

## PRESS RELEASE: RESULTS FOR 1H2020

### IN A CHALLENGING CONTEXT, STRONG GROWTH IN OPERATING PROFIT (€217M +38.6%) GUIDANCE FOR 2020 CONFIRMED.

- **TOTAL PREMIUM INCOME AT €2.8BN (-13.3%): NON-LIFE DIRECT PREMIUMS ARE IN LINE (-3.8%), LIFE DIRECT PREMIUMS DECREASE (-18.2%)**
- **COMBINED RATIO SHOWS STRONG IMPROVEMENT (87.1%, - 6.3 p.p.)**
- **STRONG GROWTH OF OPERATING PROFIT TO €217M (+38.6%)**
- **ADJUSTED PROFIT INCREASES TO €80M (+16.0%)**
- **GROUP NET PROFIT DECREASES TO €10M (-83.1%) DUE TO €86M OF WRITE-DOWNS, (GOODWILL -€61M)**
- **SOLVENCY II RATIO AT 141%**
- **INITIATIVES TO SUPPORT STAKEHOLDERS IN RESPONSE TO THE COVID-19 CRISIS CONTINUE**

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Verona, 11 September 2020. The Board of Directors of Cattolica Assicurazioni met yesterday in Verona, chaired by Paolo Bedoni, and approved the results at 30 June 2020.

**Carlo Ferraresi, Chief Executive Officer of the Cattolica Assicurazioni Group,** commented: *“The figures reported today confirm the Group's ability to cope with exceptional events, such as those that have been taking place world-wide since the beginning of the year. In a completely new and challenging context, Cattolica has confirmed its guidance for the year, achieving solid and growing operating results compared with 2019, and has also defined a major agreement with Generali. With the support of its Members, who expressed their support for the capital increase and the transformation of Cattolica into a Joint-Stock company at the General Meeting, we will work in the coming months on the capital strengthening and on the contextual process of partnership with Generali and we will continue our commitment to create value for all stakeholders”.*

**Total premium income from direct and indirect business,** both Non-life and Life<sup>1</sup>, decreased by 13.3% to €2,835m. Direct Non-Life business decreased by 3.8% due to the Motor business. Life premiums are down by 18.2%.

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

The combined ratio improved sharply, reaching 87.1% (-6.3 p.p.) despite the provision made to take account of the voucher for Motor customers, which constitutes 5.4% of earned premiums<sup>2</sup>. Consequently, the **operating profit**<sup>3</sup> increased significantly, by 38.6% to €217m, bringing the operating RoE<sup>4</sup> to 11.5%.

Adjusted profit<sup>5</sup> for 1H2020 is €80m, up 16.0% compared with 1H2019 despite various write-downs of real estate investments (-€13m), equity investments (-€5m) and AFS shares and funds (-€7m). The Group net profit<sup>6</sup>, at €10m (€61m in 1H2019), was down compared with the previous year (-83.1%), mainly due to the goodwill impairment (net effect of -€61m). Overall, these write-downs have an effect on the Group's net result of approximately €86 million.

### Non-Life business

**Direct premium income** decreased by 3.8% to €1,048m. The **Non-Motor segment** contributed €533m to the result, almost matching the figure recorded in the previous year (-0.8%). Premiums for the **Motor segment** came to €515m, down by 6.8%, mainly due to the decrease in premiums during lockdown and the effect of initiatives for policyholders, including vouchers. The Motor portfolio, despite the decrease of about 64,000 units in the first half of the year, shows a moderate recovery as from the end of lockdown (+8,000 between the end of April and June 2020).

The **combined ratio**<sup>7</sup> fell from 93.4% to 87.1% (-6.3 p.p.), mainly due to the sharp decrease in frequency linked to lower traffic and despite the provisions made to cover the voucher for Motor customers (corresponding to 5.4 p.p. visible in the other technical items). The claims ratio for retained business decreased to 50.3% (-12.3 p.p.) while the expense ratio stood at 29.7%, up 0.3 p.p., due to the effect of the business mix, which had an impact on the commission ratio (+0.4 p.p.); the G&A expense ratio was in line with the previous year. It should be noted that the claims ratio not only includes the amount of Covid-19-related reported claims (mainly concerning business interruptions and other financial losses), but also estimates of potential IBNR claims related to the pandemic.

### Life business

In the Life segment, **direct business premiums** decreased by 18.2% to €1,776m, reflecting the sharp decrease of the second quarter (-38.3%) due to the lockdown. Despite a decidedly unfavourable financial market environment, the unit-linked products show an incidence of 24.8% on the total premium income, almost in line with the previous year (26.6% in 1H2019).

<sup>2</sup> The Cattolica Group decided to grant its customers the possibility to use 1/12 of their Motor premium to renew their Non-Life coverage or to buy a new one (see page 4 of this press release).

<sup>3</sup> See the Glossary.

<sup>4</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>5</sup> Defined as the measure of Group profit minus the amortisation of the VOBA (value of business acquired, net of the related tax effects and for the Group's share) and goodwill impairment, which are relevant to the Group's profit but do not affect the Solvency position.

<sup>6</sup> Net of minority interests.

<sup>7</sup> Combined ratio for retained business: 1-(Technical balance/net premiums), inclusive of the other technical items.

New with-profit Life policies with a minimum guaranteed rate of zero drove a further gradual decline in the Group's average guaranteed minimum reserves to 0.52% (0.58% in FY2019), continuing the reduction envisaged in the strategic guidelines set in the Business Plan. In addition, the new traditional policies written are characterised by low capital absorption overall due to their limited risk profile.

### Financial management and balance sheet

The **investment result**<sup>8</sup> was €226m (€252m in 1H2019), due to the write-downs reported above (-€41m gross).

**Investments** amounted to €32,450m. **Gross technical reserves for the Non-Life business** amounted to €3,591m (€3,704m in FY2019) and **Life reserves**, including financial liabilities from investment contracts, stood at €26,874m (€28,003m in FY2019).

**Consolidated shareholders' equity** was €2,322m at 30 June 2020, substantially in line with the value at 31 December 2019 (€2,351m).

The Group's **Solvency II ratio** is 141%. The Group's Solvency II Ratio estimated at the end of August is equal to 154%, further increasing also thanks to the tightening of the spreads. The two Life companies subject to capitalization, recovered even more decisively: Vera Vita's ratio is equal to 189% and that of BCC Vita to 320%. The ratio is calculated according to the Standard Formula using the Group Specific Parameters (GSPs) authorised by the supervisory authority. As previously announced, the estimates of this ratio were volatile during the second quarter due to the widening of the spread on Italian government bonds; the reduction in the latter indicator resulted in a partial recovery of the ratio, which, however, remains at a level lower than 31 December 2019 (175%), mainly due to the widening of the spread on Italian government bonds (+24bps) and the fall in risk free rates (the €10-year swap rate decreased to -0.18% from 0.21% at the end of 2019).

### Distribution network

At 30 June 2020, the agency network consisted of 1,378 agencies and there were 5,956 bank branches distributing the Group's products.

### Covid-19 emergency

In light of the changes in the economic and health situation due to the Covid-19 epidemic, the Cattolica Group responded rapidly with a number of initiatives to combat and reduce the negative effects on its stakeholders. Throughout the lockdown period, the Company ensured the continuity of internal processes with the intensive use of remote working for all employees and contractors, and activated an internal and external communication plan, providing a clear, up-to-date and continuous flow of information, in order to reassure all stakeholders and to disseminate widely the initiatives undertaken.

<sup>8</sup> Financial assets, excluding investments whose risk is borne by the policyholders, gross of the tax effects.

The Group introduced a new digital system for payment of premiums and claims settlement and granted an extension on the maturities of Non-Life policies, also facilitating the suspension of Motor TPL policies.

Further steps were subsequently taken to support and protect the Motor portfolio, such as the issuing of a voucher to the Motor customers of Cattolica Assicurazioni equal to 1/12 of the gross annual premium, to be used during the renewal or subscription of another Non-Life product.

Again to support the business, remote sales processes were set up for Motor (Cattolica) and Life products at the bancassurance companies Vera Vita and Lombarda Vita.

In collaboration with the Cattolica Foundation, the Group also supported the communities most affected by the pandemic by donating over €2 million to hospitals, the CEI, Caritas and other social-health and welfare entities.

With regard to the performance of the Group's business, as a result of the lockdown imposed by the Government to avoid the spread of the pandemic and the subsequent gradual reopening between May and June, the following phenomena occurred:

- New business, in Non-Life but particularly in Life, declined sharply during the weeks of lockdown. On average, during the period of closure, the number of contracts written decreased by 77% in Life, 45% in Motor and 62% in Non-Motor. Since the reopening (so-called "phase 2" and "phase 3"), the agency network returned almost immediately to pre-Covid levels in Motor and Retail, while the process has been more gradual in the Non-Motor Corporate business. The return to normality has been more complex in the banking channel, especially in Non-Life.
- Alongside the trend in new business, Life surrenders also declined significantly during the months of lockdown (more than -75%), before rising again in phase 2 and phase 3, although they are still consistently lower than the steady state levels.
- Reported claims decreased in almost all lines of business (except for Miscellaneous Financial Loss), particularly in the Motor LoBs, where in some weeks they dropped by approximately 80%. At the end of July, the total decrease in the Non-Life lines of business was estimated at around 25% compared with the same period of 2019.
- To date, there have been no particularly negative trends in claims reporting due to the pandemic in either the Non-Life or Life businesses. The only line of business affected is Miscellaneous Financial Loss, due to business interruptions and income reimbursement.

### **Business outlook**

On 6 February 2020, the Cattolica BoD provided an operating profit forecast for the current year of between €350 and €375 million. This guidance was already confirmed on 15 May and is repeated in view of the solid business performance in the first half of the year and the subsequent indications of management performance.

However, some potential risks should be mentioned, including:

- The occurrence of a substantial number of Covid-19 claims currently not known about, including a sharp increase in Life claims (which is currently not the case);
- A significant increase in the frequency of Motor claims in the final quarter (compared with the historical average in recent years), due to a change in the use of private vehicles for travel;
- A new acute phase of the pandemic, leading to a lockdown with a contraction in economic activity that results in further declines in premium income and a sharp increase in claims on certain business lines combined with a marked increase in Life surrenders due to customers' need for liquidity;

Net profit will also depend on other factors, such as any write-downs, as occurred during H12020.

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Pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, Corporate Financial Reporting Manager Atanasio Pantarrotas declares that the accounting information contained in this press release matches the company documents, books and financial records.

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Please be advised that the Cattolica Group's Consolidated Interim Report at 30 June 2020, inclusive of the independent auditors' report, will be available to the public from the Company's registered office, its website, [www.cattolica.it](http://www.cattolica.it), and the storage facility authorised by Consob eMarket STORAGE, managed by Spafid Connect S.p.a. and accessible from the site [www.emarketstorage.com](http://www.emarketstorage.com), in the manner and according to the terms set out in applicable laws and regulations.

The results at 30 June 2020 will be presented to the financial community at 10:00 hours today, 11 September 2020, in a conference call (with Italian, English and original audio). The numbers to be called 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.

*The reclassified financial statements drawn from the Cattolica Group's Consolidated Interim Report at 30 June 2020 are appended. Please be advised that the independent auditors have yet to issue their planned report.*

**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 more than 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 1,389 agencies throughout Italy, covering both large cities and smaller towns, and a network of 1,886 agents. For further information: [www.cattolica.it/profilo-societario](http://www.cattolica.it/profilo-societario)

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## Cattolica Group - HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2020

(drawn up based on international accounting standards)

Reclassified Balance Sheet (amounts in millions)	30.06.2020	31.12.2019	Compulsory items (*)
<b>Assets</b>			
Investment property and real estate	1.056	1.062	4,1 + 2,1
Investments in subsidiaries, associates and joint ventures	137	160	4,2
Loans and receivables	1.242	1.072	4,4
Investments held until maturity	203	212	4,3
Available-for-sale financial assets	23.288	23.823	4,5
Financial assets at fair value with a corresponding asset item in the income statement	6.062	6.605	4,6
Cash and cash equivalents	462	468	7
<b>Investments</b>	<b>32.450</b>	<b>33.402</b>	
Intangible assets	794	881	1
Technical reserves for reinsurers	614	619	3
Other assets net of other liabilities	542	686	(**)
of which assets of disposal group classified as held for sale	0	197	
of which liabilities of disposal group classified as held for sale	0	-194	
<b>ASSETS</b>	<b>34.400</b>	<b>35.588</b>	
<b>Net assets and liabilities</b>			
Group Capital and reserves	1.854	1.819	
Group result	10	75	1,1,9
<b>Net Group assets</b>	<b>1.864</b>	<b>1.894</b>	1,1
Net minority assets	458	457	1,2
<b>Net consolidated assets</b>	<b>2.322</b>	<b>2.351</b>	1
Premiums reserve	897	880	
Claims reserve	2.694	2.824	
<b>Non-life gross technical reserves</b>	<b>3.591</b>	<b>3.704</b>	3
<b>Life gross technical reserves</b>	<b>25.874</b>	<b>26.509</b>	3
Other non-life gross technical reserves	3	3	3
Other life gross technical reserves	718	676	3
Financial liabilities	1.892	2.345	4
of which deposits to policyholders	1.000	1.494	
<b>NET ASSETS AND LIABILITIES</b>	<b>34.400</b>	<b>35.588</b>	

Reclassified Income Statement (amounts in millions)	30.06.2020	30.06.2019	Compulsory items (*)
<b>Income and revenues</b>			
Net premiums	2.665	3.032	1,1
Commission income	1	3	1,2
Revenues and fees deriving from financial instruments at fair value recognised in the income statement	-164	208	1,3
D class financial management result (***)	-162	209	
Revenues deriving from shares held in subsidiaries, associate companies and joint ventures	3	3	1,4
Revenues deriving from other financial instruments and real estate investments	444	399	1,5
of which variation of other financial liabilities	0	0	
Other income	69	76	1,6
<b>Total income and revenues</b>	<b>3.018</b>	<b>3.721</b>	
<b>Costs and fees</b>			
Net fees relating to claims	-2.076	-2.903	2,1
Commission expense	-1	-3	2,2
Fees deriving from shares held in subsidiaries, associate companies and joint ventures	-18	0	2,3
Fees deriving from other financial instruments and real estate investments	-176	-126	2,4
Management expenses	-385	-407	2,5
Commission and other acquisition expenses	-261	-275	
Management expenses for investments (****)	-26	-26	
Other administration expenses	-98	-106	
Other costs	-268	-161	2,6
<b>Total costs and fees</b>	<b>-2.924</b>	<b>-3.600</b>	
<b>Result for the period before taxes</b>	<b>94</b>	<b>121</b>	
Taxes	-66	-45	3
<b>Result for the period net of taxes</b>	<b>28</b>	<b>76</b>	
<b>Result of ceased operating activities</b>	<b>0</b>	<b>0</b>	4
<b>CONSOLIDATED RESULT FOR THE PERIOD</b>	<b>28</b>	<b>76</b>	
Result pertaining to third parties	18	15	
<b>RESULT PERTAINING TO THE GROUP</b>	<b>10</b>	<b>61</b>	

(\*) The items of the consolidated financial statement are shown pursuant to ISVAP Regulation No. 7 of 13 July 2007.

(\*\*) Sundry credits, other assets or other tangible assets (items of financial position assets = 5 + 6 + 2.2) net of provisions, payables and other liabilities (items of financial position liabilities = 2 + 5 + 6).

(\*\*\*) Also included are the class D results recognised in the management expenses for investments equal to 1 million and other revenues equal to 2 million.

(\*\*\*\*) Included are management expenses for class D investments equal to 1 million.

## **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.