GRUPPO CATTOLICA ASSICURAZIONI

2018

CONSOLIDATED INTERIM REPORT

AS OF 30 JUNE 2018

A year of change

A unified approach that brings 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.

Please note that the original Report is in Italian.
In case of doubt the Italian version prevails.

GRUPPO CATTOLICA ASSICURAZIONI

2018 CONSOLIDATED INTERIM REPORT

AS OF 30 JUNE 2018

APPROVED BY THE BOARD OF DIRECTORS
ON AUGUST 2ND, 2018

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CORPORATE BODIES

Corporate Bodies

BOARD OF DIRECTORS

Chairman	Paolo Bedoni (*)
Vice Deputy Chairman	Aldo Poli (*)
Deputy Chairman	Manfredo Turchetti (*)
Secretary	Alessandro Lai (*)
Managing Director	Alberto Minali (*)
Directors	Barbara Blasevich (*) Bettina Campedelli Nerino Chemello Lisa Ferrarini Paola Ferroli Paola Grossi Giovanni Maccagnani Luigi Mion Carlo Napoleoni Angelo Nardi Pilade Riello (*) Chiara de' Stefani Eugenio Vanda

BOARD OF STATUTORY AUDITORS

Chairman	Giovanni Glisenti
Statutory Auditors	Federica Bonato Cesare Brena
Substitute Auditors	Massimo Babbi Carlo Alberto Murari

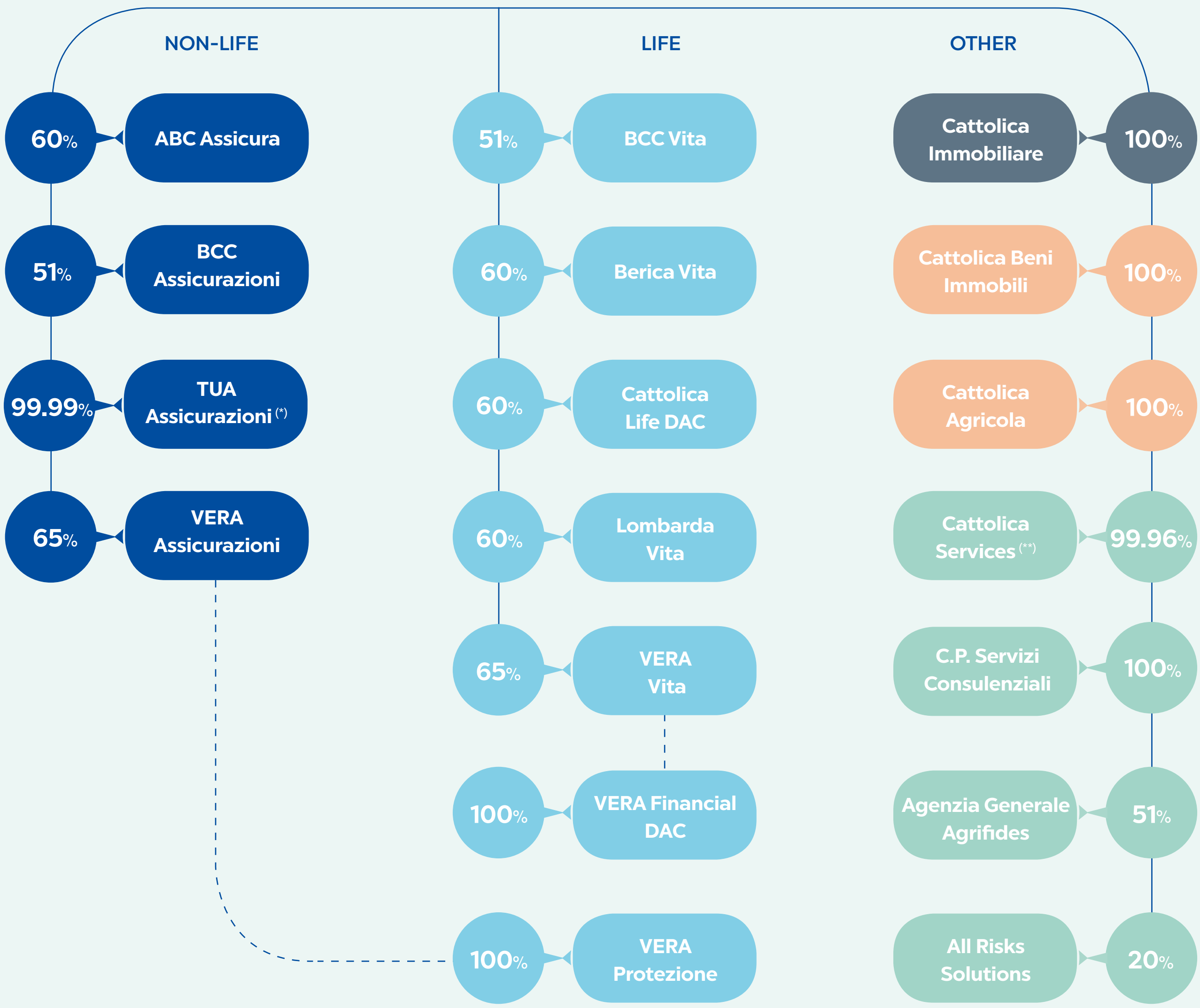
GENERAL MANAGEMENT

General Managers	Carlo Ferraresi Valter Trevisani
Deputy General Managers	Nazzareno Cerni Enrico Mattioli

(*) The Directors whose names are marked with an asterisk are members of the Executive Committee

GROUP
STRUCTURE

GROUP STRUCTURE



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% by TUA Assicurazioni.

Position as of June 30th, 2018

REFERENCE SCENARIO

Reference Scenario

Macro-economic scenario

The first half of 2018 recorded a consolidated growth trend in the major economic areas of the globe, even if at a slower pace than last year.

The solidity of the growth dynamics in the United States is confirmed by the particularly brilliant data regarding the year 2017, as a whole at +2.3%, and in that of the first quarter of the year in progress, at 2.8%.
This path approaches a phase of complete maturity that is also backed by the fiscal stimulus programme approved by the Trump administration.
In the meantime, however, the job market showed signs of particular tonicity with unemployment at historically low levels, at around 4%, and a labour force participation rate that settled at 63%.

The Federal Reserve took measures in a complex context in which all indicators, including core inflation and wages, posted tonic levels but on which, at the same time, elements of particular uncertainty tied to the geo-political tensions weighed. Jerome Powell's taking over of the reins from Janet Yellen of the monetary policy institute in any case guaranteed continuity of action, and the path to gradually standardise rates continues to be followed. In the first half of the year, there were two 50 basis point hikes coinciding with the March and June meetings, which brought back the key interest rate to the 2% level.

The European dynamics of the first half-year follow in the footsteps of the American ones, with aggregate GDP of the first quarter a disappointment compared to the final balance of 2017, and a less lively trend than that of the previous periods is forecast.
The ferment in terms of industrial production, investments and consumption that had led to closure of the previous year with a surprisingly positive figure (+2.8%) chilled off during the early months of this year, up to the point of recording an actual reversal of trend. Although still in expansive territory and far away from a recessive situation, factors of political uncertainty - both domestic and international - are weighing on the European single currency block.

The European Central Bank continued to provide support to the Eurozone's economy in this setting of overall cooling of growth with an extremely gradual exit from the programme to purchase certificated instruments on the market.

The trend of the key Italian economic indicators did not stray from that described for the rest of the Eurozone, with a particularly positive final growth figure for 2017 (+1.6%) and settling at lower levels during the first half of this year.
What weighed on the country was not so much the uncertainty typical of the pre-electoral phase as much as the definition of a government agreement based on the convergence of the two leading populist parties, Lega Nord and Movimento 5 Stelle, after two months of basic stalemate. The prospects of economic policies that might imply a rise in indebtedness levels, beyond the restrictions set with the other block partners, and a broader re-discussion of the framework of European institutions, brought about a brusque increase in premiums to the risk of both public debt and that of the leading national banks. The uncertainty regarding the perspective management of public finances might weaken a context all in all stable, in which the financial conditions for the private sector are definitely expansive and consumption and employment underwent a revival in the early months of the year.

The Japanese economy is still following a recovery path despite being checked in the early months of the year, which was a drop not seen since 2015. Growth should continue to be backed by domestic demand - both private and public - while the unknown factors of a stronger Yen and a protectionist escalation weight on the foreign channel.
The Bank of Japan is incessantly continuing to go forward with its monetary stimulus measure, in a context in which inflation is still way off from the 2% objective, and consumption and investments marked a slowdown in the first quarter.

Also the economic surprise indicators of the Emerging Countries posted weakness regarding the early months of the year compared to year-end 2017. The uncertainty tied to the risks of a trade war on a global scale negatively affected the faith of companies in many countries, just as recovery of raw materials, whose positive thrusts deriving from the demand and supply basics were dampened by the geo-political risks.
The Chinese GDP was still supported in this first half of the year with the end of March finding that attests to +6.8% compared to the same period of last year, with industrial production steady in the spring and private consumption on the rise.

Bond markets
Following a somewhat accentuated rally in the early months of the year based on particularly brilliant macro data, the base rates afterwards recorded a fall due to a number of factors. The disappointing inflation dynamics and the risks associated with rhetoric aimed at protectionism by the United States led to the German rates falling back, being perceived as a safe investment in a phase of growing uncertainty. Undoubtedly contributing to this move was the political impasse following the Italian elections, then resulting in the formation of a government that, as was earlier mentioned, aggregated the leading populist forces of the country. It was precisely this event that marked the last part of the half-year, with a rise in volatility on the spreads of the peripheral countries and another reduction in core rates. On the other hand, the U.S. rates stayed at higher levels as proof of a restrictive phase of the monetary policy.
At the end of the first half of the year, 10-year US government securities closed with a return of 2.86% (+46 basis points from the start of the year), while 2-year securities closed at 2.52% (+64 basis points from the start of the year). Corresponding German stocks disclosed returns of 0.30% on 10-year stocks and -0.66% on 2-year stocks, with a decrease of 12 and 4 basis points respectively. The Italian 10-year government rate posted 2.7% at the end of the half-year (+74 basis points since the start of the year), while the 2-year rate closed the period at 0.79%, up 103 points compared to the end of the previous year.

Stock markets
Following a favourable start of the year on the stock markets, profit taking led most of the world’s indices into negative territory. Afterwards, the stock market prices moved in a mostly independent manner in connection with peculiar geo-political and economic events.
The soundness of the basic figures of the US companies supported the stock market prices, and Nasdaq in particular, which touched new highs. The correction of the last month, due to fears of a trade war triggered by Trump’s customs duties, did not prevent US stock markets from closing the half-year in positive territory.
After the effects of the Italian political elections, the Milan stock market was the best in Europe from the beginning of the year. After the government was formed, the uncertainty surrounding the economic policies and budget, along with the heavy broadening of the spread of domestic government securities, negatively weighed on the FTSE MIB index, and particularly on the

banking segment, taking it below parity. European stock markets in general did not shine, and the German stock market was one of the worst owing to its high exposure to export-oriented companies.

The emerging markets, which had shone in 2017, sustained a particularly negative first half of 2018. The hike in US interest rates makes investing in those countries less expedient, favouring an outflow of capital. Geo-political factors also were a burden, such as the crises in Venezuela and Argentina, and, on the Chinese stock markets, the tariff war.

Annual performances, gross of dividends, were as follows: in the United States, the S&P 500 index reported a performance of 2.6% and the Nasdaq of 9.4%; in Europe, the Eurostoxx 50 and the Dax reported a downward trend of 0.5% and 4.7% respectively, while the FTSE MIB went up 1.1%, in Japan, the Nikkei index decreased by 1.1%. The MSCI index of emerging countries closed at -6.6%, with Shanghai at -12% and Hong Kong at -1.6%.

Foreign exchange markets

Following a phase of initial weakness, in the wake of the previous year's trend, the US dollar regained strength against the leading world currencies in the second half of the half-year.
As previously reported, the switch from Yellen to Powell at the chair of the Federal Reserve indeed involved greater determination in the course of raising the interest rates, with a resulting rise of the short section of the curve. In spite of the fears for the trade policies President Trump introduced, the US economy also continued to appear strong. On the other hand, the political context in Europe - especially if compared with the positive climate recorded during 2017 - deteriorated during the latter period and caused the Euro to weaken.
The dollar ended the half-year at 1.17 against the Euro, while on the same date 110.7 Yen was required to purchase a single dollar.

Real estate market

The year opened with a real estate trade investment level coming to € 1.5 billion, down 25% compared to the figure that was recorded in the first quarter of 2017 (corresponding to € 1.9 billion), but up 18% compared to the long-term average of the first quarters of the year (€ 1.2 billion).
It is reminded that 2017 was an exceptionally dynamic year with a peak in investments of € 11.1 billion, a level never before reached in the history of Italy's trade real estate. The traditional hierarchies regarding the various asset classes were not met during the first quarter. Unlike the usual, the major contributor to the total volumes was not the offices sector (20% of the total), but rather the retail sector (50% of the total).
The first quarter of 2018 was also distinguished by a slight increase in the amount of foreign capital invested in the Italian market. In fact, the percentage of foreign buyers structurally came to about 70%, while it was 80% in the first quarter of 2018 (source: BNP Real Estate).

Insurance industry

According to ANIA[1], in 2018 total premiums written (life and non-life) for the Italian direct portfolio should come close to € 137 billion, up 5% with respect to 2017. In this way the total insurance business would go back to increasing after the fall of the previous two-year period (-2.4% in 2017 and -8.8% in 2016). Contributing to the 2018 result would be both the positive develop of the non-life business premiums (+1.7%) and the good growth performance of the life business premiums (+5.5%). Overall premiums as a percentage of GDP would rise, from 7.6% in 2017 to 7.8% in 2018.

Premiums written for the Italian direct portfolio of non-life business in 2018 would come close to € 33 billion, up 1.7% over 2017, in this way confirming and consolidating the positive trend already recorded in 2017 (+1.2%). This would depend on both the interrupted fall of the TPL motor class premiums and additional growth in all the other non-life classes differing from TPL motor (+2.9%).
After watching six years in a row of reduced premiums in the TPL motor class (the total drop from 2011 to 2017 was almost -26% without considering the inflationary effects), the technical margins, already at very low levels in 2017 (same as those of 2016), might further drop in 2018. Although there is a high level of competition between companies, the trend of reduced average premiums witnessed in the previous six years should stop and the volume of the premiums written in 2018 (€ 13.2 billion) would remain the same as that of 2017. The weight of the TPL motor class premiums on total non-life premiums written would continue to drop (40.3%, 40.9% in 2017 and 42.3% in 2016).
The expansion and growth phase would be confirmed for all non-life classes other than TPL motor that not only is benefitting from the positive trend of the overall economic cycle, but would also reflect the efforts put forth by the insurance companies in offering innovative insurance products that are of greater interest for families and companies. Further growth in premiums written of +2.9% is in fact estimated for 2018 (for a volume of € 19.7 billion), about one percentage point less than growth in 2017 (+3.7% and € 19.1 billion).
The slowdown in growth in premiums in 2018 compared to 2017 would be due to less development, above all in the land vehicle hulls class (namely in vehicle fire/theft and collision guarantees) which owing to a less marked increase in the number of new vehicle registration during the current year (+1% from January to May 2018 compared to +8.3% in the same period of 2017) would see premiums increase at year-end 2018 by 3% (less than half of what was recorded in 2017: +6.3%) for a volume that should be close to € 2.9 billion.
In 2018, non-life premiums as a percentage of GDP should remain unaltered (1.9%).

There would be a significant trend reversal in 2018 in the life sector: after a two-year downturn (-3.6% in 2017 and -11% in 2016), life premiums would return to 5.5% growth for a volume of over € 104 billion.
Overall, the incidence of the volume of premiums written in the life sector with respect to GDP would rise from 5.7% in 2017 to 5.9% in 2018.

[1] Source ANIA - L'Assicurazione italiana 2017-2018, publication dated July 2018.

FORECAST OF INSURANCE PREMIUMS IN ITALY FOR 2018

(€ millions)

CLASSES	PREMIUMS 2017	PREMIUMS 2018	CHANGES 2018-2017	CHANGES 2017-2016	CHANGES 2016-2015
TPL motor and TPL maritime	13,234	13,234	0.0%	-2.2%	-5.6%
Accident and injury	3,087	3,134	1.5%	2.6%	1.0%
TPL - General	2,924	2,968	1.5%	0.9%	-0.2%
Other damage to assets	2,799	2,841	1.5%	1.4%	0.5%
Land vehicle hulls	2,800	2,884	3.0%	6.3%	6.5%
Fire	2,402	2,450	2.0%	1.0%	0.8%
Health	2,571	2,803	9.0%	9.5%	9.6%
Other non-life classes	2,520	2,577	2.2%	5.0%	1.8%
TOTAL OTHER NON-LIFE CLASSES (not including TPL motor and TPL maritime)	19,103	19,656	2.9%	3.7%	2.6%
TOTAL NON-LIFE CLASSES	**32,337**	**32,890**	**1.7%**	**1.2%**	**-1.0%**
% of GDP	*1.9%*	*1.9%*			
Class I - Human life	62,777	64,974	3.5%	-14.7%	-5.4%
Class III - Investment funds	31,254	34,067	9.0%	30.1%	-24.5%
Other life classes	4,579	5,037	10.0%	-0.2%	-12.4%
TOTAL LIFE CLASSES	**98,610**	**104,078**	**5.5%**	**-3.6%**	**-11.0%**
% of GDP	*5.7%*	*5.9%*			
TOTAL CLASSES	**130,947**	**136,967**	**5.0%**	**-2.4%**	**-8.8%**
% of GDP	*7.6%*	*7.8%*			

On the basis of the market figures for gross premiums written as of March 31st, 2018, of Italian companies and non-EU representative agencies, (Ania Trends, No. 6, July 2018) total life and non-life premiums were up 2.5%, the non-life classes were up 1.1% and the life classes up 3%. The non-life classes rose 0.8% in the motor classes and 1.5% in the non-motor classes.

Sector regulations

In the detailed overview of the measures adopted by the legislator and the sector authorities which characterised the period, some of the legislative innovations which affected the insurance sector and the Group are mentioned.

IVASS Regulations, amendments and letters to the market

<u>IVASS Provision No. 68 dated February 14th, 2018</u>

The provision carries the amendments to ISVAP regulation no. 14 of February 18th, 2008, to ISVAP regulation no. 22 of April 4th, 2008 and to ISVAP regulation no. 38 of June 3rd, 2011 (for this latter in particular with reference to the new provisions to determine the average rate of yield of the segregated fund). The provision went into effect on the day after its publication in the Italian Official Gazette No. 53 dated March 5th, 2018.

<u>IVASS Regulation No. 37 dated March 27th, 2018</u>

The regulation concerns the criteria and methods for insurance companies to determine mandatory discounts in implementing Article 132-ter, paragraphs 2 and 4 of the Italian Private Insurance Code introduced by Article 1, paragraph 6 of Italian Law No. 124 of August 4th, 2017 containing the "Annual market and competition law" regulating application of significant mandatory discounts on motor civil liability in the presence of certain conditions provided for therein. The rule particularly provides for two types of mandatory discount: a) the first, on the company's proposal and subject to acceptance of the policyholders, if at least one of the following conditions occurs: preliminary inspection of the vehicle at the insurer's expense; installation or presence on the vehicle (if portable) of electronic mechanisms that record its activity, such as the black box or equivalent; installation or presence on the vehicle of electronic mechanisms that prevent the engine from starting in the case the driver's alcohol level in the blood is higher than the legal limits for driving motor vehicles (so-called "alcolock"); b) the second, "additional", applicable to the parties who during the last four years have not caused accidents with sole, principal or equal liability (and who therefore reached, on the whole, a minority share of liability - no greater than 49% - during the period of observation) provided they have installed or will install electronic mechanisms that record the vehicle's activity, such as the black box or equivalent, and reside in provinces having a higher rate of accidents and with a higher average premium as identified by IVASS. The regulation that was published in the Italian Official Gazette No. 83 dated April 10th, 2018. came into effect on the ninetieth day from the date of publication.

IVASS Provision No. 71 dated April 16th, 2018

The provision completes the broader process of risk certificate dematerialisation launched with the issue of IVASS Regulation No. 9 dated May 19th, 2015. The provision meets the need to adapt the secondary regulation and the technical discipline of the Risk Certificate Database to the need to properly assess the rate of claims of the insured party, also on the basis of claims paid outside the observation period, or paid after the term of the contract where the insured party has changed company at the term of the contract (so-called claims paid late). Previously, the claims paid outside the observation period or after the term of the contract did not contribute toward measuring the correct rate of claims of the insured party when they changed insurance company at the term of the policy. The provision went into effect on the day after its publication in the Italian Official Gazette No. 100 dated May 2nd, 2018.

IVASS Provision No. 72 dated April 16th, 2018

The provision concerns the identification criteria and evolving rules on the universal conversion insurance class pursuant to Article 3 of IVASS regulation No. 9 dated May 19th, 2015 and the risk certificate dematerialisation that defines new rules for recognising the Universal insurance class and for its evolution over time. The provision clarifies doubts on the interpretation of the legislation in effect, which caused differences in treatment of insured parties amongst the various companies, and it introduces benefits in favour of some categories of insured parties previously neglected (for example, vehicles registered to the disabled, to common law partners, leased vehicles). The provision went into effect on the day after its publication in the Italian Official Gazette No. 100 dated May 2nd, 2018.

IVASS Provision No. 73 dated April 26th, 2018

The provision introduces amendments to the 2014 "Advertising and transparency of data and information concerning IVASS's organisation and activity regulation". The provision amends Articles 2, 4, 7, 9, 10, 12, 13, 14, 19, 20, 23, 25, 26 and repeals Articles 5 ("Three-year transparency and integrity programme"), 15 ("Aggregated data regarding institutional activity") and 24 ("Deferment in publishing information, data and documents"). Article 23-bis ("Generalised civic access") was also introduced. The provision became effective the day following its publication in the Italian Official Gazette No. 108 dated May 11th, 2018.

IVASS Provision No. 74 dated May 8th, 2018

The provision introduces the amendments that became necessary since IFRS 9 (Financial instruments) came into effect. IFRS 9 will replace the previous IAS 39 starting from the 2018 financial statements. It was necessary to update ISVAP Regulation No. 7 of July 13th, 2007 in order to transpose the above principle and related amendments introduced in other accounting standards (including IFRS 7). The provision became effective the day following its publication in the Italian Official Gazette No. 121 dated May 26th, 2018.

IVASS Letter to the Market No. 93319 dated March 28th, 2018

The letter to the market contains clarifications on fulfilment of the anti-money laundering obligations introduced by Italian Legislative Decree No. 90 of May 25th, 2017 that implements (EU) Directive 2015/849 (“Fourth Anti-Money Laundering Directive”) in view of the expiration of the transitory period provided for therein for publication of the implementation regulation by the competent authorities. The instructions that the letter to the market contains concern the period after the expiration of the aforesaid transitory period and applies starting from March 29th, 2018. Observance by the subjects required to follow these instructions ensures compliance with the new legislative framework up until the new implementation provisions are issued.

Other legislative innovations

CONSOB Resolution No. 20307 dated February 15th, 2018

Resolution No. 20307 fully repealed the provisions contained in the Intermediaries Regulation previously in effect and at the same time adopted a new Intermediaries Regulation. The new Regulation comprises the rules on distributing insurance products of life classes III and V directly by insurance companies or through insurance brokers registered in section D of the Unified Register of Insurance Brokers. However, the legislative framework just introduced is destined to be changed when the legislative decree implementing the IDD directive (Italian Legislative Decree No. 68 of May 21st, 2018) comes into effect. It will be applied starting from October 1st, 2018 and will introduce additional amendments to the rules on allocating competence between IVASS and CONSOB in the area of placing insurance investment products. A new Memorandum of Understanding between CONSOB and Bank of Italy for the coordination of the respective regulation and supervisory functions on the question of managing conflict of interest potentially harmful for customers was also adopted at the same time as the new Intermediaries Regulation. The new Intermediaries Regulation became effective the day following its publication in the Italian Official Gazette No. 41 dated February 19th, 2018, Ordinary Supplement No. 7.

Italian Legislative Decree No. 68 dated May 21st, 2018

On June 16th, 2018, Italian Legislative Decree No. 68 of May 21st 2018 implementing (EU) Directive 2016/97 regarding insurance distribution (“IDD”) was published in the Italian Official Gazette No. 138. Articles 3 and 4 of the decree establish a series of detailed transitory and final provisions. On the other hand, Articles 1 and 2 of the decree, respectively containing the amendments to Italian Legislative Decree No. 209 dated September 7th, 2005 (“CAP”) and to Italian Legislative Decree. No. 58 dated February 24th, 1998 (“Consolidated Finance Law”) will apply starting from October 1st, 2018. The decree steps in to amend the private insurance code by basically introducing: the concept of insurance distribution within the private insurance code; the concept of "product governance"; a revision of the rules of conduct particularly in the pre-contractual phase, also with regard to the methods of paying premiums; a simplification and standardisation of information to customers; a renewed dimension of coordination between domestic and international control authorities (in case of distribution by way of freedom to provide services or freedom of establishment in the EU territory).

EU Regulation 2016/679

The regulation, known as GDPR (General Data Protection Regulation), is directly applicable in all member States starting from May 25th, 2018 and concerns the protection of natural persons with regard to the processing and free circulation of personal data. The GDPR is a text whose objective is to standardise European data processing laws. It consists of 99 articles and institutes some new rules such as the right to be forgotten (users can ask that information about them be removed, the "portability" of data (data can be downloaded and transferred from one platform to another without being bound to a certain account) and the obligation of notification in case of data breach (if they sustain sensitive information leaks, companies must report it within 72 hours). The recipients are the "data controllers", namely those who manage the information: private parties and, above all, companies.

Tax measures

The main innovations which characterised the first half are described as follows.

Law Decree No. 148 dated October 16th, 2017 (so-called "Tax decree linked to the 2018 budget law", converted into Italian Law No. 172 dated December 4th, 2017)

On the question of VAT, Article 3 extends the subjective scope of application of the split payment (the mechanism that provides for specifying only the amount net of VAT on the invoice, with VAT paid to the tax authorities directly by the assignee or customer) starting from 2018. Public economic entities and all subsidiaries of Public Administrations are also subject to this VAT payment mechanism.

Art. 11-bis provided for the option of using a digital signature for the conclusion of certain acts related to certain corporate transactions, such as transformation, merger and demerger and contracts concerning the transfer of ownership or the possession of the company.

2018 Finance Act (Italian Law No. 2017 dated December 27th, 2017)

Article 1, paragraph 2 provides for the sterilisation of the increase in VAT rate, deferring increases until January 1st, 2019. The legislative intervention "completes" the content of Italian Law Decree No. 148 dated October 16th, 2017, the so-called "Decree connected with the 2018 Finance Act", and therefore there will be no increases in the VAT rate during 2018.

The one-year respite for the maxi and super depreciation is provided for, so companies will be able to enjoy the super depreciation in connection with purchases made by the increased term of December 31st, 2018 (instead of December 31st, 2017).

Simplifications for taxation of the capital gains concerning equity investments and for taxing the capital gains are also defined. Distinction between qualified and non-qualified equity investments is no longer provided for, and they will be taxed with the single 26% tax rate.

Introduction of the new letter f-bis) under paragraph 1 of Article 15 of the "Testo unico delle imposte sui redditi" is confirmed. It recognises 19% IRPEF deduction of premiums for insurance covering risk of disastrous events taken out on real estate units for housing use for

contracts signed as from January 1st, 2018.
It states that for the expenses regarding interventions on common condominium parts falling within earthquake zones 1, 2 and 3, jointly aimed at reducing earthquake risk and energy requalification, as an alternative to the respective detractions provided for by paragraph 2-quater and paragraph 1-quinquies of Article 16, it is possible to enjoy an 80%-85% deduction, depending on whether the earthquake risk reduction is 1 or 2 classes, on a maximum expense amount of € 136 thousand multiplied by the number of units of each building, to be divided into 10 annual amounts.

The extension (earthquake bonus) for expenses incurred up to December 31st, 2018 (instead of December 31st, 2017) of the IRPEF deduction for interventions to recover building assets pursuant to Article 16-bis of the "Testo unico delle imposte sui redditi" (earthquake bonus) is confirmed with the amendment of Article 16, paragraph 1 of Italian Law Decree No. 63 of June 4th, 2013:

- 50% (instead of 36%);
- on a maximum amount of € 96 thousand (instead of € 48 thousand).

It is confirmed that, for companies carrying out training activities, a tax credit of 40% of expenses relating to the company cost of employees for the period taken up in the training carried out to acquire and consolidate the technological knowledge provided for by the Impresa 4.0 National Plan, meaning big data and data analysis, cloud and fog computing, cyber security, cyber - physical systems, quick prototyping, visualisation and augmented realty systems, advanced and collaborative robotics, man-machine interface, additive manufacturing, Internet of Things and of machines and digital integration of company processes in the following fields (Annex A to the 2018 Finance Act): sales and marketing; computer science, production techniques and technologies.
Routine/periodic training organised by the company to comply with current legislation on occupational health and safety and protection of the environment and all other mandatory legislation on the question of training is excluded.
The tax credit in question is recognised up to a maximum annual amount of € 300 thousand for each beneficiary for the mentioned training activities arranged with collective company/local contracts. Costs pertaining to the expenses that can be facilitated must be certified by the party to perform the regulatory audit/board of statutory auditors/professional entered in the Register of Statutory Auditors (certification must be annexed to the financial statements).

INTERIM MANAGEMENT REPORT

INTERIM MANAGEMENT REPORT

The Group during the first six months of 2018

Business performance for the period

Risk management

Headcount and sales network

Significant events and other information

The Group during the first six months of 2018

The new year opened with presentation of the new 2018-2020 Business Plan to the Milan stock exchange at the end of January. 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.
More than a transformation of the business model, the desire to carry forward a cultural transformation to become a streamlined, innovative and reactive company. From the technological innovation viewpoint, the goal is to be a "data driven company" and, with reference to the non-life classes, there is the desire to seize new opportunities on the special risks, such as marine coverage, works of art and catastrophic risks.
One of the pillars for development is the agreement with Banco BPM with € 3 billion of life premiums each year.
On March 29th purchase of 65% of Vera Assicurazioni (formerly Avipop Assicurazioni) with the subsidiary Vera Protezione (formerly Avipop Vita) and Vera Vita (formerly Popolare Vita) with the subsidiary Vera Financial (formerly The Lawrence Life Assurance Company DAC) was closed a commercial partnership in the life and non-life classes, on the former Banco Popolare network, for a duration of 15 years was launched.

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The Cattolica Group closed the half-year with a consolidated profit of € 63 million compared to the € 8 million of June 30th, 2017 that included € 54 million in writedowns arising from the goodwill impairment test and € 13 million in writedowns from permanent impairment losses for AFS securities.
The Group's net profit came to € 51 million (€ 1 million as of June 30th, 2017).

The operating result[2] marked an increase of 25.1% to € 149 million, in line with the objectives of the 2018-2020 Business Plan, +6.6% in the non-life business and +66.4% in the life business.

The combined ratio of retained business decreased from 93.4% to 92.6% (-0.8 pps), staying at excellent levels. The retained claims ratio improved considerably (from 66.5% to 62.8%) thanks to average frequency and premium improvement in the motor sector and due to the launch of the turnaround action of the non-motor sector; the expense ratio came to 28%, up 2.3 pps because of the higher commission incidence of the non-motor sector, and due to the investments supporting the Plan's start-up.

Total premium collections for direct and indirect business - life and non-life - came to € 2,954.9 million (+12.6%), € 2,744.2 million (+4.6%) excluding the contribution of the

[2] The operating result excluded more volatile components (realisations, writedowns, other one-offs). In detail, the Non-life operating result is defined as the sum of the reinsurers net technical balance, ordinary financial income, other net non-technical costs (amortisation/depreciation, writedown of insurance receivables, 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), exit incentives, the cost of the Solidarity Fund, and other one-offs. 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.

companies acquired by Banco BPM.

Premiums written for direct non-life business amounted to € 1,058.2 million (+5.4%), +2.9% excluding the contribution of the companies acquired by Banco BPM.
The motor segment posted premiums of € 566.6 million (+3.2%). Premium collections for non-motor classes, increasingly focused on products intended for retail customers, amounted to € 491.6 million (+8.1%).

In the life sector, direct business premiums came to € 1,891.5 million (+17.2%). Excluding the contribution of the companies acquired by Banco BPM, 5.7% growth would be recorded.
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 (0.9% as of March 31st, 2018).

Financial management[3], before tax, posted a net profit of € 258 million (+7.1%), with an increase in assets managed and losses from valuation down. The components of this deviation are provided in the "Financial and asset management" section in the "Business performance for the period" Chapter.

As of June 30th, investments - including properties classified in the item tangible assets and cash and cash equivalents - amounted to € 32,006 million (€ +37.5). Gross technical provisions for non-life business amounted to € 3,742 million (+3.8%). Provisions for life business, inclusive of financial liabilities, amounted to € 26,849 million (+48.5%).
Consolidated net shareholders' equity amounted to € 2,197 million (+4.2%).

The Solvency II Ratio of the Group came to 1.60 times the regulatory minimum.

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As of June 30th, there were a total of 1,486 agencies, distributed as follows: 50.7% in Northern Italy, 26.4% in Central Italy and 22.9% in Southern Italy and the islands.
The number of branches distributing Pension Planning products were 6,477, and included 1,767 of the former Banco Popolare network.
The Group's financial advisors numbered 773, compared to 800 at the end of the previous year.
There were 211 welfare and pension product advisors, 184 C.P. Servizi Consulenziali sub-agents and 27 Agenzia Generale Agrifides sub-agencies.

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

KEY INDICATORS OF CATTOLICA GROUP BUSINESS PERFORMANCE

Following the international accounting standards, the following tables show (compared with those as of June 30th and/or December 31st, 2017), respectively:

- the key economic indicators;
- the key equity indicators;
- the figures relating to headcount and the sales network;
- the reclassified consolidated statement of financial position;
- the reclassified consolidated income statement;
- the reclassified consolidated income statement by segment of activities;
- the operating result by segment of activities;
- the key efficiency and profitability indicators.

For a proper analysis of changes during the half-year, note that the income statement and the statement of financial position figures include those relating to the companies acquired on March 29th by Banco BPM (the income statement figures are those relating to the second quarter).

In this report, 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

			Changes	
(€ millions)	**June 30th, 2018**	**June 30th, 2017**	**Amount**	**%**
Total premiums written	**2,954.9**	**2,624.1**	**330.8**	**12.6**
of which				
Gross premiums written	**2,854.8**	**2,476.9**	**377.9**	**15.3**
Direct business - non-life	1,058.2	1,003.6	54.6	5.4
Direct business - life	1,791.4	1,466.3	325.1	22.2
Indirect business - non-life	5.2	7.0	-1.8	-26.2
Indirect business - life	0	0	0	n.a.
of which				
Investment contracts	**100.1**	**147.2**	**-47.1**	**-32.0**
Consolidated net profit for the period	**63**	**8**	**55**	**n.s.**
Group net profit for the period	**51**	**1**	**50**	**n.s.**

n.s. = not significant

n.a. = non-applicable

Table 2 - Key equity indicators

(€ millions)	June 30th, 2018	December 31st, 2017	Changes Amount	%
Investment	**32,006**	**23,285**	**8,721**	**37.5**
Technical provisions net of reinsurance amount	**28,553**	**19,969**	**8,584**	**43.0**
Financial liabilities relating to investment contracts	**1,947**	**1,402**	**545**	**38.9**
Consolidated shareholders' equity	**2,197**	**2,108**	**89**	**4.2**

Table 3 - Headcount and sales network

(number)	June 30th, 2018	December 31st, 2017	Changes Amount	%
Total headcount	**1,672** 1)	1,579	93	5.9%
Full time equivalent headcount	**1,611** 2)	1,517	94	6.2%
Direct network:				
Agencies	**1,486**	1,494	-8	-0.5%
Partner networks:				
Bank branches	**6,477** 3)	5,064	1,413	27.9%
Financial advisors	**773**	800	-27	-3.4%
Welfare and pension product advisors	**184**	210	-26	-12.4%
Agrifides sub-agencies	**27**	28	-1	-3.6%

1) and 2) of which 34 coming from the acquisition of the 4 companies from Banco BPM and 41 coming from the transformation of staff leasing contracts into permanent employment contracts.

3) of which 1,767 of the former Banco Popolare S.p.A. network.

Table 4 - Reclassified consolidated statement of financial position

(€ millions)	June 30th, 2018	December 31st, 2017	Changes Amount	%	*Items from obligatory statements (*)*
Assets					
Investment property	595	573	22	3.9	*4.1*
Property	169	162	7	4.2	*2.1*
Investments in subsidiaries, associated companies and joint ventures	91	96	-5	-5.4	*4.2*
Loans and receivables	878	750	128	17.2	*4.4*
Held to maturity investments	241	243	-2	-1.0	*4.3*
Available for sale financial assets	23,592	17,168	6,424	37.4	*4.5*
Financial assets at fair value through profit or loss	6,048	4,086	1,962	48.0	*4.6*
Cash and cash equivalents	392	207	185	89.6	*7*
Total investments	**32,006**	**23,285**	**8,721**	**37.5**	
Intangible assets	850	265	585	n.s.	*1*
Technical provisions - reinsurance amount	738	645	93	14.4	*3*
Sundry receivables, other tangible assets and other asset items	1,630	1,691	-61	-3.6	*(**)*
TOTAL ASSETS	**35,224**	**25,886**	**9,338**	**36.1**	
Shareholders' equity and liabilities					
Group capital and reserves	1,694	1,805	-111	-6.1	
Group profit (loss) for the period	51	41	10	23.4	*1.1.9*
Shareholders' equity pertaining to the Group	***1,745***	***1,846***	***-101***	***-5.4***	*1.1*
Capital and reserves pertaining to minority interests	440	247	193	77.9	
Profit (loss) for the period pertaining to minority interests	12	15	-3	-19.9	*1.2.3*
Shareholders' equity pertaining to minority interests	***452***	***262***	***190***	***72.3***	*1.2*
Total capital and reserves	**2,197**	**2,108**	**89**	**4.2**	*1*
Premium provision	890	750	140	18.7	
Provision for outstanding claims	2,852	2,853	-1	-0.1	
Gross technical provisions - non-life	**3,742**	**3,603**	**139**	**3.8**	*3*
Gross technical provisions - life	**24,902**	**16,679**	**8,223**	**49.3**	*3*
Other gross non-life technical provisions	2	2	0	0	*3*
Other gross life technical provisions	645	330	315	95.4	*3*
Financial liabilities	2,718	2,173	545	25.1	*4*
of which deposits from policyholders	*1,947*	*1,402*	*545*	*38.8*	
Allowances, payables and other liability items	1,018	991	27	2.6	*(***)*
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**35,224**	**25,886**	**9,338**	**36.1**	

(*) 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).

n.s. = not significant

Table 5 - Reclassified consolidated income statement

(€ millions)	June 30th, 2018	June 30th, 2017	Changes Amount	Changes %	Items from obligatory statements (*)
Net premiums	2,681	2,326	355	15.3	*1.1*
Net charges relating to claims	-2,394	-2,138	-256	-12.1	*2.1*
Operating expenses	-337	-280	-57	-19.9	
of which commission and other acquisition costs	*-237*	*-208*	*-29*	*-13.7*	*2.5.1*
of which other administrative expenses	*-100*	*-72*	*-28*	*-37.8*	*2.5.3*
Other revenues net of other costs (other technical income and charges)	-37	-35	-2	-6.3	*1.6 - 2.6*
Net income from financial instruments at fair value through profit or loss	-8	16	-24	n.s.	*1.3*
Result from class D financial operations (**)	*-9*	*15*	*-24*	*n.s.*	
Net income from investments in subsidiaries, associated companies and joint ventures	2	1	1	100.0	*1.4 - 2.3*
Net income from other financial instruments and investment property	274	250	24	9.5	*1.5 - 2.4*
of which net interest	*214*	*232*	*-18*	*-7.6*	*1.5.1 - 2.4.1*
of which other income net of other charges	*48*	*43*	*5*	*9.8*	*1.5.2 - 2.4.2*
of which net profits realised	*24*	*16*	*8*	*50.3*	*1.5.3 - 2.4.3*
of which net valuation profits on financial assets	*-12*	*-41*	*29*	*70.7*	*1.5.4 - 2.4.4*
of which changes in other financial liabilities	*0*	*0*	*0*	*n.a.*	*1.5.4 - 2.4.4*
Commissions income net of commissions expense	1	2	-1	-39.5	*1.2 - 2.2*
Operating expenses relating to investments	-20	-15	-5	-37.9	*2.5.2*
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**162**	**127**	**35**	**25.6**	
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-50	-83	33	40.6	*1.6 - 2.6*
PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD	**112**	**44**	**68**	**n.s.**	
Taxation	-49	-36	-13	-34.7	*3*
NET PROFIT (LOSS) FOR THE PERIOD	**63**	**8**	**55**	**n.s.**	
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**n.a.**	*4*
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**63**	**8**	**55**	**n.s.**	
Profit (loss) for the period pertaining to minority interests	12	7	5	71.1	
PROFIT (LOSS) FOR THE PERIOD PERTAINING TO THE GROUP	**51**	**1**	**50**	**n.s.**	

(*) 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 million.

n.s. = not significant

n.a. = non-applicable

Table 6 - Reclassified consolidated income statement by segment of activities

(€ millions)	NON-LIFE June 30th, 2018	NON-LIFE June 30th, 2017	LIFE June 30th, 2018	LIFE June 30th, 2017	OTHER June 30th, 2018	OTHER June 30th, 2017	TOTAL June 30th, 2018	TOTAL June 30th, 2017
Net premiums	902	873	1,779	1,453	0	0	2,681	2,326
Net charges relating to claims	-566	-580	-1,828	-1,558	0	0	-2,394	-2,138
Operating expenses	-254	-225	-83	-55	0	0	-337	-280
of which commission and other acquisition costs	*-187*	*-168*	*-50*	*-40*	*0*	*0*	*-237*	*-208*
of which other administrative expenses	*-67*	*-57*	*-33*	*-15*	*0*	*0*	*-100*	*-72*
Other revenues net of other costs (other technical income and charges)	-16	-11	-21	-24	0	0	-37	-35
Net income from financial instruments at fair value through profit or loss	-1	0	-7	16	0	0	-8	16
Result from class D financial operations (*)	*0*	*0*	*-9*	*15*	*0*	*0*	*-9*	*15*
Net income from investments in subsidiaries, associated companies and joint ventures	1	1	1	0	0	0	2	1
Net income from other financial instruments and investment property	41	45	233	206	0	-1	274	250
Commissions income net of commissions expense	0	0	1	2	0	0	1	2
Operating expenses relating to investments	-5	-3	-14	-10	-1	-2	-20	-15
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**102**	**100**	**61**	**30**	**-1**	**-3**	**162**	**127**
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-32	-26	-17	-53	-1	-4	-50	-83
PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD	**70**	**74**	**44**	**-23**	**-2**	**-7**	**112**	**44**
Taxation	-32	-24	-17	-13	0	1	-49	-36
NET PROFIT (LOSS) FOR THE PERIOD	**38**	**50**	**27**	**-36**	**-2**	**-6**	**63**	**8**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**38**	**50**	**27**	**-36**	**-2**	**-6**	**63**	**8**

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

Table 7 - Operating result by segment of activities

(€ millions)	NON-LIFE June 30th, 2018	NON-LIFE June 30th, 2017	LIFE June 30th, 2018	LIFE June 30th, 2017	OTHER June 30th, 2018	OTHER June 30th, 2017	TOTAL June 30th, 2018	TOTAL June 30th, 2017	*Items from obligatory statements (**)*
Net premiums	902	873	1,779	1,453	0	0	2,681	2,326	*1.1*
Net charges relating to claims	-566	-580	-1,826	-1,558	0	0	-2,392	-2,138	*2.1*
Operating expenses	-254	-225	-83	-55	0	0	-337	-280	
of which commission and other acquisition costs	*-187*	*-168*	*-50*	*-40*	*0*	*0*	*-237*	*-208*	*2.5.1*
of which other administrative expenses	*-67*	*-57*	*-33*	*-15*	*0*	*0*	*-100*	*-72*	*2.5.3*
Other revenues net of other costs (other technical income and charges)	-16	-11	-21	-24	0	0	-37	-35	*1.6 - 2.6*
Income from gross ordinary investments	46	47	226	231	0	0	272	278	*1.3 + 1.5 - 2.4*
Commissions income net of commissions expense	0	0	1	2	0	0	1	2	*1.2 - 2.2*
Operating expenses relating to investments (*)	-5	-3	-14	-10	-1	-2	-20	-15	*2.5.2*
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**107**	**101**	**62**	**39**	**-1**	**-2**	**168**	**138**	
Other revenues net of other operating costs	-16	-15	-3	-4	0	0	-19	-19	*1.6 - 2.6*
OPERATING RESULT	**91**	**86**	**59**	**35**	**-1**	**-2**	**149**	**119**	
Realised and valuation gains	6	3	3	-8	0	-1	9	-6	*1.3 + 1.5 - 2.4*
Subordinated interest	-12	-4	-3	0	0	0	-15	-4	*1.3 + 1.5 - 2.4*
Net income from investments in subsidiaries, associated companies and joint ventures	1	1	1	0	0	0	2	1	*1.4 - 2.3*
Other revenues net of other non-operating costs	-17	-11	-15	-50	-1	-4	-33	-65	*1.6 - 2.6*
PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD	**69**	**75**	**45**	**-23**	**-2**	**-7**	**112**	**45**	
Taxation	-31	-25	-18	-13	0	1	-49	-37	*3*
NET PROFIT (LOSS) FOR THE PERIOD	**38**	**50**	**27**	**-36**	**-2**	**-6**	**63**	**8**	
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	** 4*
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**38**	**50**	**27**	**-36**	**-2**	**-6**	**63**	**8**	

(*) Includes operating expenses relating to class D investments amounting to less than € 1.278 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 efficiency and profitability indicators

	June 30th, 2018	June 30th, 2017	December 31st, 2017
Non-life ratios for retained business			
Claims ratio (Net charges relating to claims / Net premiums)	62.8%	66.5%	67.5%
G&A ratio (Other administrative expenses / Net premiums)	7.3%	6.5%	6.9%
Commission ratio (Acquisition costs / Net premiums)	20.7%	19.2%	19.6%
Total Expense ratio (Operating expenses / Net premiums)	28.0%	25.7%	26.5%
Combined ratio (1 - (Technical balance / Net premiums))	92.6%	93.4%	94.7%
Non-life ratios for direct business			
Claims ratio (Net charges relating to claims / Premiums for the period)	62.1%	65.1%	68.9%
G&A ratio (Other administrative expenses / Premiums for the period)	6.5%	5.8%	6.0%
Commission ratio (Acquisition costs / Premiums for the period)	21.3%	20.3%	19.9%
Total Expense ratio (Operating expenses / Premiums for the period)	27.8%	26.1%	25.9%
Combined ratio (1 - (Technical balance / Premiums for the period)	91.7%	92.6%	95.8%
Life ratios			
G&A ratio (Other administrative expenses / Premiums written)	1.8%	1.0%	1.1%
Commission ratio (Acquisition costs / Premiums written)	2.7%	2.5%	2.4%
Total Expense ratio (Operating expenses/ Premiums written)	4.5%	3.5%	3.5%
Total ratios			
G&A ratio (Other administrative expenses / Premiums written)	3.4%	2.8%	3.1%
Operating costs (1) / Premiums written	5.4%	5.1%	5.8%

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

With the 2018-2020 Business Plan it presented in January, Cattolica places innovation, reactivity and agility at the centre of its strategy in order to seize the challenges and opportunities of a market that is reshaping its dynamics. The cooperative model, the strong social connotation and the positioning and vocation of closeness to families and companies will continue to represent a value in the process of change that will be both industrial and cultural.

With this Business Plan, the Group plans to reinforce and at the same time diversify its business model by basing itself on three strategic pillars broken down into 21 sub-projects that will be constantly monitored:

- profitable growth;
- centralisation of innovation and data management;
- pursuit of technical excellence.

At the same time a profound cultural transformation, the strengthening of the operational machine and simplification of the processes introduced into the development of the Governance model according to a monistic logic that brings Cattolica into line with the best international standards are necessary.

The pillars on which the Business Plan is based and the key actions implemented in the early months of its enforcement are summarised below.

Profitable growth

Strengthening and development of the premiums written and diversification of channels and lines of business are, as already explained, at the centre of the Group's strategy, and above all achievable thanks to the contribution of inorganic actions. The agency network will in any case remain the architrave of the distribution system.

The Group's profitability will be accompanied by a strengthening and differentiation of supports to make the agencies stronger and more sustainable economically.
In this perspective, the Company sets out to increase the average agency size with a premiums portfolio that rose from € 1.9 million in 2017 to € 2.3 million in 2020.

An optimisation of the local agency coverage and a rebalancing of the production mix to fully develop the business potential of the channel is also planned. Unit-linked life business and that of the non-motor non-life classes are expected to rise in particular, with a the consulting role of agencies progressively increasing in the perspective of a more and more important "partnership" with the customer.
The digitisation challenge will also increasingly be pursued, also for the purpose of giving the agencies all the supports necessary to create new service and offer methods.

The distribution model will however be reinforced and innovated, also by the offer through the broker channel. Precisely for the purpose of providing the channel with greater service and support the administrative and management of the Milan Operations was reorganised in the early part of the year. Primarily focused on the "Large Companies Risks", it laid the foundation to be able to reach the targets set by the Business Plan.

The exclusive partnership with Banco BPM is naturally central in terms of profitable growth. A greater articulation of the premiums written channel, more extensive distribution and a significant rebalancing of the low capital-absorption products for the life and non-motor non-life sectors are expected in addition to the considerable dimensional leap with significant repercussions in terms of efficiency.

Following the closing in March, control of four Vera brand joint venture companies was acquired, for which consolidation has already been started: Vera Vita, a company specialised in savings and investment products business, particularly multi-class; Vera Financial, based in Ireland and specialised in Class III life policies; Vera Protezione, specialised in TCM (temporary life insurance) policies; and the company Danni Vera Assicurazioni.

The additional operating income target in 2020 generated by the joint ventures is over € 100 million.

Please note that the JV started off several months earlier than the original plan, which set the start-up in the second half-year.

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.
The use of a quick and profit-driven estimator tool already produced satisfactory results in the first months of the year in terms of generation of leads to transfer to the agencies, while there are many initiatives starting up in the upcoming months as a result of which a greater engagement of under 35 customers and enhanced cross-selling on the elementary classes are particularly expected.

Innovation in the range and services based on data and technology

As already explained, innovation and data management are part of the priority streams of the 2018-2020 strategy.
The "Data-driven company" project requires extensive use of data along the entire value chain and is a basic pillar of the change started by the Company with the new Plan, destined to decisively affect all future Group business. By using data, among others, key processes such as tariff rating, the fight against fraud and claim handling can be improved by dematerialising the appraisal and automating payment.
Construction of the data architecture was already started in the early months of 2018. By the end of 2019, the creation of a platform that, by permitting the integrated management of customer data will allow an increasingly customised offer and a Cattolica Services ecosystem gradually growing in size is expected.

The offer of new associated products is moving in the same direction and in parallel: "Active Auto", the electronic motor offer launched starting from May is the tangible prime example of it.
This offer, imprinted to reward the driving style of the most virtuous customers, provides for a

wide range of advanced prevention services and real-time assistance according to the above-mentioned ecosystem logic.
Particularly designed for the millennials and users of the metropolitan areas, it differs from most of the offers on the market owing to the low-cost technologies available, and is based on a new generation self-installing device to connect to a smartphone-accessible app.

Technical excellence

As explained when the Business Plan was presented, recovery of profitability on Companies, Agri-foods and Religious Bodies, innovation in handling claims, greater tariff sophistication and greater presence in the life mix of capital-light products will bring an increase in Group profitability.

As regards the non-motor business, significant simplification activities such as automatic reform and rationalisation of existing products in addition to a proactive management of premium settlements have been undertaken in the profitable retail segment already starting from the early months of the year; an enrichment of the offer through the addition of catastrophic guarantees and development of the affinities channel are planned in the months to come.

The recovery of profitability on Companies, Agri-foods and Religious Bodies is central in the Plan strategies. While introduction of a new and more evolved tool to support the Agencies in underwriting the Companies and Public Bodies segment is expected in the upcoming months, important re-pricing and re-underwriting actions have already been started, and it is expected that these activities can be further strengthened and refined with the above-mentioned development of the analytics platform. Again in the perspective of profitability, tariff flexibility is expected to drop.

The Business Plan also provides for the start-up of an innovative project aimed at developing business segments other than motor in order to complete the offer of non-life products also through operations on international markets by developing and offering highly specialised insurance coverage.

Finalisation of the purchase of a new dedicated company is expected in the second half of 2018 as part of this perspective.

The vehicle held 100% by Cattolica will operate as a reinsurer, but at the same time will coordinate different underwriting agencies (MGAs) that will each time be acquired or federated, and that will be focused on specific geographical areas and/or lines of business. Both a commercial partnership with them and tight control and overview on the pricing and underwriting activities of the identified Agencies, which will become excellent experts to this regard.

It is expected that maintaining excellence in the motor sector will be pursued through the sophistication of the pricing model and by innovations applied to claims handling, factors that will be assisted by the above-mentioned development of advanced analytics. The fraud identification rate has however been improving starting from the early months of the year, also after specific targets were defined for the entire settlement network.

The partnership that has just started off with Banco BPM will also permit both a shift toward products with lower capital absorption and growth on more profitable products as regards the life business; a significant reduction of the minimum average guaranteed rates on the traditional reserves, forecast at 0.5% at the term of the Plan's horizon, is also expected.

Cultural transformation and simplification

The action to culturally transform the Company in addition to its necessary simplification has been set parallel to the transformation of its business model.
In the perspective of simplification, which involves IT efficiency measures and a strengthening of cost control/discipline (G&A in particular), actions to optimise operational processes through re-engineering and robotics according to a "one stop shop" approach involving the functions both upstream and downstream of the processes have already been implemented. The programme, which includes a pilot activity on the Operations Area to then be applied to the rest of the Company with a model replicable over time, has a savings goal as of 2020 of about 20% (in terms of automated administrative/back office activity); the programme's savings will be made by reducing outsourcer costs, bringing some activities in-house and using resources to support Plan initiatives.
The cultural change, on the other hand already previously in effect and that requires acquiring a new mindset necessary in order to operate in today's dynamic contexts, was significantly implemented during the first six months of the Plan by:

- introducing a new performance assessment system in line with the Plan's objectives to contribute to improving the dynamism of the talented resources in the company;
- strengthening management with the addition of other key members;
- starting up a technical re-training activity for the labour force following significant organisational developments of the Plan;
- developing specific paths for expansion and strengthening consistent with the innovation path the Plan sets out and because of a slight delay in digital skills compared to the reference benchmark;
- an improved corporate welfare model (agreement with gyms, extension to smart working).

Governance model

Significant for the purpose of implementing the 2018-2020 Plan and in order to align Cattolica with the best international standards, in April the Shareholders' Meeting approved the Board of Directors' proposal to evolve governance by adopting a monistic model.
The Board of Directors will absorb the functions of the board of statutory auditors, and it will have 17 members (currently 18 plus 5 of the board of statutory auditors). The Executive Committee will also be abolished.
As regards the shareholding representation of the shareholders', the maximum limit of 0.5% of capital for natural persons was confirmed, while that for legal entities, collective bodies and UCIs was raised to 5%. However, going past the threshold does not prevent additional shares from being held.
Capital shareholders will also be allowed to be represented on the Board of Directors. One or

two directors will be selected from the list that is first in terms of capital, other than the Majority Interest List, determined as first with per capita vote (one head, one vote), and also other than the Minority Interest List, having obtained votes corresponding to 10% or 15% of the share capital, whatever the number of Shareholders that voted it may be.
These changes will go into effect with the next election of the Board of Directors, scheduled for Spring 2019.

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 half-year, five brokers followed Cattolica stock with analyses and comments.
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, 2017, Standard & Poor's confirmed Cattolica's rating as BBB- and the outlook as stable.

On October 31st, 2017, 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.

INTERIM MANAGEMENT REPORT

The Group during the first six months of 2018

Business performance for the period

Risk management

Headcount and sales network

Significant events and other information

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: Non-life, 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 (ABC Assicura, BCC Assicurazioni, TUA Assicurazioni, Vera Assicurazioni, Agenzia Generale Agrifides for the Cattolica Danni mandate, C.P. Servizi Consulenziali for the Cattolica Danni mandate and TUA Assicurazioni and the closed-end property funds allocated to the non-life portfolio), and the Life business (BCC Vita, Berica Vita, Cattolica Life, Lombarda Vita, Vera Financial, Vera Vita, Vera Protezione, Agenzia Generale Agrifides for the Cattolica life mandate, C.P. Servizi Consulenziali 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 gross of eliminations between sectors.

Profit for the period

The half-year closed with consolidated net profit of € 63 million (€ 8 million as of June 30th, 2017), of which € 38 million attributable to the Non-life business (-24.4%), € 27 million to the Life business as compared to a € 36 million loss as of June 30th, 2017 to the Other segment, which recorded a € 2 million loss (-67.5%).

The Group's net profit came to € 51 million (€ 1 million).

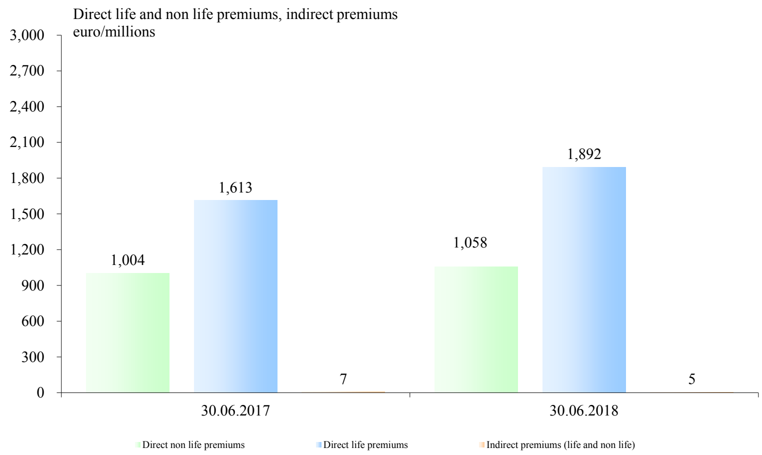
The operating result[4] marked an increase of 25.1% to € 149 million, in line with the objectives of the 2018-2020 Business Plan.

Premiums

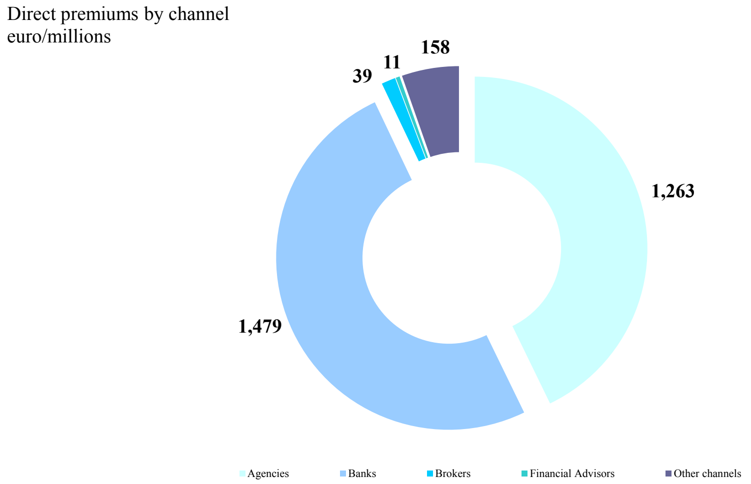
Gross consolidated premiums (which therefore comply with the definition of insurance policy as per IFRS 4) at the end of the accounting period amounted to € 2,854.8 million (+15.3%). Also taking into account investment contracts, total premiums written came to € 2,954.9 million (+12.6%).

[4] The operating result excluded more volatile components (realisations, writedowns, other one-offs). In detail, the Non-life operating result is defined as the sum of the reinsurers net technical balance, ordinary financial income, other net non-technical costs (amortisation/depreciation, writedown of insurance receivables, 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), exit incentives, the cost of the Solidarity Fund, and other one-offs. 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.

Gross direct non-life premiums totalled € 1,058.2 million (+5.4%) and account for 37.1% of total direct premium business (40.6% as of June 30th, 2017).
Gross direct life premiums totalled € 1,791.4 million (+22.2%); total life premiums written amounted to € 1,891.5 million (+17.2%). Life premiums represented the majority share of total direct business (62.9% compared with 59.4% as of June 30th, 2017).



Direct business premium collection, per distribution channel, is broken down as follows: agencies 42.8%, banks 50.2%, brokers 1.3%, advisors 0.4% and other channels 5.3%.



Other administrative expenses

Other administrative expenses amounted to € 100 million (+38.9%) mainly due to the Business Plan implementation costs.

The Group by segments

Non-life business

Non-life business, as already reported, closed the half-year with a profit of € 38 million (-24.4%). Net non-life business premiums amounted to € 902 million (+3.2%). The combined ratio of direct business was 91.7% (-0.9 pps).
The claims ratio (claim/premium ratio) is equal to 62.1% (65.1%), while the ratio of other administrative expenses was 6.5% (5.8%), mainly due to the Business Plan implementation costs.

Financial operations, which ended the half-year with a result of € 36 million (-17.7%), were mainly characterised by net income deriving from other financial instruments and investment property for € 41 million (-11.4%), with net interest and other net income amounting to € 38 million (-12.8%), with net realised gains totalling € 8 million (-40.6%) and with net losses from valuation that came to € 5 million (-53.9%).

The operating result came to € 91 million (+6.6%).

Life business

The life business ended the period with a profit of € 27 million, compared with a loss of € 36 million as of June 30th, 2017.

Net life premiums rose to € 1,779 million (+22.5%), and financial operations[5] closed with a result of € 223 million (+12%), with net income from other financial instruments and investment property for € 233 million (+13.5%), interest and other net income growing to € 223 million (-3.3%), realised net gains rising from € 3 million to € 17 million and net losses from valuation amounting to € 7 million (-76.4%). Other administrative expenses of the life classes as a percentage of premiums written rose from 1% to 1.8%, mainly due to the Business Plan implementation costs.

The operating result came to € 59 million (+66.4%).

Other business

Other business posted a € 2 million loss (-67.5%) at the end of the half-year.

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.

Investment

Investment totalled € 32,006 million (+37.5%), of which approximately € 10 billion came from the contribution of the companies acquired from Banco BPM. Their breakdown and variation compared to December 31st, 2017 are represented in the following table.

Table 9 - Total investments

					Changes	
(€ millions)	**June 30th, 2018**	**% of total**	**December 31st, 2017**	**% of total**	**Amount**	**%**
Investment property	595	1.9	573	2.5	22	3.9
Property	169	0.5	162	0.7	7	4.2
Investments in subsidiaries, associated companies and joint ventures	91	0.3	96	0.5	-5	-5.4
Loans and receivables	878	2.7	750	3.2	128	17.2
Held to maturity investments	241	0.8	243	1.0	-2	-1.0
Available for sale financial assets	23,592	73.7	17,168	73.7	6,424	37.4
Financial assets at fair value through profit or loss	6,048	18.9	4,086	17.5	1,962	48.0
Cash and cash equivalents	392	1.2	207	0.9	185	89.6
TOTAL	**32,006**	**100.0**	**23,285**	**100.0**	**8,721**	**37.5**

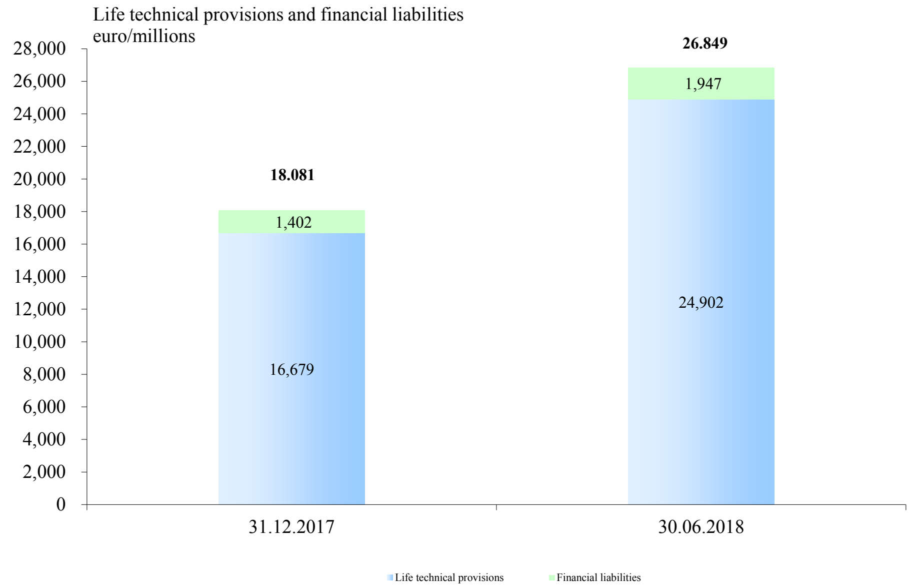
[5] With the exclusion of investments whose risk is borne by the policyholders and the change in other financial liabilities.

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 € 258 million (+7.1%).

Technical provisions

Non-life technical provisions (premiums and claims) amounted to € 3,742 million (+3.8%).

Technical provisions for life business (actuarial provisions inclusive of shadow accounting) amounted to € 24,902 million (+49.3%). Also taking into account financial liabilities relating to investment contracts, the technical provisions and deposits relating to life business amounted to € 26,849 million (€ +48.5%).



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

Shareholders' equity

Consolidated net shareholders' equity amounted to € 2,197 million (+4.2%).

The Group shareholders' equity amounts to € 1,745 million (-5.4%) and includes losses on available for sale financial assets amounting to € 12 million.
Portions of shareholders' equity pertaining to minority interests amounted to € 452 million (+72.3%).

INSURANCE BUSINESS AND OTHER SECTORS OF ACTIVITIES

Summary of the activities carried out by the Group companies

At June 30th, the consolidation area comprised the insurance Parent Company, eleven insurance companies, four service companies, two companies in the agricultural-real estate sector and four real estate property 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 Assicura**, with headquarters in Verona, share capital of € 8.9 million, is authorised to carry out non-life business. Starting from December 2017, the company directly ensures assistance to customers for all necessary after-sales transactions. 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;

- **Vera Assicurazioni**, with headquarters in Verona, share capital of € 63.5 million, is authorised to carry out non-life business. Closing of the purchase of 65% of the company from Banco BPM was finalised on March 29th;

- **Agenzia Generale Agrifides**, with headquarters in Rome, share capital of € 10 thousand. The Parent Company holds 51% of the share capital. The goal is to establish new sales outlets care of the territorial headquarters of Coldiretti which, as of June 30th, these numbered 27.

- **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 75.26%, Lombarda Vita 23.83% and TUA Assicurazioni 0.91%. Part of said interests are allocated to the non-life portfolios of Cattolica and TUA Assicurazioni;

- **Fondo Innovazione Salute** is a real estate mutual investment fund dedicated to housing for the elderly, and was formed in 2018. Cattolica holds 80.1% interest;

- **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% and TUA Assicurazioni 5.42% and BCC Vita 4.92%. Part of said interests is allocated to Cattolica and TUA Assicurazioni's non-life portfolio;

- **Fondo San Zeno (formerly 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 Cattolica'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. Starting from December 2017, the company directly ensures assistance to customers for all necessary after-sales transactions. 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;

- **Vera Protezione**, with headquarters in Verona, share capital of € 47.5 million, is authorised to carry out life business and is specialised in TCM (temporary life insurance) policies. Closing of the purchase of 65% of Vera Assicurazioni, which holds 100% of the company, from Banco BPM was finalised on March 29th;

- **Vera Vita**, with headquarters in Verona, share capital of € 219.6 million, is authorised to carry out life business and is specialised in the savings and investment products business. Closing of the purchase of 65% of the company from Banco BPM was finalised on March 29th;

- **Vera Financial DAC** is a life insurance company with headquarters in Dublin, Ireland, share capital of € 803 thousand, specialising in class III life insurance policies. Closing of the purchase of 65% of Vera Vita, which holds 100% of the company, from Banco BPM was finalised on March 29th;

- **Agenzia Generale Agrifides**, with headquarters in Rome, share capital of € 10 thousand. The Parent Company holds 51% of the share capital. The goal is to establish new sales outlets care of the territorial headquarters of Coldiretti which, as of June 30th, these numbered 27.

- **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 75.26%, Lombarda Vita 23.83% and TUA Assicurazioni 0.91%. Part of said interests are allocated to the life portfolios of Cattolica and Lombarda 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% and TUA Assicurazioni 5.42% and BCC Vita 4.92%. Part of said interests are allocated to the life portfolio of Cattolica, Lombarda Vita and BCC Vita;

- **Fondo San Zeno (formerly 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 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 99.96% 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 same period last year, together with investment contracts.

Table 10 - Total premiums written

Classes					**Changes**	
(€ millions)	**June 30th, 2018**	**% of total**	**June 30th, 2017**	**% of total**	**Amount**	**%**
Accident and injury	100.4	3.5	100.0	4.0	0.4	0.4
Health	41.7	1.4	29.2	1.2	12.5	42.8
Land vehicle hulls	72.0	2.5	69.6	2.8	2.4	3.5
Goods in transit	3.8	0.1	4.8	0.2	-1.0	-20.0
Fire & natural forces	73.7	2.6	57.9	2.4	15.8	27.3
Other damage to assets	124.9	4.4	122.4	5.0	2.5	2.1
TPL - Land motor vehicles	494.6	17.4	479.3	19.4	15.3	3.2
TPL - General	96.5	3.4	88.7	3.6	7.8	8.8
Credit	0.2	n.s.	0	0	0.2	n.a.
Suretyship	9.8	0.3	9.2	0.4	0.6	6.2
Sundry financial losses	7.8	0.3	12.2	0.5	-4.4	-36.0
Legal protection	8.9	0.3	8.0	0.3	0.9	12.3
Assistance	21.4	0.8	20.4	0.8	1.0	5.2
Other classes (1)	2.5	0.1	1.9	0	0.6	25.1
Total non-life classes	**1,058.2**	**37.1**	**1,003.6**	**40.6**	**54.6**	**5.4**
Insurance on the duration of human life - class I	1,247.5	43.8	1,064.5	43.1	183.0	17.2
Insurance on the duration of human life linked to investment funds - class III	365.7	12.8	263.8	10.7	101.9	38.6
Health insurance - class IV	0.9	n.s.	0.8	n.s.	0.1	8.4
Capitalisation transactions - class V	171.7	6.1	131.4	5.3	40.3	30.8
Pension funds - class VI	5.6	0.2	5.8	0.3	-0.2	-3.7
Total life classes	**1,791.4**	**62.9**	**1,466.3**	**59.4**	**325.1**	**22.2**
Total direct business	**2,849.6**	**100.0**	**2,469.9**	**100.0**	**379.7**	**15.4**
Indirect business	**5.2**		**7.0**		**-1.8**	**-26.1**
Total insurance premiums	**2,854.8**		**2,476.9**		**377.9**	**15.3**
Insurance on the duration of human life linked to investment funds - class III	55.6	55.5	76.9	52.2	-21.3	-27.8
Pension funds - class VI	44.5	44.5	70.3	47.8	-25.8	-36.7
Total investment contracts	**100.1**	**100.0**	**147.2**	**100.0**	**-47.1**	**-32.0**
TOTAL PREMIUMS WRITTEN	**2,954.9**		**2,624.1**		**330.8**	**12.6**

(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

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)

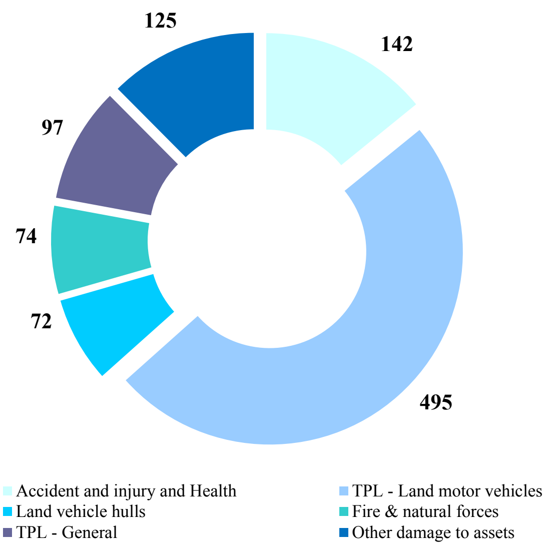
Life business (€ millions)	**June 30th, 2018**	**% of total**	**June 30th, 2017**	**% of total**	**Changes** Amount	%
Insurance on the duration of human life - class I	1,247.5	66.0	1,064.5	66.0	183.0	17.2
Insurance on the duration of human life linked to investment funds - class III	421.3	22.3	340.7	21.1	80.6	23.6
Health insurance - class IV	0.9	n.s.	0.8	n.s.	0.1	8.4
Capitalisation transactions - class V	171.7	9.1	131.4	8.2	40.3	30.8
Pension funds - class VI	50.1	2.6	76.1	4.7	-26.0	-34.2
Total life premiums - direct business	**1,891.5**	**100.0**	**1,613.5**	**100.0**	**278.0**	**17.2**

n.s. = not significant

Non-life business - Premiums written

Direct business non-life premiums totalled € 1,058.2 million (+5.4%). Indirect premiums came to € 5.2 million (-26.2%).
The increase, net of the contribution of the second quarter of the companies acquired from Banco BPM, was 2.9% (the market figure[6] for the first quarter 2018 was +1.1%).

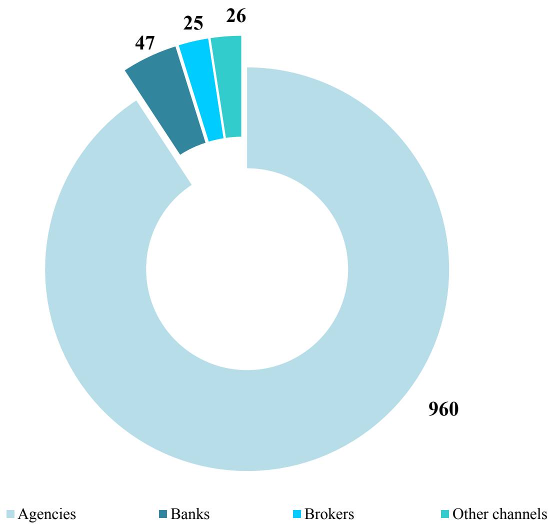
Main non life classes, direct premiums
euro/millions



Direct non-life premiums written were generated as follows: the agency channel with € 960.4 million (+1.8%), the banking channel with € 46.9 million (+38.3%), brokers with € 25.2 million (+22.3%) and other channels with € 25.7 million compared to the € 5.7 million as of June 30th, 2017.

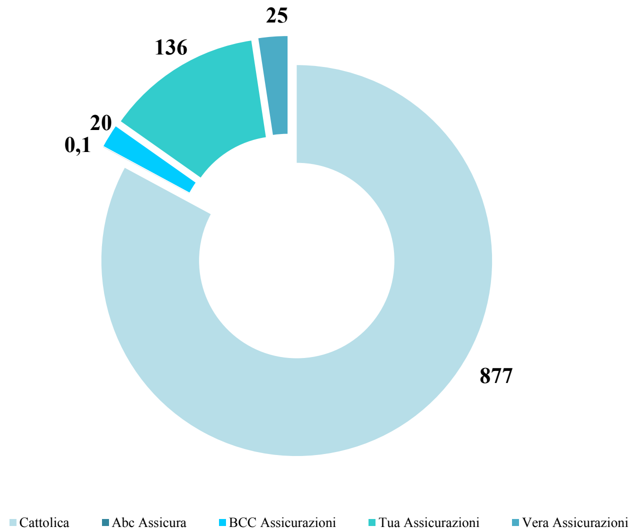
[6] Fonte Ania, Ania Trends, No. 6, July 2018.

Premiums by channel, non life direct premiums
euro/millions



Direct business non-life premiums are attributable to the Parent Company for € 876.9 million, ABC Assicura for € 0.1 million, BCC Assicurazioni for € 20 million, TUA Assicurazioni for € 135.9 million and Vera Assicurazioni for € 25.3 million.

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



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

Parent Company

Renovation of the non-life business offer intended for the agency channel with the goal of offering more modern and innovative solutions in several strategic sectors, such as the motor sector, and of standardising the range of health products continued during the first half of the year.
For this purpose the new line of motor vehicle products, Cattolica&Motor, was launched in May. It is broken down into two versions: *"Start"* and *"Active"*.

To partner the *"Start"* version, an evolution of the current offer marked by a greater possibility to personalise coverage based on the customer's needs, an important innovation in terms of product and services offered was introduced: the *"Active"* version.

Available for motor vehicles and commercial vehicles, the "Active" solution offers a number of advanced protection and prevention services, in addition to information helpful for improving one's driving style, by pairing the smartphone with the box installed on the vehicle.

Another significant innovation in the motor sector is introduction of the new individual tariff for new production that affects all sectors except for farm machinery.

As regards the health protection solutions, on the other hand, one more step was taken toward standardising the product catalogue with extension to the former FATA Cattolica network and the concomitant restyling of the *"Cattolica&Salute Ogni Giorno Infortuni Cumulativa"* product aimed at extending the coverage offered and at protecting new targets.

ABC Assicura

With reference to current legislation, during the period several changes were introduced to the *"Sfera famiglia"* product relating to the addition of a new article that regulates the case of a death unrelated to an accident and the Earthquake guarantee, for which tax exemption and tax deduction were introduced.

For the product *"Sfera Auto"*, the rules concerning the risk certificate and management of the merit class pursuant to IVASS Regulations No. 71 and 72 dated April 16th, 2018 were reviewed.

As instructed by EU Regulation 2016/679, the Privacy section was updated.

BCC Assicurazioni

With reference to current legislation, several changes were introduced to the products being placed that require introduction of a new article that regulates the case of a death unrelated to an accident for the total permanent disability due to an accident guarantee; for the permanent disability due to illness, introduction of a new article that regulates the case of withdrawal prior to payment of the indemnity and for the Earthquake guarantee, tax exemption and tax deduction were introduced.

For the product *"Formula Auto"*, the rules concerning the risk certificate and management of the merit class pursuant to IVASS Regulations No. 71 and 72 dated April 16th, 2018 were reviewed.

As instructed by EU Regulation 2016/679, the Privacy section was updated for all products.

TUA Assicurazioni

In March, in agreement with the reinsurer of reference, the product *"TUA Energia"* was updated in consideration of the unsatisfactory technical performance; in particular, agencies were prohibited from the possibility to discount the tariff on their own and the overdrafts and minimums of the various types of damage were raised.

Since May, the *"Motor"* line has been enriched with a very innovative electronic solution developed in synergy with the Parent Company. The product is available in the "TUA Smart Drive" and "TUA Box Drive" versions that involve the insured party's considerable interaction with the device installed on the vehicle, in addition to guaranteeing various services (automatic assistance in case of a crash, reconstruction of accident dynamics, car position certification, dangerous roads alerts, weather alerts, etc.) and rewarding virtuous driving styles.

The content of the "TUA Impresa" product was revised in June, and the restyling introduced new insurable businesses, such as hotels, B&Bs, lift maintenance engineers and installers, and shops under franchising for the sale of electronic cigarettes.
The Cyber Risk section was introduced in line with the new needs of the market regarding the protection of the company's IT systems.

Vera Assicurazioni (formerly Avipop Assicurazioni S.p.A.)

The rebranding and standardization of the product catalogue of the former Avipop Assicurazioni S.p.A. was started during the first half of the year.

New products are undergoing analysis and feasibility study, particularly products dedicated to protection of family, home and pets.
Added to the conventional coverage for fire, theft, third party liability, legal protection and assistance are revised services to provide an answer to the customers' changing needs: protection for earthquake risk of buildings, health protection, and refund of healthcare expenses for dogs and cats.

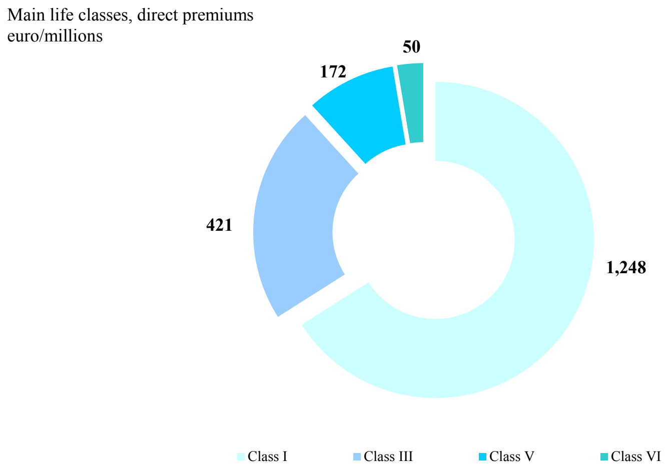
The products proposed in the Tender of the Partner Agos Ducato S.p.A. were also listed.

Life business – Premiums written

Insurance premiums in the life business totalled € 1,791.4 million (+22.2%). Premiums written relating to investment contracts amounted to € 100.1 million (-32%). Total direct life business premiums came to € 1,891.5 million (+17.2%).
The increase, net of the contribution of the second quarter of the companies acquired from Banco BPM, was 5.7% (the market figure[7] for the first quarter 2018 was +3%).

Total class I premiums written amounted to € 1,247.5 million (+17.2%).
Revaluable premiums written coming from new subscriptions take place since the end of last May almost only with products with a so-called "non cliquet" revaluation method that allows capital absorption to be reduced for the Group companies.

Total class III premiums written (insurance on the duration of human life linked to investment funds) amounted to € 421.3 million (+23.6%) and consisted of unit linked contracts. Investment contracts amounted to € 55.6 million (-27.8%).



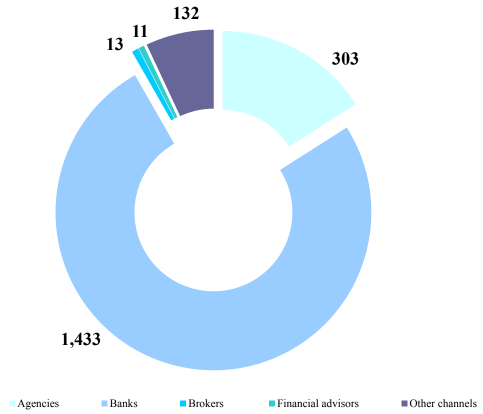
Class V premiums written (capitalisation) amounted to € 171.7 million (+30.8%).

Total class VI premiums written (pension funds) amounted to € 50.1 million (-34.2%) and were mainly generated by investment contracts.

[7] Fonte Ania, Ania Trends, No. 6, July 2018.

Direct life premiums written were generated as follows: the agency channel with € 302.5 million (+14.3%), the banking channel with € 1,432.5 million (+21.7%), brokers with € 13.4 million (-59.8%), financial advisors with € 11 million (+20.9%) and other channels with € 132.1 million (+1.9%).

Premiums by channel, direct life premiums
euro/millions

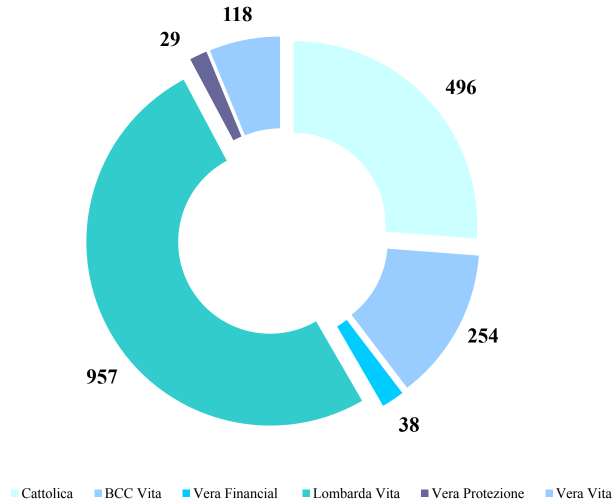


Group life premiums written continue to be driven by the bancassurance channel, particularly by the performance of the Banche di Credito Cooperativo branches (+68.5%), along with the growth of the UBI Banca Group (+5.9%); starting from the second quarter premiums relating to the companies Vera Vita, Vera Protezione and Vera Financial have fallen within the scope. Net of new entries, the growth percentage of the channel settled at +6% and, if also cleansed of the 2017 premiums relating to the terminated agreement with BPVI, the increase goes up to +14.6%.

The performance of agency channels of the Group reported an increase greater than 14% compared with June 30th, 2017.

The contribution made to the consolidated amount on life premiums attributable to the Parent Company totalled € 496 million, to BCC Vita € 254.1 million, to Lombarda Vita for € 957.1 million, to Vera Financial for € 38 million, to Vera Protezione for € 29.4 million and to Vera Vita for € 118.1 million.

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



Life business - Research and development activities: new products

Parent Company

During the first half of the year, the Parent Company carried out an in-depth review of its Life offer in the prospect of making it increasingly meet the competitive dynamics of the market, sustainable from a financial viewpoint and consistent with the goals set by the new Group Business Plan.

In this perspective, the operations carried out were on the one hand aimed at protecting the financial sustainability of the revaluable products by adopting "capital light" solutions, and on the other, at fostering a rebalancing of the mix of premiums written, between class I and class III, also through evolution of the multi-class offer platform meant as a flexible and efficient tool at the customers' disposal to diversify their investments and participate in the yield opportunities offered by the financial markets.

With reference to the professional networks (agents and brokers), the major operations carried out concerned:

- application of the "non cliquet" type of revaluation method to almost all of the Revaluable offer, and to the revaluable component of the Multi-class products, aimed at reducing the absorption of capital on segregated fund-linked products for the company;
- lowering the limit of the maximum premium that can be invested in revaluable products and increasing the pricing level on the component of the segregated fund-linked component of the offer;
- raising to 50% the minimum limit of premium that can be invested in the unit-linked component for the "basic" multi-class offer "*Cattolica&Investimento Scelta Dinamica 3.0*" and "*Cattolica&Risparmio Piani Futuri 3.0*";
- revising the intermediaries' remuneration logics with reference to the products considered "core" in order to more adequately recognise the consulting undertaking dedicated to the distribution of these products, in line with the market's "best practice".

These operations were implemented in the new product versions ("*Scelta Dinamica 3.0*, *Piani Futuri 3.0*, *Capitalizzazione Next*, *Cattolica&Impresa TFM*, Cattolica&Impresa TFR") that replaced the corresponding pre-existing offer.

A multi-class offer solution ("*Cattolica&Investimento Scelta Dinamica 3.0 Dedicato*") was also introduced. It is aimed at reinvesting expiring policies and is added to the revaluable product version ("*Cattolica&Investimento Più vantaggi next*").

With reference to the banking network, investments intended to reduce the absorption of capital on segregated fund-linked products for the company were carried out by adopting the "non cliquet" type of revaluation method: "*DueVie ed. 2018" and* "*Risparmio Private ed. 2018"*.

Lombarda Vita

During the first half of the year, steps were taken to supplement and up-date the current offer of products range placed by the banks of the UBI Group, dedicated to the protection and savings/investment requirements of the customers.

As for the individual investment solutions, new insurance solutions were devised, including:
- *"Twin Selection"*: multi-class insurance (segregated fund and internal fund) with single premium;
- *"Twin Top Selection"*: multi-class insurance (segregated fund and external funds) with single premium, with possibility of additional premiums written, with additional benefit for the case of death,
- *"Garanzie di puro rischio abbinate ai multiramo Twin Selection"*: temporary insurance in case of death (TCM), Insurance for the case of Serious Illness (DD), both with capital and constant annual premium and life annuity insurance to cover the risk of non-self efficiency (LTC) with limited constant annual premium.

In compliance with the guidelines of the Group Business Plan, the following products being placed were updated: "*Risparmio Plus ed. 2018" and "YPI LV Soluzione Crescita ed. 2018"*.
With regard to collective products, the current insurance solutions were supplemented and updated, including "*Prestitalia CQP"* and "*TCM Dipendenti (tariffa 4VVD)"*.

BCC Vita

The current offer dedicated to the savings/investment and protection area was updated during the first half of the year.
As regards the individual solutions dedicated to the investment area, a twofold guideline was followed: rebalancing of the business mix with a view to increase the unit linked premiums written also thanks to the enrichment of the options available on the offer and reducing capital absorption on segregated fund-linked products by adopting "capital light" solutions. Several operations were carried out on the offer catalogue in this logic, such as "*Autore Sinergia*" and "*StartEvolution 3.0*" and the placement of three segregated fund-linked products was closed.

Berica Vita and Cattolica Life

With reference to Berica Vita and Cattolica Life, new business was closed and product development activities were suspended after the distribution agreement with the BPVi Group banks terminated.

Vera Financial

Life product research and development developed following two particular guidelines during the first half of the year: definition with the outsourcers (Unipol and Irish Life) of a plan of measures to help develop and release new products for the network and the revision of products being placed in keeping with the guidelines dictated by the agreement between the Parent Company Cattolica and Banco BPM.

As regards the plan of new product releases for all of 2018, the release of two products was agreed upon and shared:

- *"Futuro Sostenibile"* (May 2018), distinguished by prevailing investment in financial instruments issued by companies that meet socially responsible management criteria.
- *"Nuova Ramo III"* (December 2018).

Vera Protezione

The rebranding and standardization of the product catalogue of Vera Protezione was started during the first half of the year.

As instructed by EU Regulation 2016/679, the Privacy section was updated for all products. The products proposed in the Tender of the Partner Agos Ducato S.p.A. were also listed.

Vera Vita

As for Vera Financial, life product research and development developed following two particular guidelines during the first half of the year: definition with the outsourcers (Unipol) of a plan of measures to help develop and release new products for the network and the revision of products being placed in keeping with the guidelines dictated by the agreement between the Parent Company Cattolica and Banco BPM.

As regards the plan of new product releases for all of 2018, the release of three products was agreed upon and shared:

- "*Vera Vita PIR*" (April 2018);
- *"Nuova Multiramo"* (October 2018);
- *"Nuova Ramo I rivalutabile"* (December 2018).

The activities to develop the product range concentrated on the existing catalogue, operating individually on the policies being placed.

Reinsurance

Non-life business

The Parent Company's reinsurance programme maintained a standardised structure in line with 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.
The proportional transfer is represented by a multi-class bouquet (fire, theft, accident and injury, land vehicle hulls, leasing, sundry financial losses, agricultural-livestock risks, transport, suretyship and credit) and by specific proportional transfers for the technological classes (construction, assembly risks, ten-year indemnity, machine breakdowns, electronic risks, supply guarantees), assistance, legal defence and sundry financial losses.
Based on the actuarial analyses carried out to determine the efficient reinsurance programme according to a Value Based methodology, percentages of proportional transfers falling due were confirmed, except for Leasing, whose transfer percentage was lowered from 60% to 50%.
As for the C.A.R., E.A.R. and Decennale Postuma guarantees of the technological risks class, an excess proportional agreement for risks with insured amount between € 12.5 and € 25 million was stipulated following the increase in underwriting capacity. Retention is protected from the above-mentioned quota share agreement (50% transfer).
Furthermore, with regard to the main elementary classes (accident and injury, health, fire, theft, technological risks and general TPL), a specific proportional agreement exists known as "Multiline", for the purpose of intercepting the business typically covered by optional reinsurance and of making access to the same easier, reducing the typical volatility of this type of business and benefiting from greater stability in the reinsurance coverage.
For fire, theft and technological risks, the transfer percentage was increased from 52.5% to 55%, while for general third party liability the percentage of the transfer maturing was 65%. In the accident and injury section, the transfer percentage remained unvaried at 85%.
With regard to the Group 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 2018, to acquire a total capacity of € 350 million, corresponding to a period of return of around 250 years (RMS model).
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 retained.
On the other hand, it was necessary to increase the priority level from € 6 to 10 million following the high frequency of catastrophe claims.
With regard to the TPL motor and general classes, the priority levels were increased from € 2.5 to € 4 million and from € 1 to € 2 million, respectively.
With regard to the medical malpractice section, pertaining to the general third party liability class, optional specific coverage was availed of.
As far as the hail class is concerned, for the year 2018 the proportional transfer percentage was lowered from 60% to 50% and the 50% 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, in 2017 a three-year stop loss agreement was stipulated (expiration December 31st, 2019) with priority of 90% (the coverage is activated when the claims/premiums ratio exceeds this threshold) and extent equal to 210%, covering only the portfolio relating to epizootic risks, while the portfolio relating to the carcass disposal section is retained by the Company.
As regards D&O (Directors & Officers) policies, a proportional coverage with 90% transfer maturing was renewed for the Parent Company and for BCC Assicurazioni.
As protection against Cyber for the fire & general classes, there is three-year proportional coverage with 90% transfer for the Parent Company and for the subsidiaries BCC Assicurazioni and TUA Assicurazioni.
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.
Lastly, as for policies combined with loans (PPI - Payment Protection Insurance), proportional coverage was renewed for the Parent Company and for BCC Assicurazioni under conditions as per maturity, with 85% transfer.
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, for the Parent Company and for the subsidiaries BCC Vita, Berica Vita and Lombarda Vita.
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 the business connected with disbursement of loans (PPI) is concerned, the proportional coverage maturing with transfer equal to 85% was renewed for the Parent Company and for the subsidiaries BCC Vita and Lombarda Vita, except for the products "Mutui e Protezione Reddito" for which the transfer percentage is 51%.
The renewal, under the same conditions, of proportional agreements of the Group companies relating to the coverage of the following completes the life reinsurance programme:

- risk of non-self sufficiency (long-term care);
- salary-backed loans for employees and pensioners;
- life Mortgages and Blucredit product Loans for Lombarda Vita.

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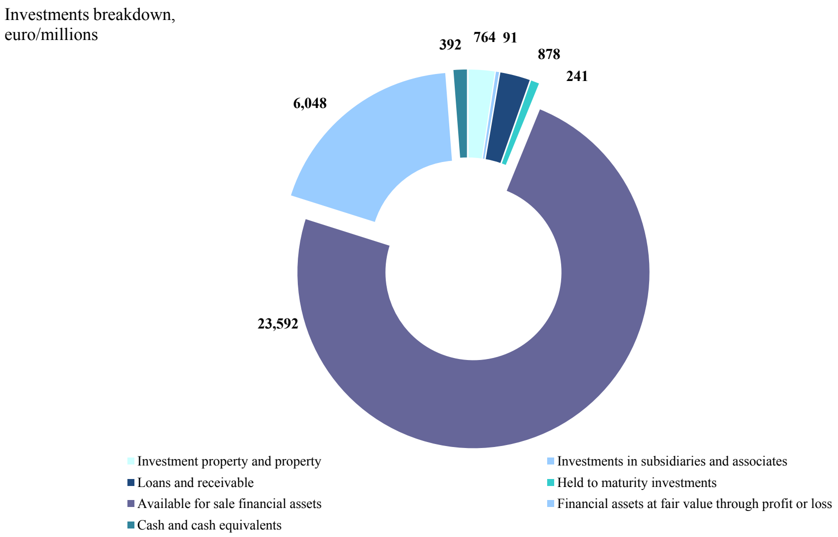
Dealings with reinsurance companies which present the best prospects of continuity over the long-term have been preferred for all the Group companies. When selecting partners, particular attention was paid to the solidity and reliability of the same, directing the choice towards those with the best rating 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, rescinded by IVASS Regulation No. 38 dated July 3rd, 2018.
In February 2018, the Boards of Directors of all companies approved the structure and the transfer plan for the year.

FINANCIAL AND ASSET MANAGEMENT



Investment property and properties

Acquisitions and property transactions

Several important transactions were finalised in the first half-year, including:

- establishment of Fondo Innovazione Salute, a sector-based fund dedicated to housing for the elderly that inaugurates a partnership between Cattolica and Coopselios, leading cooperative operator in nursing homes (RSA) in Italy. The Fund is managed by Savills IM SGR and sees Cattolica as majority investor and only insurance player, with Coopselios as bringer, minority investor and operational partner. Five facilities were brought on launch, and others will be brought in 2018 and 2019 until a target property value of € 150 million is reached. The undertaking in "Fondo Innovazione Salute" consolidates Cattolica's presence in the healthcare real estate sector, in which it is present starting from 2008 with the acquisition of three nursing homes.
- the suspensively conditioned notarial deed of the property earmarked for hotel use in Verona by Fondo Euripide, managed by Finint Sgr. Signing of the deed of fulfilment is scheduled for August 2018;
- the preliminary contract of sale for the purchase through Fondo San Zeno, managed by CBRE Global investor sgr, of the Campo dei Fiori Shopping Centre in Gavirate (VA). The notarial deed is scheduled by the end of the month of July.

These investments allow constant and foreseeable flows of income to be created, in addition to diversifying the real estate equity in sectors other than the traditional office real estate sector (especially in Milan).

During the half-year, work continued on the redevelopment of the area in Verona called Cattolica Center, in addition to the convention activity that it periodically hosts.

The renovation and redevelopment of several property assets not for agricultural use located inside the Ca' Tron estate in the municipality of Roncade (TV) also continued.

Securities investments

The investment activity was carried out in a market context marked by a first phase of moderate volatility on both the stock market and on the bond market, and by a second phase in which several factors such as fear of a trade war and fears of a slowdown of the cycle had a negative impact on the markets. Furthermore, a return of the Italian debt crisis on a reduced scale was witnessed in the final phase of the half-year.

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 half-year. These operations involved all Group companies across the board, and were initiated in line with the goals set in the strategic asset allocation process.
The bond component sustained a partial reduction due to the slowdown in issues, above all in the first quarter, and in repayments of many positions in the portfolio. Securities of bank, financial and industrial issuers were purchased on both the primary and secondary market.

Exposure to the stock component, on the average residual compared to the rest of the portfolio, was momentarily increased in the second quarter due to the purchase of high dividend securities. In addition to this, rotation between issuers and sectors continued in the various portfolios of the company.
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.

Alternative investments continued to be made. Commitments were particularly made in funds tied to strategies focused on infrastructural activities and projects, on direct loans to companies and on investment in non-performing loans. Investments are concentrated in Europe, in this way contributing to the strategy of overall diversification of the portfolio and of keeping adequate profitability levels.

Financial operations

Financial operations[8], closed with a result, gross of tax effects, amounting to € 258 million (+7.1%). With reference to net income from other financial instruments and investment property, this aggregate was characterised by the decrease in net income from interest and other net proceeds, which fell to € 262 million (-4.9%), by net profits realised which rose to € 24 million (+50.3%) and by net losses from valuation on financial assets which decreased to € 12 million (-70.7%), plus net income deriving from equity investments in associated companies for € 2 million (+100%).

Performance in the 2nd quarter

The Group's result as of June 30th benefited from a positive contribution of € 27 million in the second quarter, while that of the consolidated result was positive by € 38 million.

Unrealised capital gains and losses

At the end of the first half, unrealised capital gains net of tax effects were recorded on held to maturity investments for € 20 million, along with unrealised capital gains net of tax effects on loans and receivables for € 37 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 June 30th amounted to € 1,201 million.
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 € 112 million. The overall fair value of property and investment property came to € 926 million.

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

INTERIM MANAGEMENT REPORT

The Group during the first six months of 2018

Business performance for the period

Risk management

Headcount and sales network

Significant events and other information

Risk management

RISK MANAGEMENT PROCEDURES

The Group has a risk management system that is formalised in the policies issued pursuant to ISVAP Regulation No. 20 of March 26th, 2008 (whose provisions were unified in IVASS Regulation No. 38 of July 3rd, 2018) and 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 risk propensity. 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 is also pursued by applying a risk management strategy is 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 the first half, 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 Plan and the annual budget. This process is made up of the following micro-phases carried out recursively:

- identification and assessment of the risks;
- definition of the Risk Propensity level;
- definition of policies for the undertaking and handling of risks;
- definition and assignment of the operating limits;
- monitoring and mitigation of the risks;
- reporting.

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 the detailed records of the exposures to risks, is updated at least once every quarter. Analyses of sensitivity to the 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 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

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

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 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 the changes in the risk factors, the development of the activities and the market scenario, required the involvement of the operating functions that perform the first level checks, identified as assumption of risk areas.
The Risk Management Unit and the Compliance 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.

Risk Propensity, 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 three dimensions, namely:

1. **Risk Propensity**: measured and management by defining Solvency II Ratio bands of fluctuation and thresholds.
2. **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;
3. **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 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 (Non-life and Health NSLT[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 formula with specific Group and business parameters (so-called GSP - Group Specific

[10] Health NSLT (Not Similar to Life Techniques) is the same as health insurance assigned to the activity areas for the non-life insurance obligations.
[11] The authorisation received on May 11th, 2017, with application starting from the figures as at December 31st, 2016.

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, the risk of non-compliance with legislation, cyber risk, the risk of outsourcing and strategic risk. 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
The 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 issued pursuant to IVASS Regulation No. 32 of November 9th, 2016, 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 the first half, the Group carried out the current and forecast assessment of the risks and solvency on an annual basis and with reference to the end of the year (December 31st, 2017). The results of the assessments at Group level and of individual companies, carried out following the ORSA guidelines, were 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 the same regulation.
To this regard, the process followed by the Group can be summed up in the following macro-phases:

- **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;
- **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;
- **Projection of the risk and solvency profile** of the Group and of the single companies emerging from the projection of the economic results;
- **Sending of the ORSA report to the Supervisory Authority** following its discussion and approval by the Board of Directors of the Parent Company;
- **Monitoring** of the evolution of the risk and solvency profile and continuous observance of the capital requirement requisites;
- **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 the interested units; reporting is also made to the interested operating units for the purpose of sharing the results of the risk profile evolution monitoring activity.

Purpose of the ORSA process

The company's 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 establishing 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 Unit 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 23% of the total Group SCR, whereas technical risks regarding the Health NSLT business come to approximately 2%, 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 growth, in line with the provisions of the Business Plan.

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 policyholders 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 on risk propensity. 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.

During the first half, within the scope of the ORSA assessment, 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;
- seismic event with period of return of one year out of 200.

The data coming out of the analyses carried out confirm the current and forecast soundness of the Group, even when faced with the stress scenarios identified.
The 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 reservation process

Technical risks of the life business represent approximately 9% 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 the policyholders is the one subject to greater volatility as a result of the close connection with financial variables and, as a consequence owing to their nature, they are 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 on Risk Propensity. 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 51% 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 spreads changing and real estate. The interest rate, equity and currency rate 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 the 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 the 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, 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 the 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 as well, and is continually compared with the discussed with the business and first and second level control units as part of the ongoing and precise assessment of the 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 12 - Sensitivity analysis on market risks

(€ millions)

Financial Statements Category	Risk-free rates +50 bps	Spread on government and corporate bonds +50 bps	Spread on Italian government bonds +50 bps	Equity -25%	Property -25%
Impact on IAS Shareholders' Equity	-394.1	-409.8	-243.4	-78.2	-200.4
Impact on Income Statement	-0.4	-0.5	-0.4	-0.2	-0.1
Impact on latent gains/losses	-16.4	-19.5	-5.4	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 first half is the trend of the credit spreads on Government Securities as a result of the significant exposure in the portfolio.

The data coming out of the analyses carried out confirm the current and forecast soundness of the Group, even when faced with the stress scenarios identified.

Credit risks

Credit risks, considered risks of the counterparty defaulting and therefore not including the risk of spread on bonds, represent approximately 3% 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 that aims 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 while also taking into account variability elements that affect the trend of the 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 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.

Operational 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 the management processes and encourage dialogue with the Board of Directors, Senior Management, 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 applying the standard formula of the Solvency II legislation. The operational risk module represents about 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 June 30th, 2018, the qualitative assessment of the risk as a whole for the Group comes to a 3 exposure value (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 however not recorded.
The Italian scenario however disclosed growing attention to the cyber risk and business interruption, aligning itself with the international one, leading to a review of the trend of exposure to this risk as moderately rising, also manifesting the need for the implementation of safety measures for the 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

The 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.
- assessing the effectiveness of the organisational adjustments resulting from the recommended changes;
- providing adequate flows of information for the corporate bodies of the company and of the other structures involved.

The Compliance unit performs the Risk Assessment activity regarding all the applicable legislation important for the company processes to which risks of non-compliance arising from failure to meet specific obligations dictated by legislation are associated while checking the existence and effectiveness of the control monitoring to mitigate these risks. On the basis of the results of the Compliance Risk Assessment, the Compliance Unit defines the appropriate remedial action aimed at implementing improvements introduced to any gaps found. To complete the Compliance Risk Activities carried out, the unit periodically sends reports to the boards with the results of the activities.

In keeping with its organisational model, the unit makes use of operational monitoring in all corporate areas within the Group perimeter.
The operational monitoring reporter is the owner of the preparation of the periodical reports to be sent to the same unit, and through periodic information flows contributes to supplementing the information and data necessary for the risk assessment according to the methodology provided by Compliance. This assessment is later analysed, revised if necessary and/or supplemented, and is submitted to validation by the centralised Unit.
The unit also makes use of forms of Specialised control on some important legislation, such as Privacy, prevention and safety at the workplace and complaints. The specialised control periodically supplies the Compliance Unit with specific reports containing the assessment of the risks and controls arising from application of the specific legislation and indications of any critical issues. Considering the high degree of specialisation of these risk and control assessment controls referring to them, the Compliance unit constitutes an “indirect” control by continuously monitoring and performing any customised checks on the work of the specialised controls.

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 June 30th, 2018, 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 monitoring KPIs (claims, disputes and sanctions) shows data basically constant with regard to the complaints and an increase regarding disputes and sanctions compared to the previous year.

Reputational risk

The Group considers reputational risk mostly 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. Event reaction and management methods that can impact the Group's reputation exist and are adopted, with the company representatives best suited to both internal and external communication and to defining the most expedient actions for preserving the company's reputation involved.
From this viewpoint, it is therefore possible to deduce that the monitoring of this type of risk that the company has implemented is adequate.

INTERIM MANAGEMENT REPORT

The Group during the first six months of 2018

Business performance for the period

Risk management

Headcount and sales network

Significant events and other information

Headcount and sales network

HUMAN RESOURCES

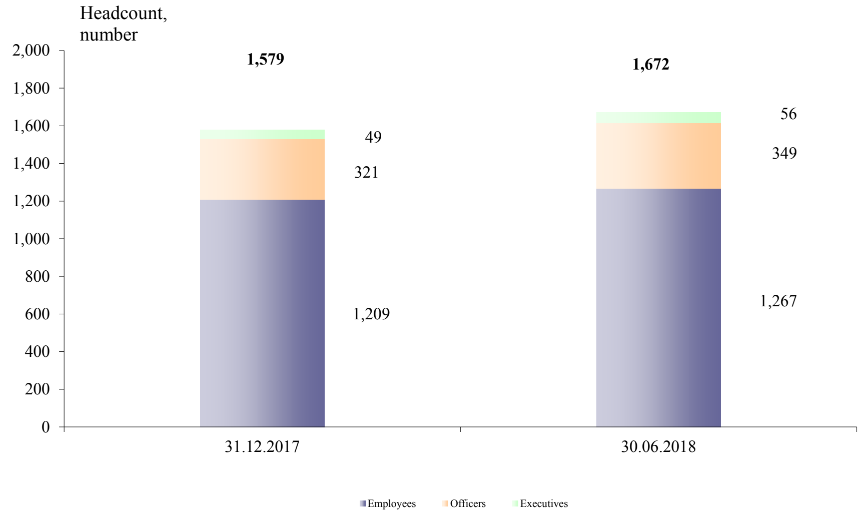
Human Resource Management

In line with the principles consistently promoted by the Group, in 2018 the utmost attention was paid to the management of human resources.

The activity tied to the "Job Market" facility introduced in July 2017 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 continued. 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.
140 positions were opened during the first half of the year, for which almost all 167 employees that responded to an advertisement or submitted self-applications were met.

The Group also stabilised 41 collaborators by turning their staff leasing contracts into permanent employment contracts, and also offered internship and School-Work Alternation opportunities to students and recent graduates with the intention of discovering and developing the talents of tomorrow.

As of June 30th, the Group headcount included 1,672 staff, compared with 1,579 as of December 31st, 2017 (+93), of which 34 belong to the four companies acquired from Banco BPM and 41 come from the transformation of staff leasing contracts. The staff is broken down as follows: 56 executives (+7 with respect to 2017), 349 officials (+28 with respect to 2017) and 1,267 office workers (+58 with respect to 2017).
The number of full time equivalent Group employees came to 1,611 (compared with 1,517 as of December 31st, 2017).



Talent&Reward

The new company course represents the increasing attention paid to people, passing from knowledge of the level of satisfaction and well-being of the staff through a recording of actual needs, to then take form with targeted interventions.

The change, which started in July with the survey on company climate, continued during the first half of 2018 and concerned several areas. The steps taken were determined by the survey results.

The logics of the performance assessment process were redesigned, and now the process entails full involvement of the assessed employee with a new support tool called “WITH”, We Improve TogetHer.

WITH makes it possible to set the business goals in a cascading logic so that the employees can take part in execution of the Business Plan. It is linked to an economic bonus that for the first time is made accessible to all employees that achieve overperformance. The assessment system is distinguished by a scale up to 7 that allows the performance level achieved to be precisely identified. Both goals and conduct, identified by 4 new organisational drivers, are assessed with equal weight. WITH creates incentives for responsibility by introducing a feedback system aimed at continuous improvement and reflects the digital transformation that is involving the entire company thanks to the multi-device platform and to integrated e-learning.

The assignment and sharing of goals concerned all employees. The deadline for assessment of the attainment of the 2018 goals will coincide with that of assignment of the 2019 goals.

In order to increase the employability of people and, as a result, improve the efficiency of the system, the survey of the behavioural skills aimed at promoting awareness on the level of skill held in terms of behaviour consistent with the role played to almost all of the company population was completed. This initiative that ended in March 2018 involved the remaining 746 resources. Again in a logic of employability, the results of the digital assessment were also circulated at company level by returning the survey sheets on an individual basis. The aggregate data also provided a forecast of targeted development courses aimed at increasing both Digital Skills and the Digital Mindset.

The initiatives aimed at improving the work environment and cohesion between colleagues also continued during the first half of the year.

The Well-being and Solidarity Projects, which focuses on employees’ well-being, was expanded with a number of services:

- trade partnerships that offer group employees large discounts on the purchase of technical and sports clothing were defined;
- an agreement for all employees to patronise sports facilities at advantageous conditions;
- 15 bicycles were purchased in Verona that are available to all colleagues to use for personal reasons during working hours were purchased.

In line with our Group’s values, a project with beneficial purposes is also tied to the projects aimed at well-being and doing sports: based on different criteria and at different times, Cattolica made donations to the association of Giusy Versace, paralympic champion who was also spokeswoman for the Project “Disabili no Limits Onlus”.

In June, one year following the previous one, a new climate survey was launched, again with the support of Great Place To Work, with the claim “Coltiviamo il cambiamento” (Let’s Cultivate Change). The purpose is to always stay connected with what people perceive and to continue in the undertaking of sharing the company’s change in order to together create a better and better work environment distinguished by relationships of trust.

Table 13 - Group headcount

Group companies [*]	Registered offices	December 31st, 2017	Increases	Decreases	Changes	June 30th, 2018
ABC Assicura	Verona	7	0	0	0	**7**
BCC Assicurazioni	Milan	5	0	1	-1	**4**
TUA Assicurazioni	Milan	72	6	3	3	**75**
VERA Assicurazioni	Verona	0	6	0	6	**6**
BCC Vita	Milan	10	0	2	-2	**8**
Berica Vita	Vicenza	3	0	0	0	**3**
Cattolica Life	Dublin (Ireland)	6	0	0	0	**6**
Lombarda Vita	Brescia	9	1	0	1	**10**
VERA Financial	Dublin (Ireland)	0	22	5	17	**17**
VERA Protezione	Verona	0	3	0	3	**3**
VERA Vita	Verona	0	8	0	8	**8**
Cattolica Assicurazioni	Verona	828	109 [1)]	19 [2)]	90	**918**
Agenzia Generale Agrifides	Rome	3	0	0	0	**3**
Cattolica Agricola	Verona	8	0	0	0	**8**
Cattolica Beni Immobili	Verona	1	0	0	0	**1**
Cattolica Immobiliare	Verona	4	3	0	3	**7**
Cattolica Services	Verona	617	28 [3)]	62 [4)]	-34	**583**
C.P. Servizi Consulenziali	Verona	6	0	1	-1	**5**
Group total		**1,579**	**186**	**93**	**93**	**1,672**

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

[1)] of which 65 intercompany transfers

[2)] of which 13 intercompany transfers

[3)] of which 14 intercompany transfers

[4)] all for intercompany transfers

Training

The Training unit plays a key role and offers considerable support in meeting company needs and in keeping the required standards of professionalism high. In looking at measures helpful in promoting the cultural change necessary in order to be competitive in a quickly evolving market, it is beneficial to gamble on the distinguishing know-how of one's resources and have the ability to quickly evolve based on the market's characteristics.
For this reason, and to meet the Business Plan objectives, the implementation of an effective Training Plan that accompanies people in performing their duties and that evolves based on the changes inside the company plays a determining role.

These training plans were launched:

- with reference to company reorganisations focused both on technical skills and on soft skills, with the goal of having additional skills acquired, and of updating and intensifying the existing ones in order to effectively play the new professional roles. More specifically, for three Company Divisions subject to reorganisation, the plans are for 81 people for the Non-Motor Non-Life Division, 71 people for the CFO Division (including Life and Non-Life Actuarial and Technical Control, Operations and IT Sales), 17 people for the Distribution and Marketing Division. The training courses falling within these Plans contemplate the supply of 6,694 hours distributed over a 12-month planning;

- supporting management of the phases of strong change and hence part of the cultural transformation, aimed at making it easier to adopt various work methods such as teamwork within and between the divisions and goal-oriented work. This course will involve 1,120 people;
- interdivisional dedicated to Insurance Analytics & Business Architecture, IT/B.I & Analytics, Organisation & Resources, aimed at encouraging a structured approach for managing projects by enabling professional growth through the acquisition of soft and technical skills, including: analytical process; team working; structured communication - effective presentations; big data technologies; analytical techniques. 18 people participated for a total of 672 hours of classroom training;
- to support the WITH programme, the managers of resources are involved in courses helpful for developing skills and abilities to effectively manage the Intermediate Assessment phases. The method used is peer coaching; 210 people holding managerial positions are involved;
- on the topic of language training with differentiated courses and held in the classroom by mother-tongue teachers involving 346 people.

The Group started a full-scale digital transformation and development project in line with the strategic and business goals dictated by top management. A progressive work plan was defined in this context, and it is functional for implementing a new management and growth model in a “disruptive” perspective.
Following the analysis of data emerging from the “Digital Skills & Digital Mindset” Assessment, the Training unit planned dedicated in-depth courses with activities aimed at:

- developing the skill areas revealed to be “weak”;
- ensuring homogenous growth of the digital skills;
- promoting a balanced mix of focuses on Cattolica and a comparison with the outside world;
- developing the positive potential brought out.

The training courses started are:

- Light Digital Workshop: plenary sessions aimed at raising the awareness of the reference target on the potentials of the Digital world and the changes in progress;
- Workshop: interventions for professional digital change “Supporter” Development, with the objective of increasing strategic awareness of the digital skills and the impact they have on the role and everyday workflow and of encouraging the adoption of a Digital Mindset;
- Co-Design Digital Workshop and Digital Lunch: interactive and dynamic sessions based on the Practice of Thinking/Sprint Design, meaning evolved participatory design methodologies above all applied in the case of designing/launching new products and/or services;
- Digital Lunch: in-depth course dedicated to organisational and business models that can accompany the paths of change. 573 people had participated as of June 30th, 2018.

Another theme of great importance was Smartworking. Both e-learning and classroom training courses are being designed for all Group collaborators, and in particular for the "smartworkers" and their managers.

Then following content in e-learning mode were discussed in the training courses aimed at providing legislative updates:

- GDPR (General Data Protection Regulation): basic concepts of the regulation, principles of applicability, lawfulness of processing, rights of the interested party, responsibility/accountability of the subjects, notification of infringement, mandatory training, sanctions system, differences with respect to Italian Legislative Decree no. 196 of June 30th, 2003;
- IT Security: analysis of the biggest cyber attacks, IT defence and prevention and an in-depth look at IT good practices;
- IDD: Training Courses for implementing the regulation and the priority elements of the Directive are being designed.

For the sector's regulatory training on Security at the workplace, classroom training sessions dedicated to Group collaborators continued, together with an online updating campaign for the supervisors.

The training initiative called Lecture Day, a cycle of legal and insurance conferences with the goal of promoting and spreading the insurance culture through in-depth analysis of specific themes by highly skilled representatives, offered an opportunity to gain knowledge for the sector's public, both inside and outside the company. The content discussed was: complaints, the new sanctions and the new responsibility of the management positions; the new frontiers of the third sector between State and market crisis; old and new questions following the Gelli reform.

During the first half of 2018, 2,418 man 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 2018, three training sessions were held which involved members of the Boards of Directors and Executives of all Group companies.
The content discussed was:

- a new corporate governance model: the Monistic System;
- governance of the remuneration policies and executive compensation;
- compliance in Cattolica, the new Privacy Code (GDPR): the new provisions of the regulation and their introduction in Cattolica.

Industrial relations and disputes

During the period, several trade union meetings were held to better understand issues related to personnel.

The negotiation aimed at coming to an agreement on renewal of the collective company Agreement continued with several trade union meetings.

In February the second tender of the Inter-sector Solidarity Fund was opened, and it will allow employees that will accrue the pension requirements by December 31st, 2023 to bring forward up to 5 years of retirement on a voluntary basis.

The Company has been affected by significant organisational changes regarding various Corporate areas since the early months of the year.

The first agreement signed in January, pursuant to Article 15 of the CCNL (National Collective Labour Agreement) concerning reorganisation of the Chief Financial Officer (CFO) Area, the "Life and Non-Life Actuarial and Technical Control" and "Operations and IT" Divisions, involved a total of 222 resources. The goal of the reorganisation was to create specialised competence centres in order to recover efficiency and profitability.

Afterwards, in February, an agreement pursuant to Article 15 of the CCNL relating to the reorganisation of the Non-Motor Non-Life Division was signed. The goal of the reorganisation was to foster effective and rapid development of the products in connection with the market's needs, with strong specialisation.
The reorganisation affected 159 employees and is consistent with the initiatives set forth in the 2018-2020 Business Plan, which provides for recovering profitability, also through the creation of specialised competence centres on the local poles into which the Group is broken down.

In March, the Parties signed another agreement pursuant to Article 15 of the CCNL to reorganise the Bancassurance Area; the logic underlying the indicated reorganisation, which involved 7 people, was to continue down the path of unifying the activities allocated on different Group divisions in order to create synergy with the business management processes, also by bringing operational activities having similar characteristics closer together.

Also in March, the Distribution and Marketing Division was affected by a reorganisation operation aimed at rationalising structures, at strengthening a few units and at creating new controls, in addition to the additional goal of improving distribution of the units and their resources in the local offices.
The reorganisation involved a total of 29 people. Following a fruitful negotiation, the trade union negotiation procedures (pursuant to Article 15 of the CCNL) ended with the signing of the relevant union agreement.

After the Parent Company acquired majority interest in Popolare Vita S.p.A. (today Vera Vita S.p.A.) with offices in Novara, the operational activities tied to the business of the insurance bank of the Milan pole were concentrated in a single headquarters. This involved the transfer of the place of work of all employees currently employed in Novara to the Group offices located in Milan. On this point, the necessary procedure pursuant to Article 15 of the CCNL was opened and in April it was completed with an important agreement with the trade union representatives.

Lastly, in June, an agreement pursuant to Article 15 of the CCNL relating to the reorganisation of the Life and Pension Planning Division was signed, in agreement with the trade unions. The reorganisation aims at rationalising the structures and at strengthening several units with the added goal of improving distribution of the functions and their resources in the local offices.

The operation involved a change of duties for 8 people.

All the agreements signed pursuant to Article 15 of the CCNL were followed by further and specific agreements concerning the training of the people involved in the reorganisations and whose duties were altered and/or supplemented. All 207 people involved will have a suitable training course guaranteed, also by means of recourse to loans from the Intersectorial Solidarity Fund for a total of € 169 thousand.

In May, upon conclusion of the experimental phase involving 84 people, an important union agreement on the subject of Smart Working was renewed. The signed agreement will permit this working method, on a permanent basis, to be progressively extended to other company areas, with the forecast of offering this right to 500 resources by the end of the year. This will allow workers involved, from time to time, to choose, 2 days a week, to work outside the company premises, in favour of an improved work-life balance and improving the efficiency of professional performance.

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 1,486 agencies, distributed as follows: 50.7% in Northern Italy, 26.4% in Central Italy and 22.9% in Southern Italy and the islands. The Parent Company had 793 agencies.

There are 211 welfare and pension product advisors: C.P. Servizi Consulenziali sub-agents numbered 184 and Agenzia Generale Agrifides sub-agents came to 27.

Agent network and welfare and pension product advisor training

During the half-year, the Group continued to invest in the two key activity areas functional for the transformation in progress and for attaining objectives set out in the Business Plan:

- 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.

The commitment to activate and support the agencies regarding the innovations of the Digital Transformation Programme continued. Roughly 240 agencies were visited to plan the organisational strategies for adopting new tools, including the new Life All In Classes issue platform.
The training activity was backed by the training programme in virtual classroom that supported both the release of the new life platform (with 421 agencies trained) in addition to a queue of 92 agencies directly impacted by the activities scheduled in the second wave of the Digital Transformation Programme.

A cycle of 57 appointments on the territory projected at classroom training (7 certified hours in order to recover the IVASS two-year number of hours) was also held during the first half of the year. A total of 1,097 actual participants from 626 agencies took part in the course, called "Knowing the Digital Transformation Programme".

Development of the skills and training

The Group's training courses were constantly updated in consideration of the regulatory amendments and the marketing of new products. The main initiatives included:

- in order to provide the skills necessary to be able to support the customer in their selection of the new offer of "*Cattolica&Motori"* products for motor area, a training course was held for the Agents of the former FATA Division, in which 97 Agents participated, in the 5 up-front classroom editions provided, for about 86 man training days;
- the online training course on the new "*Cattolica&Motori Active*" product was used by 4,490 Cattolica intermediaries;
- in order to support the agencies in rebalancing their business with Class III products, the "Savings and investment for the customer. Finance course: markets, scenarios, tools and Cattolica offer" was developed with 26 days throughout Italy, participated in by 656 Agents representing 549 Agencies. To support classroom training two online courses were made available online: one preparatory for the classroom and one afterwards with in-depth study purposes. The first was completed by 427 Agents, and the second by 158;
- 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 173 novice users that made use of it in the first half of the year;
- the third edition of the Agents Profession Master - MPA started off in May, and this year 22 young talents are participating up to February 2019. Also in May the first day of the "MPA Alumni Community" was held with an important team building event called "MPAup!", attended by all the Masters students of the three years. The objective of the Alumni Community is to generate value, sharing and aggregation; in addition to promoting the Group's Best Practices and to developing solid relations between the Agents of the future;
- the Agents Executive Masters (MEA) continued in the first half of 2018 with all the modules started in 2017. 282 agents were trained, of which 250 Cattolica and 32 of the former FATA Division, for a total of over 249 Agencies involved. 37 classroom editions were carried out, for a total turnout of 470 people in attendance and more than 913 man-days of training;
- a specific technical sales training activity was dedicated to the facilitated insurance solutions regarding management of zootechnical risk in farming; 3 up-front classroom editions were provided, attended by 152 brokers, for a total of over 265 training man-days;
- with the implementation of EU Regulation 2016/679 (GDPR) and in compliance with the obligations set out in it regarding the role of "Data Controller", the Parent Company set up a mandatory training course made available to the entire sales network on 21 May and as of today 4,379 users have benefitted from it.
- thanks to the positive outcome of the annual inspection made by the certification authority, the Network Training & Development department obtained certification as

per the technical quality standard UNI ISO 29990 (non-formal training).

In the first half of the year, 212 online training man days were provided and certified for IVASS purposes for the C.P. Servizi Consulenziali network in the first half of the year.

With reference to TUA Assicurazioni, various classroom professional refresher courses were supplied, including the one on the new Motor-associated product: "*Tua Smart Drive*" and "*Tua Box Drive*" (786 participants - 393 man-days).
The training course in preparation for the induction of RUI Section E workers and the start-up of the activity (initial training 60 hours), available in e-learning and classroom mode, was used and completed by 23 novice users.
As for Distance Learning, at this time 2 courses have been introduced to the online training platform: one concerning the product "*TUA professione*" (321 users, of which 80 Agents) and a regulatory course regarding the new "GDPR" Regulation (1,180 users, of which 348 Agents).

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 products 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 were 6,477 compared to the 5,064 branches of 2017, and included 1,767 of the former Banco Popolare network starting from the first half-year.
The bank branches of the UBI Group numbered 451 compared to 567 in the previous year.
The alliance with ICCREA HOLDING launched in the second half of 2009 makes it possible to distribute products via 3,990 branches of the co-operative lending banks (4,019 as of December 31st, 2017). 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

In accordance with the provisions of IVASS regulation No. 6 dated December 2nd, 2014, professional refresher and training courses were carried out and made available for the distribution networks of the bancassurance channel.
By making use of certified training companies, the companies supported the brokers with classroom training courses and e-learning courses aimed at meeting the professional training and refresher courses for their staffs.
With the objective of offering adequate training, Professional Training and Refresher courses aimed at fostering the strengthening of the professional requisites of the participants were held, paying special attention to regulatory developments.
As usual, an activity providing ongoing support to the network and a detailed control and verification activity referring to the adequacy of the training provided were planned.

Financial advisor distribution	The Group's financial advisors numbered 773, compared to 800 at the end of the previous year.

INTERIM MANAGEMENT REPORT

The Group during the first six months of 2018

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 PERIOD

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

You are hereby reminded 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.

Cattolica and the Group

On January 28th 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. As already stated, 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 profitability.

The ordinary and extraordinary shareholders' meeting of Cattolica Assicurazioni was held on April 28th. The shareholders' meeting approved all items on the agenda, including the 2017 annual financial statements and the proposal of the Board of Directors of a single dividend of € 0.35 per share.
The shareholders' meeting appointed Alberto Minali member of the Board of Directors until the next renewal of the board and then the Board of Directors met after the shareholders' meeting and confirmed the appointment of Mr Minali as Managing Director and gave him the same powers previously given to him for the office.
The shareholders' meeting also appointed the Board of Statutory Auditors: Giovanni Glisenti (Chairman), Cesare Brena (Statutory Auditor), Federica Bonato (Statutory Auditor), Carlo Alberto Murari (Substitute Auditor) and Massimo Babbi (Substitute Auditor).

The shareholders' meeting, in extraordinary session, approved the new Articles of Association that include the amendments to the governance model that will come into effect starting from the date of the shareholders' meeting called for the next renewal of the Board of Directors, the essential lines of which are summarised hereunder:

- adoption of the monistic model and reduction of the total number of representatives to 17 (currently 18 directors and 5 statutory auditors), taking into account that the functions of the new Board of Directors will absorb those of the Board of Statutory Auditors;
- abolition of the Executive Committee;
- suppression of the requirement of local representation for the members of the Board of Directors;
- confirmation of the threshold of shareholding of the natural person Shareholders

(0.5%) and the raising of that for the legal entity Shareholders (5%), on the other hand extended also to collective bodies and UCIs (Undertakings for Collective Investments). Going past the threshold does not prevent additional shares from being held without losing Shareholder status. The non-equity rights can still be exercised within the limit of the indicated thresholds;

- adoption of a new method of representation on the Board of Directors with the addition of members, expression of capital votes: One or two Directors are selected from the list that is first in terms of capital, other than the Majority Interest List, determined as first with per capita vote (one head, one vote), and potentially also other than the Minority Interest list, again by per capita vote, having obtained votes corresponding to 10% or 15% of the share capital, whatever the number of Shareholders that voted it may be.

Pursuant to the matters envisaged by ISVAP regulation No. 39 dated June 9th, 2011, the shareholders' meeting approved the remuneration policies relating to the directors and officers, the personnel and other parties contemplated as beneficiaries of general principles by said regulation, and the plan for purchase and sale of own shares pursuant to the law.

The shareholders' meeting also approved the 2018-2020 Performance Shares Plan according to the terms approved by the Board of Directors on March 20th, 2018. The Plan sets a total term of 3 years (from January 1st, 2018 until December 31st, 2020), at the end of which, after verifying attainment of the Performance Goals, 60% of the shares due will be assigned, while the remaining 40% will be assigned with a two-year deferment.

Bancassurance partnership with Banco BPM

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.
On February 9th, 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.

On March 29th, the closing of the purchase by Cattolica of 65% in Avipop Assicurazioni and in Popolare Vita was finalised and a commercial partnership in the Life and Non-Life classes was launched with the former Banco Popolare network, for a duration of 15 years.
Following a rebranding activity and having completed the formal procedure in progress, Vera Vita with its subsidiary Vera Financial and Vera Assicurazioni with its subsidiary Vera Protezione were formed.
Cattolica took on the management and coordination functions of the insurance companies, appointing Marco Passafiume Alfieri Managing Director, while Banco BPM appointed Roberto Raichi General Manager of Vera Vita and Piero Massimo Andreoni General Manager of Vera Assicurazioni. The closing of the transaction took place following the approval of the competent Supervisory Authorities and the attainment, by Banco BPM, of all the shares of the insurance companies.

The value recognised for purchase of 65% of the companies by the Parent Company was € 819.7 million. Please note that this value was recognised in compliance with the contractual provisions, equal to € 853.4 million, of which € 89.6 million by distribution of available reserves by Popolare Vita before the closing to the sole shareholder Banco BPM, and the ordinary dividends of the insurance companies relating to the year 2017 (€ 89.1 million, equal to the total dividend) are entirely the competence of Banco BPM, even if detached after the closing. This value was verified and adjusted by the parties with a total decrease of € 1,550,000.

Other events

On January 28th, 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 March 14th, at the end of the negotiations undertaken with Nord Europe Assurances S.A., the contract of sale of equity investments pertaining to 100% of CP-BK Reinsurance S.A. was concluded with an exchange of correspondence.
On March 28th and 29th, Cattolica started the necessary authorisation procedures with IVASS and the Commissariat aux Assurances of Luxembourg, respectively: IVASS issued its permit on June 19th, while the Luxembourg procedure is still in progress as of today.

On June 27th, the Parent Company signed a preliminary contract of sale of shares for the purchase of total control of Estinvest S.r.l. and of its subsidiaries Satec S.r.l. and Meteotec S.r.l. The transaction, which is part of the development of the Specialty Lines project included in the Business Plan, may be finalised once the relevant regulatory procedures are completed.

Recapitalisations

In February, the Parent Company resolved to pay a maximum amount of € 3 million to the share capital of C.P. Servizi Consulenziali in multiple tranches, the first of which (€ 2 million) was paid in April.

Other investee companies

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 June 14th, transfer to Credit Agricole-Cariparma of the interest held by the Parent Company in CARISMI and the conversion into run-off of the Cattolica and Cattolica Life DAC distribution agreements existing with CARISMI were concluded. Please note that CARISMI will continue to be intermediary for the run-off portion of the portfolio. The agreements were economically settled on the same date.

Italian Revenue Agency

In February, several cases concerning applicability of VAT exemption to services rendered by or received from the company operating as leader in the co-insurance contracts were discussed at the Court of Cassation, with an unfavourable result for the companies.
In May, the judgement that reversed the appeal ruling in favour of the Parent Company was filed, and it denied applicability of VAT exemption on the delegation fees regarding the year 2005. It is an Annulment without reference, with which the Court decided regarding the merits, and therefore rejected the complaint Cattolica had submitted at the time.
Denial of applicability of VAT exemption is based on the circumstance that the services rendered by a co-insurance company in fulfilling a delegation clause cannot be assimilated to insurance transactions for the purpose of benefitting from VAT exemption.
The judgements continue, basing the conclusions on the insured party’s non-involvement in the negotiation agreement reached by the co-insurers at the time the assignment is given to the

leader company. The arguments adopted by the Court of Cassation in these judgements do not appear, however, to be convincing, both because they conflict with previously adopted decisions and because the conflict with one of the fundamental VAT principles in the European Union that emphasises the need for unitary treatment for those transactions that, although “segmented”, represent a single complex transactions from the economic viewpoint.

On January 16th, officials of the Major Taxpayers Office - Controls Sector of the Regional Department of Piedmont of the Italian Revenue Agency opened a tax audit with Vera Vita S.p.A. for the 2014 tax period.
This tax audit was completed on June 1st with notification of the report of findings with which the auditors drew up several IRES and IRAP findings against the aforesaid company.
With a preliminary finding, the officials questioned the undue deduction of undeductible VAT from the IRES taxable income acquitted on the amounts paid to Fondiaria-Sai S.p.A., which then took on the name of UnipolSai S.p.A., for services rendered in its favour based on the “Framework Agreement for the Supply of Services”, for the amount of € 2,623,936 since, in their opinion, these amounts would have been VAT-exempt. Furthermore, on the same grounds the Inland Revenue Agency disputed the deductibility of 90 percent of the aforesaid tax from the IRAP taxable income, for the amount of € 2,361,543.
With a second finding, the auditors challenged that during tax period 2014 the company allegedly rendered several services to the subsidiary fiscally residing in Ireland, The Lawrence Life, without paying any amount by way of consideration and therefore determined the normal value of said alleged services, proposing to recover IRES taxation of positive components for a total amount of € 136,375.
With a third finding, the officials disputed the non-subjection to IRAP of extraordinary income arising from the repayment by the financial Manager regarding the VAT applied in 2013 on management commissions and not due for € 1,432,290.
Having examined the report of findings, the company plans to challenge that all findings drawn up against it are illegitimate and unfounded and to submit, pursuant to paragraph 7 of Article 12 of Italian Law no. 212 dated July 27th, 2000 (“Statute of Taxpayers’ Rights”), its observations to the Regional Department of Piedmont of the Italian Revenue Agency.

On June 27th Vera Financial was served the report of findings by the Italian Financial Police of Bologna at the UnipolSai offices following the IRES and IRAP tax audit, started by initiative in so far as data and elements valid for representing the possible presence in Italy of a stable concealed organisation of the company were found.
The audit was conducted on the years from 2012 to the notification date.
The company appointed a legal consultant to work out the defence strategy and to submit the relevant observations on the report on findings within 60 days from notification.

Supervisory Authority (IVASS)

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, were completed in May.
On January 15th, IVASS started an inspection of BCC Vita on the question of life technical provisions (Best Estimate Liabilities). The institute delivered the inspection report to the Board of Directors of the company on May 8th, 2018, which was answered on June 7th, 2018.

On May 9th, the Italian Tax Police, on behalf of the Personal Data Protection Guarantor, started an inspection of the Parent Company and TUA Assicurazioni in order to go forward with checks aimed at verifying the processing of personal data, particularly those acquired using electronic mechanisms called “black boxes” installed on board vehicles by the insurance companies. In the same way the Tax Police served the reports on findings and fined the above companies € 20 thousand. After assessing the documentation, it was decided to not follow up with briefs or requests for hearings, but rather to pay in reduced form.

On June 13th, the AGCM started proceedings against Vera Assicurazioni to challenge the possible infringement of consumers’ rights when offering collective non-life policies combined with Agos Ducato S.p.A. loans. On July 20th, 2018, the company provided the information requested by AGCM through the legal firm Grippo which is defence counsel in these proceedings.

APPOINTMENTS

On January 28th, 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 March 1st, 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.

On April 10th, the Board of Directors of Cattolica granted Mr. Atanasio Pantarrotas the appointment as Investor Relations Officer.

On April 26th, the Board of Directors of Cattolica granted Mr. Valter Trevisani the appointment of General Manager with the leadership of the Technical Area and Operations General Management and the technical-insurance responsibility for all classes, including the pricing activities, the innovative projects and management of operations services. The appointment took effect on May 2nd.

CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

The corporate governance system is proportionate to the nature, the capacity and complexity of the activities of the Group, as illustrated in greater detail in the Report on corporate governance and the ownership structures for 2017, pursuant to Article 123-bis of the Consolidated Finance Law available in the Parent Company’s website at the following address - www.cattolica.it/home-corporate - in the Governance section. The Group’s Internal Control System is also illustrated within the same.
This information is supplemented - especially with regard to the risk management system and capital management - with what is reported in the 2017 Report on the Solvency and Financial Condition of the Group, approved by the Board of Directors and published on the website of the Parent Company on June 18th, 2018.

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 period, with reference to the Group, a total of 2,066 written complaints were registered, of which 455 were upheld. The complaints were dealt with, on average, in 30 days.

INFORMATION SYSTEMS

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

Applicative measures

After closing the transactions between Cattolica and Banco BPM, the activities for managing the production carried out by the new distribution network and for migrating existing portfolios on the Cattolica systems were started.
The project to bring TUA Assicurazioni systems into line with Group applications is in progress.

The programme of initiatives aimed at digitizing the main processes supporting the agencies' business (so-called digital transformation) is ongoing. The first two design phases were completed and the third phase (particularly including initiatives regarding tools for mobility, quick quoters, agency transaction simplification, new sales force system) is being completed.

The "customer experience" project, whose goal is to enable multichannel interaction for the customers and maintain consistency between information through the various access channels (contact centre, website, app), is in progress. Renewal of the institutional website was completed in January.

The project to extend the new anti-fraud system to the non-motor classes is under way.

In the area of finance systems, after having completed implementation of the single securities database, the project for the creation of new back office and front office systems is under way. Creation of the new risk management system has also been started.
The roll-out on the agency network of the new Life system came to an end in March and the ASSI system (UBI Banca) for placing new Lombarda Vita products was launched.
Creation of a new technological platform ("data platform") as a single consolidation point for all company data (structured and non-structured) was started on the path leading to the Data Driven Company model.
The new self-connected product was made, and an operation to automate inspection reports by using analytics and Artificial Intelligence technologies to appraise the damage is under way.

As regards adaptation to regulatory developments, the IT department was particularly engaged in work concerning GDPR (General Data Protection Regulation), IDD (Insurance Distribution

Directive) and assessing impacts on the current IFRS (International Financial Reporting Standards) systems during the half-year.

Infrastructures and security

The new disaster recovery site was activated and tested, and the new infrastructure supporting automated testing procedures was built.

Projects in the IT security area in line with the policies in the Security Masterplan are continuing. The Security Operation Center that continuously monitors, 24/7, the company's IT systems was started up, a control dashboard of security-related events supporting the Security Operation Center activity was built, and the activities to standardise the credentials to access the head office applications were started.

OWN SHARES HELD BY THE PARENT COMPANY AND BY ITS SUBSIDIARIES

The Shareholders' Meeting held on April 28th approved the plan for the purchase and sale of own shares in accordance with 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, for a period of 18 months from the date of the shareholders' meeting resolution.

During the reporting period, 357,000 shares were purchased for a total amount of € 2.98 million.
As of June 30th, the Parent Company held 7,036,907 own shares, equal to 4.04% of the share capital, recorded in the Reserve for own shares in the portfolio for a total value of € 49.9 million. The average book price per share was € 7.09.

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 related party transactions" approved by the Board of Directors on November 29th, 2010, applies to the situations envisaged by the regulations.
The document relating to this procedure - which should be referred to for details - is published on the website of the Parent Company at www.cattolica.it/home-corporate 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, you are hereby informed that no atypical and/or unusual transactions were entered into during the period.

With reference to the significant non-recurrent events and operations with significant effects on the Group's accounts, as already reported in other parts of the consolidated interim financial report, the purchase of 65% of Vera Assicurazioni and of Vera Vita by the Parent Company for a total amount of € 819.7 million is noted.

PERFORMANCE OF CATTOLICA STOCK

During the first half of the year, Cattolica shares recorded a minimum price of € 7.06 and a maximum price of € 10.73. The capitalization of the stock on the market as of June 30th came to € 1,245 million.

During the first half of the year, the stock performance showed a decrease of 21%, with respect to a decrease of 1% in the FTSE Mib index and a decrease of 5.5% in the FTSE Italia All-Share Insurance Index.

Average daily volumes traded during the first half of 2018 were 966,483 transactions.

On May 23rd, 2018, with coupon detachment date on the 21st of said month, the Parent 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 June 30th:

Table 14 - Ratios per share

(amounts in €)	June 30th, 2018	June 30th, 2017
Number of outstanding shares (*)	167,519,146	168,337,429
Premiums written per share (insurance premiums and investment contracts)	17.64	15.59
Group profit per share	0.30	0.01
Group shareholders' equity per share	10.42	10.63

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

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

There were no significant events after the end of the period.

OUTLOOK FOR BUSINESS ACTIVITIES

In an insurance market still marked by a high degree of competitiveness, low interest rates and significant volatility of the spread on Italian securities, barring extraordinary events we foresee an operating result and Group net profit definitely improving over the previous year.

THE BOARD OF DIRECTORS

Verona, Italy, August 2nd, 2018

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Statement of financial position

ASSETS

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)		June 30th, 2018	December 31st, 2017
1	**INTANGIBLE ASSETS**	**850**	**265**
1.1	Goodwill	532	154
1.2	Other intangible assets	318	111
2	**TANGIBLE ASSETS**	**190**	**182**
2.1	Property	169	162
2.2	Other tangible assets	21	20
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**738**	**645**
4	**INVESTMENT**	**31,445**	**22,916**
4.1	Investment property	595	573
4.2	Investments in subsidiaries, associated companies and joint ventures	91	96
4.3	Held to maturity investments	241	243
4.4	Loans and receivables	878	750
4.5	Available for sale financial assets	23,592	17,168
4.6	Financial assets at fair value through profit or loss	6,048	4,086
5	**SUNDRY RECEIVABLES**	**572**	**603**
5.1	Receivables deriving from direct insurance transactions	350	431
5.2	Receivables deriving from reinsurance transactions	73	91
5.3	Other receivables	149	81
6	**OTHER ASSET ITEMS**	**1,037**	**1,068**
6.1	Non-current assets or disposal group held for sale	0	0
6.2	Deferred acquisition costs	29	13
6.3	Deferred tax assets	339	454
6.4	Current tax assets	327	386
6.5	Other assets	342	215
7	**CASH AND CASH EQUIVALENTS**	**392**	**207**
	TOTAL ASSETS	**35,224**	**25,886**

SHAREHOLDERS' EQUITY AND LIABILITIES

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)		June 30th, 2018	December 31st, 2017
1	**SHAREHOLDERS' EQUITY**	**2,197**	**2,108**
1.1	**pertaining to the Group**	**1,745**	**1,846**
1.1.1	Share capital	523	523
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	739	772
1.1.4	Revenue reserves and other equity reserves	493	477
1.1.5	(Own shares)	-50	-47
1.1.6	Reserve for net exchange differences	0	0
1.1.7	Gains or losses on available for sale financial assets	-12	79
1.1.8	Other gains or losses recognised directly in equity	1	1
1.1.9	Profit (loss) for the period pertaining to the Group	51	41
1.2	**pertaining to minority interests**	**452**	**262**
1.2.1	Capital and reserves pertaining to minority interests	439	239
1.2.2	Profits or losses recognised directly in equity	1	8
1.2.3	Profit (loss) for the period pertaining to minority interests	12	15
2	**PROVISIONS AND ALLOWANCES**	**59**	**51**
3	**TECHNICAL PROVISIONS**	**29,291**	**20,614**
4	**FINANCIAL LIABILITIES**	**2,718**	**2,173**
4.1	Financial liabilities at fair value through profit or loss	1,947	1,402
4.2	Other financial liabilities	771	771
5	**PAYABLES**	**393**	**301**
5.1	Payables deriving from direct insurance transactions	87	76
5.2	Payables deriving from reinsurance transactions	55	21
5.3	Other payables	251	204
6	**OTHER LIABILITY ITEMS**	**566**	**639**
6.1	Liabilities of disposal group held for sale	0	0
6.2	Deferred tax liabilities	316	361
6.3	Current tax liabilities	120	134
6.4	Other liabilities	130	144
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**35,224**	**25,886**

Income statement

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)		June 30th, 2018	June 30th, 2017
1.1	Net premiums	2,681	2,326
1.1.1	*Gross premiums written*	*2,818*	*2,454*
1.1.2	*Ceded premiums*	*-137*	*-128*
1.2	Commissions income	3	3
1.3	Income and charges from financial instruments at fair value through profit or loss	-8	16
1.4	Income from investments in subsidiaries, associated companies and joint ventures	2	2
1.5	Income from other financial instruments and investment property	362	331
1.5.1	*Interest income*	*275*	*253*
1.5.2	*Other income*	*49*	*45*
1.5.3	*Realised gains*	*38*	*33*
1.5.4	*Valuation gains*	*0*	*0*
1.6	Other revenues	43	55
1	**TOTAL REVENUES AND INCOME**	**3,083**	**2,733**
2.1	Net charges relating to claims	-2,394	-2,138
2.1.1	*Amounts paid and change in technical provisions*	*-2,475*	*-2,205*
2.1.2	*Reinsurance amount*	*81*	*67*
2.2	Commissions expense	-2	-1
2.3	Charges from investments in subsidiaries, associated companies and joint ventures	0	-1
2.4	Charges from other financial instruments and investment property	-88	-81
2.4.1	*Interest expense*	*-61*	*-21*
2.4.2	*Other charges*	*-1*	*-2*
2.4.3	*Realised losses*	*-14*	*-17*
2.4.4	*Valuation losses*	*-12*	*-41*
2.5	Operating expenses	-357	-295
2.5.1	*Commission and other acquisition costs*	*-237*	*-208*
2.5.2	*Operating expenses relating to investments*	*-20*	*-15*
2.5.3	*Other administrative expenses*	*-100*	*-72*
2.6	Other costs	-130	-173
2	**TOTAL COSTS AND CHARGES**	**-2,971**	**-2,689**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION	**112**	**44**
3	Taxation	-49	-36
	PROFIT (LOSS) FOR THE PERIOD NET OF TAXATION	**63**	**8**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**0**	**0**
	CONSOLIDATED PROFIT (LOSS)	**63**	**8**
	pertaining to the Group	**51**	**1**
	pertaining to minority interests	**12**	**7**

Statement of comprehensive income

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)	**June 30th, 2018**	**June 30th, 2017**
CONSOLIDATED PROFIT (LOSS)	**63**	**8**
Other income components net of income taxes without reclassification in the income statement	**0**	**1**
Change in the shareholders' 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	0	1
Other items	0	0
Other income components net of income taxes with reclassification in the income statement	**-98**	**-4**
Change in reserve for net exchange differences	0	0
Gains or losses on available for sale financial assets	-98	-8
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 shareholders' equity of investee companies	0	4
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	**-98**	**-3**
TOTAL OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**-35**	**5**
pertaining to the Group	***-40***	***0***
pertaining to minority interests	***5***	***5***

The undersigned declare that this statement is true and consistent with the underlying accounting records.

The legal representatives of the company (*)

The Managing Director ALBERTO MINALI (**)

_______________________ (**)

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

Cash flow statement

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)	June 30th, 2018	June 30th, 2017
Profit (loss) for the period before taxation	**112**	**44**
Changes in non-monetary items	**337**	**889**
Change in non-life premiums provision	25	10
Change in provision for outstanding claims and other non-life technical provisions	-34	-3
Change in mathematical provisions and other life technical provisions	178	788
Change in deferred acquisition costs	1	0
Change in provisions and allowances	7	-3
Non-monetary income and charges from financial instruments, investment property and equity investments	69	26
Other changes	91	71
Change in receivables and payables generated by operating activities	**60**	**57**
Change in receivables and payables deriving from direct insurance and reinsurance transactions	149	104
Change in other receivables/payables, other assets/liabilities	-89	-47
Taxes paid	**37**	**-20**
Net liquidity generated/absorbed by monetary items pertaining to investments and financing activities	**-303**	**49**
Liabilities from financial contracts issued by insurance companies	-303	49
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	**243**	**1,019**
Net liquidity generated/absorbed by investment property	-29	-87
Net liquidity generated/absorbed by investments in subsidiaries, associated companies and joint ventures	7	0
Net liquidity generated/absorbed by loans and receivables	51	1
Net liquidity generated/absorbed by held to maturity investments	3	0
Net liquidity generated/absorbed by available for sale financial assets	-230	-520
Net liquidity generated/absorbed by tangible and intangible assets	-624	-24
Other net liquidity flows generated/absorbed by investment activities	830	-300
TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITIES	**8**	**-930**
Net liquidity generated/absorbed by capital instruments pertaining to the Group	1	0
Net liquidity generated/absorbed by own shares	-3	-5
Distribution of dividends pertaining to the Group	-59	-59
Net liquidity generated/absorbed by capital and reserves pertaining to minority interests	9	-11
Net liquidity generated/absorbed by subordinated liabilities and by participative financial instruments	0	0
Net liquidity generated/absorbed by sundry financial liabilities	-14	-26
TOTAL NET LIQUIDITY DERIVING FROM FINANCING ACTIVITIES	**-66**	**-101**
Effect of the exchange differences on cash and cash equivalents	**0**	**0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	207	172
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	185	-12
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	392	160

Statement of changes in shareholders' equity

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)		Balance June 30th, 2016	Change in closing balances	Charges	Adjustments from reclassification to income statement	Transfers	Changes in investment holdings	Balance June 30th, 2017
Shareholders' equity pertaining to the Group	Share capital	523	0	0		0		523
	Other equity instruments	0	0	0		0		0
	Capital reserves	781	0	-9		0		772
	Revenue reserves and other equity reserves	454	0	84		-59	0	479
	(Own shares)	-40	0	0		-5		-45
	Profit (loss) for the period	76	0	-75		0		1
	Other components of the statement of comprehensive income	61	0	4	-5	0	0	60
	Total pertaining to the Group	**1,855**	**0**	**4**	**-5**	**-64**	**0**	**1,790**
Shareholders' equity pertaining to minority interests	Capital and reserves pertaining to minority interests	232	0	22		-16	0	238
	Profit (loss) for the period	17	0	-10		0		7
	Other components of the statement of comprehensive income	10	0	-2	0	0	0	8
	Total pertaining to minority interests	**259**	**0**	**10**	**0**	**-16**	**0**	**253**
TOTAL		**2,114**	**0**	**14**	**-5**	**-80**	**0**	**2,043**

(€ millions)		Balance December 31st, 2017	Change in closing balances	Charges	Adjustments from reclassification to income statement	Transfers	Changes in investment holdings	Balance June 30th, 2018
Shareholders' equity pertaining to the Group	Share capital	523	0	0		0		523
	Other equity instruments	0	0					0
	Capital reserves	772	0	-33				739
	Revenue reserves and other equity reserves	477	0	75		-59	0	493
	(Own shares)	-47	0			-3		-50
	Profit (loss) for the period	41	0	10				51
	Other components of the statement of comprehensive income	80	0	-72	-19		0	-11
	Total pertaining to the Group	**1,846**	**0**	**-20**	**-19**	**-62**	**0**	**1,745**
Shareholders' equity pertaining to minority interests	Capital and reserves pertaining to minority interests	239	0	207		-7	0	439
	Profit (loss) for the period	15	0	-3				12
	Other components of the statement of comprehensive income	8	0	-7	0		0	1
	Total pertaining to minority interests	**262**	**0**	**197**	**0**	**-7**	**0**	**452**
TOTAL		**2,108**	**0**	**177**	**-19**	**-69**	**0**	**2,197**

The undersigned declare that this statement is 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 interim report comprising the interim management report and the condensed interim consolidated financial statements have been drawn up by the Parent Company Cattolica di Assicurazione Soc. Coop. pursuant to Article 154-ter, paragraphs 2, 3, 4 of Italian Legislative Decree No. 58 dated February 24th, 1998, "Regulations concerning financial brokers" and Article 95 of Italian Legislative Decree 209 dated September 7th, 2005, in observance of the provisions envisaged by IAS/IFRS international accounting standards and by SIC/IFRIC interpretations, using as a reference those endorsed by the European Commission as of June 30th, 2018. The report is compliant with the provisions concerning consolidated interim reports pursuant to ISVAP Regulation No. 7 dated July 13th, 2007 relating to the technical forms of the consolidated financial statements drawn up on the basis of the international accounting standards (IAS/IFRS).

The condensed interim consolidated financial statements comprise the statement of financial position, the income statement and the statement of comprehensive income, the statement of changes in shareholders' equity, the cash flow statement and the notes to the accounts drawn up in compliance with IAS 34 and considering the provisions of ISVAP Regulation No. 7 dated July 13th, 2007.

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 accounting reference date of this consolidated interim report is June 30th, 2018, a date which coincides with that of the interim reports of all the companies included within the scope of consolidation.

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 interim report, have been used for the preparation of the consolidated interim report. Cattolica Life and Vera Financial prepared their interim reports 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 interim financial report 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 infragroup 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 infragroup transactions;
- the adjustment of the effects recorded in individual financial statements, generated by extraordinary infragroup transactions.

The decreases in value emerging subsequent to infragroup transactions are maintained in the consolidated interim financial report.

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 accounting period, the scope of consolidation changed from that of December 31st, 2017 due to:

- purchase, closed on March 29th, of 65% of Vera Assicurazioni (formerly Avipop Assicurazioni), and of the subsidiary company Vera Protezione (formerly Avipop Vita);
- purchase, closed on March 29th, of 65% of Vera Vita (formerly Popolare Vita), and of the subsidiary company Vera Financial (formerly The Lawrence Life Assurance Company DAC);
- purchase of the 80.1% interest in a newly formed alternative real estate investment fund called "Fondo Innovazione Salute".

As of June 30th, 2018 the consolidation area comprised twelve insurance companies, two companies which carry out agricultural real estate activities, four service companies and four 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 Fondo HCampus, 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 all 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 by means of the aid of 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 interim financial report on a **line-by-line basis**, in accordance with IFRS 10.

Table 15 - 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	75.26%	90.47%		100%
Fondo San Zeno (formerly MOI)	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%
Vera Assicurazioni s.p.a.	086	G	1	65.00%	65.00%		100%
Vera Financial d.a.c.	086	G	2	0.00%	65.00%		100%
Vera Protezione s.p.a.	086	G	1	0.00%	65.00%		100%
Vera Vita s.p.a.	086	G	1	65.00%	65.00%		100%
Fondo Innovazione Salute	086	G	10	80.10%	80.10%		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 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 the individual products.

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

With regard to the bank joint ventures, the agreements contain rights of protection of the 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, paragraph 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.

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

Table 16 - Consolidation area: equity investments in companies with significant minority interests (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands) Name	% minority interests	% of votes available during ordinary shareholders' meetings to minority interests (1)	Consolidated profit (loss) pertaining to minority interests	Shareholders' equity pertaining to minority interests	Summary income statement-financial figures: Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' equity	Net profit (loss) for the period	Dividends distributed to minority interests	Gross premiums written
ABC Assicura s.p.a.	40.00%		-1,750	4,038	52,257	23,492	31,276	410	10,095	-4,374	0	108
BCC Assicurazioni s.p.a.	49.00%		-86	5,636	83,748	33,033	58,228	1,673	11,503	-175	0	20,271
BCC Vita s.p.a.	49.00%		4,360	89,164	3,143,964	3,028,207	2,921,813	1,129	181,968	8,898	0	254,105
Berica Vita s.p.a.	40.00%		3,490	35,350	1,120,124	1,049,589	1,003,172	157	88,376	8,726	0	-1,210
Cattolica Life d.a.c.	40.00%		-456	7,642	379,299	328,661	149,124	208,761	19,105	-1,140	0	21
Fondo Euripide	9.53%		542	26,684	299,188	290,650	0	1,623	280,006	5,684	667	0
Fondo San Zeno (formerly MOI)	12.12%		200	13,503	113,787	109,776	0	0	111,393	1,647	323	0
Fondo Perseide	7.03%		205	7,559	111,396	96,239	0	0	107,477	2,914	352	0
Lombarda Vita s.p.a.	40.00%		6,528	121,446	8,462,887	8,155,136	7,662,583	310,424	303,614	16,319	7,471	903,106
Vera Assicurazioni s.p.a.	35.00%		6,608	31,158	247,042	187,383	148,065	0	89,023	18,880	10,602	25,278
Vera Financial d.a.c.	35.00%		-322	24,677	1,309,345	1,197,381	892,935	327,796	70,505	-920	0	37,993
Vera Protezione s.p.a.	35.00%		1,877	19,771	360,555	290,927	297,427	0	56,489	5,364	6,864	29,378
Vera Vita s.p.a.	35.00%		1,959	102,128	8,106,241	7,854,652	7,266,536	484,335	291,793	5,596	20,576	117,769
Fondo Innovazione Salute	19.90%		105	2,453	25,237	23,886	0	12,865	12,329	528	0	0
Agenzia Generale Agrifides s.r.l.	49.00%		2	25	1,652	0	0	0	50	5	0	0

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

Table 17 - Interest holdings in non-consolidated structured entities

(€ millions) 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.	0		70	4 - Investments			70
Novus Capital (Lu) S.A.	3		123	4 - Investments			123
Novus Capital (Ie) P.L.C.	2		53	4 - Investments			53
Transalp One Securities P.L.C.	0		0	4 - Investments			0
Boats Investment (Nl) B.V.	0		0	4 - Investments			0
Lunar Funding V P.L.C.	1		25	4 - Investments			25
Dunia Capital B.V.	2		124	4 - Investments			124
Vegagest Networth A	0		3	4 - Investments			3
Ledersel Dynamic	2		100	4 - Investments			100

The structured entities identified by the Group include € 395 million represented by special purpose vehicle (SPVs) with underlying securities issued by the Italian government and swaps and € 103 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:

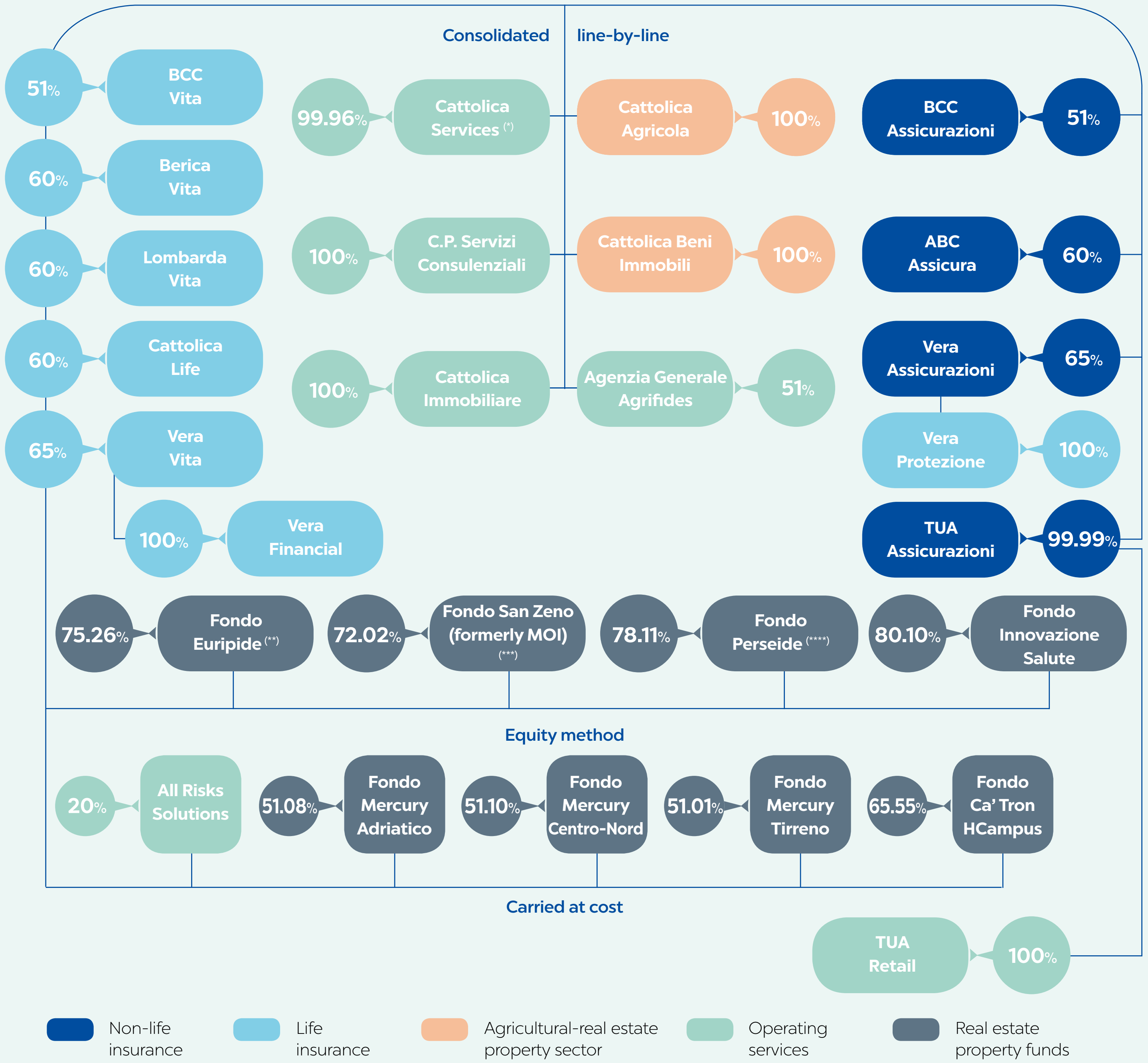
- The following companies are accounted for using the **equity method** in accordance with IAS 28:

- **All Risk Solutions s.r.l.** with headquarters 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 holds units equal to 51% in each of the three segments;
- **Real estate investment fund** called **“HCampus”** divided into two classes of units. The Parent Company has subscribed to class A and class B units, equivalent to 65.55%.

- The following company is carried in the consolidated interim financial report at **cost**, since it is not significant and its exclusion from the scope of consolidation does not prejudice the reliability of the representation of the financial and equity standing, the economic result and the financial flows of the Group:

- **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 24.74% is held as follows: 23.83% by Lombarda Vita and 0.91% 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.

Position as of June 30th, 2018

NOTES TO THE ACCOUNTS

Part B - Accounting principles

Part B
Accounting standards

Format

The statement of financial position, income statement, statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and these notes to the accounts have been drawn up in line with the consolidated financial statement formats laid down by the instructions in ISVAP Regulation No. 7 dated July 13th, 2007.

Accounting principles

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

New standards and interpretations acknowledged by the EU

The Group drew up the condensed interim consolidated financial statements using the same standards adopted for the consolidated financial statements for the year ended December 31st, 2017, except for what is pointed out below.

On January 1st, 2018, the standard IFRS 15 - Revenue from contracts with customers, which replaced the standard IAS 18 - Revenue, and the standard IAS 11 - Construction contracts. This standard envisages a new method for recognising the revenues, excluding those disciplined by other IAS/IFRS standards such as insurance agreements and financial instruments. Since insurance contracts are not within the scope of the new standard, its application will not have a significant impact on the amounts recorded.

In connection with application of the accounting standard IFRS 9 - Financial Instruments, 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”).
By resorting to the assumptions the amendment contains, the Group opted for the deferral approach and therefore continues to apply IAS 39.

Reporting currency used in the financial statements

The reporting currency for the consolidated interim financial report is the Euro. The report has been drawn up in millions 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 statement of financial position and income statement is the sum of the rounded off amounts of the individual items.

Foreign currency items

In accordance with IAS 21, monetary assets and liabilities in foreign currencies, 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 booked to the income statement.

Section 1 **Illustration of the accounting principles**

The accounting principles adopted to draw up this consolidated interim financial report, except for what is reported above, are compliant with those used for the consolidated financial statements as of December 31st, 2017; therefore, reference should be made to Part B of the notes to the consolidated annual accounts for a detailed illustration of the accounting standards and the contents of the items in the accounting schedules.

The accounting principles adopted for the drafting of the consolidated interim financial report 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 interim report. Cattolica Life and Vera Financial prepared their interim financial reports in compliance with international accounting standards.

No significant consolidation adjustments were necessary in order to adapt the consolidated companies' accounting standards and principles 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 interim financial report, 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.

NOTES TO THE ACCOUNTS

Part C - Information on the consolidated statement of financial position and income statement

Part C
Statement of financial position - Assets

The statement of financial position by sector of activities is presented below.

Table 18 - Statement of financial position by sector of activities

(€ millions)	Non-life business		Life business		Other		Eliminations between sectors		Total	
	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017
1 INTANGIBLE ASSETS	**226**	**226**	**107**	**107**	**97**	**104**	**420**	**-172**	**850**	**265**
2 TANGIBLE ASSETS	**51**	**53**	**1**	**0**	**138**	**129**	**0**	**0**	**190**	**182**
3 TECHNICAL PROVISIONS - REINSURANCE AMOUNT	**626**	**596**	**147**	**93**	**0**	**0**	**-35**	**-44**	**738**	**645**
4 INVESTMENT	**5,401**	**4,935**	**28,500**	**19,299**	**42**	**43**	**-2,498**	**-1,361**	**31,445**	**22,916**
4.1 Investment property	315	290	241	244	40	40	-1	-1	595	573
4.2 Investments in subsidiaries, associated companies and joint ventures	1,527	672	378	135	0	0	-1,814	-711	91	96
4.3 Held to maturity investments	110	110	131	133	0	0	0	0	241	243
4.4 Loans and receivables	287	292	588	454	0	1	3	3	878	750
4.5 Available for sale financial assets	3,079	2,964	21,199	14,856	0	0	-686	-652	23,592	17,168
4.6 Financial assets at fair value through profit or loss	83	607	5,963	3,477	2	2	0	0	6,048	4,086
5 SUNDRY RECEIVABLES	**477**	**534**	**107**	**135**	**34**	**33**	**-46**	**-99**	**572**	**603**
6 OTHER ASSET ITEMS	**250**	**330**	**777**	**730**	**11**	**8**	**-1**	**0**	**1,037**	**1,068**
6.1 Deferred acquisition costs	0	0	29	13	0	0	0	0	29	13
6.2 Other assets	250	330	748	717	11	8	-1	0	1,008	1,055
7 CASH AND CASH EQUIVALENTS	**27**	**19**	**351**	**169**	**14**	**19**	**0**	**0**	**392**	**207**
TOTAL ASSETS	**7,058**	**6,693**	**29,990**	**20,533**	**336**	**336**	**-2,160**	**-1,676**	**35,224**	**25,886**
1 SHAREHOLDERS' EQUITY									**2,197**	**2,108**
2 PROVISIONS AND ALLOWANCES	**37**	**31**	**15**	**14**	**7**	**6**	**0**	**0**	**59**	**51**
3 TECHNICAL PROVISIONS	**3,779**	**3,649**	**25,579**	**17,037**	**0**	**0**	**-67**	**-72**	**29,291**	**20,614**
4 FINANCIAL LIABILITIES	**571**	**554**	**2,127**	**1,607**	**20**	**12**	**0**	**0**	**2,718**	**2,173**
4.1 Financial liabilities at fair value through profit or loss	0	0	1,947	1,402	0	0	0	0	1,947	1,402
4.2 Other financial liabilities	571	554	180	205	20	12	0	0	771	771
5 PAYABLES	**222**	**206**	**160**	**117**	**56**	**61**	**-45**	**-83**	**393**	**301**
6 OTHER LIABILITY ITEMS	**167**	**245**	**339**	**396**	**2**	**2**	**58**	**-4**	**566**	**639**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES									**35,224**	**25,886**

1. INTANGIBLE ASSETS

Table 19 - Intangible assets

(€ millions)	June 30th, 2018	December 31st, 2017	Changes Amount	Changes %
Goodwill	532	154	378	n.s.
Other intangible assets:	318	111	207	n.s.
insurance portfolios	219	5	214	n.s.
software	56	70	-14	-20.0
models and projects	5	6	-1	-16.7
patent rights, trademarks and similar rights	6	3	3	100.0
assets in process of formation	32	27	5	18.5
Total	**850**	**265**	**585**	**n.s.**

n.s. = not significant

1.1 Goodwill

The goodwill item increased by € 378 million compared to December 31st, 2017.

Table 20 - Goodwill - changes during the period

(€ millions)	Goodwill
Gross balance as of December 31st, 2017	**258**
Accumulated amortisation	23
Cumulative impairment losses	81
Net balance as of December 31st, 2017	**154**
Increases	378
Decreases	0
Gross balance as of June 30th, 2018	**636**
Accumulated amortisation	**23**
Impairment losses	0
Cumulative impairment losses	**81**
Net balance as of June 30th, 2018	**532**

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.

On March 29th, 2018, Cattolica acquired 65% of Vera Vita, Vera Assicurazioni, Vera Protezione and Vera Financial companies from Banco BPM against payment of a total amount of € 819 million that therefore were included in the Group's consolidation area starting from that date. Consistent with the provisions of IFRS 3, Cattolica then started the Purchase Price Allocation (PPA) process whose goal is to allocate the price paid to the various components of the assets and liabilities acquired and to then residually identify the goodwill arising from the business combination transaction. One of the preliminary steps of this PPA process is to define acquired CGUs.

Following the analyses conducted and even though several elements would point to the possibility of considering just two CGUs - one that would have grouped the former Aviva companies (Vera Assicurazioni and Vera Protezione) and the other the former Unipol companies (Vera Vita and Vera Financial) - in consideration of the fact that in line with IVASS' requirements, Cattolica's Segment Reporting divides the non-life and life classes, it was deemed more prudential to consider Vera Assicurazioni (Non-Life Business) and Vera Protezione (Life Business) as two distinct CGUs, while Vera Vita and Vera Financial (both in the Life Class) were considered a single CGU, also in connection with the fact that the plan objectives are defined in terms of new business without distinctly allocating it to one of the above-mentioned companies. Therefore, on the whole the PPA process led to identification of 3 new CGUs, two operating in the life class (Vera Vita and Vera Protezione) and one in the non-life class (Vera Assicurazioni).

Please note that as of June 30th, 2018, the PPA process was still undergoing completion and therefore the allocation of the goodwill to the single Vera CGUs was still temporary. Consistent with the time frame granted by IFRS 3, this process should wind up before the financial statements as of December 31st, 2018 are drawn up. Specifically, identification of possible intangibles (e.g. client relationships) and refinement in determining the value of others (e.g. Value of Business Acquired, "VoBA") were still in progress on the reporting date of this interim report, so the goodwill value that will be definitively allocated to the single Vera CGUs at the end of the PPA process might differ from that reported below.

In detail, the goodwill recognised to the different CGUs as of June 30th, 2018 is the following:

- € 136 million concerning the Cattolica Danni CGU, represented by the goodwill relating to the purchase transactions of Duomo Assicurazioni, Uni One Assicurazioni and FATA Assicurazioni which are now included in the Cattolica Danni CGU;
- € 3 million in Berica Vita, relating to the initial purchase of 50% of the company;
- € 81 million in Vera Assicurazioni, relating to the temporary PPA process following purchase of 65% of the company;
- € 81 million in Vera Protezione, relating to the temporary PPA process following purchase of 65% of the company;
- € 216 million in Vera Vita, relating to the temporary PPA process following purchase of 65% of the company and its subsidiary.

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

- € 14 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, in continuity with the year 2017 it was deemed advisable to use records that consider the 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 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. Since a trigger event occurred on the reporting date (i.e. stock market capitalisation was lower than the Consolidated Shareholders' Equity), it became necessary to conduct impairment testing as of June 30th as well. The impairment test carried out as of June 30th, 2018 was based on guidelines and main objectives of the 2018-2020 Business Plan and the ORSA Report, 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 7.14% for life insurance companies and 6.66% 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 text carried out pursuant to IAS 36 on the insurance companies as of June 30th, 2018 did not entail any valuation in terms of write-downs of the value of the goodwill recognised in the Consolidated Interim Financial Report as of June 30th, 2018.

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 21 - 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	314.3	9.82%	-2.54%
NON-LIFE	Vera Assicurazioni	39.5	9.72%	n.s.
LIFE	Berica Vita	17.9	n.s.	n.s.
LIFE	Vera Vita	82.4	10.17%	n.s.
LIFE	Vera Protezione	48.9	12.27%	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 22 - Other intangible assets - changes during the period

(€ millions)	Insurance portfolios	Software	Models and projects	Patent rights, trademarks and similar rights	Other intangible assets	Total
Gross balance as of December 31st, 2017	**38**	**258**	**13**	**5**	**28**	**342**
Accumulated amortisation	31	186	7	2	1	227
Cumulative impairment losses	2	2	0	0	0	4
Net balance as of December 31st, 2017	**5**	**70**	**6**	**3**	**27**	**111**
Increases due to:	**227**	**6**	**0**	**3**	**5**	**241**
purchase	0	6	0	3	5	14
business combinations	227	0	0	0	0	227
Decreases due to:	**0**	**0**	**0**	**0**	**0**	**0**
other	0	0	0	0	0	0
Gross balance as of June 30th, 2018	**265**	**264**	**13**	**8**	**33**	**583**
Amortisation	13	20	1	0	0	34
Other changes in acc. amortisation	0	0	0	0	0	0
Accumulated amortisation	**44**	**206**	**8**	**2**	**1**	**261**
Impairment losses	0	0	0	0	0	0
Cumulative impairment losses	**2**	**2**	**0**	**0**	**0**	**4**
Net balance as of June 30th, 2018	**219**	**56**	**5**	**6**	**32**	**318**

The “other intangible assets” held by the Group are characterised by a finite useful life and, as such, are subject to a systematic amortisation process whose period:

- varies between 7 and 20 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.

The item pertaining to Other intangible assets increased by € 241 million, mainly due to the valuation of the insurance portfolios acquired as part of the Giulietta Project (acquisition of Vera Vita, Vera Financial, Vera Assicurazioni and Vera Protezione). This amount corresponds to the estimate of implied earnings in the insurance portfolios acquired, temporarily determined when the purchase price was allocated (temporary Purchase Price Allocation as allowed by IFRS 3 - Business Combinations). These implied earnings were basically measured for the most part regarding the data taken from the supervisory reports prepared as of March 31st, 2018 by the acquired companies (EBS as of March 31st, 2018). The value of the implied earnings in the insurance portfolios acquired is an intangible asset with defined useful life and, as a result, its amortisation process was determined consistent with the estimate of the run-down of the insurance portfolios of reference (expected cash flows).

The other intangible assets held by the Group are for the most part represented by software in use and by software being created or being developed held mainly by Cattolica Services. This includes software already operative used in previous years, software that was enhanced and adapted to legal provisions during the period, as well as software “under construction” referring to projects launched but not yet concluded and therefore not yet used during the year. The item software increased during the period for € 6 million due to the purchase of new software.

2. TANGIBLE ASSETS

The changes in tangible assets, pursuant to IAS 16, were as follows during the period:

Table 23 - Tangible assets

			Changes	
(€ millions)	June 30th, 2018	December 31st, 2017	Amount	%
Property	169	162	7	4.3
Other tangible assets:	21	20	1	5.0
furniture, office machines and internal means of transport	4	5	-1	-20.0
movable assets recorded in public registers	1	1	0	0
plant and equipment	14	14	0	0
inventories and miscellaneous assets	2	0	2	n.a.
Total	**190**	**182**	**8**	**4.4**

n.a. = non-applicable

2.1 Property

The item includes property used for the performance of the Group companies' activities; in particular it includes the property belonging to the Parent Company and Cattolica Agricola.

2.2 Other tangible assets

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

Table 24 - Property and other tangible assets - changes during the period

(€ millions)	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, 2017	**177**	**0**	**58**	**2**	**16**	**0**	**253**
Accumulated depreciation	15	0	53	1	2	0	71
Cumulative impairment losses	0	0	0	0	0	0	0
Net balance as of December 31st, 2017	**162**	**0**	**5**	**1**	**14**	**0**	**182**
Increases due to:	**8**	**0**	**0**	**0**	**0**	**2**	**10**
purchase	7	0	0	0	0	0	7
other	1	0	0	0	0	2	3
Decreases due to:	**0**	**0**	**0**	**0**	**0**	**0**	**0**
other	0	0	0	0	0	0	0
Gross balance as of June 30th, 2018	**185**	**0**	**58**	**2**	**16**	**2**	**263**
Depreciation	1	0	1	0	0	0	2
Other changes in acc. depreciation	0	0	0	0	0	0	0
Accumulated depreciation	**16**	**0**	**54**	**1**	**2**	**0**	**73**
Cumulative impairment losses	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net balance as of June 30th, 2018	**169**	**0**	**4**	**1**	**14**	**2**	**190**

The increase in the item Property refers to land purchases and improvements on land owned by the company Cattolica Agricola.

The fair value of the properties held by the Group, at the end of the period, came to € 216 million.

As indicated in the accounting policies, 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 period, either in the accounting estimates or the depreciation methods used.

3. TECHNICAL PROVISIONS - REINSURANCE AMOUNT

Table 25 - Analysis of technical provisions - Reinsurance amount

(€ millions)	June 30th, 2018	December 31st, 2017
Non-life provisions	**591**	**552**
Life provisions	**147**	**93**
Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds	0	0
Mathematical provisions and other provisions	147	93
Total	**738**	**645**

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

4. INVESTMENT

Table 26 - Investments

			Changes	
(€ millions)	June 30th, 2018	December 31st, 2017	Amount	%
Investment property	595	573	22	3.8
Investments in subsidiaries, associated companies and joint ventures	91	96	-5	-5.2
Held to maturity investments	241	243	-2	-0.8
Loans and receivables	878	750	128	17.1
Available for sale financial assets	23,592	17,168	6,424	37.4
Financial assets at fair value through profit or loss	6,048	4,086	1,962	48.0
Total	**31,445**	**22,916**	**8,529**	**37.2**

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, San Zeno (formerly MOI), Fondo Innovazione Salute and Perseide funds, Cattolica Agricola, Cattolica Beni Immobili and the Parent Company.

Table 27 - Investment property - changes during the period

(€ millions)	Investment property	Total
Gross balance as of December 31st, 2017	**617**	**617**
Accumulated depreciation	41	41
Cumulative impairment losses	3	3
Net balance as of December 31st, 2017	**573**	**573**
Increases due to:	**29**	**29**
purchase	28	28
other	1	1
Decreases	**0**	**0**
Gross balance as of June 30th, 2018	**646**	**646**
Depreciation	7	7
Accumulated depreciation	**48**	**48**
Impairment losses	0	0
Cumulative impairment losses	**3**	**3**
Net balance as of June 30th, 2018	**595**	**595**

The increases mainly include € 24 million relating to the properties owned by Fondo Innovazione Salute.

Decreases are attributable to the depreciation charged during the period for € 7 million.

Revenues for rents generated during the period amounted to € 23 million.

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% amortisation 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 period, 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 reporting period, amounted to € 710 million.

The Cattolica Group adopts three main procedures for estimating the value of the 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).

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 28 - Analysis of tangible and intangible assets

(€ millions)	At cost	At re-determined value or at fair value	Total book value
Investment property	595		595
Other property	169		169
Other tangible assets	21		21
Other intangible assets	318		318

4.2 Investments in subsidiaries, associated companies and joint ventures

Table 29 - Investments in subsidiaries, associated companies and joint ventures

			Changes	
(€ millions)	**June 30th, 2018**	**December 31st, 2017**	**Amount**	**%**
Subsidiaries	0	0	0	n.a.
Associated companies and joint ventures	91	96	-5	-5.2
Total	**91**	**96**	**-5**	**-5.2**

n.a. = non-applicable

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 investments 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.

Table 30 - Analysis of non-consolidated equity investments (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ millions) Name	Registered offices and operating headquarters	Assets (1)	Type (2)	% direct investment	% total holding (3)	% of votes available during ordinary shareholders' meetings (4)	Value as of June 30th, 2018
All Risks Solutions s.r.l.	086	11	b	20.00%	20.00%		0
TUA Retail s.r.l.	086	11	a	0.00%	99.99%		0
Fondo Mercury Centronord	086	10	c	51.10%	51.10%		19
Fondo Mercury Adriatico	086	10	c	51.08%	51.08%		18
Fondo Mercury Tirreno	086	10	c	51.01%	51.01%		31
Fondo Cà Tron HCampus	086	10	c	65.55%	65.55%		23

(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 the individual products.

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

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

Table 31 - Summary data of non-consolidated subsidiary and 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 period	Revenues	Dividends received in the period
Subsidiaries								
TUA Retail s.r.l. (*)	Milan	50	816	718	98	34	862	0
Associated companies and joint ventures								
All Risks Solutions s.r.l. (*)	Rome	10	207	126	81	18	249	0
Fondo Mercury Centronord	Milan	n.a.	92,480	48,302	44,178	2,622	3,431	864
Fondo Mercury Adriatico	Milan	n.a.	81,725	43,414	38,311	2,135	2,875	820
Fondo Mercury Tirreno	Milan	n.a.	145,213	76,869	68,344	4,246	5,526	1,413
Fondo Cà Tron HCampus	Roncade (TV)	n.a.	52,362	15,494	36,868	119	637	0

(*) Financial statement data as of December 31st, 2017.

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.

Greater income amounting to € 619 thousand was recognised to the income statement during the period due to the reclassification made during 2008 and relating to securities transferred from the category financial assets at fair value through profit or loss to the category available for sale financial assets for a book value of € 6 million as of June 30th.

Table 32 - Financial Investments

					Changes	
(€ millions)	**June 30th, 2018**	**%**	**December 31st, 2017**	**%**	**Amount**	**%**
Held to maturity investments	241	0.8	243	1.1	-2	-0.8
Loans and receivables	878	2.9	750	3.4	128	17.1
Available for sale financial assets	23,592	76.6	17,168	77.1	6,424	37.4
Financial assets at fair value through profit or loss	6,048	19.7	4,086	18.4	1,962	48.0
Total	**30,759**	**100.0**	**22,247**	**100.0**	**8,512**	**38.3**

Table 33 - Analysis of financial assets

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: Financial assets held for trading		Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss		Total book value	
(€ millions)	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017
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	189	163	1	0	52	25	242	188
of which listed securities	*0*	*0*	*0*	*0*	*149*	*118*	*1*	*0*	*52*	*25*	*202*	*143*
Debt securities	241	243	813	682	22,821	16,448	358	930	1,551	1,122	25,784	19,425
of which listed securities	*241*	*243*	*0*	*0*	*22,791*	*16,402*	*356*	*928*	*1,541*	*1,047*	*24,929*	*18,620*
UCIT units	0	0	0	0	582	557	12	21	4,064	1,975	4,658	2,553
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	9	10	0	0	0	0	0	0	9	10
Receivable financial components of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	56	58	0	0	0	0	0	0	56	58
Non-hedging derivatives	0	0	0	0	0	0	7	5	3	8	10	13
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	**241**	**243**	**878**	**750**	**23,592**	**17,168**	**378**	**956**	**5,670**	**3,130**	**30,759**	**22,247**

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.

Following the performance of the impairment test on all the 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 € 937 thousand (mainly due to the write-downs of Banca Monte Paschi for € 407 thousand, Emil Banca for € 149 thousand and H-Farm for € 104 thousand), on bonds for € 365 thousand and on mutual investment funds for € 4 million (mainly due to the write-downs of the Fondo Immobili Pubblici funds for € 2 million, Fondo Banor funds for € 1 million and Fondo Agris funds for € 525 thousand).

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 in its assets.
With regard to non-hedging derivatives, those classified as for trading amount to € 7 million and are essentially comprised of options, while those at fair value through profit or loss come to € 3 million and are represented by options (Class D).

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The tables below provide a breakdown of the Cattolica Group's residual exposures as of June 30th, 2018, in Greek government debt securities and following exposure in debt securities issued or guaranteed by European Union nations.

Table 34 - Exposure in Greek Government debt securities

(€ millions)	Nominal value as of June 30th, 2018	Fair value as of June 30th, 2018	Impairment in the income statement	Gross AFS provision
Available for sale financial assets	5	5	0	0
Financial assets at fair value through profit or loss	0	0	0	0
Total	**5**	**5**	**0**	**0**

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

Country (€ millions)	Maturing up to 5 years	Maturing between 6 and 10 years	Maturing beyond 10 years	Total fair value	Gross AFS provision
Italy	8,559	4,022	2,012	**14,593**	39
Spain	471	610	128	**1,209**	30
Portugal	0	36	64	**100**	5
Ireland	42	4	0	**46**	3
Other EU countries	292	1,430	459	**2,181**	35
Total	**9,364**	**6,102**	**2,663**	**18,129**	**112**

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

Country (€ millions)	Maturing up to 5 years	Maturing between 6 and 10 years	Maturing beyond 10 years	Total fair value*
Italy	959	228	28	**1,215**
Spain	6	23	2	**31**
Portugal	3	0	0	**3**
Ireland	0	0	1	**1**
Other EU countries	25	13	15	**53**
Total	**993**	**264**	**46**	**1,303**

* of which the value of financial assets at fair value through profit or loss amounts to € 948 million.

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

Country (€ millions)	Maturing up to 5 years	Maturing between 6 and 10 years	Maturing beyond 10 years	Total book value	Total fair value
Italy	105	114	2	**221**	249
Spain	16	0	0	**16**	16
Portugal	0	0	0	**0**	0
Ireland	0	0	0	**0**	0
Other EU countries	0	0	0	**0**	0
Total	**121**	**114**	**2**	**237**	**265**

Table 38 - Assets and liabilities valued at fair value on a recurrent and non-recurrent basis: breakdown by fair value hierarchy

		Level 1		Level 2		Level 3		Total	
(€ millions)		June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017
Assets and liabilities valued at fair value on a recurrent basis									
Available for sale financial assets		22,613	16,144	594	640	385	384	23,592	17,168
Financial assets at fair value through profit or loss	Financial assets held for trading	359	943	10	6	9	7	378	956
	Financial assets at fair value through profit or loss	4,195	1,596	1,472	1,534	3	0	5,670	3,130
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		**27,167**	**18,683**	**2,076**	**2,180**	**397**	**391**	**29,640**	**21,254**
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	1,947	1,402	0	0	1,947	1,402
Total liabilities at fair value on a recurrent basis		**0**	**0**	**1,947**	**1,402**	**0**	**0**	**1,947**	**1,402**
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, the "plain vanilla" debt securities are valued 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

		Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss	
(€ millions)	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	**384**	**7**	**0**	**0**	**0**	**0**	**0**	**0**
Purchases/Issues	15	0	3	0	0	0	0	0
Sales/Repurchases	-5	0	0	0	0	0	0	0
Reimbursements	0	0	0	0	0	0	0	0
Gain or loss through profit or loss	-5	2	0	0	0	0	0	0
- of which valuation profits/losses	-5	2	0	0	0	0	0	0
Gain or loss recorded in other components of the statement of comprehensive income	-4	0	0	0	0	0	0	0
Transfers in level 3	0	0	0	0	0	0	0	0
Transfers to other levels	0	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Closing balance	**385**	**9**	**3**	**0**	**0**	**0**	**0**	**0**

No significant transfers were recorded in level 3.

The transfers from level 1 to 2, mainly due to minor liquidity on the listing markets, for a total of € 79 million, concerned:

- "Available for sale financial assets": bonds for an equivalent value of € 22 million;
- "Financial assets at fair value through profit or loss": funds for a value of € 1 million and bonds for a value of € 56 million.

In conclusion, the transfers from level 2 to 1, mainly due to greater liquidity on the listing markets, for a total of € 46 million, concerned:

- "Available for sale financial assets": bonds for an equivalent value of € 41 million;
- "Financial assets at fair value through profit or loss": for a total of € 5 million, entirely consisting of funds.

Table 40 - Assets and liabilities not valued at fair value: breakdown by fair value hierarchy

	Book value		Fair value							
			Level 1		Level 2		Level 3		Total	
(€ millions)	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017
Assets										
Held to maturity investments	241	243	270	285	0	0	0	0	270	285
Loans and receivables	878	749	0	0	330	202	601	653	931	855
Investments in subsidiaries, associated companies and joint ventures	91	96	0	0	0	0	102	101	102	101
Investment property	595	573	0	0	0	0	710	661	710	661
Tangible assets	190	182	0	0	0	0	237	229	237	229
Total assets	**1,995**	**1,843**	**270**	**285**	**330**	**202**	**1,650**	**1,644**	**2,250**	**2,131**
Liabilities	**771**	**771**	**0**	**0**	**680**	**730**	**45**	**47**	**725**	**777**
Other financial liabilities	771	771	0	0	680	730	45	47	725	777

Loans and receivables include the deposits with re-insurers and receivables for right of offset 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 policyholders and deriving from pension fund management

	Benefits associated with investment funds and stock market indices		Benefits associated with the management of pension funds		Total	
(€ millions)	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017
Assets in the financial statements	5,219	2,311	750	961	5,969	3,272
Intercompany assets*	0	0	0	0	0	0
Total assets	**5,219**	**2,311**	**750**	**961**	**5,969**	**3,272**
Financial liabilities in the financial statements	1,327	572	620	830	1,947	1,402
Technical provisions in the financial statements	3,892	1,739	130	131	4,022	1,870
Intercompany liabilities*	0	0	0	0	0	0
Total liabilities	**5,219**	**2,311**	**750**	**961**	**5,969**	**3,272**

* Assets and liabilities eliminated during the consolidation process

5. SUNDRY RECEIVABLES

Table 42 - Sundry receivables

			Changes	
(€ millions)	June 30th, 2018	December 31st, 2017	Amount	%
Receivables deriving from direct insurance transactions	**350**	**431**	**-81**	**-18.8**
Policyholders	157	172	-15	-8.7
Insurance brokers	138	183	-45	-24.6
Insurance companies - current accounts	16	41	-25	-61.0
Policyholders and third parties for claims to be settled	39	35	4	11.4
Receivables deriving from reinsurance transactions	**73**	**91**	**-18**	**-19.8**
Insurance and reinsurance companies	73	91	-18	-19.8
Reinsurance brokers	0	0	0	n.a.
Other receivables	**149**	**81**	**68**	**84.0**
Total	**572**	**603**	**-31**	**-5.1**

n.a. = non-applicable

On the basis of the experience of previous accounting periods, the item was adjusted for a total of € 45 million for writedowns due to doubtful collection.

The item “Other receivables” 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 and guarantee deposits.

6. OTHER ASSET ITEMS

Other asset items are made up as follows:

Table 43 - Other asset items

(€ millions)	June 30th, 2018	December 31st, 2017	Changes Amount	%
Deferred acquisition costs	29	13	16	n.s.
Deferred tax assets	339	454	-115	-25.3
Current tax assets	327	386	-59	-15.3
Other assets	342	215	127	59.1
Total	**1,037**	**1,068**	**-31**	**-2.9**

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 the 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 the carrying forward of tax losses not used and the freeing up as per Italian Decree Law No. 185/2008, for € 86.81 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 Article 1, paragraph 33 (with reference to IRES) and Article 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 Article 23, paragraph 5 of Italian Law Decree No. 98 of July 6th, 2011, containing “Urgent provisions for financial stabilisation” (so-called “corrective manoeuvre’), and the regulatory provisions pursuant to Italian Law No. 208 of December 28th, 2015 (“2016 Stability Law”).

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 Article 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 Article 9, paragraph 1-bis, of Italian Law No. 1216.

6.5 Other assets

This item includes deferred commissions expense (DAC - deferred acquisition cost), accrued income and prepaid expenses and other assets.

Table 44 - Other assets

			Changes	
(€ millions)	**June 30th, 2018**	**December 31st, 2017**	**Amount**	**%**
Transitory reinsurance accounts	0	0	0	n.a.
Deferred commissions expense associated with investment contracts	8	5	3	60.0
Accruals and deferrals	14	6	8	n.s.
Sundry assets	320	204	116	56.9
Total	**342**	**215**	**127**	**59.1**

n.a. = non-applicable

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 include the amount relating to taxation on the mathematical provisions of the life classes accrued during the period for € 232 million and the balance of the liaison account between the life and non-life sectors recorded by the Parent Company for € 44 million, which has a matching balance under other liabilities, and the balances of transactions to be settled for € 7 million.

7. CASH AND CASH EQUIVALENTS

The item "cash and cash equivalents" represents the balance as of the end of the accounting period of current accounts held with various banks. Cash and cash equivalents total € 392 million, showing an increase of € 185 million in the period. 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 June 30th, 2018, this item was made up as follows:

Table 45 - Shareholders' equity

(€ millions)	June 30th, 2018	December 31st, 2017	Changes Amount	%
Shareholders' equity				
pertaining to the Group	**1,745**	**1,846**	**-101**	**-5.5**
Share capital	523	523	0	0
Other equity instruments	0	0	0	n.a.
Capital reserves	739	772	-33	-4.3
Revenue reserves and other equity reserves	493	477	16	3.4
(Own shares)	-50	-47	-3	-6.4
Reserve for net exchange differences	0	0	0	n.a.
Gains or losses on available for sale financial assets	-12	79	-91	n.s.
Other gains or losses recognised directly in equity	1	1	0	0
Profit (loss) for the period pertaining to the Group	51	41	10	24.4
pertaining to minority interests	**452**	**262**	**190**	**72.5**
Capital and reserves pertaining to minority interests	439	239	200	83.7
Gains and losses recognised directly in equity	1	8	-7	-87.5
Profit (loss) for the period pertaining to minority interests	12	15	-3	-20.0
Total	**2,197**	**2,108**	**89**	**4.2**

n.s. = not significant

n.a. = non-applicable

1.1 Shareholders' equity pertaining to the Group
This item totals € 1,745 million and comprises the following items:

1.1.1 Share capital
The fully subscribed share capital amounts to € 523 million and is made up of 174,293,926 ordinary shares lacking par value, further to the amendment of Article 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 € 33 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. The Parent Company distributed dividends net of own shares for € 59 million during the period.

1.1.5 Own shares

As of June 30th, 2018, the Parent Company held 7,036,907 own shares.

1.1.7 Gains or losses on available for sale financial assets

The changes, net of related deferred taxation, recorded during the period are mainly attributable to:

- the transfer of net capital gains to the income statement following disposals for € 22 million, and net capital losses from impairment for € 3 million;
- net negative fair value changes in financial instruments included in the corresponding asset item for € 72 million.

1.1.8 Other gains or losses recorded directly in equity

This item includes - for an amount of € 1 million - 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", variations during the period, net of the related deferred taxation, are due to the net negative changes in fair value of the financial instruments included in the corresponding assets item for € 7 million.

2. PROVISIONS AND ALLOWANCES

Table 46 - Provisions and allowances - changes during the period

(€ millions)	December 31st, 2017	Increases	Decreases	June 30th, 2018
Provisions and allowances	**51**	13	5	**59**

As of June 30th, the item mainly comprised amounts set aside for:

- legal disputes and costs for € 14 million (during the half year period, € 2 million were set aside and € 1 million was utilised);
- formal notices or reports on findings which can be served for violations of Italian Law No. 57/01 or for other findings for € 1 million (no changes took place during the interim period);
- sums which will be paid for the acceptance of any requests by beneficiaries for services regarding life insurance contracts in relation to which prescription has taken place in favour of the Group for € 1 million (no significant changes took place during the interim period);
- disputes outstanding with regard to labour or tax issues for € 8 million;
- the provision for agents' leaving indemnity for € 7 million (no changes were recorded during the interim period);
- intersectorial solidarity fund for € 11 million (€ 2 million was set aside and € 1 million was utilised during the reporting period);
- claims division funds for € 3 million.

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 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 June 30th, 2018 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).
At the time of half-year valuation, the test is carried out by means of analysis by components, which envisages specific adequacy checks on the provision for future expenses, the additional provision for guaranteed rate and interest risk and the additional provision for population risk.

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 Article 8 of attachment 15 of the ISVAP regulation No. 22 dated April 4th, 2008, amended by means of IVASS Provision No. 53 dated December 6th, 2016. Since the claims for the period 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 June 30th, 2018 are adequate and therefore no supplementary provision is required.

Table 47 - Analysis of technical provisions

(€ millions)	Total value for the period June 30th, 2018	December 31st, 2017
Non-life provisions	**3,744**	**3,605**
Premium provision	890	750
Provision for outstanding claims	2,852	2,853
Other provisions	2	2
of which provisions provided following the assessment of fairness of the liabilities	*0*	*0*
Life provisions	**25,547**	**17,009**
Provision for outstanding claims	539	250
Mathematical provisions	20,519	14,197
Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds	3,888	1,782
Other provisions	601	780
of which provisions provided following the assessment of fairness of the liabilities	*0*	*0*
of which deferred liabilities due from policyholders	*495*	*700*
Total technical provisions	**29,291**	**20,614**

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.

LIFE BUSINESS

Mathematical provisions

The mathematical provisions include those envisaged by attachment 14 of the ISVAP Regulation No. 22 dated April 4th, 2008, amended by the IVASS Provision 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 € 101 million and the positive shadow accounting provision totalling € 495 million.

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 72% 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 € 1,327 million (€ 572 million last year) and the technical provisions relating to pension funds amount to € 620 million (€ 830 million last year).

4.2 Other financial liabilities

The item represents 28% of total financial liabilities.

It includes the financial liabilities defined and disciplined by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss", that is, subordinated liabilities for € 692 million, deposits received from re-insurers which totalled € 40 million and loans for € 39 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 € 103 million maturing in December 2043, issued in 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. 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;
- subordinated loan for € 509 million maturing in December 2047, issued in 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;
- loan of € 5 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 € 4 million taken out with Banca Popolare di Sondrio in June 2018 and pertaining to Cattolica Services. The loan matures in December 2018;
- loan of € 2 million taken out with Banca di Verona in June 2018 and pertaining to Cattolica Services. The loan matures in June 2020;
- loan of € 2 million taken out with Banca di Verona in June 2018 and pertaining to Cattolica Services. The loan matures in June 2019;
- loan of € 7 million taken out with UBI in June 2018 and pertaining to Cattolica Services. The loan matures in June 2019;

- mortgage loan of € 2 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 € 64 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;
- a mortgage loan of € 1 million taken out with Cariparma in October 2003 and pertaining to Fondo Innovazione Salute. The loan is repayable in quarterly instalments and matures in October 2023;
- a mortgage loan of € 8 million taken out with UBI in March 2017 and pertaining to Fondo Innovazione Salute. The loan is repayable in quarterly instalments and matures in March 2032;
- a lease of € 4 million taken out with Leasing Sardaleasing in December 2010 and pertaining to Fondo Innovazione Salute. The lease matures in December 2028;
- debt balance of € 5 million on the current account open care of Banca Popolare di Sondrio for the credit facility granted to Cattolica;

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 48 - Analysis of financial liabilities

	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	
(€ millions)	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017	June 30th, 2018	December 31st, 2017
Participative financial instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	692	678	692	678
Liabilities from investment contracts issued by insurance companies deriving	0	0	1,947	1,402	0	0	1,947	1,402
from contracts where the investment risk is borne by the policyholders	*0*	*0*	*1,327*	*572*	*0*	*0*	*1,327*	*572*
from the management of pension funds	*0*	*0*	*620*	*830*	*0*	*0*	*620*	*830*
from other policies	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Deposits received from re-insurers	0	0	0	0	40	47	40	47
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	39	46	39	46
Total	**0**	**0**	**1,947**	**1,402**	**771**	**771**	**2,718**	**2,173**

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 49 - Payables

			Changes	
(€ millions)	June 30th, 2018	December 31st, 2017	Amount	%
Payables deriving from direct insurance transactions	**87**	**76**	**11**	**14.5**
Insurance brokers	38	35	3	8.6
Insurance companies - current accounts	5	3	2	66.7
Policyholders for guarantee deposits and premiums	43	38	5	13.2
Guarantee funds in favour of policyholders	1	0	1	n.a.
Payables deriving from reinsurance transactions	**55**	**21**	**34**	**n.s.**
Insurance and reinsurance companies	55	21	34	n.s.
Insurance brokers	0	0	0	n.a.
Other payables	**251**	**204**	**47**	**23.0**
For taxes payable by policyholders	38	35	3	8.6
Amounts due to social security and welfare institutions	6	5	1	20.0
Sundry payables	207	164	43	26.2
Total	**393**	**301**	**92**	**30.6**

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 and amounts due to policyholders for guarantee deposits and premiums.

In detail, amounts due to insurance brokers take into account the supplementary period-end registrations pertaining to the assessment of the production premiums and the timing mismatch registered in the settlement of the commission 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 insured parties, 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.

The employee benefits as per IAS 19 revised include the employee severance indemnity for € 14 million, seniority bonuses for € 8 million and health bonuses for retired staff for € 5 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.

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 1.50%, 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.

In accordance with revised IAS 19, 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 50 - 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 +1%	Inflation rate -1%	Mortality table increase of 10%	Mortality table decrease of 10%	Resignation frequency increase of 10%	Resignation frequency decrease of 10%
Discount rate	1.50%	2.00%	1.00%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Retirement age	67	67	67	69	65	67	67	67	67	67	67
Residual duration of the liability	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5	12.5
Inflation rate	1.50%	1.50%	1.50%	1.50%	1.50%	2.00%	1.00%	1.50%	1.50%	1.50%	1.50%
Salary increase rate	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Severance indemnity revaluation rate	2.60%	2.60%	2.60%	2.60%	2.60%	3.00%	2.30%	2.60%	2.60%	2.60%	2.60%
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	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.20%	1.80%

The results of the sensitivity test on the value of the leaving indemnity DBO, Premiums and Health Requirement as of June 30th, 2018 are shown in the table below.

Table 51 - Sensitivity test results

(€ millions)	Value of the obligation for defined benefits as of June 30th, 2018	Sensitivity %
Central hypotheses	27.37	
Hypothesis 1	26.06	-4.80%
Hypothesis 2	28.79	4.30%
Hypothesis 3	27.43	0.20%
Hypothesis 4	27.31	-0.20%
Hypothesis 5	28.13	2.80%
Hypothesis 6	25.85	-5.60%
Hypothesis 7	26.99	-1.40%
Hypothesis 8	27.47	0.40%
Hypothesis 9	26.44	-3.40%
Hypothesis 10	27.84	1.70%

Table 52 - Employee severance indemnity, length-of-service bonus and premiums on health contracts

(€ millions)	Employee benefits as per IAS 19R
Balance as of December 31st, 2017	**28**
Interest cost	0
Service cost	0
Change in the demographic actuarial component	0
Change in the rate actuarial component	0
Disbursements and transfers	-1
Other changes	0
Balance as of June 30th, 2018	**27**

6. OTHER LIABILITY ITEMS

Table 53 - Other liability items

			Changes	
(€ millions)	June 30th, 2018	December 31st, 2017	Amount	%
Deferred tax liabilities	316	361	-45	-12.5
Current tax liabilities	120	134	-14	-10.4
Other liabilities	130	144	-14	-9.7
Total	**566**	**639**	**-73**	**-11.4**

6.2 Deferred tax liabilities

This item comprises the deferred tax liabilities defined and disciplined by IAS 12.

As of June 30th, 2018, “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 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, liabilities resulting from taxation on premiums as provided for by Italian Law No. 1216 of October 29th, 1961, and the liabilities for VAT to be paid.

6.4 Other liabilities

The item mainly comprises the deferred fee income associated with contracts not falling with the scope of IFRS 4, accrued expenses and deferred income and sundry liabilities.

Table 54 - Other liabilities

(€ millions)	June 30th, 2018	December 31st, 2017	Changes Amount	%
Deferred income revenue (DIR)	14	0	14	n.a.
Transitory reinsurance accounts - payable	3	0	3	n.a.
Liaison account	44	91	-47	-51.6
Other liabilities	62	44	18	40.9
Accrued expenses and deferred income	7	9	-2	-22.2
of which for interest	*4*	*5*	*-1*	*-20.0*
Total	**130**	**144**	**-14**	**-9.7**

n.a. = non-applicable

Other liabilities include the liaison account between the life and non-life businesses recognised by the Parent Company and amounting to € 44 million. The amount is recorded for an equal balance under Other assets.

The balances for premiums collected on policies being issued as of June 30th are also included, for € 14 million along with commission on premiums being collected for € 28 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 € 63 million (€ 8 million as of June 30th, 2017). The Group's net profit was € 51 million (€ 1 million as of June 30th, 2017).

INSURANCE BUSINESS

With reference to insurance business, in addition to the matters illustrated below, reference should be made to the table in the interim management report "Reclassified consolidated income statement by segment of activities". The table below shows the breakdown of the gross premiums written relating to direct and indirect business.

Table 55 - Breakdown of direct and indirect gross premiums written

Classes	**Direct business**	**Indirect business**			**%**
(€ millions)	**Italy**	**Italy**	**Abroad**	**Total business**	**of total**
Accident and injury	100.4	0	0.1	100.5	3.4
Health	41.7	0	0	41.7	1.4
Land vehicle hulls	72.0	0	0	72.0	2.5
Goods in transit	3.8	0	0.1	3.9	0.1
Fire & natural forces	73.7	0	4.5	78.2	2.6
Other damage to assets	124.9	0	0.1	125.0	4.2
TPL - Land motor vehicles	494.6	0	0.2	494.8	16.7
TPL - General	96.5	0.2	0	96.7	3.3
Credit	0.2	0	0	0.2	n.s.
Suretyship	9.8	0	0	9.8	0.3
Sundry financial losses	7.8	0	0	7.8	0.3
Legal protection	8.9	0	0	8.9	0.3
Assistance	21.4	0	0	21.4	0.7
Other classes (1)	2.5	0	0	2.5	0.1
Total non-life business	**1,058.2**	**0.2**	**5.0**	**1,063.4**	**35.9**
Class I	1,247.5	0	0	1,247.5	42.2
Class III	365.7	0	0	365.7	12.5
Class IV	0.9	0	0	0.9	n.s.
Class V	171.7	0	0	171.7	5.8
Class VI	5.6	0	0	5.6	0.2
Total life business	**1,791.4**	**0**	**0**	**1,791.4**	**60.7**
Total insurance premiums	**2,849.6**	**0.2**	**5.0**	**2,854.8**	**96.6**
Class III	55.6	0	0	55.6	1.9
Class VI	44.5	0	0	44.5	1.5
Total investment contracts	**100.1**	**0**	**0**	**100.1**	**3.4**
TOTAL PREMIUMS WRITTEN	**2,949.7**	**0.2**	**5.0**	**2,954.9**	**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 56 - Insurance business

	June 30th, 2018			June 30th, 2017		
(€ millions)	Gross balance	Reinsurance amount	Net balance	Gross balance	Reinsurance amount	Net balance
Non-life business						
NET PREMIUMS	**1,027**	**-125**	**902**	**988**	**-115**	**873**
a Premiums written	1,063	-136	927	1,011	-131	880
b Change in premium provision	-36	11	-25	-23	16	-7
NET CHARGES RELATING TO CLAIMS	**-638**	**72**	**-566**	**-642**	**62**	**-580**
a Claims paid	-693	71	-622	-661	62	-599
b Change in provision for outstanding claims	41	1	42	5	0	5
c Change in recoveries	14	0	14	14	0	14
d Change in other technical provisions	0	0	0	0	0	0
Life business						
NET PREMIUMS	**1,791**	**-12**	**1,779**	**1,466**	**-13**	**1,453**
NET CHARGES RELATING TO CLAIMS	**-1,837**	**9**	**-1,828**	**-1,563**	**5**	**-1,558**
a Claims paid	-1,650	9	-1,641	-776	9	-767
b Change in provision for outstanding claims	-227	0	-227	-57	-1	-58
c Change in mathematical provisions	-41	0	-41	-585	-3	-588
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	73	0	73	-163	0	-163
e Change in other technical provisions	8	0	8	18	0	18

Table 57 - Analysis of insurance operating expenses

	Non-life business		Life business	
(€ millions)	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017
Commissions and other acquisition costs, net of commissions and profit-sharing received from re-insurers	-187	-168	-50	-40
Acquisition commissions	*-171*	*-158*	*-33*	*-26*
Other acquisition expenses	*-43*	*-33*	*-13*	*-11*
Change in deferred acquisition costs	*0*	*0*	*-2*	*0*
Collection commissions	*-5*	*-10*	*-5*	*-5*
Commissions and profit-sharing received from re-insurers	*32*	*33*	*3*	*2*
Operating expenses relating to investments	-5	-3	-14	-10
Other administrative expenses	-67	-57	-33	-15
Total	**-259**	**-228**	**-97**	**-65**

In addition to the matters observed in the above table, operating expenses relating to investments, recorded during the period, comprise general expenses and expenses for employees relating to the management of investment property and investments. In the life business, 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 first half.

Table 58 - Financial operations

(€ millions)	June 30th, 2018	June 30th, 2017	Changes Amount	%
Net income from financial instruments at fair value through profit or loss	**-8**	**16**	**-24**	**n.s.**
Income from investments in subsidiaries, associated companies and joint ventures	2	2	0	0
Charges from investments in subsidiaries, associated companies and joint ventures	0	-1	1	100.0
Result deriving from equity investments in subsidiaries, associated companies and joint ventures	**2**	**1**	**1**	**100.0**
Income from other financial instruments and investment property	362	331	31	9.4
Charges from other financial instruments and investment property	-88	-81	-7	-8.6
Result deriving from other financial instruments and investment property	**274**	**250**	**24**	**9.6**

n.s. = not significant

Table 59 - Financial and investment income and charges (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ millions)	Interest	Other income	Other charges	Realised gains	Realised losses	Total income and charges realised
Result of investments	**236**	**58**	**-11**	**87**	**-24**	**346**
a Deriving from investment property	0	23	-1	0	0	22
b Deriving from investments in subsidiaries, associated companies and joint ventures	0	2	0	0	0	2
c Deriving from held to maturity investments	6	0	0	0	0	6
d Deriving from loans and receivables	18	0	0	0	0	18
e Deriving from available for sale financial assets	205	26	0	38	-14	255
f Deriving from financial assets held for trading	0	0	0	1	-1	0
g Deriving from financial assets at fair value through profit or loss	7	7	-10	48	-9	43
Result of sundry receivables	**1**	**0**	**0**	**0**	**0**	**1**
Result of cash and cash equivalents	**0**	**0**	**0**	**0**	**0**	**0**
Result of financial liabilities	**-16**	**0**	**0**	**0**	**0**	**-16**
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	-16	0	0	0	0	-16
Result of payables	**0**	**0**	**0**	**0**	**0**	**0**
Total	**221**	**58**	**-11**	**87**	**-24**	**331**

Valuation gains		Valuation losses				
Valuation capital gains	Value write-back	Valuation capital losses	Writedown	Total unrealised income and charges	Total income and charges - June 30th, 2018	Total income and charges - June 30th, 2017
35	**0**	**-107**	**-6**	**-78**	**268**	**285**
0	0	-6	0	-6	16	12
0	0	0	0	0	2	1
0	0	0	0	0	6	6
0	0	0	0	0	18	22
0	0	0	-6	-6	249	215
2	0	-2	0	0	0	1
33	0	-99	0	-66	-23	28
0	**0**	**0**	**0**	**0**	**1**	**0**
0	**0**	**0**	**0**	**0**	**0**	**0**
0	**0**	**15**	**0**	**15**	**-1**	**-18**
0	0	0	0	0	0	0
0	0	15	0	15	15	-13
0	0	0	0	0	-16	-5
0	**0**	**0**	**0**	**0**	**0**	**0**
35	**0**	**-92**	**-6**	**-63**	**268**	**267**

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 investment contracts (DAC) recorded during the period.

OTHER REVENUES AND OTHER COSTS

Other revenues
The item amounts to € 43 million, of which € 27 million in other net technical income associated with insurance contracts.
Other revenues amount to € 16 million, of which € 5 million relating to recoveries from provisions for risks and charges and € 4 million relating to withdrawals from the writedown allowance.

Other costs
The item, which amounts to € 130 million, comprises other net technical charges associated with insurance contracts for € 64 million and other charges for € 66 million, mainly represented by amortisation on intangible assets for € 34 million, provisions for risks and charges for € 10 million and loan adjustments totalling € 5 million.

INCOME TAXES

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 the international accounting standards (IAS 12) and tax legislation.

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income of the reporting period showed a loss of € 35 million, of which a € 40 million pertaining to the Group and € 5 million in profit pertaining to minority interests.
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 60 - 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		Income taxes		Balance	
(€ millions)	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017	June 30th, 2018	December 31st, 2017
Other income components net of income taxes without reclassification in the income statement	**0**	**1**			**0**	**0**	**0**	**1**	**0**	**0**	**-1**	**-1**
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		1			0	0	0	1	0	0	-1	-1
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	**-78**	**1**	**-20**	**-5**	**0**	**0**	**-98**	**-4**	**-44**	**-2**	**-9**	**89**
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	-78	-3	-20	-5	0	0	-98	-8	-44	-4	-11	87
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		4	0	0	0	0	0	4	0	2	2	2
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	**-78**	**2**	**-20**	**-5**	**0**	**0**	**-98**	**-3**	**-44**	**-2**	**-10**	**88**

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 61 - Income statement by sector of activities (ISVAP Regulation No. 7 dated July 13th, 2007)

	Non-life business		Life Business		Other		Eliminations between sectors		Total	
(€ millions)	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017
1.1 Net premiums	903	874	1,780	1,454	0	0	-2	-2	*2,681*	2,326
1.1.1 Gross premiums written	*1,042*	*1,006*	*1,792*	*1,467*	*0*	*0*	*-16*	*-19*	*2,818*	*2,454*
1.1.2 Ceded premiums	*-139*	*-132*	*-12*	*-13*	*0*	*0*	*14*	*17*	*-137*	*-128*
1.2 Commissions income	0	0	3	3	0	0	0	0	3	3
1.3 Income and charges from financial instruments at fair value through profit or loss	-1	0	-7	16	0	0	0	0	-8	16
1.4 Income from investments in subsidiaries, associated companies and joint ventures	81	24	17	8	0	0	-96	-30	2	2
1.5 Income from other financial instruments and investment property	73	72	306	270	1	1	-18	-12	362	331
1.6 Other revenues	88	100	45	34	4	3	-94	-82	43	55
1 TOTAL REVENUES AND INCOME	**1,144**	**1,070**	**2,144**	**1,785**	**5**	**4**	**-210**	**-126**	**3,083**	**2,733**
2.1 Net charges relating to claims	-587	-601	-1,830	-1,560	0	0	23	23	-2,394	-2,138
2.1.1 Amounts paid and change in technical provisions	*-665*	*-670*	*-1,839*	*-1,565*	*0*	*0*	*29*	*30*	*-2,475*	*-2,205*
2.1.2 Reinsurance amount	*78*	*69*	*9*	*5*	*0*	*0*	*-6*	*-7*	*81*	*67*
2.2 Commissions expense	0	0	-2	-1	0	0	0	0	-2	-1
2.3 Charges from investments in subsidiaries, associated companies and joint ventures	-43	0	-13	0	0	0	56	-1	0	-1
2.4 Charges from other financial instruments and investment property	-23	-22	-64	-57	-1	-2	0	0	-88	-81
2.5 Operating expenses	-300	-261	-117	-82	-2	-3	62	51	-357	-295
2.6 Other costs	-73	-84	-51	-48	-4	-6	-2	-35	-130	-173
2 TOTAL COSTS AND CHARGES	**-1,026**	**-968**	**-2,077**	**-1,748**	**-7**	**-11**	**139**	**38**	**-2,971**	**-2,689**
PROFIT (LOSS) FOR THE PERIOD BEFORE INCOME TAXES	**118**	**102**	**67**	**37**	**-2**	**-7**	**-71**	**-88**	**112**	**44**

Table 62 - Analysis of technical insurance items (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ millions)		June 30th, 2018	June 30th, 2017
Non-life business			
NET PREMIUMS		**903**	**874**
a	Premiums written	929	881
b	Change in premium provision	-26	-7
NET CHARGES RELATING TO CLAIMS		**-587**	**-601**
a	Claims paid	-643	-620
b	Change in provision for outstanding claims	42	5
c	Change in recoveries	14	14
d	Change in other technical provisions	0	0
Life business			
NET PREMIUMS		**1,780**	**1,454**
NET CHARGES RELATING TO CLAIMS		**-1,830**	**-1,560**
a	Claims paid	-1,643	-769
b	Change in provision for outstanding claims	-227	-58
c	Change in mathematical provisions	-41	-588
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	73	-163
e	Change in other technical provisions	8	18

Table 63 - Analysis of insurance operating expenses (ISVAP Regulation No. 7 dated July 13th, 2007)

	Non-life business		Life business	
(€ millions)	June 30th, 2018	June 30th, 2017	June 30th, 2018	June 30th, 2017
Gross commissions and other acquisition costs, net of commissions and profit-sharing received from re-insurers	-195	-173	-55	-45
Operating expenses relating to investments	-6	-4	-19	-13
Other administrative expenses	-99	-84	-43	-24
Total	**-300**	**-261**	**-117**	**-82**

NOTES TO THE ACCOUNTS

Part D - Other information

Part D
Other information

Group headcount

Group employees calculated as per FTE amounted to 1,611, of which 34 belong to the four companies acquired from Banco BPM and 41 come from the transformation of staff leasing contracts into permanent employment contracts (1,517 as of December 31st, 2017).

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 Interim 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 Interim 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 Interim Management Report.

Transactions with related parties

As already disclosed in the Interim Management Report, pursuant to CONSOB Regulation No. 17221 dated March 12th, 2010, and subsequent amendments and supplements, as from January 1st, 2011 the “Procedure for the management of transactions with related parties” approved by the Board of Directors with last update by means of resolution dated December 20th, 2016, applies to the situations envisaged by the regulations.

Note that Cattolica Group has entered into several extraordinary transactions with related parties, not atypical and/or unusual, aimed at rationalising and reorganising the corporate structure of the same, or growth by external lines. These transactions, some of which directly involved the Parent Company, are illustrated in another section of the Interim Management Report.

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.

The table below shows the equity transactions and relationships resulting from the aforementioned related party transactions as of June 30th, 2018.

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”.

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 64 - Transactions with related parties

Statement of financial position transactions (€ millions)	**Joint Ventures, associated companies and their subsidiaries**	**Other related parties**	**Total June 30th, 2018**
Assets			
Equity investments	91	0	91
Loans granted	0	0	0
Subordinated bonds	0	0	0
Unsubordinated bonds	0	0	0
Provisions	0	1	1
Derivatives	0	0	0
Other receivables	0	0	0
Current account transactions	0	0	0
Total	**91**	**1**	**92**
Liabilities			
Loans received	0	0	0
Other payables	0	0	0
Total	**0**	**0**	**0**

Economic transactions and relationships (€ millions)	**Joint Ventures, associated companies and their subsidiaries**	**Other related parties**	**Total June 30th, 2018**
Revenues and income			
Premiums	0	0	0
Financial income	0	0	0
Capital gains for financial disposals	0	0	0
Other revenues	0	0	0
Total	**0**	**0**	**0**
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	5	5
Total	**0**	**5**	**5**

NOTES TO THE ACCOUNTS

Part E - Acquisitions

Part E
Acquisitions

SUPPLEMENTARY INFORMATION ON BUSINESS COMBINATIONS

This section of the Notes to the Accounts includes the information required by IFRS 3 in relation to the most significant acquisitions carried out during the period.

Business combinations

In compliance with IFRS 3, business combinations are recorded using the purchase method, which requires the recording of the assets acquired and liabilities and potential liabilities assumed, including those not recorded prior to the acquisition.

The date of acquisition is the date in which control is effectively acquired, as defined by IFRS 10, and the cost of the business combination is determined as the total sum of the fair value, at the date of transfer, of the assets acquired, liabilities incurred or assumed in exchange for control.

In general, it is noted that:

- all assets and liabilities, including potential liabilities, are recorded at fair value at the moment of acquisition of control;
- the excess between the price paid and the total net assets, net of the value of the insurance portfolio recorded as intangible assets and any additional intangible assets, is recognised as goodwill and systematically subjected to impairment tests;
- net assets acquired are definitively valued within one year from the date of acquisition;
- all revenues and costs of the purchases, subsequent to acquisition of control, are recorded on the basis of the fair value of the assets and liabilities at the acquisition date.

Having obtained the necessary authorisations and completed the procedures required by governing regulations, on March 29th, Cattolica completed the acquisition of 65% of the companies Popolare Vita and Avipop Assicurazioni from Banco BPM. Following rebranding activities after the purchase, Vera Vita with its subsidiary Vera Financial and Vera Assicurazioni with its subsidiary Vera Protezione were formed. In compliance with the contractual provisions, the price paid was about € 819 million, which is the Purchase Price Allocation price pursuant to IFRS 3.

As of June 30th, 2018, the process for identifying and valuing the fair values of the identifiable assets acquired and liabilities assumed, as well as the goodwill (purchase price allocation), is not yet concluded. The values emerging from the purchase price allocation are in fact liable to adjustments within twelve months of the acquisition date, in accordance with IFRS 3.

Table 65 - Statement of financial position as of the acquisition date

STATEMENT OF FINANCIAL POSITION - ASSETS

(€ millions)

		March 31st, 2018			
		VERA ASSICURAZIONI	VERA PROTEZIONE	VERA VITA	VERA FINANCIAL
1	**INTANGIBLE ASSETS**	**0**	**0**	**0**	**0**
1.1	Goodwill	0	0	0	0
1.2	Other intangible assets	0	0	0	0
2	**TANGIBLE ASSETS**	**0**	**0**	**0**	**0**
2.1	Property	0	0	0	0
2.2	Other tangible assets	0	0	0	0
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**34**	**52**	**0**	**0**
4	**INVESTMENT**	**182**	**299**	**8,331**	**1,411**
4.1	Investment Property	0	0	0	0
4.2	Investments in subsidiaries, associated companies and joint ventures	50	0	63	0
4.3	Held to maturity investments	0	0	0	0
4.4	Loans and receivables	0	0	171	0
4.5	Available for sale financial assets	132	299	6,407	64
4.6	Financial assets at fair value through profit or loss	0	0	1,690	1,347
5	**SUNDRY RECEIVABLES**	**15**	**5**	**95**	**21**
5.1	Receivables deriving from direct insurance transactions	6	4	0	0
5.2	Receivables deriving from reinsurance transactions	6	1	0	0
5.3	Other receivables	3	0	95	21
6	**OTHER ASSET ITEMS**	**1**	**6**	**48**	**9**
6.1	Non-current assets or disposal group held for sale	0	0	0	0
6.2	Deferred acquisition costs	0	5	12	9
6.3	Deferred tax assets	1	0	5	0
6.4	Current tax assets	0	0	18	0
6.5	Other assets	0	1	13	0
7	**CASH AND CASH EQUIVALENTS**	**25**	**22**	**51**	**29**
	TOTAL ASSETS	**257**	**384**	**8,525**	**1,470**

STATEMENT OF FINANCIAL POSITION - SHAREHOLDERS’ EQUITY AND LIABILITIES

(€ millions)

		March 31st, 2018			
		of which VERA ASSICURAZIONI	of which VERA PROTEZIONE	of which VERA VITA	of which VERA FINANCIAL
1	**SHAREHOLDERS’ EQUITY**	**104**	**78**	**350**	**73**
1.1	Share capital	64	48	220	1
1.2	Other equity instruments	0	0	0	0
1.3	Capital reserves	0	0	0	0
1.4	Revenue reserves and other equity reserves	40	30	130	72
1.5	(Own shares)	0	0	0	0
1.6	Reserve for net exchange differences	0	0	0	0
1.7	Gains or losses on available for sale financial assets	0	0	0	0
1.8	Other gains or losses recognised directly in equity	0	0	0	0
1.9	Profit (loss) for the period	0	0	0	0
2	**PROVISIONS AND ALLOWANCES**	**0**	**1**	**1**	**0**
3	**TECHNICAL PROVISIONS**	**143**	**292**	**7,620**	**1,012**
4	**FINANCIAL LIABILITIES**	**0**	**0**	**501**	**361**
4.1	Financial liabilities at fair value through profit or loss	0	0	501	361
4.2	Other financial liabilities	0	0	0	0
5	**PAYABLES**	**7**	**1**	**6**	**16**
5.1	Payables deriving from direct insurance transactions	1	0	4	1
5.2	Payables deriving from reinsurance transactions	0	0	0	0
5.3	Other payables	6	1	2	15
6	**OTHER LIABILITY ITEMS**	**3**	**12**	**47**	**8**
6.1	Liabilities of disposal group held for sale	0	0	0	0
6.2	Deferred tax liabilities	0	3	3	0
6.3	Current tax liabilities	0	5	24	0
6.4	Other liabilities	3	4	20	8
	TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES	**257**	**384**	**8,525**	**1,470**

Table 66 - Statement of financial position as of June 30th, 2018

STATEMENT OF FINANCIAL POSITION - ASSETS

(€ millions)

		June 30th, 2018				
		CONSOLIDATED TOTAL	of which VERA ASSICURAZIONI	of which VERA PROTEZIONE	of which VERA VITA	of which VERA FINANCIAL
1	**INTANGIBLE ASSETS**	**850**	**0**	**0**	**0**	**0**
1.1	Goodwill	532	0	0	0	0
1.2	Other intangible assets	318	0	0	0	0
2	**TANGIBLE ASSETS**	**190**	**0**	**0**	**0**	**0**
2.1	Property	169	0	0	0	0
2.2	Other tangible assets	21	0	0	0	0
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**738**	**32**	**49**	**0**	**0**
4	**INVESTMENT**	**31,445**	**187**	**291**	**7,855**	**1,197**
4.1	Investment Property	595	0	0	0	0
4.2	Investments in subsidiaries, associated companies and joint ventures	91	50	0	73	0
4.3	Held to maturity investments	241	0	0	0	0
4.4	Loans and receivables	878	0	0	168	0
4.5	Available for sale financial assets	23,592	137	291	6,043	59
4.6	Financial assets at fair value through profit or loss	6,048	0	0	1,571	1,138
5	**SUNDRY RECEIVABLES**	**572**	**11**	**3**	**0**	**16**
5.1	Receivables deriving from direct insurance transactions	350	2	2	0	0
5.2	Receivables deriving from reinsurance transactions	73	8	1	0	0
5.3	Other receivables	149	1	0	0	16
6	**OTHER ASSET ITEMS**	**1,037**	**5**	**11**	**160**	**8**
6.1	Non-current assets or disposal group held for sale	0	0	0	0	0
6.2	Deferred acquisition costs	29	0	4	5	8
6.3	Deferred tax assets	339	2	2	6	0
6.4	Current tax assets	327	3	4	12	0
6.5	Other assets	342	0	1	137	0
7	**CASH AND CASH EQUIVALENTS**	**392**	**12**	**7**	**91**	**88**
	TOTAL ASSETS	**35,224**	**247**	**361**	**8,106**	**1,309**

STATEMENT OF FINANCIAL POSITION - SHAREHOLDERS' EQUITY AND LIABILITIES

(€ millions)

		June 30th, 2018				
		CONSOLIDATED TOTAL	of which VERA ASSICURAZIONI	of which VERA PROTEZIONE	of which VERA VITA	of which VERA FINANCIAL
1	**SHAREHOLDERS' EQUITY**	**2,197**	**90**	**56**	**292**	**71**
1.1.1	Share capital	523	64	48	220	1
1.1.2	Other equity instruments	0	0	0	0	0
1.1.3	Capital reserves	739	0	0	0	0
1.1.4	Revenue reserves and other equity reserves	493	9	9	69	72
1.1.5	(Own shares)	-50	0	0	0	0
1.1.6	Reserve for net exchange differences	0	0	0	0	0
1.1.7	Gains or losses on available for sale financial assets	-12	-2	-6	-3	-1
1.1.8	Other gains or losses recognised directly in equity	1	0	0	0	0
1.1.9	Profit (loss) for the period	51	19	5	6	-1
2	**PROVISIONS AND ALLOWANCES**	**59**	**0**	**1**	**1**	**0**
3	**TECHNICAL PROVISIONS**	**29,290**	**148**	**298**	**7,266**	**893**
4	**FINANCIAL LIABILITIES**	**2,718**	**0**	**0**	**484**	**328**
4.1	Financial liabilities at fair value through profit or loss	1,947	0	0	484	328
4.2	Other financial liabilities	771	0	0	0	0
5	**PAYABLES**	**393**	**5**	**0**	**43**	**10**
5.1	Payables deriving from direct insurance transactions	87	0	0	5	2
5.2	Payables deriving from reinsurance transactions	55	1	0	0	0
5.3	Other payables	251	4	0	38	8
6	**OTHER LIABILITY ITEMS**	**566**	**4**	**6**	**20**	**7**
6.1	Liabilities of disposal group held for sale	0	0	0	0	0
6.2	Deferred tax liabilities	316	0	1	4	0
6.3	Current tax liabilities	120	0	0	2	0
6.4	Other liabilities	130	4	5	14	7
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**35,223**	**247**	**361**	**8,106**	**1,309**

Table 67 - Income statement as of June 30th, 2018

INCOME STATEMENT
(€ millions)

		June 30th, 2018				
		CONSOLIDATED TOTAL	of which VERA ASSICURAZIONI	of which VERA PROTEZIONE	of which VERA VITA	of which VERA FINANCIAL
1.1	Net premiums	2.681	20	29	118	38
1.1.1	*Gross premiums written*	*2.818*	*22*	*29*	*118*	*38*
1.1.2	*Ceded premiums*	*-137*	*-2*	*0*	*0*	*0*
1.2	Commissions income	3	0	0	1	0
1.3	Income and charges from financial instruments at fair value through profit or loss	-8	0	0	9	-3
1.4	Income from investments in subsidiaries, associated companies and joint ventures	2	20	0	0	0
1.5	Income from other financial instruments and investment property	362	0	1	39	0
1.5.1	*Interest income*	*275*	*0*	*1*	*39*	*0*
1.5.2	*Other income*	*49*	*0*	*0*	*0*	*0*
1.5.3	*Realised gains*	*38*	*0*	*0*	*0*	*0*
1.5.4	*Valuation gains*	*0*	*0*	*0*	*0*	*0*
1.6	Other revenues	43	0	0	5	1
1	**TOTAL REVENUES AND INCOME**	**3.083**	**40**	**30**	**172**	**36**
2.1	Net charges relating to claims	-2.394	-6	-12	-115	-31
2.1.1	*Amounts paid and change in technical provisions*	*-2.475*	*-6*	*-6*	*-115*	*-31*
2.1.2	*Reinsurance amount*	*81*	*0*	*-6*	*0*	*0*
2.2	Commissions expense	-2	0	0	-1	0
2.3	Charges from investments in subsidiaries, associated companies and joint ventures	0	0	0	0	0
2.4	Charges from other financial instruments and investment property	-88	0	-1	-30	0
2.4.1	*Interest expense*	*-61*	*0*	*-1*	*-30*	*0*
2.4.2	*Other charges*	*-1*	*0*	*0*	*0*	*0*
2.4.3	*Realised losses*	*-14*	*0*	*0*	*0*	*0*
2.4.4	*Valuation losses*	*-12*	*0*	*0*	*0*	*0*
2.5	Operating expenses	-357	-13	-7	-13	-6
2.5.1	*Commission and other acquisition costs*	*-237*	*-12*	*-7*	*-3*	*-2*
2.5.2	*Operating expenses relating to investments*	*-20*	*0*	*0*	*-2*	*0*
2.5.3	*Other administrative expenses*	*-100*	*-1*	*0*	*-8*	*-4*
2.6	Other costs	-130	-1	-3	-3	0
2	**TOTAL COSTS AND CHARGES**	**-2.971**	**-20**	**-23**	**-162**	**-37**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION	**112**	**20**	**7**	**10**	**-1**
3	Taxation	-49	-1	-2	-4	0
	PROFIT (LOSS) FOR THE PERIOD NET OF TAXATION	**63**	**19**	**5**	**6**	**-1**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**0**	0	0	0	0
	PROFIT (LOSS)	**63**	**19**	**5**	**6**	**-1**

The undersigned declare that this statement is 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*, paragraph 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, also 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 in relation to the characteristics of the business and

- the effective application

of the administrative and accounting procedures in place for preparing the consolidated interim report as of June 30th, 2018.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated interim report as of June 30th, 2018, 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 interim report as of June 30th, 2018:

a) is prepared in accordance with applicable international accounting standards recognized by the European Community in pursuance of EC Regulation No. 1606/2002 of the European Parliament and 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 all the companies included in the scope of consolidation.

3.2 the management report includes a reliable analysis of the performance and 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 situation for the remaining six months of the financial year. The management report also includes a reliable analysis of the disclosure on significant related party transactions.

Verona, Italy, August 2nd, 2018

Alberto Minali

Managing Director

Enrico Mattioli

Manager in charge of preparing

the Company's financial reports

INDEPENDENT AUDITORS' REPORT

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
SOCIETÀ CATTOLICA DI ASSICURAZIONE - SOCIETÀ COOPERATIVA

Introduction

We have reviewed the half-yearly condensed consolidated financial statements of Società Cattolica di Assicurazione - Società Cooperativa and subsidiaries (the "Cattolica Assicurazioni Group"), which comprise the statement of financial position as of June 30, 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six month period then ended, and the related notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of the Cattolica Assicurazioni Group as at June 30, 2018 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Milan, Italy
August 9, 2018

This report has been translated into the English language solely for the convenience of international readers.

GRUPPO
CATTOLICA
ASSICURAZIONI