standard & Poor's Ratings Services lowered to 'BBB+' from 'A-' its long-term counterparty credit and insurer financial strength ratings on Italy-based global multiline insurer Assicurazioni Generali SpA (Generali) and its core subsidiaries. We also lowered the senior, subordinated, and junior subordinated debt ratings by one notch. The outlook on Generali and its core subsidiaries is stable.

We also lowered the counterparty credit and insurer financial strength ratings on Generali Pan Europe (GPE) to 'BBB' from 'BBB+'. The outlook on GPE is stable.

Finally, we lowered the counterparty credit ratings on Generali-owned German bank Deutsche Bausparkasse Badenia AG (Badenia) to 'BBB/A-2' from 'BBB+/A-2'. The outlook on Badenia is stable.

Rationale

The rating actions follow the lowering to 'BBB-/A-3' from 'BBB/A-2' of the unsolicited sovereign credit ratings on Italy (see "Ratings On Italy Lowered To 'BBB-/A-3'; Outlook Stable," published on Dec. 5, 2014, on RatingsDirect).

We view Generali's indicative group credit profile (GCP) as unchanged at 'a', reflecting our view of its very strong business risk profile and upper adequate financial risk profile, adequate with strong risk controls enterprise

risk management (ERM), and satisfactory management and governance. We expect Generali to increase its profitability, and report net income of more than €1.9 billion in 2014 and €2 billion in 2015. Our indicative GCP assessment relies on Generali's ability to maintain moderately strong capital and earnings and stable credit quality in its investment portfolio.

However, under our criteria our ratings on Generali are limited to two notches above the rating on Italy, reflecting our opinion that:

- Generali will continue to have material exposure to investments in Italy. These represented just over €90 billion on June 30, 2014, equivalent to about 27% of its total investments, excluding unit-linked and third-party investments. Investments include sovereign bonds, local bank and corporate bonds, real estate, domestic loans, deposits, and equities.
- Generali has high sensitivity to Italian country risk through its large Italian life insurance business, which represents about 30% of the group's life reserves.
- Generali passes the hypothetical sovereign default stress test, based on our criteria. We consider that Generali's regulatory solvency capital would remain positive in such a scenario, based on the timely implementation of what we view as a robust and wide-ranging risk mitigation plan. The plan was approved by the group's board of directors on Dec. 5, 2014. We also anticipate that Generali would mitigate potential pressure on its regulatory capital in a timely manner if Italy's creditworthiness were to deteriorate, in line with its overall risk management framework.

We lowered the long-term ratings on GPE and Badenia by one notch to the level of their stand-alone credit profile (SACP) of 'bbb' and removed one notch of extraordinary parent support. Under our group rating methodology, we cap the potential uplift for extraordinary support from Generali at one notch below the group ratings for these entities.

Outlook

The stable outlook on Generali reflects that on Italy, as we limit the long-term rating on Generali to a maximum of two notches above the sovereign rating.

Upside scenario

We would likely raise the ratings on Generali if a similar rating action was taken on Italy, all else being equal.

Downside scenario

We could lower the rating on Generali if:

- We lowered the sovereign rating on Italy;
- We considered Generali at risk of not passing the sovereign default test because of an increased exposure to Italy-based investments.

Ratings Score Snapshot

	To	From
Financial Strength Rating	BBB+/Stable	A-/Negative
Indicative GCP	a	a
Anchor	a	a
Business Risk Profile	Very Strong	Very Strong
IICRA	Intermediate Risk	Intermediate Risk
Competitive Position	Very Strong	Very Strong
Financial Risk Profile	Upper Adequate	Upper Adequate
Capital and Earnings	Moderately Strong	Moderately Strong
Risk Position	Moderate Risk	Moderate Risk
Financial Flexibility	Adequate	Adequate
Modifiers	0	0
ERM and Management	0	0
Enterprise Risk Management	Adequate With Strong Risk Controls	Adequate With Strong Risk Controls
Management and Governance	Satisfactory	Satisfactory
Holistic Analysis	0	0
Liquidity	Exceptional	Exceptional
Sovereign Risk	-2	-1
Support	0	0
Group Support	0	0
Government Support	0	0

GCP--Group credit profile. IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria And Research

Related Criteria

- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Insurers: Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011

- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Related Research

- Four Italian Insurers Downgraded After Rating Action On Italy; One Affirmed; Outlooks Stable, Dec. 12, 2014
- Ratings On Italy Lowered To 'BBB-/A-3'; Outlook Stable, Dec. 5, 2014

Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
Assicurazioni Generali SpA		
Generali 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		
Ceska pojistovna a.s.		
Central Krankenversicherung AG		
Advocard Rechtsschutzversicherung AG		
AachenMuenchener Versicherung AG		
AachenMuenchener Lebensversicherung AG		
Counterparty Credit Rating	BBB+/Stable/--	A-/Negative/--
Financial Strength Rating	BBB+/Stable/--	A-/Negative/--
Generali (U.S. branch)		
Financial Strength Rating	BBB+/Stable/--	A-/Negative/--
Generali Holding Vienna AG		
Generali Rueckversicherung AG		
Counterparty Credit Rating	BBB-/Stable/--	BBB/Negative/--
Financial Strength Rating	BBB-/Stable/--	BBB/Negative/--
Generali PanEurope Ltd.		
Counterparty Credit Rating	BBB/Stable/--	BBB+/Negative/--
Financial Strength Rating	BBB/Stable/--	BBB+/Negative/--
Deutsche Bausparkasse Badenia AG		
Counterparty Credit Rating	BBB/Stable/A-2	BBB+/Stable/A-2

Research Update: Assicurazioni Generali And Core Subsidiaries Ratings Lowered To 'BBB+' After Italy Sovereign Downgrade; Outlook Stable

Downgraded	To	From
Assicurazioni Generali SpA		
Senior Unsecured	BBB	BBB+
Subordinated	BBB-	BBB
Subordinated	BBB	BBB+
Junior Subordinated	BB+	BBB-
Ceska pojistovna a.s.		
Senior Unsecured	BBB	BBB+
Generali Finance B.V.		
Senior Unsecured	BBB	BBB+
Subordinated	BBB-	BBB
Junior Subordinated	BB+	BBB-

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