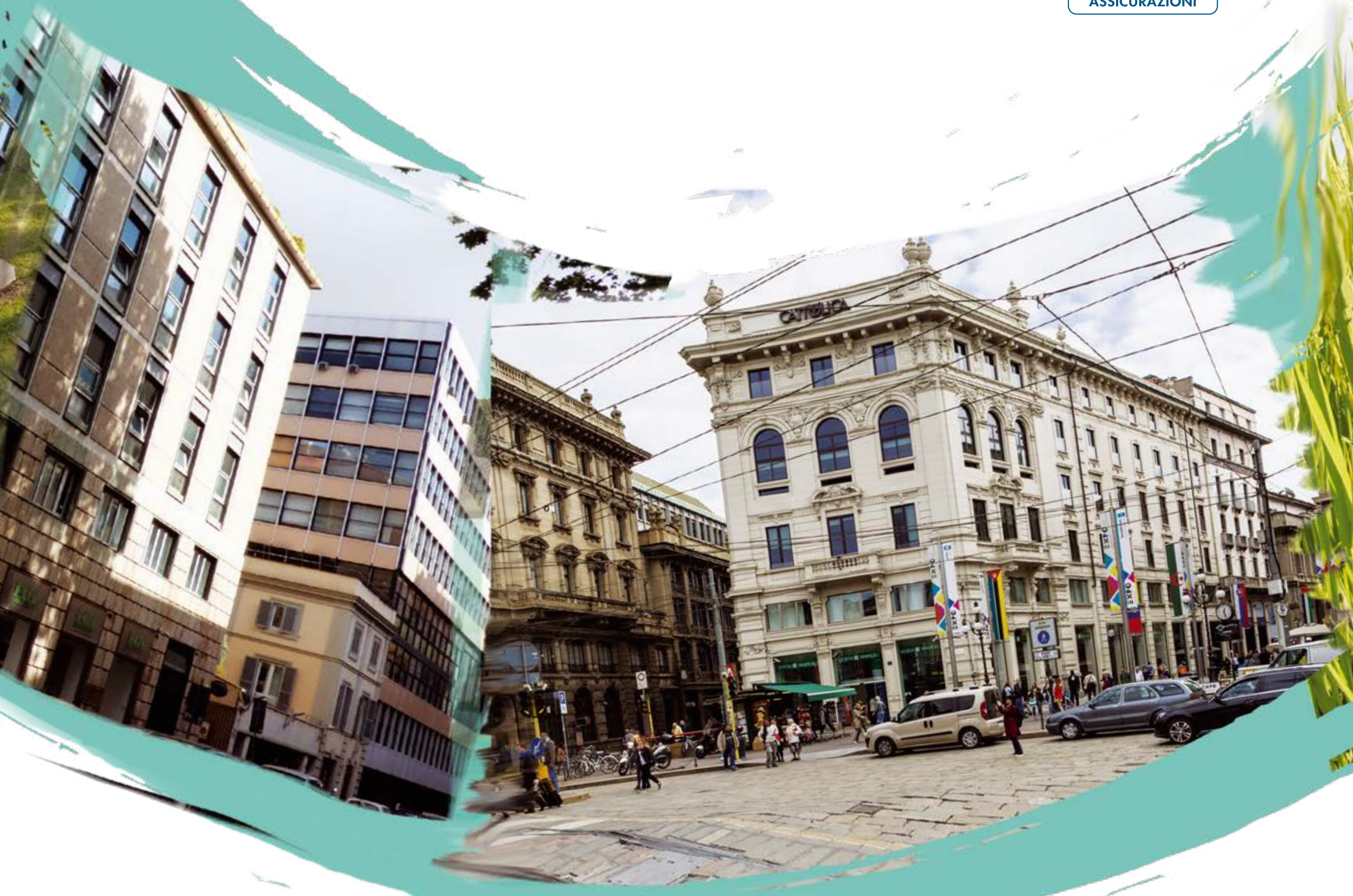
GRUPPO CATTOLICA ASSICURAZIONI



2017

CONSOLIDATED FINANCIAL STATEMENTS

A year of change

A unified approach that brings together the various corporate spirits within the evolving dynamic that the Cattolica Assicurazioni Group is currently experiencing.

An industrial and cultural shift towards innovation.

GRUPPO CATTOLICA ASSICURAZIONI

REPORT ON REMUNERATION

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURES

SUSTAINABILITY REPORT

ANNUAL REPORT AND FINANCIAL STATEMENTS

2017 CONSOLIDATED FINANCIAL STATEMENTS

Letter from the Chairman

In 2017, the Board of Directors launched a project to profoundly transform the Group, with the aim of enabling Cattolica to better express its industrial potential. They created conditions for the new team of managers to make the Company even stronger and capable of facing challenges within the market.

The financial statements figures being presented for approval by the Shareholders' Meeting demonstrate the solidity of our Group, the result of a coherent strategy and a growth path that has been able to maintain its roots in our identity and values and within the scope of our cooperative business model.

On this basis, the new management team has identified new lines of development, presenting an ambitious but concrete Business Plan, which will allow us to meet the expectations of those who have decided to and those who will decide to invest in our Company, whether they be partners or shareholders.

The markets have shown that they appreciate the goodwill of our beliefs and have faith in the Cattolica project, this is a Company applying its own original development model and that makes corporate social responsibility core to its operating activities.

Paolo Bedoni

Letter from the Managing Director

Cattolica Assicurazioni ended the 2017 financial year, confirming its position as one of the main players in the sector in Italy, despite challenging economic growth and strong market competition. In industrial and equity terms, the Group is very solid: the premium collection, which increased in Non-Life and Life business, reached € 5 billion; the technical excellence of our production reached optimum levels; the Solvency II margin came to 2.39 times the regulatory minimum, among the highest in the domestic insurance market. In 2017, the Group reported a net profit of € 56 million, as a result of new impairment testing procedures that adapt the Group's assessment models to the Solvency II approach, in line with maximum prudence principles.

My arrival in Cattolica at the beginning of June allowed me to guide the Company for more than half of the 2017 financial year. Thanks to the cross-cutting involvement of all my colleagues and the quality of the Group's core assets, we have prepared the 2018-2020 Business Plan with the aim of making Cattolica more innovative, agile and responsive to market challenges. The industrial transformation that we wish to pursue, along with the contribution of the new management team who have embraced Cattolica's project, is based on pillars of sustainable growth, innovation and technical excellence and is born from the shared desire of all Group colleagues to truly change the face of our Company.

To accommodate this change of pace and make it effective and sustainable, it will be crucial to simplify and transform the Group's culture. The values and history of our Company require us to act seriously and responsibly to achieve the realistic but ambitious targets that have been outlined and to repay our shareholders for the trust they have placed in us.

Alberto Minali

Contents

Summary index of tables

8 Life/Non-life insurance companies

8 Non-insurance companies

GROUP STRUCTURE

GROUP STRUCTURE

CATTOLICA ASSICURAZIONI DAL 1896

NON-LIFE

- 60% ABC Assicura
- 51% BCC Assicurazioni
- 99.99% TUA Assicurazioni (*)

LIFE

- 51% BCC Vita
- 60% Berica Vita
- 60% Cattolica Life
- 60% Lombarda Vita

OTHER

- Cattolica Immobiliare 100%
- Cattolica Beni Immobili 100%
- Cattolica Agricola 100%
- Cattolica Services (**) 99.96%
- C.P. Servizi Consulenziali 100%
- Agenzia Generale Agrifides 51%
- All Risks Solutions 20%

Non-life insurance

Life insurance

Property services

Agricultural-real estate property sector

Operating services

(*) TUA Assicurazioni wholly owns TUA Retail.

(**) 0.005% of the share capital is held individually by ABC Assicura, BCC Assicurazioni, BCC Vita, Berica Vita, Lombarda Vita and C.P. Servizi Consulenziali, and 0.01% is held by TUA Assicurazioni.

As at 31 December 2017

SIGNIFICANT EVENTS 2017

APRIL

Cattolica resolved to exercise the **right of option to sell BPVi investments** held in the share capital of Berica Vita S.p.A., Cattolica Life DAC and ABC Assicura S.p.A. according to the partnership Agreements drawn up at the time and mentioned above within the terms contractually set.

MAY

With measures protocols no. 0092935/17 and 0092936/17 dated 11 May 2017, IVASS, with reference to the **Solvency II ratio**, authorised the use of the specific parameters of, respectively, the Group (GSP) and the company (USP) starting from the assessments of the year 2016.

It was announced at the Board of Directors meeting of 28 April that Giovan Battista Mazzucchelli will leave the Board of Directors and the offices of Director and Managing Director at Cattolica Assicurazioni and other Group companies effective 30 May.

JUNE

The Board of Directors appointed **Alberto Minali** to become the new Managing Director starting from 1 June 2017, and coopted him to the Board, pursuant to Article 2386 of the Italian Civil Code, and appointed him as Managing Director of the Company and of the Group.

JULY

Flavio Piva left the office of Markets and Operations Area General Manager of Cattolica.
As part of a broader organisational redesign, the Board of Directors appointed **Carlo Ferraresi** as the new General Manager of the Markets and Distribution Channels Area.

AUGUST

The Parent Company sent the bodies of the **Compulsory Winding up of Banca Popolare di Vicenza** the "Request for the acknowledgment of receivables pursuant to Article 86.5 of Italian Legislative Decree No. 385/1993" in relation to the receivables for more than 190 million concerning (i) the failure of the Bank to purchase the Cattolica equity investments in the jointly-owned companies Berica Vita S.p.A., ABC Assicura S.p.A. and Cattolica Life DAC, (ii) for fines in relation to insurance brokerage commitments.
By letter dated 9 October 2017, Intesa Sanpaolo declared that it did not consider it in their interest to take over distribution contracts for insurance/pension products of the two companies.
Following the de facto termination of commercial and operating relations between the companies and banks of the BPVi Group, no new production was initiated.
Subsequently, the companies directly provided assistance to customers for all necessary after-sales transactions.

SEPTEMBER

Enrico Mattioli joined the Group undertaking the office of Deputy General Manager of Strategic Planning and Control, Administration and Financial Reporting, reporting to the Managing Director. He was also appointed as Chief Financial Operator of the Cattolica Group.

OCTOBER

Berkshire Hathaway, investment group headed up by Warren Buffet, by means of the mandatory updates to CONSOB, made it official that it had acquired from **Quaestio Capital Management SGR** an investment of 9.047% in Cattolica's share capital.

NOVEMBER

On 9 November **Banco BPM** and **Cattolica** signed an agreement which provides for, subject to obtaining legal authorisations and the prior acquisition by Banco BPM of the entire shareholding in the share capital, the acquisition by Cattolica of a 65% stake in the capital of **Popolare Vita S.p.A**. and **Avipop Assicurazioni S.p.A.** (hereinafter the "Companies") and the start of a commercial partnership for the distribution of life and non-life insurance products of the same Companies, through the former Banco Popolare network, for a duration of 15 years.
Cattolica will carry out management and coordination activities of the Companies.
With regard to matters of strategic importance, Banco BPM will maintain the power of veto; Cattolica will appoint the managing director of the Companies, and Banco BPM the general manager.
Cattolica will finance the transaction by means of own equity and via the issue of debt instruments.
The transaction will have an incremental impact on the profitability of Cattolica, while the financial structure identified will make it possible to maintain the financial solidity of the Parent Company.

On 14 November it was announced to the market that on 29 January 2018, the **2018-2020 Business Plan** would be presented to the financial community, institutions and the press.

DECEMBER

On 4 December, the Board of Directors of **Cassa di Risparmio di San Miniato S.p.A** obtained authorisation from the Bank of Italy to make the amendments to the Articles of Association following the exercising of powers conferred by the Shareholders' Meeting of 29 June 2017 to increase the share capital by €200 million.
On 21 December, the capital increase was fully subscribed by the Interbank Guarantee Fund - Voluntary Scheme; the shares were subsequently transferred to Crédit Agricole Cariparma S.p.A.. Since that date, the Bank has been part of the Crédit Agricole Italia banking group.
Following the events described, the Parent Company's equity investment in Cassa di Risparmio di San Miniato S.p.A. was diluted from 25.12% to 1.2%, thus losing the latter's connotation of an associated holding.

On 5 December, the Parent Company successfully placed the **debenture loan, reserved exclusively for qualified investors**. The issue, which received orders from more than 250 investors for a total of more than €3 billion, equal to approximately seven times the amount of the issue, was completed on 14 December and as from that date the bonds were listed on the regulated market of the Irish Stock Exchange.

Market share

6.2% non-life

3% life

REFERENCE SCENARIO

Reference Scenario

Macro-economic scenario

2017 presents a particularly positive trend of growth for all economic areas, following on from that of the previous year.

The expansion cycle in the United States continued, now in its eighth anniversary: the analysis at the end of the third quarter projects a growth trend in gross domestic product of approximately +2.5% for 2017, a considerable result in a year marked by a political situation that is in the process of recovering and a less accommodating Central Bank. The unemployment level, at 4.3%, is also at its lowest since 2000 and with composite confidence indicators firmly in expansive territory. The level of inflation was not exactly sustained and consistent with a growth in gross domestic product close to long-term potential: wage trends contributed negatively, with increases still too tentative compared to the high employment rate.

The Federal Reserve, precisely in relation to this partial divergence between growth and inflation, continued the process of normalising rates in an extremely prudent and gradual manner, making three rises of 25 basis points each, the last one coinciding with the December meeting.

The growth figure for 2017 is also surprisingly positive in the Eurozone and the improving macroeconomic trend that was already underway in the final quarters of the previous year is being consolidated. The manufacturing activity and services indicators reported very encouraging levels, higher than the economists' initial estimates, held back by fears of the political events of the first half of the year. Divergence also relented in terms of growth and employment among the core countries, which were more virtuous with regard to indebtedness, and the Mediterranean countries, whose average employment and productivity levels are still distant from those before the crisis.
After a recovery in the first half of the year, partly as a result of energy price rises, which had exceeded the peak recorded in April, inflation declined and settled at a value of approximately 1.5%.
The European Central Bank, while fully reaffirming its intention to continue its expansive monetary policy action to support growth and achieve inflation targets, at the October meeting signalled a gradual reduction in stimulus to the markets, planning a decrease in the quantity of government and corporate stocks purchased on a monthly basis starting from January 2018.

In Italy, current and forecast indicators remained at levels well above those expected throughout the year, both for services and the manufacturing and construction sectors. Consumption held up better than expected, with an average of +1.5% on the previous year, driven in particular by the long-term goods segment and, against a stable income in real terms, sustained by a lower propensity to save. Unemployment fell to 11.2% in the last analysis in September, a level reached at the end of 2012, albeit against an increase in fixed-term contracts. After reaching their lowest level in the first half of the year, salaries showed an average positive variation of +0.5% in the year, still far from pre-crisis levels and the Eurozone average. The country is nevertheless surprisingly positive in terms of overall growth, projecting an increase in GDP of approximately 1.5% at the end of the year.

The situation in Japan remains positive this year, thanks to a combination of favourable conditions in the domestic and international economy. There has been a substantial recovery in growth, employment, investment and consumption, factors that lead to a projected change in gross domestic product for 2017 of more than 1.5%. Despite the evident surplus of labour demand over supply, inflation remained far from the mid-term objective of 2%. The Bank of Japan confirmed the entire expansive monetary policy programme consisting of purchases of 80 trillion Yen in government stocks and control of the government curve with the ten-year rate set at 0% maximum.

Positive signals also arrived from the emerging countries by virtue of a more encouraging and widespread global scenario: improvement in domestic demand following two years of weakness, together with international trade not dropping off, generated growth data higher than that forecasted. The recovery of raw material prices also supported the growth of exporting countries such as Russia. In China, the Communist Party Congress reaffirmed Xi Jinping's leadership and his course of growth moderation through credit control and excesses in the property assets market.

Bond markets

The early months of the year were marked by a fluctuating trend in the returns that the European and American government bond component offered. The risks tied to the French election results disappeared, and the European bond market rebounded strongly with yield spreads falling in both the government and corporate segments; the change was helped by publication of improved macro-economic data and by the resulting diminished risk of deflation. In this context the Federal Reserve raised reference rates three times, while the ECB confirmed its expansive approach by continuing its bonds purchasing plan, although it projected a reduction in these rates from 2018.

At the end of the year, the 10-year US government stock closed with a return of 2.4% (-4 basis points from the start of the year), while 2-year stocks closed at 1.9% (+70 basis points from the start of the year), with a marked flattening of the curve. Corresponding German stocks disclosed returns of 0.4% on 10-year stocks and -0.6% on 2-year stocks, with an increase of 22 and 14 basis points respectively.

Stock markets

Stock markets performed broadly positive at a global level. The long process of US presidential elections pushed US stock exchanges to new highs, in a context of extremely low volatility. Technology sector stocks particularly distinguished themselves. Against an improvement in the macroeconomic trend, monetary policy normalisation remains very gradual, allowing for equity valuations to be broadly sustainable.

In Europe, after a moderate start, the overcoming of political tensions, especially in France, has provided a considerable boost to the markets. In the latter part of the year, confidence indicators were translated into macroeconomic data that exceeded expectations, especially in Italy. The Milan stock exchange was among the best in the continent, partly due to the reduction of stock of non-performing loans in the banking sector. The Madrid Stock Exchange, which particularly stood out in the first few months, lost ground due to the continuing political stalemate and tensions in Catalonia. Emerging markets, especially South American markets, were among the best at global level, thanks to the economic recovery and recovery of raw materials. Annual performances, gross of dividends, were as follows: in the United States, the S&P 500 index reported a positive performance of 21.8% and the Nasdaq of 29.7%; in Europe, the Eurostoxx 50 reported growth of 9.9%, 16.9% for the Ftsemib and 12.5% for the Dax; in Japan, the Nikkei index increased by 21.3%. The MSCI index of emerging countries closed at +37.5%, with Shanghai at +24.3% and Hong Kong at +41.3%.

Foreign exchange markets

After a phase of substantial stability in the first quarter of 2017, the US dollar has generally shown a weakness against other global currencies. The tenuousness that markets discovered in the economic and international policy approach of the new government in its first few months, pushed operators to review the normalization path of the Federal Reserve, which also raised the key rate by 25 basis points three times during the year. By contrast, the European single currency benefited from a more positive context and a considerable decrease in political risks, with flows of purchases that supported the trend. The dollar ended the year at 1.20 against the Euro, while on the same date 112.6 Yen was required to purchase a single dollar.

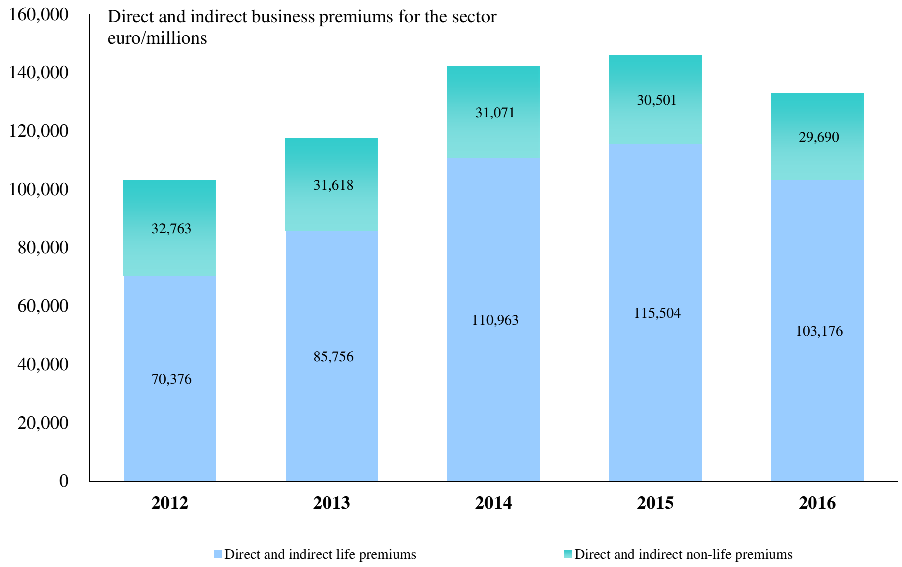
Real estate market

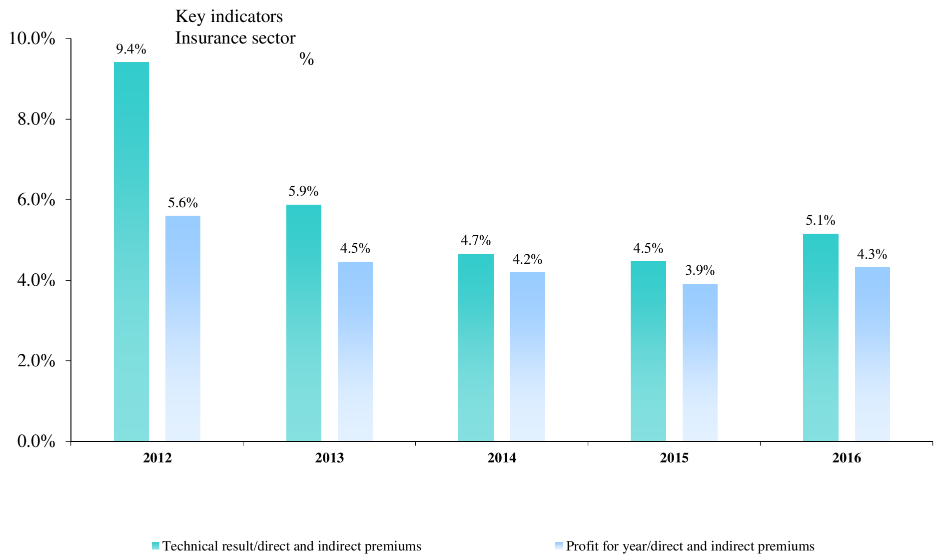
2017 marked a record for investments in Italian real estate, that broke through the € 11 billion barrier. This is the highest amount ever reached, growing by 21% compared to € 9 billion in 2016, which in turn was also a 10% increase over the previous year.
The property assets segment for logistics grew most, almost doubling (+95%) the previous year's figures with investments of over € 1.2 billion. However, it was the business office sector that led the market with investments of € 4 billion (+10%) compared to 2016. On the other hand, there was a slight decrease in retail spaces, with investments of € 2.4 billion, 5% less than in 2016. The most disadvantaged were shopping centres located in small towns, as a result of the abundant range and growth of e-commerce. The hotel sector also achieved excellent results, attracting investments of € 1.1 billion, up 50% on 2016.
With these results we can clearly state that the Italian real estate sector continues to attract investors, especially foreign investors, and that the trend will continue in 2018, not only in the main spheres, but also in secondary markets, including a solid trend in the rental market, especially in Milan.

Insurance industry

The graphs below show certain summary figures published by ANIA[1] for the insurance industry for the period 2012-2016.

[1] Source ANIA - L'Assicurazione italiana 2016-2017, publication dated July 4th, 2017.





According to ANIA in 2017 total premiums written (life and non-life) for the Italian direct portfolio should amount to just over € 130 billion, down 2.8% with respect to the year just ended, after the almost 9% decrease recorded in 2016. The 2017 result appears to be triggered by another drop in life premiums (-4%), partly counterbalanced by slight growth in non-life premiums (+1%).
Overall premiums as a percentage of GDP should fall from 8% in 2016 to 7.7% in 2017.

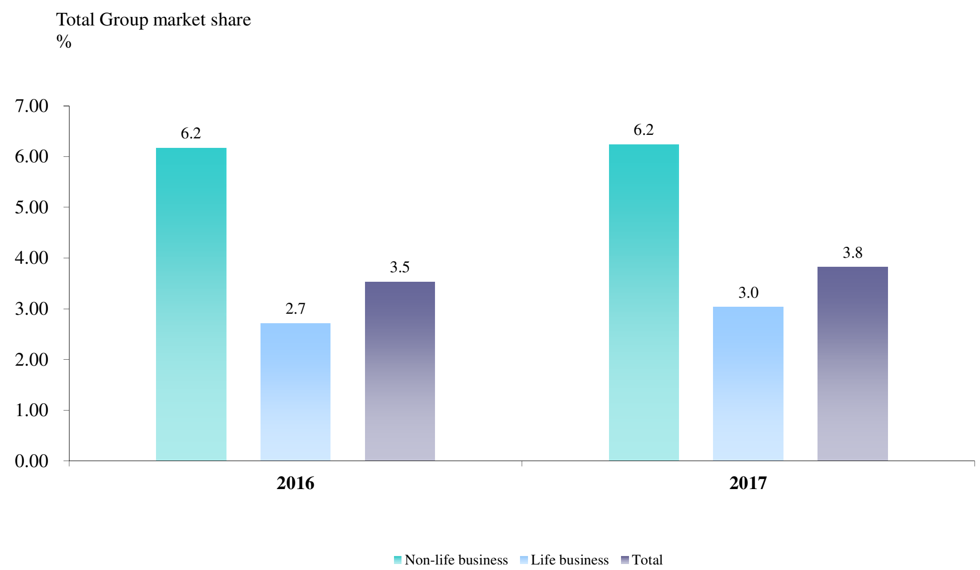
Premiums written for the Italian direct portfolio of non-life business in 2017 should return to topping € 32 billion, up 1% over 2016, in this way interrupting a long downturn period that began in 2012. This would depend on a slowdown of the reduction rates of the TPL motor class premiums and additional growth in all the other non-life business.
The volume of written premiums should settle at € 13.3 billion at the end of this year, configuring 41.3% of total non-life premiums (42.3% in 2016).
On the other hand, the expansive phase of the non-life classes other than the TPL motor class should continue as it is positively influenced by the pick-up in the general economic cycle. In

fact, an increase is estimated for 2017 of 2.9% of written premiums (almost € 19 billion), just slightly above the increase recorded in 2016 (+2.6% and € 18.4 billion).
It is envisaged that in 2017, non-life premiums as a percentage of GDP shall remain unaltered at 1.9%.

In the life business, fewer written premiums (-4%) are expected in 2017 for the second consecutive year, less than what was recorded in 2016 (-11%) for a total volume that should top the € 98 billion mark. In more recent years the life business has been very variable in written premiums performance based on both the volatility of the financial markets and the returns of segregated funds in a low interest rate context.
Overall, the ratio of the volume of premiums written in the life sector with respect to GDP would drop from 6.1% in 2016 to 5.8% in 2017.

On the basis of the market figures for gross premiums written as of September 30th, 2017, of Italian companies and non-EU representative agencies, (Ania Trends, No. 1, January 2018) total life and non-life premiums were down 4.7%, the non-life business was up 0.6% and the life business down 6.2%.
The non-life classes fell 1.3% in the motor classes and rose 2.7% in the non-motor classes.

On the basis of the ANIA annual forecasts, the Group’s market share in the non-life sector would be unchanged at 6.2% and in the life sector would increase from 2.7% to 3%.



MANAGEMENT REPORT

Total premiums written

5,008.2 MLN €

+5.2%

MANAGEMENT REPORT

The Group in 2017

With the arrival of the new Managing Director and a new management team in June, our company immediately experienced a turning point. An exclusive alliance was formed in bancassurance with Banco BPM, thanks to which Cattolica will benefit from an expansion of its distribution network through entry into a network of approximately 1,700 branches.
The operation is financed by own funds and by the issue of a € 500 million Tier 2 subordinated debenture loan placed in December and whose issue received orders from more than 250 investors for a total of over € 3 billion, equal to approximately 7 times the target amount for the issue.

The Solvency II margin of the Group as of December 31st, 2017 includes the benefit of the loan but doesn't yet take into consideration the effect of the closing with Banco BPM: even excluding the effect of the subordinated loan and net of the dividend distribution that will be proposed at the Shareholders' Meeting, the ratio is improving (199%, +13 pps).

In October a major institutional investor, Berkshire Hathaway, entered the fray, acquiring the Parent company's shares held by Banca Popolare di Vicenza, to become the largest shareholder with 9.9%.

On January 29th, 2018, the new 2018-2020 Business Plan of the Cattolica Group was presented to the financial community, institutions and the press, outlining the strategic lines, industrial priorities and economic-financial objectives for the next three years.

*****

The Cattolica Group closed the year with a consolidated profit of 56.1 million (-40%). The Group's net profit came to € 41.1 million (-46.1%).

These results are mostly influenced by the outcome of applying the new procedures for testing Group assets for impairment that were introduced further to the Board's resolution on July 13th, 2017, as communicated to the market on July 27th and with impacts already on the figures of the 2017 interim financial report, aimed at adapting the Group's assessment models to the Solvency II approach, in line with maximum prudence principles.
The consolidated profit was penalised by non-recurrent charges[2] attributable for € 52 million to writedowns consequent to the goodwill impairment test, € 5 million concerning permanent impairment losses for AFS securities, for the new rule adopted and € 5 million for the write-down of the Atlante Fund. The result was also affected by the severance payouts of several top management personnel who left during the year, amounting to € 6 million, € 8 million depreciation/amortisation due to the shortening of the useful life of the software that is expected to be replaced within the time-frame of the Business Plan and € 5 million attributable mainly to the notification of unfavourable rulings by the Supreme Courts of Cassation - Tax Section, concerning VAT and which were challenged for ordinary revocation.

Having taken this into account, the consolidated profit and Group profit, normalised for non-recurrent effects, came to € 137 million and € 121 million respectively.

Total premium collections for direct and indirect business - life and non-life - came to €

[2] All amounts are stated net of taxes and the effects of shadow accounting, where applicable.

5,008.2 million (+5.2%).
Premiums written for direct non-life business amounted to € 2,015.1 million (+2.2%).
The motor segment posted premiums of € 1,103 million (+1.6%). Premium collections for non-motor classes, increasingly focused on products intended for retail customers, amounted to € 912 million (+2.8%).
The combined ratio of retained business increased from 93.2% to 94.7% (+1.5 pps). The variation is mainly due to claims related to atmospheric events that took place in the third quarter of 2017 and to large claims, as well as to the decrease in the profitability of the motor class of business against the continuing decline in the average premium. Nevertheless, the Group is keeping up a positive technical result, even in a complex, strongly competitive market scenario marked by a slight pick-up in the frequency of claims, owing to a quality portfolio and its distinctive settlement expertise.

The operating result[3] fell from € 226 to 206 million (-8.8%): the decrease was mainly due to the worsening of the combined ratio.

In the life sector, direct business premiums came to € 2,979.4 million (+7.5%). The new business concerning the life policies subject to revaluation with minimum guaranteed rates of 0% is allowing the average guaranteed minimum of the Group's stock of actuarial provisions to progressively reduce (from 1.2% to 1%).

Financial management[4], before tax, closed with a net profit of € 491.2 million (+3.7%), with an increase in assets managed and limited capital gains, with a view to preserving the portfolio's future profitability. The components of this deviation are provided in the "Capital and financial performance" section in the "Business performance" Chapter.

As of December 31st, investments - including properties classified in the tangible assets and cash and cash equivalents item - amounted to € 23,284.5 million (+7.8%). Gross technical provisions for non-life business amounted to € 3,603 million (+1%). Provisions for life business, inclusive of financial liabilities, amounted to € 18,081.7 million (+6.4%).
Consolidated net shareholders' equity amounted to € 2,107.5 million (-0.3%).

The Solvency II Ratio of the Group[5] came to 2.39 times the regulatory minimum.

On November 9th, through the signing of legal documentation, an agreement was made between Cattolica and Banco BPM for the establishment of a long-term strategic partnership in life and non-life bancassurance. The agreement envisages the acquisition by Cattolica of an investment of 65% in Avipop Assicurazioni S.p.A. and in Popolare Vita S.p.A. and the launch

[3] Includes the "other" sector. The non-life operating result is defined as the sum of the reinsurers net technical income, ordinary financial income and other recurring operating costs (amortisation/depreciation, insurance receivables, bank interest, etc.); excluded from the operating result are realised (plus/minus) financial results, valuation and impairment; writedowns of other assets, the cost of financial debt (subordinated), amortisation of the VOBA (Value of Business acquired) and non-recurring costs (exit incentives and the cost of the Solidarity Fund). The life operating result is defined in a similar way, with the difference being that all financial income which contributes to the income of stocks belonging to segregated funds, as well as those belonging to class D, are considered in the operating result.

[4] With the exclusion of investments whose risk is borne by the policyholders and the change in other financial liabilities.

[5] The post-distribution ratio of the proposed Parent Company dividend, calculated according to the Standard Formula with the use of the Undertaking Specific Parameters (USP). The ratio includes the subordinated debenture loan issued on December 14th, 2017. The figures have not yet been subject to the checks envisaged by the IVASS letter to the market dated December 7th, 2016.

of a commercial partnership in the life and non-life classes, on the former Banco Popolare network, for a duration of 15 years, with the stipulation of a contract for exclusive distribution on the former Banco network for life insurance products under Popolare Vita and The Lawrence Life as well as a contract for non-exclusive distribution under Avipop and Avipop Vita. The closing of the transaction, subject to the approval of the competent Supervisory Authorities, is indicatively planned for the first half of 2018.

KEY INDICATORS OF CATTOLICA GROUP BUSINESS PERFORMANCE

The charts and comments which follow show the most significant performance indicators, the figures concerning the sales network and the headcount, the reclassified consolidated statement of financial position and income statement, the consolidated income statement reclassified by sector of activities and the key indicators as compared to those of the previous year, in accordance with international accounting standards.

In these consolidated financial statements, the term "premiums written" means the sum total of the insurance premiums (as defined by IFRS 4) and the amounts relating to investment contracts (as defined by IFRS 4 which refers the related discipline to IAS 39).

Table 1 - Key economic indicators

			Change	
(€ thousands)	**2017**	**2016**	**Amount**	**%**
Total premiums written	**5,008,179**	**4,758,833**	**249,346**	**5.2**
of which				
Gross premiums written	**4,781,484**	**4,531,334**	**250,150**	**5.5**
Direct business - non-life	2,015,050	1,972,521	42,529	2.2
Direct business - life	2,752,665	2,543,636	209,029	8.2
Indirect business - non-life	13,727	15,129	-1,402	-9.3
Indirect business - life	42	48	-6	-12.5
of which				
Investment contracts	**226,695**	**227,499**	**-804**	**-0.4**
Consolidated net profit for the period	**56,065**	**93,368**	**-37,303**	**-40.0**
Group net profit for the period	**41,108**	**76,254**	**-35,146**	**-46.1**

Table 2 - Key equity indicators

(€ thousands)	2017	2016	Change Amount	%
Investment	**23,284,549**	**21,590,939**	**1,693,610**	**7.8**
Technical provisions net of reinsurance amount	**19,969,176**	**18,796,480**	**1,172,696**	**6.2**
Financial liabilities relating to investment contracts	**1,402,204**	**1,353,045**	**49,159**	**3.6**
Consolidated shareholders' equity	**2,107,536**	**2,113,726**	**-6,190**	**-0.3**

Table 3 - Headcount and sales network

(number)	2017	2016	Change Amount	%
Total headcount	**1,579** [(1)]	1,568	11	0.7%
Full time equivalent headcount	**1,517** [(1)]	1,508	9	0.6%
Direct network:				
Agencies	**1,494**	1,496	-2	-0.1%
Partner networks:				
Bank branches	**5,064**	5,649	-585	-10.4%
Financial advisors	**800**	906	-106	-11.7%
Welfare and pension product advisors	**210**	299	-89	-29.8%
Agrifides sub-agencies	**28**	19	9	47.4%

[(1)] Having taken into account the exit as of December 31st, 2017 of 13 co-workers joining the Intersectorial Solidarity Fund.

Table 4 - Reclassified consolidated statement of financial position

(€ thousands)	2017	2016	Change Amount	%	*Items from obligatory statements (*)*
Assets					
Investment property	572,571	493,914	78,657	15.9	*4.1*
Property	162,473	163,623	-1,150	-0.7	*2.1*
Investments in subsidiaries, associated companies and joint ventures	96,432	70,522	25,910	36.7	*4.2*
Loans and receivables	749,557	847,669	-98,112	-11.6	*4.4*
Held to maturity investments	242,921	242,241	680	0.3	*4.3*
Available for sale financial assets	17,167,634	16,471,924	695,710	4.2	*4.5*
Financial assets at fair value through profit or loss	4,086,077	3,128,960	957,117	30.6	*4.6*
Cash and cash equivalents	206,884	172,086	34,798	20.2	*7*
Total investments	**23,284,549**	**21,590,939**	**1,693,610**	**7.8**	
Intangible assets	265,457	325,124	-59,667	-18.4	*1*
Technical provisions - reinsurance amount	645,183	689,316	-44,133	-6.4	*3*
Sundry receivables, other tangible assets and other asset items	1,690,701	1,627,207	63,494	3.9	*(**)*
TOTAL ASSETS	**25,885,890**	**24,232,586**	**1,653,304**	**6.8**	
Shareholders' equity and liabilities					
Group capital and reserves	1,804,198	1,778,642	25,556	1.4	
Group profit (loss) for the year	41,108	76,254	-35,146	-46.1	*1.1.9*
Shareholders' equity pertaining to the Group	***1,845,306***	***1,854,896***	***-9,590***	***-0.5***	*1.1*
Capital and reserves pertaining to minority interests	247,273	241,716	5,557	2.3	
Profit (loss) for the year pertaining to minority interests	14,957	17,114	-2,157	-12.6	*1.2.3*
Shareholders' equity pertaining to minority interests	***262,230***	***258,830***	***3,400***	***1.3***	*1.2*
Total capital and reserves	**2,107,536**	**2,113,726**	**-6,190**	**-0.3**	*1*
Premium provision	749,931	747,733	2,198	0.3	
Provision for outstanding claims	2,853,021	2,818,954	34,067	1.2	
Gross technical provisions - non-life	**3,602,952**	**3,566,687**	**36,265**	**1.0**	*3*
Gross technical provisions - life	**16,679,531**	**15,638,645**	**1,040,886**	**6.7**	*3*
Other gross non-life technical provisions	2,046	1,960	86	4.4	*3*
Other gross life technical provisions	329,830	278,504	51,326	18.4	*3*
Financial liabilities	2,172,770	1,634,455	538,315	32.9	*4*
of which deposits from policyholders	*1,402,204*	*1,353,045*	*49,159*	*3.6*	
Allowances, payables and other liability items	991,225	998,609	-7,384	-0.7	*(***)*
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**25,885,890**	**24,232,586**	**1,653,304**	**6.8**	

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

(**) Sundry receivables, other asset items, and other tangible assets (statement of financial position items under assets = 5 + 6 + 2.2)

(***) Allowances, payables and other liability items (statement of financial position items under liabilities = 2 + 5 + 6)

Table 5 - Reclassified consolidated income statement

(€ thousands)	2017	2016	Change Amount	Change %	*Items from obligatory statements* (*)
Net premiums	4,486,543	4,238,801	247,742	5.8	*1.1*
Net charges relating to claims	-4,161,195	-3,887,292	-273,903	-7.0	*2.1*
Operating expenses	-571,552	-553,018	-18,534	-3.4	
of which commission and other acquisition costs	*-417,357*	*-408,300*	*-9,057*	*-2.2*	*2.5.1*
of which other administrative expenses	*-154,195*	*-144,718*	*-9,477*	*-6.5*	*2.5.3*
Other revenues net of other costs (other technical income and charges)	-46,018	-59,308	13,290	22.4	*1.6 - 2.6*
Net income from financial instruments at fair value through profit or loss	52,609	37,905	14,704	38.8	*1.3*
Of which result from class D financial operations (**)	*47,231*	*36,047*	*11,184*	31.0	
Net income from investments in subsidiaries, associated companies and joint ventures	3,472	-34,029	37,501	n.s.	*1.4 - 2.3*
Net income from other financial instruments and investment property	507,209	525,548	-18,339	-3.5	*1.5 - 2.4*
of which net interest	*439,130*	*446,355*	*-7,225*	*-1.6*	*1.5.1 - 2.4.1*
of which other income net of other charges	*81,691*	*66,946*	*14,745*	*22.0*	*1.5.2 - 2.4.2*
of which net profits realised	*30,806*	*66,755*	*-35,949*	*-53.9*	*1.5.3 - 2.4.3*
of which net valuation profits on financial assets	*-44,418*	*-54,508*	*10,090*	*18.5*	*1.5.4 - 2.4.4*
of which changes in other financial liabilities	*0*	*0*	*0*	*n.a.*	*1.5.4 - 2.4.4*
Commission income net of commissions expense	5,667	5,980	-313	-5.2	*1.2 - 2.2*
Operating expenses relating to investments (***)	-32,508	-27,799	-4,709	-16.9	*2.5.2*
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**244,227**	**246,788**	**-2,561**	**-1.0**	
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-123,779	-61,917	-61,862	-99.9	*1.6 - 2.6*
PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR	**120,448**	**184,871**	**-64,423**	**-34.8**	
Taxation	-64,383	-91,503	27,120	29.6	*3*
NET PROFIT (LOSS) FOR THE YEAR	**56,065**	**93,368**	**-37,303**	**-40.0**	
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**n.a.**	*4*
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**56,065**	**93,368**	**-37,303**	**-40.0**	
Profit (loss) for the year pertaining to minority interests	14,957	17,114	-2,157	-12.6	
PROFIT (LOSS) FOR THE YEAR PERTAINING TO THE GROUP	**41,108**	**76,254**	**-35,146**	**-46.1**	

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

(**) Includes the Class D profits recognised in the operating expenses relating to investments amounting to less than € 1.502 million, other revenues amounting to € 1.95 million and interest on liquidity for € 98 thousand.

(***) Includes operating expenses relating to class D investments amounting to less than € 1.502 million.

n.s. = not significant

n.a. = non-applicable

Table 6 - Reclassified consolidated income statement by sector of activities

	NON-LIFE		LIFE		OTHER		TOTAL	
(€ thousands)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net premiums	1,761,856	1,721,300	2,724,687	2,517,501	0	0	4,486,543	4,238,801
Net charges relating to claims	-1,190,015	-1,134,824	-2,971,180	-2,752,468	0	0	-4,161,195	-3,887,292
Operating expenses	-466,569	-444,175	-104,967	-108,829	-16	-14	-571,552	-553,018
of which commission and other acquisition costs	*-344,966*	*-329,981*	*-72,391*	*-78,319*	*0*	*0*	*-417,357*	*-408,300*
of which other administrative expenses	*-121,603*	*-114,194*	*-32,576*	*-30,510*	*-16*	*-14*	*-154,195*	*-144,718*
Other revenues net of other costs (other technical income and charges)	-11,013	-26,102	-35,005	-33,206	0	0	-46,018	-59,308
Net income from financial instruments at fair value through profit or loss	-296	487	52,907	37,419	-2	-1	52,609	37,905
Of which result from class D financial operations (*)	*0*	*0*	*47,231*	*36,047*	*0*	*0*	*47,231*	*36,047*
Net income from investments in subsidiaries, associated companies and joint ventures	2,561	618	911	-34,647	0	0	3,472	-34,029
Net income from other financial instruments and investment property	86,821	91,302	423,428	434,718	-3,040	-472	507,209	525,548
Commission income net of commissions expense	0	0	5,667	5,980	0	0	5,667	5,980
Operating expenses relating to investments (**)	-7,694	-6,979	-21,640	-18,886	-3,174	-1,934	-32,508	-27,799
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**175,651**	**201,627**	**74,808**	**47,582**	**-6,232**	**-2,421**	**244,227**	**246,788**
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-56,697	-45,852	-66,872	-15,656	-210	-409	-123,779	-61,917
PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR	**118,954**	**155,775**	**7,936**	**31,926**	**-6,442**	**-2,830**	**120,448**	**184,871**
Taxation	-42,731	-66,144	-22,656	-27,525	1,004	2,166	-64,383	-91,503
NET PROFIT (LOSS) FOR THE YEAR	**76,223**	**89,631**	**-14,720**	**4,401**	**-5,438**	**-664**	**56,065**	**93,368**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**76,223**	**89,631**	**-14,720**	**4,401**	**-5,438**	**-664**	**56,065**	**93,368**

(*) Includes the Class D profits recognised in the operating expenses relating to investments amounting to less than € 1.502 million, other revenues amounting to € 1.95 million and interest on liquidity for € 98 thousand.

(**) Includes operating expenses relating to class D investments amounting to less than € 1.502 million.

Table 7 - Operating result by segment of business

(€ thousands)	NON-LIFE 2017	NON-LIFE 2016	LIFE 2017	LIFE 2016	OTHER 2017	OTHER 2016	TOTAL 2017	TOTAL 2016	*Items from obligatory statements* (**)
Net premiums	1,761,856	1,721,300	2,724,687	2,517,501	0	0	4,486,543	4,238,801	*1.1*
Net charges relating to claims	-1,190,015	-1,134,824	-2,971,180	-2,752,468	0	0	-4,161,195	-3,887,292	*2.1*
Operating expenses	-466,569	-444,175	-104,967	-108,829	-16	-14	-571,552	-553,018	
of which commission and other acquisition costs	*-344,966*	*-329,981*	*-72,391*	*-78,319*	*0*	*0*	*-417,357*	*-408,300*	*2.5.1*
of which other administrative expenses	*-121,603*	*-114,194*	*-32,576*	*-30,510*	*-16*	*-14*	*-154,195*	*-144,718*	*2.5.3*
Other revenues net of other costs (other technical income and charges)	-11,013	-26,102	-35,005	-33,206	0	0	-46,018	-59,308	*1.6 - 2.6*
Income from gross ordinary investments	88,960	85,582	479,344	476,541	0	0	568,304	562,123	*1.3 + 1.5 - 2.4*
Commission income net of commissions expense	0	0	5,667	5,980	0	0	5,667	5,980	*1.2 - 2.2*
Operating expenses relating to investments (*)	-7,694	-6,979	-21,640	-18,886	-3,174	-1,934	-32,508	-27,799	*2.5.2*
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**175,525**	**194,802**	**76,906**	**86,633**	**-3,190**	**-1,948**	**249,241**	**279,487**	
Other revenues net of other operating costs	-35,096	-38,939	-8,539	-14,736	0	0	-43,635	-53,675	*1.6 - 2.6*
OPERATING RESULT	**140,429**	**155,863**	**68,367**	**71,897**	**-3,190**	**-1,948**	**205,606**	**225,812**	
Realised and valuation gains	6,519	14,696	-1,602	-2,870	-3,042	-473	1,875	11,353	*1.3 + 1.5 - 2.4*
Subordinated interest	-8,954	-8,489	-1,407	-1,534	0	0	-10,361	-10,023	*1.3 + 1.5 - 2.4*
Net income from investments in subsidiaries, associated companies and joint ventures	2,561	618	911	-34,647	0	0	3,472	-34,029	*1.4 - 2.3*
Other revenues net of other non-operating costs	-21,601	-6,913	-58,333	-920	-210	-409	-80,144	-8,242	*1.6 - 2.6*
PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR	**118,954**	**155,775**	**7,936**	**31,926**	**-6,442**	**-2,830**	**120,448**	**184,871**	
Taxation	-42,731	-66,144	-22,656	-27,525	1,004	2,166	-64,383	-91,503	*3*
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**76,223**	**89,631**	**-14,720**	**4,401**	**-5,438**	**-664**	**56,065**	**93,368**	

(*) Includes operating expenses relating to class D investments amounting to less than € 1.502 million.

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

Table 8 - Key indicators

	2017	2016
Non-life ratios for retained business		
Claims ratio (Net charges relating to claims / Net premiums)	67.5%	65.9%
G&A ratio (Other administrative expenses / Net premiums)	6.9%	6.6%
Commission ratio (Acquisition costs / Net premiums)	19.6%	19.2%
Total Expense ratio (Operating expenses / Net premiums)	26.5%	25.8%
Combined ratio (1 - (Technical balance / Net premiums))	94.7%	93.2%
Non-life ratios for direct business		
Claims ratio (Net charges relating to claims / Premiums for the year)	68.9%	64.3%
G&A ratio (Other administrative expenses / Premiums for the year)	6.0%	5.7%
Commission ratio (Acquisition costs / Premiums for the year)	19.9%	19.8%
Total Expense ratio (Operating expenses / Premiums for the year)	25.9%	25.5%
Combined ratio (1 - (Technical balance / Premiums for the year)	95.8%	91.4%
Life ratios		
G&A ratio (Other administrative expenses / Premiums written)	1.1%	1.1%
Commission ratio (Acquisition costs / Premiums written)	2.4%	2.8%
Total Expense ratio (Operating expenses/ Premiums written)	3.5%	3.9%
Total ratios		
G&A ratio (Other administrative expenses / Premiums written)	3.1%	3.0%
Operating costs (1) / Premiums written	5.8%	5.6%

Note:”premiums written” in the life business refer to the amount of gross insurance premiums and of the investment contracts.

(1) Other administrative expenses and acquisition expenses before consolidation adjustments and intercompany eliminations are included.

2018-2020 BUSINESS PLAN

On January 29th, the new Group Business Plan, featuring a three-year time-span, was presented to the financial and institutional community and the press in Milan.

With this Plan, Cattolica aims to become an innovative, agile Group that is responsive to new market challenges, increasingly strong and profitable, while remaining firmly anchored within its cooperative model and confirming its position and vocation for close relationships with households and businesses.
To this end, the Group is strengthening its path of industrial and cultural change, which involves business, human capital and its governance model.

The strategic pillars identified with the aim of further enhancing the value of its assets and seizing opportunities for improvement are:

- an accelerated growth path;
- centralisation of innovation and data management;
- pursuit of technical excellence.

These guidelines will be accompanied by an essential strengthening of the operational machine, a simplification of processes and a cultural transformation.

The main targets for 2020 are:

- operating profit in the range of € 375-400 million;
- expected operational ROE of at least 10% by 2020;
- dividend per share up by approximately 50%;
- maintaining a high capital strength (Solvency II ratio between 160% and 180%).

Total envisaged premium collection in 2020 is between € 7.6 billion and € 8 billion (non-life premiums between € 2.4 billion and € 2.6 billion and life premiums between € 5.2 billion and € 5.4 billion). Premiums written will benefit mainly from inorganic growth actions, such as the strategic partnership with Banco BPM.

The pillars on which the Business Plan is based are described below.

Profitable growth
The Group aims to strengthen and develop premiums written, diversify its channels and business lines, especially with the contribution of inorganic actions.

The agency network, which will remain key to the company's strategies, will be made more sustainable and profitable, with an increase in average size. A rebalancing of the business mix, an intensification of the training range and the differentiated growth of support provided are expected. Specialised sales outlets will be created to enhance specific characteristics and the territorial footprint will be optimised.

During the period of the Plan, a breakdown change in the life production is expected for the agency network, moving towards unit-linked products (+14 pps the ratio to the premium collection total) as well as growth in the non-motor non-life business, in which the consultancy role will increase. The enhancement of the agricultural/agro-food range and the extension of the Religious Bodies and Third Sector range are expected, as well as the development of affinities and a greater provision of catastrophic cover.

The new mix and greater telematic penetration are expected to lead to an increase in average premium collection per agency from € 1.9 million in 2017 to € 2.3 million in 2020.

In terms of profitable growth, the exclusive partnership with Banco BPM has a very strong strategic value. Without prejudice to the excellent relationship with UBI and ICCREA, we should mention the strong operating synergies, the capillary nature of approximately 1,700 Banco BPM branches, a portfolio consistent with the strategy of rebalancing production towards products with low capital absorption for life and non-motor for the non-life insurance. The expected contribution of the new partnership for 2020 is approximately 9 billion life provisions and over 140 million non-life premiums, while the expected increase in terms of operating result in 2020 is over 100 million.

Furthermore, digital innovation will contribute, through a multi-channel strategy integrated within the networks, which will provide customers with a new relationship experience with the Company. An increase of 150 thousand customers under 35, a consistent generation of leads to be transferred to agencies, greater cross-selling in the elementary lines of business and a 30% reduction in the time dedicated to administrative activities are expected.

Innovation in the range and services based on data and technology
The customer service paradigm will evolve from the "damage/refund" model to a "prevention/protection" model with an innovative range that will leverage connectivity and extensive use of data across the entire value chain (data-driven company). The use and management of data will make it possible to intervene in:

- the fight against fraud, by increasing the rate of fraud identification to bring it into line with the market average;
- increasing the sophistication of tariffs, which will be carried out by a dedicated advanced-analytics and pricing team;
- innovation and customisation of the range.

To this end, a new technological platform will be implemented with the integration of all customer data, populated with information from external databases; extensive use will also be made of predictive algorithms and artificial intelligence, with a view to reaching real-time damage settlements.

At the same time, a range of connected and distinctive products will be developed, thanks to telematics, the Internet of Things (IOT) and smartphone-based technologies.

This connected range also provides for the creation of an ecosystem of partnerships. As regards the motor business, thanks to low cost technologies now available, the objective is to increase telematic penetration of new business to 50%. This will also allow for the development, by the Company, of currently under-exploited segments, such as millennials or customers in metropolitan areas.

This range and, in general, the data-based approach described above, will allow for extensive "customer value management", through which it will be possible to provide increasingly better and more personalised services to customers, while at the same time allowing for the selection of the most faithful and profitable methods, with positive effects also in terms of retention and cross-selling.
Significant benefits on the cost of claims are also expected, in terms of de-materialisation and appraisal automation.

Technical excellence
Activities including increasing the sophistication of tariffs and innovation in claims handling, profitability recovery on companies and shifting towards capital light life products will result in an increase in profitability.

With a primary focus on the motor business, the Group has set itself the objective of rebalancing the production mix, increasing the ratio of non-motor premiums written in the non-life business from 45% at present to 51% in 2020. In the non-motor business, for which the Group is starting from a situation of overall tardiness compared to the market, the profitable retail segment will be further boosted by the enrichment of the range (catastrophic guarantees and affinities development), automatic reform and simplification of older products.

Important work is planned to recover profitability in the corporate non-motor business, agri-foods and Religious Bodies, mainly through new tariff and re-underwriting models, also made possible by the aforementioned improvement in data management. For this purpose, a new tool will be introduced to support agencies in the "Companies and Public Bodies" segment, which will improve undertaking quality by allowing for better profiling of companies, accurate risk assessment and digital issuance. The development of new channels and simpler flexibility management (with a reduction in average discounts) will provide a further contribution to improving profitability.

A boost to the growth of technical excellence will also come from the launch of a new company dedicated to Speciality Lines (100 million premiums expected by 2020). It will be a vehicle that is highly specialised in new or underdeveloped risks, in Italy and abroad, created to grow in high potential sectors (e.g. mobility, travel, art, sport, events, industrial risks, marine, NatCat, professional indemnity). The acquisition of a company is currently being assessed which, controlled by Cattolica, operating as a reinsurer, will coordinate various underwriting agencies focused on specific geographical areas and/or business lines that the Group will acquire or federate from time to time and whose remuneration will depend on the value generated.

Maintaining excellence in the motor sector (for which the Group stands out for its technical indicators that are better than those of the market) will be pursued through the sophistication of the pricing model, made possible by the development of advanced-analytics, and by innovations applied to claims handling.

On the other hand, as regards the life business, a greater quota of capital light products is expected (+19 pps class III life premiums written), which is estimated to represent approximately 50% of premiums deriving from the partnership with Banco BPM. A significant reduction in the minimum guaranteed rates on traditional reserves is also expected: the average guaranteed minimum is expected to fall from 0.9% to 0.5% during the period of the Plan.

The agreement with Banco BPM, thanks to the growth in products with higher profitability (e.g. Temporary insurance in the case of death), the optimisation of the operational machine in terms of IT and staff synergies, and the larger scale, will lead to an increase in life margins: the operating profit indicator on reserves is seen to be significantly growing, reaching 72 bps in 2020.

Cultural transformation and simplification
The Company's cultural transformation and simplification is cross-cutting with the strategic actions and pillars of the Plan. In the interests of simplification, actions are planned to:

- optimise operating processes through re-engineering and robotics (automisation of 20% of administrative/back-office activities is expected);
- increase IT efficiency (including a plan to consolidate core applications);
- strengthen cost control/discipline (especially G&A): a decline of -1.1 pps is expected to 4.8% for the operating expenses to premiums ratio, also favoured by the significant growth in volumes.

The cultural transformation, which is already underway, will be implemented with a particular focus on the following factors:

- a development of the dynamism of existing talent resources in the company through targeted incentive-based growth;
- a new and improved corporate welfare model;
- a greater determination and fulfilment of the main staff training needs;
- the involvement of approximately 10% of the workforce in retraining projects, mainly as a result of the changes to the Plan.

WAYS IN WHICH THE GROUP IMAGE AND INFORMATION ARE DISCLOSED

The Investor Relations Division

The Investor Relations Division maintained on-going dialogue with the financial community, involving relations marked by clarity and transparency, in order to ensure market visibility of the results and strategies of the Group.

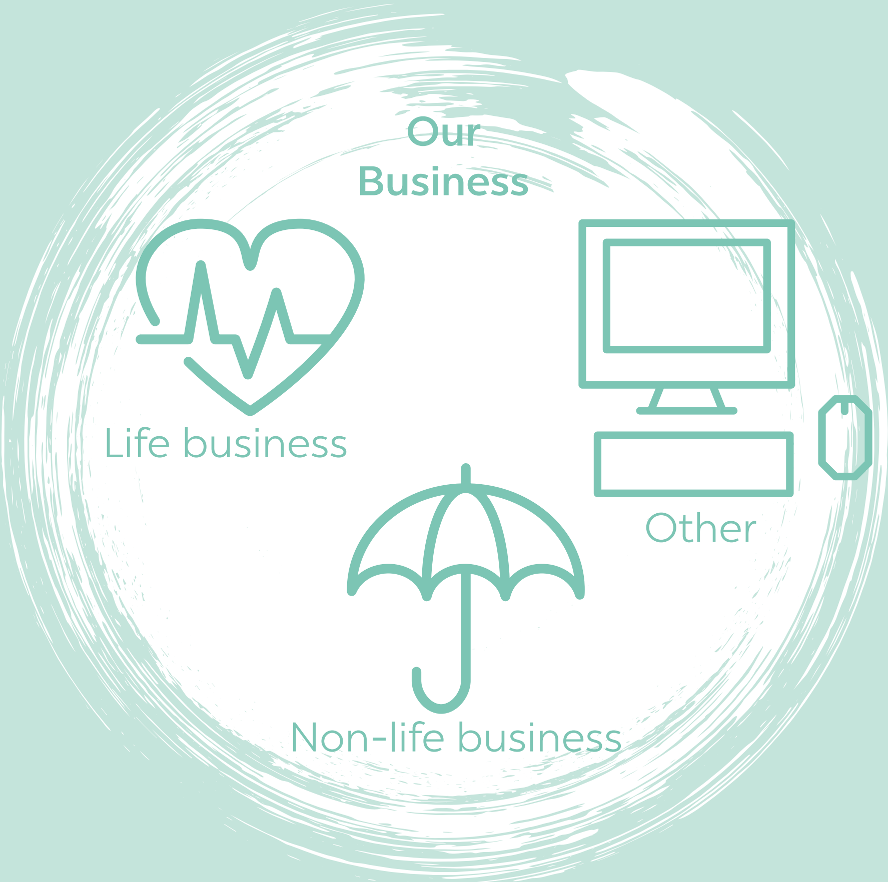
During the period, five banks published analysis and comments on Cattolica stock.
Individual meetings were periodically organised with analysts to look in-depth at business trends and meetings were intensified with Italian and international institutional investors. Public conference calls were organised at the time of the approval of the results.

Rating

On August 3rd, Standard & Poor's confirmed Cattolica's rating as BBB- and the outlook as stable.

On October 31st, Standard & Poor's raised the Cattolica rating from BBB- to BBB. The outlook was confirmed as stable.
The Cattolica rating followed, as provided for by the agency criteria, the rise in the rating of the Italian Republic to BBB stable, made public on October 27th, 2017.
Cattolica's stand-alone credit profile (SACP) was confirmed as BBB+, a notch higher than the sovereign rating, thanks to a "more than adequate" financial risk profile and a "strong" business risk profile which can gain advantage from the improvement in the Italian insurance industry and the up-dated assessment of the country risk.

On November 15th, 2017, Standard & Poor's confirmed Cattolica's rating of BBB after the Group announced its agreement with Banco BPM for a long-term strategic partnership in life and non-life bancassurance. According to Standard & Poor's, the agreement with Banco BPM will strengthen the Group's competitive position and growth opportunities in both life and non-life business, guarantee access to an alternative and widespread distribution channel and offer significant economies of scale.
Cattolica's stand-alone credit profile (SACP) remains unchanged at BBB+, a notch higher than the sovereign rating, also taking into account the effects of the transaction on the Group's capital adequacy. The Group's financial flexibility remains unchanged.


Our Business
Life business
Other
Non-life business

MANAGEMENT REPORT

Business performance for the period

A BRIEF OUTLINE OF THE BUSINESS PERFORMANCE

The Group by main financial statement aggregates

Sectors of business

The Group's activities are divided up into three business segments: Life, Non-life and Other.

The core business of the Group, headed up by Cattolica Assicurazioni, a company which is involved in both life and non-life business, is divided between the non-life business segment (ABC Assicura, Agenzia Generale Agrifides for the non-life Cattolica mandate, BCC Assicurazioni, TUA Assicurazioni, C.P. Servizi Consulenziali for the non-life Cattolica mandate and TUA Assicurazioni and the closed-end property funds allocated to the non-life portfolio) and the life business segment (BCC Vita, Berica Vita, Cattolica Life, Lombarda Vita, Agenzia Generale Agrifides for the life Cattolica mandate, C.P. Consultancy services for the Cattolica life mandate and the closed-end property funds allocated to the life portfolio).

Other business includes the agricultural-real estate sector of Cattolica Agricola and Cattolica Beni Immobili and the operating services of Cattolica Services and Cattolica Immobiliare, instrumental in the performance of the Group's activities.

For an analysis of results per segment of business, reference should be made to Table 6, where each segment is represented net of the eliminations between sectors. The notes to the accounts contain tables relating to the operating segments envisaged by ISVAP Regulation No. 7 dated July 13th, 2007 (gross of eliminations between sectors).

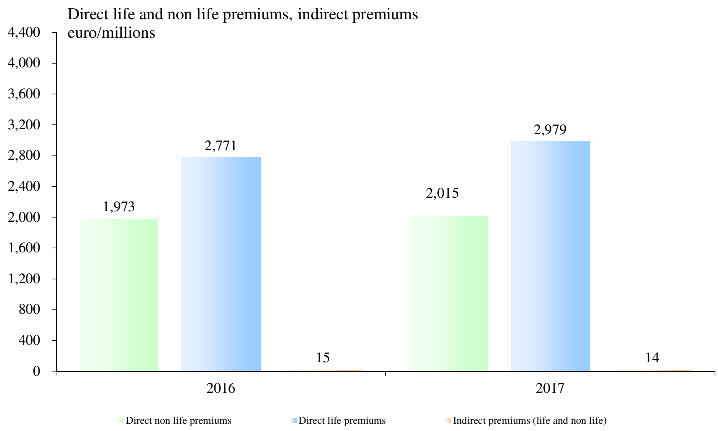
Profit for the year

The year closed with a consolidated net result of € 56.1 million (-40%) of which € 76.2 million (-15%) related to the non-life business, which normalised at € 94 million, the life business reported a loss of € 14.7 million (profit of € 4.4 million as of December 31st, 2016), which normalised to become a profit of € 46 million, while the "other" segment reported a loss of € 5.4 million (€ -664 thousand as of December 31st, 2016) which normalised to become € -3 million.

The Group's net profit amounted to € 41.1 million (-46.1%).
As already described, the consolidated profit and Group profit, normalised by non-recurrent charges and other costs, came to € 137 million and € 121 million respectively.

Premiums

Gross consolidated premiums (which comply with the definition of insurance policy as per IFRS 4) at the end of the accounting period amounted to € 4,781.5 million (+5.5%). Also taking into account investment contracts, total premiums written came to € 5,008.2 million (+5.2%).

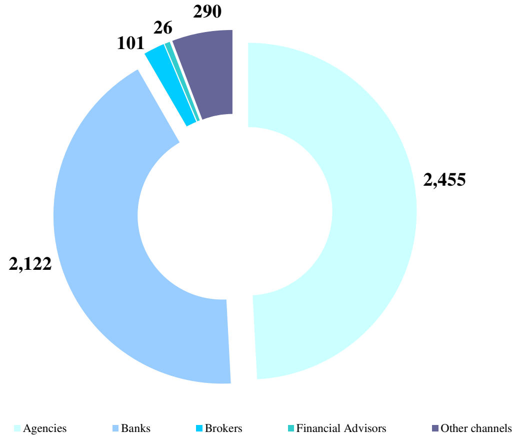


Gross direct non-life premiums totalled € 2,015.1 million (+2.2%) and account for 42.3% of total direct premium business (43.7% as of December 31st, 2016).

Gross direct life premiums totalled € 2,752.7 million (+8.2%); total life premiums written amounted to € 2,979.4 million (+7.5%). Life premiums represented the majority share of total direct business (57.7% compared with 56.3% as of December 31st, 2016).

Direct business premium collection, per distribution channel, is broken down as follows: agencies 49.2%, banks 42.5%, brokers 2%, advisors 0.5% and other channels 5.8%.

Direct premiums by channel
euro/millions



Other administrative expenses

Other administrative expenses amounted to € 154.2 million (+6.5%).

With reference to direct business, the ratio of other non-life administrative expenses to premiums written for the period rose from 5.7% to 6%, while the ratio of other life administrative expenses to life premiums is unchanged at 1.1%.

The ratio of the Group's operating costs[6], before consolidation adjustments and intercompany eliminations, to total premiums written rose from 5.6% to 5.8%.

The Group by segments

Non-life business

Non-life business, as already reported, closed the year with a profit of € 76.2 million (-15%). Net non-life business premiums amounted to € 1,761.9 million (+2.4%). The combined ratio of direct business came to 95.8% (91.4%): the change is mainly due to claims related to atmospheric events that took place in the third quarter of 2017, which accounted for approximately 1.5 percentage points and to the decrease in the profitability of the motor class against a continuing decline in the average premium, which is affecting the entire market.
The claims ratio (claim/premium ratio) is equal to 68.9% (64.3%), while the ratio of other administrative expenses rose from 5.7% to 6%.
Financial operations, which ended the year with a result of € 81.4 million (-4.7%), were

[6] Other administrative expenses and acquisition expenses are included.

mainly characterised by net income deriving from other financial instruments and investment property for € 86.8 million (-4.9), with net interest and other net income, which rose from € 77.2 million to € 81 million (+4.9%), with net realised gains, which fell from € 38.5 million to € 20.2 million, and with net losses from valuation, which dropped from € 24.4 million to € 14.5 million.

The operating result came to € 140.4 million (-9.9%).

Life business

The life business segment ended the year with a loss of € 14.7 million, compared with a profit of € 4.4 million as of December 31st, 2016.

Net life premiums rose to € 2,724.7 million (+8.2%), and financial operations[7] closed with a result of € 416 million (+6.5%), with net income from other financial instruments and investment property for € 423.4 million (-2.6%), interest and other net income growing to € 440.1 million (+1%), realised net gains falling to € 10.6 million (-62.6%) and net losses from valuation increasing to € 27.2 million (+7.5%).

The operating result came to € 68.4 million (-4.9%).

Other business

Other business closed the year with a loss of € 5.4 million compared to a loss of € 664 thousand in 2016.

Sectors by geographic area

Premiums written, which are exclusively taken in Italy, are mainly concentrated in Central-Northern Italy, an area similar in terms of risk and return and therefore not significant for the purposes of the secondary segmentation envisaged by IFRS 8.

Investments

Investments amounted to € 23,284.5 million (+7.8%). Their breakdown and variation compared to 2016 is represented in the following table.

Table 9 - Total investments

					Change	
(€ thousands)	**2017**	**% of total**	**2016**	**% of total**	**Amount**	**%**
Investment property	572,571	2.5	493,914	2.3	78,657	15.9
Property	162,473	0.7	163,623	0.8	-1,150	-0.7
Investments in subsidiaries, associated companies and joint ventures	96,432	0.5	70,522	0.3	25,910	36.7
Loans and receivables	749,557	3.2	847,669	3.9	-98,112	-11.6
Held to maturity investments	242,921	1.0	242,241	1.1	680	0.3
Available for sale financial assets	17,167,634	73.7	16,471,924	76.3	695,710	4.2
Financial assets at fair value through profit or loss	4,086,077	17.5	3,128,960	14.5	957,117	30.6
Cash and cash equivalents	206,884	0.9	172,086	0.8	34,798	20.2
TOTAL	**23,284,549**	**100.0**	**21,590,939**	**100.0**	**1,693,610**	**7.8**

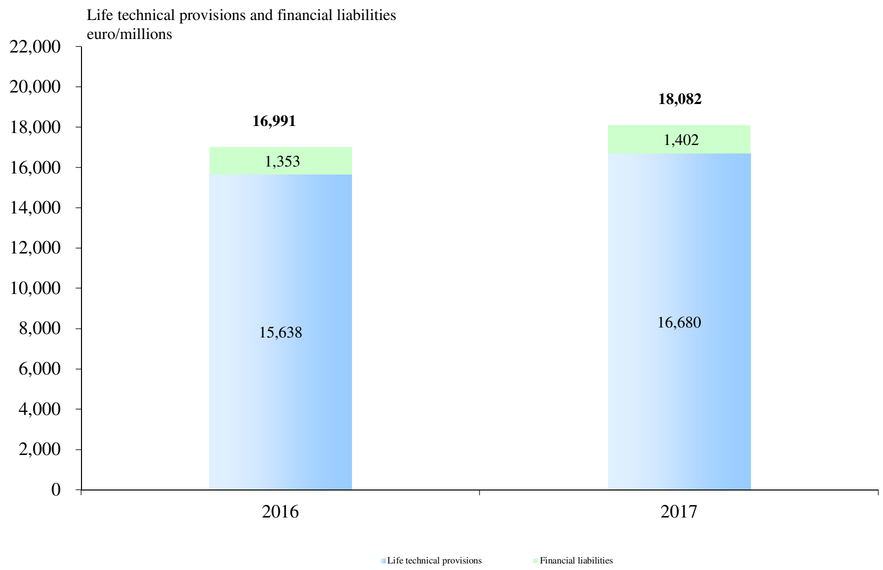
[7] With the exclusion of investments whose risk is borne by the policyholders and the change in other financial liabilities.

The result of financial operations, with the exclusion of investments whose risk is borne by the policyholders and gross of the tax effects and the change in other financial liabilities, came - as already mentioned - to € 491.2 million (+3.7%).

Technical provisions

Non-life technical provisions (premiums and claims) amounted to € 3,603 million (+1%).

Technical provisions for life business (actuarial provisions inclusive of shadow accounting) amounted to € 16,679.5 million (+6.7%). Also taking into account financial liabilities relating to investment contracts, the technical provisions and deposits relating to life business amounted to € 18,081.7 million, an increase of 6.4%.



Life technical provisions include the shadow accounting provision which takes into account the share of unrealised gains and losses on assets in segregated funds ascribable to policyholders.

Shareholders' equity

Consolidated shareholders' equity at the end of the accounting period came to € 2,107.5 million (-0.3%).

The Group net equity amounts to € 1,845.3 million (-0.5%) and includes gains on available for sale financial assets amounting to € 78.5 million.
Portions of shareholders' equity pertaining to minority interests amounted to € 262.2 million (+1.3%) and include gains on available for sale financial assets amounting to € 8.2 million.

INSURANCE BUSINESS AND OTHER SECTORS OF ACTIVITIES

Summary of the activities carried out by the Group companies

As of December 31st, the consolidation area comprised the insurance Parent Company, seven insurance companies, four service companies, two companies in the agricultural-real estate sector and three real estate property investment funds.

Società Cattolica di Assicurazione - Società Cooperativa, which operates throughout Italy in the life and non-life businesses, ideally targeting the medium/high range of the personal segment. It is the Parent Company of the following companies:

Non-life companies

- **ABC Assicur**a, with headquarters in Verona, share capital of € 8.9 million, is authorised to carry out non-life business. The branches that distributed the company's products up to December 11th, are those of the former BPVi Group (now part of Intesa Sanpaolo). The Parent Company holds 60% of the share capital;

- **BCC Assicurazioni**, with headquarters in Milan, share capital of € 14.4 million, is authorised to carry out non-life business and distributes its products using the network of branches of the ICCREA Group. The Parent Company holds 51% of the share capital;

- **TUA Assicurazioni**, with headquarters in Milan, share capital of € 23.2 million, carries out insurance activities in the non-life business, offering the market a specialist range of insurance and financial products/services able to meet the needs of personal line customers. The Parent Company holds 99.99% of the share capital;

- **Agenzia Generale Agrifides**, with headquarters in Rome, share capital of € 10 thousand. During 2016, the Parent Company purchased an equity investment corresponding to 51% of the share capital from Coldiretti. The goal was to establish new sales outlets care of the territorial headquarters of Coldiretti; as of December 31st, these numbered 28;

- **C.P. Servizi Consulenziali,** with headquarters in Verona, share capital of € 120 thousand. It carries out non-life premium business activities (with TUA and Cattolica products) as well as in the life classes (Cattolica) using sub-agents. It is wholly-owned by Cattolica;

- **Fondo Euripide** is a closed-end real estate property mutual investment fund managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica 74.67%, Lombarda Vita 24.47% and TUA Assicurazioni 0.86%. Part of said interests are allocated to the non-life portfolios of Cattolica and TUA Assicurazioni;

- **Fondo Macquarie Office Italy**, is a closed-end real estate property mutual investment fund, managed by CB Richard Ellis, which was wholly acquired by the Group companies. The interests held in the fund are as follows: Cattolica 72.02%, Lombarda Vita 17.66% and BCC Vita 10.32%. Part of said interests are allocated to the life portfolio of Cattolica, Lombarda Vita and BCC Vita;

- **Fondo Perseide** is a real estate property mutual fund dedicated to investment in renewable energies, managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica 78.11%, Lombarda Vita 11.55%, TUA Assicurazioni 5.42% and BCC Vita 4.92%. Part of said interests is allocated to Cattolica and TUA Assicurazioni's non-life portfolio.

Life companies

- **BCC Vita**, with headquarters in Milan, share capital of € 62 million, is authorised to carry out life insurance activities and distributes its products via the branches of the ICCREA Group. It is a subsidiary of Cattolica which holds an investment of 51% in the same;

- **Berica Vita**, with headquarters in Vicenza, share capital of € 31 million, is authorised to carry out life insurance activities. The branches that distributed the company's products up to December 11th, are those of the former BPVi Group (now part of Intesa Sanpaolo). The Parent Company holds 60% of the share capital;

- **Cattolica Life DAC** is a life insurance company with headquarters in Dublin, Ireland, share capital of € 635 thousand, specialising in the structuring of index and unit linked contracts for customer segments. The Parent Company holds 60% of the share capital;

- **Lombarda Vita,** with headquarters in Brescia, share capital of € 185.3 million; it is authorised to carry out life insurance activities, distributing them via the network of branches of the UBI Banca Group. The Parent Company holds 60% of the share capital;

- **Agenzia Generale Agrifides**, with headquarters in Rome, share capital of € 10 thousand. During 2016, the Parent Company purchased an equity investment corresponding to 51% of the share capital from Coldiretti. The goal was to establish new sales outlets care of the territorial headquarters of Coldiretti; as of December 31st, these numbered 28;

- **C.P. Servizi Consulenziali,** with headquarters in Verona, share capital of € 120 thousand. It carries out non-life premium business activities (with TUA and Cattolica products) as well as in the life classes (Cattolica) using sub-agents. It is wholly-owned by Cattolica;

- **Fondo Euripide** is a closed-end real estate property mutual investment fund managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica 74.67%, Lombarda Vita 24.47% and TUA Assicurazioni 0.86%. Part of said interests are allocated to the life portfolios of Cattolica and Lombarda Vita;

- **Fondo Macquarie Office Italy**, is a closed-end real estate property mutual investment fund, managed by CB Richard Ellis, which was wholly acquired by the Group companies. The interests held in the fund are as follows: Cattolica 72.02%, Lombarda Vita 17.66% and BCC Vita 10.32%. Part of said interests are allocated to the life portfolio of Cattolica, Lombarda Vita and BCC Vita;

- **Fondo Perseide** is a real estate property mutual fund dedicated to investment in renewable energies, managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica 78.11%, Lombarda Vita 11.55%, TUA Assicurazioni

5.42% and BCC Vita 4.92%. Part of said interests is allocated to the life portfolio of Cattolica, Lombarda Vita and BCC Vita.

Other companies

Agricultural-real estate property sector

- **Cattolica Agricola** was established on September 28th, 2012 by Cattolica, the single-member company within the sphere of the purchase of the property complex known as Tenuta Ca' Tron. It has headquarters in Verona and share capital of € 35.5 million. It is a single-member limited liability company which has the exclusive purpose of carrying out agricultural activities pursuant to art. 2135 of the Italian Civil Code;

- **Cattolica Beni Immobili** was established on September 28th, 2012 by Cattolica, the single-member company within the sphere of the purchase of the property complex known as Tenuta Ca' Tron. It is a limited liability company with single member. It has headquarters in Verona and share capital of € 7 million. It manages, amongst other aspects, the properties not instrumental to the agricultural activities related to said estate, as well as the "Cattolica Center" property complex, located in Via Germania, Verona.

Service companies

- **Cattolica Immobiliare**, with headquarters in Verona, share capital of € 400 thousand, carries out activities for developing and leveraging the real estate assets and those typical of property services. It is wholly-owned by the Parent Company;

- **Cattolica Services**, a consortium company which carries out service activities for the Group, with headquarters in Verona and share capital of € 21 million. The services and activities provided are: planning, implementation and management of IT applications and operating processes, along with the services relating to telecommunications systems; supervision of the digital innovation of the Group with regard to IT and organisational aspects; handling of the settlement of Group claims with the exception of the security, hail and transport areas; teaching and training services for the Group resources; the life and welfare technical area; non-life operations and accounting and financial statements of the Group companies.
  Cattolica Services is 99.956% owned by the Parent Company Cattolica, while the remaining investment is held by other Group companies (ABC Assicura, BCC Assicurazioni, BCC Vita, Berica Vita, C.P. Servizi Consulenziali and Lombarda Vita to an equal extent of 0.005%) and by TUA Assicurazioni, which owns 0.01%.

Insurance business

Insurance premiums are shown in the table below, with indication of the percentage in relation to total direct business and changes as compared with the previous year, together with investment contracts.

Table 10 - Total premiums written

Classes					**Change**	
(€ thousands)	**2017**	**% of total**	**2016**	**% of total**	**Amount**	**%**
Accident and injury	201,491	4.3	197,100	4.4	4,391	2.2
Health	75,008	1.6	62,085	1.4	12,923	20.8
Land vehicle hulls	139,468	2.9	133,802	3.0	5,666	4.2
Goods in transit	7,080	0.1	6,694	0.2	386	5.8
Fire & natural forces	124,316	2.6	123,545	2.8	771	0.6
Other damage to assets	224,342	4.7	221,923	4.9	2,419	1.1
TPL - Land motor vehicles	963,576	20.3	951,965	21.1	11,611	1.2
TPL - General	176,368	3.7	173,358	3.9	3,010	1.7
Credit	159	n.s.	612	n.s.	-453	-74.0
Suretyship	17,162	0.4	19,551	0.4	-2,389	-12.2
Sundry financial losses	25,843	0.5	23,791	0.5	2,052	8.6
Legal protection	15,442	0.4	15,227	0.3	215	1.4
Assistance	39,933	0.8	37,399	0.8	2,534	6.8
Other classes (1)	4,862	0	5,469	n.s.	-607	-11.1
Total non-life classes	**2,015,050**	**42.3**	**1,972,521**	**43.7**	**42,529**	**2.2**
Insurance on the duration of human life - class I	1,960,645	41.1	1,904,675	42.2	55,970	2.9
Insurance on the duration of human life linked to investment funds - class III	457,116	9.6	393,906	8.7	63,210	16.0
Health insurance - class IV	1,443	n.s.	1,128	n.s.	315	27.9
Capitalisation transactions - class V	320,031	6.7	228,400	5.1	91,631	40.1
Pension funds - class VI	13,430	0.3	15,527	0.3	-2,097	-13.5
Total life business	**2,752,665**	**57.7**	**2,543,636**	**56.3**	**209,029**	**8.2**
Total direct business	**4,767,715**	**100.0**	**4,516,157**	**100.0**	**251,558**	**5.6**
Indirect business	**13,769**		**15,177**		**-1,408**	**-9.3**
Total insurance premiums	**4,781,484**		**4,531,334**		**250,150**	**5.5**
Insurance on the duration of human life linked to investment funds - class III	111,527	49.2	93,617	41.2	17,910	19.1
Pension funds - class VI	115,168	50.8	133,882	58.8	-18,714	-14.0
Total investment contracts	**226,695**	**100.0**	**227,499**	**100.0**	**-804**	**-0.4**
TOTAL PREMIUMS WRITTEN	**5,008,179**		**4,758,833**		**249,346**	**5.2**

(1) includes railway rolling stock, aircraft, sea and inland water vessels/hulls and TPL aircraft and sea and inland water vessels.

In particular, life premiums written, taking into account both insurance premiums and investment contracts, are broken down per class as follows:

Table 11 - Total life premiums written (insurance premiums and investment contracts)

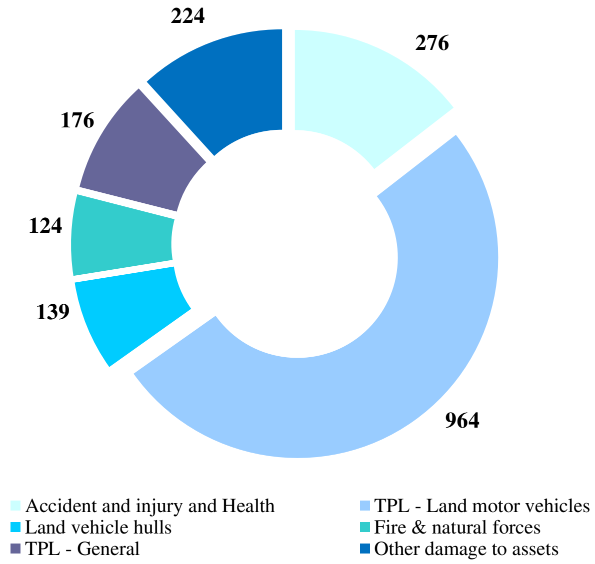
Life business (€ thousands)	**2017**	**% of total**	**2016**	**% of total**	**Change** Amount	%
Insurance on the duration of human life - class I	1,960,645	65.8	1,904,675	68.7	55,970	2.9
Insurance on the duration of human life linked to investment funds - class III	568,643	19.1	487,523	17.6	81,120	16.6
Health insurance - class IV	1,443	n.s.	1,128	n.s.	315	27.9
Capitalisation transactions - class V	320,031	10.7	228,400	8.3	91,631	40.1
Pension funds - class VI	128,598	4.4	149,409	5.4	-20,811	-13.9
Total direct business	**2,979,360**	**100.0**	**2,771,135**	**100.0**	**208,225**	**7.5**
Indirect business	42		48		-6	-12.5
Total life premiums written	**2,979,402**		**2,771,183**		**208,219**	**7.5**

n.s. = not significant

Non-life business - Premiums written

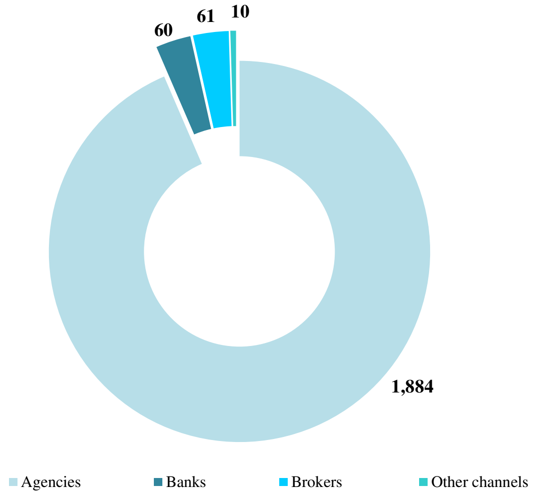
Direct business non-life premiums totalled € 2,015.1 million (+2.2%). Indirect premiums came to € 13.7 million (-9.3%).

Main non life classes, direct premiums
euro/millions



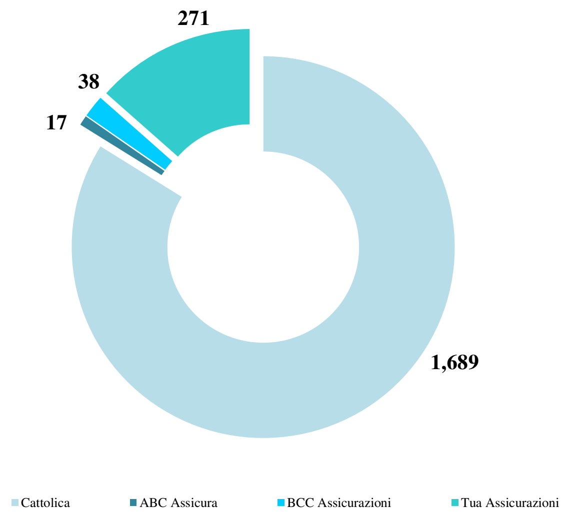
Direct non-life premiums written were generated as follows: the agency channel with € 1,883.9 million (+3.5%), the banking channel with € 59.9 million (+6.6%), brokers with € 60.7 million (-17%) and other channels with € 10.6 million (-55.6%).

Premiums by channel, non life direct premiums
euro/millions



Direct business non-life premiums are attributable to the Parent Company for € 1,689.4 million, ABC Assicura for € 16.8 million, BCC Assicurazioni for € 37.6 million and TUA Assicurazioni for € 271.3 million.

Premiums by company of Group, direct life premiums
euro/millions



Non-life business - Research and development activities: new products

The Parent Company

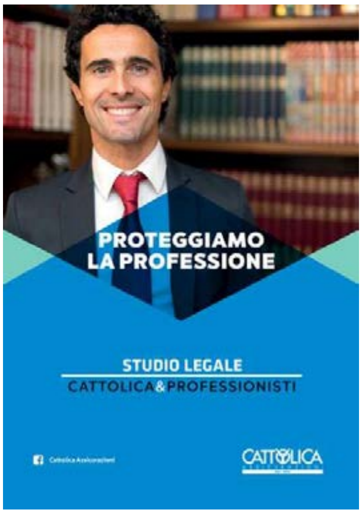
During the year, the catalogue of non-life insurance products for the agency channel underwent a significant evolution with the aim of increasing competitiveness in strategic sectors and rationalising and unifying the product range.

In this context, the retail segment was affected by the launch of new products for home and household protection, car security, travel and accidents.
A new solution for protection against accidents, at home, at work, during leisure time and while playing sports has been introduced to the market: “”” *Cattolica&Salute OGNI GIORNO”*. The travel insurance solution, “*Cattolica&Viaggi IN LIBERTÀ”*, was launched to offer complete protection from any inconvenience before, during and up to the end of a trip.
The motor range was also characterised by important innovations aimed at guaranteeing greater protection whilst driving thanks to the updating of the legal protection guarantee and land vehicle hulls guarantees.

With reference to the corporate segment, in June two new insurance solutions were launched across the entire sales network, dedicated to protection in the manufacturing world, *“Cattolica&Impresa INDUSTRIA 360°”* and *“Cattolica&Impresa ALIMENTARE 360°”*, for artisan and industrial activities with a turnover of up to € 10 million, for complete protection in different areas of cover: company and any habitation buildings and contents as well as for persons and activities.

In order to implement the Ministerial Decree of the Ministry of Justice of September 22nd, 2016, which establishes compulsory insurance cover for lawyers, “*Cattolica&Professionisti STUDIO LEGALE*” was released for the agency channel, to protect the practice of the legal profession with personalised guarantees and flexible, tailored protection.

In the agricultural sector, in the area of atmospheric risks, the marketing of policies tested in 2016 was initiated. The scope of application of hybrid policies that combine traditional hail policies with innovative mark-ups for compensation for particular crops was extended.
Furthermore, the Cattolica Group, for the first time on the Italian market, during the 2017 hail campaign, proposed policies to guarantee revenues for wheat producers.
In October, “*Cattolica&Agricoltura*” was born, a product line dedicated to the protection of the agricultural industry with a particular focus on supply chains, thanks to innovative and specific guarantees and services: “*AGRICOLA 360°*” and its commercial offerings “*AZIENDA CEREALICOLA, AZIENDA OLEARIA”, “AZIENDA ORTOFRUTTICOLA”, “AZIENDA VITIVINICOLA” and “AZIENDA ZOOTECNICA”*.



Also aimed at the agricultural target market, the FATA policy to protect against zootechnical risk was extended to the Cattolica network, "*ARCA DI NOE*".

The unification of the Cattolica-FATA product catalogue continued throughout 2017, with the rebranding and branching out into the FATA Division sales network, of several home, accident, health insurance, shops and commercial solutions, also available in the "ready-to-sell" "CLICK" formula.

ABC Assicura

In March, the "*Nuova Protezione Mutui*" product was replaced by the "*Assicurazione Mutui Privati*": designed for loan subscribers, the product offers new and interesting benefits and enhanced flexibility in coverage solutions.

At the end of May, the PPI (Payment Protection Insurance) product line was expanded to include the possibility for customers to request, following partial early repayment of the loan, the adjustment of the insurance coverage associated with the loan, as well as to obtain repayment of the part of the premium linked to the portion paid.

BCC Assicurazioni

In February, catalogue products relating to policies combined with loans (PPI) were replaced by the new products "*Formula Mutuo al Sicuro*" and "*Formula Prestito al Sicuro*", with the introduction of insurability of the key man of corporate entities.
In particular, "*Formula Mutuo al Sicuro*" is the new payment protection insurance dedicated to loan subscribers.

To complete the network range, in April the "*Formula Tutela Reddito*" product was introduced, which is distinguished from the previous "*Formula Reddito A Premio Annuale New*", by the different modulation of the packages of guarantees offered and in the different splitting of the premium of the first year.

In May, the new "Contenuto" campaign for the "*FORMULA FAMILY*" multi-channel product was introduced. It offers the option to only purchase guarantees protecting the contents of the property.

In September, again for the multi-channel product "*FORMULA FAMILY*", the new "Struttura" campaign was introduced, aimed at customers already within the company's portfolio who have taken out a building fire policy and who want to extend their level of protection.

TUA Assicurazioni

In February, the "*TUA Salute MAXXI*" product was updated to broaden the reference target to include medium and serious accidents and injuries.
In June, "*TUA Bike*" was launched, the new product dedicated to those who use a bicycle and includes, among other things, a guarantee of specific assistance for cyclists, reimbursement of healthcare costs and coverage for accidental damage to the bike.
The "*TUA Viaggi*" product was renewed in July.

The "*TUA Agricoltura*" product was launched in September, in synergy with the Parent Company. The product differs from common multi-risk policies dedicated to agricultural companies, by offering a system of integrated coverage during all phases of the cycle, from production to distribution. The main target group is represented by farms of all sizes (including agri-tourism businesses), with or without livestock and with or without labour.

In line with the provisions of the Ministerial Decree of the Ministry of Justice dated September 22nd, 2016, in November the "*TUA Professione*" product, which currently offers all the coverage required by the new regulatory framework on this subject, was updated.

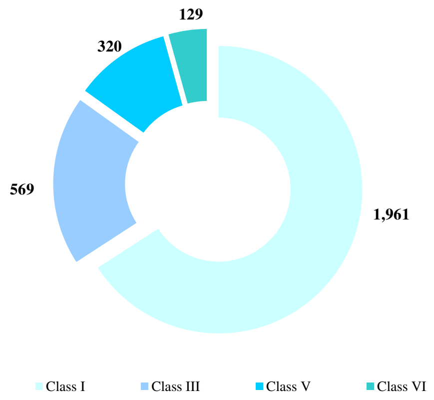
In the motor sector, the "*TUA Motor*" product was revised and enriched with 'green' cover to encourage the use of alternative vehicles with low environmental impact.

Life business - Premiums written

Insurance premiums in the life business totalled € 2,752.7 million (+8.2%). Premiums written relating to investment contracts amounted to € 226.7 million (-0.4%). Total direct life premiums written, amounting to € 2,979.4 million, were up by 7.5%.

In 2017, Group life premiums written grew as they were driven by outstanding development of investment solutions attributable to class III (+16.6%) and good solidity of traditional premiums written, represented by products connected with segregated funds. Performance of class I premiums was basically in line with last year, while a sharper increase in premiums written was recorded in class V products (+40.1%) due to new capitalisation transactions with institutional customers.
Class VI and supplementary welfare segment premiums written declined.
Despite the uncertainty of the overall economic situation and the high volatility of stock market trends, the segment of policies with a higher financial component (attributable to unit-linked type policies, associated with internal funds, external UCIT units or SICAV segments) generated for the Group a premium performance of approximately 20% of total premiums, with a positive development trend, although below that recorded overall by the insurance industry in the Italian market.

Main life classes, direct premiums
euro/millions



The Group's life premiums written continue to be driven by the bancassurance channel, and in particular by the growth generated by the branches of the UBI Banca Group (+13%), offset by the slowdown due to the strong performance limitation of branches of the former BPVi Group and to the substantial stability of new business premiums brokered by Banche di Credito Cooperativo.

The performance of agency channels of the Group reported an increase greater than 20% compared with 2016.

The performance of premiums written which flow to segregated funds is constantly monitored, with a view to ensuring sustainability over time of the returns offered, which could be partly compromised by the diluting effect deriving from the significant decrease in the interest rates on investments linked to new incoming assets, partly counterbalanced by a reduction in outflows.

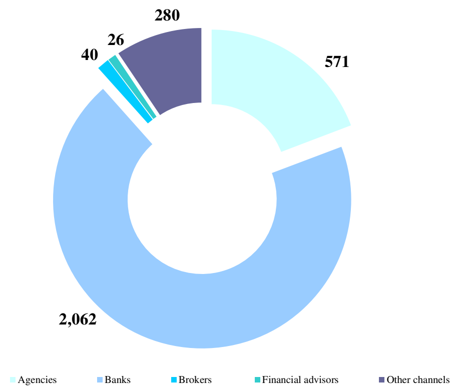
Total class III premiums written (insurance on the duration of human life linked to investment funds) amounted to € 568.6 million (+16.6%) and consisted of unit linked contracts. Investment contracts amounted to € 111.5 million (+19.1%).

Class V premiums written (capitalisation) amounted to € 320 million (+40.1%).

Total class VI premiums written (pension funds) amounted to € 128.6 million (-13.9%) and were mainly generated by investment contracts.

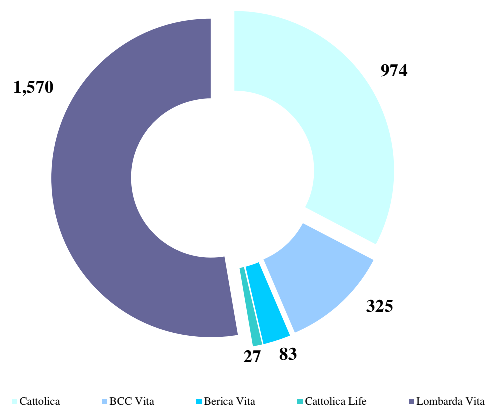
Direct life premiums written were generated as follows: the agency channel with € 571.4 million (+20.2%), the banking channel with € 2,062.5 million (+4.1%), brokers with € 40 million (-32.5%), financial advisors with € 25.7 million (+6.5%) and other channels with € 279.8 million (+20.7%).

Premiums by channel, direct life premiums
euro/millions



The contribution made to the consolidated amount on life premiums attributable to the Parent Company totalled € 973.5 million, to BCC Vita € 324.9 million, to Berica Vita € 83.3 million, to Cattolica Life € 27.3 million and to Lombarda Vita € 1,570.4 million.

Premiums by company of Group, direct life premiums
euro/millions



Life business - Research and development activities: new products

The Parent Company

During the year, the Parent Company continued to review and update its life product catalogue, while finalising the development of a new operating platform, which is currently being progressively implemented with regard to the networks of professional intermediaries.

New or revised offerings were made available for placement, aimed at increasing the possibility of diversifying investment or savings choices for customers, and at directing new premiums towards a more efficient business mix in terms of capital absorption for the Company.

The new "*Cattolica&Investimento-Scelta Protetta*" product is a revaluable solution with a single premium, with the option of additional payments and coupon options. In particular, the product is characterised by the configuration of the guarantee of protection of the so-called "non cliquet" invested capital, already practised by the Italian insurance market, which intervenes in the face of certain events such as: the death of the insured party, the contractual expiry date and redemption, provided that it coincides with a five-year window.

As regards the multi-class "Cattolica&Risparmio - Piani Futuri 2.0" range, the main new feature is the maximum limit of the premium that can be invested in the class I component, set at 70%.

In the field of credit protection, the range of policies connected with the disbursement of loans and other financing contracts was expanded through temporary collective solutions in the event of death with decreasing capital dedicated to personal loans repayable by means of the transfer of portions of wages or pensions (so-called "CQS" and "CQP").

Lombarda Vita

During the year, the product catalogue was maintained and updated, dedicated to the protection and savings/investment requirements of customers.

In particular, with a view to further expanding the commercial offer, in the second half of the year the company worked on the development of a new multi-class range, both for internal and external funds, which is expected to be launched on the market at the beginning of the new year.

BCC Vita

During the year, the product catalogue was maintained and updated, both individually and collectively.

As regards individual solutions dedicated to investment, "*Autore Sinergia*" unit-linked single premium products for external funds and "*Start Evolution*" multi-class single premium products for internal funds, were reviewed with the objectives, respectively, of directing new premiums towards a more efficient business mix in terms of capital absorption for the company and of satisfying the protection needs of "senior" customers by inserting an "ad hoc" profile, which better responds to risk mitigation expectations.
As for collective products, new insurance solutions for protecting credit were created, in particular "*Formula Mutuo al Sicuro*" and "*Formula Prestito al Sicuro*". These combine life and non-life guarantees dedicated to mortgages and loans respectively.
The premium rates of the "*Formula Reddito*" product, renamed "*Formula Tutela Reddito*", a collective insurance with a one-year premium providing a guarantee for death from illness (life part), optional and supplementary to accident death cover (non-life part).

Berica Vita

During the year, "*Assicurazione Mutui Privati*" was developed; this collective single premium solution to protect credit offers protection through guarantees in the event of death and total permanent disability due to an accident.

Cattolica Life

The company focused on research and development activities, mainly in the "open architecture" product line.
This product family includes Cattolica Life's unit linked policy with single premium, known as "*Free Selection*". The "open architecture" structure makes it possible for customers to build their own investment portfolio selecting a maximum of 20 UCITs from a list of 114 available, managed by leading investment firms. The company recently developed and introduced a safeguarding mechanism known as "stop-loss", which is included in the range of Max Nav dynamic protection funds managed by JPM Asset Management.

Reinsurance

Non-life business
The Parent Company's reinsurance programme maintained a standardised structure in line with that of last year, making reference to a programme of proportional transfers with the complementarity of optional transfers.
The residual retained portion of each class was further protected by claim excess coverage against the occurrence of both individual insured events of a significant amount as well as catastrophic events.

On the basis of the actuarial analysis carried out to determine an efficient reinsurance programme according to the Value Based method, steps were taken to lower the transfer portion of the fire, theft, accident and injury and land vehicle hull classes from 10% to 5% and to increase the transfer percentage of the transport class from 67.5% to 70%.
Moreover, with a view to encouraging the support of major reinsurance players on several strategic Group projects, another proportional transfer of 2% was made on the accident and injury, fire, theft and land vehicle hull classes.

With regard to other classes the transfers maturing were confirmed.

As for policies combined with loans (PPI), the coverage maturing was confirmed (proportional transfer with amount equal to 85%).

With regard to the catastrophe coverage with combined claim excess for the fire and land vehicle hulls classes, confirming the extreme level of prudence in the definition of the coverage, the decision was made for 2017, to acquire a total capacity of € 350 million, corresponding to a period of return of around 300 years (RMS model), greater than the risk aversion measure defined by the outline reinsurance resolution and equal to 250 years.
The Top&Top mechanism that increases capacity up to € 500 million in the event of an extreme claim greater than the agreement limit was also introduced.
For the Parent Company and ABC Assicura and BCC Assicurazioni, a specific agreement was activated to cover earthquake guarantees for residential risks, with a transfer percentage of 80%. The 20% retention was protected by the catastrophe agreement in the aforementioned Group

claim excess.
For the subsidiaries ABC Assicura, BCC Assicurazioni and TUA Assicurazioni relating to the fire class, coverage with claim excess for the "Conflagration Risk" (concentration of risks located within a 200-metre radius) was renewed and placed partially with the Parent Company and partially with the reinsurance market.

As far as the hail class is concerned, a proportional transfer of 60% was set for the year 2017. Its 40% retention was protected by a stop loss agreement with priority equal to 110% (the coverage is activated when the claims/premiums ratio exceeds this threshold) and extent equal to 70%.

With regard to the livestock class, as in the agreement about to expire, it was decided to only cover the portfolio relating to epizootic risks with a stop loss agreement, with priority of 90% (the coverage is activated when the claims/premiums ratio exceeds this threshold) and extent equal to 210%; the portfolio relating to the carcass disposal section will be retained by the Group companies.

For the Parent Company and BCC Assicurazioni, as regards D&O (Directors & Officers) policies, a proportional coverage with 90% transfer was introduced to replace coverage with claim excess in order to further reduce net retention.

With regard to the main specificities of transfer programmes of the subsidiary insurance companies, it is hereby revealed that, in consideration of the sizes of the respective portfolios, TUA Assicurazioni, ABC Assicura and BCC Assicurazioni transfer a multi-class basket to the Parent Company, which in turn carries out retrocession to the reinsurance market, via its reinsurance programmes (the Parent Company accepts the risks in a capacity of reinsurer and subsequently retrocedes them in a capacity of transferor).
More specifically, 70% of agreements of the subsidiaries ABC Assicura, BCC Assicurazioni and TUA Assicurazioni are placed with the Parent Company and the remaining 30% with the reinsurance market. Exceptions are the proportional coverage of ABC Assicura and BCC Assicurazioni, whose transfer to the Parent Company is 60%, while 40% is placed with the reinsurance market.

For all intercompany agreements, the corporate resolutions required by IVASS Regulation No. 30 dated October 26th, 2016 were followed, with compliance of transaction limits for each reinsurance transaction indicated therein.

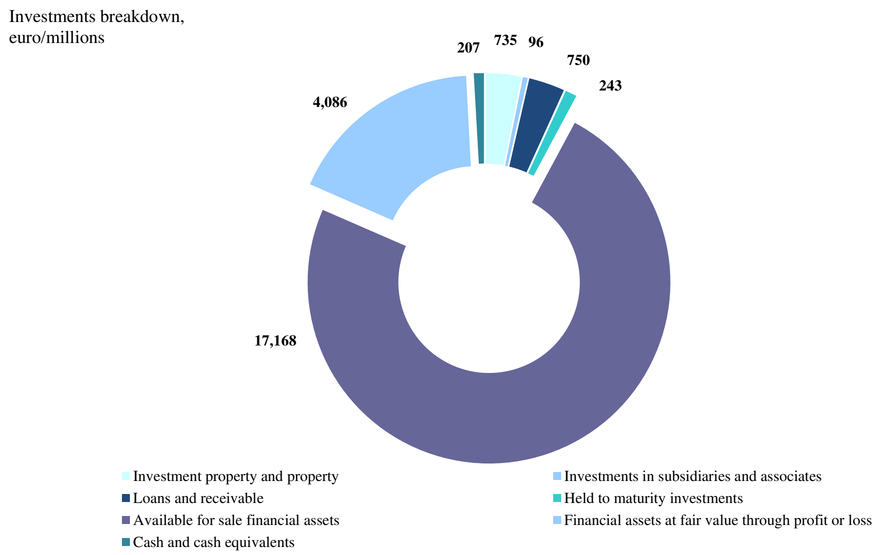
Life business
With regard to the portfolio of the individual and collective policies, steps were taken to renew the non-proportional agreements by risk and by event, as per maturity.
With regard to the claim excess programme for risk, the priority is € 250 thousand, except for the Parent Company, for which the priority is € 350 thousand.
As far as business connected with disbursement of loans (PPI) is concerned, the proportional coverage maturing with transfer equal to 85% was renewed, except for "*Mutui e Protezione Reddito*" products for which the transfer percentage is 51%.
The renewal, under the same conditions, of proportional agreements relating to the coverage of the following completes the life reinsurance programme:
- risk of non-self sufficiency (long-term care) with a transfer percentage of 60%;
- salary-backed loans for employees and pensioners with a transfer percentage of 70%.

*****

Dealings with reinsurance companies which present the best prospects of continuity over the long-term have been preferred for all the Group companies. When selecting partners, particular attention was paid to the solidity and reliability of the same, directing the choice towards those with the best rating or those less exposed, in the composition of the portfolio, to risk categories liable to technical-economic imbalances.

When defining the reinsurance programme, all Group companies followed the provisions of the Outline Resolution concerning outgoing reinsurance in pursuance of art. 3 of the ISVAP circular No. 574/D dated December 23rd, 2005.
In February, the Boards of Directors of all companies approved the structure and the transfer plan for 2017.

FINANCIAL AND ASSET MANAGEMENT



Investment property and properties

Acquisitions and property transactions

During the year, a number of important investment transactions were finalised for the Group.
With reference to real estate mutual funds, on May 15th the Perseide Energie Fund finalised purchase of a photovoltaic plant in the province of Lodi for the price of € 12.8 million plus charges and taxes. The profitability expected from this investment is in line with the income distribution policy the fund has adopted until now.

On June 29th Cattolica Beni Immobili signed for the purchase of a property complex in the municipality of Quarto d'Altino for the value of € 800 thousand.

On June 30th, Fondo Euripide acquired ownership of a property to be used as a hotel in Rome whose value is € 67 million plus charges and taxes.

Within the sphere of the H-Campus project, on July 13th the Veneto Regional Authority issued the final strategic environmental assessment opinion which made it possible, on August 10th, to achieve the signing of the final Programme Agreement with the Veneto Regional Authority.

On November 8th the land owned by Cattolica Agricola and Cattolica Beni Immobili on which the H-Campus complex will be built was sold to the reserved closed-end real estate fund called "Ca' Tron H-Campus", managed by Finanziaria Internazionale Investments SGR, for a total amount of € 9.2 million.

During the year, work continued on the redevelopment of the area called Cattolica Center, particularly in the warehouse spaces.

The renovation and redevelopment of several property assets located inside the Ca' Tron estate in the municipality of Roncade (TV) also continued.

Securities investments

Investment activities took place in a market context characterised by a period of moderate volatility and slightly rising returns, essentially influenced by still expansive monetary policies adopted by the major central banks, except for the Federal Reserve, and by a series of crucial events of a political nature.

Operations were characterised by the maintenance of adequate liquidity levels; there were no significant movements between the various investment sectors, while rotations within the same sector took place on a consistent basis with the financial duration objectives of the portfolios expressed by asset & liability management, in addition to maximisation of returns with risk profile being equal.

The activity to geographically diversify the government component in Eurozone countries, in order to reduce concentration on domestic government bonds and mitigate the risk impact of widening spreads should volatility increase, continued during the year. These operations were carried out concurrent with a rate increase phase.

With regard to bonds, the company took advantage of interesting opportunities offered by the subscription, both on the primary and secondary market, of bank securities and securities of industrial issuers. Particular value was recognised in subordinate issues of primary standing issuing banks, with fixed coupon plans for the first year and, subsequently, index-linked to monetary rates. Capital gains were also generated, exploiting the volatility of the related financial markets, animating both the floating rate component and the fixed rate one.

Exposure to the share-based component was kept stable in order to curb average portfolio volatility and to optimise absorption of capital. The activity of rotating issuers and sectors was aimed at creating value in the portfolio and retaining a good level of diversification. Positions in the portfolio were mostly attributable to issues capable of paying the shareholders stable and sustainable dividends over the mid-term, as well as characterised by solid performance from an economic-equity standpoint.

The portfolio is denominated principally in Euro, with marginal exposures in US dollars and GBP. Issuers place products primarily in Europe, and to a lesser extent in the United States. However, many issuers presented spheres of operations highly diversified in geographic terms, for the purpose of reducing recession risks as far as possible.

The Group also continued to subscribe to alternative investments, particularly those with strategies focused on infrastructure activities and projects, which would create decorrelations with government rates and improve profitability and portfolio volatility profiles.

Financial operations

Financial operations[8], closed with a result, gross of tax effects, amounting to € 491.2 million (+3.7%). With reference to net income from other financial instruments and investment property, this aggregate was characterised by the increase in net income from interest and other net proceeds, which rose to € 520.8 million (+1.5%), by net profits realised which fell to € 30.8 million (-53.9%) and by net losses from valuation on financial assets which decreased to € 44.4 million (-18.5%), plus net income deriving from equity investments in associated companies for € 3.5 million against charges of € 34 million as of December 31st, 2016. With reference to net income deriving from financial assets held for trading, the result from financial operations was characterised by income from net interest and other net proceeds for € 1 million (-50%), by net profits realised for € 1.6 million (+33.3%) and losses from valuation for € 3.3 million compared with the loss of € 855 thousand in 2016.

Performance in the 4th quarter

The Group's result as of December 31st, benefited from a positive contribution of € 20 million in the fourth quarter, while that of the consolidated result was positive by € 26 million. Taking into account normalised results as of December 31st, the Group results benefited from the positive contribution of the fourth quarter of € 100 million, while that of the consolidated results was positive by € 107 million.

Unrealised capital gains and losses

At year end, unrealised capital gains net of tax effects were recorded on held to maturity investments for € 28.9 million, along with unrealised capital gains net of tax effects on loans and receivables for € 72.5 million, relating to bonds and other fixed-income securities.
The overall fair value of the held to maturity investments and loans and receivables as of December 31st, amounted to € 1,139 million.

[8] With the exclusion of investments whose risk is borne by policyholders and the change in other financial liabilities.

Net of the tax effects on properties and on investment property, unrealised capital gains - on the basis of estimates made by appointed outside experts - totalled € 93.3 million. The overall fair value of property and investment property came to € 870 million.

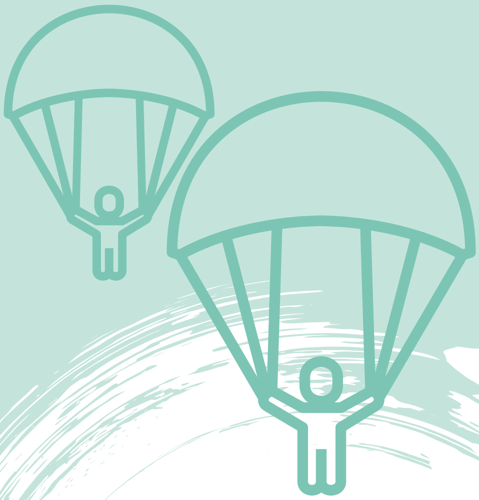
SOLVENCY II RATIO

As reported below, on May 11th, 2017, IVASS authorised the use of Group Specific Parameters (GSP) and Undertaking Specific Parameters (USP), starting from assessments as of December 31st, 2016.
The own funds admissible, calculated whilst taking into account the USP, amounted to 2.39 times the Solvency II capital requirement, after the proposed distribution of the Parent Company's dividend, which will be subject to approval by the Shareholders' Meeting of April 28th, 2018.

Table 12 - Solvency II Ratio USPs

(€ thousands)		**2017**	**2016**
Solvency Capital Requirement (SCR)	A	**1,103,487**	**1,088,657**
Minimum Capital Requirement (MCR)		**595,894**	**572,975**
TOTAL OWN FUNDS ADMISSIBLE	B	**2,642,815**	**2,028,219**
of which TIER 1		2,010,657	1,746,844
of which TIER 1 restricted		80,415	80,549
of which TIER 2		551,743	110,414
of which TIER 3		0	90,412
SII Ratio	B/A	**239%**	**186%**

Figures not yet subject to checks envisaged by the IVASS letter to the market dated December 7th, 2016; figures will be communicated to the Supervisory Body and the market, according to the timescales envisaged by current legislation, by June 18th, 2018.



Pillar
Risks
1

Pillar
Risks
2

MANAGEMENT REPORT

Risk Management

RISK MANAGEMENT PROCEDURES

The Group has a risk management system that is formalised in the policies issued pursuant to art. 30-*bis*, paragraph 4 of the Italian Private Insurance Code by the Board of Directors of the Parent Company as a guideline and coordination tool and by the Boards of the individual subsidiaries. The risk management system pursues the objective of ensuring effective monitoring of risks arising from carrying out the Group's activities by paying special attention to the most important risks, which are those risks that can undermine the solvency of the Group and of its companies or observance of the corporate goals, including those established by the resolution of propensity to risk. The main objective of the risk management system is to guarantee the capability of meeting commitments relating to policyholders, beneficiaries and injured parties and, in more general terms, the various stakeholders. This objective was also pursued by applying a risk management strategy based on three fundamental principles:

- responsibility in relation to customers and understanding their needs;
- clear understanding of various risks which affect the Group and its companies;
- consistency with the aspiring principles of the Parent Company.

During 2017, the Group continued to pursue the objective of preserving its equity soundness and a satisfactory level of profitability. To this end, the risk management process took into account the objectives of the Business Plan and the annual budget. This process is made up of the following micro-phases carried out recursively:

- identification and assessment of risks;
- definition of the propensity level to risk;
- definition of policies for the undertaking and handling of risks;
- definition and assignment of operating limits (monitoring and mitigation of risks);
- measuring risks.

The risk identification phase is carried out by using a set of methodologies, differentiated according to the categories of risks to which the Group is exposed. The complete assessment of the solvency position, including detailed records of exposures to risks, is updated at least once every quarter. Analyses of sensitivity to market risk factors are also conducted with the same frequency since they are volatile to a greater extent owing to their nature, and actions to mitigate operational risks detected for each company are also monitored. Risks to which Group companies are exposed are continuously managed by monitoring summary indicators, whose updating frequency depends on the degree of uncertainty of variables on which they have an impact. Information flows from first level control units to the Risk Management Unit and the Compliance Assessment Unit[9] are also provided periodically and occasionally for particularly important events or specially formalised events based on relevance to the Group's risk profile. This second scenario takes on particular importance within the scope of preventive checks for investments, in application of the provisions of IVASS Regulation No. 24 dated June 6th, 2016. Results emerging from these analyses and information flows are brought to the attention of the Board of Directors of each Italian insurance company of the Group at least once every quarter.
The exposure of each company to the different types of risks is also summarised every six

[9] As regards the risk of non-compliance with legislation.

months using the risk map, whose purpose is to form a point where the detailed information collected, monitored and managed comes together to provide a unified and effective representation of the risk position.
The identification, analysis and assessment of the internal and external risks to which the Group is exposed, and their periodic review to consider changes in the risk factors, the development of activities and the market scenario, required the involvement of operating functions that carry out first level checks, identified as areas of risk taking. The Risk Management Unit and the Compliance Assessment Unit also carried out their mandates with the contribution of contacts belonging to different operational areas, and they carried out the second level control activity outlined in the annual plan of activities of the same units, approved by the Board of Directors.

Propensity to risk, supplemented by other policy processes, contributes toward guiding strategic decisions of the Group and companies, and forms the reference based on which Senior Management assigns operating limits to the units. Accordingly, the Group has adopted a framework structured on four dimensions, namely:

1. **Qualitative risk propensity statement:** defined as the breakdown of strategic ambition and risk preferences consistent with strategic objectives set out by the currently valid Business Plan;
2. **Risk propensity**: measured and managed by defining Solvency II Ratio bands of fluctuation and thresholds;
3. **Risk propensity by type of risk:** defined in line with the risk propensity level, which is also broken down into risk appetite and respective "soft" and "hard" limits, expressed in terms of SCR or in qualitative terms;
4. **Operating limits**: declination of Risk Propensity in the daily management of risk through the assignment and monitoring of operating limits.

This structure on the operational level translates into the definition of thresholds representing points of attention/intervention (soft and hard limits), namely a target defined in an interval that depicts the risk appetite to which the Group aspires.

In order to keep the risk profile in line with the risk propensity established by the Board of Directors of the Parent Company, each company assigned operating limits to their managers, the observance of which was monitored on an ongoing basis by the Risk Management Unit in collaboration with the same managers. The Risk Management Unit brings the quarterly monitoring of these limits to the attention of the Board of Directors of the company and, if necessary, corrective actions are taken following the procedures established by the administrative body.

Risk measurement is primarily carried out through the use of regulatory capital requirements, as uniformly established for the whole market by EIOPA (European Supervisory Authority); specifically, limited to non-life risks (NSLT non-life and health[10]), the Group, Cattolica and TUA Assicurazioni, availing themselves of the option provided for by regulations, have received authorisation from the IVASS[11] to replace a subset of the parameters of the standard

[10] Health NSLT (not similar to life techniques) is equivalent to health insurance allocated to the business lines for non-life insurance obligations.
[11] The authorisation received on May 11th, 2017, with application starting from the figures at December 31st, 2016.

formula with specific business parameters (so-called GSP - Group Specific Parameters and USP - Undertaking Specific Parameters) in order to reflect the risk profile more accurately. The valuation resulting from application of regulatory capital requirements is also refined and supplemented by valuations pertaining to the specific exposure to the surfacing of adverse scenarios considered to be particularly important.
For those risks that do not fall within the standard formula, the valuation methodology is determined based on the specificity of the type of risk and the methods with which it might turn into damage for the Group or for its companies. This area comprises the liquidity risk, the risk of belonging to the Group, reputational risk and the risk of non-compliance with legislation. Exposure to operational risks is also measured on the basis of methodologies not limited to application of the capital requirement, as explained below.

Internal risk and solvency assessment

Current and forecast internal risk and solvency assessment (so-called ORSA), formalised in a specific policy of the Board of Directors of the Parent Company, consists of the assessment - over a three-year time horizon consistent with the Business Plan - of observation of the minimum solvency level required by legislation on an ongoing basis, the requirement of necessary capital in relation to the risk profile and to the business strategy, and the need, if any, for actions to correct the risk profile or the equity resources. During 2017, the Group carried out the current and forecast assessment of risks and solvency on an annual basis and with reference to the end of the year (December 31st, 2016). The results of the assessments at Group level and of individual companies, carried out following the ORSA guidelines, are approved by the respective Boards of Directors. Moreover, the Board of Directors of the Parent Company approved the Group single document of internal risk and solvency assessment in compliance with the instructions of IVASS Regulation No. 32 dated November 9th, 2016.
To this regard, the process followed by the Group can be summed up in the following macro-phases:

1. **Projection of the economic results** consequent to projections on the life and non-life business trend, and in consideration of the evolution of the macro-economic scenario;
2. **Risk assessment** by the Risk Management unit according to processes and methodologies formalised by the Board of Directors in the resolution of propensity to risk and in the Risk Management Policy;
3. **Projection of the risk and solvency profile** of the Group and of the single companies emerging from the projection of the economic results;
4. **Sending of the ORSA report to the Supervisory Authority** following its discussion and approval by the Board of Directors of the Parent Company;
5. **Monitoring** of the evolution of the risk and solvency profile and continuous observance of the capital requirement requisites;
6. **Internal reporting** of the units involved in the current and forecast risk and solvency assessment to senior management for preliminary sharing of the results of the ORSA financial year.
   These results are later submitted for approval by the administrative body which, together with the conclusions it has received, reports them to senior management and relevant units; reporting is also carried out to the relevant operating units for the purpose of sharing results of the risk profile evolution monitoring activity.

Purpose of the ORSA process

The risk and solvency assessment is a complex managerial process that is reported to senior management and that involves many company units, each in its own area of expertise. The Risk Management Unit plays a central role in the assessment activity and is aided by the Actuarial Unit with regard to technical provisions. The decision-taking process ends with discussion and approval of the Board of Directors.

The ORSA process highlights the connections between the current and forecast risk profile, the risk propensity, the relevant thresholds and the ability to continuously satisfy the mandatory capital requirements and the technical provision requirements. The results of this process are used in defining the risk propensity with which the target risk profile and tolerance levels are established. These parameters guide the chief key processes such as strategic planning, budgets, product plan and strategic asset allocation that contribute to the strategic policy of the Group and of its companies. In this context, the Risk Management Function verified the sustainability of the three-year economic forecasts from a risk and solvency viewpoint in order to satisfy the risk propensity system with a view to the future.

The return on capital objectives of business units based on risk restrictions and absorption of capital are monitored over time as part of the capital and risk management process.

PILLAR 1 RISKS

NON-LIFE INSURANCE TECHNICAL RISKS (NON-LIFE AND HEALTH NSLT)

Risk concerning tariff rating, reservation risk and catastrophe risk

Technical risks relating to the non-life business represent approximately 28% of the total Group SCR, whereas technical risks regarding the Health NSLT business come to approximately 1%, bearing in mind the effect of differentiations between risk modules and the contribution of capacity to absorb losses tied to technical provisions and deferred taxes.

For non-life business (Non-life and Health NSLT) underwriting risks, the expected trend over the mid-term is that of considerable stability.

The Group recognises three categories of Non-life (Non-life and Health NSLT) insurance technical risks:

- Risk concerning tariff rating tied to risk underwriting, the events covered by the signed insurance contracts and the trend of claims;
- Reservation risk tied to the quantification of technical provisions to meet the commitments undertaken with policy holders and injured parties;
- Catastrophe risk tied to the uncertainty surrounding the possibility of calculating premiums and building up provisions in proportion to extreme and unforeseeable events.

These risks are monitored using specific processes, particularly linked to the system of operating limits that the Group Companies has adopted in applying the resolution of propensity to risk. The limits system is a fundamental element when managing risks.

With regard to the technical risks of the Non-life area (Non-Life and Health NSLT), the most important parameters monitored concern the trend of premiums written for important groups of lines of business, the technical trend (measuring, for example, combined ratio, settlement velocity and average cost of claims) and reservation.

This monitoring is also guaranteed by independent access to data that the Risk Management Unit requires. The unit has the authority to check what is received from the managers of first level controls.

Although it is to be considered a very important type of risk, also as a consequence of the nature of the Group Companies and their business profile, there are no concentrations that could compromise the risk profile. The exposures monitored concern natural catastrophes, earthquakes, floods and hail, the concentration for the risk of fire and the concentration for security risk.

Based on the scenarios identified by the Risk Management Unit, the Group carries out a sensitivity analysis both within the ORSA process and separately.
The process and methodologies adopted by Group Companies regarding Non-life (Non-Life and Health NSLT) underwriting risks require sensitivity analysis of the most significant risk factors to be conducted at least annually on the solvency position.

In 2017, closing and forecast stress tests were conducted on the basis of a set of risk factors assessed jointly, such as:

- a 3% increase in claims provisions;
- a seismic event with period of return of one year out of 200.

The evidence resulting from the analyses carried out confirms the Group's current and prospective solidity, even in relation to the stress scenarios identified.
Risk propensity thresholds established by the Board of Directors were observed thanks to the Group's solid equity position.

The main technique for mitigating the underwriting risk is recourse to reinsurance.

INSURANCE RISK - LIFE BUSINESS

Risk concerning tariff rating, proposal selection, mortality/ longevity/ invalidity and the estimate process for provisions and allowances

Technical risks of the life business represent approximately 6% of the total SCR (bearing in mind the effect of differentiations between risk modules and the contribution of the capacity to absorb losses tied to technical provisions and deferred taxes).
The main risks of this type to which the Group is exposed are risks associated with the behaviour of policyholders (redemption risk), followed by expense risk and demographic risks.
The risk associated with the behaviour of policyholders is the one subject to greater volatility as a result of its close connection with financial variables and, as a consequence owing to its nature, it is erratic to a greater degree.
The quantitative measurement of this risk is made with the standard formula, considered adequate in consideration of two elements:

- product and customer profile of the Group Companies' portfolio, which is basically in line with the market;
- demographic characteristics of policyholders in Italy similar to European figures.

These risks are monitored using specific processes, particularly linked to the system of operating limits that each Group Company has adopted in applying the resolution of propensity to risk. As mentioned previously, the limits system is a fundamental element when

managing risks.
For technical risks of the Life business, special attention is paid to the trend of premiums written per business line (concisely measuring the riskiness connected with revaluable, unit-linked and non-revaluable products) and to parameters characterising the quality and profitability of premiums.
The underwriting risk of the life business is also already monitored during the underwriting stage by using metrics for measuring the sustainability of guarantees offered both according to traditional insurance management logics and in a market consistent perspective.
There were no concentrations that could affect the risk profile of the Companies or the Group; in particular, exposure per single insured person is managed in a risk concentration framework, also through recourse to reinsurance.

MARKET AND CREDIT RISKS

Market risks of the life business represent approximately 49% of the total SCR (bearing in mind the effect of the differentiations between risk modules and the contribution of the capacity to absorb losses tied to technical provisions and deferred taxes).
The main risks of this type to which the Group is exposed are the risks of the credit, real estate and equity investment spreads changing. Interest rates, currency and concentration risks follow.
Exposure to spread risk is connected to the relevant share of bonds in which the total portfolio is invested, including a portion of corporate issuer securities. Real estate risk is a direct consequence of total exposure to property assets, to which an absorption of capital significant in terms of percentage as of today is associated.
In applying the requisites of the "prudent person principle", the portfolio of assets as a whole is invested for each Group company into assets and instruments whose risks can be adequately identified, measured, monitored, managed, controlled and reported while duly taking them into account in assessing the overall solvency requirement. This principle is applied in both the preliminary and final investment analysis process, supplemented by the limits system.
All assets, and in particular those covering the minimum capital requirement and the solvency capital requirement, are invested in such a way as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. The limits are calibrated jointly for all risk areas and form a well-structured system of conditions whose observance protects the adequacy of the portfolio as regards the desired level of these characteristics, in line with the risk propensity of each company and of the Group as a whole.
The assets held to cover technical provisions are also invested in a way that is adequate for the nature and lifetime of the liabilities held.
The concentration level is specifically monitored for both the thresholds set by the limits system and the thresholds established by the standard formula in order to detect the presence of a concentration risk such as to deserve a capital allocation.
As for market risks, the Group companies are not applying any particular risk mitigation techniques as they determine their risk positioning with respect to their propensity by defining the Strategic Asset Allocation. The process of defining it is closely connected with the significant ORSA processes, with the basis for a conscious and properly managed assumption of risk formed.
The assessment of these risks is conducted with the standard formula, today considered appropriate since the Group's investment profile is in line with the market. In applying the standard formula, special attention is paid to proper application of the look-through approach,

in particular to real estate funds, whose level of risk duly considers any leverage present.
Monitoring and risk management processes in effect with reference to market risks are divided based on various policies, with an overall consistent system constituting supervision of the investment activities and risks emerging from exogenous factors defined.
Market risks are also monitored in an asset liability management perspective, in keeping with the processes defined by the asset and liability management policy that regulates methods for periodically assessing key investment parameters, with particular focus on the comparison between asset allocation and its strategic forecast.
Lastly, the investments policy and operating limits assigned by the senior management of each company customise the resolution of propensity to risk since specific aggregated and detailed parameters on which the investment activity is steered are defined. The limits system is applied with first level monitoring under the responsibility of the operating units and with independent second level control carried out by the Risk Management Unit. For this purpose, the Risk Management Unit has independent access to all data important for controlling the risk, and it makes its independent assessments based on the substance of the most significant records.
A broad set of limits is defined for each company in the market risks area. It is supplemented with specific limits significant at the Group level and sets out to cover parameters typically complementary to those monitored for Strategic Asset Allocation and fully consistent with them. Then parameters indicative of the exposure to interest rate risk (duration mismatch between assets and liabilities), to the risk of the credit spread changing (spread duration) and a number of indicators aimed at measuring exposure in specific asset categories are measured.
As regards assessment of market risks, the trend of the regulatory capital requirement is also monitored. This specific monitoring activity is conducted with computer tools used directly by the ALM Unit and is subject to continuous comparison with the business and first and second level control units as part of the ongoing and precise assessment of risk exposure.

The Group carries out sensitivity analyses both within the ORSA process and separately.
The process and methodologies that the Group adopts for analysing market risks can be summarised as follows:

- Analyses of sensitivity to the most significant risk factors conducted at least quarterly on the solvency position. In particular, the exposure to the risk of increases in interest rates and in government and corporate credit spreads is assessed, as well as the risk of a reduction in share prices and property assets values. The results are shown in the following table. All figures are stated net of the tax effect and without taking into account the retrocession of losses on insurance liabilities:

Table 13 - Sensitivity analysis on market risks

(€ millions)

Financial Statements Category	Risk-free rates +50 bps	Spread on government and corporate bonds + 50 bps	Equity -25%	Real estate -25%
Impact on IAS shareholders' equity	-306	-322	-85	-192
Impact on Income Statement	-1	-1	-5	0
Impact on unrealised gains/losses	-17	-20	0	0

- Closing and forecast stress tests conducted on the basis of a set of risk factors assessed jointly and determined on the basis of historic analyses. The prevailing risk factor assessed during the second half is the trend of credit spreads on Government Securities as a result of the significant exposure in the portfolio.

Credit risks

Credit risks, considered risks of the counterparty defaulting and therefore not including the risk of spread on bonds, represent approximately 5% of the total SCR (bearing in mind the effect of the differentiations between risk modules and the contribution of the capacity to absorb losses tied to technical provisions and deferred taxes).
The main types of exposure falling under this category to which the Group is exposed relate to exposure in current accounts, to re-insurers and for receivables from brokers and policyholders.
The assessment of these risks is conducted with the standard formula, today considered appropriate since the profile of assets in question held by the Group companies is in line with the market.
As part of the assessments made using these metrics, particular attention was paid to the details of the risk by type of exposure and by the single most important counterparties, by monitoring their trend over time and assessing, case by case, the expediency of taking management measures to lower the risk.
The credit risk management process is, first and foremost, focused on the adequate selection of counterparties. A system of limits aimed at appropriately managing the most significant exposures is also defined by assigning limits for each Group company to the operating units, expressed as capital requirement calculated with the standard formula and applied according to the single type.
Specifically, limits referring to the capital requirement for current account and re-insurer exposures are assigned. These limits allow a summary of various magnitudes of the risk to be drawn up after understanding the risk level of the single counterparty, the overall exposure and the presence of concentrations, if any.

The most critical exposures are focused on re-insurer counterparties whose associated risk is moderate thanks to their high credit rating. The actual adequacy of the counterparty risk taken as a result of making recourse to reinsurance is also assessed within the re-insurers selection process, defined in the relevant policy.

No particular credit risk mitigation techniques are applied. The consistency of the undertaken risk with the risk propensity defined by each company coherently with the resolutions of the Parent Company is maintained by selecting counterparties and managing the related exposure.

Liquidity risk

Liquidity risk is assessed for each Group company following the provisions of the relevant policy, which set out to establish a monitoring level focused on precise financial planning whilst also taking into account variability elements that affect the trend of future cash flows.
The trend of the investment portfolio is also monitored and reported periodically in order to constantly assess the assets readily available for any cash requirements.
The reporting connected to this monitoring is periodically shared with Senior Management.
In the most important cases, the liquidity risk is mitigated by setting up specific credit facilities that allow temporary cash shortages to be made up whenever necessary.

The Group companies conduct sensitivity analyses as part of their financial planning process, and they are aimed at determining the sustainability of any stress scenarios in a future cash flow perspective. The structure of these analyses within the ordinary processes is being finalised in application of the liquidity risk management policy provisions. The process includes the independent definition of stress scenarios by the Risk Management Unit, which receives and assesses the results of application of the scenarios by the competent units afterwards.

Operating risk

The goal of the Group operational risk management system is to prevent and reduce any losses that should arise when damaging events occur by means of a process that calls for their identification, gauging and mitigation and the systematic disclosure of the risk based culture in daily operations. This approach makes it possible to enhance the internal audit system, improve the efficiency and efficacy of management processes and encourage dialogue with the Board of Directors, Senior Management and the Board of Statutory Auditors of the Group companies.
Two different methods are used in the Group to measure operational risks:

- a quantitative assessment for regulatory purposes every quarter, where the capital to satisfy the solvency requirement of the operational risk module (OpSCR) is calculated by applying the standard formula of the Solvency II legislation. The operational risk module represents approximately 12% of the Solvency Capital Requirement (SCR) of the Group.
- an internal qualitative assessment carried out by the managers of company processes and the Risk Management Unit, where risks are identified and classified by risk factors (persons, procedures, external systems and events) and by type of event according to the taxonomy shown below:

  - Internal fraud;
  - External fraud;
  - Employment and occupational safety;
  - Customers, products and business practices;
  - Damages to tangible assets;
  - Interruptions in operations and malfunctions of computer systems;
  - Process execution, delivery and management.

Risk exposure is measured using a qualitative scale determined based on a logic of probability of occurrence and potential economic impact, which has a minimum value of 1 (very low) and a maximum value of 10 (very high). As at December 31, 2017, the qualitative assessment of the risk as a whole for the Group comes to an exposure value of 3 (medium to low), in line with the operational risk preference defined by the Group.
Operational risks identified and assessed are subjected to an ongoing monitoring process and are reassessed as a whole at least once a year. Furthermore, managers of company processes are required to promptly alert the Risk Management Unit whenever operational risk events occur with potential exposure such as to affect the Group's risk profile so that appropriate risk management measures can be taken.

There are three event types to which the Group is exposed to a greater extent in terms of both number and level of exposure: a) execution, delivery and management of processes ascribable to events occurring in everyday business operations, also in consideration of activities that

Group companies have outsourced to other Group companies as well as outside suppliers, b) interruption of operations and malfunctions of computer systems, and c) fraud connected with settlement and underwriting activities. The predominant type is the one concerning the execution of processes, while the risks of fraud - on the other hand ingrained in the business and common to the insurance system - are numerically reduced, even if the phenomenon as a whole in any case is a significant risk. With regard to these risks, actual concentrations are not recorded in any case.
However, the Italian scenario paid growing attention to cyber risk and business interruption, aligning itself with the international one, leading to a review of the trend of exposure to this risk moderately rising, also manifesting the need for the implementation of safety measures for information technology systems. The main mitigation actions undertaken by the Group are focused precisely in this direction.

PILLAR 2 RISKS

Risk of non-compliance with legislation

Risks of non-compliance with legislation are identified and assessed by the Compliance Assessment Unit, which has the job of:

- continually identifying legislation applicable to the company and assessing its impact on processes and on the company procedures;
- assessing the adequacy and effectiveness of organisational measures taken to prevent the risk of non-compliance with legislation and to propose organisational and procedural changes aimed at ensuring an adequate monitoring of the risk.

The regulatory scope entrusted with the unit presupposes direct monitoring (assistance to the line units, first responsibility for safeguards, monitoring and control) of non-compliance risks concerning the primary and regulatory legislation that governs the implementation of insurance, reinsurance and brokerage activities, as well as for those rules for which forms of specialised safeguards inside the Group are not already in place.
With reference to other legislation for which specific forms of specialised safeguards, such as occupational safety and privacy legislation, the Compliance Assessment Unit is a second level safeguard, continuously monitoring and performing any necessary checks of the work of the specialised controls.
Through risk assessment activities, the unit assesses the effective existence of safeguards and their suitability for risk mitigation, as well as the adequacy and effectiveness of controls. Based on the results of the risk assessment and risk indicators, it performs ad hoc checks. If the assessments reveal gaps or critical issues, it proposes remedial plans and monitors progress.

A qualitative assessment is carried out for risks of non-compliance with legislation on a scale of 1 to 10, based on verification of proper application of the legislation. As of December 31st, 2017, the assessment of the risk of non-compliance with legislation had the value of 2, which places it within the tolerance limits defined by the Board of Directors for the Group's insurance companies.

The analysis of general monitoring KPIs (claims, disputes and sanctions) shows an increase compared to the previous year.

Reputational risk

The Group considers reputational risk mostly as a “second level risk”, meaning that it magnifies the negative impact of other risks on the company, and in particular the risk of non-compliance with legislation and several types of operational risk.

The importance of reputational risk comes from the low tolerance level defined by the Board of Directors in addition to the peculiar cooperative status of the Group and its historical roots that make it an economic subject that embraces reputation as one of the keys to its proposition of value to shareholders and customers. Procedures are in place to react to and manage events that may have an impact on the Group’s reputation, involving the most appropriate corporate representatives both in internal and external communication and in defining the most appropriate actions to preserve the Company’s reputation.

From this viewpoint, it is therefore possible to deduce that the company’s control of this type of risk is adequate.

Agencies
1,494

Branches
5,064

Welfare and pension product advisors
210

Agrifides Sub-agencies
28

MANAGEMENT REPORT

Headcount and sales network

HUMAN RESOURCES

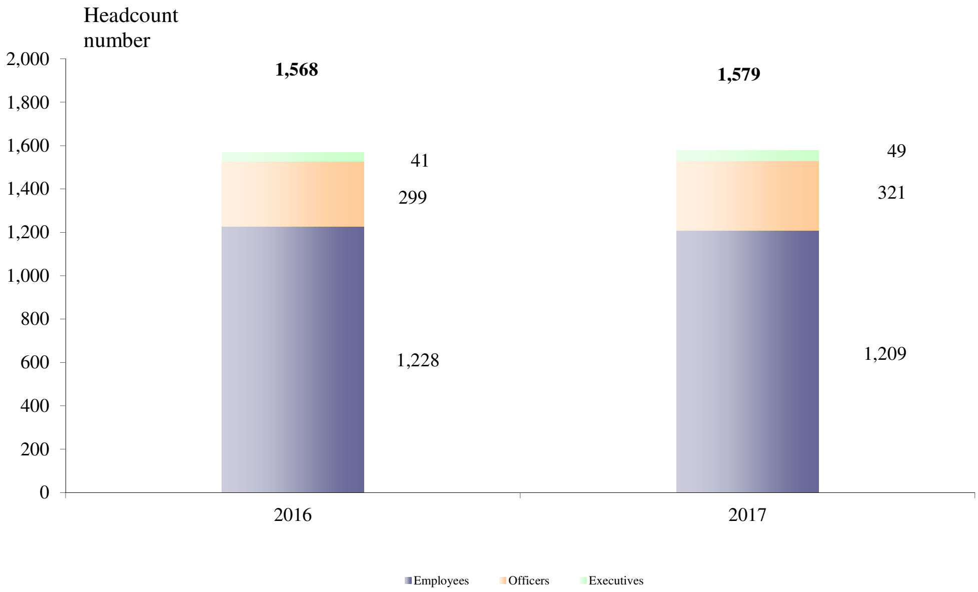
Human Resource Management

In line with the principles consistently promoted by the Group, in 2017 the utmost attention was paid to the management of human resources. In particular, the "Job Market" facility was introduced in July as a tool aimed at strengthening and promoting mobility by facilitating access for all employees to new professional opportunities consistent with their skills and aspirations.

The Job Market is intended as an organisational space that facilitates the meeting of the needs of company structures and the skills of employees, through a logic of transparency, fairness and effectiveness. In particular, 70 positions were opened, for which approximately 200 colleagues out of 236 expressed an interest, through responding to an advertisement or via self-applications.

Again with a view to development, the Group has constantly striven to discover and grow future talent, offering internship opportunities in many company divisions, to students and recent graduates.

With the arrival of the new Managing Director last June, a corporate survey was carried out to identify Cattolica's strengths and above all, the key areas on which senior management committed itself to intervene to build an ever better working environment.
Employees, were asked to respond, unanimously, as honestly as possible, to the online questionnaire; the response rate was 94%, which in itself was a very satisfactory outcome.



One of the initiatives launched in October, based on the results of the senior management corporate survey, to improve the working environment, was a project that focuses on the well-being of employees. It is part of a wider project to change the corporate culture, a process that also includes participation in sporting activities.

The project, which also has a charitable purpose in line with Cattolica's core values, has recruited, on a voluntary basis, more than 500 employees.
In order to facilitate the definition of targeted development actions and to fully exploit the potential of digital transformation, towards which the market is increasingly moving, an online survey was conducted on the entire company workforce to identify the level of readiness as regards digitalisation, change and innovation within the company, both in terms of skills and mindsets.
The response rate was 91%, which in itself was very satisfactory.

As of December 31st, the Group headcount included 1,579 staff, not including the 13 members of the solidarity fund, compared to 1,568 as of December 31st, 2016 (+11). The staff is broken down as follows: 49 executives (+8 with respect to 2016), 321 officials (+22 with respect to 2016) and 1,209 office workers (-19 with respect to 2016).
The number of Group employees recognised on a full time equivalent basis was 1,517, not including the 13 members of the solidarity fund (it was 1,508 as of December 31st, 2016).

Table 14 - Group headcount

Group companies (*)	Registered offices	2016	Increases	Decreases	Change	2017	Leavers as of Dec. 31st, 2017 (**)	2017, net of leavers as of Dec. 31st, 2017
ABC Assicura	Verona	6	2	1	1	7	0	**7**
BCC Assicurazioni	Milan	5	0	0	0	5	0	**5**
TUA Assicurazioni	Milan	74	4	6 [1)]	-2	72	0	**72**
BCC Vita	Milan	12	0	2 [2)]	-2	10	0	**10**
Berica Vita	Vicenza	3	0	0	0	3	0	**3**
Cattolica Life	Dublin (Ireland)	10	0	4 [3)]	-4	6	0	**6**
Lombarda Vita	Brescia	10	1 [4)]	2 [5)]	-1	9	0	**9**
Cattolica Assicurazioni	Verona	801	69 [6)]	37 [7)]	32	833	5	**828**
Agenzia Generale Agrifides	Rome	2	1	0	1	3	0	**3**
Cattolica Agricola	Verona	7	1	0	1	8	0	**8**
Cattolica Beni Immobili	Verona	1	0	0	0	1	0	**1**
Cattolica Immobiliare	Verona	3	1	0	1	4	0	**4**
Cattolica Services (CS)	Verona	624	33 [8)]	32 [9)]	1	625	8	**617**
C.P. Servizi Consulenziali	Verona	10	0	4	-4	6	0	**6**
Group total		**1,568**	**112**	**88**	**24**	**1,592**	**13**	**1,579**

(*) Number of employees relating to companies consolidated line-by-line excluding the resources covering maternity leave.

(**) Due to 13 employees joining the Intersectorial Solidarity Fund.

[1)] of which 3 are intercompany transfers

[2)] intercompany transfers

[3)] of which 1 transferred to Cattolica

[4)] and [5)] intercompany transfers

[6)] of which 32 are intercompany transfers

[7)] of which 26 are intercompany transfers

[8)] of which 28 are intercompany transfers

[9)] of which 24 are intercompany transfers

Development and Training

With its contents, methods and instruments, Development and Training confirmed itself to be one of the strategic levers of the company, through activities targeted at supporting the development of every individual worker.

The change, which was launched with the assessment of performances since 2015, involved all staff and guided the activities of each worker and their development path via the assessment of objectives assigned by each manager.
In support of the Performance Management Process (PMP), resource managers were supported in the performance evaluation phase of their employees through dedicated individual and team coaching meetings.
In November, the new performance measurement and evaluation system was reviewed and revised, with a view to greater consistency with the new company process, with the aim of making the instrument increasingly more usable.

In order to increase the employability of individuals, the efficiency of the system and individual awareness of skill levels in the workplace, the project was approved and launched in 2016, to survey behavioural skills consistent with current and future roles, which will make it possible to more fully guide management decisions and investments in training and development. This initiative, which has involved 685 resources to date, will involve the entire Group workforce at the outset of 2018.

In addition, measures were implemented to meet real business needs and support company reorganisations, including projects with managerial components for those responsible for organisational units, with a view to enhancing their staff development capacity, and technical components aimed at maintaining skills required to achieve the objectives of the Business Plan.

Some examples: for the Retail division, technical course for strengthening skills at the front end, legislative, business products and IT data sphere; for the Life division, an in-depth technical review with focus placed on legislation and products; to support the merger of FATA within the Parent Company, an alignment with the full set of products in order to supplement knowledge, expertise and best practices; for the Claims division, courses on Business Object, Agorà, TPL - Motor, TPL - General, negotiation for the liquidators, regulatory updates; for the IT division, agile methodology was completed and training was provided for various organisational units (HDA database processing, new intranet); training sessions dedicated to the Risk Management Unit focused on using advanced methodologies for analysing quantitative data, in line with strategic profitability objectives and the upcoming Solvency II, and a team building training activity for the reinsurance division that studied what implementing a good reinsurance policy means by analysing practical cases; as part of the Digital Coach project, numerous classes were organised for all relevant organisational units; for Bancassurance, classes were held on the development of the insurance range and on the advanced use of excel; to support the use of the new Non-Life ALLIn System and the new Life ALLIn system, a training course was run for the relevant organisational units, which will continue into 2018; to support the use of the new SAP BPC budget collection system, classes dedicated to the relevant units were held; to deal with the complex changes related to the introduction of new international accounting standards IFRS 9 and IFRS 17 and new regulatory requirements, a technical training course for impacted organisational units was launched.

In line with the assessment of training needs that made up the 2017 Development Plans for each individual employee, a project was implemented to develop personal skills, under six headings, including Creativity and Innovation, Team of Excellence and Self Effectiveness. This project involved 613 classroom days for a total of 390 trainees.

In terms of language training, a massive mapping of skills regarding the English language was initiated, through online tests and telephone tests, which in 2018, will lead to a wide-ranging training project in the presence of qualified native speakers, which will involve approximately 400 employees.

In support of the new Job Market internal corporate mobility process, launched by the HR & Organisation Department in July, some resources directly involved in said process (Human Resources Management, HR Business Partner, Development & Training) participated in a course aimed at standardising and strengthening skills in the field of personnel selection and management of mobility interviews.

As in the previous year, there was a focus on equal opportunity themes: the two projects carried out were Work Life Balance and the Role of the Diversity Manager. The first one - in its third edition - tackled the themes of Corporate Social Responsibility; the second, for managers of resources only, focused on stress management as well as on analysis and management of diversity within the work team.
Another project of great importance was the Smartworking training: 5 classroom days, with a focus on theory and practice as well as case studies concerning in and out insurance companies, were dedicated to the HR & Organisation unit with the aim of carrying out a Pilot Project, launched in November.

For the sector’s regulatory training on safety, classroom training sessions dedicated to Group collaborators continued, together with an online updating campaign.
Online training courses were also issued on the latest developments in relation to Legislative Decree No. 231 of June 8th 2001, on the subject of transposing the Fourth Council Directive against money laundering procedures, aimed at raising awareness of the implications that the regulations will have on organisational structures.

On a parallel with activities carried out within the company, participation in training events organised outside of the company by universities, associations and sector institutes was considerable, including those ran through CUOA Foundation, Verona University, Sacro Cuore University in Milan (Cetif, Altis), Bocconi University in Milan (Business Management School).

During 2017, 4,984 training days were held for the Group.

Training for the Board of Directors

On the basis of the long-term training plan addressing the members of the Boards of Directors and the training plan for 2017, three training sessions were held which involved members of the Boards of Directors and Executives of all Group companies, on the following topics: Developments in the area of Market Abuse; 4th Anti-money Laundering Directive; Paradigm

Shift - Emerging from crisis with a view to the future; Insurance Distribution Directive (IDD): implementation and implications for companies.

Industrial relations and disputes

During the year, several trade union meetings were held to gain a better understanding of issues pertaining to personnel.

In April, an agreement was signed with trade unions aimed at reducing the cost of the holiday fund by having employees take their back holiday time and personal days according to rules defined at sector level.

One important agreement (pursuant to art. 15 of the current CCNL (National Collective Labour Agreement)) was signed in May regarding the IT "Infrastructures and services" area, subject to reorganisation for the re-allocation of activities to a market leader outsourcer capable of ensuring improvement of service and optimisation of costs.

Lastly, in June, the "Anti-money Laundering Operational Office" (SOA) underwent reorganisation (pursuant to art. 15 of the current CCNL (National Collective Labour Agreement)) in order to concentrate the area's activities to achieve improved oversight, thus augmenting efficiency and effectiveness.
The signed agreements, as mentioned above, aimed at streamlining the units involved, affected a total of 29 people.

In October, other important agreements were signed aimed at regulating fundamental legislative institutions within the company:

- hourly parental leave;
- smartworking;
- establishment of an intersectorial solidarity fund;
- welfare for employees;
- agreement of bancassurance shifts.

With the first agreement, concerning parental leave, the Parties were aiming to regulate the use of optional maternity leave per hour or half hour, favouring a balance between daily work commitments and family-time required, with the advantage of ensuring professional continuity in career paths and preventing a reduction in income.
With the agreement on smartworking, so-called "agile-work" was introduced in the company to allow (82) workers, involved in a pilot project lasting 4 months, to choose, 1 day a week, to work outside the company premises, in favour of an improved work-life balance and improving the efficiency of professional performance.

In October, an agreement was also signed with trade unions that will allow many employees, on a voluntary basis, to retire early by 5 years. The agreement is valid for four years and therefore anticipates 4 calls for proposals.
The Company and the unions also signed an agreement to award a "Welfare bonus" to all employees in 2017.

An agreement was also reached for the introduction of shifts within the Integrated Sales Service, which is part of the Bancassurance Division, thus making it possible to guarantee a

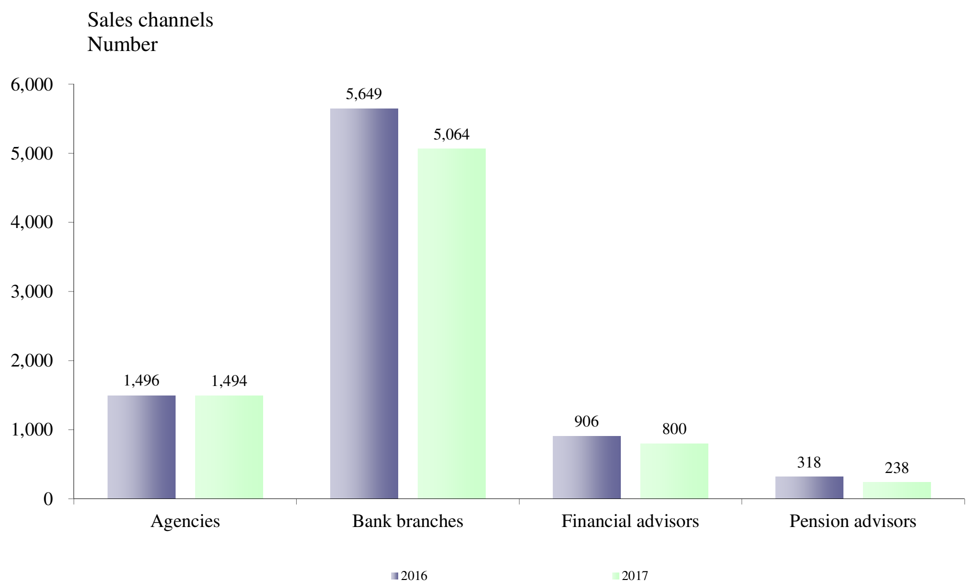
better service to customers.
Agreements were also signed to obtain loans from Fondo Banche Assicurazioni (FBA) to provide training for employees. The training plan presented was entitled "Conoscere, sviluppare ed evolvere" (Knowledge, development and evolution). The value of the plan, which can be financed, amounts to approximately € 500 thousand.

A further agreement pursuant to art. 15 of the national collective labour agreement was signed in November for the closure of the Barletta Adjustment Unit and the rationalisation of the territorial areas of the Claims Department. This will provide considerable advantages in the decision-making process and significant organisational efficiency. Negotiations also began in November for the renewal of the National Collective Labour Agreement, which expired in December 2015.

Finally, in December, pursuant to art. 15 of the National Collective Labour Agreement, a further reorganisation of CFO Areas, the "Life and Non-Life Actuarial and Technical Control" department and the "Operations & IT" department was approved, which will involve 222 people in total.
In particular, the reorganisation will allow for the rationalisation and efficiency of processes in the areas impacted. Everyone involved in reorganisation operations and whose duties were changed and/or added to will have a suitable training course aimed at profitable professional development and induction into the new role guaranteed, also by means of recourse to loans from the Intersectorial Solidarity Fund.

A number of legal disputes are ongoing, the estimated liability for which was prudently provided for.

SALES NETWORK



Agency and welfare and pension product advisor distribution

The Group closed the year with a total of 1,494 agencies, distributed as follows: 50.4% in Northern Italy, 26.8% in Central Italy and 22.8% in Southern Italy and the islands.

The number of Welfare and pension product advisors came to 238: C.P. Servizi Consulenziali sub-agents numbered 210 and Agenzia Generale Agrifides sub-agents came to 28.

Agent network and welfare and pension product advisor training

In 2017 the Group also invested in attaining two goals that are functional for the ongoing transformation:

- development of the expertise of its networks;
- the digital transformation programme that provides its networks and internal structures with the essential instruments to continue competing and growing in the new market context following two precise guidelines: managing efficiency and commercial effectiveness.

In line and in observance with the programme planned and shared with the distribution networks, the second area of change was launched with its training plan, which was provided:

- on site, with the support of Digital Coaches;
- on-line with the aid of infographics, video tutorials and Web Based Training (WBT) courses;
- through virtual classrooms which until December 31st saw the participation of approximately 2013 brokers.

Development of skills and training

The Group's training courses were constantly updated in consideration of regulatory amendments and marketing of new products, including:

- 59 up-front classroom training editions on the new 2017 CARD Agreement, which were held between the end of March and the beginning of May throughout Italy. This initiative involved 1,282 brokers;
- the continuation of the new training course for the induction of RUI Section E workers (first training 60 hours), available in e-learning mode, dedicated to all sub-agents and first appointment workers, with 200 novice users;
- the Group's training range was enriched by three additional commercial courses dedicated to the Home and Household range, up-front classroom based, with different target groups: 2,085 participants took part in 33 different editions in this specific course campaign, with approximately 1,800 man-days of training;

- the second edition of the Agents Profession Masters course, dedicated to young talents of the Cattolica network and FATA division, was held from February to December, 30 young Masters students were involved;
- the Executive Agent Masters course saw the continuation of all modules launched in 2016, as well as the launch of "Digital, Web & Social" and "Recruiting, Selection, Secondary Network Development" modules in 2017. 649 agents have been trained, of which 574 Cattolica and 75 FATA, for a total of over 513 agencies involved. 174 classroom editions were carried out, for a total turnout of 1,930 people in attendance and more than 3,300 man-days of training;
- as part of the development activity carried out in collaboration with the Religious Bodies Business Unit, the technical sales meetings to present the "*Nuova Soluzione Assicurativa Cattolica&Clero Secolare Parrocchia*" continued with eight editions attended by 170 brokers of selected agencies;
- a specific technical sales training activity was dedicated to the new "Small Business" product with 48 editions in Italy, attended by 1,594 brokers, for a total of over 600 training man-days.

Steps were also taken to ensure a training programme on transversal themes including training on life products; courses were held for new agencies and constant refreshers with on-line training and training and certification of welfare/pension advisors. Thanks to the positive outcome of the annual inspections made by the certification authority, the Network Training & Development department obtained certification as per the technical quality standard UNI 11402 (Quality Financial, Insurance and Welfare Education), as well as that for the UNI ISO 29990 standard (non-formal training).

With reference to TUA Assicurazioni, a number of professional classroom refresher courses were provided, including one on the evolution of welfare in Italy with particular focus on the accident and injury class and on the TUA products tied to the class, one on the new CARD, on handling claims, on the advance electronic signature and on use of the EASY Agency software program. The new products were also presented with two customised courses.
Eight editions of the "Adequacy and Accounting Management" course were delivered, while the digital theme, one of the cornerstones of the TUA training provision, was incorporated in nine classroom editions of the course dedicated to the proper and effective use of leads. Both courses were mainly for agents.

With reference to the "Tua Scuola on the Road" project, a course on the "*Tua Salute*" product was provided from March to May 2017.
With regard to professional refresher training in the classroom during 2017, 19 courses were held, for a total of 137 editions and 3,514 participants (2,851 man-days).
The training course in preparation for the induction of RUI Section E workers (initial training 60 hours), available in e-learning and classroom mode, was used and completed by 60 novice users.
With regard to distance learning, 3 courses dealing with new products, 1 course on product restyling and two courses on the subject of digital development and transformation were included in the online training platform.

Bank coverage

The bank-assurance channel is overseen by the Parent Company by means of a partnership strategy with banking operators based on both commercial agreements with numerous institutions for the sale of insurance policies via bank branches, and through the insurance companies in which the Parent Company, thereby obtaining control, and banking partners invest.

The number of branches distributing Pension Planning products total 5,064, compared with 5,649 in 2016, mainly due to the termination of the agreement with the BPVi Group.

The bank branches of the UBI Group numbered 567 compared to 580 in the previous year. The alliance with ICCREA HOLDING launched in the second half of 2009 makes it possible to distribute products via 4,019 branches of the co-operative lending banks (3,940 as of December 31st, 2016). The leading banks operating as Cattolica's partners, in addition to those already mentioned, include Banca Carim, Banca Popolare Pugliese, Banca di Credito Popolare.

Bank-assurance partner training

The professional refresher and training courses were carried out for the distribution network in accordance with the matters envisaged by IVASS regulation No. 6 dated December 2nd, 2014 on the question of the professional requisites of the insurance brokers to whom the insurance companies have recourse.

With the intention of assisting the strengthening of the professional requisites, the network of insurance brokers was involved in training courses offered based on specific needs.

The insurance companies supported the brokers in these activities, in accordance with the matters envisaged by the agreements outstanding with the banking partner. They also monitored the adequacy of the training provided and recorded the tests taken using the special application software.

Financial advisor distribution

The volume of Group's financial advisors fell to 800, compared with 906 at the end of the previous year.

Performance of Cattolica stock

Minimum price

5.69€

Maximum price

9.53€

MANAGEMENT REPORT

The Group in 2017

Business performance for the period

Risk management

Headcount and sales network

Significant events and other information

Significant events and other information

SIGNIFICANT TRANSACTIONS CARRIED OUT DURING THE YEAR

The significant events that occurred during the year as part of managing the investments in Group companies, the corporate reorganisation and the consequent rationalisation of activities are set out below, in addition to other significant events during the year.

It is noted that the Parent Company's Board of Directors resolved to comply, with effect as from December 13th, 2012, with the opt-out regime as per articles 70, paragraph 8 and 71, paragraph 1-*bis*, of the Issuers' Regulations, therefore availing itself of the faculty to depart from the obligations to publish the disclosure documents laid down at the time of significant merger, spin-off, share capital increase via conferral of assets in kind transactions, acquisitions and transfers.

Bancassurance partnership with Banco BPM

On September 27th, the Parent Company sent Banco BPM S.p.A. (Banco BPM) a binding offer for a bancassurance partnership, relating to the purchase of a majority investment in Popolare Vita S.p.A. and Avipop Assicurazioni S.p.A. (the "Companies") and the entering into an insurance product distribution agreement in the Life Business and the Non-life Businesses.
On October 17th, Cattolica accepted the proposal of Banco BPM to launch an exclusive negotiation phase for the bancassurance partnership agreement, which envisages the acquisition of a majority holding in Popolare Vita S.p.A. and Avipop Assicurazioni S.p.A. (of which Banco BPM also holds a minority interest) and the signing of a long-term agreement with Banco BPM for the distribution of life and non-life products on the former Banco Popolare network.
On October 31st, Banco BPM and Cattolica disclosed that they had by mutual agreement extended the exclusive negotiation period between the parties until November 9th, so as to finalise the terms of the transaction and the associated contractual documentation.
On November 9th, Banco BPM and Cattolica signed an agreement which provides for, subject to obtaining legal authorisations and the prior acquisition by Banco BPM of the entire shareholding in the share capital, the acquisition by Cattolica of a 65% stake in the capital of the Companies and the start of a commercial partnership for the distribution of life and non-life insurance products of the same Companies, through the former Banco Popolare network, for a duration of 15 years.
The transaction is based on a 100% valorisation of Popolare Vita equal to € 789.6 million and 100% valorisation of Avipop Assicurazioni equal to € 475 million. In particular, Banco BPM will be paid an amount equal to € 853.4 million for the sale of 65% of the Companies divided up into € 544.6 million for the sale of 65% of Popolare Vita (taking into account the distribution of available reserves, € 89.6 million to the shareholder Banco BPM before the acquisition of the investment by Cattolica) and € 308.8 million for the sale of 65% of Avipop Assicurazioni. Cattolica will carry out management and co-ordination activities of the Companies. With regard to matters of strategic importance, Banco BPM will maintain the power of veto; Cattolica will appoint the managing director of the Companies, and Banco BPM the general manager. Cattolica will finance the transaction by means of own equity and via the issue of debt instruments. The transaction will have an incremental impact on the profitability of Cattolica, while the financial structure identified will make it possible to maintain the financial solidity of the Parent Company.
On November 14th, the Board of Directors of Cattolica took on, pursuant to art. 2410 of the Italian Civil Code, the resolution to issue a subordinated Tier 2 debenture loan up to a total

maximum amount of € 500 million.
On December 5th, the Parent Company successfully placed the debenture loan, reserved exclusively for qualified investors. The issue, which received orders from more than 250 investors for a total of more than € 3 billion, equal to approximately seven times the amount of the issue, was completed on December 14th and as from that date the bonds were listed on the regulated market of the Irish Stock Exchange. The operation is aimed at strengthening Cattolica's capital and financial profile, taking into account the conclusion of the agreement between Cattolica and Banco BPM.

Standard & Poor's confirmed the rating of the loan as "BB+".

Banca Popolare di Vicenza

On February 10th, further to the matters communicated on August 4th, 2016, since six months had elapsed as from receipt by Banca Popolare di Vicenza (BPVi) of the communication relating to the unilateral withdrawal of Cattolica from the partnership agreements with the bank, the lock-up restriction on 4,120,976 Cattolica shares owned by BPVi ceased, without prejudice to anything else envisaged in the agreements. The period for exercising the right to sell BPVi investments held in the share capital of Berica Vita S.p.A, Cattolica Life DAC and ABC Assicura S.p.A. according to the partnership Agreements, drawn up with the bank and already to the market's knowledge, started from that same date.
BPVi, which was not yet under compulsory administrative liquidation at that time, decided to contest the legitimacy of Cattolica's withdrawal, however on the basis of arguments considered unfounded by Cattolica's legal advisors, was nevertheless in a situation that already showed objective warning signals.
On April 4th Cattolica resolved to exercise the right of option to sell BPVi investments held in the share capital of Berica Vita, Cattolica Life and ABC Assicura according to the partnership Agreements drawn up at the time and mentioned above within the terms contractually set. On that date the value came to € 186.1 million. Moreover, based on the accounting and actuarial results, the penalties set for failure to meet the production and profitability targets of the investee companies amounted to € 8.6 million as of February 10th, 2017.
On April 5th BPVi issued a press release reporting that 10,500,000 ordinary Cattolica shares had been sold.
In compliance with Italian Law Decree dated June 25th, 2017, the Italian Minister for the Economy and Finance, on the proposal of the Bank of Italy, subjected BPVi to compulsory winding up. The Bank of Italy appointed the liquidator commissioners.
In implementing the ministerial instructions and with the support of the Italian government, the liquidator commissioners transferred company assets and liabilities to Intesa San Paolo S.p.A., which took over the transferor's customer relations without interruption. The bank's impaired loans left out of the transfer were later transferred to a state-controlled company.
The rights of the shareholders and the subordinated liabilities remained under liquidation.
The acquired BPVi branches have become Intesa Sanpaolo branches.
All legal and commercial relationships between Cattolica and BPVi however ceased owing to the compulsory winding up, and the resulting outstanding credit accounts for Cattolica will be defined during the liquidation procedure.
On August 8th, the Parent Company sent the bodies of the Compulsory Winding up of Banca Popolare di Vicenza the "Request for the acknowledgement of receivables pursuant to art. 86, paragraph 5, of Italian Legislative Decree No. 385/1993" in relation to the receivables for more than € 190 million concerning (i) the failure of the Bank to purchase the Cattolica equity investments in the jointly-owned companies Berica Vita S.p.A., ABC Assicura S.p.A. and

Cattolica Life DAC, (ii) for fines in relation to insurance brokerage commitments.
By letter dated October 9th, 2017, Intesa Sanpaolo declared that it did not consider it in their interest to take over distribution contracts for insurance/pension products of the two companies.
Following the de facto termination of commercial and operating relations between the companies and banks of the BPVi Group, no new production was initiated.
Subsequently, the companies directly provided assistance to customers for all necessary after-sales transactions.
The joint venture companies Berica Vita S.p.A., Cattolica Life DAC and ABC Assicura S.p.A. have still remained joint ventures, albeit under the unified management and coordination of Cattolica, pending the decisions of the bodies for the procedure on the disposal of the 40% minority interests held by the same.
It is noted that, in October 2017 BPVi appeared to have sold its entire equity investment held at that time in the share capital of Cattolica.
Moreover, with particular reference to the capital increase of the same bank in spring 2014 and the contents of the relative statement, on April 4th, 2017 the Parent Company filed claims for damages against BPVi, who in turn contested the basis of Cattolica's claim; following the initiation of the compulsory administrative liquidation procedure, on August 8th, 2017 the Parent Company sent a "Request for recognition of receivables pursuant to art. 86, paragraph 5, of Legislative Decree No. 385/1993" in relation to this additional credit right for the sum of approximately € 30 million.

Other events

With regard to the measure taken by the Public Prosecutor's Office of Venice on June 16th, 2017, in which the Company's worker, Albino Zatachetto and Giuseppe Milone, administrative manager and Appointed Executive of the company, were under investigation, the Board of Directors of the Company adopted a clear-cut line of action aimed at effectively and transparently ascertaining any internal responsibilities of its staff and workers.
The Board of Directors then promptly resolved to terminate the coordinated and continued employment of Albino Zatachetto and as a precaution suspend, with immediate effect, Giuseppe Milone, head of the Administration and Budget Unit and Executive appointed to prepare the corporate accounting documents.
The Board of Directors also assigned to the Control and Risk Committee, with the support of the Internal Audit unit and in liaison with the 231 Supervisory Body and the Board of Statutory Auditors, a specific task relating to the supervision and coordination of activities within the scope of investigations initiated by the Public Prosecutor's Office.
The Control and Risk Committee then coordinated the activities carried out by the consultants appointed by the Board of Directors and monitored the results, which conclusively showed that the overall Organisational, Management and Control Model defined pursuant to Legislative Decree No. 231/2001 was substantially maintained.
On January 1st, 2018 Giuseppe Milone left the Cattolica Assicurazioni Group.

On July 27th, the Parent Company informed the market that on July 26th, the Managing Director informed the Board of Directors of the results of applying the new procedures for testing Group assets for impairment that were introduced after the Board's resolution on July 13th, aimed at adapting the Group's assessment models to the Solvency II approach, in line with maximum prudence principles.
The Board, which availed itself of the support of a leading auditing firm, approved non-recurrent writedowns (figures already net of tax effects and shadow accounting) for a total of €

67 million (of which € 66 million was the Group's portion).
In this communication it was therefore noted that the consolidated profit forecast of approximately € 150 million as of December 31st, 2017, disclosed to the market on November 11th, 2016, may diverge by the above amount of € 67 million. On the basis of the final figures as of December 31st, 2017, the consolidated profit is affected by writedowns of € 62 million. These writedowns neither regard nor affect the Group's ordinary income or equity profile.

Berkshire Hathaway, investment group headed up by Warren Buffet, by means of the mandatory up-dates to CONSOB, made it official that it had acquired from Questio Capital Management SGR an investment of 9.047% in Cattolica's share capital. This transaction took place on October 5th.

As from October 20th, the Norwegian Central Bank Norges Bank has 3.092% of Cattolica in its portfolio, held under direct ownership.

Other investee companies

On April 19th, the amendment of several conditions of the 2010 Framework Agreement regarding the organisational set-ups changed in the UBI Group and the impacts these changes have on Lombarda Vita insurance distribution was finalised with Unione di Banche Italiane S.p.A.

In April, a private agreement was signed, followed by payment by way of indemnity of € 781,376.87 by ICCREA Banca to once and for all close all and any of its indebtedness towards BCC Vita, in execution of the indemnity obligations pursuant to the 2009 shareholders' agreement between the shareholders of BCC Vita in the aftermath of the merger of the "BCC Vita Capitalizzazione Più" segregated fund.

On June 30th, the outline agreement, governing specific areas of development and collaboration between the Parent Company and Intermonte Holding S.p.A., renewed with some amendments and updates in 2016, expired. Following the termination of the agreements, the Parent Company is no longer represented in the governance of the investee, Intermonte SIM S.p.A.

On September 7th, Vegagest SGR S.p.A. disclosed that the Bank of Italy had authorised, by means of provision dated September 6th, the company Europa Investimenti S.p.A. to take control over the assets management company (SGR), via the purchase of the share investments held by the shareholders of said Vegagest. Therefore, having fulfilled all the conditions to which the implementation of the preliminary sale and purchase agreement signed between the parties was subject to, on September 27th, Cattolica sold its shareholding in the SGR to Europa Investimenti S.p.A.

On September 29th, an Outline agreement was entered into between Crédit Agricole S.A., via its Italian subsidiary Crédit Agricole Cariparma S.p.A., the Interbank Guarantee Fund - Voluntary Scheme and Cassa di Risparmio di San Miniato S.p.A., Banca Carim - Cassa di Risparmio di Rimini S.p.A and Cassa di Risparmio di Cesena S.p.A. which envisaged the acquisition by Crédit Agricole Cariparma of an investment of 95.3% on the three banks, at a total price of € 130 million, subject to, amongst other aspects, obtaining the necessary Italian and European supervisory authorisations.
In accordance with the matters envisaged by the outline agreement, on September 28th the

Board of Directors of Cassa di Risparmio di San Miniato S.p.A. partially exercised authorisation to increase the share capital granted by the shareholders' meeting held on June 29th, 2017, for a total of 200 million, inclusive of share premium, by means of the issue of 449,438,202 new ordinary shares without nominal value, regular dividend rights, to be reserved for the Interbank Guarantee Fund - Voluntary Scheme, at a price per share of € 0.445, inclusive of share premium.
Furthermore, the Interbank Guarantee Fund - Voluntary Scheme again in accordance with the matters envisaged in the outline agreement made a payment "towards future share capital increases" in favour of Cassa di Risparmio di San Miniato S.p.A. for € 30 million, by way of partial execution of the share capital increase, to be calculated for Supervisory purposes.
On December 4th, the Bank's Board of Directors obtained authorisation from the Bank of Italy to make the amendments to the Articles of Association following the exercising of powers conferred by the Shareholders' Meeting of June 29th, 2017 to increase the share capital by € 200 million.
On December 21st, the capital increase was fully subscribed by the Interbank Guarantee Fund - Voluntary Scheme; the shares were subsequently transferred to Crédit Agricole Cariparma S.p.A. Since that date, the Bank has been part of the Crédit Agricole Italia banking group.
Following the events described, the Parent Company's equity investment in Cassa di Risparmio di San Miniato S.p.A. was diluted from 25.12% to 1.2%, thus losing the latter's connotation of an associated holding.

Recapitalisations

The following capital contributions were made during the year.

In January, the Parent Company made a payment towards share capital in favour of Cattolica Beni Immobili for € 4.9 million, within the sphere of the plan for dealing with the commitments envisaged for the restructuring and safety measures for the premises used for events care of the Cattolica Center.

In February, in proportion to the respective shares held, the shareholders of BCC Vita paid in additional capital contributions totalling € 10 million, as already envisaged in the interventions at the end of 2016.

In May and July, two capital contributions of € 1 million each were arranged in favour of C.P. Servizi Consulenziali, and these are the first two tranches of a total maximum payment of € 4 million resolved in order to meet its cash needs and to maintain adequate capitalisation of the subsidiary.

In September, a capital contribution was approved in favour of Cattolica Agricola for a total of € 4 million, completed through two payments in October.

Supervisory Authority (IVASS)

In relation to the procedure launched in 2016 by the Anti-trust Authority regarding the leading insurance companies in the Motor TPL class, and among these the Parent Company, FATA Assicurazioni Danni and TUA Assicurazioni, for a possible restrictive understanding of the competition, the Authority concluded the procedure, with resolution dated August 9th, deciding that "the reasons for the measure in relation to the company have ceased to exist".

With regard to the CONSOB procedure - previously reported on in the consolidated interim report, regarding the disputed case of the Parent Company having failed to activate the Related

Parties Committee, indicating the lack of control measures - in the case in question - by the Board of Statutory Auditors in office until April 2016, you are hereby informed that on September 13th, 2017 CONSOB disclosed that the Commission, having assessed the preliminary results, did not deem that the conditions for the adoption of sanction measures existed, arranging for the dismissal of the proceedings.

With reference to the inspection activities initiated by IVASS in 2016, the Parent Company, in respect of its own interests, and Lombarda Vita informed the Authority on the progress of activities. On December 12th, IVASS notified Lombarda Vita of an administrative fine of € 60 thousand at the conclusion of proceedings.

As regards the inspection of BCC Vita and BCC Assicurazioni, which began in 2016, the companies, following the report submitted in January, initiated the activities provided for in the letter of acknowledgement.

With measures protocols No. 0092935/17 and 0092936/17 dated May 11th, 2017, IVASS, with reference to the Solvency II ratio, authorised the use, starting from the 2016 assessments, of the specific respective parameters of the Group (GSP) and the company (USP) .

On June 23rd, CONSOB sent a notice regarding the alleged lack of promptness of the press release issued on November 11th, 2016 on the revised results forecast for 2017. Following the presentation of counter-deductions by the Parent Company and the hearing of several Group executives, on December 13th, CONSOB submitted the Report for the Commission, prepared by the Administrative Fines Office, proposing to the Commission that it apply a pecuniary administrative fine equal to € 30,000 thousand to Cattolica. The Company presented further counter-deductions. In February 2018, having assessed the preliminary findings, the Commission did not deem that the conditions for the adoption of a measure imposing fines on this Company were met and therefore ordered the proceedings to be closed.

The inspections of Cattolica, Berica Vita, BCC Vita and Lombarda Vita by the Bank of Italy's FIU on November 22nd, 2017, to conduct anti-money laundering investigations, are still in progress.

Italian Revenue Agency

In September, C.P. Servizi Consulenziali were served notices of assessment that refer to the Report on Findings prepared by the Italian Revenue Agency - Verona Provincial Office, on conclusion of the inspection carried out for VAT purposes, initiated in April.

In November, an amount of € 4.6 million was paid for VAT and interest following notification to the Parent Company and to Cattolica Services of unfavourable decisions by the Supreme Courts of Cassation - Tax Section, after two levels of judgment (Provincial and Regional Tax Commissions) that had seen the Group victorious. The events originate from assessments concerning the VAT exemption treatment applied to auxiliary services provided in application of the system provided for by art. 6 of Law 133/1999. The Parent Company also set aside a provision for risks of € 3.9 million for fines, originally envisaged in the served notices of assessment.

At the end of December, the Parent Company was served with a notice of assessment following the Report of Findings served at the conclusion of the targeted monitoring, which began at the end of May, carried out by the Italian Revenue Agency - Veneto Regional Division and aimed at verifying the tax treatment of interest expense and the IRAP deduction for IRES purposes relating to interest expense.

APPOINTMENTS OF SENIOR MANAGEMENT OF THE COMPANY

In addition to the appointments to the Board of Directors of Cattolica resolved by the Shareholders' Meeting held on April 22nd, it was announced at the Board of Directors meeting of April 28th that Giovan Battista Mazzucchelli will leave the Board of Directors and the positions of Director and Managing Director at Cattolica Assicurazioni and other Group companies effective May 30th. On that same date, the Board of Directors appointed Alberto Minali to become the new Managing Director starting from June 1st, 2017.

On June 1st, the Board of Directors of Cattolica Assicurazioni co-opted Alberto Minali to the Board pursuant to art. 2386 of the Italian Civil Code and appointed him as Managing Director of the Company and of the Group.

On June 27th, the Board of Directors of the Parent Company assigned the General Manager Marco Cardinaletti to the post of Executive appointed to prepare the corporate accounting documents.

Flavio Piva left the office of Markets and Operations Area General Manager of Cattolica effective July 1st.
As part of a broader organisational redesign, the Board of Directors appointed Carlo Ferraresi as the new General Manager of the Markets and Distribution Channels Area. His appointment came into force on July 1st.

On September 1st, Mr Enrico Mattioli joined the Group, assuming the office of Deputy General Manager of Strategic Planning and Control, Administration and Financial Reporting, reporting to the Managing Director. He was also appointed as Chief Financial Operator of the Cattolica Group.

On October 19th, the Board of Directors appointed Mr. Enrico Mattioli as Investor Relations Officer and, as shown in subsequent events, on January 28th, 2018 appointed him as the Executive appointed to prepare the corporate accounting documents.

PREVENTION AND COUNTERING FRAUD

The Group, whilst also implementing regulatory provisions concerning the fight against fraud in the motor liability sector, adopted a prevention and countering fraud policy, in which objectives, responsibilities and guidelines of the specific organisational model are defined.
The policy is aimed at limiting exposure to the risk of fraud, understood as the possibility of suffering economic losses due to the undue conduct of employees or third parties, with possible consequences also in terms of reputation.
The organisational model for preventing and countering fraud is integrated into the internal control system and is similarly structured along three lines of defence. Responsibility is pervasive and widespread throughout the corporate organisation.

In compliance with the provisions of art. 30 of Italian Law No. 27 of March 24th, 2012 and the IVASS Protocol No. 47-14-000982 dated March 11th, 2014, the estimate of the reduction of the charges for motor TPL claims deriving from the assessment of fraud, consequent to control and fraud suppression activities, for the Group, was quantified as € 19.6 million (€ 18.2 million as of December 31st, 2016).

GROUP COMPLAINTS MANAGEMENT

The handling of complaints is entrusted to a specific unit, the Complaints Group Service, appointed as per ISVAP Regulation No. 24 dated May 19th, 2008; it sees to handling of the complaints made by those who avail of the insurance activities (customers, injured parties, legal advisors, consumer associations).
The unit also contributes towards monitoring the service levels and the company areas in view of possible improvements.
During the year, with reference to the Group, a total of 3,502 written complaints were registered, of which 1,179 were upheld. Complaints were dealt with, on average, within 21 days, compared with 15 in the previous year.

INFORMATION SYSTEMS

The most important actions taken on the information systems are presented below.

Applicative measures
During 2017, the IT integration of FATA Assicurazioni Danni systems (merged through incorporation into Cattolica with effect from January 1st, 2016) with Cattolica systems was completed and the programme to bring TUA Assicurazioni systems into line with Group applications was launched.

The programme of initiatives aimed at digitizing the main processes supporting the agencies' business (so-called digital transformation) is ongoing. The following projects were completed: implementation of the new sales force management system, new portal for the agents network, development of tools for managing agency/directorate dialogue, the document system, mobile receipts, agency sites, and a system for managing marketing campaigns.
The customer experience project is currently underway, which will involve a comprehensive review of the Parent Company's access points (corporate website, apps, etc.). As part of this project, the rationalization of telephone numbers and IT tools for contact centres dedicated to Group customers was completed.

After finalising the new anti-fraud system in the first half of the year to support the claims department for the motor line, the extension of the model to the non-motor line was initiated. The implementation of a new anti-money laundering system was also finalised. In the area of finance systems, the creation of the single securities database was completed and the project for the creation of new back office and front office systems is underway.
The new Life system was launched on the agency network and will be completed by 2018.
Pilot initiatives are also underway for the application of innovative technologies (robotics, artificial intelligence and big data) aimed at increasing the efficiency of the implementation of certain business processes through automation.

As regards compliance with regulations, it should be noted that for Solvency II, activities on annual QRT Full Phases and the revision of the data quality architecture have been completed; interventions supporting the USP model were concluded; work is underway on the preparation of new QRT Full Phases, which will be deployed in 2018. The appropriate measures are in place to comply with privacy regulations (so-called GDPR) and IDD. A project to analyse the impact of new accounting standards (IFRS 9 and IFRS 17) has been launched.

Infrastructures and quality of IT services

In the first half of 2017, as planned, the modernisation and expansion of the infrastructure was completed and the new model for managing infrastructure services was fully implemented during the year.

The project to extend automated testing procedures to all major applications is under way, as is an activity for the further development of the system for monitoring the main services provided by the IT unit that will enhance the information deriving from the results of the Business Impact Analysis recently carried out.

The project in the IT security sector continues, which is being rolled out through 2017-2018. A joint-direction team on Cyber Security in collaboration with the Risk Management Unit was also formed in order to allow the cyber risk management/control processes to evolve. The main projects carried out concerning cyber security are: centralised user management, implementation of access monitoring devices for company applications, centralised access control, implementation of infrastructural security management devices, implementation of software for the collection and correlation of user access information to company systems in order to monitor potential abnormal behaviour. IT security monitoring systems will be further strengthened through a Security Operation Centre that will operate on a continuous 24/7 basis to monitor company information systems.

Lastly, a project was launched to modernise employee support tools (personal equipment, smart working tools, support for meeting points, connectivity between management offices, etc.). The new company intranet was created in this context.

MANAGEMENT AND CO-ORDINATION ACTIVITIES ACCORDING TO ART. 2497 *ET SEQ.* OF THE ITALIAN CIVIL CODE

The Parent Company has exercised its management and co-ordination powers in observance of the principles of correct corporate and business management and on a consistent basis with the roles assigned to the individual Group companies.
With specific reference to the transactions expressly influenced by the Parent Company, in addition to the transactions indicated in other parts of this report, it should be noted that said transactions concerned, among other things:

- resolutions and subsequent activities for adaptation to ISVAP Regulation No. 20 dated March 26th, 2008;
- the approval of guidelines for the handling of risks at Group level, as well as the forecast assessment of the risk and solvency profile within the sphere of the ORSA process;
- the approval of the risk propensity systems, setting the risk tolerance levels;
- the adoption of the guidelines for intercompany transactions;
- the adoption of governance and management approaches and controls which are standard at Group level;
- the implementation of co-ordinated operating policies;
- the adoption and the review of company policies in accordance with the current legislation applicable;
- the choices concerning the composition, formation and the remuneration of the corporate bodies, management and other significant roles with respect to the governance set up.

So as to ensure an evolution of the Group consistent with the lines identified at Company level, the management and co-ordination activities concerned the implementation of co-ordinated management policies and the definition of a number of development lines of the Group's strategic layout.

The Parent Company has also completed the necessary recapitalisation measures to ensure that subsidiaries have the financial resources to complete certain transactions.
With regard to financial, tax and administration matters, the central role of the Parent Company is highlighted in the definition of the operating lines in which the Group's companies are involved.

TAX CONSOLIDATION

The subsidiaries which comply with the national tax consolidation system are: ABC Assicura, Berica Vita, BCC Assicurazioni, BCC Vita, Cattolica Agricola, Cattolica Beni Immobili, Cattolica Immobiliare, Cattolica Services, C.P. Servizi Consulenziali, Lombarda Vita, TUA Assicurazioni and TUA Retail.
The reasons why the option has been exercised lie in the appropriateness of offsetting the tax positions with an opposite sign between the Group companies, consequently optimising the financial aspects.
For the purposes of the regulation of the economic transactions deriving from the compliance with the tax consolidation regime, an agreement was entered into with the Parent Company by each investee company. With reference to the allocations of the economic effects associated with the exercise of the option, the subsidiaries transfer the amounts corresponding to the

taxes and advances deriving from their taxable position to the Company; by contrast, they receive from the Parent Company the amount corresponding to lower tax paid by the same due to the effects of the use of tax losses transferred by subsidiaries.

CONSOLIDATED NON-FINANCIAL STATEMENT

The consolidated non-financial statement of Società Cattolica di Assicurazione-Società Cooperativa, prepared pursuant to Italian Legislative Decree No. 254 of December 30th, 2016, includes a separate report (Sustainability Report) from this management report, as provided for by art. 5, paragraph 3, letter b of the above mentioned legislative decree, and is available on the website www.cattolica.it, in the “Business Ethics” section.

OWN SHARES HELD BY THE PARENT COMPANY AND BY ITS SUBSIDIARIES

The shareholders’ meeting held on April 22nd, upon the proposal of the Board of Directors, approved the plan for the purchase and sale of own shares pursuant to the law. The proposed authorisation concerns the purchase, once or multiple times, of own shares up to the maximum number allowed by current legislative provisions, therefore up to 20% of the *pro tempore* share capital of the Parent Company, taking into account own shares already held by it and by its subsidiaries, for a period of 18 months from the date of the shareholders’ meeting resolution.

During the year, 1,328,625 shares were purchased and 343,905 sold, for a total price of € 9.4 million for purchases and € 2.4 million for sales.
As of December 31st, the Parent Company held 6,679,907 own shares, equal to 3.8% of the share capital, recorded in the Reserve for own shares in the portfolio for a total value of € 47 million.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to CONSOB Regulation No. 17221 dated March 12th, 2010, and subsequent amendments and additions, as from January 1st, 2011 the “Procedure for the management of transactions with related parties” approved by the Board of Directors with last up-date by means of resolution dated December 20th, 2016, applies to the situations envisaged by regulations.
The document relating to this procedure - which should be referred to for details - is published on the website - www.cattolica.it - in the “Governance” section.
With reference to disclosure on transactions with related parties, please see Part D - Other information in the notes to the accounts.

ATYPICAL OR UNUSUAL TRANSACTIONS AND NON-RECURRENT SIGNIFICANT OPERATIONS AND EVENTS

Pursuant to CONSOB DEM/6064293 dated July 28th, 2006, it is noted that no atypical and/or unusual transactions were entered into during operational activities.

With reference to significant non-recurrent events and operations with significant effects on

the Group's accounts, as already reported in other parts of the consolidated financial statements, the issue of the debenture loan for a total of € 500 million is noted.
The communication to the market of July 27th, regarding the write-down of certain Group assets is also noted.

PERFORMANCE OF CATTOLICA STOCK

During the year, Cattolica shares recorded a minimum price of € 5.69 and a maximum price of € 9.53. The capitalisation of the stock on the market as of December 31st came to € 1,577 million.

During the year the performance of the stock reported an increase of 62.5% with respect to an increase of 13.6% in the FTSE Mib index and an increase of 8.1% in the FTSE Italia All-Share Insurance Index.

Average volumes traded in 2017 were 849,886 transactions.

On May 24th, 2017, with coupon detachment date on the 22nd of said month, the Company distributed a sole dividend of € 0.35 per share.

Ratios per share

A summary of the main ratios per share is presented below as of December 31st:

Table 15 - Ratios per share

(in €)	**2017**	**2016**
Number of outstanding shares (*)	168,001,988	169,820,955
Premiums written per share (insurance premiums and investment contracts)	29.81	28.02
Group profit per share	0.24	0.45
Group shareholders' equity per share	10.98	10.92

(*) The number of shares in circulation is calculated in pursuance of IAS 33

SIGNIFICANT EVENTS DURING THE FIRST FEW MONTHS OF 2018

On January 8th, 2018, the Shareholders' Meeting of Cassa di Risparmio di San Miniato appointed a Board of Directors and Board of Statutory Auditors. The renewal of governance is a consequence of the implementation of the € 200 million capital increase, concluded on December 21st, 2017, and the change of the body that exercises control over the Bank (Crédit Agricole Cariparma S.p.A.).
On February 8th, 2018, Credit Agricole Cariparma S.p.A. decided to launch a voluntary public tender offer to retail shareholders (differing from banking foundations, banks or financial intermediaries, insurance companies or other institutional entities) of the subsidiary Cassa di Risparmio di San Miniato, in which it holds a 95.3% stake. On the same day, the Boards of Directors of Credit Agricole Cariparma S.p.A., Cassa di Risparmio di San Miniato S.p.A., Cassa di Risparmio di Rimini S.p.A. and Cassa di Risparmio di Cesena S.p.A. approved the project for merger via incorporation into the parent company Credit Agricole Cariparma S.p.A. The completion of the transaction is subject to the approval of the Extraordinary Shareholders' Meetings of the companies involved in the merger and the issue of the necessary authorisations by the competent authorities.

On January 15th, 2018, IVASS began an inspection of BCC Vita in order to carry out checks aimed at verifying the best estimate of technical provisions (best estimate of liabilities). The inspection is still underway.

As part of the operation to establish a bancassurance partnership with Banco BPM, with a provision dated January 23rd, 2018, IVASS initiated the authorisation procedure for Cattolica to take over controlling stakes in the share capital of Popolare Vita S.p.A. and Avipop Assicurazioni S.p.A. The deadline for the conclusion of the procedure is 60 days (i.e. March 24th, 2018).
On February 9th, 2018, the Parent Company formally submitted to the Central Bank of Ireland a request for the acquisition, indirectly, of The Lawrence Life Assurance Company DAC, a Dublin-based company, 100% controlled by Popolare Vita S.p.A. The period for the conclusion of the proceedings was set at 60 days.

On January 28th 2018, Cattolica's Board of Directors approved the 2018-2020 Business Plan, which was presented the following day at a meeting with analysts and investors at the Milan Stock Exchange. The Plan aims to make Cattolica a more innovative, agile and reactive Group, ready to take on the challenges and opportunities of an increasingly competitive market, in a macroeconomic, yet challenging context.
The Plan's strategy is based on three pillars: profitable growth, technical excellence and innovation. The Group's cultural transformation and simplification is cross-cutting with the strategic actions and pillars of the Plan. The combined action of these drivers aims to enhance the strengths already possessed by the Group and to increase performance.

On January 28th, 2018, Marco Cardinaletti left his position as General Manager of the Insurance Division and technical-administrative Co-ordination of the Group, though maintaining his position as Managing Director of TUA Assicurazioni.

On January 28th 2018, the Board Of Directors of the Parent Cattolica appointed Enrico Mattioli the Deputy General Manager and CFO as the Executive appointed to prepare the corporate accounting documents.

On February 23rd, the Parent Company completed the sale of the entire current shareholding held in Infracom S.p.A to 2iFiber S.p.A. (250 shares with a nominal value of € 500 each), for a total price of € 75 thousand.

On March 1st, 2018, Massimo di Tria joined the Group as Chief Investment Officer, reporting to the Managing Director.
Dr. Tria is a member of the Allianz insurance group and has had professional experience in leading financial companies.

OUTLOOK FOR BUSINESS ACTIVITIES

Last January, the Group presented its new 2018-2020 Business Plan, based on the pillars of profitable growth, technical excellence and innovation. The Group is committed to the early stages of implementation of the Plan, with particular attention on finalising the announced distribution agreement with Banco BPM and commencing operations.

As regards ordinary business, the trends that emerged in the last months of 2017 were identified: in the motor line, a modest upswing in the average premium was confirmed, despite the fact that it is still very competitive.
The Group’s underwriting activities will continue to be characterised by its standard competence and prudence, contributing to the quality of the customer portfolio. During the current period of high volatility of the financial markets, the Group pays particular attention to seizing return opportunities, whilst maintaining the traditional cautious approach with regard to management of assets.

THE BOARD OF DIRECTORS

Verona, March 20th, 2018

Total assets

25,886 MLN €

Total shareholders' equity

2,108 MLN €

CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2017

ASSETS

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		2017	2016
1	**INTANGIBLE ASSETS**	**265,457**	**325,124**
1.1	Goodwill	153,617	203,151
1.2	Other intangible assets	111,840	121,973
2	**TANGIBLE ASSETS**	**182,286**	**180,678**
2.1	Property	162,473	163,623
2.2	Other tangible assets	19,813	17,055
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**645,183**	**689,316**
4	**INVESTMENTS**	**22,915,192**	**21,255,230**
4.1	Investment property	572,571	493,914
4.2	Investments in subsidiaries, associated companies and joint ventures	96,432	70,522
4.3	Held to maturity investments	242,921	242,241
4.4	Loans and receivables	749,557	847,669
4.5	Available for sale financial assets	17,167,634	16,471,924
4.6	Financial assets at fair value through profit or loss	4,086,077	3,128,960
5	**SUNDRY RECEIVABLES**	**603,143**	**521,895**
5.1	Receivables deriving from direct insurance transactions	430,952	394,307
5.2	Receivables deriving from reinsurance transactions	91,506	60,250
5.3	Other receivables	80,685	67,338
6	**OTHER ASSET ITEMS**	**1,067,745**	**1,088,257**
6.1	Non-current assets or disposal group held for sale	0	0
6.2	Deferred acquisition costs	13,469	13,537
6.3	Deferred tax assets	453,818	496,174
6.4	Current tax assets	386,085	391,245
6.5	Other assets	214,373	187,301
7	**CASH AND CASH EQUIVALENTS**	**206,884**	**172,086**
	TOTAL ASSETS	**25,885,890**	**24,232,586**

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2017

SHAREHOLDERS' EQUITY AND LIABILITIES

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		2017	2016
1	**SHAREHOLDERS' EQUITY**	**2,107,536**	**2,113,726**
1.1	**pertaining to the Group**	**1,845,306**	**1,854,896**
1.1.1	Share capital	522,882	522,882
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	772,015	780,835
1.1.4	Revenue reserves and other equity reserves	476,485	453,669
1.1.5	(Own shares)	-46,945	-39,907
1.1.6	Reserve for net exchange differences	0	0
1.1.7	Gains or losses on available for sale financial assets	78,458	63,976
1.1.8	Other gains or losses recognised directly in equity	1,303	-2,813
1.1.9	Profit (loss) for the year pertaining to the Group	41,108	76,254
1.2	**pertaining to minority interests**	**262,230**	**258,830**
1.2.1	Capital and reserves pertaining to minority interests	239,108	231,680
1.2.2	Profits or losses recognised directly in equity	8,165	10,036
1.2.3	Profit (loss) for the year pertaining to minority interests	14,957	17,114
2	**PROVISIONS AND ALLOWANCES**	**51,074**	**54,361**
3	**TECHNICAL PROVISIONS**	**20,614,359**	**19,485,796**
4	**FINANCIAL LIABILITIES**	**2,172,770**	**1,634,455**
4.1	Financial liabilities at fair value through profit or loss	1,402,192	1,353,033
4.2	Other financial liabilities	770,578	281,422
5	**PAYABLES**	**300,711**	**285,974**
5.1	Payables deriving from direct insurance transactions	75,842	66,450
5.2	Payables deriving from reinsurance transactions	21,365	42,604
5.3	Other payables	203,504	176,920
6	**OTHER LIABILITY ITEMS**	**639,440**	**658,274**
6.1	Liabilities of disposal group held for sale	0	0
6.2	Deferred tax liabilities	361,036	394,624
6.3	Current tax liabilities	134,589	144,743
6.4	Other liabilities	143,815	118,907
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**25,885,890**	**24,232,586**

Income statement

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2017

INCOME STATEMENT

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		2017	2016
1.1	Net premiums	4,486,543	4,238,801
1.1.1	*Gross premiums written*	*4,777,987*	*4,552,328*
1.1.2	*Ceded premiums*	*-291,444*	*-313,527*
1.2	Commissions income	6,692	7,257
1.3	Income and charges from financial instruments at fair value through profit or loss	52,609	37,905
1.4	Income from investments in subsidiaries, associated companies and joint ventures	3,675	852
1.5	Income from other financial instruments and investment property	630,731	664,885
1.5.1	*Interest income*	*484,521*	*486,315*
1.5.2	*Other income*	*86,592*	*69,445*
1.5.3	*Realised gains*	*53,782*	*107,985*
1.5.4	*Valuation gains*	*5,836*	*1,140*
1.6	Other revenues	120,764	97,298
1	**TOTAL REVENUES AND INCOME**	**5,301,014**	**5,046,998**
2.1	Net charges relating to claims	-4,161,195	-3,887,292
2.1.1	*Amounts paid and change in technical provisions*	*-4,374,377*	*-4,061,827*
2.1.2	*Reinsurance amount*	*213,182*	*174,535*
2.2	Commissions expense	-1,025	-1,277
2.3	Charges from investments in subsidiaries, associated companies and joint ventures	-203	-34,881
2.4	Charges from other financial instruments and investment property	-123,522	-139,337
2.4.1	*Interest expense*	*-45,391*	*-39,960*
2.4.2	*Other charges*	*-4,901*	*-2,499*
2.4.3	*Realised losses*	*-22,976*	*-41,230*
2.4.4	*Valuation losses*	*-50,254*	*-55,648*
2.5	Operating expenses	-604,060	-580,817
2.5.1	*Commission and other acquisition costs*	*-417,357*	*-408,300*
2.5.2	*Operating expenses relating to investments*	*-32,508*	*-27,799*
2.5.3	*Other administrative expenses*	*-154,195*	*-144,718*
2.6	Other costs	-290,561	-218,523
2	**TOTAL COSTS AND CHARGES**	**-5,180,566**	**-4,862,127**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXATION	**120,448**	**184,871**
3	Taxation	-64,383	-91,503
	PROFIT (LOSS) FOR THE YEAR NET OF TAXATION	**56,065**	**93,368**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**0**	**0**
	CONSOLIDATED PROFIT (LOSS)	**56,065**	**93,368**
	pertaining to the Group	**41,108**	**76,254**
	pertaining to minority interests	**14,957**	**17,114**

Statement of comprehensive income

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2017

STATEMENT OF COMPREHENSIVE INCOME - Net amounts

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)	**2017**	**2016**
CONSOLIDATED PROFIT (LOSS)	**56,065**	**93,368**
Other income components net of income taxes without reclassification in the income statement	**276**	**-1,366**
Change in the equity of investee companies	0	0
Change in intangible assets revaluation reserve	0	0
Change in tangible assets revaluation reserve	0	0
Income and charges relating to non-current assets or disposal group held for sale	0	0
Actuarial gains and losses and adjustments related to defined-benefit plans	276	-1,366
Other items	0	0
Other income components net of income taxes with reclassification in the income statement	**16,451**	**-58,603**
Change in reserve for net exchange differences	0	0
Gains or losses on available for sale financial assets	12,604	-58,987
Profits or losses on cash flow hedging instruments	0	0
Profits or losses on instruments hedging a net investment in foreign operations	0	0
Change in the equity of investee companies	3,847	384
Income and charges relating to non-current assets or disposal group held for sale	0	0
Other items	0	0
TOTAL OF THE OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**16,727**	**-59,969**
TOTAL OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**72,792**	**33,399**
pertaining to the Group	***59,706***	***17,356***
pertaining to minority interests	***13,086***	***16,043***

The undersigned declare that these financial statements are true and consistent with the underlying accounting records.
The legal representatives of the company (*)

The Managing Director ALBERTO MINALI (**)

(**)

(**)

(*) For foreign companies, the signature must be that of the general representative for Italy
(**) Indicate the office covered by the signee

Cash flow statement

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2017

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)	**2017**	**2016**
Profit (loss) for the year before taxation	**120,448**	**184,871**
Changes in non-monetary items	**1,435,257**	**968,329**
Change in non-life premiums provision	20,633	-9,861
Change in provision for outstanding claims and other non-life technical provisions	53,131	22,750
Change in mathematical provisions and other life technical provisions	1,231,849	804,169
Change in deferred acquisition costs	1,046	780
Change in provisions and allowances	-3,288	-960
Non-monetary income and charges from financial instruments, investment property and equity investments	31,044	101,916
Other changes	100,842	49,535
Change in receivables and payables generated by operating activities	**-68,237**	**-119,282**
Change in receivables and payables deriving from direct insurance and reinsurance transactions	-73,008	-16,878
Change in other receivables/payables, other assets/liabilities	4,771	-102,404
Taxes paid	**-55,970**	**-69,061**
Net liquidity generated/absorbed by monetary items pertaining to investments and financing activities	**21,602**	**-293,668**
Liabilities from financial contracts issued by insurance companies	21,602	-293,668
Payables due to banking and interbank customers	0	0
Loans and receivables due from banking and interbank customers	0	0
Other financial instruments at fair value through profit or loss	0	0
TOTAL NET LIQUIDITY DERIVING FROM OPERATING ACTIVITIES	**1,453,100**	**671,189**
Net liquidity generated/absorbed by investment property	-93,040	-135,601
Net liquidity generated/absorbed by investments in subsidiaries, associated companies and joint ventures	-25,928	-69,055
Net liquidity generated/absorbed by loans and receivables	103,076	32,352
Net liquidity generated/absorbed by held to maturity investments	0	5,000
Net liquidity generated/absorbed by available for sale financial assets	-838,250	-941,022
Net liquidity generated/absorbed by tangible and intangible assets	-46,857	-80,593
Other net liquidity flows generated/absorbed by investment activities	-928,964	247,271
TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITIES	**-1,829,963**	**-941,648**
Net liquidity generated/absorbed by capital instruments pertaining to the Group	0	0
Net liquidity generated/absorbed by own shares	-7,038	-12,763
Distribution of dividends pertaining to the Group	-58,854	-59,554
Net liquidity generated/absorbed by capital and reserves pertaining to minority interests	-11,393	-5,630
Net liquidity generated/absorbed by subordinated liabilities and by participative financial instruments	498,300	0
Net liquidity generated/absorbed by sundry financial liabilities	-9,354	-969
TOTAL NET LIQUIDITY DERIVING FROM FINANCING ACTIVITIES	**411,661**	**-78,916**
Effect of the exchange differences on cash and cash equivalents	**0**	**0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	172,086	521,461
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,798	-349,375
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	206,884	172,086

Statement of changes in shareholders' equity

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2017

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		Balance December 31st, 2015	Change in closing balances	Charges	Adjustments from reclassificati on to income statement	Transfers	Changes in investment holdings	Balance December 31st, 2016
Shareholders' equity pertaining to the Group	Share capital	522,882	0	0		0		522,882
	Other equity instruments	0	0	0		0		0
	Capital reserves	790,877	0	-10,042		0		780,835
	Revenue reserves and other equity reserves	444,233	0	68,990		-59,554	0	453,669
	(Own shares)	-27,144	0	0		-12,763		-39,907
	Profit (loss) for the year	60,914	0	15,340		0		76,254
	Other components of the statement of comprehensive income	120,061	0	-30,440	-28,458	0	0	61,163
	Total pertaining to the Group	**1,911,823**	**0**	**43,848**	**-28,458**	**-72,317**	**0**	**1,854,896**
Shareholders' equity pertaining to minority interests	Capital and reserves pertaining to minority interests	215,047	0	36,963		-20,330	0	231,680
	Profit (loss) for the year	20,722	0	-3,608		0		17,114
	Other components of the statement of comprehensive income	11,107	0	-1,051	-20	0	0	10,036
	Total pertaining to minority interests	**246,876**	**0**	**32,304**	**-20**	**-20,330**	**0**	**258,830**
TOTAL		**2,158,699**	**0**	**76,152**	**-28,478**	**-92,647**	**0**	**2,113,726**

(€ thousands)		Balance December 31st, 2016	Change in closing balances	Charges	Adjustments from reclassificati on to income statement	Transfers	Changes in investment holdings	Balance December 31st, 2017
Shareholders' equity pertaining to the Group	Share capital	522,882	0	0		0		522,882
	Other equity instruments	0	0	0		0		0
	Capital reserves	780,835	0	-8,820		0		772,015
	Revenue reserves and other equity reserves	453,669	0	81,670		-58,854	0	476,485
	(Own shares)	-39,907	0	0		-7,038		-46,945
	Profit (loss) for the year	76,254	0	-35,146		0		41,108
	Other components of the statement of comprehensive income	61,163	0	41,680	-23,082	0	0	79,761
	Total pertaining to the Group	**1,854,896**	**0**	**79,384**	**-23,082**	**-65,892**	**0**	**1,845,306**
Shareholders' equity pertaining to minority interests	Capital and reserves pertaining to minority interests	231,680	0	23,721		-16,293	0	239,108
	Profit (loss) for the year	17,114	0	-2,157		0		14,957
	Other components of the statement of comprehensive income	10,036	0	-1,610	-261	0	0	8,165
	Total pertaining to minority interests	**258,830**	**0**	**19,954**	**-261**	**-16,293**	**0**	**262,230**
TOTAL		**2,113,726**	**0**	**99,338**	**-23,343**	**-82,185**	**0**	**2,107,536**

The undersigned declare that these financial statements are true and consistent with the underlying accounting records.
The legal representatives of the company (*)

The Managing Director ALBERTO MINALI ______________________ (**)

______________________ (**)

______________________ (**)

(*) For foreign companies, the signature must be that of the general representative for Italy
(**) Indicate the office covered by the signee

RECONCILIATION STATEMENT OF THE RESULT OF THE PERIOD AND SHAREHOLDERS' EQUITY OF THE GROUP AND THE PARENT COMPANY

Reconciliation statement of the result of the period and shareholders' equity of the Group and the Parent Company

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31st, 2017

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)	Capital and reserves	Profit (loss) for the year	Shareholders' equity
Parent Company amounts It Gaap	**1,809,847**	**5,309**	**1,815,156**
Adjustment Ias/Ifrs - Parent Company	267,984	23,305	291,289
Parent Company amounts IAS/IFRS	**2,077,831**	**28,614**	**2,106,445**
Netting of the book values of the equity investments included in the consolidation area:			
- difference between the book value and the pro-quota value of the shareholders' equity	-123,895	0	-123,895
- pro-quota results of investee companies	0	39,080	39,080
- capital gains from sale of equity investments recorded in the consolidated fin. stat.	0	0	0
- goodwill	184,479	-45,049	139,430
- value of portfolio	8,479	-753	7,726
Netting of intercompany transactions:			
- dividends from consolidated companies	52,250	-52,250	0
- write-back of effects of equity investment transfers	0	0	0
- reversal of intercompany real estate transactions	0	0	0
- reversal of effects of mergers/disposals of business segments among Group companies	-318,924	238	-318,686
- writebacks of writedowns	-76,259	76,259	0
- reversal of intercompany transactions	0	-5,814	-5,814
Tax effects of above-mentioned consolidation adjustments	**-1,343**	**1,207**	**-136**
Effects associated with non-consolidated companies:			
Effects associated with the valuation of non-consolidated companies	-2,316	3,472	1,156
Dividends from associated companies	3,896	-3,896	0
Shareholders' equity and net profit pertaining to the Group	**1,804,198**	**41,108**	**1,845,306**
Shareholders' equity and net profit pertaining to minority interests	**247,273**	**14,957**	**262,230**
CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT	**2,051,471**	**56,065**	**2,107,536**

The undersigned declare that these financial statements are true and consistent with the underlying accounting records.

The legal representatives of the company (*)

The Managing Director ALBERTO MINALI ______________________ (**)

______________________ (**)

______________________ (**)

(*) For foreign companies, the signature must be that of the general representative for Italy

(**) Indicate the office covered by the signee

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Basis of presentation and consolidation area

Part A
Basis of presentation and consolidation area

Applicable legislation

The consolidated financial statements were prepared by the Parent Company Cattolica di Assicurazione Soc. Coop. pursuant to art. 154-*ter*, paragraph 1 of Italian Legislative Decree No. 58 of February 24th 1998, “Regulations concerning financial brokers” and art. 95 of Italian Legislative Decree No. 209 of September 7th, 2005, in compliance with the provisions of the IAS/IFRS international accounting standards and the SIC/IFRIC interpretations, taking as reference those approved by the European Commission by December 31st, 2017; they are compliant with the ISVAP Regulation No. 7 dated July 13th, 2007, relating to the technical forms of the consolidated financial statements drawn up on the basis of international accounting standards (IAS/IFRS).

The provisions set forth by CONSOB Regulation No. 11971 dated May 14th, 1999 and subsequent additions and amendments, and CONSOB recommendations, have also been followed.

Recommendations contained in the joint Bank of Italy/CONSOB/IVASS Documents regarding the application of the IAS/IFRS and the CONSOB communications regarding the areas deemed to be of greatest relevance indicated by ESMA were also taken into consideration.

Accounting reference date

The consolidated financial statements closed as of December 31st, 2017, a date which coincides with that of the financial statements of all companies included within the consolidation area.

The statements drawn up according to the international accounting standards (IAS/IFRS) as approved by the Boards’ of Directors of the respective companies who are not obliged to adopt the afore-mentioned international accounting standards for the purpose of drawing up the annual financial statements have been used for the preparation of the consolidated financial statements. Cattolica Life prepared its financial statements in compliance with international accounting standards. The statements drawn up by the management companies have been used for the funds.

CONSOLIDATION METHODS

a) Line-by-line consolidation

Pursuant to IFRS 10, the line-by-line method was used to consolidate all subsidiaries in relation to which the Parent Company is exposed to variable returns, or holds rights on these returns, deriving from its relationship with the same, and at the same time has the ability to affect said returns by exercising its power over the subsidiaries.

When using the line-by-line consolidation method, the book value of the investments is eliminated against the related shareholders’ equity and all the assets and liabilities of the subsidiary company, including potential liabilities, are included.
The positive difference which is generated between the purchase cost and the fair value of the net shareholdings acquired, independently identifiable, with reference to the date of acquisition of control over the investment, is recorded under the items “Goodwill” or “Other intangible assets”. This value is subject to an annual impairment test as governed by IAS 36.

In the periods subsequent to the acquisition of control, the difference between the book value of the investment and the portion of shareholders' equity pertaining to the Group is recorded, for the part exceeding the above described allocation referring to the acquisition date, in the item "revenue reserves and other reserves".

The portions of shareholders' equity, inclusive of the fair value as of the date of acquisition of the equity investment, and of the net result for the period pertaining to minority interests, are recorded in specific statement of financial position liability and income statement accounts.

b) Equity method

In accordance with IAS 28, the equity method is applied to investments in associated companies. The equity method was also applied for the companies subject to significant influence and consolidated as per IFRS 10.

By means of this method, the book value of the investment is adjusted in the consolidated financial statements in order to reflect the book value of the shareholders' equity pertaining to the Group, which can be taken from the last set of financial statements of the investee company and adjusted by the sum total of the dividends distributed by said company.

If the cost is greater than the pertinent portion of shareholders' equity, the difference remaining from the recognition to amortisable/depreciable assets is identified as "goodwill" implicitly recognised in the item "Investments in subsidiaries, associated companies and joint ventures", and subject to impairment testing as governed by IAS 36.

The effects of the equity method on the Group's shareholders' equity and consolidated result for the period are identical to those produced by line-by-line consolidation.

c) Companies carried at cost

The cost method is used to value investments in subsidiaries which, due to their size, are considered not to be significant and whose exclusion from the consolidation area does not prejudice the reliability of the representation of the equity and financial standing, the economic result and the financial flows of the Group.

d) Main consolidation adjustments

The main consolidation adjustments are:

- the elimination of balances and of intercompany transactions, including revenues, costs and dividends collected;
- the elimination of gains and losses deriving from intercompany transactions included in the book value of the assets and liabilities;
- the determination of the deferred taxation, in accordance with the methods envisaged by IAS 12, on the temporary differences deriving from the elimination of gains or losses originating from intercompany transactions;
- the adjustment of the effects recorded in individual financial statements, generated by extraordinary intercompany transactions.

The decreases in value emerging subsequent to intercompany transactions are maintained in the consolidated financial statements.

CONSOLIDATION AREA

The consolidation area includes the financial statements of the Parent Company and those of the subsidiaries, in accordance with IFRS 10.

During the year, the scope of consolidation changed from that of December 31st, 2016.

As of December 31st, 2017, the consolidation area comprised eight insurance companies, two companies which carry out agricultural-real estate activities, four service companies and three real estate property mutual funds.

In addition to companies in the consolidation area, the Group includes two service companies, the Fondo Immobiliare Mercury, structured in three segments, and the HCampus Fund, which is divided into two classes of units. The Fondo Immobiliare Mercury and Fondo HCampus are valued using the equity method as they are jointly controlled.

Significant assumptions and assessments for establishing the consolidation area

The reason why the Cattolica Group believes it does not control the internal insurance funds (in relation to which it holds 100% of the units in circulation), the equity and real estate funds and the SPV segments held, lies in the failure to jointly observe all the conditions envisaged for control as per IFRS 10. In detail, in relation to these investments, the Cattolica Group believes that the following conditions are not satisfied:

- exercise of power over the entity subject to investment;
- being subject in a significant manner to the variable returns of the entity subject to investment;
- being able to exercise its power over the entity subject to investment so as to affect the amount of the returns of the same.

The analysis carried out by the Cattolica Group, also assisted by independent experts, particularly concerned several mutual investment funds and the notes issued by the SPVs.

These activities, having taken into account that the conditions envisaged for the control by IFRS 10 are not satisfied, are classified in the consolidated financial statements in the category “Available for sale” in item 4.5 of the statement of financial position - available for sale financial assets (AFS) and in the category “Loans and receivables” (LOANS) in item 4.4 of the statement of financial position, on a consistent basis with the characteristics and the provisions of IAS 39. The valuation of these entities recognised in the “Available for sale” category is at fair value; the amortised cost for the entities recognised under LOANS.

The following table lists the companies included in the consolidated financial statements on a **consolidated line-by-line basis**, in accordance with IFRS 10.

Table 16 - Consolidation area (ISVAP Regulation No. 7 dated July 13th, 2007)

Name	Registered offices and operating headquarters	Method (1)	Activity (2)	% direct investment	% total holding (3)	% of votes available during ordinary shareholders' meetings (4)	% consolidation
Società Cattolica di Assicurazione - Soc. Coop.	086	G	1				
ABC Assicura s.p.a.	086	G	1	60.00%	60.00%		100%
BCC Assicurazioni s.p.a.	086	G	1	51.00%	51.00%		100%
BCC Vita s.p.a.	086	G	1	51.00%	51.00%		100%
Berica Vita s.p.a.	086	G	1	60.00%	60.00%		100%
C. P. Servizi Consulenziali s.p.a.	086	G	11	100.00%	100.00%		100%
Cattolica Agricola s.a.r.l.	086	G	10	100.00%	100.00%		100%
Cattolica Beni Immobili s.r.l.	086	G	10	100.00%	100.00%		100%
Cattolica Immobiliare s.p.a.	086	G	11	100.00%	100.00%		100%
Cattolica Life d.a.c.	040	G	2	60.00%	60.00%		100%
Cattolica Services s.c.p.a.	086	G	11	99.96%	99.99%		100%
Fondo Euripide	086	G	10	74.67%	90.21%		100%
Fondo Macquarie Office Italy	086	G	10	72.02%	87.88%		100%
Fondo Perseide	086	G	10	78.11%	92.97%		100%
Lombarda Vita s.p.a.	086	G	1	60.00%	60.00%		100%
TUA Assicurazioni s.p.a.	086	G	1	99.99%	99.99%		100%
Agenzia Generale Agrifides s.r.l.	086	G	11	51.00%	51.00%		100%

(1) Method of consolidation: Line-by-line=G, Proportional=P, Line-by-line by single HQ=U.

(2) 1=Italian insurance; 2=EU insurance; 3=non-EU insurance; 4=insurance holding company; 4.1 = mixed financial holding company; 5=EU reinsurance; 6=non-EU reinsurance; 7=banks; 8=SGR; 9=other holding; 10=property 11=other.

(3) This is the product of the investment relationships relating to all the companies which, placed along the investment chain, may be interposed between the company that draws up the consolidated financial statements and the company in question. If the latter is directly invested in by several subsidiaries companies, it is necessary to add together the individual products.

(4) Overall percentage available of the votes at ordinary shareholders' meeting if different from direct or indirect shareholding.

With regard to bank joint ventures, the agreements contain rights of protection of minority interests which cannot significantly limit Cattolica's ability to access the assets, or use them, or discharge the liabilities of the Group (IFRS 12, section 13, letter b).

The Cattolica Group in fact controls all the significant activities, with the exception of the sale of the product, carried out by the banking partner.

The agreements also envisage that the Cattolica Group and the banking partners must operate in favour of the investee companies making sure that in the same the protective rights of the minorities are recognised, in particular within the sphere of extraordinary transactions and/or the undertaking of strategic policies inconsistent with the shared objectives of the partnerships. Mention is also made of the possibility for the party which has control (Cattolica) to recover the value of the assets in the event the partnership ceases.

The agreements have the purpose of protecting both the parties from the risk of any conduct not consistent with the pacts.

In conclusion, these protection rights relate to qualified majorities envisaged for deeds of transfer of assets or rights in bulk, deeds of transfer of businesses or business segments, as well as equity investments, provided that the fee for the individual transaction is higher than a pre-established threshold, as well as to financial transactions of any kind when the related fee of the individual transaction is higher than pre-established thresholds of the shareholders' equity.

Berica Vita, Abc Assicura and Cattolica Life were consolidated line-by-line since - also considering events involving Banca Popolare di Vicenza - as of today there are no elements that lead us to believe that their exit from the Group is very likely.

The table which follows includes the information pursuant to IFRS 12 on Group subsidiaries with significant minority controlling interest.

Table 17 - Consolidation area: equity investments in companies with significant minority interests (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)					Summary income statement-financial figures							
Name	% minority interests	% of votes available during ordinary shareholders' meetings to minority	Consolidated profit (loss) pertaining to minority interests	Shareholders' equity pertaining to minority interests	Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' equity	Net profit (loss) for the year	Dividends distributed to minority interests	Gross premiums written
ABC Assicura s.p.a.	40.00%		-327	5,977	60,473	27,673	36,033	1,499	14,943	-818	105	16,791
Agenzia Generale Agrifides s.r.l.	49.00%		5	22	2,514	0	0	0	45	10	0	0
BCC Assicurazioni s.p.a.	49.00%		-470	6,099	84,565	30,922	56,697	2,691	12,446	-960	0	37,803
BCC Vita s.p.a.	49.00%		4,191	86,083	3,042,093	2,921,197	2,806,851	1,363	175,679	8,554	4,192	324,850
Berica Vita s.p.a.	40.00%		3,547	33,324	1,270,890	1,189,835	1,148,712	426	83,311	8,867	3,398	83,346
Cattolica Life d.a.c.	40.00%		-1,068	8,098	529,008	488,661	217,769	287,518	20,245	-2,669	0	1,111
Fondo Euripide	9.79%		759	27,202	301,412	288,170	0	2,144	277,851	7,750	1,341	0
Fondo Macquarie Office Italy	12.12%		463	13,933	118,286	110,234	0	0	114,956	3,823	601	0
Fondo Perseide	7.03%		463	8,026	118,131	99,676	0	0	114,162	6,582	878	0
Lombarda Vita s.p.a.	40.00%		9,224	123,934	8,230,729	7,916,984	7,423,133	306,102	309,836	23,059	8,598	1,486,097

(1) Overall percentage available of the votes at ordinary shareholders' meeting if different from direct or indirect shareholding.

Table 18 - Interest holdings in non-consolidated structured entities (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands) Name of the structured entity	Revenues received from the structured entity during the reference period	Book value (as of the transfer date) of the assets transferred to the structured entity during the reference period	Book value of the assets recognised in the financial statements and related to the structured entity	Corresponding item of the statement of financial position assets	Book value of the liabilities recognised in the financial statements and related to the structured entity	Corresponding item of the statement of financial position liabilities	Maximum exposure to impairment risk
Elm B.V.	1,572		70,537	4 - Investments			70,537
Novus Capital (LU) s.a.	7,580		139,991	4 - Investments			139,991
Novus Capital (IE) P.l.c.	3,431		50,954	4 - Investments			50,954
Transalp One Securities P.l.c.	2,314		0	4 - Investments			0
Boats Investment (NL) B.V.	1,785		31,629	4 - Investments			31,629
Lunar funding v P.l.c.	1,650		25,458	4 - Investments			25,458
Dunia Capital B.V.	4,683		119,803	4 - Investments			119,803
Vegagest Networth A	0		2,512	4 - Investments			2,512
Ledersel Dynamic	5,500		103,260	4 - Investments			103,260

The structured entities identified by the Group include € 438.372 million represented by special purpose vehicle (SPVs) with underlying securities issued by the Italian government and swaps and € 105.772 million represented by investment funds.

There are no circumstances which might compromise the recovery of the initial investment for reasons not attributable to the deterioration of the credit of the issuer or the assets of the structured entity, as well as for any other financial instrument.

The companies valued using the equity or cost method follow:

1) The following companies are accounted for by using the **equity method** in accordance with IAS 28 and IFRS 11:

Associated companies and Joint ventures

- **All Risks Solutions s.r.l.** with registered offices in Rome, share capital € 10 thousand, carries out insurance agency activities. The Parent Company holds a direct investment of 20%;
- **Multi-segment real estate investment fund** known as "**Mercury**". The Parent Company subscribed units equal to around 51% in each of the three segments for a total of € 69.05 million;
- A **real estate investment fund** called "**HCampus**", which became part of the joint venture as a result of the real estate transaction described in the Management Report. The fund is divided into two classes of units, the Parent Company has subscribed to class A and class B units for a total of € 25.928 million.

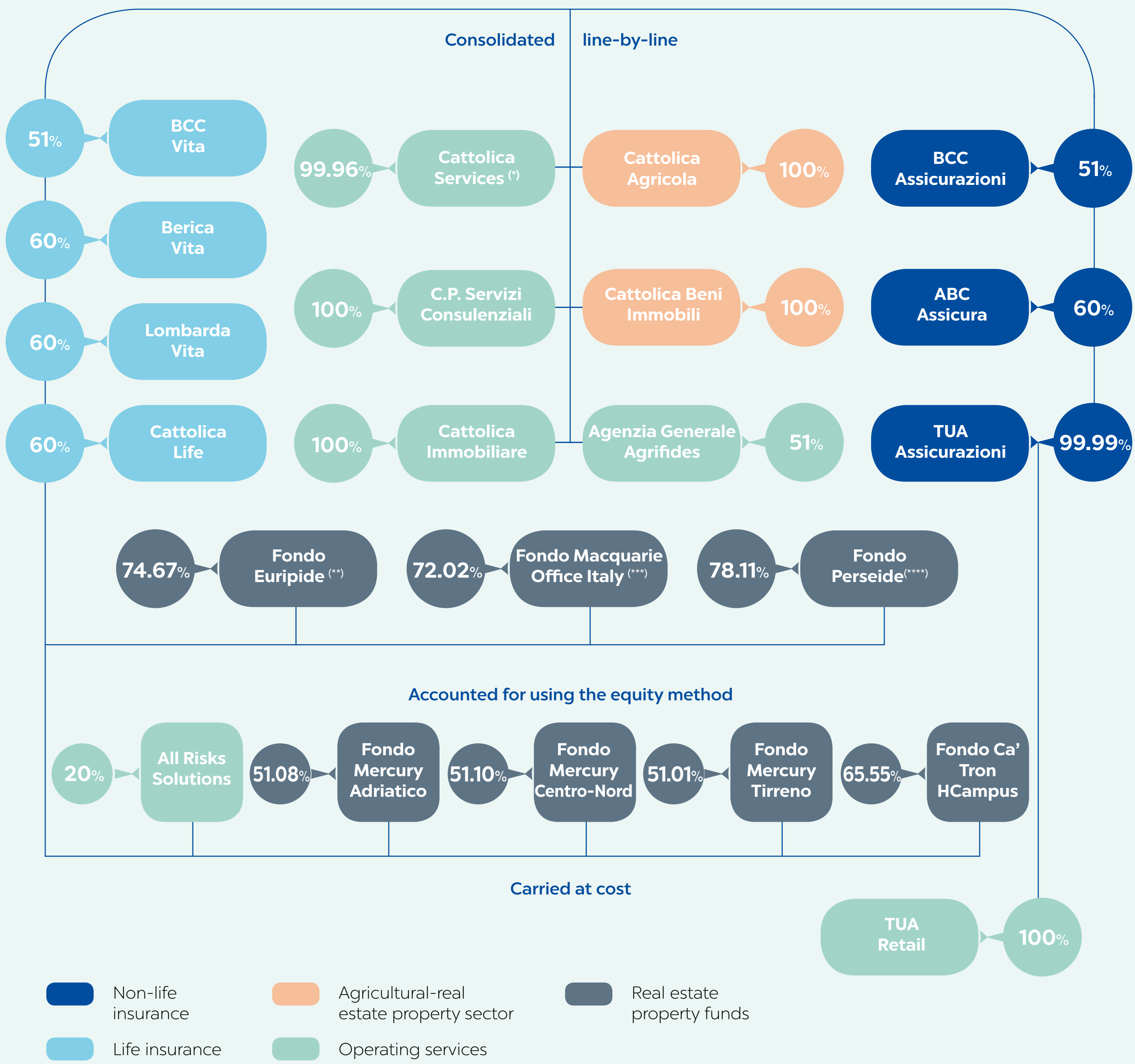
Following the full subscription of the share capital increase and change in control and governance and the dilution of Cattolica's stake from 25.12% to 1.2% of the Bank's share capital, the equity investment held in Cassa di Risparmio di San Miniato was classified as an AFS shareholding.

2) The following company has been valued **at cost** in the consolidated financial statements, since it is not significant and its exclusion from the consolidation area does not prejudice the reliability of the representation of the financial and equity standing, the economic result and the financial flows of the Group:

Subsidiary company

- **TUA Retail s.r.l.** with headquarters in Milan, share capital of € 50 thousand. It is wholly-owned by TUA Assicurazioni. It carries out the general agency activities of TUA Assicurazioni.

A schedule of the Group companies with indication of the consolidation method adopted is shown below.



(*) 0.005% of the share capital of Cattolica Services is held individually by ABC Assicura, BCC Assicurazioni, BCC Vita, Berica Vita, C.P. Servizi Consulenziali, Lombarda Vita. TUA Assicurazioni holds 0.01% of the share capital of Cattolica Services.

(**) The remaining 25.33% is held as follows: 24.47% by Lombarda Vita and 0.86% by TUA Assicurazioni.

(***) The remaining 27.98% is held as follows: 17.66% by Lombarda Vita and 10.32% by BCC Vita.

(****) The remaining 21.89% is held as follows: 11.55% by Lombarda Vita, 5.42% by TUA Assicurazioni and 4.92% by BCC Vita.

As at 31 December 2017

NOTES TO THE ACCOUNTS

Part B - Accounting principles

Part B
Accounting principles

Format

The statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and these notes to the accounts have been drawn up in accordance with the formats laid down by the instructions in ISVAP Regulation No. 7 dated July 13th, 2007, amended by means of IVASS Instruction No. 53 dated December 6th, 2016.

Accounting standards

The accounting standards adopted for the preparation of the consolidated financial statements are consistent with the provisions of each IAS/IFRS standard and each SIC/IFRIC taking as reference those ratified by the European Commission.

In January 2016, the IASB published the amendment to IAS 7 "Cash Flow Statement - Amendment to IAS 7": Disclosure initiative approved on November 10th, 2017 by Regulation (EU) 2017/1990. The regulatory amendment requires entities to provide a reconciliation of liabilities arising from financing activities, showing the monetary and non-monetary changes during the period. Appropriate information is provided in a specific section of the Notes to the accounts.

New standards and amendments that are not yet applicable

The principles not yet applicable to the 2017 financial statements are summarised below:

- IFRS 9 Financial Instruments introduce new criteria for the classification and valuation of financial assets and liabilities and for the estimate of losses on receivables and introduces a new model of hedge accounting. In September 2016, the IASB published an amendment (Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Amendments to IFRS 4) which provides insurance companies with the faculty to postpone (in any event no later than 2021) the application of the standard (so-called "deferral approach") or to suspend the greater volatility introduced by the new standard on individual securities (so-called "overlay approach"). The Group that opted for the deferral approach continues to apply the current IAS 39;
- IFRS 15 Revenue from Contracts with Customers envisages a new method for recognising the revenues, excluding those disciplined by other IAS/IFRS standards such as insurance agreements and financial instruments.
  The standard is applicable from January 1st, 2018. Since insurance contracts are not within the scope of the new standard, the Group expects that the application of the same will not have a significant impact on the amounts recorded and the related information reported in the Group's consolidated financial statements;
- IFRS 16 - Leases, provides a new definition of lease and introduces a criterion based on the right of use of an asset, the right to replace it, the right to substantially obtain all the economic benefits deriving from the use of the asset and the right to manage the use of the asset underlying the contract. The standard is applicable from January 1st, 2019. Analyses are currently underway in relation to the potential impacts deriving from the application of the new standard;
- Although the endorsement process was not completed at the date of these consolidated financial statements, on May 18th, 2017 the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from issued insurance contracts. IASB developed the standard for eliminating the inconsistencies of the existing

accounting policies by providing a single principle-based picture to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also sets out disclosure and presentation requirements to improve comparability between entities within this sector.
The standard is applicable from January 1st, 2021.
The Group launched a project aimed at analysing the effects of the introduction of the changes envisaged by this standard and by IFRS 9.

Reporting currency used in the financial statements

The reporting currency for the consolidated financial statements is the Euro. The report has been drawn up in thousands of Euro without decimals, duly rounded off as per the applicable legislation. The amounts have been rounded up or down to the closest unit. The rounded off amount of totals and subtotals in the balance sheet and income statement is the sum of the rounded off amounts of the individual items.

Foreign currency items

In accordance with IAS 21 the monetary assets and liabilities in foreign currency, with the exception of financial instruments, are recorded using the spot exchange rate ruling as of the period end date and the related exchange gains and losses are recognized to the income statement.

Section 1 Illustration of the accounting principles

The accounting principles used to draw up the consolidated financial statements are the same as those used to prepare the IAS/IFRS statements of the Parent Company and the other Group companies who are not obliged to adopt the afore-mentioned international accounting standards for the purpose of drawing up the statutory financial statements. Cattolica Life prepared its financial statements in compliance with the international accounting standards.

No significant consolidation adjustments were necessary in order to adapt the consolidated companies' accounting standards and policies to those of the Parent Company, with the exception of investment property held by the real estate property funds which in their accounts value said properties at fair value and therefore, for the purpose of the consolidated financial statements, are stated at historic cost net of the related accumulated depreciation.

The preparation of the Group's financial statements requires the directors to make discretionary evaluations, estimates based on past experience and assumptions considered reasonable and realistic on the basis of information known at the time of the estimate. The use of these estimates influences the book value of assets and liabilities, identification of potential liabilities at the date of the financial statements, as well as the volumes of revenues and costs in the reference period. The assumptions made are deemed appropriate for the preparation of the financial statements and, consequently, the financial statements have been prepared with the intention of clarity and provide a true and fair view of the capital and business-performance status and cash flows for the year. However, it must be noted that changes in these estimates and assumptions could have a significant effect on the capital and business-performance status if different elements of judgement intervene compared to those expressed.
The main areas of the financial statements that involve significant recourse to discretionary judgements, assumptions, estimates and assumptions about issues, which by nature are uncertain, are set out below:

- the impact deriving from the application of the new accounting standards on the financial statements in the year of initial application, which could lead to significant changes with regard to the recognition, measurement and presentation of assets, liabilities, revenues, costs and cash flows;
- the technical provisions;
- the fair value of the assets and liabilities if not directly observable on active markets;
- the disclosure of the fair value of non-financial assets and liabilities;
- the analysis for the purpose of the impairment test on intangible assets;
- the recoverable nature of the prepaid taxes;
- the defined-benefit plans;
- the provisions and allowance for risks and charges.

Going concern According to the provisions of Bank of Italy/CONSOB/ISVAP document No. 2 dated February 6th, 2009, it should be noted that the economic outlook is positive, even though there are uncertainties linked to the performance of the markets and rates in particular, taking account of the timescales and ways in which the current situation is developing; the Group's solid fundamentals do not generate or leave any doubts regarding the company as a going concern.

STATEMENT OF FINANCIAL POSITION

INTANGIBLE ASSETS

Goodwill The item comprises the goodwill acquired in the business combinations as established by IFRS 3.

The goodwill deriving from consolidation represents the additional value of the purchase cost when compared with the value of the assets, liabilities and potential liabilities, valued at fair value, of the subsidiary company. The goodwill is stated as an asset and recorded at cost less the accumulated impairment losses. As prescribed by IAS 36, an impairment test is carried out at least once a year, the procedure having been approved by the Board of Directors. On the basis of the provisions of IAS 36, it is analysed whether any trigger events have taken place such as stock market capitalisation lower than the Group's shareholders' equity or whether the flows of the cash generating units to which the goodwill is allocated have registered significant negative deviations; if this occurs, the value of the goodwill is subjected to a specific impairment test, based on discounted cash flow techniques. A permanent loss in value is recorded if the book value of the cash generating unit to which the goodwill refers is greater than its recoverable value, or the greater value between the value in use and the fair value net of the sales costs; this loss in value reduces the book value of the goodwill and residually that of the other assets of the cash generating unit in proportion to their book value.

In the event of the disposal of a subsidiary company, the residual amount of the goodwill ascribable to the same is included in the disposal value and therefore in the determination of the capital gain or loss on the disposal.

Other intangible assets The item comprises the assets defined and disciplined by IAS 38. It also includes the value of the insurance portfolio acquired as part of the business combination transaction and by contrast, excludes deferred purchase costs.

An intangible asset is recorded among the assets, and therefore capitalised, only when it is subject to the control of the company, it is identifiable and it is probable that it will generate future economic benefits and when the cost can be reliably determined.

These assets are valued at cost net of accumulated amortisation and writedowns against impairment losses.
There are no intangible assets present in the financial statements with an unspecified useful life as established in IAS 38.

The depreciable value is systematically allocated to the accounting periods which make up the useful life of the asset, starting off from the moment that said asset becomes available for use, or finds itself in the position and under the conditions necessary for being used according to the intentions of the Company.
In general, except in specific cases, the useful life is established as 5 years with an amortisation rate of 20% per annum for all the intangible assets with the exclusion of insurance portfolios whose period of amortisation ranges from six to twelve years.
Intangible assets are periodically subject to the impairment test.

TANGIBLE ASSETS

Property

This item includes the property intended to be used for business activities.

These assets are valued at cost net of related accumulated depreciation and any impairment losses. Cost comprises the related charges directly ascribable to the purchase and the putting into operation of the asset.

For entire premises, the value of the land is separated from the value of the building; the latter is depreciated.
The depreciation of the buildings is calculated, on a straight-line basis, in relation to the useful life estimated as thirty-three years.

Ordinary maintenance costs are charged to the income statement; those which by contrast lead to an increase in value, or the functionality or useful life of the assets, are allocated to the assets and depreciated.

Property intended to be used for business activities is periodically subject to verification of whether the book value is recoverable or not and is eliminated from the financial statements following disposal or in the event of the depletion of the expected economic benefits.

Other tangible assets

This category includes movable assets, furnishings, office machines, means of transport, plant and equipment.

These assets are valued at cost net of accumulated depreciation and any impairment losses.
The depreciation is calculated, on a straight-line basis, in relation to the estimated useful life of the related assets using economic-technical rates.

The book value of the tangible assets is subject to verification so as to reveal any impairment losses.

INVESTMENTS

Investment property

This item includes the property held for investment purposes (IAS 40); the purpose of the ownership of said property is so that the Company receives rental payments, or so as to increase the value of the investments, or both. This category also includes property intended to be sold, which in any event does not comply with the requisites anticipated by IFRS 5, since these are assets originally held so as to gain profit from the appreciation of the capital.
For entire premises, the value of the land is separated from the value of the building; the latter is depreciated.

These assets are valued at cost net of related accumulated depreciation and any impairment losses.
The depreciation of the buildings is calculated, on a straight-line basis, in relation to the useful life.

Ordinary maintenance costs are charged to the income statement in the year that they are incurred; those which by contrast lead to an increase in value, or the functionality or useful life of the assets, are allocated to the assets and depreciated.

Investment property is periodically subject to verification of whether the book value is recoverable or not and are eliminated from the financial statements following disposal or in the event of the depletion of the expected economic benefits.

Investments in subsidiaries, associated companies and joint ventures

When determining the investment relationship, the definitions of control, significant influence and joint control anticipated by IFRS 10 and 11 have been used.

This item also includes equity investments in subsidiaries considered to be of an insignificant entity with respect to the Group.

Equity investments in subsidiaries are stated by adopting the line-by-line consolidation method in pursuance of IFRS 10.
Equity investments in associated companies and joint ventures are accounted for in the financial statements using the equity method.
The book value is subject to assessment so as to reveal any losses due to permanent reductions in value.

Equity investments in subsidiary and associated companies and in joint ventures are eliminated from the financial statements when, following disposal or other events, the requisites envisaged by IFRS 10 and 11 for their recording cease to exist.

FINANCIAL ASSETS

The definition of financial assets includes the receivables from financing activities, debt securities and equities, units in mutual investment funds, loans on policies, reinsurance deposits and other assets.

Financial assets are eliminated from the financial statements when, subsequent to maturity, disposal or another event, the contractual rights on the related financial flows are transferred, in addition to the associated risks and benefits.

The purchases and sales of a financial asset are recorded as at the settlement date.

The main accounting principle with regard to financial assets is the fair value which is determined by means of the use of prices acquired from public listings, in the event of instruments listed on active markets, or by means of the use of valuation models. An instrument is considered as listed on an active market if the listed prices are promptly and duly available via stock markets, brokers, intermediaries, companies specialized in the sector, listing services or regulatory bodies and represent effective and regular market transactions which have taken place within an adequate reference interval promptly adapting to market changes. In the absence of an active market or a market which does not have a sufficient or permanent number of transactions, the fair value is determined by means of the use of valuation models, generally applied and accepted by the market, with the aim of determining the exchange price of a hypothetical transaction which has taken place under market conditions which can be defined as "normal and independent".

Recourse to the valuation techniques aims to minimise the use of the inputs not observable on the market, favouring the use of observable data.
The main techniques used are as follows:

- market approach: prices and other significant information are used generated by market transactions carried out on identical or similar instruments;
- cost approach: this reflects the approach which would be requested at the time of the valuation to replace the service capacity of an asset;
- income approach: the future cash flows are converted to their current value.

Essentially for the financial assets and liabilities in the portfolio as of the valuation date, the "market approach" and "income approach" type techniques are used.

The fair value hierarchical levels are based on the nature and the degree of observability of the inputs used in the valuation techniques employed:

- level 1: these are listed prices (not adjusted) observed on active markets;
- level 2: these are inputs other than the prices listed on active markets as per level 1 and which can be observed for the asset or liability both directly and indirectly (for example prices listed on active markets for similar assets and liabilities, prices listed for identical assets and liabilities on non-active markets, input other than listed prices which can be observed on the market, input corroborated by the market);
- level 3: these are input which cannot be observed for the asset or liability, which reflect the assumptions that the market participants should use in the recognition of the assets and liabilities, including the risk hypotheses.

The identification of the hierarchical level to be assigned to a financial instrument is carried out on the basis of the hierarchical level corresponding to that of the lowest significant input used.

Suitable controls are carried out on all the valuations used, including those deriving from third parties. The instruments for which the inputs used are not corroborated by the market are considered at level 3 of the fair value hierarchy.

Unlisted securities or those listed on non-active markets, such as corporate and government bonds securities issued by Special Purpose Vehicles and unlisted derivatives valued using models which use inputs which can be observed on the market, mortgage debt securities, unlisted UCITS and SICAV units, are classified as level 2 in the fair value hierarchy.

Corporate and government bonds, securities issued by Special Purpose Vehicles and unlisted derivatives valued using models which use inputs which cannot be observed on the market, instruments unlisted or listed on inactive and illiquid markets such as unlisted real estate funds, unlisted hedge funds, private equity, are classified as level 3 in the fair value hierarchy. This level also includes debt securities and equities in default if valued at the recovery value on the basis of non-observable input and Enel Ania notes.
With regard to financial liabilities valued at fair value, the estimate of the fair value is carried out with reference to the level of the corresponding asset.

Held to maturity investments (HTM)

Financial assets considered to be of long-term use, excluding financial derivative instruments, with a pre-established maturity and payments which are fixed or can be determined, which the individual Group companies intend to and have the ability to hold until maturity, are classified in this category.
The initial recording takes place at cost inclusive of the charges and income directly attributable thereto. Subsequently, the investments are valued at amortised cost, net of any impairment losses, using the effective interest rate. The amortisation rate thus calculated is recorded in the income statement.

On the closure of each set of financial statements, it is assessed if objective proof exists of any impairment losses.
In accordance with the provisions of IAS 39, it is possible to make a reversal of impairment, if the reasons for the impairment losses have been removed, up to the limit of the previous write-down.

In the event of early disposal or transfer to another category, of a significant amount not justified by particular events, the entire category is reclassified among the assets available for sale.

Loans and receivables

Assets, excluding financial derivative instruments, with a pre-established maturity and payments which are fixed or can be determined, not listed on active markets, which are not recorded in any of the other categories, are classified in this category.
Specifically, the category includes all the loans and financing, the deposits from re-insurers with ceding companies and bonds not listed on active markets considered to be of long-term use.

Loans and receivables are valued at amortised cost, net of any impairment losses, using the effective interest rate. The amortisation rate thus calculated is recorded in the income statement.

On the closure of each set of financial statements, it is assessed if objective proof exists of any impairment losses.

Available for sale financial assets (AFS)

On a residual basis, this category includes all the equities, debt securities which are not classified as "loans and receivables", "held to maturity investments", and "financial assets at fair value through profit or loss".

As a rule, equities classified as available for sale are valued at fair value with a matching balance represented by a net equity reserve. In the event that the equities do not have a market price listed on an active market and whose fair value cannot be reliably determined, they are valued at cost, as are any related derivatives. By contrast, the mixed accounting method is used for debt securities, characterised by the joint existence of the amortised cost method and the valuation at fair value (with a matching balance represented by the same net equity reserve anticipated for equities).

The net equity reserve remains recorded until the assets are disposed of or undergo a permanent loss in value. On occurrence of such events, the gains and losses recorded in the reserve are freed up and recorded in the income statement.
On the closure of each set of financial statements, it is assessed if proof exists of a reduction in value of the financial assets.

Indicators of a possible reduction in value of the financial assets are for example:

- significant financial difficulties of the issuer;
- defaults or lack of payment of interest and principal;
- the disappearance of an active market.

The process for recognising any impairment in particular envisages the identification of the assets which have lost value by checking of the presence:

- for equities, of a performance of the fair value under more than 30% with respect to the initial value recorded or a price lower than the initial value recorded for a continuous period of more 12 months;
- for debt securities, factors originating inside the company subject to the evaluation; for example, significant difficulties of the issuer with deviations from budget targets, announcement of restructuring plans, downward review of the rating assigned by specialised companies greater than class "C".

Financial assets at fair value through profit or loss

This category comprises the classification of all the financial assets included under trading activities, including derivatives, and all those which, despite not having been acquired in order to be sold over the short term, are included therein due to the Group's decision as from their initial statement.
Specifically, the designated assets include the financial assets covering insurance or investment polices whose investment risk is borne by the policyholders and those relating to the management of pension funds.

Initial recording takes place at cost, understood to be the fair value of the instrument net of costs or income directly or indirectly ascribable. Valuation gains and losses emerging subsequently from the changes in the fair value, are recorded directly in the income statement.

SUNDRY RECEIVABLES

This category comprises the classification of the amounts receivable for premiums relating to policyholders not yet received, amounts receivable from insurance agents and brokers and distributing banks, and co-insurance and reinsurance companies, amounts receivable for liability excesses and other receivables. The receivables are recorded at face value; since they are short-term, discounting back methods are not used.

On the closure of each set of financial statements, an assessment is carried out on whether there is objective proof of any impairment losses and, following the implementation of the impairment test, steps may be taken to effect a write-down.

OTHER ASSET ITEMS

Non-current assets or disposal group held for sale

All the non-current assets or those undergoing disposal whose sale is highly probable in accordance with the provisions established by IFRS 5, are recorded in this item.

The non-current assets or disposal group held for sale are recorded at their book value or the fair value, whichever is the lower, net of the sales costs (discounted back in the event of sales which will conclude beyond 12 months).

Deferred acquisition costs

This category includes the acquisition commissions relating to life insurance contracts.

Life acquisition commissions is divided up, net of the portions pertaining to re-insurers, for a period of no longer than the duration of the contracts and in any event within the limit of the premium loadings present in the tariff.

Acquisition commissions relating to non-life insurance contracts are not amortised as a result of the so-called “Decreto Bersani bis” which introduced the faculty - for the policyholders - of withdrawing annually from long-term policies, without charges and by giving notice of sixty days.

Deferred tax assets

Deferred tax assets are recorded - except in the cases expressly anticipated by IAS 12 - for all the temporary differences, to the extent that it is probable that taxable income against which they can be used will be generated.

In the presence of tax losses which can be carried forward or tax credits not utilised, deferred tax assets are recorded to the extent that it is probable that future taxable income will be available against which the afore-mentioned tax losses or unused tax credits can be used.

The deferred tax assets are calculated on the basis of the tax rates and tax legislation in force or effectively in force since the date of the financial statement and are subject to verification with regards to the recoverable nature if changes in the applicable tax legislation have occurred.

Current tax assets

Current tax assets include the assets relating to current taxes as established and disciplined by IAS 12. These assets are recorded on the basis of the tax rates in force.

Other assets The other assets comprise deferred acquisition costs relating to investment contracts.

The deferred acquisition costs are spread out over the estimated life of said policies according to a constant percentage of the current value of the income generated by the investment contracts for the entire period of their permanence in the portfolio.
The income margin determined at the time of the issue of policies is checked on a periodic basis and any discrepancies are recorded directly in the income statement as additional amortisation of capitalised acquisition costs.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents and on-demand deposits recorded at face value are classified in this category.

SHAREHOLDERS' EQUITY

Shareholders' equity pertaining to the Group This account group includes the instruments representative of the share capital, the components representative of capital included in compound financial instruments and the associated equity reserves pertaining to the Group.

Share capital The ordinary shares are stated at their nominal value as share capital.

Capital reserves In particular, the item includes the share premium reserve of the Parent Company.

Revenue reserves and other equity reserves The item includes:

- the gains and losses deriving from the initial application of the international accounting standards in accordance with the matters envisaged by IFRS 1;
- the disaster reserves and the equalisation reserves not permitted among the technical liabilities in accordance with IFRS 4;
- the reserves anticipated prior to the adoption of the international accounting standards;
- the consolidation reserves.

Own shares In accordance with the provisions of IAS 32, this item includes any instruments representative of the share capital of the company which draws up the consolidated financial statements, held by the company itself and the other consolidated companies.

Reserve for net exchange differences This item includes the exchange differences to be charged against the shareholders' equity, in accordance with IAS 21, deriving from foreign currency transactions.

Gains or losses on available for sale financial assets The item includes the gains and losses deriving from the valuation of available for sale financial assets, as previously described in the corresponding item of the financial investments. The amounts are stated net of the corresponding deferred taxation and the portions pertaining to the policyholders.

Other gains or losses recognised directly in equity

The item includes the reserve deriving from changes in the shareholders' equity of the investee companies in accordance with IAS 28, the gains and losses on instruments hedging a cash flow and the actuarial gains and losses and adjustments relating to defined-benefit plans as per IAS 19.

Shareholders' equity pertaining to minority interests

This account group comprises the instruments and components representative of the share capital which make up the shareholders' equity pertaining to minority interests. Specifically, the account group includes "gains or losses on available for sale financial assets" referable to shareholders' equity pertaining to minority interests.

PROVISIONS AND ALLOWANCES

The provisions are recorded when it is believed that steps will have to be taken to meet an obligation (legal or implied) deriving from a past event or in relation to which deployment of resources is possible whose amount can be reliably calculated.

TECHNICAL PROVISIONS

LIFE PROVISIONS

This item includes the technical provisions associated with insurance contracts, insurance policies involving discretionary participation features and investment contracts involving discretionary participation features.
Annually, at year end, an assessment is made of the adequacy of these provisions by means of the liability adequacy test. This test is carried out by comparing the mathematical provisions, net of the deferred acquisition costs and the value of any other related intangible assets, with the current value of the future cash flows expected by the portfolio. These flows are obtained by projecting the expected flows as of the valuation date on the basis of hypothesis, considered reasonable, relating to the trend in reversals, expenses, redemption and the mortality.

With regards to investment contracts not involving discretional profit-sharing, the separation of the component relating to the insurance risk is carried out if present.

The technical provisions, for the exercise of private life assurance, have been valued on the basis of the Actuarial Standards set forth by attachment 14 of ISVAP Regulation No. 22 dated April 4th, 2008, introduced by IVASS instruction No. 53 dated December 6th, 2016.

The process of forming technical provisions is based, among other things, on data flows deriving from the main characteristic processes and, by its nature, is affected by risks typical of an insurance company, linked to the financial management of investments and the complexity and variety of the insurance portfolio. The process of establishing technical provisions also includes the determination of additional provisions provided to cover mortality or other risks, such as guaranteed benefits on maturity or guaranteed redemption values, which are included among the actuarial provisions.

The provisions as per articles 21 *et seq.* of the afore-mentioned attachment, have been applied, regarding the determination of the foreseeable return of the additional provisions for financial risk, along with those of art. 36 *et seq*., regarding the establishment and calculation of an additional provision for demographic risk.

Furthermore, art. 41 of said attachment has been applied, envisaging the coverage of the credit risk of index-linked agreements with benefits falling due guaranteed by the companies.

The provisions relating to acceptances are calculated in relation to the criteria envisaged in title I, chapter II, section I of the Part III of the ISVAP Regulation No. 33 dated March 10th, 2010. The provisions relating to reinsurers include the gross amounts pertaining to the same and are determined in compliance with the contractual reinsurance agreements, on the basis of the gross amounts of the technical provisions.

Provisions for outstanding claims

The provisions for outstanding claims are made up of the amounts necessary for covering the payment of capital and accrued returns, redemptions and claims to be settled.

Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds

The provisions relating to index-linked and unit-linked contracts and pension funds have been calculated taking into account both the contractual commitments and the financial assets linked to said contracts.

They are formed in accordance with articles 39 *et seq.* of attachment 14 of ISVAP Regulation No. 22 dated April 4th, 2008, as amended by IVASS Instruction No. 53 dated December 6th, 2016, and cover the commitments deriving from the insurance of the life classes whose return is determined in relation to investments for which the policyholder bears the risk or in relation to an index.

Shadow accounting

The application of the IAS/IFRS standards involves misalignments between the methods for valuing the assets and those for the related liabilities, the only exception being in relation to index-linked type contracts. The misalignments can be traced back to the recording in the accounts of both the capital losses and capital gains from the valuation of the assets valued at fair value against liabilities which are not affected by these changes.
In relation to life contracts linked to separate management arrangements, by means of an accounting technique known as shadow accounting, IFRS 4 makes it possible to limit the effects of these misalignments. This technique makes it possible to allocate part of the fair value changes in the related hedging assets to the technical provisions associated with segregated funds.

Provision for risk of insolvency (default) and liquidity

The need for an additional provision has been assessed, based on art. 41 of ISVAP Regulation No. 22, for the hedging of the risk of insolvency which constitutes an allocation aimed at protecting the company against the risk of insolvency of issuers of securities provided to cover the technical provisions of policies with guarantee on maturity given by the company.

On the basis of said article of the afore-mentioned regulation, the need for a provision against the liquidity risk of the assets hedging the reserves of index-linked contracts has also been ascertained.

NON-LIFE PROVISIONS

This item includes the technical provisions associated with insurance contracts.

Premium provision

The provision for non-life insurance premiums comprises both the provision for unearned premiums and the provision for current risks.

The provision for unearned premiums is calculated analytically using the pro-rata accruals method (art. 2, paragraph 2, of attachment 15 of ISVAP Regulation No. 22, dated April 4th, 2008, introduced by Instruction No. 53 dated December 6th, 2016) on the basis of the gross premiums recorded, as established by art. 45 of Italian Legislative Decree No. 173 dated May 26th, 1997, having deducted the acquisition commissions and the other acquisition costs, limited to the directly chargeable costs, for the portion relating to the accounting period.

The book value thus obtained has been supplemented by the provisions for security, calculated according to the criteria envisaged by art. 9 of attachments 15 of the ISVAP Regulation No. 22, dated April 4th, 2008.

The provision for current risks is calculated by class and represents the value to make provision for, covering the risks threatening individual companies after the end of the accounting period, so as to cover all the compensation and costs deriving from insurance policies stipulated by the end of the accounting period, if their amount exceeds that of the provision for unearned premiums and the premiums which will be collectable by virtue of these policies, according to art. 6, paragraph 1, of attachment 15 of ISVAP Regulation No. 22, dated April 4th, 2008.

The premiums' provisions relating to transfers to re-insurers have been determined on the basis of methods consistent with those for direct business and, in any event, in accordance with reinsurance contractual agreements.

The provisions relating to acceptances are calculated in relation to the criteria envisaged in title I, chapter III, section I of the Part III of ISVAP Regulation No. 33 dated March 10th, 2010.

Provision for outstanding claims

The provision for outstanding claims is determined on the basis of a prudent evaluation of the claims which occurred during that accounting period or in previous ones which have not yet been settled, based on objective elements, as well as of the related settlement costs.

The companies make reference, when defining the claims provisions, to the concept of last estimated cost, identifying this value in accordance with the mixed assessment system, in compliance with the provisions present in articles 23 *et seq.* of attachment 15 of ISVAP Regulation No. 22 dated April 4th, 2008.

In particular, when establishing the liability relating to the claims, steps are taken to separately evaluate each claim (inventory method), based on the analysis of the documentation relating to each individual damage case, implemented by the staff assigned to settle the claims. With

regard to the classes characterised by slow settlement processes and for which the analytical valuation does not make it possible to take into account all anticipated charges, the inventory method is flanked by an additional valuation by means of statistical-actuarial procedures or forecast systems on the evolution of the costs.
The main assumptions used in applying the statistical-actuarial methods concern technical variables, including the time interval for deferring payments and the trend in the cost of claims, linked to the length of time taken to pay, as well as prospective assessments of the economic scenario.
The actuarial analysis was carried out with reference to simulations deriving from the use of different statistical-actuarial methods; in particular, the following methods were used
stochastic: Mack Paid, Mack Incurred and Dahms Complementary Loss Ratio.
The above methods are based on the run-off triangles of the cumulative paid and cost of claims at various valuation dates (cost being the sum of the cumulative paid per year and the residual inventory reserve per year i).

With regard to the assessment of the cost of the current generation, the companies avail themselves, as envisaged by art. 25, paragraph 1, of attachment 15 of ISVAP Regulation No. 22 dated April 4th, 2008, of the average cost approach (with the exception of the credit and security classes) for classes which due to technical features lend themselves to the application of the same criteria. With regard to the claims for the current generation, which do not present sufficient numerousness and quantitative and qualitative standardisation, the inventory method is applied.

To this end, two homogeneous risk groups have been identified, dividing claims according to a first year cost threshold (i.e. paid and reserved in the reporting year), representing the amount used for channelling to the Complex Claims Office.

With regard to average costs used, the triangle of inflated and stripped reported averages at 31/12/2017 for non-delayed claims of the 2014-2017 generations (claims that occurred and were reported in the year i) was analysed.

With reference to credit and security classes, the provision for outstanding claims is established on the basis of the provisions laid down by articles 32, 33 and 34 of attachment 15 of ISVAP Regulation No. 22 dated April 4th, 2008.

The provision for outstanding claims also includes the evaluation of the claims which have occurred but have not been reported as of the year end date, determined on the basis of the provisions present in art. 27 *et seq.* of attachment 15 of ISVAP Regulation No. 22 dated April 4th, 2008.

The amount was determined on the basis of experience acquired in previous years, separately estimating the expected number of claims and the relative average cost per each line of business and in the case of Motor TPL per management type.
The number of expected claims was estimated, where the conditions for their applicability were met, by using the chain ladder method applied to the triangle of claims reported over the 2007-2017 time period.
The average cost was obtained by observing the average costs reported late for the 2012-2017 generations.

The provision for outstanding claims regarding Card and No. Card claims of the land vehicle TPL class are established on the basis of art. 30 of attachment 15 of ISVAP Regulation No. 22 dated April 4th, 2008; the overall amount of the provision is calculated in relation to the matters laid down by art. 31 of the same attachment.

The portions of the claims' provisions pertaining to re-insurers are determined adopting the same criteria used for the direct business provisions and taking into account the contractual clauses of the agreements.

The claims' provisions relating to acceptances are calculated in relation to the criteria provided for in title I, chapter III, section II of the Part III of ISVAP Regulation No. 33 dated March 10th, 2010.

The criteria used for the determination of the non-life technical provisions, the premiums' provisions (supplemented by a possible allocation to the current risk provisions) and provisions for outstanding claims are in line with the matters envisaged by the LAT former IFRS 4.

Other technical provisions

They include the senescence provision of the health class for the rise in the age of policyholders, in accordance with art. 42 *et seq.* of attachment 15 of ISVAP Regulation No. 22, dated April 4th, 2008, and title I, chapter III, section IV of Part III of ISVAP Regulation No. 33 dated March 10th, 2010.

FINANCIAL LIABILITIES

This account group includes the financial liabilities valued at fair value with effects on the income statement and the financial liabilities valued at amortised cost.

Financial liabilities at fair value through profit or loss

This item includes the financial liabilities falling within the sphere of trading activities, and the liabilities relating to index and unit-linked investment contracts and pension funds, where the risk of the investments is borne by the policyholders.
The valuation is made at fair value and the gains or losses which emerge are booked to the income statement.

Other financial liabilities

The item includes the financial liabilities defined and disciplined by IAS 39 not included in the category financial liabilities at fair value through profit or loss but valued at amortised cost. Subordinated liabilities, for which the right to reimbursement by the creditor - in the event of winding up of the company - may only be exercised after all the other creditors and bonds have been satisfied, are classified in this item. The item also includes deposits received from reinsurers, other loans obtained and provisions linked to agreements with specific provision of assets.

PAYABLES

The item includes the payables deriving from insurance and other transactions. In particular, the account group includes the payables from direct and indirect insurance transactions.
The account group also includes the liabilities associated with defined benefit plans in favour of the employees, which involve disbursements subsequent to the termination of the employment relationship and the other long-term benefits (including therein the employee severance indemnity) which, in compliance with IAS 19R, are subject to an actuarial assessment by means of use of the so-called “Project Unit Credit Method”. According to this method, the liability is determined by taking into account a series of variables (such as the mortality rate, the forecast of future salary changes, the estimated rate of inflation, the foreseeable return on the investments, etc.). The liability recorded in the financial statements represents the effective value of the foreseeable obligation, net of any assets serving the plans, adjusted to reflect any actuarial losses or gains not amortised. The discounting back of the future cash flows is carried out on the basis of the interest rate of high quality corporate securities. The actuarial hypotheses used for the purposes of the calculation are periodically reviewed so as to confirm their validity.

The other long-term benefits concern the health premiums for retired staff and length-of-service premiums which mature in the 25th and 35th year of service with some companies as anticipated by the related CCNL (National Collective Labour Agreement). The frequency of the evaluations and the method of accounting are similar to those used for the defined benefit pension plans.
Following the reform of the employee severance indemnity (TFR), culminating in the implementing decrees of the “Finanziaria 2007” Law concerning the transfer of employee severance indemnities (TFR) and Supplementary welfare (Italian Official Gazette No. 26 dated February 1st, 2007), the application of the afore-mentioned method differs according to whether the company being assessed has a number of employees less than or at least equal to 50.

On the basis of Italian Law No. 296/06, for companies with at least 50 employees, the transfer of the portions of employee severance indemnities (TFR) to a specific Treasury Fund set up with INPS (national social security institute) is envisaged. In line with the matters indicated by the OIC (Italian Accounting Organisation) in the attachment to Operating Guide No. 1 for the transition to international accounting standards (section 13), for companies with at least 50 employees, steps were not taken to make the actuarial calculation relating to the employee severance indemnity (TFR) accruing as from January 1st, 2007. This is equivalent to considering the employee severance indemnity accrued up until December 31st, 2006 to be a defined benefit plan (and therefore subject to actuarial calculation) and the severance indemnity as from January 1st, 2007 to the Treasury Fund set up with INPS to be a fixed contribution plan (and therefore not subject to actuarial calculation). With reference to the employee severance indemnity accrued up until December 31st, 2006, since the contribution period has fully matured, the weighting of the outlays no longer applies.

With regards to companies with less than 50 employees, in the absence of transfer of the contributions subsequent to December 31st, 2007 to the Treasury Fund set up with INPS, the entire liability has been considered to be a defined benefit plan. Actuarial gains and losses realised during the year have been recorded in the financial statements for all companies in the Group.

OTHER LIABILITY ITEMS

Liabilities of disposal group held for sale

This item contains all the non-current liabilities or liabilities of disposal group whose sale is highly probable.
The non-current liabilities or liabilities of disposal group held for sale are stated at their book value or the fair value, whichever is lower, net of the sales costs (discounted back in the event of sales which will be finalised beyond 12 months).

Current and deferred tax liabilities

Current taxes are calculated on the basis of the taxable income for the period. The liabilities for current taxes are stated at the value which is expected to be paid, applying the rates and tax legislation in force.
Deferred taxes are included which have arisen from taxable temporary differences due to the deferral in the taxability of positive income elements realised and recorded in the income statement, which will be settled in subsequent accounting periods when the afore-mentioned revenues will be taxed.
When the results of the transactions are booked directly to the shareholders' equity, the current taxes and liabilities for deferred taxes are also booked to shareholders' equity.

Other liabilities

The other liabilities include deferred revenues (DIR - deferred income reserve) relating to investment contracts.

The IAS/IFRS standards envisage a different method of determination and representation of the provision for management costs; specifically, the component referring to contracts no longer classified as insurance but as "investment" (DIR - deferred income reserve) is classified among the other liabilities and is assigned to the income statement on the basis of the timing of the costs incurred for the management of the contracts.

INCOME STATEMENT

REVENUES

Net premiums

This item includes the net premiums relating to insurance policies and investment contracts featuring discretional profit-sharing, net of transfers under reinsurance.

Income and charges from financial instruments at fair value through profit or loss

This item comprises realised gains and losses, interest, dividends and positive and negative changes in the value of the financial assets and liabilities at fair value through profit or loss.

The item also includes the charges on the financial liabilities linked to investment contracts without discretional profit-sharing.

Income from investments in subsidiaries, associated companies and joint ventures	This account group includes the income generated by investments in subsidiaries, associated companies and joint ventures recorded in the corresponding asset item.
Income from other financial instruments and investment property	The income from financial instruments and other investments includes the income deriving from financial instruments not valued at fair value through profit or loss and from investment property. In particular, the following are included: interest income on financial instruments valued using the effective interest method, other income from investments, including dividends and revenues which derive from the use, by third parties, of the properties intended for investment purposes; the gains realised following the sale of a financial asset or liability or investment property, and the positive changes deriving from the write-back of a permanent loss in value (reversal of impairment).
Other revenues	Other revenues include the commissions income for financial services provided, revenues deriving from the sale of assets, from the provision of services other than those of a financial nature and from the use by third parties of the tangible assets and the other assets of the Company. Also included are realised gains and reversal of impairment losses relating to intangible assets and other assets, the exchange differences to be charged to the income statement in accordance with IAS 21 and other net technical income associated with insurance contracts. Specifically, the account group includes commissions income associated with investment contracts.

COSTS

Net charges relating to claims	The charges relating to claims include the amounts paid out during the period for claims, maturities and redemptions as well as the amount relating to the changes in the technical provisions, net of the recoveries and the transfers under reinsurance. This account also includes the component to be booked to the income statement concerning the change in the deferred liabilities due to policyholders and the change in the provision for the risk of insolvency.
Charges from investments in subsidiaries, associated companies and joint ventures	This item includes the charges deriving from investments in subsidiaries, associated companies and joint ventures recorded in the corresponding asset item.

Charges from other financial instruments and investment property

The item includes the charges deriving from financial instruments not valued at fair value with effects on the income statement and charges deriving from investment property.

Specifically, the costs relating to investment property include condominium fees and maintenance and repair expenses not increasing the value of the investment property, the losses realised following the elimination of an investment property, amortisation and depreciation and impairment.

Charges deriving from financial instruments include interest expenses stated using the criteria of the effective interest rate, the losses realised following the derecognition of a financial asset or liability and impairment.

Operating expenses

For the insurance companies, operating expenses mainly include commissions, other acquisition costs and the administrative costs relating to contracts falling within the sphere of IFRS 4 and to investment contracts without discretional profit-sharing. The account also includes the administrative costs of the companies who do not carry out insurance activities. This account also includes administrative costs, comprising general expenses and staff costs, as well as those relating to the management of financial instruments, investment property and equity investments.

Other costs

The item includes commissions expense for financial services received, the other net technical charges associated with insurance contracts, the exchange differences to be charged to the income statement in accordance with IAS 21, the portions of provisions for the year, the losses generated, the impairment losses and the amortisation/depreciation relating to both the tangible assets, not otherwise allocated to other cost items, and intangible assets.

Current taxes

The income taxes calculated in accordance with current legislation are recorded in this item. Compliance with the tax consolidation scheme does not lead to exceptions or changes to the standards illustrated above.

Deferred taxes

The item includes income taxes due in future accounting periods, relating to taxable or deductible temporary differences.

Profit (loss) from discontinued operations

This item contains the non-current profits (losses) or those belonging to disposal group whose sale is highly probable.

NOTES TO THE ACCOUNTS

Part C - Information on the Consolidated Statement of financial position and Income Statement

Part C
Statement of financial position - Assets

In accordance with ISVAP Regulation No. 7 dated July 13th, 2007, the statement of financial position by sector of activities is presented below.

Table 19 - Statement of financial position by sector of activities (ISVAP Regulation No. 7 dated July 13th, 2007)

	Non-life business		Life business		Other		Eliminations between sectors		Total	
(€ thousands)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
1 INTANGIBLE ASSETS	**226,155**	**233,160**	**107,172**	**108,492**	**103,749**	**109,716**	**-171,619**	**-126,244**	**265,457**	**325,124**
2 TANGIBLE ASSETS	**53,075**	**54,783**	**442**	**499**	**128,769**	**125,396**	**0**	**0**	**182,286**	**180,678**
3 TECHNICAL PROVISIONS - REINSURANCE AMOUNT	**595,544**	**631,110**	**93,467**	**100,188**	**0**	**0**	**-43,828**	**-41,982**	**645,183**	**689,316**
4 INVESTMENTS	**4,934,155**	**4,426,784**	**19,299,340**	**18,123,341**	**42,746**	**39,075**	**-1,361,049**	**-1,333,970**	**22,915,192**	**21,255,230**
4.1 Investment property	289,891	200,077	243,700	258,441	39,738	36,154	-758	-758	572,571	493,914
4.2 Investments in subsidiaries, associated companies and joint ventures	672,126	703,959	135,473	164,455	1	1	-711,168	-797,893	96,432	70,522
4.3 Held to maturity investments	109,753	109,230	133,168	133,011	0	0	0	0	242,921	242,241
4.4 Loans and receivables	291,691	305,006	454,056	541,806	943	857	2,867	0	749,557	847,669
4.5 Available for sale financial assets	2,964,055	2,976,474	14,855,511	14,030,709	58	60	-651,990	-535,319	17,167,634	16,471,924
4.6 Financial assets at fair value through profit or loss	606,639	132,038	3,477,432	2,994,919	2,006	2,003	0	0	4,086,077	3,128,960
5 SUNDRY RECEIVABLES	**533,632**	**463,728**	**135,318**	**113,431**	**33,003**	**35,018**	**-98,810**	**-90,282**	**603,143**	**521,895**
6 OTHER ASSET ITEMS	**331,196**	**348,682**	**729,375**	**729,096**	**8,096**	**10,515**	**-922**	**-36**	**1,067,745**	**1,088,257**
6.1 Deferred acquisition costs	0	0	13,469	13,537	0	0	0	0	13,469	13,537
6.2 Other assets	331,196	348,682	715,906	715,559	8,096	10,515	-922	-36	1,054,276	1,074,720
7 CASH AND CASH EQUIVALENTS	**19,328**	**24,685**	**169,061**	**137,254**	**18,495**	**10,147**	**0**	**0**	**206,884**	**172,086**
TOTAL ASSETS	**6,693,085**	**6,182,932**	**20,534,175**	**19,312,301**	**334,858**	**329,867**	**-1,676,228**	**-1,592,514**	**25,885,890**	**24,232,586**
1 SHAREHOLDERS' EQUITY									**2,107,536**	**2,113,726**
2 PROVISIONS AND ALLOWANCES	**30,845**	**33,865**	**13,783**	**14,111**	**6,446**	**6,385**	**0**	**0**	**51,074**	**54,361**
3 TECHNICAL PROVISIONS	**3,648,825**	**3,610,628**	**17,037,401**	**15,932,002**	**0**	**0**	**-71,867**	**-56,834**	**20,614,359**	**19,485,796**
4 FINANCIAL LIABILITIES	**554,334**	**177,319**	**1,606,927**	**1,436,071**	**11,509**	**21,065**	**0**	**0**	**2,172,770**	**1,634,455**
4.1 Financial liabilities at fair value through profit or loss	0	0	1,402,192	1,353,033	0	0	0	0	1,402,192	1,353,033
4.2 Other financial liabilities	554,334	177,319	204,735	83,038	11,509	21,065	0	0	770,578	281,422
5 PAYABLES	**206,102**	**212,701**	**116,889**	**100,231**	**60,889**	**52,290**	**-83,169**	**-79,248**	**300,711**	**285,974**
6 OTHER LIABILITY ITEMS	**244,805**	**227,013**	**396,242**	**429,754**	**2,349**	**2,337**	**-3,956**	**-830**	**639,440**	**658,274**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES									**25,885,890**	**24,232,586**

1. INTANGIBLE ASSETS

Table 20 - Intangible assets

(€ thousands)	2017	2016	Changes Amount	%
Goodwill	153,617	203,151	-49,534	-24.4
Other intangible assets:	111,840	121,973	-10,133	-8.3
insurance portfolios	4,873	7,888	-3,015	-38.2
software	70,888	87,569	-16,681	-19.0
models and projects	6,139	6,796	-657	-9.7
patent rights, trademarks and similar rights	3,255	3,409	-154	-4.5
assets in process of formation	26,685	16,311	10,374	63.6
Total	**265,457**	**325,124**	**-59,667**	**-18.4**

1.1 Goodwill

The goodwill item decreased by € 49.534 million compared to December 31st, 2016.

Table 21 - Goodwill - changes during the year

(€ thousands)	Goodwill
Gross balance as of December 31st, 2016	**257,648**
Accumulated amortisation	23,194
Cumulative impairment losses	31,303
Net balance as of December 31st, 2016	**203,151**
Increases due to:	**0**
other	0
Decreases due to:	**0**
other	0
Gross balance as of December 31st, 2017	**257,648**
Accumulated amortisation	**23,194**
Impairment losses	49,534
Other	0
Cumulative impairment losses	**80,837**
Net balance as of December 31st, 2017	**153,617**

Goodwill is recorded at the related cost net of any impairment according to IFRS 3.

The accumulated amortisation in the above table refers to depreciation prior to the application of the international accounting standards.

In order to ascertain any impairment losses, goodwill has been allocated to cash generating units (CGUs) or to groups of units in observance of the maximum aggregation restriction which cannot exceed the individual operating sector (non-life, life and other).

Therefore, when assigning goodwill to cash generating units, the minimum level at which goodwill is monitored for internal management control purposes was considered, or rather the Cattolica Danni CGU, Cattolica Vita CGU and legal entities included within the consolidation area, taking into account the corporate restructuring operations that took place over the years which do not make it possible in the future to map out the value of the individual goodwill amounts which were allocated previously to the cash generating units identified in C.I.R.A., Duomo Previdenza, Duomo Uni One Assicurazioni, Eurosav, Persona Life, San Miniato Previdenza, Risparmio & Previdenza, Cattolica Previdenza and Fata Assicurazioni.

Goodwill was reported in the following business units as of December 31st, 2017:

- 136.454 million in relation to Cattolica Danni CGU, represented by goodwill concerning the purchase transactions of Duomo Assicurazioni, Uni One Assicurazioni and FATA Assicurazioni which are now included in the Cattolica Danni CGU;
- € 2.977 million in Berica Vita, relating to the initial purchase of 50% of the company.

The following goodwill, consolidated by line from the individual IAS financial statements, was also recognised:

- € 14.186 million in Cattolica, relating to the partial spin-off of B.P.Vi. Fondi SGR within the same.

The recoverable value of the CGUs is defined as the fair value less cost to sell, or the value in use, whichever is higher. It should be noted that Cattolica stock prices do not express the real value of CGUs, therefore, in order to establish the recoverable value and subsequently compare with the book value of the CGUs, the value in use was used, since it provides an impairment opinion guided by principles of economic rationality.

After the Solvency II legislation came into full effect, it was deemed advisable to use records that consider the new metrics emerging from these regulations to estimate the value in use, in order to be able to better “value”, in line with the maximum prudence principles, the provisions issued by the Supervisory Authority on capital restrictions, including capital requirement in the current value of future cash flows expected to be generated.

To better represent the effects of using these new metrics, the value in use was estimated based on the Dividend Discount Model in the Solvency II Excess Capital version for Non-life CGUs and the Solvency II Appraisal Value for Life CGUs.

The Group’s impairment test is carried out along with the approval of the annual financial statements and only in the presence of trigger events is the test updated at the time of the interim report. The impairment tests carried out as of 31 December 2017 were based on guidelines and main objectives of the 2018-2020 Business Plan, approved by the Board of Directors. Prior to the impairment test, the reconstructability of these projections was assessed on the basis of external disclosure, including therein the consolidated Group estimates made by the equity analysts who follow Cattolica stock and the estimates produced by the equity analysts relating to comparable companies.

With reference to Berica Vita, Cattolica Life and ABC CGUs affected by the bank-assurance agreement with BPVI, a Market Consistent Embedded Value-based methodology was used for the Life CGUs and Own Funds was used for the Non-life CGUs.

The underlying hypotheses to which the value in use of each group of units is most sensitive are:

- the combined ratio for the cash generating units falling within the non-life business and the new business for cash generating units falling within the life business;
- the cost of own capital (Rs);

- the Solvency Ratio level;
- the long-term growth rate (g).

The cost of capital has been estimated using the CAPM - Capital Asset Pricing Model. The parameters used for the purposes of the estimate of the value in use are: the beta ratio by class of activities, formulated on the basis of market betas of European insurance companies; the equity risk premium, taking into account the consensus value disclosed in market analysts' reports; the risk free rate.

The cost of own capital (Rs) for each business unit has been estimated on the basis of these elements, equal to 7.56% for life insurance companies and 7.02% for non-life companies. The long-term growth rate ("g") was 1.5% for all CGUs. These basic assumptions, besides being in line with the long-term nominal growth rate of Italian GDP, are also consistent with the values used by financial analysts of the insurance sector.

The result of the test carried out on the insurance companies pursuant to IAS 36 did not determine any further writedowns in the value of goodwill recognised in the consolidated financial statements as of December 31st, 2017 compared to June 30th, 2017. Following the results of the impairment test carried out as of 30th June, writedowns of € 49.534 million were reported and in particular:

- € 28.705 million concerning Cattolica Vita CGU (proprietary channel), represented by the goodwill relating to the purchase transactions of Duomo Previdenza, Persona Life and Eurosav and the acquisition of a further 50% of Cattolica Previdenza;
- € 13.087 million concerning BCC Vita CGU, relating to the purchase of 51% of the company;
- € 4.485 million concerning TUA Assicurazioni CGU, relating to the purchase of the UBI business unit;
- € 3.257 million concerning Cattolica Life CGU, relating to the initial purchase of 50% of the company.

An analysis by scenarios on the level of the Rs cost of capital and the growth rate in the terminal value (g) was conducted for purposes of sensitivity analyses. For CGUS on which goodwill was allocated, the table below shows the excess of the recoverable value (ViU) with respect to the *pro rata* book value (C) and the estimates of the cost of capital and the long-term (g) growth rate necessary for rendering the recoverable value of each CGU equal to their book value.

Table 22 - Changes in the cost of own capital and the long-term growth rate necessary for rendering the recoverable amount equal to the book value

		Excess/Impairment Loss in the consolidated financial statements [ViU vs C]	Rate which renders ViU = C	Rate g which renders ViU = C
NON-LIFE	Cattolica Danni	288.2	10.27%	n.s.
LIFE	Berica Vita	12.1	n.s.	n.s.

n.s. = not significant

With regard to goodwill recorded following the partial demerger of B.P.Vi Fondi SGR, the recoverable value was determined using the multiples of comparable companies method.

1.2 Other intangible assets

As per IAS 38, the item "other intangible assets" includes assets which can be autonomously identified and which will generate future economic benefits in terms of cost savings or future income.

Table 23 - Other intangible assets - changes during the year

(€ thousands)	Insurance portfolios	Software	Models and projects	Patent rights, trademarks and similar rights	Assets in process of formation	Total
Gross balance as of December 31st, 2016	**43,558**	**286,348**	**12,262**	**5,737**	**17,322**	**365,227**
Accumulated amortisation	35,670	197,139	5,466	2,328	951	241,554
Cumulative impairment losses	0	1,640	0	0	60	1,700
Net balance as of December 31st, 2016	**7,888**	**87,569**	**6,796**	**3,409**	**16,311**	**121,973**
Increases due to:	**0**	**29,471**	**825**	**0**	**10,466**	**40,762**
purchase	0	29,325	822	0	10,466	40,613
internal development	0	146	0	0	0	146
other	0	0	3	0	0	3
Decreases due to:	**5,331**	**57,450**	**129**	**0**	**0**	**62,910**
sale	0	0	0	0	0	0
other	5,331	57,450	129	0	0	62,910
Gross balance as of December 31st, 2017	**38,227**	**258,369**	**12,958**	**5,737**	**27,788**	**343,079**
Amortisation	1,046	45,560	1,460	154	92	48,312
Other changes in acc. amortisation	-5,331	-57,450	-107	0	0	-62,888
Accumulated amortisation	**31,385**	**185,249**	**6,819**	**2,482**	**1,043**	**226,978**
Impairment losses	1,969	592	0	0	0	2,561
Cumulative impairment losses	**1,969**	**2,232**	**0**	**0**	**60**	**4,261**
Net balance as of December 31st, 2017	**4,873**	**70,888**	**6,139**	**3,255**	**26,685**	**111,840**

The "other intangible assets" held by the Group are characterised by a finite useful life and as such these are subjected, as indicated in the accounting principles, to a systematic amortisation process whose period:

- varies between 7 and 12 years for the insurance portfolios, on the basis of the average residual duration of the underlying contracts;
- is on average 5 years for software, models and projects, patent rights, trademarks and similar, except in specific cases.

Other intangible assets held by the Group are represented in particular by software in use and by software being created or being developed by Cattolica Services; software already operative in previous years is present, along with software which during the year has been subject to development processes and adaptation to legal provisions, as well as software "under construction" referring to projects launched but not yet concluded and therefore not yet used during the year. The software item decreased by € 16.681 million during the period, due to the disposal of obsolete software completely amortised for € 57.45 million, and due to the purchase of new software for € 29.471 million.

During the year, it was deemed appropriate to review the residual useful life of several software packages used by Cattolica Services, which are expected to be replaced within the time-span of the Business Plan. The transaction resulted in an increase in amortisation of € 12 million, almost entirely relating to the Life Systems.

Pursuant to section 31 of IFRS 4, other intangible assets include the following values of insurance contracts and brands portfolios acquired as a result of business combinations:

- € 7.727 million relating to the cash generating unit known as Cattolica Danni, deriving from the incorporation of FATA, which took place in December 2016. In particular, the following intangible assets were reported: agency and customer relationship network (reported under insurance portfolios), for a total of € 4.873 million and an amortisation period of 12 years, brand (reported under patent, trademarks and similar rights), for a total of € 2.854 million and an amortisation period of 22 years.

The impairment tests on other intangible assets, as governed by IAS 36 and carried out during the year, revealed impairment losses of a total of € 1.969 million with reference to the BCC Assicurazioni insurance contracts portfolio.

The cumulative impairment losses during previous years were justified by the obsolescence of certain software.

2. TANGIBLE ASSETS

Tangible assets, disciplined by IAS 16, showed the following changes during the year:

Table 24 - Tangible assets

(€ thousands)	2017	2016	Changes Amount	Changes %
Property	162,473	163,623	-1,150	-0.7
Other tangible assets:	19,813	17,055	2,758	16.2
furniture, office machines and internal means of transport	5,084	5,495	-411	-7.5
movable assets recorded in public registers	1,285	1,539	-254	-16.5
plant and equipment	13,153	9,727	3,426	35.2
inventories and miscellaneous assets	291	294	-3	-1.0
Total	**182,286**	**180,678**	**1,608**	**0.9**

2.1 Property

The item includes property used for the performance of the Group companies' activities; in particular, it includes property belonging to the Parent Company and Cattolica Agricola. The decrease is mainly generated by the sale of land and buildings by Cattolica Agricola.

2.2 Other tangible assets

The item comprises the assets disciplined by IAS 16, not included under the property category.

Table 25 - Property and other tangible assets - changes during the year

(€ thousands)	Property	Property under construction and advance payments	Furniture, office machines and internal means of transport	Movable assets recorded in public registers	Plant and equipment	Inventories and miscellaneous assets	Total
Gross balance as of December 31st, 2016	**177,456**	**0**	**57,831**	**2,638**	**11,988**	**294**	**250,207**
Accumulated depreciation	13,738	0	52,336	1,099	2,261	0	69,434
Cumulative impairment losses	95	0	0	0	0	0	95
Net balance as of December 31st, 2016	**163,623**	**0**	**5,495**	**1,539**	**9,727**	**294**	**180,678**
Increases due to:	**3,608**	**0**	**1,317**	**186**	**4,254**	**291**	**9,656**
purchase	453	0	1,317	186	4,249	291	6,496
other	3,155	0	0	0	5	0	3,160
Decreases due to:	**3,331**	**0**	**649**	**329**	**4**	**294**	**4,607**
sale	3,331	0	0	329	4	294	3,958
other	0	0	649	0	0	0	649
Gross balance as of December 31st, 2017	**177,733**	**0**	**58,499**	**2,495**	**16,238**	**291**	**255,256**
Depreciation	1,427	0	1,721	347	824	0	4,319
Other changes in acc. depreciation	0	0	-642	-236	0	0	-878
Accumulated depreciation	**15,165**	**0**	**53,415**	**1,210**	**3,085**	**0**	**72,875**
Impairment losses	0	0	0	0	0	0	0
Cumulative impairment losses	**95**	**0**	**0**	**0**	**0**	**0**	**95**
Net balance as of December 31st, 2017	**162,473**	**0**	**5,084**	**1,285**	**13,153**	**291**	**182,286**

The increases in the Furniture, office machines and internal means of transport item mainly include € 353 thousand for hardware purchases made by Cattolica Services and € 610 thousand for furniture and fittings for agencies, made by Cattolica Assicurazioni. The decreases in the Furniture, office machines and internal means of transport item mainly include € 600 thousand for disposals of assets by Cattolica Services, including obsolete hardware more or less fully depreciated, and telephone systems and furnishings that are completely depreciated.

The increases in the Plant and equipment item refer mainly to € 3.781 million for purchases made by Cattolica Agricola.

The fair value of the properties held by the Group, at the end of the year, came to € 209.413 million.

As indicated in the accounting principles, total property and other tangible assets held by the Group are subject to a systematic depreciation process using a rate of 3% for properties used for the Group's business activities and, except in specific cases, using a rate:

- of 12% for ordinary office furniture and machines;
- of 20% for electronic machines and hardware;
- of 25% for movable assets recorded in public registers;
- of 15% for plant and equipment;
- between 9% and 20% for other agricultural assets.

No significant changes took place during the year, either in the accounting estimates or the depreciation methods used. The current value of the properties was up-dated on the basis of the market value as of December 2017.

3. TECHNICAL PROVISIONS - REINSURANCE AMOUNT

Table 26 - Analysis of technical provisions - reinsurance amount (ISVAP Regulation No. 7 dated July 13th, 2007)

	Direct business		Indirect business		Total book value	
(€ thousands)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Non-life provisions	**541,926**	**580,740**	**9,790**	**8,388**	**551,716**	**589,128**
Premium provision	113,234	131,982	3,653	3,339	116,887	135,321
Provision for outstanding claims	427,844	447,528	6,137	5,049	433,981	452,577
Other provisions	848	1,230	0	0	848	1,230
Life provisions	**93,467**	**100,188**	**0**	**0**	**93,467**	**100,188**
Provision for outstanding claims	5,724	7,388	0	0	5,724	7,388
Mathematical provisions	87,429	92,794	0	0	87,429	92,794
Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds	0	0	0	0	0	0
Other provisions	314	6	0	0	314	6
Total technical provisions - reinsurance amount	**635,393**	**680,928**	**9,790**	**8,388**	**645,183**	**689,316**

The reinsurance amount of technical provisions is calculated using the method adopted for provisions pertaining to direct business.

4. INVESTMENTS

Table 27 - Investments

			Changes	
(€ thousands)	**2017**	**2016**	**Amount**	**%**
Investment property	572,571	493,914	78,657	15.9
Investments in subsidiaries, associated companies and joint ventures	96,432	70,522	25,910	36.7
Held to maturity investments	242,921	242,241	680	0.3
Loans and receivables	749,557	847,669	-98,112	-11.6
Available for sale financial assets	17,167,634	16,471,924	695,710	4.2
Financial assets at fair value through profit or loss	4,086,077	3,128,960	957,117	30.6
Total	**22,915,192**	**21,255,230**	**1,659,962**	**7.8**

4.1 Investment property

"Investment property" is represented by the properties not occupied by Group companies.
The item includes land and buildings belonging to the Euripide, Macquarie Office Italy and Perseide funds, Cattolica Agricola, Cattolica Beni Immobili and the Parent Company.

Table 28 - Investment property - changes during the year

(€ thousands)	Investment property	Property under construction and advance payments	Total
Gross balance as of December 31st, 2016	**523,759**	**270**	**524,029**
Accumulated depreciation	28,769	0	28,769
Cumulative impairment losses	1,346	0	1,346
Net balance as of December 31st, 2016	**493,644**	**270**	**493,914**
Increases due to:	**93,813**	**21**	**93,834**
purchase	86,714	10	86,724
other	7,099	11	7,110
Decreases due to:	**660**	**140**	**800**
other	128	140	268
Gross balance as of December 31st, 2017	**616,912**	**151**	**617,063**
Depreciation	12,428	0	12,428
Accumulated depreciation	**41,192**	**0**	**41,192**
Impairment losses	1,954	0	**1,954**
Cumulative impairment losses	**3,300**	**0**	**3,300**
Net balance as of December 31st, 2017	**572,420**	**151**	**572,571**

The increases mainly refer to € 13.496 million for the purchase of a photovoltaic plant by Fondo Perseide, to real estate improvements of € 7.034 million by the subsidiary Cattolica Beni Immobili and to the purchase of a hotel for € 72.760 million by Fondo Euripide.
Decreases are mainly attributable to depreciation during the year of € 12.428 million.

Revenues for rents generated during the year amounted to € 41.308 million € 33.157 million as of December 31st, 2016).

As indicated in the accounting principles, buildings included under investment property are subject to a systematic depreciation process calculated in relation to the useful life, generally equal to 50 years (2% depreciation rate), with the exception of the properties owned by Fondo Perseide for which the useful life is estimated in relation to the duration of the related surface rights.

No significant changes took place during the year, either in the accounting estimates or the depreciation methods used.

The fair value of the investment property held by the Group, estimated by an external and independent expert, at the end of the year, amounted to € 660.532 million.

The Cattolica Group adopts three main procedures for estimating the value of properties:

- Market Approach: this provides an indication of the value comparing the asset subject to assessment with identical or similar assets for which information on prices is available. The comparison between the assets subject to estimation and similar assets takes place on the basis of the technical parameter represented by the measurement of the land registry surface areas for the agricultural land and the uncovered appurtenances of the buildings and the commercial surface areas for the buildings, structured differently in relation to the intended uses of the same. If the asset being estimated presents differences with respect to the comparable assets and the reference types of the sources, weighting (or differentiation) factors are resorted to, which permit a correct comparison procedure. The estimate of these factors is carried out with reference to the indications of specialised literature in the sector.

- Cost Approach: based on the depreciated replacement cost used for certain properties, with particular characteristics. The estimate of the fair value of the assets by means of the depreciated replacement cost is broken down into three phases and is carried out on the basis of the technical parameter of the gross surface area:

    - the estimate of the current value of the land referring to the purchase cost of similar land in terms of location and intended use;
    - the estimate of the depreciation reconstruction cost obtained from the estimate of the reconstruction cost as new of the building appropriately depreciated in relation to the useful and residual life of the buildings;
    - the estimate of the market value of the assets as the sum of the market value of the area and the depreciated replacement cost of the constructions.

- Financial Profit Method based on two approaches:

    - direct capitalisation: this is based on the capitalisation at a rate taken from the property market, of the net future income generated;
    - discounted cash flow, based on the determination: for a period of n years of the future income deriving from the lease; on the market value of the property by means of perpetual capitalisation, at the end of this period, of the net income and in conclusion on the discounting, as of the date of assessment, of the net income (cash flows).

Following impairment testing, as governed by IAS 36, impairment losses were reported for € 1.954 million.

As explained in the accounting principles and the table presented below, the Group has applied the cost criteria, net of accumulated depreciation and any impairment losses, to total assets disciplined by IAS 40, IAS 16 and IAS 38.

Table 29 - Analysis of tangible and intangible assets (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	At cost	At re-determined value or at fair value	Total book value
Investment property	572,571		572,571
Other property	162,473		162,473
Other tangible assets	19,813		19,813
Other intangible assets	111,840		111,840

4.2 Investments in subsidiaries, associated companies and joint ventures

Table 30 - Investments in subsidiaries, associated companies and joint ventures

			Changes	
(€ thousands)	2017	2016	Amount	%
Subsidiaries	50	50	0	0
Associated companies and joint ventures	96,382	70,472	25,910	36.8
Total	**96,432**	**70,522**	**25,910**	**36.7**

The item includes investments in subsidiaries excluded from the consolidation area, associated companies and joint ventures over which the Group exercises significant influence, which are accounted for using the equity method, including the multi-segment property investment fund “Mercury” and the property fund Ca’ Tron HCampus.

Investments in subsidiaries
The item mainly comprises the cost of the equity investment in TUA Retail, a company which is not significant for consolidation purposes.

Investments in associated companies and Joint ventures
The item includes equity investments accounted for using the equity method, in companies over which the Group exercises a significant influence or joint control.
Following the full subscription of the share capital increase and change in control and governance and the dilution of Cattolica’s stake from 25.12% to 1.2% of the share capital of Cassa di Risparmio di San Miniato, the investment held in the Bank was classified as an AFS shareholding. This reclassification had no impact on the income statement. The Fair Value of Cattolica’s investment in Carismi as of December 31st, 2017 was € 556 thousand.

Table 31 - Analysis of non-consolidated equity investments (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands) Name	Registered offices and operating headqu	Assets (1)	Type (2)	% direct investment	% total holding (3)	% of votes available during ordinary shareholders' meetings (4)	Book value
All Risks Solutions s.r.l.	086	11	b	20.00%	20.00%		17
TUA Retail s.r.l.	086	11	a	0.00%	99.99%		50
Fondo Mercury Centronord	086	10	c	51.10%	51.10%		20,948
Fondo Mercury Adriatico	086	10	c	51.08%	51.08%		18,879
Fondo Mercury Tirreno	086	10	c	51.01%	51.01%		33,416
Fondo Ca' Tron Hcampus	086	10	c	65.55%	65.55%		23,122

(1) 1=Italian insurance; 2=EU insurance; 3=non-EU insurance; 4=insurance holding companies; 4.1=mixed financial holding companies; 5=EU reinsurance; 6=non-EU reinsurance; 7=banks; 8=SGR; 9=other holding; 10=property 11=other.

(2) a=subsidiaries (IFRS 10); b=associated companies (IAS 28); c=joint ventures (IFRS 11).

(3) This is the product of the equity investment relationships relating to all the companies which, placed along the equity investment chain, may be interposed between the company that draws up the consolidated financial statements and the company in question. If the latter is directly invested in by several subsidiaries companies, it is necessary to add together

(4) Overall percentage available of the votes at ordinary shareholders' meeting if different from direct or indirect shareholding.

(*) Company in liquidation as at June 30th.

A summary of the most significant equity and income highlights of the companies not included within the consolidation area is presented below.

Table 32 - Summary data of non-consolidated subsidiaries, associated companies and joint ventures

(€ thousands) Name or business name	Registered offices	Share capital	Total assets	Total liabilities	Shareholders' equity	of which profit (+) or loss (-) for the year	Revenues	Dividends received in the period
Subsidiaries								
TUA Retail s.r.l.	Milan	50	816	718	98	34	862	0
Associated companies								
All Risks Solutions s.r.l.	Rome	10	207	126	81	18	249	0
Fondo Mercury Centronord	Milan	n.a.	91,686	48,437	43,249	6,023	5,609	1,088
Fondo Mercury Adriatico	Milan	n.a.	81,360	43,579	37,781	4,388	5,304	1,025
Fondo Mercury Tirreno	Milan	n.a.	143,962	77,095	66,867	8,850	9,125	1,783
Fondo Ca' Tron Hcampus	Roncade (Tv)	n.a.	53,752	15,346	38,406	-1,094	227	0

n.a. = non-applicable

Financial investments

Financial investments included the financial instruments disciplined by IAS 39: held to maturity investments, loans and receivables, available for sale financial assets and financial assets at fair value through profit or loss.

No significant category reclassifications have taken place during the year and in previous periods, therefore compilation of the analysis of reclassified financial assets and the effects on the income statement and on comprehensive profitability pursuant to ISVAP Regulation No. 7 dated July 13th, 2007 was not carried out.

The reduction in shareholders' equity deriving from reclassification carried out in 2008 amounts in total to € 2 thousand (net of tax effects); during the period, an increase in income of € 3 thousand was recorded in the income statement.

The reclassifications carried out in 2008 concern:

- securities transferred from the "financial assets at fair value through profit or loss" category to the "available for sale financial assets" category for a book value of € 6.161 million as of December 31st, 2017;
- securities transferred from the "available for sale financial assets" category to the "loans and receivables" category for a book value of € 500 thousand, with a fair value of € 503 thousand.

Table 33 - Financial investments

					Changes	
(€ thousands)	**2017**	**%**	**2016**	**%**	**Amount**	**%**
Held to maturity investments	242,921	1.1	242,241	1.2	680	0.3
Loans and receivables	749,557	3.4	847,669	4.1	-98,112	-11.6
Available for sale financial assets	17,167,634	77.2	16,471,924	79.6	695,710	4.2
Financial assets at fair value through profit or loss	4,086,077	18.3	3,128,960	15.1	957,117	30.6
Total	**22,246,189**	**100.0**	**20,690,794**	**100.0**	**1,555,395**	**7.5**

Table 34 - Analysis of financial assets (ISVAP Regulation No. 7 dated July 13th, 2007)

Financial investments (disciplined by IAS 39)	Held to maturity investments		Loans and receivables		Available for sale financial assets		Financial assets at fair value through profit or loss				Total book value	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
(€ thousands)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Equities and derivatives carried at cost	0	0	0	0	0	0	0	0	0	0	0	0
Equities at fair value	0	0	0	0	163,479	146,539	195	159	25,044	22,019	188,718	168,717
of which listed securities	*0*	*0*	*0*	*0*	*117,734*	*90,247*	*191*	*155*	*25,044*	*22,019*	*142,969*	*112,421*
Debt securities	242,921	242,241	681,107	780,290	16,447,142	15,802,393	930,156	230,678	1,121,503	1,202,935	19,422,829	18,258,537
of which listed securities	*242,921*	*242,241*	*0*	*0*	*16,402,238*	*15,748,871*	*927,727*	*227,666*	*1,047,274*	*1,081,235*	*18,620,160*	*17,300,013*
UCIT units	0	0	0	0	557,013	522,992	21,152	618	1,974,802	1,651,466	2,552,967	2,175,076
Loans and receivables due from banking customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	10,350	10,721	0	0	0	0	0	0	10,350	10,721
Receivable financial components of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	58,100	56,658	0	0	0	0	0	0	58,100	56,658
Non-hedging derivatives	0	0	0	0	0	0	5,451	3,453	7,774	17,632	13,225	21,085
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial investments	0	0	0	0	0	0	0	0	0	0	0	0
Total	**242,921**	**242,241**	**749,557**	**847,669**	**17,167,634**	**16,471,924**	**956,954**	**234,908**	**3,129,123**	**2,894,052**	**22,246,189**	**20,690,794**

Reference should be made to the related table in the comments on the income statement for an analysis of the financial income and charges from investments.

4.3 Held to maturity investments

All financial assets, excluding derivatives, with a pre-established maturity and payments which are fixed or can be determined, which the Group intends to or has the ability to hold until maturity, are classified in this category.
In detail, the item mainly includes Italian government securities.

4.4 Loans and receivables

Assets with a pre-established maturity and payments which are fixed or can be determined, not listed on active markets, which are not recorded in any of the other categories, are classified in this category.
Specifically, the category includes all the loans and financing, amounts receivable for agent compensation, deposits from re-insurers with ceding companies and bonds not listed on active markets.

4.5 Available for sale financial assets

This category includes all the financial assets, valued at fair value, other than derivative instruments, both debt instruments and equities, which are not classified in the other categories and are disciplined by IAS 39. Specifically, this category comprises the equity investments deemed to be strategic in companies which are not subsidiary or associated companies, whose fair value derives from prices taken from active markets, or, in the case of securities not listed on active markets, from commonly applied valuation methods. In particular, the valuation methods adopted were chosen taking into account the pertinent sector.

The Board of Directors of the Cattolica Group approved the following changes to the thresholds for determining permanent impairment losses, in line with maximum prudence principles, at its July 13th, 2017 meeting.

Equities are written down against a reduction in the fair value calculated on the valuation date:

- compared to the purchase cost higher than 30% (significant) instead of 40% or
- compared to the purchase cost extended for more than 12 months (prolonged) instead of 24 months.

Following the performance of the impairment test on all financial instruments included in the “loans and receivables”, “held to maturity investments”, and “available for sale financial assets” categories, as disciplined by IAS 39, permanent losses in value were revealed (impairment losses), before tax effects, on shares totalling € 7.9 million (mainly due to the writedowns of the equity investments in Verona Fiere for € 3.3 million, Oasi nel Parco for € 1.3 million, Banca Credito Popolare Torre del Greco for € 1.2 million and H-FARM for € 600 thousand), on bonds for € 1.3 million and mutual investment funds for € 23.5 million (mainly due to write-down of the Fondo Atlante for € 18 million).

Following the capital increase that allowed Cassa di Risparmio di San Miniato to acquire a solid financial and capital structure, the value of the convertible subordinated loan was restored, equal to the value previously written down as of December 31st, 2016 and equal to € 5.8 million (gross of taxes).

4.6 Financial assets at fair value through profit or loss

This category comprises the classification of financial assets, including derivatives, held for trading and those designated by the Group as valued at fair value through profit or loss. Specifically, besides assets held for trading purposes, the item also includes the financial assets designated at fair value through profit or loss related to:

- insurance or investment contracts issued by the Group whose investment risk is borne by the policyholders;
- the management of pension funds.

Derivatives

The Group does not have any hedging derivatives.
With regard to non-hedging derivatives, those classified as for trading amount to € 5.451 million and are essentially comprised of options, while those at fair value through profit or loss come to € 7.774 million and are represented by options (Class D).

***

The tables below provide a breakdown of the Cattolica Group’s residual exposures as of December 31st, 2017, in government debt securities issued or guaranteed by European Union nations. As of December 31st, 2017 the Group did not have any exposures in Greek Government debt securities.

Table 35 - Exposure in government debt securities issued or guaranteed by EU zone countries - Available for sale financial assets

Country (€ thousands)	**Maturing up to 5 years**	**Maturing between 6 and 10 years**	**Maturing beyond 10 years**	**Total fair value**	**Gross AFS provision**
Italy	5,123,181	3,761,432	1,594,723	**10,479,336**	576,465
Spain	309,272	560,347	96,837	**966,456**	13,106
Portugal	3,264	38,876	0	**42,140**	4,360
Ireland	48,625	4,464	0	**53,089**	3,855
Other EU countries	214,106	1,237,523	330,826	**1,782,455**	15,742
TOTAL	**5,698,448**	**5,602,642**	**2,022,386**	**13,323,476**	**613,528**

Table 36 - Exposure in government debt securities issued or guaranteed by EU zone countries - Financial assets at fair value through profit or loss

Country (€ thousands)	**Maturing up to 5 years**	**Maturing by 6 and 10 years**	**Maturing beyond 10 years**	**Total fair value***
Italy	1,371,201	239,490	21,823	**1,632,514**
Spain	111,007	13,541	1,391	**125,939**
Portugal	56,921	0	0	**56,921**
Ireland	209	0	208	**417**
Other EU countries	31,510	16,598	12,976	**61,084**
TOTAL	**1,570,848**	**269,629**	**36,398**	**1,876,875**

* of which the value of financial assets at fair value through profit or loss amounts to € 951.909 million.

Table 37 - Exposure in government debt securities issued or guaranteed by EU zone countries - Held to maturity investments

Country (€ thousands)	**Maturing up to 5 years**	**Maturing between 6 and 10**	**Maturing beyond 10 years**	**Total value book value**	**Total fair value**
Italy	104,689	114,780	1,798	**221,267**	260,814
Spain	15,353	0	0	**15,353**	15,857
Portugal	0	0	0	**0**	0
Ireland	0	0	0	**0**	0
Other EU countries	0	0	0	**0**	0
TOTAL	**120,042**	**114,780**	**1,798**	**236,620**	**276,671**

***

Table 38 - Assets and liabilities valued at fair value on a recurrent and non-recurrent basis: breakdown by fair value hierarchy (ISVAP Regulation No. 7 dated July 13th, 2007)

		Level 1		Level 2		Level 3		Total	
(€ thousands)		2017	2016	2017	2016	2017	2016	2017	2016
Assets and liabilities valued at fair value on a recurrent basis									
Available for sale financial assets		16,143,672	15,522,690	640,092	506,202	383,870	443,032	17,167,634	16,471,924
Financial assets at fair value through profit or loss	Financial assets held for trading	943,218	222,520	6,457	9,649	7,279	2,739	956,954	234,908
	Financial assets at fair value through profit or loss	1,595,305	1,529,486	1,533,378	1,363,292	440	1,274	3,129,123	2,894,052
Investment property		0	0	0	0	0	0	0	0
Tangible assets		0	0	0	0	0	0	0	0
Intangible assets		0	0	0	0	0	0	0	0
Total assets at fair value on a recurrent basis		**18,682,195**	**17,274,696**	**2,179,927**	**1,879,143**	**391,589**	**447,045**	**21,253,711**	**19,600,884**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	0	0	0	0	0	0	0	0
	Financial liabilities at fair value through profit or loss	0	0	1,402,192	1,353,033	0	0	1,402,192	1,353,033
Total liabilities at fair value on a recurrent basis		**0**	**0**	**1,402,192**	**1,353,033**	**0**	**0**	**1,402,192**	**1,353,033**
Assets and liabilities valued at fair value on a non-recurrent basis									
Non-current assets or disposal group held for sale		0	0	0	0	0	0	0	0
Liabilities of disposal group held for sale		0	0	0	0	0	0	0	0

Fair value valuation techniques for financial investments

The valuation techniques are used when a listed price is not available. Generally, for the measuring of the fair value the use of observable data collected is maximised and the use of non-observable data is reduced.

Debt securities

If available and if the market is defined as active, the fair value is equal to the market price.

Otherwise, the fair value is determined using the market approach and the income approach. The main input for the market approach are prices listed for identical or comparable assets on active markets, where the comparability between the security and the benchmark determines the fair value level. Depending on the possibility of observing these parameters, the security is classified in level 2 or level 3. They are valued by making reference respectively:

- to the price provided by the counterparty, if binding (executable) for the counterparty;
- at the price recalculated by means of internal valuation instruments or provided by third parties and corroborated by suitable disclosure on the model and on the input data used.

In the event that the use of a valuation model is necessary, "plain vanilla" debt securities are valued by applying the discounted cash flow model technique, while structured securities are valued by splitting the security into a portfolio of elementary instruments; the fair value of the structured product can thus be obtained by adding together the individual valuations of the elementary instruments into which it has been split.

Debt securities and equities in default are recognised at the recovery value based on information originating from the appointed law firm.

Equities
If available and if the market is defined as active, the fair value is equal to the market price.
Otherwise, the fair value is determined using the market approach and the income approach. The main input for the market approach are prices listed for identical or comparable assets on active markets, where the comparability between the security and the benchmark determines the fair value level; depending on the possibility of observing these parameters, the security is classified in level 2 or level 3.

UCIT UNITS
With regard to undertakings for collective investment (UCITs), the reference value, for the purposes of the determination of the fair value, is represented by the official NAV communicated by the asset management company (SGR) or the fund administrator or obtained from information providers.

Derivatives
The fair value of the over the counter (OTC) derivatives is determined by making reference to the price provided by external counterparties (if binding "executable"), to the price provided by the central counterparties (CCP) for the derivatives which fall within the sphere of the EMIR procedures or to the price recalculated by means of internal valuation instruments or provided by third parties and corroborated by suitable disclosure on the model and on the input data used.

Financial assets where the risk is borne by the insured party and related to the management of pension funds
If available and if the market is defined as active, the fair value is equal to the market price. Otherwise, the valuation methods listed above for the various classes of assets are used.

Level 3 financial assets and liabilities at fair value on a recurrent basis

Securities present in the portfolio at fair value hierarchy level 3 are measured based primarily on valuations and analysis by the issuer or third parties, which cannot be directly found on the market but only monitored by dynamics observed indirectly on market factors and on the basis of objective elements communicated by said counterparties.
Based on the securities in the portfolio, the parameters that cannot be observed, but are capable of influencing the valuation of Level 3 instruments are represented specifically by:

- estimates and assumptions used to value unlisted hedge funds, private equity, unlisted real estate property funds: with regard to these investments, it is very difficult to estimate the fair value's sensitivity to changes in various, non-observable inputs, which together could have off-setting effects, therefore the reasonableness of the effects caused by the stated changes on the objective elements considered in the valuations are verified;
- estimates and assumptions used to value equity investments in unlisted companies using the stock market multiples method, which determines the economic capital value of a company or of a business unit based

on market multipliers (Stock Market Multipliers) and the Discount Cash Flow, which estimates the value of a company or of a business unit on the basis of the future cash flows.

Table 39 - Analysis of changes in level 3 financial assets and liabilities valued at fair value on a recurrent basis (ISVAP Regulation No. 7 dated July 13th, 2007)

		Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss	
(€ thousands)	Available for sale financial assets	Financial assets held for trading	Financial assets at fair value through profit or loss	Investment property	Tangible assets	Intangible assets	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss
Opening balance	**443,032**	**2,739**	**1,274**	**0**	**0**	**0**	**0**	**0**
Purchases/Issues	56,737	33	21	0	0	0	0	0
Sales/Repurchases	-52,399	-249	-711	0	0	0	0	0
Reimbursements	-26,468	-354	0	0	0	0	0	0
Gain or loss through profit or loss	-24,271	5,110	-15	0	0	0	0	0
- of which valuation profits/losses	-25,740	5,110	0	0	0	0	0	0
Gain or loss recorded in other components of the statement of comprehensive income	-2,579	0	0	0	0	0	0	0
Transfers in level 3	0	0	0	0	0	0	0	0
Transfers to other levels	-10,182	0	-129	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Closing balance	**383,870**	**7,279**	**440**	**0**	**0**	**0**	**0**	**0**

No transfers were recorded in level 3.

Transfers from level 3 to level 2, mainly due to the change in the valuation model, involved bonds classified as “Available for sale financial assets” for a total of € 10.3 million

The transfers from level 1 to 2, mainly due to minor liquidity on the listing markets, for a total of € 21.3 million, concerned:

- “Available for sale financial assets”: bonds for an equivalent value of € 21 million;
- “Financial assets at fair value through profit or loss”: funds of € 300 thousand.

In conclusion, the transfers from level 2 to 1, mainly due to greater liquidity on the listing markets, for a total of € 57.9 million, concerned:

- “Available for sale financial assets”: bonds for an equivalent value of € 56.2 million;
- “Financial assets at fair value through profit or loss” for a total of € 1.7 million: funds for a value of € 1 million and bonds for € 700 thousand.

Table 40 - Assets and liabilities not valued at fair value: breakdown by fair value hierarchy (ISVAP Regulation No. 7 dated July 13th, 2007)

	Book value		Fair value							
			Level 1		Level 2		Level 3		Total	
(€ thousands)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Assets										
Held to maturity investments	242,921	242,241	284,625	291,214	0	0	0	0	284,625	291,214
Loans and receivables	749,557	847,669	0	0	201,894	279,946	652,508	682,239	854,402	962,185
Investments in subsidiaries, associated companies and joint ventures	96,432	70,522	0	0	0	0	100,769	70,552	100,769	70,552
Investment property	572,571	493,914	0	0	0	0	660,532	546,485	660,532	546,485
Tangible assets	182,286	180,678	0	0	0	0	229,226	223,329	229,226	223,329
Total assets	**1,843,767**	**1,835,024**	**284,625**	**291,214**	**201,894**	**279,946**	**1,643,035**	**1,522,605**	**2,129,554**	**2,093,765**
Liabilities	**770,578**	**281,422**	**0**	**0**	**729,464**	**184,047**	**47,346**	**51,183**	**776,810**	**235,230**
Other financial liabilities	770,578	281,422	0	0	729,464	184,047	47,346	51,183	776,810	235,230

Loans and receivables, amounting to € 749.557 million, mainly include debt securities for € 680.949 million, receivables for recoveries for € 50.375 million and deposits with ceding companies for € 10.35 million.

For deposits with companies and receivables for recoveries whose book value is considered to be a good approximation of the fair value.

The fair value of investment properties is estimated on the basis of the methods described previously.

Investments in subsidiaries, associated companies and joint ventures include the real estate investment funds Mercury and Hcampus whose reference value, for the purposes of the determination of the fair value, is represented by the NAV communicated by the asset management company. The fair value level assigned is 3.

The fair value of the other financial liabilities is recognised using the income approach technique.

Table 41 - Analysis of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by the policyholder and deriving from pension fund management (ISVAP Regulation No. 7 dated July 13th, 2007)

	Benefits associated with investment funds and stock market indices		Benefits associated with the management of pension funds		Total	
(€ thousands)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Assets in the financial statements	2,310,913	2,080,810	960,779	873,236	3,271,692	2,954,046
Intercompany assets*	0	0	0	0	0	0
Total assets	**2,310,913**	**2,080,810**	**960,779**	**873,236**	**3,271,692**	**2,954,046**
Financial liabilities in the financial statements	571,680	597,973	830,394	754,943	1,402,074	1,352,916
Technical provisions in the financial statements	1,739,233	1,482,837	130,385	118,293	1,869,618	1,601,130
Intercompany liabilities*	0	0	0	0	0	0
Total liabilities	**2,310,913**	**2,080,810**	**960,779**	**873,236**	**3,271,692**	**2,954,046**

* Assets and liabilities eliminated during the consolidation process

5. SUNDRY RECEIVABLES

Table 42 - Sundry receivables

			Changes	
(€ thousands)	**2017**	**2016**	**Amount**	**%**
Receivables deriving from direct insurance transactions	**430,952**	**394,307**	**36,645**	**9.3**
Policyholders	171,165	148,688	22,477	15.1
Insurance brokers	183,450	178,575	4,875	2.7
Insurance companies - current accounts	41,352	32,784	8,568	26.1
Policyholders and third parties for claims to be settled	34,985	34,260	725	2.1
Receivables deriving from reinsurance transactions	**91,506**	**60,250**	**31,256**	**51.9**
Insurance and reinsurance companies	91,506	60,250	31,256	51.9
Reinsurance brokers	0	0	0	n.a.
Other receivables	**80,685**	**67,338**	**13,347**	**19.8**
Total	**603,143**	**521,895**	**81,248**	**15.6**

n.a. = non-applicable

On the basis of the experience of previous accounting periods, the item was adjusted for a total of € 45.872 million for writedowns due to doubtful collection.

The item “Other receivables” mainly includes amounts due for management fees deriving from the management of internal and external funds of unit-linked products, as well as amounts receivable for advances to suppliers, amounts due from employees, amounts due from tenants, amounts due from guarantee funds.

6. OTHER ASSET ITEMS

Other asset items are made up as follows:

Table 43 - Other asset items

(€ thousands)	2017	2016	Changes Amount	%
Deferred acquisition costs	13,469	13,537	-68	-0.5
Deferred tax assets	453,818	496,174	-42,356	-8.5
Current tax assets	386,085	391,245	-5,160	-1.3
Other assets	214,373	187,301	27,072	14.5
Total	**1,067,745**	**1,088,257**	**-20,512**	**-1.9**

6.2 Deferred acquisition costs
The deferred acquisition costs relate to insurance contracts, as agreed upon by IFRS 4.

Deferred and current tax assets

6.3 Deferred tax assets
In accordance with the definition contained in IAS 12, these comprise the amounts of income taxes recoverable in future accounting periods.

Amounts receivable for deferred tax assets, recorded under “Deferred tax assets” derive from deductible timing differences, such as the write-down of receivables, the deductible portion of the change in the provision for outstanding non-life business claims, the capital losses on shares, the amortisation of the insurance portfolio, the allowances to provisions for risks and charges, as well as from carrying forward tax losses not used and the freeing up as per Italian Law Decree No. 185/2008, of € 91.05 million, of the prepaid taxes recorded on goodwill and on other intangible assets.

They also comprise deferred tax assets which have arisen from the temporary misalignment between accrual-basis accounting laid down by the international accounting standards and Italian tax legislation. This misalignment is mainly due to the representation in the income statement and under shareholders’ equity of capital gains and losses from valuation generated on financial assets at fair value through profit or loss and on available for sale financial assets, recalculation of the employee severance indemnity in accordance with revised IAS 19, calculation of deferred income revenue (DIR) associated with investment contracts held by the Group, recalculation of depreciation plans for properties and investment properties in accordance with IAS 16 and 40, recalculation of the supplementary provisions and the recording of the shadow accounting provision.

Deferred tax assets were determined according to the rate established by art. 1, paragraph 33 (with reference to IRES) and art. 1, paragraph 50 (with reference to IRAP) of Italian Law No. 244 dated December 24th, 2007, “2008 Finance Law”, taking into account the amendments introduced by art. 23, paragraph 5 of Italian Law Decree No. 98 of July 6th, 2011, containing “Urgent provisions for financial stabilisation” (so-called “corrective manoeuvre’). They were also determined taking into consideration Italian Law No. 208 dated December 28th, 2015 “2016 Stability Law”, on the basis of which the reduction of the IRES rate from 27.5% to 24% is envisaged as from January 1st, 2017.

6.4 Current tax assets

This item is represented by amounts due from tax authorities and mainly derives from the surplus emerging from the tax returns submitted, withholdings made on bank interest, tax credits on income deriving from equity investments in mutual investment funds, the advance tax on employee severance indemnities as per art. 3, paragraph 213 of Italian Law No. 662 dated December 23rd, 1996 and from amounts due from tax authorities transferred to the Parent Company by the subsidiaries who have complied with the tax consolidation system. Amounts due from tax authorities also comprise prepaid taxes pursuant to Italian Law No. 265 dated November 22nd, 2002, concerning the taxation of the life provisions, and amounts due from tax authorities for the payment of the annual advance of tax on premiums envisaged by art. 9, paragraph 1-*bis*, of Italian Law No. 1216.

6.5 Other assets

This item includes DAC - deferred acquisition cost, income and prepaid expenses and other assets.

Table 44 - Other assets

			Changes	
(€ thousands)	**2017**	**2016**	**Amount**	**%**
Deferred commissions expense associated with investment contracts	5,000	6,074	-1,074	-17.7
Accruals and deferrals	5,630	5,325	305	5.7
Sundry assets	203,743	175,902	27,841	15.8
Total	**214,373**	**187,301**	**27,072**	**14.5**

The item "deferred commissions expense associated with investment contracts" refers to deferred acquisition costs associated with investment contracts or contracts not complying with the definition of insurance contract as per IFRS 4.

The "accruals and deferrals" item mainly refers to usage licences and software maintenance.

Sundry assets mainly include the amount relating to taxation on the mathematical provisions of the life classes accrued during the year for € 71.024 million, indemnities paid to agents who have ceased to work and have not yet charged for recourse, shown net of the related provision for writedowns of € 23.601 million, the balance of the liaison account between the life and non-life sectors of the Group insurance companies for € 90.729 million, which has a matching balance under other liabilities, and the balances of transactions to be settled for € 5.441 million.

7. CASH AND CASH EQUIVALENTS

The item “Cash and cash equivalents” represents the balance as of the end of the accounting period of the current accounts held with various banks. Cash and cash equivalents amount to € 206.884 million. During the year, the item reported an increase of € 34.798 million. The book value of these assets significantly approximates their fair value. Deposits and bank current accounts are remunerated at both fixed and floating rates.

Part C
Statement of financial position - Liabilities

1. SHAREHOLDERS' EQUITY

As of December 31st, 2017, this item was made up as follows:

Table 45 - Shareholders' equity

			Changes	
(€ thousands)	2017	2016	Amount	%
Shareholders' equity				
pertaining to the Group	**1,845,306**	**1,854,896**	**-9,590**	**-0.5**
Share capital	522,882	522,882	0	0
Other equity instruments	0	0	0	n.a.
Capital reserves	772,015	780,835	-8,820	-1.1
Revenue reserves and other equity reserves	476,485	453,669	22,816	5.0
(Own shares)	-46,945	-39,907	-7,038	-17.6
Reserve for net exchange differences	0	0	0	n.a.
Gains or losses on available for sale financial assets	78,458	63,976	14,482	22.6
Other gains or losses recognised directly in equity	1,303	-2,813	4,116	n.s.
Profit (loss) for the period pertaining to the Group	41,108	76,254	-35,146	-46.1
pertaining to minority interests	**262,230**	**258,830**	**3,400**	**1.3**
Capital and reserves pertaining to minority interests	239,108	231,680	7,428	3.2
Gains and losses recognised directly in equity	8,165	10,036	-1,871	-18.6
Profit (loss) for the year pertaining to minority interests	14,957	17,114	-2,157	-12.6
Total	**2,107,536**	**2,113,726**	**-6,190**	**-0.3**

n.s. = not significant

n.a. = non-applicable

1.1 Shareholders' equity pertaining to the Group
This item totals € 1,845.306 million and comprises the following items:

1.1.1 Share capital
The fully subscribed share capital amounts to € 522.882 million and is made up of 174,293,926 ordinary shares with no nominal value, further to the amendment of art. 6 of the Articles of Association approved by the extraordinary shareholders' meeting held on April 25th, 2015.

1.1.3 Capital reserves
This item includes the share premium reserve of the Parent Company. The variation of € 8.82 million with respect to last year is essentially linked to the coverage of the loss of the life classes by means of use of reserves.

1.1.4 Revenue reserves and other equity reserves
This item comprises the gains and losses deriving from initial application of international accounting standards (IFRS 1) and the reserves envisaged by the Italian Civil Code (consolidation reserve, legal reserve and extraordinary reserve) and by special laws prior to the adoption of international accounting standards. The change is attributable to the allocation of profit for the previous year and the performance of consolidation reserves. During the year, the Parent Company paid out dividends, net of own shares, for € 58.854 million.

1.1.5 Own shares
As of December 31st, 2017, the Parent Company held 6,679,907 own shares.

1.1.7 Gains or losses on available for sale financial assets
The changes reported during the year are mainly attributable to:

- the transfer of net capital gains to the income statement following disposals for € 42.336 million, and net capital losses from impairment for € 19.254 million;
- net positive fair value changes in financial instruments included in the corresponding asset item for € 37.564 million.

1.1.8 Other gains or losses recognised directly in equity
The change is attributable to the increase of € 3.847 million in the reserve from valuation of the associated companies and joint venture and the increase of € 269 thousand in actuarial gains and losses from valuation of the employee benefits as per the matters envisaged by revised IAS 19.

1.2 Shareholders' equity pertaining to minority interests
This account comprises the values pertaining to minority interests regarding the companies included in the consolidation area. With reference to the item "gains or losses recognised directly in equity", changes during the year, net of the related deferred taxation, are due to:

- net negative fair value changes in financial instruments included in the corresponding asset item for € 1.610 million;
- net capital gains from impairment of € 285 thousand;
- the transfer of net capital losses of € 24 thousand.

2. PROVISIONS AND ALLOWANCES

Table 46 - Provisions and allowances - changes during the year

(€ thousands)	2016	Increases	Decreases	2017
Provisions and allowances	**54,361**	15,866	19,153	**51,074**

As of December 31st, the item mainly comprised amounts set aside for:

- legal disputes and costs for € 12.695 million (€ 3.625 million was provided and € 4.379 million used during the year);
- formal notices or reports on findings which can be served for violations of Italian law or for other findings for € 619 thousand (€ 396 thousand was provided and € 734 thousand used during the year);
- sums which will be paid for the acceptance of any requests by beneficiaries for services depending on life assurance policies in relation to which prescription has taken place in favour of the Group for € 659 thousand (€ 5 thousand was used during the year);
- disputes open relating to employment matters or tax aspects for € 2.354 million (€ 700 thousand was provided and € 2.448 million used during the year);
- the defence expense provision for € 457 thousand (€ 100 thousand was used during the year);

- the provision for agents' leaving indemnity for € 7.089 million (€ 740 thousand was provided during the year);
- intersectoral solidarity fund for € 9.759 million (€ 3.231 million was provided and € 3.327 million used during the year);
- claims division funds for € 2.8 million (€ 1.450 million was used during the year).

It was also deemed appropriate to allocate a provision of € 3.894 million, relating to fines that can be entered in the balance sheet (after having already paid € 4.565 million in VAT and interest last November) following the rulings handed down by the Supreme Courts of Cassation concerning VAT and art. 6, although the intercompany filed appeals to have the sentences overturned, the assessments that gave rise to the disputes cancelled and in the event of the sentences being rejected, for the fines imposed to be made non-applicable.

The outlays are envisaged over the short-term and therefore are not subject to any discounting. With regard to the legal and tax-related disputes, account is taken of the advice of legal/tax advisors with regard to the outcome of the same. With regard to the IVASS sanctions has taken into account those already communicated as well as the time series in the past registered by the insurance companies in the Group.

3. TECHNICAL PROVISIONS

This item includes, as mentioned in the accounting principles, provisions associated with insurance contracts, and those deriving from investment contracts involving discretionary profit sharing (DPF), gross of reinsurance.

The fairness of the liabilities as of December 31st, 2017, was ascertained by means of the method envisaged by section 15 *et seq.* of IFRS 4 (liability adequacy test). The assessment was carried out on liabilities relating to portfolios classified as insurance contracts or financial contracts with Discretionary Participation Features (DPF). The test was carried out by comparing the technical provisions, decreased by the acquisition costs still to be amortised and the value of any other related intangible assets, with the current value of the expected cash flows generated by the policy, including the liquidation and management costs.
In the event of insufficiency of the provisions, the difference is booked to the income statement with an increase in liabilities.

With regard to non-life classes, for the purpose of checking the fairness of the insurance liabilities, in replacement of the LAT, a control was used at individual ministerial class level by testing the calculation of the supplementary provision for risks underway with the simplified method as envisaged by art. 8 of attachment 15 of the ISVAP regulation No. 22 dated April 4th, 2008, amended by means of IVASS instruction No. 53 dated December 6th, 2016. Since the claims for the year were valued at ultimate cost, and not discounted back, it is possible to consider the future flows of the payments as implicitly checked.

The current estimates have confirmed that the provisions as of December 31st, 2017 are adequate and therefore no supplementary provision is required.

Table 47 - Analysis of technical provisions (ISVAP Regulation No. 7 dated July 13th, 2007)

	Direct business		Indirect business		Total book value	
(€ thousands)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Non-life provisions	**3,587,334**	**3,549,631**	**17,664**	**19,016**	**3,604,998**	**3,568,647**
Premium provision	743,489	740,213	6,442	7,520	749,931	747,733
Provision for outstanding claims	2,841,801	2,807,464	11,220	11,490	2,853,021	2,818,954
Other provisions	2,044	1,954	2	6	2,046	1,960
of which provisions provided following the assessment of fairness of the liabilities	*0*	*0*	*0*	*0*	*0*	*0*
Life provisions	**17,005,654**	**15,913,408**	**3,707**	**3,741**	**17,009,361**	**15,917,149**
Provision for outstanding claims	250,079	200,226	13	2	250,092	200,228
Mathematical provisions	14,193,618	13,185,462	3,625	3,669	14,197,243	13,189,131
Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds	1,782,417	1,601,130	0	0	1,782,417	1,601,130
Other provisions	779,540	926,590	69	70	779,609	926,660
of which provisions provided following the assessment of fairness of the liabilities	*0*	*0*	0	*0*	0	*0*
of which deferred liabilities due from policyholders	*699,871*	*848,384*	*0*	*0*	*699,871*	*848,384*
Total technical provisions	**20,592,988**	**19,463,039**	**21,371**	**22,757**	**20,614,359**	**19,485,796**

NON-LIFE BUSINESS

Premium provision

In accordance with Italian legislation, the item comprises both the provision for unearned premiums, supplemented by the premium provision, calculated for certain classes as per specific ministerial requirements, and the provision for unexpired risks.

Provision for outstanding claims

The table below provides details of the provision for outstanding claims per direct and indirect class of business.

Table 48 - Details of the provision for outstanding claims per class

(€ thousands)	2017	2016	Changes Amount	%
Classes:				
01 - Accident and injury	99,185	93,426	5,759	6.2
02 - Health	34,190	41,824	-7,634	-18.3
03 - Land vehicle hulls	21,140	23,280	-2,140	-9.2
04 - Railway rolling stock	241	56	185	n.s.
05 - Aircraft hulls	2,358	2,007	351	17.5
06 - Ships (sea and inland water vessels)	1,516	1,558	-42	-2.7
07 - Goods in transit	11,853	13,518	-1,665	-12.3
08 - Fire & natural forces	143,676	135,735	7,941	5.9
09 - Other damage to assets	70,221	73,115	-2,894	-4.0
10 - TPL - Land motor vehicles	1,455,304	1,401,620	53,684	3.8
11 - TPL - Aircraft	5	3	2	66.7
12 - TPL - Shipping (sea & inland)	3,175	3,193	-18	-0.6
13 - TPL - General	946,046	965,848	-19,802	-2.1
14 - Credit	799	982	-183	-18.6
15 - Suretyship	37,147	39,036	-1,889	-4.8
16 - Sundry financial losses	8,937	8,874	63	0.7
17 - Legal protection	9,248	7,296	1,952	26.8
18 - Assistance	7,980	7,583	397	5.2
TOTAL	**2,853,021**	**2,818,954**	**34,067**	**1.2**

n.s. = not significant

LIFE BUSINESS

Mathematical provisions

The mathematical provisions include those envisaged by attachment 14 of ISVAP Regulation No. 22 dated April 4th, 2008, amended by IVASS instruction No. 53 dated December 6th, 2016.

Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds

This item exclusively comprises the provisions relating to index-linked and unit-linked polices and the provisions relating to pension funds.

Other provisions

Other provisions mainly comprise provisions for future costs associated with insurance contracts for € 75.077 million (€ 71.528 million as of December 31st, 2016) and the shadow accounting provision totalling € 699.871 million (€ 848.384 million as of December 31st, 2016).

4. FINANCIAL LIABILITIES

4.1 Financial liabilities at fair value through profit or loss

The item includes the financial liabilities at fair value through profit or loss, defined and disciplined by IAS 39, relating to:

- investment contracts, not falling within the scope of IFRS 4, issued by Group insurance companies, where the risk of the investment is borne by the policyholders;
- management of pension funds, not falling within the scope of IFRS 4.

The item represents 64.5% of total financial liabilities.
In detail, the technical provisions relating to investment contracts, which mainly comprise the provisions against index and unit-linked policies, amount to € 571.68 million (€ 597.973 million last year) and the technical provisions relating to pension funds amount to € 830.394 million (€ 754.943 million last year).

4.2 Other financial liabilities

The item represents 35.5% of total financial liabilities.

They include financial liabilities defined and disciplined by IAS 39 not included in the "Financial liabilities at fair value through profit or loss" category, namely, subordinated liabilities for € 677.762 million, deposits received from re-insurers which totalled € 47.334 million and loans for € 45.470 million.

In detail, the features of the subordinated liabilities and loans are as follows:

- a subordinated loan with an unspecified maturity amounting to € 80 million taken out with UBI and disbursed in September 2010. The possibility of early repayment as from September 2020 is envisaged. A subordination condition is envisaged with respect to all the unsubordinated creditors including the policyholders;
- subordinated loan for € 99.446 million maturing on December 2043, issued on December 2013, subscribed by institutional investors. The possibilities for optional early repayment are envisaged after 10 years from issue and on each payment date of the subsequent coupon. Securities can be reimbursed in advance and subject to IVASS authorisation, even in the presence of regulatory or tax changes or changes in accounting principles implemented by the rating agencies;
- subordinated loan for € 498.316 million maturing on December 2047, issued on December 2017, subscribed by institutional investors. The possibilities for optional early repayment are envisaged after 10 years from issue and on each payment date of the subsequent coupon. The securities can be reimbursed in advance and subject to IVASS authorisation, also in the presence of regulatory or tax changes or changes in accounting principles implemented by the rating agencies;
- mortgage loan of € 2.144 million taken out with the Banca Intesa Group on March 24th, 2004 pertaining to Fondo Euripide. The loan is repayable in quarterly instalments and matures in December 2019;
- loan of € 8.411 million taken out with Banca Popolare di Sondrio in December 2015 and pertaining to Cattolica Services. The loan is repayable in quarterly instalments and matures in January 2019;
- loan of € 1.104 million taken out with Banca di Verona in December 2016 and pertaining to Cattolica Services. The loan is repayable in quarterly instalments and matures in March 2018;
- loan of € 77 thousand taken out with Banca di Verona on May 28th, 2013 and pertaining to Cattolica Agricola. The loan is repayable in six-monthly instalments and matures in May 2018;
- loan of € 139 thousand taken out with Banca di Verona in November 2013 and pertaining to Cattolica Beni Immobili. The loan is repayable in monthly instalments and matures in November 2018;

- debt balance of € 24.618 million on the current account open care of Banca di Brescia for the credit facility granted to Lombarda Vita;
- debt balance of € 4.877 million on the current account open care of Banca Popolare di Sondrio for the credit facility granted to Cattolica;
- debt balance of € 2.322 million on the current account open care of Banca di Verona for the credit facility granted to Cattolica;
- debt balance of € 973 thousand on the current account open care of Banca Popolare Verona for the credit facility granted to Cattolica Services;
- debt balance of € 805 thousand on the current account open care of Banca Popolare di Sondrio for the credit facility granted to Cattolica Services.

The change in liabilities from financing activities amounted to € 489.156 million and consisted mainly of € 498.316 million in monetary movements relating to the subordinated loan issued in December 2017, partially offset by the repayment of loans.

The table below provides an analysis of the financial liabilities undertaken by the Group, expressed according to nature and in accordance with the IAS classification criteria.

Table 49 - Analysis of financial liabilities (ISVAP Regulation No. 7 dated July 13th, 2007)

	Financial liabilities at fair value through profit or loss							
	Financial liabilities held for trading		**Financial liabilities at fair value through profit or loss**		**Other financial liabilities**		**Total value for the period**	
(€ thousands)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Participative financial instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	677,762	179,263	677,762	179,263
Liabilities from investment contracts issued by insurance companies deriving	0	0	1,402,192	1,353,033	12	12	1,402,204	1,353,045
from contracts where the investment risk is borne by the policyholders	*0*	*0*	*571,680*	*597,973*	*0*	*0*	*571,680*	*597,973*
from the management of pension funds	*0*	*0*	*830,394*	*754,943*	*0*	*0*	*830,394*	*754,943*
from other policies	*0*	*0*	*118*	*117*	*12*	*12*	*130*	*129*
Deposits received from re-insurers	0	0	0	0	47,334	51,171	47,334	51,171
Financial liability components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities issued	0	0	0	0	0	0	0	0
Payables due to banking customers	0	0	0	0	0	0	0	0
Interbanking payables	0	0	0	0	0	0	0	0
Other loans received	0	0	0	0	0	0	0	0
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Sundry financial liabilities	0	0	0	0	45,470	50,976	45,470	50,976
Total	**0**	**0**	**1,402,192**	**1,353,033**	**770,578**	**281,422**	**2,172,770**	**1,634,455**

5. PAYABLES

The account group comprises trade payables disciplined by IAS 39, mainly represented by payables deriving from direct insurance transactions, reinsurance payables and other payables.

Table 50 - Payables

			Changes	
(€ thousands)	**2017**	**2016**	**Amount**	**%**
Payables deriving from direct insurance transactions	**75,842**	**66,450**	**9,392**	**14.1**
Insurance brokers	35,452	37,344	-1,892	-5.1
Insurance companies - current accounts	3,410	5,894	-2,484	-42.1
Policyholders for guarantee deposits and premiums	36,549	22,650	13,899	61.4
Guarantee funds in favour of policyholders	431	562	-131	-23.3
Payables deriving from reinsurance transactions	**21,365**	**42,604**	**-21,239**	**-49.9**
Insurance and reinsurance companies	21,365	42,604	-21,239	-49.9
Insurance brokers	0	0	0	n.a.
Other payables	**203,504**	**176,920**	**26,584**	**15.0**
For taxes payable by policyholders	35,060	32,451	2,609	8.0
Amounts due to social security and welfare institutions	4,813	4,516	297	6.6
Sundry payables	163,631	139,953	23,678	16.9
Total	**300,711**	**285,974**	**14,737**	**5.2**

n.a. = non-applicable

5.1 Payables deriving from direct insurance transactions

“Payables deriving from direct insurance transactions” mainly comprise the amounts due to insurance brokers.

In detail, amounts due to insurance brokers take into account the supplementary year-end registrations pertaining to the assessment of the production premiums and the timing mismatch registered in the settlement of the commissions with the bank-assurance channel.

5.2 Payables deriving from reinsurance transactions

“Payables deriving from reinsurance transactions” include the items with debt balances associated with reinsurance.

5.3 Other payables

These include payables for taxes payable by insurers, amounts due to welfare and social security institutions and other sundry payables.

In detail, the item “sundry payables” included amounts due to suppliers, due to employees and for employee benefits as per revised IAS 19.

Employee benefits pursuant to the revised IAS 19 include employee severance indemnity amounting to € 14.195 million, seniority bonuses amounting to € 7.962 million and health bonuses for retired personnel amounting to € 5.594 million.

The employee severance indemnity is subject to actuarial calculation which takes into account the future developments of the employment relationship. The future flows of the employee severance indemnity have been discounted back as of the reference date on the basis of the method expressly requested by section 68 of IAS 19, known as the Projected Unit Credit Method.

The projected benefits which can be disbursed in the event of death, incapacity, resignation or retirement based on the applicable actuarial bases have been determined for all the employees active as of the date of assessment and distributed uniformly over all the years of service for each employee as from the date of employment until the date the events take place.

As stated in the accounting principles, with regard to Group companies with at least 50 employees, the employee severance indemnity accrued up to December 31st, 2006 is treated like a defined benefit plan and is therefore subject to actuarial calculation, while the employee severance indemnity allocated as from January 1st, 2007 to a specific Treasury Fund set up with INPS (national social security institute) is treated as a defined contribution plan. For the companies with less than 50 employees, the entire liability has been treated as a defined benefit plan.

The employee severance indemnity represents the effective value of the foreseeable obligation, net of any assets serving the plans, adjusted to reflect any actuarial losses or gains not amortised. The discounting back of the future cash flows is carried out on the basis of the interest rate of high quality corporate securities. The main hypotheses used are: discount rate of 1.3%, inflation rate of 1.5%, revaluation rate of 2.16% (already net of the tax of 17%, in force as from January 1st, 2015), salary increases of 2.9%, mortality based on the most recent ANIA A62 mortality tables broken down by gender and the disability/invalidity, adopted in the INPS model for 2010 projections. For the retirement age of the generic asset, it was assumed that the pension requirements valid for Compulsory General Insurance (AGO, 67 years of age for males and females) were met. In relation to the resignation frequency, a table has been used in line with the expected value of the resignation rate over the long-term for the Parent Company.

The categories of employee benefits which are disciplined by revised IAS 19 revised include the indemnities represented by length-of-service bonuses.

In compliance with the international accounting standard revised IAS 19 revised, the actuarial valuations were carried out on the basis of the method of the benefits accrued using the Projected Unit Credit Method.
This method makes it possible to calculate the length-of-service bonuses at their date of maturity in an actuarial sense, distributing the liability for all the years of residual permanence of the outstanding workers. No. longer as a liability to be settled in the event the company ceases its business activities as of the financial statements date, but gradually providing for this liability in relation to the residual duration of the workers in service.
The method makes it possible to calculate certain amounts in a demographic - financial sense as of the reference date of the valuation, including in particular the liability pertaining to the service already provided by the workers represented by the DBO - Defined Benefit Obligation (also known as the Past Service Liability). It is obtained by calculating the current value of the services due to the workers deriving from the length-of-service already accrued as of the valuation date.
The demographic and financial hypotheses used are identical to those used for the valuation of the severance indemnity described previously.

The categories of benefits, identified by revised IAS 19 revised as other long term benefits, for which an actuarial-type valuation is required, include the indemnities represented by health bonuses provided to retired staff.

With reference to the health bonuses for retired employees, revised IAS 19 revised confirms the needs to make valuations taking into due consideration the period in which the afore-mentioned benefits will presumably be provided with the consequent need to quantify them in terms of average current values.
The provisions which discipline the afore-mentioned benefits are presented in the National Collective Labour Agreement for employees and executives and in the in-house collective contract of the Cattolica Assicurazioni Group companies. Explicit reference was made to these provisions and rules for the creation of the technical valuation model.
The actuarial valuations of the health bonuses were carried out, in compliance with the international accounting standard revised IAS 19 revised, on the basis of the method of the benefits accrued using the projected unit credit method.
With reference to the demographic hypotheses, the recent ANIA A62 mortality tables were used. For the retirement age of the generic asset (officer or executive), it was assumed that the pension requirements valid for Compulsory General Insurance (AGO, 67 years of age for males and females) were met. With regard to the probability of leaving work activities, for reasons other than death, the turn-over probabilities detected in the companies were used, equal to 7% both for active officials and active executives. The financial hypotheses used are identical to those used for the valuation of the severance indemnity described previously.

In accordance with revised IAS 19 revised, sensitivity analysis has been carried out on the value of the obligation for defined benefits (DBO) based on changes in the main valuation hypotheses. In detail, the change in the value of the DBO has been gauged consequent to a change in the amount of the discount rate, a change in retirement age, a change in the inflation rate, a change in the mortality table and a change in the frequency of voluntary resignations. In light of these changes, also the parameters associated with the figure amended in accordance with the matters indicated in the following table have been changed, again in observance of the central hypothesis.

Table 51 - Sensitivity test hypotheses

	Central hypotheses	Hypothesis 1	Hypothesis 2	Hypothesis 3	Hypothesis 4	Hypothesis 5	Hypothesis 6	Hypothesis 7	Hypothesis 8	Hypothesis 9	Hypothesis 10
		Discount rate +1%	Discount rate -1%	Retirement age + 2 years	Retirement age - 2 years	Inflation rate +0.5%	Inflation rate -0.5%	Mortality table increase of 10%	Mortality table decrease of 10%	Resignation frequency increase of 10%	Resignation frequency decrease of 10%
Discount rate	1.3%	1.8%	0.8%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Retirement age	67	67	67	69	65	67	67	67	67	67	67
Inflation rate	1.5%	1.5%	1.5%	1.5%	1.5%	2.0%	1.0%	1.5%	1.5%	1.5%	1.5%
Salary increase rate	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Severance indemnity revaluation rate	2.6%	2.6%	2.6%	2.6%	2.6%	3.0%	2.3%	2.6%	2.6%	2.6%	2.6%
Mortality table	A 62	A 62	A 62	A 62	A 62	A 62	A 62	A 62 +10%	A 62 -10%	A 62	A 62
Voluntary resignation frequency	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.2%	1.8%

The results of the sensitivity test on the value of the DBO as of December 31st, 2017 are shown in the table below.

Table 52 - Sensitivity test results

(€ thousands)	Value of the obligation for defined benefits as of December 31st, 2017	Sensitivity %
Central hypotheses	27,751	
Hypothesis 1	26,724	-3.7%
Hypothesis 2	28,937	4.3%
Hypothesis 3	27,812	0.2%
Hypothesis 4	27,685	-0.2%
Hypothesis 5	28,522	2.8%
Hypothesis 6	26,092	-6.0%
Hypothesis 7	27,368	-1.4%
Hypothesis 8	27,849	0.4%
Hypothesis 9	26,803	-3.4%
Hypothesis 10	28,224	1.7%

Table 53 - Employee severance indemnity, length-of-service bonus and premiums on health contracts

(€ thousands)	Employee benefits as per IAS 19R
Balance as of December 31st, 2016	**28,212**
Interest cost	366
Service cost	830
Change in the demographic actuarial component	-395
Change in the rate actuarial component	-2
Disbursements and transfers	-1,260
Other changes	0
Balance as of December 31st, 2017	**27,751**

6. OTHER LIABILITY ITEMS

Table 54 - Other liability items

(€ thousands)	2017	2016	Changes Amount	%
Deferred tax liabilities	361,036	394,624	-33,588	-8.5
Current tax liabilities	134,589	144,743	-10,154	-7.0
Other liabilities	143,815	118,907	24,908	20.9
Total	**639,440**	**658,274**	**-18,834**	**-2.9**

6.2 Deferred tax liabilities

This item comprises the deferred tax liabilities defined and disciplined by IAS 12.

As of December 31st, 2017, “deferred tax liabilities” included:

- deferred taxes which have arisen from taxable timing differences due to the deferral of the taxability of positive income elements realised and recorded through profit or loss, which will be settled when the afore-mentioned revenues are taxed;
- the deferred taxes which have arisen from the temporary misalignment between the principle of economic competence laid down by the international accounting standards and tax legislation, due mainly to the statement in the income statement and under shareholders’ equity of the capital gains on valuations recorded respectively on the “financial assets at fair value through profit or loss” and on the “available for sale financial assets”.

Deferred tax liabilities were determined according to the IRES and IRAP rates in force.

6.3 Current tax liabilities

This item comprises the current tax liabilities defined and disciplined under IAS 12.
The item essentially comprises the current residual liability for income taxes for the year, the liability deriving from the tax assessment on the life business mathematical provisions pertaining to the period, liabilities for withholding taxes made, and VAT to be paid.

6.4 Other liabilities

Table 55 - Other liabilities

(€ thousands)	2017	2016	Changes Amount	%
Deferred income revenue (DIR)	166	261	-95	-36.4
Transitory reinsurance accounts - payable	105	392	-287	-73.2
Liaison account	90,729	70,347	20,382	29.0
Other liabilities	44,404	38,010	6,394	16.8
Accrued expenses and deferred income	8,411	9,897	-1,486	-15.0
of which for interest	*4,829*	*5,539*	*-710*	*-12.8*
Total	**143,815**	**118,907**	**24,908**	**20.9**

The "deferred income revenue" was mainly chargeable to index and unit-linked type investment contracts, where the risk of the investments is borne by the policyholders.

Other liabilities include the liaison account between the life and non-life businesses for Group companies that provide both life and non-life insurance. The amount of € 90.729 million is recorded for an equal balance under Other assets.

The balances for premiums collected on policies being issued as of December 31st, 2017 are also included, for € 6.071 million along with commission on premiums being collected for € 26.199 million.

Deferred income includes the Parent Company's portion of the extraordinary coupon relating to bonds acquired for the restructuring transactions of the main segregated fund entered into in 2005 and deferred to subsequent years on the basis of the residual duration of the securities.

Part C
Income statement

The income statement closed with a consolidated profit of € 56.065 million (€ 93.368 million as of December 31st, 2016).

INSURANCE BUSINESS

With reference to insurance business, in addition to the matters illustrated below, reference should be made to the table in the management report “Reclassified consolidated income statement by sector of activities”. The table below shows the breakdown of the gross premiums written relating to direct and indirect business.

Table 56 - Breakdown of direct and indirect gross premiums written

Classes	Direct business	Indirect business			%
(€ thousands)	Italy	Italy	Abroad	Total business	of total
Accident and injury	201,491	0	281	201,772	4.0
Health	75,008	0	13	75,021	1.5
Land vehicle hulls	139,468	0	0	139,468	2.8
Goods in transit	7,080	0	136	7,216	0.1
Fire & natural forces	124,316	0	11,631	135,947	2.7
Other damage to assets	224,342	0	296	224,638	4.5
TPL - Land motor vehicles	963,576	0	650	964,226	19.3
TPL - General	176,368	649	0	177,017	3.5
Credit	159	0	0	159	n.s.
Suretyship	17,162	0	63	17,225	0.4
Sundry financial losses	25,843	0	0	25,843	0.5
Legal protection	15,442	0	0	15,442	0.4
Assistance	39,933	0	0	39,933	0.8
Other classes (1)	4,862	0	8	4,870	0.1
Total non-life business	**2,015,050**	**649**	**13,078**	**2,028,777**	**40.6**
Class I	1,960,645	42	0	1,960,687	39.1
Class III	457,116	0	0	457,116	9.1
Class IV	1,443	0	0	1,443	n.s.
Class V	320,031	0	0	320,031	6.4
Class VI	13,430	0	0	13,430	0.3
Total life business	**2,752,665**	**42**	**0**	**2,752,707**	**54.9**
Total insurance premiums	**4,767,715**	**691**	**13,078**	**4,781,484**	**95.5**
Class III	111,527	0	0	111,527	2.2
Class VI	115,168	0	0	115,168	2.3
Total investment contracts	**226,695**	**0**	**0**	**226,695**	**4.5**
TOTAL PREMIUMS WRITTEN	**4,994,410**	**691**	**13,078**	**5,008,179**	**100.0**

(1) includes railway rolling stock, aircraft, sea and inland water vessels/hulls and TPL aircraft and sea and inland water vessels.

n.s. = not significant

Analysis is presented below relating to the technical insurance items and the insurance operating expenses net of eliminations between sectors.

Table 57 - Insurance business

(€ thousands)	2017 Gross balance	2017 Reinsurance amount	2017 Net balance	2016 Gross balance	2016 Reinsurance amount	2016 Net balance
Non-life business						
NET PREMIUMS	**2,025,280**	**-263,424**	**1,761,856**	**2,008,644**	**-287,344**	**1,721,300**
a Premiums written	2,028,777	-249,806	1,778,971	1,987,650	-278,741	1,708,909
b Change in premium provision	-3,497	-13,618	-17,115	20,994	-8,603	12,391
NET CHARGES RELATING TO CLAIMS	**-1,393,251**	**203,236**	**-1,190,015**	**-1,292,196**	**157,372**	**-1,134,824**
a Claims paid	-1,382,804	220,076	-1,162,728	-1,318,508	179,151	-1,139,357
b Change in provision for outstanding claims	-34,493	-16,458	-50,951	995	-21,554	-20,559
c Change in recoveries	24,521	0	24,521	25,844	0	25,844
d Change in other technical provisions	-475	-382	-857	-527	-225	-752
Life Business						
NET PREMIUMS	**2,752,707**	**-28,020**	**2,724,687**	**2,543,684**	**-26,183**	**2,517,501**
NET CHARGES RELATING TO CLAIMS	**-2,981,126**	**9,946**	**-2,971,180**	**-2,769,631**	**17,163**	**-2,752,468**
a Claims paid	-1,753,953	16,667	-1,737,286	-1,969,485	22,396	-1,947,089
b Change in provision for outstanding claims	-49,864	-1,664	-51,528	54,192	-938	53,254
c Change in mathematical provisions	-1,008,112	-5,365	-1,013,477	-634,882	-4,289	-639,171
d Change in technical provisions related to contracts where the investment risk is borne by the policyholders and derive from the management of pension funds	-181,287	0	-181,287	-216,388	0	-216,388
e Change in other technical provisions	12,090	308	12,398	-3,068	-6	-3,074

Table 58 - Analysis of insurance operating expenses

(€ thousands)	Non-life business 2017	Non-life business 2016	Life Business 2017	Life Business 2016
Commissions and other acquisition costs, net of commissions and profit-sharing received from re-insurers	-344,966	-329,981	-72,391	-78,319
Acquisition commissions	*-315,072*	*-314,549*	*-47,541*	*-49,726*
Other acquisition expenses	*-75,133*	*-70,734*	*-19,744*	*-24,275*
Change in deferred acquisition costs	*0*	*0*	*-68*	*646*
Collection commissions	*-15,652*	*-15,005*	*-9,548*	*-9,672*
Commissions and profit-sharing received from re-insurers	*60,891*	*70,307*	*4,510*	*4,708*
Operating expenses relating to investments	-7,694	-6,979	-21,640	-18,886
Other administrative expenses	-121,603	-114,194	-32,576	-30,510
Total	**-474,263**	**-451,154**	**-126,607**	**-127,715**

In addition to the matters observed in the above table, operating expenses relating to the investments, recorded during the year, comprise general expenses and expenses for employees relating to the management of investment property and equity investments. Commissions and other acquisition costs, net of commissions and profit sharing received from re-insurers, include acquisition costs relating to insurance contracts and investment contracts with discretionary participation features.

FINANCIAL OPERATIONS

The table which follows discloses the income and charges deriving from financial operations as presented in the income statement for the year.

Table 59 - Financial operations

			Changes	
(€ thousands)	**2017**	**2016**	**Amount**	**%**
Net income from financial instruments at fair value through profit or loss	**52,609**	**37,905**	**14,704**	**38.8**
Income from investments in subsidiaries, associated companies and joint ventures	3,675	852	2,823	n.s.
Charges from investments in subsidiaries, associated companies and joint ventures	-203	-34,881	34,678	99.4
Result deriving from equity investment in subsidiaries, associated companies and joint ventures	**3,472**	**-34,029**	**37,501**	**n.s.**
Income from other financial instruments and investment property	630,731	664,885	-34,154	-5.1
Charges from other financial instruments and investment property	-123,522	-139,337	15,815	11.4
Result deriving from other financial instruments and investment property	**507,209**	**525,548**	**-18,339**	**-3.5**

n.s. = not significant

Table 60 - Financial and investment income and charges (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	Interest	Other income	Other charges	Realised gains	Realised losses	Total income and charges realised
Result of investments	**460,617**	**99,958**	**-20,744**	**117,299**	**-36,703**	**620,427**
a Deriving from investment property	0	41,308	-2,490	0	0	38,818
b Deriving from investments in subsidiaries, associated companies and joint ventures	0	3,675	-203	0	0	3,472
c Deriving from held to maturity investments	11,303	0	0	0	-9	11,294
d Deriving from loans and receivables	42,473	979	-2,103	0	-119	41,230
e Deriving from available for sale financial assets	395,667	44,305	-308	53,782	-22,848	470,598
f Deriving from financial assets held for trading	1,987	7	-994	3,112	-1,478	2,634
g Deriving from financial assets at fair value through profit or loss	9,187	9,684	-14,646	60,405	-12,249	52,381
Result of sundry receivables	**1,065**	**0**	**0**	**0**	**0**	**1,065**
Result of cash and cash equivalents	**134**	**0**	**0**	**0**	**0**	**134**
Result of financial liabilities	**-11,055**	**0**	**0**	**0**	**0**	**-11,055**
a Deriving from financial liabilities held for trading	0	0	0	0	0	0
b Deriving from financial liabilities at fair value through profit or loss	0	0	0	0	0	0
c Deriving from other financial liabilities	-11,055	0	0	0	0	-11,055
Result of payables	**-457**	**0**	**0**	**0**	**0**	**-457**
Total	**450,304**	**99,958**	**-20,744**	**117,299**	**-36,703**	**610,114**

Valuation gains		Valuation losses				
Valuation capital gains	**Value write-back**	**Valuation capital losses**	**Writedown**	**Total unrealised income and charges**	**Total income and charges 2017**	**Total income and charges 2016**
71,044	**5,836**	**-61,444**	**-34,704**	**-19,268**	**601,159**	**564,336**
0	0	-12,428	-1,954	-14,382	24,436	21,722
0	0	0	0	0	3,472	-34,029
0	0	0	0	0	11,294	11,529
0	0	0	0	0	41,230	42,613
0	5,836	-3,122	-32,750	-30,036	440,562	460,408
5,397	0	-2,107	0	3,290	5,924	2,319
65,647	0	-43,787	0	21,860	74,241	59,774
0	**0**	**0**	**0**	**0**	**1,065**	**1,264**
0	**0**	**0**	**0**	**0**	**134**	**-405**
0	**0**	**-27,556**	**0**	**-27,556**	**-38,611**	**-34,638**
0	0	0	0	0	0	0
0	0	-27,556	0	-27,556	-27,556	-24,188
0	0	0	0	0	-11,055	-10,450
0	**0**	**0**	**0**	**0**	**-457**	**-1,133**
71,044	**5,836**	**-89,000**	**-34,704**	**-46,824**	**563,290**	**529,424**

Commissions income

Commissions income mainly comprises the commission relating to investment contracts issued by the Group's insurance companies (DIR); specifically, the item includes the explicit and implicit premium loading encumbering the investment contracts issued.

Commissions expense

The item comprises the acquisition costs associated with investments policies (DAC) recorded during the year.

OTHER REVENUES AND OTHER COSTS

Other revenues

The item amounts to € 120.764 million, of which € 61.871 million is in other net technical income associated with insurance contracts.
Other revenues amount to € 58.893 million, of which € 19.274 million relates to recoveries from provisions for risks and charges and € 13.649 million relates to withdrawals from the write-down allowance.

Other costs

The item, which amounts to € 290.561 million, includes other net technical charges associated with insurance contracts for € 107.889 million and other charges for € 182.672 million, the latter mainly represented by impairment on intangible assets € 51.692 for million, resulting from tests carried out during the year, as governed by IAS 36 and illustrated in the paragraph on intangible assets for € 48.905 million, provisions for risks and charges for € 15.866 million and loan adjustments totalling € 15.939 million. Moreover, as described in detail in the press releases of May 23rd and June 13th last, payments (excluding social security contributions and charges) relating to the termination of senior management positions, included in the item, amounted to € 8.83 million.

TAXES

Table 61 - Income taxes for the year

			Changes	
(€ thousands)	**2017**	**2016**	**Amount**	**%**
Current taxes	**-55,970**	**-69,061**	**13,091**	**19.0**
Change in prepaid taxes	-8,444	-16,223	7,779	48.0
Change in deferred taxes	31	-6,219	6,250	n.s.
Balance of deferred taxes	**-8,413**	**-22,442**	**14,029**	**62.5**
TOTAL	**-64,383**	**-91,503**	**27,120**	**29.6**

n.s. = not significant

This item records current taxes (IRES - company earnings tax and IRAP - regional business tax), deferred taxes of individual Group companies recorded in observance of accounting standard No. 25 on income taxes, and deferred taxes which have arisen from the temporary misalignment between accrual-basis accounting as laid down by international accounting standards (IAS 12) and tax legislation.
The reconciliation between the effective average tax rate and the applicable tax rate is illustrated below.

Table 62 - Reconciliation of the tax rate - analysis

(Balances as %)	**2017**	**2016**
Rate applicable	30.82%	34.32%
Effect of increases/decreases	22.63%	15.18%
Tax rate on pre-tax profit	**53.45%**	**49.50%**

The effect of the increase in the tax rate on pre-tax profit is mainly due to the non-deductibility of impairment losses on the goodwill of the business units.

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income for 2017 amounted to € 72.792 million, of which € 59.706 million pertaining to the Group.
The analysis of other components in the statement of comprehensive income pursuant to ISVAP Regulation No. 7 dated July 13th, 2007, is presented below. The balances are stated net of income taxes, which is in any event indicated in the specific column.

Table 63 - Analysis of the statement of other comprehensive income - net amounts (ISVAP Regulation No. 7 dated July 13th, 2007)

	Charges		Adjustments from reclassification to income statement		Other changes		Total changes		Taxation		Balance	
(€ thousands)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Other income components net of income taxes without reclassification in the income statement	**276**	**-1,366**			**0**	**0**	**276**	**-1,366**	**123**	**-609**	**-1,010**	**-1,286**
Provisions deriving from changes in the shareholders' equity of investee companies	0	0			0	0	0	0	0	0	0	0
Intangible assets revaluation reserve	0	0			0	0	0	0	0	0	0	0
Tangible assets revaluation reserve	0	0			0	0	0	0	0	0	0	0
Income and charges relating to non-current assets or disposal group held for sale	0	0			0	0	0	0	0	0	0	0
Actuarial gains and losses and adjustments related to defined-benefit plans	276	-1,366			0	0	276	-1,366	123	-609	-1,010	-1,286
Other items	0	0			0	0	0	0	0	0	0	0
Other income components net of income taxes with reclassification in the income statement	**39,794**	**-30,125**	**-23,343**	**-28,478**	**0**	**0**	**16,451**	**-58,603**	**7,329**	**-26,108**	**88,936**	**72,485**
Reserve for net exchange differences	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on available for sale financial assets	35,947	-30,509	-23,343	-28,478	0	0	12,604	-58,987	5,615	-26,279	86,596	73,992
Profits or losses on cash flow hedging instruments	0	0	0	0	0	0	0	0	0	0	0	0
Profits or losses on instruments hedging a net investment in foreign operations	0	0	0	0	0	0	0	0	0	0	0	0
Provisions deriving from changes in the shareholders' equity of investee companies	3,847	384	0	0	0	0	3,847	384	1,714	171	2,340	-1,507
Income and charges relating to non-current assets or disposal group held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OF THE OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**40,070**	**-31,491**	**-23,343**	**-28,478**	**0**	**0**	**16,727**	**-59,969**	**7,452**	**-26,717**	**87,926**	**71,199**

OTHER IVASS TABLES

Pursuant to ISVAP Regulation No. 7 dated July 13th, 2007, the income statement by sector of activities, the analysis of the technical insurance items and the analysis of the insurance operating expenses, gross of eliminations within sectors, are presented as follows.

Table 64 - Income statement by sector of activities (ISVAP Regulation No. 7 dated July 13th, 2007)

	Non-life Business		**Life Business**		**Other**		**Eliminations between sectors**		**Total**	
(€ thousands)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
1.1 Net premiums	1,763,380	1,722,535	2,725,531	2,518,236	0	0	-2,368	-1,970	*4,486,543*	4,238,801
1.1.1 Gross premiums written	*2,055,847*	*2,039,021*	*2,753,551*	*2,544,419*	*0*	*0*	*-31,411*	*-31,112*	*4,777,987*	*4,552,328*
1.1.2 Ceded premiums	*-292,467*	*-316,486*	*-28,020*	*-26,183*	*0*	*0*	*29,043*	*29,142*	*-291,444*	*-313,527*
1.2 Commissions income	0	0	6,692	7,257	0	0	0	0	6,692	7,257
1.3 Income and charges from financial instruments at fair value through profit or loss	-296	487	52,907	37,419	-2	-1	0	0	52,609	37,905
1.4 Income from investments in subsidiaries, associated companies and joint ventures	23,902	33,313	7,830	9,199	0	0	-28,057	-41,660	3,675	852
1.5 Income from other financial instruments and investment property	137,888	151,199	524,918	531,471	533	798	-32,608	-18,583	630,731	664,885
1.6 Other revenues	208,173	190,312	86,135	66,184	12,840	6,265	-186,384	-165,463	120,764	97,298
1 TOTAL REVENUES AND INCOME	**2,133,047**	**2,097,846**	**3,404,013**	**3,169,766**	**13,371**	**7,062**	**-249,417**	**-227,676**	**5,301,014**	**5,046,998**
2.1 Net charges relating to claims	-1,231,448	-1,177,974	-2,974,596	-2,755,868	0	0	44,849	46,550	-4,161,195	-3,887,292
2.1.1 Amounts paid and change in technical provisions	*-1,449,729*	*-1,351,480*	*-2,984,542*	*-2,773,031*	*0*	*0*	*59,894*	*62,684*	*-4,374,377*	*-4,061,827*
2.1.2 Reinsurance amount	*218,281*	*173,506*	*9,946*	*17,163*	*0*	*0*	*-15,045*	*-16,134*	*213,182*	*174,535*
2.2 Commissions expense	0	0	-1,025	-1,277	0	0	0	0	-1,025	-1,277
2.3 Charges from investments in subsidiaries, associated companies and joint ventures	-42,727	-34,498	-33,532	-3,207	0	0	76,056	2,824	-203	-34,881
2.4 Charges from other financial instruments and investment property	-38,631	-53,136	-84,185	-84,946	-3,573	-1,272	2,867	17	-123,522	-139,337
2.5 Operating expenses	-545,919	-514,658	-171,071	-160,101	-4,962	-2,752	117,892	96,694	-604,060	-580,817
2.6 Other costs	-162,374	-154,889	-98,325	-81,844	-6,698	-4,712	-23,164	22,922	-290,561	-218,523
2 TOTAL COSTS AND CHARGES	**-2,021,099**	**-1,935,155**	**-3,362,734**	**-3,087,243**	**-15,233**	**-8,736**	**218,500**	**169,007**	**-5,180,566**	**-4,862,127**
PROFIT (LOSS) FOR THE YEAR BEFORE INCOME TAXES	**111,948**	**162,691**	**41,279**	**82,523**	**-1,862**	**-1,674**	**-30,917**	**-58,669**	**120,448**	**184,871**

Table 65 - Analysis of technical insurance items (ISVAP Regulation No. 7 dated July 13th, 2007)

	2017			2016		
(€ thousands)	Gross balance	Reinsurance amount	Net balance	Gross balance	Reinsurance amount	Net balance
Non-life business						
NET PREMIUMS	**2,055,847**	**-292,467**	**1,763,380**	**2,039,021**	**-316,486**	**1,722,535**
a Premiums written	2,059,361	-278,866	1,780,495	2,020,680	-310,536	1,710,144
b Change in premium provision	-3,514	-13,601	-17,115	18,341	-5,950	12,391
NET CHARGES RELATING TO CLAIMS	**-1,449,729**	**218,281**	**-1,231,448**	**-1,351,480**	**173,506**	**-1,177,974**
a Claims paid	-1,435,788	231,627	-1,204,161	-1,372,289	189,782	-1,182,507
b Change in provision for outstanding claims	-37,987	-12,964	-50,951	-4,508	-16,051	-20,559
c Change in recoveries	24,521	0	24,521	25,844	0	25,844
d Change in other technical provisions	-475	-382	-857	-527	-225	-752
Life Business						
NET PREMIUMS	**2,753,551**	**-28,020**	**2,725,531**	**2,544,419**	**-26,183**	**2,518,236**
NET CHARGES RELATING TO CLAIMS	**-2,984,542**	**9,946**	**-2,974,596**	**-2,773,031**	**17,163**	**-2,755,868**
a Claims paid	-1,757,369	16,667	-1,740,702	-1,972,885	22,396	-1,950,489
b Change in provision for outstanding claims	-49,864	-1,664	-51,528	54,192	-938	53,254
c Change in mathematical provisions	-1,008,112	-5,365	-1,013,477	-634,882	-4,289	-639,171
d Change in technical provisions related to contracts where the investment risk is borne by the policyholders and derive from the management of pension funds	-181,287	0	-181,287	-216,388	0	-216,388
e Change in other technical provisions	12,090	308	12,398	-3,068	-6	-3,074

Table 66 - Analysis of insurance operating expenses (ISVAP Regulation No. 7 dated July 13th, 2007)

	Non-life business		Life Business	
(€ thousands)	2017	2016	2017	2016
Gross commissions and other acquisition costs	-430,366	-424,408	-86,961	-93,394
a Acquisition commissions	*-325,853*	*-325,323*	*-51,611*	*-56,056*
b Other acquisition costs	*-88,195*	*-84,080*	*-24,715*	*-27,937*
c Change in deferred acquisition costs	*0*	*0*	*-68*	*646*
d Collection commissions	*-16,318*	*-15,005*	*-10,567*	*-10,047*
Commissions and profit-sharing received from re-insurers	70,666	81,035	4,510	4,708
Operating expenses relating to investments	-9,092	-7,980	-30,499	-24,969
Other administrative expenses	-177,127	-163,305	-58,121	-46,446
Total	**-545,919**	**-514,658**	**-171,071**	**-160,101**

NOTES TO THE ACCOUNTS

Part D - Other information

Part D
Other information

Group headcount

Group employees calculated as per FTE, amounted to 1,517, compared with 1,508 as of December 31st, 2016. Account was taken in the calculation of the exit of 13 co-workers at year end, members of the Intersectorial Solidarity Fund.

Directors, Statutory Auditors' and strategic directors' fees

CONSOB resolution No. 18049, published in 2011, implemented the provisions concerning remuneration contained in art. 123-*ter* of the "Testo unico della finanza" and envisages the drawing up and subsequent resolution by the 2017 shareholders' meeting of the report on remuneration for the companies, to be made public in accordance with the deadlines as per the formalities envisaged by current legislation, which in Section II includes the analytical indication of the fees paid during the year for any reason by the Parent Company and the subsidiary and associated companies.

Atypical and unusual transactions and non-recurrent significant events and operations

With reference to non-recurrent significant events and transactions and positions or transactions deriving from atypical and/or unusual operations, reference should be made to the section "Other information" in the Management Report.

Earnings for shares in circulation

With reference to earnings per share in circulation, reference should be made to the section "Significant events and other information" in the Management Report.

Information on risks

With regard to the disclosure required by IFRS 13 concerning outstanding risks, reference should be made to the section "Risk management" in the Management Report.

Transactions with related parties

As already disclosed in the Management Report, pursuant to CONSOB Regulation No. 17221 dated March 12th, 2010, and subsequent amendments and additions, as from January 1st, 2011 the "Procedure for the management of transactions with related parties" approved by the Board of Directors with last up-date by means of resolution dated December 20th, 2016, applies to the situations envisaged by the regulations.

With regard to transactions with related parties, without prejudice to the approval procedures described in the Parent Company's Report on Corporate Governance on the website www.cattolica.it, shareholders are hereby informed that, for reporting purposes, a procedure has been set up for detecting outstanding transactions, via the prior acquisition of the necessary information to identify related parties in relation to international accounting standard IAS 24 and subsequent extrapolation of the transactions relating to the same.

There were no extraordinary transactions with related parties during the year.

The table below shows the equity transactions and relationships resulting from the aforementioned transactions with related parties as of December 31st, 2017.

In particular, the following are indicated:

- class C investments, which are subscribed under market conditions. The related financial income is also indicated;
- other receivables, payables, costs and revenues linked to the ordinary insurance business

(mainly payables for commission);
- commissions paid to the sales network which is under market conditions.

The balance presented in the “Joint ventures, associated companies and their subsidiaries” column represents investments in joint ventures, over which the Group exercises significant influence: these include the real estate investment fund “Mercury” and the real estate fund “HCampus”.

It should be noted that with reference to relations with Banca Popolare di Vicenza, in compulsory administrative liquidation, as already described in detail in the “Significant events during the year” section, from February 10th, 2017, the unilateral withdrawal from the partnership agreements, implemented on August 4th, 2016, took full effect, and thus the prerequisite for being classified as a related party does not exist. In this regard, it should be noted that relations continued under market conditions.

Furthermore, the Cassa di Risparmio di San Miniato Group and its direct and indirect subsidiaries, as already mentioned in the Report on Operations, represented related parties up to December 21st, 2017. In this regard, it should be noted that during the year income was accrued on bonds held in the portfolio of the issuer Cassa di Risparmio di San Miniato for an amount equal to € 309 thousand and that charges accrued with the same Bank for commission payments amounted to € 2.286 million.

The “Other related parties” column includes all the dealings with the directors, the statutory auditors as well as the General Managers and the executives with strategic responsibilities of the Parent Company and related parties.

Table 67 - Transactions with related parties

Statement of financial position transactions (€ thousands)	**Joint Ventures, associated companies and their subsidiaries**	**Other related parties**	**Total 2017**
Assets			
Equity investments	96,432	0	96,432
Loans granted	0	0	0
Subordinated bonds	0	0	0
Unsubordinated bonds	0	0	0
Provisions	0	1,262	1,262
Derivatives	0	0	0
Other receivables	0	0	0
Current account transactions	0	0	0
Total	**96,432**	**1,262**	**97,694**
Liabilities			
Loans received	0	0	0
Other payables	0	1,544	1,544
Total	**0**	**1,544**	**1,544**

Economic transactions and relationships (€ thousands)	**Joint Ventures, associated companies and their subsidiaries**	**Other related parties**	**Total 2017**
Revenues and income			
Premiums	0	0	0
Financial income	0	567	567
Capital gains for financial disposals	0	0	0
Other revenues	0	0	0
Total	**0**	**567**	**567**
Costs and charges			
Claims	0	0	0
Financial charges	0	0	0
Capital losses for financial disposals	0	0	0
Commissions	0	0	0
Other costs	0	19,404	19,404
Total	**0**	**19,404**	**19,404**

The undersigned declare that these financial statements are true and consistent with the underlying accounting records.

The legal representatives of the company (*)

The Managing Director ALBERTO MINALI ______________________ (**)

______________________ (**)

______________________ (**)

(*) For foreign companies, the signature must be that of the general representative for Italy

(**) Indicate the office covered by the signee

Attestation of the consolidated financial statements pursuant to Article 154 *bis*, paragraphs 5 of Italian Legislative Decree No. 58 dated February 24th, 1998 and Article 81 *ter* of Consob Regulation No. 11971 dated May 14th, 1999 and subsequent amendments and additions

1. The undersigned, Alberto Minali, in his capacity as Managing Director, and Enrico Mattioli, in his capacity as Manager in charge of preparing the financial reports of Cattolica Assicurazioni Soc. Coop., hereby certify, taking into account the provisions of Article 154 *bis*, paragraphs 3 and 4 of Italian Legislative Decree No. 58 dated February 24th, 1998:

- The adequacy with respect to the Company's structure and
- the effective application,

of the administrative and accounting procedures in place for preparing the consolidated financial statements as of financial year 2017.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at December 31st, 2017, has been assessed through a process established by Cattolica Assicurazioni Soc. Coop. on a consistent basis with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission which represents the reference framework generally accepted at international level.

3. It is also hereby certified that:

3.1 the consolidated financial statements as at December 31st, 2017:

a) are prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to EC Regulation No. 1606/2002 of the European Parliament and of the Council dated July 19th, 2002, as well as the provisions pursuant to Italian Legislative Decree No. 38 dated February 28th, 2005, the Italian Civil Code, Italian Legislative Decree No. 209 dated September 7th, 2005 and subsequent amendments and applicable provisions, regulations and circular letters issued by IVASS;

b) correspond to the related books and accounting records;

c) provide a true and correct representation of the balance sheet, income statement and financial position of the issuer and of all the companies included in the scope of consolidation.

3.2 The management report includes a reliable analysis of the performance and of the management result, as well as of the position of the issuer and all the companies included in the scope of consolidation, together with the description of the main risks and uncertain situations to which they are exposed.

Verona, March 20th, 2018

Alberto Minali	Enrico Mattioli
Managing Director	Manager in charge of preparing the Company's financial reports

INDEPENDENT AUDITORS' REPORT

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010, ARTICLE 10 OF THE EU REGULATION N. 537/2014 AND ARTICLE 102 OF LEGISLATIVE DECREE No. 209 OF SEPTEMBER 7, 2005

To the Shareholders of
Società Cattolica di Assicurazione - Società Cooperativa

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cattolica Assicurazioni Group ("Group"), which comprise the consolidated statement of financial position as at December 31, 2017, the income statement, the statement of other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the Regulation issued pursuant to art. 90 of Legislative Decree no. 209 of September 7, 2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with the regulations and standards on ethics and independence applicable to the audit of the financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the recoverability of goodwill

Description of the key audit matters

In the consolidated financial statements of the Group as at December 31, 2017, the item "1. Intangible Assets" includes goodwill for an amount of Euro 153.6 million.

As required by IAS 36 "Impairment of assets", goodwill is not amortized but is subject to the valuation of the recoverability of the carrying amount recognized in the financial statements ("impairment test") at least once a year, by comparing the carrying amount with the recoverable amount of the "Cash Generating Unit" ("CGU") to which the goodwill is allocated. The Directors, for the purposes of carrying out the impairment test, determine the recoverable amount of the CGUs in terms of value in use, defining the value of the assets based on their ability to generate future cash flows.

As indicated by the Directors in the "Part B – Accounting principles" of the notes the impairment test involves a high recourse to discretionary evaluations, assumptions, estimates and hypotheses whose variation could cause deviations in relation to those figures.

In particular, the valuation process adopted by the Group is based on assumptions concerning, among others, the forecast of expected cash flows of the CGUs that are based on the guidelines and the main objectives of the 2018-2020 Business Plan, the determination of the cost of capital and the long-term growth rate, the definition of the Solvency Ratio level, the identification of the combined ratio for the CGUs included in the "non-life" business and the new business for the CGUs included in the "life" business.

In the "Part C - Information on the consolidated statement of financial position and income statement" of the notes, in the paragraph related to goodwill, is reported the information on the aspects described above. Furthermore are highlighted the impairments made by the Group to the value of the goodwill as a consequence of impairment tests carried out during the year.

In consideration of the subjectivity of the estimates relating to the determination of the cash flows of the individual CGUs and the key variables used in the impairment models, we considered the valuation of the recoverability of the goodwill a key audit matter of the Group's consolidated financial statements as at December 31, 2017.

Audit procedures as a response to key audit aspects

The audit procedures, carried out also with the support of experts belonging to the Deloitte network, have included, among others, the following:

- examination of the methods used to determine the recoverable amount of goodwill, analyzing methods and assumptions adopted in order to develop the evaluation models;
- understanding and recognition of the relevant controls carried out by the Group on the process for determining the recoverable amount;
- analysis of the reasonableness of the main assumptions adopted for the formulation of expected cash flow forecasts, also by analyzing available sector data and obtaining information from the management;
- analysis of the reasonableness of the variables used, such as the cost of capital and the long-term growth rate, the Solvency Ratio, the combined ratio for the non-life business CGUs and the new business for the life business CGUs;
- verification of the mathematical accuracy of the calculations made to determine the recoverable amount of the CGUs;
- verification of the correct calculation of the carrying amount of the CGUs;
- verification of the correct determination of adjustments for permanent impairment losses of goodwill;
- examination of the compliance of the information provided by the Group in the consolidated financial statements on the impairment test in accordance with the provisions of IAS 36.

Deloitte.

Valuation of unlisted financial instruments and financial instruments listed on non-active markets

Description of the key audit matters

In the consolidated financial statements as at December 31, 2017, are recorded in the item "4.5 Available for sale financial assets", unlisted financial instruments and financial instruments listed on non-active markets (hereinafter "financial instruments not listed on active markets") for a total amount of Euro 1,024.0 million. On the basis of the nature and degree of observability on the market of the inputs used in the valuation techniques adopted by the Group, Euro 640.1 million are classified as financial instruments at level 2 of the fair value hierarchy and Euro 383.9 million as financial instruments of level 3.

In the item "4.4 Loans and receivables" are also included debt securities not listed on active markets for Euro 681.1 million.

As noted by the Directors in the "Part B – Accounting principles" of the notes, the identification of the fair value of financial instruments, if not directly observable on an active market, involves a high recourse to discretionary evaluations, assumptions, estimates and hypotheses, whose variation could cause deviations in relation to those figures.

The Group describes in the "Part B - Accounting principles " and in the "Part C - Information on the consolidated statement of financial position and income statement" of the notes, in the section related to financial investments, the criteria used to determine the fair value of the financial assets, the main evaluation techniques applied and the methods for defining the fair value for the different kinds of financial instruments held.

In consideration of the relevance of the amount of financial instruments not listed on active markets, of the degree of subjectivity inherent in the evaluation of these financial instruments, also taking into account the uncertainties related to the correct and complete identification of the same, we considered the valuation of the financial instruments not listed on active markets a key audit matter of the Group's consolidated financial statements.

Audit procedures as a response to key audit aspects

We have preliminarily acquired a knowledge of the investment process followed by the Group, which included the understanding of operational and strategic guidelines. In this context, the audit procedures included the detection and understanding of the relevant controls implemented by the Group and the performance of procedures regarding compliance with corporate guidelines and investment policies.

With reference to financial instruments not listed on active markets, we have carried out, among others, also with the support of experts belonging to the Deloitte network, the following procedures:

- understanding and recognition of the controls carried out by the Group in identifying these financial instruments;
- understanding and recognition of the controls carried out by the Group in the process of determining the fair value of these financial instruments;
- verification, on a selection of these financial instruments, of the correct identification by the management of the kind of financial instruments;
- understanding of the valuation models and related input data used by the Group for the determination of the fair value of financial instruments not listed on active markets and analysis of their reasonableness, also considering the market standards or market best practices;

- analysis of the sources used and verification of the reliability of the main inputs included in the evaluation model, by comparison with the main info providers;

- recalculation of the fair value on a selection of these financial instruments;

- verification of the coherence of the valuation for a selection of financial instruments with the documentary evidences provided by third parties;

- examination of the completeness and compliance of the information provided by the Group in accordance with the applicable regulations.

Valuation of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes

Description of the key audit matters

At December 31, 2017 the Group recorded, in the item "3. Technical provisions", provisions for outstanding claims for a total amount of Euro 2,853.0 million, of which Euro 1,455.3 million related to the Ministerial class 10 TPL – Land motor vehicles and Euro 946.0 million related to Ministerial class 13 TPL – General (hereinafter the " provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes").

As indicated by the Directors in the "Part B – Accounting principles" of the notes, the provisions for outstanding claims are calculated according to the provisions of Attachment 15 of ISVAP regulation no. 22 of April 4, 2008.

In particular, in the definition of the provision for outstanding claims reference was made to the concept of the ultimate cost, which consists in the separate assessment of each claim (inventory method), based on the analysis of the documentation relating to each individual damage case implemented by the staff assigned to settle the claims; with regard to the classes characterized by slow settlement processes or for which the analytical valuation does not make it possible to take into account all possible charges, the valuation based on the inventory method is supported by an additional valuation, which requires the use of methodologies and statistical-actuarial calculation models.

As noted by the Directors in the "Part B - Accounting principles" of the notes, the evaluation process of the provisions for outstanding claims involves an articulated valuation activity by the management, which presumes the formulation of subjective hypotheses, the variation of which could impact on the final result. In particular, the main assumptions used in the application of the statistical-actuarial methodologies concern the technical variables, including the time interval for deferring payments and the trend in the cost of claims, linked to the length of payments, as well as the prospective assessments of the economic scenario.

The Directors in the " Part B - Accounting principles" of the notes highlight the valuation criteria followed in estimating the provisions for outstanding claims and the statistical-actuarial methodologies applied to verify the adequacy of the ultimate cost.

In consideration of the relevance of the amount of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes recorded in the financial statement, of the peculiarity of these classes, of the complexity of the valuation models that also require the use of statistical and actuarial techniques and calculations, of the uncertainty connected to the definition of the assumptions and hypotheses on the effects deriving from future events, we considered the valuation process of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes a key audit matter of the Group's consolidated financial statements for the year ended December 31, 2017.

Audit procedures as a response to key audit aspects

The audit procedures, carried out also with the support of experts belonging to the Deloitte network, have included, among others, the following:

- understanding of the process of formation of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes which included the knowledge of corporate and settlement guidelines and any possible changes in the legal and regulatory framework of the sector;

- recognition and verification of the relevant controls performed by the Group on the estimating process of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes;

- performing procedures on the completeness and adequacy of the portfolios and the related key data used;

- reading and analyzing the Actuarial Function report;

- performing comparative analyses through the recalculation of relevant indices observed in historical series and examination of their correlation with other significant indicators. In particular we analyzed appropriate technical indicators and relevant figures, comparing them with comparable data and information relating to previous periods and available sector data;

- comparison between the estimate of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes performed in previous periods and what subsequently took place, with an analysis of the nature of the run-off;

- verification, on a selection of claims, of the coherence of the estimate of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes with the corporate documentary evidences and with the results of written confirmations obtained from external lawyers;

- analysis of the reasonableness of the methodologies and the main technical and evolutionary assumptions used to estimate the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes, also by checking their coherence with those used in previous years and considering the applicable regulations;

- identification of a range of reasonable outcomes and verification that the estimated provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes fell into that range;

- examination of the information provided by the Group in accordance with the applicable regulations.

Valuation of mathematical provisions

Description of the key audit matters

At December 31, 2017, the Group recorded in the consolidated financial statements in the item "3. Technical reserves" mathematical provisions for a total amount of Euro 14,197.2 million.

As reported in the "Part B – Accounting principles" of the notes, the mathematical provisions of private life insurance have been evaluated on the basis of the actuarial principles provided in Attachment 14 of ISVAP regulation no. 22 of April 4, 2008.

The process of formation the mathematical provisions is based on data flows deriving from the main characteristic processes and, by its nature, is affected by risks typical of an insurance company, linked to the financial management of investments and the complexity and variety of the insurance portfolio.

The process of formation of the mathematical provisions also includes the determination of additional provisions, provided to cover mortality or other risks, such as guaranteed benefits on maturity or guaranteed redemption values. The definition of the mathematical provisions therefore entails a high use of discretionary evaluations, assumptions, estimates and hypotheses, the modification of which could lead to a change in the final result of the amounts recorded in the consolidated financial statements.

The Group reports in the "Part B - Accounting principles" of the notes the criteria followed and the methodologies applied in determining the mathematical provisions.

In consideration of the significance of the amount of the mathematical provisions recorded in the consolidated financial statements and the existence of the discretionary component inherent in the estimation of certain additional provisions, we considered the process of evaluating the mathematical provisions a key audit matter of the consolidated financial statements of the Group as of December 31, 2017.

Audit procedures as a response to key audit aspects

The audit procedures, carried out also with the support of experts belonging to the Deloitte network, have included, among others, the following:

- understanding of the process of formation of the mathematical provisions which included the knowledge of corporate and underwriting guidelines and any possible changes in the legal and regulatory framework of the sector;

- recognition and verification of the relevant controls performed by the Group on the process of preparing financial information in the area of mathematical provisions;

- performing procedures on the completeness and appropriateness of the portfolios and the key data used;

- reading and analyzing the actuarial reports prepared by the competent corporate departments;

- verification of the calculation of the mathematical provisions through the application of simplified methods (so-called "recurring accounting method") in order to assess the reasonableness of the provision determined by the management;

- recalculating, for a selection of insurance contracts, the value of the mathematical provision as at 31 December 2017, using the calculation formulas contained in the technical documentation and analyzing the compliance of the calculation with the corporate procedures and the applicable legislation;

- analysis of the reasonableness of the methods and of the main technical and evolutionary hypotheses on which the estimates of the additional reserves included in the mathematical provisions were based, in accordance with the provisions of the applicable regulations;

- examination of the information provided by the Group in accordance with the provisions of the applicable regulations.

Deloitte.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Regulation issued pursuant to art. 90 of Legislative Decree no. 209 of September 7, 2005 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Parent Company Società Cattolica di Assicurazione – Società Cooperativa or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

Deloitte.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società Cattolica di Assicurazione - Società Cooperativa has appointed us on April 21, 2012 as auditors of the Company for the years from December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit. We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società Cattolica di Assicurazione - Società Cooperativa are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structures as at December 31, 2017, including its consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Cattolica Assicurazioni Group as at December 31, 2017 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Cattolica Assicurazioni Group as at December 31, 2017 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree no. 254 of December 30, 2016

The Directors of Società Cattolica di Assicurazione - Società Cooperativa are responsible for the preparation of the non-financial statement pursuant to Legislative Decree no. 254 of December 30, 2016.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Milano, Italy
April 4, 2018

This report has been translated into the English language solely for the convenience of international readers.

Mercurio GP
Creative concept
Graphic design

Mercurio GP
Creative concept
Graphic design

www.mercuriogp.eu

GRUPPO
CATTOLICA
ASSICURAZIONI