

PROSPECTUS DATED 12 DECEMBER 2017



## Società Cattolica di Assicurazione – Società Cooperativa

**€500,000,000 Fixed/Floating Rate Subordinated Notes due December 2047 callable December 2027**

**Issue Price: 100 per cent.**

The €500,000,000 Fixed/Floating Rate Subordinated Notes due December 2047 callable December 2027 (the **Notes**) of Società Cattolica di Assicurazione – Società Cooperativa (the **Issuer**) will be issued on 14 December 2017 (the **Issue Date**).

The obligations of the Issuer under the Notes in respect of principal, interest and other amounts, constitute unconditional, unsecured and subordinated obligations and rank *pari passu* without any preference among themselves and at least equally with all other Parity Securities but junior to any unconditional, unsubordinated, unsecured obligations of the Issuer (and the policyholders of the Issuer) (and any other obligations which are less subordinated than the Notes) and senior to any Junior Securities, as set out and defined in the "*Terms and Conditions of the Notes – Status of the Notes*".

Unless previously redeemed or repurchased and cancelled in accordance with the Conditions and subject as set out in Condition 4, the Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 14 December 2027 (the **Interest Reset Date**), at the rate of 4.25 per cent. per annum, payable, subject as provided in the Conditions, annually in arrear on each Initial Period Interest Payment Date commencing on 14 December 2018, provided that the interest payment on the Interest Payment Date falling on 14 December 2018 will be in respect of the period from (and including) the Issue Date to (but excluding) 14 December 2018.

If the Issuer has not redeemed the Notes in accordance with Condition 5 on the Interest Reset Date, the Notes will bear interest from and including the Interest Reset Date to but excluding the date of redemption of the Notes, at the Floating Rate of Interest (as defined in "*Terms and Conditions of the Notes*") payable, subject as provided in the Conditions, quarterly in arrear on each Interest Payment Date.

**Payment of interest on the Notes may be deferred at the option of the Issuer, or shall be deferred under certain circumstances, as set out in "*Terms and Conditions of the Notes – Interest and Interest Deferral - Interest Deferral*".**

Unless previously redeemed by the Issuer as provided below, the Notes will be redeemed on 14 December 2047 at their principal amount, together with interest accrued to, but excluding, such date and any Arrears of Interest. The Issuer may, subject to the satisfaction of the Conditions for Redemption and Purchase, redeem all, but not some only, of the Notes on the Interest Reset Date and on any Interest Payment Date thereafter, at their principal amount together with any interest accrued to, but excluding, the relevant date of redemption and any Arrears of Interest. The Issuer may also, at its option (but subject to satisfaction of the Conditions for Redemption and Purchase) and subject to certain conditions, redeem the Notes at the applicable Early Redemption Price at any time upon the occurrence of a Gross-up Event, a Tax Deductibility Event, a Rating Methodology Event or a Regulatory Event (each as defined in "*Terms and Conditions of the Notes*").

If at any time the Issuer determines that a Tax Event (as defined in "*Terms and Conditions of the Notes*"), a Regulatory Event or a Rating Methodology Event has occurred on or after the Issue Date, the Issuer may, as an alternative to exercising its right to call the Notes as described above, on any Interest Payment Date, without the consent of the Noteholders, (a) exchange the Notes for new notes replacing the Notes (the **Exchanged Notes**), or (ii) vary the terms of the Notes (the **Varied Notes**), so that (i) in the case of a Tax Event, the Exchanged Notes or Varied Notes (as the case may be) no longer trigger the relevant Tax Event, (b) in the case of a Regulatory Event, the aggregate nominal amount of the Exchanged Notes or Varied Notes (as the case may be) is treated under the Applicable Regulations as Tier 2 Own Funds of the Issuer and/or the Issuer and its subsidiaries (the **Group**) for the purposes of the determination of the Issuer's regulatory capital or, as appropriate, (c) in the case of a Rating Methodology Event, the Exchanged Notes or the Varied Notes receive (or continue to receive) the equity credit first assigned to the Notes by the relevant Rating Agency. Any such exchange or variation is subject to the certain conditions. See "*Terms and Conditions of the Notes – Redemption and Purchase*".

This Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and European Union law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market of the Irish Stock Exchange (the **Main Securities Market**) or on another regulated market for the purposes of Directive 2004/39/EC. Application has been made to the Irish Stock Exchange plc (**Irish Stock Exchange**) for Notes to be admitted to its official list (the **Official List**) and trading on the Main Securities Market. References in this Prospectus to the Notes being listed (and all related references) shall mean that the Notes have been admitted to the Official List and trading on the Main Securities Market.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about the Issue Date with a common depositary for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 23 January 2018 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances - see "*Summary of Provisions relating to the Notes while Represented by the Global Notes*".

The Notes are expected to be rated BB+ by Standard & Poor's Credit Market Services Italy S.r.l. (**Standard & Poor's**). Standard & Poor's is established in the European Union and registered under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies as amended (the **CRA Regulation**) and included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the European Securities and Markets Authority's website ([www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)) as of the date of this Prospectus. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, change or withdrawal at any time by the assigning rating agency.

*Prospective investors should have regard to the risk factors described under the section headed "Risk Factors" in this Prospectus, in connection with any investment in the Notes.*

*Global Coordinator*

**BANCA IMI**

*Joint Lead Managers and Bookrunners*

**BANCA IMI**

**BARCLAYS**

**NOMURA**

**UBS INVESTMENT BANK**

*Co-Managers*

**BANCA AKROS – GRUPPO BANCO BPM**

**INTERMONTE**

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive. When used in this Prospectus, **Prospectus Directive** means Directive 2003/71/EC as amended, including by Directive 2010/73/EU, and includes any relevant implementing measure in a relevant Member State of the EEA. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see "*Documents Incorporated by Reference*"). This Prospectus should be read and construed on the basis that those documents are so incorporated and form part of this Prospectus.

Save for the Issuer, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Banca IMI S.p.A., Barclays Bank PLC, Nomura International plc and UBS Limited (together, the **Joint Lead Managers**) and/or Banca Akros S.p.A. – Gruppo Banco BPM and Intermonte SIM S.p.A. (the **Co-Managers** and, together with the Joint Lead Managers the **Managers**) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. The Managers do not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

To the fullest extent permitted by law, none of the Managers, the Fiscal Agent or the Agent Bank accepts any responsibility for the contents of this Prospectus or for any other statements made or purported to be made by any Manager or on their behalf in connection with the Issuer or the issue and offering of any Notes. Each of the Managers, the Fiscal Agent and the Agent Bank accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Manager.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any Manager that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any Manager to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Group is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers expressly do not undertake to review the financial condition or affairs of the Issuer or the Group during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons as defined in

Regulation S under the Securities Act. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see "*Subscription and Sale*" below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer or the Managers represents that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Managers which would permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the United Kingdom and the Republic of Italy.

The financial information set forth in this Prospectus is derived from the consolidated financial statements of the Issuer for the years ended 31 December 2016 and 2015 and for the six months ended 30 June 2017, prepared in accordance with IFRS as adopted by the European Union.

In this Prospectus we also present certain unaudited reclassified financial information for the years ended 31 December 2016 and 2015 and for the six months ended 30 June 2017 and 2016, which is different from the information contained in the consolidated financial statements of the Issuer for the same periods, as it has been subject to reclassification by aggregating and/or changing certain line items from the consolidated financial statements and in some instances, by creating new line items or moving amounts to different line items, as highlighted in section "*Description of the Group – Overview financial information*". The financial information has not been subject to any audit or review by our independent auditors, includes certain non-IFRS reclassification and is used by our management to analyse our Group's business performance and financial results in the Group's year-end and interim financial report.

In this Prospectus, all references in this document to **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Certain figures included in this Prospectus have been subject to roundings and adjustments; accordingly figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## **MARKET AND INDUSTRY INFORMATION**

This Prospectus includes and refers to industry and market data derived from or based upon a variety of official, non-official and internal sources, such as internal surveys and management estimates, market research, publicly available information and industry publications.

Market share, ranking and other data contained in this Prospectus may also be based on the Group's good faith estimates, the Group's own knowledge and experience and such other sources as may be available. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or

completeness of included information. The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Issuer is aware and has been able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Neither the Issuer nor the Joint Lead Managers make any representation as to the accuracy or completeness of any such third party information in this Prospectus. Although the Issuer believes that this information is reliable, the Issuer has not independently verified the data from third party sources.

## **STABILISATION**

In connection with the issue of the Notes, Banca IMI S.p.A. (the **Stabilisation Manager**) (or any persons acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to support the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

## FORWARD-LOOKING STATEMENTS

Certain statements contained herein are forward-looking statements including, but not limited to, statements with respect to the Issuer's business strategies, expansion and growth of operations, plans or objectives, trends in its business, competitive advantage and regulatory changes, based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact. Forward-looking statements are typically identified by words or phrases such as, without limitation, "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "project", "anticipate", "seek", "may increase" and "may fluctuate" and similar expressions or by future or conditional verbs such as, without limitation, "will", "should", "would" and "could". Undue reliance should not be placed on such statements, because, by their nature, they are subject to known and unknown risks, uncertainties, and other factors and actual results may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to the section entitled "Risk Factors" below.

The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## ALTERNATIVE PERFORMANCE MEASURES

This Prospectus, and the documents incorporated by reference hereto, contains certain alternative performance measures (**APMs**) in addition to the IFRS financial indicators obtained directly from the audited consolidated financial statements of the Issuer for the years ended 31<sup>o</sup>December 2016 and 2015 and from the unaudited consolidated interim financial report of the Issuer for the six-month period ended 30 June 2017, each incorporated by reference into this Prospectus under the section "*Documents Incorporated by Reference*", and which are useful to present the results and the financial performance of the Issuer.

Unless otherwise stated, the list below presents APMs contained in the above-mentioned documents, along with an explanation of the criteria used to construct them:

- "Combined ratio" is the indicator that measures the balance of non-life technical management, represented by  $(1 - (\text{technical result} / \text{net premiums}))$  where technical result is the sum of claims ratio, expense ratio and other technical item;
- "Claims ratio" is the primary indicator of the cost-effectiveness of operations of an insurance company in the non life sector. This is the ratio of net claims costs to net premiums;
- "G&A" is the ratio of other administrative expenses to net premiums;
- "Commission ratio" is the ratio of acquisition costs to net premiums;
- "Expense ratio" is the ratio of operating expenses to net premiums, sum of G&A and commission ratio;
- "Consolidated profit normalised" means consolidated profit not including: (i) impairment (Available for Sale, investments in subsidiaries, associated companies and joint ventures, goodwill and other assets), (ii) capital gains and losses on realizations (on investments in subsidiaries, associated companies and strategic AFS, assets under management, if significant) and (iii) effects of tax regulatory changes;
- "Total written premiums non-life and life" is the total of the insurance premiums (as defined by IFRS 4) and of the investment contracts (as defined by IFRS 4 which refers the related discipline to IAS 39);

- "Reclassified result of financial operations" includes (i) net income from other financial instruments and investment property, (ii) net income from investment in subsidiaries, associated companies and joint ventures, (iii) net income from financial instruments at fair value through profit and loss with the exclusion of investment whose risk is borne by the policyholders and the change in other financial liability and (iv) commissions income net of commissions expenses, all net of operating expenses relating to investments.

The Issuer believes that these APMs provide useful supplementary information to investors and that they are commonly used measures of financial performance complementary to, rather than a substitute for, IFRS financial indicators, since they facilitate operating performance and cash flow comparisons from period to period, time to time and company to company. By eliminating potential differences between periods or companies caused by factors such as depreciation and amortization methods, financing and capital structures, taxation positions or regimes, the Issuer believes that the APMs can provide a useful additional basis for comparing the current performance of the underlying operations being evaluated. For these reasons, the Issuer believes these measures and similar measures are regularly used by the investment community as a means of comparison of companies in our industry.

It should be noted that these financial measures are not recognised as a measure of performance or liquidity under IFRS and should not be recognized as an alternative to operating income or net income or any other performance measures recognised as being in accordance with IFRS.

These measures are not indicative of the historical operating results of the Group, nor are they meant to be predictive of future results. Since all companies do not calculate these measures in an identical manner, the Group's presentation may not be consistent with similar measures used by other companies. Therefore, undue reliance should not be placed on such data.

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## OVERVIEW

*This Overview section must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole.*

*Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this section.*

<b>Issuer:</b>	Società Cattolica di Assicurazione – Società Cooperativa.
<b>Description:</b>	€500,000,000 Fixed/Floating Rate Subordinated Notes due December 2047 callable December 2027 (the <b>Notes</b> ).
<b>Joint Lead Managers:</b>	Banca IMI S.p.A. Barclays Bank PLC Nomura International plc UBS Limited
<b>Co-Managers</b>	Banca Akros S.p.A. – Gruppo Banco BPM Intermonte SIM S.p.A.
<b>Managers:</b>	The Joint Lead Managers and the Co-Managers
<b>Fiscal Agent and Agent Bank:</b>	BNP Paribas Securities Services, Luxembourg Branch
<b>Use of proceeds:</b>	The net proceeds of the issue of the Notes will be used by the Issuer to finance the acquisition of Avipop Assicurazioni S.p.A. and Popolare Vita S.p.A. (see “ <i>Description of the Group - Recent Developments - The agreements with Banco BPM in relation to Avipop Assicurazioni S.p.A. and Popolare Vita S.p.A.</i> ”).
<b>Maturity date:</b>	14 December 2047
<b>Denomination:</b>	€100,000
<b>Form of the Notes:</b>	The Notes will be issued in bearer form and will initially be in the form of the Temporary Global Note, without Coupons, which will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg. Interests in the Temporary Global Note will be exchangeable for interests in the Permanent Global Note, without Coupons, on or after the Exchange Date, upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for Definitive Bearer Notes only in certain limited circumstances in accordance with the terms of the Permanent Global Note.
<b>Ranking:</b>	The Notes constitute unconditional and unsecured subordinated obligations of the Issuer and rank pari passu without any preference among themselves and at least equally with all other Parity Securities but junior to any unconditional, unsubordinated, unsecured obligations of the Issuer (and the policyholders of the Issuer) (and any other obligations which are less subordinated than the Notes) and senior to

any Junior Securities.

**Negative pledge:**

There will be no negative pledge in respect of the Notes.

**Enforcement Events; No Events of Default:**

There will be no events of default in respect of the Notes. However, each Note shall become immediately due and payable at its principal amount, together with accrued interest thereon, to the date of payment and any Arrears of Interest, in the event that (i) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or (ii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in (i) above.

**Interest:**

Unless previously redeemed or repurchased and cancelled in accordance with the Conditions and subject to the further provisions of Condition 4, the Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 14 December 2027 (the **Interest Reset Date**), at the rate of 4.25 per cent. per annum (the **Fixed Rate of Interest**), payable annually in arrear on each Initial Period Interest Payment Date commencing on 14 December 2018, provided that the interest payment on the first Initial Period Interest Payment Date falling on 14 December 2018 will be in respect of the period from (and including) the Issue Date to (but excluding) 14 December 2018.

If the Issuer has not redeemed the Notes in accordance with Condition 5 on the Interest Reset Date, the Notes will bear interest for each Step-Up Interest Period from and including the Interest Reset Date to but excluding the date of redemption of the Notes, at the Floating Rate of Interest payable, subject as provided in these Conditions, quarterly in arrear on each Step-Up Period Interest Payment Date.

**Interest Deferral and Arrears of Interest:**

***Optional Interest Deferral***

On any Interest Payment Date other than a Compulsory Interest Payment Date or a Mandatory Interest Deferral Date (an **Optional Interest Payment Date**), the Issuer may, at its option, elect, by giving notice to the Noteholders pursuant to Condition 4.2(d) to defer payment of all (but not some only) of the interest accrued to that Interest Payment Date. If the Issuer makes such an election, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose.

Pursuant to Condition 4.2(a) (but without prejudice to any other provision of the Conditions), the Issuer may defer payment of interest on each Optional Interest Payment Date but may not defer interest in respect of an Interest Period ending immediately prior to the Maturity Date or any date on which the Notes are redeemed in full pursuant to the Conditions.

***Mandatory Interest Deferral***

On any Mandatory Interest Deferral Date, the Issuer shall, by giving notice to the Noteholders pursuant to Condition 4.2(d), defer payment

of all (but not some only) of the interest accrued to that Interest Payment Date (and, if relevant, any Arrears of Interest). If interest is deferred pursuant to this Condition, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose and shall not give the Noteholders or Couponholders the right to accelerate any payments.

### ***Arrears of Interest***

Any such unpaid amounts of interest pursuant to Condition 4.2(a) (*Optional Interest Deferral*), or 4.2(b) (*Mandatory Interest Deferral*) will constitute **Arrears of Interest**. Arrears of Interest will not itself bear interest. Arrears of Interest may (subject to the fulfilment of the Conditions to Settlement) at the option of the Issuer be paid in whole or in part at any time but all outstanding Arrears of Interest shall become due and payable upon the earliest of:

- (i) the next Interest Payment Date which is a Compulsory Interest Payment Date; or
- (ii) the date of any redemption of the Notes in accordance with the provisions relating to redemption of the Notes; and
- (iii) the commencing of *Liquidazione Coatta Amministrativa* of the Issuer pursuant to the Consolidated Law on Private Insurance Companies or the Issuer becoming subject to a liquidation order.

**Conditions to Settlement** are satisfied on any day with respect to any payment of Arrears of Interest if such day would not be a Mandatory Interest Deferral Date if such day was an Interest Payment Date.

If amounts in respect of Arrears of Interest become partially payable:

- (A) Arrears of Interest accrued for any Interest Period shall not be payable until full payment has been made of all Arrears of Interest that have accrued during any earlier Interest Period; and
- (B) the amount of Arrears of Interest payable in respect of any Note shall be *pro rata* to the total amount of all unpaid Arrears of Interest accrued to the date of payment.

### **Redemption on the Maturity Date:**

Unless previously redeemed or purchased and cancelled as provided in the Conditions, the Issuer will redeem the Notes on the Maturity Date at their principal amount, together with any interest accrued to (but excluding) the Maturity Date and any outstanding Arrears of Interest, subject to satisfaction of the Conditions for Redemption and Purchase (as defined in Condition 5.1).

If the Conditions for Redemption and Purchase are not satisfied, redemption of the Notes will be suspended and (unless Condition 5.11 applies) the Maturity Date will be postponed to the earlier of:

- (A) the date notified by the Issuer on giving at least 5 Business Days' notice to the Noteholders in accordance with Condition 12 following the day on which the Conditions for Redemption and Purchase are satisfied (and provided that the Conditions for Redemption and Purchase continue to be satisfied on the date of redemption); or
- (B) the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer in accordance with, as the case may be, (aa) a resolution of the shareholders' meeting of the Issuer; (bb) any provision of the by-laws of the Issuer (currently, the duration of the Issuer is set at 31 December 2100 although, if this is extended, redemption of the Notes will be equivalently adjusted); or (cc) any applicable legal provision, or any decision of any jurisdictional or administrative authority.

**Redemption at the option of the Issuer:**

The Issuer may, subject to satisfaction of the Conditions for Redemption and Purchase, redeem all of the Notes (but not some only) on the Interest Reset Date and on any Interest Payment Date thereafter, in each case at their principal amount together with any accrued interest up to (but excluding) the date fixed for redemption and any outstanding Arrears of Interest, on giving not less than 30 and not more than 60 calendar days' notice to the Noteholders in accordance with Condition 12.

**Optional Early Redemption following a Gross-Up Event:**

If, at any time, by reason of a change in any Italian law or regulation, or any change in the official application or interpretation thereof, becoming effective after the Issue Date, the Issuer would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified in Condition 7 (a **Gross-Up Event**), the Issuer may, subject to satisfaction of the Conditions for Redemption and Purchase, on any Interest Payment Date, subject to having given not more than 60 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem the Notes in whole, but not in part, at their principal amount, together with all interest accrued (including any Arrears of Interest) to the date fixed for redemption.

**Optional Early Redemption in case of Tax Deductibility Event:**

If, an opinion of a recognised law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that by reason of a change in Italian law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the tax regime of any payments under the Notes is modified and such modification results in a material reduction of the deductibility of payments of interest by the Issuer in respect of the Notes (a **Tax Deductibility Event** and together with a Gross-Up Event, a **Tax Event**), so long as this cannot be avoided by the Issuer taking reasonable measures available to it at the time, the Issuer may, subject to satisfaction of the Conditions for Redemption and Purchase, redeem the Notes in whole, but not in part, at their principal amount together with all interest accrued (including any Arrears of Interest) to the date fixed for redemption, on the latest practicable date on which

the Issuer could make such payment with interest payable being tax deductible in Italy or, if such date has past, as soon as practicable thereafter. The Issuer shall give the Fiscal Agent notice of any such redemption not less than 30 nor more than 60 days before the date fixed for redemption and the Fiscal Agent shall promptly thereafter publish a notice of redemption in accordance with Condition 12.

**Optional Early Redemption for Regulatory Reasons:**

If at any time, the Issuer determines that a Regulatory Event has occurred with respect to the Notes on or after the Issue Date, the Issuer may, subject to satisfaction of the Conditions for Redemption and Purchase, redeem the Notes in whole, but not in part, subject to having given not more than 60 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 12, at their principal amount plus any accrued interest (including Arrears of Interest) to the date fixed for redemption.

For the purpose of the Conditions, **Regulatory Event** means that, as a result of any replacement of or change to (or change to the interpretation by the Relevant Regulator or any court or authority entitled to do so of) the Relevant Rules after the Issue Date, the whole or any part of the Notes are no longer capable of counting as Tier 2 Own Funds, for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital.

**Optional Early Redemption for Rating Reasons:**

If at any time the Issuer determines that a Rating Methodology Event has occurred with respect to the Notes, such Notes will, subject to satisfaction of the Conditions for Redemption and Purchase, be redeemable in whole, but not in part, at the option of the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 on any Interest Payment Date at their principal amount plus any accrued interest (including Arrears of Interest if any) to the date fixed for redemption.

**Exchange/Variation:**

If at any time the Issuer determines that a Tax Event, a Regulatory Event or a Rating Methodology Event has occurred on or after the Issue Date, the Issuer may, as an alternative to exercising the available early redemption options described above, on any Interest Payment Date, without the consent of the Noteholders, (i) exchange the Notes for new notes replacing the Notes (the **Exchanged Notes**), or (ii) vary the terms of the Notes (the **Varied Notes**), so that (i) in the case of a Tax Event, the Exchanged Notes or Varied Notes (as the case may be) no longer trigger the relevant Tax Event, (ii) in the case of a Regulatory Event, the aggregate nominal amount of the Exchanged Notes or Varied Notes (as the case may be) is treated under the Applicable Regulations as Tier 2 Own Funds of the Issuer and/or the Group for the purposes of the determination of the Issuer's regulatory capital or, as appropriate, (iii) in the case of a Rating Methodology Event, the Exchanged Notes or the Varied Notes receive (or continue to receive) the Equity Credit first assigned to the Notes by the relevant Rating Agency. Any such exchange or variation is subject to the certain conditions.

**Purchases:**

The Issuer or any of the Issuer's Subsidiaries may at any time, subject

to satisfaction of the Conditions for Redemption and Purchase being met, purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. Such Notes may be held, reissued or resold or at the option of the Issuer, surrendered to the Fiscal Agent for cancellation.

**Taxation and Additional Amounts:** All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; subject to customary exceptions.

**Meetings of Noteholders and Modifications:** The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of the Conditions. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Any modifications of any of the Conditions shall be subject to the prior approval of the Lead Regulator.

**Listing:** Application is expected to be made for the Notes to be admitted to listing and to trading on the regulated market of the Irish Stock Exchange.

**Rating:** The Notes are expected to be rated BB+ by Standard & Poor's.

**Clearing:** The Notes have been accepted for clearance through Clearstream Banking, S.A. and Euroclear Bank S.A./N.V.

**Selling Restrictions:** There are restrictions on the offer and sale of the Notes and the distribution of offering material, including in the United States of America, the United Kingdom, and the Republic of Italy.

**Governing Law:** The Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law, other than the provisions of Condition 2 which shall be governed by, and construed in accordance with, Italian law and provided that Condition 11 and the provisions of Annex 3 of the Agency Agreement concerning meetings of Noteholders and the appointment of the *rappresentante comune* are subject to compliance with Italian law.

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should read the entire Prospectus. The following is a disclosure of risk factors that are material to the Notes in order to assess the market risk associated with these Notes and risk factors that may affect the Issuer's ability to fulfil its obligations under the Notes. Prospective investors should consider these risk factors before deciding to purchase Notes. The following statements are not exhaustive. Prospective investors should consider all information provided in this Prospectus and consult with their own professional advisers if they consider it necessary. In addition, investors should be aware that the risks described may combine and thus intensify one another. The occurrence of one or more risks may have a material adverse effect on the own funds, the financial position and the operating result of the Issuer.*

*Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer or the Group, which in turn could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.*

*Words and expressions defined in the section entitled "Terms and Conditions of the Notes" herein shall have the same meanings in this section.*

*The order in which the following risks factors are presented is not an indication of the likelihood of their occurrence.*

### **RISK FACTORS RELATING TO THE ISSUER**

#### ***Financial results may be affected by fluctuations in the financial markets***

Market levels and investment returns are an important part of determining the Group's overall profitability, and fluctuations in the financial markets, such as the fixed income, equity, property and foreign exchange sectors, can have a material effect on its consolidated results of operations. Changes in these factors can be very difficult to predict. Any adverse changes in the economies and/or financial markets in which funds under management are invested could have a material adverse effect on the Group's consolidated financial condition, results of operations and cash flows.

Fluctuations in interest rates may affect returns on fixed income investments and their market value. Generally, investment income may be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature or are sold, and the proceeds are reinvested at lower rates, even though prices of fixed income securities tend to rise and gains realised upon their sale tend to increase. During periods of rising interest rates, the prices of fixed income securities tend to fall, meaning gains made upon their sale are lower or the losses made are greater.

General economic conditions, stock market conditions, levels of disposable income and many other factors beyond the control of the Group can adversely affect the equity and property markets.

Investment returns are also susceptible to changes in the general creditworthiness of the issuers of the debt securities and equity securities held in the businesses' portfolios. The value of fixed income securities may be affected by, amongst other things, changes in the issuer's credit rating. Where the credit rating of a debt security drops, the value of the security may also decline.

The investment risk on life insurance portfolios is often shared in whole or in part with policyholders, depending on the product sold. Fluctuations in the fixed income, equity and property markets will directly affect the financial results of life assurance operations and will also have indirect effects through their impact on the value of technical reserves, which, in most cases, are related to the value of the assets backing the policy liabilities. Should the credit rating of the issuer of the fixed income securities drop to a level such that regulatory guidelines prohibit the holding of such securities to back insurance liabilities, the resulting disposal may lead to a significant loss on the Group's investment.

For further considerations relating to interest rates, currency and credit risks, please refer to the risk factors: "*Financial results may be affected by interest rates*", "*The Group is subject to credit risk*" and "*Financial results may be affected by insurance risk*".

#### ***Financial results may be affected by interest rates***

Significant changes in interest rates could materially and adversely affect the Group's business and financial performance. The level of, and changes in, interest rates (including changes in the difference between the levels of prevailing short-term and long-term rates) can affect the Group's life insurance, banking and asset management results and interest payable on debt. In particular, interest rates can affect the availability of disposable income for investment in life assurance and other savings products, asset values, levels of bad debts, levels of income gains and losses on investments, funding costs and interest margins. Whilst interest rates increase the margin spread potential for the banking business, they are also likely to result in a decrease in fixed income asset values for life insurance companies. Generally, the impact of rising interest rates on the asset management business is driven by the change in value of funds under management.

Fluctuations in interest rates (and returns from equity markets) also have an impact on consumer behaviour, especially in the life and asset insurance accumulation businesses, where demand for fixed income products may decline when interest rates fall and equity markets are performing well. The demand of general insurance, particularly commercial lines, can also vary with the overall level of economic activity.

#### ***The Group is subject to credit risk***

The Group is prone to credit risk in relation to third parties. A failure by its counterparties to meet their obligations could have a material impact on its financial position. The Group is exposed to credit risk, amongst other things, through holdings of fixed income instruments and loan advances.

Additionally, the Group's life insurance and general insurance businesses have substantial exposure to reinsurers through reinsurance arrangements. Under such arrangements, other insurers assume a portion of the costs, losses and expenses associated with policy claims and maturities, and reported and unreported losses in exchange for a portion of policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly year to year. Any decrease in the amount of reinsurance cover purchased will increase the Group's risk of loss. When reinsurance is obtained, the Group is still liable for those transferred risks if the reinsurer does not meet its obligations. Therefore, the inability or failure of reinsurers to meet their financial obligations could materially affect the Group's operations and financial condition.

A default by an institution, or even concerns as to its creditworthiness, could lead to significant liquidity problems, losses or defaults by other institutions because the stability of many financial institutions may be closely linked to credit, trading, clearing or other relationships between institutions. This risk may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Group interacts on a daily basis, and therefore could adversely affect the Group.



### ***Financial results may be affected by insurance risk***

Underwriting performance, for both the life and non-life businesses, represents an important part of the Group's overall profitability, and fluctuations in the frequency and severity of insurance claims can have a material effect on the consolidated results of operations. In addition, any adverse changes in the rate of claims inflation or in the cost of reinsurance protection could have a material adverse effect on the Group's consolidated financial condition, results of operations and cash flows. Changes in these factors can be very difficult to predict.

### ***Actual experience in the Group's life and non-life businesses could be inconsistent with the assumptions the Issuer uses to price its products, which could adversely affect its results***

The results of the Group's life and non-life businesses depend significantly upon the extent to which its actual claim experience remains consistent with the assumptions used in the pricing of its products. Life insurance premiums are calculated using assumptions as to mortality, interest rates and expenses used to project future liabilities. In non-life insurance, claim frequency, claim severity and expense assumptions are used to determine prices. Although experience (i.e. the claims and expenses as actually experienced) is closely monitored, there is no guarantee that actual experience will match the assumptions that were used in initially establishing the future policyholder benefits and related premium levels. To the extent that actual experience differs significantly from the assumptions used, the Group's insurance businesses may be faced with unforeseen losses that negatively impact its results.

### ***The Group is subject to risks concerning the adequacy of its technical reserves, which could have a negative impact on its results in case these provisions prove to be insufficient***

The technical reserves of the Group's insurance businesses serve to cover the current and future liabilities towards its policyholders and originate from the collection of the insurance premiums. Technical reserves are established with respect to both the Group's life insurance businesses and non-life insurance businesses and are divided in different categories depending on the type of insurance business (life or non-life) to which they relate. These technical reserves and the assets backing them represent the major part of the Group's balance sheet. Depending on the actual realisation of the future liabilities (i.e. the claims as actually experienced), the current technical reserves may prove to be inadequate. For example, the Group's life and health insurance technical reserves are derived from actuarial practices and assumptions, including an assessment of mortality, morbidity rates, expenses and interest rates. If the actual future mortality and morbidity rates deviate from those used in the projections, this may lead to inadequate reserving. Inadequate reserving can also occur due to other factors that are beyond the control of insurers, such as unexpected legal developments, advances in medicine and changes in social attitudes. Although the Group has the necessary actuarial tools (such as liability adequacy testing) in place to closely monitor and manage reserve risk, a residual risk still exists, and to the extent that technical reserves are insufficient to cover the Group's actual insurance losses, expenses or future policy benefits, the Group would have to add to these technical reserves and incur a charge to its earnings, which could adversely impact its results and financial condition.

### ***Regulatory compliance and regulatory changes***

The Group's insurance subsidiaries are subject to government regulation in the jurisdictions in which they conduct business. Regulatory agencies, in particular, IVASS, have broad jurisdiction over many aspects of these businesses, including capital adequacy, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments.

In the European Union, risk-based capital requirements were introduced pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (as amended, the Solvency II Directive), which came into force on 1 January 2016. In Italy, the Solvency II Directive was incorporated into national law by Legislative Decree no. 74 of 12 May 2015.

There continue to be material uncertainties around the impact of the more detailed technical requirements of Solvency II. The new framework covers the definition of “own funds” regulatory capital and, accordingly, will set out the features which any capital must have in order to qualify as regulatory capital. Even though “level two” implementation measures have been enacted and “level three” guidelines have been released, there can be no assurance that such implementation measures and guidelines will not be amended, supplemented or superseded. Moreover, there is considerable uncertainty as to how regulators will interpret the “level two” implementation measures and/or “level three” guidance and apply them to the Issuer or the Group.

If the Issuer were to fail to implement any future implementing legislation related to Solvency II within the time required by the regulations, such delay could result in regulatory sanctions and/or reputational risk for the Issuer. More generally, the implementation of Solvency II could, through its resulting costs and uncertainties, have a materially adverse effect on the financial condition, solvency margin, dividend policy, operations and therefore the business and prospects of the Issuer.

***Risk management policies, procedures and methods may leave the Group exposed to unidentified or unanticipated risks***

The Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, underwriting, liquidity and operating risk and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all market environments or against all types of risks, including risks that the Group fails to identify or anticipate. If existing or potential customers believe that the Group's risk management policies and procedures are inadequate, the Issuer's reputation, as well as its revenues and profits, may be negatively affected.

***The Group is subject to operational risk***

The Group, like all financial services groups, is exposed to many types of operational risk. The Solvency II Directive defines operational risk as the risk of loss, arising from inadequate or failed internal processes, or from personnel and systems, or from external events. Operational risk can also originate from legal risks.

Main operational risks may derive from internal or external fraud, employment practices, clients and products, damage to physical assets, business disruption and system failure, execution and process management.

The Group's systems and processes are designed to ensure that the operational risks associated with the Group's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Group's financial performance and business activities.

***The Group may face security breaches in relation to its IT systems***

The Issuer's website and mobile application, which are increasingly important to its business and continue to grow in complexity and scope, and the computer systems and operating systems on which they run, including those applications and systems in the Issuer's businesses, may be subject to cyber-attacks. Those attacks could involve attempts to gain access to the website or mobile application to obtain and make unauthorised use of customers' or members' payment information. Such attacks, if successful, can also create denials of service or otherwise disable, degrade or sabotage one or more of the Issuer's website or mobile application and otherwise significantly disrupt the Issuer's customers' experience on the Issuer's website or mobile application. If the Issuer is unable to maintain the security of its website and mobile application and keep them operating within acceptable parameters, it could suffer loss of sales, reductions in traffic, reputational damage and deterioration of its competitive position and incur liability for any damage to customers whose personal information is unlawfully obtained and used, any of which events could have a material adverse effect on the Issuer's business, results of operations and financial condition, as well as impede the execution of the Issuer's strategy for the growth of its business. In addition, a security breach

could require the Issuer to devote significant management resources to address the problems created by the security breach and to expend significant additional resources to upgrade further the security measures employed by the Issuer to guard personal information against cyberattacks and other attempts to access such information with a material adverse effect on the Issuer's business, results of operations and financial condition.

Furthermore, the Issuer accepts payments using a variety of methods, including cash, cheques, credit and debit cards, and the Issuer may offer new payment options over time, which may have information security risk implications. Even though the Issuer complies with applicable standards and protocols and other information security measures, it cannot be certain that the security measures it maintains to protect all of its information technology systems are able to prevent, contain or detect any cyber-attacks, cyber terrorism, or security breaches from known cyber-attacks or malware that may be developed in the future. To the extent that any cyberattack or incursion in the Issuer's or one of its third-party service provider's information systems results in the loss, damage or misappropriation of information, the Issuer may be materially adversely affected by claims from customers, financial institutions, regulatory authorities, payment card networks and others with a material adverse effect on the Issuer's business, results of operations and financial condition.

#### ***The Group may be affected by increased competition***

The Italian insurance market has experienced significant changes in recent years due to the introduction of several laws and regulations as a result of the implementation of a number of insurance directives issued by the European Union (EU). Changes in the regulatory regime have also increased competitive pressure on insurance companies in the Italian market in general. There is no assurance that the Group will be able to compete successfully in the future against existing or potential competitors, or that the Group's business, financial condition and results of operations will not be adversely affected by increased competition.

#### ***Risks relating to global financial conditions***

The continuing uncertainty regarding the development of the global economy, for example due to the ongoing sovereign debt crises and inflation and deflation risks in many parts of the world, particularly in Europe, the uncertainties associated with the outcome of the United Kingdom's vote to leave the European Union and the ongoing quantitative easing announced by the European Central Bank, may result in economic instability, limited access to debt and equity financing and possible defaults by the Issuer's counterparties.

As a result, the Issuer's ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Issuer and the Group may be adversely impacted and costs of financing may significantly increase. This could adversely affect the business, results of operations and financial condition of the Issuer, with a consequent adverse effect on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes.

#### ***Reinsurance may not be adequate to protect the Issuer against losses and it may incur losses due to the inability of its reinsurers to meet their obligations***

In the normal course of business, the Group transfers exposure to certain risks in its non-life and life insurance businesses to others through reinsurance arrangements. Under these arrangements, reinsurers assume a portion of the Group's losses and expenses associated with reported and unreported claims in exchange for a portion of the premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly. If reinsurance is not available at commercially attractive rates and if the resulting additional costs are not compensated by premiums paid to the Group, this could adversely affect the Group's results. Also, increasing concentration in the reinsurance market reduces the number of major reinsurance providers and therefore could hamper the Group's efforts to diversify in its reinsurance risk.

Any decrease in the amount of the Group's reinsurance cover relative to its primary insurance liability could increase its risk of loss. Reinsurance arrangements do not eliminate the Group's obligation to pay claims and introduce credit risk with respect to the Group's ability to recover amounts due from the reinsurers. While the Group monitors the solvency of its reinsurers through a periodic review of their financial statements, the risk of default by a reinsurer cannot be excluded. Any inability of the Group's reinsurers to meet their financial obligations could materially adversely affect its insurance businesses' results.

***Risks in connection with the agreements with Banco BPM in relation to Avipop Assicurazioni S.p.A. and Popolare Vita S.p.A.***

The Issuer has recently entered into an agreement with the Banco BPM group for the establishment of a long-term strategic partnership in life and non-life bancassurance. The agreement contemplates the acquisition by Cattolica of a 65% stake in each of Avipop Assicurazioni S.p.A. (the **Non-Life Company**) and Popolare Vita S.p.A. (the **Life Company** and, together with the Non-Life Company, the **Insurance Companies**) and the establishment of a 15-year life and non-life bancassurance partnership for the distribution of bancassurance products through the former Banco Popolare network. On 9 November 2017, the agreement was finalised and Cattolica Assicurazioni and Banco BPM entered into a sale and purchase agreement governing (i) the transfer of 65% of the share capital of, respectively the Non-Life Company and the Life Company; and (ii) the establishment of a long-term partnership in the bancassurance business, for both life and non-life insurance products (collectively the **Transaction**). As part of the Transaction, certain Distribution Agreements (as defined under "*Description of the Group – Recent Developments – The agreements with Banco BPM in relation to Avipop Assicurazioni S.p.A. and Popolare Vita S.p.A.*") will be entered into in connection with the distribution of the relevant bancassurance products. The closing of the Transaction is subject to obtaining clearances from relevant regulatory, antitrust and insurance authorities, as well as the purchase by Banco BPM of the stakes held by Aviva Italia Holding S.p.A. and UnipolSai Assicurazioni S.p.A. in the Non-Life Company and in the Life Company having occurred, respectively (the **Conditions Precedent**) by 31 October 2018. For further information in respect of the Transaction, please see "*Description of the Group – Recent Developments – The agreements with Banco BPM in relation to Avipop Assicurazioni S.p.A. and Popolare Vita S.p.A.*".

Cattolica cannot provide assurances that the Conditions Precedent shall be satisfied by 31 October 2018 or at all, or that the Transaction shall complete as planned. In addition, even if the Transaction is completed as planned, transactions such as the Transaction involve a number of risks, including risks that, once the relevant stakes in the Insurance Companies are acquired, in respect of Cattolica's procedures, systems and information technology, the relevant process of integration may require additional investment and expense above amounts budgeted for such process.

The Distribution Agreements will have a duration of 15 years and provide for terms and conditions in line with market practice for agreements and partnerships of this nature, including provisions governing circumstances in which the agreements may be terminated prior to their scheduled term. Cattolica cannot provide assurances that such circumstances will not occur and that any or all of the Distribution Agreements will not be terminated prior to their scheduled maturity. The Distribution Agreements include specific procedures and mechanisms to accommodate the requirements of the Banco BPM distribution network (e.g., development of new products, training, etc.) in order to facilitate distribution of the relevant bancassurance products. There can be no assurances that such procedures and mechanisms will be sufficient to achieve expected distribution levels. Also, the distribution of bancassurance products pursuant to the Distribution Agreements may not achieve the anticipated results for other reasons, including that Banco BPM's distribution network may not provide a client base that is as prepared to purchase Cattolica's bancassurance products at anticipated levels. In addition, the Insurance Companies will remunerate Banco BPM for the distribution of the relevant bancassurance products at pre-agreed levels. In the event of under-performance with respect to such levels, BPM will pay a penalty to the Insurance Companies. The protections contained in the contractual documentation in respect of the Transaction (including those referred to above) may not prove adequate to compensate Cattolica for lower distribution levels.

Failure to complete the Transaction successfully or the occurrence of any of the above risks could have a material adverse effect on the Group's business, financial condition and results of operations.

## **RISK FACTORS RELATING TO THE NOTES**

### **1. General Risks relating to the Notes**

#### ***Independent review and advice***

Each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Notes. A prospective investor may not rely on the Issuer or the Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

#### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally purchase complex financial instruments as part of a wider financial structure rather than as stand alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### ***Legality of purchase***

Neither the Issuer, the Managers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

### ***Modification, waivers and substitution***

The Terms and Conditions of the Notes (at Condition 11 (*Meetings of Noteholders, Modification, Waiver, Authorisation And Determination*)) and the Agency Agreement (at Schedule 3 (Provisions for Meetings of Noteholders)) contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend or were not represented at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### ***Regulatory and legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

### ***Taxation***

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely upon such tax summary contained in this Prospectus but should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only this adviser is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

### ***Change of law***

The Terms and Conditions of the Notes are based on English law, other than the provisions regarding subordination as set out in Condition 2 of "*Terms and Conditions of the Notes*", which are based on Italian law, in effect as at the date of this Prospectus. In addition, Condition 11 (*Meetings of Noteholders, Modification, Waiver, Authorisation And Determination*) is subject to compliance with Italian law. No assurance can be given as to the impact of any possible judicial decision or change to English or Italian law or administrative practice after the date of this Prospectus.

### ***Italian insolvency law***

Italian insurance companies are subject to a special regime on insolvency, designed to ensure, *inter alia*, control by the supervisory authority, *Istituto per la Vigilanza sulle Assicurazione (IVASS)* over the proceedings.

In the context of this discussion, please note that Italian law provides for a variety of measures which may be ordered by IVASS in relation to insurance companies in the event of serious infringement of regulatory provisions, including in relation to breach of minimum regulatory capital requirements or similar situations indicative of financial distress. In these situations, an insurance company may be subject to measures such

as an obligation to produce a financial plan, a prohibition against undertaking new business and/or an order freezing assets covering the technical reserves. In some circumstances, one or more commissioners (*commissari*) may be appointed in order to accomplish specific administrative actions and/or replace existing management of the insurance company. However, since these measures do not purport to affect the rights of creditors to an insurance company or to result in an acceleration of obligations of the insurance company generally, they will not automatically result in amounts under the Notes becoming immediately due and payable and are not further addressed below.

The only insolvency proceeding in relation to the Issuer which will, of itself, result in an acceleration of amounts under the Notes is *liquidazione coatta amministrativa* (compulsory administrative liquidation, herein the **Liquidation Proceeding**), as governed by Article 245 of the Italian Private Insurance Code. The Liquidation Proceeding may be initiated by the Italian Minister of Productive Activities on proposal by IVASS. Due to the public interest at stake in the regulation of insurance companies, it is not possible for the Liquidation Proceeding to be initiated directly by court order upon petition by one or more creditors. Creditors may, however, petition the court for a declaration of insolvency on the basis of unpaid claims or evident and material financial insufficiency and, if issued by the court, the declaration of insolvency will result in acceleration of the obligations of the Issuer under the Notes as a result of application of Article 1186 of the Italian Civil Code. In addition, a declaration of insolvency would certainly be brought to the attention of the Italian Minister of Productive Activities and IVASS for formal commencement of the Liquidation Proceeding.

As from the date of commencement of the Liquidation Proceeding, creditors are prohibited from undertaking or continuing executive measures against the debtor or its assets. Furthermore, any legal action resulting from commencement of the Liquidation Proceedings, including in relation to payment of amounts due under the Notes, must be brought before the courts of the place where the Issuer has its registered office.

In the event of a Liquidation Proceeding, one or more liquidators (*commissari liquidatori*) will be appointed by IVASS, in addition to a supervisory committee composed of between three to five members. These appointments will be effective for a period of three years, renewable for an indefinite period if necessary in order to complete the procedure. At any time during the proceedings, IVASS may issue regulations or guidelines of general application or specifically addressed to the Issuer in connection with the conduct of the Liquidation Proceeding and may authorise the continuation of specifically identified transactions deemed necessary or useful for the conduct of the Liquidation Proceeding. Within sixty days of their appointment, the liquidators are obliged to notify all creditors of the commencement of the Liquidation Proceeding as well as the amount of claims resulting from the books and records of the Issuer. The liquidators will then have a further 90 days to submit to IVASS a list of creditors admitted to the Liquidation Proceeding and the amount recognised as owing to each. Creditors not admitted or whose claims are not fully recognised will have the right to challenge the list presented to IVASS.

The Italian Private Insurance Code provides the liquidators with all powers necessary to realise the assets of the Issuer, settle outstanding claims and/or enter into loans or other forms of financing, subject in each case to authorisation where applicable by the supervisory committee and/or IVASS. In particular, the liquidators may be empowered to sell the assets and liabilities of the Issuer, as well as the business or any line of business of the Issuer or assets and legal relationships identified on a block basis. Such transfers may occur at any point during the Liquidation Proceedings. The liquidators may likewise transfer the whole or any portion of the insurance portfolio of the Issuer.

At any point during the Liquidation Proceeding, the liquidators or shareholders of the Issuer may propose a composition with creditors, indicating the percentage of claims to be offered to unsecured creditors, as well as the time frame for payment and any security to be provided. The composition must be authorised by IVASS before being filed with the presiding Court. No voting procedure is contemplated in relation to the composition plan, although any creditor is entitled to file opposition, in which case it will be the presiding Court to decide whether or not to authorise its execution.

**As a result of the above, Noteholders should be aware that they will generally have limited ability to influence the outcome of any insolvency proceedings which any apply to the Issuer under Italian law.**

### ***Liquidity risks and market value of the Notes***

The development or continued liquidity of any secondary market for the Notes will be affected by a number of factors such as general economic conditions, political events in Italy or elsewhere, including factors affecting capital markets generally and the stock exchanges on which the Notes or the reference rate are traded, the financial condition and the creditworthiness of the Issuer and/or the Group, and the value of any applicable reference rate, as well as other factors such as the complexity and volatility of the reference rate, the method of calculating the return to be paid in respect of such Notes, the outstanding amount of the Notes, any redemption features of the Notes and the level, direction and volatility of interest rates generally. Such factors also will affect the market value of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and in extreme circumstances such investors could suffer loss of their entire investment.

### ***An active trading market for the Notes may not develop***

There can be no assurance that an active trading market for the Notes will develop, or, if one does develop, that it will be maintained. If an active trading market for the Notes does not develop or is not maintained, the market or trading price and liquidity of the Notes may be adversely affected. The Issuer or its Subsidiaries are entitled to buy the Notes, which shall then be cancelled or caused to be cancelled, and to issue further Notes. Such transactions may favourably or adversely affect the price development of the Notes. If additional and competing products are introduced into the market, this may adversely affect the value of the Notes.

### ***Exchange rate risks and exchange controls***

Payments of principal and interest on the Notes will be made in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

## **2. Risks relating to the structure of the Notes**

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

Notes are represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg. While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg



to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

### ***The Notes are subordinated obligations of the Issuer***

The Notes constitute unconditional and unsecured subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least equally with all other Parity Securities but junior to any unconditional, unsubordinated, unsecured obligations of the Issuer (and the policyholders of the Issuer) (and any other obligations which are less subordinated than the Notes) and senior to any Junior Securities.

The claims of the Noteholders against the Issuer in respect of Notes are, in the event of the winding-up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, subordinated to all other current and future unsubordinated and unprivileged claims on the Issuer (including the claims of all policyholders of the Issuer and relevant beneficiaries).

By virtue of such subordination, payments to Noteholders will, in the event of the winding-up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer only be made after, and any set-off by any Noteholders shall be excluded until, all preferred and non-preferred unsubordinated obligations admissible in any such winding-up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer have been satisfied in full or after an arrangement or composition has been arrived at with them under which they have given full discharge against receipt of part of their claim.

Thus, the Noteholders face a higher performance risk than holders of unsubordinated obligations of the Issuer.

### ***Restrictions on interest payment***

On any Interest Payment Date other than a Compulsory Interest Payment Date or a Mandatory Interest Deferral Date (an **Optional Interest Payment Date**), the Issuer may at its option elect to defer payment of all (but not some only) of the interest accrued to an Interest Payment Date. If the Issuer makes such an election, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose.

On any Mandatory Interest Deferral Date (as defined in Condition 4.2(e)), the Issuer shall defer payment of all (but not some only) of the interest accrued to that Interest Payment Date (and, if relevant, any Arrears of Interest). A **Mandatory Interest Deferral Date** means each Interest Payment Date in respect of which, notwithstanding the occurrence of a Compulsory Interest Payment Event, a Regulatory Deficiency is continuing on such Interest Payment Date, or such interest payment (and, if relevant, any Arrears of Interest) would itself cause a Regulatory Deficiency provided, however, that the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such interest payment (or such part thereof) if, cumulatively:

- (a) the received written notice from the Issuer confirming that a Regulatory Deficiency has occurred and such Regulatory Deficiency is of the type described in paragraph (ii) of the definition of Regulatory Deficiency;
- (b) the Lead Regulator has exceptionally waived the deferral of such interest payment (and, if relevant, any Arrears of Interest thereon);

- (c) the Lead Regulator has confirmed to the Issuer that it is satisfied that payment of such interest (and, if relevant, any Arrears of Interest thereon) would not further weaken the solvency position of the Issuer or the Group; and
- (d) the Minimum Capital Requirement will be complied with immediately following such interest payment (and, if relevant, any Arrears of Interest thereon) is made.

A **Regulatory Deficiency** will occur if:

- (i) Payment of the relevant Interest payment would result in the Issuer becoming insolvent in accordance with the provisions of the relevant insolvency laws and rules and regulations thereunder (including any applicable decision of a court) applicable to the Issuer from time to time;
- (ii) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment; and/or
- (iii) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment,

or such other event that would, under the Applicable Regulations at the relevant time, prevent the payment of Interest Payment.

If interest is deferred pursuant to the Conditions, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose.

Arrears of Interest will not itself bear interest. Arrears of Interest may (subject to the fulfilment of the Conditions to Settlement) at the option of the Issuer be paid in whole or in part at any time but all outstanding Arrears of Interest shall become due and payable upon the earliest of: (i) the next Interest Payment Date which is a Compulsory Interest Payment Date; (ii) the date of any redemption of the Notes in accordance with the provisions relating to redemption of the Notes; and (iii) the commencing of *Liquidazione Coatta Amministrativa* of the Issuer pursuant to the Consolidated Law on Private Insurance Companies or the Issuer becoming subject to a liquidation order. **Conditions to Settlement** are satisfied on any day with respect to any payment of Arrears of Interest if such day would not be a Mandatory Interest Deferral Date if such day was an Interest Payment Date.

**Any deferral of interest payments will be likely to have an adverse effect on the market price of the Notes. In addition, as a result of the above provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to the above provisions and may be more sensitive generally to adverse changes in the Issuer's financial condition.**

***Redemption of the Notes (including on the Maturity Date) will be deferred if conditions for redemption and purchase are not satisfied***

Notwithstanding that a notice of redemption has been delivered to Noteholders, the Issuer must defer redemption of the Notes on the Maturity Date or on any date set for optional redemption of the Notes pursuant to Condition 5 in the event that, inter alia, the Issuer cannot make the redemption payments in compliance with minimum regulatory requirements and the Conditions for Waiver of Redemption Suspension (as defined in Condition 5.11) have not been met. The deferral of redemption of the Notes does not constitute a default under the Notes for any purpose and does not give Noteholders any right to take any enforcement action under the Notes.

Where redemption of the Notes is deferred, the Maturity Date or date scheduled for optional redemption (as the case may be) will be suspended until the earlier of: (a) the date notified by the Issuer on giving at least 5 Business Days' notice to the Noteholders following the date on which the Conditions for Redemption and Purchase (as defined in Condition 5.1) are satisfied and (b) the date on which winding-up proceedings are instituted in respect of the Issuer,

Any actual or anticipated deferral of redemption of the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the redemption deferral provision of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities without such deferral feature, and the Notes may accordingly be more sensitive generally to adverse changes in the Issuer's financial condition.

### ***Early Redemption Risk***

The Issuer may, subject to the Conditions for Redemption and Purchase, redeem all of the Notes (but not some only) on the Interest Reset Date and on any Interest Payment Date thereafter.

The Issuer may also, at its option (but subject to the approval of the Lead Regulator in each case) but subject to certain conditions, redeem the Notes upon the occurrence of certain events, including a Gross-up Event, a Tax Deductibility Event, a Rating Methodology Event and a Regulatory Event, as further described in Condition 5.

Such redemption options will be exercised at the principal amount of the Notes together with interest accrued to the date of redemption (including, for the avoidance of doubt, any Arrears of Interest).

The redemption at the option of the Issuer may affect the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to the Interest Reset Date.

The Issuer may also be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. There can be no assurance that, at the relevant time, Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same return as their investment in the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

### ***Optional Redemption, exchange or variations of the Notes for taxation reasons, regulatory reasons and rating reasons***

The Notes will be issued for capital adequacy regulatory purposes with the intention of being eligible at least as Tier 2 Own Funds regulatory capital of the Issuer. If at any time, the Issuer determines that a Regulatory Event has occurred with respect to the Notes on or after the Issue Date, subject to the conditions set out in Condition 5.7, the Issuer reserves the right to exchange or vary the Notes, subject to not being prejudicial to the interest of the Noteholders, without the consent of the Noteholders so that after such exchange or variation the aggregate nominal amount of the Exchanged Notes or the Varied Notes is treated as at least Tier 2 Own Funds. Alternatively, the Issuer may, under the same circumstances, elect to redeem the Notes early, subject to compliance with the Conditions for Redemption and Purchase.

The Notes may, subject to compliance with the Conditions for Redemption and Purchase, also be redeemed, exchanged or varied without the consent of the Noteholders if at any time the Issuer determines that a Rating Methodology Event or a Tax Event has occurred with respect to the Notes on or after the Issue Date.

### ***There are no events of default under the Notes***

The Conditions of the Notes do not provide for events of default allowing acceleration of the Notes if certain events occur. However, each Note shall become immediately due and payable at its principal amount,

together with accrued interest thereon, to the date of payment and any Arrears of Interest, in the event that (i) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or (ii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in (i) above. Accordingly, if the Issuer fails to meet any obligations under the Notes, including the payment of any interest, investors will not have the right of acceleration of principal. Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment of principal or interest on the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Investors should note, however, that pursuant to mandatory provisions of Italian law, debts may be accelerated in certain circumstances such as the insolvency of the Issuer.

### ***No limitation on issuing or guaranteeing debt ranking senior or "pari passu" with the Notes***

There is no restriction on the amount of debt which the Issuer may issue or guarantee. The Issuer and its Subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the obligations under and in connection with the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including deferral of interest and, if the Issuer were liquidated (whether voluntarily or not), the Noteholders could suffer loss of their entire investment.

### ***Credit ratings may not reflect all risks***

The Notes are expected to be rated BB+ by Standard & Poor's Credit Market Services Italy S.r.l. (**Standard & Poor's**). The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### ***Any decline in the credit ratings of the Issuer may affect the market value of the Notes***

The Issuer has been assigned a rating of BBB (outlook stable) by Standard & Poor's. Standard & Poor's or any other rating agency may change its methodologies for rating securities with features similar to the Notes in the future. This may include the relationship between ratings assigned to an issuer's senior securities and ratings assigned to securities with features similar to the Notes, sometimes called "notching". If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Notes were to be subsequently lowered, this may have a negative impact on the trading price of the Notes.

### ***Interest rate risk***

#### ***Fixed Interest Rate Risk***

Until the Interest Reset Date, the Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the **Market Interest Rate**).

While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically changes on a daily basis.

As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate.

If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes and lead to losses for Noteholders if they sell Notes before the Interest Reset Date.

*Floating Interest Rate Risk*

After the Interest Reset Date, the Notes will carry floating rate interest, payable quarterly in arrear. A holder of a security with a floating rate of interest is exposed to fluctuations in interest rate levels and uncertain interest earnings.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have previously been or are published simultaneously with this Prospectus and have been filed with the Central Bank of Ireland, shall be deemed to be incorporated in, and to form part of, this Prospectus:

- the unaudited half-yearly consolidated interim financial results as at and for the six month period ended 30 June 2017 of the Group (the **2017 Group H1 Interim Report**): to the extent specified in the table below;
- the audited consolidated annual financial statements for each of the financial years ended 31 December 2016 and 31 December 2015 of the Group (the **2016 Group Annual Report** and the **2015 Group Annual Report**, respectively): to the extent specified in the table below;
- the press release headed “*S&P reaffirms Cattolica's rating at BBB- outlook stable. Stand-alone credit profile unchanged at bbb+*” issued by Cattolica Assicurazioni on 3 August 2017: entire document;
- the press release headed “*S&P upgrades Cattolica's rating at BBB outlook stable*” issued by Cattolica Assicurazioni on 31 October 2017: entire document;
- the press release headed “*S&P's affirms Cattolica's rating at BBB, outlook stable, after the announcement of the agreement with Banco BPM*” issued by Cattolica Assicurazioni on 15 November: entire document; and
- the presentation relating to the unaudited interim consolidated results of Cattolica Assicurazioni as at and for the nine-month period ended 30 September 2017, dated 15 November 2017 and headed “*Results as at September 30th, 2017*” (the **Results as at September 30th, 2017**): to the extent specified in the table below,

in each case together with the accompanying notes and (where applicable) audit reports,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus will be available for inspection at the registered office of the Issuer and at the specified office of the Paying Agent for the time being in Luxembourg and will be available for viewing on the website of the Irish Stock Exchange at <http://www.ise.ie/Market-Data-Announcements/Debt> and on the website of the Issuer at ([www.cattolica.it](http://www.cattolica.it)).

In particular, the 2017 Group H1 Interim Report will be published on the Issuer's website at <http://www.cattolica.it/uploads/files/10/59dc76efd995eytHlg1yyPpWskp4eqFI.pdf>;

The 2016 Group Annual Report will be published on the Issuer's website at <http://www.cattolica.it/uploads/files/10/5947d05aefd65XbOwBf5vJfmJyKudghe.pdf>;

The 2015 Group Annual Report will be published on the Issuer's website at <http://www.cattolica.it/uploads/files/10/5759679ce67f878WTCWVSqYvB6Hbj3by.pdf>;

The press release headed “*S&P reaffirms Cattolica's rating at BBB- outlook stable. Stand-alone credit profile unchanged at bbb+*” will be published on the Issuer’s website at <http://www.cattolica.it/uploads/files/10/5983600b27ba3xtoOpg9znzGUtQFG5tu.pdf>;

The press release headed “*S&P upgrades Cattolica's rating at BBB outlook stable*” will be published on the Issuer’s website at <http://www.cattolica.it/uploads/files/10/59f8b662f2bfcSKtrqpRUub9xCIEdpp.pdf>.

The press release headed “*S&P's affirms Cattolica's rating at BBB, outlook stable, after the announcement of the agreement with Banco BPM*” will be published on the Issuer’s website at <http://www.cattolica.it/uploads/files/10/5a0c79e17d121tABDwskSv4uKmQWXP6a.pdf>.

The presentation relating to the unaudited interim consolidated results of Cattolica Assicurazioni as at and for the nine-month period ended 30 September 2017, dated 15 November 2017 and headed “*Results as at September 30th, 2017*” will be published on the Issuer’s website at <http://www.cattolica.it/uploads/files/10/5a0bf961caf30DMpBpDGk1Ur0Ku57tve.pdf>.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

#### Results as at September 30th, 2017

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#### 2017 Group HI Interim Report

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2015 Group Annual Report	
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## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued).*

*Text set out within the Terms and Conditions of the Notes in italics is provided for information only and does not form part of the Terms and Conditions of the Notes.*

The €500,000,000 Fixed/Floating Rate Subordinated Notes due December 2047 callable December 2027 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 13 and forming a single series with the Notes) of Società Cattolica di Assicurazione – Società Cooperativa (the **Issuer**) are issued subject to and with the benefit of a fiscal agency agreement (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 14 December 2017 with BNP Paribas Securities Services, Luxembourg Branch as fiscal agent and principal paying agent and as agent bank and the other paying agents named in the Agency Agreement. The fiscal agent and principal paying agent and the agent bank for the time being and the other paying agents are referred to in these Conditions as, respectively, the **Fiscal Agent**, the **Agent Bank** and the **Paying Agents** (which expression shall include the Fiscal Agent and any future paying agent duly appointed by the Issuer in accordance with the Agency Agreement), each of which expression shall include the successors from time to time of the relevant persons, in such capacities, under the Agency Agreement, and are collectively referred to as the **Agents**.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the holders of the Notes (the **Noteholders**) and the holders of the interest coupons and the talons (**Talons**) for further interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons**, which expressions shall in these Conditions, unless the context otherwise requires, include the holders of the Talons and the Talons respectively) at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.

References to **Conditions** are, unless the context otherwise requires, to the numbered paragraphs below.

### 1. FORM, DENOMINATION AND TITLE

#### 1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denomination of €100,000 with Coupons and one Talon attached on issue.

#### 1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

#### 1.3 Holder Absolute Owner

The Issuer and any Paying Agent may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon).

## 2. STATUS OF THE NOTES

### 2.1 Status

The Notes constitute unconditional and unsecured subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least equally with all other Parity Securities but junior to any unconditional, unsubordinated, unsecured obligations of the Issuer (and the policyholders of the Issuer) (and any other obligations which are less subordinated than the Notes) and senior to any Junior Securities.

For the purposes of these Conditions:

**Applicable Regulations** means, at any time, any legislation, rules or regulations (whether having the force of law or otherwise) then applicable to the Issuer or the Group relating to own funds, capital resources, capital requirements, financial adequacy requirements or other prudential matters (including, but not limited to, the characteristics, features or criteria of any of the foregoing) and without limitation to the foregoing, includes (to the extent then applying as aforesaid) Solvency II and any legislation, rules or regulations of the Lead Regulator relating to such matters.

**Group** means the Issuer and its Subsidiaries.

**Junior Securities** means (A) all classes of share capital (including preference shares – *azioni privilegiate* – and savings shares – *azioni di risparmio*, if any) of the Issuer which rank, or are expressed to rank, junior to the Notes, (B) any obligation (including preferred securities, subordinated notes, bonds or other securities issued by the Issuer) which ranks, or is expressed to rank, junior to the Notes (including any other subordinated obligation of the Issuer which – but for any applicable limitation on the amount of such capital – are eligible for a regulatory treatment as Tier 1 Own Funds, including as a result of grandfathering) and including, for the avoidance of doubt, the €80,000,000 undated subordinated floating rate loan entered into on 30 September 2010 (as subsequently amended) and (C) any guarantee or similar instrument granted by the Issuer which ranks, or is expressed to rank, junior to the Notes.

**Lead Regulator** means the *Istituto per la Vigilanza sulle Assicurazioni (IVASS)*, or any successor entity of IVASS, or any other competent lead regulator to which the Issuer becomes subject.

**Minimum Capital Requirement** means the Minimum Capital Requirement of the Issuer, the Minimum Capital Requirement of the Group or the Group minimum Solvency Capital Requirement (as applicable) referred to in the Applicable Regulations, where non-compliance with the Minimum Capital Requirement shall be deemed to have occurred if the amount of own fund items eligible to cover the Minimum Capital Requirement of the Issuer, on a solo or, where applicable, consolidated basis, is less than the Minimum Capital Requirement (or, as the case may be, the minimum consolidated group Solvency Capital Requirement) of the Issuer.

**Parity Securities** means any subordinated obligations, guarantees or instruments (including, for the avoidance of doubt, the €100,000,000 Fixed/Floating Rate Subordinated Notes due December 2043 callable December 2023) issued by the Issuer which rank, or are expressed to rank, equally with the Notes.

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

**Solvency II** means the Solvency II Directive and any implementing measures adopted pursuant to the Solvency II Directive (for the avoidance of doubt, whether implemented by way of regulation, implementing technical standards or by further directives, guidelines published by the European

Insurance and Occupational Pensions Authority (or any successor entity) or otherwise) including, without limitation, the Solvency II Regulations.

**Solvency II Directive** means Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of insurance and reinsurance (Solvency II) (as amended).

**Solvency II Regulations** means Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II).

**Solvency Capital Requirement** means the Solvency Capital Requirement of the Issuer or the Solvency Capital Requirement of the Group (as applicable) referred to in, or any other capital requirement howsoever described in, the Applicable Regulation, provided that:

(a) non-compliance with the Solvency Capital Requirement shall be deemed to have occurred if the amount of own fund items eligible to cover the Solvency Capital Requirement of the Issuer or the Solvency Capital Requirement of the Group (as applicable), is less than the Issuer's Solvency Capital Requirement or the group Solvency Capital Requirement (as applicable); and

(b) references to the Solvency Capital Requirement shall be read as references to the Minimum Capital Requirement where non-compliance with the Minimum Capital Requirement occurs with respect to the Issuer or the Group, before non-compliance with the Solvency Capital Requirement.

**Subsidiary** means, in relation to any Person (the **first Person**) at any particular time, any other Person (the **second Person**):

- (A) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (B) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

**Tier 1 Own Funds** means own funds which have the necessary features to be classified as Tier 1 under the Applicable Regulations.

**Tier 2 Own Funds** means own funds which have the necessary features to be classified as Tier 2 under the Applicable Regulations.

## 2.2 Payments on the Notes in the event of the liquidation of the Issuer

Noteholders acknowledge and agree that their claims against the Issuer in respect of Notes are, in the event of the winding-up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer, subordinated to all other current and future unsubordinated and unprivileged claims on the Issuer (including the claims of all policyholders of the Issuer and relevant beneficiaries) and any obligations which are less subordinated than the Notes.

By virtue of such subordination, payments to Noteholders will, in the event of the winding-up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer only be made after, and any set-off by any Noteholders shall be excluded until, all preferred and non-preferred unsubordinated obligations and any obligations which are less subordinated than the Notes admissible in any such winding-up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer have been

satisfied in full or after an arrangement or composition has been arrived at with them under which they have given full discharge against receipt of part of their claim.

### 3. **NEGATIVE PLEDGE**

There will be no negative pledge in respect of the Notes.

### 4. **INTEREST AND INTEREST DEFERRAL**

#### 4.1 **Interest**

##### (a) **Fixed Rate**

Unless previously redeemed or repurchased and cancelled in accordance with these Conditions and subject to the further provisions of this Condition 4, the Notes will bear interest on their principal amount from (and including) the Issue Date to (but excluding) 14 December 2027 (the **Interest Reset Date**), at the rate of 4.25 per cent. per annum (the **Fixed Rate of Interest**), payable annually in arrear on each Initial Period Interest Payment Date commencing on 14 December 2018, provided that the interest payment on the first Initial Period Interest Payment Date falling on 14 December 2018 will be in respect of the period from (and including) the Issue Date to (but excluding) 14 December 2018.

The interest payment made on each Initial Period Interest Payment Date shall be in the amount of €4,250 for each Note of the specified denomination. Except as set out above, the amount of interest payable in respect of each Note for any period which is not equal to an Initial Interest Period shall be calculated by applying the Fixed Rate of Interest to the principal amount of such Note, multiplying the product by the Fixed Rate Day Count Fraction and rounding the resulting figure to the nearest euro cent (half a euro cent being rounded upwards).

##### (b) **Floating Rate**

(I) If the Issuer has not redeemed the Notes in accordance with Condition 5 on the Interest Reset Date, the Notes will bear interest for each Step-Up Interest Period from and including the Interest Reset Date to but excluding the date of redemption of the Notes, at the Floating Rate of Interest (as defined below) payable, subject as provided in these Conditions, quarterly in arrear on each Step-Up Period Interest Payment Date.

(II) The rate of interest applicable to the Notes under this clause 4.1(b) (the **Floating Rate of Interest**) for each Interest Period will be determined by the Calculation Agent on the following basis:

(A) the Agent Bank will determine the rate for deposits in euro for a period equal to the relevant Interest Period which appears on EURIBOR01 as of 11.00 a.m. (Brussels time) on the second Target Settlement Day before the first day of the relevant Interest Period (the **Floating Rate Interest Determination Date**);

(B) if such rate does not appear on that page, the Agent Bank will:

(A) request the Euro-zone office of each of four major banks in the Euro-zone interbank market to provide a quotation of the rate at which deposits in euro are offered by it in the Euro-zone interbank market at approximately 11.00 a.m. (Brussels time) on the Floating Rate Interest Determination Date to prime banks in the Euro-zone interbank market for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time; and

- (B) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards) of such quotations; and
- (C) if fewer than two such quotations are provided as requested, the Agent Bank will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the rates quoted by major banks in the Euro-zone market, selected by the Agent Bank, at approximately 11.00 a.m. (Brussels time) on the first day of the relevant Interest Period for loans in euro to leading Euro-zone banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Floating Rate of Interest for such Interest Period shall be the sum of the rate or (as the case may be) the arithmetic mean so determined and the Margin (as defined below); provided, however, that if the Agent Bank is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Floating Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period, or, where there has been no such previous determination, the Floating Rate of Interest shall be equal to the Fixed Rate of Interest.

**(III) Calculation of Interest Amount**

The Agent Bank will, as soon as practicable after the time at which the Floating Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Floating Rate of Interest for such Interest Period to the principal amount of each Note and multiplying the product by the relevant Floating Rate Day Count Fraction and rounding the resulting figure to the nearest euro cent. (half a euro cent. being rounded upwards).

**(IV) Publication**

The Agent Bank will cause each Floating Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Floating Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Agent Bank will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

**(V) Notifications etc**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(c) **Definitions**

For the purposes of these Conditions:

**EURIBOR01** means the display designated “EURIBOR01” on Reuters (or such other page as may replace that page on that service or such other service or services as may be nominated as the information vendor for the purposes of displaying comparable rates).

**Euro-zone** means the region comprised of Member States of the European Union that adopted the single currency in accordance with the Treaty on the functioning of the European Union, as amended.

**Fixed Rate Day Count Fraction** means in respect of the calculation of an amount for any period of time in an Interest Period when Condition 4.1(a) applies (for the purposes of this definition, the **Calculation Period**), the actual number of days in the Calculation Period divided by the actual number of days in the relevant calendar year.

**Floating Rate Day Count Fraction** means in respect of the calculation of an amount for any period of time in an Interest Period when Condition 4.1(b) applies (for the purposes of this definition, the **Calculation Period**), the actual number of days in the Calculation Period divided by 365.

**Initial Interest Period** means each period beginning on (and including) the Issue Date or any Initial Period Interest Payment Date and ending on (but excluding) the next Initial Period Interest Payment Date or the Interest Reset Date, as the case may be.

**Initial Period Interest Payment Date** means 14 December of each year, beginning 14 December 2018 to and including 14 December 2027.

**Interest Amount** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period.

**Interest Payment Date** means an Initial Period Interest Payment Date or a Step-up Period Interest Payment Date, as the case may be.

**Interest Period** means an Initial Interest Period or a Step-Up Interest Period, as the case may be.

**Issue Date** means 14 December 2017.

**Margin** means 4.455<sup>1</sup> per cent. per annum.

**Rate of Interest** means the Fixed Rate of Interest or the Floating Rate of Interest, as the case may be.

**Step-Up Interest Period** means each period beginning on (and including) the Interest Reset Date or any Step-Up Period Interest Payment Date thereafter and ending on (but excluding) the next Interest Payment Date or date of redemption, as the case may be.

**Step-Up Period Interest Payment Date** means 14 December, 14 March, 14 June and 14 September of each year beginning on 14 March 2028 up to and including the date of redemption of the Notes.

## 4.2 Interest Deferral

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<sup>1</sup> Including a step-up of 100 basis points.

On each Interest Payment Date, the Issuer shall pay interest on the Notes accrued to that date ending immediately prior to such Interest Payment Date, subject to the provisions of the following paragraphs.

(a) **Optional Interest Deferral**

On any Interest Payment Date other than a Compulsory Interest Payment Date or a Mandatory Interest Deferral Date (an **Optional Interest Payment Date**), the Issuer may, at its option, elect, by giving notice to the Noteholders pursuant to Condition 4.2(d) below, to defer payment of all (but not some only) of the interest accrued to that Interest Payment Date. If the Issuer makes such an election, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose.

Pursuant to this Condition 4.2(a) (but without prejudice to any other provision of these Conditions), the Issuer may defer payment of interest on each Optional Interest Payment Date but may not defer interest in respect of an Interest Period ending immediately prior to the Maturity Date or any date on which the Notes are redeemed in full pursuant to these Conditions.

(b) **Mandatory Interest Deferral**

On any Mandatory Interest Deferral Date, the Issuer shall, by giving notice to the Noteholders pursuant to Condition 4.2(d) below, defer payment of all (but not some only) of the interest accrued to that Interest Payment Date (and, if relevant, any Arrears of Interest). If interest is deferred pursuant to this Condition, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose and shall not give the Noteholders or Couponholders the right to accelerate any payments.

(c) **Arrears of Interest**

Any such unpaid amounts of interest pursuant to Condition 4.2(a) or (b) will constitute **Arrears of Interest**. Arrears of Interest will not itself bear interest. Arrears of Interest may (subject to the fulfilment of the Conditions to Settlement) at the option of the Issuer be paid in whole or in part at any time but all outstanding Arrears of Interest shall become due upon the earliest of:

- (i) the next Interest Payment Date which is a Compulsory Interest Payment Date; or
- (ii) the date of any redemption of the Notes in accordance with the provisions relating to redemption of the Notes; and
- (iii) the commencing of *Liquidazione Coatta Amministrativa* of the Issuer pursuant to the Consolidated Law on Private Insurance Companies or the Issuer becoming subject to a liquidation order.

**Conditions to Settlement** are satisfied on any day with respect to any payment of Arrears of Interest if such day would not be a Mandatory Interest Deferral Date if such day was an Interest Payment Date.

If amounts in respect of Arrears of Interest become partially payable:

- (A) Arrears of Interest accrued for any Interest Period shall not be payable until full payment has been made of all Arrears of Interest that have accrued during any earlier Interest Period; and

(B) the amount of Arrears of Interest payable in respect of any Note shall be *pro rata* to the total amount of all unpaid Arrears of Interest accrued to the date of payment.

(d) **Notice of Interest Deferral**

The Issuer shall give not more than 25 nor less than 10 days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 12:

- (A) of any Optional Interest Payment Date on which the Issuer elects to defer interest as provided in subparagraph (a) above;
- (B) of any Mandatory Interest Deferral Date and specifying that interest will not be paid due to a Regulatory Deficiency continuing on the next Interest Payment Date, provided that if the Regulatory Deficiency occurs less than five (5) Business Days before such Interest Payment Date, the Issuer shall give notice of the interest deferral as soon as practicable under the circumstances before such Mandatory Interest Deferral Date.

The information contained in any notice given in accordance with this Condition 4.2(d) will be available at the specified office of the Fiscal Agent from the date of the relevant notice.

(e) **Definitions**

In this Condition 4.2 and for the purposes of the Conditions:

**Compulsory Interest Payment Date** means each Interest Payment Date (other than a Mandatory Interest Deferral Date) prior to which, during the Look Back Period preceding such Interest Payment Date, a Compulsory Interest Payment Event occurred.

**Compulsory Interest Payment Event** means any of the following event(s):

- (A) dividends or other distributions on any Junior Securities or Parity Securities of the Issuer have been declared or paid, unless such declaration, payment or distribution is itself mandatory in accordance with the terms and conditions of such security; or
- (B) (A) the Issuer or any of its Subsidiaries has redeemed, repurchased or acquired any Junior Securities (other than a Permitted Repurchase) or (B) Parity Securities of the Issuer are redeemed, repurchased or acquired by the Issuer or any of its Subsidiaries, unless redeemed, repurchased or acquired below par or mandatorily in accordance with the terms and conditions of such security.

**Consolidated Law on Private Insurance Companies** means Italian Legislative Decree No. 209 of 7 September 2005, as amended from time to time.

**Look Back Period** means 12-month (or 6-month or 3-month for securities (other than shares) where remuneration is paid every 6 months or 3 months, respectively) period prior to the relevant Interest Payment Date.

**Mandatory Interest Deferral Date** means each Interest Payment Date in respect of which, notwithstanding the occurrence of a Compulsory Interest Payment Event, a Regulatory Deficiency is continuing on such Interest Payment Date, or such interest payment (and, if relevant, any Arrears of Interest) would itself cause a Regulatory Deficiency provided, however, that the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such interest payment (or such part thereof) if, cumulatively:



- (a) such Regulatory Deficiency is of the type described in paragraph (ii) of the definition of Regulatory Deficiency;
- (b) the Lead Regulator has exceptionally waived the deferral of such interest payment (and, if relevant, any Arrears of Interest thereon);
- (c) the Lead Regulator has confirmed to the Issuer that it is satisfied that payment of such interest (and, if relevant, any Arrears of Interest thereon) would not further weaken the solvency position of the Issuer or the Group; and
- (d) the Minimum Capital Requirement will be complied with immediately following such interest payment (and, if relevant, any Arrears of Interest thereon) is made.

**Permitted Repurchase** means (1) any redemption, repurchase or other acquisition of such Junior Securities of the Issuer held by any member of the Group, (2) a reclassification of the equity share capital of the Issuer or any of its Subsidiaries or the exchange or conversion of one class or series of equity share capital for another class or series of equity share capital, (3) the purchase of fractional interests in the share capital of the Issuer or any of its Subsidiaries pursuant to the conversion or exchange provisions of such security being converted or exchanged, (4) any redemption or other acquisition of Junior Securities of the Issuer in connection with a levy of execution for the satisfactions of a claim by the Issuer, or (5) any redemption or other acquisition of Junior Securities of the Issuer in connection with the satisfaction by the Issuer or any of its Subsidiaries of its obligations under any employee benefit plan or similar arrangement.

**Principal Subsidiary** means consolidated subsidiary of the Issuer engaged in insurance business and regulated as such and whose contribution to the consolidated gross premiums or consolidated technical reserves of the Issuer represents 5 per cent. or more of the consolidated gross written premiums or consolidated gross technical reserves, respectively, for the immediately preceding financial year as shown in the most recent audited consolidated financial statements of the Issuer prior to the relevant Interest Payment Date.

**Regulatory Deficiency** means that:

- (i) payment of the relevant Interest payment would result in the Issuer becoming insolvent in accordance with the provisions of the relevant insolvency laws and rules and regulations thereunder (including any applicable decision of a court) applicable to the Issuer from time to time;
- (ii) there is non-compliance with the Solvency Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Solvency Capital Requirement would occur immediately following, and as a result of making, such Interest Payment; and/or
- (iii) there is non-compliance with the Minimum Capital Requirement at the time for payment of such Interest Payment, or non-compliance with the Minimum Capital Requirement would occur immediately following, and as a result of making, such Interest Payment,

or such other event that would, under the Applicable Regulations at the relevant time, prevent the payment of Interest Payment.

### 4.3 Interest Accrual

The Notes will cease to bear interest from and including the due date for redemption unless payment of the principal in respect of the Notes is improperly withheld or refused on such date or unless default is otherwise made in respect of the payment. In such event, the Notes will continue to bear interest at the relevant rate as specified in this Condition 4.3 on their remaining unpaid amount until

the day on which all sums due in respect of the Notes up to that day are received by or on behalf of the relevant Noteholders.

## 5. REDEMPTION, PURCHASE, EXCHANGE AND VARIATION

### 5.1 Conditions for Redemption and Purchase

- (a) Any redemption of Notes on the Maturity Date or on any date fixed for optional redemption pursuant to Condition 5.3, 5.4, 5.5 or 5.6, and any purchase of the Notes pursuant to Condition 5.8, is subject to satisfaction of the Conditions for Redemption and Purchase on the relevant redemption or, as the case may be, purchase date.

**Conditions for Redemption and Purchase** means each of the following conditions:

- (i) the relevant date of any redemption or purchase of the Notes pursuant to Condition 5.3, 5.4, 5.5, 5.6 or 5.8 is after the fifth anniversary of the Issue Date, unless such redemption or purchase is funded out of the proceeds of a new issuance of, or the Notes are exchanged into, own funds of the same or higher quality than the Notes;
- (ii) the Solvency Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Solvency Capital Requirement to be breached;
- (iii) the Minimum Capital Requirement is met immediately prior to the redemption or purchase of the Notes (as applicable) and the redemption or purchase (as applicable) would not cause the Minimum Capital Requirement to be breached;
- (iv) the prior approval of the Lead Regulator has been obtained and such approval has not been revoked as at the relevant date; and
- (v) redemption or purchase of the Notes does not result in the Issuer becoming insolvent in accordance with the provisions of the relevant insolvency laws and rules and regulations thereunder (including any applicable decision of a court) applicable to the Issuer from time to time; and
- (vi) where any insurance or reinsurance undertaking included in the scope of group supervision of the Issuer under the Applicable Regulations (a **Relevant Undertaking**) is subject to a Relevant Proceeding (as defined below) at the time of the proposed redemption, all claims owed by the Relevant Undertaking to its policyholders and beneficiaries have been met. unless, in each case, such Condition for Redemption is no longer a requirement under the Applicable Regulations at such time in order for the Notes to be recognised in the determination of at least Tier 2 Own Funds.

For the purposes of sub-paragraph (vi) above, **Relevant Proceeding** means the winding-up of a Relevant Undertaking under applicable laws of the jurisdiction of the Relevant Undertaking in circumstances where the assets of the Relevant Undertaking (in the reasonable determination of the Issuer) may or will be insufficient to meet all amounts which, under applicable legislation or rules relating to the winding-up of insurance companies, the policyholders and beneficiaries are entitled to receive pursuant to a contract of insurance or reinsurance of the Relevant Undertaking.

- (b) In case the Conditions for Redemption and Purchase are not satisfied, redemption of the Notes shall be suspended and, unless Condition 5.11 applies:
  - (i) the Maturity Date (in the case of a redemption of the Notes on the scheduled maturity date) shall be postponed in accordance with the provisions set forth in Condition 5.2(b); and
  - (ii) the date fixed for optional redemption, in the case of an optional redemption pursuant to Condition 5.3, 5.4, 5.5 or 5.6, shall be postponed in accordance with the provisions set forth in Condition 5.10,

in each case, regardless of any prior notice of redemption that may already have been delivered to the Noteholders and interest will – subject to the applicable interest deferral provisions of these terms and conditions – continue to accrue on the principal amount outstanding of the Notes in accordance with Condition 4 until such Notes are redeemed in full pursuant to this Condition 5.

- (c) Failure to redeem the Notes on the original Maturity Date or the date fixed for any optional redemption pursuant to Condition 5.3, 5.4, 5.5 or 5.6 shall not constitute a default of the Issuer or any other breach of obligations under the Conditions or for any purpose.
- (d) The Issuer shall give not less than 5 Business Days prior notice to the Paying Agents and to the Noteholders in accordance with Condition 12 of any date on which redemption of the Notes is to be suspended and the Maturity Date will be postponed, provided that if it is not practicable to deliver such notice at least 5 Business Days prior to the Maturity Date, the date fixed for any optional redemption pursuant to Condition 5.3, 5.4, 5.5 or 5.6, such notice shall be delivered as soon as practicable thereafter; provided further that failure to deliver such notice shall not invalidate the suspension of redemption of the Notes.

## **5.2 Redemption on the Maturity Date**

- (a) Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes on the Maturity Date at their principal amount, together with any interest accrued to (but excluding) the Maturity Date and any outstanding Arrears of Interest, subject to satisfaction of the Conditions for Redemption and Purchase.
- (b) If the Conditions for Redemption and Purchase are not satisfied, redemption of the Notes will be suspended and (unless Condition 5.11 applies) the Maturity Date will be postponed to the earlier of:
  - (A) the date notified by the Issuer on giving at least 5 Business Days' notice to the Noteholders in accordance with Condition 12 following the day on which the Conditions for Redemption and Purchase are satisfied (and provided that the Conditions for Redemption and Purchase continue to be satisfied on the date of redemption); or
  - (B) the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer in accordance with, as the case may be, (aa) a resolution of the shareholders' meeting of the Issuer; (bb) any provision of the by-laws of the Issuer (currently, the duration of the Issuer is set at 31 December 2100 although, if this is extended, redemption of the Notes will be equivalently adjusted); or (cc) any applicable legal provision, or any decision of any jurisdictional or administrative authority.

## **5.3 Redemption at the option of the Issuer**

The Issuer may, subject to satisfaction of the Conditions for Redemption and Purchase, redeem all of the Notes (but not some only) on the Interest Reset Date and on any Interest Payment Date thereafter, in each case at their principal amount together with any accrued interest up to (but excluding) the date fixed for redemption and any outstanding Arrears of Interest, on giving not less than 30 and not more than 60 calendar days' notice to the Noteholders in accordance with Condition 12.

#### 5.4 Optional Redemption for Taxation Reasons

- (1) If, at any time, by reason of a change in any Italian law or regulation, or any change in the official application or interpretation thereof, becoming effective after the Issue Date, the Issuer would, on the occasion of the next payment of principal or interest due in respect of the Notes, not be able to make such payment without having to pay additional amounts as specified in Condition 7 (a **Gross-Up Event**), the Issuer may, subject to satisfaction of the Conditions for Redemption and Purchase, on any Interest Payment Date, subject to having given not more than 60 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem the Notes in whole, but not in part, at their principal amount, together with all interest accrued (including any Arrears of Interest) to the date fixed for redemption.
- (2) If, an opinion of a recognised law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that by reason of a change in Italian law or regulation, or any change in the official application or interpretation of such law, becoming effective after the Issue Date, the tax regime of any payments under the Notes is modified and such modification results in a material reduction in the deductibility of payments of interest by the Issuer in respect of the Notes (a **Tax Deductibility Event** and, together with a Gross-Up Event, a **Tax Event**), so long as this cannot be avoided by the Issuer taking reasonable measures available to it at the time, the Issuer may, subject to satisfaction of the Conditions for Redemption and Purchase, redeem the Notes in whole, but not in part, at their principal amount together with all interest accrued (including any Arrears of Interest) to the date fixed for redemption, on the latest practicable date on which the Issuer could make such payment with interest payable being tax deductible in Italy or, if such date has past, as soon as practicable thereafter. The Issuer shall give the Fiscal Agent notice of any such redemption not less than 30 nor more than 60 days before the date fixed for redemption and the Fiscal Agent shall promptly thereafter publish a notice of redemption in accordance with Condition 12.

#### 5.5 Optional Redemption for Regulatory Reasons

If at any time, the Issuer determines that a Regulatory Event has occurred with respect to the Notes on or after the Issue Date, the Issuer may, subject to satisfaction of the Conditions for Redemption and Purchase, redeem the Notes in whole, but not in part, subject to having given not more than 60 nor less than 30 days' prior notice to the Noteholders in accordance with Condition 12, at their principal amount plus any accrued interest (including Arrears of Interest) to the date fixed for redemption.

For the purpose of these Conditions, **Regulatory Event** means that, as a result of any replacement of or change to (or change to the interpretation by the Relevant Regulator or any court or authority entitled to do so of) the Relevant Rules after the Issue Date, the whole or any part of the Notes are no longer capable of counting as Tier 2 Own Funds, for the purposes of the Issuer or the Group, whether on a solo, group or consolidated basis, except where such non-qualification is only as a result of any applicable limitation on the amount of such capital.

#### 5.6 Optional Redemption for Rating Reasons

If at any time the Issuer determines that a Rating Methodology Event has occurred with respect to the Notes, such Notes will, subject to satisfaction of the Conditions for Redemption and Purchase, be redeemable in whole, but not in part, at the option of the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 on any Interest Payment Date at their principal amount plus any accrued interest (including Arrears of Interest if any) to the date fixed for redemption.

For the purposes of these Conditions:

**Equity Credit** shall include such other nomenclature as any Rating Agency may use from time to time to describe the degree to which an instrument exhibits the characteristics of an ordinary share;

**Rating Agency** means any of Moody's Investor Service Limited, Standard & Poor's Ratings Services, Fitch Ratings Ltd and any other rating agency substituted for either of them by the Issuer and, in each case, any of their respective successors to the rating business thereof; and

a **Rating Methodology Event** will be deemed to occur upon a change in the methodology of a Rating Agency (as defined above) (or in the interpretation of such methodology) as a result of which the Equity Credit previously assigned by such Rating Agency to the Notes is, in the reasonable opinion of the Issuer, materially reduced when compared to the Equity Credit first assigned by such Rating Agency.

## **5.7 Exchange and/or Variation for Taxation Reasons, Regulatory Reasons or Rating Reasons**

If at any time the Issuer determines that a Tax Event, a Regulatory Event or a Rating Methodology Event has occurred on or after the Issue Date, the Issuer may, as an alternative to, as appropriate, Condition 5.4, Condition 5.5 or, as appropriate, Condition 5.6 above, on any Interest Payment Date, without the consent of the Noteholders, (i) exchange the Notes for new notes replacing the Notes (the **Exchanged Notes**), or (ii) vary the terms of the Notes (the **Varied Notes**), so that in any case (i) in the case of a Tax Event, the Exchanged Notes or Varied Notes (as the case may be) no longer trigger the relevant Tax Event, (ii) in the case of a Regulatory Event, the aggregate nominal amount of the Exchanged Notes or Varied Notes (as the case may be) is treated under the Applicable Regulations as Tier 2 Own Funds of the Issuer and/or the Group for the purposes of the determination of the Issuer's regulatory capital or, as appropriate, (iii) in the case of a Rating Methodology Event, the Exchanged Notes or the Varied Notes receive (or continue to receive) the Equity Credit first assigned to the Notes by the relevant Rating Agency. Any such exchange or variation is subject to the following conditions:

- (A) the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12;
- (B) the Exchanged Notes or Varied Notes containing terms which comply with the then current requirements of the Lead Regulator in relation to Tier 2 Own Funds;
- (C) the prior approval of the Lead Regulator being obtained;
- (D) the Issuer being in compliance with Applicable Regulations on the date of such exchange or variation, and such exchange or variation not resulting directly or indirectly in a breach of Applicable Regulations;
- (E) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed or admitted to trading and the Exchanged or Varied Notes continue to be listed or admitted on the same stock exchange as the Notes if they were listed immediately prior to the relevant exchange and/or variation;

- (F) the Exchanged Notes or Varied Notes should maintain the same ranking in liquidation, the same interest rate and interest payment dates; the same Interest Reset Date and early redemption rights (provided that the relevant exchange or variation may not itself trigger any early redemption right); the same rights to accrued interest or Arrears of Interest; the same rights to principal; and the Exchange Notes or Varied Notes do not contain any terms providing for contractual loss absorption through principal write-down or conversion into ordinary shares;
- (G) the terms of the exchange or variation not being prejudicial to the interests of the Noteholders, provided that, any exchange or variation made in compliance with paragraphs (i) through (iv) shall not breach this paragraph (G); and
- (H) the issue of legal opinions addressed to the Fiscal Agent from one or more law firms of good reputation confirming (x) that, in respect of Italian law, the Issuer has capacity to assume all rights and obligations under the Exchanged Notes or Varied Notes and has obtained all necessary corporate or governmental authorisation to assume all such rights and obligations and (y) in respect of English law, the legality, validity and enforceability of the Exchanged Notes or Varied Notes.

Any such exchange or variation shall be binding on the Noteholders and shall be notified to them in accordance with Condition 12 as soon as practicable thereafter.

## **5.8 Purchases**

The Issuer or any of the Issuer's Subsidiaries may at any time, subject to satisfaction of the Conditions for Redemption and Purchase being met, purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. Such Notes may be held, reissued or resold or at the option of the Issuer, surrendered to the Fiscal Agent for cancellation.

## **5.9 Cancellation**

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer or any of the Issuer's Subsidiaries and surrendered for cancellation and any unmatured Coupons attached to the Notes or surrendered with them, shall be cancelled and may not be reissued or resold.

## **5.10 Postponement of optional redemption dates**

- (a) Any redemption of Notes notified to Noteholders pursuant to Condition 5.3, 5.4, 5.5 or 5.6 shall be suspended (in whole or in part), and the Issuer shall not be entitled to give any notice of redemption pursuant to the aforementioned Conditions, if the Conditions for Redemption and Purchase are not satisfied.
- (b) Following any suspension of redemption in accordance with the provisions of sub-paragraph (a) above, the date originally fixed for redemption of the Notes pursuant to Condition 5.3, 5.4, 5.5 or 5.6 shall (unless Condition 5.11 applies) be postponed to the earlier of:
  - (i) the date notified by the Issuer on giving at least 5 Business Days' notice to the Noteholders in accordance with Condition 12 following the day on which the Conditions for Redemption and Purchase are satisfied (and provided that the Conditions for Redemption and Purchase continue to be satisfied on the date of redemption); or
  - (ii) the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer in accordance with (a) a resolution of the shareholders' meeting

of the Issuer; (b) any provision of the by-laws of the Issuer (currently, the duration of the Issuer is set at 31 December 2100 although, if this is extended, redemption of the Notes will be equivalently adjusted), as applicable; or (c) any applicable legal provision, or any decision of any jurisdictional or administrative authority.

### **5.11 Waiver of redemption suspension**

- (a) Notwithstanding the provisions of Condition 5.1 and of Condition 5.10, the Notes may be redeemed even though there is non-compliance with the Solvency Capital Requirement or if redemption or repayment would lead to such non-compliance, where all of the following conditions are met:
- (i) all of the Conditions to Redemption and Purchase are met other than that described in 5.1(a)(iii);
  - (ii) the Lead Regulator has exceptionally waived the suspension of redemption of the Notes;
  - (iii) all, but not some only of the Notes are exchanged for, or replaced by, a new issue of own funds of the same or higher quality than the Notes; and
  - (iv) the Minimum Capital Requirement will be complied with immediately following such redemption,

(together, **the Conditions for Waiver of Redemption Suspension**).

- (b) The Issuer shall give at least 5 Business Days' notice to the Noteholders in accordance with Condition 12 informing the Noteholders of the day on which any redemption that has been suspended may take place following satisfaction of the Conditions for Waiver of Redemption Suspension. For the avoidance of doubt, if the Conditions for Waiver of Redemption Suspension have been satisfied before any suspension of redemption has been notified to the Noteholders in accordance with these Conditions, no notice needs to be given by the Issuer under this Condition 5.11.

## **6. PAYMENTS AND EXCHANGES OF TALONS**

*Provisions for payments in respect of Global Notes are set out under "Summary of Provisions Relating to the Notes while represented by the Global Notes" below.*

### **6.1 Payments in respect of Notes**

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

### **6.2 Method of Payment**

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

### **6.3 Missing Unmatured Coupons**

Upon the date on which any Note becomes due and repayable, all unmatured Coupons appertaining to the Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

#### **6.4 Payments subject to Applicable Laws**

Payments in respect of principal and interest on the Notes are subject in all cases (i) to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

#### **6.5 Payment only on a Presentation Date**

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4, be entitled to any further interest or other payment if a Presentation Date is after the due date for payment of any amount in respect of any Note or Coupon.

**Presentation Date** means a day which (subject to Condition 8):

- (a) is or falls after the relevant due date for payment of any amount in respect of any Note or Coupon;
- (b) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a euro account as referred to above, is a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

#### **6.6 Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

#### **6.7 Initial Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Fiscal Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and



- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 12.

## 7. TAXATION

### 7.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment in the Republic of Italy; or
- (b) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (c) by, or on behalf of, a holder who is entitled to avoid such withholding or deduction in respect of the Note or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (d) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (e) in relation to any payment or deduction of any interest, premium or other proceeds of any Note, Receipt or Coupon on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended from time to time; or
- (f) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 6).

### 7.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12; and

- (b) **Relevant Jurisdiction** means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax.

### **7.3 Additional Amounts**

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

### **7.4 FATCA**

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto.

## **8. PRESCRIPTION**

Notes and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6. There shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition or Condition 6.

## **9. ENFORCEMENT EVENTS**

There will be no events of default in respect of the Notes. However, each Note shall become immediately due and payable at its principal amount, together with accrued interest thereon, to the date of payment and any Arrears of Interest, in the event that (i) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or (ii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in (i) above.

## **10. REPLACEMENT OF NOTES AND COUPONS**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **11. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

### **11.1 Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions. Any such meeting may be convened by the directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and by the Issuer, subject to mandatory provisions of Italian law applicable from time to time, upon a requisition in writing signed by the holders of not less than one-twentieth in aggregate principal amount of the Notes for the time being outstanding. If the Issuer defaults in convening such a meeting following

such request or requisition by the Noteholders representing not less than one-twentieth in aggregate principal amount of the Notes outstanding, the same may be convened by decision of the President of the competent court upon request by such Noteholders in accordance with the provisions of Article 2367 of the Italian Civil Code. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code.

The constitution of meetings and the validity of resolutions thereof shall be governed by the provisions of the Italian Civil Code, the Issuer's by-laws in force from time to time and, as long as the Issuer has its shares listed on a regulated market in Italy or another EU member country, by the Italian Financial Act. A Meeting may be validly held as a single call meeting (*assemblea in unica convocazione*) (a **Single Call Meeting**) or as a multiple call meeting (a **Multiple Call Meeting**) if:

- (a) in the case of a Single Call Meeting, there are one or more persons present, being or representing Noteholders, holding in the aggregate at least one-fifth of the principal amount of the Notes for the time being outstanding or such other majority as may be provided for in the Issuer's By-laws, or
- (b) in the case of a Multiple Call Meeting, it is attended by one or more persons present, being or representing Noteholders, holding:
  - (i) in the case of an Initial Meeting, at least one-half of the principal amount of the Notes for the time being outstanding or such higher majority as may be provided for in the Issuer's By-laws,
  - (ii) in the case of a Second Meeting, more than one-third of the principal amount of the Notes for the time being outstanding or such higher majority as may be provided for in the Issuer's By-laws,
  - (iii) in the case of a Further Meeting, at least one-fifth of the principal amount of the Notes for the time being outstanding or such higher majority as may be provided for in the Issuer's By-laws,

provided, however, that Italian law and/or the by-laws of the Issuer may from time to time (to the extent permitted under applicable Italian law) require a different quorum at any of the above meetings. For the avoidance of doubt, each meeting will be held as a Single Call Meeting or as a Multiple Call Meeting depending on the applicable provisions of Italian law and the Issuer's by-laws as applicable from time to time.

The majority required to pass an Extraordinary Resolution at any Meeting (including any Meeting convened following adjournment of the previous Meeting for want of quorum) will be:

- (a) for voting on any matter other than a Reserved Matter, at least two thirds of the aggregate principal amount of the Notes represented at the Meeting;
- (b) for voting on a Reserved Matter, at least one half of the aggregate principal amount of the outstanding Notes (as provided under Article 2415, first paragraph, number 2, of the Italian Civil Code), unless a different majority is required pursuant to Article 2369, paragraph 3 or paragraph 7, of the Italian Civil Code,

*provided, however, that* the by-laws of the Issuer may require, in each case under (a) and (b) above (to the extent permitted under applicable Italian law), a different majority.

Any resolution duly passed at any such meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

## **11.2 Noteholders' Representative**

A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**), subject to applicable provisions of Italian law, may be appointed pursuant to Articles 2415 and 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by an Extraordinary Resolution of such Noteholders, the Noteholders' Representative shall be appointed by a decree of the court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

## **11.3 Modification**

The Fiscal Agent may agree, without the consent of the Noteholders or Couponholders, to any modification of any of these Conditions or any of the provisions of the Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Noteholders. Any modification shall be binding on the Noteholders and the Couponholders and, unless the Fiscal Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 12.

Any modifications of any of these Conditions shall be subject to the prior approval of the Lead Regulator.

## **12. NOTICES**

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Issuer may decide and, so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require, if filed at the Companies Announcements Office of the Irish Stock Exchange. It is expected that newspaper publication will normally be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

## **13. FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes or bonds having terms and conditions the same as those of the Notes, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

## **14. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **15. GOVERNING LAW AND JURISDICTION**

### **15.1 Governing Law**

The Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law, other than the provisions of Condition 2 which shall be governed by, and construed in accordance with, Italian law and provided that Condition 11 and the provisions of the Agency Agreement concerning meetings of Noteholders and the appointment of the *rappresentante comune* are subject to compliance with Italian law.

### **15.2 Jurisdiction of English Courts**

- (a) Subject to Condition 15.2(c) below, the courts of England have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Agency Agreement, the Notes or the Coupons including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes or the Coupons (a Dispute) and accordingly each of the Issuer and any Noteholders and Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 15, each of the Issuer and any Noteholders or Couponholders in relation to any Dispute waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum to settle Disputes.
- (c) This Condition 15.2(c) is for the benefit of the Noteholders and the Couponholders only. To the extent allowed by law, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court of competent jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

### **15.3 Appointment of Process Agent**

The Issuer irrevocably appoints Law Debenture Corporate Services Limited currently at Fifth Floor, 100 Wood Street, London EC2V 7EX or at its registered office for the time being to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent. Nothing shall affect the right to serve process in any manner permitted by law.

### **15.4 Other Documents**

The Issuer has in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together the **Global Notes**) which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

### 1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only if:

- (a) An enforcement event (as set out in Condition 9) has occurred and is continuing; or
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form.

The Issuer will promptly give notice to Noteholders if an Exchange Event (as defined in the Permanent Global Note) occurs. In the case of (a) or (b) above, the holder of the Permanent Global Note, acting on the instructions of one or more of the Accountholders (as defined below), may give notice to the Issuer and the Fiscal Agent and, in the case of (a) below, the Issuer may give notice to the Fiscal Agent of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (a) below, shall surrender the Permanent Global Note to or to the order of the Fiscal Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Agency Agreement. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given, being a day on which banks are open for general business in the place in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

### 2. Payments

Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Fiscal Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note

(if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### **3. Notices**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 12, provided that, so long as the Notes are listed and admitted to trading on the Official List of the Irish Stock Exchange, and the rules and regulations of such exchange so require, an announcement is released by the Issuer through the companies announcement office of the Irish Stock Exchange. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

### **4. Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders other than with respect to the payment of principal and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms). Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### **5. Prescription**

Claims against the Issuer in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7.2).

### **6. Cancellation**

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Fiscal Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

### **7. Euroclear and Clearstream, Luxembourg**

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global

Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system (including, without limitation, Euroclear France and any relevant financial intermediary entitled to hold, directly or indirectly, accounts on behalf of its customers therewith) through which interests in the Notes are held.



## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by the Issuer to finance the acquisition of Avipop Assicurazioni S.p.A. and Popolare Vita S.p.A. (see “*Description of the Group - Recent Developments - The agreements with Banco BPM in relation to Avipop Assicurazioni S.p.A. and Popolare Vita S.p.A.*”).

## DESCRIPTION OF THE GROUP

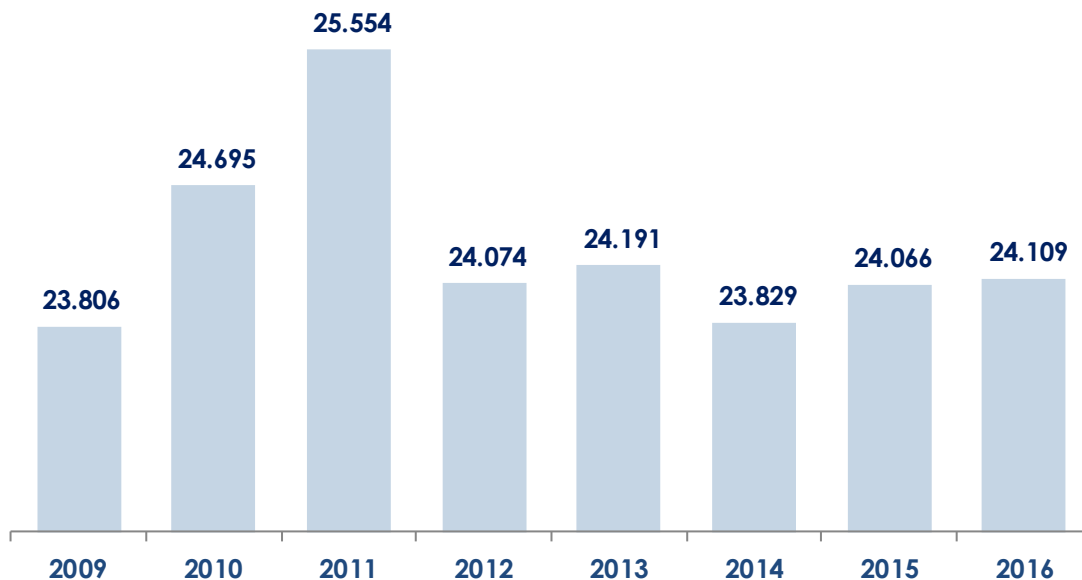
### Overview and History

Società Cattolica di Assicurazione - Società Cooperativa (the **Issuer** or **Cattolica Assicurazioni**) was founded in Verona, Italy on 27 February 1896 with a co-operative legal entity structure under Italian law (*società cooperativa*), and its registered office is at Lungadige Cangrande, 16, 37126 Verona, Italy. Its telephone number is +39 045 8391 111. The Issuer is registered at the Companies Registry of the Chamber of Commerce of Verona, Italy, under Registration No. 00320160237, at the Register of Insurance Undertakings of Italian Body for the Supervision of Insurance (**IVASS**) under No. 1.00012, and at the Register of Insurance Undertakings' Groups of IVASS under No. 019.

Pursuant to its by-laws, the Issuer's term of incorporation shall last until 31 December 2100, subject to extension.

The Issuer has been listed on the Mercato Telematico Azionario, the electronic stock market of the Italian Stock Exchange, since 2000. The Issuer is the parent company of a group consisting of the Issuer and its consolidated subsidiaries (the **Group**), which are active in Italy in both the non-life and life insurance businesses.

As at 30 September 2017, Cattolica Assicurazioni, as a co-operative legal entity, had 24,471 members. The following diagram sets forth the historical number of members from 2009 to 2016 (Source: Cattolica Assicurazioni elaboration based on publicly available data):



The Group's activities are divided into three business segments: life, non-life and other.

The core business of the Group, headed up by Cattolica Assicurazioni, a company which is involved in both life and non-life business, is divided between the non-life business (ABC Assicura, BCC Assicurazioni, TUA Assicurazioni, C.P. Servizi Consulenziali for the Cattolica Danni mandate and TUA Assicurazioni and the closed-end property funds allocated to the non-life portfolio), and the life business (BCC Vita, Berica Vita, Cattolica Life, Lombarda Vita, C.P. Servizi Consulenziali for the Cattolica Vita mandate and the closed-end property funds allocated to the life portfolio). The third segment includes the agricultural real estate sector of Cattolica Agricola and Cattolica Beni Immobili and the operating services of Cattolica

Services, Cattolica Immobiliare and Agenzia Generale Agrifides, which are instrumental in the performance of the Group's activities.

Cattolica Assicurazioni has established its presence on the Italian market both in life and non-life business, having a non-life insurance product share of the Italian market in that sector of 6.2% (at Group level) (based on premiums for the year end 31 December 2016, measured in Italian GAAP), making it the fourth largest in Italy, and a life insurance product share of the Italian market in that sector of 2.7% (at Group level) (based on premiums for the year end 31 December 2016, measured in Italian GAAP)<sup>2</sup>, making it the eleventh largest in Italy. It has close links to the agricultural sector and to small local communities, especially in northern Italy with leadership at Group level in the agricultural sector and a strong focus on the agency network (representing, approximately 92% of non-life distribution capacity) with 1,514 agencies (51% of which are in northern Italy, 27% in central Italy and 22% in southern Italy).

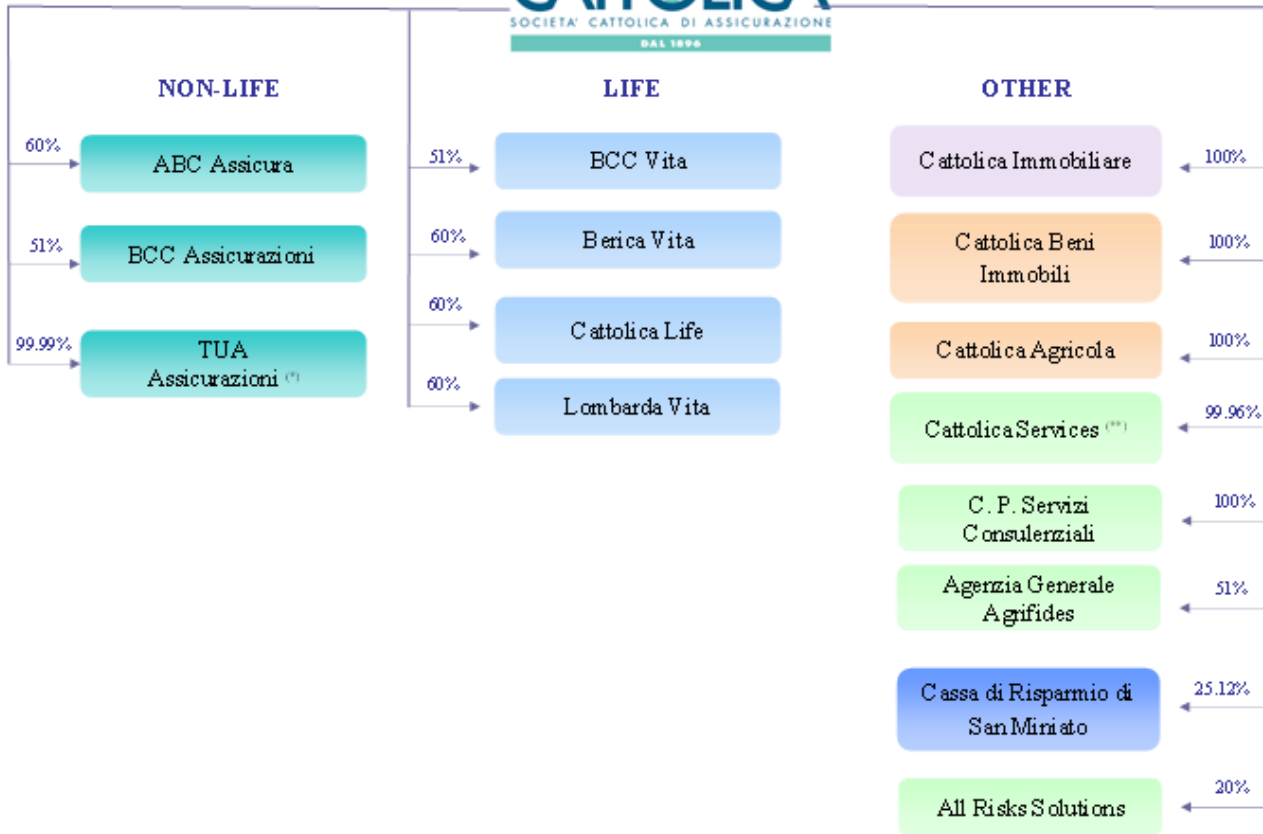
Cattolica Assicurazioni has three long-term partnerships in the *bancassurance* sector in Italy (with the UBI Banca group, the BCC group and Banco BPM S.p.A.<sup>3</sup>).

The following diagram sets forth the organisational structure of the Group as of 30 June 2017 (Source: Cattolica Assicurazioni elaboration based on publicly available data).

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<sup>2</sup> Source: ANIA data based on FY2016 ITAGAAP premiums

<sup>3</sup> See section *Recent Developments – Banco BPM*.



- Non-life insurance
- Life insurance
- Agricultural-real estate property sector
- Operating services
- Banks
- Property services

(\*) TUA Assicurazioni wholly owns TUA Retail.

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

The following table sets out certain key financial information for the years ended 31 December 2016 and 2015 as well as the change year on year in absolute and percentage terms (Source: Cattolica Assicurazioni elaboration based on publicly available data).

(€ millions)	2016	2015	Change	
			Amount	%
<b>Total premiums written</b>	<b>4,758.8</b>	<b>5,611.5</b>	<b>-852.7</b>	<b>-15.2</b>
of which				
<b>Gross premiums written</b>	<b>4,531.3</b>	<b>5,172.1</b>	<b>-640.8</b>	<b>-12.4</b>
Direct business - non-life	1,972.6	2,028.6	-56.0	-2.8
Direct business - life	2,543.6	3,127.6	-584.0	-18.7
Indirect business - non-life	15.1	15.8	-0.7	-4.2
Indirect business - life	0.0	0.1	-0.1	-21.3
of which				
<b>Investment contracts</b>	<b>227.5</b>	<b>439.4</b>	<b>-211.9</b>	<b>-48.2</b>
<b>Consolidated net profit for the period</b>	<b>93</b>	<b>82</b>	<b>11</b>	<b>14.4</b>
<b>Group net profit for the period</b>	<b>76</b>	<b>61</b>	<b>15</b>	<b>25.2</b>

The following table sets out certain key financial information (unaudited) for the half years ended 30 June 2017 and 2016 as well as the change year on year in absolute and percentage terms (Source: Cattolica Assicurazioni elaboration based on publicly available data).

(€ millions)	June 30th, 2017	June 30th, 2016	Changes	
			Amount	%
<b>Total premiums written</b>	<b>2,624.1</b>	<b>2,528.3</b>	<b>95.8</b>	<b>3.8</b>
of which				
<b>Gross premiums written</b>	<b>2,476.9</b>	<b>2,410.6</b>	<b>66.3</b>	<b>2.8</b>
Direct business - non-life	1,003.6	996.4	7.2	0.7
Direct business - life	1,466.3	1,408.0	58.3	4.1
Indirect business - non-life	7.0	6.2	0.8	12.9
Indirect business - life	0	0	0	n.a.
of which				
<b>Investment contracts</b>	<b>147.2</b>	<b>117.7</b>	<b>29.5</b>	<b>25.1</b>
<b>Consolidated net profit for the period</b>	<b>8</b>	<b>25</b>	<b>-17</b>	<b>-68.0</b>
<b>Group net profit for the period</b>	<b>1</b>	<b>17</b>	<b>-16</b>	<b>-94.1</b>

n.a. = not applicable

In the table above 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).

## Financial Overview

The Group closed the year ended 31 December 2016 with a consolidated profit of €93.4 million, compared with €81.6 million the previous year (+14.4%). The Group's net result came to €76.3 million in 2016, compared with €60.9 million for the year ended 31 December 2015 (+25.2%).

Pursuant to Cattolica's strategic choice to strengthen its operations in the agricultural and foodstuffs sector and the finalisation of strategic agreements with significant associations and the merger via incorporation of FATA Assicurazioni Danni (**FATA**) into Cattolica was finalised at the end of December 2016.

In the same sector, Cattolica acquired a 51% stake in the agent company Agenzia Generale Agrifides s.r.l., headquartered in Rome, with the aim of establishing new sales outlets in the territorial headquarters of Coldiretti, thereby expanding its sales network for non-life and life insurance products, of which there were already 19 as of 31 December 2016.

Further investment in the real estate sector continued with participation in the "Mercury" fund, to which 66 properties of three territorial co-operatives forming part of the CONAD Group were transferred in 2016, with an overall value of around €300 million. Cattolica subscribed units equal to 51% in each of the three segments of the "Mercury" fund for a total investment of around €69 million.

Consolidated normalised profit for 2016 decreased compared to 2015 by an extraordinary expense of €57 million, comprised of €39 million due to the writedown of its equity investment and bond holding in Cassa di Risparmio di San Miniato S.p.A. (**CR San Miniato**), and to the writedowns of the equity investments in Banca Popolare di Vicenza (**BPVi**) and Veneto Banca with the subscription price of the Atlante Fund, respectively by €6 million and €2 million, in addition to €4 million for the writedown of the Atlante Fund and €6 million for that of other private equity funds.

The consolidated normalised profit for the year ended 31 December 2016, excluding the effects of non-recurring items, came to €150 million and the Group profit came to €132 million.

The combined ratio of retained business was 93.2% for the year ended 31 December 2016, which remained unchanged in relation to 30 September 2016 and up slightly as at 31 December 2015 (91.5%). The increase during 2016 resulted from a drop in profitability of the motor vehicle class in light of the continuing fall in average premiums which is affecting the entire market, and the effect of the earthquake in central Italy on the non-motor vehicle classes.

The quality of its motor vehicle TPL portfolio and the Group's expertise in claims settlement permit the Group to maintain its technical balance in a highly competitive market which is experiencing an increasing frequency of claims.

Total premiums written in 2016 amounted to €4,758.8 million, down 15.2% from the previous year.

Total direct premiums written in 2016 amounted to €4,743.7 million, compared to €5,595.6 million as of December 31st 2015, a decrease of 15.2%

In the non-life classes, direct premiums written in 2016 amounted to €1,972.6 million (-2.8% compared to the previous year).

The motor vehicle segment had premiums written in 2016 of €1,085.8 million, down 3.3% compared with €1,123.2 million as of 2015. Non motor vehicle classes reported premiums written in 2016 of €886.8 million, down 2.1% compared with €905.4 million as of 2015, mainly due to adjustment decisions.

In the life sector, direct business premiums came to €2,771.1 million in 2016. The 22.3% fall was due largely to the weakness of the distribution channels linked to BPVi (see "Recent Developments – Banca Popolare di Vicenza" below), a decrease of €349 million (or 64,5%) compared to 31 December 2015. With

regard to the other distribution channels, premiums written in 2016 were in line with expectations for traditional products, decreasing over time but in line with market trends for class III products.

Reclassified results of financial operations<sup>4</sup> closed at €473.6 million in 2016, gross of tax compared with €537.7 million in the previous year. Net income from other financial instruments and investment property in 2016 was characterised by the decrease in net income from interest and other net proceeds, which fell from €533.3 million in 2015 to €513.3 million in 2016, in net profits realised, which fell from €149.3 million in 2015 to €66.8 million in 2016 and net losses from the valuation of financial assets, which decreased from €81 million in 2015 to €54.5 million in 2016, plus net charges of €34 million deriving from equity investments in associated companies. Net income deriving from financial assets held for trading was comprised of €2 million in income from net interest and other net proceeds compared with €2.7 million in 2015, of net profits in respect of disposals of € 1.2 million compared with €2.5 million in 2015 and €855 thousand in losses from valuations compared with €477 thousand net income in 2015.

As of 31 December 2016, investments - including properties classified in the line item tangible assets and cash and cash equivalents - amounted to €21,590.9 million (€21,390.9 million as of 31 December 2015). Gross technical provisions for non-life business amounted to €3,566.7 million (€3,589 million as of 31 December 2015). Provisions for life business as of 31 December 2016, inclusive of financial liabilities, amounted to €16,991.7 million (€16,606.4 million as of 31 December 2015).

Consolidated shareholders' equity amounted to €2,113.7 million as of 31 December 2016 (€2,158.7 million as of 31 December 2015).

The Group Solvency II margin<sup>5</sup> as of 31 December 2016 was to 1.92 times the regulatory minimum.

### ***Reclassified consolidated income statement by segment of activities***

The following table sets out an analysis by business segment of the reclassified consolidated income statements of the Group for the years ended 31 December 2016 and 2015 (Source: Cattolica Assicurazioni elaboration based on publicly available data). The reclassified consolidated income statement by segment of activities presented in the unaudited and unreviewed Management Report has been drawn up aggregating and reclassifying the items from the form of accounts provided by IVASS for segment reporting, without considering the eliminations between sectors, and prepared by the management of Cattolica in order to analyse the Group's business performance and financial results in the Groups' annual and interim financial statements.

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<sup>4</sup>Excluding investments whose risk is borne by policyholders and the change in other financial liabilities.

<sup>5</sup> Ratio prior to distribution of Cattolica dividend, calculated according to the Standard Formula with the use of the Undertaking Specific Parameters (USP); Cattolica's board of directors resolved on 16 March 2017 to present to the Supervisory Authority the application for authorisation to use the USPs as from 31 December 2016. The figures, besides being subject to this authorisation, have not yet been subject to relevant checks in accordance with the matters envisaged by the IVASS letter to the market dated 7 December 2016. Net of the dividend proposal, the Group solvency margin would be 1.86 times the regulatory minimum.

(€ millions)	NON-LIFE		LIFE		OTHER		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
Net premiums	1,721	1,767	2,518	3,084	0	0	4,239	4,851
Net charges relating to claims	-1,135	-1,138	-2,752	-3,383	0	0	-3,887	-4,521
Operating expenses	-444	-451	-109	-110	0	0	-553	-561
<i>of which commission and other acquisition costs</i>	-330	-331	-78	-78	0	0	-408	-409
<i>of which other administrative expenses</i>	-114	-120	-31	-32	0	0	-145	-152
Other revenues net of other costs (other technical income and charges)	-26	-28	-34	-26	0	0	-60	-54
Net income from financial instruments at fair value through profit or loss	0	1	38	47	0	0	38	48
<i>Result from class D financial operations <sup>(*)</sup></i>	0	0	36	42	0	0	36	42
Net income from investments in subsidiaries, associated companies and joint ventures	1	0	-35	-50	0	0	-34	-50
Net income from other financial instruments and investment property	91	126	435	476	0	0	526	602
Commissions income net of commissions expense	0	0	6	5	0	0	6	5
Operating expenses relating to investments <sup>(**)</sup>	-7	-7	-19	-18	-2	-2	-28	-27
<b>RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS</b>	<b>201</b>	<b>270</b>	<b>48</b>	<b>25</b>	<b>-2</b>	<b>-2</b>	<b>247</b>	<b>293</b>
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-45	-58	-16	-9	-1	-1	-62	-68
<b>PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR</b>	<b>156</b>	<b>212</b>	<b>32</b>	<b>16</b>	<b>-3</b>	<b>-3</b>	<b>185</b>	<b>225</b>
Taxation	-66	-114	-28	-29	2	0	-92	-143
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>90</b>	<b>98</b>	<b>4</b>	<b>-13</b>	<b>-1</b>	<b>-3</b>	<b>93</b>	<b>82</b>
<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CONSOLIDATED PROFIT (LOSS) FOR THE YEAR</b>	<b>90</b>	<b>98</b>	<b>4</b>	<b>-13</b>	<b>-1</b>	<b>-3</b>	<b>93</b>	<b>82</b>

<sup>(\*)</sup> Includes the Class D profits recognised in the operating expenses relating to investments amounting to less than € 1,687 million, other revenues amounting to € 2,039 million and interest on liquidity for € 109 thousand.

<sup>(\*\*)</sup> Includes operating expenses relating to class D investments amounting to less than € 1,687 million.

The following table sets out an analysis by business segment of the reclassified consolidated income statements of the Group for the half years ended 30 June 2017 and 2016 (Source: Cattolica Assicurazioni elaboration based on publicly available data). The reclassified consolidated income statement by segment of activities presented in the unaudited and unreviewed Management Report has been drawn up aggregating and reclassifying the items from the form of accounts provided by IVASS for segment reporting, without considering the eliminations between sectors, and prepared by the management of Cattolica in order to analyse the Group's business performance and financial results in the Groups' annual and interim financial statements.



(€ millions)	NON-LIFE		LIFE		OTHER		TOTAL	
	June 30th, 2017	June 30th, 2016	June 30th, 2017	June 30th, 2016	June 30th, 2017	June 30th, 2016	June 30th, 2017	June 30th, 2016
Net premiums	873	856	1,453	1,394	0	0	2,326	2,250
Net charges relating to claims	-580	-555	-1,558	-1,501	0	0	-2,138	-2,056
Operating expenses	-225	-218	-55	-57	0	0	-280	-275
<i>of which commissions and other acquisition costs</i>	-168	-160	-40	-41	0	0	-208	-201
<i>of which other administrative expenses</i>	-57	-58	-15	-16	0	0	-72	-74
Other revenues net of other costs (other technical income and charges)	-11	-18	-24	-18	0	0	-35	-36
Net income from financial instruments at fair value through profit or loss	0	0	16	-2	0	0	16	-2
<i>Result from class D financial operations (*)</i>	0	0	15	-2	0	0	15	-2
Net income from investments in subsidiaries, associated companies and joint ventures	1	0	0	-35	0	0	1	-35
Net income from other financial instruments and investment property	45	50	206	222	-1	0	250	272
Commissions income net of commissions expense	0	0	2	4	0	0	2	4
Operating expenses relating to investments	-3	-2	-10	-9	-2	-1	-15	-12
<b>RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS</b>	<b>100</b>	<b>113</b>	<b>30</b>	<b>-2</b>	<b>-3</b>	<b>-1</b>	<b>127</b>	<b>110</b>
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-26	-22	-53	-5	-4	0	-83	-27
<b>PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD</b>	<b>74</b>	<b>91</b>	<b>-23</b>	<b>-7</b>	<b>-7</b>	<b>-1</b>	<b>44</b>	<b>83</b>
Taxation	-24	-45	-13	-13	1	0	-36	-58
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>50</b>	<b>46</b>	<b>-36</b>	<b>-20</b>	<b>-6</b>	<b>-1</b>	<b>8</b>	<b>25</b>
<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>	<b>50</b>	<b>46</b>	<b>-36</b>	<b>-20</b>	<b>-6</b>	<b>-1</b>	<b>8</b>	<b>25</b>

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

## Financial Analysis by Business Segment

The non-life business ended 2016 with a profit of €89.6 million, a decrease of 8.4% compared with €97.8 million for the year ended 31 December 2015. Net premiums for the non-life business in 2016 amounted to €1,721.3 million, compared with €1,766.9 million in 2015 (-2.6%). The combined ratio of direct business came to 91.4%, compared with 91.6% in 2015 and was characterised by a claims ratio (claims to premiums ratio) of 64.3%, in line with 2015 while other administrative expenses fell marginally from 5.9% to 5.7%.

Reclassified result of financial operations, which ended 2016 at €85.4 million (€119.6 million for the year ended 31 December 2015), was mainly characterised by net income deriving from other financial instruments and investment property for €91.3 million, compared with €125.9 million for the year ended 31 December 2015, with net interest and other net income falling from €88.2 million to €77.2 million, net realised gains falling from €85.7 million to €38.5 million, and net losses from valuation falling from €48 million to €24.4 million.

The life business ended 2016 with a profit of €4.4 million, compared with a loss of €13.5 million for the year ended 31 December 2015.

Net life premiums fell from €3,083.8 million in 2015 to €2,517.5 million in 2016 (-18.4%), and financial operations<sup>6</sup> closed 2016 at €390.6 million, compared with €420 million in 2015, with net income from other financial instruments and investment property at €434.7 million in 2016, compared with €476.3 million for the year ended 31 December 2015, interest and other net income falling from €445.4 million in 2015 to

<sup>6</sup>Excluding investments whose risk is borne by policyholders and the change in other financial liabilities.

€435.9 million in 2016, realised net gains dropping from €63.6 million in 2015 to €28.3 million in 2016, and net losses from valuation decreasing from €32.7 million in 2015 to €29.4 million in 2016.

The result relating to the other segment at the end of 2016 was a loss of €664 thousand, compared with a loss of €2.7 million in 2015.

### **Key Financial Indicators**

The following tables set out certain key indicators in respect of 2016 and 2015 and in respect of the half year ended 30 June 2017 (unaudited) (Source: Cattolica Assicurazioni elaboration based on publicly available data).

#### **Key equity indicators**

(€ millions)	2016	2015	Change	
			Amount	%
<b>Investments</b>	<b>21,591</b>	<b>21,391</b>	<b>200</b>	<b>0.9</b>
<b>Technical provisions net of reinsurance amount</b>	<b>18,797</b>	<b>18,169</b>	<b>628</b>	<b>3.5</b>
<b>Financial liabilities relating to investment contracts</b>	<b>1,353</b>	<b>1,623</b>	<b>-270</b>	<b>-16.6</b>
<b>Consolidated shareholders' equity</b>	<b>2,114</b>	<b>2,159</b>	<b>-45</b>	<b>-2.1</b>

(€ millions)	June 30th, 2017	December 31st, 2016	Changes	
			Amount	%
<b>Investments</b>	<b>22,283</b>	<b>21,591</b>	<b>692</b>	<b>3.2</b>
<b>Technical provisions net of reinsurance amount</b>	<b>19,411</b>	<b>18,797</b>	<b>614</b>	<b>3.3</b>
<b>Financial liabilities relating to investment contracts</b>	<b>1,414</b>	<b>1,353</b>	<b>61</b>	<b>4.5</b>
<b>Consolidated shareholders' equity</b>	<b>2,043</b>	<b>2,114</b>	<b>-71</b>	<b>-3.4</b>

#### **Headcount and sales network**

The following tables set out certain key indicators in respect of 2016 and 2015 and in respect of the half year ended 30 June 2017 (Source: Cattolica Assicurazioni elaboration based on publicly available data).

(number)	2016	2015	Change	
			Amount	%
<b>Total headcount</b>	<b>1,568</b> <sup>(1)</sup>	1,580	-12	-0.8%
<b>Full time equivalent headcount</b>	<b>1,508</b> <sup>(1)</sup>	1,522	-14	-0.9%
<b>Direct network:</b>				
Agencies	<b>1,514</b>	1,516	-2	-0.1%
<b>Partner networks:</b>				
Bank branches	<b>5,649</b>	5,744	-95	-1.7%
Financial advisors	<b>906</b>	1,039	-133	-12.8%
Welfare and pension product advisors	<b>318</b> <sup>(2)</sup>	362	-44	-12.2%

<sup>(1)</sup> Having taken into account the exit as of December 31st, 2016 of 9 co-workers of which 8 members of the Intersectorial Solidarity

<sup>(2)</sup> Includes 299 sub-agents of C.P. Servizi Consulenziali and 19 sub-agents of Agenzia Generale Agrifides.

(number)	June 30th, 2017	December 31st, 2016	Changes	
			Amount	%
<b>Total headcount</b>	<b>1,584</b>	1,568	16	1.0%
<b>Full time equivalent headcount</b>	<b>1,523</b>	1,508	15	1.0%
<b>Direct network:</b>				
Agencies	<b>1,509</b>	1,496 <sup>(1)</sup>	13	0.9%
<b>Partner networks:</b>				
Bank branches	<b>5,644</b>	5,649	-5	-0.1%
Financial advisors	<b>879</b>	906	-27	-3.0%
Welfare and pension product advisors	<b>247</b>	299	-52	-17.4%
Agrifides sub-agencies	<b>28</b>	19	9	47.4%

<sup>(1)</sup> The figure adopts a reclassification on calculation of the agencies.

### Key indicators

The following tables set out certain key indicators in respect of 2016 and 2015 and in respect of the half years ended 30 June 2017 and 2016 (unaudited) (Source: Cattolica Assicurazioni elaboration based on publicly available data).

	2016	2015
<b>Non-life ratios for retained business</b>		
Claims ratio (Net charges relating to claims / Net premiums)	65.9%	64.4%
G&A ratio (Other administrative expenses / Net premiums)	6.6%	6.8%
Commission ratio (Acquisition costs / Net premiums)	19.2%	18.7%
Total Expense ratio (Operating expenses / Net premiums)	25.8%	25.5%
Combined ratio (1 - (Technical balance / Net premiums))	93.2%	91.5%
<b>Non-life ratios for direct business</b>		
Claims ratio (Net charges relating to claims / Premiums for the year)	64.3%	64.3%
G&A ratio (Other administrative expenses / Premiums for the year)	5.7%	5.9%
Commission ratio (Acquisition costs / Premiums for the year)	19.8%	19.8%
Total Expense ratio (Operating expenses / Premiums for the year)	25.5%	25.7%
Combined ratio (1 - (Technical balance / Premiums for the year))	91.4%	91.6%
<b>Life ratios</b>		
G&A ratio (Other administrative expenses / Premiums written)	1.1%	0.9%
Commission ratio (Acquisition costs / Premiums written)	2.8%	2.2%
Total Expense ratio (Operating expenses / Premiums written)	3.9%	3.1%
<b>Total ratios</b>		
G&A ratio (Other administrative expenses / Premiums written)	3.0%	2.7%

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

	June 30th, 2017	June 30th, 2016	December 31st, 2016
<b>Non-life ratios for retained business</b>			
Claims ratio (Net charges relating to claims / Net premiums)	66.5%	64.9%	65.9%
G&A ratio (Other administrative expenses / Net premiums)	6.5%	6.8%	6.6%
Commission ratio (Acquisition costs / Net premiums)	19.2%	18.7%	19.2%
Total Expense ratio (Operating expenses / Net premiums)	25.7%	25.5%	25.8%
Combined ratio (1 - (Technical balance / Net premiums))	93.4%	92.5%	93.2%
<b>Non-life ratios for direct business</b>			
Claims ratio (Net charges relating to claims / Premiums for the year)	65.1%	63.8%	64.3%
G&A ratio (Other administrative expenses / Premiums for the period)	5.8%	6.0%	5.7%
Commission ratio (Acquisition costs / Premiums for the year)	20.3%	19.9%	19.8%
Total Expense ratio (Operating expenses / Premiums for the year)	26.1%	25.9%	25.5%
Combined ratio (1 - (Technical balance / Premiums for the year))	92.6%	91.5%	91.4%
<b>Life ratios</b>			
G&A ratio (Other administrative expenses / Premiums written)	1.0%	1.0%	1.1%
Commission ratio (Acquisition costs / Premiums written)	2.5%	2.7%	2.8%
Total Expense ratio (Operating expenses / Premiums written)	3.5%	3.7%	3.9%
<b>Total ratios</b>			
G&A ratio (Other administrative expenses / Premiums written)	2.8%	2.9%	3.0%

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

## Strategy

The Group's strategy is focused on achieving sustainable growth and capital strength through the following initiatives:

- signing a significant new life (and non-life) distribution agreement with Banco BPM, the third largest Italian bank in order to achieve larger scale and improve profitability;
- completing the technical turnaround of the non-motor corporate business;
- closing the gap with the Group's main competitors on the innovation, data driven Company and connected insurance, with the aim of attracting new customer segments (e.g. young people), increasing revenues but also increasing profitability via more sophisticated products with higher margins;
- optimising capital management from a Solvency II perspective;
- enhancing technical and professional skills;
- Optimising organisation;
- improving market communication.

## Group Insurance Business

### Premium Classified By Acquisition Sector

Insurance premiums are shown in the table below, along with the indication of the percentage in relation to total direct business for the relevant year (and, unaudited, half year) and percentage changes compared with the previous financial year (and, unaudited, half year), together with investment contracts (Source: Cattolica Assicurazioni elaboration based on publicly available data).

Classes (€ millions)	2016		2015		Change	
	Amount	% of total	Amount	% of total	Amount	%
Accident and injury	197.1	4.4	202.4	3.9	-5.3	-2.6
Health	62.1	1.4	68.1	1.3	-6.0	-8.8
Land vehicle hulls	133.8	3.0	132.0	2.6	1.8	1.4
Goods in transit	6.7	0.2	9.4	0.2	-2.7	-28.5
Fire & natural forces	123.5	2.8	122.1	2.4	1.4	1.2
Other damage to assets	221.9	4.9	219.9	4.3	2.0	0.9
TPL - Land motor vehicles	952.0	21.1	991.2	19.2	-39.2	-4.0
TPL - General	173.4	3.9	178.1	3.4	-4.7	-2.6
Credit	0.6	n.s.	0.9	n.s.	-0.3	-29.4
Suretyship	19.6	0.4	19.6	0.4	0.0	-0.5
Sundry financial losses	23.8	0.5	29.3	0.6	-5.5	-18.9
Legal protection	15.2	0.3	15.6	0.3	-0.4	-2.2
Assistance	37.4	0.8	35.8	0.7	1.6	4.4
Other classes <sup>(1)</sup>	5.5	n.s.	4.2	n.s.	1.3	27.1
<b>Total non-life classes</b>	<b>1,972.6</b>	<b>43.7</b>	<b>2,028.6</b>	<b>39.3</b>	<b>-56.0</b>	<b>-2.8</b>
Insurance on the duration of human life - class I	1,904.7	42.2	2,473.1	48.0	-568.4	-23.0
Insurance on the duration of human life linked to investment funds - class III	393.9	8.7	410.2	8.0	-16.3	-4.0
Health insurance - class IV	1.1	n.s.	0.9	n.s.	0.2	21.2
Capitalisation transactions - class V	228.4	5.1	229.6	4.4	-1.2	-0.5
Pension funds - class VI	15.5	0.3	13.8	0.3	1.7	12.4
<b>Total life classes</b>	<b>2,543.6</b>	<b>56.3</b>	<b>3,127.6</b>	<b>60.7</b>	<b>-584.0</b>	<b>-18.7</b>
<b>Total direct business</b>	<b>4,516.2</b>	<b>100.0</b>	<b>5,156.2</b>	<b>100.0</b>	<b>-640.0</b>	<b>-12.4</b>
<b>Indirect business</b>	15.1		15.9		-0.8	-4.3
<b>Total insurance premiums</b>	<b>4,531.3</b>		<b>5,172.1</b>		<b>-640.8</b>	<b>-12.4</b>
Insurance on the duration of human life linked to investment funds - class III	93.6	41.2	305.9	69.6	-212.3	-69.4
Pension funds - class VI	133.9	58.8	133.5	30.4	0.4	0.3
<b>Total investment contracts</b>	<b>227.5</b>	<b>100.0</b>	<b>439.4</b>	<b>100.0</b>	<b>-211.9</b>	<b>-48.2</b>
<b>TOTAL PREMIUMS WRITTEN</b>	<b>4,758.8</b>		<b>5,611.5</b>		<b>-852.7</b>	<b>-15.2</b>

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

n.s. = not significant

Classes (€ millions)					Changes	
	June 30th, 2017	% of total	June 30th, 2016	% of total	Amount	%
Accident and injury	100.0	4.1	96.0	4.0	4.0	4.2
Health	29.2	1.2	29.4	1.2	-0.2	-0.7
Land vehicle hulls	69.6	2.8	67.2	2.8	2.4	3.6
Goods in transit	4.8	0.2	4.0	0.2	0.8	20.0
Fire & natural forces	57.9	2.3	58.1	2.4	-0.2	-0.3
Other damage to assets	122.4	5.0	123.0	5.1	-0.6	-0.5
TPL - Land motor vehicles	479.3	19.4	482.3	20.1	-3.0	-0.6
TPL - General	88.6	3.6	84.5	3.5	4.1	4.9
Credit	0	0	0.4	n.s.	-0.4	-100.0
Suretyship	9.2	0.4	10.2	0.4	-1.0	-9.8
Sundry financial losses	12.2	0.5	12.8	0.6	-0.6	-4.7
Legal protection	8.0	0.3	7.8	0.3	0.2	2.6
Assistance	20.4	0.8	18.6	0.8	1.8	9.7
Other classes <sup>(1)</sup>	2.0	n.s.	2.1	n.s.	-0.1	-4.8
<b>Total non-life classes</b>	<b>1,003.6</b>	<b>40.6</b>	<b>996.4</b>	<b>41.4</b>	<b>7.2</b>	<b>0.7</b>
Insurance on the duration of human life - class I	1,064.5	43.1	1,064.6	44.3	-0.1	-0.0
Insurance on the duration of human life linked to investment funds - class III	263.8	10.7	221.3	9.2	42.5	19.2
Health insurance - class IV	0.8	n.s.	0.4	n.s.	0.4	100.0
Capitalisation transactions - class V	131.4	5.3	116.5	4.9	14.9	12.8
Pension funds - class VI	5.8	0.3	5.2	0.2	0.6	11.5
<b>Total life classes</b>	<b>1,466.3</b>	<b>59.4</b>	<b>1,408.0</b>	<b>58.6</b>	<b>58.3</b>	<b>4.1</b>
<b>Total direct business</b>	<b>2,469.9</b>	<b>100.0</b>	<b>2,404.4</b>	<b>100.0</b>	<b>65.5</b>	<b>2.7</b>
<b>Indirect business</b>	<b>7.0</b>		<b>6.2</b>		<b>0.8</b>	<b>12.9</b>
<b>Total insurance premiums</b>	<b>2,476.9</b>		<b>2,410.6</b>		<b>66.3</b>	<b>2.8</b>
Insurance on the duration of human life linked to investment funds - class III	76.9	52.2	46.7	39.7	30.2	64.7
Pension funds - class VI	70.3	47.8	71.0	60.3	-0.7	-1.0
<b>Total investment contracts</b>	<b>147.2</b>	<b>100.0</b>	<b>117.7</b>	<b>100.0</b>	<b>29.5</b>	<b>25.1</b>
<b>TOTAL PREMIUMS WRITTEN</b>	<b>2,624.1</b>		<b>2,528.3</b>		<b>95.8</b>	<b>3.8</b>

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

n.s. = not significant

Life premiums divided by insurance class (taking account of both insurance premiums and investment contracts) are set out in the table below for the periods indicated (Source: Cattolica Assicurazioni elaboration based on publicly available data):

Life business (€ millions)	2016		2015		Change	
	Amount	% of total	Amount	% of total	Amount	%
Insurance on the duration of human life - class I	1,904.7	68.7	2,473.1	69.4	-568.4	-23.0
Insurance on the duration of human life linked to investment funds - class III	487.5	17.6	716.1	20.1	-228.6	-31.9
Health insurance - class IV	1.1	n.s.	0.9	n.s.	0.2	21.2
Capitalisation transactions - class V	228.4	8.3	229.6	6.4	-1.2	-0.5
Pension funds - class VI	149.4	5.4	147.3	4.1	2.1	1.5
<b>Total direct business</b>	<b>2,771.1</b>	<b>100.0</b>	<b>3,567.0</b>	<b>100.0</b>	<b>-795.9</b>	<b>-22.3</b>
Indirect business	0.0		0.1		-0.1	-21.3
<b>Total life premiums written</b>	<b>2,771.1</b>		<b>3,567.1</b>		<b>-796.0</b>	<b>-22.3</b>

n.s. = not significant

Life business (€ millions)	June 30th, 2017		June 30th, 2016		Changes	
	Amount	% of total	Amount	% of total	Amount	%
Insurance on the duration of human life - class I	1,064.5	66.0	1,064.6	69.8	-0.1	-0.0
Insurance on the duration of human life linked to investment funds - class III	340.7	21.1	268.0	17.6	72.7	27.1
Health insurance - class IV	0.8	n.s.	0.4	n.s.	0.4	100.0
Capitalisation transactions - class V	131.4	8.2	116.5	7.6	14.9	12.8
Pension funds - class VI	76.1	4.7	76.2	5.0	-0.1	-0.1
<b>Total life premiums - direct business</b>	<b>1,613.5</b>	<b>100.0</b>	<b>1,525.7</b>	<b>100.0</b>	<b>87.8</b>	<b>5.8</b>

n.s. = not significant

### Life business – Premiums

Insurance premiums in the life business totalled €2,543.6 million for the year ended 31 December 2016 (-18.7% compared to 2015). Premiums written relating to investment contracts amounted to €227.5 million for the year ended 31 December 2016 (-48.2% compared to 2015). Total direct life premiums written, amounting to €2,771.1 million for the year ended 31 December 2016, a decrease of 22.3% compared with €3,567 million as of 31 December 2015.

Even though considerably decreased, in 2016 the Group's life premiums showed a sharp trend towards traditional saving and investment solutions, represented by the class I and class V products linked to segregated schemes. As a result of the continuing volatility of stock markets during 2016 and the uncertainty of the overall economic context, there was a sharp slowdown in the development of the products with a higher financial component throughout 2016.

Nevertheless, in 2016 the class III segment (fully attributable to unit-linked policies, associated with Internal Funds, external UCIT units or SICAV segments) generated a positive performance for the Group of around 17.6% of total premiums, with a significantly lower drop than that reported by the insurance industry in Italy as a whole.

In 2016, Group life premiums written continued to be distributed through the bank-assurance channel, which, however, registered a considerable drop primarily due to distribution via the branches of the BPVi group.

This also had an impact on class I (insurance on the duration of human life) in 2016 with a decrease of 23% in insurance premiums from €2,473.1 million in 2015 to €1,904.7 million in 2016.

The performance of the agency channels of all the Group networks reported a 9% increase in 2016 compared with the previous year.

The drop in premiums that flow to the segregated schemes is constantly monitored, with a view to ensuring the sustainability over time of the returns offered. These could be partly compromised by the diluting effect of the significant decrease in interest rates on investments linked to the new incoming assets, partially offset by a reduction in the outflows.

Total class III premiums written (insurance on the duration of human life linked to investment funds) comprising unit linked contracts amounted to €487.5 million in 2016, compared with €716.1 million for the year ended 31 December 2015 (-31.9%). Investment contracts amounted to €93.6 million in 2016, compared with €305.9 million for the year ended 31 December 2015 (-69.4%).

Total class V premiums written (capitalisation) in 2016 amounted to €228.4 million, compared with €229.6 million for the year ended 31 December 2015 (-0.5%).

Class VI premiums written (pension funds) in 2016 amounted to €149.4 million due primarily to investment contracts, compared with €147.3 million for the year ended 31 December 2015 (+1.5%).

Traditional products, which include classes I, IV and V, amounted to €2,134.2 million, compared with €2,703.6 million for the year ended 31 December 2015 (-21.1%).

In summary, direct life premiums written are divided up as follows by classes: classes I, IV and V 77.0% (compared with 75.8% as of 2015) and classes III and VI 23.0% (compared with 24.2% as of 2015).

Direct life premiums written are divided up as follows by sales channels: the agency channel with €475.6 million, compared with €434.7 million as of 2015 (+9.4%), the banking channel (which include agents and subagents) with €2,004.5 million, compared with €2,655.5 million as of 2015 (-24.5%), brokers (which include financial advisors) with €59.2 million, compared with €222.7 million as of 2015 (-73.4%) and other channel with €231.9 million, compared with €254.1 million as of 2015 (-8.8%).

### **Non-Life Businesses – written Premiums**

Direct non-life premiums written dropped from €2,028.6 million in 2015 to €1,972.6 million in 2016, a decrease of 2.8%. Indirect premiums fell from €15.8 million in 2015 to €15.1 million in 2016.

As already mentioned, the motor vehicle segment reported premiums of €1,085.8 million in 2016, down 3.3% compared with 2015. Non-motor vehicle classes reported premiums written of €886.8 million in 2016, down 2.1% on 2015, and were increasingly focused on products intended for retail customers.

In particular, with reference to the main non-life classes, premiums relating to land vehicle hulls (*corpi di veicoli terrestri*) rose to €133.8 million in 2016 (+1.4% compared to 2015), while those relating to the fire and natural forces class amounted to €123.5 million in 2016 (+1.2% compared to 2015) and the damage to assets class amounted to €221.9 million in 2016 (+0.9% compared to 2015).

Classes that saw a decrease in premiums in 2016 included the accident and injury class, amounting to €197.1 million in 2016 (-2.6% compared to 2015), the health class, amounting to €62.1 million in 2016 (-8.8% compared to 2015), the TPL motor class amounting to €952 million in 2016 (-4% compared to 2015) and the TPL general class amounting to €173.4 million in 2016 (-2.6% compared to 2015).

In summary, direct non-life premiums written are divided up as follows by classes: motor TPL 48.3%, other damage to assets 11.3%, accident and injury 10.0%, general TPL 8.8%, land vehicles hulls 6.8%, fire and natural forces 6.3%, health 3.1% and others 5.4%.

Direct non-life premiums written were generated as follows: the agency channel generated €1,819.4 million in 2016 (-2.5% compared to 2015), the banking channel generated €56.2 million in 2016 (-11.5% compared to 2015), brokers generated €73.1 million in 2016 (+35.9% compared to 2015) and other channels generated



€23.9 million in 2016 (-47.2% compared to 2015). Then direct non-life premiums written are divided up as follows by sales channels: agencies 92.2%, brokers 3.7%, banks 2.9% and other channels 1.2%.

Direct business non-life premiums are attributable to Cattolica for €1,657.1 million, ABC Assicura for €18 million, BCC Assicurazioni for €34.5 million and TUA Assicurazioni for €263 million.

## **Recent Developments**

### ***Banca Popolare di Vicenza***

On 10 February 2017 further to the matters communicated on 4 August 2016, since six months had elapsed as from receipt by BPVi of the communication dated 4 August 2016 with respect to the unilateral withdrawal of Cattolica from the partnership agreements with the bank, the lock-up restriction on 4,120,976 Cattolica shares owned by BPVi ceased, without prejudice to other matters envisaged in the agreements. The period for exercising the right to sell BPVi investments held in the share capital of Berica Vita, Cattolica Life and ABC Assicura according to the partnership agreements, drawn up with the bank and already in the public domain, started from that date.

Further, with regard to the various transactions entered into by BPVi between 2014 and 2016, Cattolica decided to check all requirements and conditions for the protection of its claims as investor in BPVi, with particular reference to the share capital increase transactions of BPVi in the spring of 2014 and the content of the related prospectus. A specific opinion was requested on the matter from qualified legal advisors, who opined on the theoretical existence of compensatory claims of Cattolica and on the appropriateness of waiting, due to launch of the related actions, the outcome of the assessments and the sanction procedures vis-à-vis the former exponents of BPVi launched by CONSOB.

On 4 April 2017 Cattolica resolved to exercise its option to sell BPVi investments held in the share capital of Berica Vita, Cattolica Life and ABC Assicura according to the partnership agreements drawn up at the time and mentioned above. As of that date the value amounted to €186.1 million. Moreover, based on accounting and actuarial results, the penalties set for failure to meet the production and profitability targets of the investee companies amounted to €8.6 million as of 10 February 2017.

On 5 April 2017 BPVi issued a press release reporting that 10,500,000 ordinary Cattolica shares had been sold.

In compliance with Italian Decree Law dated 25 June 2017, the Italian Minister for the Economy and Finance, at the request of the Bank of Italy, subjected BPVi to compulsory winding up. The Bank of Italy appointed the liquidator commissioners.

In implementing the ministerial instructions and with the support of the Italian government, the liquidator commissioners transferred company assets and liabilities to Intesa SanPaolo S.p.A., which took over the transferor's customer relations without interruption. The bank's impaired loans, omitted from the transfer, will be transferred at a later date to a state-controlled company.

The rights of shareholders and subordinated liabilities will remain under the liquidation.

All legal and commercial relationships between Cattolica and BPVi, however, ceased as a result of the compulsory winding-up, and outstanding claims of Cattolica will be determined during the liquidation procedure.

On 8 August 2017, Cattolica Assicurazioni sent the bodies responsible for the compulsory winding up of BPVi the “Request for the acknowledgment of receivables pursuant to Article 86.5 of Italian Legislative Decree No. 385/1993” in relation to the receivables for more than €225 million concerning (i) the failure of the BPVi to purchase the Cattolica Assicurazioni equity investments in the jointly-owned companies Berica

Vita S.p.A., ABC Assicura S.p.A. and Cattolica Life DAC, (ii) the subscription of 485,788 BPVi shares and (iii) fines in relation to insurance brokerage commitments.

***The agreements with Banco BPM in relation to Avipop Assicurazioni S.p.A. and Popolare Vita S.p.A.***

On 17 October 2017, Cattolica Assicurazioni accepted the proposal of Banco BPM S.p.A. (**Banco BPM**) to launch an exclusive negotiation phase for the bancassurance partnership agreement, which envisages the acquisition of a majority holding in Avipop Assicurazioni S.p.A. (the **Non-Life Company**) and Popolare Vita S.p.A. (the **Life Company** and, together with the Non-Life Company, jointly, the **Insurance Companies**) and the signing of a long-term agreement with Banco BPM for the distribution of life and non-life products on the former Banco Popolare network.

On 3 November 2017 Banco BPM and Cattolica Assicurazioni announced that they have reached an agreement for the establishment of a long term strategic partnership in Life and Non-Life bancassurance. The agreement foresees the acquisition by Cattolica of a 65% stake in the Insurance Companies and the establishment of a 15-year Life and Non-Life bancassurance partnership for the distribution of bancassurance products through the former Banco Popolare network (the remaining part of the Banco BPM network (i.e.: the distribution network of the former Banca Popolare di Milano S.p.A.) is currently in partnership with another insurance company (being: Covéa Société de Groupe d' Assurance Mutuelle S.A.)).

The transaction is based on a 100% valuation of Popolare Vita equal to €789.6 million and a 100% valuation of Avipop Assicurazioni equal to €475 million.

On 9 November 2017, the agreement between Cattolica Assicurazioni and Banco BPM was finalised with the signing of legal documentation whereby Cattolica Assicurazioni and Banco BPM entered into a sale and purchase agreement (the **SPA**) governing (i) the transfer of 65% of the share capital of, respectively the Non-Life Company and the Life Company to Cattolica Assicurazioni; and (ii) the establishment of a long-term partnership in the bancassurance business, for both life and non-life insurance products (collectively the **Transaction**).

The principal contractual documents governing the Transaction are as follows:

- (a) the SPA;
- (b) a shareholders' agreement between Cattolica and Banco BPM (the substantially final form of which is attached to the SPA) providing for corporate governance and exit provisions relating to the Insurance Companies (the **SHA**);
- (c) two distribution agreements between, respectively, Banco BPM and the Life Company and Banco BPM and The Lawrence Life Assurance Company Dac (a fully owned subsidiary of the Life Company, incorporated under the laws of the Republic of Ireland) governing the distribution of life insurance products through the distribution network of the former Banco Popolare (the **Life Distribution Agreements**); and
- (d) a distribution agreement between Banco BPM and the Non-Life Company (to which Avipop Vita S.p.A. – a fully owned subsidiary of the Non-Life Company, incorporated under the laws of the Republic of Italy – will be a party) governing the distribution of non-life insurance products through the distribution network of the former Banco Popolare (the **Non-Life Distribution Agreement** and, together with the Life Distribution Agreements, the **Distribution Agreements**), substantially final forms of which are attached to the SPA.

The SPA

The SPA sets forth the terms and conditions of the sale and purchase of 65% of each of the Insurance Companies. The total value of the transaction for Banco BPM will be €853.4 million for the sale of 65% of

the Insurance Companies. In particular, Banco BPM will be paid by Cattolica Assicurazioni €763.8 million for the sale of 65% of the Insurance Companies, divided up into €455 million for the sale of 65% of Popolare Vita and €308.8 million for the sale of 65% of Avipop Assicurazioni (**the Purchase Price**). Before the closing, Popolare Vita will distribute €89.6 million to Banco BPM, as its shareholder, by means of distribution of available reserves, and both Insurance Companies will distribute to Banco BPM, as its shareholder, the 2017 net profits. Cattolica Assicurazioni will undertake the management and co-ordination functions of the Insurance Companies after closing.

The Purchase Price is subject to downward or upward adjustment (pursuant to a formula set out in the SPA) based on the outcome of a review of certain limited evaluation items of the Insurance Companies to be carried out by Cattolica between signing and closing. The adjustment is subject to a deductible and a cap and, above a certain threshold, Banco BPM has the right to withdraw from the SPA.

The closing of the Transaction is subject to obtaining clearances from relevant regulatory, antitrust and insurance authorities, as well as the purchase by Banco BPM of the stakes currently held by Aviva Italia Holding S.p.A. and UnipolSai Assicurazioni S.p.A. in the Non-Life Company and in the Life Company, respectively (the **Conditions Precedent**).

The term for the Conditions Precedent to be satisfied ends on 31 October 2018, following which, if these Conditions Precedent have not been satisfied, the SPA shall cease to be effective and the parties shall be released.

The SPA also provides for certain interim management covenants by Banco BPM, standard for transactions such as the Transaction, substantially ensuring that the Insurance Companies will be managed in the ordinary course in accordance with past practice, taking, however, into account that Banco BPM does not yet own 100% of the share capital of the Insurance Companies and, therefore, does not yet have full control over them (as mentioned above, Banco BPM has not yet purchased the stakes currently held by Aviva Italia Holding S.p.A. and UnipolSai Assicurazioni S.p.A. in the Non-Life Company and in the Life Company, respectively).

In the SPA, Banco BPM has given standard representations and warranties for a transaction of this nature, in relation to, in particular, accounts, taxation and employee matters, as well as authorization and compliance with laws. Indemnification obligations are subject to time limitations, as well as standard cap, de minimis and deductible provisions.

The SPA also contemplates the obligation of the parties to establish, between signing and closing, a steering committee to organize the migration and integration of the operations of the Insurance Companies with Cattolica's systems expected to take place within 18 months from closing of the Transaction.

### The SHA

The SHA, to be entered into at closing, provides for certain corporate governance and exit provisions consistent with the roles of the parties and the relevant stakes to be held in the Insurance Companies (i.e.: 65% of the share capital of, respectively the Non-Life Company and the Life Company, will be held by Cattolica Assicurazioni and the remaining 35% of the share capital of, respectively the Non-Life Company and the Life Company, will be held by Banco BPM).

In terms of governance, Cattolica will have the right to appoint the majority of the members of the Board of Directors and the Board of Statutory Auditors, as well as the Managing Director, while Banco BPM will retain the right to appoint the General Managers and the Chairman of the Board of Statutory Auditors of each of the Insurance Companies. Banco BPM shall have a veto right on certain strategic matters (e.g., capital increases and other extraordinary transactions; transactions with related parties; liquidation and winding-up; distribution of reserves; buyback transactions; structural reorganizations and rationalizations of the Insurance Companies).

The SHA will have a duration of 15 years, consistent with both the duration of the Distribution Agreements and the intention of the parties to establish a long-term partnership in the bancassurance business. Accordingly, the SHA will provide for limited exit events through put and call mechanisms.

The parties have also agreed upon a mechanism to extend the partnership to the distribution network of Banca Popolare di Milano S.p.A. (still to be merged into Banco BPM) upon expiration of the existing bancassurance partnership with Covéa Société de Groupe d'Assurance Mutuelle S.A., in the event such partnership is not renewed and/or extended.

### Distribution Agreements

Pursuant to the Distribution Agreements (to be entered into at closing), Banco BPM will undertake to distribute through all its distribution channels comprising the former Banco Popolare's distribution network:

- (a) in exclusivity, the life-insurance products of the Life Company and The Lawrence Life Company Assurance dac; and
- (b) with a preferential mechanism, the non-life insurance products of the Non-Life Company.

The Distribution Agreements will have a duration of 15 years and provide for terms and conditions in line with market practice for agreements and partnerships of this nature, including specific procedures and mechanisms to accommodate the requirements of the distribution network (e.g., development of new products, training, etc.).

The Insurance Companies will remunerate Banco BPM for the distribution of the relevant insurance products at pre-agreed levels. In particular, in the event of over-performance with respect to such levels the Insurance Companies will pay a bonus fee to Banco BPM and, in the event of under-performance BPM will pay a penalty to the Insurance Companies.

Consistent with the long-term nature of the agreements, the Distribution Agreements can be terminated early only upon the occurrence of certain limited and specific material breaches and without any prior notice pursuant to Article 1456 of the Italian Civil Code (*clausola risolutiva espressa*).

The closing of the transaction, subject to the approval of the competent Supervisory Authorities, is by way of indication envisaged for the first half of 2018, however remaining subordinate to the attainment by Banco BPM of all the shares of the Insurance Companies.

### ***CR San Miniato***

In respect of the Group's 25.12% holding in Cassa di Risparmio di San Miniato S.p.A. (**CR San Miniato**), as reported in the 2016 financial statements of CR San Miniato, on 9 May 2017 an expression of interest was communicated by Crédit Agricole Cariparma S.p.A., in agreement with the Interbank Fund for Deposit Protection, Voluntary Scheme, to take part in the transaction to support and recapitalise CR San Miniato and another two banks.

CR San Miniato granted an exclusive right to Crédit Agricole, valid until 30 September 2017, for the customary due diligence to be done.

The Extraordinary Shareholders' Meeting of CR San Miniato, which met on 29 June 2017, also resolved to give the Board of Directors of CR San Miniato the right to increase reserved capital up to a maximum amount of €250 million. On the same date, during the ordinary session of the Shareholders' Meeting, the 2016 financial statements of CR San Miniato, showing a loss of €46.9 million, were approved.

On 29 September 2017, an agreement (*Accordo Quadro*) was entered into between Crédit Agricole S.A., via its Italian subsidiary Crédit Agricole Cariparma S.p.A., the Interbank Guarantee Fund – Voluntary Scheme

and CR San Miniato, Banca Carim - Cassa di Risparmio di Rimini S.p.A and Cassa di Risparmio di Cesena S.p.A., which envisaged the acquisition by Crédit Agricole Cariparma of an investment of 95.3% on the three banks, at a total price of €130 million subject to, amongst other, obtaining the necessary Italian and European supervisory authorisations. It is envisaged that the transaction will be finalised at the end of 2017.

In accordance with the matters envisaged by the abovementioned agreement, on 28 September 2017 the Board of Directors of CR San Miniato partially exercised the authorisation to increase its share capital, granted by the shareholders' meeting held on 29 June 2017, for a total of €200 million, inclusive of share premium, by means of the issue of 449,438,202 new ordinary shares without par value, regular dividend rights, to be reserved for the Interbank Guarantee Fund - Voluntary Scheme, at a price per share of €0.445, inclusive of share premium.

Furthermore, the Interbank Guarantee Fund - Voluntary Scheme, in accordance with the matters envisaged in the agreement, made a payment of €30 million towards "future share capital increases" to CR San Miniato, by way of partial execution of the share capital increase, to be calculated for Supervisory purposes.

### ***Other events***

On 20 June 2017, the Board of Directors of Cattolica met. Faced with a search and seizure order dated 16 June, issued during the criminal proceedings brought by the Public Prosecutor's Office of Venice with, among others, the company's employees Albino Zatachetto and Giuseppe Milone, administrative manager and appointed executive of the company under investigation, Cattolica adopted a clear-cut line of action aimed at effectively and transparently ascertaining the internal responsibilities of its staff and workers.

The Board of Directors of Cattolica then resolved to give the Audit and Risks Committee the task of conducting a specific and in-depth internal investigation, aided by outside independent advisors. The Board of Directors also resolved:

- a precautionary suspension, with immediate effect, of Giuseppe Milone, head of the Administration and Budget Unit and Executive appointed to draw up the corporate accounting documents; and
- the interruption of the coordinated and continued employment of Albino Zatachetto.

On 27 June 2017, the Board of Directors of Cattolica assigned General Manager Marco Cardinaletti the post of Executive appointed to draw up the corporate accounting documents.

On 26 July 2017, the Managing Director informed the Board of Directors of the results of applying the new procedures for testing Group assets for impairment that were introduced after the Board's resolution on 13 July 2017, aimed at adapting the Group's assessment models to the Solvency II criteria, in line with maximum prudential principles.

On 31 October 2017, S&P Global Ratings has raised Cattolica's rating from BBB- to BBB and affirmed the outlook as stable.

The stand-alone credit profile (SACP) of Cattolica is confirmed as bbb+, one notch higher than the financial strength rating BBB.

Furthermore, on 15 November 2017, Standard & Poor's confirmed Cattolica's rating at BBB and affirmed the outlook as stable, after the Group's announcement of an agreement with Banco BPM for a long term strategic bancassurance partnership in life and non-life. Cattolica's stand-alone credit profile (SACP) remained unchanged at bbb+, one notch higher than Italy's rating,

## **Appointments**

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

On 1 June 2017, the Board of Directors of Cattolica co-opted Alberto Minali to the Board pursuant to Article 2386 of the Italian Civil Code, and to his appointment as Managing Director of Cattolica and of the Group.

On 13 June 2017, Cattolica announced the departure of Flavio Piva effective 1 July 2017, and the appointment of Carlo Ferraresi by the Board of Directors as the new General Manager of the Markets and Distribution Channels Area.

As previously disclosed, on 27 June 2017, the Board of Directors of Cattolica assigned General Manager Marco Cardinaletti to the post of Executive appointed to draw up the corporate accounting documents.

## **Regulatory**

Italian insurance companies are subject to a comprehensive regulatory scheme determined by law and administered primarily by **IVASS** (formerly *Istituto per la Vigilanza sulle Assicurazioni Private e di Interesse Collettivo*) and the Italian Stock Exchange Commission (*Commissione per le Società e la Borsa* (**CONSOB**)). The most important insurance laws are consolidated into the Legislative Decree No. 209/2005 (the **Italian Private Insurance Code** (*Codice delle Assicurazioni Private*)). The Italian Private Insurance Code provides for inter alia:

- (a) access to insurance activities;
- (b) requirements to be met by the insurance companies in connection with the conduct of their business, including (i) holding proper technical reserves to cover their obligations vis-à-vis the policyholders and (ii) the maintenance of certain solvency margins;
- (c) (c) general financial and accounting principles for insurance companies;
- (d) access and conduct of the reinsurance business;
- (e) requirements applicable to shareholdings and groups;
- (f) the activities of insurance and reinsurance intermediaries;
- (g) transparency rules; and
- (h) the liquidation regime of the insurance companies.

In addition, the Italian Civil Code contains certain provisions applicable to insurance matter, including, in particular, life and non-life insurance contracts.

Under the regulatory scheme currently in force, with the exception of certain powers specifically reserved to the Ministry of Economic Development (*Ministero dello Sviluppo Economico*), all control and supervisory powers in respect of the insurance industry is exercised autonomously by IVASS. IVASS, has broad jurisdiction over many aspects of these businesses, including capital adequacy, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments. IVASS's role includes:

- (i) monitoring technical, financial and asset and liability management, and monitoring solvency ratios;

- (ii) the review of financial statements;
- (iii) supervision of the activities of insurance brokers and agencies;
- (iv) authorising the conduct of insurance and reinsurance activities;
- (v) proposing disciplinary measures, including revocation of authorisations and sanctions;
- (vi) approving restructuring plans;
- (vii) advising the Ministry of Economic Development with respect to admission to the forced liquidation procedure for financially troubled insurance entities; and
- (viii) communicating and collaborating also with other EU insurance regulatory authorities.

IVASS also has the power to request information from insurance companies, conduct audits of their activities and questions to their legal representatives, directors and statutory auditors, and to request that shareholders', directors' and statutory auditors' meetings be convened, specifying items to be discussed and proposing measures necessary to conform the management of the insurance company to the requirements of the applicable laws and regulations.

The acquisition by insurance companies of controlling shareholdings or shareholdings that exceed certain limits in, and/or determine a relevant influence on, other insurance companies are subject to IVASS authorisation.

In the European Union, risk-based capital requirements are being introduced pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the **Solvency II Directive**), which was agreed by the European Parliament in April 2009 and formally approved by a meeting of the European Union's Economic and Financial Affairs Council in November 2009. The Solvency II Directive has been fully applicable since 1 January 2016. In Italy, the Solvency II Directive was incorporated into national law by Legislative Decree no. 74 of 12 May 2015.

In the detailed overview of the measures adopted by the legislation and the sector authorities which characterised the period 2016 and the first half of 2017, some of the legislative innovations that affect the insurance sector and thus the Group are mentioned below.

#### IVASS Regulation No. 34 dated 7 February 2017

The regulation concerns the corporate governance instructions regarding valuation of assets and liabilities other than the technical provisions and the criteria for their valuation. The regulation became effective the day following its publication in the Italian Official Gazette No. 51 dated 2 March 2017.

#### IVASS Regulation No. 35 dated 7 February 2017

The regulation concerns adjustment for the capacity to absorb the losses of the technical provisions and the deferred taxes in determining the solvency capital requirement calculated using the standard formula. The regulation became effective the day following its publication in the Italian Official Gazette No. 51 dated 2 March 2017.

#### IVASS Regulation No. 36 dated 28 February 2017

The regulations contains instructions on disclosing figures and information to carry out statistical surveys, studies and analyses regarding the insurance market pursuant to Article 190-bis of Italian Legislative Decree

No. 209 dated 7 September 2005 (the “Italian Private Insurance Code”). The regulation became effective the day following its publication in the Italian Official Gazette No. 66 dated 20 March 2017.

#### IVASS Provision No. 58 dated 14 March 2017

The provision carries amendments to ISVAP Regulation No. 5 dated 16 October 2006 concerning the insurance and reinsurance brokerage activities regulations. The provision introduces significant changes on how to present petitions and communications due from the brokers and companies to IVASS for the purpose of keeping the Consolidated Register of Insurance and Reinsurance Brokers as part of the simplification and dematerialisation process started in 2015. The provision was published in the Italian Official Gazette No. 76 dated 31 March 2017.

#### IVASS Letter to the Market No. 81548/17 dated 21 April 2017

The letter deals with the internal assessment of risk and solvency (**ORSA**), and asks the insurance companies - each based on its own risk profile - to bear in mind scenarios similar to those considered by EIOPA in conducting European stress tests for 2016 for the ORSA Report falling due in the months to come.

#### IVASS Letter to the Market No. 110071/17 dated 5 June 2017

The letter concerns the annual report of the anti-money laundering unit on the subject of self-assessment of the money laundering and terrorism funding risks pursuant to Article 20 of Italian Legislative Decree No. 231 dated 21 November 2007 implementing Directive 2005/60/EC (the **Third Money Laundering Directive**) and Article 15 of the text of the Italian Legislative Decree implementing (EU) Directive 2015/849 (the **Fourth Money Laundering Directive**), approved by the Italian government in its final examination and presently being published in the Italian Official Gazette. More specifically, the anti-money laundering unit reports the results of the self-assessment in the Annual Report pursuant to ISVAP Regulation No. 41 dated 15 May 2012 and describes, in a specific chapter, the steps of the process, the units involved, the figures and the information upon which the assessments made are based, the results obtained and any necessary adaptation measures. The companies sent IVASS the information by 30 June 2017 as regards Section 5 (Brokers); by 10 November 2017 in connection with the other sections; in the case of insurance groups, Cattolica is required to send the data referring to the insurance group and the data referring to every single company.

#### Other legislative innovations

Italian Legislative Decree No. 254 dated 30 December 2016, Implementation of Directive 2014/95/EU of the European Parliament and Council dated 22 October 2014 containing an amendment to Directive 2013/34/EU as regards the disclosure of non-financial information and information on diversity by some large companies and groups. The provision introduces the obligation for large companies and groups to annually publish a report on the environmental and social impact of its activities with specific attention paid to information pertaining to personnel, respect for human rights, non-discrimination and the fight against corruption. The declared objective of the new legislation is to increase transparency on certain information in order to ensure that all stakeholders of the company will become more knowledgeable of the impact and risks arising from the company’s activity. The provisions of the legislative decree will go into effect starting from the financial year that started on 1 January 2017, and the first report must be published when the financial statements are approved (Spring 2018).

#### Italian Legislative Decree No. 38 dated 15 March, 2017, Implementation of framework decision 2003/568/GAI of the Council of 22 July, 2003 regarding the fight against corruption in the private sector

The legislative decree amends Article 2635 of the Italian Civil Code by extending the category of subjects punishable for the offence of corruption in the private sector to also include those who “hold executive offices in the organisation structure of the company or private entity”; and by extending the category of punishable conduct, establishing that the transfer and soliciting of payment in cash or another utility are to be



punished. Article 2635-bis is also added to the Italian Civil Code in order to punish the incitement to corrupt between private parties, as of today unpunished. Lastly, as part of the regulations set forth in Italian Legislative Decree No. 231 dated 8 June, 2001, sanctions for the entity are increased in the case the corrupter is a subject who acts in the name and interest of the entity.

#### Regulation dated 15 May 2017 to execute (EU) 2017/812

The regulation provides basic technical information for calculating technical provisions and own funds for reports whose reference dates are from 31 March to 29 June 2017, in accordance with Directive 2009/138/EC (“Solvency II”). The regulation became effective the day following its publication in the Official Gazette of the European Union dated 18 May 2017, and applies starting from 31 March, 2017.

#### Italian Legislative Decree No. 90 dated 25 May 2017 implementing (EU) Directive 2015/849 regarding prevention of use of the financial system for the purpose of money laundering or terrorism funding (Anti-Money Laundering Directive 4), which amends (EU) Regulation No. 648/2012 and repeals Directive 2005/60/EC and Directive 2006/70/EC

The decree broadens the category of subjects qualified as “politically exposed persons” who have to be checked more in-depth. In addition to the higher echelons of the state, the ministers and members of Parliament, the top-ranking members of the magistracy, the regional councillors and those sitting on the regional councils, the members of the European Parliament and general managers of the local health authorities, also the mayors of municipalities having a population no less than 15,000 and the top management of the investees of these municipalities must be checked. The role of Anti-Mafia and Anti-Terrorism Department and rearrangement of the administrative sanctions with a system of measures graded according to the function of the severity of the infringements are reinforced. In line with the directive, it was also established that suspect transactions cannot be carried out until they are reported and an obligation for the FIU (Financial Intelligence Unit) to provide information to the security services as well on the suspect transactions for terrorism reasons was added.

#### IVASS Regulation No. 17 dated 19 January 2016

The regulation concerns the calculation of group solvency as per Title XV (group supervision), Chapter I (group supervision) and Chapter III (group supervision instrument) of the Italian Private Insurance Code, consequent to the national implementation of Articles 220 to 233 of the Solvency II Directive and the European Insurance and Occupational Pensions Authority (**EIOPA**) guidelines on the financial requirements of the Solvency II regime (1st pillar requirements). The regulation fully rewrites the subject, repealing the ISVAP regulation No. 18 dated 12 March 2008 and became effective the day following its publication in the Italian Official Gazette No. 24 dated 30 January 2016.

#### IVASS Regulation No. 18 dated 15 March 2016

The regulation concerns the applicative rules for the determination of the technical provisions as per Article 36-*bis* of the Italian Private Insurance Code consequent to the national implementation of EIOPA guidelines on the financial requirements of Solvency II regime (1st pillar requirements). The regulation became effective the day following its publication in the Italian Official Gazette No. 78 dated 4 April 2016.

#### IVASS Regulation No. 19 dated 15 March 2016

The regulation concerns the exercise of the right to access administrative documents and disciplines the methods for exercising the right to access administrative documents already formed or held permanently by IVASS, existing at the time of the application. The regulation became effective the day following its publication in the Italian Official Gazette No. 72 dated 26 March 2016 and as from this date the ISVAP provisions 39 and 40 dated 5 September 1995 are repealed.

#### IVASS Regulation No. 20 dated 3 May 2016

The regulation concerns the use of outside experts for inspections *vis-à-vis* enterprises which concern the internal models as per Title III, Chapter IV *bis*, Section III of the Italian Private Insurance Code. The regulation is issued implementing Articles 189, paragraph 2 and 191, paragraph 1, letters b) and s) of the Italian Private Insurance Code, as amended and added to by Italian Legislative Decree No. 74 dated 12 May 2015.

#### IVASS Provision No. 46 dated 3 May 2016

The provision contains amendments to ISVAP Regulation No. 24 dated 19 May 2008, relating to the procedure for presentation of complaints to the Supervisory Body and the handling of the complaints by insurance brokers: it became effective the day after its publication in the Italian Official Gazette No. 125 dated 30 May 2016. Within 180 days of the applicability of the provision (26 November 2016), the following were obliged to adapt to the amendments introduced by the same: the principal undertakings, with regard to the handling of complaints of agents and direct producers; and the brokers as per sections B and D of the RUI (Consolidated Register of insurance Brokers).

#### IVASS Regulation No. 21 dated 10 May 2016

The regulation concerns the periodic quantitative information to be forwarded to IVASS for the purposes of financial stability and macro-prudent supervision and related terms as well as the data transmission methods. The regulation was issued in accordance with Articles 190 and 191 of the Italian Private Insurance Code resulting from the national implementation of the EIOPA guidelines on reporting and disclosure requirements (3rd pillar requirements) and became effective the day following its publication in the Italian Official Gazette No. 141 dated 18 June 2016.

#### IVASS Regulation No. 22 dated 1 June 2016

The regulation concerns the identification of the new regulatory instructions that implement a number of provisions of Section XV of the Italian Private Insurance Code, as amended by the decree acknowledging the Solvency II Directive, relating to group supervision, as well as the implementation of the guidelines issued by EIOPA on the equivalence assessment methodology by national supervisory authorities in accordance with the Solvency II Directive.. The regulation became effective the day following its publication in the O.S. No. 23 of the Italian Official Gazette No. 148 dated 27 June 2016.

#### IVASS Regulation No. 23 dated 1 June 2016

The regulation concerns the discipline of the Claims Database, the Witness details database and the Injured Parties details database as per Article 135 of the Italian Private Insurance Code. It replaces ISVAP Regulation No. 31 dated 1 June 2009, given the need to take into account the legislative evolution that has taken place with regard to anti-fraud aspects, which envisaged the activation of preventive alarm systems against the risks of fraud. The regulation became effective the day following its publication in the Italian Official Gazette No. 134 dated 10 June 2016.

#### IVASS Provision No. 47 dated 1 June 2016

This provision concerns the indicators and the levels of anomaly as per Italian Ministerial Decree No. 108 dated 11 May 2015, relating to the countering of fraud in the insurance sector, as well as technical indications for the insurance companies. The integrated anti-fraud archive (AIA), the instrument envisaged by the legislation for the purpose of fighting insurance fraud in the TPL motor sector, is managed by IVASS, which provides the companies concerned with information regarding the anomaly profiles of the claims with regard to anti-fraud. The provision came into force on 10 June 2016 with reference to all the updates of the Claims Database made as from that date.

#### IVASS Regulation No. 24 dated 6 June 2016

The regulation concerns the provisions relating to investments and assets covering the technical provisions as per Title III, Chapter II-*bis*, Article 37-*ter*, and Chapter III, Article 38 of the Italian Private Insurance Code. The regulation envisages a transitory discipline on the basis of which the companies are obliged to: (i) adapt to the provisions regarding the coverage of the technical provisions (Part III) and regarding the related registers (Part IV, Section I) as from the fourth quarter of 2016; (ii) adopt, by 30 September 2016, the three investment policies (Part II, Section I, Chapter II), or rather the investment policy, the asset and liability management policy and the liquidity risk handling policy. The regulation became effective the day following that of its publication in the O.S. No. 23 of the Italian Official Gazette No. 148 dated 27 June 2016.

#### IVASS Letter dated 31 March 2016 relating to "Instructions on the transmission to IVASS of the information envisaged by Directive 2009/138/EC (Solvency II) and by the ECB Regulations No. 1374/2014 and 730/2015 on the statistical reporting obligations of the insurance undertakings. Instructions on the transmission to IVASS of the information for Financial Stability".

On 7 January 2016 (deadline of the reporting window for the quarterly group data), the collection of the reports concluded within the sphere of the Solvency II preparatory phase and the new reporting framework envisaged by Reporting Solvency II came fully onto stream. This framework includes certain additional information with respect to that envisaged by Directive 2009/138/EC, introduced with EU Regulations No. 1374/2014 and 730/2015 for the purpose of providing the Central European Bank (**ECB**) with statistical information. The collection of this information took place via IVASS using the INFOSTAT platform and via the use of the EIOPA survey supplemented by specific add-ons. The Institute is responsible for transmitting the data to the Bank of Italy for subsequent forwarding to the ECB. The letter to the market identified the parties bound by the reporting obligations, the surveys which they will have to forward and the related timescale.

#### IVASS Regulation No. 25 dated 26 July 2016

The regulation acknowledges the EIOPA Guidelines relating to the classification of the elements of the underlying own funds. On the basis of the Solvency II legislative framework, own funds which each company must have to cover their capital requirements may be made up of elements of the underlying own funds and elements of own accessory funds. The primary provisions (Article 93 of the directive, assimilated by Article 44 septies of the Italian Private Insurance Code) establish the characteristics that the own funds must have for being classified in the best qualitative levels (level 1 and level 2); the delegated Acts list the elements classified by the European Commission in three levels and indicate, in detail, the characteristics and the aspects that the own funds must have so as to belong to the various levels. The regulation became effective the day following that of its publication in the O.S. No. 32 of the Italian Official Gazette No. 188 dated 12 August 2016.

#### IVASS Regulation No. 26 dated 26 July 2016

The regulation acknowledges the EIOPA Guidelines on the implementation of the measures for long-term guarantees and the transitory measures on interest rates lacking risk and on technical provisions. "Measures for the long-term guarantees" are understood to mean both the so-called matching adjustment and the so-called volatility adjustment. It is recalled that these mechanisms produce an adjustment of the structure by expiry of the interest rates lacking risk to be used for the calculation of the technical provisions. "Transitory measures" are understood to be: i) the transitory measure on the interest rates lacking risk which produces, like the measures mentioned previously, an adjustment of the structure of the rates and ii) the transitory measure on the technical provisions that envisages, by contrast, a progressive adjustment from the level of the Solvency I provisions to that of Solvency II. The regulation became effective the day following that of its publication in the O.S. No. 32 of the Italian Official Gazette No. 188 dated 12 August 2016.

#### IVASS Regulation No. 27 dated 26 July 2016

The regulation acknowledges the EIOPA Guidelines on the application of the catastrophe risk sub-module for health insurance. The company establishes the Solvency Capital Requirement, calculated using the standard formula, taking into account, inter alia, the catastrophe risk for health insurance as a specific sub-module within the sphere of the health risk. The regulation became effective the day following that of its publication in the O.S. No. 32 of the Italian Official Gazette No. 188 dated 12 August 2016.

#### IVASS Regulation No. 28 dated 26 July 2016

The regulation acknowledges the EIOPA Guidelines on the application of the look-through method. The company establishes the Solvency Capital Requirement, calculated using the standard formula, applying the look-through method to the undertakings for collective investment (UCITs) and to the other investments as per Article 84, paragraph 1, of the delegated Acts (so-called funds as per Article 84), and, on a more general basis, in the event of indirect exposures to market, subscription and counterparty risk. The regulation became effective the day following that of its publication in the O.S. No. 32 of the Italian Official Gazette No. 188 dated 12 August 2016.

#### IVASS Regulation No. 29 dated 6 September 2016

The regulation contains provisions relating to local insurance companies. It is issued in accordance with Section IV, Chapters I and II of the Italian Private Insurance Code, which implements Article 4 of the Solvency II directive, which envisages that the companies which comply with reduced size-related and complexity requisites (defined as "very small companies") are excluded from the application of the Solvency II framework. The regulation became effective the day following that of its publication in the O.S. No. 43 of the Italian Official Gazette No. 233 dated 5 October 2016.

#### IVASS Regulation No. 30 dated 26 October 2016

The regulation contains provisions regarding supervisory matters on intercompany transactions and on risk concentrations. The regulation envisages, amongst other aspects, that: the insurance and reinsurance companies establish intercompany transactions on a consistent basis with the principles of sound and prudent management; they endow themselves – within the sphere of the corporate governance system – with suitable risk management and internal control mechanisms, which must be set up at both individual and group level, for the purposes of the ongoing monitoring of all the intercompany transactions; and they define, within a specific policy, criteria and formalities for the intercompany transactions identifying which cases qualify as "significant", "very significant" and "to be reported under any circumstance", in relation to the possible impact on the solvency and the risk profile and in relation to the type of transaction or counterparty. The regulation became effective the day following that of its publication in the Italian Official Gazette No. 264 dated 11 November 2016.

#### IVASS Regulations No. 31 and 32 dated 9 November 2016

Regulation No. 31 concerns the application of outgoing reinsurance agreements to the sub-module of the underwriting risk for non-life insurance of the standard formula, Regulation No. 32 contains regulatory provisions regarding the internal assessment of the risk and the solvency (ORSA) as per Article 30-ter and Article 215-ter of the Italian Private Insurance Code. Both regulations became effective the day following their publication in the Italian Official Gazette No. 278 dated 28 November 2016.

#### IVASS Regulation No. 33 dated 6 December 2016

The regulation contains provisions regarding disclosure to the general public and to IVASS consequent to the national implementation of the EIOPA Guidelines regarding public disclosure and supervisory reporting. The regulation became effective the day following that of its publication in the Italian Official Gazette No. 296 dated 20 December 2016.

## IVASS Provision No. 53 dated 6 December 2016

The provision contains amendments and additions to: (i) ISVAP Regulation No. 22 dated 4 April 2008 concerning the provisions and schedules for the drafting of the annual financial statements and the interim report of the insurance and reinsurance companies; (ii) ISVAP Regulation No. 7 dated 13 July 2007, concerning financial statement schedules for insurance and reinsurance companies that are required to adopt international accounting standards, financial statements and accounting entries, statutory and consolidated financial statements; (iii) IVASS provision No. 3 dated 21 May 2013 concerning the formalities and the deadlines for the forwarding of the systematic communications of the technical bases of the life products. The provision became effective the day following that of its publication in the O.S. No. 1 of the Italian Official Gazette No. 7 dated 10 January 2017. The provisions contained therein apply as from the financial statements, individual and consolidated, relating to 2016 as well as the interim report, individual and consolidated, as at 30 June 2017.

IVASS Letter dated 7 December 2016 relating to "Solvency II – Audit activities pursuant to Article 47 septies, paragraph 7 of the Italian Private Insurance Code required on public disclosure – Report on solvency and on the financial condition (so-called "SFCR") for 2016". By means of this letter dated 7 December 2016 IVASS provided the indications for the audit activities to be carried out on the information acquired for prudent purposes and on the SFCR with reference to 2016 only.

Also by means of this letter, IVASS provided indications for the audit activities on the Solvency II information for the market, specifically: 1) with reference to the activities of the independent auditor, both for individual and Group reporting, the checks concern: a) the balance sheet at current values (form S.02.01.02, with the exclusion of the lines which host the values of the Risk Margin) and the related disclosure of section D of the SFCR; b) the Own Funds admissible to cover the requested capital requirements (form S.23.01.01 at individual level and S.23.01.22 at group level) and the related disclosure of section E.1 of the SFCR. With regard to the elements as per letters a) and b), the independent auditors carried out an audit according to professional standards, expressing an opinion of compliance with respect to the directly applicable provisions of the European Union and the Italian sector legislation, contained within the sphere of a specific audit report published alongside the SFCR report; 2) with the internal audit activities or recourse to an outside expert, the company must implement, with reference to the 2016 Solvency Capital Requirement (**SCR**) calculated on the basis of just the standard formula (form S.25.01.21 at individual level and S.25.01.22 at group level, with the related disclosure of section E.2 of the SFCR), and to the Minimum Capital Requirement (**MCR**) (form S.28.01.01 or S.28.02.01 at individual level, with the related disclosure of section E.2 of the SFCR), at least the checks relating to: x) data quality; y) control of the management processes and the organisational procedures for the purpose of verifying that they are suitable for ensuring a correct quantification of the MCR and SCR requirements. The checks carried out by the internal audit will be made during 2017, within the sphere of the timescales that make it possible to produce the first benefits from as early as the publication of the SFCR relating to 2016. The activities performed will have to form the content matter of a specific report.

## **Other legislative innovations**

IDD Directive: On 20 January 2016, the Council of the European Union issued Directive (EU) 2016/97, the Insurance Distribution Directive (IDD). Although aimed at minimum harmonisation, the IDD fully recasts Directive 2002/92/EC, the Insurance Mediation Directive (IMD) (transposed into Greek legislation through Presidential Decree 190/2006). The IDD will be implemented by all EU Member States by 23 February 2018. Key points of the IDD are:

- Cross-selling
- Product Oversight and Governance (POG)
- Conflicts of Interest
- Assessing the Suitability and Appropriateness of IBIPs
- Inducements
- Product Information Document (PID)

- Continuous Professional Development (CPD)

MAR: EU Regulation No. 596/2014 The market abuse regulation (hereinafter **MAR**) came into force as from 3 July 2016, as supplemented by the Delegated Regulation (EU) No. 2016/522, with the consequent repeal of Directive No. 2003/6/EC on market abuse and correlated execution measures (Directives No. 2003/124/EC, 2003/125/EC and 2004/72/EC). The new legislation is directly applicable also in Italy. Accordingly, considerable amendments (*i.e.* deletion of several articles) have been made to the CONSOB Issuers' Regulations due to the direct applicability of the MAR provisions in our jurisdiction.

The new legislation introduced a new regime as regards prevention of market abuse practices (*i.e.* market manipulation; abuse of privileged information; unlawful recommendation to carry out transactions; unlawful communication of privileged information). First of all, MAR has an expanded scope with respect to the repealed legislation as it directly applies to financial instruments on a wider range of trading venues. In fact, MAR applies not only applies to any financial instrument admitted to trading on a EU regulated market, but also to financial instruments traded or admitted to trading on a multilateral trading facilities (**MTFs**) in Europe and – from 3 January 2018 – traded on organised trading facilities (**OTFs**). Moreover, MAR also captures financial instruments, which may not be traded or admitted to trading on one of these European venues, if the price or value of which depends on or has an effect on the price value of financial instruments on such venues.

The discipline concerning disclosure obligations makes still reference to a sole notion of "inside information". Under MAR, an inside information is an information (a) of a precise nature (b) which has not been made public (c) relating, directly or indirectly to one or more issuers or to one or more financial instruments and (d) which, if it were made public, would be likely to have a significant effect on the price of those financial instruments. In this sense, an intermediate stage of a prolonged process may be considered to be an inside information if it satisfies the envisaged requirements of precision and price sensitiveness listed above.

The obligations for communication to the general public of privileged information by listed issuers are confirmed, even though new prescriptive provisions apply specifying what the inside information disclosure must contain. In particular, relevant disclosures will need to identify not only the issuer but also the name and position within the issuer of the person making the notification. Also the possibility of delaying the communication is confirmed, whereas the following three conditions occur: i) the immediate communication would probably prejudice the legitimate interests of the relevant issuer; ii) the delay in the communication would probably not have the effect of misleading the general public; and iii) the issuer is able to ensure the confidentiality of this information.

The maintenance of the register of individuals who have access to privileged information for the listed issuers and for the individuals who act in the name or on behalf of the latter (**Insider Lists**) is confirmed. However, MAR sets out more detailed provisions as concerns the format and content of the Insider Lists along with the obligation to notify the issuers and the competent authority of the transactions carried out by persons discharging managerial responsibilities within the issuer and by persons closely associated within them.

Finally, for the first time, MAR establishes a specific market sounding regime (defined as "the communications of information, prior to the announcement of a transaction in order to gauge the interest of potential investors in a possible transaction and the conditions relating to it such as its potential size or pricing, to one or more potential investors"). In this view, the legislation acknowledges the possibility of carrying out market soundings subordinate to the conditions (among which prescriptive procedural and record keeping requirements) envisaged by the regulation. Italian Legislative Decree No. 25 dated 15 February 2016 (new Transparency Directive) The decree, approved definitively by the Council of Ministers on 10 February 2016, implements the new Transparency Directive (Directive 2013/50/EC). The main changes to the Consolidated Finance Law (TUF - Italian Legislative Decree No. 58 dated 24 February 1998) contained in the decree, concern:

- communication obligations of the significant equity investments (Article 120): the minimum threshold was raised from 2% to 3%; the minimum threshold of 5% for listed SMEs remains unchanged;
- annual financial report (Article 154-*ter*, paragraph 1): the deadline for publication is fixed as four months (and no longer 120 days) to align it with the provisions of Directive 2013/50;
- interim financial report (Article 154-*ter*, paragraph 2): the deadline for publication is fixed as three months (and no longer 60 days) to align it with the provisions of Directive 2013/50;
- interim management report (Article 154-*ter*, paragraphs 5 and 5 *bis*): the provision of the obligation to publish the interim management report has been eliminated and paragraph 5 now envisages that CONSOB, by means of regulation, can lay down, vis-à-vis listed Italian issuers including financial bodies, the obligation to publish additional periodic financial information, with a greater frequency than the annual and six-monthly one; and
- fine system: for the purpose of aligning them to the provisions of the new directive, the following Articles have been amended: Article 192-*bis* (information on corporate governance); Art. 193 (corporate information and duties of the statutory auditors, the official accounts auditors and the independent auditors); Article 194-*bis* (criteria for the determination of the fines); Art. 194-*quater* (order to cease violations); Article 194-*quinquies* (payment to a reduced extent); Article 195-*bis* (publication of the fines). The legislative decree came into force on 18 March 2016. By means of CONSOB Resolution No. 19614 dated 26 May 2016, the amendments to the Issuers' Regulations (CONSOB Resolution No. 11971 dated 14 May 1999) were approved, necessary for adapting the regulations to the innovations made by the decree with regard to significant equity investments.

#### Italian Law No. 49 dated 8 April 2016

The law converting Italian Decree Law No. 18 dated 14 February 2016 with amendments, introduces urgent measures concerning the reform of the co-operative lending banks, the guarantee in the securitisation of non-performing positions, the tax regime relating to crisis procedures and collective asset management. For co-operative lending banks, with respect to the decree law, the amendments were significant and in particular concerned the introduction of the "way out" system, which permits the banks, if certain conditions identified by the legislation apply, to exercise the option to not join a banking group. The latter, in fact had 60 days as from the applicability of the conversion law to decide, alone or together with other banks, to apply to the Bank of Italy so as to put their business into a joint-stock concern carrying out banking activities.

#### CONSOB Resolution No. 19521 dated 24 February 2016

This resolution concerns the amendments to the Issuers' Regulations on the sanctioning procedure to make it compliant with the discipline introduced by Italian Legislative Decree No. 72 dated 12 May 2015, in accordance with Directive 2013/36/EU on the minimum capital requirements of the banking system (so-called Capital Requirements Directive IV). The resolution was published in the Italian Official Gazette No. 55 dated 7 March 2016.

#### CONSOB Resolution No. 19770 dated 26 October 2016 (Additional periodic financial information)

This resolution contains amendments to the Issuers' Regulations regarding interim management reports. The amendments, forming part of the legislative process for assimilation of Directive 2013/50/EU (the **Transparency II**), introduced Article 82-*ter* "Additional periodic financial information", which provides the listed companies with the possibility to choose whether to publish the additional periodic financial information or not. In the event of the decision, on a voluntary basis, to publish said information the companies will be obliged to inform the market of this decision, specifying the disclosure elements they intend to provide. Also the possible decision to interrupt the publication will have to be justified and made

public and will be effective as from the following year. The resolution was published in the Italian Official Gazette No. 263 dated 10 November 2016. and the new provisions will apply as from 2 January, 2017.

#### CONSOB Resolution No. 0110351 dated 14 December 2016

This communication acknowledged the ESMA Guidelines concerning individuals who receive market surveys, which apply as from 10 January 2017, and those regarding the delay in the publication of privileged information to the general public, which apply as from 20 December 2016.

#### **Tax measures**

The main innovations that characterised the year are described below.

**"2016 Stability Law"** By means of Italian Law No. 208 dated 28 December 2015 – (paragraphs 61 to 66 and 69), a reduction to the IRES rate was envisaged. As from 1 January 2017, with effect for the tax periods subsequent to that underway as of 31 December 2016, the IRES rate was changed to 24% (from 27.5%). The law reduces the period of amortisation of the increase in value for goodwill and trademarks recorded in the financial statements further to extraordinary merger, spin-off or business conferral transactions from ten to five years, if these assets are subject to special realignment on the basis of Article 15, paragraph 10, of Italian Decree Law No. 185 dated 29 November 2008, by means of the payment of a 16% substitute tax on such increase in value. The amendment is valid for business combination transactions entered into as from the accounting period subsequent to that underway as of 31 December 2015.

**Italian Decree Law No. 83, dated 27 June 2015** (converted by means of Italian Law No. 132 dated 6 August 2015) The decree containing "Urgent measures concerning bankruptcy, civil and civil procedural aspects and the organisation and functioning of the judicial administration authorities" under Article 16 introduced full deductibility of the writedowns and losses on receivables for lending institutions and financial bodies and insurance companies. During 2016, the special transitory provisions envisaged exclusively for 2015 having ceased to apply, the norm became fully operative; therefore, the value adjustments recognised in the financial statements relating to the amounts due from policyholders for premiums are, for both IRES and IRAP purposes, fully deductible in the period they are booked to the income statement, whether they are "valuational" type adjustments (associated with valuations concerning the degree of recoverability of the receivables) or "realisational" in type (consequent to the assignment of the receivable against consideration).

**Italian Decree Law No. 59, dated 3 May 2016 "Banks Decree"** (converted by means of Italian Law No. 119 dated 30 June 2016) As from 2015 and until 2029, the decree introduced a 1.5% annual fee to maintain the right to transform the prepaid taxes (DTAs, Deferred Tax Assets) recorded in the financial statements in relation to the value of the amortisation of the goodwill and the writedowns of receivables due from insured parties, into tax credits in the presence of a loss for the year or a tax loss. The need to introduce the fees became necessary so as to avoid the transformation of the DTAs in tax credits being considered state aid.

**Italian Internal Revenue Agency Circular No. 11/E dated 7 April 2016** The Italian Internal Revenue Agency has provided new indications with regard to "Patent Box", or rather the optional soft-term tax regime introduced by the "2015 Stability Law" (Italian Law No. 190 dated 23 December 2014) for the earnings deriving from the direct or indirect use of certain types of intangible assets (such as intellectual property rights, industrial patents, models, designs and software covered by copyright), on the basis of the model in other European countries.

#### **Other legislative innovations**

Italian Legislative Decree No. 254 dated 30 December 2016, Implementation of Directive 2014/95/EU of the European Parliament and Council dated 22 October 2014 containing an amendment to Directive 2013/34/EU as regards the disclosure of non-financial information and information on diversity by some large companies and groups. The provision introduces the obligation for large companies and groups to annually publish a



report on the environmental and social impact of its activities with specific attention paid to information pertaining to personnel, respect for human rights, non-discrimination and the fight against corruption. The declared objective of the new legislation is to increase transparency on certain information in order to ensure that all stakeholders of the company will become more knowledgeable of the impact and risks arising from the company's activity. The provisions of the legislative decree will go into effect starting from the financial year that started 1 January 2017, and the first report must be published when the financial statements are approved (Spring 2018).

Italian Legislative Decree No. 38 dated 15 March 2017, Implementation of framework decision 2003/568/GAI of the Council of 22 July 2003 regarding the fight against corruption in the private sector. The legislative decree amends Article 2635 of the Italian Civil Code by extending the category of subjects punishable for the offence of corruption in the private sector to also include those who "hold executive offices in the organisation structure of the company or private entity"; and by extending the category of punishable conduct, establishing that the transfer and soliciting of payment in cash or another utility are to be punished. Article 2635-*bis* is also added to the Italian Civil Code in order to punish the incitement to corrupt between private parties, as of today unpunished. Lastly, as part of the regulations set forth in Italian Legislative Decree No. 231 dated 8 June 2001, sanctions for the entity are increased where the corrupter is a subject who acts in the name and interest of the entity.

Regulation dated 15 May 2017 to execute (EU) 2017/812. The regulation provides basic technical information for calculating technical provisions and own funds for reports whose reference dates are from 31 March to 29 June 2017, in accordance with Directive 2009/138/EC ("Solvency II"). The regulation became effective the day following its publication in the Official Gazette of the European Union dated 18 May 2017, and applies starting from 31 March 2017.

Italian Legislative Decree No. 90 dated 25 May 2017 implementing (EU) Directive 2015/849 regarding prevention of use of the financial system for the purpose of money laundering or terrorism funding (Anti-Money Laundering Directive 4), which amends (EU) Regulation No. 648/2012 and repeals Directive 2005/60/EC and Directive 2006/70/EC. The decree broadens the category of subjects qualified as "politically exposed persons" who have to be checked more in depth. In addition to the higher echelons of the state government, ministers and members of Parliament, the top-ranking members of the judicial system, regional councillors and those sitting on regional councils, members of the European Parliament, general managers of local health authorities, mayors of municipalities having a population over 15,000 and the top management of the investees of these municipalities must be checked. The role of the Anti-Mafia and Anti-Terrorism Department and rearrangement of administrative sanctions with a system of measures graded according to the severity of the infringements are reinforced. In line with the directive, it was also established that suspect transactions cannot be carried out until they are reported and an obligation for the FIU (Financial Intelligence Unit) to provide information to the security services as well on the suspect transactions for terrorism reasons was added.

IVASS Regulation No. 34 dated 7 February 2017. The regulation concerns the corporate governance instructions regarding valuation of assets and liabilities other than the technical provisions and the criteria for their valuation. The regulation became effective the day following its publication in the Italian Official Gazette No. 51 dated 2 March 2017.

IVASS Regulation No. 35 dated 7 February 2017. The regulation concerns adjustment for the capacity to absorb the losses of the technical provisions and the deferred taxes in determining the solvency capital requirement calculated using the standard formula. The regulation became effective the day following its publication in the Italian Official Gazette No. 51 dated 2 March 2017.

IVASS Regulation No. 36 dated 28 February 2017. The regulation contains instructions on disclosing figures and information to carry out statistical surveys, studies and analyses regarding the insurance market pursuant to Article 190-*bis* of the Italian Private Insurance Code. The regulation became effective the day following its publication in the Italian Official Gazette No. 66 dated 20 March 2017.

IVASS Provision No. 58 dated 14 March 2017. The provision carries amendments to ISVAP Regulation No. 5 dated 16 October 2006 concerning the insurance and reinsurance brokerage activities regulations. The provision introduces significant changes on how to present petitions and communications due from the brokers and companies to IVASS for the purpose of keeping the Consolidated Register of Insurance and Reinsurance Brokers as part of the simplification and dematerialisation process started in 2015. The provision was published in the Italian Official Gazette No. 76 dated 31 March 2017.

IVASS Letter to the Market No. 81548/17 dated 21 April 2017. The letter deals with the internal assessment of risk and solvency ("ORSA"), and asks insurance companies – each based on its own risk profile – to bear in mind scenarios similar to those considered by EIOPA in conducting European stress tests for 2016 for the ORSA Report falling due in the months to come.

IVASS Letter to the Market No. 110071/17 dated 5 June 2017. The letter concerns the annual report of the anti-money laundering unit on the subject of self-assessment of the money laundering and terrorism funding risks pursuant to Article 20 of Italian Legislative Decree No. 231 dated 21 November 2007 implementing Directive 2005/60/EC (the **Third Money Laundering Directive**) and Article 15 of the text of the Italian Legislative Decree implementing (EU) Directive 2015/849 (the **Fourth Money Laundering Directive**), approved by the Italian government in its final examination and presently being published in the Italian Official Gazette. More specifically, the anti-money laundering unit reports the results of the self-assessment in the Annual Report pursuant to ISVAP Regulation No. 41 dated 15 May 2012 and describes, in a specific chapter, the steps of the process, the units involved, the figures and the information upon which the assessments are based, the results obtained and any necessary adaptation measures. The companies sent IVASS the information by 30 June 2017 as regards Section 5 (Brokers) and by 10 November 2017 in connection with the other sections; in the case of insurance groups, Cattolica is required to send the data referring to the insurance group and the data referring to every single company.

## **Tax measures**

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

The 2017 Finance Act (Italian Law No. 232 dated 11 December 2016) published in the Italian Official Gazette No. 297 dated 21 December 2016, Ord. Supplement No. 57/L).

One of this law's innovations is the introduction of "VAT Group" regulations. Basically, as a result of the provision commented on, a single VAT taxpayer is considered the "set" of subjects that are legally independent though closely bound to one another by financial, economic and organisational relationships. The new VAT Group provisions will apply starting from 1 January 2018, the year when the option can be exercised, with the regime actually becoming operative starting from the following year, i.e. from 1 January 2019. The new VAT Group regulations envisage the creation of a single taxpayer that applies the tax.

"Milleproroghe 2017" Decree (Italian Decree Law No. 244 dated 30 December 2016, converted into Italian Law No. 19 dated 27 February 2017, published in the Italian Official Gazette No. 49 dated 28 February 2017, Ord. Supplement No. 14/L).

Italian Legislative Decree No. 139 dated 18 August 2015 considerably altered civil law on the subject of drawing up financial statements, and it went into effect starting from financial years from 1 January 2016 on. When the "Milleproroghe" decree was converted into law, various amendments were introduced to the Italian Consolidated Tax Act in order to coordinate tax legislation with the new regulations on drawing up financial statements according to the new national accounting standards. This was also done to simplify the method for determining taxable income from financial statements.

Corrective manoeuvre (Italian Decree Law No. 50 dated 24 April 2017, converted into Italian Law No. 96 dated 21 June 2017, published in the Italian Official Gazette No. 144 dated 23 June 2017, Ord. Supplement No. 31/L).

The decree contains several measures aimed at countering VAT tax evasion by extending the cases subject to split payment. The mechanism establishes that only the amount net of VAT shown on the invoice be paid to the supplier of the good or service by some subjects (such as the Public Administration or companies listed on the FTSE MIB index of the Italian stock exchange), and the assignee or customer has to pay the VAT directly to the tax authorities. The decree also introduces stricter rules for countering illegal uses to offset tax credits. Lastly, another new rule introduced a recalculation of the ACE (Economic Growth Aid) base. This is a benefit introduced by the law in order to reward capitalisation of companies. A new rate for calculating the notional return of the new capital starting from tax period 2017 was set.

## **Risk Management**

The Group has a Risk Management System formalised in the policies issued pursuant to Article 30-*bis*, paragraph 4 of the Italian Private Insurance Code by the Board of Directors of Cattolica as a guideline and coordination tool and by the Boards of the individual subsidiaries. The Risk Management System pursues the objective of ensuring effective monitoring of risks arising from carrying on the Group's activity by paying special attention to the most important risks, which are those risks that can undermine the solvency of the Group and of its companies or observance of the corporate goals, including those established by the Risk Appetite Framework. The main objective of the Risk Management System is to guarantee the capability of meeting the commitments vis-à-vis the 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 vis-à-vis customers and understanding their needs;
- clear understanding of the various risks that affect the Group and its companies; and
- consistency with the aspiration principles of Cattolica.
- The Group continues to pursue the objective of preserving its equity soundness and a satisfactory level of profitability. To this end, the risk management process takes into account the objectives of the Business Plan and the annual budget. This process is made up of the following micro-phases carried out recursively:
  - identification and assessment of the risks;
  - definition of the Risk Appetite;
  - definition of the policies for the undertaking and handling of the risks;
  - definition and assignment of the operating limits (monitoring and mitigation of the risks); and
  - measuring the risks.

The risk identification phase is carried out by using a set of methodologies differentiated by 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 market risk factors are also conducted with the same frequency since they are naturally volatile to a greater extent, and actions to mitigate operational risks detected for each company are also monitored. The risks to which the Group companies are exposed are continuously managed by monitoring summary indicators, whose updating frequency depends on the degree of uncertainty of the variables on which they have impact. Information flows from the first level control units to the Risk Management function and the Compliance Assessment function are also prepared<sup>7</sup> periodically and also occasionally for particularly important events or events specially formalised based on relevance to the Group's risk profile. This second case takes on

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<sup>7</sup> As regards the risk of non-compliance with legislation.

particular importance within the scope of the preventive checks for investments, in application of the provisions of IVASS Regulation No. 24 dated 6 June, 2016. The 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 provide a summary of detailed information collected, monitored and managed, providing 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 function and the Compliance Assessment function execute their mandates with the additional contribution of contacts belonging to different operational areas, and they carried out the second level control activity outlined in the annual plan of activities of the same units, approved by the Board of Directors.

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

1. **Qualitative Risk Appetite Statement:** defined as the breakdown of the strategic ambition and risk preferences consistent with the strategic objectives set out by the currently valid Business Plan;
2. **Risk Appetite:** measured and managed by defining Solvency II Ratio bands of fluctuation and thresholds;
3. **Risk Appetite by type of risk:** defined in line with the Risk Appetite overall level, which is also broken down into risk appetite and respective "soft" and "hard" limits, expressed in terms of SCR or in qualitative terms; and
4. **Operating limits:** the everyday management of the risk by assigning and monitoring 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 Appetite established by the Board of Directors of Cattolica, each company has assigned operating limits to their managers, the observance of which is monitored on an ongoing basis by the Risk Management function in collaboration with the same managers. The Risk Management function 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 Board of Directors.

The risks are first of all measured using regulatory capital requirements as established by the EIOPA (European Insurance and Occupational Pensions Authority) uniformly for the entire market; specifically as regards the Non-Life risks (Non-Life and Health NSLT<sup>8</sup>), by having recourse to the possibility offered by the regulations, the Cattolica Group, Cattolica Assicurazioni and TUA Assicurazioni received authorisation to replace a sub-set of Standard Formula parameters with the specific business parameters (GSP – Group Specific Parameters and USP – Undertaking Specific Parameters) from IVASS<sup>9</sup> in order to reflect the risk profile with greater accuracy. The valuation resulting from application of the regulatory capital requirements

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<sup>8</sup> Health NSLT (Not Similar to Life Techniques) is the same as health insurance assigned to the activity areas for the non-life insurance obligations.

<sup>9</sup> The authorisation received on 11 May 2017, with application starting from the figures as of 31 December 2016.

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 ways with which it might turn into damage for the Group or for its companies. This area comprises the liquidity risk, the risk of belonging to the Group, reputational risk and the risk of non-compliance with legislation. Exposure to operational risks is also measured on the basis of methodologies not limited to application of the capital requirement, as explained below.

### **Own risk and solvency assessment**

The current and forecast own risk and solvency assessment (**ORSA**), formalised in a specific policy of the Board of Directors of Cattolica, consists of the assessment – over a three-year time horizon consistent with strategic plans – of observation of the minimum solvency level required by legislation on an ongoing basis, the requirement of necessary capital in relation to the risk profile and to the business strategy, and the need, if any, for actions to correct the risk profile or the solvency position. During the first half of 2017, the Group carried out the current and forecast assessment of the risks and solvency on an annual basis and with reference to the end of the year (31 December 2016). The results of the assessments at Group level and of the individual companies, carried out following the ORSA guidelines, are approved by the respective Boards of Directors. Moreover, on 13 July the Board of Directors of Cattolica approved the Group single document of own risk and solvency assessment in compliance with the instructions of IVASS Regulation No. 32 dated 9 November 2016.

To this regard, the process followed by the Group can be summed up in the following macro-phases:

1. **Projection of the economic results relating to the period '17-'19** consequent to the projections on the life and non-life business trend, and in consideration of the evolution of the macro-economic scenario;
2. **Risk assessment** by the Risk Management function according to processes and methodologies formalised by the Board of Directors in the Risk Appetite Framework 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 regarding the period '17-'19;
4. **Sending of the ORSA report to the Supervisory Authority** following its discussion and approval by the Board of Directors of Cattolica;
5. **Monitoring** the evolution of the risk and solvency profile and continuous observance of the capital requirement; and
6. **Internal reporting** of the units involved in the current and forecast risk and solvency assessment to Senior Management for preliminary sharing of the results of the ORSA financial year.

These results are later submitted for approval by the Board of Directors which, together with the conclusions it has received, reports to Senior Management and the interested units; reporting is also made to the interested operating units for the purpose of sharing the results of the risk profile evolution monitoring activity.

### **Purpose of the ORSA process**

The risk and solvency assessment is a complex managerial process is under Senior Management; it involves many company units, each in its own area of expertise. The Risk Management function plays a central role

in the assessment activity and is aided by the Actuarial function with regard to the technical provisions. The decision-taking process ends with discussion and approval by the Board of Directors.

The ORSA process highlights the connections between the current and forecast risk profile, the Risk Appetite, the relevant thresholds and the ability to continuously satisfy the mandatory capital requirements and the technical provision requirements. The results of this process are also used to review the consistency between the Risk Appetite, the current risk profile and the tolerance levels. 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 area, the Risk Management function checks the sustainability of the three-year economic forecasts from the risk and solvency viewpoint in order to prospectively satisfy the Risk Appetite system.

The return on capital objectives of the business units based on the 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**

The technical risks relating to the non-life business represent approximately 30% of the total Group SCR, whereas the technical risks regarding the Health NSLT business come to about 1%, bearing in mind the effect of the differentiation between risk modules and the contribution of the loss-absorbing capacity of technical provisions and deferred taxes.

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

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

- Risk concerning tariff rating tied to risk underwriting, the events covered by the signed insurance contracts and the trend of claims;
- Reservation risk tied to the quantification of technical provisions to meet the commitments undertaken with policy holders and injured parties; and
- 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 Risk Appetite Framework. As mentioned previously, the limits system is a fundamental element when managing risks.

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

This monitoring is guaranteed by independent access to the data that the Risk Management function needs; it has the authority to check what is received from the heads of the first level controls.

Although it is considered a very important type of risk, and because of the nature of the Group Companies and their business profile, concentrations such as to jeopardise the risk profile are not found. The exposures

monitored natural catastrophes, earthquakes, floods and hail, the concentration for the risk of fire, and the concentration for the security risk.

Based on the scenarios identified by the Risk Management function, the Group carries out sensitivity analyses both within the ORSA process and separately.

The process and methodologies adopted by the Group Companies regarding the Non-life (Non-Life and Health NSLT) underwriting risks require analyses of sensitive to the most significant risk factors conducted at least annually on the solvency position.

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

- a 3% increase in claims provisions; and
- a seismic event likely to occurs one year out of 200.

The data emerging from the analyses confirm the current and forecast soundness of the Group, even faced with the stress scenarios identified.

The Risk Appetite thresholds established by the Board of Directors were observed thanks to the Group's solid equity position.

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

## **INSURANCE RISK – LIFE BUSINESS**

### **Risk concerning tariff rating, proposal selection, mortality/longevity/invalidity and the reservation process**

The technical risks of the life business represent approximately 5% of the total SCR (bearing in mind the effect of the differentiations between risk modules and the contribution of the loss-absorbing capacity of technical provisions and deferred taxes).

The main risks of this type to which the Group is exposed are the risks associated with the behaviour of the policyholders (redemption risk), followed by the expense risk and the demographic risks.

The risk associated with the behaviour of the policyholders is the one subject to greater volatility as a result of the close connection with financial variables and, as a consequence owing to their nature, erratic to a greater degree.

The quantitative measurement of this risk is made with the standard formula, considered adequate in consideration of two elements:

- Profile of the products and customers of the portfolio of the Group Companies basically in line with the market; and
- Demographic characteristics of the policyholders in Italy, which are similar to the 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 Risk Appetite Framework. As mentioned previously, the limits system is a fundamental element when managing risks.

For the technical risks of the Life business, special attention is paid to the trend of premiums written per business line (concisely measuring the riskiness connected with so-called 'with profit' products, unit-linked and other insurance products) and to parameters characterising the quality and profitability of the premiums.

The underwriting risk of the life business is also monitored already during the underwriting stage by using metrics for measuring the sustainability of the guarantees offered both according to traditional insurance management logics and in a market consistent perspective.

Concentrations so as to jeopardise the risk profile of the companies or of the Group were not noticed. In particular, exposure per single insured person is also managed in a risk concentration framework by resorting to reinsurance.

## **MARKET AND CREDIT RISKS**

The market risks of the life business represent approximately 49% of the total SCR (bearing in mind the effect of the differentiations between risk modules and the contribution of the loss-absorbing capacity of technical provisions and deferred taxes).

The main risks of this type to which the Group is exposed are the risks of the credit risk (mainly on fixed income instruments), real estate risk and equity investment risk. The interest rate, concentration and currency rate risks follow.

Exposure to the spread risk follows the relevant share of bonds in which the total portfolio is invested, including a portion of corporate issuer securities. The real estate risk is a direct consequence of total exposure to real estate, to which an absorption of capital significant in terms of percentage is associated.

In applying 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 taking them into account in assessing the overall solvency requirement. This principle is applied in both the preliminary and final investment analysis process, supplemented by the limits system.

All assets, and in particular those covering the minimum capital requirement and the solvency capital requirement, are invested in such a way as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. The limits are calibrated jointly for all risk areas and form a well-structured system of conditions whose observance protects the adequacy of the portfolio as regards the desired level of these characteristics, in line with the Risk Appetite 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 as to deserve a capital allocation.

As for the market risks, the Group companies are not applying any particular risk mitigation techniques since they determine their risk positioning with respect to their propensity by defining the Strategic Asset Allocation. The process of defining it is closely connected with the significant ORSA processes, with the basis for a conscious and properly managed assumption of risk formed.

The assessment of these risks is conducted with the standard formula, today considered appropriate since the Group's investment profile is in line with the market. In applying the standard formula, special attention is paid to proper application of the 'look-through' approach to real estate funds, whose level of risk duly considers any leverage present.



The monitoring and risk management processes in effect with reference to the market risks are divided based on various policies, with an overall consistent system constituting supervision of the investment activities and the risks emerging from exogenous factors defined.

Market risks are also monitored in an ALM perspective, in keeping with the processes defined by the asset and liability management policy that regulates the methods for periodically assessing the key investment parameters, with particular focus on the comparison between asset allocation and its strategic statement.

Lastly, the investments policy and operating limits assigned by the Senior Management of each company customise the Risk Appetite Framework since specific aggregated and detailed parameters on which the investment activity is steered are defined. The limits system is applied with first level monitoring under the responsibility of the operating units and with independent second level control carried out by the Risk Management function. For this purpose, the Risk Management function has independent access to all data important for controlling the risk, and it makes 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. The range 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. Subsequently parameters indicative of the exposure to interest rate risk (duration mismatch between assets and liabilities) or the risk of the credit spread changing (spread duration) and a number of indicators aimed at measuring exposure in specific asset categories are measured.

As regards assessment of the market risks, the trend of the regulatory capital requirement is also monitored. This specific monitoring activity is conducted with computer tools used directly by the ALM Unit as well, and is continually compared and discussed with the business and first and second level control units as part of the ongoing and precise assessment of the risk exposure.

The Group also 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. What is particularly assessed is the exposure to the risk of interest rates rising and government and corporate credit spreads widening, in addition to the risk of share prices falling. 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:

(€ millions)

Financial Statements Category	Risk-free rates +50	Spread on government bonds + 50 bps	Spread on corporate bonds + 50 bps	Equity -25%
Impact on IAS shareholders' equity	-291.8	-265.8	-43.2	-63.8
Impact on Income Statement	-0.5	-0.5	-0.1	-2.7
Impact on unrealised gains/losses	-18.0	-16.5	-5.3	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 of the credit spreads on Government bonds as a result of significant exposure in the portfolio.

The data emerging from the completed analyses confirm the current and future soundness of the Group, even when faced with the stress scenarios identified.

## **Credit risk**

Credit risk, considered to be risks of the counterparty defaulting and hence not including the risk of spread on fixed income securities (which is included in market risk category), represents approximately 5% of the total SCR (bearing in mind the effect of the differentiation between risk modules and the loss-absorbing capacity of technical provisions and deferred taxes).

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

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

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

The credit risk management process is, first and foremost, focused on the adequate selection of counterparties. A system of limits that aims at appropriately managing the most significant exposures is also defined by assigning limits for each Group company to the operating units, expressed as a capital requirement calculated with the standard formula and applied according to the single type. Specifically, limits referring to the capital requirement for cash 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 Cattolica is maintained by selecting reputable 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 accurate financial planning, while also taking into account variability elements that affect the trend of the future cash flows. The trend of the investment portfolio is also monitored and reported periodically in order to constantly assess the assets readily available for any cash requirements. The reporting connected to this monitoring is periodically shared with Senior Management. In the most important cases, the liquidity risk is mitigated by setting up specific credit facilities that allow temporary cash shortages to be made up whenever necessary.

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

## **Operational risk**

The goal of the Group operational Risk Management System is to prevent and reduce any losses that should arise when damaging events occur by means of a process that calls for their identification, gauging and

mitigation, and the systematic disclosure of the risk-based culture in daily operations. This approach makes it possible to enhance the internal audit system, improve the efficiency and efficacy of the management processes, and encourage dialogue with the Board of Directors, Senior Management 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 12% of the Solvency Capital Requirement (SCR) of the Group.
- an internal qualitative assessment made by the heads of the company processes and the Risk Management function, where the 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
  - Interruption of operations and malfunctions on 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 one (very low) and a maximum value of ten (very high). As at 30 June 2017, the qualitative assessment of the risk as a whole for the Group comes to a three exposure value (medium to low), in line with the operational risk appetite defined by the Group.

The operational risks identified and assessed are subjected to an ongoing monitoring process and are reassessed as a whole at least once a year. Furthermore, the heads of the company processes are required to promptly alert the Risk Management function 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 the processes ascribable to events occurring in everyday business operations, also in consideration of the activities that the Group companies have outsourced to both other Group companies and outside suppliers; b) interruption of operations and malfunctions on computer systems; and c) fraud connected with settlement and underwriting activities. The predominant type is the one concerning the execution of the 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 risk as a whole is significant. With regard to these risks, actual concentrations are however not recorded.

The Italian scenario, however, disclosed growing attention to cyber risk and business interruption, aligning itself with the international one, leading to a review of the trend of exposure to this risk as moderately rising, and also manifesting the need for the implementation of safety measures for information technology systems. The main mitigation actions undertaken by the Group are focused precisely in this direction.

## **PILLAR 2 RISKS**

### **Risk of non-compliance with legislation**

The risks of non-compliance with legislation are identified and assessed by the Compliance Assessment function, which has the job of:

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

The regulatory scope entrusted with the unit presupposes direct monitoring (assistance to the line units, the first level responsible for oversight, monitoring and control) of the non-compliance risks concerning the primary and regulatory legislation that govern the carrying on of the insurance, reinsurance and brokerage business, as well as for those rules for which forms of specialised oversight inside the Group are not already in place.

With reference to other legislation concerning specific forms of specialised oversight, such as occupational safety and privacy legislation, the Compliance Assessment Unit an indirect oversight by monitoring continuously and performing any necessary checks.

Since the risk of non-compliance with legislation is widespread at all levels of the company's organisation, above all within the operating lines, the prevention activity is carried out in the first place where the risk is generated, in keeping with a risk-based approach, checking that the internal procedures are adequate to mitigate this risk.

A qualitative assessment is carried out for the risks of non-compliance with legislation on a scale of one to ten, based on verification of the proper application of the legislation. As of 30 June, 2017, the assessment of the risk of non-compliance with legislation had a value of three, which places it at the tolerance limits defined by the Board of Directors for the Group's insurance companies. The analysis of the general monitoring KPIs (claims, disputes and sanctions) shows a basically stable trend.

### **Risk of belonging to the Group**

The assessment for the risk of belonging to the Group is linked to the potential need for replenishment of capital for the current and forecast observance of the desired Risk Appetite level.

The assessment of the risk of belonging to the Group points out that on the basis of the ORSA assessments, potential, restricted and circumscribed measures are necessary over the projection horizon, before which Cattolica has sufficient funds of its own.

### **Reputational risk**

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

The importance of reputational risk comes from the low tolerance level defined by the Board of Directors in addition to the peculiarly cooperative status of the Group; its historical roots 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 have been adopted by the

company representatives best suited to both internal and external communication and to defining the most expedient actions for preserving the company's reputation.

From this viewpoint, it is therefore possible to deduce that the monitoring of this type of risk which the company has implemented is adequate.

### **Corporate Governance Rules**

To the best of Cattolica Assicurazioni's knowledge and belief, it is in compliance with all applicable corporate governance laws and regulations of Italy.

#### ***Board of Directors, Executive Committee, General Council***

The Board of Directors of Cattolica Assicurazioni as at the date of this Prospectus is constituted as follows:

<b>Principal Occupation</b>	<b>Name</b>	<b>Principal activities performed by the Directors outside the Group</b>
<i>Chairman and member of the Executive Committee</i>	<b>Paolo Bedoni</b>	Director of Verfin S.p.A.
<i>Deputy Vice-Chairman and member of the Executive Committee</i>	<b>Aldo Poli</b>	Chairman of the Banca del Monte di Lombardia Foundation; Chairman of the Tradesmen Association of the province of Pavia; Director of Confcommercio Nazionale, Confcommercio International Bruxelles and Teatro alla Scala di Milano Foundation.
<i>Deputy Chairman and member of the Executive Committee</i>	<b>Manfredo Turchetti</b>	Director and member of the Board of Statutory Auditors of a number of industrial companies (including Arper S.p.A., Calero Antenne S.p.A., Gemmo Holding S.p.A., A.P.I. S.p.A., Berica Cavi S.p.A., New Box S.p.A., Rino Mastrotto Group S.p.A. and di Veneta Sanitaria Finanza di Progetto S.p.A., etc.)
<i>Managing Director and member of the Executive Committee</i>	<b>Alberto Minali</b>	
<i>Secretary of the Board of Directors and member of the Executive Committee</i>	<b>Alessandro Lai</b>	Full professor of business economics at the University of Verona, author of several publications. Professor of Italian Academy of business economics and a member of Italian Association of Accounting and Business Economics Professors as well as a member of the Board of Directors and Treasurer of Italian Association of Accounting History.

<b>Principal Occupation</b>	<b>Name</b>	<b>Principal activities performed by the Directors outside the Group</b>
<i>Director and member of the Executive Committee</i>	<b>Barbara Blasevich</b>	Chairman and Managing Director of Euroconsulting S.r.l.; Director of Ente Autonomo per le Fiere di Verona; member of the Board of Statutory Auditors of a number of industrial companies.
<i>Director and member of the Executive Committee</i>	<b>Pilade Riello</b>	Chairman of Riello Industries S.r.l. and Editoriale Veneto S.r.l.
<i>Director</i>	<b>Bettina Campedelli</b>	Full professor of Business Economics at the Università degli Studi of Verona; Deputy Chairman of the Monte dei Paschi di Siena Foundation; Chairman of the Board of Statutory Auditors of FondoProfessionisti; member of the Board of Statutory Auditors of the Azienda Ospedaliera Universitaria Integrata (AOUI) of Verona; Director of Maltauro S.p.A.
<i>Director</i>	<b>Nerino Chemello</b>	
<i>Director</i>	<b>Chiara de' Stefani</b>	Director of SIT S.p.A. (parent company of the SIT Group).
<i>Director</i>	<b>Lisa Ferrarini</b>	Chairman of Ferrarini S.p.A.; Director of Vismara S.p.A.; Director of Federalimentare; Deputy Chairman of Confindustria.
<i>Director</i>	<b>Paola Ferroli</b>	Chairman of Ferroli S.p.A. and of a number of corporations of the Ferroli Group; Deputy Chairman of Federazione Anima; Deputy Chairman of Confindustria Verona.
<i>Director</i>	<b>Paola Grossi</b>	Qualified lawyer; General Director of ASNACODI; Head of Legislative Office at Confederazione Nazionale Coldiretti; Chairwoman of Copa-Cogeca Risk Management Working Party.
<i>Director</i>	<b>Giovanni Maccagnani</b>	Qualified lawyer, owner of Studio Giovanni Maccagnani in Verona; Director of Fondazione Cariverona; Standing Statutory Auditor in a number of corporations (companies of the Rettondini

<b>Principal Occupation</b>	<b>Name</b>	<b>Principal activities performed by the Directors outside the Group</b> Group, Trever S.p.A., Brugi S.p.A. and SITA S.p.A.).
<i>Director</i>	<b>Luigi Mion</b>	Chairman of Mion Immobiliare S.p.A.; Managing Director of Migross S.p.A. and of MIG Restaurant S.p.A.
<i>Director</i>	<b>Carlo Napoleoni</b>	Deputy General Director of Iccrea BancaImpresa S.p.A.; Director of BCC Creditoconsumo S.p.A. and of BCC Factoring S.p.A.; Standing Statutory Auditor of Investire SGR.
<i>Director</i>	<b>Angelo Nardi</b>	
<i>Director</i>	<b>Eugenio Vanda</b>	Founder and Sales and Marketing Director of Strategie Avanzate S.r.l.; Director of Sicurezza e Ambiente S.p.A.; Founder and shareholder of Ventura Investimenti S.r.l.

The Board of Directors is composed of 18 members.

The business address of the Board of Directors is Lungadige Cangrande, 16, 37126 Verona, Italy.

#### ***Conflicts of Interest of members of the Board of Directors***

The Directors of Cattolica Assicurazioni may, from time to time, hold directorships or other significant interests with companies outside the Group, which may have business relationships with the Group. Cattolica Assicurazioni has in place procedures aimed at identifying and managing any conflicts or potential conflicts of interests to ensure where possible that no actual or potential conflicts of interest will arise. There are no conflicts of interest between any of the Directors' duties to Cattolica Assicurazioni and their private interests or other duties.

#### ***Board of Statutory Auditors***

The Board of Statutory Auditors in office, is composed of five permanent members and two substitute auditors, shall cease to hold office upon the approval of the balance sheet for the financial year 2017.

The next Board of Statutory Auditors will be composed of three permanent members and two substitute auditors, as approved at the shareholders' meeting on 22 April 2017.

<b>Name</b>	<b>Office held</b>
<b>Giovanni Glisenti</b> .....	Chairman
<b>Federica Bonato</b> .....	Permanent Statutory Auditor
<b>Cesare Brena</b> .....	Permanent Statutory Auditor
<b>Luigi de Anna</b> .....	Permanent Statutory Auditor

**Andrea Rossi** ..... Permanent Statutory Auditor

**Massimo Babbi** ..... Substitute Statutory Auditor

**Carlo Alberto Murari** ..... Substitute Statutory Auditor

The business address of the Statutory Auditors is Lungadige Cangrande, 16, 37126 Verona, Italy.

#### ***Conflicts of Interest of members of the Board of Statutory Auditors***

There are no conflicts of interest between any of the Statutory Auditors' duties to Cattolica Assicurazioni and their private interests or other duties.

#### ***Independent Auditors***

The Auditing Firm appointed is Deloitte S.p.A. The relevant mandate for the financial years 2012-2020 was approved at the shareholders' meeting on 21 April 2012 based on the proposal made by the Board of Statutory Auditors.

#### **Employees**

As of 31 December 2016, the headcount of the Company (without counting maternity substitutions) was composed of 801 associates (130 of whom came from the merger via incorporation of FATA), compared with 636 associates as of 31 December 2015.

During the financial year 2016, full-time equivalent employees numbered 775 compared with 614 as at the end of 2015.

As of 30 September 2017, at a group level, the headcount of the employees in Italy was 1,581.

#### **Cattolica Assicurazioni shares and shareholders**

##### ***Own shares***

During the 2016 financial year, 2,724,299 own shares were purchased and 324,657 own shares were disposed of, for an aggregate amount of €15.2 million of purchases and €2.4 million of sales.

As of 13 November 2017 the Issuer held 6,679,907 own shares, representing 3.833% of the share capital, having a book value of €39.9 million.

##### ***Major Shareholders***

Holders of ordinary shares of the Issuer are divided into two classes:

- retail investors; and

- institutional investors (mutual investment funds, pension funds, savings management companies, variable capital investment companies, banks, insurance companies, stockbrokers, other companies and institutes).

The following table sets forth all shareholders of the Issuer holding, either directly or indirectly, more than 3% of issued ordinary shares, based on communications provided pursuant to Article 120 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**), and publicly available information:



<b>Direct Shareholder (as of 23 October 2017)</b>	<b>Percentage of voting capital</b>
Berkshire Hathaway Inc <sup>10</sup>	9.047%
Fondazione Cassa di Risparmio di Verona Vicenza Belluno e Ancona <sup>11</sup>	3.437%
Fondazione Banca del Monte di Lombardia	3.162%
Norges Bank	3.092%

Other holders of ordinary shares of the Issuer represent 77.429% of voting capital.

### **Corporate Objects**

The Issuer has as its corporate purpose the performance of any insurance business, whether directly or through reinsurance or retrocession, and may carry out any transactions that are connected with or instrumental to them. The Issuer may also manage the resources of pension funds established pursuant to Article 4 of Legislative Decree No. 124 of 21 April 1993 as subsequently amended, and manage pension funds established pursuant to Article 9 of such legislative decree, and carry out the consequent transactions instrumental in the activities relating to the management of pension funds.

The Issuer may also carry out the activities relating to the establishment and management of supplementary healthcare services, to the extent and upon the conditions provided for by the law.

The Issuer may acquire interests, whether in Italy or outside the country, both in companies having corporate purposes that are similar to, connected with, or otherwise supporting its own, including those having credit, financing, property or servicing purposes, and may also represent and manage them and, to the extent provided for by the law, and in companies carrying out activities other than the ones specified above.

Furthermore, the Issuer may, in compliance with the laws and regulations in force, carry out any and all securities, real estate, commercial and financial transactions connected with or otherwise supporting the performance of the insurance and fund management activities and/or those transactions that the Board of Directors may deem to be necessary or useful for achieving the corporate purposes.

As long as it is in connection with or in relation to the above-mentioned activities or transactions, the Issuer may also grant suretyships, guarantees and endorsements, on a non-systematic basis and subject to the resolution of the Board of Directors.

In the performance of the direction and coordination activity, Cattolica, as the parent company of the Cattolica Assicurazioni insurance group, pursuant to Article 210-ter, paragraph 2, of the Italian Private Insurance Code, shall adopt vis-à-vis the group companies the measures for implementing the provisions issued by IVASS in the interests of the stable and effective management of the insurance group.

### **Pending litigation**

Within the scope of their ordinary business activities, the companies of the Group are involved in litigation, arbitration or administrative proceedings in Italy and abroad both as plaintiffs or petitioners, and as defendants or respondents. Based on the information currently available and taking into consideration the aforementioned provision, Cattolica Assicurazioni does not foresee that the outcome of these pending or

<sup>10</sup> On 5 October 2017 (source: CONSOB website)

<sup>11</sup> On 5 April 2017 (source: CONSOB website)

threatened proceedings are likely, individually or in the aggregate, to have a material effect on the results of operations or financial position of Cattolica Assicurazioni or on the Group as a whole.

On 10 February 2017 six months, after receipt by Banca Popolare di Vicenza (BPVi) of the communication dated 4 August 2016 with respect to the unilateral withdrawal of Cattolica from the partnership agreements with the bank, the lock-up restriction on 4,120,976 Cattolica shares owned by BPVi ceased, without prejudice to other matters envisaged in the agreements. The period for exercising the right to sell BPVi investments held in the share capital of Berica Vita, Cattolica Life and ABC Assicura according to the partnership agreements, drawn up with the bank and already in the public domain started from that date.

Further with regard to the various transactions entered into by BPVi between 2014 and 2016, Cattolica decided to check all requirements and conditions for the eventual protection of its claims as investor in BPVi, with particular reference to the share capital increase transactions of the same bank in spring 2014 and the content of the related prospectus. A specific opinion was requested on the matter from qualified legal advisors, who opined on the theoretical existence of said compensatory claims of Cattolica and on the appropriateness of waiting, due to the launch of related actions, the outcome of the assessments and the sanction procedures vis-à-vis the former exponents of BPVi, launched by CONSOB.

On 4 April Cattolica resolved to exercise its option to sell BPVi investments held in the share capital of Berica Vita, Cattolica Life and ABC Assicura according to the partnership agreements drawn up at the time and mentioned above within the terms contractually set. On that date the value came to €186.1 million. Moreover, based on accounting and actuarial results, the penalties set for failure to meet the production and profitability targets of the investee companies amounted to €8.6 million as of 10 February, 2017.

On 5 April BPVi issued a press release reporting that 10,500,000 ordinary Cattolica shares had been sold.

In compliance with Italian Decree Law dated 25 June 2017, the Italian Minister for the Economy and Finance, at the request of the Bank of Italy, compulsorily wound-up. The Bank of Italy appointed the liquidator commissioners.

In implementing the ministerial instructions and with the support of the Italian government, the liquidator commissioners transferred company assets and liabilities to Intesa San Paolo S.p.A., which took over the transferor's customer relations without interruption. The bank's impaired loans, omitted from the transfer, will be transferred later to a state-controlled company.

The rights of shareholders and the subordinated liabilities will still remain under the liquidation.

All legal and commercial relationships between Cattolica and BPVi, however, ceased as a result of the compulsory winding-up, and the outstanding credit accounts for Cattolica will be determined during the liquidation procedure.

#### *Authority Proceedings*

On 15 December 2016, several of the leading insurance companies operating in Italy in the Motor TPL class, including Cattolica, FATA and TUA Assicurazioni, were notified of the opening of an investigation by the Anti-trust Authority into a possible restrictive competitive practice in violation of Article 101 of the Treaty on the Functioning of the European Union (the **TFEU**). The complaint, according to the Anti-trust Authority, originated from a number of public declarations by representatives of the Generali Group and the Unipol Group referring to the market as a whole; these declarations could have, according to the theories of the Authority, cancelled any the uncertainty on the future price strategy in the Motor TPL class and fuelled the expectation that any increases, being generalised among the main players, would not result in risk of losing customers, or in other words, there may have been the possibility of an agreement restriction competition among the main players. At the time of notification, inspections took place in a number of insurance companies, none of which were part of the Cattolica Group. With decision adopted on 9 August 2017, the Anti-trust Authority closed the investigation without finding evidence of an infringement of Article

101 of the TFEU. In particular, the Anti-trust Authority found that there was no evidence of collusion with the object or effect of distorting competition in the market for car liability insurance and associated guarantees.

In relation to such procedure by the Anti-trust Authority vis-à-vis the leading insurance companies in the Motor TPL class, and among these, Cattolica Assicurazioni, FATA and TUA Assicurazioni, for a possible restrictive competitive practice, the Authority concluded the procedure, with a resolution dated 9 August 2017, deciding that “the reasons for the measure vis-à-vis the company have ceased to exist”.

With reference to the inspection activities IVASS started in 2016, Cattolica, for the part for which it is responsible, and Lombarda Vita, informed the Authority on the progress of the activities; as for the inspection started at BCC Vita and BCC Assicurazioni, the companies initiated the activities set out in the letter of findings following a report delivered in January.

Protocols No. 0092935/17 and No. 0092936/17 dated 11 May 2017, directed IVASS, with reference to the Solvency II ratio, to authorise the use of specific parameters of, respectively, the Group (GSP) and the company (USP) starting with assessments from the year 2016.

On 23 June CONSOB sent a notice regarding the alleged lack of promptness of the press release issued on 11 November 2016 on the revised results forecast for 2017. The relevant procedure is in the preliminary stage.

With respect to the CONSOB procedure reported in the 2016 financial statements regarding Cattolica failing to activate the Related Parties Committee, indicating a lack of control measures – in the case in question – by the Board of Statutory Auditors in office until April 2016, on 13 September 2017, CONSOB declared that the Commission, having assessed the preliminary results, did not deem that the conditions for the adoption of sanction measures existed, and arranged for the dismissal of the proceedings.

## **OVERVIEW FINANCIAL INFORMATION**

The tables below show the reclassified consolidated statement of financial position and income statement of the Group for 2016 compared with those of the previous year, presented in the unaudited and unreviewed Management Report. The reclassified consolidated statement of financial position and income statement of the Group have been drawn up aggregating and reclassifying the items from the form of accounts provided by IVASS on the basis of the figures set out under column "Items from obligatory statements" in the tables below and prepared by Cattolica's management in order to analyse the Group's business performance and financial results in the Groups' annual and interim financial statements.

Reclassified consolidated statements of financial position of the Group for the years ended 31 December 2016 and 2015 and for the half year ended 30 June 2017.

(€ millions)	2016	2015	Change		Items from obligatory statements (*)
			Amount	%	
<b>Assets</b>					
Investment property	494	368	126	34.4	4.1
Property	164	137	27	19.4	2.1
Investments in subsidiaries, associated companies and joint ventures	71	35	36	n.s.	4.2
Loans and receivables	847	876	-29	-3.3	4.4
Held to maturity investments	242	247	-5	-1.8	4.3
Available for sale financial assets	16,472	15,841	631	4.0	4.5
Financial assets at fair value through profit or loss	3,129	3,365	-236	-7.0	4.6
Cash and cash equivalents	172	522	-350	-67.0	7
<b>Total investments</b>	<b>21,591</b>	<b>21,391</b>	<b>200</b>	<b>0.9</b>	
Intangible assets	325	321	4	1.3	1
Technical provisions - reinsurance amount	689	730	-41	-5.6	3
Sundry receivables, other tangible assets and other asset items	1,628	1,601	27	1.6	(**)
<b>TOTAL ASSETS</b>	<b>24,233</b>	<b>24,043</b>	<b>190</b>	<b>0.8</b>	
<b>Liabilities and shareholders' equity</b>					
Group capital and reserves	1,779	1,851	-72	-3.9	
Group profit (loss) for the year	76	61	15	25.2	1.1.9
<i>Shareholders' equity pertaining to the Group</i>	<b>1,855</b>	<b>1,912</b>	<b>-57</b>	<b>-3.0</b>	<b>1.1</b>
Capital and reserves pertaining to minority interests	242	226	16	6.9	
Profit (loss) for the year pertaining to minority interests	17	21	-4	-17.4	1.2.3
<i>Shareholders' equity pertaining to minority interests</i>	<b>259</b>	<b>247</b>	<b>12</b>	<b>4.8</b>	<b>1.2</b>
<b>Total capital and reserves</b>	<b>2,114</b>	<b>2,159</b>	<b>-45</b>	<b>-2.1</b>	<b>1</b>
Premium provision	748	769	-21	-2.8	
Provision for outstanding claims	2,819	2,820	-1	-0.0	
<b>Gross technical provisions - non-life</b>	<b>3,567</b>	<b>3,589</b>	<b>-22</b>	<b>-0.6</b>	<b>3</b>
<b>Gross technical provisions - life</b>	<b>15,638</b>	<b>14,984</b>	<b>654</b>	<b>4.4</b>	<b>3</b>
Other gross non-life technical provisions	2	2	0	-7.9	3
Other gross life technical provisions	279	324	-45	-14.2	3
Financial liabilities	1,634	1,905	-271	-14.2	4
<i>of which deposits from policyholders</i>	<b>1,353</b>	<b>1,623</b>	<b>-270</b>	<b>-16.6</b>	
Allowances, payables and other liability items	999	1,080	-81	-7.6	(***)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>24,233</b>	<b>24,043</b>	<b>190</b>	<b>0.8</b>	

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

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

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

(€ millions)	June 30th, 2017	December 31st, 2016	Changes		Items from obligatory statements (*)
			Amount	%	
<b>Assets</b>					
Investment property	574	494	80	16.2	4.1
Property	164	164	0	0	2.1
Investments in subsidiaries, associated companies and joint ventures	73	71	2	2.8	4.2
Loans and receivables	863	847	16	1.9	4.4
Held to maturity investments	243	242	1	0.4	4.3
Available for sale financial assets	16,771	16,472	299	1.8	4.5
Financial assets at fair value through profit or loss	3,435	3,129	306	9.8	4.6
Cash and cash equivalents	160	172	-12	-7.0	7
<b>Total investments</b>	<b>22,283</b>	<b>21,591</b>	<b>692</b>	<b>3.2</b>	
Intangible assets	275	325	-50	-15.4	1
Reinsurance amounts of technical provisions	696	689	7	1.0	3
Sundry receivables, other tangible assets and other asset items	1,499	1,628	-129	-7.9	(**)
<b>TOTAL ASSETS</b>	<b>24,753</b>	<b>24,233</b>	<b>520</b>	<b>2.1</b>	
<b>Shareholders' equity and liabilities</b>					
Group capital and reserves	1,789	1,779	10	0.6	
Group profit (loss) for the year	1	76	-75	-98.7	1.1.9
<b>Shareholders' equity pertaining to the Group</b>	<b>1,790</b>	<b>1,855</b>	<b>-65</b>	<b>-3.5</b>	<b>1.1</b>
Capital and reserves pertaining to minority interests	246	242	4	1.7	
Profit (loss) for the year pertaining to minority interests	7	17	-10	-58.8	1.2.3
<b>Shareholders' equity pertaining to minority interests</b>	<b>253</b>	<b>259</b>	<b>-6</b>	<b>-2.3</b>	<b>1.2</b>
<b>Total capital and reserves</b>	<b>2,043</b>	<b>2,114</b>	<b>-71</b>	<b>-3.4</b>	<b>1</b>
Premium provision	770	748	22	2.9	
Provision for outstanding claims	2,814	2,819	-5	-0.2	
<b>Gross technical provisions - non-life</b>	<b>3,584</b>	<b>3,567</b>	<b>17</b>	<b>0.5</b>	<b>3</b>
<b>Gross technical provisions - life</b>	<b>16,188</b>	<b>15,638</b>	<b>550</b>	<b>3.5</b>	<b>3</b>
Other gross non-life technical provisions	2	2	0	0	3
Other gross life technical provisions	333	279	54	19.4	3
Financial liabilities	1,673	1,634	39	2.4	4
<i>of which deposits from policyholders</i>	<i>1,414</i>	<i>1,353</i>	<i>61</i>	<i>4.5</i>	
Allowances, payables and other liability items	930	999	-69	-6.9	(***)
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>24,753</b>	<b>24,233</b>	<b>520</b>	<b>2.1</b>	

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

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

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

## Reclassified consolidated income statement of the Group for the years ended 31 December 2016 and 2015 and for the half years ended 30 June 2017 and 2016.

(€ millions)	2016	2015	Change		Items from obligatory statements <sup>(*)</sup>
			Amount	%	
Net premiums	4,239	4,851	-612	-12.6	1.1
Net charges relating to claims	-3,887	-4,521	634	14.0	2.1
Operating expenses	-553	-561	8	1.4	
<i>of which commission and other acquisition costs</i>	-408	-409	1	0.2	2.5.1
<i>of which other administrative expenses</i>	-145	-152	7	4.8	2.5.3
Other revenues net of other costs (other technical income and charges)	-60	-54	-6	-9.6	1.6 - 2.6
Net income from financial instruments at fair value through profit or loss	38	48	-10	-21.1	1.3
<i>Of which result from class D financial operations <sup>(**)</sup></i>	36	42	-6	-13.9	
Net income from investments in subsidiaries, associated companies and joint ventures	-34	-50	16	32.1	1.4 - 2.3
Net income from other financial instruments and investment property	526	602	-76	-12.7	1.5 - 2.4
<i>of which net interest</i>	446	463	-17	-3.5	1.5.1 - 2.4.1
<i>of which other income net of other charges</i>	67	71	-4	-5.2	1.5.2 - 2.4.2
<i>of which net profits realised</i>	67	149	-82	-55.3	1.5.3 - 2.4.3
<i>of which net valuation profits on financial assets</i>	-54	-81	27	32.7	1.5.4 - 2.4.4
<i>of which changes in other financial liabilities</i>	0	0	0	n.a.	1.5.4 - 2.4.4
Commissions income net of commissions expense	6	5	1	14.5	1.2 - 2.2
Operating expenses relating to investments <sup>(***)</sup>	-28	-27	-1	-2.1	2.5.2
<b>RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS</b>	<b>247</b>	<b>293</b>	<b>-46</b>	<b>-15.6</b>	
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-62	-68	6	9.0	1.6 - 2.6
<b>PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR</b>	<b>185</b>	<b>225</b>	<b>-40</b>	<b>-17.6</b>	
Taxation	-92	-143	51	35.9	3
<b>NET PROFIT (LOSS) FOR THE YEAR</b>	<b>93</b>	<b>82</b>	<b>11</b>	<b>14.4</b>	
<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>n.a.</b>	<b>4</b>
<b>CONSOLIDATED PROFIT (LOSS) FOR THE YEAR</b>	<b>93</b>	<b>82</b>	<b>11</b>	<b>14.4</b>	
Profit (loss) for the year pertaining to minority interests	17	21	-4	-17.4	
<b>PROFIT (LOSS) FOR THE YEAR PERTAINING TO THE GROUP</b>	<b>76</b>	<b>61</b>	<b>15</b>	<b>25.2</b>	

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

(\*\*) Includes the Class D profits recognised in the operating expenses relating to investments amounting to less than € 1,687 million, other revenues amounting to € 2,039 million and interest on liquidity for € 109 thousand.

(\*\*\*) Includes operating expenses relating to class D investments amounting to less than € 1,687 million.

n.a. = not applicable

(€ millions)	June 30th, 2017	June 30th, 2016	Changes		Items from obligatory statements (*)
			Amount	%	
Net premiums	2,326	2,250	76	3.4	1.1
Net charges relating to claims	-2,138	-2,056	-82	-4.0	2.1
Operating expenses	-280	-275	-5	-1.8	
<i>of which commissions and other acquisition costs</i>	-208	-201	-7	-3.5	2.5.1
<i>of which other administrative expenses</i>	-72	-74	2	2.7	2.5.3
Other revenues net of other costs (other technical income and charges)	-35	-36	1	2.8	1.6 - 2.6
Net income from financial instruments at fair value through profit or loss	16	-2	18	n.s.	1.3
<i>Of which result from class D financial operations (**)</i>	15	-2	17	n.s.	
Net income from investments in subsidiaries, associated companies and joint ventures	1	-35	36	n.s.	1.4 - 2.3
Net income from other financial instruments and investment property	250	272	-22	-8.1	1.5 - 2.4
<i>of which net interest</i>	232	220	12	5.5	1.5.1 - 2.4.1
<i>of which other income net of other charges</i>	43	37	6	16.2	1.5.2 - 2.4.2
<i>of which net profits realised</i>	16	40	-24	-60.0	1.5.3 - 2.4.3
<i>of which net valuation profits on financial assets</i>	-41	-25	-16	-64.0	1.5.4 - 2.4.4
<i>of which changes in other financial liabilities</i>	0	0	0	n.a.	1.5.4 - 2.4.4
Commissions income net of commissions expense	2	4	-2	-50.0	1.2 - 2.2
Operating expenses relating to investments	-15	-12	-3	-25.0	2.5.2
<b>RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS</b>	<b>127</b>	<b>110</b>	<b>17</b>	<b>15.5</b>	
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-83	-27	-56	n.s.	1.6 - 2.6
<b>PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD</b>	<b>44</b>	<b>83</b>	<b>-39</b>	<b>-47.0</b>	
Taxation	-36	-58	22	37.9	3
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>8</b>	<b>25</b>	<b>-17</b>	<b>-68.0</b>	
<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>n.a.</b>	<b>4</b>
<b>CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD</b>	<b>8</b>	<b>25</b>	<b>-17</b>	<b>-68.0</b>	
Profit (loss) for the year pertaining to minority interests	7	8	-1	-12.5	
<b>PROFIT (LOSS) FOR THE PERIOD PERTAINING TO THE GROUP</b>	<b>1</b>	<b>17</b>	<b>-16</b>	<b>-94.1</b>	

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

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

n.s. = not significant

n.a. = not applicable



## TAXATION

*The following summary contains a description of certain Italian and EU tax consequences in respect of the purchase, ownership and disposal of Notes.*

### **Italian Taxation**

*This summary assumes that the Issuer is resident in the Republic of Italy for tax purposes, is structured and conducts its business in the manner outlined in this Prospectus. Changes in the Issuer's organisational structure, tax residence or the manner in which it conducts its business may invalidate this overview. This overview also assumes that each transaction with respect to the Notes is at arm's length.*

*Where in this overview, English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.*

*The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this overview to reflect changes in laws and if such a change occurs the information in this overview could become invalid.*

*The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in notes or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.*

### **Tax treatment of the Notes**

Legislative Decree No. 239 of 1 April 1996, as subsequently amended (**Decree 239**) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between repayment amount and the issue price) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued, *inter alia*, by Italian listed companies with shares listed on a EU or EEA regulated market. For this purpose, bonds and debentures similar to bonds are notes that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or of control of) to management of the Issuer.

The tax regime set forth by Decree 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian insurance companies, other than shares and assimilated instruments.

### *Italian resident Noteholders*

Where the Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the relevant Notes are connected (unless he has opted for the application of the “*risparmio gestito*” regime — see under “*Capital gains tax*”, below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the **Finance Act 2017**).

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate income taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-*bis* of Law No. 86 of 25 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund or the Real Estate SICAF.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund or SICAV (the **Fund**) or (ii) their manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an **Intermediary**).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary; and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

### *Non-Italian resident Noteholders*

Where the Noteholder is a non-Italian resident, without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 April 2017 and possibly further amended by future decrees issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the **White List**); or (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (c) a Central bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is resident in a country which is included in the White List, even if it does not possess the status of a taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-resident investors must be the beneficial owners of payments of interest, premium or other income and (a) deposit, directly or indirectly, the Notes or the coupons with a bank or a SIM or a permanent establishment in Italy of a non-resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 a resident bank or SIM or a permanent establishment in Italy or a non-resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, to be provided only once, until revoked or withdrawn, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree 12 December 2001.

### **Capital gains tax**

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual not holding the Notes in connection with an entrepreneurial activity; (ii) a non-commercial partnership; (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes, if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 (**Decree 66**), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the relevant Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same notes management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return. Pursuant to Decree 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by Italian resident individuals holding Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in its annual tax return. Pursuant to Decree 66, decreases in value of the management assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of 76.92 per cent. of the decreases in value registered from 1 January 2012 to 30 June 2014.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017.

Any capital gains realised by Italian resident real estate fund to which the provisions of Decree 351, as subsequently amended, apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate fund or the Real Estate SICAF.

Capital gains realised by non-Italian-resident Noteholders from the sale or redemption of the Notes are not subject to Italian taxation, provided that the Notes are traded on a regulated market.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on a regulated market are not subject to the *imposta sostitutiva*, provided that the beneficial owner thereof: (a) is resident in a country which is included in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country which is included in the White List, even if it does not possess the status of a taxpayer in its own country of residence.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident Issuer are subject to the *imposta sostitutiva* at the current rate of 26 per cent. In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale, early redemption or redemption of Notes.

### **Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3 October 2006 converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other notes) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- (b) transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000;
- (c) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift; and
- (d) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above on the value exceeding, for each beneficiary, €1,500,000.

### **Transfer tax**

Following the repeal of the Italian transfer tax, contracts relating to the transfer of notes are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

## Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary to its clients. The stamp duty applies at a rate of 0.2 per cent. (and cannot exceed €14,000 for taxpayers other than individuals). This stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

## Wealth Tax on notes deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent. on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes, if any, paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

## Tax monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended, individuals non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of TUIR) resident in Italy who, at the end of the fiscal year, hold, directly or indirectly, investments abroad or have financial activities abroad (including the Notes) must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return).

Such obligation has been limited to the amount of securities held abroad at the end of each tax year with no obligation to report inbound and outbound transfers and other transfers occurring abroad in relation to securities and does not apply in the event that the assets held abroad are limited to deposits and/or bank accounts having an aggregate value not exceeding an €15,000 threshold throughout the year.

## *Foreign Account Tax Compliance Act*

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the

date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under “*Terms and Conditions of the Notes—Further Issues*”) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

### **The proposed European Union financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission’s Proposal**) for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Banca IMI S.p.A., Barclays Bank PLC, Nomura International plc and UBS Limited (the **Joint Lead Managers** or the **Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 12 December 2017 and subject to the conditions contained therein, severally agreed to subscribe for the Notes and will be paid certain commission as set out therein. The Issuer will also reimburse the Managers in respect of certain of their expenses. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Manager has represented and agreed that, except as permitted by the relevant Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the Financial Services Act) and Article 34-ter, first



paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (Regulation No. 11971); or

- (j) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1st September 1993, as amended (the **Banking Act**); and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

## **General**

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer nor any of the Managers shall have any responsibility therefor.

None of the Issuer and the Managers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 14 November 2017.

### Listing, Admission to Trading and Approval

This Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank only approves this document as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

### Expenses Related to Admission to Trading

The total expenses in relation to the admission to trading of the Notes are estimated by the Issuer to be €10,000.

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Notes is XS1733289406 and the Common Code is 173328940.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

### No Significant Change and No Material Adverse Change

Save as disclosed in the section "*Description of the Group - Recent Developments*" of this Prospectus, there has been no significant change in the financial or trading position of the Issuer and the Group since 30 June 2017 and there has been no material adverse change in the financial position or prospects of the Issuer and the Group since 31 December 2016.

### Legal and Arbitration Proceedings

Save as disclosed in the section "*Description of the Group – Pending litigation*" of this Prospectus, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

### Auditors

The independent auditors of the Issuer are Deloitte & Touche S.p.A., who have audited the Issuer's consolidated financial statements, without qualification, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union for the financial year ended, respectively, on 31 December 2015 and 31 December 2016 and reviewed the Issuer's half-yearly consolidated financial statements for the six month period ended on 30 June 2017.

Deloitte & Touche S.p.A. is registered with the Register of Statutory Auditors (*Registro dei Revisori Legali*) maintained by Minister of Economy and Finance effective from June 7, 2004. The registration number is no. 132587.

## **U.S. tax**

The Notes and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

## **Documents Available**

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Fiscal Agent for the time being in Luxembourg.

- (1) the By-laws (*statuto*) of the Issuer (with an English translation thereof);
- (2) the unaudited interim consolidated financial statements of the Issuer in respect of the six month period ended 30 June 2017 (with an English translation thereof);
- (3) the audited consolidated financial statements of the Issuer in respect of the financial years ended 31 December 2016 and 2015 (with an English translation thereof), in each case together with the audit reports prepared in connection therewith. The Issuer currently prepares audited accounts on an annual basis;
- (4) this Prospectus; and
- (5) the Agency Agreement.

In addition, copies of this Prospectus and each document incorporated by reference herein are available on the Issuer's website at *www.cattolica.it*.

## **Yield**

The yield on the Notes from (and including) the Issue Date to (but excluding) the Interest Reset Date will be 4.25 per cent. per annum. The Yield is calculated at the Issue Date on the basis of the issue price. It is not an indication of future yield.

## **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to the issue of the Notes.

## **Interests of natural and legal persons involved in the issue of Notes**

Certain of the Managers and their affiliates have engaged, and may in the future engage, in lending, advisory, investment banking, corporate finance services and other related transactions with the Issuer and/or Issuer's affiliates and/or companies involved directly or indirectly in the sectors in which the Issuer operates. In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers.

Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Managers or their affiliates that have a significant lending relationship with the Issuer and/or Issuer's affiliates, routinely hedge their credit exposure to the Issuer and/or Issuer's affiliates consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit

default swaps or the creation of short positions in securities, including potentially the Notes issued under the Prospectus. Any such short positions could affect future trading prices of Notes issued under the Prospectus.

The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In relation to the issue and subscription of the Notes, fees and/or commissions may be payable to the relevant Managers. In addition, certain Managers and/or their affiliates are lenders under financing facilities that may be repaid as part of the Issuer's refinancing arrangements following the issue of the Notes. Certain Managers or their affiliates may also act as counterparties in the hedging arrangements that the Issuer may enter into in connection with such refinancing arrangements and receive customary fees for their services in such capacities. Moreover, Banca Akros S.p.A. – Gruppo Banco BPM is a subsidiary of Banco BPM S.p.A., which has entered into a long-term strategic partnership with the Issuer in life and non-life bancassurance, as described in "*Description of the Group – Recent Developments – The agreements with Banco BPM in relation to Avipop Assicurazioni S.p.A. and Popolare Vita S.p.A.*".

For the purpose of the above paragraphs in this sub-section, the term “affiliates” also includes parent companies.

**Issuer**  
**Società Cattolica di Assicurazione – Società Cooperativa**  
Lungadige Cangrande, 16  
37126 Verona  
Italy

**Global Coordinator**

**Banca IMI S.p.A.**  
Largo Mattioli, 3  
20121 Milan  
Italy

**Joint Lead Managers and Bookrunners**

**Banca IMI S.p.A.**  
Largo Mattioli, 3  
20121 Milan  
Italy

**Barclays Bank PLC**  
5 The North Colonnade, Canary Wharf  
London E14 4BB  
United Kingdom

**Nomura International plc**  
1 Angel Lane  
London EC4R 3AB  
United Kingdom

**UBS Limited**  
5 Broadgate  
London EC2M 2QS  
United Kingdom

**Co-Managers**

**Banca Akros S.p.A. – Gruppo Banco BPM**  
Viale Eginardo 29  
20149 Milan  
Italy

**Intermonte SIM S.p.A.**  
Galleria De Cristoforis 7/8  
20122 Milan  
Italy

**Fiscal Agent, Principal Paying Agent and Calculation Agent**

**BNP Paribas Securities Services, Luxembourg Branch**  
60 avenue J.F. Kennedy  
L-1855, Luxembourg

**Luxembourg Listing Agent**

**BNP Paribas Securities Services, Luxembourg Branch**  
60 avenue J.F. Kennedy  
L-1855, Luxembourg

**Auditors**

**Deloitte & Touche S.p.A.**

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Italy

**Legal Advisers  
to the Issuer as to English and Italian Law**

**Allen & Overy**

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**to the Managers  
as to English and Italian Law**

**Clifford Chance**

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