



Business Plan

Update 2019 - 2023

Milan, Palazzo Mezzanotte, June 19, 2019

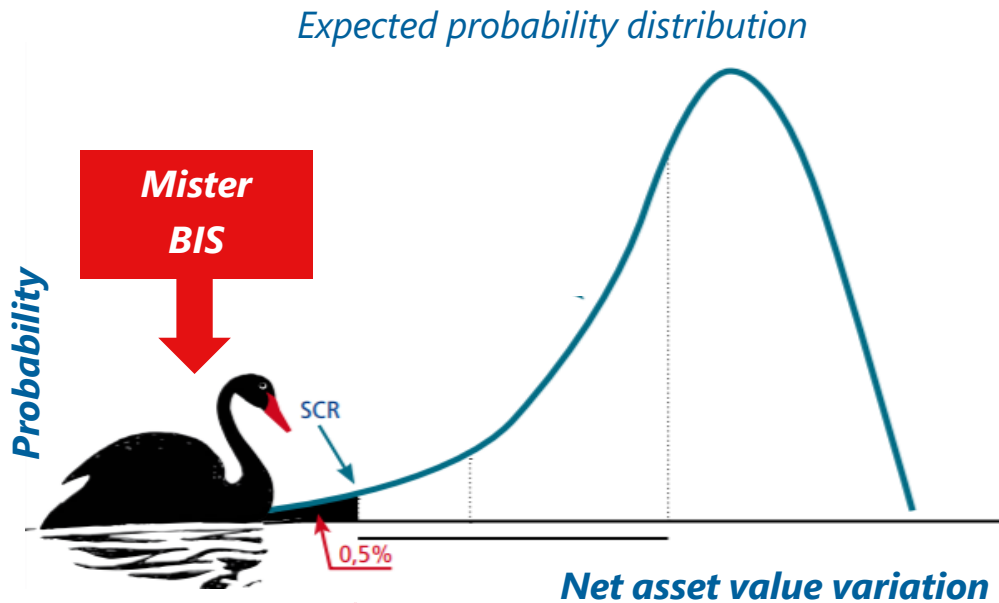
Archimede Plan - Where we were

- The Archimede Plan was drawn up in early 2018 and 2022 was the *final year*
- The Archimede plan had been drawn and written «outside-in»
- **It had been developed before the «X case», communicated on March 30, 2019**

Contents of the presentation

- The starting point and the fundamentals of the Net Plan
- The strategic and operational drivers underlying value creation
- The Plan Targets
- Conclusions

We met the Black Swan



The regulation was designed with the goal of covering all imminent risks on the business, within a 99.5% probability interval per year

Black swan

- "X" is a "Black Swan", i.e. a completely unexpected and unpredictable event

Attack on the Black Swan - What we have done

- Direct and transparent **communication**
- Full understanding of the story (**Forensic Audit** - PwC) and lawsuits at 360 ° (directly and indirectly) for the recovery of misappropriated funds (Trevisan, O'Melveny, Freshfield)
- **Independent Review** of all fundamental processes of (PwC)
- Makeover, full review and re-approval of the **2017 and 2018 financial statements** (KPMG)
- Full reviewing and bottom-up approach of the **Business Plan** (A.T. Kearney)



**These are the foundations of the updated Plan:
a holistic approach to the aggression of the Black Swan**

Litigation X

- Several and diverse legal actions have been undertaken, both directly and indirectly
- **It is likely, to the current state of affairs, that the overall recovery may be at least 15-20mln ***
- The recovery time remains to be seen, according to the lawsuit dynamics

Source: Legal opinion Trevisan

Processes Review

- A detailed **assessment** of all the key business processes was made
- **Business** processes related to **salary-backed loans (CQ)** proved to be structured and consolidated
- As already known, **control activities** could and should be strengthened, to put in place the best practices
- The areas identified for improvement have led to the launching of an **action plan** for the next 6/12 months

The 2017 and 2018 financial statements

	2017	2018
Gross Written Premiums € Mln	58.4	62.3
Operational Expenses € Mln	12.1	13.1
Net Technical Result € Mln	4.3	8.6
Net Profit € Mln	(17.5)	4.1
Normalized Net Profit € Mln	3.5	6.7
Combined Ratio *	88%	78%



* Gross of Reinsurance

The 2017 and 2018 financial statements were approved yesterday,

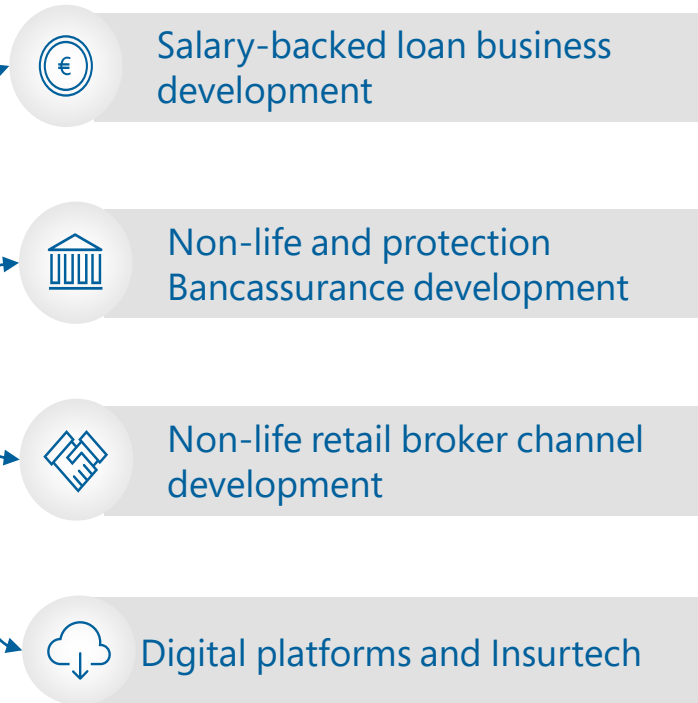
June 18, 2019

Mission and strategic pillar of the Net Plan

Mission

Building an open and independent B2B2C platform specializing in people and property protection business, by capitalising on all the opportunities provided by digital technologies

Strategic Pillars



Business Model

Confirmation of the Archimede Plan business model and underlying drivers

The business model enablers

A few cross-cutting enablers have been identified and implemented :

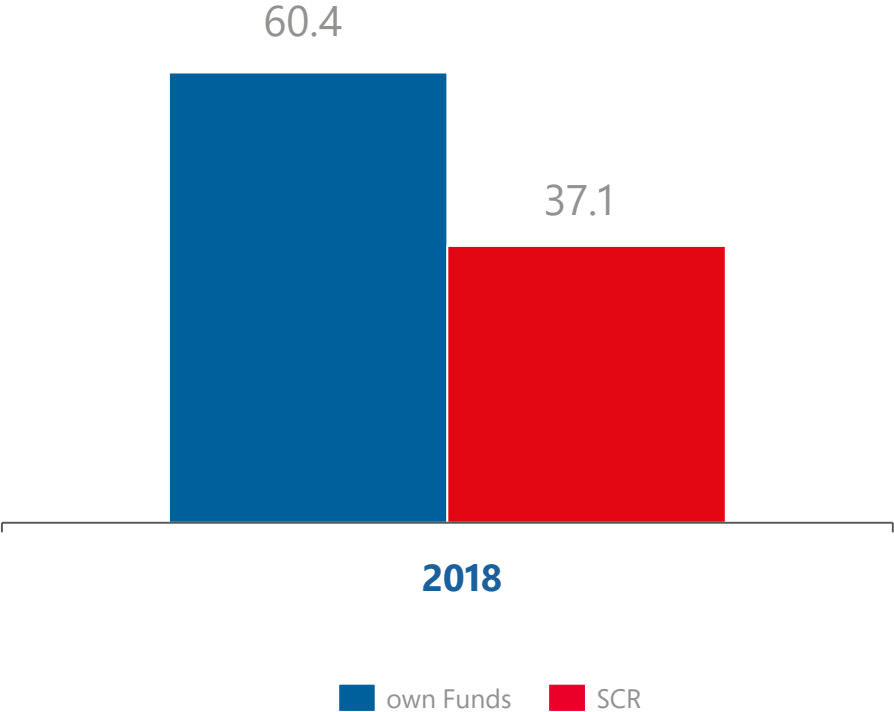
- Capitalization
- New organizational structure
- Technological Architecture
- Brand equity

Capitalization

Solvency Ratio

163%

Value net of X case and every recovery scenario



New organizational structure

- A fully reviewed executive line



Luigi Di Capua

CFO



Stefano Longo

CBO



Fabio Pittana

COO



Rossella Vignoletti

CMO

- Middle management enhancement (5 new entries *)
- 4/5 additional new entries over the next 6-12 months

* From December 2018 to May 2019

Technological Architecture

~ € 8 Mln
total investments

Resources are focused on value-added strategic assets that make the difference in terms of business and enable faster time-to-market and fronting with different platforms 'downstream'

- **Front end** sales to optimize integration with partners and the effectiveness of the placement
- **Data Hub** to extract the maximum value from the potential of data
- **Cyber security** a cross-cutting layer to reduce the IT risk (set of actions that lead to the implementation of a best practices model)
- **Partnerships** for innovation with companies in the the Insurtech world

Brand equity

- The **sponsorship of the Italian football referees** will give great visibility to the brand, making it attractive and in line with the corporate values
- The advertising value – the so-called TV equivalent (**QI Media Value**) was established at 7 million euro per season *
- Development of a range **products** specifically intended for the football world network
- Specific activities will be undertaken to support relationships with the various stakeholders involved.

* QI Media Value Source: Nielsen Sports

Business Areas

The business model, its strategic pillars and enablers are declined in five business areas (value sources)

Salary-backed
loans

Bancassurance

Brokers

Digital &
Insurtech

Financial
investments

Salary-backed loans

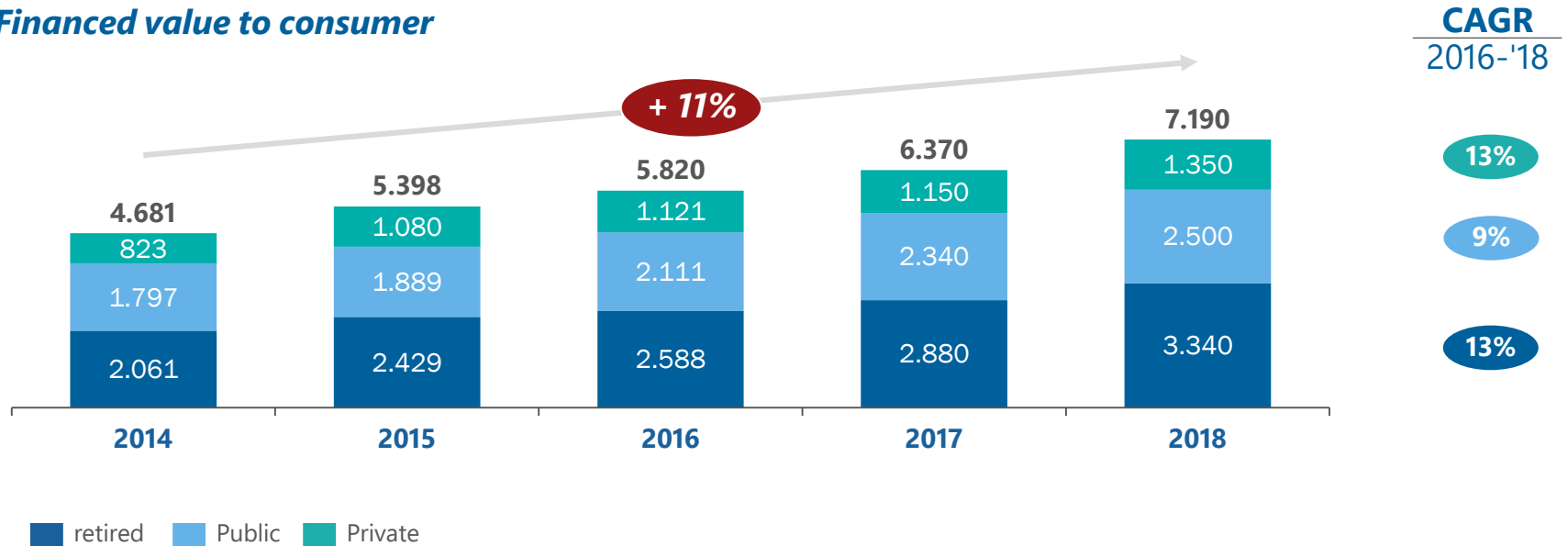
- The credit reference market is growing and is expected to grow in the medium term
- Net has resumed a positive trend in sales already in the second half of 2018
- The business confirms the upward trend in the first months of 2019

Salary-backed loans: Market and Prospects

Salary-backed loans market (€ Million, 2014-2018)

The new regulation will decrease the capital absorption and will be a factor in business growth

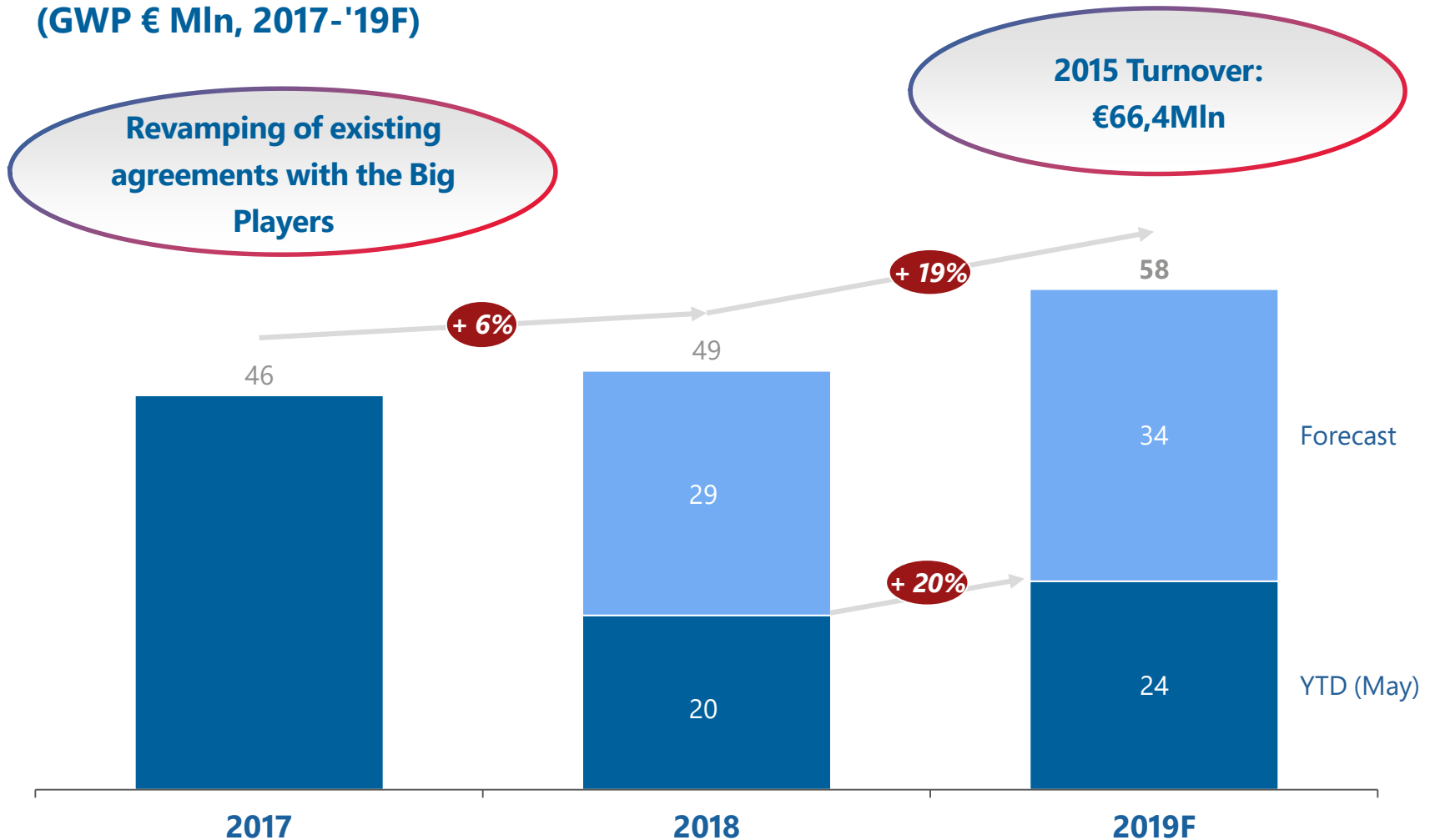
Financed value to consumer



Source: BIC report, AT Kearney analysis

Growth of the Salary-backed loans

(GWP € Mln, 2017-'19F)

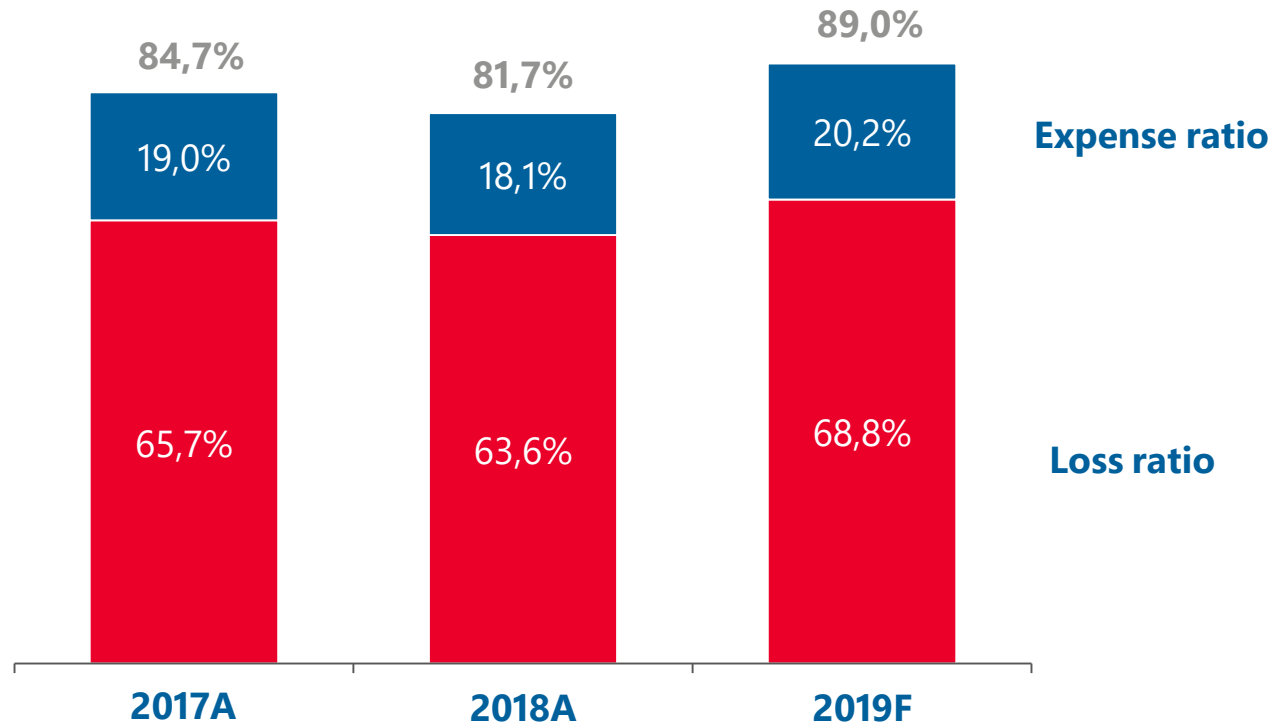


Profitability of the Salary-backed loans

- In 2017 and 2018, the company regained its technical profitability
- In 2019 additional underwriting and pricing measures have already been implemented
- The high reinsurance protection allows to stabilize results even faced with worsening economic conditions

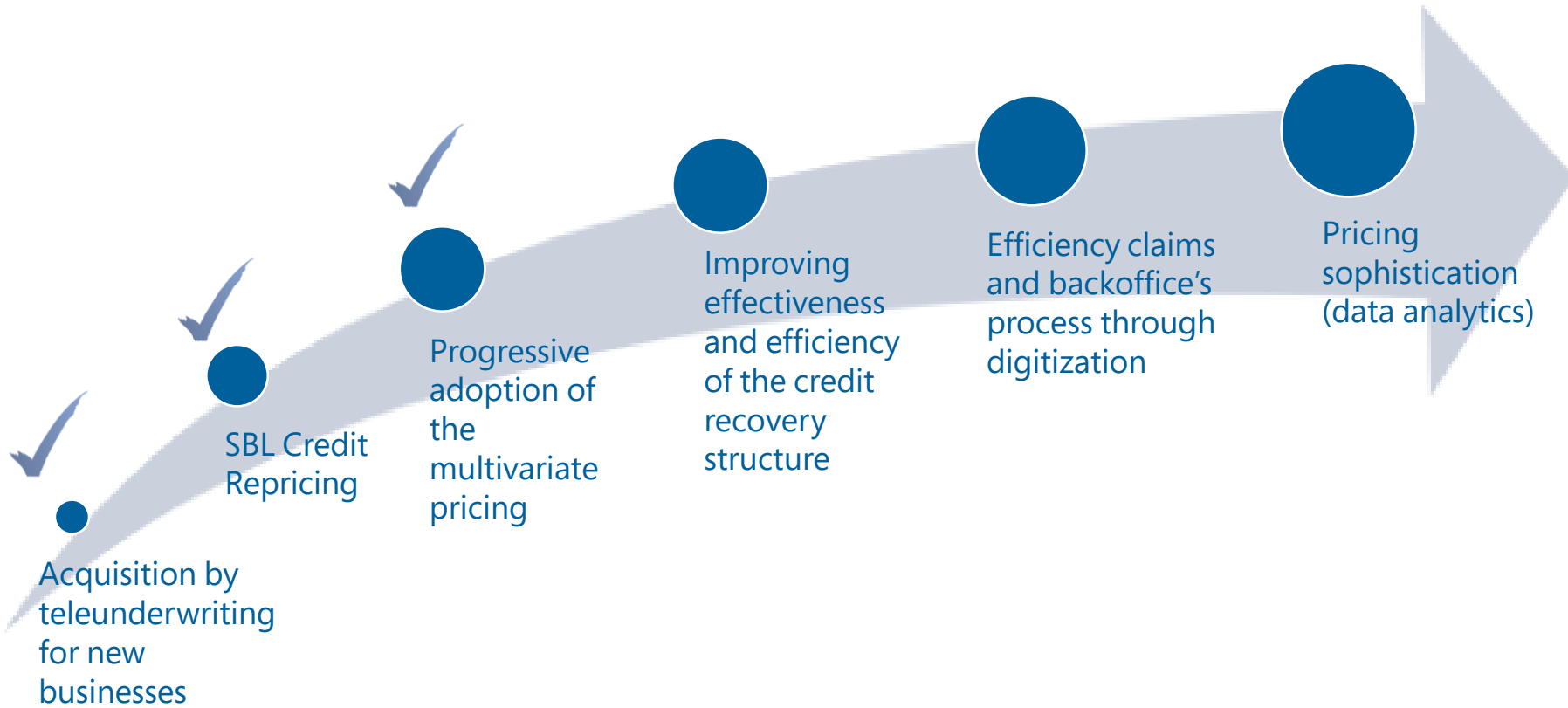
Salary-backed loans - Expected Profitability

Combined Ratio * - Salary-backed loans Business (%)



* Gross of Reinsurance

Salary-backed loans - underwriting and pricing actions



2018

2019

2020

Business Areas

Salary-backed
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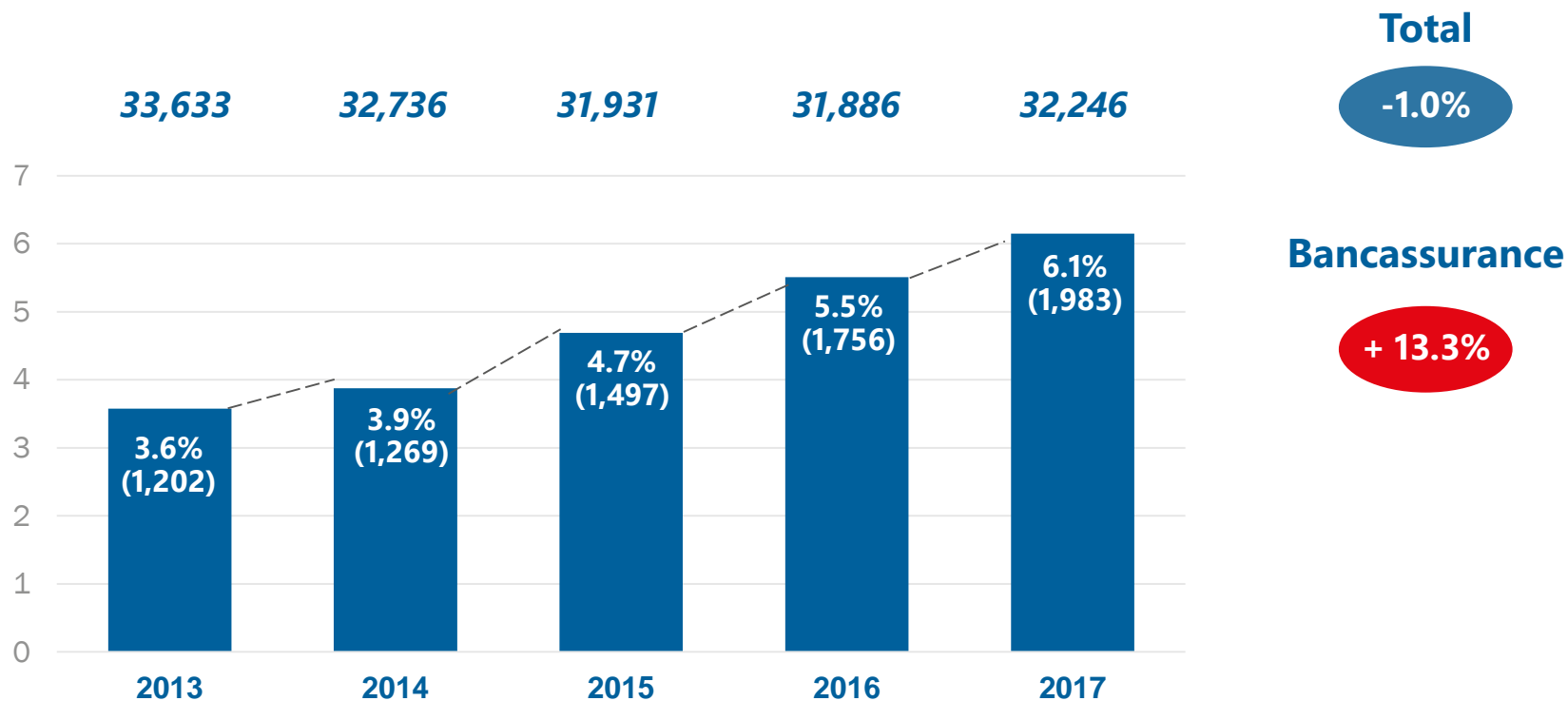
Bancassurance

- Bancassurance is the distribution channel with the highest growth rate of recent years
- It has a significant potential for growth in non-life non-motor
- The profitability of the Bancassurance business is consistently very high
- The launch of Net in the Bancassurance segment was faster than (best) forecasts
- A wide non-life and protection product range is being developed and launched by the company

Bancassurance: the market

Italian non-life market - distribution channel¹
(€ m, 2013-'17)

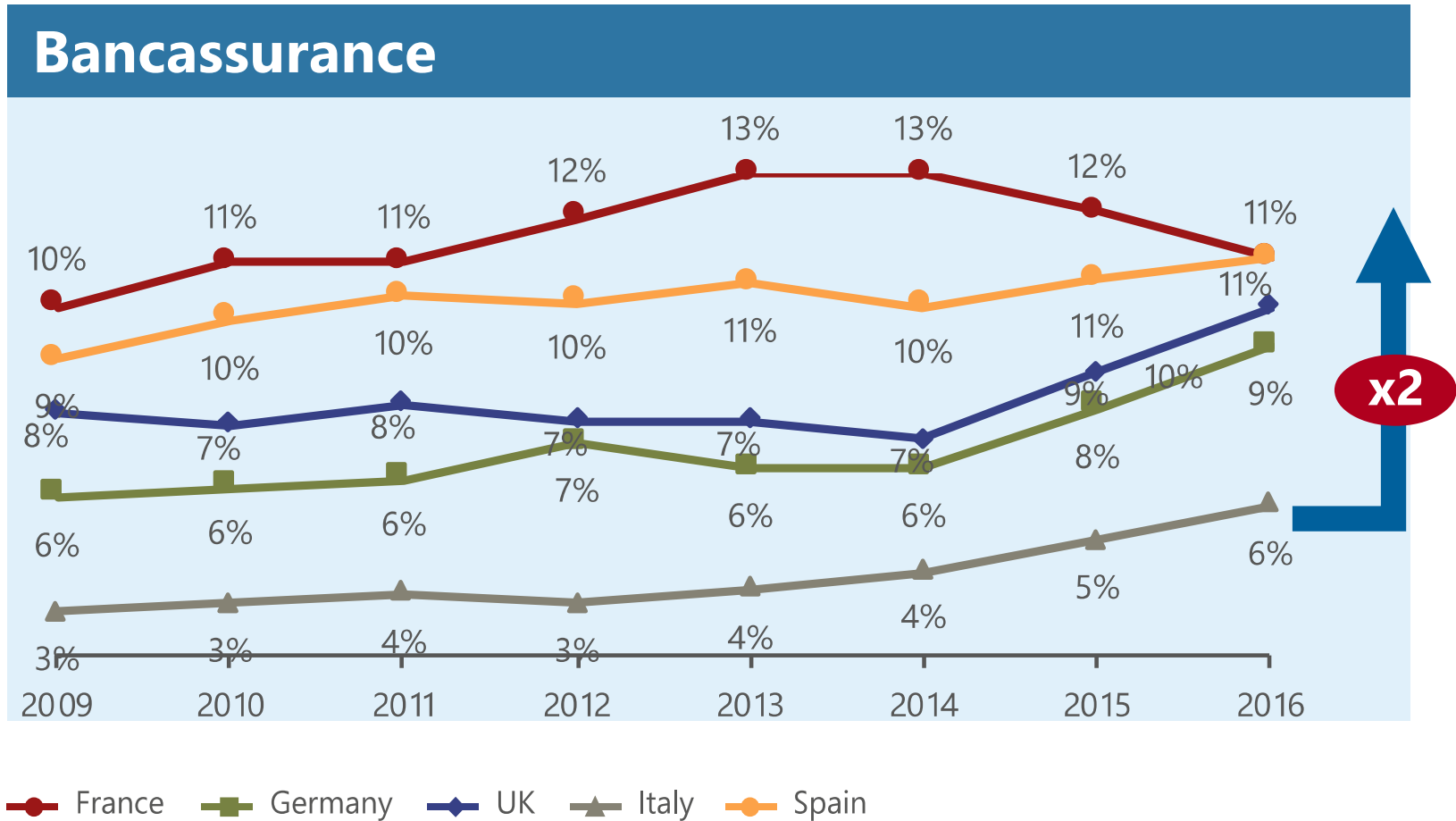
CAGR 2013-'17



1. Source: ANIA "The Italian Insurance sector 2017" - 2018, A.T. Kearney analysis

Growth potential in non-motor lines

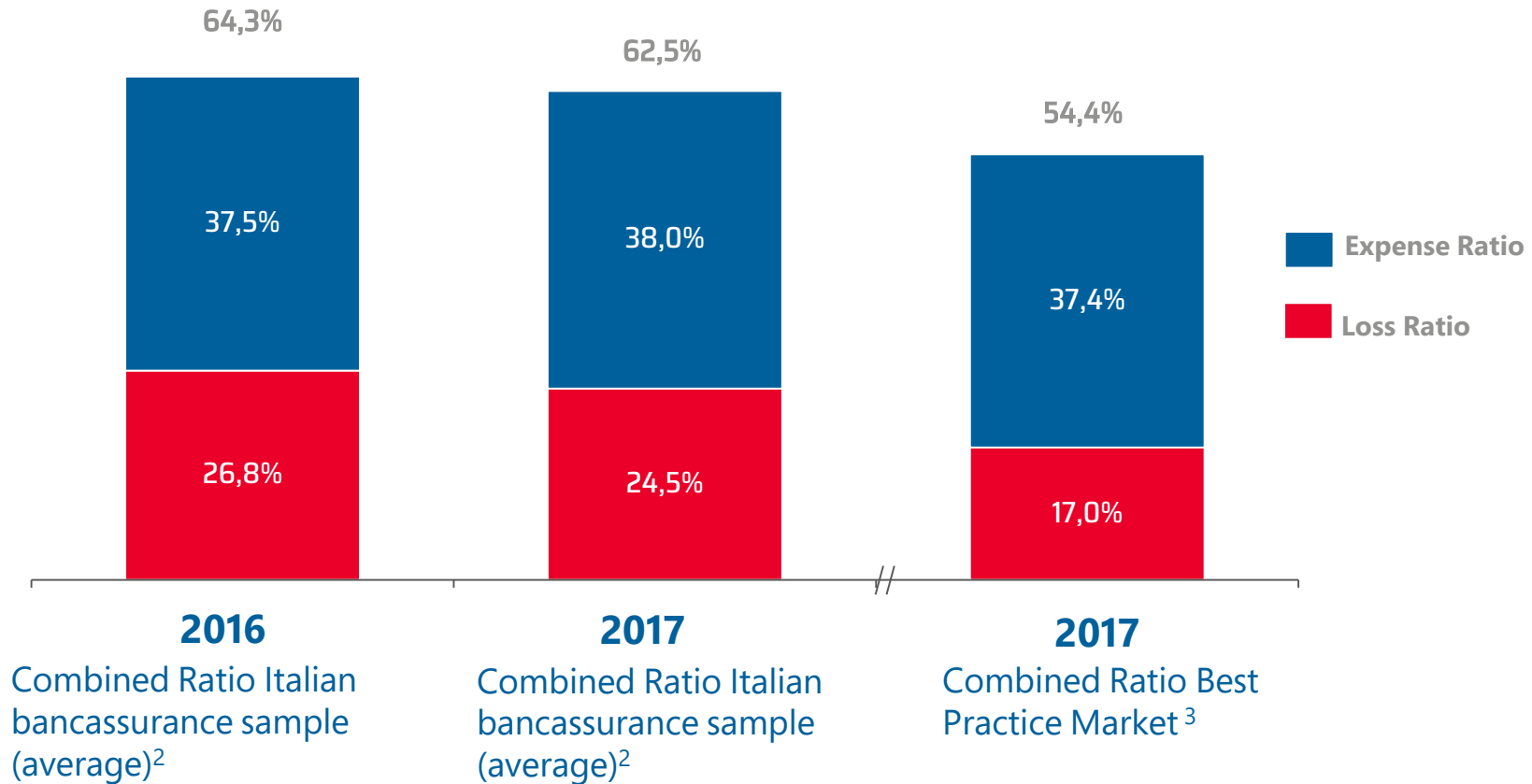
European non-life market - Market shares



Source: Insurance Europe and Eurostat - ANIA "The Italian Insurance sector 2017" - 2018, A.T. Kearney analysis

Bancassurance Profitability

COR - Data% on premiums¹ - non-motor



1. Gross of Reinsurance
2. Bancassurance sample consisting of Mediolanum, AXA, Caregas, Creditras, Arca, BCC, Intesa, Credem, Chiara Assicurazioni and Poste Assicura
3. Intesa Sanpaolo Assicura

Distribution agreements

About 2 mln investment during the Plan period to provide Partner with evolved sales tools



Signature Date
07/12/2018



Sale launch date
05/03/2019



Signature Date
02/28/2019



Sale launch date
First half of July



Signature Date
06/12/2019



Sale launch date
Within the end of the year

New Bancassurance products

Protection

Total training investment up to 2 mln during the Plan period

People

- Family Multirisk
- House Multirisk
- Health
- Accidents
- Pets

CPI

- Mortgages
- Loans
- Business

Business

- Company Multirisk
- Agriculture Multirisk
- Cyber Risk

Digital

- Travel
- Sport

Since 2020 product development with a strong service component using IoT

Business Areas

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Brokers

- The Vitanuova business (accident and home products) was launched in April, including a network of 300 insurance advisors, using digital end-to-end sales mode
- Several negotiations are underway with medium sized brokers
- An innovative credit protection related product (rent protection) is available
- A niche suretyship class is now well under development - highly selected and diversified small risks
- Ongoing agricultural risk activities - with strong reinsurance protection

Business Areas

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Net DNA will lead it to become a "partner of choice" on digital platforms

- Strategic partnership with **Yolo**, with whom the first products are going to be launched
- Launch of a new partnership with **Neosurance**, Instant Bike Product placed since May
- Development of the digital **claims system** - prompt settlement and future use of artificial intelligence mechanisms also for the evaluation of damages
- Acquisition of minority shareholding in **digital/Insurtech business partners** (marketplace, data analytics, claims tool, Instant Insurance engine) up to a total future amount of 3-4 million euro

Optionality Growth

The business model also generates non valued significant additional development options.

- Italian football Referees sponsorship
- Protection collective policies (Long Term Care, etc ...)
- Business under the freedom to provide «digital» services
- The financial advisors's world

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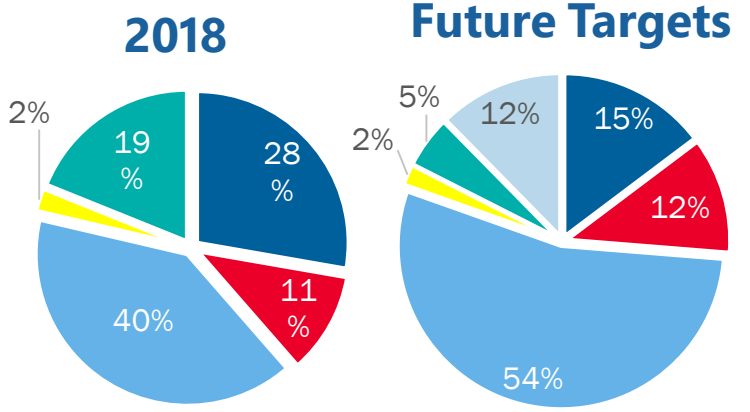
Financial Investments

- The asset allocation is focused on diversification and credit
- Limited exposure to the Italian Government bond risk and high resilience to volatility spread
- Portfolio performance risk optimization, as early as late 2018

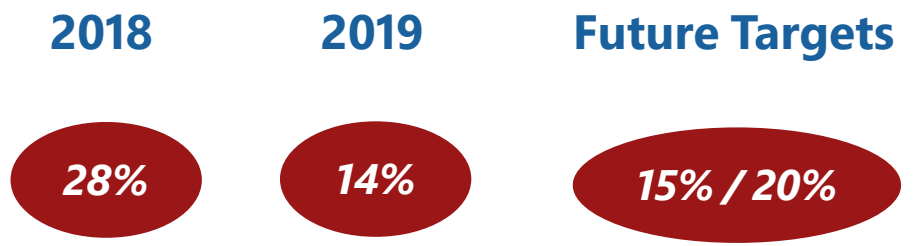
Financial Investments - Focus \ 1

Asset allocation

GOVI - Italian
GOVI - Others
Corporate bonds
Cash
Equity
Alternative investments

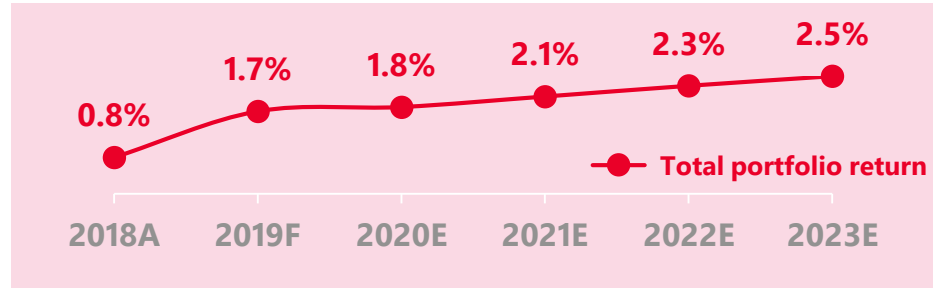


Exposure to the Italian Government bonds



Financial Investments - Focus \ 2

Yield Growth



Risk Optimization



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The 2019-2023 target

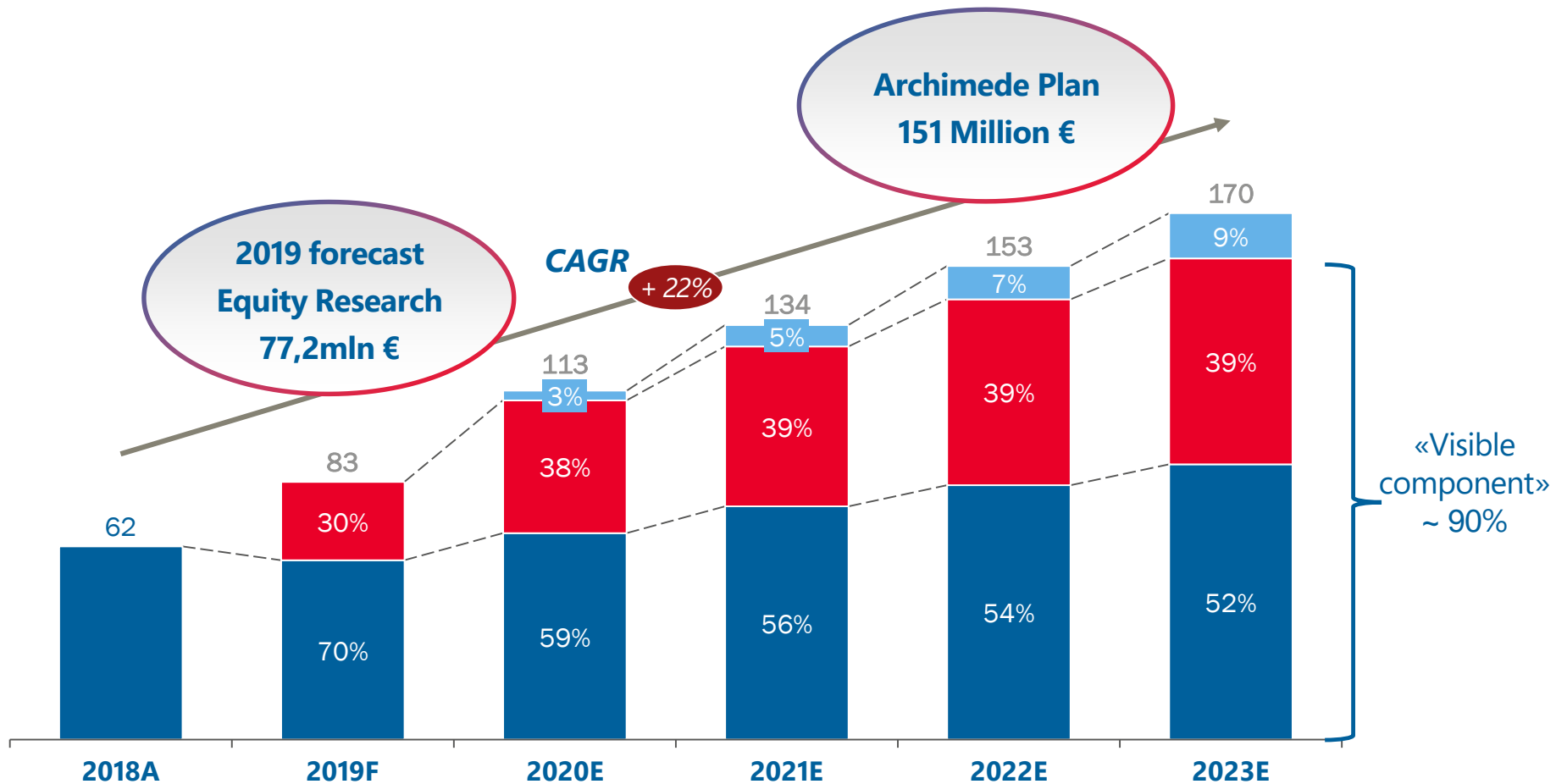
The numbers do not contain any recovery from litigation X but only the costs incurred

	2018	2019 forecast	2020 Targets	2023E
Gross Written Premiums € Min	62.3	83.4	112.9	170.3
Overheads € Min	12.9	19.6	20.2	23.5
Net Technical Result € Min	8.6	7.1	6.6	19.7
Net Profit € Min	4.1	4.5	6.2	17.5
Normalized Net Profit € Min	6.7	6.5	6.3	17.5
Shareholders Equity* € Min	53.8	58.3	63.3	92.0
ROE %	11.3	8.0	10.2	20.2

* Net of gradually paid dividends

Development of GWP

(€ m, 2018-'23)



Existing business New business - agreements in place New business - new agreements

The 2019-2023 target

The numbers do not contain any recovery from litigation X but only the costs incurred

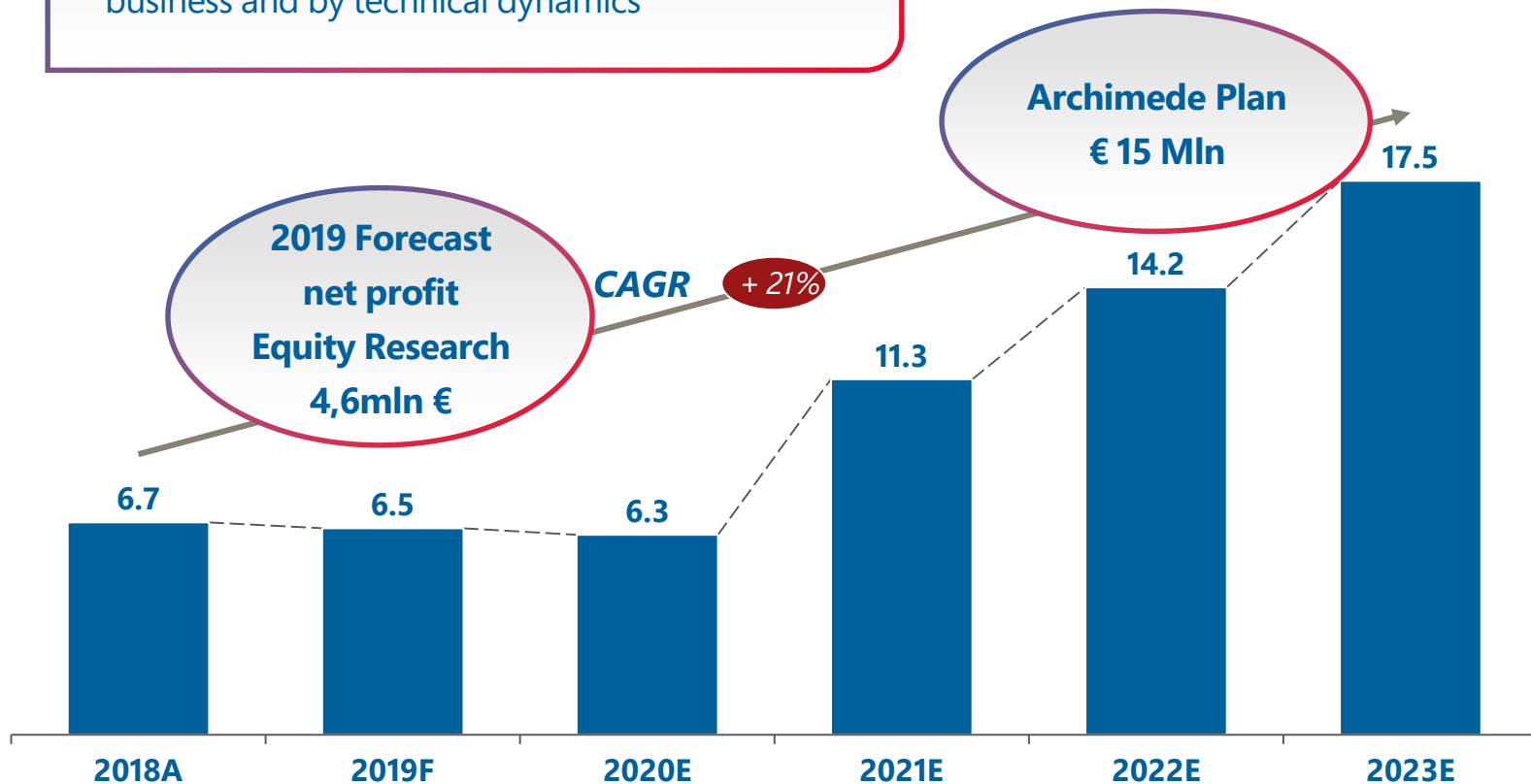
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Normalized net profit projection

(€ m, 2018-'23)

- CAPEX effect on 2019 and 2020
- Natural growth from 2021 driven by previous years business and by technical dynamics



■ Normalized Net Profit

The 2019-2023 target

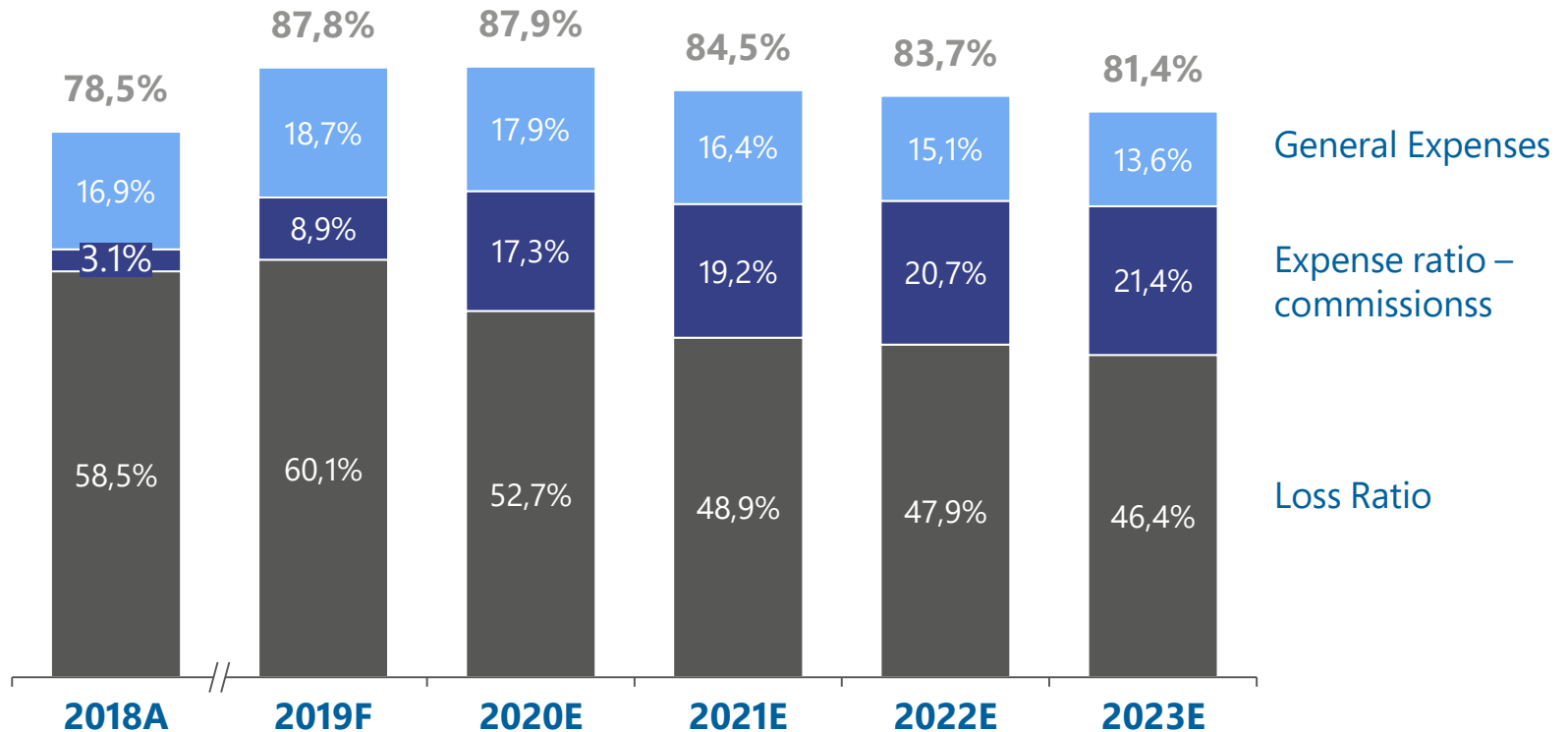
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Combined ratio is expected to decrease along the plan

CR (% , 2018-2023)¹

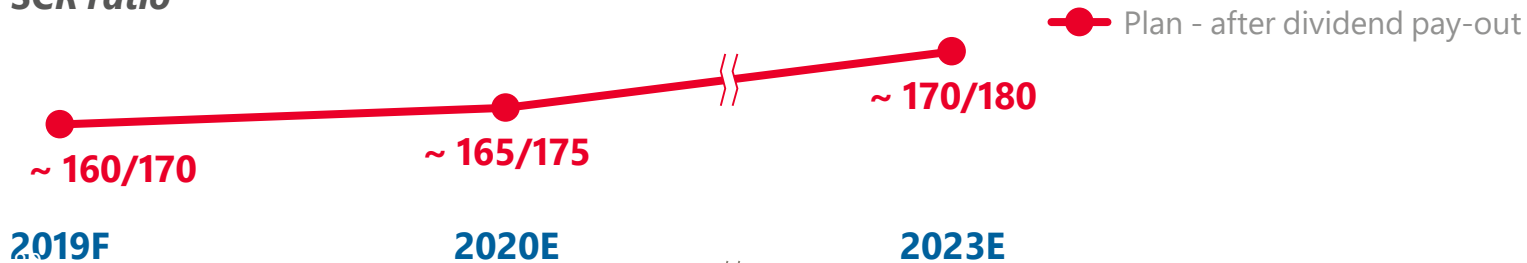


1. Calculated on Earned premiums, gross of reinsurance

SCR firmly above 150% along the evolution plan

SCR ratio (%) and capital (€ millions)

SCR ratio

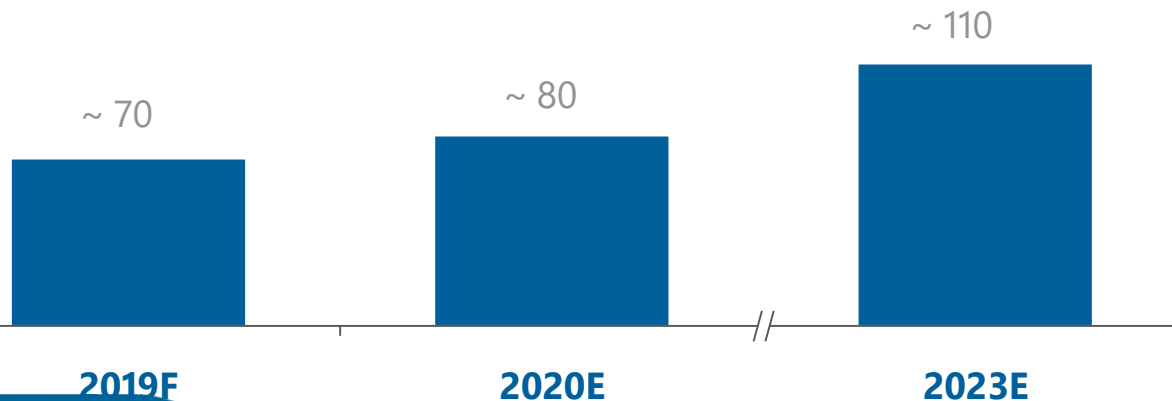


Assuming a 50% recovery of the loss deriving from the X case , percentages stand in the 200% area

FY	Pay-out
2020	20%
2021	25%
2022	30%
2023	40%

Subject to SCR Ratio \geq 150%

Own Funds, after dividend payout



Observations on the Solvency Ratio

- The Solvency Ratio starting level (2018) also results from systematic review activities of all the items in the Solvency 2 budget
- The trend over the years results from the new business's ability to quickly generate capital
- The dividend policy trend is prudent and growing in line with Archimede targets
- The Solvency Ratio is highly resilient to stress scenario analysis of business, technical and financial variables
- Solvency Ratio and dividend policy show possible / expected upsides from the X case recovery

Conclusions / 1

- The Black Swan is a highly impactful but limited event
- The Black Swan is now being rapidly metabolised and there are real prospects regarding the recovery actions
- The business has proven to grow well even in disturbed conditions and appears to be resilient to the stress scenario

Conclusions / 2

- Nevertheless, the business activity development is currently in line with the best expectations
- The updated plan is in complete continuity with the Archimede Plan but trends and target visibility is much higher
- **No additional resources are needed to fund this plan - thanks to the Archimede buffer, the optimization activities and the generation of working capital**

