2018

GRUPPO CATTOLICA ASSICURAZIONI

CONSOLIDATED FINANCIAL STATEMENTS

READY FOR LIFE

Grow up, renew yourself, evolve

Living means transforming oneself and the world with new ideas and projects and acquire a higher self-awareness.

The pictorial sign follows the evolution of Cattolica Insurance and the circular form unveils the shape of the angel, symbol par excellence of the Company, which protects life in all its moments.

Life itself is change and transformation, in a circularity that is completed and enriched over time: to be "ready for life" is to seize every day the richness of existence to realize one's nature, to face the challenges of the world without fear, being able to change while remaining true to one's more authentic essence and sticking to its values.

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

GRUPPO
CATTOLICA
ASSICURAZIONI

2018 CONSOLIDATED FINANCIAL STATEMENTS

LETTER FROM THE CHAIRMAN

The Cattolica Assicurazioni Group ended 2018 with a positive result, in line with the objectives of the 2018-2020 Business Plan. In an increasingly competitive and complex scenario, from an economic and financial perspective, our Company has been able to carve out a leading role in the national insurance sector, making a series of strategic decisions from which we are beginning to reap the benefits.
Significant investments have been made in various business areas, in order to respond in an increasingly prompt and specific manner, to the demands of our customers and all stakeholders.
The transformation project in progress enables us to further develop our range of action, by expanding growth opportunities and creating well-being for the communities in which we operate.

Cattolica has been able to keep its identity intact, whilst adapting to the times of a rapidly changing economy: it has maintained its cooperative business model, reformed its governance, by adopting the one-tier model and has opened up capital to Shareholders.
It is the only European cooperative company to have chosen this management and administrative structure, always safeguarding its relationship with the reference territory, partly due to the activity of its Foundation, which is committed to supporting the initiatives in terms of solidarity, voluntary work and subsidiarity.
For Cattolica, corporate social responsibility is an original vocation, which accompanies the company's development process.

Paolo Bedoni

LETTER FROM THE MANAGING DIRECTOR

At the end of the first year of the Business Plan, the Cattolica Assicurazioni Group is a solid and profitable company, with a total funding up to almost €6 billion, an operating profit that shows strong growth of 42.2%, a confirmed technical excellence and Solvency II index equal to 1.72 times the regulatory minimum. Net profit recorded a marked increase, making it the best of the last decade, at €107 million.

These are results that make us proud and that make us look to the future with optimism, given that they demonstrate the good start of the Business Plan and, partly in light of the numerous actions undertaken during 2018, they draw up a positive path for the Group. We have worked hard to achieve these results, inspired by the founding principles of our Company and guided by a charter of values that is common to all Group employees: integrity, cohesion, courage to do and learn, results-orientation and meritocracy.

It is on these solid foundations and with the awareness of wanting to be an excellence amongst the key market players that we renew our commitment to reach the targets of the Plan: we will do so by continuing the Company's industrial and cultural transformation, with the aim of generating value in the interest of all members, shareholders and stakeholders.

Alberto Minali

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Summary index of tables

SIGNIFICANT GROUP DATA

Total premiums written

5,793.1
€ mln (+15.7%)

Operating result

292.4
€ mln (+42.2%)

Operating ROE

7.5%
(+1.3 pp)

Solvency II Ratio [1]

172%

Consolidated profit

136.6
€ mln (+80.6 mln)

Cattolica net profit

3.5
€ mln (-1.8 mln)

Proposed dividend per share

0.40
€ (+14.3%)

Total dividend proposed

69.7
€ mln (+14.3%)

Our people

1,692
(+7.2%)

687 (+8.8%)
WOMEN

1,005 (+6.1%)
MEN

Our customers [2]

3,580,000
(-0.6%)

1 Net of proposed dividend.
2 The figure on the number of customers does not include the companies of the Vera brand.

NON-LIFE SEGMENT

Gross premium written direct non-life business

2,103.9
€ mln (+4.4%)

Operating result

168.6
€ mln (+20.1%)

Combined ratio for retained business

93.4%
(-1.3 pp)

LIFE SEGMENT

Gross premium written direct life business

3,671.7
€ mln (+23.2%)

Operating result

127.3
€ mln (+86.2%)

Our distributors

1,929 (-1.9%)
AGENTS

1,444 (-3.3%)
AGENCIES

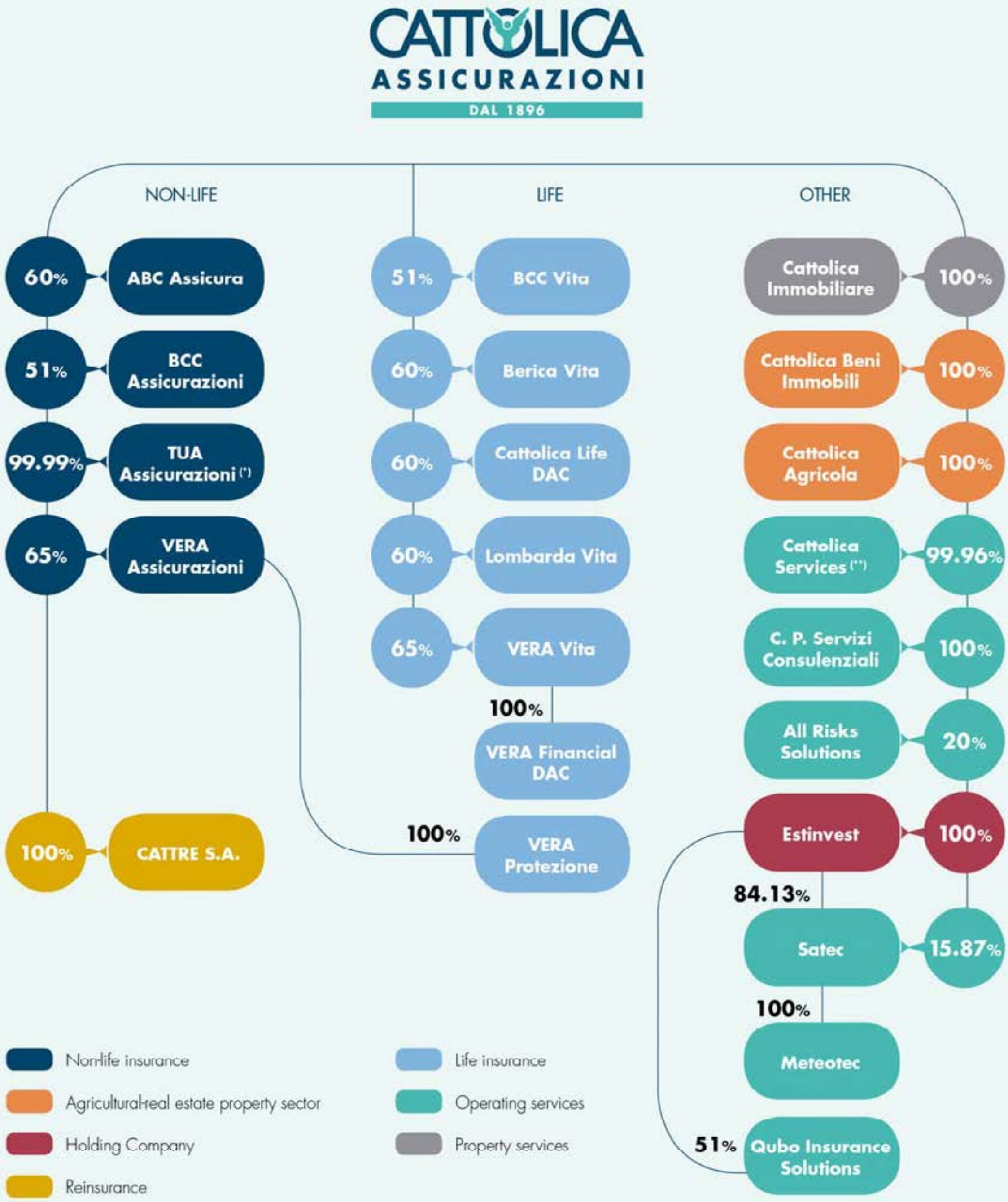
6,054 (+19.5%)
COUNTERS

13 Life/non-life insurance companies

9 Non-insurance companies

GROUP STRUCTURE

GROUP STRUCTURE



(*) TUA Assicurazioni wholly owns TUA Retail.

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

As at December 31st, 2018

2018 SIGNIFICANT EVENTS

2018 SIGNIFICANT EVENTS

JANUARY

On January 28th the Cattolica Board of Directors approved the **2018-2020 Business Plan**, which was presented the next day to the Milan Stock Exchange in a meeting with analysts and investors. The Plan sets the objective to make Cattolica a more innovative Group, flexible and reactive, ready to take on the challenges and opportunities of an increasingly competitive market, in a macro-economic context that is still challenging.

On January 28th, the Cattolica Board of Director appointed as Executive in charge of preparing the company accounting documents, the Deputy General Director and CFO, Mr. **Enrico Mattioli**.

MARCH

Starting from March 1st, Mr. **Massimo di Tria** joined the Group as Chief Investment Officer, reporting to the Managing Director.

On March 29th, the closing by Cattolica of 65% of Avipop Assicurazioni and Popolare Vita was completed and a business partnership started in the Life and Non-Life Segments, for a period of 15 years.

Following a rebranding activity, Vera Vita, with the subsidiary **Vera Financial**, and **Vera Assicurazioni**, with the subsidiary **Vera Protezione** were created.

Cattolica assumed management and coordination duties of the insurance companies.

The value paid for the purchase of 65% of the companies by the Parent Company was € 819.7 million, Please note that this value was paid in conformity with the contractual provisions, equal to € 853.4 million, of which € 89.6 million through distribution of available reserves by Popolare Vita, carried out before the closing, to the sole shareholder Banco BPM, and that the ordinary dividends of the insurance companies relative to the 2017 year (€ 89.1 million, equal to the total dividend) pertain entirely to Banco BPM, even if detached after the closing. This value was audited and adjustment between the parties with a decrease of € 1.55 million. Furthermore, the amount was further corrected for the cost component to be paid for outsourcing, migration and integration services for a total of € 4.226 million.

APRIL

On April 10th the Cattolica Board of Directors appointed Mr. **Atanasio Pantarrotas** as Investor Relations Officer.

On April 26th the Cattolica Board of Directors appointed Mr. **Valter Trevisani** as General Director, managing the General Technical, Operations and TechnicalInsurance Department for all the segments, including the pricing activities, as well as innovative projects and the management of the service operations. The assignment began on May 2nd.

On April 28th, the Ordinary and Extraordinary Members' Meeting of Cattolica Assicurazioni was held.

JUNE

On June 14th, the transfer to Credit Agricole – Carparma was completed of the participation held by the Parent Company in Cassa di Risparmio di San Miniato (CARISMI) and the conversion in runoff of the distribution agreements of Cattolica and Cattolica Life DAC existing with CARISMI. We wish to specify that CARISMI will continue to be the intermediary for the portfolio portion in run off. The economic settlement of the agreements took place on that same date.

OCTOBER

On October 3rd, having obtained the necessary authorization, Cattolica acquired for € 25.4 million, from Groupe des Assurances du Credit Mutuel S.A. 100% of CP-BK Reinsurance S.A., reinsurance company established under Luxembourg law, renamed at the same time "**CattRe S.A.**".

On October 17th the Parent Company completed the acquisition of the participations in the following companies:

- **Estinvest S.r.l.**, 100% held directly and **Satec S.r.l.**, held directly with a quota of 15.87% of the share capital and indirectly for the remaining 84.13% of the share capital through the subsidiary Estinvest S.r.l. for a total of € 7.6 million and
- **Meteotec S.r.l.**, held indirectly through Satec S.r.l. whoch owns 100% of the share capital.

NOVEMBER

On November 9th the acquisition of a 51% investment in the share capital of **Qubo Insurance Solutions S.r.l.**, insurance brokerage company based in Milan, was completed. The additional 49% of the capital is still held by the original single member, Nelson Servizi S.p.A. The investment in the share capital of Qubo was acquired by Estinvest S.r.l., following designation by Cattolica.

On November 20th, following the stipulation of a new framework agreement of cooperation with **Coldiretti**, the deed of transfer to that company of the participation held by Cattolica in the share capital of Agenzia Generale Agrifides S.r.l., equal to 51%, was completed.

DECEMBER

In December, Cattolica and the French Group, **Inter Mutuelles Assistance** signed a framework agreement for the acquisition of 35% of the share capital of IMA Italia Assistance S.p.A. and a 10% quota of IMA Servizi S.c.a.r.l.. The agreement anticipates, among other things, specific mechanisms of call and put options, which may lead to an increase up to 51% of the participation held by Cattolica in IMA Italia. The operation is conditional on obtaining the necessary authorisations.

Market share

6.4% non-life

3.5% life

REFERENCE SCENARIO

MACROECONOMIC SCENARIO

2018 was characterised by a particularly lively and solid growth in the first six months, followed by a deceleration that was evident in the main economic areas of the globe.

With an annual growth forecast of around +3%, the United States is starting to record one of the longest expansionary cycles in its history, partly due to the support of tax policies implemented by the Trump administration.
Consistent with this scenario, the labour market is particularly vigorous, with unemployment at historically low levels, below 4% and a workforce participation rate that has reached peaks of 63%.
The confidence indicators of the manufacturing and service sectors, after having recorded particularly high levels in the first month of the year, whilst remaining in a decidedly expansive field, began to fall back, partly in relation to a decline in global trade.
In this regard, there are some elements of uncertainty of a geo-political nature, which have negatively affected the sustainability of growth, especially in the second half of the year: above all, the willingness of the current American administration to undertake a comparison with the other economic areas of the world that leads to a rebalancing of trade flows in favour of the United States, partly through conflicting acts, such as the imposition of duties on a series of goods from abroad.
The revision of the NAFTA treaties, until the provocation relating to the breezed exit from the world trade organisation, passing through a series of restrictive measures against goods and services from China and the European Union, constitute a sequence of unilaterally hostile actions which signal, on the one hand, the search for consensus in public opinion by President Trump during the mid-term elections and, on the other hand, the attempt to stem the rapid evolution of the Chinese giant in a strategic sector such as technological research.

The Federal Reserve took measures in this 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 weighed heavily. Jerome Powell's taking over of the reins from Janet Yellen of the American Central Bank in any case guaranteed continuity of approach, and the path to gradually standardise rates continues to be followed. During the year, there were four 25 basis point hikes coinciding with the March, June, September and December meetings, which brought back the key interest rate to the 2.5% level.

The European growth dynamics, following the peak at the beginning of the year, recorded a gradual but inexorable decline, with aggregate GDP in the third quarter falling to +1.6% and a more limited overall forecast for the year compared with the hope given by the figures for the first half of the years.
The success in terms of industrial production, investments and consumption that led to the close of the previous year with a surprisingly positive growth rate (2.8%), cooled down over the year, with manufacturing and services confidence indicators, whilst remaining in an expansive territory and far from a recession, have been gradually decreasing. Political uncertainty, both internally and internationally, impacted on the blocking of the single currency: fears of a slowdown in commercial dynamics due to a more bilateral and less coordinated approach by the United States are among these.
Added to this are some internal issues that have shifted the focus of political risk on Europe again during the year. Also, in the background, there are still negotiations for Brexit, which are still slow and conflicting, with the end of March 2019 looming over the parties involved.

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. During the June meeting, Mario Draghi announced the ECB's intention to further reduce these purchases as of October and then reset them to the end of the year. The Frankfurt Institute monitored inflation dynamics with great attention and showed a decline during the first few months of the year, followed by a recovery in May, linked, above all, to a much stronger rise in the price of oil compared with the forecasts. The upward pressure on wages only materialised as of the second quarter but did not have any particular impact on core inflation, unrelated to the more volatile elements, such as food and energy, which remained at around 1%.

The trend in the main Italian economic indicators did not differ from that described for the rest of the Eurozone, with a figure showing a growth trend for 2018, held back by a practically stagnant third quarter, which was lower overall that the +1.6% achieved in 2017.
What weighed on the country was 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 weakened a context all in all stable, in which the financial conditions for the private sector remained definitely expansive for much of the year 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. The figure for zero growth in the third quarter suggests a final result that is not particularly brilliant for 2018. However, a positive contribution to growth came from domestic demand, both public and private, with retail sales also rising in the third quarter, whilst the unknown factor of a protectionist escalation impacted on the foreign channel. To counter this factor, the gradual weakening recorded by the yen against the dollar certainly supported export dynamics.
The Bank of Japan incessantly continues in its monetary stimulus action, in a framework in which inflation fails to tend towards the 2% target and interest rates remain in negative territory until the ten-year maturity.

Albeit in a heterogeneous context, the economic surprise indicators of the Emerging Countries have also shown an increasing weakness over the months. 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 also remained strong in 2018, with the survey at the end of September, which, at +6.5%, suggests a moderation of growth carefully controlled by Xi Jinping's government.

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 aggregated the leading populist forces of the country. It was precisely this event that marked the central part of 2018, with a rise in volatility on the spreads of the peripheral countries and another reduction in core rates. The disappointing macroeconomic figures and the growing uncertainty linked to the outcome of the Brexit negotiations compressed the German and American rates towards the end of the year.
At the end of 2018, 10-year US government securities recorded a return of 2.68% (+27 basis points from the start of the year), while 2-year securities closed at 2.49% (+61 basis points from the start of the year). Corresponding German stocks disclosed returns of 0.24% on 10-year stocks and -0.61% on 2-year stocks, with a decrease of 19 and an increase of 3 basis points respectively. The Italian 10-year government rate posted 2.74% at the end of the year (+72 basis points since the start of the year), while the 2-year rate closed the year at 0.47%, up 72 points compared to the end of the previous year.

Stock markets

Stock markets performed negatively on average at a global level. Following an initial positive phase, 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. In the final quarter, the stock markets were affected by a general downward revision of growth estimates, especially for developed countries.

The positive effects on US stock exchanges of Trump-based tax reforms soon ran out, leaving room for fears over the introduction of tariffs during the year, especially towards China. Between accelerations and backward steps, the trade war between the top two world economic powers kept the market in suspense in the first part of the year, with an aggravation in the last month that brought the American lists to corrections of around 20% compared with the maximums for the year. The rebound of the final days of the years, due to more accommodating positions by the Federal Reserve on the rate hike path, was not enough to revive one of the worst Decembers ever.

The European stock exchanges, albeit with a lower degree of volatility, had a similar trend, with the first part of the year ending at around the same and a decidedly negative second half-year.
After the rally following the Italian political elections, the Milan stock exchange recorded one of the best performances, not only amongst the European markets, but also globally. 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, weighed heavily on the FTSE MIB index, and particularly on the banking segment, taking it below parity. The German stock market, which is the one most exposed to exports, suffered global

trade tensions more than others, making it the worst at the end of year.

Emerging markets experienced a particularly negative 2018, during which half of the excellent performance recorded in the previous year was eroded. The hike in US interest rates made investing in those countries less expedient, favouring an outflow of capital.
Looking at individual countries, however, an extremely varied picture emerges: most emerging markets closed at around parity, whilst the negative performance of the index representing them mainly results from China and Mexico, the two countries most involved in the trade war with the USA.
Annual performances, gross of dividends, were as follows: in the United States, the S&P 500 index reported a performance of -4.4% and the Nasdaq of -2.8%; in Europe, the Eurostoxx 50, the Dax and FtseMib reported a downward trend of 11.3%, 18.3% and 13.6%, respectively; in Japan, the Nikkei index decreased by 10.4%. The MSCI index of emerging countries closed at -14.8%, with Shanghai at -22.7% and Hong Kong at -10.6%.

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 quarter of the year.
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. Despite of the fears for the trade policies President Trump introduced, the US economy also continued to appear strong, reaching its peak in the middle of the year. The monetary policy of the People's Bank of China, aimed at weakening the local currency, also contributed to the strength of the dollar. The Yen, on the other hand, strengthened against the dollar, especially in the second half of the year: faced with uncertainties regarding the Chinese economy, it particularly benefited from its status of a safe haven.
The dollar ended the year at 1.145 against the Euro, while on the same date 109.7 Yen was required to purchase a single dollar.

Real estate market

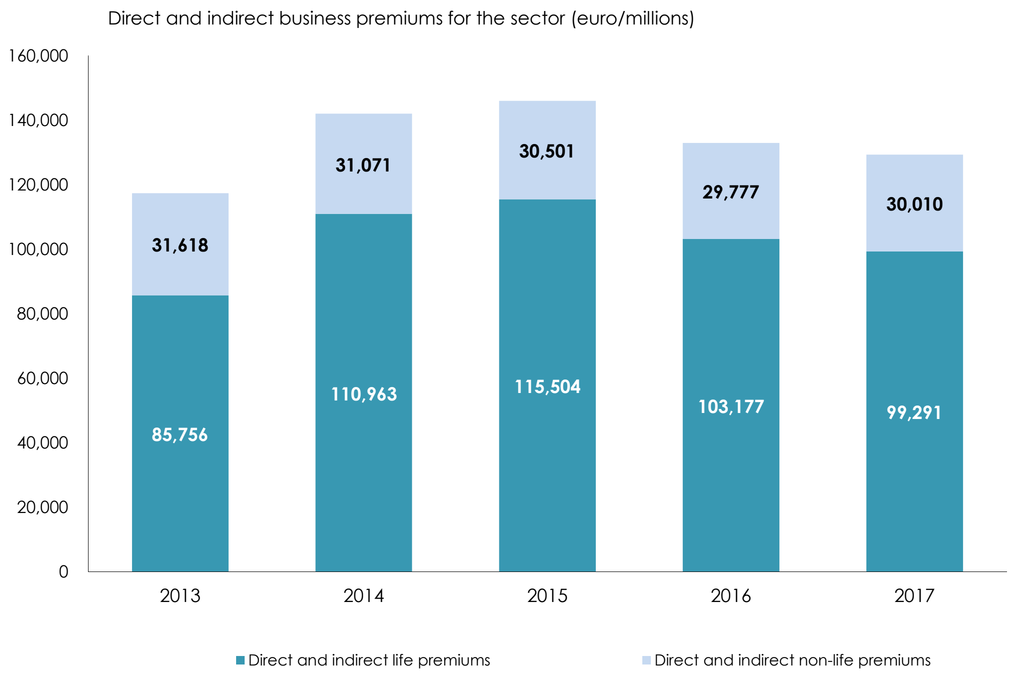
The turnover of the real estate market in 2018 amounted to €8.9 billion, an average of the volumes reached between 2015 and 2016, down 22% from 2017 (absolute record year). The decline was affected by the period of political uncertainty that characterised most of last year and generated an increase in the spread, causing a slowdown in loan disbursements, preventing or delaying some real estate transactions.

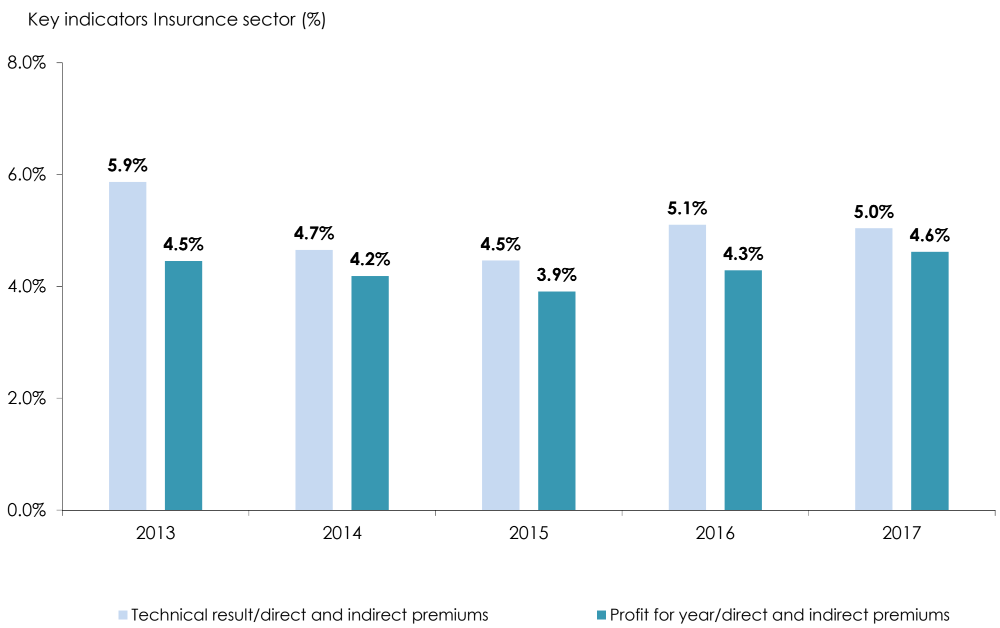
Italy still suffers from lack of product. The transaction engine continues to be represented by international investors, who do not stop expressing their willingness to operate in our country; however, there is still a shortage of Italian investors.

Retail is confirmed as one of the most interesting sectors, with almost no decline (-6%) compared with 2017. The office is down (-17%) but remains stable in Rome. For 2019, forecasts in Italy are of a stable market, in strong growth in the hotel sector.

INSURANCE INDUSTRY

The graphs below show certain summary figures published by ANIA[1] for the insurance industry for the period 2013-2017.





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

According to ANIA, 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.

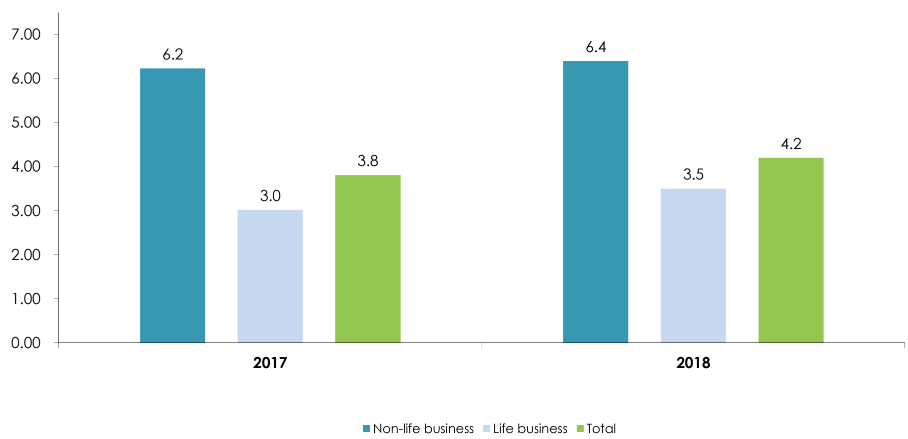
Premiums written for the Italian direct portfolio of non-life business in 2018 would come close to € 33 billion, up 1.7% with respect to 2017, in this way confirming and consolidating the positive trend already recorded in 2017 (+1.2%). This would depend on both the interrupted fall of the TPL motor 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 in 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.

On the basis of the market figures for gross premiums written as at September 30th, 2018, of Italian companies and non-EU representative agencies, (Ania Trends, No. 10, December 2018) total life and non-life premiums were up 5.2%, the non-life classes were up 2.1% and the life classes up 6.1%.
The non-life classes rose 1.1% in the motor classes and 3.3% in the non-motor classes.

Total Group market share (%)



MANAGEMENT REPORT

Total premiums written

€ 5,793.1 MLN

+15.7%

MANAGEMENT REPORT

THE GROUP IN 2018

The new year opened with the 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 still challenging macroeconomic 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, to become an agile, 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, which predicts a production of approximately € 3 billion of life premiums each year.

On March 29th, the purchase of 65% of Vera Assicurazioni with the subsidiary Vera Protezione and Vera Vita with the subsidiary Vera Financial was closed as a commercial partnership in the life and non-life classes, on the former Banco Popolare network, for a duration of 15 years since its launch. As part of the development of the "Specialty Lines" project, in November, Cattolica launched CattRE, a reinsurance company established in Luxembourg, dedicated to non-traditional risk lines, that will reinsure the premium income from the various Managing General Agencies.

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Cattolica closed the year with the best Group result of the last decade, at €106.9 million (€41.1 million as at 31st December, 2017).
Consolidated profit amounted to €136.6 million versus €56.1 million as at December 31st, 2017.

The result was impacted by various provisions: credit positions with Popolare di Vicenza, potential sums to be paid following so-called "dormant" positions on temporary insurance contracts in the event of death identified following registry checks by IVASS and potential risks resulting from VAT assessments by the Italian Revenue Agency on co-insurance transactions, a case that is affecting the entire market.
Net of these provisions, the consolidated result stood at €150 million and that of the Group at €116 million.

Following the increase in non-life and life volumes and the confirmed technical profitability, the operating result[2] marks an increase of 42.2% to €292.4 million (+17.8% on equivalent terms, net of the contribution of new joint ventures with Banco BPM). In the life segment, the operating result amounted to €127 million (+86.2%), in the non-life segment, it amounted to €169 million (+20.1%).
Operating RoE[3] amounted to 7.5%, up 1.3 p.p.

Total premium income for direct and indirect business - life and non-life - came to €5,793.1 million (+15.7%), €4,826.5 million (-3.6%) excluding the contribution of the companies acquired by Banco BPM.

Premiums written for direct non-life business amounted to €2,103.9 million (+4.4%), +1.3% excluding the contribution of the companies acquired by Banco BPM.
The motor segment posted premiums of €1,111.4 million (+0.8%). Premium income for non-motor classes, increasingly focused on products intended for retail customers, amounted to €992.5 million (+8.8%).

The combined ratio improved significantly, going from 94.7% to 93.4% (-1.3 p.p.), despite the claims related to weather events that occurred during the fourth quarter of 2018. The claims ratio improved by 4.3 p.p. (from 67.5% to 63.2%) due to the declining frequency of claims and the increase in average premiums in the Motor segment and as a result of the start of the turnaround in the Non-Motor segment, in line with the Business Plan guidelines. The expense ratio stood at 29.1%, up 2.6 p.p., mainly due to the production mix and, to a lesser extent, due to the investments supporting the new Plan. Specifically: the number of civil liability motor policies declined by 1.2% (-37,766 units), the average premium grew by 1.3% and the

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2 The operating result excluded more volatile components (realisations, writedowns, other one-offs). Specifically, the Non-Life operating result is defined as the sum of the technical balance, net of reinsurance, with ordinary financial revenues and other non-technical net items (depreciations, write-down of insurance credits, etc.); The operating result does not include financial realised and unrealised gains/losses and impairments, impairments on other assets, interests paid on financial debts (subordinated debts), the amortization of the value of business acquired (VOBA), the voluntary redundancy incentives and staff severance indemnity as well as other one-off items. 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.
3 Operating Return on Equity (Operating RoE) is the ratio between the sum of the operating result net of the subordinate cost, taxes and minority interests and the average of the Group's shareholders' equity (excluding the AFS reserve). Taxes are calculated consistently with reference to the operating result items.

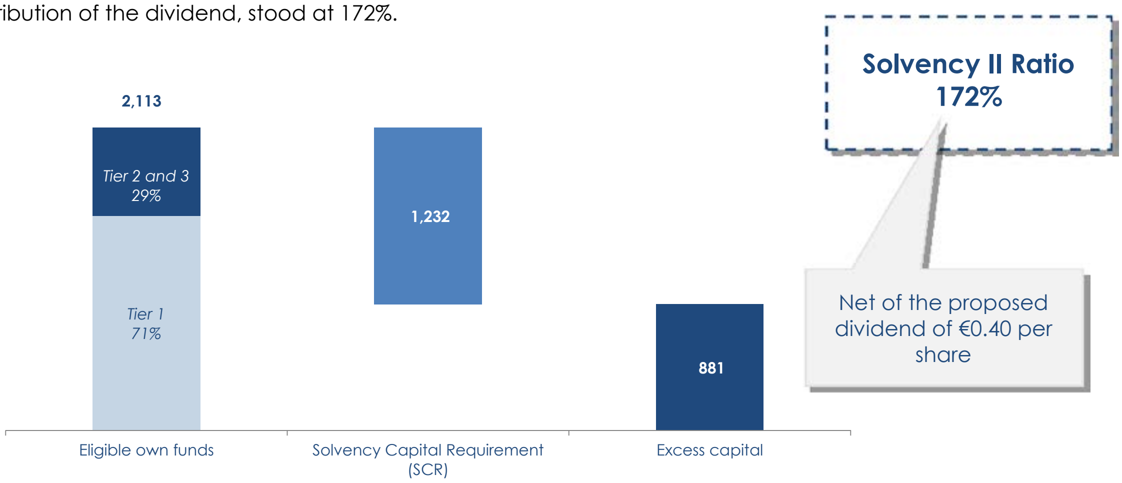
trend in claims frequency was 4.8% versus a market figure of 6%[4].

In the life sector, direct business premiums came to €3,671.7 million (+23.2%). Excluding the contribution of the companies acquired by Banco BPM, a 7.1% decrease 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, which stood at 0.78% (1.00% as at December 31st, 2017).

Financial operations[5], before tax, posted a net profit of €484.6 million (-1.3%) with an increase in assets managed and losses from valuation down. The components of this deviation are provided in the "Capital and financial performance" section in the "Business performance" Chapter.
As at December 31st, the investments amount to €31,501.7 million (+35.3%), including the real estate investments classified as material activities and the cash equivalents. Gross technical provisions for non-life business amounted to €3,747.9 million (+4%). Provisions for life business, inclusive of financial liabilities, amounted to €26,502.3 million (+46.6%).

Consolidated shareholders' equity amounted to €2,255.3 million (+7%) partly due to the provision of capital by third parties, following the acquisition of the companies by Banco BPM.

The Group's Solvency II ratio[6], assuming the foreseen distribution of the dividend, stood at 172%.



KEY INDICATORS OF CATTOLICA GROUP BUSINESS PERFORMANCE

Following the international accounting standards, the following tables show (compared with those as at 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 business segment;
- the operating result by business segment;
- the key efficiency and profitability indicators.

For a proper analysis of changes during the 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).

[4] Figure as at September 30th, 2018.
[5] Excluding the investments whose risk is run by the insured parties and the variation of the other financial liabilities.
[6] The figures have not yet been subject to the checks envisaged by IVASS Regulation no, 42 dated August 2nd, 2018.

Table 1 - Key economic indicators

(€ thousands)	2018	2017	Change Amount	%
Total premiums written	**5,793,132**	**5,008,179**	**784,953**	**15.7**
of which				
Gross premiums written	**5,648,624**	**4,781,484**	**867,140**	**18.1**
Direct business - non-life	2,103,858	2,015,050	88,808	4.4
Direct business - life	3,527,196	2,752,665	774,531	28.1
Indirect business - non-life	17,534	13,727	3,807	27.7
Indirect business - life	36	42	-6	-15.6
of which				
Investment contracts	**144,508**	**226,695**	**-82,187**	**-36.3**
Operating Result	**292,447**	**205,606**	**86,841**	**42.2**
Consolidated net profit for the period	**136,626**	**56,065**	**80,561**	**n.s.**
Group net profit for the period	**106,934**	**41,108**	**65,826**	**n.s.**

n.s. = not significant

Table 2 - Key equity indicators

(€ thousands)	2018	2017	Change Amount	%
Investment	**31,501,671**	**23,284,549**	**8,217,122**	**35.3**
Technical provisions net of reinsurance amount	**28,261,846**	**19,969,176**	**8,292,670**	**41.5**
Financial liabilities relating to investment contracts	**1,809,686**	**1,402,204**	**407,482**	**29.1**
Consolidated shareholders' equity	**2,255,327**	**2,107,536**	**147,791**	**7.0**

Table 3 - Headcount and sales network

(number)	2018		2017	Change Amount	%
Total headcount	**1,692**	(1)	1,579	113	7.2%
Full time equivalent headcount	**1,631**	(1)	1,517	114	7.5%
Direct network:					
Agencies	**1,444**		1,494	-50	-3.3%
Partner networks:					
Bank branches	**6,054**	(2)	5,064	990	19.5%
Financial advisers	**733**		800	-67	-8.4%
Welfare and pension product advisors	**159**		210	-51	-24.3%

(1) of which 33 from the acquisition of the 4 companies by BPM and 41 from the conversion of supply agreements to open-ended employment contracts and taking into account the leaving, as at 31.12.2018, of 25 employees, of which 23 joined the Intersectoral Solidarity Fund.

2) of which 1,437 of the former Banco Popolare S.p.A. network.

Table 4 - Reclassified consolidated statement of financial position

(€ thousands)	2018	2017	Change Amount	Change %	*Mandatory statement items (*)*
Assets					
Investment property	787,262	572,571	214,691	37.5	*4.1*
Property	169,431	162,473	6,958	4.3	*2.1*
Investments in subsidiaries, associated companies and joint ventures	119,060	96,432	22,628	23.5	*4.2*
Loans and receivables	864,913	749,557	115,356	15.4	*4.4*
Held to maturity investments	225,434	242,921	-17,487	-7.2	*4.3*
Available for sale financial assets	23,119,705	17,167,634	5,952,071	34.7	*4.5*
Financial assets at fair value through profit or loss	5,809,521	4,086,077	1,723,444	42.2	*4.6*
Cash and cash equivalents	406,345	206,884	199,461	96.4	*7*
Total investments	**31,501,671**	**23,284,549**	**8,217,122**	35.3	
Intangible assets	911,283	265,457	645,826	n.s.	*1*
Technical provisions - reinsurance amount	701,607	645,183	56,424	8.7	*3*
Other receivables, other tangible assets and other asset items	1,748,620	1,690,701	57,919	3.4	*(**)*
TOTAL ASSETS	**34,863,181**	**25,885,890**	**8,977,291**	**34.7**	
Shareholders' equity and liabilities					
Group capital and reserves	1,672,952	1,804,198	-131,246	-7.3	
Group profit (loss) for the period	106,934	41,108	65,826	160.1	*1.1.9*
Shareholders' equity pertaining to the Group	***1,779,886***	***1,845,306***	***-65,420***	***-3.5***	*1.1*
Capital and reserves pertaining to minority interests	445,749	247,273	198,476	80.3	
Profit (loss) for the period pertaining to minority interests	29,692	14,957	14,735	98.5	*1.2.3*
Shareholders' equity pertaining to minority interests	***475,441***	***262,230***	***213,211***	***81.3***	*1.2*
Total capital and reserves	**2,255,327**	**2,107,536**	**147,791**	**7.0**	*1*
Premium provision	853,672	749,931	103,741	13.8	
Provision for outstanding claims	2,894,197	2,853,021	41,176	1.4	
Gross technical provisions - non-life	**3,747,869**	**3,602,952**	**144,917**	**4.0**	*3*
Gross technical provisions - life	**24,692,603**	**16,679,531**	**8,013,072**	**48.0**	*3*
Other gross non-life technical provisions	2,093	2,046	47	2.3	*3*
Other gross life technical provisions	520,888	329,830	191,058	57.9	*3*
Financial liabilities	2,601,082	2,172,770	428,312	19.7	*4*
of which deposits from policyholders	*1,809,686*	*1,402,204*	*407,482*	*29.1*	
Allowances, payables and other liability items	1,043,319	991,225	52,094	5.3	*(***)*
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**34,863,181**	**25,885,890**	**8,977,291**	**34.7**	

n.s. = not significant

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

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

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

Table 5 - Reclassified consolidated Income Statement

(€ thousands)	2018	2017	Change Amount	Change %	*Mandatory statement items (*)*
Net premiums	5,354,832	4,486,543	868,289	19.4	*1.1*
Net charges relating to claims	-4,567,627	-4,161,195	-406,432	-9.8	*2.1*
Operating expenses	-736,149	-571,552	-164,597	-28.8	
of which commission and other acquisition costs	-516,624	-417,357	-99,267	-23.8	*2.5.1*
of which other administrative expenses	-219,525	-154,195	-65,330	-42.4	*2.5.3*
Other revenues net of other costs (other technical income and charges)	-55,062	-46,018	-9,044	-19.7	*1.6 - 2.6*
Net income from financial instruments at fair value through profit or loss	-162,421	52,609	-215,030	n.s.	*1.3*
Of which result from class D financial operations (**)	-164,208	47,231	-211,439	n.s.	
Net income from investments in subsidiaries, associated companies and joint ventures	2,883	3,472	-589	-17.0	*1.4 - 2.3*
Net income from other financial instruments and investment property	522,025	507,209	14,816	2.9	*1.5 - 2.4*
of which net interest	444,041	439,130	4,911	1.1	*1.5.1 - 2.4.1*
of which other income net of other charges	93,543	81,691	11,852	14.5	*1.5.2 - 2.4.2*
of which net profits realised	10,941	30,806	-19,865	-64.5	*1.5.3 - 2.4.3*
of which net valuation profits on financial assets	-26,506	-44,418	17,912	40.3	*1.5.4 - 2.4.4*
of which changes in other financial liabilities	6	0	6	n.a.	*1.5.4 - 2.4.4*
Commissions income net of commissions expense	213	5,667	-5,454	-96.2	*1.2 - 2.2*
Operating expenses relating to investments (***)	-43,538	-32,508	-11,030	-33.9	*2.5.2*
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**315,156**	**244,227**	**70,929**	**29.0**	
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-84,443	-123,779	39,336	31.8	*1.6 - 2.6*
PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD	**230,713**	**120,448**	**110,265**	**91.5**	
Taxation	-94,087	-64,383	-29,704	-46.1	*3*
NET PROFIT (LOSS) FOR THE PERIOD	**136,626**	**56,065**	**80,561**	**n.s.**	
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**n.a.**	***4***
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**136,626**	**56,065**	**80,561**	**n.s.**	
Profit (loss) for the period pertaining to minority interests	29,692	14,957	14,735	98.5	
PROFIT (LOSS) FOR THE PERIOD PERTAINING TO THE GROUP	**106,934**	**41,108**	**65,826**	**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 €2.717 million, other revenues amounting to € 1.23 million and interest on liquidity for € 74 thousand.

(***) Includes operating expenses relating to class D investments amounting to €2.717 million.

n.s. = not significant

n.a. = not applicable

Table 6 - Reclassified consolidated income statement by sector of activities

(€ thousands)	NON-LIFE 2018	NON-LIFE 2017	LIFE 2018	LIFE 2017	OTHER 2018	OTHER 2017	TOTAL 2018	TOTAL 2017
Net premiums	1,854,611	1,761,856	3,500,221	2,724,687	0	0	5,354,832	4,486,543
Net charges relating to claims	-1,171,230	-1,190,015	-3,396,397	-2,971,180	0	0	-4,567,627	-4,161,195
Operating expenses	-540,934	-466,569	-195,155	-104,967	-60	-16	-736,149	-571,552
of which commission and other acquisition costs	-397,749	-344,966	-118,875	-72,391	0	0	-516,624	-417,357
of which other administrative expenses	-143,185	-121,603	-76,280	-32,576	-60	-16	-219,525	-154,195
Other revenues net of other costs (other technical income and charges)	-20,167	-11,013	-34,895	-35,005	0	0	-55,062	-46,018
Net income from financial instruments at fair value through profit or loss	-1,368	-296	-161,049	52,907	-4	-2	-162,421	52,609
Of which result from class D financial operations (*)	0	0	-164,208	47,231	0	0	-164,208	47,231
Net income from investments in subsidiaries, associated companies and joint ventures	2,416	2,561	467	911	0	0	2,883	3,472
Net income from other financial instruments and investment property	68,629	86,821	454,488	423,428	-1,092	-3,040	522,025	507,209
Commissions income net of commissions expense	0	0	213	5,667	0	0	213	5,667
Operating expenses relating to investments (**)	-10,501	-7,694	-29,578	-21,640	-3,459	-3,174	-43,538	-32,508
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**181,456**	**175,651**	**138,315**	**74,808**	**-4,615**	**-6,232**	**315,156**	**244,227**
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-51,989	-56,697	-33,134	-66,872	680	-210	-84,443	-123,779
PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD	**129,467**	**118,954**	**105,181**	**7,936**	**-3,935**	**-6,442**	**230,713**	**120,448**
Taxation	-58,039	-42,731	-36,826	-22,656	778	1,004	-94,087	-64,383
NET PROFIT (LOSS) FOR THE PERIOD	**71,428**	**76,223**	**68,355**	**-14,720**	**-3,157**	**-5,438**	**136,626**	**56,065**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**71,428**	**76,223**	**68,355**	**-14,720**	**-3,157**	**-5,438**	**136,626**	**56,065**

(*) Includes the Class D profits recognised in the operating expenses relating to investments amounting to €2.717 million, other revenues amounting to €1.23 million and interest on liquidity for €74 thousand.

(**) Includes operating expenses relating to class D investments amounting to €2.717 million.

Table 7 - Operating result by business segment

(€ thousands)	NON-LIFE 2018	NON-LIFE 2017	LIFE 2018	LIFE 2017	OTHER 2018	OTHER 2017	TOTAL 2018	TOTAL 2017	Mandatory statement items (**)
Net premiums	1,854,611	1,761,856	3,500,221	2,724,687	0	0	5,354,832	4,486,543	*1.1*
Net charges relating to claims	-1,171,230	-1,190,015	-3,403,221	-2,971,180	0	0	-4,574,451	-4,161,195	*2.1*
Operating expenses	-540,934	-466,569	-195,155	-104,967	-60	-16	-736,149	-571,552	
of which commission and other acquisition costs	*-397,749*	*-344,966*	*-118,875*	*-72,391*	*0*	*0*	*-516,624*	*-417,357*	*2.5.1*
of which other administrative expenses	*-143,185*	*-121,603*	*-76,280*	*-32,576*	*-60*	*-16*	*-219,525*	*-154,195*	*2.5.3*
Other revenues net of other costs (other technical income and charges)	-20,167	-11,013	-34,895	-35,005	0	0	-55,062	-46,018	*1.6 - 2.6*
Income from gross ordinary investments	93,141	88,960	296,417	479,344	0	0	389,558	568,304	*1.3 + 1.5 - 2.4*
Commissions income net of commissions expense	0	0	213	5,667	0	0	213	5,667	*1.2 - 2.2*
Operating expenses relating to investments (*)	-10,501	-7,694	-29,578	-21,640	-3,459	-3,174	-43,538	-32,508	*2.5.2*
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**204,920**	**175,525**	**134,002**	**76,906**	**-3,519**	**-3,190**	**335,403**	**249,241**	
Other revenues net of other operating costs	-36,279	-35,096	-6,677	-8,539	0	0	-42,956	-43,635	*1.6 - 2.6*
OPERATING RESULT	**168,641**	**140,429**	**127,325**	**68,367**	**-3,519**	**-3,190**	**292,447**	**205,606**	
Realised and valuation gains	-1,152	6,519	2,678	-1,602	-1,096	-3,042	430	1,875	*1.3 + 1.5 - 2.4*
Subordinated interest	-24,728	-8,954	-5,655	-1,407	0	0	-30,383	-10,361	*1.3 + 1.5 - 2.4*
Net income from investments in subsidiaries, associated companies and joint ventures	2,416	2,561	467	911	0	0	2,883	3,472	*1.4 - 2.3*
Other revenues net of other non-operating costs	-15,710	-21,601	-19,634	-58,333	680	-210	-34,664	-80,144	*1.6 - 2.6*
PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD	**129,467**	**118,954**	**105,181**	**7,936**	**-3,935**	**-6,442**	**230,713**	**120,448**	
Taxation	-58,039	-42,731	-36,826	-22,656	778	1,004	-94,087	-64,383	3
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**71,428**	**76,223**	**68,355**	**-14,720**	**-3,157**	**-5,438**	**136,626**	**56,065**	

(*) Includes operating expenses relating to class D investments amounting to €2.717 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

	2018	2017
Non-life ratios for retained business		
Claims ratio (Net charges relating to claims / Net premiums)	63.2%	67.5%
G&A ratio (Other administrative expenses / Net premiums)	7.7%	6.9%
Commission ratio (Acquisition costs / Net premiums)	21.4%	19.6%
Total Expense ratio (Operating expenses / Net premiums)	29.1%	26.5%
Combined ratio (1 - (Technical balance / Net premiums))	93.4%	94.7%
Non-life ratios for direct business		
Claims ratio (Net charges relating to claims / Premiums for the period)	62.8%	68.9%
G&A ratio (Other administrative expenses / Premiums for the year)	6.8%	6.0%
Commission ratio (Acquisition costs / Premiums for the period)	21.3%	19.9%
Total Expense ratio (Operating expenses / Premiums for the period)	28.1%	25.9%
Combined ratio (1 - (Technical balance / Premiums for the period)	92.1%	95.8%
Life ratios		
G&A ratio (Other administrative expenses / Premiums written)	2.1%	1.1%
Commission ratio (Acquisition costs / Premiums written)	3.2%	2.4%
Total Expense ratio (Operating expenses/ Premiums written)	5.3%	3.5%
Total ratios		
G&A ratio (Other administrative expenses / Premiums written)	3.8%	3.1%
Operating costs [1] / Premiums written	5.5%	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, presented at the beginning of 2018, Cattolica places its innovation and agility strategy at the centre, in order to meet the challenges (anticipating them, where possible) of a market in which dynamics are reconfigured, barriers between sectors are reduced and the logic of the ecosystem is affirmed.

With this Business Plan, the Group intends to strengthen but also diversify its business model, continuing, at the same time, to enhance its distinctive assets.

Three strategic pillars have been identified, in addition to a transversal pillar, divided into 7 construction sites and 22 actions, subject to constant monitoring by a dedicated team:

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

At the same time, a profound cultural transformation and intense simplification activity (regarding process, activity and also product), is ongoing in the context of a Governance model that, during the year, evolved towards a one-tier logic, which aligns Cattolica to the best international standards.

The pillars on which the Business Plan is based and the key actions implemented during the first 12 months of development, in order to achieve the identified targets are summarized below.

Profitable growth

The development of the premiums written, in addition to the diversification of channels and lines of business are at the centre of the Group's strategy and are above all achievable thanks to the contribution of inorganic actions.

At the centre of the distribution system is the agency network for which the Plan envisages, in a perspective of ever increasing "partnership" with the Company, a growth of average size and profitability. It is precisely in this synergic direction that we can frame the renewal, in October 2018, of the relative supplementary agreement. The agreement, which also includes the main elements of an important agreement on the processing of customers' personal data, will award, by identifying ad hoc indicators, the corporate ability to generate value in the various phases of its creation, whilst determining a better customer service.

In addition, there are expected both the rebalancing of the corporate production mix - especially towards unit-linked and non-motor non-life - and the increase in the relative degree of digitalisation, due to which advantages result in terms of greater innovation in the service methods and offer and, ultimately, increased "partnership" with customers are provided for.

The distribution model will however be reinforced, partly by the offer through the broker channel. Precisely for the purpose of providing greater service and support to the channel, the administrative and management reorganisation of the Management of Milan was provided for within the first few months of the year which, focusing mainly on "Major Industry Risks", resulted, as early as during 2018, in a significant increase in the volume of premiums taken out.

The exclusive partnership with Banco BPM is central in terms of profitable growth and represents one of the main drivers of the Business Plan. 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 for non-motor sectors with reference to the non-life sectors are expected, in addition to the considerable dimensional leap with significant repercussions in terms of efficiency.

Following the closing that occurred in the first few months of 2018, control was acquired and the consolidation of four companies in joint venture under Vera brand was performed: 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 expected for the joint ventures is over €100 million.

Furthermore, digital innovation will contribute, through a multi-channel strategy integrated within the networks, to providing customers with a new relationship experience with the company.
Specifically, the results already achieved in terms of digital lead generation to be transferred to the agencies, whilst many initiatives are planned in 2019 as a result of which,

inter alia, a greater engagement of under 35 customers and an increase in renewal rates and cross-selling on elementary classes are expected.

Innovation in the range and services based on data and technology

Innovation is one of the Plan's priority streams and is an enabler of the transformation of Cattolica's business model over the reference time period. Essential, in this sense, was the creation, during the first few months of its implementation, of a special "Insurance Analytics & Business Architecture" Department, which takes the form of a real start-up: among the objectives of this department are the transformation of the Company into a "Data-driven company" and the selection of projects which, based on data, prove to be innovative for the Company's business model.
With the "Data-driven company", we will improve key processes such as pricing, anti-fraud and claims management, by dematerialising appraisals and automating liquidation, but the broadest benefits are expected in terms of better customer management.
The data architecture construction activity, which started at the beginning of 2018, requires having a unique and certified digital platform that, by permitting the integrated management of data - both static and dynamic relating to customers - will enable the creation of an offer than can adapt to their needs when they need it most. This will also favour the creation of a Cattolica ecosystem of services with increasing dimensions.

Precisely in this direction, which is more analytical and relative to pricing, the application - already underway in 2018 - relating to customers of a selected sample of agencies, of a customised logic of calibration of the civil liability motor tariff is reported. This "pricing optimization" logic, which is expected to be extended to the rest of the Group's customers, shall, at the same time, be made more effective by the new analytics platform.

The offer of new associated products is moving in the same direction and in parallel: "Active Auto", the electronic motor offer launched during 2018, 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.

During the first few months of the product launch, the targets in terms of penetration of new car production (18%) were hypothesised during the period when the Plan was drafted, with targets at the end of the three-year period of approximately 50%.

It is always with a view to providing high-value and long-term services, which must be seen in partnership with IMA Italia Assistance and the establishment of a real estate fund dedicated to assisting the elderly, both operations completed during 2018.
The agreement, with entry into the capital, with IMA Italia Assistance, will enable Cattolica to reach a significant size in the business with strong potential for growth in assistance, enriching, at the same time, the ecosystem of services for its customers in the motor, home and travel sectors. The investment signed with Coopselios for the creation of a real estate fund dedicated to elderly care, on the other hand, consolidates Cattolica's presence in the real estate and health sectors and in prevention and protection services for the elderly.

Technical excellence

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

As regards the first aspect, the savings obtained from re-pricing and re-underwriting actions, which began in 2018, will continue throughout the entire duration of the Plan. Again, with a view to profitability, the reduction in tariff flexibility is envisaged over the reference time period.

At the same time, during 2018, important simplification activities were undertaken that could be further strengthened in 2019 thanks to the introduction of automatic tools (for generating new offers and/or premium adjustments): the automatic policy reform, the rationalisation of existing products and the proactive management of premium adjustments.

A considerable boost was then given to the enrichment of the catastrophic offer. In this sense, during the final months of the year, existing products were updated with the inclusion of this coverages and, above all, an important agreement was signed with the CEI (Italian Episcopal Conference) to create a single policy against natural disasters for the whole world of ecclesiastical institutions.

According to an innovative scheme, a project was also launched that involves the development of speciality lines that enables the Group to reposition itself in the middle

between the retail business and the large corporate business.
In this perspective, in the second half of 2018, 100% of CP-BK Reinsurance S.A., a Luxembourg reinsurance company, was purchased with the establishment of a Newco, which was, at the same time, renamed CattRe.

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 are expected to become excellent experts in these regards. Business lines including Space, Aviation, Catastrophe Reinsurance, Sport Risk, Marine, Events & Contingency and Weather Risk are already operational.

On the other hand, it is expected the pursue of the maintenance of excellence in the motor sector through the aforementioned sophistication of the pricing model and with innovations applied to claims handling, both factors assisted by the development of advanced analytics. In terms of claims management, these were up during the first year of implementation of the Plan and, according to the targets set, the rate of no civil liability motor follow-up of fraudulent origin is up (from 2.0% to 2.3%), whilst additional savings are expected in the coming years, partly following the identification, during 2018, of further intervention drivers relating to CARD processes, channelling activities and those of legal action.

The partnership 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 which, during 2018, went from 1.0% to approximately 0.8%, shall be 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 Group in addition to its necessary simplification has been set parallel to the transformation of its business model.
In view of the simplification, which provides for actions to increase IT efficiency and strengthen control/discipline in terms of costs (especially G&A), actions were launched during the year to optimise operating processes through re-engineering and robotics. The programme, which started 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 further reinforced thanks to bringing some activities in-house and enhancing resources to support Plan initiatives.

The cultural change in progress, on the other hand, has the goal of "placing people at the centre", making sure that they feel they are the key players in the change in vision that aims to cultivate new skills that are increasingly necessary in the current dynamic contexts.

In this perspective, the following are reported in the first twelve months of the Plan:

- introducing a new performance assessment system in line with the Business Plan's objectives to contribute to improving the most dynamic resources and talent within the company;
- starting up a technical re-training activity for the labour force following significant organisational developments of the Plan;
- the development of specific paths for the diffusion of "digital mindfulness" i.e., a mindset that is more versatile and better adapted to the new technologies;
- a better corporate welfare model (including agreements with gyms, extension of smart-working, maternity leave that can be managed by the hour).

It is precisely in this path of cultural change that the excellent result of the "Great Place to Work" corporate climate survey is included, with a confidence index that rose, in 2018, by 8 p.p. compared with the survey carried out the previous year.

Governance model

Significant for the purpose of implementing the 2018-2020 Plan and in order to align Cattolica with the best international standards, in the same half of 2018, the Shareholders' Meeting approved the Board of Directors' proposal to evolve governance by adopting a one-tier 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 with the 2019 Shareholders' Meeting.

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, six brokers followed Cattolica stock with analysis 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. During 2018, 140 investors were met during roadshows or events organised in both Italy and abroad, during which a large amount of interest was gathered for the new Business Plan. Public conference calls were also organised at the time of the approval of the results.

Rating

On October 30th, 2018, Standard & Poor's confirmed Cattolica's rating as BBB and changed the outlook from stable to negative, adjusting it, according to the agency's criteria, to that of the sovereign debt of the Italian Republic, which, on October 26th, 2018, was reviewed under the same terms.

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.

Operating result

Life Business

€ 127.3 MLN

Non-life Business

€ 168.6 MLN

Other

€ -3.5 MLN

MANAGEMENT REPORT

BUSINESS PERFORMANCE

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 segment (ABC Assicura, BCC Assicurazioni, CattRE, TUA Assicurazioni, Vera Assicurazioni, C.P. Servizi Consulenziali for Cattolica's non-life mandate and TUA Assicurazioni), Satec, Qubo Insurance Solutions, Estinvest and Meteotec and the closed-end real estate funds allocated in the non-life portfolio) and the life segment (BCC Vita, Berica Vita, Cattolica Life, Lombarda Vita, 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 to the performance of the Group's activities.

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

Profit for the year

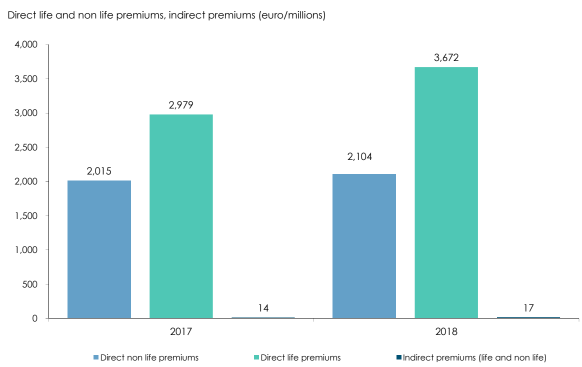
The financial statements closed with a consolidated net result of €136.6 million (€56.1million as at December 31st, 2017) attributable to the Non-Life business for €71.4 million (-6.3%), to the Life business for €68.4 million, versus a loss of €14.7 million as at December 31st, 2017 and to Other business, which recorded a loss of €3.2 million (-42%).

The Group's net profit came to €106.9 million (€41.1 million as at December 31st, 2017).

The operating result[7] marked an increase of 42.2% to €292.4 million, in line with the goals 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 €5,648.6 million (+18.1%). Also taking into account investment contracts, total premiums written came to €5,793.1 million (+15.7%).



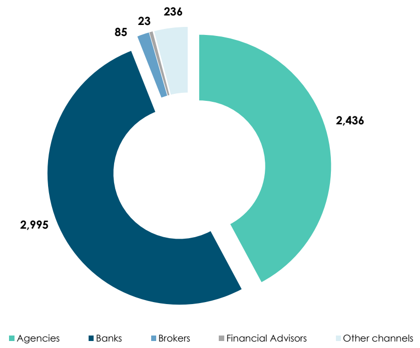
Direct business gross premiums for the non-life business amounted €2,103.9 million (+4.4%) and comprise 37.4% of total direct business premiums (42.3% as at December 31st, 2017).

Gross direct life premiums totalled €3,527.2 million (+28.1%); total life premiums written amounted to €3,671.7 million (+23.2%). Life premiums represented the majority share of total direct business (62.6% compared with 57.7% as at December 31st, 2017).

[7] The operating result excludes more volatile items (realisations, writedowns, other one-offs). Specifically, the Non-Life operating result is defined as the sum of the technical balance, net of reinsurance, with ordinary financial revenues and other non-technical net items (depreciations, write-down of insurance credits, etc.); The operating result does not include financial realised and unrealised gains/losses and impairments, impairments on other assets, interests paid on financial debts (subordinated debts), the amortization of the value of business acquired (VOBA), the voluntary redundancy incentives and staff severance indemnity as well as other one-off items. 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.

Direct business premium collection, per distribution channel, is broken down as follows: agencies 42.2%, banks 51.8%, brokers 1.5%, advisors 0.4% and other channels 4.1%.

Direct premiums by channel (euro/millions)



Other administrative expenses

Other administrative expenses amounted to €219.5 million (+42.4%), mainly due to the growth in the Business Plan implementation costs.

With reference to direct business, the ratio of other non-life administrative expenses to premiums written for the period rose from 6% to 6.8%, whilst the ratio of other life administrative expenses to life premiums is unchanged from 1.1% to 2.1%.

The Group by segments

Non-life business

Non-life business, as already reported, closed the year with a profit of €71.4 million (-6.3%). Net non-life business premiums amounted to €1,854.6 million (+5.3%). The direct business combined ratio amounted to 92.1%, compared to 95.8% in 2017. The claims ratio (claim/premium ratio) is equal to 62.8% (68.9%), while the ratio of other administrative expenses rose from 6% to 6.8%. The combined ratio of the retained business improved from 94.7% to 93.4%, recording a balance of the technical account, which rose from €95 million to €123 million.

The financial operations, which closed with a result of €59.2 million (-27.3%), were mainly characterised by net income from other financial instruments and real estate investments for €68.6 million (-21%), with net interest and other net income which amounted to €75.8 million (-6.5%), mainly attributable to the interest on the subordinate paid due to the acquisition of joint ventures with Banco BPM, with net gains on realisation amounting to €3 million (-84.9%) and with net valuation losses of €10.2 million (-29.4%).

The contribution of financial operations to operating income, i.e., net of interest expense on subordinates, resulting from realisation and valuation, amounted to €82.6 million versus €81.3 million the previous year.

The operating result came to €168.6 million (+20.1%). The development of the operating result reflects the aforementioned improvement in the combined ratio and the substantial stability of the financial contribution. The other operating items are substantially in line with the previous year.

Non-operating profit worsened due to the recording of interest expense on the subordinate for all of 2018 and the lower capital gains realised compared with the previous year; these effects are partly mitigated by non-operating costs that were not repeated this year (severity indemnity and impairment). Taking all this into account, the result before tax for the non-life segment improved from €119 million to €129.5 million.

The tax rate for the sector mainly worsened due to, inter alia, provisions for risks (due to VAT assessments on coinsurance), non-deductibility of part of the interest expense and tobin tax on the Banco BPM transaction.

Life business

The life business segment ended the year with a profit of €68.4 million, compared with a loss of €14.7 million as at 2017.

Net life premiums amounted to €3,500.2 million (+28.5%) and financial operations[8] closed with a result of €430 million (+3.4%), with net income from other financial instruments and investment property of €454.5 million (+7.3%), of which interest and other net income amounting to €462 million (+5%), realised net gains amounting to €7.9 million (-25.4%) and net valuation losses amounting to €15.4 million (-43.3%).

The operating result came to €127.3 million (+86.2%). The development of the operating result reflects the growth of the technical margin net of insurance management costs. The companies in partnership with Banco BPM contributed approximately €37 million to the 2018 life operating result.

Even without the contribution of the new agreement, the life operating result showed a significant improvement, confirming the effectiveness of the Plan actions implemented.

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

Other business

The other segment, at the end of the year, recorded a loss of €3.2 million, an improvement compared with the loss of €5.4 million the previous year, which had been affected by write-downs.

Sectors by geographic area

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

Investments

Investments amounted to €31,501.7 million (+35.3%). Their breakdown and change compared with 2017 is shown in the following table.

Table 9 - Total investments

(€ thousands)	2018	% of the total	2017	% of the total	Change Amount	Change %
Investment property	787,262	2.5	572,571	2.5	214,691	37.5
Property	169,431	0.5	162,473	0.7	6,958	4.3
Investments in subsidiaries, associated companies and joint ventures	119,060	0.4	96,432	0.5	22,628	23.5
Loans and receivables	864,913	2.8	749,557	3.2	115,356	15.4
Held to maturity investments	225,434	0.7	242,921	1.0	-17,487	-7.2
Available for sale financial assets	23,119,705	73.4	17,167,634	73.7	5,952,071	34.7
Financial assets at fair value through profit or loss	5,809,521	18.4	4,086,077	17.5	1,723,444	42.2
Cash and cash equivalents	406,345	1.3	206,884	0.9	199,461	96.4
TOTAL	**31,501,671**	**100.0**	**23,284,549**	**100.0**	**8,217,122**	**35.3**

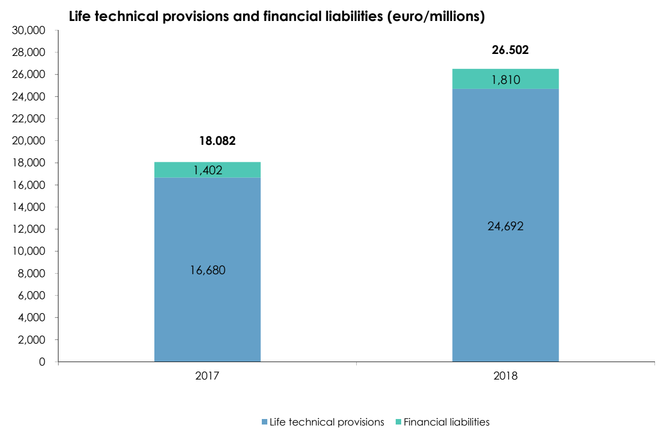
The result of financial operations, with the exclusion of investments whose risk is borne by the policyholders and gross of the tax effects and the change in other financial liabilities, came - as already mentioned - to €484.6 million (-1.3%).

Technical provisions

Non-life technical provisions (premiums and claims) amounted to €3,747.9 million (+4%).

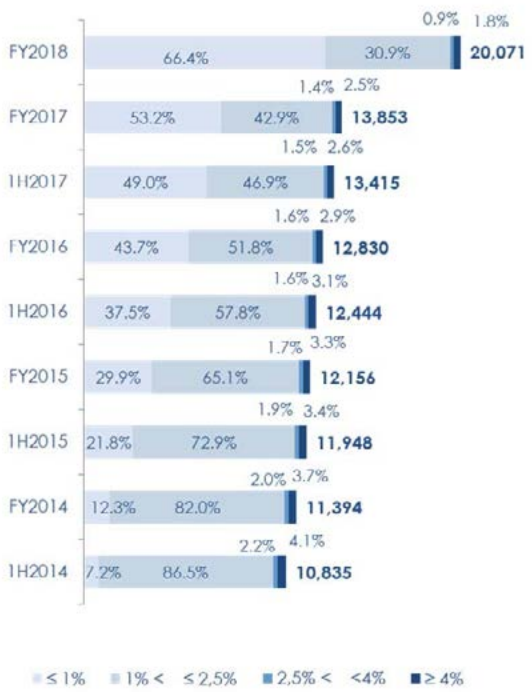
Technical provisions for life business (actuarial provisions inclusive of shadow accounting) amounted to €24,692.6 million (+48%). Also taking into account financial liabilities relating to investment contracts, the technical provisions and deposits relating to life business amounted to €26,502.3 million, with an increase of 46.6%.

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.



With reference to the breakdown of the Separate Accounts, the Technical Reserves for Guaranteed Minimum are shown:

€ mln

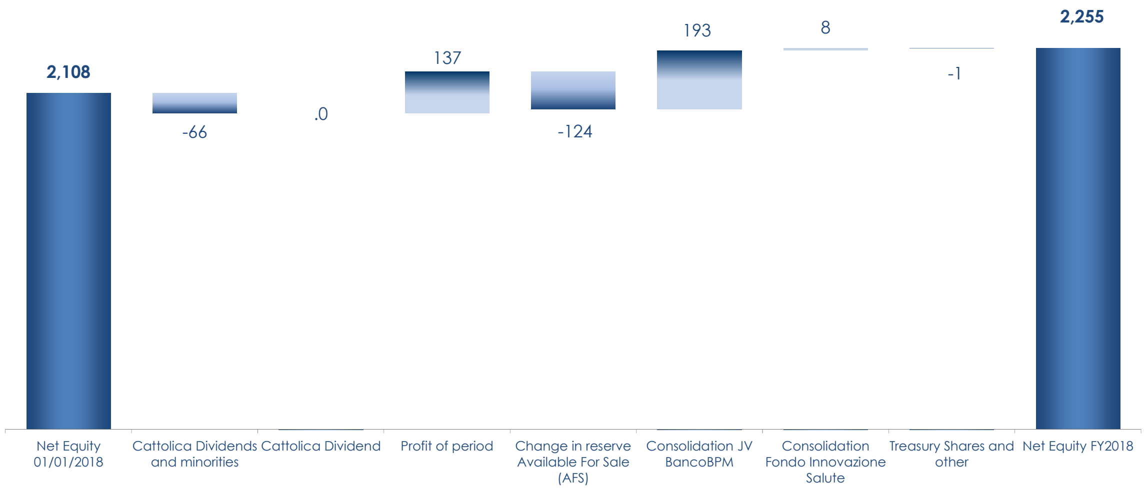


Shareholders' equity and its trend

The trend in consolidated shareholders' equity since last year is mainly attributable to the distribution of the Parent Company's dividends and minority interests totalling €66 million, the negative change in the AFS reserve for €124 million, the positive effect of the consolidation of the JVs with Banco BPM on third-party capital for €193 million, the effect of the consolidation of the Health Innovation Fund on third-party capital for €8 million and the change in own shares for -€3 million.

At the end of the year, consolidated shareholders' equity amounted to €2,255.3 million (+7%).
The Group shareholders' equity amounted to €1,779.9 million (-3.5%) and includes losses on financial assets available for sale amounting to €35.4 million.
Portions of shareholders' equity pertaining to minority interests amounted to €475.4 million (+81.3%) and include gains on available for sale financial assets amounting to €110 thousand.

Trend in Consolidated Shareholders' Equity FY2018



INSURANCE BUSINESS AND OTHER SECTORS OF ACTIVITIES

Summary of the activities carried out by the Group companies

As at December 31st, the scope of consolidation comprised the insurance Parent Company, twelve insurance companies, of which one reinsurance company, seven service companies, two companies in the agricultural-real estate sector and five real estate investment funds.

Società Cattolica di Assicurazione - Società Cooperativa, 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. During the year, no new production was implemented and the company directly provided assistance to customers for all necessary post-sales operations. The Parent Company owns 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 owns 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 specialized range of insurance and financial products/services able to meet the needs of personal line customers. The Parent Company owns 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. The closing of the purchase of 65% of the company from Banco BPM was finalised on March 29th;

CattRE, with headquarters in Luxembourg and with a share capital of €3.6 million, is authorised to carry out re-insurance business. In October, Cattolica acquired 100% of the company from Groupe des Assurances du Crèdit Mutuel S.A.;

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;

Estinvest, with headquarters in Venice, is a holding company with a share capital of €81 thousand. On October 17th, the Parent Company completed the acquisition of 100% of the capital:

Meteotec, with headquarters in Venice, carries out weather and climate research activities, with a share capital of €30 thousand. It is fully owned by Satec;

Qubo Insurance Solutions, with headquarters in Milan, is engaged in insurance brokerage activities, with a share capital of €10 thousand. On November 9th, Estinvest acquired 51% of the company;

Satec, with headquarters in Venice, carries out insurance brokerage activities, with a share capital of €135 thousand. It is 84.13% owned by Estinvest and 15.87% owned by Cattolica;

Fondo Andromaca, is a newly-established real estate mutual investment fund, 100% owned by the Parent Company, Cattolica. Part of its shares are allocated to the non-life portfolio;

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 67.13%, Lombarda Vita 18.64%, TUA Assicurazioni 0.78%, Vera Vita 11.36%, Vera Protezione 1.51% and Vera Assicurazioni 0.58%. They are partially allocated to Cattolica's, TUA Assicurazioni's and Vera Assicurazioni's non-life portfolios;

Fondo Innovazione Salute is a real estate mutual investment fund dedicated to housing for the elderly and was formed in 2018. It is 79.77% owned by Cattolica.

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 68.28%, Lombarda Vita 12.99% and BCC Vita 18.73%. 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. During the year, no new production was implemented and the company directly provided assistance to customers for all necessary post-sales operations. The Parent Company owns 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 owns 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 owns 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. The 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. The 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. The closing of the purchase of 65% of Vera Vita, which holds 100% of the company, from Banco BPM was finalised on March 29th;

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 Andromaca, is a newly-established real estate mutual investment fund, 100% owned by the Parent Company, Cattolica. Part of its shares are allocated to the life portfolio;

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 67.13%, Lombarda Vita 18.64%, TUA Assicurazioni 0.78%, Vera Vita 11.36%, Vera Protezione 1.51% and Vera Assicurazioni 0.58%. They are partially allocated to the life portfolios of Cattolica, Lombarda Vita, Vera Protezione and Vera 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 68.28%, Lombarda Vita 12.99% and BCC Vita 18.73%. 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 in 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. This Company is a single-member limited liability company with the sole objective of carrying out agricultural activities, pursuant to article 2135 of the Italian Civil Code;

Cattolica Beni Immobili was established in 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 fully 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 offered are: designing, development and management of computer applications and operating processes and of telecommunication services; management of the Group's digital innovation for IT and organisation-related aspects; management of the Group's settlement of claims, with the exception of the suretyship, hail and transportation sectors; education and training services for the Group's employees; life and social security technical division; non-life and accounting operations and the financial statements of the Group's companies. It 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 previous year, together with investment contracts.

Table 10 - Total premiums written

Non-life business					Change	
(€ thousands)	2018	% of the total	2017	% of the total	Amount	%
Accident and injury	204,361	3.6	201,491	4.3	2,870	1.4
Health	97,229	1.7	75,008	1.6	22,221	29.6
Land vehicle hulls	139,856	2.5	139,468	2.9	388	0.3
Goods in transit	6,474	0.1	7,080	0.1	-606	-8.5
Fire & natural forces	148,499	2.7	124,316	2.6	24,183	19.5
Other damage to assets	241,216	4.3	224,342	4.7	16,874	7.5
TPL - Land motor vehicles	971,514	17.3	963,576	20.3	7,938	0.8
TPL – General	189,549	3.4	176,368	3.7	13,181	7.4
Credit	499	n.s.	159	n.s.	340	n.s.
Suretyship	18,691	0.3	17,162	0.4	1,529	8.7
Sundry financial losses	17,871	0.3	25,843	0.5	-7,972	-30.6
Legal protection	17,862	0.3	15,442	0.4	2,420	16.2
Assistance	43,628	0.8	39,933	0.8	3,695	9.3
Other classes [1]	6,609	0.1	4,862	n.s.	1,747	35.9
Total non-life classes	**2,103,858**	**37.4**	**2,015,050**	**42.3**	**88,808**	**4.4**
Insurance on the duration of human life - class I	2,600,995	46.2	1,960,645	41.1	640,350	32.7
Insurance on the duration of human life linked to investment funds - class III	693,619	12.3	457,116	9.6	236,503	51.7
Health insurance - class IV	1,312	n.s.	1,443	n.s.	-131	-13.3
Capitalisation transactions - class V	217,680	3.9	320,031	6.7	-102,351	-32.0
Pension funds - class VI	13,590	0.2	13,430	0.3	160	1.5
Total life business	**3,527,196**	**62.6**	**2,752,665**	**57.7**	**774,531**	**28.1**
Total direct business	**5,631,054**	**100.0**	**4,767,715**	**100.0**	**863,339**	**18.1**
Indirect business	**17,570**		**13,769**		**3,801**	**26.8**
Total insurance premiums	**5,648,624**		**4,781,484**		**867,140**	**18.1**
Insurance on the duration of human life linked to investment funds - class III	67,584	46.8	111,527	49.2	-43,943	-39.4
Pension funds - class VI	76,924	53.2	115,168	50.8	-38,244	-33.2
Total investment contracts	**144,508**	**100.0**	**226,695**	**100.0**	**-82,187**	**-36.3**
TOTAL PREMIUMS WRITTEN	**5,793,132**		**5,008,179**		**784,953**	**15.7**

[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)

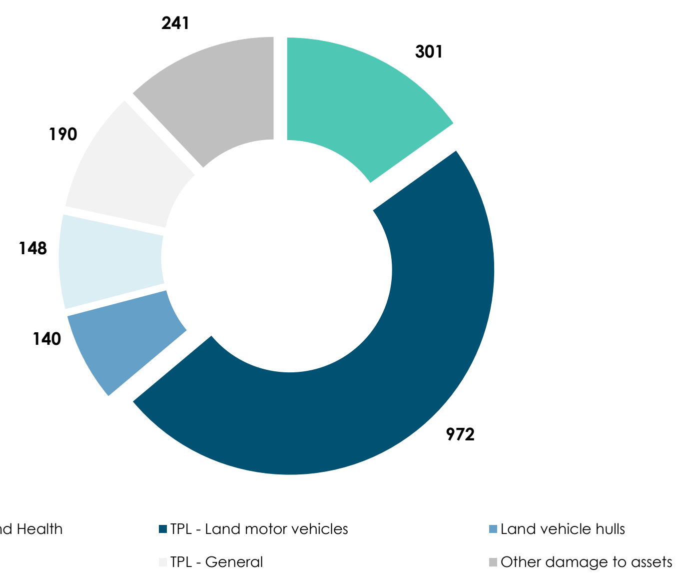
Life business (€ thousands)	2018	% of total	2017	% of the total	Change Amount	%
Insurance on the duration of human life - class I	2,600,995	70.9	1,960,645	65.8	640,350	32.7
Insurance on the duration of human life linked to investment funds - class III	761,203	20.7	568,643	19.1	192,560	33.9
Health insurance - class IV	1,312	n.s.	1,443	n.s.	-131	-9.1
Capitalisation transactions - class V	217,680	5.9	320,031	10.7	-102,351	-32.0
Pension funds - class VI	90,514	2.5	128,598	4.4	-38,084	-29.6
Total direct business	**3,671,704**	**100.0**	**2,979,360**	**100.0**	**692,344**	**23.2**
Indirect business	36		42		-6	-14.3
Total life premiums written	**3,671,740**		**2,979,402**		**692,338**	**23.2**

n.s. = not significant

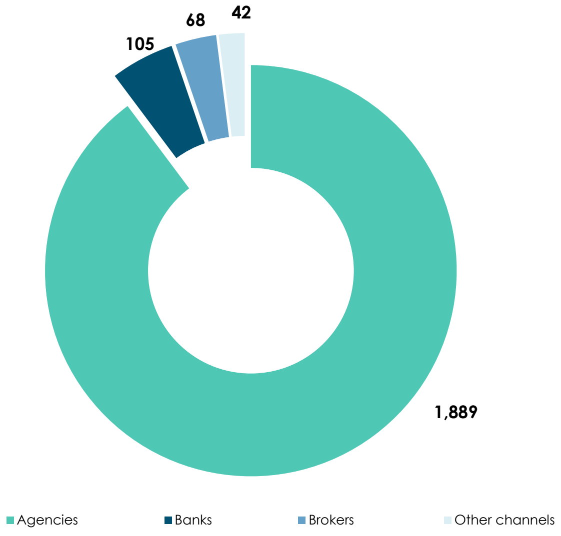
Non-life business – Premiums written

Non-life direct business premiums recorded a growth of 4.4% to €2,103.9 million (+1.3% on equivalent terms), of which €1,111.4 million in the motor segment, + 0.8% (+0.4% on equivalent terms), associated with an increase in the average premium. The non-motor segment shows a marked growth in premium income, +8.8% to €992.5 million (+2.3% on equivalent terms), partly as a result of the numerous initiatives provided for in the Business Plan. This development is in line with the objective of rebalancing the non-life business mix in favour of the non-motor class.
Indirect premiums came to €17.5 million (+27.7%).
Direct non-life premiums written were generated as follows: the agency channel with €1,888.8 million (+0.3%), the banking channel with €105 million (+75.4%), brokers with €67.7 million (+11.5%) and other channels with €42.4 million compared with €10.6 million in 2017.

Main non life classes, direct premiums (euro/millions)

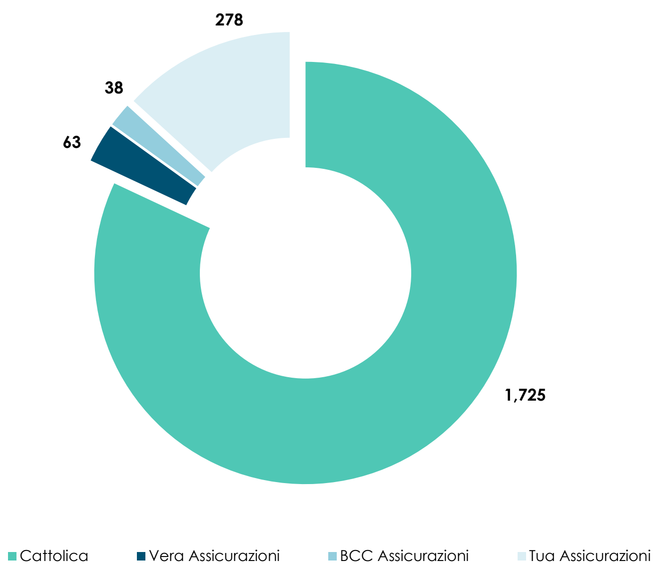


Premiums by channel, non life direct premiums (euro/millions)



Direct business non-life premiums were mainly attributable to the Parent Company for €1,724.7 million, ABC Assicura for € 0.1 million, BCC Assicurazioni for €38.2 million, TUA Assicurazioni for €278.2 million and Vera Assicurazioni for €62.7 million.

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



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

Parent Company

During the year, the offer intended for the agency channel was updated, with the aim of dealing with the emergence of specific coverage needs with targeted solutions. In September, the new product "*Cattolica&Casa Condominio 360°*" was launched, the new solution dedicated to the protection of apartment buildings and all those who live there, which also protects the Administrator for the professional activity carried out.

Thanks to the modularity of the solution, basic coverage (fire and civil liability) can be enriched with a series of additional guarantees and innovative services for a protection tailored to different needs. The product comes with two formulations: *"Cattolica&Casa Condominio 360° - Piccoli condomini"*, dedicated to small apartment buildings (up to 8 residential units) and "*Cattolica&Casa Condominio 360° - Grandi condomini*", with full coverage for apartment buildings with more than 8 units not intended exclusively for residential use.

Another important novelty was the enrichment of products dedicated to the protection of the home and business ("Cattolica&Casa Senza Pensieri"; "Cattolica&Impresa Industria 360°", "Alimentare 360°", "Commercio") with catastrophic guarantees that can protect in the event of natural disasters.

The economic consequences of these increasingly frequent events are, in fact, considerable for both companies and individual households. Despite this, there is a very low diffusion of dedicated coverage: currently, only around 40% of the total number of companies and 2.5% of private homes are insured, for example, against earthquakes.

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 and the new CVT tariff was included with the 09/2018 edition.

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

TUA Assicurazioni

In March, in agreement with the reference reinsurer, the product "*TUA Energia*" was updated, intervening on certain technical parameters.

In May, the "*Tua Motor*" line has been enriched with a very innovative electronic solution developed in synergy with the Parent Company. The product is available in two versions "*TUA Smart Drive*" (self-installed by the Customer) and "*TUA Box Drive*" (requiring installation by a professional): both provide for heavy interaction by the policyholder with the device installed on a vehicle and guarantee exclusive and easily activated services if needed (automatic assistance in the event of major crashes, request for assistance via a button, accident dynamics reconstruction, motor vehicle position certification, hazardous road alerts, weather alerts, etc.), in addition to rewarding the most compliant drivers with fee reductions.

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.

In July, the new product "*TUA PET*", dedicated to pet owners, was placed on the market. The product has a modular structure that enables its cross-segment positioning over all customer clusters. The sections provided for are civil liability, assistance, reimbursement of veterinary expenses and legal protection. There is also a finding section, the guarantees of which are given provided that a GPS locator is activated, provided free of charge by the Company, which enables policyholders to track their pets via a dedicated app.

Vera Assicurazioni

The rebranding and standardization of the product catalogue of the former Avipop Assicurazioni S.p.A. was completed.

New products are undergoing implementation, especially products dedicated to the protection of family, home and pets.
Added to the conventional coverage for fire, theft, third party liability, legal protection and assistance there are revised services to provide an answer to the customers' changing needs: protection for earthquake and against flood 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.

For the products "*Drive me 1*" and "*Drive me 2*", 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.

The new Motor product is undergoing implementation, which will be accompanied by the traditional motor class warranties and will be supplemented by guarantees and related services.

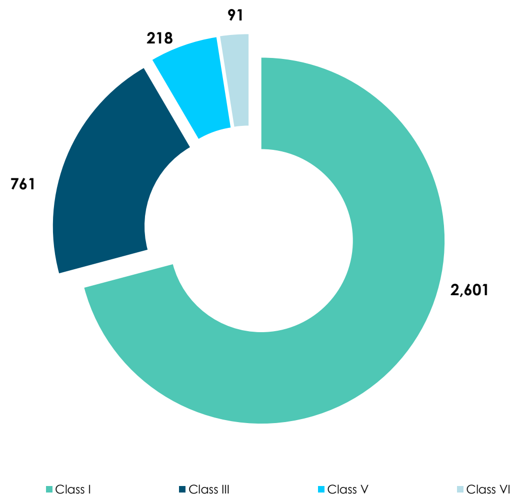
ABC Assicura

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

Life business - Premiums

Insurance premiums in the life business totalled €3,527.2 million (+28.1%). Premiums written relating to investment contracts amounted to €144.5 million (-36.3%). Total direct life premiums written, amounting to €3,671.7 million, were up by 23.2%. Net of the contribution of the companies acquired by Banco BPM, premiums written were down 7.1%.

Main life classes, direct premiums (euro/millions)



In 2018, there was a development of investment solutions attributable to Class III and a good stability in the traditional premiums written, represented by products associated with separate accounts but with a "non-cliquet" guarantee, which will allow for a lower capital absorption. There was a reduction in the premiums written for Class V products (-32%) and Class VI products (-29,6%).

Despite the uncertainty of the overall economic situation and the high volatility of stock market trends, the segment of policies with a higher financial component (attributable to unit-linked type policies, associated with internal funds, external UCIT units or SICAV segments) generated for the Group a premium performance of approximately +34% of total premiums (net of the contribution of the companies acquired by Banco BPM +8%), with a positive development trend greater than overall recorded by the insurance industry in the Italian market.

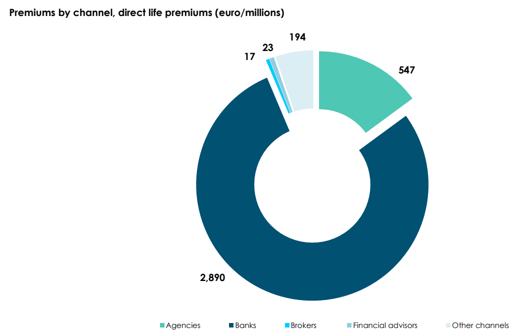
The Group's life premiums written continued to be driven by the bancassurance channel, especially by the performance of the branches of the Cooperative Credit Banks (+33%) and by the companies Vera Vita, Vera Protezione and Vera Financial, which entered the scope in the second quarter of 2018. Net of new entries, the growth percentage of the channel settled at +2%, if also stripped of the 2017 premiums relating to the terminated agreement with BPVI.

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

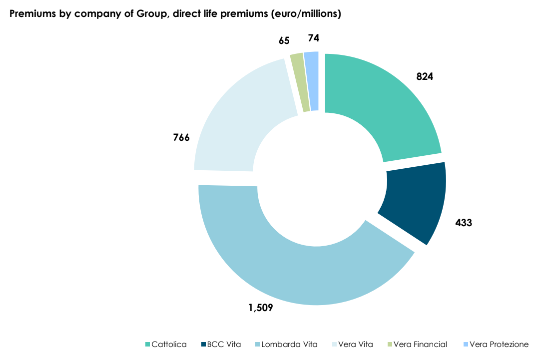
Total class III premiums written (insurance on the duration of human life linked to investment funds) amounted to €761.2 million (+33.9%) and consisted of unit linked contracts. Investment contracts amounted to €67.6 million (-39.4%).

Class V premiums written (capitalisation) amounted to €217.7 million (-32%).
Total class VI premiums written (pension funds) amounted to €90.5 million (-29.6%) and were mainly generated by investment contracts.

Direct life premiums written were generated as follows: the agency channel with € 547.3 million (-4.2%), the banking channel with €2,890 million (+40.1%), brokers with €17.5 million (-56.3%), financial advisors with €23.2 million (-9.6%) and other channels with €193.7 million (-30.8%).



The contribution made to the consolidated amount on life premiums attributable to the Parent Company totalled €824.4 million, to BCC Vita €432.5 million, to Berica Vita for €2.1 million, to Cattolica Life for approximately €200 thousand, to Lombarda Vita for €1,508.5 million, to Vera Financial for €64.9 million, to Vera Protezione for €73.5 million and to Vera Vita for €765.6 million.



Life business - Research and development activities: new products

Parent Company

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

In this perspective, the operations carried out were on the one hand aimed at protecting the financial sustainability of the re-valuable 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.

More specifically, with reference to the so-called professional networks of Agents and Brokers, the major operations carried out concerned:

- the application of the "non cliquet" revaluation type to all re-valuable offers, as well as to the re-valuable component of Multi-Class products;
- the lowering of the maximum premium that can be invested in Re-valuable products and increasing the pricing level on the segregated fund-linked component of the offer;
- the rising, to 50%, of the minimum threshold of premiums that can 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*");
- a review of the remuneration logic by brokers 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.

All of the aforementioned interventions were incorporated into new product versions that replaced the corresponding pre-existing offer.

In addition to the foregoing, the development should be noted of a Multiclass offer solution ("*Cattolica&Investimento Scelta Dinamica 3.0 Dedicato*") aimed at reinvesting expiring policies, which is added to the re-valuable product already available for this type of need.

Also, with reference to the banking distribution channel, interventions were carried out aimed at reducing the absorption of capital for the company ("*DueVie ed. 2018*" and "*Risparmio Private ed. 2018*").

In September, the new product "*Cattolica&Risparmio Idea Italia PIR*" was introduced with the aim of meeting new market needs and exploiting the tax incentive linked to the product type. The Individual Savings Plan (PIR) is a multi-class mixed insurance with single recurring premiums with the possibility of making additional payments and an additional benefit in the event of death.

During the second half of the year, in light of the new European Insurance Distribution Directive (IDD) on the distribution of life and non-life insurance products, the procedures for issuing all insurance products that are newly marketed, or subject to substantial changes, regardless of their nature and the distribution channel used for their placement on the market, were updated.

In view of the entry into force, on January 1st, 2019, of IVASS Regulation no. 41 dated August 2nd, 2018, laying down the provisions on the disclosure and advertising of insurance products, the contractual documentation of all marketed products was adjusted according to the Information Set layouts dictated by the Supervisory Body.

Lombarda Vita

During the year, steps were taken to supplement and update the offer of the range of products 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 in case of death;
- Pure risk guarantees combined with the multi-class "*Twin Selection*": temporary insurance in case of death (TCM), insurance in 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 placement 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 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. In this logic, various interventions were carried out on the offer catalogues, such as "*Autore Sinergia*" and "*StartEvolution 3.0*".

In the second half of the year, the new Class I product "BCC Vita – Futuro 1.0", an insurance contract associated with the new Separate Account BCC Vita Futuro, was added to the current offer. The underlying separate account is newly created and complies with the latest regulations on the use of the profit fund.

Vera Protezione

The rebranding and standardisation of the product catalogue of the company was completed.

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

During the second half of the year, the research and development activity on products concerned the restyling of existing products ("*Vera Vita – Beldomani*", "*Vera Armonia"* and "*Vera Vita BelDomani Gold Edition"*) and the release of new investment solutions ("*Vera Vita – PrimaVera Multiramo"*), according to the guidelines dictated by the agreement between the Parent Company Cattolica and Banco BPM.

Along with the innovation activity, interventions dictated by the IDD Regulation (October 2018) and related IVASS Regulation no. 41 August 2nd, 2018 have proved necessary.

Vera Financial

Life product research and development developed following two particular guidelines during 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 placement in keeping with the guidelines dictated by the agreement between the Parent Company Cattolica and Banco BPM.

As regards the plan to release the new products for the whole of 2018, the release of a product," *Futuro Sostenibile*", characterised by the predominant investment in financial instruments issued by companies that meet socially responsible management criteria, was agreed and shared.

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.

Reinsurance

Non-life business

The Parent Company's reinsurance programme maintained a standardised structure in line with that of last year, making reference to a programme of proportional transfers with the complementarity of optional transfers.

The residual retained portion of each class was further protected by claim excess coverage against the occurrence of both individual insured events of a significant amount as well as catastrophic events.

The proportional transfer is represented by a multi-class bouquet (fire, theft, accident and injury, land vehicle hulls, leasing, other 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 other 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 (expiring 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 risk for the fire & general classes, there is three-year proportional coverage with 90% transfer for the Parent Company and for BCC Assicurazioni and TUA Assicurazioni.

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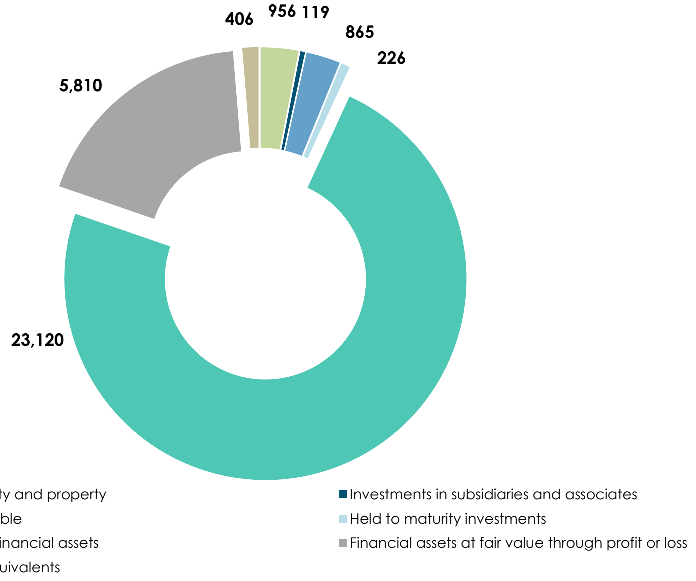
Dealings with reinsurance companies which present the best prospects of continuity over the long-term have been preferred for all the Group companies. When selecting partners, particular attention was paid to the solidity and reliability of the same, directing the choice towards those with the best rating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

In defining the reinsurance programme, all Group companies complied with the provisions of the Framework Resolution on passive reinsurance in accordance with Article 3 of ISVAP Circular no. 574/D dated December 23rd, 2005, repealed 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

Investments breakdown, (euro/millions)



Investment property and properties

Acquisitions and property transactions

During 2018, some major real estate transactions were completed, including investments that 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).
In particular:

- 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. During the year, nine facilities were brought on launch and further contributions and new purchases will be made in 2019 until a target property value of € 150 million is reached.
- the signing of the notice of compliance with the conditions precedent concerning the deed of a property in the historic centre of Verona. The Euripide Fund, managed by FININT SGR, definitively became the owner of the property;
- the purchase in July through Fondo San Zeno, managed by CBRE Global investor sgr, of the Campo dei Fiori Shopping Centre in Gavirate (VA).
- the capital increase, in November, of the Central North Mercury Fund for 8 properties for a total of €33 million. The Fund used financial leverage at a level equal to 50% of the value of the properties;
- the establishment of a new real estate fund, within the scope of joint venture transactions with Conad, called Fondo Mercury Nuovo Tirreno. The new fund provides for a pipeline of investments for the next 3 years equal to 21 properties, plus a new construction, for a total value of €150 million, divided between Tuscany, Lazio, Liguria and Sardinia. Cattolica will need to subscribe 90% of the Fund's equity: it will also be possible to take out one or more loans, to an extent yet to be defined. The first tranche was completed in December and the first 5 properties were contributed to the Fund;
- the purchase, in December, through the Euripide Fund, of the hotel property "Royal Carlton" in Bologna. The hotel business will continue to be carried out by the Monrif Group company;
- the purchase, in December, of the management and commercial property in Verona, Viale del lavoro, leased to the North-East Agricultural Consortium, through a newly established Real Estate Fund called "Andromaca";

- the purchase, in December, of a property near Piazza Venezia, in Roma, through the Euripide Fund.

During the year, in Verona, in the area referred to as Cattolica Centre, redevelopment works continued, in addition to the conference activity it currently hosts.

The upgrading, restructuring and subsequent income-

generating interventions of certain properties not intended for agricultural use located within the Ca' Tron estate in the municipality of Roncade (TV) also continued, launching a building recovery plan of the complex known as "Ca' Tron Business Centre".

Securities investments

The investment activity was carried out in a market context characterised by a limited volatility in the first quarter, on both the stock market and bond market. In this phase, US and German government rates rose, whilst the BTP spread reached new lows for the period and the stock markets recorded new highs. The period of calm was followed by a much more nervous period, due to fears relating to the trade war triggered by the Trump administration, as a result of the increasingly evident signs of a slowdown in the economic cycle and due to political tensions in both Italy and abroad. Risky assets were thus heavily penalised, stock markets suffered sharp declines and credits, especially low-quality credit, suffered a significant widening of spread. In terms of government bonds, a re-edition, on a smaller scale, of the 2011 Italian debt crisis occurred, for the first time in the summer and on a second occasion in the autumn.

The process to geographically diversify the government component in Eurozone countries, in order to reduce concentration on domestic securities and mitigate the impact on the portfolios resulting from a volatility increase, continued during the year. These operations transversely involved all Group companies and were initiated in line with the goals set in the strategic asset allocation process. The reduction in Italian government bonds did not take place linearly during the year, given that, during the stress phases, purchases were also made on long maturities, most of which were immobilised.

The corporate component sustained a partial reduction due to the slowdown in issues, above all in the first part of the year, and in repayments of many positions in the portfolio. In the final quarter, also in relation to the increase in spreads, selective purchases were made on securities of banking, financial and industrial issuers, both on the primary and secondary markets.

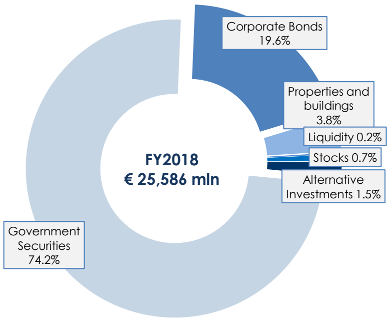
Exposure to the equity component, which was residual on average, compared with the rest of the portfolio, remained stable.

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.

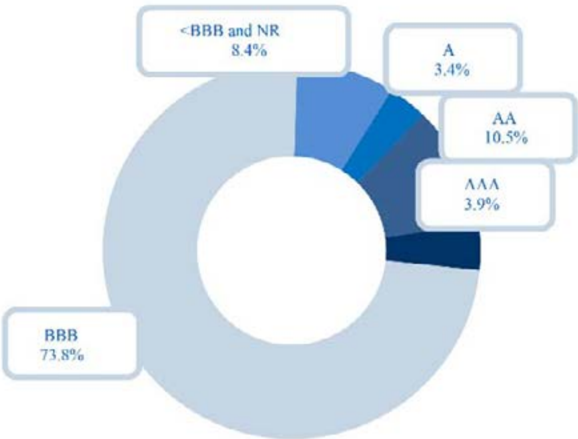
Alternative investments continued to be made. Commitments were particularly made in funds tied to strategies focused on infrastructural activities and projects, on direct loans to companies and on investment in non-performing loans. Investments are concentrated in Europe, in this way contributing to the strategy of overall diversification of the portfolio and of keeping adequate profitability levels.
As stated above, in the second part of the year, the real estate component also increased through the subscribing of new funds and the increase of units of existing funds.

As regards assets under management as at December 31st, 2018 (excluding equity investments), we highlight the following details.

Asset allocation



Bond rating breakdown



Financial operations

Financial operations, closed with a result, gross of tax effects, amounting to €484.6 million (-1.3%). With reference to net income from other financial instruments and investment property, the item was characterised by an increase in net income from interest and other net proceeds, which amounted to €537.6 million (+3.2%), by net profits realised which amounted to €10.9 million (-64.5%) and by net losses from valuation on financial assets, which amounted to €26.5 million (-40.3%), plus net income resulting from equity investments in associated companies for €2.9 million (-17%). With reference to net income deriving from financial assets held for trading, the result from financial operations was characterised by income from net interest and other negative net proceeds for €100 thousand (+€1 million in 2017), by net profits from valuation for €1.2 million (+€3.3 million in 2017) and losses from realisation for €800 thousand (+€1.6 million in 2017).

PERFORMANCE IN THE 4TH QUARTER

The Group result as at December 31st, benefited from a positive contribution, in the fourth quarter, of €35 million, whilst that on the consolidated result was positive for €44 million, of which €22 million attributable to the non-life sector, €23 million to the life sector and a loss of €1 million to the other sector.
Also taking into account the normalised results, the contribution of the fourth quarter was substantially unchanged.

UNREALISED CAPITAL GAINS AND LOSSES

At year end, unrealised capital gains net of tax effects were recorded on held to maturity investments for €18.4 million, along with unrealised capital gains net of tax effects on loans and receivables for €38.3 million, relating to bonds and other fixed-income securities.
The overall fair value of the held to maturity investments and loans and receivables as at December 31st, amounted to €1,172.3 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 €138.3 million. The overall fair value of property and investment property came to €1,156.6 million.

SOLVENCY II RATIO

Pursuant to Article 24, paragraph 4-bis of ISVAP Regulation no. 7 dated July 13th, 2017, information is provided regarding the operating conditions: specifically, the eligible own funds, calculated by taking into account the USPs, amounted to 1.72 times the Solvency II capital requirement, following the proposal to distribute the Parent Company's dividend, which shall be subject to the approval of the Shareholders' Meeting.

Table 12 - Solvency II Ratio USPs

(€ thousands)		2018	2017
Solvency Capital Requirement (SCR)	A	1,231,763	1,103,487
Minimum Capital Requirement (MCR)		720,450	595,894
TOTAL ADMISSIBLE OWN FUNDS to cover the solvency capital requirement	B	**2,113,248**	2,642,815
of which TIER 1		1,417,090	2,010,657
of which TIER 1 restricted		80,277	80,415
of which TIER 2		615,881	551,743
of which TIER 3		0	0
SII Ratio	B/A	**172%**	**239%**
TOTAL ADMISSIBLE OWN FUNDS to cover the minimum solvency capital requirement		**1,641,457**	2,210,251
of which TIER 1		1,417,090	2,010,657
of which TIER 1 restricted		80,277	80,415
of which TIER 2		144,090	119,179
of which TIER 3		0	0

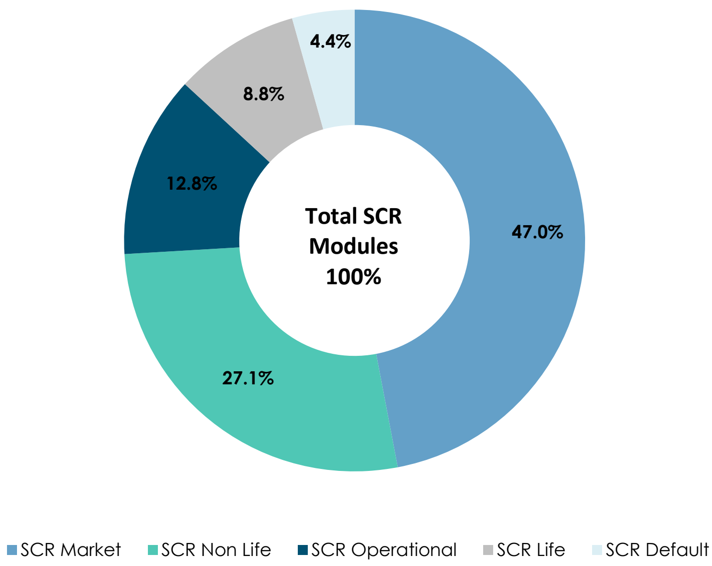
The figures for 2018 have not yet been subject to the checks required by Regulation no. 42 dated August 2nd, 2018; the figures will be disclosed to the Supervisory Institute and to the market according to the timescales provided for by the current legislation.

The Solvency Ratio of the Cattolica Group suffered a reduction during 2018, from 239% to 172%.
Compared with the 2017 closing value, it is nevertheless appropriate to consider that a large part of the apparent reduction is attributable to the acquisition of the companies in partnership with Banco BPM, financed partly through the issue of subordinated debt, which took place as early as at the end of 2017.

The actual reduction, to be considered, therefore, net of the aforementioned item, is primarily attributable to the trend in credit spreads on Italian Government Bonds, the increase in which led to a reduction in the balance figures.
In terms of capital absorption, the mitigation of interest rate risk is noted, pursued by improving the ALM profile of the portfolios and, at the same time, the reduction in the concentration on government bonds. The ability to mitigate losses from technical reserves, on the other hand, decreased again, as a result of the trend in spread during the reporting period.

With reference to the risks measured also by means of the regulatory capital requirement, indication of the related percentage of each risk with respect to the total is illustrated. The breakdown by Solvency Capital Requirement (SCR) risk module is shown in the chart below, which shows that the most relevant macro-categories with reference to the overall risk profile are market risk (47%) and non-life technical risks (27.1%).

Breakdown by SCR risk module



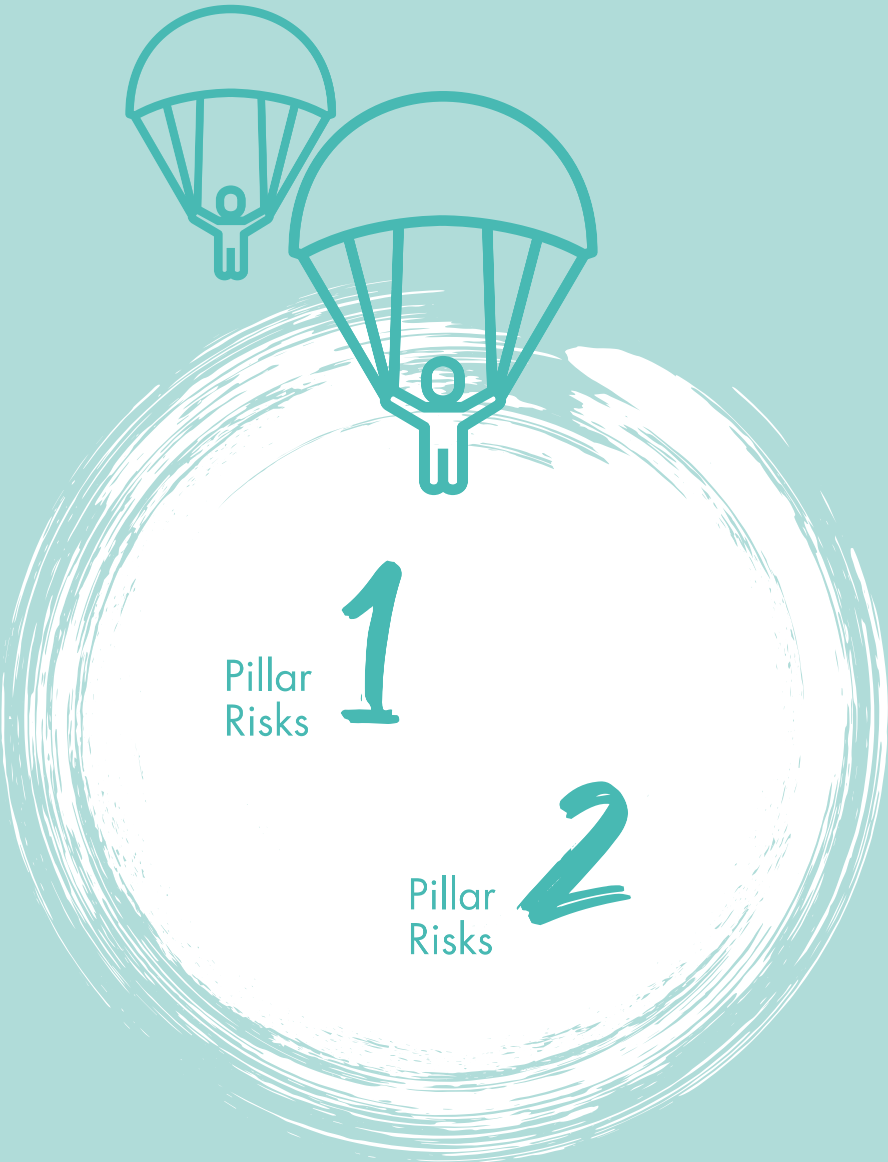
As regards the sensitivity analysis of the main financial risk factors and, potentially, also the technical risk factors, with measurements on various metrics (always solvency, but also income statement), the table below measures the effects of the sensitivities on the ratio before the proposal to distribute the Parent Company's dividend.

It should be noted that the market conditions as at December 31st, 2018 constitute a specific condition. Solvency II provides for a mechanism to protect the solvency position, known as Volatility Adjustment and associated with any adverse trend in the financial markets, measured on a European and individual country level. As at December 31st, 2018, the specific item relating to Italy was not active for a few basis points of spread compared with the risk-free rates. The sensitivities relating to a further widening of the spreads on Italian Government Bonds were affected by this specific condition, measuring an improvement in the solvency position associated with the activation of the Country item of the Volatility Adjustment.

Table 13 – Sensitivity Solvency II Ratio

(€ million)

Cattolica Assicurazioni Group	Ratio as at FY2018	Post-sensitivity rates +50bps	post-sensitivity spreads +50bps	post-sensitivity shares -25%	post-sensitivity property -25%
31/12/2018 FY	**178%**	**RATE**	**SPREAD**	**STOCK**	**PROPERTY**
delta Ratio		3%	-22%	-10%	-24%


Pillar 1 Risks
Pillar 2 Risks

MANAGEMENT REPORT

RISK MANAGEMENT

RISK MANAGEMENT PROCEDURES

The Group is equipped with a Risk Management System, formalised in the policies issued pursuant to IVASS Regulation no. 38 dated July 3rd, 2018 and in accordance with Article 30 bis, section 4 of the Private Insurance Code, by the Parent Company's Board of Directors, as an act of policy and co-ordination 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 the 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 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 2018, 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 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, carrying out the second level control activity.

Risk Propensity, supplemented by other policy processes, contributes toward guiding strategic decisions of the Group and companies, and forms the reference based on which the operating limits are assigned to the business units. Accordingly, the Group has adopted a framework structured on three dimensions, namely:

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

1. **Risk Propensity**: measured and managed 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 IVASS[11], to replace a subset of the parameters of the standard formula with specific Group and business parameters (so-called GSP - Group Specific Parameters and USP - Undertaking Specific Parameters) in order to reflect the risk profile more accurately. The valuation resulting from application of regulatory capital requirements is also refined and supplemented by valuations pertaining to the specific exposure to the surfacing of adverse scenarios considered to be particularly important. For those risks that do not fall within the standard formula, the valuation methodology is determined based on the specificity of the type of risk and the methods with which it might turn into damage for the Group or for its companies. This area comprises the liquidity risk, the risk of belonging to the Group, reputational risk, the risk of non-compliance with legislation, cyber risk, the risk of outsourcing and strategic risk.

10 Health NSLT (not similar to life techniques) is equivalent to health insurance allocated to the business lines for non-life insurance obligations.

11 The authorisation received on May 11th, 2017, with application starting from the figures as at December 31st, 2016.

Internal risk and solvency assessment

The current and prospective internal risk and solvency assessment (i.e., 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 the 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 year, the Group carried out the current and forecast assessment of risks and solvency 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:

1. **Projection of the economic results** consequent to projections on the life and non-life business trend, and in consideration of the trend in the macroeconomic scenario;
2. **Risk assessment** by the Risk Management unit according to processes and methodologies formalised by the Board of Directors in the resolution of propensity to risk and in the Risk Management Policy;
3. **Projection of the risk and solvency profile** of the Group and of the single companies emerging from the projection of the economic results;
4. **Sending of the ORSA report to the Supervisory Authority** following its discussion and approval by the Board of Directors of the Parent Company;
5. **Monitoring** of the trend in the risk and solvency profile and continuous observance of the capital requirement requisites;
6. **Sending of the Group ORSA report** following its discussion and approval by the BoD of the Parent Company. The approval of the ORSA report follows the approval of the ORSA results in the BoDs of the individual insurance companies of the Group.
7. These results are accompanied by the conclusions reached by the Administrative Body; they are reported to the operating facilities concerned, aimed

at sharing the evidence of the monitoring activity of the trend in risk profile.

Purpose of the ORSA process

The company's risk and solvency assessment is a complex managerial process 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 25% 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.

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 in 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 have 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 in premiums written for important groups of lines of business, the technical trend (measuring, for example, the claims ratio on premiums pertaining to the current year, settlement velocity and average cost of claims) and the trend in reserves.

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 due to the nature of the business of the Group insurance companies and their risk profile; concentrations such as to prejudice the latter do not stand out. The exposures monitored concern natural catastrophes, earthquakes, floods and hail, the concentration for the risk of Fire and the concentration for Security risk.

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

In 2018, closing and forecast stress tests were conducted on the basis of a set of risk factors assessed jointly, such as:

- increase equal to 3% of the claims provisions;
- seismic event with period of return of one year out of 200.

The data coming out of the analyses confirms 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 estimate process for provisions

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 the risks associated with the conduct of the insured parties (redemption risk), followed by risks of a demographic nature and expense risk.
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 assessment of this risk is carried out using a 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 in premiums written per business line (concisely measuring the riskiness connected with re-valuable, 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 47% 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 credit and real estate spreads changing. Equity, interest rate 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 interpreted in the investment analysis processes, both forecast and final, integrated by the system of limits.
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.
With regard to the market risk, the Group companies define the related risk positioning with respect to the related propensity via the definition of Strategic Asset Allocation. The process of defining it is in fact strictly linked to the significant processes in the ORSA sphere, representing the basis for an informed and appropriately handled undertaking of risk.
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 system of limits is applied by means of a first level safeguard pertaining to the operational functions and a second level independent control pertaining to the Risk Management function. 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 in the regulatory capital requirement is also monitored. This specific monitoring activity is conducted with computer tools used directly by the Investment & ALM Division and is continually compared 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 14 - Sensitivity analysis on market risks

(€ million)

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%	Real estate - 25%
Impact on IAS shareholders' equity	-417.3	-431.3	-237.0	-101.9	-244.8
Impact on Income Statement	-0.7	-0.8	-0.2	-2.7	-0.0
Impact on unrealised gains/losses	-15.8	-19.0	-4.8	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 is the trend in 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 4% of the total SCR (bearing in mind the effect of the differentiations between risk modules and the contribution of the capacity to absorb losses tied to technical provisions and deferred taxes).

The main types of exposure falling under this category to which the Group is exposed relate to exposure in current accounts, to re-insurers and for receivables from brokers and policyholders.

The assessment of these risks is conducted with the standard formula, today considered appropriate since the profile of assets in question held by the Group companies is in line with the market.

As part of the assessments made using these metrics, particular attention was paid to the details of the risk by type of exposure and by the single most important counterparties, by monitoring their trend over time and assessing, case by case, the expediency of taking management measures to lower the risk.

The credit risk management process is, first and foremost, focused on the adequate selection of counterparties. A system of limits aimed at appropriately managing the most significant exposures is also defined by assigning limits for each Group company to the operating units, expressed as capital requirement calculated with the standard formula and applied according to the single type.

Specifically, limits referring to the capital requirement for current account and re-insurer exposures are assigned. These limits allow a summary of various magnitudes of the risk to be drawn up after understanding the risk level of the single counterparty, the overall exposure and the presence of concentrations, if any.

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

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

Liquidity risk

Liquidity risk is assessed for each Group company following the provisions of the relevant policy, which set out to establish a monitoring level focused on precise financial planning whilst also taking into account variability elements that affect the trend in future cash flows.

The trend in 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.

Operating risk

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

Two different methods are used in the Group to measure operational risks:

- a quantitative assessment for regulatory purposes every quarter, where the capital to satisfy the solvency requirement of the operational risk module (OpSCR) is calculated applying the standard formula of the Solvency II legislation. The operational risk module represents about 13% of the Solvency Capital Requirement (SCR) of the Group.
- an internal qualitative assessment carried out by the managers of company processes and the Risk Management Unit, where risks are identified and classified by risk factors (persons, procedures, external systems and events) and by type of event according to the taxonomy shown below:

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

Risk exposure is measured using a qualitative scale determined based on a logic of probability of occurrence and potential economic impact, which has a minimum value of 1 (very low) and a maximum value of 10 (very high). As at December 31st, 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 in 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

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 suitability and effectiveness of the organisational measures adopted for the prevention of the risk of non-compliance with the provisions and proposing the organisational and procedural changes aimed at ensuring an adequate overseeing of the risk;
- assessing the effectiveness of the organisational adjustments consequent to the changes suggested;
- providing adequate flows of information for the corporate bodies of the company and of the other structures involved.

The head of the function prepares, on a quarterly basis, information flows intended for the Board of Directors, subject to examination by the Control and Risk Committee, Senior Management, the directors and officers as well as ensured constant direct alignment with the functions included in the Internal Control System, as well as the other company functions concerned. Besides the periodic reporting, the manager of the function submitted the 2019 activities plan to the Board of Directors, indicating the measures which he/she intends to implement with regard to the non-compliance risks, which will take into account both any weaknesses detected as a result of compliance risk assessments, on-going monitoring and verification activities, as well as emerging risks.

The regulatory scope assigned to the Function assumes direct oversight (assistance for the line functions, initial managers responsible for safeguarding, monitoring and control) with respect to the non-compliance risks relating to primary and regulatory legislation which governs the performance of insurance, reinsurance and brokerage activities, as well as for those regulations in relation to which specialised safeguards are not already envisaged within the Company. With reference to other regulations for which specific forms of specialised safeguards are already envisaged, such as, for example, legislation on workplace safety and Privacy, the Compliance function represents indirect oversight, performing on-going monitoring and accomplishing any checks on the work of the specialist control units.

Since the risk of non-compliance with the provisions is widespread at all levels of the business organisation, especially within the sphere of the operating lines, the prevention activities primarily take place where the risk is generated, according to a risk-based approach, checking that the internal procedures are suitable for preventing said risk.

As required by the current regulation and the internal regulations on the internal control system, the Compliance function connected with the other key functions during the year by means of information flows and the exchange of reports, as formalised in specific liaison procedures between the control functions.

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 at December 31st, 2018, the assessment of the risk of non-compliance with legislation was "low", with a 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 as a "second level risk", meaning that it magnifies the negative impact mainly 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 company's control of this type of risk is adequate.

Branches

6,054

Agencies

1,444

Welfare and pension product advisors

159

MANAGEMENT REPORT

The Group in 2018

Business Performance

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, the utmost attention paid to the management of human resources was confirmed.

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. Job Market was restructured to fill the gaps that emerged during the first experience and to add value to the selection process: the intention is for it to be an organisation space that facilitates the meeting of the needs of the corporate departments and the skills of the people, in a logic of transparency, fairness and effectiveness.
154 positions were opened during 2018, for which more than half of all 471 employees that responded to an advertisement or submitted self-applications were met.
The Group continued with the stabilisation of collaborators by turning their staff leasing contracts into 41 permanent employment contracts and also carried out 59 internship and 18 School-Work Alternation opportunities to students and recent graduates with the intention of discovering and developing the talents of tomorrow.

As at December 31st, the Group headcount included 1,692 staff members, not including the 25 staff members who left as at December 31st, of which 23 joined the Solidarity Fund, compared with 1,579 as at December 31st, 2017 (+113). The staff is broken down as follows: 65 executives, 381 officials, 1,246 office workers.
The number of Group employees recognised on a full-time equivalent basis was 1,631, not including the 25 staff members who left as at December 31st, 2018, of which 23 joined the Solidarity Fund (1,517 as at December 31st, 2017).

Headcount (number)

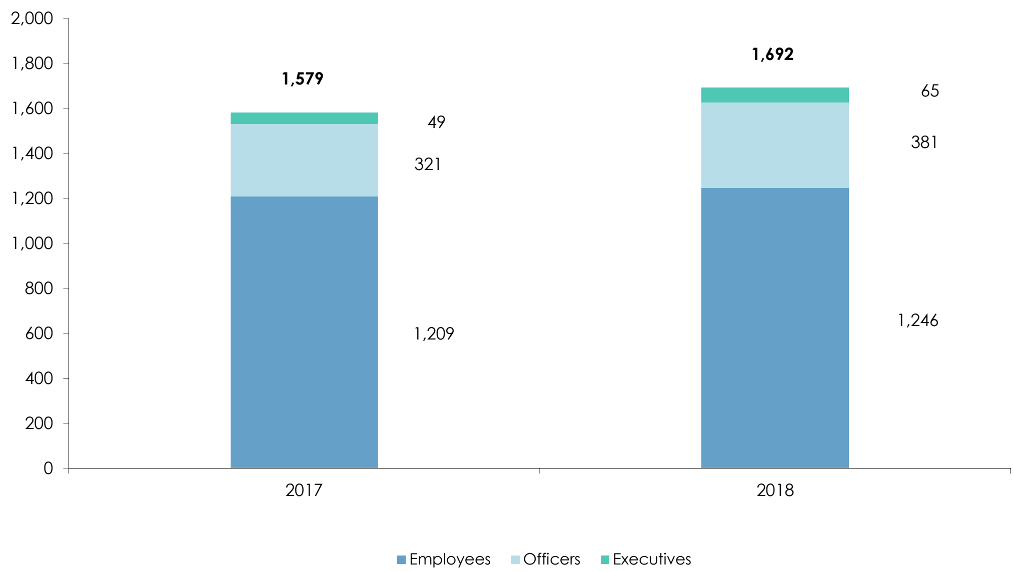


Table 15 - Group Headcount

Group companies (*)	Registered offices	2017	Increases	Decreases	Change	2018	Leavers as at Dec. 31, 2018 (**)	2018 net of leavers as at Dec. 31, 2018
ABC Assicura	Verona	7	0	0	0	7	0	7
BCC Assicurazioni	Milan	5	0	1	-1	4	0	4
TUA Assicurazioni	Milan	72	7	8	-1	71	0	71
VERA Assicurazioni	Verona	0	6	0	6	6	0	6
CattRE	Luxembourg	0	1	0	1	1	0	1
BCC Vita	Milan	10	0	2	-2	8	0	8
Berica Vita	Vicenza	3	0	0	0	3	0	3
Cattolica Life	Dublin (Ireland)	6	1	2	-1	5	0	5
Lombarda Vita	Brescia	9	1	0	1	10	0	10
VERA Financial	Dublin (Ireland)	0	24	6	18	18	0	18
VERA Protezione	Verona	0	3	0	3	3	0	3
VERA Vita	Verona	0	8	2	6	6	0	6
Cattolica Assicurazioni	Verona	828	165 1)	32 2)	133	961	14	947
Agenzia Generale Agrifides	Rome	3	0	3	-3	0	0	0
Cattolica Agricola	Verona	8	1	1	0	8	0	8
Cattolica Beni Immobili	Verona	1	0	0	0	1	0	1
Cattolica Immobiliare	Verona	4	3	0	3	7	0	7
Cattolica Services	Verona	617	38 3)	85 4)	-47	570	11	559
C.P. Servizi Consulenziali	Verona	6	0	1	-1	5	0	5
Estinvest	Venice	0	0	0	0	0	0	0
Satec	Venice	0	18	0	18	18	0	18
Meteotec	Venice	0	2	0	2	2	0	2
Qubo Insurance Solutions	Milan	0	3	0	3	3	0	3
Group Total		**1,579**	**281**	**143**	**138**	**1,717**	**25**	**1,692**

(*) Number of employees relating to companies consolidated line-by-line excluding the resources covering maternity leave.
(**) of which 23 joined the Intersectoral Solidarity Fund.

1) of which 93 intercompany transfers
2) of which 19 intercompany transfers
3) of which 20 intercompany transfers
4) of which 82 intercompany transfers

Talent & Reward

Cattolica's evolutionary path towards a "Great Place To Work", launched with the 2017 climate survey and followed by the second survey in 2018, was also realised in the projects and activities of the Talent&Reward organisational unit, which is committed to enhancing and incentivising the qualities of people, who are considered one of the main assets of the Group's strategy.
The ambition driving these choices is to be a company in which all resources are enabled to fully express their skills, quality and knowledge, leveraging on the motivational factor that inevitable affects "working life" and creates effective engagement in people.

The initiatives include:

- Talent Check Up: the detection of behavioural skills in the workplace was extended to the entire company population, also using innovative and digital tools. In total, the Talent Check Up was performed on over 1,400 people;
- Digital Survey: the second edition had the objective of checking the consistency of the training actions undertaken following the results of the 2017 survey, in order to possibly reschedule further and more targeted improvement actions;
- Talents/Talent Pool Project, aimed at identifying, in the context of best performers, the level of engagement towards the objectives of the Business Plan. The project involved approximately 30 people;

- Managerial Assessment aimed at supporting the setting up and implementation of an effective "Talent Management" process for the development of strategic resources. Around 90 individual assessments are planned.

On the aspects of "*pride*" and "*cohesion*" (two of the five dimensions analysed with the climate survey), the Well-Being and Solidarity project was implemented, which involves and consists of a series of initiatives aimed at improving the work environment and cohesion between colleagues, as well as increasing "team spirit".
The various initiatives include:

- partnership with the company "6più", which involves weekly training plans for running and fast walking under the guidance of a sports trainer;
- business partnership with Gympass: a company engaged in affiliating sports facilities throughout the national and international territory, partly and above all, in terms of recommendations, which our Group's employees have the possibility of accessing in exchange for a Company Fee paid by Cattolica;
- "*La Pausa che...Frutta!*" project: the twice-weekly supply of fresh and seasonal fruits distributed to the main offices of the Group companies;
- "*Facciamo Strada*" project: the purchase of 15 bicycles to facilitate travel to Verona. Negotiations are underway to extend the service also for the Milan and Rome offices.

The performance assessment aspect saw a paradigm shift from PMP to WITH (We Improve Together)which, working on the "*equity*" dimension, was realised by considering "people as the fundamental pillar on which the future of the Group is built" and as the key element through which to the cultural transformation that will lead to achieving the Business Plan objectives will take place.
To meet this need, WITH was implemented, the new performance process which, in addition to accelerating the cultural transformation process thanks to the introduction of a bottom-up system that promotes the culture of continuous feedback, enables us to recognise and enhance the overperformance and contribution of individuals to the achievement of the Business Plan.
Among the various innovations introduced in WITH, the connection of performance to the provision of an individual premium is noted; in this case, a three-year budget was allocated to link the achievement of the individual objectives to those of the Business Plan. In addition, it does not replace the other planned remuneration measures (one-off, level change, salary rise).
The cultural change is made possible by a new concept of performance, understood as the product of two factors: the results obtained with respect to the assigned objectives and behaviours, the way in which those objectives were pursued and achieved.
To this end, 4 organisational drivers were included in WITH (Accountability, Innovation, People Care, Team work), behaviours that the company recognises as a fundamental guide to our daily activities, the assessment of which affects the final score as much as the achievement of the targets.

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 were 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 contemplated the supply of 6,694 hours distributed over a 12-month planning;
- in support of the WITH programme, the Executives and Managers of resources were involved in paths useful for developing skills and abilities to effectively manage the 2018 Intermediate Assessment and Final Assessment. The method used is peer coaching and involved approximately 300 people holding managerial positions;
- to support the management of the phases of strong change and, therefore, in the context of cultural transformation, aimed at facilitating the adoption of various working methods such as intra- and inter-departmental team work and work by objectives, with the Soft Skill Lab project, which included

FeedbackLab and Work Agile paths. This course involved 508 people;

- in terms of language training – specifically English - with the English Group project: differentiated paths in relation to the level of knowledge of the language and taught by mother-tongue teachers in groups of up to 6 people and involving 361 people;
- to promote a structured approach to project management, enabling professional growth through the acquisition of soft and technical skills, interdisciplinary projects with Skillbooster programmes, including: analytic process; team working; structured communication - effective presentations; specifically for the Insurance Analytics & Business Architecture, IT/B.I & Analytics, Bancassurance and Organisation & Resources. In total, 35 people participated for a total of 650 hours of classroom training;
- to sustain and support the complex changes due to the introduction of the Solvency II regulation, a specialist technical education and training course was created aimed at the impacted organisational units, which involved 92 people;
- in terms of IT skills, in order to deepen and strengthen knowledge of Office applications, online Excel basic, Excel advanced and PowerPoint courses were made available to all Group employees.

Interventions were carried out responding to real business needs that provided for projects with technical components that are useful to update the skills necessary to meet the objectives of the Business Plan.

The Homo Faber Project was launched for the Bancassurance Department with the aim of strengthening the technical knowledge of customers/banks to increase commercial effectiveness and loyalty and to standardise the style of the Bancassurance Account. It involved 16 participants. In 2018, two training days and assessment meetings were held.

For the Legal and Corporate Affairs Department, with a view to teamworking and direct involvement in the internal operational processes in use, a Design Thinking project was created, aimed – through an analysis and hypothesis of simplification of Department activities – at thinking outside of the schemes and contributing to the innovation of the projects in progress.

For the Claims Department, in support of the growth process for colleagues of the Direct Network, 10 editions of “The Civil Process” course were organised throughout the territory, which brought 139 people to the classroom as adjusters. In addition, in the field of regulatory training in the sector, for claims adjusters, two editions of the “Training Course on Regulatory and Case Law Novelties on Personal Injury” were organised. Lastly, for adjusters in the property sector, a course was organised to enhance the fundamental skills required by the role.

For the Actuarial and Assessment Department, two projects were carried out to enhance the use of the SAS and ResQ programmes.

For identified departments, a project was created dedicated to the topic of risk management associated with Information Technology aimed at consolidating the skills required for the CRISC Certification.

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 carried out in this context were as follows:

- Digital Light Workshop: plenary sessions aimed at raising the awareness of the reference target on the potentials of the Digital world and the changes in progress; 443 participants;
- Digital Workshop Light in online version. 575 participants;
- Digital 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; 179 participants;
- 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; 25 participants;
- C Design Digital Workshop Masterclass and New Leadership Model: in-depth course dedicated to organisational and business models that can accompany the paths of change dedicated to managers;

- Digital Pills online on the following contents: Apps and services; artificial intelligence; big data and analytics; blockchain; digital workplace; cloud computing; devices and mobile economy; digital marketing; e-commerce; industry 4.0; insurtech; internet of things; search engines and social networks. 1,176 participants.

Another major topic is Smartworking. Three separate training courses were released: to the whole of the Cattolica Group, the online Eye-Opening Smartworking course and, dedicated to trade union representatives and Resource Managers, the Smartworking Workshop project.

The following content, aimed at all Group collaborators, in e-learning mode was 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 dated June 30th, 2003:
- IT security: analysis of major IT attacks, IT defence and prevention and in-depth analysis of good IT practices;
- Insurance Distribution Directive (IDD): basic concepts of the new European directive on insurance distribution which provides for the introduction of certain major changes in the classification and in rules of conduct of professional or economic operators that appear in the insurance distribution chain.

For sector legislation training, in terms of workplace safety, classroom training sessions continued dedicated to specific topics for identified Group employees; the employee refresher campaign provided for in online mode; also online, both a training campaign dedicated to Executives (newly appointment training and refresher training) and a training campaign dedicated to new employees were also launched.

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 on 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; fraud in the insurance world.

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

During 2018, 7,203 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, five training sessions were held which involved members of the Boards of Directors and Executives of all Group companies.

The content discussed:

- A new Corporate Governance model: the One-Tier 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;
- Reinsurance – fundamental and political principles;
- The Corporate Governance System in IVASS Regulation no. 38 dated July 3rd, 2018, n. 38.

Industrial relations and disputes

During the year, trade union relations took place in a climate of frank confrontation and mutual collaboration, investigating staff issues and encouraging the development of agreements among the most advanced in the insurance and financial sector.

In February, the second tender of the Inter-sector Solidarity Fund was opened, which enabled, on a voluntary basis, 23 employees, who will meet 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.

Following the acquisition, by the Parent Company, of the majority shareholdings in Vera Vita, based in Novara, operating activities relating to the Milanese bank insurance business were concentrated in a single location. 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 agreement with the trade union representatives.

In May, at the end of the experimental phase, which involved 84 people, a further trade union agreement was signed on the subject of Agile Work, which enabled the gradual extension of Smartworking to various business areas, involving a total of 634 employees who chose to work flexibly, outside of the company premises, for up to a maximum of 2 days a week. The initiative favoured the private life-work life balance and significantly improved the efficiency of professional services.

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 215 people involved will have a suitable training course guaranteed and the company will achieve loans provided by the Intersectoral Solidarity Fund for a total of €176 thousand.

In July, the Parties signed the agreement to renew the Collective Company Agreement (CCA), which expired in 2015.
The complex and intricate negotiation enabled an agreement to be reached on very important issues for both workers and the company.
With the renewal of the contract, the structure of the performance bonus was redefined, with a profound and innovative transformation of the remuneration policies, which was transformed from a fixed premium to a variable premium, fully correlated with achieving the corporate profitability objectives.
Important institutes were also introduced, aimed at developing the Work Life Balance; e.g., solidarity holiday fund, Christmas bonus, health coverage extension, extension of part-time types, extension of the usability of certain permits.
Company welfare was also extended to the entire Group, allowing for the use of goods and services as well as the reimbursement of certain expenses incurred for the well-being and health of workers and/or their families.
With this agreement, Cattolica invests significantly in the quality of life of its Employees and their Families in order to guarantee an increasingly welcoming and excellent workplace.

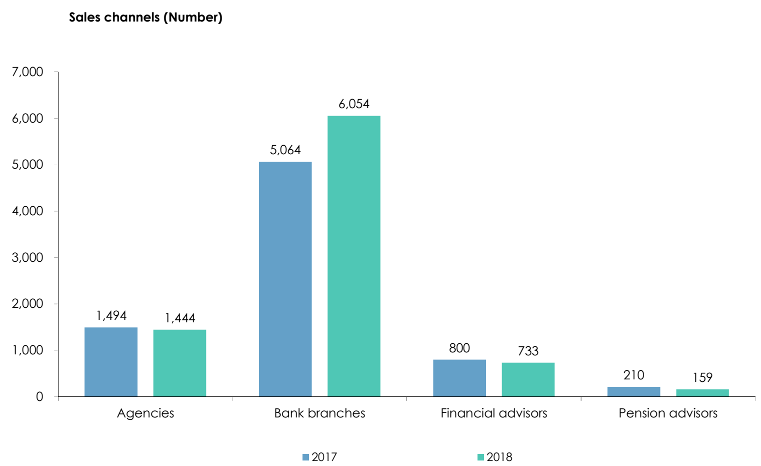
In July, the Training Commission (joint company/trade union commission that aims to promote, develop and monitor training initiatives for employees) signed an agreement to obtain financing from the Banking Insurance Fund – FBA.

The training plan presented is entitled "We Protagonists of Change and Evolution". The value of the plan, which can be financed by the Fund, amounts to approximately €450 thousand.

In September, negotiations started for the definition of an agreement on the subject of Friday afternoon work. The matter led, in November, to the signing of an experimental agreement. Approximately 90 company employees, employed in various business areas, as of December 2018 and for one year, will work on Friday afternoon. The purpose of the agreement was to provide an increasingly efficient, extensive, broad and flexible service.

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 1,444 agencies, distributed as follows: 51.2% in Northern Italy, 25.7% in Central Italy and 23.1% in Southern Italy and the islands.

There are 159 welfare and pension product advisers, working as C.P. Servizi Consulenziali sub-agents.

Agent network and welfare and pension product advisors training

During the 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 on the innovations of the Digital Transformation Programme continued. A total of around 547 agencies were visited to plan the organisational strategies for adopting new instruments and following the releases of the third phase of the Digital Transformation Programme.
The training activity was carried out in a virtual classroom with reference to the release of the new life platform and the activities provided for in the second and third wave of the Transformation Programme.

In the first half of the year, a cycle of 60 appointments on the territory was held aimed at classroom training (7 certified hours for the IVASS two-year compulsory number of hours). A total of 1,112 actual participants from 626 agencies took part in the course "Knowing the Digital Transformation Programme".

Development of 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:

- to provide the skills necessary to be able to support the customer in their selection of the new offer of "Cattolica&Motori" products for the motor area, a training course was held for the Agents of the former FATA Division, in which 109 Agents participated, in the 5 up-front classroom editions provided, for about 96 man training days;
- to develop the network's skills, a training course was launched aimed at developing effectiveness in the “ACTIVE AUTO” advisory and commercial proposition, dedicated to agents and level II networks. 1,965 participants participated in this campaign in 19 different classroom editions provided throughout Italy, for approximately 1,720 man-days of training;
- the online training course on the new “Cattolica&Motori Active” product released last April, was received by more than 7,000 Cattolica brokers, equal to 74% of the network. More than 95% of agents carried out the course;
- 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 23 days throughout Italy, participated in by 655 Agents. Two online courses were provided to support classroom training;
- to support the launch of the new Life product “C&R Idea Italia PIR”, 23 classroom sessions were organised dedicated exclusively to Agency employees who attended 439 units and an online course used, to date, by 1,263 users;
- 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 257 novice users during the year continued;
- in May, the third edition of the Master Professione Agente – MPA saw the participation of 22 young talents, employed until February 2019. The first meeting dedicated to the “Community Alumni MPA” was also held through the exclusive team building event entitled “MPAup!”, which also involved the masters of 2016 and 2017.
- The Master Executive Agenti (MEA) continued throughout 2018. 323 agents were trained, of which 286 Cattolica and 37 of the former FATA Division, for a total of over 250 Agencies involved. 69 classroom editions were carried out, for a total turnout of 789 people in attendance and more than 1,446 man-days of training;
- a specific technical training activity was dedicated to managing the zootechnical risk in agriculture. 244 brokers attended the 6 classroom editions, for a total of 320 man-days;
- 12 classrooms were dedicated to training on the “Agricola 360” product, which involved the participation of 334 brokers;
- 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 May

21st and as of today 5,303 users have benefited from it;

Thanks to the positive outcome of the annual inspections made by the certification authority, the Network Training & Development department obtained certification as per the technical quality standard UNI 11402 (Quality Financial, Insurance and Welfare Education), as well as that for the UNI ISO 29990 standard (non-formal training);

Of particular importance is the training planning in relation to the entry into force of EU Directive 2016/97: the Company, to promote the process of adaptation to the new legislation, prepared, since September, a path to develop skills in terms of IDD. 7 online courses were published, totalling 14,600 uses and an in-depth workshop dedicated to agents in which 346 main brokers participated.

During the year, 600 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.

As regards TUA Assicurazioni, various professional refresher courses were provided in a classroom, including one on the new connected motor products "*Tua Smart Drive*" and "*Tua Box Drive*" (22 editions) and one on the restyling of the product "*Tua Impresa*" (8 editions). The new TUA Assicurazioni products also include "*Tua Pet*", the subject of which has been provided in e-learning mode.

A classroom course entitled "New 2018 Tua products" was also organised, of which 17 editions were issued.

9 editions of the course "Analysing Business Risk Management" and 7 editions of the course "Assessment and Analysis of Agricultural Risks" were provided; both mainly aimed at agents.

In 2018, the IT systems migration course by TUA Assicurazioni was launched, which was accompanied by a demanding training programme that provided for 5 classroom sessions organised in 2018 for 88 Agencies and 25 classroom sessions organised in 2019 for the rest of the network. The training course entitled "Tua Digital", provides for the use of two courses in e-learning mode entitled "TUA Digital Programme – System Migration" and "TUA Digital Programme – The New Pass Target", with the subsequent attendance to the 2-day classroom course.

With regard to professional refresher training during 2018, 24 courses were held, for a total of 123 editions and 2,613 participants.

Bank coverage

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

The number of branches distributing Pension Planning products were 6,054 compared to the 5,064 branches of 2017 and included 1,437 of the former Banco Popolare network starting from the first half-year.

The bank branches of the UBI Group numbered 392 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 4,021 branches of the co-operative lending banks (in line with December 31st, 2017).

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.

The companies, using certified training companies, supported the brokers with classroom training courses and e-learning courses aimed at complying with the training and professional refresher obligation and promoting the strengthening of participants' professional requirements, paying specific attention to regulatory developments relating to the IDD Directive and the General Data Protection Regulation.

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 733, compared to 800 at the end of the previous year.

Performance
of Cattolica stock

Minimum price
€6.78

Maximum price
€10.73

MANAGEMENT REPORT

SIGNIFICANT EVENTS AND OTHER INFORMATION

SIGNIFICANT TRANSACTIONS CARRIED OUT DURING THE YEAR

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

You are hereby reminded that the Parent Company's Board of Directors resolved to comply, with effect as of 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

As previously mentioned, 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. 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 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 (Alternate Auditor) and Massimo Babbi (Alternate Auditor).
The shareholders' meeting, in extraordinary session, approved, *inter alia*, 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 one-tier model and reduction of the total number of representatives to 17 (currently 18 directors and 3 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 representation method for the Board of Directors, with the inclusion of directors appointed through a capital vote: 1 or 2 Board Members will be appointed from the list that came first on the basis of the capital ownership percentage – different from the Majority List, that came first on the basis of the per capita voting system (one-man-one-vote), and possibly from the Minority List too, always on the basis of the same voting system – if the list has obtained votes corresponding to 10% or 15% of the share capital, irrespective of the number of Members that voted for such list.

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.

On October 3rd, having obtained the necessary authorisations, Cattolica acquired, for €25.4 million, from Groupe des Assurances du Crédit Mutuel S.A., 100% of CP-BK Reinsurance S.A., a Luxembourg reinsurance company, which was, at the same time, renamed “CattRe S.A.”.

On October 17th, the Parent Company completed the purchase of investments in the following companies:

- Estinvest S.r.l., 100% directly owned and Satec S.r.l., directly owned for a share amounting to 15.87% of the share capital and indirectly for the remaining 84.13% of the share capital through the subsidiary Estinvest S.r.l., totalling €7.6 million and
- Meteotec S.r.l., indirectly owned through Satec S.r.l., which holds 100% of the share capital.

On November 9th, the acquisition was completed of a 51% stake of the share capital of Qubo Insurance Solutions S.r.l., a company based in Milan, dealing with insurance brokerage. The additional 49% of the capital is held by the original single shareholder, Nelson Servizi S.p.A. The stake in the share capital of Qubo was acquired by Estinvest S.r.l., duly appointed by Cattolica.

On November 20th, following the signing of a new framework partnership agreement with Coldiretti, the deed of sale was completed, in favour of the latter, of the stake held by Cattolica in the share capital of Agenzia Generale Agrifides Srl, amounting to 51%, for a fee of €158 thousand and a capital gain of €153 thousand. As a result of this transaction, Agrifides left the scope of the Cattolica Group.

Bancassurance partnership with Banco BPM

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, Vera Vita with its subsidiary Vera Financial and Vera Assicurazioni with its subsidiary Vera Protezione were formed.
Cattolica assumed management and coordination functions of the aforementioned insurance companies.
The value recognised for purchase of 65% of the companies by the Parent Company was €819.7 million. It should be noted 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, which took place prior to closing, to the sole shareholder Banco BPM and that the ordinary dividends of the insurance companies relating to financial year 2017 (€89.1 million, equal to the total dividend) solely pertained to Banco BPM, albeit detached after closing. This value was verified and adjusted by the parties with a total decrease of €1.55 million. In addition, this amount was further adjusted due to the cost component to be paid for outsourcing, migration and integration services, for a total of €4.226 million.

Other investee companies

On February 23rd, the Parent Company completed the sale of the entire current shareholding held in Infracom S.p.A to the 2iFiber S.p.A. (250 shares with a nominal value of €500 each), for a total price of €75 thousand and with a capital gain of €61 thousand.

On June 14th, the transfer to Credit Agricole-Cariparma of the stake held by the Parent Company in Cassa di Rispamio di San Miniato (CARISMI) was completed, for a total price of €600 thousand and with a capital gain of €44 thousand and the conversion to run off of the distribution agreements of Cattolica and Cattolica Life DAC in place with CARISMI was also completed. Please note that CARISMI will continue to act as intermediary for the run-off portion of the portfolio. The agreements were economically settled on the same date.

In December, Cattolica and the French group Inter Mutuelles Assistance signed a framework agreement for the acquisition of 35% of the share capital of IMA Italia Assistance S.p.A. and a share amounting to 10% of IMA Servizi S.c.a.r.l. The agreement includes, *inter alia*, specific call and put option mechanisms, which may lead to a rise of up to 51% of the stake held by Cattolica in IMA Italia. The transaction is subject to the prior obtaining of the necessary authorisations.

Supervisory Authority

The inspections, launched on November 22nd, 2017, by the Bank of Italy's FIU of the Parent Company and other Group companies, relating to 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). On May 8th, 2018, the Institute handed the company's Board of Directors the inspection report, which was confirmed on June 7th, 2018, acknowledging the interventions that the company has implemented, those that are in progress and those that will be expected to be launched later in relation to the topics covered by the report.

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 each. 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. On August 3rd, AGCM was sent the company's commitment proposal, followed by a hearing on September 7th, 2018, to agree on the filing of a new version of the integrated Commitment Form. On October 31st, 2018, the letter was filed with the integrated commitment form.

Italian Revenue Agency

As regards the Parent Company, with TUA Assicurazioni and BCC Assicurazioni, a number of rulings discussed in public hearings were recently filed with the Court of Cassation, all of which concerned the applicability of the VAT exemption to delegation commissioned under co-insurance contracts.

The outcome was unfavourable to the companies: the Cassazione denied the thesis of the applicability of the VAT exemption to the services rendered by the delegate, rejecting the arguments of the insurance companies.

Before these sentences, the companies had seen their defensive theses accepted by the relevant Provincial and Regional Tax Commissions, relying on dozens of favourable sentences, often with a victory over expenses. The case law, however, remains uneven: in fact, there are two previous rulings of the Supreme Court in favour of the companies and recent sentences by the Tax Commissions confirming the recognition of the VAT exemption on delegation commissions.

During October, Lombarda Vita paid a sum of €876 thousand, referring to the tax return for tax year 2003, following an unfavourable ruling by the Court of Cassation.

It should be recalled that the Italian Revenue Agency challenged the company with the ineligibility of the documentation submitted by the latter to prove the income received in relation to the participation in mutual investment funds indicated in the 2004 Unified Tax Return form for the amount of €907,305. The company, citing solid reasons in support of its thesis, lodged an appeal before the Provincial Tax Commission of Brescia, which accepted the appeal. The Italian Revenue Agency notified the appeal and the company therefore appeared in court. Subsequently, the Regional Tax Commission of Milan – Brescia branch section, confirmed the first instance ruling, subsequently challenged by the Italian Revenue Agency and against which the Company filed a counter-appeal.

The Court of Cassation, despite the negative opinion of the Prosecutor who has requested the rejection, accepted the Agency's appeal and rejected the incidental appeal presented by the company.

Consequently, following the ruling of the Court of Cassation, the payment - suspended at the time - was made.

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 1 June 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 non-deductible 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 on findings, the company contested the findings made against it by submitting observations to the Regional Directorate of Piedmont of the Italian Revenue Agency, pursuant to and for the purposes of paragraph 7 of Article 12 of Law no. 212 dated July 27th, 2000 (i.e., “Statute of Taxpayers’ Rights”).

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 submitted the relevant observations on the report on findings.

APPOINTMENTS OF SENIOR MANAGEMENT OF THE COMPANY

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.

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

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

PREVENTION AND COUNTERING OF FRAUD

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

In compliance with the provisions of Article 30 of Italian Law No. 27 of March 24th, 2012 and the IVASS Protocol No. 47-14-000982 dated March 11th March 2014, the estimate of the reduction of the charges for motor TPL claims deriving from the assessment of fraud, consequent to control and fraud suppression activities, for the Company, was quantified as €22 million, compared with €19.6 million in 2017.

GROUP COMPLAINTS MANAGEMENT

The handling of complaints is entrusted to a specific unit, the Complaints Group Service, appointed as per ISVAP Regulation No. 24 dated May 19th, 2008; it sees to handling of the complaints made by those who avail of the insurance activities (customers, injured parties, legal advisors, consumer associations).
The unit also contributes towards monitoring the service levels and the company areas in view of possible improvements.

During the year, with reference to the Group, a total of 3,978 written complaints were registered, of which 1,075 were upheld. The complaints were dealt with, on average, in 26 days.

INFORMATION SYSTEMS

The most important actions taken by the Cattolica Services IT department are presented below.

Applicative measures

Following the closing of the transaction between Cattolica and Banco BPM, work continued on the migration of existing data (portfolio, claims, accounting, treasury, other systems) which are expected to be completed during next year.

The process of convergence of the TUA systems on Group applications is at an advanced stage and is expected to be concluded in the first part of 2019.

Initiatives aimed at the digitalisation of the main business support processes of agencies continued, which, broken down into various project streams, reached the third block of releases completed during November.

The new version of the non-life system, which enables use in the "responsive" mode, i.e., being able to adapt automatically to the device used, characterised by a completely renewed graphics and by a significantly improved user interface in terms of navigation and use, was released to the entire agency network.

The "customer experience" project, which aims to enable multi-channel interaction for customers by maintaining consistency between the various information sources is in progress. During 2018, the Parent Company's institutional website was renewed and an app was developed to enable customers to manage their own policy portfolio, as was a platform to manage a community of Cattolica customers.

The project to extend the new anti-fraud system to the non-motor classes has been completed.
In the field of finance systems, the new finance accounting system was launched and the new investment management system is nearing completion.
The project to implement the new risk management system was launched.

The launch of the new system for managing the Life portfolio on the agency network was completed.

On the path towards the so-called Data Driven Company model, for the construction of a single consistent view of corporate data, the creation of a new technological platform ("the data platform") as a single consolidation point for all company data is in progress. The Data Platform will increase the effectiveness of certain corporate processes (e.g. claims fraud management).

The new connected motor product was created and the development of a connected home product was launched.

A survey automation intervention, through the use of analytics and Artificial Intelligence technologies is in progress to support the non-life assessment and, in certain operational areas, RPA (robotic process automation) technologies have been applied to simplify processes and optimise costs.
As regards compliance with regulatory developments, during 2018, IT was particularly involved in activities related to the implementation of interventions for compliance with the GDPR (General Data Protection Regulation) and IDD (Insurance Distribution Directive). Works began on the assessment of impacts on the information systems and on corporate processes following the new IFRS (International Financial Reporting Standards).

Infrastructure and security

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

Targeted initiatives aimed at updating the technical infrastructure are in progress, specifically: upgrading of telecommunications networks, approach to remote collaboration by sharing documents between remote users, i.e., "unified communication" to improve communication between users and the mass adoption of "smart working" is in progress.

Projects in the IT security area in line with the policies in the Security Masterplan are continuing. The Security Operation Centre that continuously monitors, 24/7, the companies' IT systems was started up, a control dashboard of security-related events supporting the Security Operation Centre activity was built, and the activities to standardise the credentials to access the head office applications are in progress.
A widespread training and awareness-raising activity was also launched on the issue of IT security for Group employees.

MANAGEMENT AND COORDINATION ACTIVITIES PURSUANT TO ARTICLE 2497 ET SEQ. OF THE ITALIAN CIVIL CODE

The Parent Company has exercised its management and co-ordination powers in observance of the principles of correct corporate and business management and on a consistent basis with the roles assigned to the individual Group companies.

With specific reference to the transactions expressly influenced by the Company, in addition to the transactions indicated in other parts of this report, it should be noted that these transactions concerned, among other things:

- the resolutions pertaining the discipline referred to in ISVAP Regulation no. 20 dated March 26th, 2008, (replaced by IVASS Regulation no. 38 dated July 3rd, 2018);
- the approval of guidelines for the handling of risks at Group level, as well as the forecast assessment of the risk and solvency profile within the sphere of the ORSA process;
- the approval of the risk propensity systems, setting the risk tolerance levels;
- the adoption of the guidelines for intercompany transactions;
- the adoption of governance and management approaches and controls which are standard at Group level;
- the implementation of co-ordinated operating policies;
- the adoption and the review of company policies in accordance with the current legislation applicable;
- the choices concerning the composition, formation and the remuneration of the corporate bodies, management and other significant roles with respect to the governance set up.

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

The Parent Company has also completed the necessary recapitalisation measures to ensure that subsidiaries have the financial resources to complete certain transactions.

With regard to financial, tax and administration matters, the central role of the Parent Company is highlighted in the definition of the operating lines in which the Group's companies are involved.

TAX CONSOLIDATION

The subsidiaries which comply with the national tax consolidation system are: ABC Assicura, Berica Vita, BCC Assicurazioni, BCC Vita, Cattolica Agricola, Cattolica Beni Immobili, Cattolica Immobiliare, Cattolica Services, C.P. Servizi Consulenziali, Lombarda Vita, TUA Assicurazioni and TUA Retail.

The reasons why the option has been exercised lie in the appropriateness of offsetting the tax positions with an opposite sign between the Group companies, consequently optimising the financial aspects.

For the purposes of the regulation of the economic transactions deriving from the compliance with the tax consolidation regime, an agreement was entered into with the Company by each investee company. With reference to the allocations of the economic effects associated with the exercise of the option, the subsidiaries transfer the amounts corresponding to the taxes and advances deriving from their taxable position to the Company; by contrast, they receive from the Parent Company the amount corresponding to lower tax paid by the same due to the effects of the use of tax losses transferred by subsidiaries.

CONSOLIDATED NON-FINANCIAL STATEMENT

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

OWN SHARES HELD BY THE PARENT COMPANY AND BY ITS SUBSIDIARIES

The Shareholders' Meeting held on April 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 year, 357,000 shares were purchased for a total amount of €2.982 million.

As at December 31st, 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 book value of €49.9 million.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to CONSOB Regulation No. 17221 dated March 12th, 2010, and subsequent amendments and additions, as from January 1st, 2011 the "Procedure for the management of transactions with related parties" approved by the Board of Directors with last up-date by means of resolution dated December 20th, 2016, applies to the situations envisaged by regulations.

The document relating to this procedure - to which reference should be made for details - is available on the Parent Company's website at www.cattolica.it - "Governance" section.

With reference to disclosure on transactions with related parties, please see Part D - Other information in the notes to the accounts.

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

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

With reference to the significant non-recurrent events and operations with significant effects on the Group's accounts, as already reported in other parts of the Consolidated Financial Statements, the purchase of 65% of Vera Assicurazioni and of Vera Vita by the Parent Company for a total amount of €819.7 million is noted. This value was verified and adjusted by the parties with a total decrease of €1.55 million. In addition, this amount was further adjusted due to the cost component to be paid for outsourcing, migration and integration services, for a total of €4.226 million.

PERFORMANCE OF CATTOLICA STOCK

During the year, Cattolica shares recorded a minimum price of €6.785 and a maximum price of €10.73. The capitalisation of the stock on the market as at December 31st came to €1,238 million.

During the year, the performance of the stock reported a decline of 21% with respect to a decrease of 17.2% in the FTSE Mib index and a decrease of 5.1% in the FTSE Italia All-Share Insurance Index.
Average volumes traded in 2018 were 722,067 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 at December 31st:

Table 16 - Ratios per share

(amounts in €)	2018	2017
Number of outstanding shares (*)	167,383,751	168,001,988
Premiums written per share (insurance premiums and investment contracts)	34.61	29.81
Group profit per share	0.64	0.24
Group shareholders' equity per share	10.63	10.98

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

SIGNIFICANT EVENTS DURING THE FIRST FEW MONTHS OF 2019

The Cattolica Group companies joined the Cattolica Assicurazioni VAT Group, with effect from January 1st, 2019. This entails the attribution of a new VAT number (04596530230) which uniquely identifies all member companies as the sole VAT payer.
The representative of the Cattolica Assicurazioni VAT Group is Società Cattolica di Assicurazione – Società Cooperativa. It should be noted that Cattolica Agricola did not join the Cattolica Assicurazioni VAT Group.

On January 10th, 2019, Cattolica announced that General Reinsurance AG, a Berkshire Hathaway Group company, the Parent Company's leading shareholder with 9.047%, applied to become a partner of Cattolica Assicurazioni. The request was accepted by the Board of Directors.
With this qualification, General Reinsurance AG also acquires the non-pecuniary rights in accordance with the current Articles of Association.

On January 24th, 2019, the Parent Company and ICCREA Banca began an exclusive trading period aimed at the overall review of the existing partnership, sharing the essential terms for the renewal of existing agreements expiring on July 5th, 2019.
The preliminary agreements, formalised on February 7th, 2019, commit the Parties to the definition of new three-year shareholders' agreements, relating to the companies BCC Vita and BCC Assicurazioni, and specifically provide, in accordance with the required authorisations, on Cattolica's part, for a further 19% of the share capital of BCC Vita and BCC Assicurazioni, with an increase to 70% of the shareholding held in both JVs and a consequent reduction to 30% of the ICCREA share.

On February 6th, 2019, the acquisition of an additional 31% stake in the share capital of All Risk Solutions Srl ("ARS"), a company based in Rome engaged in insurance brokerage activities, was completed via Estinvest.

OUTLOOK FOR BUSINESS ACTIVITIES

The first months of 2019 show a trend in line with the final part of 2018, with a moderate tariff growth in the motor class, albeit in an insurance market that is still characterised by high competitiveness.

In line with what was stated in its 2018-20 Business Plan, subject to extraordinary events that cannot currently be foreseen, it is expected that 2019 will see further growth in the Group's Operating Result.

THE BOARD OF DIRECTORS

Verona, March 7th, 2019

Total assets

€ 34,863 MLN

Total shareholders' equity

€ 2,255 MLN

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st, 2018
ASSETS

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		2018	2017
1	**INTANGIBLE ASSETS**	**911,283**	**265,457**
1.1	Goodwill	561,461	153,617
1.2	Other intangible assets	349,822	111,840
2	**TANGIBLE ASSETS**	**189,459**	**182,286**
2.1	Property	169,431	162,473
2.2	Other tangible assets	20,028	19,813
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**701,607**	**645,183**
4	**INVESTMENTS**	**30,925,895**	**22,915,192**
4.1	Investment property	787,262	572,571
4.2	Investments in subsidiaries, associated companies and joint ventures	119,060	96,432
4.3	Held to maturity investments	225,434	242,921
4.4	Loans and receivables	864,913	749,557
4.5	Available for sale financial assets	23,119,705	17,167,634
4.6	Financial assets at fair value through profit or loss	5,809,521	4,086,077
5	**SUNDRY RECEIVABLES**	**698,742**	**603,143**
5.1	Receivables deriving from direct insurance transactions	432,678	430,952
5.2	Receivables deriving from reinsurance transactions	63,286	91,506
5.3	Other receivables	202,778	80,685
6	**OTHER ASSET ITEMS**	**1,029,850**	**1,067,745**
6.1	Non-current assets or disposal group held for sale	0	0
6.2	Deferred acquisition costs	24,998	13,469
6.3	Deferred tax assets	304,441	453,818
6.4	Current tax assets	448,306	386,085
6.5	Other assets	252,105	214,373
7	**CASH AND CASH EQUIVALENTS**	**406,345**	**206,884**
	TOTAL ASSETS	**34,863,181**	**25,885,890**

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st, 2018
SHAREHOLDERS' EQUITY AND LIABILITIES

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		2018	2017
1	**SHAREHOLDERS' EQUITY**	**2,255,327**	**2,107,536**
1.1	**pertaining to the Group**	**1,779,886**	**1,845,306**
1.1.1	Share capital	522,882	522,882
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	739,494	772,015
1.1.4	Revenue reserves and other equity reserves	495,982	476,485
1.1.5	(Own shares)	-49,927	-46,945
1.1.6	Reserve for net exchange differences	0	0
1.1.7	Gains or losses on available for sale financial assets	-35,447	78,458
1.1.8	Other gains or losses recognised directly in equity	-32	1,303
1.1.9	Profit (loss) for the period pertaining to the Group	106,934	41,108
1.2	**pertaining to minority interests**	**475,441**	**262,230**
1.2.1	Capital and reserves pertaining to minority interests	445,639	239,108
1.2.2	Profits or losses recognised directly in equity	110	8,165
1.2.3	Profit (loss) for the period pertaining to minority interests	29,692	14,957
2	**PROVISIONS AND ALLOWANCES**	**59,307**	**51,074**
3	**TECHNICAL PROVISIONS**	**28,963,453**	**20,614,359**
4	**FINANCIAL LIABILITIES**	**2,601,082**	**2,172,770**
4.1	Financial liabilities at fair value through profit or loss	1,809,680	1,402,192
4.2	Other financial liabilities	791,402	770,578
5	**PAYABLES**	**399,327**	**300,711**
5.1	Payables deriving from direct insurance transactions	83,772	75,842
5.2	Payables deriving from reinsurance transactions	34,562	21,365
5.3	Other payables	280,993	203,504
6	**OTHER LIABILITY ITEMS**	**584,685**	**639,440**
6.1	Liabilities of disposal group held for sale	0	0
6.2	Deferred tax liabilities	303,005	361,036
6.3	Current tax liabilities	111,673	134,589
6.4	Other liabilities	170,007	143,815
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**34,863,181**	**25,885,890**

INCOME STATEMENT

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st, 2018
INCOME STATEMENT

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		2018	2017
1.1	Net premiums	5,354,832	4,486,543
1.1.1	*Gross premiums written*	5,649,024	4,777,987
1.1.2	*Ceded premiums*	-294,192	-291,444
1.2	Commissions income	6,982	6,692
1.3	Income and charges from financial instruments at fair value through profit or loss	-162,421	52,609
1.4	Income from investments in subsidiaries, associated companies and joint ventures	3,789	3,675
1.5	Income from other financial instruments and investment property	764,054	630,731
1.5.1	*Interest income*	593,297	484,521
1.5.2	*Other income*	96,195	86,592
1.5.3	*Realised gains*	74,258	53,782
1.5.4	*Valuation gains*	304	5,836
1.6	Other revenues	140,484	120,764
1	**TOTAL REVENUES AND INCOME**	**6,107,720**	**5,301,014**
2.1	Net charges relating to claims	-4,567,627	-4,161,195
2.1.1	*Amounts paid and change in technical provisions*	-4,740,914	-4,374,377
2.1.2	*Reinsurance amount*	173,287	213,182
2.2	Commissions expense	-6,769	-1,025
2.3	Charges from investments in subsidiaries, associated companies and joint ventures	-906	-203
2.4	Charges from other financial instruments and investment property	-242,029	-123,522
2.4.1	*Interest expense*	-149,256	-45,391
2.4.2	*Other charges*	-2,652	-4,901
2.4.3	*Realised losses*	-63,317	-22,976
2.4.4	*Valuation losses*	-26,804	-50,254
2.5	Operating expenses	-779,687	-604,060
2.5.1	*Commission and other acquisition costs*	-516,624	-417,357
2.5.2	*Operating expenses relating to investments*	-43,538	-32,508
2.5.3	*Other administrative expenses*	-219,525	-154,195
2.6	Other costs	-279,989	-290,561
2	**TOTAL COSTS AND CHARGES**	**-5,877,007**	**-5,180,566**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION	**230,713**	**120,448**
3	Taxation	-94,087	-64,383
	PROFIT (LOSS) FOR THE PERIOD NET OF TAXATION	**136,626**	**56,065**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**0**	**0**
	CONSOLIDATED PROFIT (LOSS)	**136,626**	**56,065**
	pertaining to the Group	**106,934**	**41,108**
	pertaining to minority interests	**29,692**	**14,957**

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st, 2018
STATEMENT OF COMPREHENSIVE INCOME - Net amounts

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)	2018	2017
CONSOLIDATED PROFIT (LOSS)	**136,626**	**56,065**
Other income components net of income taxes without reclassification in the income statement	**-99**	**276**
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	-99	276
Other items	0	0
Other income components net of income taxes with reclassification in the income statement	**-123,196**	**16,451**
Change in reserve for net exchange differences	0	0
Gains or losses on available for sale financial assets	-121,965	12,604
Profits or losses on cash flow hedging instruments	0	0
Profits or losses on instruments hedging a net investment in foreign operations	0	0
Change in the equity of investee companies	-1,231	3,847
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	**-123,295**	**16,727**
TOTAL OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**13,331**	**72,792**
pertaining to the Group	**-8,306**	**59,706**
pertaining to minority interests	**21,637**	**13,086**

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

The legal representatives of the company (*)

The Managing Director ALBERTO MINALI (**)

____ (**)

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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

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st, 2018

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)	2018	2017
Profit (loss) for the period before taxation	**230,713**	**120,448**
Changes in non-monetary items	**371,697**	**1,435,257**
Change in non-life premiums provision	9,664	20,633
Change in provision for outstanding claims and other non-life technical provisions	20,174	53,131
Change in mathematical provisions and other life technical provisions	-62,733	1,231,849
Change in deferred acquisition costs	5,879	1,046
Change in provisions and allowances	6,562	-3,288
Non-monetary income and charges from financial instruments, investment property and equity investments	253,261	31,044
Other changes	138,890	100,842
Change in receivables and payables generated by operating activities	**63,921**	**-68,237**
Change in receivables and payables deriving from direct insurance and reinsurance transactions	50,884	-73,008
Change in other receivables/payables, other assets/liabilities	13,037	4,771
Taxes paid	**-122,231**	**-55,970**
Net liquidity generated/absorbed by monetary items pertaining to investments and financing activities	**-392,546**	**21,602**
Liabilities from financial contracts issued by insurance companies	-392,546	21,602
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	**151,554**	**1,453,100**
Net liquidity generated/absorbed by investment property	-228,927	-93,040
Net liquidity generated/absorbed by investments in subsidiaries, associated companies and joint ventures	-19,899	-25,928
Net liquidity generated/absorbed by loans and receivables	51,350	103,076
Net liquidity generated/absorbed by held to maturity investments	17,990	0
Net liquidity generated/absorbed by available for sale financial assets	84,491	-838,250
Net liquidity generated/absorbed by tangible and intangible assets	-720,331	-46,857
Other net liquidity flows generated/absorbed by investment activities (*)	911,938	-928,964
TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITIES	**96,612**	**-1,829,963**
Net liquidity generated/absorbed by capital instruments pertaining to the Group	0	0
Net liquidity generated/absorbed by own shares	-2,982	-7,038
Distribution of dividends pertaining to the Group	-58,559	-58,854
Net liquidity generated/absorbed by capital and reserves pertaining to minority interests	-7,471	-11,393
Net liquidity generated/absorbed by subordinated liabilities and by participative financial instruments	0	498,300
Net liquidity generated/absorbed by other financial liabilities	20,307	-9,354
TOTAL NET LIQUIDITY DERIVING FROM FINANCING ACTIVITIES	**-48,705**	**411,661**
Effect of the exchange differences on cash and cash equivalents	**0**	**0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	206,884	172,086
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	199,461	34,798
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	406,345	206,884

(*) = The item includes net cash and cash equivalents used for equity investment purchases made during the year.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st, 2018

Company: CATTOLICA ASSICURAZIONI GROUP

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

(€ thousands)		Balance as at Dec 31, 2017	Change in closing balances	Charges	Adjustments from reclassification to income statement	Transfers	Changes in investment holdings	Balance as at Dec 31, 2018
	Share capital	522,882	0	0		0		522,882
	Other equity instruments	0	0	0		0		0
Shareholders' equity	Capital reserves	772,015	0	-32,521		0		739,494
pertaining to	Revenue reserves and other equity reserves	476,485	0	78,056		-58,559	0	495,982
the Group	(Own shares)	-46,945	0	0		-2,982		-49,927
	Profit (loss) for the period	41,108	0	65,826		0		106,934
	Other components of the statement of comprehensive income	79,761	0	-65,197	-50,043	0	0	-35,479
	Total pertaining to the Group	**1,845,306**	**0**	**46,164**	**-50,043**	**-61,541**	**0**	**1,779,886**
Shareholders' equity	Capital and reserves pertaining to minority interests	239,108	0	214,002		-7,471	0	445,639
pertaining to	Profit (loss) for the period	14,957	0	14,735		0		29,692
minority interests	Other components of the statement of comprehensive income	8,165	0	14,221	-22,276	0	0	110
	Total pertaining to minority interests	**262,230**	**0**	**242,958**	**-22,276**	**-7,471**	**0**	**475,441**
TOTAL		**2,107,536**	**0**	**289,122**	**-72,319**	**-69,012**	**0**	**2,255,327**

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

The legal representatives of the company (*)

The Managing Director ALBERTO MINALI ______________________________ (**)

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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

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

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

CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31st, 2018

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)	Capital and reserves	Profit (loss) for the year	Shareholders' equity
Parent Company amounts IT GAAP	**1,753,679**	**3,465**	**1,757,144**
Adjustment IAS/IFRS – Parent Company	232,416	78,494	310,910
Parent Company amounts IAS/IFRS	**1,986,095**	**81,959**	**2,068,054**
Netting of the book values of the equity investments included in the consolidation area:			
- difference between the book value and the pro-quota value of the shareholders' equity	-710,035	0	-710,035
- pro-quota results of investee companies	0	93,740	93,740
- capital gains from sale of equity investments recorded in the consolidated fin. stat.	0	0	0
- goodwill	547,275	0	547,275
- portfolio value	165,627	-17,258	148,369
Netting of intercompany transactions:			
- dividends from consolidated companies	118,062	-118,062	0
- writeback of effects of equity investment transfers	0	0	0
- reversal of intercompany real estate transactions	0	0	0
- reversal of effects of mergers/disposals of business segments among Group companies	-318,686	127	-318,559
- writebacks of write-downs	-63,970	63,970	0
Tax effects of above-mentioned consolidation adjustments	**-49,857**	**5,972**	**-43,885**
Effects associated with non-consolidated companies:			
Effects associated with the valuation of non-consolidated companies	-7,809	2,736	-5,073
Dividends from associated companies	6,250	-6,250	0
Shareholders' equity and net profit pertaining to the Group	**1,672,952**	**106,934**	**1,779,886**
Shareholders' equity and net profit pertaining to minority interests	**445,749**	**29,692**	**475,441**
CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT	**2,118,701**	**136,626**	**2,255,327**

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

The legal representatives of the company (*)

The Managing Director ALBERTO MINALI ______________________ (**)

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NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Basis of presentation and consolidation area

PART A
BASIS OF PRESENTATION AND CONSOLIDATION AREA

Applicable legislation

The consolidated financial statements were prepared by the Parent Company Cattolica di Assicurazione Soc. Coop. pursuant to Article 154-ter, paragraph 1 of Legislative Decree no. 58 dated February 24th, 1998, "Regulations concerning financial brokers" and Article 95 of Italian Legislative Decree no. 209 dated September 7th, 2005, in compliance with the provisions of the IAS/IFRS international accounting standards and the SIC/IFRIC interpretations, taking as reference those approved by the European Commission by 31 December2018; they are compliant with the ISVAP Regulation No. 7 dated July 13th, 2007, relating to the technical forms of the consolidated financial statements drawn up on the basis of international accounting standards (IAS/IFRS).

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

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

Accounting reference date

The consolidated financial statements closed as at December 31st, 2018, a date which coincides with that of the financial statements of all 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 annual financial statements have been used for the preparation of the consolidated financial statements. Cattolica Life and Vera Financial prepared their financial statements in compliance with international accounting standards. The statements drawn up by the management companies have been used for the funds.

CONSOLIDATION METHODS

a) Line-by-line consolidation method

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

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

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

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

b) Equity method

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

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

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

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

c) Companies carried at cost

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

d) Main consolidation adjustments

The main consolidation adjustments are:

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

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

SCOPE OF CONSOLIDATION

The scope of consolidation 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 79.77% interest in a newly formed alternative real estate fund called "Fondo Innovazione Salute".
- purchase of the 100% interest in a newly formed alternative real estate fund called "Fondo Andromaca";
- acquisition, completed on October 3rd, of 100% of Cattre;
- acquisition, completed on October 17th, of 100% of Estinvest and the 84.13% owned subsidiary, Satec. Satec also owns 100% of Meteotec and the remaining 15.87% of Satec is owned directly by Cattolica;
- acquisition, on November 9th, via the subsidiary Estinvest, of 51% of Qubo Insurance Solutions;
- sale, on November 20th, of the stake held by Cattolica in the share capital of Agenzia Generale Agrifides Srl, amounting to 51%, to Coldiretti.

As at December 31st, 2018, the scope of consolidation comprised 12 insurance companies, one reinsurance company, two companies which carry out agricultural-real estate activities, one holding, one real estate services company and five real estate investment mutual funds.

In addition to companies included in the scope of consolidation, the Group includes three service companies, the Fondo Immobiliare Mercury, structured in three segments, the Fondo HCampus, which is divided into two classes of units and the Fondo Mercury Nuovo

Tirreno, valued using the equity method due to being under joint control.

Significant assumptions and assessments for establishing the scope of consolidation

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

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

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

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

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

Table 17 – 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)	% consolida tion
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	67.13%	87.83%		100%
Fondo San Zeno (formerly MOI)	086	G	10	68.28%	85.63%		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%
Vera Assicurazioni s.p.a.	086	G	1	65.00%	65.00%		100%
Vera Financial d.a.c.	040	G	2	65.00%	65.00%		100%
Vera Protezione s.p.a.	086	G	1	65.00%	65.00%		100%
Vera Vita s.p.a.	086	G	1	65.00%	65.00%		100%
Fondo Innovazione Salute	086	G	10	79.77%	79.77%		100%
Fondo Andromaca	086	G	10	100.00%	100.00%		100%
Cattre s.a.	092	G	5	100.00%	100.00%		100%
Estinvest	086	G	9	100.00%	100.00%		100%
Meteotec	086	G	11	100.00%	100.00%		100%
Satec	086	G	11	15.87%	100.00%		100%
Qubo Insurance Solutions	086	G	11	51.00%	51.00%		100%

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

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

(3) This is the product of the investment relationships relating to all the companies which, placed along the investment chain, may be interposed between the company that draws up the consolidated financial statements and the company in question. If the latter is directly invested i n 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.

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

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

Table 18 - Consolidation area: equity investments in companies with significant minority interests (ISVAP Regulation no. 7 dated July 13th, 2007)

(€ thousands)					Summary income statement-financial figures							
Name	% Minority interests	% of votes available during ordinary shareholders' meetings to minority interests (1)	Consolidated profit (loss) pertaining to minority interests	Shareholders' equity pertaining to minority interests	Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' Equity net	Net profit (loss) for the year	Dividends distributed to minority interests	Gross premiums written
ABC Assicura s.p.a.	40.00%		-1,874	3,861	46,885	19,908	28,161	28	9,653	-4,684	0	139
BCC Assicurazioni s.p.a.	49.00%		-188	5,461	83,383	31,789	57,675	1,470	11,144	-383	0	38,415
BCC Vita s.p.a.	49.00%		9,176	93,000	3,240,699	3,136,686	3,009,535	1,297	189,796	18,726	0	432,471
Berica Vita s.p.a.	40.00%		5,822	37,448	1,007,473	941,713	885,404	68	93,620	14,555	0	2,124
Cattolica Life d.a.c.	40.00%		-820	7,277	288,474	249,587	112,008	157,501	18,193	-2,051	0	54
Fondo Euripide	12.17%		1,314	46,144	405,585	386,646	0	13,841	379,158	10,793	1,383	0
Fondo San Zeno (formerly MOI)	14.37%		631	23,471	168,334	160,705	0	0	163,335	4,390	607	0
Fondo Perseide	7.03%		456	7,807	114,490	92,860	0	0	111,047	6,485	703	0
Lombarda Vita s.p.a.	40.00%		12,108	125,539	8,460,168	8,169,446	7,687,213	319,274	313,847	30,271	7,471	1,443,177
Vera Assicurazioni s.p.a.	35.00%		9,462	34,033	254,753	193,263	145,816	0	97,236	27,035	10,602	62,687
Vera Financial d.a.c.	35.00%		-569	24,592	1,210,587	1,121,957	810,903	306,358	70,262	-1,626	0	64,939
Vera Protezione s.p.a.	35.00%		4,052	21,387	368,842	294,320	297,815	0	61,106	11,578	6,864	73,499
Vera Vita s.p.a.	35.00%		5,068	103,627	7,903,238	7,622,538	7,124,948	412,916	296,078	14,481	20,576	765,109
Fondo Innovazione Salute	20.23%		168	8,007	68,559	63,712	0	28,807	39,580	830	0	0
Qubo Insurance Solutions	49.00%		21	43	582	0	0	0	88	42		0

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

The non-consolidated structured entities identified by the Group include a total of €371.626 million represented by special purpose vehicle (SPVs) with underlying securities issued by the Italian government and swaps and €120.459 million represented by investment funds.

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

The companies valued using the equity or cost method follow:

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

Associated companies and Joint ventures

- **All Risks Solutions s.r.l.** with 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 subscribed units equal to around 51% in each of the three segments for a total of €78.74 million;
- **Real estate investment fund** called **"HCampus"** divided into two classes of units. The Parent Company has subscribed to class A and class B units for a total of €25.928 million.

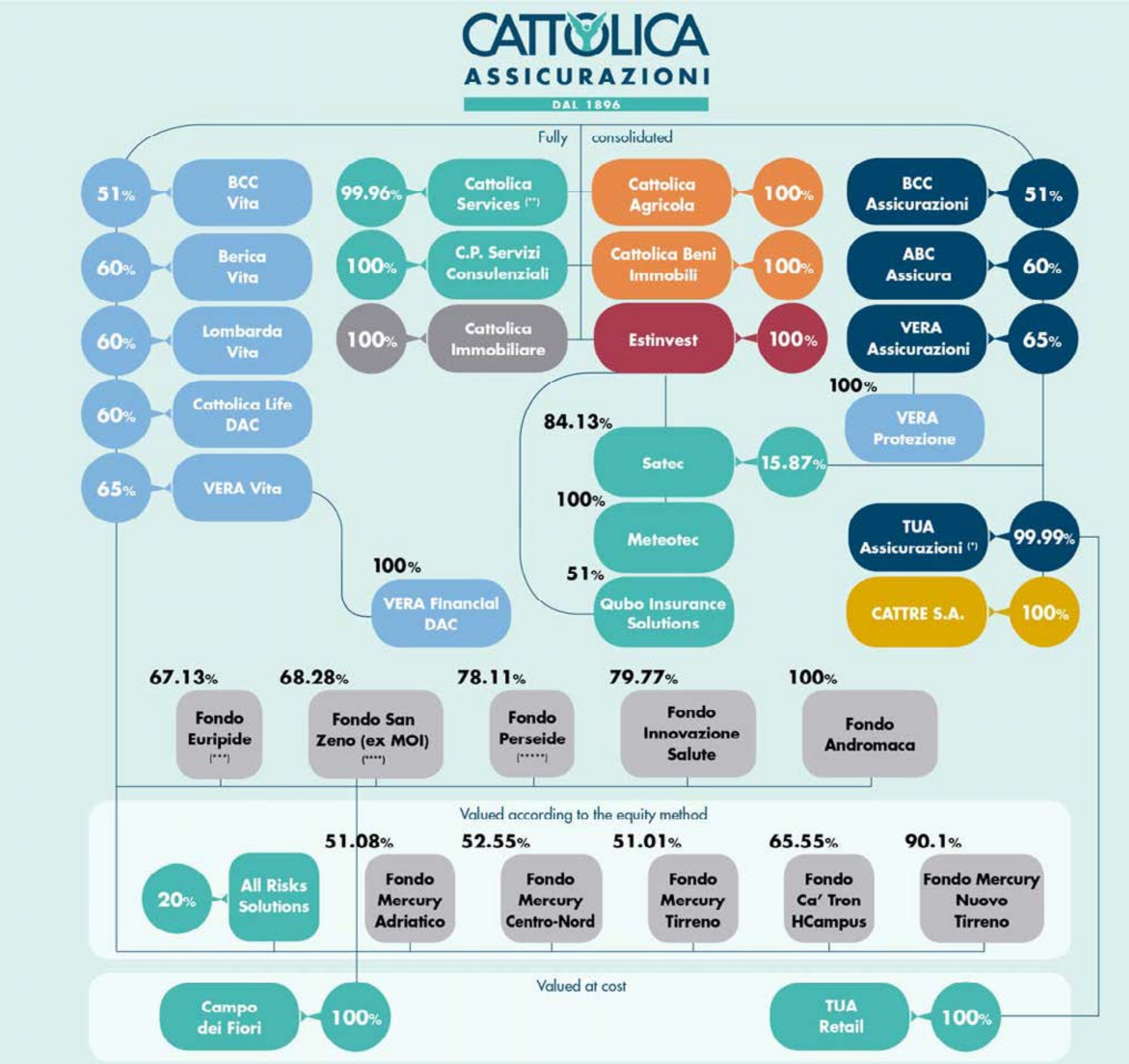
- **Real estate investment fund** known as "**Mercury Nuovo Tirreno**". The Parent Company subscribed units equal to around 90.1% for a total of €17.75 million;

2) The following company has been valued at cost in the consolidated financial statements, 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:

Subsidiary

- **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;
- **Campo dei Fiori s.r.l.** with headquarters in Milan, share capital of €10 thousand. Acquired in July 2018, fully controlled by Fondo San Zeno."

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



(*) TUA Assicurazioni controls TUA Retail 100%.

(**) 0.005% of the 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 capital of Cattolica Services.

(***) The remaining 32.87% is held as follows: 18.64% by Lombarda Vita, 11.36% by Vera Vita, 1.51% by Vera Protezione, 0.78% by TUA Assicurazioni and 0.58% by Vera Assicurazioni.

(****) The remaining 31.72% is held as follows: 12.99% by Lombarda Vita and 18.73% 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.

Non-life Insurance | Holding | Agricultural-real estate Sector | Re-insurance
Life Insurance | Operating Services | Real Estate Services | Real Estate Property

Situation at December 31st, 2018

NOTES TO THE ACCOUNTS

Part B - Accounting Principles

PART B
ACCOUNTING PRINCIPLES

Format

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

Accounting standards

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

New accounting standards

IFRS 9 and IFRS 4

As of January 1st, 2018, the international accounting standard IFRS 9 – Financial Instruments, published on July 24th, 2014 by the International Accounting Standard Board (IASB), came into force.
This standard replaced IAS 39 and introduced important changes, mainly in the following areas:

a) Classification and measurement: this refers to the transition from classification criteria based on the features of the financial instrument, to an approach based on the assessment of the business model that the company uses to manage financial assets, as well as the contractual features of the instrument's cash flows, with application of the so-called 'SPPI test', aimed at verifying that the financial flows of the debt instrument are represented exclusively by the payment of principal and interest;
b) Impairment: introduces a valuation model based on expected losses. Specifically, IFRS 9 introduces an approach divided into three stages and provided for the fact that the write-down of debt instruments is based on a prospectively calculated model of expected losses, referring to the concepts of probability of default (PD), exposure to default (EAD) and measurement of the risk of loss or "Loss Given Default" (LGD);
c) Hedge accounting: the new approach, which is currently optional, compared with IAS 39, simplifies the rules of hedge accounting, aligning them more closely to the risk management processes.

The new standard also provides for the possibility of invoking the Fair Value Option, should it eliminate or substantially reduce the accounting asymmetry between assets and liabilities.
On September 12th, 2016, the IASB published the document amending IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendment to IFRS 4", which, in order to avoid accounting asymmetry and impacts on the income statement in terms of additional volatility resulting from the joint application of IFRS 9 and IFRS 4, provided for two alternative approaches relating to the exemption from the full application of IFRS 9, until the entry into force of IFRS 17 – Insurance Contracts, the international accounting standard that will dictate the rules for measuring insurance contracts:

a) "Temporary exemption", this approach provides, if the prerequisites are complied with, for the possibility for the Companies or insurance groups to continue to apply IAS 39 until the entry into force of IFRS 17 and can only be applied if these parties have not previously opted for the early adoption of IFRS 9.
b) "Overlay approach", which enables the volatility that would result from the application of IFRS 9 along with IFRS 4 to be recognised in the statement of comprehensive income reserve (OCI Reserve), rather than in the income statement.

The Cattolica Insurance Group, believing that it meets the requirements provided for by paragraph 20 D of IFRS 4 in terms of predominance of the insurance business, opted for temporary exemption from IFRS 9. For further information, please refer to the paragraph "Additional Information" in Part C of the Statement of Financial Position - Assets in the Notes to the Accounts.

IFRS 15

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. The standard replaces the standards IAS 11" Constructions Contracts" and IAS 18 "Revenue". Since insurance contracts are not within the scope of the new standard, its application will not have a significant impact on the financial and economic position.

IFRS 16

Accounting standard IFRS 16, applicable as of January 1st, 2019, sets out a new definition of leasing, introducing significant changes to the accounting of these transactions in the financial statements of the lessee/user; in contrast, the new standard does not provide for significant changes for lessors. With reference to the accounting model to be applied by the lessee, IFRS 16 provides that, for all types of leases, as asset must be recognised, which represents the right of use of the leased asset and, at the same time, the debt relating to the fees provided for by the contract; in the income statement for the year, instead of the operating costs relating to rents, amortisations (in relation to the new rights of use recorded in the assets) and financial charges (for the remuneration of the recorded debt) shall be recorded.

In this context, the Group is finalising the activities required to ensure full compliance with the new accounting standard; the main methodological choices made for the transition to IFRS 16 are summarised below and the information is provided on the estimated impacts resulting from the application.

The Group has applied the new accounting rules as of the date of the financial statements, starting from January 1st, 2019 (date of initial application), choosing to apply the modified retrospective method, which does not provide for the recalculation of comparative information and which provides for the placing of the value of the right of use equal to that of the lease liability (adjusted for the amount of any deferred income or accrued income).

As regards the minimum payments due for leases pursuant to IAS 17, the liabilities that will be recorded in the first financial statements applying IFRS 16 will substantially include, in addition to the discounting effect, the greater liabilities resulting from the rental fees relating to the periods covered by the lease resolution option, in which the Group, as lessor, has reasonable certainty of not exercising the option and those resulting from the rental fees relating to the additional renewal period for which the exercising is considered reasonably certain.

The preliminary estimates made, in relation to the effects of the application of the standard on the Group's balance sheet and income statement items, reveal a non-significant impact on the amounts recorded (in fact, the estimate made shows an impact of approximately 0.15% with respect to the total assets/liabilities existing as at December 31st, 2018).

IFRS 17

On May 18th, 2017, the IASB published the standard IFRS 17 – *Insurance Contracts,* which is intended to replace the standard IFRS 4 - *Insurance Contracts*. The objective of the new standard is to ensure that an entity provides relevant information that faithfully represents the rights and obligations arising from issued insurance contracts. IASB developed the standard for eliminating the inconsistencies of the existing accounting policies by providing a single principle-based picture to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds. The new standard also sets out disclosure and presentation requirements to improve comparability between entities within this sector.

The standard is applicable from January 1st, 2022. The Group launched a project aimed at analysing the effects of the introduction of the changes envisaged by this standard and by IFRS 9.

Reporting currency used in the financial statements

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

Foreign currency items

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

Section 1

Illustration of the accounting standards

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

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

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

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

Going concern

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

STATEMENT OF FINANCIAL POSITION

INTANGIBLE ASSETS

Goodwill

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

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

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

Other intangible assets

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

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

These assets are valued at cost net of accumulated amortisation and write-downs against impairment losses.

There are no intangible assets present in the financial statements with an unspecified useful life as established in IAS 38.

The depreciable value is systematically allocated to the accounting periods which make up the useful life of the asset, starting off from the moment that said asset becomes available for use, or finds itself in the position and under the conditions necessary for being used according to the intentions of the Company.

In general, except in specific cases, the useful life is established as 5 years with an amortisation rate of 20% per annum for all the intangible assets with the exclusion of insurance portfolios whose period of amortisation ranges from six to twelve years.

Intangible assets are periodically subject to the impairment test.

TANGIBLE ASSETS

Property

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

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

For entire premises, the value of the land is separated from the value of the building; the latter is depreciated.

The depreciation of the buildings is calculated, on a straight-line basis, in relation to the useful life estimated as thirty-three years.

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

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

Other tangible assets

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

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

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

INVESTMENTS

Investment property

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

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

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

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

Investments in subsidiaries, associated companies and joint ventures

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

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

Equity investments in subsidiaries are stated by adopting the line-by-line consolidation method in pursuance of IFRS 10.

Equity investments in associated companies and joint ventures are accounted for in the financial statements using the equity method.
The book value is subject to impairment test so as to reveal any losses due to permanent reductions in value.

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

FINANCIAL ASSETS

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

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

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

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

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

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

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

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

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

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

Suitable controls are carried out on all the valuations used, including those deriving from third parties. The instruments for which the inputs used are not corroborated by the market are considered at level 3 of the fair value hierarchy.
Unlisted securities or those listed on non-active markets, such as corporate and government bonds securities issued by Special Purpose Vehicles and unlisted derivatives valued using models which use inputs which can be observed on the market, mortgage debt securities, unlisted UCITS and SICAV units, are classified as level 2 in the fair value hierarchy.

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

Held to maturity investments (HTM)

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

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

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

Loans and receivables

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

companies and bonds not listed on active markets considered to be of long-term use.

Loans and receivables are valued at amortised cost, net of any impairment losses, using the effective interest rate. The amortisation rate thus calculated is recorded in the income statement. On the closure of each set of financial statements, it is assessed if objective proof exists of any impairment losses.

Available for sale financial assets (AFS)

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

SUNDRY RECEIVABLES

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

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

OTHER ASSET ITEMS

Non-current assets or disposal group held for sale

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

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

Deferred acquisition costs

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

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

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

Deferred tax assets

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

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

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

Current tax assets

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

Other assets

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

CASH AND CASH EQUIVALENTS

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

SHAREHOLDERS' EQUITY

Shareholders' equity pertaining to the Group

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

Share capital

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

Capital reserves

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

Revenue reserves and other equity reserves

The item includes:

- the gains and losses deriving from the initial application of the international accounting standards in accordance with the matters envisaged by IFRS 1;
- the disaster reserves and the equalisation reserves not permitted among the technical liabilities in accordance with IFRS 4;
- the reserves anticipated prior to the adoption of the international accounting standards;
- the consolidation reserves.
- the reserve relating to the payment based on shares settled with equity instruments, pursuant to the provisions of IFRS 2.

Own shares

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

Reserve for net exchange differences

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

Gains or losses on available for sale financial assets

The item includes the gains and losses deriving from the valuation of available for sale financial assets, as previously described in the corresponding item of the financial investments.

The amounts are stated net of the corresponding deferred taxation and the portions pertaining to the policyholders.

Other gains or losses recognised directly in equity

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

Shareholders' equity pertaining to minority interests

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

PROVISIONS AND ALLOWANCES

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

TECHNICAL PROVISIONS

Life provisions

This item includes the technical provisions associated with insurance contracts, insurance policies involving discretionary participation features and investment contracts involving discretionary participation features.

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

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

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

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

The provisions of Article 21 et seq. of the aforementioned appendix, concerning the determination of the foreseeable return of additional reserves for financial risk, and Article 36 et seq., concerning the establishment and calculation of an additional reserve for demographic risk, were applied.

Article 41 of the aforementioned appendix, which provides for the hedging of the credit risk of index-linked contracts with maturity benefits guaranteed by the company, was also applied.

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

The provisions relating to reinsurers include the gross amounts pertaining to the same and are determined in compliance with the contractual reinsurance agreements, on the basis of the gross amounts of the technical provisions.

Provisions for outstanding claims

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

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

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

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

Shadow accounting

The application of the IAS/IFRS standards involves misalignments between the methods for valuing the assets and those for the related liabilities, the only exception being in relation to index-linked type contracts. The misalignments can be traced back to the recording in the accounts of both the capital losses and capital gains from the valuation of the assets valued at fair value against liabilities which are not affected by these changes.

In relation to life contracts linked to separate account arrangements, by means of an accounting technique known as shadow accounting, IFRS 4 makes it possible to limit the effects of these misalignments. This technique makes it possible to allocate part of the fair value changes in the related hedging assets to the technical provisions associated with segregated funds.

Provision for risk of insolvency (default) and liquidity

The need was assessed for a provision of an additional reserve, based on Article 41 of ISVAP Regulation no. 22, to hedge the risk of insolvency, which constitutes a provision aimed at protecting the company from the risk of bankruptcy of securities issuers, hedging technical reserves of contracts with maturity guarantees provided by the company.

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

Non-life provisions

This item includes the technical provisions associated with insurance contracts.

Premium provision

The provision for unearned premiums is calculated analytically using the pro-rata temporis method, based on the provisions of Article 2, paragraph 2 of Appendix 15 to ISVAP Regulation No. 22, dated April 4th, 2008) on the basis of the gross premiums written, as established by Article 45 of Legislative Decree no. 173 dated May 26th, 1997, having deducted the acquisition commissions and the other acquisition costs, limited to the directly chargeable costs, for the portion relating to the accounting period.

The book value thus obtained was supplemented by the surety reserves, calculated according to the criteria provided for by Article 9 of Appendix 15 of ISVAP Regulation no. 22 dated April 4th, 2008.

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

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

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

Provision for outstanding claims

The provision for outstanding claims is determined on the basis of a prudent evaluation of the claims which

occurred during that accounting period or in previous ones which have not yet been settled, based on objective elements, as well as of the related settlement costs. The companies make reference, when defining the claims provisions, to the concept of last estimated cost, identifying this value in accordance with the mixed assessment system, in compliance with the provisions present in articles 23 et seq. of Appendix 15 to ISVAP Regulation No. 22 dated April 4th, 2008.
In particular, when establishing the liability relating to the claims, steps are taken to separately evaluate each claim (inventory method), based on the analysis of the documentation relating to each individual damage case, implemented by the staff assigned to settle the claims. With regard to the classes characterised by slow settlement processes and for which the analytical valuation does not make it possible to take into account all anticipated charges, the inventory method is flanked by an additional valuation by means of statistical-actuarial procedures or forecast systems on the trend in costs.
The main assumptions used in applying the statistical-actuarial methods concern technical variables, including the time interval for deferring payments and the trend in the cost of claims, linked to the length of time taken to pay, as well as prospective assessments of the economic scenario.
The actuarial analysis was carried out with reference to simulations deriving from the use of different statistical-actuarial methods; in particular, the following stochastic methods were used: Mack Paid, Mack Incurred and Dahms Complementary Loss Ratio.
The above methods are based on the run-off triangles of the cumulative paid and cost of claims at various valuation dates (cost being the sum of the cumulative paid per year and the residual inventory reserve per year).

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

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

With regard to average costs used, the triangle of inflated and stripped reported averages at 31/12/2018 for non-delayed claims of the 2015-2018 generations (claims that occurred and were reported in the year) was analysed.

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

The claims reserve also includes the evaluation of the claims which have occurred but have not been reported as of the year end date, determined on the basis of the provisions present in paragraph 27 et seq. of Appendix 15 to ISVAP Regulation No. 22 dated April 4th, 2008

The amount was determined on the basis of experience acquired in previous years, separately estimating the expected number of claims and the relative average cost per each line of business and in the case of Motor TPL per management type.

The number of expected claims was estimated, where the conditions for their applicability were met, by using the chain ladder method applied to the triangle of claims reported over the 2012-2018 time period.
The average cost was obtained by observing the average costs reported late for the 2012-2018 generations.

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

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

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

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

Other technical provisions

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

FINANCIAL LIABILITIES

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

PAYABLES

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

The other long-term benefits concern the health premiums for retired staff and length-of-service premiums which mature in the 25th and 35th year of service with some companies as anticipated by the related CCNL (National Collective Labour Agreement). The frequency of the evaluations and the method of accounting are similar to those used for the defined benefit pension plans.
Following the reform of the severance indemnity fund, which culminated in the implementation decrees of the 2007 Financial Law on the provision of severance indemnity and supplementary pensions (Italian Official Journal no. 26 dated February 1st, 2007), the application of the aforementioned method varies depending on whether the company being valued has a number of employees that is less than or at least equal to 50.

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

With regards to companies with less than 50 employees, in the absence of transfer of the contributions subsequent to

December 31st, 2007 to the Treasury Fund set up with INPS, the entire liability has been considered to be a defined benefit plan. Actuarial gains and losses realised during the year have been recorded in the financial statements for all companies in the Group.

OTHER LIABILITY ITEMS

Liabilities of disposal group held for sale

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

Current and deferred tax liabilities

Current taxes are calculated on the basis of the taxable income for the period. The liabilities for current taxes are stated at the value which is expected to be paid, applying the rates and tax legislation in force.

Deferred taxes are included which have arisen from taxable temporary differences due to the deferral in the taxability of positive income elements realised and recorded in the income statement, which will be settled in subsequent accounting periods when the afore-mentioned revenues will be taxed.
When the results of the transactions are booked directly to the shareholders' equity, the current taxes and liabilities for deferred taxes are also booked to shareholders' equity.

Other liabilities

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

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

INCOME STATEMENT

REVENUES

Net premiums

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

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

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

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

Income from investments in subsidiaries, associated companies and joint ventures

This account group includes the income generated by investments in subsidiaries, associated companies and joint ventures recorded in the corresponding asset item.

Income from other financial instruments and investment property

The income from financial instruments and other investments includes the income deriving from financial instruments not valued at fair value through profit or loss and from investment property.

In particular, the following are included: interest income on financial instruments valued using the effective interest method, other income from investments, including dividends and revenues which derive from the use, by third parties, of the properties intended for investment purposes; the gains realised following the sale of a financial asset or liability or investment property, and the positive changes deriving from the write-back of a permanent loss in value (reversal of impairment).

Other revenues

Other revenues include the commissions income for financial services provided, revenues deriving from the sale of assets, from the provision of services other than those of a financial nature and from the use by third parties of the tangible assets and the other assets of the Company. Also included are realised gains and reversal of impairment losses relating to intangible assets and other assets, the exchange differences to be charged to the income statement in accordance with IAS 21 and other net technical income associated with insurance contracts. Specifically, the account group includes commissions income associated with investment contracts.

COSTS

Net charges relating to claims

The charges relating to claims include the amounts paid out during the period for claims, maturities and redemptions as well as the amount relating to the changes in the technical provisions, net of the recoveries and the transfers under reinsurance. This account also includes the component to be booked to the income statement concerning the change in the deferred liabilities due to policyholders and the change in the provision for the risk of insolvency.

Charges from investments in subsidiaries, associated companies and joint ventures

This item includes the charges deriving from investments in subsidiaries, associated companies and joint ventures recorded in the corresponding asset item.

Charges from other financial instruments and investment property

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

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

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

Operating expenses

For the insurance companies, operating expenses mainly include commissions, other acquisition costs and the administrative costs relating to contracts falling within the sphere of IFRS 4 and to investment contracts without discretional profit-sharing. The account also includes the administrative costs of the companies who do not carry out insurance activities.

This account also includes administrative costs, comprising general expenses and staff costs, as well as those relating to the management of financial instruments, investment property and equity investments.

Other costs

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

Current taxes

The income taxes calculated in accordance with current legislation are recorded in this item.

Compliance with the tax consolidation scheme does not lead to exceptions or changes to the standards illustrated above.

Deferred taxes

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

Profit (loss) from discontinued operations

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

NOTES TO THE ACCOUNTS

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

PART C
STATEMENT OF FINANCIAL POSITION - ASSETS

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

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

		Non-life business		Life business		Other		Eliminations between sectors		Total	
(€ thousands)		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
1	**INTANGIBLE ASSETS**	**225,834**	**226,155**	**106,739**	**107,172**	**125,775**	**103,749**	**452,935**	**-171,619**	**911,283**	**265,457**
2	**TANGIBLE ASSETS**	**51,377**	**53,075**	**495**	**442**	**137,587**	**128,769**	**0**	**0**	**189,459**	**182,286**
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**596,771**	**595,544**	**143,378**	**93,467**	**0**	**0**	**-38,542**	**-43,828**	**701,607**	**645,183**
4	**INVESTMENTS**	**5,518,984**	**4,934,155**	**28,181,365**	**19,299,340**	**44,044**	**42,746**	**-2,818,498**	**-1,361,049**	**30,925,895**	**22,915,192**
	4.1 Investment property	394,945	289,891	351,315	243,700	41,760	39,738	-758	-758	787,262	572,571
	4.2 Investments in subsidiaries, associated companies and joint ventures	1,613,612	672,126	382,121	135,473	1	1	-1,876,674	-711,168	119,060	96,432
	4.3 Held to maturity investments	110,297	109,753	115,137	133,168	0	0	0	0	225,434	242,921
	4.4 Loans and receivables	284,519	291,691	576,517	454,056	1,028	943	2,849	2,867	864,913	749,557
	4.5 Available for sale financial assets	3,041,069	2,964,055	21,022,493	14,855,511	58	58	-943,915	-651,990	23,119,705	17,167,634
	4.6 Financial assets at fair value through profit or loss	74,542	606,639	5,733,782	3,477,432	1,197	2,006	0	0	5,809,521	4,086,077
5	**SUNDRY RECEIVABLES**	**517,087**	**533,632**	**250,022**	**135,318**	**29,376**	**33,003**	**-97,743**	**-98,810**	**698,742**	**603,143**
6	**OTHER ASSET ITEMS**	**345,442**	**331,196**	**671,239**	**729,375**	**15,050**	**8,096**	**-1,881**	**-922**	**1,029,850**	**1,067,745**
	6.1 Deferred acquisition costs	0	0	24,998	13,469	0	0	0	0	24,998	13,469
	6.2 Other assets	345,442	331,196	646,241	715,906	15,050	8,096	-1,881	-922	1,004,852	1,054,276
7	**CASH AND CASH EQUIVALENTS**	**65,231**	**19,328**	**332,042**	**169,061**	**9,072**	**18,495**	**0**	**0**	**406,345**	**206,884**
	TOTAL ASSETS	**7,320,726**	**6,693,085**	**29,685,280**	**20,534,175**	**360,904**	**334,858**	**-2,503,729**	**-1,676,228**	**34,863,181**	**25,885,890**
1	**SHAREHOLDERS' EQUITY**									**2,255,327**	**2,107,536**
2	**PROVISIONS AND ALLOWANCES**	**41,034**	**30,845**	**11,255**	**13,783**	**7,018**	**6,446**	**0**	**0**	**59,307**	**51,074**
3	**TECHNICAL PROVISIONS**	**3,788,504**	**3,648,825**	**25,276,857**	**17,037,401**	**0**	**0**	**-101,908**	**-71,867**	**28,963,453**	**20,614,359**
4	**FINANCIAL LIABILITIES**	**547,517**	**554,334**	**2,020,580**	**1,606,927**	**33,003**	**11,509**	**-18**	**0**	**2,601,082**	**2,172,770**
	4.1 Financial liabilities at fair value through profit or loss	0	0	1,809,680	1,402,192	0	0	0	0	1,809,680	1,402,192
	4.2 Other financial liabilities	547,517	554,334	210,900	204,735	33,003	11,509	-18	0	791,402	770,578
5	**PAYABLES**	**242,534**	**206,102**	**168,109**	**116,889**	**64,238**	**60,889**	**-75,554**	**-83,169**	**399,327**	**300,711**
6	**OTHER LIABILITY ITEMS**	**228,840**	**244,805**	**301,436**	**396,242**	**3,203**	**2,349**	**51,206**	**-3,956**	**584,685**	**639,440**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES									**34,863,181**	**25,885,890**

1. INTANGIBLE ASSETS

Table 20 - Intangible assets

(€ thousands)	2018	2017	Changes Amount	%
Goodwill	561,461	153,617	407,844	n.s.
Other intangible assets:	349,822	111,840	237,982	n.s.
insurance portfolios	221,605	4,873	216,732	n.s.
software	89,329	70,888	18,441	26.0
models and projects	1,852	6,139	-4,287	-69.8
patent rights, trademarks and similar rights	4,240	3,255	985	30.2
other	32,796	26,685	6,111	22.9
Total	**911,283**	**265,457**	**645,826**	**n.s.**

n.s. = not significant

1.1 Goodwill

The goodwill item increased by €407.844 million compared with December 31st, 2017.

Table 21 - Goodwill - changes during the year

(€ thousands)	Goodwill
Gross balance as at December 31st, 2017	**257,648**
Accumulated amortisation	23,194
Cumulative impairment losses	80,837
Net balance as at December 31st, 2017	**153,617**
Increases due to:	**407,844**
business combination	407,844
Decreases due to:	**0**
Other	0
Gross balance as at December 31st, 2018	**665,492**
Accumulated amortisation	**23,194**
Impairment losses	0
Other	0
Cumulative impairment losses	**80,837**
Net balance as at December 31st, 2018	**561,461**

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, in assigning the goodwill to the cash generating units, the minimum level at which the goodwill is monitored for the purposes of internal management control was considered, i.e., the Cattolica Non-Life CGUs, the CGU Cattolica Vita and the legal entities included in the scope of consolidation.

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 scope of consolidation 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).

On October 3rd, Cattolica acquired the Luxembourg company CP-BK Reinsurance, from which CattRe, a reinsurance company for non-traditional risks of the Group, was formed, completing the final transition of the Business Plan's Specialty Lines project. As part of this project, Cattolica also completed the acquisition of the companies Satec S.r.l., Meteotec S.r.l. and Qubo Insurance Solutions S.r.l. In line with the provisions of IFRS 3, Cattolica also launched a new PPA process for the acquired companies that are part of the Specialty Lines project.

As regards the companies involved in the PPA referred to in the preceding paragraph, it should be noted that, although they were acquired in formally distinct transactions, they refer to a single project aimed at the development, by the Cattolica Group, of the Specialty Lines segment. Specifically, in this regard, Estinvest (and its subsidiaries) are nothing more than CattRe's "distribution network" and the monitoring of results (also considered in the Business Plan) is carried out jointly for CattRe and Estinvest (and subsidiaries). In this regard, in line with the provisions of IFRS 3, CattRe, Estinvest (and subsidiaries) and Qubo were considered a single CGU.

It should be noted that, as at December 31st, 2018, both PPA processes were still undergoing completion and, therefore, the allocation of goodwill to the individual CGUs Vera and CattRe is still provisional, with a term not beyond one year of the acquisition date pursuant to IFRS 3.45. Specifically, as at the date of preparation of these Consolidated Financial Statements, the identification of possible intangibles (e.g. client relationship) and refinement in determining the value of others (e.g. Value of business acquired "VoBA") had not yet been completed, therefore, the value of the goodwill that will be definitively allocated to the individual CGUs Vera and CattRe at the end of the PPA process may differ to that stated below.

Specifically, the goodwill recognised to the different CGUs as at June 30th, 2018 was as follows:

- €136.454 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;
- €2.977 million in Berica Vita, relating to the initial acquisition of 50% of the company;
- €71.659 million in Vera Assicurazioni, relating to the temporary PPA process following purchase of 65% of the company;
- €100.768 million in Vera Protezione, relating to the temporary PPA process following purchase of 65% of the company;
- €223.182 million in Vera Vita, relating to the temporary PPA process following purchase of 65% of the company and its subsidiary.
- €12.235 million in CattRe and Specialty Lines, resulting from the provisional PPA process following the acquisition.

There is also goodwill of €14.186 million in the consolidated financial statements resulting from the partial spin-off of B.P.Vi Fondi SGR within the parent company.

The recoverable value of the CGUs is defined as the fair value less cost to sell, or the value in use, whichever is the highest. 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.

In continuity with 2017, it was deemed advisable to use records that consider the metrics resulting from the Solvency II regulation, 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. The impairment test conducted as at December 31st, 2018 was based on the guidelines and forecasts of the economic results relating to the period 2019-2021, approved by the Board of Directors. These forecasts shall form the basis of the ORSA 2019-2021 Assessment (pursuant to IVASS Regulation no. 32 dated November 9th, 2016). For CGUs Vera Assicurazioni, Vera Protezione and Vera Vita, in accordance with the purchase agreements, reference was made to the 2018-2032 Distribution Plans negotiated during the acquisition process.
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 Assicura 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 7.58% for life insurance companies (7.14% as at June 30th) and 7.33% for non-life companies (6.66% as at June 30th). The long-term growth rate ("g") was 1.57% 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 at December 31st, 2018 did not entail any valuation in terms of write-downs of the value of the goodwill recognised in the Consolidated Financial Report as at December 31st, 2018.

For the purposes of the sensitivity analysis, a scenario analysis was performed on the cost level of the Rs capital, the growth rate in the terminal value (g) and the NBV Margin (ratio between New Business Value, current value of future profits relating to the new production and Annual Premium Equivalent, annualised premiums). 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 and NBV Margin necessary for rendering the recoverable value of each CGU equal to their book value.

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

	Excess/Impairment Loss in the consolidated financial statements [ViU vs C]	Rate which renders ViU = C	Rate g which renders ViU = C	NBV Margin which renders ViU = C
CGU Cattolica Danni	148.2	8.68%	-0.12%	n.s.
CGU Vera Assicurazioni	26.0	10.06%	n.s.	n.s.
CGU CattRE	7.5	8.07%	-0.07%	n.s.
CGU Berica Vita	30.8	n.s.	n.s.	n.s.
CGU Vera Vita	71.5	13.19%	n.s.	7.27%
CGU Vera Protezione	21.9	12.12%	n.s.	65.20%

n.s. = not significant

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

1.2 Other intangible assets

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

Table 23 - Other intangible assets - changes during the year

(€ thousands)	Insurance portfolios	Software	Models and projects	Patent rights, trademarks and similar rights	Other intangible assets	Total
Gross balance as at December 31st, 2017	**38,227**	**258,369**	**12,958**	**5,737**	**27,788**	**343,079**
Accumulated amortisation	31,385	185,249	6,819	2,482	1,043	226,978
Cumulative impairment losses	1,969	2,232	0	0	60	4,261
Net balance as at December 31st, 2017	**4,873**	**70,888**	**6,139**	**3,255**	**26,685**	**111,840**
Increases due to:	**242,923**	**58,643**	**780**	**1,423**	**7,192**	**310,961**
purchase	0	58,573	780	1,423	2,246	63,022
business combination	242,923	70	0	0	0	242,993
Other	0	0	0	0	4,946	4,946
Decreases due to:	**0**	**897**	**4,946**	**0**	**63**	**5,906**
Sale	0	0	0	0	0	0
business combination	0	0	0	0	3	3
Other	0	897	4,946	0	60	5,903
Gross balance as at December 31st, 2018	**281,150**	**316,115**	**8,792**	**7,160**	**34,917**	**648,134**
Amortisation	26,191	40,202	939	438	262	68,032
Other changes in the acc. amortisation	0	0	-818	0	816	-2
Accumulated amortisation	**57,576**	**225,451**	**6,940**	**2,920**	**2,121**	**295,008**
Other	0	-897	0	0	-60	-957
Cumulative impairment losses	**1,969**	**1,335**	**0**	**0**	**0**	**3,304**
Net balance as at December 31st, 2018	**221,605**	**89,329**	**1,852**	**4,240**	**32,796**	**349,822**

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

- varies between 6 and 12 years for the insurance portfolios, on the basis of the average residual duration of the underlying contracts;
- is on average 5 years for software, models and projects, patent rights, trademarks and similar, except in specific cases.

The item pertaining to other intangible assets recorded an increase of €242.923 million, attributable 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 provided for 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 at March 31st, 2018 by the acquired companies (EBS as at 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 item also includes €6.973 million relating to the cash generating unit known as Cattolica Danni, deriving from the incorporation of FATA, which took place in December 2016. In particular, the following intangible assets were reported: agency and customer relationship network (reported under insurance portfolios), for a total of €4.273 million and brand (reported under patent, trademarks and similar rights), for a total of €2.7 million.

The Group has software in use and software being created or being developed mainly by Cattolica Services; software already operative in previous years is present, along with software which during the year has been subject to development processes and adaptation to legal provisions, as well as software "under construction" referring to projects launched but not yet concluded and therefore not yet used during the year. The software item during the period increased by €58.688 million, mainly due to the purchase of new software.

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

The impairment tests on other intangible assets, as governed by IAS 36, carried out during the year, did not reveal any impairment losses.

2. TANGIBLE ASSETS

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

Table 24 - Tangible assets

(€ thousands)	2018	2017	Changes Amount	%
Property	169,431	162,473	6,958	4.3
Other tangible assets:	20,028	19,813	215	1.1
furniture, office machines and internal means of transport	5,395	5,084	311	6.1
movable assets recorded in public registers	94	1,285	-1,191	-92.7
plants and equipment	14,185	13,153	1,032	7.8
inventories and miscellaneous assets	354	291	63	21.8
Total	**189,459**	**182,286**	**7,173**	**3.9**

2.1 Property

The item includes property used for the performance of the Group companies' activities; in particular, it includes property belonging to the Parent Company, Cattolica Agricola and Satec. The increase refers to the purchase of land by Cattolica Agricola, the Satec property acquired with the company and incremental expenses during the period.

The fair value of the properties held by the Group, at the end of the year, came to €220.032 million.
The current value of the properties was up-dated on the basis of the market value as at December 2018.

2.2 Other tangible assets

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

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

(€ thousands)	Property	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 at December 31st, 2017	**177,733**	**58,499**	**2,495**	**16,238**	**291**	**255,256**
Accumulated depreciation fund	15,165	53,415	1,210	3,085	0	72,875
Cumulative impairment losses	95	0	0	0	0	95
Net balance as at December 31st, 2017	**162,473**	**5,084**	**1,285**	**13,153**	**291**	**182,286**
Increases due to:	**8,422**	**1,984**	**17**	**2,762**	**354**	**13,539**
purchase	7,231	1,716	17	638	354	9,956
business combination	527	268	0	0	0	795
other	664	0	0	2,124	0	2,788
Decreases due to:	**0**	**145**	**1,571**	**79**	**291**	**2,086**
sale	0	21	221	67	291	600
other	0	124	1,350	12	0	1,486
Gross balance as at December 31st, 2018	**186,155**	**60,338**	**941**	**18,921**	**354**	**266,709**
Depreciation	1,464	1,668	254	1,161	0	4,547
Other changes in the acc. depreciation	0	-140	-617	490	0	-267
Accumulated depreciation fund	**16,629**	**54,943**	**847**	**4,736**	**0**	**77,155**
Impairment losses	0	0	0	0	0	0
Cumulative impairment losses	**95**	**0**	**0**	**0**	**0**	**95**
Net balance as at December 31st, 2018	**169,431**	**5,395**	**94**	**14,185**	**354**	**189,459**

The increases in the item "office furniture, machines and internal transport vehicles" mainly refer to hardware purchases made by Cattolica Services for €1.158 million and the assets of the companies acquired during 2018.

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

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

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

3. TECHNICAL PROVISIONS - REINSURANCE AMOUNT

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

(€ thousands)	Direct business 2018	Direct business 2017	Indirect business 2018	Indirect business 2017	Total book value 2018	Total book value 2017
Non-life provisions	**549,527**	**541,926**	**8,702**	**9,790**	**558,229**	**551,716**
Premium provision	127,172	113,234	3,087	3,653	130,259	116,887
Provision for outstanding claims	421,531	427,844	5,615	6,137	427,146	433,981
Other provisions	824	848	0	0	824	848
Life provisions	**143,378**	**93,467**	**0**	**0**	**143,378**	**93,467**
Provision for outstanding claims	14,512	5,724	0	0	14,512	5,724
Mathematical provisions	128,236	87,429	0	0	128,236	87,429
Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds	0	0	0	0	0	0
Other provisions	630	314	0	0	630	314
Total technical provisions - reinsurance amount	**692,905**	**635,393**	**8,702**	**9,790**	**701,607**	**645,183**

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

4. INVESTMENTS

Table 27 - Investments

(€ thousands)	2018	2017	Changes Amount	%
Investment property	787,262	572,571	214,691	37.5
Investments in subsidiaries, associated companies and joint ventures	119,060	96,432	22,628	23.5
Held to maturity investments	225,434	242,921	-17,487	-7.2
Loans and receivables	864,913	749,557	115,356	15.4
Available for sale financial assets	23,119,705	17,167,634	5,952,071	34.7
Financial assets at fair value through profit or loss	5,809,521	4,086,077	1,723,444	42.2
Total	**30,925,895**	**22,915,192**	**8,010,703**	**35.0**

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 Macquarie Office Italy), Perseide, Andromaca, Innovazione Salute funds and the funds of Cattolica Agricola, Cattolica Beni Immobili and the Parent Company.

Table 28 - Investment property - changes during the year

(€ thousands)	Investment property	Property under construction and advance payments	Total
Gross balance as at December 31st, 2017	**616,912**	**151**	**617,063**
Accumulated depreciation fund	41,192	0	41,192
Cumulative impairment losses	3,300	0	3,300
Net balance as at December 31st, 2017	**572,420**	**151**	**572,571**
Increases due to:	**228,994**	**301**	**229,295**
Purchase	221,512	0	221,512
Other	7,482	301	7,783
Decreases due to:	**0**	**11**	**11**
Other	0	11	11
Gross balance as at December 31st, 2018	**845,906**	**441**	**846,347**
Depreciation	14,236	0	14,236
Accumulated depreciation fund	**55,428**	**0**	**55,428**
Impairment losses	357	0	**357**
Cumulative impairment losses	**3,657**	**0**	**3,657**
Net balance as at December 31st, 2018	**786,821**	**441**	**787,262**

The increases refer to purchases made by the following real estate funds: Euripide for €94.225 million, Innovazione Salute for €64.236 million, San Zeno for €47.492 million and Andromaca for €15.559 million.
The increase of €7.482 refers to incremental expenses made on owned real estate.
Decreases are mainly attributable to depreciation during the year of €14.236 million.

Revenues for rents generated during the year amounted to €48,314 million (€41.308 million as at December 31st, 2017).

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

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

The fair value of the investment property held by the Group, estimated by an external and independent expert, at the end of the year, amounted to €936.595 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:

- o the estimate of the current value of the land referring to the purchase cost of similar land in terms of location and intended use;
- o 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;
- o 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:
  - o direct capitalisation: this is based on the capitalisation at a rate taken from the property market, of the net future income generated;
  - o 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 standards and the table presented below, the Group has applied the cost criteria, net of accumulated depreciation and any impairment losses, to total assets disciplined by IAS 40, IAS 16 and IAS 38.

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

(€ thousands)	At cost	At re-determined value or at fair value	Total book value
Investment property	787,262		787,262
Other property	169,431		169,431
Other tangible assets	20,028		20,028
Other intangible assets	349,822		349,822

4.2 Investments in subsidiaries, associated companies and joint ventures

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

(€ thousands)	2018	2017	Changes Amount	%
Subsidiaries	60	50	10	20.0
Associated companies and joint ventures	119,000	96,382	22,618	23.5
Total	**119,060**	**96,432**	**22,628**	**23.5**

The item includes investments in subsidiaries excluded from the scope of consolidation, associated companies and joint ventures over which the Group exercises significant influence, which are accounted for using the equity method.

Investments in subsidiaries

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

Investments in associated companies and Joint ventures

The item includes the equity investments, valued using the equity method, in the companies over which the Group exercises a significant influence, such as All Risks Solutions, the multi-compartment real estate investment fund known as "Mercury" and the real estate funds Cà Tron HCampus and "Mercury Nuovo Tirreno".

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

(€ thousands) **Name**	**Registered offices and operating headquarters**	**Assets (1)**	**Type (2)**	**% Direct investment**	**% Total holding (3)**	**% of votes available during ordinary shareholders' meetings (4)**	**Book value**
All Risks Solutions s.r.l.	086	11	b	20.00%	20.00%		19
TUA Retail s.r.l.	086	11	a	100.00%	99.99%		50
Campo dei Fiori s.r.l.	086	10	a	100.00%	85.63%		10
Fondo Mercury Centronord	086	10	c	52.55%	52.55%		29,566
Fondo Mercury Adriatico	086	10	c	51.08%	51.08%		17,953
Fondo Mercury Tirreno	086	10	c	51.01%	51.01%		31,435
Fondo Mercury Nuovo Tirreno	086	10	c	90.10%	90.10%		17,743
Fondo Ca' Tron Hcampus	086	10	c	65.55%	65.55%		22,284

(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 investment relationships relating to all the companies which, placed along the investment chain, may be interposed between the company that draws up the consolidated financial statements and the company in question. If the latter is directly invested i n by several subsidiaries

(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 scope of consolidation is presented below.

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

(€ thousands) Name or business name	Registered offices	Share capital	Total assets	Total liabilities	Shareholders' equity	of which profit (+) or loss (-) for the year	Revenues	Dividends received in the period
Subsidiaries								
TUA Retail s.r.l.	Milan	50	651	550	101	3	1,049	0
Campo dei Fiori s.r.l. (1)	Milan	10	u.a.	u.a.	u.a.	u.a.	u.a.	u.a.
Associated companies								
All Risks Solutions s.r.l. (2)	Rome	10	207	126	81	18	249	0
Fondo Mercury Centronord	Milan	n.a.	127,175	64,784	62,391	5,361	7,703	1,754
Fondo Mercury Adriatico	Milan	n.a.	82,945	43,286	39,658	5,111	7,204	1,652
Fondo Mercury Tirreno	Milan	n.a.	145,439	76,550	68,889	7,597	11,152	2,844
Fondo Mercury Nuovo Tirreno	Milan	n.a.	21,472	1,078	20,394	694	719	0
Fondo Ca' Tron Hcampus	Roncade (Tv)	n.a.	54,050	15,689	38,361	1,565	1,486	0

(1) Newly-established company, the first Financial Statements as at December 31st, 2017of which had not yet been approved as of the date of approval of Cattolica Assicurazioni's financial statements by the Board of Directors.

(2) The figures for the Financial Statements as at December 31st, 2017 have been shown, given that the 2018 financial statements had not yet been approved as of the date of approval of Cattolica Assicurazioni's financial statements by the Board of Directors.

n.a. = not applicable

u.a. = unavailable

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.

Reclassifications carried out in 2018 relate to securities transferred from the "financial assets at fair value through profit or loss" category to the "available for sale financial assets" category for a book value of €28.148 million as at December 31st, 2017.

As a result of the reclassification carried out in 2008, lower income was recorded in the income statement, amounting to €346 thousand.

Table 33 - Financial investments

(€ thousands)	2018	%	2017	%	Changes Amount	%
Held to maturity investments	225,434	0.8	242,921	1.1	-17,487	-7.2
Loans and receivables	864,913	2.9	749,557	3.4	115,356	15.4
Available for sale financial assets	23,119,705	77.0	17,167,634	77.2	5,952,071	34.7
Financial assets at fair value through profit or loss	5,809,521	19.3	4,086,077	18.3	1,723,444	42.2
Total	**30,019,573**	**100.0**	**22,246,189**	**100.0**	**7,773,384**	**34.9**

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

							Financial assets at fair value through profit or loss					
Financial investments (disciplined by IAS 39)	**Held to maturity investments**		**Loans and receivables**		**Available for sale financial assets**		**Financial assets held for trading**		**Financial assets at fair value through profit or loss**		**Total book value**	
(€ thousands)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**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	163,024	163,479	837	195	45,134	25,044	208,995	188,718
of which listed securities	*0*	*0*	*0*	*0*	*118,832*	*117,734*	*832*	*191*	*45,134*	*25,044*	*164,798*	*142,969*
Debt securities	225,434	242,921	799,402	681,107	22,307,155	16,447,142	427,387	930,156	1,120,586	1,121,503	24,879,964	19,422,829
of which listed securities	*225,434*	*242,921*	*0*	*0*	*22,251,831*	*16,402,238*	*426,213*	*927,727*	*1,113,310*	*1,047,274*	*24,016,788*	*18,620,160*
UCIT units	0	0	0	0	649,526	557,013	6,515	21,152	4,200,282	1,974,802	4,856,323	2,552,967
Loans and receivables due from banking customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	10,013	10,350	0	0	0	0	0	0	10,013	10,350
Receivable financial items of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	55,498	58,100	0	0	0	0	0	0	55,498	58,100
Non-hedging derivatives	0	0	0	0	0	0	8,379	5,451	401	7,774	8,780	13,225
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	**225,434**	**242,921**	**864,913**	**749,557**	**23,119,705**	**17,167,634**	**443,118**	**956,954**	**5,366,403**	**3,129,123**	**30,019,573**	**22,246,189**

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 item, amounting to €225.434 million.

Specifically, 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 item, amounting to €864.913 million.

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. The item includes financial instruments amounting to €23,119.705 million, of which €21,870.493 million classified in level 1 in the fair value hierarchy, €770.529 million in level 2 (€564.279 million in debt instruments and €206.25 million in shares and funds) and €478.683 million in level 3 (€1.013 million in bonds and €477.67 million in shares and funds).

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 €5.173 million (mainly due to the write-downs of H-Farm for €817 thousand, Azimut Holding for €629 thousand, Banca Monte Paschi for €407 thousand, Intesa Sanpaolo for €398 thousand and Continental AG for €353 thousand) and on mutual investment funds for €6.956 million (mainly due to the write-downs of the Fondo Banor for €1.973 million, Fondo Immobili Pubblici for €1.836 million, Bluegem for €611 thousand and Fondo Agris funds for €525 thousand).

4.6 Financial assets at fair value through profit or loss

This category, amounting to €5,809.521 million, comprises the classification of financial assets, including derivatives, held for trading and those designated by the Group as valued at fair value through profit or loss. Specifically, besides assets held for trading purposes, the item also includes the financial assets designated at fair value through profit or loss related to:

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

Derivatives

The Group does not have any hedging derivatives.
With regard to non-hedging derivatives, those classified for trading amounted to €8,379 milioni and essentially comprise options, those at fair value through profit or loss amounted to €401 mila euro 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 at December 31st, 2018, in government debt securities issued or guaranteed by European Union nations.

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

Country (€ thousands)	**Maturing up to 5 years**	**Maturing between 6 and 10 years**	**Maturing beyond 10 years**	**Total fair value**	**Gross AFS provision**
Italy	7,150,770	3,526,709	2,380,690	**13,058,169**	31,973
Spain	671,721	949,178	157,726	**1,778,625**	27,816
Portugal	0	106,062	69,385	**175,447**	6,189
Ireland	14,340	62,024	4,981	**81,345**	1,637
Other EU countries	302,799	1,862,522	549,868	**2,715,189**	32,707
TOTAL	**8,139,630**	**6,506,495**	**3,162,650**	**17,808,775**	**100,322**

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

Country (€ thousands)	**Maturing up to 5 years**	**Maturing between 6 and 10 years**	**Maturing beyond 10 years**	**Total fair value***
Italy	813,713	120,786	30,065	**964,564**
Spain	102,918	7,911	5,946	**116,775**
Portugal	39,037	224	0	**39,261**
Ireland	15,072	140	864	**16,076**
Other EU countries	154,884	20,402	11,642	**186,928**
TOTAL	**1,125,624**	**149,463**	**48,517**	**1,323,604**

* of which the value of financial assets at fair value through profit or loss amounts to €899.154 million.

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

Country (€ thousands)	**Maturing up to 5 years**	**Maturing between 6 and 10 years**	**Maturing beyond 10 years**	**Total value book value**	**Total fair value**
Italy	164,793	55,524	1,799	**222,116**	247,947
Spain	0	0	0	**0**	0
Portugal	0	0	0	**0**	0
Ireland	0	0	0	**0**	0
Other EU countries	0	0	0	**0**	0
TOTAL	**164,793**	**55,524**	**1,799**	**222,116**	**247,947**

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

		Level 1		Level 2		Level 3		Total	
(€ thousands)		2018	2017	2018	2017	2018	2017	2018	2017
Assets and liabilities valued at fair value on a recurrent basis									
Available for sale financial assets		21,870,493	16,143,672	770,529	640,092	478,683	383,870	23,119,705	17,167,634
Financial assets at fair value through profit or loss	Financial assets held for trading	427,896	943,218	5,270	6,457	9,952	7,279	443,118	956,954
	Financial assets at fair value through profit or loss	4,016,990	1,595,305	1,349,061	1,533,378	352	440	5,366,403	3,129,123
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		**26,315,379**	**18,682,195**	**2,124,860**	**2,179,927**	**488,987**	**391,589**	**28,929,226**	**21,253,711**
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	1,809,680	1,402,192	0	0	1,809,680	1,402,192
Total liabilities at fair value on a recurrent basis		**0**	**0**	**1,809,680**	**1,402,192**	**0**	**0**	**1,809,680**	**1,402,192**
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 the changes in level 3 financial assets and liabilities valued at fair value on a recurrent basis (ISVAP Regulation no. 7 dated July 13th, 2007)

		Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss	
(€ thousands)	**Available for sale financial assets**	**Financial assets held for trading**	**Financial assets at fair value through profit or loss**	**Investments property**	**Tangible assets**	**Intangible assets**	**Financial liabilities held for trading**	**Financial liabilities at fair value through profit or loss**
Opening balance	**383,870**	**7,279**	**440**	**0**	**0**	**0**	**0**	**0**
Purchases/Issues	165,416	0	0	0	0	0	0	0
Sales/Repurchases	-54,489	-33	-440	0	0	0	0	0
Reimbursements	-261	-359	0	0	0	0	0	0
Gain or loss through profit or loss	-4,855	3,072	0	0	0	0	0	0
- of which valuation profits/losses	-5,270	0	0	0	0	0	0	0
Gain or loss recorded in other components of the statement of comprehensive income	-7,054	0	0	0	0	0	0	0
Transfers in level 3	43	0	352	0	0	0	0	0
Transfers to other levels	-3,987	-7	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Closing balance	**478,683**	**9,952**	**352**	**0**	**0**	**0**	**0**	**0**

The transfers are due to the change in level of liquidity on the markets compared with the previous year.

Transfers from level 1 to 3 concerned shares classified under "Financial assets designated at fair value recorded in the income statement" for a total of €352 thousand.

Transfers from level 2 to 3 concerned bonds classified under "Financial assets held for sale" for a total of €43 thousand.

Transfers from level 3 to 1 mainly concerned "Financial assets designated at fair value recorded in the income statement": guarantees on securities for a total of €7 thousand.

Transfers from level 3 to 2 mainly concerned "Financial assets held for sale": funds for a value of €3.987 million.
Transfers from level 1 to 2 for total of €176.811 million concerned:

- "Financial assets available for sale": bonds for an equivalent value of €176.259 million;
- "Financial assets at fair value through profit or loss": bonds for a value of €552 thousand.

Lastly, transfers from level 2 to 1 for total of €37.364 million concerned:

- "Financial assets available for sale": bonds for an equivalent value of €485 thousand;
- "Financial assets at fair value through profit or loss": funds for €36.88 million.

Table 40 - Assets and liabilities not valued at fair value: breakdown by fair value hierarchy (ISVAP Regulation No. 7 dated July 13th, 2007)

	Book value		Fair value							
			Level 1		Level 2		Level 3		Total	
(€ thousands)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Assets										
Held to maturity investments	225,434	242,921	252,057	284,625	0	0	0	0	252,057	284,625
Loans and receivables	864,913	749,557	0	0	324,774	201,894	595,518	652,508	920,292	854,402
Investments in subsidiaries, associated companies and joint ventures	119,060	96,432	0	0	0	0	131,798	100,769	131,798	100,769
Investment property	787,262	572,571	0	0	0	0	936,595	660,532	936,595	660,532
Tangible assets	189,459	182,286	0	0	0	0	240,060	229,226	240,060	229,226
Total assets	**2,186,128**	**1,843,767**	**252,057**	**284,625**	**324,774**	**201,894**	**1,903,971**	**1,643,035**	**2,480,802**	**2,129,554**
Liabilities	**791,402**	**770,578**	**0**	**0**	**722,047**	**729,464**	**35,386**	**47,346**	**757,433**	**776,810**
Other financial liabilities	791,402	770,578	0	0	722,047	729,464	35,386	47,346	757,433	776,810

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, Mercury Nuovo Tirreno and HCampus whose reference value, for the purposes of the determination of the fair value, is represented by the NAV communicated by the asset management company. The fair value level assigned is 3.

The fair value of the other financial liabilities is recognised using the income approach technique.

Table 41 - Analysis of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by the policyholder and deriving from pension fund management (ISVAP Regulation No. 7 dated July 13th, 2007)

	Benefits associated with investment funds and stock market indices		Benefits associated with the management of pension funds		Total	
(€ thousands)	2018	2017	2018	2017	2018	2017
Assets in the financial statements	4,899,508	2,310,913	761,054	960,779	5,660,562	3,271,692
Intercompany assets*	0	0	0	0	0	0
Total Assets	**4,899,508**	**2,310,913**	**761,054**	**960,779**	**5,660,562**	**3,271,692**
Financial liabilities in the financial statements	1,175,367	571,680	634,126	830,394	1,809,493	1,402,074
Technical provisions in the financial statements	3,724,141	1,739,233	126,928	130,385	3,851,069	1,869,618
Intercompany liabilities*	0	0	0	0	0	0
Total Liabilities	**4,899,508**	**2,310,913**	**761,054**	**960,779**	**5,660,562**	**3,271,692**

* Assets and liabilities eliminated during the consolidation process

5. SUNDRY RECEIVABLES

Table 42 - Sundry receivables

			Changes	
(€ thousands)	2018	2017	Amount	%
Receivables deriving from direct insurance transactions	**432,678**	**430,952**	**1,726**	**0.4**
Policyholders	177,296	171,165	6,131	3.6
Insurance brokers	186,137	183,450	2,687	1.5
Insurance companies - current accounts	32,279	41,352	-9,073	-21.9
Policyholders and third parties for claims to be settled	36,966	34,985	1,981	5.7
Receivables deriving from reinsurance transactions	**63,286**	**91,506**	**-28,220**	**-30.8**
Insurance and reinsurance companies	63,272	91,506	-28,234	-30.9
Reinsurance brokers	14	0	14	n.a.
Other receivables	**202,778**	**80,685**	**122,093**	**n.s.**
Total	**698,742**	**603,143**	**95,599**	**15.8**

n.s. = not significant

n.a. = not applicable

On the basis of the experience of previous accounting periods, the item was adjusted for a total of €48.674 million for write-downs due to doubtful collection.

The item “Other receivables” mainly includes amounts due for management fees deriving from the management of internal and external funds of unit-linked products, as well as amounts receivable for advances to suppliers, amounts due from employees, amounts due from tenants, amounts due from guarantee funds.

6. OTHER ASSET ITEMS

Other asset items are made up as follows:

Table 43 - Other asset items

(€ thousands)	2018	2017	Changes Amount	%
Deferred acquisition costs	24,998	13,469	11,529	85.6
Deferred tax assets	304,441	453,818	-149,377	-32.9
Current tax assets	448,306	386,085	62,221	16.1
Other assets	252,105	214,373	37,732	17.6
Total	**1,029,850**	**1,067,745**	**-37,895**	**-3.5**

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 €82.57 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 Decree Law no. 98 dated July 6th, 2011, containing "Urgent provisions for financial stabilisation" (so-called "corrective manoeuvre'), as well as the regulatory provisions pursuant to Law no. 208 dated 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. Receivables due from the tax authorities also include tax advances paid pursuant to Law no. 265 dated November 22nd, 2002, on the taxation of life reserves and receivables from the tax authorities for the payment of the annual tax advance on premiums, provided for by Article 9, paragraph 1-bis of Law no. 1216.

6.5 Other assets

This item includes DAC - deferred acquisition cost, income and prepaid expenses and other assets.

Table 44 - Other assets

			Changes	
(€ thousands)	**2018**	**2017**	**Amount**	**%**
Deferred commissions expense associated with investment contracts	5,743	5,000	743	14.9
Accruals and deferrals	10,876	5,630	5,246	93.2
Sundry assets	235,486	203,743	31,743	15.6
Total	**252,105**	**214,373**	**37,732**	**17.6**

The item "deferred commissions expense associated with investment contracts" refers to deferred acquisition costs associated with investment contracts or contracts not complying with the definition of insurance contract as per IFRS 4.

The "accruals and deferrals" item mainly refers to usage licences and software maintenance.

Sundry assets mainly include the amount relating to taxation on the actuarial provisions of the life classes accrued during the year for €100.716 million and the balance of the liaison account between the life and non-life sectors of the Group's insurance companies for 79,857 million, which has a matching balance under other liabilities, as well as transaction balances to be settled for €13.14 million.

7. CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" represents the balance as of the end of the accounting period of the current accounts held with various banks. Cash and cash equivalents amounted to €406.345 million. During the year, the item recorded an increase of €199.461 million. The book value of these assets significantly approximates their fair value. Deposits and bank current accounts are remunerated at both fixed and floating rates.

PART C
STATEMENT OF FINANCIAL POSITION - LIABILITIES

1. SHAREHOLDERS' EQUITY

As at December 31st, 2018, this item was made up as follows:

Table 45 - Shareholders' equity

(€ thousands)	2018	2017	Changes Amount	%
Shareholders' equity				
pertaining to the Group	**1,779,886**	**1,845,306**	**-65,420**	**-3.5**
Share capital	522,882	522,882	0	0
Other equity instruments	0	0	0	n.a.
Capital reserves	739,494	772,015	-32,521	-4.2
Revenue reserves and other equity reserves	495,982	476,485	19,497	4.1
(Own shares)	-49,927	-46,945	-2,982	-6.4
Reserve for net exchange differences	0	0	0	n.a.
Gains or losses on available for sale financial assets	-35,447	78,458	-113,905	n.s.
Other gains or losses recognised directly in equity	-32	1,303	-1,335	n.s.
Profit (loss) for the period pertaining to the Group	106,934	41,108	65,826	n.s.
pertaining to minority interests	**475,441**	**262,230**	**213,211**	**81.3**
Capital and reserves pertaining to minority interests	445,639	239,108	206,531	86.4
Gains and losses recognised directly in equity	110	8,165	-8,055	-98.7
Profit (loss) for the year pertaining to minority interests	29,692	14,957	14,735	98.5
Total	**2,255,327**	**2,107,536**	**147,791**	**7.0**

n.s. = not significant
n.a. = not applicable

1.1 Shareholders' equity pertaining to the Group

This item totalled €1,779.886 million and includes the following items:

1.1.1 Share capital

The fully subscribed share capital amounted to €522.882 million and is made up of 174,293,926 ordinary shares with no nominal value, following 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 negative change of €32.521 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), 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 and the reserve relating to the payment based on the Parent Company's shares, in relation to the Performance Shares Plan approved by the 2018 Shareholders' Meeting.
The change in the year is due to the allocation of the previous year's profit, the performance of consolidation reserves and the recording of the equity reserve associated with the aforementioned Performance Shares.
During the year, the Parent Company paid out dividends, net of own shares, for €58.559 million.

1.1.5 Own shares

As at December 31st, 2018, the Parent Company held 7,036,907 own shares.

1.1.7 Gains or losses on available for sale financial assets

The changes reported during the year are mainly attributable to:

- the transfer of net capital gains to the income statement following disposals for €58.463 million, and net capital losses from impairment for €8.420 million;
- net negative fair value changes in financial instruments included in the corresponding asset item for €63.862 million.

1.1.8 Other gains or losses recognised directly in equity

The change is attributable to the decrease of €1.231 million in the reserve from valuation of the associated companies and joint ventures and the decrease of €104 thousand in actuarial gains and losses from valuation of the employee benefits as per the matters envisaged by revised IAS 19.

1.2 Shareholders' equity pertaining to minority interests

This account comprises the values pertaining to minority interests regarding the companies included in the scope of consolidation. With reference to the item "gains or losses recognised directly in equity", changes during the year, net of the related deferred taxation, are due to:

- net positive fair value changes in financial instruments included in the corresponding asset item for €14.217 million;
- net capital losses from impairment for €48 thousand;
- the transfer of net capital gains from realisation for €22.320 million.

2. PROVISIONS AND ALLOWANCES

Table 46 - Provisions and allowances - changes during the year

(€ thousands)	2017	Increases	Decreases	2018
Provisions and allowances	**51,074**	22,274	14,041	**59,307**

As at December 31st, the item mainly comprised amounts set aside for:

- legal disputes and costs for €12.329 (during the year, €3.820 million were set aside and €4.186 million were used);
- formal notices or reports on findings which can be served for breaches of Italian law or for other findings for €986 thousand (during the year, €530 thousand were set aside and €163 thousand were used);
- sums which will be paid for the acceptance of any requests by beneficiaries for services depending on life assurance policies in relation to which prescription has taken place in favour of the Group for €646 thousand (during the year, €13 thousand were used);
- disputes opened relating to employment matters or tax aspects for €2.169 million (during the year, €765 thousand were set aside and €950 thousand were used);
- the defence expense provision for €442 thousand (during the year, €15 thousand were used);
- the provision for agents' severance indemnity for €7.915 million (during the year, €826 thousand were set aside);
- intersectoral solidarity fund for €12.367 million (during the year, €6.021 million were set aside and €3.413 million were used);

- claims management provision for €3.405 million (during the year, €955 thousand were set aside and €350 thousand were used);
- potential future liabilities relating to CPI products for €3.210 million.

It should be noted that, during the year,
provision was made to set aside €4.834 million, following the sentences recently filed in the Court of Cassation concerning the applicability of the VAT exemption to the delegation commissions under co-insurance contracts.

It was also deemed appropriate to allocate a provision relating to sanctions that can be entered in the register following rulings pronounced by the Court of Cassation on VAT under Article 6 within the group, amounting to €3.955 million (during the year, €61 thousand were set aside).

The outlays are envisaged over the short-term and therefore are not subject to any discounting. With regard to the legal and tax-related disputes, account is taken of the advice of legal/tax advisors with regard to the outcome of the same. With regard to the IVASS sanctions has taken into account those already communicated as well as the time series in the past registered by the insurance companies in the Group.

3. TECHNICAL PROVISIONS

This item includes, as mentioned in the accounting standards, 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 at 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). The test was carried out by comparing the technical provisions, decreased by the acquisition costs still to be amortised and the value of any other related intangible assets, with the current value of the expected cash flows generated by the policy, including the liquidation and management costs.
In the event of insufficiency of the provisions, the difference is booked to the income statement with an increase in liabilities.

With regard to non-life classes, for the purpose of checking the fairness of the insurance liabilities, in replacement of the LAT, a control was used at individual ministerial class level by testing the calculation of the supplementary provision for risks underway with the simplified method as envisaged by Article 8 of Appendix 15 to ISVAP regulation No. 22 dated April 4th, 2008. 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 December 31st, 2018, are adequate and therefore no supplementary provision is required.

Table 47 - Analysis of technical provisions (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	Direct business 2018	Direct business 2017	Indirect business 2018	Indirect business 2017	Total book value 2018	Total book value 2017
Non-life provisions	**3,735,804**	**3,587,334**	**14,158**	**17,664**	**3,749,962**	**3,604,998**
Premium provision	849,850	743,489	3,822	6,442	853,672	749,931
Provision for outstanding claims	2,883,863	2,841,801	10,334	11,220	2,894,197	2,853,021
Other provisions	2,091	2,044	2	2	2,093	2,046
of which provisions provided following the assessment of fairness of the liabilities	*0*	*0*	*0*	*0*	*0*	*0*
Life provisions	**25,209,810**	**17,005,654**	**3,681**	**3,707**	**25,213,491**	**17,009,361**
Provision for outstanding claims	410,356	250,079	0	13	410,356	250,092
Mathematical provisions	20,622,592	14,193,618	3,613	3,625	20,626,205	14,197,243
Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds	3,737,168	1,782,417	0	0	3,737,168	1,782,417
Other provisions	439,694	779,540	68	69	439,762	779,609
of which provisions provided following the assessment of fairness of the liabilities	*0*	*0*	0	*0*	0	*0*
of which deferred liabilities due from policyholders	*329,230*	*699,871*	*0*	*0*	*329,230*	*699,871*
Total technical provisions	**28,945,614**	**20,592,988**	**17,839**	**21,371**	**28,963,453**	**20,614,359**

NON-LIFE BUSINESS

Premium provision

In accordance with Italian legislation, the item comprises both the provision for unearned premiums, supplemented by the premium provision, calculated for certain classes as per specific ministerial requirements, and the provision for unexpired risks.

Provision for outstanding claims

The table below provides details of the provision for outstanding claims per direct and indirect class of business.

Table 48 - Details of the provision for outstanding claims per class

(€ thousands)	2018	2017	Changes Amount	%
Classes:				
01 - Accident and injury	114,564	99,185	15,379	15.5
02 – Health	60,692	34,190	26,502	77.5
03 - Land vehicle hulls	23,186	21,140	2,046	9.7
04 - Railway rolling stock	240	241	-1	-0.4
05 - Aircraft hulls	49	2,358	-2,309	-97.9
06 - Ships (sea and inland water vessels)	3,140	1,516	1,624	n.s.
07 - Goods in transit	13,823	11,853	1,970	16.6
08 - Fire & natural forces	166,374	143,676	22,698	15.8
09 - Other damage to assets	79,964	70,221	9,743	13.9
10 - TPL - Land motor vehicles	1,483,599	1,455,304	28,295	1.9
11 - TPL – Aircraft	15	5	10	n.s.
12 - TPL - Shipping (sea & inland)	3,746	3,175	571	18.0
13 - TPL – General	876,232	946,046	-69,814	-7.4
14 – Credit	1,065	799	266	33.3
15 – Suretyship	32,367	37,147	-4,780	-12.9
16 - Sundry financial losses	17,045	8,937	8,108	90.7
17 - Legal protection	11,023	9,248	1,775	19.2
18 – Assistance	7,073	7,980	-907	-11.4
TOTAL	**2,894,197**	**2,853,021**	**41,176**	**1.4**

n.s. = not significant

LIFE BUSINESS

Mathematical provisions

The actuarial provisions include those envisaged by Appendix 14 to ISVAP Regulation No. 22 dated April 4th, 2008, amended by 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 €104.929 million (€75.077 million as at December 31st, 2017) and the shadow accounting provision for €329.230 million (€699.871 million as at December 31st, 2017).

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 accounts for 69.6% of total financial liabilities.
Specifically, the technical provisions relating to investment contracts, which mainly comprise the provisions against index and unit-linked policies, amounted to €1.175.367 million (€571.680 million at the end of the previous year) and the technical provisions relating to pension funds amounted to €634.126 million (€830.394 million at the end of the previous year).

4.2 Other financial liabilities

The item accounts for 30.4% 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 €678.261 million, deposits received from reinsurers for €35.380 million and loans for €77.755 million.

The table below shows the characteristics of the subordinated liabilities and loans.

Table 49 - Analysis of other financial liabilities

(€ thousands)

Beneficiary company	Liability type	Amount	Contracting bank	Stipulation date	Maturity	Repayment plan
Società Cattolica di Assicurazione - Soc. Coop.	Subordinated loan	80,000	UBI	September 2010	Undetermined	Option of early repayment as of September 2020. The subordination condition applies to all unsubordinated creditors including policyholders
Società Cattolica di Assicurazione - Soc. Coop.	Subordinated loan	99,616		December 2013	December 2043	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, tax changes or changes in the accounting standards made by the rating agencies.
Società Cattolica di Assicurazione - Soc. Coop.	Subordinated loan	498,646		December 2017	December 2047	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, tax changes or changes in the accounting standards made by the rating agencies.
F.do Euripide	Mortgage loan	1,091	Gruppo Banca Intesa	24 March 2004	December 2019	The loan can be repaid in quarterly instalments
Cattolica Agricola	Loan	2,504	Banca di Verona	July 2018	January 2019	The repayment can be made on a quarterly basis
Cattolica Services	Unsecured loan	1,689	Banca Popolare di Sondrio	December 2015	January 2019	The loan can be repaid in quarterly instalments
Cattolica Services	Loan	4,100	Banca Popolare di Sondrio	June 2018	December 2018	Partial early repayment option and/or change in the contractual currency of the loan, provided that this takes place on one of the interest payment dates.
Cattolica Services	Loan	1,900	Banca di Verona	June 2018	December 2020	The loan shall be repaid via a single-instalment settlement plan.
Cattolica Services	Loan	1,900	Banca di Verona	June 2018	June 2019	The repayment can be made on a quarterly basis
Cattolica Services	Loan	6,800	UBI	June 2019	June 2019	The repayment can be made on a quarterly basis
Cattolica Services	Loan	5,907	Banca Popolare di Sondrio	December 2018	June 2019	Partial early repayment option and/or change in the contractual currency of the loan, provided that this takes place on one of the interest payments dates.
Cattolica Services	Loan	8,202	UBI	December 2018	December 2019	The loan can be repaid in quarterly instalments
Lombarda Vita	Balance payable per line of credit	14,222	UBI	June 2016		
Fondo Innovazione Salute	Leasing	27,000	UBI, BPER	July 2018	July 2025	Repayment in a lump sum upon the maturity date
Fondo Innovazione Salute	Leasing	1,807	UBI, BPER	July 2018	July 2023	Repayment in a lump sum upon the maturity date
BCC Assicurazioni	Balance payable per line of credit	448	Banca di Verona	June 2017		
Satec	Unsecured loan	184	Credem	April 2017	May 2023	The debt shall be settled via the gradual settlement system in constant deferred instalments inclusive of principal and interest.

It should be noted that the change in liabilities resulting from loans amounted to €32.784 million and mainly consists of the opening of new loans during the year.

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 50 - Analysis of financial liabilities (ISVAP Regulation No. 7 dated July 13th, 2007)

	Financial liabilities at fair value through profit or loss							
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss		Other financial liabilities		Total value for the period	
(€ thousands)	2018	2017	2018	2017	2018	2017	2018	2017
Participative financial instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	678,261	677,762	678,261	677,762
Liabilities from investment contracts issued by insurance companies deriving	0	0	1,809,680	1,402,192	6	12	1,809,686	1,402,204
from contracts where the investment risk is borne by the policyholders	*0*	*0*	*1,175,367*	*571,680*	*0*	*0*	*1,175,367*	*571,680*
from the management of pension funds	*0*	*0*	*634,126*	*830,394*	*0*	*0*	*634,126*	*830,394*
from other policies	*0*	*0*	*187*	*118*	*6*	*12*	*193*	*130*
Deposits received from re-insurers	0	0	0	0	35,380	47,334	35,380	47,334
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
Inter-banking 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	77,755	45,470	77,755	45,470
Total	**0**	**0**	**1,809,680**	**1,402,192**	**791,402**	**770,578**	**2,601,082**	**2,172,770**

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 51 - Payables

			Changes	
(€ thousands)	**2018**	**2017**	**Amount**	**%**
Payables deriving from direct insurance transactions	**83,772**	**75,842**	**7,930**	**10.5**
Insurance brokers	55,368	35,452	19,916	56.2
Insurance companies - current accounts	8,869	3,410	5,459	n.s.
Policyholders for guarantee deposits and premiums	18,954	36,549	-17,595	-48.1
Guarantee funds in favour of policyholders	581	431	150	34.9
Payables deriving from reinsurance transactions	**34,562**	**21,365**	**13,197**	**61.8**
Insurance and reinsurance companies	34,562	21,365	13,197	61.8
Insurance brokers	0	0	0	n.a.
Other payables	**280,993**	**203,504**	**77,489**	**38.1**
For taxes payable by policyholders	46,116	35,060	11,056	31.5
Amounts due to social security and welfare institutions	5,216	4,813	403	8.4
Sundry payables	229,661	163,631	66,030	40.4
Total	**399,327**	**300,711**	**98,616**	**32.8**

n.s. = not significant

n.a. = not applicable

5.1 Payables deriving from direct insurance transactions

"Payables deriving from direct insurance transactions" mainly comprise the amounts due to insurance brokers.

In detail, amounts due to insurance brokers take into account the supplementary year-end registrations pertaining to the assessment of the production premiums and the timing mismatch registered in the settlement of the commissions with the bank-assurance channel.

5.2 Payables deriving from reinsurance transactions

"Payables deriving from reinsurance transactions" include the items with debt balances associated with reinsurance.

5.3 Other payables

These include payables for taxes payable by insured parties, amounts due to welfare and social security institutions and other payables.

Specifically, the item "sundry payables" included amounts due to suppliers, due to employees and for employee benefits as per revised IAS 19.
Employee benefits pursuant to the revised IAS 19 include employee severance indemnity amounting to €13.638 million, seniority bonuses for €8.181 million and health bonuses for retired staff for €7.617 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.

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 1.6%, inflation rate of 1.5%, revaluation rate of 2.2% (already net of the tax of 17%, in force as of January 1st, 2015), salary increases of 2.9%, mortality based on the most recent ANIA A62 mortality tables broken down by gender and the disability/invalidity, adopted in the INPS model for 2010 projections. For the retirement age of the generic asset, it was assumed that the pension requirements valid for Compulsory General Insurance (AGO, 67 years of age for males and females) were met. In relation to the resignation frequency, a table has been used in line with the expected value of the resignation rate over the long-term for the Parent Company.

The categories of employee benefits which are disciplined by revised IAS 19 include the indemnities represented by length-of-service bonuses.

In compliance with the international accounting standard revised IAS 19, the actuarial valuations were carried out on the basis of the method of the benefits accrued using the Projected Unit Credit Method.
This method makes it possible to calculate the length-of-service bonuses at their date of maturity in an actuarial sense, distributing the liability for all the years of residual permanence of the outstanding workers. No longer as a liability to be settled in the event the company ceases its business activities as of the financial statements date, but gradually providing for this liability in relation to the residual duration of the workers in service.
The method makes it possible to calculate certain amounts in a demographic - financial sense as of the reference date of the valuation, including in particular the liability pertaining to the service already provided by the workers represented by the DBO - Defined Benefit Obligation (also known as the Past Service Liability). It is obtained by calculating the current value of the services due to the workers deriving from the length-of-service already accrued as of the valuation date.
The demographic and financial hypotheses used are identical to those used for the valuation of the severance indemnity described previously.

The categories of benefits, identified by revised IAS 19 as other long-term benefits, for which an actuarial-type valuation is required, include the indemnities represented by health bonuses provided to retired staff.
With reference to the health bonuses for retired employees, revised IAS 19 confirms the needs to make valuations taking into due consideration the period in which the afore-mentioned benefits will presumably be provided with the consequent need to quantify them in terms of average current values.
The provisions which discipline the afore-mentioned benefits are presented in the National Collective Labour Agreement for employees and executives and in the in-house collective contract of the Cattolica Assicurazioni Group companies. Explicit reference was made to these provisions and rules for the creation of the technical valuation model.
The actuarial valuations of the health bonuses were carried out, in compliance with the international accounting standard revised IAS 19, on the basis of the method of the benefits accrued using the projected unit credit method.
With reference to the demographic hypotheses, the recent ANIA A62 mortality tables were used. For the retirement age of the generic asset (officers or officials), it was assumed that the pension requirements valid for Compulsory General Insurance (AGO, 67 years of age for males and females) were met. With regard to the probability of leaving work activities, for reasons other than death, the turn-over probabilities detected in the companies were used, equal to 7% both for active officials and active executives. The financial hypotheses used are identical to those used for the valuation of the severance indemnity described previously.
In accordance with revised IAS 19, 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 52 - Sensitivity test hypotheses

	Central hypotheses	**Hypothesis 1**	**Hypothesis 2**	**Hypothesis 3**	**Hypothesis 4**	**Hypothesis 5**	**Hypothesis 6**	**Hypothesis 7**	**Hypothesis 8**	**Hypothesis 9**	**Hypothesis 10**
		Discount rate +1%	Discount rate -1%	Retirement age + 2 years	Retirement age - 2 years	Inflation rate +0.5%	Inflation rate -0.5%	Mortality table increase of 10%	Mortality table decrease of 10%	Resignation frequency increase of 10%	Resignation frequency decrease of 10%
Discount rate	1.6%	2.1%	1.1%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Retirement age	67	67	67	69	65	67	67	67	67	67	67
Inflation rate	1.5%	1.5%	1.5%	1.5%	1.5%	2.0%	1.0%	1.5%	1.5%	1.5%	1.5%
Salary increase rate	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Severance indemnity revaluation rate	2.6%	2.6%	2.6%	2.6%	2.6%	3.0%	2.3%	2.6%	2.6%	2.6%	2.6%
Mortality table	A 62	A 62	A 62	A 62	A 62	A 62	A 62	A 62 +10%	A 62 -10%	A 62	A 62
Voluntary resignation frequency	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.2%	1.8%

The results of the sensitivity test on the value of the DBO as at December 31st, 2017 are shown in the table below.

Table 53 - Sensitivity test results

(€ thousands)	**Value of the obligation for defined benefits as at December 31st, 2018**	**Sensitivity %**
Central hypotheses	29.436	
Hypothesis 1	28.266	-4.0%
Hypothesis 2	31.023	5.4%
Hypothesis 3	29.500	0.2%
Hypothesis 4	29.365	-0.2%
Hypothesis 5	30.253	2.8%
Hypothesis 6	27.800	-5.6%
Hypothesis 7	29.028	-1.4%
Hypothesis 8	29.538	0.4%
Hypothesis 9	28.429	-3.4%
Hypothesis 10	29.936	1.7%

Table 54 - Employee severance indemnity, length-of-service bonus and premiums on health contracts

(€ thousands)	Employee benefits as per IAS 19R
Balance as at December 31st, 2017	**27,751**
Interest cost	395
Service cost	2,040
Change in the demographic actuarial component	978
Change in the rate actuarial component	-813
Disbursements and transfers	-1,140
Business combination	225
Balance as at December 31st, 2018	**29,436**

6. OTHER LIABILITY ITEMS

Table 55 - Other liability items

(€ thousands)	2018	2017	Changes Amount	%
Deferred tax liabilities	303,005	361,036	-58,031	-16.1
Current tax liabilities	111,673	134,589	-22,916	-17.0
Other liabilities	170,007	143,815	26,192	18.2
Total	**584,685**	**639,440**	**-54,755**	**-8.6**

6.2 Deferred tax liabilities

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

As at December 31st, 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 actuarial 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

Table 56 - Other liabilities

(€ thousands)	2018	2017	Changes Amount	%
Deferred income revenue (DIR)	12,287	166	12,121	n.s.
Transitory reinsurance accounts - payable	105	105	0	0
Liaison account	79,857	90,729	-10,872	-12.0
Other liabilities	69,221	44,404	24,817	55.9
Accrued expenses and deferred income	8,537	8,411	126	1.5
of which for interest	*4,119*	*4,829*	*-710*	*-14.7*
Total	**170,007**	**143,815**	**26,192**	**18.2**

n.s. = not significant

The "deferred income revenue" was mainly chargeable to index and unit-linked type investment contracts, where the risk of the investments is borne by the policyholders.

The connection account between the life sector and non-life sector of the Group companies that carry out insurance activities in both the non-life classes and life classes amounted to €79.857 million and is recorded for the same amount under assets.

Other liabilities mainly include the balances for premiums collected on policies in issue and commissions on premiums being collected.

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 €136.626 million (€56.065 million as at December 31st, 2017).

INSURANCE BUSINESS

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

Table 57 - Breakdown of direct and indirect gross premiums written

Classes	Direct business	Indirect business			%
(€ thousands)	Italy	Italy	Abroad	Total business	of the total
Accident and injury	204,361	279	240	204,880	3.5
Health	97,229	-124	15	97,120	1.7
Land vehicle hulls	139,856	0	0	139,856	2.4
Goods in transit	6,474	-481	115	6,108	0.1
Fire & natural forces	148,499	3,083	10,317	161,899	2.7
Other damage to assets	241,216	1,180	262	242,658	4.2
TPL - Land motor vehicles	971,514	-353	761	971,922	16.8
TPL – General	189,549	1,619	0	191,168	3.3
Credit	499	0	0	499	0.0
Suretyship	18,691	0	45	18,736	0.3
Other financial losses	17,871	-24	0	17,847	0.3
Legal protection	17,862	0	0	17,862	0.3
Assistance	43,628	0	0	43,628	0.8
Other classes (1)	6,609	591	9	7,209	0.1
Total non-life business	**2,103,858**	**5,770**	**11,764**	**2,121,392**	**36.6**
Class I	2,600,995	36	0	2,601,031	44.9
Class III	693,619	0	0	693,619	12.0
Class IV	1,312	0	0	1,312	0.0
Class V	217,680	0	0	217,680	3.8
Class VI	13,590	0	0	13,590	0.2
Total life business	**3,527,196**	**36**	**0**	**3,527,232**	**60.9**
Total insurance premiums	**5,631,054**	**5,806**	**11,764**	**5,648,624**	**97.5**
Class III	67,584	0	0	67,584	1.2
Class VI	76,924	0	0	76,924	1.3
Total investment contracts	**144,508**	**0**	**0**	**144,508**	**2.5**
TOTAL PREMIUMS WRITTEN	**5,775,562**	**5,806**	**11,764**	**5,793,132**	**100.0**

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

Analysis is presented below relating to the technical insurance items and the insurance operating expenses net of eliminations between sectors.

Table 58 - Insurance business

(€ thousands)	2018			2017		
	Gross balance	**Reinsurance amount**	**Net balance**	**Gross balance**	**Reinsurance amount**	**Net balance**
Non-life business						
NET PREMIUMS	**2,121,792**	**-267,181**	**1,854,611**	**2,025,280**	**-263,424**	**1,761,856**
a Premiums written	2,121,392	-256,630	1,864,762	2,028,777	-249,806	1,778,971
b Change in premium provision	400	-10,551	-10,151	-3,497	-13,618	-17,115
NET CHARGES RELATING TO CLAIMS	**-1,331,601**	**160,371**	**-1,171,230**	**-1,393,251**	**203,236**	**-1,190,015**
a Claims paid	-1,355,360	158,730	-1,196,630	-1,382,804	220,076	-1,162,728
b Change in provision for outstanding claims	-2,549	1,665	-884	-34,493	-16,458	-50,951
c Change in recoveries	26,570	0	26,570	24,521	0	24,521
d Change in other technical provisions	-262	-24	-286	-475	-382	-857
Life business						
NET PREMIUMS	**3,527,232**	**-27,011**	**3,500,221**	**2,752,707**	**-28,020**	**2,724,687**
NET CHARGES RELATING TO CLAIMS	**-3,409,313**	**12,916**	**-3,396,397**	**-2,981,126**	**9,946**	**-2,971,180**
a Claims paid	-3,463,762	17,416	-3,446,346	-1,753,953	16,667	-1,737,286
b Change in provision for outstanding claims	-99,830	-1,281	-101,111	-49,864	-1,664	-51,528
c Change in mathematical provisions	-144,902	-3,535	-148,437	-1,008,112	-5,365	-1,013,477
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	220,130	0	220,130	-181,287	0	-181,287
e Change in other technical provisions	79,051	316	79,367	12,090	308	12,398

Table 59 - Analysis of insurance operating expenses

(€ thousands)	Non-life business		Life business	
	2018	**2017**	**2018**	**2017**
Commissions and other acquisition costs, net of commissions and profit-sharing received from reinsurers	-397,749	-344,966	-118,875	-72,391
Acquisition commissions	*-341,572*	*-315,072*	*-87,469*	*-47,541*
Other acquisition expenses	*-98,151*	*-75,133*	*-22,058*	*-19,744*
Change in deferred acquisition costs	*0*	*0*	*-5,155*	*-68*
Collection commissions	*-15,851*	*-15,652*	*-9,381*	*-9,548*
Commissions and profit-sharing received from reinsurers	*57,825*	*60,891*	*5,188*	*4,510*
Operating expenses relating to investments	-10,501	-7,694	-29,578	-21,640
Other administrative expenses	-143,185	-121,603	-76,280	-32,576
Total	**-551,435**	**-474,263**	**-224,733**	**-126,607**

In addition to the matters observed in the above table, operating expenses relating to the investments, recorded during the year, comprise general expenses and expenses for employees relating to the management of investment property and equity investments. Commissions and other acquisition costs, net of commissions and profit sharing received from re-insurers, include acquisition costs relating to insurance contracts and investment contracts with discretionary participation features.

FINANCIAL OPERATIONS

The table which follows discloses the income and charges deriving from financial operations as presented in the income statement for the year.

Table 60 - Financial operations

			Changes	
(€ thousands)	**2018**	**2017**	**Amount**	**%**
Net income from financial instruments at fair value through profit or loss	**-162,421**	**52,609**	**-215,030**	**n.s.**
Income from investments in subsidiaries, associated companies and joint ventures	3,789	3,675	114	**3.1**
Charges from investments in subsidiaries, associated companies and joint ventures	-906	-203	-703	**n.s.**
Result from equity investments in subsidiaries, associated companies and joint ventures	**2,883**	**3,472**	**-589**	**-17.0**
Income from other financial instruments and investment property	764,054	630,731	133,323	**21.1**
Charges from other financial instruments and investment property	-242,029	-123,522	-118,507	**-95.9**
Result deriving from other financial instruments and investment property	**522,025**	**507,209**	**14,816**	**2.9**

n.s. = not significant

The table below shows financial income and charges of investments, as established by ISVAP Regulation no. 7 dated July 13th, 2007. The table shows that the overall result of €362.487 million is mainly due to the positive result of investments amounting to €329.920 million.

Table 61 - Financial and investment income and charges (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	Interest	Other Income	Other Charges	Realised gains	Realised losses	Total income and charges realised
Result of investments	**489,123**	**116,763**	**-29,539**	**143,596**	**-110,838**	**609,105**
a Deriving from investment property	0	48,314	-2,379	0	0	45,935
b Deriving from investments in subsidiaries, associated companies and joint ventures	0	3,635	-906	154	0	2,883
c Deriving from held to maturity investments	11,102	0	0	0	0	11,102
d Deriving from loans and receivables	36,329	710	0	0	0	37,039
e Deriving from available for sale financial assets	426,668	47,171	-273	74,258	-63,317	484,507
f Deriving from financial assets held for trading	275	166	-518	1,074	-1,859	-862
g Deriving from financial assets at fair value through profit or loss	14,749	16,767	-25,463	68,110	-45,662	28,501
Result of sundry receivables	**1,439**	**0**	**0**	**0**	**0**	**1,439**
Result of cash and cash equivalents	**702**	**0**	**0**	**0**	**0**	**702**
Result of financial liabilities	**-31,724**	**0**	**0**	**0**	**0**	**-31,724**
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	-31,724	0	0	0	0	-31,724
Result of payables	**-475**	**0**	**0**	**0**	**0**	**-475**
Total	**459,065**	**116,763**	**-29,539**	**143,596**	**-110,838**	**579,047**

Valuation gains		Valuation losses				
Valuation capital gains	Value writeback	Valuation capital losses	Write-down	Total unrealised income and charges	Total income and charges 2018	Total income and charges 2017
13,651	**0**	**-280,350**	**-12,486**	**-279,185**	**329,920**	**601,159**
0	0	-14,236	-357	-14,593	31,342	24,436
0	0	0	0	0	2,883	3,472
0	0	0	0	0	11,102	11,294
0	0	0	0	0	37,039	41,230
298	0	-82	-12,129	-11,913	472,594	440,562
3,339	0	-2,105	0	1,234	372	5,924
10,014	0	-263,927	0	-253,913	-225,412	74,241
0	**0**	**0**	**0**	**0**	**1,439**	**1,065**
0	**0**	**0**	**0**	**0**	**702**	**134**
6	**0**	**62,619**	**0**	**62,625**	**30,901**	**-38,611**
0	0	0	0	0	0	0
0	0	62,619	0	62,619	62,619	-27,556
6	0	0	0	6	-31,718	-11,055
0	**0**	**0**	**0**	**0**	**-475**	**-457**
13,657	**0**	**-217,731**	**-12,486**	**-216,560**	**362,487**	**563,290**

Commissions income

Commissions income, amounting to €6.982 million, 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, amounting to €6.769 million, comprises the acquisition costs associated with investments policies (DAC) recorded during the year.

OTHER REVENUES AND OTHER COSTS

Other revenues

The item amounted to €140.484 million, of which €85.503 million from other net technical income associated with insurance contracts.
Other revenues amounted to €54.981 million, of which €14.028 million relating to collections and recoveries from provisions for risks and charges, €14.056 million for withdrawals from the write-down provision and €6.593 million pertaining to the sale of agricultural sector products.

Other costs

The item, which amounted to €279.989 million, comprises other net technical charges associated with insurance contracts for €140.565 million and other charges for €139.424 million, mainly represented by amortisation of intangible assets for €68.032 million, provisions for risks and charges for €19.279 million, adjustments made on receivables for €19.967 million and costs incurred due to the sale of agricultural sector products for €5.028 million.

TAXES

Table 62 - Income taxes for the year

			Changes	
(€ thousands)	2018	2017	Amount	%
Current taxes	**-21,085**	**-55,970**	**34,885**	**62.3**
Change in prepaid taxes	-103	-8,444	8,341	98.8
Change in deferred taxes	-72,899	31	-72,930	n.s.
Balance of deferred taxes	**-73,002**	**-8,413**	**-64,589**	**n.s.**
TOTAL	**-94,087**	**-64,383**	**-29,704**	**-46.1**

n.s. = not significant

This item records current taxes (IRES - company earnings tax and IRAP - regional business tax), deferred taxes of individual Group companies recorded in observance of accounting standard No. 25 on income taxes, and deferred taxes which have arisen from the temporary misalignment between accrual-basis accounting as laid down by the international accounting standards (IAS 12) and tax legislation.
The reconciliation between the effective average tax rate and the applicable tax rate is illustrated below.

Table 63 - Reconciliation of the tax rate - analysis

(Balances as %)	2018	2017
Rate applicable	30.82%	30.82%
Effect of increases/decreases	9.96%	22.63%
Tax rate on pre-tax profit	**40.78%**	**53.45%**

The tax rate on profit before tax was largely affected by the effects of the non-deductible negative income components relating to non-recurrent and non-operational items.
It should be noted that the rate recorded in 2017 was mainly affected by the non-deductibility of the impairments made on the goodwill of the business units.

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income for 2018 amounted to €13.331 million, of which -€8.306 million pertaining to the Group.
The analysis of other components in the statement of comprehensive income pursuant to ISVAP Regulation No. 7 dated July 13th, 2007, is presented below. The balances are stated net of income taxes, which is in any event indicated in the specific column.

Table 64 - Analysis of the statement of other comprehensive income - net amounts (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	Charges		Adjustments from reclassification to income statement		Other changes		Total changes		Taxation		Balance	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Other income components net of income taxes without reclassification in the income statement	**-99**	**276**			**0**	**0**	**-99**	**276**	**-44**	**123**	**-1,109**	**-1,010**
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	-99	276			0	0	-99	276	-44	123	-1,109	-1,010
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	**-50,877**	**39,794**	**-72,319**	**-23,343**	**0**	**0**	**-123,196**	**16,451**	**-54,884**	**7,329**	**-34,260**	**88,936**
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	-49,646	35,947	-72,319	-23,343	0	0	-121,965	12,604	-54,336	5,615	-35,369	86,596
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	-1,231	3,847	0	0	0	0	-1,231	3,847	-548	1,714	1,109	2,340
Income and charges relating to non-current assets or disposal group held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OF THE OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**-50,976**	**40,070**	**-72,319**	**-23,343**	**0**	**0**	**-123,295**	**16,727**	**-54,928**	**7,452**	**-35,369**	**87,926**

OTHER IVASS TABLES

Pursuant to ISVAP Regulation No. 7 dated July 13th, 2007, the income statement by business sector, 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 65 - Income statement by sector of activities (ISVAP Regulation No. 7 dated July 13th, 2007)

	Non-life Business		Life Business		Other		Eliminations between sectors		Total	
(€ thousands)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
1.1 Net premiums	1,856,261	1,763,380	3,501,075	2,725,531	0	0	-2,504	-2,368	5,354,832	4,486,543
1.1.1 Gross premiums written	2,149,470	2,055,847	3,528,086	2,753,551	0	0	-28,532	-31,411	5,649,024	4,777,987
1.1.2 Ceded premiums	-293,209	-292,467	-27,011	-28,020	0	0	26,028	29,043	-294,192	-291,444
1.2 Commissions income	0	0	6,982	6,692	0	0	0	0	6,982	6,692
1.3 Income and charges from financial instruments at fair value through profit or loss	-1,368	-296	-161,049	52,907	-4	-2	0	0	-162,421	52,609
1.4 Income from investments in subsidiaries, associated companies and joint ventures	81,504	23,902	16,162	7,830	0	0	-93,877	-28,057	3,789	3,675
1.5 Income from other financial instruments and investment property	142,363	137,888	657,350	524,918	972	533	-36,631	-32,608	764,054	630,731
1.6 Other revenues	196,273	208,173	113,342	86,135	11,274	12,840	-180,405	-186,384	140,484	120,764
1 TOTAL REVENUES AND INCOME	**2,275,033**	**2,133,047**	**4,133,862**	**3,404,013**	**12,242**	**13,371**	**-313,417**	**-249,417**	**6,107,720**	**5,301,014**
2.1 Net charges relating to claims	-1,210,270	-1,231,448	-3,407,191	-2,974,596	0	0	49,834	44,849	-4,567,627	-4,161,195
2.1.1 Amounts paid and change in technical provisions	-1,381,659	-1,449,729	-3,420,107	-2,984,542	0	0	60,852	59,894	-4,740,914	-4,374,377
2.1.2 Reinsurance amount	171,389	218,281	12,916	9,946	0	0	-11,018	-15,045	173,287	213,182
2.2 Commissions expense	0	0	-6,769	-1,025	0	0	0	0	-6,769	-1,025
2.3 Charges from investments in subsidiaries, associated companies and joint ventures	-48,874	-42,727	-15,096	-33,532	0	0	63,064	76,056	-906	-203
2.4 Charges from other financial instruments and investment property	-53,836	-38,631	-186,402	-84,185	-1,791	-3,573	0	2,867	-242,029	-123,522
2.5 Operating expenses	-626,174	-545,919	-262,084	-171,071	-5,913	-4,962	114,484	117,892	-779,687	-604,060
2.6 Other costs	-149,589	-162,374	-122,104	-98,325	-7,772	-6,698	-524	-23,164	-279,989	-290,561
2 TOTAL COSTS AND CHARGES	**-2,088,743**	**-2,021,099**	**-3,999,646**	**-3,362,734**	**-15,476**	**-15,233**	**226,858**	**218,500**	**-5,877,007**	**-5,180,566**
PROFIT (LOSS) FOR THE YEAR BEFORE INCOME TAXES	**186,290**	**111,948**	**134,216**	**41,279**	**-3,234**	**-1,862**	**-86,559**	**-30,917**	**230,713**	**120,448**

Table 66 - Analysis of technical insurance items (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	2018 Gross balance	2018 Reinsurance amount	2018 Net balance	2017 Gross balance	2017 Reinsurance amount	2017 Net balance
Non-life business						
NET PREMIUMS	**2,149,470**	**-293,209**	**1,856,261**	**2,055,847**	**-292,467**	**1,763,380**
a Premiums written	2,148,768	-282,355	1,866,413	2,059,361	-278,866	1,780,495
b Change in premium provision	702	-10,854	-10,152	-3,514	-13,601	-17,115
NET CHARGES RELATING TO CLAIMS	**-1,381,659**	**171,389**	**-1,210,270**	**-1,449,729**	**218,281**	**-1,231,448**
a Claims paid	-1,407,124	171,455	-1,235,669	-1,435,788	231,627	-1,204,161
b Change in provision for outstanding claims	-843	-42	-885	-37,987	-12,964	-50,951
c Change in recoveries	26,570	0	26,570	24,521	0	24,521
d Change in other technical provisions	-262	-24	-286	-475	-382	-857
Life business						
NET PREMIUMS	**3,528,086**	**-27,011**	**3,501,075**	**2,753,551**	**-28,020**	**2,725,531**
NET CHARGES RELATING TO CLAIMS	**-3,420,107**	**12,916**	**-3,407,191**	**-2,984,542**	**9,946**	**-2,974,596**
a Claims paid	-3,467,732	17,416	-3,450,316	-1,757,369	16,667	-1,740,702
b Change in provision for outstanding claims	-99,830	-1,281	-101,111	-49,864	-1,664	-51,528
c Change in actuarial provisions	-144,902	-3,535	-148,437	-1,008,112	-5,365	-1,013,477
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	220,130	0	220,130	-181,287	0	-181,287
e Change in other technical provisions	72,227	316	72,543	12,090	308	12,398

Table 67 - Analysis of insurance operating expenses (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	Non-life business 2018	Non-life business 2017	Life business 2018	Life business 2017
Gross commissions and other acquisition costs	-475,986	-430,366	-130,891	-86,961
a Acquisition commissions	*-348,901*	*-325,853*	*-90,293*	*-51,611*
b Other acquisition costs	*-111,236*	*-88,195*	*-24,957*	*-24,715*
c Change in deferred acquisition costs	*0*	*0*	*-5,155*	*-68*
d Collection commissions	*-15,849*	*-16,318*	*-10,486*	*-10,567*
Commissions and profit-sharing received from reinsurers	65,119	70,666	5,188	4,510
Operating expenses relating to investments	-13,445	-9,092	-40,938	-30,499
Other administrative expenses	-201,862	-177,127	-95,443	-58,121
Total	**-626,174**	**-545,919**	**-262,084**	**-171,071**

NOTES TO THE ACCOUNTS

Part D - Other Information

PART D
OTHER INFORMATION

Group Headcount

Group employees calculated as per FTE, amounted to 1,631 (1,517 as at December 31st, 2017). The calculation takes into account the leaving, at the end of the year, of 25 employees, of which 23 joined the Intersectoral Solidarity Fund.

Directors, Statutory Auditors' and strategic directors' fees

CONSOB resolution No. 18049, published in 2011, implemented the provisions concerning remuneration contained in Article 123-ter of the "Consolidated Finance Act" and provides for the drawing up and subsequent resolution by the Shareholders' Meeting of the report on remuneration for the companies, to be made public in accordance with the deadlines as per the formalities envisaged by current legislation, which in Section II includes the analytical indication of the fees paid during the year for any reason by the Parent Company and the subsidiary and associated companies.

Atypical and unusual transactions and non- recurrent significant events and operations

With reference to non-recurrent significant events and transactions and positions or transactions deriving from atypical and/or unusual operations, reference should be made to the section "Other information" in the Management Report.

Earnings for shares in circulation

With reference to earnings per share in circulation, reference should be made to the section "Significant events and other information" in the Management Report.

Information on risks

With regard to the disclosure required by IFRS 13 concerning outstanding risks, reference should be made to the section "Risk management" in the Management Report.

Transactions with related parties

As already disclosed in the Management Report, pursuant to CONSOB Regulation No. 17221 dated March 12th, 2010, and subsequent amendments and additions, 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.

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 at 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 68 - Transactions with related parties

Statement of financial position transactions (€ thousands)	**Joint Ventures, associated companies and their subsidiaries**	**Other related parties**	**Total 2018**
Assets			
Equity investments	119,060	0	119,060
Loans granted	0	0	0
Subordinated bonds	0	0	0
Unsubordinated bonds	0	0	0
Provisions	0	1,183	1,183
Derivatives	0	0	0
Other receivables	0	0	0
Current account transactions	0	0	0
Total	**119,060**	**1,183**	**120,243**
Liabilities			
Loans received	0	0	0
Other payables	0	890	890
Total	**0**	**890**	**890**

Economic transactions and relationships (€ thousands)	**Joint Ventures, associated companies and their subsidiaries**	**Other related parties**	**Total 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	11,593	11,593
Total	**0**	**11,593**	**11,593**

ADDITIONAL INFORMATION

Information relating to the deferred application of IFRS 9 "Financial Instruments"

The Cattolica Insurance Group, believing that it meets the requirements provided for by paragraph 20 D of IFRS 4 in terms of predominance of the insurance business, opted for temporary exemption from IFRS 9.

Specifically, according to the provisions of the aforementioned paragraph, an insurance company or insurance group carries out business predominantly associated with the insurance business, if and only if:

a) the book value of liabilities resulting from contracts that fall within the scope of application of IFRS 4 (including deposit components or embedded derivatives separated from insurance contracts), is significant with respect to the total book value of all its liabilities and

b) the percentage of the total book value of its liabilities is associated with the insurance business, with respect to the total book value of all its liabilities, is:

    i. greater than 90% or
    ii. equal to or less than 90%, but greater than 80% and the insurer does not exercise a significant business with no link to the insurance business.

This assessment is required to be made on the basis of the book values as at the closing date of the financial year immediately preceding April 1st, 2016, or at a later closing date if, after said date, there has been a significant change in the Company's businesses.

The standard requires that this test is carried out at the level of a single entity belonging to the insurance group, given that although some of them may benefit from the temporary exemption at the consolidated level, these must apply IFRS 9 in their individual financial statements if they prepare, or are required to prepare, an IAS/IFRS financial statement.

It should be noted that the Cattolica Group does not have the aforementioned circumstances within its scope of consolidation.

With reference to the requirement provided for by section a) above, the book value of liabilities resulting from contracts that fall within the scope of application of IFRS 4 is deemed significant, amounting to €18,899.621 million, with respect to the total book value of all liabilities, calculated as at December 31st, 2015, as the difference between total liabilities and shareholders' equity, (amounting to €21,884.797 million).

Specifically, insurance liabilities account for approximately 86% of total liabilities.

As regards section b), it should be noted that the percentage of the total book value of liabilities associated with the insurance compared with the total book value of all liabilities, as at December 31st, 2015, amounted to 93.8%, above the limit of 90% introduced by IFRS 4.

For the purposes of calculating the ratio, in addition to the technical provisions detailed in the table above, the liabilities resulting from non-derivative investment contract valued at fair value recognised under profit (loss) for the year, amounting to €1,622.526 million, were also considered.

It should be noted that, on March 29th, 2018, the closing of the purchase by the Cattolica Group 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, Vera Vita with its subsidiary Vera Financial and Vera Assicurazioni with its subsidiary Vera Protezione were formed.

The Cattolica checked whether the requirements, provided for by IFRS 4, are still met in order to be able to benefit from the temporary exemption. Given the business that characterises the aforementioned companies, this check gave a positive result.

In light of the foregoing, in accordance with the provisions of paragraph 39 E of IFRS 4, the table below shows the fair value as at December 31st, 2018 and the amount of change in fair value for financial year 2018, separately for the following two groups of assets:

a) Group 1: financial assets with contractual terms that provide for certain cash flows on certain dates represented solely by payments of principal and interest on the amount of principal to be repaid;

b) Group 2: financial assets with contractual terms that do not provide for certain cash flows on certain dates represented solely by payments of principal and interest on the amount of principal to be repaid;

Table 69 – Change in the fair value of financial instruments in the scope of application of IFRS 9

(€ thousands)

Categories of financial instruments	Group 1 Fair value	Group 1 Change in Fair Value	Group 2 Fair value	Group 2 Change in Fair Value
Held to maturity investments	252,057	-13,702	0	0
Loans and receivables - Debt securities	165,284	-2,048	689,779	-41,614
Available for sale financial assets	21,997,063	-649,214	1,122,642	-68,783
Debt securities	*21,997,063*	*-649,214*	*310,092*	*-19,783*
Equities	*0*	*0*	*163,024*	*-25,875*
Units of mutual funds	*0*	*0*	*649,526*	*-23,125*
Total	**22,414,404**	**-664,964**	**1,812,421**	**-110,397**

As at December 31st, 2018, financial assets at fair value were also recorded in the financial statements, recognised through profit or loss, for €5,809.521 million, which showed a change in fair value for €252.679 million.

The table below shows the exposure to credit risk pertaining to financial assets with contractual terms that provide for certain cash flows on certain dates represented solely by payments of principal and interest on the amount of principal to be repaid (Group 1):

Table 70 – Book value and fair value by rating class of debt securities that include Group 1 cash flows

(€ thousands)

Rating	Book value	Fair value
AAA	682,337	682,337
AA	2,147,054	2,147,054
A	1,766,115	1,766,115
BBB	16,501,946	16,525,019
BB	988,461	989,252
B	115,529	115,529
CCC	81,370	81,370
N.R.	107,728	107,728
Total	**22,390,540**	**22,414,404**

The table below shows - in relation to the financial assets referred to in the preceding table, which do not have a low credit risk as at the date of the financial statements - the fair value and book value in application of IAS 39 as at the reporting date.

Table 71 – Group 1 financial instruments that do not have a low credit risk and have no rating

(€ thousands)

Financial instruments	Book value	Fair value
Loans and receivables	0	0
Held to maturity investments	3,318	4,109
Available for sale financial assets	1,289,770	1,289,770

As at December 31st, 2018, as regards the risk profile, the instruments as per Group 1 break down as follows: financial instruments with a BBB rating amounted to 73.44% of the group total, those with a rating equal to or less than BB, or with no rating totalled approximately 6.09% and those with a rating equal to or greater than A amounted to 20.47%.

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.

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.

It should be 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, of the related tax effects and the amount attributable to third parties 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 a rebranding activity, Vera Vita with its subsidiary Vera Financial and Vera Assicurazioni with its subsidiary Vera Protezione were formed. The price paid, in accordance with the contractual provisions, amounted to €819.677, decreased due to the price adjustment component between the parties for €1.55 million and due to the cost component to be adjusted for outsourcing, migration and integration services totalling €4.226 million.
The value thus adjusted constitutes the price for the purposes of the Purchase Price Allocation pursuant to IFRS 3.

As at December 31st, 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.

As part of the development of the "Specialty Lines" project, in October, Cattolica acquired, from Groupe des Assurances du Crédit Mutuel S.A., 100% of CP-BK Reinsurance S.A., a Luxembourg reinsurance company, and established a Newco, which, at the same time, was renamed CattRe. The company is dedicated to non-traditional risk lines and will reinsure the premiums collected by the various Managing General Agencies.
In compliance with the contractual provisions, the price paid was about €25.429 million, which is the Purchase Price Allocation price pursuant to IFRS 3.

On October 17th, the Parent Company also completed the purchase of investments in the following companies:

- Estinvest S.r.l., 100% directly owned;
- Satec S.r.l., directly owned for a share amounting to 15.87% of the share capital and indirectly for the remaining 84.13% of the share capital through the subsidiary Estinvest S.r.l.;
- Meteotec S.r.l., indirectly owned through Satec S.r.l., which holds 100% of the share capital.

On November 9th, the acquisition was completed of a 51% stake of the share capital of Qubo Insurance Solutions S.r.l., a company based in Milan, dealing with insurance brokerage. The additional 49% of the capital is held by the original single shareholder, Nelson Servizi S.p.A.

The stake in the share capital of Qubo was acquired by Estinvest S.r.l., duly appointed by Cattolica.

In compliance with the contractual provisions, the price paid was about €8.45 million, which is the Purchase Price Allocation price pursuant to IFRS 3.

As at December 31st, 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 72 - Statement of Financial Position of the Specialty Lines as at the acquisition date

STATEMENT OF FINANCIAL POSITION - ASSETS

	(€ thousands)	October 3rd, 2018 CATTRE	October 17th, 2018 ESTINVEST	October 17th, 2018 SATEC	October 17th, 2018 METEOTEC	November 9th, 2018 QUBO
1	**INTANGIBLE ASSETS**	**0**	**0**	**34**	**1**	**30**
1.1	Goodwill	0	0	0	0	0
1.2	Other intangible assets	0	0	34	1	30
2	**TANGIBLE ASSETS**	**0**	**0**	**548**	**2**	**0**
2.1	Property	0	0	527	0	0
2.2	Other tangible assets	0	0	21	2	0
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**0**	**0**	**0**	**0**	**0**
4	**INVESTMENTS**	**0**	**6,730**	**191**	**0**	**0**
4.1	Investment property	0	0	0	0	0
4.2	Investments in subsidiaries, associated companies and joint ventures	0	6,730	173	0	0
4.3	Held to maturity investments	0	0	0	0	0
4.4	Loans and receivables	0	0	18	0	0
4.5	Available for sale financial assets	0	0	0	0	0
4.6	Financial assets at fair value through profit or loss	0	0	0	0	0
5	**SUNDRY RECEIVABLES**	**0**	**10**	**381**	**34**	**228**
5.1	Receivables deriving from direct insurance transactions	0	0	0	0	0
5.2	Receivables deriving from reinsurance transactions	0	0	0	0	0
5.3	Other receivables	0	10	381	34	228
6	**OTHER ASSET ITEMS**	**17**	**0**	**367**	**9**	**6**
6.1	Non-current assets or disposal group held for sale	0	0	0	0	0
6.2	Deferred acquisition costs	0	0	0	0	0
6.3	Deferred tax assets	0	0	17	8	6
6.4	Current tax assets	0	0	0	0	0
6.5	Other assets	17	0	350	1	0
7	**CASH AND CASH EQUIVALENTS**	**27,946**	**3**	**4,487**	**60**	**171**
	TOTAL ASSETS	**27,963**	**6,743**	**6,008**	**106**	**435**

STATEMENT OF FINANCIAL POSITION -SHAREHOLDERS' EQUITY AND LIABILITIES

	(€ thousands)	October 3rd CATTRE	October 17th ESTINVEST	October 17th SATEC	October 17th METEOTEC	November 9th QUBO
1	**SHAREHOLDERS' EQUITY**	**21,726**	**6,735**	**2,095**	**52**	**46**
1.1	Share capital	3,600	81	135	30	10
1.2	Other equity instruments	0	0	0	0	0
1.3	Capital reserves	0	2,357	195	0	36
1.4	Revenue reserves and other equity reserves	18,126	4,297	1,765	22	0
1.5	(Own shares)	0	0	0	0	0
1.6	Reserve for net exchange differences	0	0	0	0	0
1.7	Gains or losses on available for sale financial assets	0	0	0	0	0
1.8	Other gains or losses recognised directly in equity	0	0	0	0	0
1.9	Profit (loss) for the period pertaining to the Group	0	0	0	0	0
2	**PROVISIONS AND ALLOWANCES**	**0**	**0**	**1**	**1**	**0**
3	**TECHNICAL PROVISIONS**	**0**	**0**	**0**	**0**	**0**
4	**FINANCIAL LIABILITIES**	**0**	**0**	**0**	**18**	**0**
4.1	Financial liabilities at fair value through profit or loss	0	0	0	0	0
4.2	Other financial liabilities	0	0	0	18	0
5	**PAYABLES**	**24**	**8**	**3,728**	**35**	**389**
5.1	Payables deriving from direct insurance transactions	0	0	0	0	0
5.2	Payables deriving from reinsurance transactions	0	0	0	0	0
5.3	Other payables	24	8	3,728	35	389
6	**OTHER LIABILITY ITEMS**	**6,213**	**0**	**184**	**0**	**0**
6.1	Liabilities of disposal group held for sale	0	0	0	0	0
6.2	Deferred tax liabilities	6,213	0	0	0	0
6.3	Current tax liabilities	0	0	0	0	0
6.4	Other liabilities	0	0	184	0	0
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**27,963**	**6,743**	**6,008**	**106**	**435**

Table 73 - Statement of Financial Position of the Vera companies as at the acquisition date

STATEMENT OF FINANCIAL POSITION - ASSETS

		March 31st, 2018			
	(€ thousands)	VERA ASSICURAZIONI	VERA PROTEZIONE	VERA VITA	VERA FINANCIAL
1	**INTANGIBLE ASSETS**	**7**	**0**	**0**	**0**
1.1	Goodwill	0	0	0	0
1.2	Other intangible assets	7	0	0	0
2	**TANGIBLE ASSETS**	**0**	**0**	**3**	**243**
2.1	Property	0	0	0	0
2.2	Other tangible assets	0	0	3	243
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**34,456**	**54,358**	**51**	**0**
4	**INVESTMENTS**	**181,957**	**299,014**	**8,330,541**	**1,410,944**
4.1	Investment property	0	0	0	0
4.2	Investments in subsidiaries, associated companies and joint ventures	50,000	0	62,862	0
4.3	Held to maturity investments	0	0	0	0
4.4	Loans and receivables	3	0	170,825	0
4.5	Available for sale financial assets	131,954	299,014	6,407,146	63,637
4.6	Financial assets at fair value through profit or loss	0	0	1,689,708	1,347,307
5	**SUNDRY RECEIVABLES**	**14,397**	**4,712**	**95,711**	**21,032**
5.1	Receivables deriving from direct insurance transactions	5,511	3,509	8	44
5.2	Receivables deriving from reinsurance transactions	6,377	1,103	0	5
5.3	Other receivables	2,509	100	95,703	20,983
6	**OTHER ASSET ITEMS**	**736**	**9,265**	**53,464**	**8,759**
6.1	Non-current assets or disposal group held for sale	0	0	0	0
6.2	Deferred acquisition costs	0	5,006	12,399	8,577
6.3	Deferred tax assets	488	0	10,596	0
6.4	Current tax assets	211	3,227	17,712	182
6.5	Other assets	37	1,032	12,757	0
7	**CASH AND CASH EQUIVALENTS**	**25,063**	**22,441**	**51,251**	**29,475**
	TOTAL ASSETS	**256,616**	**389,790**	**8,531,021**	**1,470,453**

STATEMENT OF FINANCIAL POSITION -SHAREHOLDERS' EQUITY AND

		March 31st, 2018			
	(€ thousands)	VERA ASSICURAZIONI	VERA PROTEZIONE	VERA VITA	VERA FINANCIAL
1	**SHAREHOLDERS' EQUITY**	**102,801**	**74,826**	**338,168**	**72,538**
1.1	Share capital	63,500	47,500	219,600	803
1.2	Other equity instruments	0	0	0	0
1.3	Capital reserves	0	0	0	61,778
1.4	Revenue reserves and other equity reserves	39,301	27,326	118,568	9,957
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 year	0	0	0	0
2	**PROVISIONS AND ALLOWANCES**	**246**	**891**	**534**	**0**
3	**TECHNICAL PROVISIONS**	**142,978**	**305,192**	**7,637,454**	**1,012,167**
4	**FINANCIAL LIABILITIES**	**0**	**0**	**501,274**	**361,379**
4.1	Financial liabilities at fair value through profit or loss	0	0	501,274	361,379
4.2	Other financial liabilities	0	0	0	0
5	**PAYABLES**	**8,113**	**999**	**6,621**	**16,522**
5.1	Payables deriving from direct insurance transactions	1,331	8	4,034	3,184
5.2	Payables deriving from reinsurance transactions	441	453	46	9
5.3	Other payables	6,341	538	2,541	13,329
6	**OTHER LIABILITY ITEMS**	**2,478**	**7,882**	**46,970**	**7,847**
6.1	Liabilities of disposal group held for sale	0	0	0	0
6.2	Deferred tax liabilities	0	3,036	2,820	337
6.3	Current tax liabilities	0	742	24,391	0
6.4	Other liabilities	2,478	4,104	19,759	7,510
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**256,616**	**389,790**	**8,531,021**	**1,470,453**

Table 74 - Statement of financial position of the Specialty Lines as at December 31st, 2018

STATEMENT OF FINANCIAL POSITION - ASSETS

	(€ thousands)	December 31st, 2018 CONSOLIDATED TOTAL	of which CATTRE	of which ESTINVEST	of which SATEC	of which METEOTEC	of which QUBO
1	**INTANGIBLE ASSETS**	**911,283**	**0**	**0**	**34**	**0**	**26**
1.1	Goodwill	561,461	0	0	0	0	0
1.2	Other intangible assets	349,822	0	0	34	0	26
2	**TANGIBLE ASSETS**	**189,459**	**0**	**0**	**547**	**2**	**0**
2.1	Property	169,431	0	0	523	0	0
2.2	Other tangible assets	20,028	0	0	24	2	0
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**701,607**	**2,764**	**0**	**0**	**0**	**0**
4	**INVESTMENTS**	**30,925,895**	**24,736**	**7,180**	**191**	**0**	**0**
4.1	Investment property	787,262	0	0	0	0	0
4.2	Investments in subsidiaries, associated companies and joint ventures	119,060	0	7,180	173	0	0
4.3	Held to maturity investments	225,434	0	0	0	0	0
4.4	Loans and receivables	864,913	0	0	18	0	0
4.5	Available for sale financial assets	23,119,705	0	0	0	0	0
4.6	Financial assets at fair value through profit or loss	5,809,521	24,736	0	0	0	0
5	**SUNDRY RECEIVABLES**	**698,742**	**8,988**	**11**	**619**	**43**	**236**
5.1	Receivables deriving from direct insurance transactions	432,678	0	0	0	0	0
5.2	Receivables deriving from reinsurance transactions	63,286	8,972	0	0	0	0
5.3	Other receivables	202,778	16	11	619	43	236
6	**OTHER ASSET ITEMS**	**1,029,850**	**7**	**0**	**214**	**10**	**145**
6.1	Non-current assets or disposal group held for sale	0	0	0	0	0	0
6.2	Deferred acquisition costs	24,998	0	0	0	0	0
6.3	Deferred tax assets	304,441	0	0	76	7	4
6.4	Current tax assets	448,306	0	0	104	1	15
6.5	Other assets	252,105	7	0	34	2	126
7	**CASH AND CASH EQUIVALENTS**	**406,345**	**2,576**	**35**	**3,524**	**38**	**175**
	TOTAL ASSETS	**34,863,181**	**39,071**	**7,226**	**5,129**	**93**	**582**

STATEMENT OF FINANCIAL POSITION -SHAREHOLDERS' EQUITY AND LIABILITIES

	(€ thousands)	December 31st, 2018 CONSOLIDATED TOTAL	of which CATTRE	of which ESTINVEST	of which SATEC	of which METEOTEC	of which QUBO
1	**SHAREHOLDERS' EQUITY**	**2,255,327**	**21,522**	**7,213**	**2,003**	**42**	**88**
1.1.1	Share capital	522,882	3,600	81	135	30	10
1.1.2	Other equity instruments	0	0	0	0	0	0
1.1.3	Capital reserves	739,494	0	2,357	195	0	36
1.1.4	Revenue reserves and other equity reserves	495,982	18,126	4,780	1,765	22	0
1.1.5	(Own shares)	-49,927	0	0	0	0	0
1.1.6	Reserve for net exchange differences	0	0	0	0	0	0
1.1.7	Gains or losses on available for sale financial assets	-35,447	0	0	0	0	0
1.1.8	Other gains or losses recognised directly in equity	-32	0	0	0	0	0
1.1.9	Profit (loss) for the year	106,934	-204	-5	-92	-10	42
2	**PROVISIONS AND ALLOWANCES**	**59,307**	**0**	**0**	**1**	**0**	**0**
3	**TECHNICAL PROVISIONS**	**28,963,453**	**7,951**	**0**	**0**	**0**	**0**
4	**FINANCIAL LIABILITIES**	**2,601,082**	**0**	**0**	**184**	**18**	**0**
4.1	Financial liabilities at fair value through profit or loss	1,809,680	0	0	0	0	0
4.2	Other financial liabilities	791,402	0	0	184	18	0
5	**PAYABLES**	**399,327**	**3,431**	**13**	**2,809**	**32**	**428**
5.1	Payables deriving from direct insurance transactions	83,772	0	0	1,908	0	0
5.2	Payables deriving from reinsurance transactions	34,562	3,431	0	0	0	0
5.3	Other payables	280,993	0	13	901	32	428
6	**OTHER LIABILITY ITEMS**	**584,685**	**6,167**	**0**	**132**	**1**	**66**
6.1	Liabilities of disposal group held for sale	0	0	0	0	0	0
6.2	Deferred tax liabilities	303,005	6,167	0	0	0	0
6.3	Current tax liabilities	111,673	0	0	117	1	0
6.4	Other liabilities	170,007	0	0	15	0	66
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**34,863,181**	**39,071**	**7,226**	**5,129**	**93**	**582**

Table 75 - Statement of financial position of the Vera companies as at December 31st, 2018

STATEMENT OF FINANCIAL POSITION - ASSETS

	(€ thousands)	CONSOLIDATED TOTAL	31 December 2018 of which VERA ASSICURAZIONI	of which VERA PROTEZIONE	of which VERA VITA	of which VERA FINANCIAL
1	**INTANGIBLE ASSETS**	**911,283**	**0**	**0**	**0**	**0**
1.1	Goodwill	561,461	0	0	0	0
1.2	Other intangible assets	349,822	0	0	0	0
2	**TANGIBLE ASSETS**	**189,459**	**0**	**0**	**2**	**180**
2.1	Property	169,431	0	0	0	0
2.2	Other tangible assets	20,028	0	0	2	180
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**701,607**	**30,720**	**45,856**	**37**	**0**
4	**INVESTMENT**	**30,925,895**	**193,263**	**294,320**	**7,622,538**	**1,121,957**
4.1	Investment property	787,262	0	0	0	0
4.2	Investments in subsidiaries, associated companies and	119,060	50,000	0	62,862	0
4.3	Held to maturity investments	225,434	0	0	0	0
4.4	Loans and receivables	864,913	1	0	165,392	0
4.5	Available for sale financial assets	23,119,705	143,262	294,320	6,034,568	64,399
4.6	Financial assets at fair value through profit or loss	5,809,521	0	0	1,359,716	1,057,558
5	**OTHER RECEIVABLES**	**698,742**	**15,903**	**4,984**	**90,643**	**23,423**
5.1	Receivables deriving from direct insurance transactions	432,678	3,461	4,088	124	20
5.2	Receivables deriving from reinsurance transactions	63,286	6,642	470	0	13
5.3	Other receivables	202,778	5,800	426	90,519	23,390
6	**OTHER ASSET ITEMS**	**1,029,850**	**7,013**	**12,462**	**69,217**	**7,108**
6.1	Non-current assets or disposal group held for sale	0	0	0	0	0
6.2	Deferred acquisition costs	24,998	0	3,107	3,173	6,712
6.3	Deferred tax assets	304,441	1,011	0	1,299	203
6.4	Current tax assets	448,306	3,101	8,488	25,047	193
6.5	Other assets	252,105	2,901	867	39,698	0
7	**CASH AND CASH EQUIVALENTS**	**406,345**	**7,854**	**11,220**	**120,801**	**57,919**
	TOTAL ASSETS	**34,863,181**	**254,753**	**368,842**	**7,903,238**	**1,210,587**

STATEMENT OF FINANCIAL POSITION -SHAREHOLDERS' EQUITY AND LIABILITIES

	(€ thousands)	CONSOLIDATED TOTAL	December 31st, 2018 of which VERA ASSICURAZIONI	of which VERA PROTEZIONE	of which VERA VITA	of which VERA FINANCIAL
1	**SHAREHOLDERS' EQUITY**	**2,255,327**	**97,236**	**61,105**	**296,078**	**70,263**
1.1.1	Shares capital	522,882	63,500	47,500	219,600	803
1.1.2	Other equity instruments	0	0	0	0	0
1.1.3	Capital reserves	739,494	0	0	0	61,778
1.1.4	Revenue reserves and other equity reserves	495,982	9,010	7,715	59,779	9,957
1.1.5	(Own shares)	-49,927	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	-35,447	-2,302	-5,682	2,218	-649
1.1.8	Other gains or losses recognised directly in equity	-32	-7	-6	0	0
1.1.9	Profit (loss) for the year	106,934	27,035	11,578	14,481	-1,626
2	**PROVISIONS AND ALLOWANCES**	**59,307**	**322**	**891**	**534**	**0**
3	**TECHNICAL PROVISIONS**	**28,963,453**	**145,816**	**297,815**	**7,124,948**	**810,903**
4	**FINANCIAL LIABILITIES**	**2,601,082**	**0**	**0**	**412,916**	**306,358**
4.1	Financial liabilities at fair value through profit or loss	1,809,680	0	0	412,916	306,358
4.2	Other financial liabilities	791,402	0	0	0	0
5	**PAYABLES**	**399,327**	**9,332**	**5,167**	**40,295**	**15,285**
5.1	Payables deriving from direct insurance transactions	83,772	2,186	143	6,431	3,506
5.2	Payables deriving from reinsurance transactions	34,562	1,151	60	66	36
5.3	Other payables	280,993	5,995	4,964	33,798	11,743
6	**OTHER LIABILITY ITEMS**	**584,685**	**2,047**	**3,864**	**28,467**	**7,778**
6.1	Liabilities of disposal group held for sale	0	0	0	0	0
6.2	Deferred tax liabilities	303,005	0	1,300	4,385	143
6.3	Current tax liabilities	111,673	0	0	2,750	0
6.4	Other liabilities	170,007	2,047	2,564	21,332	7,635
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**34,863,181**	**254,753**	**368,842**	**7,903,238**	**1,210,587**

Table 76 - Income statement of the Specialty Lines as at December 31st, 2018

INCOME STATEMENT

	(€ thousands)	CONSOLIDATED TOTAL (December 31st, 2018)	of which CATTRE	of which ESTINVEST	of which SATEC	of which METEOTEC	of which QUBO
1.1	Net premiums	5,354,832	3,210	0	0	0	0
	of which non-life premiums written	74,668	11,979	0	0	0	0
	of which life premiums written	903,544	0	0	0	0	0
1.1.1	*Gross premiums written*	5,649,024	5,946	0	0	0	0
1.1.2	*Ceded premiums*	-294,192	-2,736	0	0	0	0
1.2	Commissions income	6,982	0	0	0	0	0
1.3	Income and charges from financial instruments at fair value through profit or loss	-162,421	-107	0	0	0	0
1.4	Income from equity investments in subsidiaries, associated companies and joint ventures	3,789	0	0	0	0	0
1.5	Income from other financial instruments and investment property	764,054	0	0	4	0	0
1.5.1	*Interest income*	593,297	0	0	4	0	0
1.5.2	*Other income*	96,195	0	0	0	0	0
1.5.3	*Realised gains*	74,258	0	0	0	0	0
1.5.4	*Valuation gains*	304	0	0	0	0	0
1.6	Other revenues	140,484	0	0	416	9	248
1	**TOTAL REVENUES AND INCOME**	**6,107,720**	**3,103**	**0**	**420**	**9**	**248**
2.1	Net charges relating to claims	-4,567,627	-856	5	92	10	-42
2.1.1	*Amounts paid and change in technical provisions*	-4,740,914	-1,955	5	92	10	-42
2.1.2	*Reinsurance amount*	173,287	1,099	0	0	0	0
2.2	Commissions expense	-6,769	0	0	0	0	0
2.3	Charges from investments in subsidiaries, associated companies and joint ventures	-906	0	0	0	0	0
2.4	Charges from other financial instruments and investment property	-242,029	0	0	-4	0	0
2.4.1	*Interest expense*	-149,256	0	0	-4	0	0
2.4.2	*Other charges*	-2,652	0	0	0	0	0
2.4.3	*Realised losses*	-63,317	0	0	0	0	0
2.4.4	*Valuation losses*	-26,804	0	0	0	0	0
2.5	Operating expenses	-779,687	-2,523	-5	-436	-1	-179
2.5.1	*Commission and other acquisition costs*	-516,624	-2,268	0	-430	0	-179
2.5.2	*Operating expenses relating to investments*	-43,538	0	-5	0	0	0
2.5.3	*Other administrative expenses*	-219,525	-255	0	-6	-1	0
2.6	Other costs	-279,989	0	0	-88	-17	-26
2	**TOTAL COSTS AND CHARGES**	**-5,877,007**	**-3,379**	**-5**	**-528**	**-18**	**-205**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION	**230,713**	**-276**	**-5**	**-108**	**-9**	**43**
3	**Taxation**	-94,087	72	0	16	-1	-1
	PROFIT (LOSS) FOR THE PERIOD NET OF TAXATION	**136,626**	**-204**	**-5**	**-92**	**-10**	**42**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**0**	**0**	**0**	**0**	**0**	**0**
	PROFIT (LOSS)	**136,626**	**-204**	**-5**	**-92**	**-10**	**42**

Table 77 - Income statement of the Vera companies as at December 31st, 2018

INCOME STATEMENT

	(€ thousands)	CONSOLIDATED TOTAL	of which VERA ASSICURAZIONI	of which VERA PROTEZIONE	of which VERA VITA	of which VERA FINANCIAL
		December 31st, 2018				
1.1	Net premiums	5,354,832	54,679	73,565	765,038	64,907
	of which non-life premiums written	74,668	62,687	0	3	0
	of which life premiums written	903,544	0	73,499	765,106	64,939
1.1.1	*Gross premiums written*	5,649,024	60,177	73,499	765,116	64,939
1.1.2	*Ceded premiums*	-294,192	-5,498	66	-78	-32
1.2	Commissions income	6,982	0	0	2,886	0
1.3	Income and charges from financial instruments at fair value through profit or loss	-162,421	0	0	-45,571	-26,711
1.4	Income from investments in subsidiaries, associated companies and joint ventures	3,789	19,612	0	0	0
1.5	Income from other financial instruments and investment property	764,054	1,403	3,304	117,153	31
1.5.1	*Interest income*	593,297	1,257	3,014	116,540	31
1.5.2	*Other income*	96,195	55	92	63	0
1.5.3	*Realised gains*	74,258	91	198	550	0
1.5.4	*Valuation gains*	304	0	0	0	0
1.6	Other revenues	140,484	673	12,439	13,408	6,055
1	**TOTAL REVENUES AND INCOME**	**6,107,720**	**76,367**	**89,308**	**852,914**	**44,282**
2.1	Net charges relating to claims	-4,567,627	-9,173	-8,537	-671,166	-30,945
2.1.1	*Amounts paid and change in technical provisions*	-4,740,914	-11,449	-963	-671,152	-30,943
2.1.2	*Reinsurance amount*	173,287	2,276	-7,574	-14	-2
2.2	Commissions expense	-6,769	0	0	-2,885	-2,751
2.3	Charges from investments in subsidiaries, associated companies and joint ventures	-906	0	0	0	0
2.4	Charges from other financial instruments and investment property	-242,029	-1,054	-2,624	-104,785	0
2.4.1	*Interest expense*	-149,256	-1,001	-2,367	-89,779	0
2.4.2	*Other charges*	-2,652	0	0	-17	0
2.4.3	*Realised losses*	-63,317	-53	-257	-14,792	0
2.4.4	*Valuation losses*	-26,804	0	0	-197	0
2.5	Operating expenses	-779,687	-33,227	-37,587	-45,333	-12,313
2.5.1	*Commission and other acquisition costs*	-516,624	-29,098	-33,784	-14,533	-3,444
2.5.2	*Operating expenses relating to investments*	-43,538	-181	-300	-4,648	0
2.5.3	*Other administrative expenses*	-219,525	-3,948	-3,503	-26,152	-8,869
2.6	Other costs	-279,989	-1,176	-23,823	-7,903	-111
2	**TOTAL COSTS AND CHARGES**	**-5,877,007**	**-44,630**	**-72,571**	**-832,072**	**-46,120**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION	**230,713**	**31,737**	**16,737**	**20,842**	**-1,838**
3	**Taxation**	-94,087	-4,702	-5,159	-6,361	212
	PROFIT (LOSS) FOR THE PERIOD NET OF TAXATION	**136,626**	**27,035**	**11,578**	**14,481**	**-1,626**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**0**	**0**	**0**	**0**	**0**
	PROFIT (LOSS)	**136,626**	**27,035**	**11,578**	**14,481**	**-1,626**

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

The Managing Director ALBERTO MINALI ____________________ (**)

____________________ (**)

____________________ (**)

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

Attestation of the consolidated financial statements pursuant to Article 154 *bis*, paragraphs 5 of Italian Legislative Decree No. 58 dated February 24th, 1998 and Article 81 *ter* of Consob Regulation No. 11971 dated May 14th, 1999 and subsequent amendments and additions

1. The undersigned, Alberto Minali, in his capacity as Managing Director, and Enrico Mattioli, in his capacity as Manager in charge of preparing the financial reports of Cattolica Assicurazioni Soc. Coop., hereby certify, taking into account the provisions of Article 154 *bis*, paragraphs 3 and 4 of Italian Legislative Decree No. 58 dated February 24th, 1998:

- The adequacy with respect to the Company's structure and
- the effective application,

of the administrative and accounting procedures in place for preparing the consolidated financial statements as of financial year 2018.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at December 31st, 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 financial statements as at December 31st, 2018:

a) are prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to EC Regulation No. 1606/2002 of the European Parliament and of the Council dated July 19th, 2002, as well as the provisions pursuant to Italian Legislative Decree No. 38 dated February 28th, 2005, the Italian Civil Code, Italian Legislative Decree No. 209 dated September 7th, 2005 and subsequent amendments and applicable provisions, regulations and circular letters issued by IVASS;

b) correspond to the related books and accounting records;

c) provide a true and correct representation of the balance sheet, income statement and financial position of the issuer and of all the companies included in the scope of consolidation;

3.2 The management report includes a reliable analysis of the performance and of the management result, as well as of the position of the issuer and all the companies included in the scope of consolidation, together with the description of the main risks and uncertain situations to which they are exposed.

Verona, March 7th, 2019

Alberto Minali	Enrico Mattioli
Managing Director	Manager in charge of preparing the Company's financial reports

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010, ARTICLE 10 OF THE EU REGULATION N. 537/2014 AND ARTICLE 102 OF LEGISLATIVE DECREE No.209 OF SEPTEMBER 7, 2005

To the Shareholders of
Società Cattolica di Assicurazione – Società Cooperativa

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cattolica Assicurazioni Group ("Group"), which comprise the consolidated statement of financial position as at December 31, 2018, the income statement, the statement of other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the regulation issued pursuant to art. 90 of Legislative Decree no. 209 of September 7, 2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the company in accordance with the regulations and standards on ethics and independence applicable to the audit of the financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the recoverability of goodwill	
Description of the key audit matter	In the consolidated financial statements of the Group closed as at December 31, 2018, the item "1. Intangible assets" includes goodwill for an amount of Euro 561.5 million. This item increased by Euro 407.8 million compared to December 31, 2017, mainly due to the consolidation of the companies Vera Vita S.p.A., Vera Financial S.p.A., Vera Assicurazioni S.p.A. and Vera Protezione S.p.A., which entered the Cattolica Assicurazioni Group during the first quarter of 2018. As required by IAS 36 "Impairment of assets", goodwill is not amortized but is subjected to the valuation of the recoverability of the carrying amount recognized in the financial statements ("impairment test") at least once a year, by comparing the carrying amount with the recoverable amount of the "Cash Generating Unit "("CGU") to which the goodwill is allocated. The Directors, for the purposes of carrying out the impairment test, determine the recoverable amount of the CGUs in terms of value in use, defining the value of the assets based on their ability to generate future cash flows. As indicated by the Directors in the "Part B – Accounting principles" of the notes, the impairment test involves a high recourse to discretionary evaluations, assumptions, estimates and hypotheses whose variation could cause deviations in relation to those figures. In particular, the valuation process adopted by the Group is based on assumptions concerning, among others, the forecast of expected cash flows of the CGUs which are based on the projections of the economic results for the period 2019-2021, approved by the Board of Directors, and on the distribution plans negotiated at the time of acquisition as regards the CGUs Vera Vita, Vera Assicurazioni and Vera Protezione, the determination of the cost of capital and the long-term growth rate, the definition of the Solvency Ratio level, the identification of the combined ratio for the CGUs included in the "non-life" business and the new business for the CGUs included in the "life" business. In the "Part C - Information on the consolidated statement of financial position and income statement" of the notes, in the paragraph related to goodwill, is reported the information on the aspects described above. The "Part E - Acquisitions" of the notes contains information on business combinations carried out during the year. In consideration of the subjectivity of the estimates relating to the determination of the cash flows of the individual CGUs and the key variables used in the impairment models and of the relevance of the recorded item, also following the Purchase Price Allocation process that involved the companies that entered the Group during the year, we considered the valuation of the recoverability of the goodwill a key audit matter of the Group's consolidated financial statements as at December 31, 2018.

Deloitte.

Audit procedures performed

The audit procedures, carried out also with the support of experts belonging to the Deloitte network, have included, among others, the following:

- examination of the methods used to determine the recoverable amount of goodwill, analyzing methods and assumptions adopted in order to develop the evaluation models;
- understanding and recognition of the relevant controls carried out by the Group on the process for determining the recoverable amount;
- analysis of the reasonableness of the main assumptions adopted for the formulation of expected cash flow forecasts, also by analyzing available sector data and obtaining information from the Management;
- analysis of the reasonableness of the variables used, such as the cost of capital and the long-term growth rate, the Solvency Ratio, the combined ratio for the non-life business CGUs and the new business for the life business CGUs;
- verification of the mathematical accuracy of the calculations made to determine the recoverable amount of the CGUs;
- verification of the correct calculation of the carrying amount of the CGUs;
- with specific reference to the companies that entered in the scope of consolidation during the year:
    - acquisition and analysis of the documentation relating to the purchase of these subsidiaries;
    - discussion with the Management in relation to the Purchase Price Allocation process and the related accounting entry of the items arising from the acquisition of the investments;
    - examination of the criteria for determining the cost of the acquisition;
    - analysis of the criteria for identifying the assets, liabilities and contingent liabilities and for estimating the relative fair values;
    - verification of the methods for determining the amount of goodwill.
- verification of the completeness and adequacy of the information provided by the Group in the consolidated financial statements on the impairment test with respect to the provisions of IAS 36, as well as on business combination transactions with respect to the provisions of IFRS3.

Valuation of unlisted debt securities and debt securities listed on non-active markets	
Description of the key audit matter	In the consolidated financial statements as at December 31, 2018, are recorded in the item "4.5 Available for sale financial assets", unlisted debt securities and debt securities listed on non-active markets (hereinafter "debt securities not listed on active markets") for a total amount of Euro 565.3 million. On the basis of the nature and degree of observability on the market of the inputs used in the valuation techniques adopted by the Group, Euro 564.3 million are classified as financial instruments at level 2 of the fair value hierarchy and Euro 1 million as financial instruments of level 3. In the item "4.4 Loans and receivables" are also included unlisted debt securities on active markets for Euro 799.4 million. As noted by the Directors in the "Part B – Accounting principles" of the notes, the identification of the fair value of financial instruments, if not directly observable on an active market, involves a high recourse to discretionary evaluations, assumptions, estimates and hypotheses, whose variation could cause deviations in relation to those figures. The Group describes in the "Part B - Accounting principles " and in the "Part C - Information on the consolidated statement of financial position and income statement" of the notes, in the section related to financial investments, the criteria used to determine the fair value of the financial assets and the main evaluation techniques applied for defining the fair value for the different kinds of instruments held in the portfolio. In consideration of the relevance of the amount of debt securities not listed on active markets, of the degree of subjectivity inherent in the valuation of these financial instruments, also taking into account the uncertainties related to the correct and complete identification of the same, we considered the valuation of the debt securities not listed on active markets a key audit matter of the Group's consolidated financial statements.
Audit procedures performed	We have preliminarily acquired a knowledge of the investment process followed by the Group, which included the understanding of operational and strategic guidelines. In this context, the audit procedures included the detection and understanding of the relevant controls implemented by the Group and the performance of procedures regarding compliance with corporate guidelines and investment policies. With reference to debt securities not listed on active markets, we have carried out also with the support of experts belonging to the Deloitte network, the following main procedures: • understanding and recognition of the controls carried out by the Group in identifying these financial instruments; • understanding and recognition of the controls carried out by the Group in the process of determining the fair value of these financial instruments;

- verification, on a selection of these financial instruments, of the correct identification by the Management of the kind of financial instruments;
- understanding of the valuation models and related input data used by the Group for the determination of the fair value of debt securities not listed on active markets and analysis of their reasonableness, also the market standards or market best practices;
- analysis of the sources used and verification of the reliability of the main inputs included in the evaluation model, by comparison with the main info providers;
- recalculation of the fair value on a selection of these financial instruments;
- verification of the completeness and adequacy of the information provided by the Company with respect to the provisions of the applicable regulations.

Valuation of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes

Description of the key audit matter	At December 31, 2018, the Group recorded, in the item "3. Technical provisions", provisions for outstanding claims for a total amount of Euro 2,894.2 million, of which Euro 1,483.6 million related to the Ministerial class 10 TPL – Land motor vehicles class and Euro 876.2 million related to Ministerial class 13 TPL – General class (hereinafter the " provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes"). As indicated by the Directors in the "Part B – Accounting principles" of notes, the provisions for outstanding claims are calculated according to the provisions of Attachment 15 of ISVAP regulation no. 22 of April 4th, 2008. In particular, in the definition of the provision for outstanding claims the claims provisions reference was made to the concept of the ultimate cost, which consists in the separate assessment of each claim (inventory method), based on the analysis of the documentation relating to each individual damage case implemented by the staff assigned to settle the claims; with regard to the classes characterized by slow settlement processes or for which the analytical valuation does not make it possible to take into account all possible charges, the valuation based on the inventory method is supported by an additional valuation, which requires the use of methodologies and statistical-actuarial calculation models. As noted by the Directors in the "Part B - Accounting principles" of the notes, the valuation process of the provisions for outstanding claims involves an articulated valuation activity by the management, which presumes the formulation of subjective hypotheses, the variation of which could impact on the final result. In particular, the main assumptions used in the application of the statistical-actuarial methodologies concern the technical variables, including the time interval for deferring payments and the trend in the cost of claims, linked to the length of payments, as well as the prospective assessments of the economic scenario.

The Directors in the " Part B - Accounting principles" of the notes highlight the Valuation Criteria followed in estimating the provisions for outstanding claims and the statistical-actuarial methodologies applied to verify the adequacy of the ultimate cost.

In consideration of the relevance of the amount of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes recorded in the financial statement, of the peculiarity of these classes, of the complexity of the valuation models, that also require the use of statistical and actuarial techniques and calculations, of the uncertainty connected to the definition of the assumptions and hypotheses on the effects deriving from future events, we considered the valuation process of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes a key audit matter of the Group's consolidated financial statements for the year ended December 31, 2018.

Audit procedures performed

The audit procedures, carried out also with the support of experts belonging to the Deloitte network, have included, among others, the following:

- understanding of the process of formation of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes which included the knowledge of corporate and settlement guidelines and any possible changes in the legal and regulatory framework of the sector;

- recognition and verification of the relevant controls performed by the Group on the estimating process of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes;

- performing procedures on the completeness and adequacy of the portfolios and the related key data used;

- reading and analyzing the Actuarial Function report, with reference to the TPL – Land motor vehicles classes;

- performing comparative analyses through the recalculation of relevant indices observed in historical series and examination of their correlation with other significant indicators. In particular, we analyzed appropriate technical indicators and relevant figures, comparing them with comparable data and information relating to previous periods and available sector data;

- comparison between the estimate of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes performed in previous periods and what subsequently took place, with an analysis of the nature of the run-off;

- verification, on a selection of claims, of the coherence of the estimate of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes with the corporate documentary evidences and with the results of written confirmations obtained from external lawyers, where applicable;

- analysis of the reasonableness of the methodologies and the main technical and evolutionary assumptions used to estimate the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes, also by checking their coherence with those used in previous years and considering the applicable regulation;

- identification of a range of reasonable outcomes and verification that the estimated provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes fell into that range;

- verification of the completeness and adequacy of the information provided by the Group in accordance with the applicable regulation.

Valuation of mathematical provisions

Description of the key audit matter

At December 31, 2018, the Group recorded in the consolidated financial statements in the item "3. Technical reserves" mathematical provisions for a total amount of Euro 20,626.2 million.

As reported in the "Part B – Accounting principles" of the notes, the mathematical provisions for the year of private life insurance have been evaluated on the basis of the actuarial principles provided in Attachment 14 of ISVAP regulation no. 22 of April 4, 2008.

The process of formation the mathematical provisions is based on data flows deriving from the main characteristic processes and, by its nature, is affected by risks typical of an insurance company, linked to the financial management of investments and the complexity and variety of the insurance portfolio.

The process of formation of the mathematical provisions also includes the determination of additional provisions, provided to cover mortality or other risks, such as guaranteed benefits on maturity or guaranteed redemption values. The definition of the mathematical provisions therefore entails a high use of discretionary valuations, assumptions, estimates and hypotheses, the modification of which could lead to a change in the final result of the amounts recorded in the consolidated financial statements.

The Group reports in the "Part B – Accounting principles" of the notes the criteria followed and the methodologies applied in determining the mathematical provisions.

In consideration of the significance of the amount of the mathematical provisions recorded in the consolidated financial statements and the existence of the discretionary component inherent in the estimation of certain additional provisions, we considered the process of evaluating the mathematical provisions a key audit matter of the consolidated financial statements of the Group closed as of December 31, 2018.

Audit procedures performed

The audit procedures, carried out also with the support of experts belonging to the Deloitte network, have included, among others, the following:

- understanding of the process of formation of the mathematical provisions which included the knowledge of corporate and underwriting guidelines and any possible changes in the legal and regulatory framework of the sector;

- recognition and verification of the relevant controls performed by the Group on the process of preparing financial information in the area of mathematical provisions;

- performing procedures on the completeness and appropriateness of the portfolios and the key data used;

- reading and analyzing the Actuarial reports prepared by the competent corporate departments;

- verification of the calculation of the mathematical provisions through the application of simplified methods (so-called "recurring accounting method") in order to assess the reasonableness of the provision determined by the Management;

- recalculating, for a selection of insurance contracts, the value of the mathematical provision as at December 31 2018, using the calculation formulas contained in the technical documentation and analyzing the compliance of the calculation with the corporate procedures and the applicable legislation;

- analysis of the reasonableness of the methods and of the main technical and evolutionary hypotheses on which the estimates of the additional reserves included in the mathematical provisions were based, in accordance with the provisions of the applicable regulation;

- verification of the completeness and adequacy of the information provided by the Group in accordance with the provisions of the applicable regulation.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 90 of Legislative Decree no. 209 of September 7th, 2005 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or unintentional behaviors or events.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, and, in preparing the consolidated financial statements, for the appropriateness of using the going concern assumption, as well as for adequate disclosure in matter.

The Directors use the going concern assumption in the preparation of the consolidated financial statements unless they have assessed that the conditions exist for the liquidation of the Parent Company Società Cattolica di Assicurazione – Società Cooperativa or for the interruption of the activity or do not have realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or unintended behaviors or events, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or unintended behaviors or events and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from unintended behaviors or events, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società Cattolica di Assicurazione – Società Cooperativa has appointed us on April 21st, 2012 as auditors of the Company for the years from December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.
We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree no. 39 of January 27, 2010, and art. 123-bis, paragraph 4, of Legislative Decree no. 58 of February 24, 1998

The Directors of Società Cattolica di Assicurazione – Società Cooperativa are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structures as at December 31st, 2018, including its consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree no. 58 of February 24, 1998, with the consolidated financial statements of Cattolica Assicurazioni Group as at December 31, 2018 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Cattolica Assicurazioni Group as at December 31, 2018 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree no. 39 of January 27, 2010, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree no. 254 of December 30, 2016

The Directors of Società Cattolica di Assicurazione – Società Cooperativa are responsible for the preparation of the non-financial statement pursuant to Legislative Decree no. 254 of December 30, 2016.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Milan, March 21, 2019

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

GRUPPO CATTOLICA ASSICURAZIONI

CATTOLICA ASSICURAZIONI DAL 1896

abc ASSICURA

BCC Assicurazioni

CATTRE

TUA ASSICURAZIONI

VERA Assicurazioni

BCC Vita

BERICA VITA

CATTOLICA LIFE

LombardaVita

VERA Financial

VERA Protezione

VERA Vita

GRUPPO
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