

COMUNICATO STAMPA

S&P's conferma il rating di Cattolica a BBB, *outlook* stabile, dopo l'annuncio dell'accordo con Banco BPM

Verona, 15 novembre 2017. Oggi Standard & Poor's ha confermato il rating di Cattolica a BBB dopo l'annuncio da parte del Gruppo dell'accordo con Banco BPM per una partnership strategica di lungo periodo nella bancassicurazione vita e danni. L'*outlook* è confermato stabile.

Secondo Standard & Poor's, l'accordo con Banco BPM rafforzerà la posizione competitiva del Gruppo e le opportunità di crescita sia nel business vita che nel comparto danni, garantendo l'accesso ad un canale distributivo alternativo e diffuso ed offrendo significative economie di scala.

Lo *stand-alone credit profile* (SACP) di Cattolica rimane invariato a bbb+, un notch più alto del rating sovrano, anche tenuto conto degli effetti dell'operazione sull'adeguatezza del capitale del Gruppo. La flessibilità finanziaria del Gruppo rimane invariata.

SOCIETÀ CATTOLICA DI ASSICURAZIONE

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Research Update:

Italian Insurer Societa Cattolica di Assicurazione Affirmed At 'BBB' On Agreement With Banco BPM; Outlook Stable

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Research Update:

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Overview

- Societa Cattolica di Assicurazione (Cattolica) will issue up to €500 million in subordinated debt to partially fund the acquisition of a 65% stake in bancassurance joint ventures from Banco BPM, Italy's third-largest banking group, for a total consideration of €853 million.
- Although the acquisitions and partnership with Banco BPM will strengthen Cattolica's position in the Italian life and property/casualty insurance market, it will also weaken Cattolica's capital adequacy, in our view.
- Cattolica's stand-alone credit profile of 'bbb+' (before the sovereign risk assessment) remains unchanged because we had already factored in that the deal could weaken capital adequacy.
- We are affirming our 'BBB' ratings on Cattolica because the insurer's material exposure to Italian investments means that the rating on it is capped at the level of the sovereign rating.
- The stable outlook reflects that on the Republic of Italy.

Rating Action

On Nov. 15, 2017, S&P Global Ratings affirmed its 'BBB' long-term counterparty credit and insurer financial strength ratings on Italian insurer Societa Cattolica di Assicurazione (Cattolica). The outlook is stable.

Rationale

The rating action follows Cattolica's announcement it has signed an agreement to acquire a 65% stake in Avipop Assicurazioni and Popolare Vita from Banco BPM for a total consideration of €853.4 million. It will finance the transaction from internal resources and up to €500 million hybrid issue.

The agreement, which is subject to regulatory approval, envisages the establishment of a 15-year-long strategic partnership with Banco BPM, Italy's third-largest banking group, to distribute both life and property/casualty (P/C) insurance products via its branches.

We anticipate that Cattolica's agreement with Banco BPM will strengthen its position in the Italian life and P/C insurance market, provide it access to an alternative and widespread distribution channel, and offer scope for significant economies of scale.

That said, we expect Cattolica's capital adequacy will weaken to just below the 'BBB' level as a result of the acquisition cost and consolidation impact of the joint ventures with Banco BPM. Our opinion takes into consideration our estimated increase in asset and insurance risk capital requirements, as well as the impact of the hybrid issue, goodwill, value of in-force policies, and minorities on the total adjusted capital.

Our assessment of Cattolica's stand-alone credit profile (SACP) is unchanged at 'bbb+' because we had already factored in that the deal could weaken capital adequacy. Exclusive talks regarding the deal were announced on Oct. 17, 2017.

After issuing the expected subordinated debt, we estimate Cattolica's financial leverage will rise toward 25% in 2018 from 8% at year-end 2016, and its fixed-charge coverage will fall to below 10x from over 20x over the same period. The increased leverage is not a rating constraint; it merely brings Cattolica more in line with its peers. Thus, our view of Cattolica's overall financial flexibility remains unchanged.

We expect the joint ventures to benefit Cattolica in the longer run through economies of scale and increased growth opportunities for both life and non-life insurance. In our estimates, we factor in a return on investment above 5% over time. The annual interest expenses related to the announced bond, which we estimate at about €20 million, will somewhat mitigate the additional profit the joint venture will contribute, at least in the short term.

Our 'BBB' ratings on Cattolica continue to be capped at the long-term sovereign ratings on Italy. Under our criteria, we regard Cattolica's investment exposure to Italian assets as material. We expect concentration in Italian investments, in particular sovereign bonds, will increase as result of the deals.

Outlook

The stable outlook mirrors that on the sovereign credit rating on 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 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	bbb+	a-
Business Risk Profile	Strong	Strong
IICRA	Intermediate Risk	Intermediate Risk
Competitive Position	Strong	Strong
Financial Risk Profile	Lower Adequate	Upper Adequate
Capital & Earnings	Lower Adequate	Upper Adequate
Risk Position	Intermediate Risk	Intermediate Risk
Financial Flexibility	Adequate	Adequate
Modifiers	0	0
ERM and Management	0	0
Enterprise Risk Management	Adequate	Adequate
Management & Governance	Satisfactory	Satisfactory
Holistic Analysis	0	-1
Liquidity	Exceptional	Exceptional
Sovereign risk	-1	-1
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

Related Research

- Italy-Based Societa Cattolica di Assicurazione Upgraded To 'BBB' Following Sovereign Upgrade; Outlook Stable, Oct. 31, 2017

Ratings List

Ratings Affirmed

Societa Cattolica di Assicurazione

Counterparty Credit Rating	BBB/Stable/--
Financial Strength Rating	BBB/Stable/--
Subordinated	BB+

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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. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the 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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