

## PRESS RELEASE

### RESULTS FOR THE FIRST HALF OF 2016 APPROVED.

P&C premiums for € 996 million and Life premiums for € 1,526 million contributed to **total premiums written** for € 2,528 million.

The **combined ratio** improves as compared with June 2015, and it is equal to 92.5%<sup>1</sup>, with a still decidedly positive business performance.

**Consolidated net profit** for the first half came to € 25 million and takes into account the total impairment on the three unlisted banking equity investments in Banca Popolare di Vicenza, Veneto Banca and Cassa di Risparmio di San Miniato, whose residual value is equal to about € 2 million.

The **Solvency II margin**, calculated using the Standard Formula, came to 1.88 times the regulatory minimum.

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*Verona, August 4<sup>th</sup>, 2016.* The Board of Directors of Cattolica Assicurazioni, which met today in Verona under the chairmanship of Paolo Bedoni, approved the **Consolidated interim report of the Cattolica Group**.

The first six months of the year disclosed a **consolidated net profit** of € 25 million (€ 67 million at June 2015; -62.7%) and Group net profit<sup>2</sup> of € 17 million compared with € 53 million in June 2015 (-67.9%). Consolidated net profit before impairments on the equity investments in Banca Popolare di Vicenza<sup>3</sup>, Veneto Banca<sup>4</sup>, Cassa di Risparmio di San Miniato<sup>5</sup> and on investment funds<sup>6</sup> would have amounted to € 72 million, and the Group net profit to € 64 million.

**Total premiums written for direct and indirect business** - Life and P&C<sup>7</sup> - came to € 2,528 million, down 21.1% compared with € 3,203 million in the first half of 2015. This figure in particular for the Life business was influenced by the negative effects deriving from the situation in which Banca Popolare di Vicenza finds itself, which limited the ability to write premiums.

#### P&C Business

**Premiums written for direct business** dropped from € 1,033 million as of June 30<sup>th</sup>, 2015 to € 996 million at the end of June 2016 (-3.5%).

The **motor segment** posted premiums written of € 549 million, down (-4.4%) compared with June 30<sup>th</sup>, 2015. The number of customers increased of over 52

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

<sup>2</sup> Net of minority interests.

<sup>3</sup> For € 6 million, recognised in the first quarter of 2016.

<sup>4</sup> For € 2 million, recognised in the second quarter of 2016.

<sup>5</sup> For € 35 million, 1 million recognised in the first quarter of 2016 and 34 million recognised in the second quarter of 2016.

<sup>6</sup> For € 4 million, recognised in the second quarter of 2016.

<sup>7</sup> Includes insurance premiums and investment policies for life classes as defined by IFRS 4.

thousand new motor policies sold from the beginning of 2016 (+1.7%<sup>8</sup>); the average premium was affected by the continuing market phase of reductions in tariffs, albeit with lower decrease rates than in 2015.

The **non-motor classes**, with premiums written for € 447 million, decreased 2.4% with respect to June 2015 (€ 458 million), mainly as a result of underwriting choices on non-retail classes.

The **combined ratio**<sup>1</sup> fell from 93.4% as at June 30<sup>th</sup>, 2015 to 92.5%. The technical result remained positive thanks to the quality of the portfolio both in the motor classes and in the other classes, due to the initiatives carried out over the last few years.

### Life Business

In the Life sector, direct premiums came to € 1,526 million. The drop (-29.5%) is mainly due to the weakness of the distribution channels linked to Banca Popolare di Vicenza (€ -254 million as compared with June 2015; -74%)<sup>9</sup>. New business relating to life with profit policies, with minimum guaranteed rates equal to zero, is permitting a progressive lowering of the average guaranteed minimum of the stock of Group mathematical provisions.

### Financial operations and equity situation

The **result from investments**<sup>10</sup> came to € 230 million (compared with € 327 million as of June 30<sup>th</sup>, 2015); the result was affected by the afore-mentioned bank impairments. The 2015 result also benefited from a significant generation of capital gains from trading, due to special market conditions.

**Investments** amounted to € 21,539 million. **Gross technical provisions for P&C business** amounted to € 3,593 million (€ 3,589 million as at December 31<sup>st</sup>, 2015) and the **Life provisions**, including financial liabilities, came to € 16,934 million (€ 16,607 million as of December 31<sup>st</sup>, 2015).

The figures as of June 30<sup>th</sup>, 2016 confirm the Group's equity soundness with **consolidated shareholders' equity** of € 2,070 million (€ 2,159 million as of December 31<sup>st</sup>, 2015, before distribution of the dividends).

The Group's **Solvency II margin** came to 1.88 times the regulatory minimum. The ratio was calculated according to the Solvency II principles, applying the Standard Formula. The Group is preparing the application to the Supervisory Authority to use Undertaking Specific Parameters (USP) for the quantification of the solvency capital requirement for the Non-life technical-insurance risks. The use of the USPs will permit the Company to represent its risk profile in a more precise manner and further confirm its equity soundness.

### Sales network

The agency network at the end of June 2016 was made up of 1,509 agencies and the bank branches which place Group products as of June 30<sup>th</sup>, 2016 numbered 5,744.

### Outlook for business activities

<sup>8</sup> Figure relating to the period between December 31<sup>st</sup>, 2015 and July 22<sup>nd</sup>, 2016 (Fata Assicurazioni until June 30<sup>th</sup>, 2016).

<sup>9</sup> Total premiums written, for the first half of 2016, by the companies part of the partnership with Banca Popolare di Vicenza, are equal to € 100 million.

<sup>10</sup> Financial assets excluding investments whose risk is borne by the policyholders, gross of the tax effects.

In a financial market characterised by low rates of return and high volatility, the Group's operational management will continue by paying attention to profitability both in P&C business, still showing an environment of sharp competition, and in Life business, by promoting products with lower capital absorption.

On the account of a probable continuation of the positive industrial performance also for the second part of the year and after the impairments on the banking equity investments, the Group deems it possible to maintain the expected level of remuneration for Members and Shareholders.

Notice is also hereby given that today the Board of Directors has resolved to exercise the right of withdrawal from the strategic partnership agreements with Banca Popolare di Vicenza, as described in a previous detailed communication to the market.

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Cattolica Board of Directors has also taken note that on August 2<sup>nd</sup> the rating agency S&P affirmed Cattolica's rating at BBB- with outlook stable and the stand-alone credit profile (SACP) at bbb+.

The agency acknowledges both the Group's financial risk profile, which remains at an "Upper adequate" level, and the reconfirmed stability of the business risk profile, which remains "Satisfactory" also thanks to a "Strong" competitive position within the Italian market and the well-diversified distribution networks.

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The executive appointed to draw up the corporate accounting documents, Giuseppe Milone, declares pursuant to Article 154 *bis*, section 2 of the Consolidated Finance Law, that the accounting disclosure contained in this press release corresponds with the documental results, the books and the accounting entries.

The Company hereby discloses that the Interim report as of June 30<sup>th</sup>, 2016 of the Cattolica Group, inclusive of the Independent auditors' report, shall be available to the general public care of the Registered offices and on the company website at the following address [www.cattolica.it](http://www.cattolica.it) and on the storage mechanism authorised by Consob known as "NIS-Storage", managed by Bit Market Services S.p.a. and accessible from the website [www.emarketstorage.com](http://www.emarketstorage.com), in accordance with the formalities and by the deadlines envisaged by current legal and regulatory provisions.

The results for the first half of 2016 shall be presented to the financial community at 9.30 a.m., on Friday, August 5<sup>th</sup>, 2016 during the conference call. The telephone numbers to call are as follows: + 39 02 8058811 from Italy, + 44 1212818003 from the United Kingdom and +1 718 7058794 (or 1 855 2656959 toll free) from the United States. The presentation relating to the results will be available on the homepage of the website [www.cattolica.it](http://www.cattolica.it) in the Investor Relations section just before the start of the conference call.

*The reclassified statements as of June 30<sup>th</sup>, 2016 of the Consolidated interim report of the Cattolica Group are attached, disclosing that the envisaged independent auditors' report on the same has not yet been issued.*

SOCIETÀ CATTOLICA DI ASSICURAZIONE

## **CONTACTS**

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# Cattolica Group - CONSOLIDATED INTERIM REPORT AS OF JUNE 30<sup>TH</sup>, 2016

(drawn up on the basis of the international accounting standards)

Reclassified statement of financial position (€ millions)	30.06.2016	31.12.2015	<i>Items from obligatory statements (*)</i>
<b>Assets</b>			
Investment property and properties	585	505	4.1 + 2.1
Investments in subsidiaries, associated companies and joint ventures	2	35	4.2
Loans and receivables	863	876	4.4
Held to maturity investments	247	247	4.3
Available for sale financial assets	16.358	15.841	4.5
Financial assets at fair value through profit and loss	3.151	3.365	4.6
Cash and cash equivalents	333	522	7
<b>Investments</b>	<b>21.539</b>	<b>21.391</b>	
Intangible assets	319	321	1
Technical provisions - reinsurance amount	738	730	3
Other assets net of other liabilities	565	521	(**)
<b>ASSETS</b>	<b>23.161</b>	<b>22.963</b>	
<b>Liabilities and Shareholders' equity</b>			
Group capital and reserves	1.818	1.851	
Group profit (loss)	17	61	1.1.9
<b>Group shareholders' equity</b>	<b>1.835</b>	<b>1.912</b>	1.1
Shareholders' equity pertaining to minority interests	235	247	1.2
<b>Consolidated shareholders' equity</b>	<b>2.070</b>	<b>2.159</b>	1
Premium provision	794	769	
Provision for outstanding claims	2.799	2.820	
<b>Gross technical provisions - non-life</b>	<b>3.593</b>	<b>3.589</b>	3
<b>Gross technical provisions - life</b>	<b>15.447</b>	<b>14.984</b>	3
Other gross non-life technical provisions	2	2	3
Other gross life technical provisions	283	324	3
Financial liabilities	1.766	1.905	4
<i>of which deposits from policyholders</i>	<i>1.487</i>	<i>1.623</i>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>23.161</b>	<b>22.963</b>	

Reclassified income statement (€ millions)	30.06.2016	30.06.2015	<i>Items from obligatory statements (*)</i>
<b>Revenues and income</b>			
Net premiums	2.250	2.766	1.1
Commission income	4	3	1.2
Income and charges from financial instruments at fair value through profit and loss	-2	45	1.3
<i>Result from class D financial operations (***)</i>	<i>-2</i>	<i>44</i>	
Income from investments in subsidiaries, associated companies and joint ventures	0	1	1.4
Income from other financial instruments and investment property	338	416	1.5
<i>of which changes in other financial liabilities</i>	<i>0</i>	<i>0</i>	
Other revenues	33	36	1.6
<b>Total revenues and income</b>	<b>2.623</b>	<b>3.267</b>	
<b>Costs and charges</b>			
Net charges relating to claims	-2.056	-2.657	2.1
Commission expense	0	0	2.2
Charges from investments in subsidiaries, associated companies and joint ventures	-35	0	2.3
Charges from other financial instruments and investment properties	-66	-82	2.4
Operating expenses	-287	-296	2.5
<i>Commissions and other acquisition costs</i>	<i>-201</i>	<i>-207</i>	
<i>Operating expenses relating to investments</i>	<i>-12</i>	<i>-13</i>	
<i>Other administrative expenses</i>	<i>-74</i>	<i>-76</i>	
Other costs	-96	-104	2.6
<b>Total costs and charges</b>	<b>-2.540</b>	<b>-3.139</b>	
<b>Pre-tax profit (loss) for the period</b>	<b>83</b>	<b>128</b>	
Taxation	-58	-61	3
<b>Net profit (loss) for the period</b>	<b>25</b>	<b>67</b>	
<b>Profit (loss) from discontinued operations</b>	<b>0</b>	<b>0</b>	4
<b>CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>	<b>25</b>	<b>67</b>	
Profit (loss) pertaining to minority interests	8	14	
<b>PROFIT (LOSS) PERTAINING TO THE GROUP</b>	<b>17</b>	<b>53</b>	

(\*) Indicates the items of the statements in the consolidated financial statements as per ISVAP Regulation No. 7 dated July 13<sup>th</sup>, 2007.

(\*\*) Sundry receivables, other asset items, and other tangible assets (statement of financial position items under assets = 5 + 6 + 2.2) net of the provisions, payables and other liability items (statement of financial positions under liabilities = 2 + 5 + 6).

(\*\*\*) Includes the Class D profits recognised in the operating expenses relating to investments amounting to less than € 1 million and other revenues for commissions amounting to € 1 million.

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## Summary:

# Societa Cattolica di Assicurazione

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## Summary:

# Societa Cattolica di Assicurazione

### Local Currency

#### Credit

Rating: BBB-/Stable/--

## Rationale

### Business Risk Profile

- Strong competitive position in the Italian insurance sector, sustained by a 5.5% market share in the property/casualty (P/C) market, and well-diversified distribution and business.
- Concentration in the Italian insurance sector, which displays higher country risk than most Western European insurance sectors.

### Financial Risk Profile

- Capital adequacy above the 'BBB' level, according to S&P Global Ratings' capital model, and a solid Solvency II ratio of above 190% at year-end 2015.
- Investment profile concentrated in Italian assets, mostly government bonds, and with limited exposure to high-risk assets.
- Adequate financial flexibility, supported by strong coverage and conservative leverage ratios, and a proven ability to access debt and capital markets.

### Other Factors

- The rating on Societa Cattolica di Assicurazione (Cattolica) is limited by the long-term sovereign ratings on Italy because of the insurer's material investment exposure to Italian assets.
- The insurer's enterprise-risk management (ERM) and management and governance are neutral rating factors.
- Cattolica's liquidity is exceptional, owing to its highly liquid investment portfolio.

## Outlook

The stable outlook on Societa Cattolica di Assicurazione (Cattolica) mirrors that on Italy, reflecting Cattolica's very large domestic asset exposure relative to its capital. Any rating action on the sovereign could lead to a similar action on Cattolica.

### Upside scenario

We could raise the ratings on Cattolica if we upgraded Italy, which would indicate our view of lower sovereign risk.

### Downside scenario

We could lower the ratings on Cattolica if we downgraded Italy, which would indicate our view of higher sovereign risk.

## 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
- 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
- Assessing Property/Casualty Insurers' Loss Reserves, Nov. 26, 2013

### Related Research

- Ratings On Italy Affirmed At 'BBB-/A-3'; Outlook Stable, May 13, 2016

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