

## PRESS RELEASE

CATTOLICA ASSICURAZIONI GROUP'S RESULTS AT 31 MARCH 2020

### **OPERATING RESULT (+20.5%) AND TOTAL PREMIUM INCOME (+2,8%) ARE INCREASING IN THE FIRST QUARTER DESPITE THE EXTREMELY CHALLENGING ENVIRONMENT**

- **INITIATIVES IN SUPPORT OF STAKEHOLDERS HAVE BEEN ACTIVATED TO RESPOND TO THE COVID-19 EMERGENCY, SUCH AS THE VOUCHER FOR CATTOLICA'S MOTOR CUSTOMERS**
- **TOTAL PREMIUM INCOME AT €1.5BLN (+2.8%): GROWTH OF LIFE DIRECT PREMIUMS (+4.9%), NON-LIFE PREMIUMS DOWN SLIGHTLY (-1.9%)**
- **NON-MOTOR PREMIUMS CONTINUE TO GROW IN NON-LIFE (+4.0%)**
- **COMBINED RATIO IMPROVING AT 92.6% (-1.1 p.p.)**
- **OPERATING RESULT AT €72M (+20.5%)**
- **GROUP NET PROFIT DECREASING TO €14M (-45.9%) DUE TO SOME WRITE-DOWNS**
- **CAPITAL STRENGTH CONFIRMED WITH SOLVENCY II RATIO AT 147% (175% FY2019) DESPITE THE HIGH MARKET VOLATILITY**
- **PROPOSAL FOR THE ALLOCATION OF 2019 RESULT TO RESERVES**
- **GUIDANCE ON 2020 OPERATING RESULT CONFIRMED (€350-375M) DESPITE THE INCREASING RISKS LINKED TO THE EFFECTS OF THE PANDEMIC**

### **ORDINARY AND EXTRAORDINARY GENERAL MEETING CALLED ON JUNE 26 AND 27 (IN FIRST AND SECOND CALL)**

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Verona, 15 May 2020. The Board of Directors of Cattolica Assicurazioni, chaired by Paolo Bedoni, met today in Verona and approved the results at 31 March 2020.

**Atanasio Pantarrotas, Chief Financial Officer of the Cattolica Assicurazioni Group**, stated: *"The results we present today confirm the Group's resilience to exceptional events. The quarter was characterized by premiums increasing by 2.8% compared to the same period of the previous year and by a decrease in claims, particularly in Motor. The operating result grew by 20.5% to €72 million. At the end of a phase of high market volatility, the Group's net profit came to €14 million due to the effect of write-downs on investments and the capital strength was confirmed, with an S-II ratio equal to 1.47 times the regulatory requirement. To date, while aware of the numerous risks associated with the pandemic, without considering extraordinary events, we confirm an operating result at the end of the year in a range between € 350 and € 375 million"*.

In light of the changed economic and health context, the Cattolica Group has activated numerous initiatives to contrast and reduce the negative effects of the pandemic on stakeholders. During the entire lockdown period, the Company guaranteed the continuity of internal processes thanks to the intensive use of remote work for all employees and collaborators.

In the first weeks of emergency, the Group introduced a coverage dedicated to the protection of commercial activities. At the same time, the Company introduced a new digital system for the payment of premiums and the settlement of claims and has granted an extension on the expiry dates of Non-life policies, also facilitating the suspension of the Motor TPL policies.

Thanks to an unprecedented initiative for the Company, Cattolica Assicurazioni's Motor customers will be offered a voucher equal to 1/12 of the gross annual premium, to be used when renewing or underwriting another Non-Life policy.

In collaboration with the Fondazione Cattolica, the Group has also supported the communities most affected by the pandemic, through the donation of over 2 million euros to hospitals, CEI, Caritas and other social-health and welfare organizations.

As regards the performance of the Group's business, following the lockdown undertaken by the Government to counter the spread of the pandemic, the following phenomena occurred:

- Strong decrease of both Non-Life and, especially, Life new business; from the middle weeks of March (and until the beginning of May) there was a -45.1% in Motor new business, -61.6% in Non-Motor and -81% in Life;
- Decrease in claims for almost all business lines (except for pecuniary losses), especially in Motor for which in some weeks the drop has been around -80%;
- Decrease in Life redemptions by -76% compared with the first two months of 2020.

However, starting from the last week of April, there was a partial recovery, with Motor new business growing, if compared to the average of the previous weeks, by +23% and Life new business by +10%.

As of today, there are no particularly negative trends in claims reported due to the pandemic, neither in Life nor in Non-Life.

Despite this extremely negative context, **total premium income from direct and indirect** Life and Non-Life business<sup>1</sup> for Q1-2020 is up by 2.8% at €1,549m. Non-Life direct premiums are down by 1.9%. The growth of Life premiums is equal to 4.9% with a sharp incidence of unit-linked products (28.7% on total premiums).

The combined ratio is improving at 92.6% (-1.1 p.p.) despite the provisions made to cover the voucher in favour of Motor customers and corresponding to 4.9% of earned premiums. The **operating result**<sup>2</sup> is growing sharply by 20.5% to €72mln. The operating RoE<sup>3</sup> stands at 7.4%.

The **Group's net result**<sup>4</sup> at €14m (€26m 1Q2019) decreased by 45.9% compared with the previous year due to write-downs of investments in equity and mutual funds.

<sup>1</sup> Includes insurance premiums and life insurance contracts as defined by IFRS 4.

<sup>2</sup> See the Glossary.

<sup>3</sup> The operational ROE is the ratio between the sum of the net operating result of the cost of subordinated debt, taxes and minority interests and the average of the Group's net equity (excluding the AFS reserve).

<sup>4</sup> Net of minority interests.

The Adjusted result <sup>5</sup> at 1Q2020 stands at €18m down by 38.3% compared with 1Q2019 due to the above-mentioned write-downs.

### Non-Life Business

**Direct premium income** is down by 1.9% at €482m. This figure includes €228m attributable to the **Non-Motor segment**, up by 4.0% due to the many initiatives envisaged in the Business Plan to rebalance the Non-Life business mix in favour of the Non-Motor segment. The **Motor segment** stands at €254m, down by 6.7% mainly because of a lower premium income in the month of March 2020, following the beginning of the lockdown.

The **combined ratio**<sup>6</sup> goes from 93.7% to 92.6% (-1.1 p.p.) also thanks to the improvement in frequency linked to the lower circulation of vehicles and in spite of provisions made for the voucher in favour of Motor customers (corresponding to 4.9 p.p. visible in the other technical items). The net claims ratio stands at 55.7% (-8.3 p.p.) whereas the expense ratio stands at 30.2%, up by 1.4 p.p., due to the business mix effect which has an impact on the commission ratio (+1.3 p.p.); the G&A expense ratio is in line with the previous year and takes into account the industrial plan investments. It should be noted that the claims ratio, in addition to the number of reported claims related to Covid-19 (especially related to business interruptions and pecuniary losses), also takes into account the estimates of IBNR claims related to the pandemic.

### Life Business

In the Life segment, **direct premium income** is up by 4.9% at €1,061m. Premium income is driven by a very positive increase in unit-linked products (+71.4%), in line with the actions outlined in the Plan, despite the sharp slowdown that took place in March. The new with-profit Life contracts with zero guaranteed rate have helped to further lower the average minimum guaranteed of the Group's reserves, which now stands at 0.55% (0.58% FY2019), continuing the reduction targeted in the Business Plan. Furthermore, all new traditional insurance contracts are characterised by a low capital absorption thanks to their technical features that enable a low risk profile.

### Financial management and balance sheet position

The **result of investments**<sup>7</sup> stands at €114m (€118m 1Q2019) due to the above-mentioned write-downs (-€16m). The Non-Life ordinary component is basically stable (€26m).

**Investments** amount to €32,159m. The **gross technical reserves of the Non-Life business** amount to €3,591m (€3,695m 1Q2019) whereas the **reserves of the Life business**, including investment contracts, amount to €26,785m (€26,886m 1Q2019).

The **net consolidated shareholders' equity** stands at €2,284m, down compared with 31 December 2019 (€2,351m) due to the decrease of the AFS reserve.

The Group's **Solvency II ratio** is equal to 147%, and it takes into account all the effects caused by market volatility: widening of the BTP-Euro Swap spread, very sharp fall of the stock market (FTSE MIB -27.5% from the beginning of 2020) and decrease of the risk-free rates. The ratio is calculated according to the Standard Formula using the Undertaking Specific Parameters (USPs) authorised by the supervisory authority.

<sup>5</sup> It is defined as the Group's net profit minus the amortisation of the VOBA (value of business acquired, net of the related tax effects and of the share pertaining to the Group) and the impairment of goodwill, which have relevance on the Group profit but do not affect the Solvency position.

<sup>6</sup> Combined ratio of retained business: 1-(Technical balance/net premiums), inclusive of all other technical items.

<sup>7</sup> Financial assets, excluding investments whose risk is borne by the policyholders, gross of the tax effects.

### Allocation of 2019 result

The Board of Directors has decided to comply with the recommendations of the Supervisory Authorities in the context generated by the pandemic, thus proposing no dividend distribution to the next Annual General Meeting, with the allocation of the 2019 result to reserves.

### Sales network

At 31 March 2020 the agency network was made up of 1,389 agencies and the Bank branches distributing Group products stood at 5,955.

### Business outlook

On February 6th, 2020, the Cattolica Board of Directors provided a forecast on the Operating Result for the current year within a range between 350 and 375 million euros. To date, this guidance is still considered realistic. However, some potential risks that could lead, should they materialise, to a reduction in this result, are worth considering and they include, among others:

- A strong increase in claims connected to the Covid-19 pandemic, not known at the moment, particularly those in the Life sector (currently not occurred);
- A significant growth of the Motor claims frequency (compared to the historical average of the last few years) over the next few months, linked to a changed behavior in the use of private vehicles for travel, when activities resume;
- A fall in economic activity much worse than current expectations leading to further drops in premium income, a strong increase in the number of claims in certain business lines (a typical consequence of severe recessions) associated with a sharp increase of Life redemptions, due to the need for liquidity of customers;

The net profit result will also depend on other factors, such as any write-downs, as occurred during the Q1-2020.

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The Corporate Financial Reporting Manager, Atanasio Pantarrotas, states pursuant to paragraph 2 of Article 154bis of the Consolidated Law on Finance that the accounts information contained in this press release matches the results of the documents, books and financial records.

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The Board of Directors of Cattolica Assicurazioni decided to call the Extraordinary and Ordinary Annual General Meeting on 26 and **27 June 2020**, in first and second call, respectively.

The agenda of the Annual General Meeting is as follows:

#### Extraordinary Meeting

- Articles of Association: changes to articles number 23, 29, 30, 32, 33, 37, 38, 39, 40, 41, 42, 46 and 59. Consequent and correlated resolutions.
- Proposal to assign a proxy to the Board of Directors, pursuant to art. 2443 of the Italian civil code, to increase the share capital in divisible form, in one or more tranches, by 30 June 2025, for a maximum total amount of Euro 500 million,

including any share premium, through the issue of ordinary shares without nominal value and having the same characteristics as those in circulation, to be offered in option to the entitled parties, with the widest faculty to establish, from time to time, in compliance with the limits indicated above, the methods, terms and conditions of the transaction, including the issue price, including any share premium, and enjoyment. Consequent modification of art. 6 of the Articles of Association. Related and consequent resolutions.

### Ordinary Meeting

- Approval of the 2019 financial statements and the accompanying report, with consequent and correlated resolutions.
- Assignment of the statutory audit engagement for the 2021-2029 financial years and determination of the consideration for the assignment. Consequent and correlated resolutions;
- Decisions relating to the remuneration policies and Remuneration Report pursuant to art. 123-ter of TUF and IVASS regulation number 38/2018.
- Authorisation to purchase and sell own shares in accordance with the law. Inherent and consequent resolutions.
- Proposal for revocation, for just cause, of the Director Alberto Minali.

The reports on the items on the agenda will be made available at the headquarters and on the website [www.cattolica.it](http://www.cattolica.it) within the terms established by current regulations.

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The results at 31 March 2020 will be presented to the financial community at 10:30 CET on Monday 18 May 2020, in a conference call (with Italian, English and original audio). The numbers to dial are: + 39 02 805 88 11 from Italy, + 44 1 212818003 from the United Kingdom and +1 718 7058794 from the United States. Journalists may follow the event by calling +39 02 805 88 27 (listen-only mode). The results presentation will be available on the homepage of the site [www.cattolica.it](http://www.cattolica.it) in the Investor Relations section.

## SOCIETÀ CATTOLICA DI ASSICURAZIONE

*Cattolica Assicurazioni is one of the main players on the Italian insurance market and the only cooperative company in its industry to be listed on the Milan Stock Exchange, where it has been present since November 2000. With nearly 3.5 million customers who rely on the insurance solutions and products it distributes, the Group has total premiums of nearly €7 billion (2019). At the Group level, Cattolica has 1,395 agencies spread throughout Italy, covering both large cities and smaller towns, and a network of 1,887 agents. For further information: [www.cattolica.it/profilo-societario](http://www.cattolica.it/profilo-societario)*

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*Summary of the main Group data:*

(amounts in millions of €)	31.03.2019	31.03.2020	var %
Net premiums	1,424	1,482	4.1%
Net charges relating to claims	-1,441	-859	-40.4%
Operating expenses	-180	-183	1.4%
<i>of which commission and other acquisition costs</i>	-127	-134	5.0%
<i>of which other administration expenses</i>	-53	-49	-7.4%
Other revenues net of other costs (other technical income and charges)	-18	-49	n.s.
Income on ordinary gross investments Class C	134	149	10.6%
Income on ordinary gross investments Class D	161	-443	n.s.
Commissions income net of commissions expense	0	0	n.s.
Operating expenses relating to investments	-12	-14	17.1%
<b>RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS</b>	<b>68</b>	<b>83</b>	<b>23.1%</b>
Other revenues net of other operating costs	-8	-11	43.7%
<b>OPERATING RESULT</b>	<b>60</b>	<b>72</b>	<b>20.5%</b>
Realised and valuation income	2	-15	n.s.
Interests on subordinated debt	-7	-7	0.6%
Net income from investments in subsidiaries, associate companies and joint ventures	1	1	47.5%
Other revenues net of other non-operating costs	-12	-12	5.5%
<b>PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR</b>	<b>44</b>	<b>39</b>	<b>-11.2%</b>
Taxes	-16	-19	23.1%
<b>CONSOLIDATED RESULT FOR THE PERIOD</b>	<b>28</b>	<b>20</b>	<b>-30.5%</b>
of which pertaining to the Group	26	14	-45.9%
of which pertaining to minority interests	2	6	n.s.



## Glossary

Operating result: the operating result does not include highly volatile components (realised gains, write-downs, other one-off items). In detail, the Non-Life operating result is defined as the sum of the technical balance, net of reinsurance, with ordinary financial revenues and other non-technical net items (depreciations, write-down of insurance credits, etc.); The operating result does not include financial realised and unrealised gains/losses and impairments, impairments on other assets, interests paid on financial debts (subordinated debts), the amortisation of the value of business acquired (VOBA), the voluntary redundancy incentives and staff severance indemnity as well as other one-off items. Life operating result is defined in a similar way, with the only difference that the entire financial income contributing to the return of securities pertaining to the segregated funds is considered part of the operating profit.