

## INTERIM FINANCIAL INFORMATION AS OF 31 MARCH 2018 – PRESS RELEASE

### 1Q2018 RESULTS: A POSITIVE START TO THE YEAR

#### INCREASE IN PREMIUMS AND OPERATING RESULT. CONFIRMED TECHNICAL EXCELLENCE AND STRONG CAPITAL POSITION

- **TOTAL PREMIUMS INCOME AT €1.3BLN (+1.1%); GROWTH OF BOTH LIFE AND NON-LIFE SEGMENTS**
- **COMBINED RATIO AT VERY GOOD LEVELS (93.7%)**
- **OPERATING RESULT<sup>1</sup> UP TO €45MLN (+4%)**
- **GROUP'S RESULT AT €24MLN (-20%) DUE TO THE COSTS OF THE NEW SUBORDINATED BOND AND TO LOWER REALISED GAINS**
- **HIGH LEVEL OF GROUP CAPITAL POSITION: SOLVENCY II RATIO<sup>2</sup> AT 199%**

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Verona, May 11th, 2018. The Board of Directors of Cattolica Assicurazioni, chaired by Paolo Bedoni, met yesterday in Verona and approved the results at 31 March 2018.

**Enrico Mattioli, Deputy General Manager and Chief Financial Officer of the Cattolica Assicurazioni Group**, stated: *“The Cattolica Assicurazioni Group closes the first quarter of 2018 with an increase in premiums and operating result, thus showing a positive start to the year, in line with the Business Plan targets. The Group shows a strong capital position and confirms its technical excellence, also thanks to the underwriting skills of its agency Network. The consolidated result takes into account the lower Non-Life realised gains, with the aim of preserving future profitability, and the interests on the new subordinated bond, issued to fund the deal with Banco BPM, whose positive effects on the income statement will be visible over the course of the year. The start of the Plan confirms the value of the strategic actions that we are putting in place to reach the 2020 targets, with an operating RoE of at least 10% and a dividend > €0.50, growing of about 50% versus the current levels”.*

The **total premiums income for direct and indirect business Non-Life and Life<sup>3</sup>** reaches €1,332mln (+1.1%). Non-Life direct premiums (+0.4%) show an increase in volumes in the Motor business (+3.2%), due both to a growth of the average premium and to an increase in the number of policies written in the second part of 2017, while the contraction in the Non-Motor business (-3.5%) is completely attributable to the

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<sup>1</sup> See Glossary.

<sup>2</sup> Ratio following the distribution of the dividend by the Parent Company, calculated according to the Standard Formula using Undertaking Specific Parameters (USP). The ratio includes the acquisition of the joint venture companies finalised at the closing of the deal between Cattolica and Banco BPM, on March 29<sup>th</sup>, 2018.

<sup>3</sup> It includes insurance premiums and investment contracts of the life segment as defined by IFRS 4.

interruption of the underwriting activity of ABC Assicura, a joint venture with Banca Popolare di Vicenza. On a like-for-like basis, without considering ABC Assicura, the Non-Motor would show an increasing performance. The increase in the Life sector (+1.7%) is matched by a product review, with a progressive reduction of the risk profile. The technical profitability of the Non-Life business remains at high levels, with a combined ratio of 93.7%. The strong capital position is confirmed by a Solvency II ratio at 199%.

The **operating result** increases by +4% to €45mIn, in line with the targets of the 2018-2020 Business Plan. The operating RoE<sup>4</sup> (4.9%), on the other hand, includes the effect of the interests on the recently issued subordinated bond while it doesn't take into account the contribution of the joint ventures with Banco BPM, whose economic effect will be consolidated starting from the second quarter of 2018. Notwithstanding the increasing premiums and operating result and a confirmed high level of technical excellence, the **net consolidated result** (€25mIn; -15.1%) and the **Group's net result**<sup>5</sup> (24mIn; -20%) are affected by the previously mentioned interests on the subordinated bond issued by the Group and by the lower realised gains in the Non-Life sector.

### Non-Life Business

**Direct premiums income** records an increase by 0.4% to €467mIn, of which €279mIn in the **Motor sector** (+3.2%), mainly due to the average premium growth and to the increase in the number of policies written in the second part of 2017. The **Non-Motor sector** shows a premiums income of €188mIn (-3.5%) affected by the interruption of the underwriting activity coming from the joint venture with Banca Popolare di Vicenza (-€8mIn vs 1Q2017).

The **combined ratio**<sup>6</sup> moves from 93.4% to 93.7% (+0.3p.p.) confirming its very good levels. The claims ratio from retained business improves considerably by more than 2 p.p. (from 67.3% to 65.2%), while the expense ratio stands at 27.4% (+2p.p.) mainly due to the investments carried out to support the implementation of the new Business Plan.

### Life Business

In the Life segment, **the direct premiums income** remains positive, increasing to €863mIn (+1.7%). The production is boosted by the good performance posted by linked products (+15%).

The new business of with-profit Life contracts with guaranteed minimum rates equal to zero has helped to gradually lower the average minimum guarantee of the Group's stock of mathematical provisions, which stands at 0.9% (1% FY17).

### Financial management and equity situation

The **investments**<sup>7</sup> **result** is equal to €101mIn (€126mIn 1Q17) and reflects both the effects of the interests on the subordinated bond issued by the Group and the lower financial realised gains, preserving the portfolio future profitability. The geographical diversification of the bond investments continued with the aim of mitigating the risk of potential spread widening in high-volatility contexts.

<sup>4</sup> The operating RoE is the ratio between the sum of the operating result net of the subordinate cost, taxes and minority interests and the average of the Group's net assets (excluding the AFS reserves). The taxes are calculated on the basis of a theoretical rate.

<sup>5</sup> Net of minority interests.

<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.

The **investments**<sup>8</sup> amount to €33,061mIn (vs €23,285mIn FY17). The **gross technical provisions for the Non-Life sector** equal €3,689mIn (vs €3,603mIn FY17) and the **provisions for the Life sector**, including financial liabilities, stand at €27,875mIn (vs €18,082mIn FY17).

The figures at March 31<sup>st</sup> 2018 confirm the solidity of the Group's assets, with a **net consolidated shareholders' equity** of €2.331mIn, growing with respect to December 31<sup>st</sup>, 2017 (€2,108mIn) mainly as a consequence of the increase of third party capital due to the consolidation of the new joint ventures with Banco BPM.

The **Group's Solvency II ratio**, including the dividend distribution and the partnership with Banco BPM, stands at 199%. The ratio is calculated according to the Standard Formula, using the Undertaking Specific Parameters (USP) authorised by the Insurance Regulator.

### **Sales network**

At March 31<sup>st</sup> 2018, the agency network consists of 1,493 agencies, while Bank branches that distribute Group products stand at 6,184.

### **Outlook for business activities**

In an insurance market still characterised by sharp competition and low interest rates, in the absence of extraordinary events, we expect results in line with the 2018-2020 Business Plan.

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The director responsible for the preparation of the company's accounting documents, Enrico Mattioli, 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 results at 31 March 2018 will be presented to the financial community at 9.30 am of today, 11 May 2018, in a conference call (with double English/Italian audio). The numbers to call are: + 39 02 805 88 11 from Italy, + 44 1 212818003 from the United Kingdom and +1 718 7058794 from the United States. Journalists can follow the event by connecting to the number + 39 02 805 88 27 (listen-only mode). The presentation of the results will be available on the home page of the website [www.cattolica.it](http://www.cattolica.it) in the Investor Relations section.

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<sup>8</sup> Including both Class C and Class D investments.

**Summary of the Group's main figures:**

(€ million)	31.03.2017	31.03.2018	var %
Net Premiums	1,193.3	1,213.3	1.7%
Net charges relating to claims	-1,133.9	-1,089.2	-3.9%
Operating expenses	-137.1	-144.7	5.5%
<i>of which commission and other acquisition costs</i>	-101.8	-101.8	0.0%
<i>of which other administrative expenses</i>	-35.3	-42.9	21.5%
Other revenues net of other costs (other technical income and charges)	-13.8	-15.5	12.0%
Income on ordinary gross investments (Class C)	124.1	115.0	-7.4%
Income on ordinary gross investments (Class D)	23.8	-19.4	n.s.
Commissions income net of commissions expense	1.5	1.1	-25.5%
Operating expenses relating to investments	-6.9	-9.0	29.7%
<b>RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS</b>	<b>51.0</b>	<b>51.6</b>	<b>1.1%</b>
Other revenues net of other operating costs	-8.1	-6.9	-14.3%
<b>OPERATING RESULT</b>	<b>42.9</b>	<b>44.7</b>	<b>4.0%</b>
Realised and valuation income	7.7	1.1	-85.6%
Interests on subordinated debt	-2.3	-7.7	n.s.
Net income from investments in subsidiaries, associated companies and joint ventures	1.2	0.9	-24.5%
Other revenues net of other non-operating costs	-2.5	1.2	n.s.
<b>PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR</b>	<b>47.0</b>	<b>40.2</b>	<b>-14.5%</b>
Taxation	-17.0	-14.8	-13.5%
<b>CONSOLIDATED PROFIT (LOSS) FOR THE YEAR</b>	<b>30.0</b>	<b>25.4</b>	<b>-15.1%</b>
of which pertaining to the Group	29.4	24.0	-20.0%
of which pertaining to minority interests	0.6	1.4	n.s.

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## Glossary

Operating result: the operating result does not include highly volatile components (realised gains, write-downs, other one-off items). In details, 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 amortization 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.