Società Cattolica di Assicurazione - Società Cooperativa
Sede in Verona, Lungadige Cangrande n.16
C.F. 00320160237 – Iscritta al Registro delle Imprese di Verona al n. 00320160237
Società iscritta all'Albo delle Società Cooperative al n. A100378

PRESS RELEASE

INVESTOR DAY: 2018 – 2020 BUSINESS PLAN

CATTOLICA 2020: ROBUST BOOST IN PROFITS AND DIVIDENDS PRESERVING A STRONG CAPITAL POSITION

BUSINESS DIVERSIFICATION, STRENGTHENING OF THE OPERATING SYSTEM AND A NEW CORPORATE GOVERNANCE MODEL FOR AN INNOVATIVE, AGILE AND RESPONSIVE COMPANY

3 development pillars to achieve greater competitiveness and value increase for stakeholders:
- profitable growth
- technical excellence
- innovation

2020 TARGETS:

	2020 Targets	Δ % vs FY16
Operating profit[1]	€375-400mln	> +60%
Operating ROE[2]	≥ 10%	≥ +4 p.p.
Dividend per share	> €0.50	~ +50%

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A MORE EFFICIENT CORPORATE GOVERNANCE MODEL in line with international best practice, towards the adoption of the one-tier system

The cooperative company further opens up to the market and welcomes the arrival of new institutional investors as members

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Milan, January 29th, 2018. The 2018-2020 Business Plan was approved last night by the Board of Directors of Cattolica Assicurazioni, chaired by Paolo Bedoni. The Plan will be presented today at Milan Stock Exchange during a meeting with analysts and investors.

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[1] The operating profit does not include highly volatile components (realized gains, write-downs, other one-off items). In details, the Non-Life operating profit 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 profit 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 Profit 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.

[2] The operating ROE is the ratio between: 1) the operating profit less the cost of financial debt, income taxes, and minority interests; and 2) the average Group shareholders' equity of the year (excluding the valuation reserve on available for sale instruments); the income taxes are calculated using a normalized tax rate.

The Chief Executive Officer, Alberto Minali, stated: "*I am proud to present today the Business Plan enabling the Cattolica Group to become innovative, agile and responsive to the new market challenges. The 2020 targets are realistic but ambitious in terms of growth, technical excellence and innovation. Their achievement will make Cattolica stronger and more profitable in the interest of each stakeholder. The Group has started an internal process of change, on an industrial and cultural side, involving business, human capital and the corporate governance model. The very nature of this Plan is confirmed by the dividend per share target at 2020: we want to reward our shareholders for the trust that they place in us and we expect a dividend increase of about 50%".*

The 2018-2020 Business Plan aims at turning Cattolica into a more innovative, agile and responsive Group, ready to face challenges and to seize opportunities in an ever-increasing competitive market, within a still challenging macroeconomic context.

The Plan's strategy stands on three pillars: profitable growth, technical excellence and innovation. Simplification and cultural transformation of the Company cross cut the strategic actions and stand at the basis of the Plan's pillars. The combined action of these drivers aims at exploiting the strengths already available within the Company and allowing the increase of its performance. Cattolica, in fact, can already count on:
- a large and loyal customer base with a higher retention rate compared to the market average (+1p.p. Motor TPL);
- territory coverage (1,500 agencies and bancassurance agreements with top market players);
- higher Motor profitability compared to peers (-4,5p.p. of Motor TPL loss ratio);
- leadership in distinctive segments as the Agri-food, Religious Entities and Voluntary Sector;
- strong capital position with a Solvency II ratio over 180%.

The Company also aims at:
- improving its technical profitability performance, in particular in Life and Non-Motor sectors;
- increasing productivity through process automation and simplification;
- diversifying the product mix while strengthening its distribution channels;
- increasing the innovation degree thanks to telematics and digitization.

Over the last months Cattolica started a phase of strong transformation aiming at a cultural, organizational and governance change of the whole Group. The partnership recently signed with Banco BPM enables Cattolica to make an important size leap thanks to the capillarity of the network and to the strong competences of the third Italian banking group. Important changes have already been made to the Life business offering, exposure to Italian government bonds has been reduced and a Tier2 Bond for €500mln has been issued at favourable conditions for the Group. These results set an excellent starting point for the achievement of the new Business Plan's targets.

The Plan will radically transform the Group thanks to the actions planned for each strategic pillar that, together with those actions of inorganic growth, aim at technical and operational excellence, profitable growth and new form of services for customers. The Life mix rebalancing actions (production change towards unit linked and traditional products with low capital absorption) as well as the Non-Life ones (focus on the development of the Non-Motor business), the benefits coming from the introduction of telematics, a new ad-hoc company for specific businesses, the contribution of the JV with Banco BPM, the process optimization activity and a stronger distribution model, will enable Cattolica to achieve ambitious targets at 2020:

- **operating profit growing more than 60%** (€375-400mln; €228FY16);
- **significant increase of operating ROE ≥ 10%** (+4p.p.; 6% FY16);
- **dividend per share up by about 50%** (> €0.50; €0.35 FY16).

These results will be achieved preserving a strong capital position with a **Solvency II ratio between 160% and 180%.**

Gross written premiums will increase by 64%[3] with expected total premiums between €7.6-8bln: Non-Life premiums between €2.4-2.6bln (+27%; +€0.4-0.6bln Δ vs FY16) and Life premiums between €5.2-5.4bln (+91%; +€2.4-2.6bln Δ vs FY16). Premiums inflow will mainly benefit from inorganic growth actions, like the strategic partnership with Banco BPM that, thanks to its distribution strength of about 1,700 branches will bring an increase in gross written premiums equal to €140mln in Non-Life and to €3bln in Life at 2020. Profitability and product offering will improve in the Life sector, while in the Non-Life sector the production mix will be rebalanced (Non-Motor GWP at 51% vs 45% FY2016). The cost ratio will decrease over the plan period from 5.9% to 4.8%.

THE PILLARS

Profitable growth. The Cattolica Group aims at strengthening and developing the premium inflows by diversifying its channels and its business lines, also thanks to the contribution of inorganic actions. The agency network will be stronger and more profitable thanks to the intensification of training, to the creation of specialised agencies exploiting specific peculiarities, to the optimization of the territorial footprint and to the rebalancing of the business mix. The Group is planning to shift the Life production of its agency distribution network towards unit linked products (+14p.p.), to enrich the Non-Life business through the enhancement of the agricultural and agri-food offering and through an extension of the offering for Religious Entities and for the Voluntary Sector. The Group is also planning to develop catastrophic coverage products. From the new mix and from a stronger penetration of telematics, the Group is expecting an improvement in the average amount of premiums collected by each agency that will increase from €1.9mln in 2017 to €2.3mln in 2020.
In terms of profitable growth, without prejudice to the excellent relationship with UBI and ICCREA, the partnership with Banco BPM holds a strong strategic importance. The relevant operational synergies, the capillarity of about 1700 branches, a portfolio consistent with the rebalancing strategy of production moving towards Life products with a lower capital absorption and towards Non-Motor ones, the contribution expected at 2020 of €9bln of Life reserves and of over €140mln of Non-Life premiums, will determine an expected increase of over €100mln on the operating result at 2020. The contribution of the digital innovation will add up to all this and, through a network integrated multichannel strategy, will offer a new relationship experience with the Company, generating an expected increase of 150,000 under 35 year of age customers and a reduction by 30% of administrative activities.

Technical excellence. The Motor business, that has always been a main business for the Company, is now about to be rebalanced by bringing at 2020 the incidence of the Non-Motor business to 51% within the Non-Life production mix. The technical excellence of this business line will be pursued through the sophistication of the pricing model and the innovation in claims

[3] The growth of total and segment premiums is calculated by considering the targets' average.

management, while the drivers that will allow the improvement in Non-Motor are: the development of the Retail segment and the recovery of profitability in the Corporate, Agri-food and Religious Entities segments. The Non-Motor additional technical profit at 2020, net of the effect of bancassurance, is expected to grow by €52mln.
An additional contribution to the growth of technical excellence will be given by the launch of a new company dedicated to the *Specialty Lines*, a highly specialised vehicle for new or underdeveloped risks, in Italy and abroad, created for high-growth potential sectors (e.g. mobility, travels, art, sport, events, industrial risks, marine, NatCat, professional indemnity). The Group is in the process of evaluating the acquisition of a company that, controlled by Cattolica and acting as a reinsurer, will coordinate different underwriting agencies which the Group will, from time to time, acquire or federate.

Innovation & data management. The Company's goal is that of evolving from the "claim/settlement" model to the "prevention/protection" one, with an innovative offering and service leveraging on data and connectivity. Thanks to the use and management of data, action will be taken on frauds detection by improving the identification rate (from 1p.p. to 3p.p. for Motor), on pricing sophistication – that will be implemented by a dedicated and already set-up analytics team integrated with the pricing one – and on the innovation of the offering, with a total benefit of about €30mln on expected technical profit at 2020. On the other hand, the second working area concerns the offering of connected and distinctive products thanks to telematics, Internet of Things, smartphone-based technologies and to the partnership with major industrial players. The goal is to increase by 50% the penetration of telematics on Motor new business. This will allow the Company to reach a higher retention rate of the telematics portfolio of 2-5 p.p. compared to that of the non-telematic business.

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A MORE EFFICIENT GOVERNANCE IN LINE WITH INTERNATIONAL BEST PRACTICE, TOWARDS THE ADOPTION OF THE ONE-TIER SYSTEM

THE COOPERATIVE COMPANY FURTHER OPENS UP TO THE MARKET AND WELCOMES THE ARRIVAL OF NEW INSTITUTIONAL INVESTORS AS MEMBERS

The Board of Directors, which met yesterday under the chairmanship of Paolo Bedoni, approved the guidelines for an evolution of the corporate governance model and an overall review of the Articles of Association to be proposed to the Annual General Meeting. The aim of these guidelines is to make the management of the Cooperative Company more agile and efficient and to facilitate the entrance of institutional investors as members. The Annual General Meeting will be also asked to decide on:

- **The adoption of the one-tier governance system.** The new system aims at exploiting the functions of the Board of Directors, by rationalizing and optimising the structural and functional profiles in the Company's management activity. The new model, in line with the international best practice, envisages: the reduction in the number of Board Members, taking into account also the incorporation of the functions of the Board of Statutory Auditors in the new body; the abolition of the Executive Committee.
- **Review of the rules on the limits to the holding of shares**. The threshold, confirmed at 0.5% for individuals, is raised to 5% for legal entities and extended also to collective entities and to collective investment undertakings (CIUs). Exceeding such limit does not prevent the holding of additional shares. The one-man-one-vote system remains

unchanged; however the list that will reach a certain threshold will be granted adequate forms of representation. Thanks to these changes, Cattolica's cooperative model – that remains unchanged – further opens up to the market, enhancing the participation of institutional investors.

These changes will be submitted to the Annual General Meeting of next April.

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MARCO CARDINALETTI RESIGNS FROM THE OFFICE OF GENERAL MANAGER OF CATTOLICA, AT THE SAME TIME CONFIRMED AS CEO OF TUA ASSICURAZIONI

As from 28 January 2018 Mr. Marco Cardinaletti will resign from the office of General Manager of the Group's Insurance and Technical Coordination Area, maintaining the role of CEO of Tua Assicurazioni. The Company thanks Mr. Cardinaletti for the commitment showed in his role in the last years and it will benefit again from his professionality as Tua Assicurazioni CEO.

Notice is hereby given that, consistently with the current remuneration policies of the Cattolica Assicurazioni Group, Mr. Marco Cardinaletti shall be paid, in addition to the amounts to which he is entitled as remuneration and as compensation for work services accrued up to the date of termination of the contract: a gross amount of €1.2mln as a voluntary redundancy incentive and as a general novation transaction, to be paid once the termination of employment will be completed according to the existing labour law procedures. Mr. Cardinaletti will also benefit from what is provided by Law No 92/2012 on retirement through the specific INPS fund for an amount equal to about €1.5mln (the final amount will be calculated by INPS in accordance with the law).
The Board of Directors, based on the advice of the Remuneration Committee which also met for the release of the opinion envisaged in art. 7 of Consob's procedure on related party transactions, has approved the payment to Mr. Marco Cardinaletti of a total gross amount of €500,000 as a non-competition and non-solicitation pact (for a period of six months from the termination of his office as CEO of Tua Assicurazioni), together with envisaged verification mechanisms and penalties, in addition to non-monetary benefits estimated to a total gross amount of €55,900.

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APPOINTMENT OF CORPORATE FINANCIAL REPORTING MANAGER

The Board of Directors of Cattolica Assicurazioni, which met yesterday under the chairmanship of Paolo Bedoni, appointed the Deputy General Manager and CFO Mr. Enrico Mattioli, as Corporate Financial Reporting Manager, i.e. the executive appointed to draw up the corporate accounting documents.

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The objectives and the strategic lines of the Cattolica Group's 2018-2020 Business Plan will be presented today January 29th, 2018 to the financial community, at Palazzo Mezzanotte/Italian Stock Exchange in Milano (Piazza degli Affari, 6). This event can also be attended via Conference Call. The telephone numbers to dial are: + 39 02 805 88 11 from Italy, + 44 1212 818003 from the UK and +1 718 7058794 from the United States. The presentation will be available on the website www.cattolica.it in the Corporate home page/Investor Relations section.

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