2019

GRUPPO CATTOLICA ASSICURAZIONI

CONSOLIDATED INTERIM REPORT

AS OF 30 JUNE 2019

READY FOR LIFE

Grow up, renew yourself, evolve

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

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

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

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

2019

CONSOLIDATED INTERIM REPORT

AS OF 30 JUNE 2019

APPROVED BY THE BOARD OF DIRECTORS ON AUGUST 8TH, 2019

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GROUP HIGHLIGHTS

Total premiums written
3,268 mln € (+10.6%)

Operating result
156 mln € (+4.3%)

Consolidated profit
76 mln € (+21.1%)

Operating ROE
8.6% (+0.5 pp)

Solvency II Ratio
165%

NON-LIFE SEGMENT

Gross premiums written - direct non-life business
1,090 mln € (+3%)

Operating result
87 mln € (-4.5%)

Combined ratio for retained business
93.4% (+0.8 pp)

LIFE SEGMENT

Gross premiums written - direct life business
2,171 mln € (+14.8%)

Operating result
71 mln € (+18.7%)

OUR DISTRIBUTORS

Agencies
1,429 (-1%)

Branches
6,107 (+0.9%)

Board of Directors

17

General Management

4

CORPORATE BODIES

CORPORATE BODIES

BOARD OF DIRECTORS

Chairman	Paolo Bedoni
Vice Deputy Chairman	Aldo Poli
Deputy Chairman	Barbara Blasevich
Secretary	Alessandro Lai
Managing Director	Alberto Minali
Directors	Federica Bonato (*) Cesare Brena (*) Piergiuseppe Caldana Bettina Campedelli Luigi Castelletti Rosella Giacometti Giovanni Glisenti (*) Carlo Napoleoni Pierantonio Riello Chiara de' Stefani Anna Strazzera Eugenio Vanda

GENERAL MANAGEMENT

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

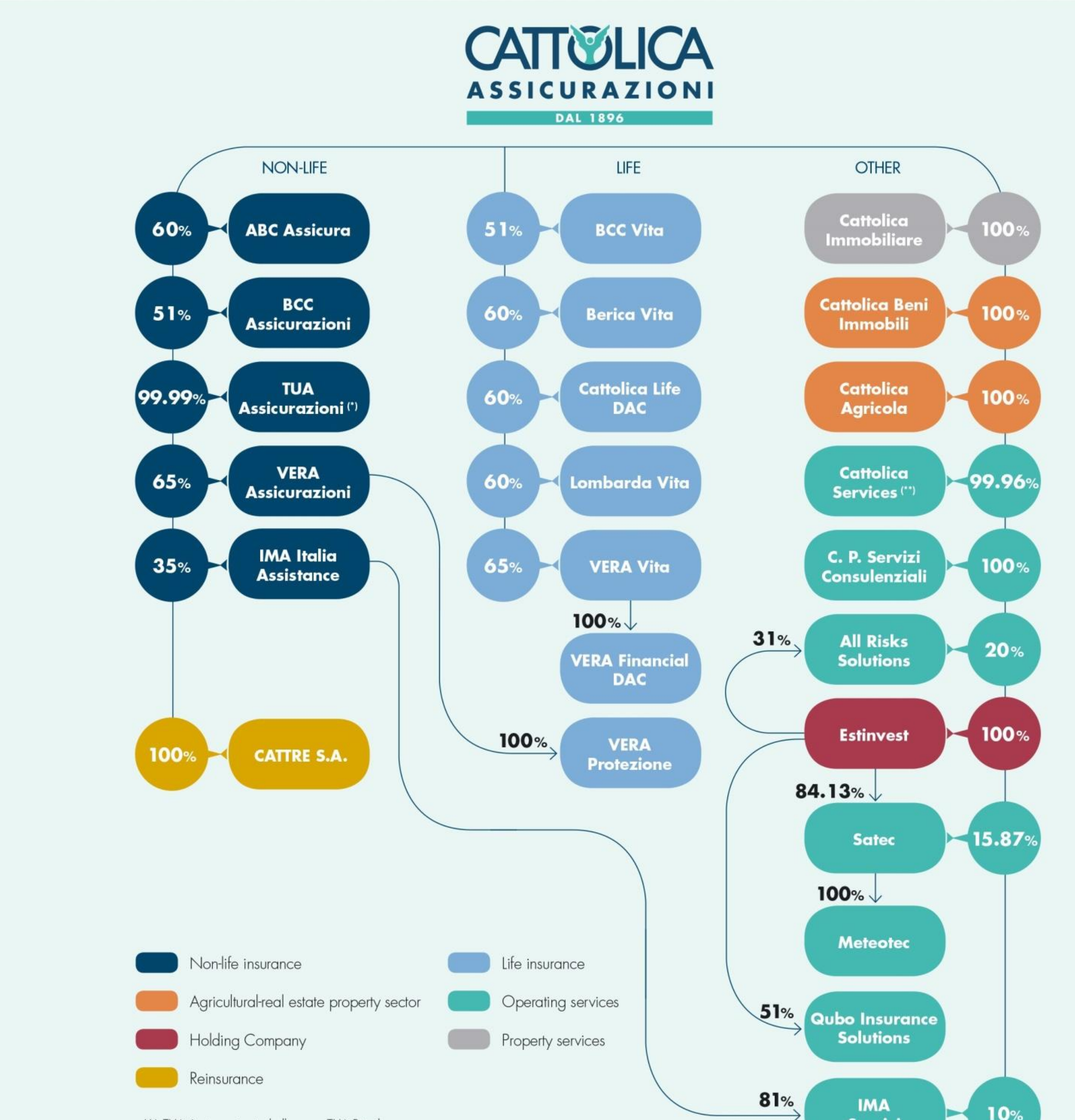
(*) The Directors whose names are marked with an asterisk are members of the Management Control Committee

14 Life / non-life insurance companies

11 Non-insurance companies

GROUP STRUCTURE

GROUP STRUCTURE



(*) TUA Assicurazioni wholly owns TUA Retail.

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

As at June 30th, 2019

Market share

3.6% life

6.4% non-life

REFERENCE SCENARIO

REFERENCE SCENARIO

MACRO-ECONOMIC SCENARIO

In the first half of 2019, the macroeconomic environment deteriorated, leading to a downwards revision of growth forecasts worldwide. The slowdown of the main economies was affected mostly by global trade, which contracted severely because of the tariff war between the US and China.

The contraction of the key confidence indicators, that started in 2018, continued in the first part of the year as well, projecting, for developed economies, a growth in 2019 half a point lower than in 2018.

The United States ended 2018 with a 2.9% growth, and with the first quarter of 2019 closed at +3% per year, they are recording one of the longest expansionary cycles in their history. However, peak growth has been left behind and already in the second quarter there was a slowdown that should lead to 2019 closing with a growth of around 2%.

The industrial sector, more sensitive to global trade dynamics, is being particularly affected. In this regard, there are some geopolitical uncertainty elements, which are negatively impacting growth sustainability. In the course of the half year, the trade war between the US and China intensified, with President Trump threatening new tariffs and placing restrictions to American multinationals in their dealings with Chinese companies, mostly in the technological and communications sectors.

On the other hand, the indicators pertaining to the services sector, more driven by internal consumption, are still in amply expanding territory, albeit by a slower rate. On this front, it should be pointed out that the labor market is still sound, with the unemployment rate stably below 4% throughout the half year and a workforce participation rate that rose above 63% at the start of the year.

In his war against Chinese competition, Trump also involved the Federal Reserve, repeatedly clamouring for a more accommodating policy, to weaken the US Dollar and make imports less competitive. While Chairman Powell defended the Fed's independence from the US government, he recognised the ongoing slowdown and the expected one on the basis of the confidence indicators, and he paused the path of rate raises planned last year. Moreover, he paved the way for possible cuts to be applied this year already, pushing the markets to expect two cuts of 25 basis points each by the autumn.

European growth trends, already weak in the second part of last year, had an even more marked decline that in the USA. Confidence indicators in the manufacturing sector deteriorated in the first half, dropping below the threshold between expansion and recession. After ending 2018 with 2% growth, the European GDP is still projected at 1.5% for 2019.

Industrial and more export-oriented countries, like Germany and Italy, were the hardest hit by the contraction in international trade, which especially impacted the automotive sector.

The indicators for the services sector are holding up much better, remaining in the expansionary area. The unemployment rate continued its six-year decline, reaching 6.3%.

In the first half year, geopolitical factors such as Brexit and the European elections had an impact. The first element led to increased uncertainty. The UK Prime Minister Theresa May, after even her last attempts to get the agreement for leaving the EU approved by Parliament failed, ultimately had to resign, leaving the country in chaos. Control could be taken by the 'hard Brexit" wing, but with the risk of leading to the worst outcome, i.e. a no-deal exit, hence a disorderly one.

The outcome of the European elections instead calmed the climate down. The feared advance of Euro-sceptic parties failed to materialise and the status quo remained substantially unchanged, with the two main parties, i.e. Socialists and Popular, while forced to find new alliances, still retaining ample power in the formation of the commission.

The European Central Bank continued to provide support to the Eurozone's economy in this setting of overall cooling growth, maintaining the budget unchanged through the reinvestment of coupons and maturities. At the June Sintra forum, shortly after the ECB meeting, Mario Draghi, upon acknowledging the economic slowdown and the inflation levels that continue to be far below the 2% target, stated that it still has several weapons in its arsenal. Market expectations therefore were repositioned on an additional rate cut and on a possible resumption of net purchases of government and corporate debt.

The trend of the key Italian economic indicators did not stray from that described for the rest of the Eurozone, with a divergence between the manufacturing and the services sector. The former, as in most other countries, is still in negative territory, while the latter is barely in expansionary territory.

After recording a technical recession, with GDP contracting for two consecutive quarters in the second half of 2018, the first quarter of 2019 saw a tentative positive sign, which however is not such as to change

expectations that 2019 would overall be slightly above zero. The business confidence level is not compatible with a recovery in industrial activity in the short term and political uncertainties are still bearing down on our country. Although the excess debt procedure was avoided, the issue of public finance will pressingly return to the fore in the fall, when the stability law will have to be defined.
Good signals are instead coming on the front of unemployment, which dropped below 10% for the first time in seven years.

The Japanese economy continues along its path to recovery, albeit characterised by a certain volatility. After a stable first quarter (+0.6%), propelled by the improvement of the trade balance to the collapse of imports, the second quarter ended in stagnation. Raising the VAT from 8% to 10%, expected for the month of October, led to a decline in the confidence of consumers, who, in spite of the expected increase in prices, are not liable to increase purchases of durable goods. The risk of new tariffs, the slowdown of the global economy and the appreciation of the Yen will cause the net contribution of the trade balance to remain negative. Inflation, quite far from the 2% target, could induce the Bank of Japan to cut rates already in the summer, in part also to contrast the moves of the other central banks.
Emerging countries, primarilly China, are slowing down far less markedly than developed countries. In the first quarter, GDP grew by 4.6% per annum overall, versus 4.9% in 2018, but 2019 should end with growth at 4.7%.

China's growth rate remains above 6%, albeit with a slight contraction in the first quarter, and confidence indicators show an opposite trend compared to the developed countries. The services and farming sectors are contracting, while manufacturing is growing. Services exhibit weakness in all segments, with the exception of the financial one. Among the most positive signs are retail sales, which grew strongly in spite of the decline in the automotive sector. The solid growth in wages, the tax cuts and consumer confidence buoyed consumption, but the signs of weakness of the labour market leave downside risks for the second part of the year.

Bond markets

The first half of 2019 was characterised by a generalised rise of the main financial asset classes, including government and corporate bonds, both investment grade and high yield. The performance involved all geographic areas, from emerging countries to the Eurozone, both core and peripheral, in some cases with such rates as to cancel out the decline recorded the previous year. In the first place, a major part of the merits goes to the change in the attitude of the main Central Banks of the world, which, after showing signs of tightening at the end of 2018, reversed course with an easing bias. The macroeconomic environment in fact deteriorated because of the protectionist escalation due to the measures implemented by the Trump administration and to the long and extenuating process of Great Britain's exit from Europe. To all this was added the slowdown of the global economy, the decline of inflation and most indicators tied to manufacturing. The slowdown in US growth induced the FED to open the way for possible rate cuts as early as July. Recently, investors' expectations on the intensity and rapidity of this reduction softened when the most recent data for the end of June showed that the labour market was still very solid. The US Central Bank is not the only one pressing the accelerator pedal. In particular, the ECB announced the extension of the zero-rate horizon to mid-2020 and launched new programs to support the banking system through new targeted longer-term refinancing operations (TLTRO). In addition, measures are being considered to mitigate the pernicious effects of negative interest rates on the productivity of the Eurozone banking system. The US ten-year rate reached the threshold of 2%, with the short part of the US curve already incorporating at least two cuts by the end of the year and the two-year note reached a yield of 1.76%. The yield of German government bonds declined below the lows of 2016, with the ten-year note yield at -0.32% and the two-year note yield at -0.75%. Lastly, the ten-year BTP yielded 2.10% at the end of June, with the spread on the Bund at 243 basis points, while the two-year note yielded 0.22%. Credit gained some ground, narrowing both in the investment grade segment, and in the riskier high yield segment.

Stock markets

Stock markets experienced highly positive performance levels in the first half of the year in all geographic areas, with the MSCI World stock index rising by over 15%, a sharp reversal from the second half of 2018, in spite of the growing uncertainty surrounding political and economic events that characterised this period of the year.
While on one hand the macroeconomic scenario is not favourable, with ongoing events such as Brexit, the tariff war between China and the USA and global political tensions, on the other hand the US economy grew and the main central Banks kept an accommodating attitude, allowing markets to continue to grow, experiencing the best six months in the past 20 years.
In particular, US economic growth is sustaining one of the longest-lived cycles in history, while in view of the expansionary bias of the central banks leads it is likely that

the FED will cut rates four times by the end of 2020 and the ECB will reduce the rate on deposits and carry out new purchases of government and corporate bonds.
In detail, in the first half of 2019 among European stock markets, the FTSE MIB recorded a performance of 19.8% before dividends, the German DAX rose by 17.2%, the French CAC 40 by 21.5% and the Spanish IBEX 35 by 10.2%. In the United States, the S&P 500 grew by +18.4%, the Nasdaq by +20.8% and the Dow Jones by +15.3%. Japan ended the half year with an increase of 7.5% while the MSCI emerging countries index closed at +11.1%, with Shanghai at +28.5% and Hong Kong at +14.3%.

Foreign exchange markets

Although variations were not very significant in the first six months of the year, with the exchange rate moving within a range of four cents, the half year was characterised by the relative strength of the US Dollar against the Euro. The first five months saw a progressive strengthening of the American currency on the wake of disappointing macreconomic data for Europe, which bolstered the conviction that the ECB will maintain its expansionary monetary policy. Towards the end of the half year, instead, this trend subsided. The macreconomic situation, characterised by a generalised economic slowdown and central banks oriented towards accommodating policies, did not lead to the emergence of elements able to strongly steer the Euro/Dollar exchange rate. At the end of the half year, the exchange rate was 1.1373.
The Yen gained strength in the first part of the half year, especially during the phase of severe tension in US-China trade negotiations. In the second half of the half year, the US Dollar grew stronger as the aggressive rhetoric on trade issues was watered down. At the end of the half year, the exchange rate was 107.85.

Real estate market

The turnover of the real estate market in Italy reached € 1.6 billion in the early months of 2019, slightly higher than the value recorded in the first quarter of 2018. The business office sector was the main driver of the real estate market, capitalising approximately € 900 million of investments (€ +675 million compared to the first quarter of 2018) buoyed mostly by the hotel sector with € 370 million and by the logistics sector, which recorded approximately € 100 million. A sharp slowdown was instead experienced by the retail sector, with investments amounting to approximately € 50 million, quite far from € 880 million reached in the first quarter of 2018. The significant decline resulted from the lack of availability of high streed properties and from the absence of transactions in shopping centres.

In terms of investment flows, foreign investors continue to be the market leaders with € 1.1 billion, i.e. approximately 72.5% of domestic transactions and with capitals coming mainly from the United States, from Germany and from Switzerland. In territorial terms, the Northwest was confirmed as the macro-area with the greatest number of transactions followed by Central Italy (source: Prelios).

For 2019, forecasts in Italy are of a stable market with strong growth of the hotel sector, which had already made its appearance in the first quarter.

INSURANCE INDUSTRY

According to ANIA[1], in 2019 total premiums written (life and non-life) for the Italian direct portfolio of companies with their registered offices in Italy should come close to € 140 billion, up 2.6% with respect to 2018. The insurance of both business would thus continue its moderately expansionary phase, in line with the growth of the previous year (+3.2% in 2018). Contributing to the 2019 result would be the positive development both of the non-life business premiums (+3.2%) and of the life business premiums (+2.5%). Overall premiums as a percentage of GDP would slightly rise, from 7.7% in 2018 to 7.8% in 2019.

Premiums written for the Italian direct portfolio of **non-life business** in 2019 would exceed € 34 billion, up 3.2% with respect of 2018, consolidating the positive performance that started in 2017 (+1.2%) and continued in 2018 (+2.3%), after the overall decline of over 12% in the previous five years (2012-2016). A contribution to this trend would come both from the stationary performance of the TPL motor class and from additional growth in all the other non-life classes differing from TPL motor (+5.3%).
In particular, already in 2018 in the TPL motor class a marginal increase in premiums written (+0.1%) as a result of a growth in the number of the insured vehicles (+0.9%) that just exceeded the decline recorded by the average price applied the same year (-0.8%)had been observed; it is estimated that the same trend, with similar values, can be confirmed in 2019 and thus the total premiums written in this class would be unchanged for the second consecutive year. The weight of the TPL motor class premiums on total non-life premiums written would thus continue to drop (39%, 40% in 2018 and 41% in 2017).
The growth of the premiums of non-life business other than TPL motor would be confirmed (on average, over 5% for a volume of nearly € 21 billion), although our country still remains under-insured in this sector. The impetus would come from continuous technological innovation, which impacts the creation of ever more attractive and usable

[1] Source ANIA - L'Assicurazione italiana 2018-2019, publication dated July 2019.

products. Specifically, the increase would be tied both to the greater propensity of individuals and households to purchase voluntary insurance coverage, in particular in the health sector (injuries and illness) and of property (other damages to goods and fire), and to the growing demand for corporate insurance coverage (also in the health sector) and of professionals (e.g. in the general TPL motor class).
The premiums of the land vehicle hulls class (i.e. fire/theft and vehicle collision guarantees) would grow less in 2019 than in the previous years: +4.5% compared to increases approaching or exceeding 6% of the previous three years. This would depend on a progressive decline in the number of new vehicle registrations in the current year (-2.9% from January to May 2019 versus +1.1% in the same period of 2018); the premiums volume would nevertheless exceed € 3 billion returning to the levels of 10 years ago. In 2019, non-life premiums as a percentage of GDP should remain unaltered (1.9%).

In the **life sector**, the trend already observed in 2018 would be confirmed in 2019: the premiums would remain on growth rates around 2.5% for a volume of nearly € 105 billion.

The new life production of individual policies at the end of May 2019 recorded a volume of new premiums amounting to € 37.1 billion versus € 36.4 billion of the first five months of 2018 (with a growth of near 2%).
The increase in new life production premiums is totally due to Class I revaluable policies which, with a volume of over € 27 billion, grew by 17.1% at the end of May; in the same period, Class III unit-linked policies contracted by nearly 26%, for a new premium volume of € 9 billion.

Overall, the incidence of the volume of premiums written in the life sector with respect to GDP would rise from 5.8% in 2018 to 5.9% in 2019.

FORECAST OF INSURANCE PREMIUMS IN ITALY FOR 2019

(€millions)

CLASSES	PREMIUMS FY2018	PREMIUMS FY2019	CHANGES 2019-2018	CHANGES 2018-2017	CHANGES 2017-2016
TPL motor and TPL maritime	13,252	13,253	0.0%	0.1%	-2.2%
Accident and injury	3,096	3,251	5.0%	0.3%	2.6%
TPL - General	3,021	3,112	3.0%	3.3%	0.9%
Other damage to assets	2,938	3,158	7.5%	5.0%	1.4%
Land vehicle hulls	2,966	3,100	4.5%	5.9%	6.3%
Fire	2,469	2,531	2.5%	2.8%	1.0%
Health	2,763	3,039	10.0%	7.4%	9.5%
Other non-life classes	2,591	2,712	4.7%	2.8%	5.0%
TOTAL OTHER NON-LIFE CLASSES (not including TPL motor and TPL maritime)	19,844	20,902	5.3%	3.9%	3.7%
TOTAL NON-LIFE CLASSES	**33,096**	**34,155**	**3.2%**	**2.3%**	**1.2%**
% of GDP	*1.9%*	*1.9%*			
Class I - Human life	66,193	74,467	12.5%	5.4%	-14.7%
Class III - Investment funds	29,838	23,870	-20.0%	-4.5%	30.1%
Other life classes	6,006	6,217	3.5%	31.2%	-0.2%
TOTAL LIFE CLASSES	**102,036**	**104,553**	**2.5%**	**3.5%**	**-3.6%**
% of GDP	*5.8%*	*5.9%*			
TOTAL CLASSES	**135,133**	**138,708**	**2.6%**	**3.2%**	**-2.4%**
% of GDP	*7.7%*	*7.8%*			

On the basis of the market figures for gross premiums written as of March 31st, 2019, of Italian companies and non-EU representative agencies, (Ania Trends, No. 6, July 2019) total life and non-life premiums were up 1.4%, the non-life classes were up 4.6% and the life classes up 0.5%. The non-life classes rose 1.3% in the motor classes and 8.1% in the non-motor classes.

SECTOR REGULATIONS

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

IVASS Regulations, amendments and letters to the market

IVASS Regulation No. 43 dated February 12th, 2019

The regulation concerns the implementation of the provisions on the temporary suspension of capital losses in non-durable securities introduced by Law Decree no. 119 of October 23rd, 2018 introducing urgent tax and financial provisions, converted with Law no. 136 of December 17th, 2018. The regulation became effective the day following its publication in the Italian Official Gazette No. 54 dated March 5th, 2019.

IVASS Regulation No. 44 dated February 12th, 2019

The regulation introduces the provisions implementing Legislative Decree no. 231 of November 21st, 2017 (as amended by Legislative Decree no. 90 of May 25th, 2017 implementing Directive (EU) 2015/849), concerning organisation, procedures, internal controls and adequate verification of customers to prevent the use of insurance companies for money-laundering and terrorism financing purposes. The regulation takes into account the joint

Guidelines of European Supervisory Authorities on simplified and enhanced measures for adequately verifying the customers and on the factors to be considered in assessing the risk of money-laundering and terrorism financing associated with continuous relations and with occasional transactions as part of the exercise of insurance activities in the life business. The regulation became effective the day following its publication in the Italian Official Gazette No. 48 dated February 26th, 2019.

IVASS Provision No. 84 dated February 13th, 2019

The provision introduces procedures and terms for communicating to IVASS the information about equity investments and close ties of those enrolled in the RUI (Consolidated Register of Insurance Brokers), in accordance with Article 3, Paragraph 1 of Legislative Decree no. 68 of May 21st, 2018 and with Article 105 of IVASS regulation no. 40 of August 2nd, 2018. The provision became effective the day following its publication in the Italian Official Gazette No. 45 dated February 22nd, 2019.

IVASS Provision No. 86 dated May 14th, 2019

The provision contains changes to the IVASS Regulations No. 1 dated October 8th, 2013 and no. 39 dated August 2nd, 2018 concerning respectively the procedure for applying monetary administrative fines and the implementing provisions per Title XVIII (penalty and penalty proceedings) of Legislative Decree no. 209 of September 7th, 2005 ("CAP"). The provision became effective the day of its publication in the Italian Official Gazette No. 120 dated May 24th, 2019.

IVASS Letter to the Market No. 172403/19 dated June 19th, 2019

The letter, whose subject is "Self-assessment of the risks of money-laundering and terrorism financing. Annual report of the anti-money laundering function", requires companies and representative agencies that operate in Italy in the Life business: to communicate to IVASS in any case a structured set of information referred to the year 2018; to update and communicate their own self-assessment of the risks of money laundering and terrorism financing to which they are exposed, but only if the risk profile has significantly changed from the one referring to 2017. The deadlines for the transmission of the information are respectively September 30th, 2019 and October 31st, 2019.

Other legislative innovations

Law no. 3 of January 9th, 2019, "Anti-Corruption Law"

The law introduced, *inter alia*, some significant changes to the rules on the administrative liability of companies and entities prescribed by Legislative Decree no. 231 of June 8th, 2001. Among the most significant changes are, in particular: i) the inclusion of trafficking illicit influence in the catalogue of offences that may give rise to the liability of the entity (Article 346-*bis* of the Criminal Code); ii) the stiffer disqualifying penalties prescribed by Article 9, Par. 2 of the Decree, if an offence of extortion, bribery to give or promise utility or corruption was perpetrated, iii) the introduction of the benefit of the reduction of disqualifying penalties for the offence of involving extortion, bribery to give or promise utility or corruption (for a time interval between 3 months and 2 years) if the entity worked to prevent the criminal activity from reaching further consequences, to ensure the evidence of the offences and to identify those responsible or for the seizure of the amounts or other utilities transferred and eliminated the organisational deficiencies that caused the offence through the adoption and implementation of organisational models suitable to prevent offences like the one that occurred; iv) making the offences of corruption among private parties and instigation to corruption among private parties prosecutable *ex officio*.

Legislative Decree No. 19 dated February 13th, 2019

The legislative decree changes domestic regulations to make them conform with Regulation (EU) 2016/1011, on the indicators used as reference parameters in financial instruments and in financial agreements or to measure the performance of investment funds, and with Regulation (EU) 2015/2365, on the transparency of financing operations using securities and reutilisation. The decree was published in the Italian Official Gazette No. 61 dated March 13th, 2019.

Law No. 31 dated April 12th, 2019. Class action provisions

The law introduces class action provisions. Active legitimation is attributed to all holders of "homogeneous individual rights", such as to configure a "class", regardless of their position as consumers or otherwise, and to non-profit organisation or industry associations, whose goals include the safeguard of the aforesaid rights and that are registered in a public list established with the Ministry of Justice. Passive legitimation is attributed to entities and agencies providing public services or utilities, "in relation to actions and conducts carried out in the performance of their activities" (Article 840-*bis* of the Code of Civil Procedure). The objective context of the action seems to be not only contractual, but also extra-contractual (see Article 840-*bis* of the Code of Civil Procedure). The law, published in the Italian Official Gazette no. 92 of April 18th, 2019, will take effect on April 19th, 2020.

TAX MEASURES

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

ELECTRONIC INVOICING

The 2018 Budget Law (Law no. 205 of December 27th, 2017) introduced the obligation to issue electronic invoices starting on January 1st, 2019 for the sale of goods and the provision of services carried out between parties residing, established, or identified in the territory of the Italian State.

Electronic invoices are sent and received in XML format through the Inter-exchange System (*Sistema di Interscambio*, SDI) to the financial administration that transmits them to the recipients.

VAT GROUP

The VAT Group became operational in Italy on January 1st; it is regulated at the European level by Article 11 of Directive 2001/112/EC, confirmed by the MEF decree of 6 April 2018. The legal notion was transposed in Italian law by the Articles from 70-*bis* to 70–*duodecies*, of Presidential Decree no. 633 of November 26th, 1972. It allowed VAT taxpayers established in our country, among whom there are determined constraints (financial, economic and organisational), to have a single VAT number for the transactions carried out by the companies that participate in the Group.

URGENT TAX AND FINANCIAL MEASURES

Law no. 136 of December 17th, 2018 (Italian Official Gazette no. 293 of December 18th, 2018) converting Law Decree no. 119 of October 23rd, 2018, containing "Urgent tax and financial measures", known as "Connected to the 2019 Budget Law", in force since December 19th, 2018, prescribed specific measures that had their impact in the first half of the year, among which we point out:

- the facilitated settlement of the reports on findings delivered no later than October 24th, 2018, which pertains only to the reports for which, at the aforesaid date, the notice of assessment has not yet been served or the invitation to the joint proceeding per Article 5, Par. 1 of Legislative Decree no. 218 of June 19th, 1997 has not been received and requires the presentation of a dedicated return to regularise the observed violations pertaining to IRES/IRPEF and additional taxes, pension contributions and withholding taxes, substitute taxes, IRAP, IVIE, IVAFE and VAT;
- reopening the terms for the facilitated settlement of the charges entrusted to the collection agent from 2000 to 2017 ("*Rottamazione-ter*", i.e. "Scrapping-Fourth Iteration"). This involves the possibility of extinguishing the debt, without penalties and interest, making the payment in full or in instalments, of the amounts entrusted to the collection agent by way of principal and interest or accrued in favour of the collection agent by way of premium and of reimbursement of the expenses for enforcement procedures / service of the payment notice. For the purposes of determining the amount due, only the amounts already paid by way of principal and interest included in the entrusted charges, as well as premium and expense reimbursement, are considered;
- facilitated settlement of the disputes attributed to the tax jurisdiction in which the Revenue Agency is a part, pending in every state and degree, including before the Court of Cassation and also as a result of a postponement, upon request of the party that proposed the action introducing the proceeding or of the party that took over or is authorised to do so. The definition requires payment of an amount equal to the value of the dispute i.e. the amount of the tax net of interest and of any penalties imposed with the impugned document. It is possible to settle the disputes whose first degree appeal was notified no later than October 24th, 2018, and for which as at the date of filing of the settlement request the proceeding had not been completed with a definitive decision.

GROWTH DECREE

Law Decree no. 34 of April 30th, 2019, introducing "urgent measures for economic growth and for the resolution of specific crisis situations', was converted into Law no. 58 of June 28th, 2019, published on Italian Official Gazette no. 151 of June 29th, 2019, in force since June 30th, 2019.

The main measures that had an impact on the Group's tax position are listed below:

- **SUPER-DEPRECIATION**

  Article 1 of Law Decree no. 34 of April 30th, 2019 reintroduced an increase in depreciation for 2019 in the rate of 30%, introducing a maximum investment ceiling of € 2.5 million.

  In particular, the facilitating measure applies to parties earning business income and to those exercising arts and professions who make investments, in new operating tangible assets, from April 1st, 2019 to December 31st, 2019, or no later than June 30th, 2020, provided that no later than December 31st, 2019 the related order is accepted by the seller and advances have been paid for at least 20% of the acquisition cost. The change from the previous regulations pertains to the irrelevance of investments amounting to more than € 2.5 million. Therefore, the value of investment exceeding the aforesaid limit may not benefit from the facilitating measure.

– **MINI IRES**

Article 2 of Law Decree no. 34 of April 30th, 2019 introduced the rules for tax relief for reinvested earnings, the "mini IRES".

In the intentions of the Lawmakers, the mini IRES is meant to replace the ACE, and it provides for subjecting to a reduced rate the part of business income corresponding to the profits allocated to available reserve.

Up to the amount corresponding to the profit for the year allocated to reserve other than those of unavailable profits, within the limits of the shareholders' equity increase, the applied rate is reduced:

- by 1.5% for 2019;
- by 2.5% for 2020;
- by 3% for 2021;
- by 3.5% starting from 2021.

– **IMU**

Article 3 of Law Decree no. 34 of April 30th, 2019 amended Article 14, Paragraph 1 of Legislative Decree no. 23 of March 14th, 2011. The rule, as amended, prescribes that the percentage of deductibility of the IMU from the business income shall be gradually increased as follows:

- 50% for the tax period following the current one as at December 31st, 2018;
- 60% for the tax period following the current one as at December 31st, 2019 and to the current one as at December 31st, 2020;
- 70%, ultimately, from the tax period following the current one as at December 31st, 2021.

INTERIM MANAGEMENT REPORT

Total premiums written

€3,268 MLN

+10.6%

INTERIM MANAGEMENT REPORT

The Group during the first six months of 2019

Business performance for the period

Risk management

Headcount and sales network

Significant events and other information

THE GROUP DURING THE FIRST SIX MONTHS OF 2019

The year 2018 was filed away as the one with the best result of the past decade.
In particular, operating profit, which is the bellwether, is well positioned to achieve the targets of the 2018-2020 Plan, in spite of the high investments tied to the renewal of the Group.

In the half year, Cattolica was able to maintain the growth rates in life and non-life, thanks to the contribution of bancassurance agreements, with UBI and ICCREA growing and the premiums with Banco BPM.

The Cattolica Group ended the half year with consolidated profit of € 76 million (+21.1%): the increase on a like-for-like basis is 16.9%. The net profit of the Group was € 61 million (+20.5%): the increase on a like-for-like basis is 17.1%.

The increase in non-life and life volumes and the technical profitability determined an improvement in operating result[2] by 4.3% to € 156 million: even on a like-for-like basis and excluding the contribution of the JVs with the former BPVi, the operating result would have increased by 3.1% to € 145 million. The figure, which grew for the sixth consecutive quarter, demonstrates the effectiveness of the Business Plan and of the strategy which the Group is implementing and it is reflected on the improvement by 0.5% in the operating RoE[3] which reached 8.6%, in spite of the half year characterised by a higher incidence of claims tied to atmospheric events compared to the same period of 2018.
In the non-life business, the operating result, weighted down by the atmospheric events recorded in the second quarter, is € 87 million (-4.5%), in the life segment it amounts to € 71 million (+18.7%).
Total premium collections for direct and indirect life and non-life business came to € 3,268 million (+10.6%), down by 2.8% on a like-for-like basis).

[2] The operating result excluded more volatile components (realisations, writedowns, other one-offs). In detail, the Non-life operating result is defined as the sum of the reinsurers net technical balance, ordinary financial income, other net non-technical costs (amortisation/depreciation, writedown of insurance receivables, etc.); excluded from the operating result are realised (plus/minus) financial results, valuation and impairment; writedowns of other assets, the cost of financial debt (subordinated), amortisation of the VOBA (Value of Business acquired), exit incentives, the cost of the Solidarity Fund, and other one-offs. The Life operating result is defined in a similar way, with the difference being that all financial income which contributes to the income of stocks belonging to segregated funds, as well as those belonging to class D, are considered in the operating result.
[3] The operating ROE is the ratio between the sum of the operating result minus the cost of employment, taxes and minority interest and the average of the Group shareholders' equity (excluding the AFS reserve).

Premiums written for direct non-life business amounted to € 1,090 million (+3%): growth amounted to 1.1% on a like-for-like basis.
A contribution of € 538 million was provided to the result by the non-motor segment, which increased sharply by +9.3% (+5.6% on a like-for-like basis) thanks to the numerous initiatives provided in the Business Plan and directed at rebalancing the mix of the non-life business in favour of the non-motor segment. The contribution of the motor segment amounted to € 552 million, down by 2.5% (-2.8% on a like-for-like basis) due to profitability recovery actions carried out through the increase of the average premium and to some specific pruning actions.
The combined ratio changed from 92.6% to 93.4% (+0.8 percentage points): this increase is substantially due to the higher incidence of claims connected to atmospheric events, i.e. € 24 million, up by € 7 million compared to the 1st half of 2018. The claims ratio of the retained business remained substantially unchanged at 62.6% (-0.2 percentage points) thanks to the decline in the frequency of claims and to the increased average premium in the motor segment, and by effect of the turnaround in the non-motor segment, in line with the guidelines of the Business Plan. Without the effect of the rise in claims connected with bad weather, the claims ratio would have improved further to 61.9%. The expense ratio amounted to 29.4%, up by 1.4 percentage points, mainly by effect of the production mix that impacts on the commission ratio (+0.9 percentage points) and, to a lesser extent, for investments in support of the new Plan.

In the life sector, direct business premiums grew by 14.8% to € 2,171 million (-5% on a like-for-like basis). Production is supported by a highly positive increase of linked products (+37.2%), in line with the actions of the Plan, which, after a slow start due in part to the financial markets, had accelerated sharply in the second quarter (+68.8%) thanks mostly to the contribution of bancassurance with Banco BPM.
The new issues of life policies subject to revaluation with minimum guaranteed rates of zero promoted a progressive further reduction of the average guaranteed minimum of the Group's stock of provisions, which reached 0.65% (0.78% as of December 31st, 2018), constantly declining as called for by the strategic lines of the Business Plan. The result of investments[4] amounted to €

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

252 million (€ 258 million at June 30th, 2018), down by effect of a decline in net disposals and of a generalised reduction of interest rates.
The components of this result are discussed in the "Financial and asset management" section in the "Business performance for the period" chapter.

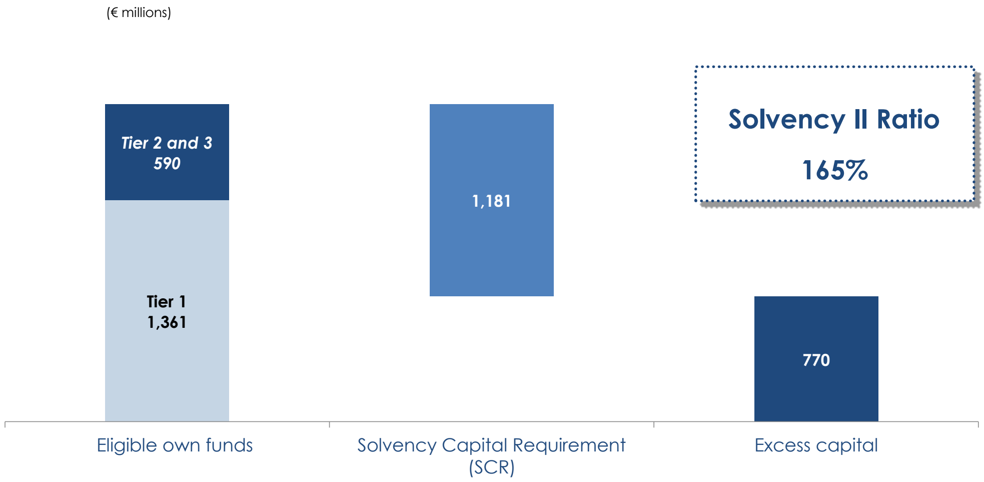
As of June 30th, investments - including properties classified in the item tangible assets and cash and cash equivalents - amounted to € 32,648 million (€ +3.6). Gross technical provisions for non-life business amounted to € 3,754 million (+0.2%). Provisions for life business, inclusive of financial liabilities, amounted to € 27,188 million (+2.6%).

Consolidated net shareholders' equity amounted to € 2,331 million (+3.4%).

The Solvency II margin of the Group came to 165% (+4 percentage points from March 31st, 2019).

***

As of June 30th, there were a total of 1,429 agencies, distributed as follows: 50.8% in Northern Italy, 26.1% in Central Italy and 23.1% in Southern Italy and the islands.
The number of bank branches distributing Pension Planning products was 6,107, and included 1,492 of the former Banco Popolare network.
The Group's financial advisors fell to 737, compared with 733 at the end of the previous year.



KEY INDICATORS OF CATTOLICA GROUP BUSINESS PERFORMANCE

Following the international accounting standards, the following tables show (compared with those as of June 30th and/or December 31st, 2018), respectively:

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

For a proper analysis of changes during the half-year, note that the income statement figures as of June 30th, 2018 include only those relating to the second quarter of the companies acquired on March 29th, 2018 from Banco BPM.

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

Table 1 - Key economic indicators

(€ millions)	June 30th, 2019	June 30th, 2018	Changes Amount	%
Total premiums written	**3,268**	**2,955**	**313**	**10.6**
of which				
Gross premiums written	**3,216**	**2,855**	**361**	**12.6**
Direct business - non-life	1,090	1,058	32	3.0
Direct business - life	2,119	1,792	327	18.3
Indirect business - non-life	7	5	2	41.9
Indirect business - life	0	0	0	n.a.
of which				
Investment contracts	**52**	**100**	**-48**	**-47.6**
Operating result	**156**	**149**	**7**	**4.3**
Consolidated net profit for the period	**76**	**63**	**13**	**21.1**
Group net profit for the period	**61**	**51**	**10**	**20.5**

n.a. = non-applicable

Table 2 - Key equity indicators

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Investment	**32,648**	**31,502**	**1,146**	**3.6**
Technical provisions net of reinsurance amount	**29,192**	**28,262**	**930**	**3.3**
Financial liabilities relating to investment contracts	**1,728**	**1,810**	**-82**	**-4.5**
Consolidated shareholders' equity	**2,331**	**2,255**	**76**	**3.4**

Table 3 - Headcount and sales network

(number)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Total headcount	**1,772**	1,692	80	4.7%
Full time equivalent headcount	**1,709**	1,631	78	4.8%
Direct network:				
Agencies	**1,429**	1,444	−15	−1.0%
Partner networks:				
Bank branches	**6,107**	6,054	53	0.9%
Financial advisors	**737**	733	4	0.5%
Welfare and pension product advisors	**24**	159	−135	−84.9%

Table 4 - Reclassified consolidated statement of financial position

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	Changes %	Items from obligatory statements (*)
Assets					
Investment Property	798	787	11	1.4	*4.1*
Property	211	170	41	24.8	*2.1*
Investments in subsidiaries, associated companies and joint ventures	123	119	4	3.5	*4.2*
Loans and receivables	1,184	865	319	36.8	*4.4*
Held to maturity investments	226	225	1	0.1	*4.3*
Available for sale financial assets	23,703	23,120	583	2.5	*4.5*
Financial assets at fair value through profit or loss	5,819	5,810	9	0.2	*4.6*
Cash and cash equivalents	584	406	178	43.7	*7*
Total Investments	**32,648**	**31,502**	**1,146**	3.6	
Intangible assets	892	911	−19	−2.1	*1*
Technical provisions - reinsurance amount	697	702	−5	−0.7	*3*
Sundry receivables, other tangible assets and other asset items	1,888	1,748	140	7.9	*(**)*
TOTAL ASSETS	**36,125**	**34,863**	**1,262**	**3.6**	
Shareholders' equity and liabilities					
Group capital and reserves	1,787	1,673	114	6.8	
Group profit (loss) for the period	61	107	−46	−42.8	*1.1.9*
Shareholders' equity pertaining to the Group	***1,848***	***1,780***	***68***	***3.8***	*1.1*
Capital and reserves pertaining to minority interests	468	445	23	5.0	
Profit (loss) for the period pertaining to minority interests	15	30	−15	−50.0	*1.2.3*
Shareholders' equity pertaining to minority interests	***483***	***475***	***8***	***1.6***	*1.2*
Total Capital and reserves	**2,331**	**2,255**	**76**	**3.4**	*1*
Premium provision	894	854	40	4.7	
Provision for outstanding claims	2,860	2,894	−34	−1.2	
Gross technical provisions - non-life	**3,754**	**3,748**	**6**	**0.1**	*3*
Gross technical provisions - life	**25,460**	**24,693**	**767**	**3.1**	*3*
Other gross non-life technical provisions	2	2	0	6.2	*3*
Other gross life technical provisions	673	521	152	29.1	*3*
Financial liabilities	2,605	2,601	4	0.2	*4*
of which deposits from policyholders	*1,728*	*1,810*	*-82*	*-4.5*	
Allowances, payables and other liability items	1,300	1,043	257	24.6	*(***)*
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**36,125**	**34,863**	**1,262**	**3.6**	

(*) Indicates the items of the statements in the consolidated financial statements as per ISVAP Regulation No. 7 dated July 13th, 2007
(**) Sundry receivables, other asset items, and other tangible assets (statement of financial position items under assets = 5 + 6 + 2.2)
(***) Allowances, payables and other liability items (statement of financial position items under liabilities = 2 + 5 + 6)

Table 5 - Reclassified consolidated income statement

(€ millions)	June 30th, 2019	June 30th, 2018	Changes Amount	Changes %	*Items from obligatory statements (*)*
Net premiums	3,032	2,681	351	13.1	*1.1*
Net charges relating to claims	−2,903	−2,394	−509	−21.2	*2.1*
Operating expenses	−381	−337	−44	−13.4	
of which commission and other acquisition costs	−275	−237	−38	−16.4	*2.5.1*
of which other administrative expenses	−106	−100	−6	−6.2	*2.5.3*
Other revenues net of other costs (other technical income and charges)	−38	−37	−1	−2.5	*1.6 - 2.6*
Net income from financial instruments at fair value through profit or loss	208	−8	216	n.s.	*1.3*
Result from class D financial operations (**)	209	−9	218	n.s.	
Net income from investments in subsidiaries, associated companies and joint ventures	3	2	1	79.8	*1.4 - 2.3*
Net income from other financial instruments and investment property	273	274	−1	−0.6	*1.5 - 2.4*
of which net interest	222	214	8	3.2	*1.5.1 - 2.4.1*
of which other income net of other charges	48	48	0	1.7	*1.5.2 - 2.4.2*
of which net profits realised	16	24	−8	−35.3	*1.5.3 - 2.4.3*
of which net valuation profits on financial assets	−13	−12	−1	−5.5	*1.5.4 - 2.4.4*
of which changes in other financial liabilities	0	0	0	n.a.	
Commissions income net of commissions expense	0	1	−1	−86.0	*1.2 - 2.2*
Operating expenses relating to investments (***)	−26	−20	−6	−27.6	*2.5.2*
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**168**	**162**	**6**	**3.9**	
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	−47	−50	3	5.7	*1.6 - 2.6*
PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD	**121**	**112**	**9**	**8.2**	
Taxation	−45	−49	4	8.5	*3*
NET PROFIT (LOSS) FOR THE PERIOD	**76**	**63**	**13**	**21.1**	
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**n.a.**	**4**
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**76**	**63**	**13**	**21.1**	
Profit (loss) for the period pertaining to minority interests	15	12	3	23.8	
PROFIT (LOSS) FOR THE PERIOD PERTAINING TO THE GROUP	**61**	**51**	**10**	**20.5**	

(*) 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 € 1 million and other revenues amounting to € 3 million.

(***) Includes operating expenses relating to class D investments amounting to € 1 million.

n.s. = not significant

n.a. = non-applicable

Table 6 - Reclassified consolidated income statement by segment of activities

	NON-LIFE		LIFE		OTHER		TOTAL	
(€ millions)	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018
Net premiums	928	902	2,104	1,779	0	0	3,032	2,681
Net charges relating to claims	−582	−566	−2,321	−1,828	0	0	−2,903	−2,394
Operating expenses	−272	−254	−109	−83	0	0	−381	−337
of which commission and other acquisition costs	−200	−187	−75	−50	0	0	−275	−237
of which other administrative expenses	−72	−67	−34	−33	0	0	−106	−100
Other revenues net of other costs (other technical income and charges)	−13	−16	−25	−21	0	0	−38	−37
Net income from financial instruments at fair value through profit or loss	−1	−1	209	−7	0	0	208	−8
Result from class D financial operations (*)	0	0	209	−9	0	0	209	−9
Net income from investments in subsidiaries, associated companies and joint ventures	2	1	1	1	0	0	3	2
Net income from other financial instruments and investment property	37	41	235	233	1	0	273	274
Commissions income net of commissions expense	0	0	0	1	0	0	0	1
Operating expenses relating to investments (**)	−5	−5	−19	−14	−2	−1	−26	−20
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**94**	**102**	**75**	**61**	**−1**	**−1**	**168**	**162**
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	−26	−32	−20	−17	−1	−1	−47	−50
PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD	**68**	**70**	**55**	**44**	**−2**	**−2**	**121**	**112**
Taxation	−26	−32	−19	−17	0	0	−45	−49
NET PROFIT (LOSS) FOR THE PERIOD	**42**	**38**	**36**	**27**	**−2**	**−2**	**76**	**63**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**42**	**38**	**36**	**27**	**−2**	**−2**	**76**	**63**
Profit (loss) for the period pertaining to minority interests	2	−1	13	13	0	0	15	12
PROFIT (LOSS) FOR THE PERIOD PERTAINING TO THE GROUP	**40**	**39**	**23**	**14**	**−2**	**−2**	**61**	**51**

(*) Includes the Class D profits recognised in the operating expenses relating to investments amounting to € 1 million and other revenues amounting to € 3 million.

(**) Includes operating expenses relating to class D investments amounting to € 1 million.

Table 7 - Operating result by segment of activities

(€ millions)	NON-LIFE June 30th, 2019	NON-LIFE June 30th, 2018	LIFE June 30th, 2019	LIFE June 30th, 2018	OTHER June 30th, 2019	OTHER June 30th, 2018	TOTAL June 30th, 2019	TOTAL June 30th, 2018
Net premiums	928	902	2,104	1,779	0	0	3,032	2,681
Net charges relating to claims	−582	−566	−2,321	−1,826	0	0	−2,903	−2,392
Operating expenses	−272	−254	−109	−83	0	0	−381	−337
of which commission and other acquisition costs	*−200*	*−187*	*−75*	*−50*	*0*	*0*	*−275*	*−237*
of which other administrative expenses	*−72*	*−67*	*−34*	*−33*	*0*	*0*	*−106*	*−100*
Other revenues net of other costs (other technical income and charges)	−13	−16	−25	−21	0	0	−38	−37
Income from gross ordinary investments	50	46	444	226	1	0	495	272
Commissions income net of commissions expense	0	0	0	1	0	0	0	1
Operating expenses relating to investments (*)	−5	−5	−19	−14	−2	−1	−26	−20
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**106**	**107**	**74**	**62**	**−1**	**−1**	**179**	**168**
Other revenues net of other operating costs	−19	−16	−3	−3	−1	0	−23	−19
OPERATING RESULT	**87**	**91**	**71**	**59**	**−2**	**−1**	**156**	**149**
Realised and valuation gains	−2	6	3	3	0	0	1	9
Subordinated interest	−12	−12	−3	−3	0	0	−15	−15
Net income from investments in subsidiaries, associated companies and joint ventures	2	1	1	1	0	0	3	2
Other revenues net of other non-operating costs	−7	−17	−17	−15	0	−1	−24	−33
PROFIT (LOSS) BEFORE TAXATION FOR THE PERIOD	**68**	**69**	**55**	**45**	**−2**	**−2**	**121**	**112**
Taxation	−26	−31	−19	−18	0	0	−45	−49
CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD	**42**	**38**	**36**	**27**	**−2**	**−2**	**76**	**63**
Profit (loss) for the period pertaining to minority interests	2	−1	13	13	0	0	15	12
PROFIT (LOSS) FOR THE PERIOD PERTAINING TO THE GROUP	**40**	**39**	**23**	**14**	**−2**	**−2**	**61**	**51**

(*) Includes operating expenses relating to class D investments amounting to € 1 million.

Table 8 - Key efficiency and profitability indicators

	June 30th, 2019	June 30th, 2018
Non-life ratios for retained business		
Claims ratio (Net charges relating to claims / Net premiums)	62.6%	62.8%
G&A ratio (Other administrative expenses / Net premiums)	7.8%	7.3%
Commission ratio (Acquisition costs / Net premiums)	21.6%	20.7%
Total Expense ratio (Operating expenses / Net premiums)	29.4%	28.0%
Combined ratio (1 - (Technical balance / Net premiums))	93.4%	92.6%
Non-life ratios for direct business		
Claims ratio (Net charges relating to claims / Premiums for the period)	62.2%	62.1%
G&A ratio (Other administrative expenses / Premiums for the period)	7.0%	6.5%
Commission ratio (Acquisition costs / Premiums for the period)	21.1%	21.3%
Total Expense ratio (Operating expenses / Premiums for the period)	29.1%	27.8%
Combined ratio (1 - (Technical balance / Premiums for the period))	92.8%	91.7%
Life ratios		
G&A ratio (Other administrative expenses / Premiums written)	1.5%	1.8%
Commission ratio (Acquisition costs / Premiums written)	3.5%	2.7%
Total Expense ratio (Operating expenses/ Premiums written)	5.0%	4.5%
Total ratios		
G&A ratio (Other administrative expenses / Premiums written)	3.2%	3.4%
Operating costs (1) / Premiums written	5.5%	5.8%

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

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

2018-2020 BUSINESS PLAN

With the 2018-2020 Business Plan, presented in early 2018, Cattolica places innovation and agility at the centre of its strategy in order to rise to the challenges of a market in which dynamics are changing, barriers between sectors are being reduced and the winning ecosystem logic is a model that changes from the classic claim/payment to a more virtuous one, more focused on the prevention/protection combination.

With this Business Plan, the Group aims to strengthen but also to diversify its business model, while continuing with its activity to valorise its own distinctive assets.

Three strategic pillars have been identified, in addition to one that cuts across the group; they comprise 7 areas of focus and 22 actions, constantly monitored by a dedicated team:

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

In parallel, there is an ongoing broad process of simplification (of processes, activities and also products) and of cultural transformation that involves the entire Group, within the scope of a governance model that in 2018 evolved towards a monistic logic, aligning Cattolica to the best international standards.

The pillars on which the Business Plan is based and the key actions implemented in the first 18 months of its implementation are summarised below; they have already yielded results in terms of value generation in the interest of all partners, shareholders and stakeholders.

Profitable growth

Development of the premiums written, diversification of channels and lines of business are at the centre of the Group's strategy and achievable mostly thanks to the contribution of inorganic actions.
At the centre of the distribution system remains the branch network for which the Plan forecasts, with a view to ever

closer partnership with the Company, medium-sized growth and profitability. The renewal, in October 2018, of the related integration path, is a part of this synergistic direction. The agreement rewards the ability of the branches to generate value in the various phases of its creation, while determining better customer service. In addition, in 2019, a "fly to quality" path was started; it comprises a set of initiatives that thanks to the recognition of more independence, additional services and an ever more concrete and value-focused support, such as competence and response speed, will provide the Network and the end customers with an ever more distinctive offer, having, at the same time, positive fallout in terms of simplification and efficiency of the entire system.

In addition, the corporate production mix is to be rebalanced, in particular towards unit-linked and non-motor non-life, and the related degree of digitalisation, which will yield advantages in terms of greater innovation in the service and offer procedures and, in the final analysis, closer partnership with the customer.

The distribution model is however also reinforced by the offer through the broker channel. Precisely for the purpose of providing the channel with greater service and support the administrative and management of the Milan Operations was reorganised in early 2018. Primarily focused on the "Large Companies Risks", it already led, starting from the past year, to a significant increase in the volume of premiums written.

The exclusive partnership with Banco BPM is central in terms of profitable growth and it is one of the main drivers of the Business Plan. A significant rebalancing of production towards products with low capital-absorption for the life and non-motor non-life sectors are expected in additional to the considerable leap in size, with significant repercussions in terms of efficiency.
Following the closing in the early months of 2018, control of four joint venture companies was acquired and four joint venture companies were consolidated: Vera Vita, a company specialised in savings and investment products business, particularly multi-class; Vera Financial, located in Ireland and specialised in Class III life policies; Vera Protezione, specialised in TCM (temporary life insurance) policies; and the non-life company Vera Assicurazioni. The additional operating income target in 2020 forecast for the joint ventures is over € 100 million.

To all this can be added the contribution of digital innovation which, through a multi-channel strategy integrated within the networks, can provide customers with a new relationship experience with the company.

In this direction, in the first months of 2019 Cattolica launched the company's first "mobile App". The primary objective is put the "customers at the centre", improving their final experience by offering a digital services platform while allowing a proactive role in the relationship with the company. At the same time, in view of the strong integration with it, the contacts and synergies with the reference branch that will be more accessible are amplified; a customised navigation will then allow, thanks to an AI motor, to collect data to be used to propose a more tailor-made offer; also important, lastly, will be the improvement of the ability to attract new target customers represented by millennial and/or hybrid customers.

The "Cattolica Community" initiative, a pilot project launched on a pool of 15 branches in the first half of 2019 and to be extended to the entire network in the second half of the year, is complementary to the app, aiming at building the loyalty of the customer base according to new engagement models based on the concepts of community, business ecosystem and marketplace.

Innovation in the range and services based on data and technology

Innovation is among the priority streams of the Plan and an enabler of the transformation of Cattolica's business model in the time horizon of the Plan. Essential in this sense was the creation, in the first months of its implementation, of a dedicated "Insurance Analytics & Business Architecture" Department, which takes on the appearance of an actual start-up: among the objectives, the transformation of the company into a "Data-driven company" and the selection of the projects that, leveraging the data, can be innovative for the Group's business model.
With the "Data-driven company", key processes such as pricing, anti-fraud and claim handling will improve, by dematerialising the appraisal and automating payment: the broadest benefits are expected in terms of better client management.
The activity of building the data architecture, started in early 2018, provides for having available a unique, certified digital platform, residing in clouds that, by allowing the integrated management of the data, both static and dynamic, relating to clients, will allow to create an offer that can be adapted to their needs when they need it the most. This will also promote the creation of a Cattolica ecosystem of services with progressively larger dimensions.

In this direction, in relation to the pricing, of note is the application, already on going in 2018, with regard to the clients of a selected sample of branches, of a customised logic for calibrating the TPL motor price. This "pricing optimization" logic, which in 2019 is already being extended to the rest of the Group's clients, will at the same time be made still more effective by the new analytics platform. Also significant are the results already reached with respect to the fraud identification rate, expected to be further improved with the introduction of predictive models.

The offer of new associated products is moving in the same direction and in parallel: "Active Auto", the electronic motor offer launched in 2018, is the tangible prime example of it.
This offer, devised in particular for millennials and for urban area student, and intended to reward the driving style of the most virtuous customers, provides for a wide range of advanced prevention services and real-time assistance according to the above-mentioned ecosystem logic.
At approximately one year from the launch of the product, the targets were reached in terms of penetration on new motor production (26%) assumed during the preparation of the Plan, with targets of approximately 50% at the end of the three-year time interval. In addition, processes and product innovations continued, to improve assistance in the installation and connection phases.

The partnership with IMA Italia Assistance and the establishment of a real estate fund dedicated to elderly care, both concluded in 2018, are also aimed at providing high-value, long-term services.
The agreement (with inclusion in the capital) with IMA Italia Assistance will allow Cattolica to reach a significant size in the strongly growing business of assistance, while enriching the ecosystem of the services for its own clients in the motor, home and travel sectors. The investment subscribed with Coopselios, for the creation of a real estate fund dedicated to elderly care, consolidated instead the presence of Cattolica in the sector of health care real estate and of prevention and protection for the elderly. A natural consequence of all this was the entry of Cattolica - during 2019 - as Promoter Partner in "*Fondazione Easy Care*", a qualified entity among the models of social cohesion and innovative welfare.

Technical excellence

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

With regard to the first aspect, already significant, in particular, is the saving obtained from the re-pricing and re-underwriting actions that, after starting in 2018, are successfully continuing in the current year, mainly in the Business and Agriculture sectors.

In parallel, important simplification activities were already started last year, which will be further enhanced in particular with the introduction of automatic tools (for generating new offers and/or adjusting premiums), the rationalisation of existing products and the proactive management of premium settlements. Considerable impulse was also given to enriching the catastrophe offer which has already generated a premium portfolio increase of over € 2.5 million. In this sense, in the final month of 2018, existing products were updated with the inclusion of the coverage and to the subscription of a policy against natural catastrophes throughout the world of church entities stipulated with the Italian Episcopal Conference.

In addition, according to an innovative scheme, a project was launched that entails the development of specialty lines, which will allow the Group to reposition itself in the middle between the retail and the large corporate business.
With this view, in the second half of 2018, 100% of CP-BK Reinsurance S.A., a Luxembourg reinsurance company, was acquired, with the establishment of a newco, concurrently renamed CattRe.
The vehicle held 100% by Cattolica will operate as a reinsurer, but at the same time will coordinate different underwriting agencies (MGAs) that will each time be acquired or federated, and that will be focused on specific geographical areas and/or lines of business.
Both a commercial partnership with them and tight control and overview on the pricing and underwriting activities of the identified agencies, which will become excellent experts to this regard is envisaged. Already operational are the space, aviation, catastrophe reinsurance, sporting risks, marine, events and contingency, meteorological risks business lines.

Maintaining technical excellence in the motor sector is instead pursued both through the aforementioned sophistication of the pricing model and by innovations applied to claims handling; both factors are assisted by the development of advanced analytics. In terms of claims management, the rate of motor claims without follow up of fraudulent origin grew in line with the set targets, and significant savings were already obtained thanks to a specific activity on trustees. In 2019, additional projects are being implemented with the aim of achieving additional savings thanks to the channelling processes.

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

Cultural transformation and simplification

The action to culturally transform the Group in addition to its necessary simplification has been set parallel to the transformation of its business model.
With this view, actions will be carried out to boost IT efficiency and strengthen cost control/discipline; they were already started in 2018, in part through re-engineering and robotics. The programme, started on the Operations Area to then be applied to the rest of the Company with a model replicable over time, has a savings goal as of 2020 of about 20% (in terms of automated administrative/back office activity).

The ongoing culture change instead has the goal of "placing people at the centre", making sure that they will feel to be the protagonists of change in a vision aimed at cultivating ever more necessary skills in the current dynamic environment.

Consistent with this view are some of the initiatives launched in the first eighteen months of implementation of the Plan, many of which are enabled by the new technologies:

- introducing a new performance assessment system in line with the Business Plan's objectives to contribute to valorising the most dynamic and talented resources in the company, also in compliance with gender parity and parallel development of a recovery plan for low performers;
- starting up a re-training activity for the labour force following significant organisational developments of the Plan;
- developing specific path to enhance "digital mindfulness", i.e. a more versatile mindset, more closely suited to new technologies;
- improving the model for corporate welfare but also well-being (including conventions with gyms, extension of smart-working, managing maternity leave by hours, incentives for long-term rental, health initiatives).
- starting an advanced course in actuarial science and risk management, in collaboration with the University of Verona (with some colleagues serving as instructors) open to employees who have completed a selection process, for the development of internal skills but also to build the managers of the future.

In this path to cultural change is positioned the excellent result of the corporate climate survey called "Great Place to Work", with a rise in the confidence index by 8 percentage points in 2018 compared to the previous year's survey. In the same context, worthy of note is the launch, in the first months of 2019, of the "readytogo" digital platform which allows employees to collaborate in social mode to identify challenges to discuss and/or to launch ideas that will eventually become concrete projects to improve the corporate climate.

Aware that involving its human capital is the key lever to achieve the objectives of the Business Plan, at the end of 2018 Cattolica activated a widespread "Employer Branding Strategy", to communicate the goals and values of the company internally and externally. Also with this view, it should be stressed that Cattolica formally committed itself in 2019 in the direction of sustainability and social responsibility, subscribing the principles for responsible investment (PRI) of the United Nations, thus incorporating the ESG (Environmental, Social and Governance) criteria in its own investment and shareholder activism decisions.

Governance model

For the purpose of implementing the 2018-2020 Plan and in order to align Cattolica with the best international standards, the 2018 Shareholders' Meeting approved the Board of Directors' proposal to evolve governance by adopting a monistic model, effective starting from April of the current year.
The Board of Directors today absorbs the functions of the board of statutory auditors, and it has 17 members (versus the 18 directors and 5 members of the board of statutory auditors of the previous governance model). The Executive Committee has also been abolished.
As regards the shareholding representation of the shareholders', the maximum limit of 0.5% of capital for natural persons was confirmed, while that for legal entities, collective bodies and UCIs was raised to 5%. However, going past the threshold does not prevent additional shares from being held.
Capital shareholders are also allowed to be represented on the Board of Directors. One or two directors may be selected from the list that is first in terms of capital, other than the Majority Interest List, determined as first with per capita vote, and also other than the Minority Interest List, having obtained votes corresponding to at least 10% or 15% of the share capita, respectively.

WAYS IN WHICH THE GROUP IMAGE AND INFORMATION ARE DISCLOSED

The Investor Relations Division

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

During the first half of 2019, six brokers followed Cattolica stock with analyses and comments.
Individual meetings were periodically organised with analysts to look in-depth at business trends and meetings were intensified with Italian and international institutional investors. During the first half of 2019, more than 70 investors were met on the occasion of road shows or events both in Italy and abroad, during which broad interest for the Business Plan was generated. Public conference calls were also organised at the time of the approval of the results.

Rating

On October 30th, 2018, Standard & Poor's confirmed Cattolica's rating at BBB but changed the outlook from stable to negative, adjusting, as required by the criteria of the agency, to that of the sovereign debt of the Republic of Italy, which on October 26th, 2018 was revised in the same terms.
Cattolica's stand-alone credit profile (SACP) was confirmed as BBB+, a notch higher than the sovereign rating, thanks to a "more than adequate" financial risk profile and a "strong" business risk profile which can gain advantage from the improvement in the Italian insurance industry and the up-dated assessment of the country risk.
On July 26th, 2019, Standard & Poor's once again confirmed Cattolica's rating as BBB with a negative outlook.

Operating Result

Life Business

€ 71 MLN

Non-life Business

€ 87 MLN

Other

€ -2 MLN

INTERIM MANAGEMENT REPORT

The Group during the first six months of 2019

Business performance for the period

Risk management

Headcount and sales network

Significant events and other information

BUSINESS PERFORMANCE FOR THE PERIOD

A BRIEF OUTLINE OF THE BUSINESS PERFORMANCE

The Group by main financial statement aggregates

Sectors of business

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

The core business of the Group, headed up by Cattolica Assicurazioni, a company which is involved in both life and non-life business, is divided between the Non-Life business (ABC Assicura, BCC Assicurazioni, CattRE, TUA Assicurazioni, Vera Assicurazioni, All Risks Solutions, C.P. Servizi Consulenziali for the Cattolica Danni mandate and TUA Assicurazioni, Satec, Qubo Insurance Solutions, Estinvest and Meteotec and the closed-end property funds allocated to the non-life portfolio), and the Life business (BCC Vita, Berica Vita, Cattolica Life, Lombarda Vita, Vera Financial, Vera Protezione, Vera Vita, C.P. Servizi Consulenziali for the Cattolica Vita mandate and the closed-end property funds allocated to the life portfolio).

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

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

Profit for the period

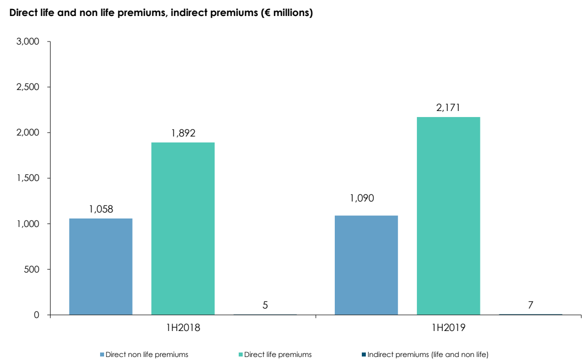
The half-year closed with consolidated net profit of € 76 million (+21.1%), of which € 42 million (+12%) attributable to the Non-life business (+12%), € 36 million to the Life business (+33%) and to the Other segment, which recorded a € 2 million loss (unchanged from June 30th, 2018).

The Group's net profit amounted to € 61 million (+20.5%).

The operating result marked an increase of 4.3% to € 156 million, in line with the objectives of the 2018-2020 Business Plan. On a like-for-like basis and also excluding the contribution of the JVs with the former BPVi the operating result came to € 145 million (+3.1%).

Premiums

Gross consolidated premiums (which comply with the definition of insurance policy as per IFRS 4) at the end of the half year amounted to € 3,216 million (+12.6%). Also taking into account investment contracts, total premiums written came to € 3,268 million (+10.6%), down by 2.8% on a like-for-like basis[5].

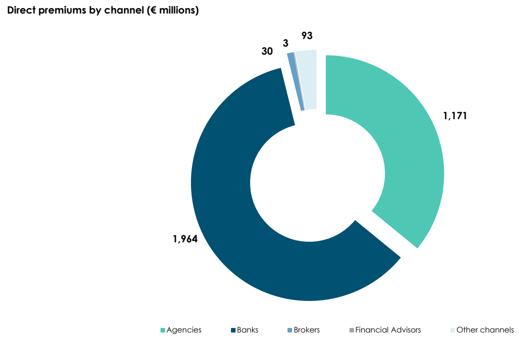


Gross direct non-life premiums totalled € 1,090 million, +3% (+1.1% on a like-for-like basis) and account for 33.9% of total direct premium business (37.1% as of June 30th, 2018).

Gross direct life premiums totalled € 2,119 million, +18.3% (-5% on a like-for-like basis): total life premiums written amounted to € 2,171 million (+14.8%). Life premiums represented the majority share of total direct business (66.1% compared with 62.9% as of June 30th, 2018).

Direct business premium collection, per distribution channel, is broken down as follows: agencies 35.9%, banks 60.2%, brokers 0.9%, advisors 0.1% and other channels 2.9%.

[5] Excluding premiums relating to the partnership with Banco BPM pertaining to the 1st quarter of 2019.



Other administrative expenses

Other administrative expenses amounted to € 106 million (+6.2%), partly due to higher costs for the activities of the Business Plan.

With reference to direct business, the ratio of other non-life administrative expenses to premiums written for the period rose from 6.5% to 7%, while the ratio of other life administrative expenses to life premiums declined from 1.8% to 1.5%.

The Group by segments

Non-life business

Non-life business, as already reported, closed the year with a profit of € 42 million (+12%). Net non-life business premiums amounted to € 928 million (+3%). The combined ratio of direct business was 92.8%, versus 91.7% of June 30th, 2018. The claims ratio (claim/premium ratio) is equal to 62.2% (62.1%), while the ratio of other administrative expenses, as stated, rose from 6.5% to 7%. The combined ratio of retained business increased from 92.6% to 93.4%.

Financial operations, which ended the half-year with a result of € 33 million (-8.3%), were mainly characterised by net income deriving from other financial instruments and investment property for € 37 million (-9.8%), with net interest and other net income amounting to € 40 million (+5.3%), with net realised gains totalling € 4 million (-50%) and with net losses from valuation that came to € 7 million (-40%).
The contribution of financial operations to operating income, i.e. net of interest expense on subordinated loans, realisation and valuation results, is € 45 million (+9.8%).

The operating result came to € 87 million (-4.5%). On a like-for-like basis and excluding also the contribution of the JVs with the former BPVi the operating result came to € 85 million (-9.6%).

The performance of the operating result was affected by the deterioration of the combined ratio, due mainly to claims deriving from the atmospheric events of the second quarter, and by the improvement of the financial contribution. The other operating components are substantially in line with the past six months.

Life business

The life business closed the year with a profit of € 36 million (+33%).

Net life premiums amounted to € 2,104 million (+18.2%), and financial operations[6] closed with a result of € 220 million (-1.3%), with net income from other financial instruments and investment property for € 235 million (+0.9%), of which interest and other net income of € 229 million (+2.7%), realised net gains rising of € 12 million (-25%) and net losses from valuation unchanged at € 6 million.

The operating result came to € 71 million (+18.7%).
On a like-for-like basis and also excluding the contribution of the JVs with the former BPVi the operating result came to € 62 million (+29.7%).

The performance of the operating result reflects the growth of the technical margin net of the insurance business expenses. Even without the contribution of the new agreement, the life operating result improved significantly, confirming the effectiveness of the Plan actions carried out.

Other business

Other business closed the half with a loss of € 2 million, unchanged with respect to June 30th, 2018.

Sectors by geographic area

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

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

Investment

Investments amounted to € 32.648 million (+3.6%). Their breakdown and variation compared to 2018 is represented in the following table.

Table 9 - Total investments

(€ millions)	June 30th, 2019	% of total	December 31th, 2018	% of total	Changes Amount	%
Investment Property	798	2.4	787	2.5	11	1.4
Property	211	0.6	170	0.5	41	24.8
Investments in subsidiaries, associated companies and joint ventures	123	0.4	119	0.5	4	3.5
Loans and receivables	1,184	3.7	865	2.7	319	36.8
Held to maturity investments	226	0.7	225	0.7	1	0.1
Available for sale financial assets	23,703	72.6	23,120	73.4	583	2.5
Financial assets at fair value through profit or loss	5,819	17.8	5,810	18.4	9	0.2
Cash and cash equivalents	584	1.8	406	1.3	178	43.7
TOTAL	**32,648**	**100.0**	**31,502**	**100.0**	**1,146**	**3.6**

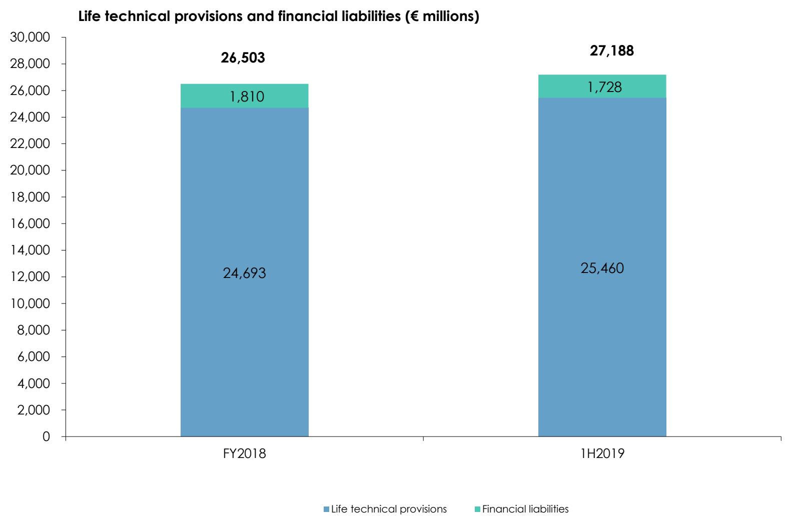
The result of financial operations, with the exclusion of investments whose risk is borne by the policyholders and gross of the tax effects and the change in other financial liabilities, came - as already mentioned - to € 252 million (-2.4%).

Technical provisions

Non-life technical provisions (premiums and claims) amounted to € 3,754 million (+0.2%).

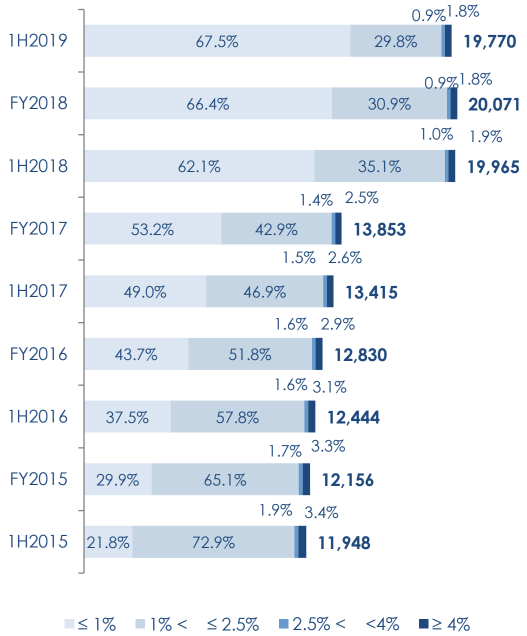
Technical provisions for life business (actuarial provisions inclusive of shadow accounting) amounted to € 25,460 million (+3.1%). Also taking into account financial liabilities relating to investment contracts, the technical provisions and deposits relating to life business amounted to € 27,188 million, an increase of 2.6%.

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



With reference to the composition of the Segregated Management Schemes, the Technical Provisions for Guaranteed Minimum are represented below:

(€ millions)



Shareholders' equity and its evolution

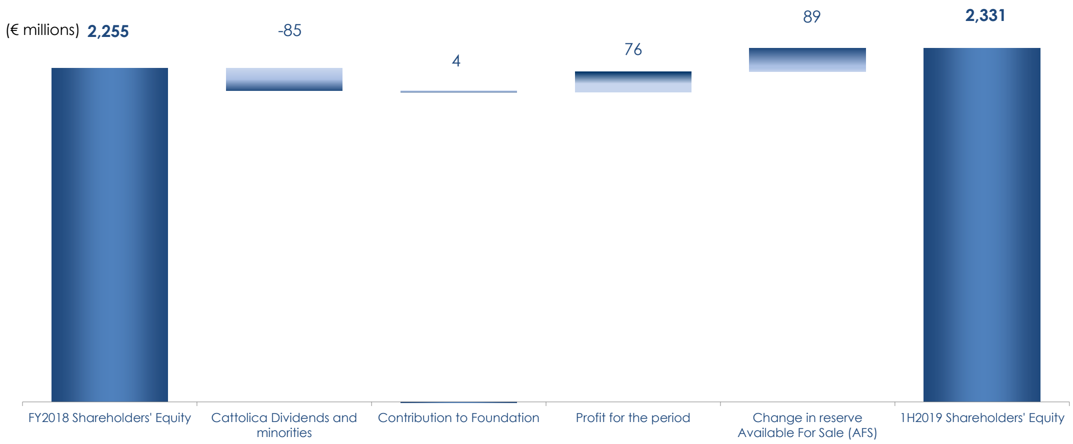
The evolution of the consolidated shareholders' equity from last year is mainly due to the distribution of the dividends of the Parent Company and of the minority interests totalling € 85 million, to the change in the positive AFS provision for € 89 million and to the result of the half year for € 76 million.

Consolidated net shareholders' equity at the end of the half year amounted to € 2,331 million (+3.4%).

The Group net equity amounts to € 1,848 million (+3.8%) and includes gains on available for sale financial assets amounting to € 43 million.

Portions of shareholders' equity pertaining to minority interests amounted to € 483 million (+1.7%) and include gains on available for sale financial assets amounting to € 11 million.

Evolution of consolidated Shareholders' Equity at June 30th, 2019



INSURANCE BUSINESS AND OTHER SECTORS OF ACTIVITIES

Summary of the activities carried out by the Group companies

At June 30th, the consolidation area comprised the insurance Parent Company, twelve insurance companies, of which one reinsurance company, eight service companies, two companies in the agricultural-real estate sector and five real estate property funds.

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

Non-life companies

ABC Assicura, with headquarters in Verona, share capital of € 8.9 million, is authorised to carry out non-life business. During the half year, there was no new production and the company directly ensures assistance to customers for all necessary after-sales transactions. The Parent Company holds 60% of the share capital;

BCC Assicurazioni, with headquarters in Milan, share capital of € 14.4 million, is authorised to carry out non-life business and distributes its products using the network of branches of the ICCREA Group. The Parent Company holds 51% of the share capital; On July 29th, the Parent Company acquired an additional 19% of the capital, for a total amount of 70% of the share capital;

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

Vera Assicurazioni, with headquarters in Verona, share capital of € 63.5 million, is authorised to carry out non-life business. Cattolica holds 65% of the company;

CattRE, with headquarters in Luxembourg, share capital of € 3.6 million, is authorised to exercise the reinsurance business. Cattolica holds 100% of the company;

All Risks Solutions, with headquarters in Rome, carries out insurance brokerage activities, share capital € 10 thousand. It is 31% owned by Estinvest and 20% by Cattolica. On July 4th, Estinvest acquired an additional 49% of the capital, for a total Group amount of 100% of the share capital;

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

Estinvest, with headquarters in Venice, is a holding company, share capital of € 81 thousand. Cattolica holds 100% of the company;

Meteotec, with headquarters in Venice, carries out meteorological and climatic research activities, share capital € 30 thousand. It is wholly-owned by Satec;

Qubo Insurance Solutions, with headquarters in Milan, carries out insurance brokerage activities, share capital € 10 thousand. Estinvest holds 51% of the company;

Satec, with headquarters in Venice, carries out insurance brokerage activities, share capital € 135 thousand. It is controlled by Estinvest, which holds 84.13% of its capital, and an investee of Cattolica, which holds 15.87%;

Fondo Andromaca is a real estate mutual investment fund, wholly owned by the Parent Company Cattolica. Part of the units are allocated in the non-life portfolio;

Fondo Euripide is a closed-end real estate property mutual investment fund, managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica 67.13%, Lombarda Vita 18.64%, TUA Assicurazioni 0.78%, Vera Vita 11.36%, Vera Protezione 1.51% and Vera Assicurazioni 0.58%. Part of said interests are allocated to the non-life portfolios of Cattolica, TUA Assicurazioni and Vera Assicurazioni;

Fondo Innovazione Salute is a real estate mutual investment fund dedicated to housing for the elderly, and was formed in 2018. Cattolica owns 76.51% of the fund;

Fondo Perseide is a real estate property mutual fund dedicated to investment in renewable energies, managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica

79.15%, Lombarda Vita 11% and TUA Assicurazioni 5.16% and BCC Vita 4.69%. Part of said interests is allocated to Cattolica and TUA Assicurazioni's non-life portfolio;

Fondo San Zeno, is a closed-end real estate property mutual investment fund, managed by CB Richard Ellis, which was wholly acquired by the Group companies. The interests held in the fund are as follows: Cattolica 68.10%, Lombarda Vita 12.76% and BCC Vita 19.14%. Part of said interests are allocated to Cattolica's non-life portfolio.

Life companies

BCC Vita, with headquarters in Milan, share capital of € 62 million, is authorised to carry out life insurance activities and distributes its products via the branches of the ICCREA Group. It is a subsidiary of Cattolica which holds an investment of 51% in the same. On July 29th, the Parent Company acquired an additional 19% of the capital, for a total amount of 70% of the share capital;

Berica Vita, with headquarters in Vicenza, share capital of € 31 million, is authorised to carry out life insurance activities. During the half year, there was no new production and the company directly ensures assistance to customers for all necessary after-sales transactions. The Parent Company holds 60% of the share capital;

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

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

Vera Protezione, with headquarters in Verona, share capital of € 47.5 million, is authorised to carry out life business and is specialised in TCM (temporary life insurance) policies. Cattolica holds 65% of Vera Assicurazione which in turn holds 100% of the company;

Vera Vita, with headquarters in Verona, share capital of € 219.6 million, is authorised to carry out life business and is specialised in the savings and investment products business. Cattolica holds 65% of the company;

Vera Financial DAC is a life insurance company with headquarters in Dublin, Ireland, share capital of € 803 thousand, specialising in class III life insurance policies. Cattolica holds 65% of Vera Vita which in turn holds 100% of the company;

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

Fondo Andromaca is a real estate mutual investment fund, wholly owned by the Parent Company. Part of the units are allocated in the life portfolio;

Fondo Euripide is a closed-end real estate property mutual investment fund, managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica 67.13%, Lombarda Vita 18.64%, TUA Assicurazioni 0.78%, Vera Vita 11.36%, Vera Protezione 1.51% and Vera Assicurazioni 0.58%. Part of said interests are allocated to the life portfolios of Cattolica, Lombarda Vita, Vera Protezione and Vera Vita;

Fondo Perseide is a real estate property mutual fund dedicated to investment in renewable energies, managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica 79.15%, Lombarda Vita 11% and TUA Assicurazioni 5.16% and BCC Vita 4.69%. Part of said interests are allocated to the life portfolio of Cattolica, Lombarda Vita and BCC Vita;

Fondo San Zeno, is a closed-end real estate property mutual investment fund, managed by CB Richard Ellis, which was wholly acquired by the Group companies. The interests held in the fund are as follows: Cattolica 68.10%, Lombarda Vita 12.76% and BCC Vita 19.14%. Part of said interests is allocated to the life portfolio of Cattolica, Lombarda Vita and BCC Vita.

Other companies

Agricultural-real estate property sector

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

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

Service companies

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

Cattolica Services, a consortium company which carries out service activities for the Group, with headquarters in Verona and share capital of € 21 million. The services and activities provided are: planning, implementation and management of IT applications and operating processes, along with the services relating to telecommunications systems; supervision of the digital innovation of the Group with regard to IT and organisational aspects; handling of the settlement of Group claims with the exception of the security, hail and transport areas; teaching and training services for the Group resources; the life and welfare technical area; non-life operations and accounting and financial statements of the Group companies. It is 99.96% owned by the Parent Company Cattolica, while the remaining investment is held by other Group companies (ABC Assicura, BCC Assicurazioni, BCC Vita, Berica Vita, C.P. Servizi Consulenziali and Lombarda Vita to an equal extent of 0.005%) and by TUA Assicurazioni, which owns 0.01%.

Group insurance business

The following table shows the breakdown of the insurance premiums and of the investment contracts.

Table 10 - Total premiums written

Classes					Changes	
(€ millions)	June 30th, 2019	% of total	June 30th, 2018	% of total	Amount	%
Accident and injury	107	3.3	100	3.5	7	5.3
Health	52	1.6	42	1.4	10	25.0
Land vehicle hulls	75	2.4	72	2.5	3	4.3
Goods in transit	4	0.1	4	0.1	0	12.3
Fire & natural forces	81	2.5	74	2.6	7	9.5
Other damage to assets	134	4.2	125	4.4	9	7.0
TPL - Land motor vehicles	477	14.9	495	17.4	−18	−3.5
TPL - General	99	3.1	96	3.4	3	2.9
Credit	0	n.s.	0	n.s.	0	n.a.
Suretyship	10	0.3	10	0.3	0	5.3
Sundry financial losses	9	0.3	8	0.3	1	21.5
Legal protection	10	0.3	9	0.3	1	9.0
Assistance	24	0.7	21	0.8	3	11.7
Other classes [1]	8	0.2	2	0.1	6	n.s.
Total non-life business	**1,090**	**33.9**	**1,058**	**37.1**	**32**	**3.0**
Insurance on the duration of human life - class I	1,498	46.7	1,248	43.8	250	20.0
Insurance on the duration of human life linked to investment funds - class III	565	17.6	365	12.8	200	54.6
Health insurance - class IV	1	n.s.	1	n.s.	0	n.a.
Capitalisation transactions - class V	50	1.6	172	6.1	−122	−70.7
Pension funds - class VI	5	0.2	6	0.2	−1	−13.1
Total life business	**2,119**	**66.1**	**1.792**	**62.9**	**327**	**18.3**
Total direct business	**3,209**	**100.0**	**2,850**	**100.0**	**359**	**12.6**
Indirect business	**7**		**5**		**2**	**41.7**
Total insurance premiums	**3,216**		**2,855**		**361**	**12.6**
Insurance on the duration of human life linked to investment funds - class III	13	24.7	56	55.5	−43	−76.7
Pension funds - class VI	39	75.3	44	44.5	−5	−11.2
Total investment contracts	**52**	**100.0**	**100**	**100.0**	**-48**	**-47.6**
TOTAL PREMIUMS WRITTEN	**3,268**		**2,955**		**313**	**10.6**

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

n.s. = not significant

n.a. = non-applicable

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

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

Life business (€ millions)	**June 30th, 2019**	**% of total**	**June 30th, 2018**	**% of total**	**Changes** **Amount**	**%**
Insurance on the duration of human life - class I	1,498	69.1	1,248	66.0	250	20.0
Insurance on the duration of human life linked to investment funds - class III	578	26.6	421	22.3	157	37.2
Health insurance - class IV	1	n.s.	1	n.s.	0	−10.0
Capitalisation transactions - class V	50	2.3	172	9.1	−122	−70.7
Pension funds - class VI	44	2.0	50	2.6	−6	−11.4
Total life premiums - direct business	**2,171**	**100.0**	**1,892**	**100.0**	**279**	**14.8**

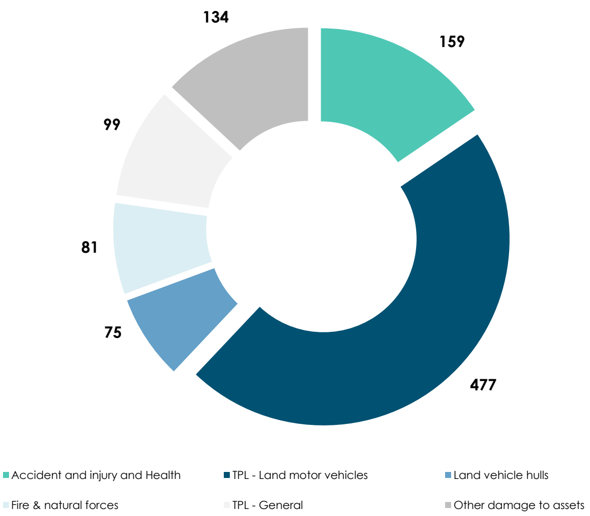
n.s. = not significant

Non-life business - Premiums written

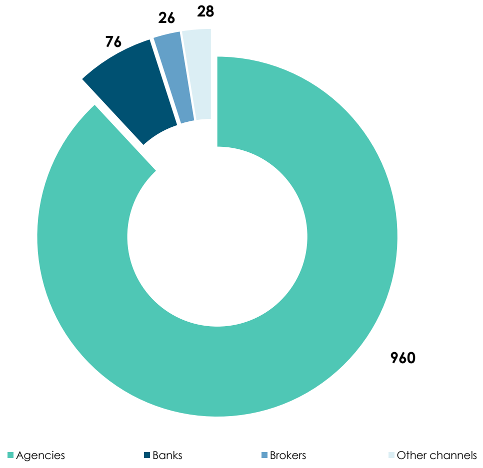
The diirect premiums written of the non-life business grew by 3% to € 1,090 million of which € 552 million in the motor segment (-2.5%). The non-motor segment shows sharp growth in premiums written, +9.3% to € 538 million, partly by effect of the numerous initiatives provided in the Business Plan. This development is in line with the goal of rebalancing the mix of the non-life business in favour of non-motor.

Indirect premiums came to € 7 million (+41.9%).
Direct non-life premiums written were generated as follows: the agency channel with € 960 million, unchanged from June 30th, 2018, the banking channel with € 76 million (+61.3%), brokers with € 26 million (+1.3%) and other channels with € 28 (+10.2%).

Main non life classes, direct premiums (€ millions)

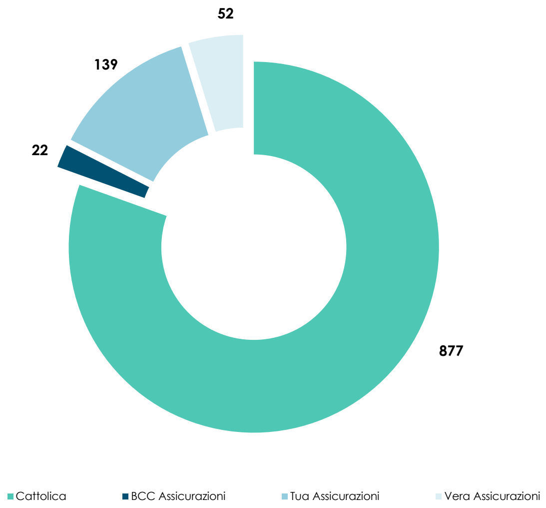


Premiums by channel, non life direct premiums (€ millions)



Direct business non-life premiums are attributable mainly to the Parent Company for € 877 million, BCC Assicurazioni for € 22 million, TUA Assicurazioni for € 139 million and Vera Assicurazioni for € 52 million.

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



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

In the first half year, the Group companies, with the entry into force, from January 1st, 2019, of IVASS Regulation no. 41 of August 2nd, 2019, introducing provisions concerning disclosure and publicity of insurance products, revised the contractual documentation of all marketed products according to the Information Set outlines dictated by the Supervisory Body. The companies also revised their offer, to make it increasingly meet the competitive dynamics of the market, sustainable from a financial viewpoint and consistent with the goals set by the Group Business Plan.

Parent Company

"*Active Casa&Persona*" is Cattolica's new and innovative offer for the protection of homes, persons and families, and it is an evolution of the previous product, with many innovations in terms of coverage. It comprises modular solutions with which to build a tailor-made offer that fits ever more closely the clients, their needs and lifestyles, and it was developed providing also the possibility of using sophisticated, cutting-edge safety and preventing systems, connected with their smartphones, thanks to Cattolica's partnership with IMA Protect, a leading company in the remote surveillance sector.

BCC Assicurazioni

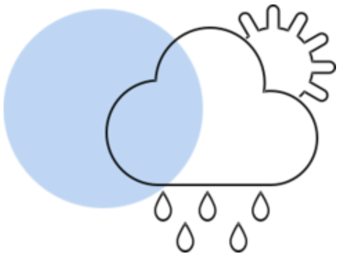
On the "*Formula Auto*" product, effective from March 1st, some changes were introduced, including: intervention on territorial coefficients, introduction of the financial reliability index (Credit Scoring), revision of the operation and of the coefficients of some price parameters (diet, vehicle age, owner's age, driving style, commercial segment, client type, insurance experience, risk category, safety systems), introduction of the new "*Premium*" package for glass guarantee with maximum value up to one thousand euros.

From June onwards, the product called "*Formula Tutela Reddito*" was changed, lowering the insurable capital of the first bracket from € 20 thousand to 10 thousand and with the elimination, among exclusions, of gross negligence.

From May onwards, the assistance provider was changed with the introduction of IMA Italia Assistance S.p.a.

TUA Assicurazioni

In April, the new product called "Sunny" was placed; it is aimed at those who want to insure, for example, a vacation or an excursion from the risk of rain. The product is based on parametric indexes that assures automatic reimbursement for every day in which rain exceeds 10 mm in 24 hours (i.e. when there is a medium-intensity store that protracts for 1-2 hours or in case of heavy rain lasting 30-45 minutes).



The weather observation is carried out by Meteotec, a company with which TUA Assicurazioni has established a collaboration.

In June, the product called "*TUA Agricoltura*" was re-styled, both from the price viewpoint and from the product viewpoint.

Vera Assicurazioni

On May 1st, the placement of the new products "*AutopiùSicura*" and "*AutopiùSicura Connect*" was opened; they are proposed to new clients and at the annual expiration of "*Drive me*" contracts.

On the same date, the following new products were placed: "*Casa più Famiglia*", "*Casa più Protetta*" and "*Animali più Amati*".

For all placed products, the assistance provider was changed with the introduction of IMA Italia Assistance S.p.a.

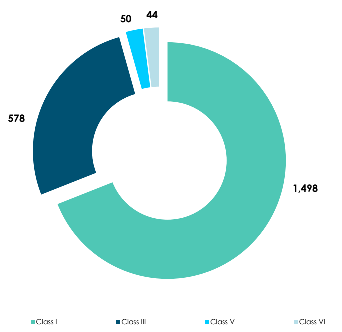
ABC Assicura

New business was closed and product development activities were suspended after the distribution agreement with the BPVi Group banks terminated.

Life business – Premiums written

Insurance premiums in the life business totalled € 2,119 million (+18.3%). Premiums written relating to investment contracts amounted to € 52 million (-47.6%). Total direct life premiums written, amounting to € 2,171 million, were up by 14.8%.

Main life classes, direct premiums (€ millions)



In the first half of 2019, the Group continued its strategy centred on the offer of investment solutions connected with multi-class products with the segregated management component characterised by "non cliquet" guarantee, which allow less capital absorption.

Class III premiums written (insurance on the duration of human life linked to investment funds) amounted to € 578 million (+37.2%) and consisted of unit linked contracts. Investment contracts amounted to € 13 million (-76.7%).
The uncertainty of the overall economic situation and high volatility in stock market trends, as well as a marked drop in interest rates, generated for the segment of policies with a higher financial component (attributable to unit-linked type policies, associated with internal funds, external UCIT units or SICAV segments) an excellent premium performance on total premiums, thanks to the possibility, for clients, to obtain a higher return relative to the investment made

Group life premiums written continued to be drawn along by the bank-assurance channel, which however experienced a reduction in terms of premiums written on the Class III component. The agents channel instead recorded an increase of approximately 30% in terms of volume incidence on Class III.
The performance of premiums written which flow to segregated funds is constantly monitored, with a view to ensuring sustainability over time of the returns offered, which could be partly compromised by the diluting effect deriving from the significant decrease in the interest rates on investments linked to new incoming assets.

Starting from last year, the Group also introduced, for some Group companies, the segregated management to profit provisions, with the goal of making the return for policyholders more stable when sudden market fluctuations occur. When possible, the new production is thus directed to these new segregate management schemes.

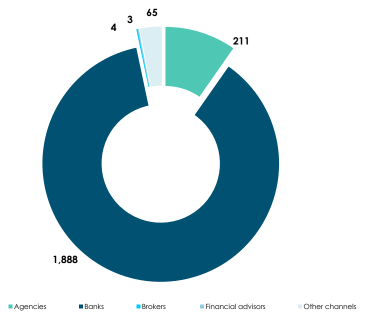
Class I premiums written amounted to € 1,498 million (+20%).

Class V premiums written (capitalisation) amounted to € 50 million (-70.7%).

Total class VI premiums written (pension funds) amounted to € 44 million (-11.4%) and were mainly generated by investment contracts.

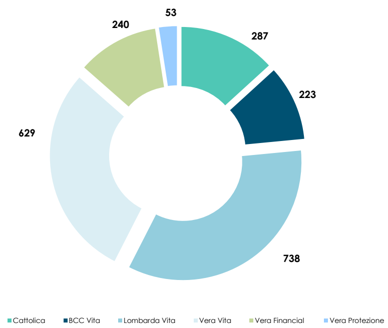
Direct life premiums written were generated as follows: the agency channel with € 211 million (-30.4%), the banking channel with € 1,888 million (+31.8%), brokers with € 4 million (-70.1%), financial advisors with € 3 million (-73.1%) and other channels with € 65 million (-50.8%).

Premiums by channel, direct life premiums (€ millions)



The contribution made to the consolidated amount on life premiums attributable to the Parent Company totalled € 287 million, to BCC Vita € 223 million, to Berica Vita € 0.7 million, to Cattolica Life approximately € 0.1 million, to Lombarda Vita for € 738 million, to Vera Financial for € 240 million, to Vera Protezione for € 53 million and to Vera Vita for € 629 million.

Premiums by company of Group, direct life premiums (€ millions)



Life business -Research and development activities: new products

As already stated for non-life products, for the life sector, too, in the first half year, the Group companies, with the entry into force, from January 1st, 2019, of IVASS Regulation no. 41 of August 2nd, 2019, revised the contractual documentation of all marketed products according to the Information Set outlines dictated by the Supervisory Body.
The companies revised their offer, to make it increasingly meet the competitive dynamics of the market, sustainable from a financial viewpoint and consistent with the goals set by the Group Business Plan.

Parent Company
To safeguard the financial sustainability of products subject to revaluation, the Parent Company focused on "capital light" solutions. The goal is to reduce capital absorption for the offer connected to segregated management, adopting "non cliquet" capital revaluation methods. This mechanism guarantees for clients the preservation of the investment premiums in case of death of the Policyholder, at the contractual expiry date (when prescribed) and in case of redemption of pre-defined five-year expiry dates and it allows the company to reduce the allocation of capital according to the logic prescribed by Solvency II.

The main initiatives in the first half year involve:

- a new edition of the main revaluable products: the "*Scelta Protetta 3.0*", "*Più Vantaggi Next 3.0*" and "*Capitalizzazione Next 3.0*" products are connected to the new segregated management called "Cattolica Serenamente". The goal of this management is to benefit from the changes introduced by IVASS Provision No. 68 dated February 14th, 2018, i.e. the possibility of allocating the net capital gains realised on the assets in a mathematical provision called "Profit Position" and to redistribute these returns in a maximum time interval of 8 years from the realisation date;
- the "*Scelta Protetta 3.0*" product, whose minimum entry premium was increased, in view of a competitive reduction in front loading and of the annual retention applied in the first years of the contract.

Lombarda Vita
The current offer of the product range, placed by UBI Banca, dedicated to the savings/investment and protection area was expanded and updated during the first half of the year.
As for the individual investment solutions, new insurance solutions were devised with a view to completing the offer catalog:

- "*YOUR Private Insurance – Soluzione Crescita ed. 2019*": is an insurance solution for Private clients with an annual revaluation of the capital and additional performance in case of death connected with the return of the "Fondo Sicuro" management to which was applied the "non cliquet" invested capital protection mechanism and with the guarantee to determined events and times such as death, contract expiration and redemption at defined time frames of 5 years;
- "*Risparmio Plus ed. 2019*": a mixed policy dedicated to a broader retail client base with single premium and additional single premiums with annual revaluation of capital and additional benefit in the event of death. The contract is also characterised by the "non cliquet" revaluation mechanism.

To catch the new opportunities/needs of the market and in accordance with the guidelines of the Group Business Plan, the offer of the Unit/multi-class poducts connected with UCITs was maintained current, by updating the proposed list of external funds. The products to be placed, under this initiatives, are as follows:

- "*Twin Top Selection*": it is a multi-class insurance with single premium, with possibility of additional premiums written, with additional benefit for the case of death, characterised by the logic of the guaranteed production of the invested capital in "non cliquet" segregated management;
- "*YOUR PRIVATE INSURANCE – Lombarda Vita Soluzione Unit UB1 ed. 2011*", "*YOUR PRIVATE INSURANCE – Lombarda Vita Soluzione Unit UB3*" e "*YOUR PRIVATE INSURANCE – Lombarda Vita Soluzione Unit UB4*": are Unit Linked insurance products with single premium and additional single

premiums with additional benefit for the case of death.

BCC Vita

In the first half year, the "*Autore Sinergia 2.0*" product was updated, maintaining current the offer of the external UCITS available according to the contract. Concurrently, the functionality of the destocking option was expanded, and now it can also be activated upon stipulating the policy.

This update tried to meet the needs of those clients who are interested in receiving a financial income deriving from the periodic run-down of the capital accumulated in the policy.

Concerning the solutions dedicated to the protection area, to extend the "*Formula Tutela Reddito*" product to a higher number of clients, the minimum specified threshold of insured capital was reduced.

Vera Protezione

From May 9th, all products were migrated on the Group's new IT systems.

Vera Vita

In the first half year, a new investment solution was released, "*Vera Vita - SempreVera*", according to the guidelines dictated by the agreement between the Parent Company and Banco BPM.

Vera Financial

Life product research and development developed following two main guidelines during the first half of the year: definition with the outsourcers (Unipol and Irish Life) of a plan of measures to help develop and release new products for the network and the migration of the front-end systems to the Cattolica Group in accordance with the work plan shared with the Parent Company.

Concerning the new product release plan, during the first half three new Class III were made available to the distributor: "*ESG Protection Clima*", characterised by prevailing investment in financial instruments issued by companies that meet socially responsible management criteria, "*Valore Aprile 2019*" and "*Valore Luglio 2019*", both characterised by investments mainly in bonds.

Berica Vita and Cattolica Life

After the distribution agreement with the BPVi Group banks terminated, the companies interrupted the stipulation of new policies and suspended product development activities.

Reinsurance

Non-life business

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

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

The proportional transfer is represented by a multi-class bouquet (fire, theft, accident and injury, land vehicle hulls, leasing, sundry financial losses, agricultural-livestock risks, transport, suretyship and credit) and by specific proportional transfers for the technological classes (construction, assembly risks, ten-year indemnity, machine breakdowns, electronic risks, supply guarantees), assistance, legal defence and sundry financial losses.

Based on the actuarial analyses carried out to determine the efficient reinsurance programme according to a Value Based methodology, the following changes were made to proportional coverages falling due:

- Percentage of reduction in suretyship transfer from 70% to 60%;
- Percentage of reduction in transport transfer from 70% to 20%;
- Precentage of reduction in bouquet transfer (injury, land vehicles, fire, theft) from 7% to 4%.

With regard to the main elementary classes (accident and injury, health, fire, theft, technological risks and general TPL), a specific proportional agreement has been renewed known as "Multiline", for the purpose of intercepting the business typically covered by optional reinsurance and of making access to the same easier, reducing the typical volatility of this type of business and benefiting from greater stability in the reinsurance coverage.

For fire, theft and technological risks, the transfer percentage on expiration was reduced from 55% to 52.5% and for general third party liability from 65% to 62.5%. In the accident and injury section, the transfer percentage remained unvaried at 85%.

With regard to the catastrophe coverage with combined claim excess for the fire and land vehicle hulls classes, confirming the extreme level of prudence in the definition of the coverage, the decision was made for 2019, to acquire a capacity as on expiration, corresponding to a period of return of around 200 years (RMS model) and the Top&Top mechanism was maintained; in the event of an

extreme claim greater than the agreement limit, it provides for increasing capacity up to € 500 million (period of return of approximately 500 years of RMS). Lastly, a new coverage was stipulated with a primary reinsurer to increase Group catastrophe capacity to € 550 million.
In relation to general third party liability, the capacity was increased from € 20 to € 32 million.
Lastly, for the transport class, the priority changed from € 150 to 500 thousand while for the fire class it changed from € 1.5 to 3 million.
With regard to the medical malpractice section, pertaining to the general third party liability class, optional specific coverage was availed of.
For the year 2019, as regards D&O (Directors & Officers) policies, a proportional coverage with 60% transfer maturing was renewed, reducing the transfer percentage from 90% to 60%.
With respect to the hail class, to reduce the volatility of the main quota share (QS) and stop loss (SL) programmes, a proportional agreement was executed, with transfer of 50% for a defined portfolio portion. The retention of this agreement, like the rest of the hail portfolio, is covered by the ordinary QS and SL agreements that were renewed with the same structure at expiration (QS transfer/SL retention equal to 50%.
With regard to the livestock class, in 2017 a three-year stop loss agreement was stipulated (expiration December 31st, 2019) with priority of 90% (the coverage is activated when the claims/premiums ratio exceeds this threshold) and extent equal to 210%, covering only the portfolio relating to epizootic risks, while the portfolio relating to the carcass disposal section is retained by the Parent Company.
As protection against cyber risk for the fire & general third partly liability classes, there is three-year proportional coverage with 90% transfer for the Parent Company and for the other Group companies.
For ABC Assicura, BCC Assicurazioni, TUA Assicurazioni and CATTRe, relating to the fire class, coverage with claim excess for the "Conflagration Risk" (concentration of risks located within a 200-metre radius) was renewed and placed partially with the Parent Company and partially with the reinsurance market, with the inclusion of Vera Assicurazioni in the coverage.
Lastly, as for policies combined with loans (PPI - Payment Protection Insurance), proportional coverage was renewed for the Parent Company and for BCC Assicurazioni under conditions as per maturity, with 85% transfer.
For all intercompany agreements, the corporate resolutions required by IVASS Regulation No. 30 dated October 26th, 2016 were followed, with compliance of transaction limits for each reinsurance transaction indicated therein.

Life business

With regard to the portfolio of the individual and collective policies, steps were taken to renew the non-proportional agreements by risk and by event, with the same conditions as the previous year's, for the Parent Company, for BCC Vita, Berica Vita and Lombarda Vita, including the company Vera Protezione in the coverage as well.
With regard to the claim excess programme for risk, the priority is € 250 thousand, except for the Parent Company, for which the priority is € 350 thousand.
As far as the business connected with disbursement of loans (PPI) is concerned, the proportional coverage maturing with transfer equal to 85% was renewed for the Parent Company, for BCC Vita and Lombarda Vita, except for the products "Mutui e Protezione Reddito" for which the transfer percentage is 51%.

The renewal, under the same conditions, of proportional agreements of the Group companies relating to the coverage of the following completes the life reinsurance programme:

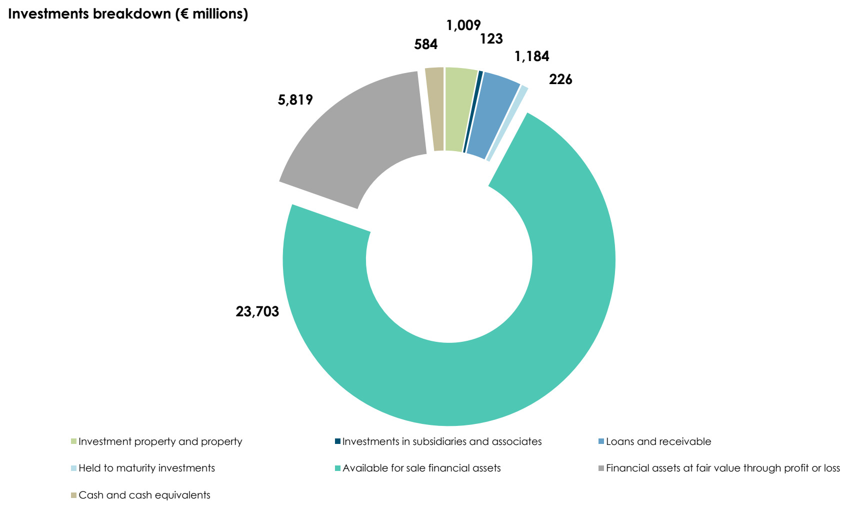
- risk of non-self sufficiency (long-term care);
- salary-backed loans for employees and pensioners (inclusion of Vera Protezione);
- life Mortgages and Blucredit product Loans for Lombarda Vita.

***

Dealings with reinsurance companies which present the best prospects of continuity over the long-term have been preferred for all the Group companies. When selecting partners, particular attention was paid to the solidity and reliability of the same, directing the choice towards those with the best rating or those less exposed, in the composition of the portfolio, to risk categories liable to technical-economic imbalances.
When defining the reinsurance programme, the companies adhered to the internal guidelines contained in the reinsurance policy and to the provisions of IVASS regulation no. 38 of July 3rd, 2018.

In November 2018, the Board of Directors approved the changes provided in the plan of Reinsurance transfers for the year 2019.

FINANCIAL AND ASSET MANAGEMENT



Investment property and properties

Acquisitions and property transactions

In the first half year, some important property transactions were closed; they allow constant and foreseeable flows of income to be created, in addition to diversifying the real estate equity in sectors other than the traditional office real estate sector (especially in Milan).

In particular, the following are pointed out:

- the purchase, through Fondo Innovazione Salute, managed by Savills IM SGR, of a nursing home (*residenza assistenziale sanitaria,* RSA) with 110 beds in the province of Pavia, for € 8 million: it is the tenth structure purchased by the Fund, which, like the structures acquired previously, will be managed by Coopselios Società Cooperativa. The Fund sees Cattolica as majority investor and sole insurance player, while Coopselios and Inarcassa are minority investors;
- the purchase, through Fondo Nuovo Tirreno, managed by Savills IM SGR and in a joint venture with Conad del Tirreno, of a property for supermarket use in the Municipality oif Calenzano (FI) for € 1.5 million. This is the sixth purchase of the Fund, launched in December 2018. The Fund has an investment pipeline, for the next 3 years, of 21 properties, mostly newly constructed, for a total value of € 150 million, divided between Tuscany, Lazio, Liguria and Sardinia. Cattolica will have to subscribe 90% of the equity of the Fund: in addition, one or more loans may be taken out, for an amount to be defined;
- the purchase of a property in Venice, in Fondamenta di Cannaregio, currently being renovated for its transformation into a 5-star hotel, comprising 52 rooms and two suites, meeting rooms and restaurant for a total cost of € 37 million. The purchase, which is still pending, since the condition precedent that the Monuments and Fine Arts Office must not exercise its pre-emption right has not been satisfied, was completed through the Fondo Euripide, managed by Finanziaria Internazionale SGR and 100% subscribed by the companies of the Cattolica Group. Management will be entrusted to the international chain Radisson Hotel Group (manager of the future hotel in Rome in Via delle Botteghe Oscure, formerly owned by Fondo Euripide);
- the purchase of two photovoltaic plants for a total power of 2.5 MWp, through Fondo Perseide, 100% subscribed by the Group companies, for a price of € 7 million. The plants are situated in the provinces and Ancona and Barletta-Trani.

During the first half year in Verona, in the area called Cattolica Center, requalification and safety compliance work continued, in addition to the congress activity that temporarily hosted the annual shareholders' meeting of the Parent Company Cattolica Assicurazioni and of Banco BPM.

Inside the Ca'Tron estate in the municipality of Roncade (TV), valorisation, requalification and restructuring work continued with the launch of a property renovation Plan of the complex called "*Centro aziendale Ca' Tron*", for the subsequent use for income generation of some of the properties not intended for agricultural use.
In addition, the investments relating to the agricultural part of the estate continued to improve its watering and farming efficiency, as well as the investments directed at the change of the use of the land to increase both its profitability and its land value.

Among the activities directed at achieving the objectives set forth by the investment plan, of note are the planting of a new vineyard, the use of advanced mechanisation systems, the organic conversion process of approximately 200 hectares in addition to the 220 hectares already certified and the management of a small cattle breeding facility.

Securities investments

The investment activity was carried out in a macroeconomic environment characterised by the progressive deterioration of the macroeconomic scenario and by the consequent change of the central banks' attitude on monetary policy.

Since the start of the year, there have been several downward revisions of economic expansion indicators and of price dynamics. In a few weeks, operators' estimates declined markedly, especially in the Euro Area, also as a result of the severe uncertainties on the outcome of the trade negotiations between the US and China. In these conditions, government bond returns decreased almost continuously, reaching new lows in the final part of the half year on almost all government issuers. With reference to the stock market, partly as a result of the change in the central banks' bias, which became accommodating again, the stock markets offered two-digit returns after the sharp drop recorded in the final months of last year.

During the half year, diversification continued, to contain the risk deriving from exposure to domestic securities. The reduction was not carried out linearly, but following the evolution of the spread between BTP and Bund, partial reinvestments were made on the Italian medium-long segment at times of greater volatility. Similarly, the increase in duration that involved BTPs was also experienced with non-Italian government securities, with purchases involving issues from European states and supranational bodies, especially on the primary market.

Purchases of the corporate component continued throughout the half year. In the first part of the year, after the severe crisis of the last quarter of 2018, interest rates were attractive in terms of risk-return. As the weeks went by and credit spreads generally narrowed, finding returns that were actually in line with expectations was more complicated. Positions that underwent severe rating deterioration according to the ESG (Environmental, Social and Governance) parameters were disposed of.

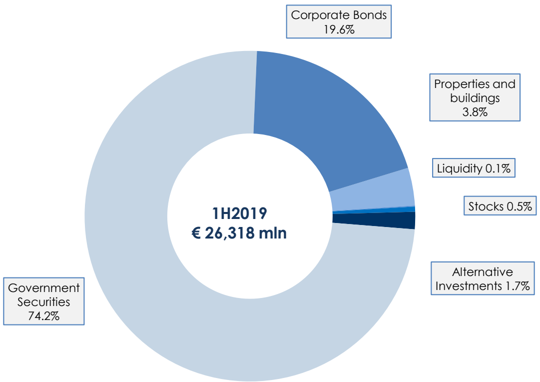
The stock asset class was partially reduced at the start of the year and was then the subject of purchases in the central part of the half year. Positions were acquired on securities able to sustain the Group's profitability thanks to the payment of dividends, mitigating stock exposure increase through hedging instruments.

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

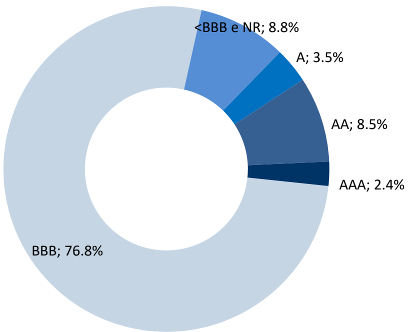
Alternative investments continued to be made. Commitments were particularly made in funds tied to strategies focused on infrastructural activities and projects and on direct loans to companies. Investments are concentrated in Europe, in this way contributing to the strategy of overall diversification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

With reference to the volumes managed as at June 30th, 2019 (excluding the equity investments and contributions of foreign companies), the following details are pointed out.

Asset allocation



Bond rating breakdown



Financial operations

Financial operations, closed with a result, gross of tax effects, amounting to € 252 million (-2.4%). With reference to net income from other financial instruments and investment property, this aggregate was characterised by the increase in net income from interest and other net proceeds, which fell to € 270 million (+2.9%), by net profits realised which amounted to € 16 million (-35.3%) and by net losses from valuation on financial assets of € 13 million (+5.5%), plus net income deriving from equity investments in associated companies for € 3 million (+79.8%).

PERFORMANCE IN THE 2ND QUARTER

The Group's result as of June 30th benefited from a positive contribution of € 35 million in the second quarter, while that of the consolidated result was positive by € 48 million, of which € 19 million attributable to the non-life business, € 31 million to the life business and a loss of € 2 million to other business.

UNREALISED CAPITAL GAINS AND LOSSES

At the end of the first half, unrealised capital gains net of tax effects were recorded on held to maturity investments for € 19 million, along with unrealised capital gains net of tax effects on loans and receivables for € 70 million, relating to bonds and other fixed-income securities.
The overall fair value of the held to maturity investments and loans and receivables as of June 30th amounted to € 1,539 million.
Net of the tax effects on properties and on investment property, unrealised capital gains - on the basis of estimates made by appointed outside experts - totalled € 172 million. The overall fair value of property and investment property came to € 1,214 million.

Pillar 1
Risks

Pillar 2
Risks

INTERIM MANAGEMENT REPORT

The Group during the first six months of 2019

Business performance for the period

Risk management

Headcount and sales network

Significant events and other information

RISK MANAGEMENT

RISK MANAGEMENT PROCEDURES

The Group has a Risk Management System that is formalised in the policies issued pursuant to IVASS Regulation No. 38 of July 3rd, 2018 and to art. 30-*bis*, paragraph 4 of the Italian Private Insurance Code by the Board of Directors of the Parent Company as a guideline and coordination tool and by the Boards of the individual subsidiaries. The risk management system pursues the objective of ensuring effective monitoring of risks arising from carrying out the Group's activities by paying special attention to the most important risks, which are those risks that can undermine the solvency of the Group and of its companies or observance of the corporate goals, including those established by the resolution of risk propensity. The main objective of the risk management system is to guarantee the capability of meeting commitments relating to policyholders, beneficiaries and injured parties and, in more general terms, the various stakeholders. This objective is also pursued by applying a risk management strategy is based on three fundamental principles:

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

During the first half of 2019, the Group continued to pursue the objective of preserving its equity soundness and a satisfactory level of profitability. To this end, the risk management process took into account the objectives of the Plan and the annual budget. This process is made up of the following micro-phases carried out recursively:

- identification of the risks and definition of their taxonomy (risk map);
- procedures and methods for measuring the risks;
- definition of the risk propensity system;
- monitoring of the risks;
- mitigation techniques and escalation processes;
- information flows and reporting.

The risk identification phase is carried out by using a set of methodologies, differentiated according to the categories of risks to which the Group is exposed. The complete assessment of the solvency position, including the detailed records of the exposures to risks, is updated at least once every quarter. Analyses of sensitivity to the market risk factors are also conducted with the same frequency since they are volatile to a greater extent owing to their nature, and actions to mitigate operational risks detected for each company are also monitored. Risks to which Group companies are exposed are continuously managed by monitoring summary indicators, whose updating frequency depends on the degree of uncertainty of variables on which they have an impact. Information flows from first level control units to the Risk Management Unit and the Compliance Unit[7] are also provided periodically and occasionally for particularly important events or specially formalised events based on relevance to the Group's risk profile. This second scenario takes on particular importance within the scope of preventive checks for investments, in application of the provisions of IVASS Regulation No. 24 dated June 6th, 2016. Results emerging from these analyses and information flows are brought to the attention of the Board of Directors of each Italian company of the Group at least once every quarter.

The exposure of each company to the different types of risks is also summarised every six months using the risk map, whose purpose is to form a point where the detailed information collected, monitored and managed comes together to provide a unified and effective representation of the risk position.

The identification, analysis and assessment of the internal and external risks to which the Group is exposed, and their periodic review to consider the changes in the risk factors, the development of the activities and the market scenario, required the involvement of the operating functions that perform the first level checks, identified as risk-taking areas. The Risk Management Unit and the Compliance Unit also carried out their mandates with the contribution of contacts belonging to different operational areas, and they carried out the second level control activity.

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

[7] Limited to the risk of non-compliance with legislation.

1. **risk Propensity level**, quantitative, defined with capital adequacy indicators. Risk propensity is established in terms of solvency Target, defined as the ratio between eligible own funds and solvency Capital Requirement;
2. **risk propensity by type of risk**, defined with relevant thresholds for each risk category identified. An exception is the risk of belonging to the Group, evaluated at the level of each individual Company belonging to it but not subject to definition of a risk propensity level in consideration of its external origin;
3. **operating limits.**

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

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

Risk measurement is primarily carried out through the use of regulatory capital requirements, as uniformly established for the whole market by EIOPA (European Supervisory Authority); specifically, limited to non-life risks (Non-life and Health NSLT[8]), the Group, Cattolica and TUA Assicurazioni, availing themselves of the option provided for by regulations, have received authorisation from the IVASS[9] to replace a subset of the parameters of the standard formula with specific Group and business parameters (so-called GSP - Group Specific Parameters and USP - Undertaking Specific Parameters) in order to reflect the risk profile more accurately. The valuation resulting from application of regulatory capital requirements is also refined and supplemented by valuations pertaining to the specific exposure to the surfacing of adverse scenarios considered to be particularly important. For those risks that do not fall within the standard formula, the valuation methodology is determined based on the specificity of the type of risk and the methods with which it might turn into damage for the Group or for its companies. This area comprises the liquidity risk, the risk of belonging to the Group, reputational risk, the risk of non-compliance with legislation, cyber risk, the risk of outsourcing and strategic risk.

Internal risk and solvency assessment

The current and forecast internal risk and solvency assessment (so-called ORSA), formalised in the risk management policy by the Board of Directors of the Parent Company and issued pursuant to IVASS Regulation No. 32 of November 9th, 2016, consists of the assessment - over a three-year time horizon consistent with the Business Plan - of observation of the minimum solvency level required by legislation on an ongoing basis, the requirement of necessary capital in relation to the risk profile and to the business strategy, and the need, if any, for actions to correct the risk profile or the equity resources. During the year, the Group carried out the current and forecast assessment of the risks and solvency with reference to the end of the year (December 31st, 2018). The results of the assessments at Group level and of individual companies, carried out following the ORSA guidelines, were approved by the respective Boards of Directors. Moreover, the Board of Directors of the Parent Company approved the Group single document of internal risk and solvency assessment in compliance with the instructions of the same regulation.
To this regard, the process followed by the Group can be summed up in the following macro-phases:

1. **Projection of the economic results** consequent to projections on the life and non-life business trend, and in consideration of the evolution of the macro-economic scenario;
2. **Risk assessment** by the Risk Management unit according to processes and methodologies formalised by the Board of Directors in the resolution of propensity to risk and in the risk and solvency management and assessment policy;
3. **Projection of the risk and solvency profile** of the Group and of the single companies emerging from the projection of the economic results;
4. **Sending of the ORSA report to the Supervisory Authority** following its discussion and approval by the Board of Directors of the Parent Company;
5. **Monitoring** of the evolution of the risk and solvency profile and continuous observance of the capital requirement requisites.

Approval of the ORSA report followed the approval of the results of the ORSA in the Boards of Directors of the individual insurance companies of the Group.

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

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

Purpose of the ORSA process

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

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

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

PILLAR 1 RISKS

Non-life insurance technical risks (Non-Life and Health NSLT)

Risk concerning tariff rating, reservation risk and catastrophe risk

Technical risks relating to the non-life business represent approximately 30% of the total Group SCR, whereas technical risks regarding the Health NSLT business come to approximately 2%, bearing in mind the effect of differentiations between risk modules and the contribution of capacity to absorb losses tied to technical provisions and deferred taxes.

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

- Risk concerning tariff rating tied to risk underwriting, the events covered by the signed insurance contracts and the trend of claims;
- Reservation risk tied to the quantification of technical provisions to meet the commitments undertaken with policyholders and injured parties;
- Risk of early extinction, tied to the increase of the technical provisions without the risk margin caused by the cessation of 40% of policies.
- Catastrophe risk tied to the uncertainty surrounding the possibility of calculating premiums and building up provisions in proportion to extreme and unforeseeable events.

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

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

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

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

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

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

During the first half of 2019, within the ORSA assessment, closing and forecast stress tests were conducted.
The stress scenario used, defined as Catastrophe, entails the occurrence of a seismic catastrophic event with a probability of occurrence once every 200 years, quantified on the basis of the exposure of the Group Non-life business applying the prescribed reinsurance structures.
In addition, a stress test was carried out, defined Yield UP non-life and Catastrophe, which involves the combined occurrence of:

- increase of the 5-year risk free curve by 100 bps;
- non-life claims inflation growth by 2.24 percentage points with impact on the provisions;
- seismic catastrophic event with a probability of occurrence once every 200 years, quantified on the basis of the exposure of the Group Non-life business applying the prescribed reinsurance structures.

The data coming out of the analyses carried out confirm the current and forecast soundness of the Group, even when faced with the stress scenarios identified.
The Risk Propensity thresholds established by the Board of Directors were observed thanks to the Group's solid equity position.

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

Insurance risk - life business

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

Technical risks of the life business represent approximately 9% of the total SCR (bearing in mind the effect of differentiations between risk modules and the contribution of the capacity to absorb losses tied to technical provisions and deferred taxes).
The main risks of this type to which the Group is exposed are risks associated with the conduct of policyholders (redemption risk), followed by expense risk, by demographic risks and lastly by the catastrophe risk.
The risk associated with the conduct of the policyholders is the one subject to greater volatility as a result of the close connection with financial variables and, as a consequence owing to their nature, they are erratic to a greater degree.
The quantitative measurement of this risk is made with the standard formula, considered adequate in consideration of two elements:

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

These risks are monitored using specific processes, particularly linked to the system of operating limits that each Group company has adopted in applying the resolution on Risk Propensity. As mentioned previously, the limits system is a fundamental element when managing risks.
For technical risks of the Life business, special attention is paid to the trend of premiums written per business line (concisely measuring the riskiness connected with revaluable, unit-linked and non-revaluable products) and to parameters characterising the quality and profitability of premiums.
The underwriting risk of the life business is also already monitored during the underwriting stage by using metrics for measuring the sustainability of guarantees offered both according to traditional insurance management logics and in a market consistent perspective.
There were no concentrations that could affect the risk profile of the Companies or the Group; in particular, exposure per single insured person is managed in a risk concentration framework, also through recourse to reinsurance.

Market and credit risks

Market risks of the life business represent approximately 41% of the total SCR (bearing in mind the effect of the differentiations between risk modules and the contribution of the capacity to absorb losses tied to technical provisions and deferred taxes).
The main risks of this type to which the Group is exposed are the risks of the credit spreads changing and real estate. The equity, interest rate, and currency rate risks follow.
Exposure to spread risk is connected to the relevant share of bonds in which the total portfolio is invested, including a portion of corporate issuer securities. Real estate risk is a direct consequence of total exposure to property assets, to which an absorption of capital significant in terms of percentage as of today is associated.
In applying the requisites of the "prudent person principle", the portfolio of assets as a whole is invested for each Group company into assets and instruments whose risks can be adequately identified, measured, monitored, managed, controlled and reported while duly taking them into account in assessing the overall solvency requirement. This principle is applied in both the

preliminary and final investment analysis process, supplemented by the limits system.
All assets, and in particular those covering the minimum capital requirement and the solvency capital requirement, are invested in such a way as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. The limits are calibrated jointly for all risk areas and form a well-structured system of conditions whose observance protects the adequacy of the portfolio as regards the desired level of these characteristics, in line with the Risk Propensity of each company and of the Group as a whole.
The assets held to cover the technical provisions are also invested in a way that is adequate for the nature and lifetime of the liabilities held.
The concentration level is specifically monitored for both the thresholds set by the limits system and the thresholds established by the standard formula in order to detect the presence of a concentration risk such as to deserve a capital allocation.
As for the market risks, the Group companies determine their risk positioning with respect to their propensity by defining the Strategic Asset Allocation. The process of defining it is closely connected with the significant ORSA processes, with the basis for a conscious and properly managed assumption of risk formed.
The assessment of these risks is conducted with the standard formula, today considered appropriate since the Group's investment profile is in line with the market. In applying the standard formula, special attention is paid to proper application of the look-through approach, whose level of risk duly considers any leverage present.
Monitoring and risk management processes in effect with reference to market risks are divided based on various policies, with an overall consistent system constituting supervision of the investment activities and risks emerging from exogenous factors defined.
Market risks are also monitored in an asset & liability management perspective, in keeping with the processes defined by the asset and liability management policy that regulates methods for periodically assessing key investment parameters, with particular focus on the comparison between asset allocation and its strategic forecast.
Lastly, the investments policy and operating limits assigned by the Board of Directors of each company customise the resolution of propensity to risk since specific aggregated and detailed parameters on which the investment activity is steered are defined. The limits system is applied with first level monitoring under the responsibility of the operating units and with independent second level control carried out by the Risk Management Unit. For this purpose, the Risk Management Unit has independent access to all data important for controlling the risk, and it makes its independent assessments based on the substance of the most significant records.
A broad set of limits is defined for each company in the market risks area. It is supplemented with specific limits significant at the Group level and sets out to cover parameters typically complementary to those monitored for Strategic Asset Allocation and fully consistent with them. Then parameters indicative of the exposure to interest rate risk (duration mismatch between assets and liabilities), to the risk of the credit spread changing (spread duration) and a number of indicators aimed at measuring exposure in specific asset categories are measured.
As regards assessment of the market risks, the trend of the regulatory capital requirement is also monitored. This specific monitoring activity is conducted with computer tools used directly by the Investment & ALM Department as well, and is continually compared with the first and second level business and control functions as part of the ongoing and precise assessment of the risk exposure.

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

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

Table 12 - Sensitivity analysis on market risks

(€ millions)

Financial Statements Category	Risk-free rates +50 bps	Spread on government and corporate bonds + 50 bps	Spread on Italian government bonds +50 bps	Equity -25%	Real estate -25%
Impact on IAS Shareholders' Equity	−463.6	−480.9	−253.5	−81.2	−247.5
Impact on Income Statement	−0.5	−0.6	−0.4	−5.0	−0.0
Impact on unrealised gains/losses	−26.5	−31.0	−4.1	0	0

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

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

Credit risks

Credit risks, considered risks of the counterparty defaulting and therefore not including the risk of spread on bonds, represent approximately 4% of the total SCR (bearing in mind the effect of the differentiations between risk modules and the contribution of the capacity to absorb losses tied to technical provisions and deferred taxes).
The main types of exposure falling under this category to which the Group is exposed relate to exposure in current accounts, to re-insurers and for receivables from brokers and policyholders.
The assessment of these risks is conducted with the standard formula, today considered appropriate since the profile of assets in question held by the Group companies is in line with the market.
As part of the assessments made using these metrics, particular attention was paid to the details of the risk by type of exposure and by the single most important counterparties, by monitoring their trend over time and assessing, case by case, the expediency of taking management measures to lower the risk.
The credit risk management process is, first and foremost, focused on the adequate selection of counterparties. A system of limits that aims at appropriately managing the most significant exposures is also defined by assigning limits for each Group company to the operating units, expressed as capital requirement calculated with the standard formula and applied according to the single type.
Specifically, limits referring to the capital requirement for current account and re-insurer exposures are assigned. These limits allow a summary of various magnitudes of the risk to be drawn up after understanding the risk level of the single counterparty, the overall exposure and the presence of concentrations, if any.

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

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

Liquidity risk

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

The Group companies conduct sensitivity analyses as part of their financial planning process, and they are aimed at determining the sustainability of any stress scenarios in a future cash flow perspective. The process includes the independent definition of stress scenarios by the Risk

Management Unit, which receives and assesses the results of application of the scenarios by the competent units afterwards.

Operational risk

The goal of the Group operational Risk Management System is to prevent and reduce any losses that should arise when damaging events occur by means of a process that calls for their identification, gauging and mitigation and the systematic disclosure of the risk based culture in daily operations. This approach makes it possible to enhance the internal audit system, improve the efficiency and efficacy of the management processes and encourage dialogue with the Board of Directors, Senior Management, the Board of Statutory Auditors (Management Control Committee in the Parent Company) 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 14% of the Solvency Capital Requirement (SCR) of the Group.
- an internal qualitative assessment carried out by the managers of company processes and the Risk Management Unit, where risks are identified and classified by risk factors (persons, procedures, external systems and events) and by type of event according to the taxonomy shown below:

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

Risk exposure is measured using a qualitative scale determined based on a logic of probability of occurrence and potential economic impact, which has a minimum value of 1 (very low) and a maximum value of 10 (very high). As at June 30th, 2019, the qualitative assessment of the risk as a whole for the Group comes to a 3 exposure value (medium to low), in line with the operational risk preference defined by the Group.

Operational risks identified and assessed are subjected to an ongoing monitoring process and are reassessed as a whole at least once a year. Furthermore, managers of company processes are required to promptly alert the Risk Management Unit whenever operational risk events occur with potential exposure such as to affect the Group's risk profile so that appropriate risk management measures can be taken.

There are three event types to which the Group is exposed to a greater extent in terms of both number and level of exposure: a) execution, delivery and management of processes ascribable to events occurring in everyday business operations, also in consideration of activities that Group companies have outsourced to other Group companies as well as outside suppliers, b) fraud connected with settlement and underwriting activities and c) interruption of operations and malfunctions of computer systems. The predominant type is the one concerning the execution of processes, while the risks of fraud - on the other hand ingrained in the business and common to the insurance system - are numerically reduced, even if the phenomenon as a whole in any case is a significant risk. With regard to these risks, actual concentrations are however not recorded.

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

PILLAR 2 RISKS

Risk of non-compliance with legislation

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

- continually identifying legislation applicable to the company and assessing its impact on processes and on the company procedures;
- assessing the adequacy and effectiveness of organisational measures taken to prevent the risk of non-compliance with legislation and to propose organisational and procedural changes aimed at ensuring an adequate monitoring of the risk;
- assessing the effectiveness of the organisational adjustments resulting from the recommended changes;
- providing adequate flows of information for the corporate bodies of the company and of the other structures involved.

The Broad of Directors, as provided by Article 28 of IVASS regulation no. 38 of July 3rd, 2018, after verifying the eligibility requirements for the office, appoints the Head of the Unit.
The Head of the Unit, in addition to the final report for the year, shall prepare quarterly information flows addressed to the Board of Directors, after the review of the Audit and Risks Committee, to the Senior Management, to the corporate bodies and a constant alignment addressed to the functions included in the Internal Control System, as well as to the other involved units of the company. In addition to periodic reports, the head of the unit submitted to the Administrative Body the plan of activities for 2019, with the indication of the initiatives to be carried out in relation to the risks of non-compliance, which will take into account both any evidence obtained through the continuous monitoring and auditing activities, and the emerging risks.

The Unit shall implement its own organisational model using, within the Group companies, Operating Safeguards and Specialist Safeguard, tasked with continuously carrying out a liaison activity between the first level safeguards and the Unit itself, by means of periodic reports defined according to shared logic. The Operating Safeguards consist of persons belonging to all company areas within the scope of the Italian companies of the Group, identified in collaboration with the heads of the reference areas with a view to promoting the synergistic operation of all corporate components in the safeguard against the risk of non-compliance. For the organisational areas tasked with ensuring compliance with some relevant regulations that require a high level of specialisation (for example those pertaining to taxes, financial statements, prevention and workplace safety, etc.), dedicated Specialist Safeguards were identified. With reference to these regulations, for which specific safeguard forms are already provided, the Compliance Unit is an "indirect" safeguard, i.e. exercising continuous monitoring on the basis of the aforesaid reports, defining, with the support of these safeguards, the risk mitigation procedures and verifying the adequacy of the procedures. The Unit carries out *ad hoc* checks on the work of the Specialist Safeguards to guarantee an autonomous and independent assessment of the risk of non-compliance; it also assesses the size and adequacy of the safeguards put in place, and for this purpose it may use, considering the specific nature of the issues, external competences including advisory ones. Based on the results of the compliance risk assessment, of the risk indicators analysed and of any other evidence collected, and on the basis of its own Plan of activity, the Unit performs *ad hoc* checks. If the assessments highlight gaps or critical issues, it shall propose remedial plans that, through organisational and procedural changes, lead to risk mitigation, it shall co-ordinate their implementation and monitor the effectiveness of the proposed changes.
As required by the regulation in force and by the internal regulation on the internal control system, the Compliance Assessment Unit interfaced, during the half year, with the other fundamental units through information flows and exchanges of reports.

During the half year, the Union assessed the impact of the rules on corporate processes and procedures, proposing, when deemed necessary, organisational measures directed at assuring adequate protection against risk and it qualitatively assessed the effectiveness of existing protections.

Reputational risk

The Group considers reputational risk mostly a "second level risk", meaning that it magnifies the negative impact deriving mainly from other risks on the company, and in particular the risk of non-compliance with legislation and several types of operational risk.
The importance of reputational risk comes from the low tolerance level defined by the Board of Directors in addition to the peculiar cooperative status of the Group and its historical roots that make it an economic subject that embraces reputation as one of the keys to its proposition of value to shareholders and customers. Event reaction and management methods that can impact the Group's reputation exist and are adopted, with the company representatives best suited to both internal and external communication and to defining the most expedient actions for preserving the company's reputation involved.
From this viewpoint, it is therefore possible to deduce that the monitoring of this type of risk that the company has implemented is adequate.

Branches

6,107

Agencies

1,429

Financial Advisors

737

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HEADCOUNT AND SALES NETWORK

HUMAN RESOURCES

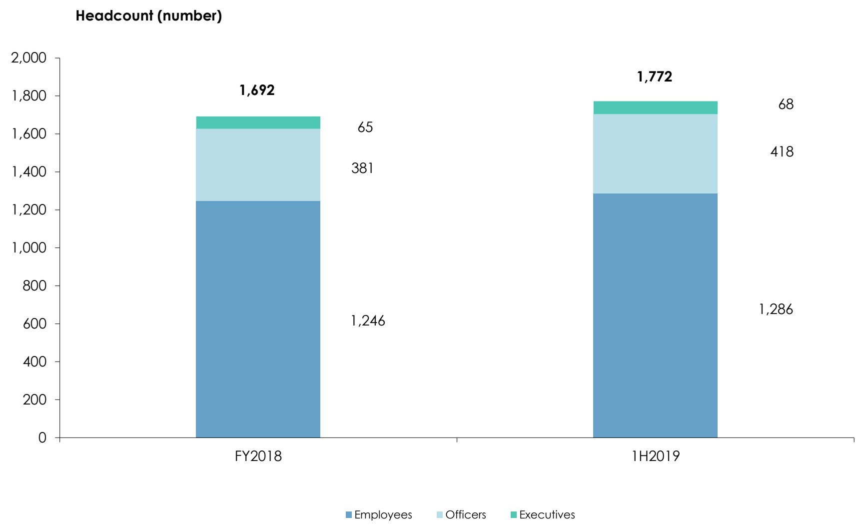
Human Resource Management

In line with the principles consistently promoted by the Group, the utmost attention continues to be paid to the management of human resources.

The activity tied to the "Job Market" facility introduced in July 2017 as a tool aimed at strengthening and promoting mobility by facilitating access for all employees to new professional opportunities consistent with their skills and aspirations continued. Job Market was remodulated to fill the gaps emerged during the first experience and to add value to the selection process: it is intended as an organisational space that facilitates the meeting of the needs of company structures and the skills of employees, through a logic of transparency, fairness and effectiveness.

61 positions were opened during the first half of 2019, for which 105 employees that answered an advertisement were interviewed.
The Group also provided 30 internship and 16 School-Work Alternation opportunities to students and recent graduates with the intention of discovering and developing the talents of tomorrow.

As of June 30th, the Group headcount included 1,772 staff, compared with 1,692 as of December 31st, 2018. The staff is broken down as follows: 68 executives, 418 officials, 1,286 office workers.
The number of full time equivalent Group employees came to 1,709 (it was 1,631 as of December 31st, 2018).



Academy & People Development

The evolutionary path of Cattolica, with the second climate survey carried out in 2018, continues with the projects and the activities directed at valorising and incentivising the qualities of its people, deemed one of the essential assets of the Group's strategy.
The ambition is to be a company in which all resources are given the chance to fully express their skills, qualities and knowledge, leveraging the motivational factor that inevitably influences "working life" and creates effective engagement in people.
The WITH (We Improve Together) performance assessment system focuses on "*equity*", considering "people as the fundamental pillar on which the Group's future is being built" and as the key element through which to accomplish cultural transformation and achieving the targets of the Business Plan.

By incentivising the culture of continuous feedback, it was possible to recognise and valorise individuals' overperformance and contribution.
At the end of the half year, an individual bonus was paid to those who overperformed with respect to the targets assigned in 2018 in addition to other remuneration initiatives provided.
The cultural change is made possible by a new conception of performance, seen as the product of two factors: the results obtained with respect to the assigned targets and personal conduct.
For this purpose, WITH 2019 includes 6 organisational skills, differentiated between managers and professionals. Each skill comprises three specific conducts associated with an assessment scale that clearly and punctually defines conduct expectations and is connected with the Group's reference values (integrity, cohesion, courage to do and to learn, result-orientation, meritocracy).

Cattolica also started along a path to identify and valorise Talents in its 2018-2020 Plan. A first group of 30 Talents was identified in 2018 on the basis of guiding criteria: high competence levels (Talent Check up), high performance in the past 3 years and high digital skills.
A second group of 26 Talents was identified in 2019 and it was proposed and validated by the Management Committee.
The Talent Management strategy entails hiring talents identified as boosters in Plan projects and as supports and witnesses of the cultural change.
4 project streams were identified for the cultural change, as optimal fields of action to valorise and develop talents: "*I Nostri Valori*" ("Our Values") that proposes the involvement of all 56 Talents identified with a Supporter role, "*Ready to Go*" which proposes to 15 Talents the role of Individual Contributor on the projects selected by the Management Committee, "*Digital Transformation*" which involves 8 Talents with high digital maturity in a Mentor role for other colleagues with low digital competence and "*Modelli Professionali*" ("Professional Models") involving 33 Talents with high professional skills for knowledge mapping.

The Training unit acts within the Academy with a perspective that encompasses the entire Group and contributes to safeguarding, valorising and developing the characteristic technical-professional knowledge of the professional roles present and to developing managerial skills.

The unit plays a key role and offers considerable support in meeting company needs and in keeping the required standards of professionalism high.

For this purpose, with the involvement of the managers and concurrently with the 2018 performance assessment interviews, an accurate survey of the training needs of all Group employees was launched with particular attention on the technical needs tied to the role and to the necessary soft-skills.

With reference to company reorganisations, Training Plans were launched, focused both on technical skills and on soft skills, with the goal of having additional skills acquired, and of updating and intensifying the existing ones in order to effectively play the new professional roles. Training courses are being administered for three Company Divisions subject to reorganisation: the plans are for 81 people for the Non-Motor Non-Life Division and 8 people for the Life & Welfare Division.
For the Claims Division, instead, a project for updating and strengthening technical-specialist competences is underway; it is involving 90 people for a total number of 818 hours of training.

Supporting management of the phases of strong change and hence part of the cultural transformation, in continuity with last year, continuing the training courses aimed at making it easier to adopt various work methods such as Teamwork within and between the divisions and goal-oriented Work. This path involved 321 persons for the current year.

Training carried out an inter-division training course with 19 participants for a total of 465 hours of classroom training, dedicated to Operations and to Project Managers, directed at promoting the acquisition of soft and technical skills, including: analytical process, team working, structured communication and effective presentations.

To support the WITH programme, managers of resources have been involved in training courses helpful for developing competence and skills to effectively manage the target assignment phase. The method used is peer coaching; 183 people holding managerial positions were involved.

With regard to language training, the English4All project was launched; by mapping the initial competence levels and using a specific online platforms, it is meeting the training needs of 533 persons.

For the Bancassurance Division, the *Homo Faber* Project is approaching completion; it was started in 2018 with the goal of enhancing the technical knowledge of the client/bank to boost commercial effectiveness and retention. The project involved 18 persons and 175 training days were administered.

Within the Bancassurance Division, Vera Vita personnel were provided with knowledge and application elements useful to master the application of MIFiD 2, the central Directive in the offer of saving and investment solutions in banks and in financial advisor networks. For this purpose, a specific training course was administered for the accounts of the company, with the goal of sharing all crucial aspects of the regulation, to know their impacts in terms of operations and to understand their relational effects with respect to end clients. 3 classroom days were dedicated to content relating to the Consob Intermediaries Regulation and new Consolidated Law on Finance: impacts for financial advisory activites, client POG and life cycle, points of contact and differences between MiFID 2 and IDD (Directive EU 2016/97), and the conduct and transparency rules for clients.

Regarding the Giulietta Project, involving the acquisition of the companies Vera, Assicurazioni, Vera Protezione and Vera Vita, training was carried out on the functionality of the ALLin platform for the price estimation, issuing and post-sale processes.
In addition, classroom courses were administered on the new functionalities of the CRM and on the non-life and life, TCM collective products of Vera Assicurazioni and Vera Protezione. In addition, the online courses on CLICK2GO, Infografiche Prodotti, CRM - Microsoft Dynamics, ALLin, Processi Trasversali on the Platform are available.

To meet a specific need of the Actuarial Unit, an advanced course in the use of "SAS" was started; SAS is a statistical analysis software that allows to enter, search for and manage data, in support of decisions. The project spans 5 courses and involves 25 persons in all.

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

- GDPR (General Data Protection Regulation) and
- Cyber Security.

Moreover, with regard to Cyber Security, a project is underway to improve security against cyber attacks through a training video-pill, with the goal of improving all employees' awareness against phishing and spear phishing attacks.

With reference to the regulatory changes introduced by Directive (EU) 2016/97 (IDD) concerning insurance and reinsurance distribution, the project dedicated to specific clusters of employees involved in the distribution process is continuing. Currently, in addition to the course illustrating the regulation available on the E-Learning platform, two classroom courses are active.
The first one, basic IDD, is aimed at explaining the founding spiring of the architecture of the regulation, to share the message of the client's centrality in the insurance business and valorise its role in the Company's action towards the market. So far, 4 editions have been completed for approximately 100 participants.
The second course, advanced IDD, will be launched in September, it will involve approximately 200 persons and it will have the goal of explaining the impact of the regulation on the value chain of the insurance business, sharing the efficient and effective development of corporate processes and valorise their professionalism in compliance with the regulation.

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

The training initiative called Lecture Day is continuing; it is a cycle of legal and insurance conferences with the goal of promoting and spreading the insurance culture through in-depth analysis of specific themes by highly skilled representatives, offering an opportunity to gain knowledge for the sector's public, both inside and outside the Group.

During the first half of 2019, 2,128 man training days were held for the Group.

Training for the Board of Directors

The Board of Directors of Società Cattolica di Assicurazione resolved to prepare a multi-year training Plan for the members of the Board of Directors of all Group companies.

In 2019, a first meeting was held for the presentation of the 2018 financial statement Results of the Cattolica Group, by the Managing Director and by the Chief Financial Officer, and a lecture on Ethics and Finance by Monsignor Dario Edoardo Viganò, Prefect of the Secretariat for Communication of the Holy See.
The programme for 2019 will propose compliance themes with focus on Legislative Decree no. 231 of June 8th, 2001, in particular on the corruption offence; Cyber Security; the changes on Market Abuse; the Governance with particular focus on the Monistic System; Artificial

Intelligence and the new cultural, social and economic challenges.

Table 13 - Group headcount

Group companies (*)	Registered offices	December 31th, 2018	Increases	Decreases	Changes	June 30th, 2019
ABC Assicura	Verona	7	0	0	0	7
BCC Assicurazioni	Milan	4	0	0	0	4
TUA Assicurazioni	Milan	71	6	1	5	76
VERA Assicurazioni	Verona	6	0	0	0	6
CattRE	Luxembourg	1	5	0	5	6
BCC Vita	Milan	8	0	0	0	8
Berica Vita	Vicenza	3	0	0	0	3
Cattolica Life	Dublin (Ireland)	5	0	0	0	5
Lombarda Vita	Brescia	10	2	0	2	12
VERA Financial	Dublin (Ireland)	18	3	2	1	19
VERA Protezione	Verona	3	0	0	0	3
VERA Vita	Verona	6	0	0	0	6
Cattolica Assicurazioni	Verona	947	64 [1)]	16 [2)]	48	995
All Risks Solutions	Rome	0	2	0	2	2
Cattolica Agricola	Verona	8	1	0	1	9
Cattolica Beni Immobili	Verona	1	0	0	0	1
Cattolica Immobiliare	Verona	7	1	1	0	7
Cattolica Services	Verona	559	27 [3)]	16 [4)]	11	570
C.P. Servizi Consulenziali	Verona	5	0	2	−2	3
Estinvest	Venice	0	1	0	1	1
Satec	Venice	18	6	0	6	24
Meteotec	Venice	2	0	0	0	2
Qubo Insurance Solutions	Milan	3	1	1	0	3
Group Total		**1,692**	**119**	**39**	**80**	**1,772**

(*) Number of employees relating to companies consolidated line-by-line excluding the resources covering maternity leave.
1) of which 16 intercompany transfers
2) of which 13 are intercompany transfers
3) of which 11 intercompany transfers
4) of which 15 intercompany transfers

Industrial relations and disputes

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

In February, an agreement was stipulated with the trade unions, providing an extraordinary tender of the Inter-sector Solidarity Fund, which will allow employees who will accrue the pension requirements by July 31st, 2024, to terminate employment on July 31st, 2019, on a voluntary basis, bringing retirement forward by up to 5 years.

A subsequent tender, already provided by the agreement of October 2017, was opened, with the usual procedures, in May 2019 for the employees who will accrue the pension requirements by December 31st, 2024. Voluntary termination of employment is set to December 31st, 2019, bringing retirement forward by up to 5 years.

In the early months of 2019, the Company was affected by significant organisational changes regarding various Corporate areas.

In February, the reorganisation of the Claims Area, which involved 44 resources in all, was presented and examined together with the Stakeholders in accordance with Article 15 of the National Collective Labour Agreement. The goals of the reorganisation were: a general rationalisation of both staff and line structures, the creation of new structures directed at further increasing the performance levels reached today by the Claims Division, more consistency and alignment with the organisation of the other structures of the Non-Life Division.

Afterwards, in May, union discussions were started in relation to the reorganisation of the Marketing Division, in accordance with the procedure per Article 15 of the National Collective Labour Agreement. The operation is functional for the evolution of the insurance market response model, from product based to customer based. As provided also by the IDD regulation, it becomes essential and mandatory for insurance companies to propose products able to meet clients' needs.
In this sense, the Marketing Division will evolve with a view to "customer centricity", comprising organisational structures focused in the different aspects of the relation with the clients. The reorganisation involved a total of 21 people.

Following the acquisition of Vera Assicurazioni and Vera Vita by the Parent Company, the Parties stipulated two important Variable Bonus agreements in February. Since for the aforesaid companies the productivity, profitability and target efficiency parameters were tied to the old shareholders, the Parties agreed on the new parameters useful for the payment of the variable bonus referring them to the Operating Profit of the Cattolica Group.
Lastly, last April, Company and Trade Unions, reached an agreement recognising the possibility for Vera Assicurazioni and Vera Vita employees to benefit from a One-off economic value by way of company Welfare. The agreement is included in the policies of progressive harmonisation policies that characterise and will characterise union relations.

In April, also for TUA Assicurazioni, the Parties stipulated an agreement on the payment of the variable bonus, referred to 2018, which was recognised to all employees in June 2019.

In the first half, the progressive extension of Smart Working continued, increasing the number of the workers who were provided the opportunity to work outside the company's spaces for up to 2 days a week (1,132). This initiative, whose purpose is to promote the balance of private life and working life and to improve the professional performance efficiency, will be extended to the entire population of the company by the end of 2019.

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

SALES NETWORK

Agency and welfare and pension product advisor distribution

The Group closed the year with a total of 1,429 agencies, distributed as follows: 50.8% in Northern Italy, 26.1% in Central Italy and 23.1% in Southern Italy and the islands. The Parent Company had 887 agencies.
Welfare and pension product advisors came to 24 and are the C.P. Servizi Consulenziali sub-agents.

Agent network and welfare and pension product advisor training

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

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

The commitment to activate and support the agencies on the innovations of the Digital Transformation Programme continued. Approximately 800 agencies were visited in all, to plan the organisational strategies for the adoption of new instruments following the releases of the third phase of the Digital Transformation Programme and of the subsequent releases as client App, C2 Community and Agency Activebox Delivery portal.
With reference to the latter, the training activity was also developed through 4 virtual classrooms for the 95 agencies included in the Roll-out machine.

Development of the skills and training

The Group's training courses were constantly updated in consideration of the regulatory amendments and the marketing of new products. To date, the online training platform has administered nearly 5,000 training man-days, while 630 persons participated in the 37 editions of classroom courses.

The main initiatives included:

- to support clients in the selection of "*Cattolica&Motori*" products, a training course was held for the agents of the former FATA Division, in which 225 brokers participated, in the 8 classroom editions provided, for approximately 96 training man/days;

- in May, the new online training course "*Prima Formazione 60 ore*" ("Initial Training 60 hours") was made available to Agents; it is a prerequiste for work in agencies and for enrollment in the consolidated register of insurance brokers. Currently, the course is attended by 60 new brokers,

- the fourth edition of the Agents Profession Master - MPA started off in June, with the participation of 19 young talents, committed until March 2020, and training for the launch of the "*Active Casa&Persona*" product was administered, with the participation of 133 persons;

- The Agents Executive Master (MEA) continued: 125 agents were trained, of which 110 Cattolica and 15 of the former FATA Division, for a total of over 114 agencies involved. 18 classroom editions were carried out, for a total turnout of 190 people in attendance and 360 man/days of training;

- the training dedicated to the farming sector was directed at 30 agency employees whose attention was focused on the "*Agricola 360*" policy while 1,406 brokers completed the new online course entitled 2019 Atmospheric Risks.

Thanks to the positive outcome of the annual inspection made by the certification authority, the Network Training and Development department obtained certification as per the technical quality standard UNI ISO 29990.

Of particular significance was the training planning in relation to the entry into force of the IDD Directive: following the FAD courses already made available on the on line training platform in 2018, two additional courses were published to complete its first phase: one centred on the need to align rules of conduct to the new regulatory indications and the other one oriented to provide an overview of the regulatory requirements and the companies' response in terms of indications on the distribution policy model. The latter courses had 3,505 attendees.

Territorial training continued for the Religious Bodies Division and a meeting was held on the "*Cattolica & Volontariato*" ("Cattolica and Volunteers") and three on the commercial opportunities of the third sector. The course was attended by 74 brokers.

With reference to TUA Assicurazioni, concerning the administrative management area, a challenging instruction and training programme was planned, consisting of remote and classroom courses. This programme, called "*Programma Tua Digital*", started in 2018 and, with regard to the year 2019, 32 classroom editions were carried out, for a total turnout of 718 people in attendance. The remote course, instead, was attended by 982 users.
In relation to the insurance technical area, a classroom course entitled "Permanent invalidity from Illness" was organised, with 8 editions administered to a total number of 207 participants.
On the occasion of the launch of the new product "*Tua Casa & Famiglia*" ("TUA Home & Family"), a classroom training course was started with the purpose of training agents in particular on the new cyber risk guarantee. As of June 30th, 4 editions had been administered for a total of 121 participants; the course will continue in the second part of the year.
In continuity with the previous years, the initial training course for new personnel continues; it is a prerequisite before they can start working and be included in sect. E of the RUI and it is administered in a mixed mode, i.e. classroom and e-learning. 18 employees participated.
The course "*Benvenuti in TUA*" ("Welcome to TUA"), dedicated to new agencies and aimed at providing knowledge of company products and procedures, was attended by 17 users.
In relation to remote professional refresher training, 2 additional courses were published, one on the "*Tua Salute*" ("TUA Health") product, attended by 270 users and one on the "*Tua Condominio*" ("TUA Condominium") product, attended by 263 users.

Bank coverage

The bank-assurance channel is overseen by the Parent Company by means of a partnership strategy with banking operators based on both commercial agreements with numerous institutions for the sale of insurance products via bank branches, and through the insurance companies in which the Parent Company, thereby obtaining control, and banking partners invest.
The number of branches distributing Pension Planning products were 6,107 compared to the 6,054 branches of

2018, and included 1,492 of the former Banco Popolare network (1,437 in 2018).
The bank branches of the UBI Group numbered 392, unchanged from 2018. The alliance with ICCREA HOLDING launched in the second half of 2009 makes it possible to distribute products via 4,021 branches of the co-operative lending banks (unchanged from December 31st, 2018).

Bank-assurance partner training

In compliance with the requirements of IVASS regulation no. 40 of August 2nd, 2018, the companies, through certified training companies, supported the brokers with classroom training courses and e-learning courses aimed at meeting the professional training and refresher courses for their distribution networks.
The regulation introduced, with Annex 6, new theme areas and modules with respect to the previous regulation. Therefore, the companies paid particular attention to supporting brokers in the knowledge of the new regulation,
Particular attention was dedicated to the regulatory development relating to the introduction of the IDD Directive and to themes tied to Cyber Risk.

Financial advisor distribution

The volume of Group's financial advisors fell to 737, compared with 733 at the end of the previous year.

Performance
of Cattolica stock

Minimum price

€7.125

Maximum price

€8.83

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SIGNIFICANT EVENTS AND OTHER INFORMATION

SIGNIFICANT TRANSACTIONS CARRIED OUT DURING THE PERIOD

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

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

Cattolica and the Group

On January 24th, the Parent Company and ICCREA Banca communicated to the market the start of an exclusive negotiation period aimed at the comprehensive revision of the existing partnership and at renewing the existing agreements due to expire on July 15th, 2019.
The preliminary agreements reached, formalised by the Parties on February 7th, 2019, then defined the essential elements for the revision of existing shareholder agreements on the subsidiaries BCC Vita and BCC Assicurazioni and the execution of a new distribution agreement, concurrently regulating the terms for the reorganisation of their shareholding structure.

On February 6, through Estinvest, the acquisition was completed of an additional interest of 31% in the share capital of All Risks Solutions S.r.l., a Rome-based insurance brokerage company.

On March 25th, following what had been communicated on September 26th, 2018 and after obtaining the necessary antitrust authorisations by IVASS and the European Commission, Cattolica and Inter Mutuelles Assistance communicated that they had closed the transaction that involves the entry of Cattolica in IMA Italia Assistance S.p.A. through the subscription of a capital increase through a rights issue, for a total amount of € 8.58 million, which led to Parent Company to hold 35% of IMA Italia Assistance S.p.A. Through this partnership, Cattolica and the IMA Group put their industrial competence together, giving momentum to the growth of IMA Italia Assistance, which from April 1st onwards has been the new sole provider of the assistance services offered by the Group's networks.

On April 13th, the ordinary Shareholders' Meeting of Cattolica Assicurazioni met and approved all items on the agenda, including the proposal of the Board of Directors to distribute a dividend of € 0.40 per share.
The Shareholders' Meeting, based on the new Articles of Association approved by the Shareholders' Meeting of April 28th, 2018, appointed the following members of the Board of Directors for the three-year period 2019-2021: Paolo Bedoni, Alberto Minali, Barbara Blasevich, Federica Bonato, Cesare Brena, Piergiuseppe Caldana, Bettina Campedelli, Luigi Castelletti, Chiara de' Stefani, Rosella Giacometti, Giovanni Glisenti, Alessandro Lai, Carlo Napoleoni, Aldo Poli, Pierantonio Riello, Anna Strazzera and Eugenio Vanda drawn from the sole list presented by the Board of Directors. The directors Giovanni Glisenti, Cesare Brena and Federica Bonato shall also be members of the Management Control Committee for the three-year period from 2019 to 2021, of which Giovanni Glisenti will be chairman. The meeting also resolved with regard to the determination of the related fees. The new Board of Directors, which met immediately after the end of the Shareholders' Meeting, appointed Paolo Bedoni as Chairman, Barbara Blasevich as Deputy Chairman, Aldo Poli as Vice Deputy Chairman and Alberto Minali as Managing Director.

In accordance with ISVAP regulation No. 38 dated July 3rd, 2018, the Shareholders' Meeting approved the Remuneration Policies for the year 2019 with reference to the Group and to Cattolica relating to the directors and officers, the key personnel and other parties contemplated as recipients of general principles by said Regulation. The goal of these policies is to define the purposes, principles and criteria adopted by the Cattolica Group with regard to the remuneration of the aforesaid persons.

Following the entry into force of the aforesaid regulation, the Shareholders' Meeting approved the revision of the 2018-2020 Performance Share Plan, already approved by the Shareholders' Meeting of 28 April 2018.

Other events

The companies of the Cattolica Group adhered to the Cattolica Assicurazioni VAT Group starting from January 1st, 2019. This entails the assignement of a new VAT Number (04596530230) that uniquely identifies all adhering companies, as the sole VAT taxpayer.
The representative of the Cattolica Assicurazioni VAT Group is Società Cattolica di Assicurazione – Società Cooperativa. Cattolica Agricola is not included in the Cattolica Assicurazioni VAT Group.

On 10 January, Cattolica communicated that General Reinsurance AG, a company of the Berkshire Hathaway Group, first shareholder of the Parent Company with 9.047%, applied to become a partner of Cattolica Assicurazioni. The request was approved by the Board of Directors.
With this qualification, General Reinsurance AG also acquires the non-equity rights as prescribed by the current Articles of Association.

Italian Revenue Agency

Law no. 136 of December 17th, 2018, introduced a special regulation directed at defining the tax disputes pending as of October 24th, 2018.
To adhere to the procedure, some Group companies (Cattolica, BCC Assicurazioni, BCC Vita, Cattolica Services, C.P. Servizi Consulenziali, TUA Assicurazioni) submitted a dedicated form by May 31st, 2019 and paid the amounts due no later than the same date.

On May 9th, the Revenue Agency, Lombardy Regional Division started an audit of BCC Vita, for tax years 2014 and 2015, in relation to the accounting and tax treatment of both receivable and payable fees relating to coinsurance and reinsurance dealings.
In the course of the audit, the company provided all the documentation requested by the officials.
On July 30th, the audit was completed with the notification of the report on findings: as a result of the audit operations, no substantial violations emerged and, therefore, no formal or substantial findings were notified.

Supervisory Authority

On June 13th, 2018, the AGCM started proceedings against Vera Assicurazioni S.p.A. to allege the possible infringement of consumers' rights when offering collective non-life policies on the occasion of Agos Ducato S.p.A. loans. On July 20th, 2018, the company provided the information requested by the AGCM. On August 3rd, 2018, the company's commitment proposal was forwarded to the AGCM, while a hearing followed on September 7th, 2018. On October 31st, 2018, the letter with the list of commitments, further supplemented, was filed. On January 10th, 2019, the company presented to the AGCM the final consolidated version of the commitments proposal. With its measure of March 20th, 2019, the AGCM closed the proceeding without ascertaining any violation by the company and making its proposed commitments mandatory for it.

CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

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

COMPLAINTS MANAGEMENT

The handling of complaints is entrusted to a specific unit, the Complaints Group Service, appointed as per ISVAP Regulation No. 24 dated May 19th, 2008; it sees to handling of the complaints made by those who avail of the insurance activities (customers, injured parties, legal advisors, consumer associations).

The unit also contributes towards monitoring the service levels and the company areas in view of possible improvements.
During the period, with reference to the Group, a total of 2,418 written complaints were registered, of which 608 were upheld. The complaints were dealt with, on average, in 16.8 days.

INFORMATION SYSTEMS

The most important action taken by the IT Division of Cattolica Services is presented below.

Applicative measures

Following the closing of the transaction between Cattolica and Banco BPM, which took place in March 2018, the migration of the policy portfolio of the companies Vera Assicurazioni and Vera Protezione was completed; in the meantime, activities continue for the migration of the data of Vera Financial and Vera Vita, expected to be completed in the second half.
In addition, the process to bring TUA Assicurazioni systems into line with Group applications was completed.

After digitising agency processes, the new Cattolica App was launched; it is designed to facilitate client relations and the use of insurance services, integrating synergistically with the physical network of the agents.

The inspection report automation initiative, which calls for a multi-stage development through the use of analytics and artificial Intelligence technologies to support damage assessment, was included in a broader project directed at introducing innovative processes in support of the entire claim management process.

Regarding the finance systems, the launch of the new front-office system is being completed, while a new system of financial accounting and database and financial asset price management started being used.
On the path towards the Data Driven Company model, for the construction of a single coherent vision of the company data, work continues on the construction of a new technological platform (called "data platform") as the sole consolidation point of all corporate data (structured and otherwise) that will allow to boost the efficiency of some corporate processes (e.g. claim fraud management).

The first project activities for compliance with the new IFRS (International Financial Reporting Standards) were completed, and the development of the new risk management system is ongoing.

Infrastructures and security

Initiatives were carried out to update the technical infrastructure and in particular to enhance telecommunication networks and "unified communication" (approach to collaboration through the sharing of documents between remote users).

The IT security initiatives of the period pertained in particular to the upgrading of the Security Operation Centre, the unification of the access credentials for some management applications, the launch of a mobile device management solution and training and sensitisation on IT security matters for Group employees.

OWN SHARES HELD BY THE PARENT COMPANY AND BY ITS SUBSIDIARIES

The Shareholders' Meeting held on April 13th approved the plan for the purchase and sale of own shares in accordance with the law. The proposed authorisation concerns the purchase, once or multiple times, of own shares up to the maximum number allowed by current legislative provisions, therefore up to 20% of the *pro tempore* share capital of the Parent Company, for a period of 18 months from the date of the shareholders' meeting resolution. The purchase price of the shares may be no lower, either in its minimum or in its maximum, by more than 20%, with respect to the official price of Cattolica shares recorded by Borsa Italiana S.p.A. in the trading day preceding each individual transaction. Purchases and sales, the latter when carried out on the market, shall be no higher than 25% of the average daily volume of shares traded on Borsa Italiana S.p.A., the latter calculated on the basis of the average daily volume of trades of the 20 trading days preceding the date of each individual purchase.

In the course of the half year, no shares were purchased or sold.
As of June 30th, the Parent Company held 7,036,907 own shares, equal to 4.04% of the share capital, recorded in the Reserve for own shares in the portfolio for a total value of € 49.9 million.

TRANSACTIONS WITH RELATED PARTIES

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

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

Pursuant to CONSOB DEM/6064293 dated July 28th, 2006, you are hereby informed that no atypical and/or unusual transactions were entered into during the period nor were there any non-recurrent significant operations or events with important effects on the Group's accounts indicated.

PERFORMANCE OF CATTOLICA STOCK

During the first half of the year, Cattolica shares recorded a minimum price of € 7.125 and a maximum price of € 8.83. The capitalization of the stock on the market as of June 30th came to € 1,371 million.

In the first half year, the performance of the stock disclosed an increase of 10.7% with respect to an increase of 15.9 % in the FTSE Mib index and an increase of 16.3% in the FTSE Italia All-Share Insurance Index.
Average daily volumes traded during the first half were 439,981 shares.

On May 22nd, 2019, with coupon detachment date on the 21st of said month, the Parent Company distributed a sole dividend of € 0.40 per share.

RATIOS PER SHARE

A summary of the main ratios per share is presented below as of June 30th:

Table 14 - Ratios per share

(amounts in €)	June 30th, 2019	June 30th, 2018
Number of outstanding shares (*)	167,257,019	167,519,146
Premiums written per share (insurance premiums and investment contracts)	19.54	17.64
Group profit per share	0.36	0.30
Group shareholders' equity per share	11.05	10.42

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

SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

On July 4th, through Estinvest, the acquisition was completed of an additional interest of 49% in the share capital of All Risks Solutions S.r.l. ("ARS"). At the end of the transaction, ARS is wholly owned by Cattolica.

Respectively on July 3rd and 5th, 2019, following up on what was communicated on January 24th, 2019, the Boards of Directors of Cattolica and ICCREA Banca resolved to renew the bancassurance partnership until December 31st, 2022 and the terms of the shareholding reorganisation of the joint ventures BCC Vita and BCC Assicurazioni.
In addition the content of a new commercial agreement was defined for the continuation of activities for the brokerage of insurance products of the joint ventures through the co-operative lending banks belonging to the newly established ICCREA Banca Co-operative Banking Group and the assumption, by the parent company ICCREA Banca, of specific promotion commitments. Upon expiration, the agreements will be renewed automatically for additional periods of 12 months, without prejudice to the possibility of renegotiating its contents and duration or, alternatively, to terminate the partnership through the exercise of symmetrical call and put options.
In accordance with the agreements, on July 29th the Parent Company then closed the purchase, from ICCREA Banca, of 19% of the share capital of the subsidiaries BCC Vita and BCC Assicurazioni, thus increasing its own shareholding in both companies from 51% to 70%.
Concurrently, a new shareholder agreement pertaining to the governance of the same companies and a new commercial bancassurance agreement, expiring on December 31st, 2022, were executed.

OUTLOOK FOR BUSINESS ACTIVITIES

In an insurance market still marked by a high degree of competitiveness, interest rates declining markedly even further and significant volatility of the spread on Italian securities, barring extraordinary events we foresee for 2019 an operating result and Group net profit improving over the previous year.

THE BOARD OF DIRECTORS

Verona, Italy, August 8th, 2019

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Total assets

€36,125 MLN

Total Shareholders' Equity

€2,331 MLN

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

ASSETS

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)		June 30th, 2019	December 31th, 2018
1	**INTANGIBLE ASSETS**	**892**	**911**
1.1	Goodwill	560	561
1.2	Other intangible assets	332	350
2	**TANGIBLE ASSETS**	**242**	**190**
2.1	Property	211	170
2.2	Other tangible assets	31	20
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**697**	**702**
4	**INVESTMENT**	**31,853**	**30,926**
4.1	Investment Property	798	787
4.2	Investments in subsidiaries, associated companies and joint ventures	123	119
4.3	Held to maturity investments	226	225
4.4	Loans and receivables	1,184	865
4.5	Available for sale financial assets	23,703	23,120
4.6	Financial assets at fair value through profit or loss	5,819	5,810
5	**SUNDRY RECEIVABLES**	**636**	**699**
5.1	Receivables deriving from direct insurance transactions	409	433
5.2	Receivables deriving from reinsurance transactions	101	63
5.3	Other receivables	126	203
6	**OTHER ASSET ITEMS**	**1,221**	**1,029**
6.1	Non-current assets or disposal group held for sale	0	0
6.2	Deferred acquisition costs	22	25
6.3	Deferred tax assets	485	304
6.4	Current tax assets	489	448
6.5	Other assets	225	252
7	**CASH AND CASH EQUIVALENTS**	**584**	**406**
	TOTAL ASSETS	**36,125**	**34,863**

SHAREHOLDERS' EQUITY AND LIABILITIES

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)		June 30th, 2019	December 31th, 2018
1	**SHAREHOLDERS' EQUITY**	**2,331**	**2,255**
1.1	**pertaining to the Group**	**1,848**	**1,780**
1.1.1	Share capital	523	523
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	712	739
1.1.4	Revenue reserves and other equity reserves	563	496
1.1.5	(Own shares)	−50	−50
1.1.6	Reserve for net exchange differences	0	0
1.1.7	Gains or losses on available for sale financial assets	43	−35
1.1.8	Other gains or losses recognised directly in equity	−4	0
1.1.9	Profit (loss) for the period pertaining to the Group	61	107
1.2	**pertaining to minority interests**	**483**	**475**
1.2.1	Capital and reserves pertaining to minority interests	457	445
1.2.2	Profits or losses recognised directly in equity	11	0
1.2.3	Profit (loss) for the period pertaining to minority interests	15	30
2	**PROVISIONS AND ALLOWANCES**	**58**	**59**
3	**TECHNICAL PROVISIONS**	**29,889**	**28,964**
4	**FINANCIAL LIABILITIES**	**2,605**	**2,601**
4.1	Financial liabilities at fair value through profit or loss	1,728	1,810
4.2	Other financial liabilities	877	791
5	**PAYABLES**	**436**	**399**
5.1	Payables deriving from direct insurance transactions	149	84
5.2	Payables deriving from reinsurance transactions	65	35
5.3	Other payables	222	280
6	**OTHER LIABILITY ITEMS**	**806**	**585**
6.1	Liabilities of disposal group held for sale	0	0
6.2	Deferred tax liabilities	483	303
6.3	Current tax liabilities	198	112
6.4	Other liabilities	125	170
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**36,125**	**34,863**

INCOME STATEMENT

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)		June 30th, 2019	June 30th, 2018
1.1	Net premiums	3,032	2,681
1.1.1	*Gross premiums written*	3,172	2,818
1.1.2	*Ceded premiums*	−140	−137
1.2	Commissions income	3	3
1.3	Income and charges from financial instruments at fair value through profit or loss	208	−8
1.4	Income from investments in subsidiaries, associated companies and joint ventures	3	2
1.5	Income from other financial instruments and investment property	399	362
1.5.1	*Interest income*	303	275
1.5.2	*Other income*	49	49
1.5.3	*Realised gains*	47	38
1.5.4	*Valuation gains*	0	0
1.6	Other revenues	76	43
1	**TOTAL REVENUES AND INCOME**	**3,721**	**3,083**
2.1	Net charges relating to claims	−2,903	−2,394
2.1.1	*Amounts paid and change in technical provisions*	−2,983	−2,475
2.1.2	*Reinsurance amount*	80	81
2.2	Commissions expense	−3	−2
2.3	Charges from investments in subsidiaries, associated companies and joint ventures	0	0
2.4	Charges from other financial instruments and investment property	−126	−88
2.4.1	*Interest expense*	−81	−61
2.4.2	*Other charges*	−1	−1
2.4.3	*Realised losses*	−31	−14
2.4.4	*Valuation losses*	−13	−12
2.5	Operating expenses	−407	−357
2.5.1	*Commission and other acquisition costs*	−275	−237
2.5.2	*Operating expenses relating to investments*	−26	−20
2.5.3	*Other administrative expenses*	−106	−100
2.6	Other costs	−161	−130
2	**TOTAL COSTS AND CHARGES**	**−3,600**	**−2,971**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION	**121**	**112**
3	Taxation	−45	−49
	PROFIT (LOSS) FOR THE PERIOD NET OF TAXATION	**76**	**63**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**0**	**0**
	CONSOLIDATED PROFIT (LOSS)	**76**	**63**
	pertaining to the Group	**61**	**51**
	pertaining to minority interests	**15**	**12**

STATEMENT OF COMPREHENSIVE INCOME

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)	June 30th, 2019	June 30th, 2018
CONSOLIDATED PROFIT (LOSS)	**76**	**63**
Other income components net of income taxes without reclassification in the income statement	**0**	**0**
Change in the shareholders' equity of investee companies	0	0
Change in intangible assets revaluation reserve	0	0
Change in tangible assets revaluation reserve	0	0
Income and charges relating to non-current assets or disposal group held for sale	0	0
Actuarial gains and losses and adjustments related to defined-benefit plans	0	0
Other items	0	0
Other income components net of income taxes with reclassification in the income statement	**85**	**−98**
Change in reserve for net exchange differences	0	0
Gains or losses on available for sale financial assets	89	−98
Profits or losses on cash flow hedging instruments	0	0
Profits or losses on instruments hedging a net investment in foreign operations	0	0
Change in the shareholders' equity of investee companies	−4	0
Income and charges relating to non-current assets or disposal group held for sale	0	0
Other items	0	0
TOTAL OF THE OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**85**	**−98**
TOTAL OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**161**	**−35**
pertaining to the Group	**135**	**-40**
pertaining to minority interests	**26**	**5**

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

The legal representatives of the company (*)

The Managing Director ALBERTO MINALI (**)

_____________________________________ (**)

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

(**) Indicate the office covered by the signee.

CASH FLOW STATEMENT

Company: CATTOLICA ASSICURAZIONI GROUP

(€ millions)	June 30th, 2019	June 30th, 2018
Profit (loss) for the period before taxation	**121**	**112**
Changes in non-monetary items	**79**	**337**
Change in non-life premiums provision	37	25
Change in provision for outstanding claims and other non-life technical provisions	−27	−34
Change in mathematical provisions and other life technical provisions	87	178
Change in deferred acquisition costs	3	1
Change in provisions and allowances	−1	7
Non-monetary income and charges from financial instruments, investment property and equity investments	−66	69
Other changes	46	91
Change in receivables and payables generated by operating activities	**79**	**60**
Change in receivables and payables deriving from direct insurance and reinsurance transactions	80	149
Change in other receivables/payables, other assets/liabilities	−1	−89
Taxes paid	**-40**	**37**
Net liquidity generated/absorbed by monetary items pertaining to investments and financing activities	**−146**	**-303**
Liabilities from financial contracts issued by insurance companies	−146	−303
Payables due to banking and interbank customers	0	0
Loans and receivables due from banking and interbank customers	0	0
Other financial instruments at fair value through profit or loss	0	0
TOTAL NET LIQUIDITY DERIVING FROM OPERATING ACTIVITIES	**93**	**243**
Net liquidity generated/absorbed by investment property	−19	−29
Net liquidity generated/absorbed by investments in subsidiaries, associated companies and joint ventures	−1	7
Net liquidity generated/absorbed by loans and receivables	−301	51
Net liquidity generated/absorbed by held to maturity investments	0	3
Net liquidity generated/absorbed by available for sale financial assets	312	−230
Net liquidity generated/absorbed by tangible and intangible assets	−24	−624
Other net liquidity flows generated/absorbed by investment activities (*)	187	830
TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITIES	**154**	**8**
Net liquidity generated/absorbed by capital instruments pertaining to the Group	0	1
Net liquidity generated/absorbed by own shares	0	−3
Distribution of dividends pertaining to the Group	−70	−59
Net liquidity generated/absorbed by capital and reserves pertaining to minority interests	−18	9
Net liquidity generated/absorbed by subordinated liabilities and by participative financial instruments	0	0
Net liquidity generated/absorbed by sundry financial liabilities	19	−14
TOTAL NET LIQUIDITY DERIVING FROM FINANCING ACTIVITIES	**−69**	**−66**
Effect of the exchange differences on cash and cash equivalents	**0**	**0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	406	207
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	178	185
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	584	392

(*) This item includes net liquidity absorbed by the acquisitions of the equity investments carried out during the year

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Company: CATTOLICA ASSICURAZIONI GROUP

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

(€ millions)		Balance December 31st, 2018	Change in closing balances	Charges	Adjustments from reclassification to income statement	Transfers	Changes in investment holdings	Balance June 30th, 2019
Shareholders' equity pertaining to the Group	Share capital	523	0	0		0		523
	Other equity instruments	0	0	0		0		0
	Capital reserves	739	0	−27		0		712
	Revenue reserves and other equity reserves	496	0	137		−70	0	563
	(Own shares)	−50	0	0		0		−50
	Profit (loss) for the period	107	0	−46		0		61
	Other components of the statement of comprehensive income	−35	0	63	11	0	0	39
	Total pertaining to the Group	**1,780**	**0**	**127**	**11**	**−70**	**0**	**1,848**
Shareholders' equity pertaining to minority interests	Capital and reserves pertaining to minority interests	445	0	30		−18	0	457
	Profit (loss) for the period	30	0	−15		0		15
	Other components of the statement of comprehensive income	0	0	9	2	0	0	11
	Total pertaining to minority interests	**475**	**0**	**24**	**2**	**−18**	**0**	**483**
TOTAL		**2,255**	**0**	**151**	**13**	**−88**	**0**	**2,331**

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

The legal representatives of the company (*)

The Managing Director ALBERTO MINALI (**)

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

(**) Indicate the office covered by the signee.

NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Basis of presentation and consolidation area

PART A
BASIS OF PRESENTATION AND CONSOLIDATION AREA

Applicable legislation

The consolidated interim report comprising the interim management report and the condensed interim consolidated financial statements have been drawn up by the Parent Company Cattolica di Assicurazione Soc. Coop. pursuant to Article 154-*ter*, paragraphs 2, 3, 4 of Italian Legislative Decree No. 58 dated February 24th, 1998, "Regulations concerning financial brokers" and Article 95 of Italian Legislative Decree 209 dated September 7th, 2005, in observance of the provisions envisaged by IAS/IFRS international accounting standards and by SIC/IFRIC interpretations, using as a reference those endorsed by the European Commission as of June 30th, 2019. The report is compliant with the provisions concerning consolidated interim reports pursuant to ISVAP Regulation No. 7 dated July 13th, 2007 relating to the technical forms of the consolidated financial statements drawn up on the basis of the international accounting standards (IAS/IFRS).

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

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

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

Accounting reference date

The accounting reference date of this consolidated interim report is June 30th, 2019, a date which coincides with that of the interim reports of all the companies included within the scope of consolidation.

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

CONSOLIDATION METHODS

a) Line-by-line consolidation

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

When using the line-by-line consolidation method, the book value of the investments is eliminated against the related shareholders' equity and all the assets and liabilities of the subsidiary company, including potential liabilities, are included.

The positive difference which is generated between the purchase cost and the fair value of the net shareholdings acquired, independently identifiable, with reference to the date of acquisition of control over the investment, is recorded under the item "Goodwill". This value is subject to an annual impairment test as governed by IAS 36.

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

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

b) Equity method

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

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

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

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

c) Companies carried at cost

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

d) Main consolidation adjustments

The main consolidation adjustments are:

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

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

CONSOLIDATION AREA

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

During the half year, the consolidation scope changed, relative to December 31st, 2018, as a result of the purchase, completed on February 6th through the subsidiary Estinvest, of a 31% share of All Risks Solutions S.r.l. (of which it already held 20%) to hold a majority interest of 51%.
As of June 30th, 2019 the consolidation area comprised 12 insurance companies, one reinsurance company, two companies which carry out agricultural real estate activities, one holding company, one real estate services company, six service companies and five real estate property mutual funds. In addition to companies in the consolidation area, the Group includes two service companies, the Fondo Immobiliare Mercury, structured in three segments, the Fondo HCampus, which is divided into two classes of units and the Fondo Mercury Nuovo Tirreno, measured at equity because they are under joint control. Starting on March 25th, the group also includes IMA Ima Italia Assistance S.p.A. and IMA Servizi S.c.a.r.l. measured at equity because they are associated companies.

Significant assumptions and assessments for establishing the consolidation area

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

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

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

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

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

Table 15 - Consolidation area (ISVAP Regulation No. 7 dated July 13th, 2007)

Name	Registered offices and operating headquarters	Method (1)	Activity (2)	% direct investment	% total holding (3)	% of votes available during ordinary shareholders' meetings (4)	% consolidation
Società Cattolica di Assicurazione - Soc. Coop.	086	G	1				
ABC Assicura s.p.a.	086	G	1	60.00%	60.00%		100%
BCC Assicurazioni s.p.a.	086	G	1	51.00%	51.00%		100%
BCC Vita s.p.a.	086	G	1	51.00%	51.00%		100%
Berica Vita s.p.a.	086	G	1	60.00%	60.00%		100%
All Risks Solutions s.r.l.	086	G	11	51.00%	51.00%		100%
C. P. Servizi Consulenziali s.p.a.	086	G	11	100.00%	100.00%		100%
Cattolica Agricola s.a.r.l.	086	G	10	100.00%	100.00%		100%
Cattolica Beni Immobili s.r.l.	086	G	10	100.00%	100.00%		100%
Cattolica Immobiliare s.p.a.	086	G	11	100.00%	100.00%		100%
Cattolica Life d.a.c.	040	G	2	60.00%	60.00%		100%
Cattolica Services s.c.p.a.	086	G	11	99.96%	99.99%		100%
Fondo Euripide	086	G	10	67.13%	87.83%		100%
Fondo San Zeno (formerly MOI)	086	G	10	68.10%	85.52%		100%
Fondo Perseide	086	G	10	79.15%	93.30%		100%
Lombarda Vita s.p.a.	086	G	1	60.00%	60.00%		100%
TUA Assicurazioni s.p.a.	086	G	1	99.99%	99.99%		100%
Vera Assicurazioni s.p.a.	086	G	1	65.00%	65.00%		100%
Vera Financial d.a.c.	040	G	2	65.00%	65.00%		100%
Vera Protezione s.p.a.	086	G	1	65.00%	65.00%		100%
Vera Vita s.p.a.	086	G	1	65.00%	65.00%		100%
Fondo Innovazione Salute	086	G	10	76.51%	76.51%		100%
Fondo Andromaca	086	G	10	100.00%	100.00%		100%
Cattre s.a.	092	G	5	100.00%	100.00%		100%
Estinvest	086	G	9	100.00%	100.00%		100%
Meteotec	086	G	11	100.00%	100.00%		100%
Satec	086	G	11	15.87%	100.00%		100%
Qubo Insurance Solutions	086	G	11	51.00%	51.00%		100%

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

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

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

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

With regard to the bank joint ventures, the agreements contain rights of protection of the minority interests which cannot significantly limit Cattolica's ability to access the assets, or use them, or discharge the liabilities of the Group (IFRS 12, paragraph 13, letter b).
The Cattolica Group in fact controls all the significant activities, with the exception of the sale of the product, carried out by the banking partner.

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

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

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

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

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

(€ thousands) Name	% Minority interests	% of votes available during ordinary shareholders' meetings to minority interests (1)	Consolidated profit (loss) pertaining to minority interests	Shareholders' equity pertaining to minority interests	Summary income statement-financial figures: Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' Equity	Net profit (loss) for the period	Dividends distributed to minority interests	Gross premiums written
ABC Assicura s.p.a.	40.00%		−254	3,700	43,861	15,828	25,947	20	9,249	−635	0	1
BCC Assicurazioni s.p.a.	49.00%		118	5,752	93,293	34,210	61,268	1,607	11,738	240	0	21,591
BCC Vita s.p.a.	49.00%		3,808	99,081	3,615,393	3,455,482	3,328,485	1,448	202,207	7,772	0	222,726
Berica Vita s.p.a.	40.00%		210	38,641	918,666	851,263	794,440	68	96,603	526	0	748
Cattolica Life d.a.c.	40.00%		−230	7,048	234,734	201,039	90,471	125,618	17,619	−574	0	19
Fondo Euripide	12.17%		645	45,001	390,889	375,163	0	551	369,768	5,299	827	0
Fondo San Zeno (formerly MOI)	14.48%		432	23,670	167,306	160,426	0	0	163,467	2,980	547	0
Fondo Perseide	6.70%		280	7,506	124,626	98,607	0	2,633	112,026	4,183	352	0
Lombarda Vita s.p.a.	40.00%		8,410	127,078	9,012,869	8,614,431	8,139,562	296,859	317,694	21,025	9,351	725,701
Vera Assicurazioni s.p.a.	35.00%		1,792	27,810	267,354	201,397	154,927	246	79,457	5,120	9,081	51,945
Vera Financial d.a.c.	35.00%		−230	24,509	1,357,319	1,062,639	987,289	286,661	70,027	−657	0	240,421
Vera Protezione s.p.a.	35.00%		3,901	27,894	412,399	334,092	296,608	0	79,697	11,147	0	52,868
Vera Vita s.p.a.	35.00%		1,445	106,172	7,809,689	7,606,945	7,107,704	368,471	303,348	4,129	0	628,742
Fondo Innovazione Salute	23.49%		132	11,085	75,502	72,044	0	28,070	47,190	564	0	0
Qubo Insurance Solutions	49.00%		30	66	712	0	0	0	134	61	0	0

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

The structured entities identified by the Group include € 684 million represented by special purpose vehicle (SPVs) with underlying securities issued by the Italian government and swaps and € 85 million represented by investment funds.

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

The companies valued using the equity or cost method follow:

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

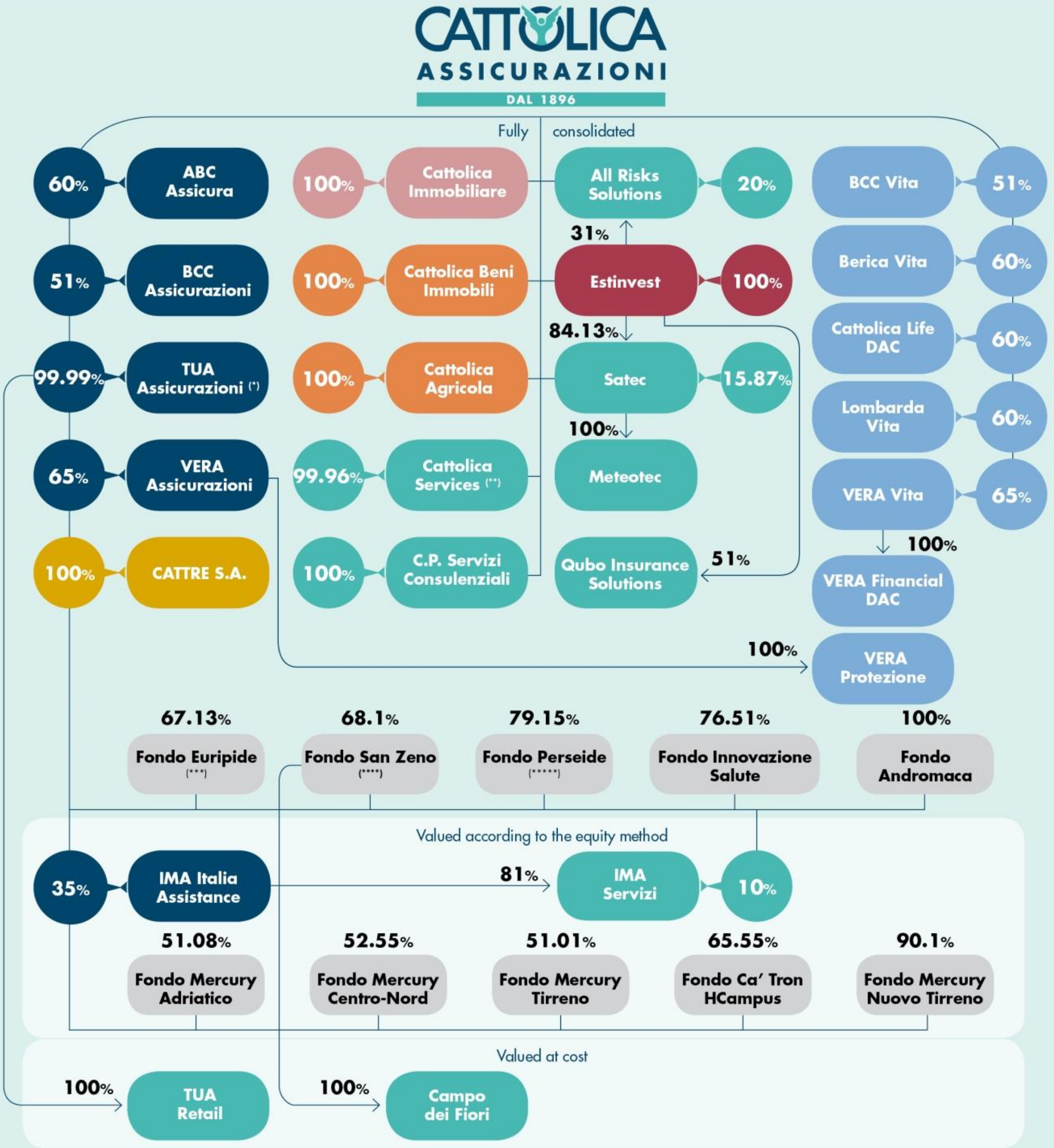
- **Multi-segment real estate investment fund** known as **"Mercury"**. The Parent Company holds units equal to 51% in each of the three segments;
- **Real estate investment fund** called **"HCampus"** divided into two classes of units. The Parent Company has subscribed to class A and class B units, equivalent to 65.55%.
- **Ima Italia Assistance S.p.A.** with its registered office in Sesto San Giovanni, share capital of € 11.091 million, exercises non-life insurance and reinsurance activities. The Parent Company holds a direct investment of 35%;
- **Ima Servizi S.c.a.r.l.:** with its registered office in Sesto San Giovanni, share capital of € 100 thousand, exercises claims management activities for Ima Italia, which controls it with an 81% interest. The Parent Company holds a direct equity investment of 10% while the equity interest is 38.35%.

2. The following companies are carried in the consolidated interim financial report at cost, since they are not significant and their exclusion from the scope of consolidation does not prejudice the reliability of the representation of the financial and equity standing, the economic result and the cash flows of the Group:

- **TUA Retail s.r.l.** with headquarters in Milan, share capital of € 10 thousand. It is wholly-owned by TUA Assicurazioni. It carries out the general agency activities of TUA Assicurazioni;
- **Campo dei Fiori s.r.l.** with headquarters in Milan, share capital of € 10 thousand, a wholly owned subsidiary of Fondo San Zeno.

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

CONSOLIDATION AREA



(*) TUA Assicurazioni wholly owns TUA Retail.

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

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

(****) The remaining 31.9% is held as follows: 12.76% by Lombarda Vita and 19.14% by BCC Vita.

(*****) The remaining 20.85% is held as follows: 11% by Lombarda Vita, 5.16% by TUA Assicurazioni and 4.69% by BCC Vita.

Non-life insurance · Life insurance · Agricultural-real estate sector · Operating services · Holding · Real estate services · Reinsurance · Funds

As at June 30th, 2019

NOTES TO THE ACCOUNTS

Part B - Accounting principles

PART B
ACCOUNTING STANDARDS

Format

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

Accounting standards

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

New standards and interpretations acknowledged by the EU

The Group drew up the condensed interim consolidated financial statements using the same standards adopted for the consolidated financial statements for the year ended December 31st, 2018, except for what is pointed out below.

IFRS 16

On January 1st, 2019, IFRS 16 - Leases entered into force, superceding IAS 17.

This standard establishes a new definition of leasing, introducing significant changes to the recognition of these transactions in the financial statements of the lessee/user; on the contrary, the new standard does not prescribe significant changes for lessors. With reference to the accounting model to be applied by the lessee, IFRS 16 provides that, for all types of leases, an asset must be recognised, which represents the right of use of the leased asset and, concurrently, the payable related to the fees prescribed by the agreement; in the income statement of the year, instead of the operating costs relating to the fees, amortisation is recorded (in relation to the new rights of use recognised as assets) along with financial expenses (for the remuneration of the recorded payable).

The main methodological choices made for transition to IFRS 16 are summarised below.

The Group applies the new accounting rules starting from January 1st, 2019 (date of initial adoption), choosing to adopt the modified retrospective method that does not provide for redetermining comparative information and provides for setting the right of use value equal to that of the lease liability (adjusted for the amount of any deferred income or accrued income).

With reference to the practical expedients used, the Group decided:

- to redetermine the scope of the lease transactions to be subjected to the new standard and, therefore, not to invoke the "grandfathering" option;
- not to subject the lease agreements with underlying intangible fixed assets to the provisions of IFRS 16;
- to exclude the initial direct costs from measurement of the right of use as of January 1st, 2019;
- to make use of the exemptions relating to short term leases for all asset classes and to agreements for which the underlying asset is a low-value asset (the value of the new asset is less than € 5,000). For these agreements, the introduction of IFRS 16 did not entail the recognition of the asset for right of use and of the related lease liability, but the lease fees are recognised in the income statement on a straight-line basis for the duration of the respective agreements.

With respect to the minimum payments due for leases in accordance with IAS 17, the liabilities that are recorded in the financial statements of first adoption of IFRS 16 include substantially, in addition to the discounting effect, the higher liabilities deriving from the fees relating to the periods covered by the lease termination option in which the Group, as lessee, has the reasonable certainty of not exercising the option and those deriving from the fees relating to the additional renewal period for which the exercise is deemed reasonably certain.

In particular, the Group decided to use the experience acquired and the information present at the transition date for the determination of the duration of the lease, with particular reference to the exercise of extension and of early closing options. With specific reference to property leases, the Group decided to consider only the first renewal period as reasonably certain, unless there are particular contractual clauses, facts or circumstances, that lead to consider additional renewals or to determine the end of the lease. With reference to the other types of leases, the Group decided not to deem reasonably certain the exercise of the renewal option. Early extinction options are deemed reasonably exercised only in specific cases in which there is evidence of the exercise.

For the purposes of determining the marginal lending rate used for the determination of the lease liabilities, the Group decided to adopt discounting curves built internally taking into consideration the risk-free rate and the credit risk of the Group for the different maturity dates. The weighted average of the marginal lending rate applied to the lease liabilities recognised as of January 1st, 2019 was 3.60%.

The Group decided to include the assets consisting of the right of use in the same item in which the corresponding underlying assets would be posted if they were owned, and the lease liabilities under "Other financial liabilities". Interest expense on lease liabilities is a component of financial expenses and it is posted separately from the amortisation of the asset consisting of the right of use.

In relation to the effects of the adoption of the standard on the statement of financial position and income statement entries of the Group, please refer to the specific information contained in Part C – Information on the consolidated Statement of Financial Position and Income Statement.

IFRS 9

With reference to disclosure on the deferred adoption of IFRS 9, please refer to the "Additional Information" paragraph in Part D - "Other information" in the notes to the accounts.

Reporting currency used in the financial statements

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

Foreign currency items

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

Section 1

Illustration of the accounting principles

The accounting principles adopted to draw up this consolidated interim financial report, except for what is reported above, are compliant with those used for the consolidated financial statements as of December 31st, 2018; therefore, reference should be made to Part B of the notes to the consolidated annual accounts for a detailed illustration of the accounting standards and the contents of the items in the accounting schedules.

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

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

The preparation of the Group's financial statements requires the directors to make discretionary evaluations, estimates based on past experience and assumptions considered reasonable and realistic on the basis of information known at the time of the estimate. The use of these estimates influences the book value of assets and liabilities, identification of potential liabilities at the date of the financial statements, as well as the volumes of revenues and costs in the reference period. The assumptions made are deemed appropriate for the preparation of the condensed interim consolidated financial report and, consequently, the report has been prepared with the intention of clarity and provides a true and fair view of the capital and business-performance status and cash flows for the half year. However, it must be noted that changes in these estimates and assumptions could have a significant effect on the capital

and business-performance status if different elements of judgement intervene compared to those expressed.
The main areas of the financial statements that involve significant recourse to discretionary judgements, assumptions, estimates and assumptions about issues, which by nature are uncertain, are set out below:

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

Going concern

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

NOTES TO THE ACCOUNTS

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

PART C
STATEMENT OF FINANCIAL POSITION - ASSETS

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

Table 17 - Statement of financial position by sector of activities

		Non-life business		Life business		Other		Eliminations between sectors		Total	
	(€ millions)	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018
1	**INTANGIBLE ASSETS**	**226**	**226**	**107**	**107**	**125**	**126**	**434**	**452**	**892**	**911**
2	**TANGIBLE ASSETS**	**87**	**52**	**15**	**0**	**140**	**138**	**0**	**0**	**242**	**190**
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**611**	**597**	**143**	**144**	**0**	**0**	**−57**	**−39**	**697**	**702**
4	**INVESTMENT**	**5,667**	**5,519**	**29,015**	**28,181**	**45**	**44**	**−2,874**	**−2,818**	**31,853**	**30,926**
	4.1 Investment property	376	395	381	351	42	42	−1	−1	798	787
	4.2 Investments in subsidiaries, associated companies and joint ventures	1,657	1,614	382	382	0	0	−1,916	−1,877	123	119
	4.3 Held to maturity investments	111	110	115	115	0	0	0	0	226	225
	4.4 Loans and receivables	515	284	665	577	1	1	3	3	1,184	865
	4.5 Available for sale financial assets	2,856	3,041	21,807	21,022	0	0	−960	−943	23,703	23,120
	4.6 Financial assets at fair value through profit or loss	152	75	5,665	5,734	2	1	0	0	5,819	5,810
5	**SUNDRY RECEIVABLES**	**550**	**517**	**172**	**250**	**22**	**29**	**−108**	**−97**	**636**	**699**
6	**OTHER ASSET ITEMS**	**269**	**345**	**952**	**671**	**11**	**15**	**−11**	**−2**	**1,221**	**1,029**
	6.1 Deferred acquisition costs	0	0	22	25	0	0	0	0	22	25
	6.2 Other assets	269	345	930	646	11	15	−11	−2	1,199	1,004
7	**CASH AND CASH EQUIVALENTS**	**54**	**65**	**514**	**332**	**16**	**9**	**0**	**0**	**584**	**406**
	TOTAL ASSETS	**7,464**	**7,321**	**30,918**	**29,685**	**359**	**361**	**−2,616**	**−2,504**	**36,125**	**34,863**
1	**SHAREHOLDERS' EQUITY**									**2,331**	**2,255**
2	**PROVISIONS AND ALLOWANCES**	**40**	**41**	**11**	**11**	**7**	**7**	**0**	**0**	**58**	**59**
3	**TECHNICAL PROVISIONS**	**3,813**	**3,789**	**26,201**	**25,277**	**0**	**0**	**−125**	**−102**	**29,889**	**28,964**
4	**FINANCIAL LIABILITIES**	**621**	**547**	**1,941**	**2,021**	**43**	**33**	**0**	**0**	**2,605**	**2,601**
	4.1 Financial liabilities at fair value through profit or loss	0	0	1,728	1,810	0	0	0	0	1,728	1,810
	4.2 Other financial liabilities	621	547	213	211	43	33	0	0	877	791
5	**PAYABLES**	**276**	**243**	**216**	**168**	**50**	**64**	**−106**	**−76**	**436**	**399**
6	**OTHER LIABILITY ITEMS**	**222**	**229**	**542**	**301**	**2**	**4**	**40**	**51**	**806**	**585**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES									**36,125**	**34,863**

1. INTANGIBLE ASSETS

Table 18 - Intangible assets

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Goodwill	560	561	−1	−0.2
Other intangible assets:	332	350	−18	−5.0
insurance portfolios	204	222	−18	−7.7
software	89	89	0	−0.4
models and projects	2	2	0	−12.9
patent rights, trademarks and similar rights	4	4	0	7.9
other	33	33	0	−0.0
Total	**892**	**911**	**−19**	**−2.1**

1.1 Goodwill

The goodwill item decreased by € 1 million compared to December 31st, 2018.

Table 19 - Goodwill - changes during the period

(€ millions)	Goodwill
Gross balance as of December 31st, 2018	**665**
Accumulated amortisation	23
Cumulative impairment losses	81
Net balance as of December 31st, 2018	**561**
Decreases due to:	**1**
other	1
Gross balance as of June 30th, 2019	**664**
Accumulated amortisation	**23**
Cumulative impairment losses	**81**
Net balance as of June 30th, 2019	**560**

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

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

In order to ascertain any impairment losses, goodwill has been allocated to cash generating units (CGUs) or to groups of units in observance of the maximum aggregation restriction which cannot exceed the individual operating sector (non-life, life and other).
Therefore, when assigning goodwill to cash generating units, the minimum level at which goodwill is monitored for internal management control purposes was considered, or rather the Cattolica Danni CGU, Cattolica Vita CGU, Vera Vita CGU (including Vera Financial) and legal entities included within the consolidation area.
On October 3rd, 2018, Cattolica acquired the Luxembourg Company CP-BK Reinsurance, from which originated CattRE, a reinsurance Company for non-traditional risks of

the Group, completing the final step of the Specialty Lines project of the Business Plan. In addition, Cattolica, within this project, completed the purchase of the Companies Satec S.r.l., Meteotec S.r.l. and Qubo Insurance Solutions. In accordance with IFRS 3, Cattolica launched a new PPA project also for the acquired Companies included in the Specialty Lines project.

With reference to the companies of the PPA of the previous paragraph, it is pointed out that, although they were acquired in formally distinct operations, they refer to a single project aimed at the development of the Specialty Lines segment by the Cattolica Group. In particular, from this perspective Estinvest (and the subsidiaries) are nothing other than the "distribution network" of CattRe and their results (also considered in the Business Plan) are monitored jointly for CattRE and Estinvest (and subsidiaries). It should also be pointed out that Cattolica has already presented to IVASS its intention to proceed with a merger or other extraordinary transaction that places Estinvest inside CattRe. With this view, in accordance with IFRS 3, CattRe, Estinvest and Qubo were considered as a single CGU.
Please note that as of June 30th, 2019, the PPA process was still undergoing completion and therefore the allocation of the goodwill to the CattRe CGU was still provisional, with deadline no later than one year from the acquisition date in accordance with IFRS 3.45. Specifically, identification of possible intangibles was still in progress on the reporting date of this interim report, so the goodwill value that will be definitively allocated to the CattRe CGU at the end of the PPA process might differ from that reported below.

In detail, the goodwill recognised to the different CGUs as of June 30th, 2019 is the following:

- € 137 million concerning the Cattolica Danni CGU, represented by the goodwill relating to the purchase transactions of Duomo Assicurazioni, Uni One Assicurazioni and FATA Assicurazioni which are now included in the Cattolica Danni CGU;
- € 3 million in Berica Vita, relating to the initial purchase of 50% of the company;
- € 72 million in Vera Assicurazioni, following the purchase of 65% of the company;
- € 100 million in Vera Protezione, following the purchase of 65% of the company;
- € 222 million in Vera Vita, following the purchase of 65% of the company;
- € 12 million in CattRe, relating to the temporary PPA process following the purchase of the entire company.

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

- € 14 million in Cattolica, relating to the partial spin-off of B.P.Vi. Fondi SGR within the same.

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

In continuity with the year 2018 it was deemed advisable to use records that consider the metrics emerging from Solvency II regulations to estimate the value in use, in order to be able to better "value", in line with the maximum prudence principles, the provisions issued by the Supervisory Authority on capital restrictions, including capital requirement in the current value of future cash flows expected to be generated.

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

The Group's impairment test is carried out along with the approval of the annual financial statements and only in the presence of trigger events is the test updated at the time of the interim report. Since a trigger event occurred on the reporting date (i.e. stock market capitalisation was lower than the Consolidated Shareholders' Equity), it became necessary to conduct impairment testing as of June 30th as well. The impairment test carried out as of June 30th, 2019 is based on the projections of the economic results relating to the 2019-2021 period and on the 2019-2021 ORSA Assessment (per Regulation no. 32/2016), approved during the Board of Directors Meeting. For Vera Assicurazioni, Vera Protezione and Vera Vita CGU, in accordance with the acquisition agreements, reference was made to the distribution Plans negotiated in the course of the acquisition 2018-2033.
Prior to the impairment test, the reconstructability of these projections was assessed on the basis of external disclosure, including therein the consolidated Group estimates made by the equity analysts who follow

Cattolica stock and the estimates produced by the equity analysts relating to comparable companies.

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

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

- the combined ratio for the cash generating units falling within the non-life business and the new business value for cash generating units falling within the life business;
- the cost of own capital;
- the Solvency Ratio level;
- the long-term growth rate (g).

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

The cost of own capital (Rs) for each business unit has been estimated on the basis of these elements, equal to 8.36% (7.58% as of December 31st) for life insurance companies 7.71% (7.33% as of December 31st) for non-life companies. The long-term growth rate ("g") was 1.5% for all CGUs. These basic assumptions, besides being in line with the long-term nominal growth rate of Italian GDP, are also consistent with the values used by financial analysts of the insurance sector.

The result of the text carried out pursuant to IAS 36 on the insurance companies as of June 30th, 2019 did not entail any valuation in terms of write-downs of the value of the goodwill recognised in the Consolidated Interim Financial Report as of June 30th, 2019.

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

Table 20 - Changes in the cost of own capital and the long-term growth rate necessary for rendering the recoverable amount equal to the book value.

	Excess/Impairment Loss in the consolidated financial statements [ViU vs C]	**Rate which renders ViU = C**	**Rate g which renders ViU = C**	**NBV Margin which renders ViU = C**
Cattolica Danni CGU	426.9	12.46%	n.s.	n.a.
Vera Assicurazioni CGU	27.4	10.44%	n.s.	n.a.
CattRE CGU	36.0	10.97%	−6.94%	n.a.
Vera Vita CGU	62.9	13.17%	−6.51%	−24.29%
Vera Protezione CGU	19.7	12.06%	−4.49%	−19.10%

n.s. = not significant

n.a. = non-applicable

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

1.2 Other intangible assets

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

Table 21 - Other intangible assets - changes during the period

(€ millions)	Insurance portfolios	Software	Models and projects	Patent rights, trademarks and similar rights	Other intangible assets	Total
Gross balance as of December 31st, 2018	**281**	**316**	**9**	**7**	**35**	**648**
Accumulated amortisation	57	226	7	3	2	295
Cumulative impairment losses	2	1	0	0	0	3
Net balance as of December 31st, 2018	**222**	**89**	**2**	**4**	**33**	**350**
Increases due to:	**0**	**22**	**0**	**0**	**0**	**22**
purchase	0	22	0	0	0	22
Gross balance as of June 30th, 2019	**281**	**338**	**9**	**7**	**35**	**670**
Amortisation	18	22	0	0	0	40
Accumulated amortisation	**75**	**248**	**7**	**3**	**2**	**335**
Cumulative impairment losses	**2**	**1**	**0**	**0**	**0**	**3**
Net balance as of June 30th, 2019	**204**	**89**	**2**	**4**	**33**	**332**

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

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

The item decreased by € 18 million, mainly due to the amortisation of the insurance portfolios.

The Group has software in use or software being created or being developed held mainly by Cattolica Services. This includes software already operative used in previous years, software that was enhanced and adapted to legal provisions during the period, as well as software "under construction" referring to projects launched but not yet concluded and therefore not yet used during the period.

The cumulative impairment losses during previous years were justified by the obsolescence of certain software.
The impairment tests on other intangible assets, as governed by IAS 36 and carried out during the year, did not reveal any impairment losses.

2. TANGIBLE ASSETS

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

Table 22 - Tangible assets

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Property	211	170	41	24.8
Other tangible assets:	31	20	11	52.1
furniture, office machines and internal means of transport	12	6	6	n.s.
movable assets recorded in public registers	2	0	2	n.s.
plant and equipment	14	14	0	−2.6
inventories and miscellaneous assets	3	0	3	n.s.
Total	**242**	**190**	**52**	**27.7**

n.s. = not significant

2.1 Property

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

The fair value of the properties held by the Group came to € 263 million.

2.2 Other tangible assets

The item comprises the assets regulated by IAS 16 and IFRS 16, not included under the property category.

Table 23 - Property and other tangible assets - changes during the period

(€ millions)	Property	Furniture, office machines and internal means of transport	Movable assets recorded in public registers	Plant and equipment	Inventories and miscellaneous assets	Total
Gross balance as of December 31st, 2018	**186**	**62**	**1**	**19**	**0**	**268**
Accumulated depreciation	16	56	1	5	0	78
Net balance as of December 31st, 2018	**170**	**6**	**0**	**14**	**0**	**190**
Increases due to:	**45**	**8**	**2**	**2**	**3**	**60**
purchase	1	0	0	0	3	4
other	44	8	2	2	0	56
Decreases due to:	**0**	**0**	**0**	**1**	**0**	**1**
other	0	0	0	1	0	1
Gross balance as of June 30th, 2019	**231**	**70**	**3**	**20**	**3**	**327**
Depreciation	4	2	0	1	0	7
Accumulated depreciation	**20**	**58**	**1**	**6**	**0**	**85**
Net balance as of June 30th, 2019	**211**	**12**	**2**	**14**	**3**	**242**

Adoption of IFRS 16 - Leases entailed the recording of right of use assets attributable to properties amounting to € 44 million, to furniture, office machines and means of transportation amounting to € 8 million and movable assets recorded in public registers amounting to € 2 million

and of the relating accumulated depreciation totalling € 4 million.
The increase in plant and equipment refers to the vineyards being put in operation by Cattolica Agricola.

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

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

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

3. TECHNICAL PROVISIONS - REINSURANCE AMOUNT

Table 24 - Analysis of technical provisions - Reinsurance amount

(€ thousands)	June 30th, 2019	December 31th, 2018
Non-life provisions	**555**	**558**
Life provisions	**142**	**144**
Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds	0	0
Other provisions	142	144
Total	**697**	**702**

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

4. INVESTMENT

Table 25 - Investments

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Investment Property	798	787	11	1.4
Investments in subsidiaries, associated companies and joint ventures	123	119	4	3.5
Held to maturity investments	226	225	1	0.1
Loans and receivables	1,184	865	319	36.8
Available for sale financial assets	23,703	23,120	583	2.5
Financial assets at fair value through profit or loss	5,819	5,810	9	0.2
Total	**31,853**	**30,926**	**927**	**3.0**

4.1 Investment property

"Investment property" is represented by the properties not occupied by Group companies.

The item includes land and buildings belonging to the Euripide, San Zeno (formerly MOI), Fondo Innovazione Salute, Perseide, Andromaca funds, Cattolica Agricola, Cattolica Beni Immobili and the Parent Company.

Table 26 - Investment property - changes during the period

(€ millions)	Investment Property
Gross balance as of December 31st, 2018	**846**
Accumulated depreciation	55
Cumulative impairment losses	4
Net balance as of December 31st, 2018	**787**
Increases due to:	**23**
purchase	19
other	4
Decreases due to:	**3**
other	3
Gross balance as of June 30th, 2019	**866**
Depreciation	9
Accumulated depreciation	**64**
Cumulative impairment losses	**4**
Net balance as of June 30th, 2019	**798**

The increases refer to the purchases carried out by Fondo Innovazione Salute for € 9 million and by Fondo Perseide for € 10 million as well as € 4 million to incremental expenses made on the properties owned by Fondo San Zeno and by Fondo Euripide.
The decreases of € 3 million refer to the reduction of the acquisition price of a property purchased by Fondo Euripide in December 2018.

Revenues for rents generated during the period amounted to € 29 million.

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

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

The fair value of the investment property held by the Group, estimated by an external and independent expert, at the end of the reporting period, amounted to € 994 million.

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

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

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

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

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

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

Table 27 - Analysis of tangible and intangible assets

(€ millions)	At cost	At re-determined value or at fair value	Total book value
Investment Property	798		798
Other property	211		211
Other tangible assets	31		31
Other intangible assets	332		332

4.2 Investments in subsidiaries, associated companies and joint ventures

Table 28 - Investments in subsidiaries, associated companies and joint ventures

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Subsidiaries	0	0	0	0
Associated companies and joint ventures	123	119	4	3.5
Total	**123**	**119**	**4**	**3.5**

The item includes investments in subsidiaries excluded from the consolidation area, associated companies and joint ventures over which the Group exercises significant influence, which are accounted for using the equity method, including the multi-segment property investment fund "Mercury", the property fund Ca' Tron HCampus, Fondo Mercury Nuovo Tirreno, Ima Italia Assistance and Ima Servizi.

Investments in subsidiaries
The item mainly comprises the cost of the equity investments in TUA Retail and Campo dei Fiori, companies which are not significant for consolidation purposes.

Investments in associated companies and Joint ventures
The item includes equity investments accounted for using the equity method, in companies over which the Group exercises a significant influence or joint control.

Table 29 - Analysis of non-consolidated equity investments (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ millions) Name	Registered offices and operating headquarters	Activity (1)	Type (2)	% direct investment	% Total holding (3)	% of votes available during ordinary shareholders' meetings (4)	Value as of June 30th, 2019
Ima Italia Assistance S.p.A.	086	1	b	35.00%	35.00%		9
Ima Servizi S.c.a.r.l.	086	11	b	10.00%	38.35%		0
TUA Retail s.r.l.	086	11	a	100.00%	99.99%		0
Campo dei Fiori s.r.l.	086	10	a	100.00%	85.52%		0
Fondo Mercury Centronord	086	10	c	52.55%	52.55%		28
Fondo Mercury Adriatico	086	10	c	51.08%	51.08%		16
Fondo Mercury Tirreno	086	10	c	51.01%	51.01%		28
Fondo Mercury Nuovo Tirreno	086	10	c	90.10%	90.10%		21
Fondo Ca' Tron Hcampus	086	10	c	65.55%	65.55%		21

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

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

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

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

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

Table 30 - Summary data of non-consolidated subsidiary and associated companies and joint ventures

(€ thousands) Name or business name	Registered offices	Share capital	Total assets	Total liabilities	Shareholders' equity	of which profit (+) or loss (-) for the period	Revenues	Dividends received in the period
Subsidiaries								
Tua Retail s.r.l. (1)	Milan	50	651	550	101	3	1,049	0
Campo dei Fiori s.r.l. (1)	Milan	10	10	3	7	−3	0	0
Associated companies and joint ventures								
Ima Italia Assistance S.p.A. (1)	Sesto San Giovanni	2,507	22,773	9,838	12,935	−1,293	21,913	0
Ima Servizi S.c.a.r.l. (1)	Sesto San Giovanni	100	11,261	9,603	1,658	0	25,570	0
Fondo Mercury Centronord	Milan	n.a.	117,187	64,611	52,576	2,153	3,708	972
Fondo Mercury Adriatico	Milan	n.a.	74,896	43,299	31,597	1,406	2,560	831
Fondo Mercury Tirreno	Milan	n.a.	131,839	76,544	55,295	2,471	4,405	1,452
Fondo Mercury Nuovo Tirreno	Milan	n.a.	24,068	1,094	22,974	329	658	0
Fondo Ca' Tron Hcampus	Roncade (Tv)	n.a.	52,486	15,445	37,041	368	625	0

(1) Financial statement data as of December 31st, 2018.

n.a. = non-applicable

Financial investments

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

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

Lower income amounting to € 337 thousand was recognised to the income statement during the period due to the reclassification made during 2008 and relating to securities transferred from the category financial assets at fair value through profit or loss to the category available for sale financial assets for a book value of € 26 million as of June 30th.

Table 31 - Financial Investments

(€ millions)	June 30th, 2019	%	December 31th, 2018	%	Changes Amount	%
Held to maturity investments	226	0.7	225	0.7	1	0.1
Loans and receivables	1,184	3.8	865	2.9	319	36.8
Available for sale financial assets	23,703	76.7	23,120	77.0	583	2.5
Financial assets at fair value through profit or loss	5,819	18.8	5,810	19.4	9	0.2
Total	**30,932**	**100.0**	**30,020**	**100.0**	**912**	**3.0**

Table 32 - Analysis of financial assets

Financial investments (disciplined by IAS 39)	Held to maturity investments		Loans and receivables		Available for sale financial assets		Financial assets at fair value through profit or loss				Total book value	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
(€ millions)	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018
Equities and derivatives carried at cost	0	0	0	0	0	0	0	0	0	0	0	0
Equities at fair value	0	0	0	0	106	163	8	1	32	45	146	209
of which listed securities	*0*	*0*	*0*	*0*	*64*	*119*	*8*	*1*	*32*	*45*	*104*	*165*
Debt securities	226	225	1,117	800	22,958	22,307	390	427	1,132	1,121	25,823	24,880
of which listed securities	226	225	*0*	*0*	*22,919*	*22,252*	*389*	*426*	*1,130*	*1,113*	*24,664*	*24,016*
UCIT units	0	0	0	0	639	650	11	7	4,224	4,200	4,874	4,857
Loans and receivables due from banking customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	9	10	0	0	0	0	0	0	9	10
Receivable financial components of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	58	55	0	0	0	0	0	0	58	55
Non-hedging derivatives	0	0	0	0	0	0	10	9	12	0	22	9
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial investments	0	0	0	0	0	0	0	0	0	0	0	0
Total	**226**	**225**	**1,184**	**865**	**23,703**	**23,120**	**419**	**444**	**5,400**	**5,366**	**30,932**	**30,020**

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

4.3 Held to maturity investments

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

In detail, the item mainly includes Italian government securities.

4.4 Loans and receivables

Assets with a pre-established maturity and payments which are fixed or can be determined, not listed on active markets, which are not recorded in any of the other categories, are classified in this category.

Specifically, the category includes all the loans and financing, amounts receivable for agent compensation, deposits from re-insurers with ceding companies and bonds not listed on active markets.

4.5 Available for sale financial assets

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

The Board of Directors of the Cattolica Group, in continuity with the year 2018, approved the following thresholds for determining permanent impairment losses, in line with maximum prudence principles, at its July 17th, 2019 meeting.

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

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

Following the performance of the impairment test on all the financial instruments included in the "loans and receivables", "held to maturity investments", and "available for sale financial assets" categories, as disciplined by IAS 39, permanent losses in value were revealed (impairment losses), before tax effects, on shares totalling € 995 thousand and on mutual investment funds for € 4 million.

4.6 Financial assets at fair value through profit or loss

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

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

Derivatives

The Group does not have any hedging derivatives in its assets.

With regard to non-hedging derivatives, those classified as for trading amount to € 10 million and essentially comprise options, while those at fair value through profit or loss come to € 12 million and are represented by warrants (Class D).

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The tables below provide a breakdown of the Cattolica Group's residual exposures as of June 30th, 2019, in Greek government debt securities and following exposure in debt securities issued or guaranteed by European Union nations.

Table 33 - Exposure in government debt securities issued or guaranteed by EU zone countries - Available for sale financial assets

Country (€ millions)	Maturing up to 5 years	Maturing between 6 to 10 years	Maturing beyond 10 years	Total fair value	Gross AFS provision
Italy	6,779	3,342	3,046	**13,167**	416
Spain	550	1,081	422	**2,053**	161
Portugal	3	141	83	**227**	33
Ireland	14	53	17	**84**	6
Other EU countries	98	1,846	696	**2,640**	186
TOTAL	**7,444**	**6,463**	**4,264**	**18,171**	**802**

Table 34 - Exposure in government debt securities issued or guaranteed by EU zone countries - Financial assets at fair value through profit or loss

Country (€ millions)	Maturing up to 5 years	Maturing between 6 to 10 years	Maturing beyond 10 years	Total fair value*
Italy	938	42	36	**1,016**
Spain	135	15	6	**156**
Portugal	25	3	0	**28**
Ireland	0	0	1	**1**
Other EU countries	80	23	16	**119**
TOTAL	**1,178**	**83**	**59**	**1,320**

* of which the value of financial assets at fair value through profit or loss amounts to € 935.847 million.

Table 35 - Exposure in debt securities issued or guaranteed by EU zone countries - Held to maturity investments

Country (€ millions)	Maturing up to 5 years	Maturing between 6 and 10 years	Maturing beyond 10 years	Total book value	Total fair value
Italy	165	56	2	**223**	250
Spain	0	0	0	**0**	0
Portugal	0	0	0	**0**	0
Ireland	0	0	0	**0**	0
Other EU countries	0	0	0	**0**	0
TOTAL	**165**	**56**	**2**	**223**	**250**

Table 36 - Assets and liabilities valued at fair value on a recurrent and non-recurrent basis: breakdown by fair value hierarchy

		Level 1		Level 2		Level 3		Total	
(€ millions)		**June 30th, 2019**	**December 31th, 2018**	**June 30th, 2019**	**December 31th, 2018**	**June 30th, 2019**	**December 31th, 2018**	**June 30th, 2019**	**December 31th, 2018**
Assets and liabilities valued at fair value on a recurrent basis									
Available for sale financial assets		22,688	21,870	511	771	504	479	23,703	23,120
Financial assets at fair value through profit or loss	Financial assets held for trading	402	428	5	5	12	11	419	444
	Financial assets designated as at fair value through profit or loss	2,290	4,017	3,110	1,349	0	0	5,400	5,366
Investment Property		0	0	0	0	0	0	0	0
Tangible assets		0	0	0	0	0	0	0	0
Intangible assets		0	0	0	0	0	0	0	0
Total assets at fair value on a recurrent basis		**25,380**	**26,315**	**3,626**	**2,125**	**516**	**490**	**29,522**	**28,930**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	0	0	0	0	0	0	0	0
	Financial liabilities designated as at fair value through profit or loss	0	0	1,728	1,810	0	0	1,728	1,810
Total liabilities at fair value on a recurrent basis		**0**	**0**	**1,728**	**1,810**	**0**	**0**	**1,728**	**1,810**
Assets and liabilities valued at fair value on a non-recurrent basis									
Non-current assets or disposal group held for sale		0	0	0	0	0	0	0	0
Liabilities of disposal group held for sale		0	0	0	0	0	0	0	0

Fair value valuation techniques for financial investments

The valuation techniques are used when a listed price is not available. Generally, for the measuring of the fair value the use of observable data collected is maximised and the use of non-observable data is reduced.

Debt securities

If available and if the market is defined as active, the fair value is equal to the market price.

Otherwise, the fair value is determined using the market approach and the income approach. The main input for the market approach are prices listed for identical or comparable assets on active markets, where the comparability between the security and the benchmark determines the fair value level. Depending on the possibility of observing these parameters, the security is classified in level 2 or level 3. They are valued by making reference respectively:

- to the price provided by the counterparty, if binding (executable) for the counterparty;
- at the price recalculated by means of internal valuation instruments or provided by third parties and corroborated by suitable disclosure on the model and on the input data used.

In the event that the use of a valuation model is necessary, the "plain vanilla" debt securities are valued applying the discounted cash flow model technique, while structured securities are valued by splitting the security into a portfolio of elementary instruments; the fair value of the structured product can thus be obtained by adding together the individual valuations of the elementary instruments into which it has been split.

Debt securities and equities in default are recognised at the recovery value based on information originating from the appointed law firm.

Equities
If available and if the market is defined as active, the fair value is equal to the market price.
Otherwise, the fair value is determined using the market approach and the income approach. The main input for the market approach are prices listed for identical or comparable assets on active markets, where the comparability between the security and the benchmark determines the fair value level; depending on the possibility of observing these parameters, the security is classified in level 2 or level 3.

UCIT UNITS
With regard to undertakings for collective investment (UCITs), the reference value, for the purposes of the determination of the fair value, is represented by the official NAV communicated by the asset management company (SGR) or the fund administrator or obtained from information providers.

Derivatives
The fair value of the over the counter (OTC) derivatives is determined by making reference to the price provided by external counterparties (if binding "executable"), to the price provided by the central counterparties (CCP) for the derivatives which fall within the sphere of the EMIR procedures or to the price recalculated by means of internal valuation instruments or provided by third parties and corroborated by suitable disclosure on the model and on the input data used.

Financial assets where the risk is borne by the insured party and related to the management of pension funds
If available and if the market is defined as active, the fair value is equal to the market price. Otherwise, the valuation methods listed above for the various classes of assets are used.

Level 3 financial assets and liabilities at fair value on a recurrent basis

Securities present in the portfolio at fair value hierarchy level 3 are measured based primarily on valuations and analysis by the issuer or third parties, which cannot be directly found on the market but only monitored by dynamics observed indirectly on market factors and on the basis of objective elements communicated by said counterparties.
Based on the securities in the portfolio, the parameters that cannot be observed, but are capable of influencing the valuation of Level 3 instruments are represented specifically by:

- estimates and assumptions used to value unlisted hedge funds, private equity, unlisted real estate property funds: with regard to these investments, it is very difficult to estimate the fair value's sensitivity to changes in various, non-observable inputs, which together could have off-setting effects, therefore the reasonableness of the effects caused by the stated changes on the objective elements considered in the valuations are verified;
- estimates and assumptions used to value equity investments in unlisted companies using the stock market multiples method, which determines the economic capital value of a company or of a business unit based on market multipliers (Stock Market Multipliers) and the Discount Cash Flow, which estimates the value of a company or of a business unit on the basis of the future cash flows.

Table 37 - Analysis of changes in level 3 financial assets and liabilities valued at fair value on a recurrent basis

(€ millions)	Available for sale financial assets	Financial assets at fair value through profit or loss		Investment property	Tangible assets	Intangible assets	Financial liabilities at fair value through profit or loss	
		Financial assets held for trading	Financial assets at fair value through profit or loss				Financial liabilities held for trading	Financial liabilities at fair value through profit or loss
Opening balance	**479**	**11**	**0**	**0**	**0**	**0**	**0**	**0**
Purchases/Issues	42	0	0	0	0	0	0	0
Sales/Repurchases	−24	0	0	0	0	0	0	0
Reimbursements	0	0	0	0	0	0	0	0
Gain or loss through profit or loss	−2	1	0	0	0	0	0	0
- of which valuation profits/losses	−2	0	0	0	0	0	0	0
Gain or loss recorded in other components of the statement of comprehensive income	−1	0	0	0	0	0	0	0
Transfers in level 3	11	0	0	0	0	0	0	0
Transfers to other levels	−1	0	0	0	0	0	0	0
Other changes	0	0	0	0	0	0	0	0
Closing balance	**504**	**12**	**0**	**0**	**0**	**0**	**0**	**0**

The transfers from level 3 to 1 involved shares classified under “Available for sale financial assets” for a total amount of € 456 thousand.

The transfers from level 3 to 2 involved bonds classified under “Available for sale financial assets” for a total amount of € 317 thousand.

The transfers from level 2 to 3 involved funds classified under “Available for sale financial assets” for a total amount of € 11 million.

The transfers from level 1 to 2, for a total of € 1,418 million, concerned:

- “Available for sale financial assets”: bonds for an equivalent value of € 33 million and funds for an equivalent value of € 3 million;
- “Financial assets at fair value through profit or loss”: bonds for a value of € 1 million and funds for a value of € 1,381 million. This transfer is substantially due to the complete compliance of Vera companies with the Group’s pricing policy following their integration in Cattolica’s systems.

In conclusion, the transfers from level 2 to 1, for a total of € 196 million, concerned:

- “Available for sale financial assets”” bonds for an equivalent value of € 192 million;
- “Financial assets at fair value through profit or loss”: bonds for a value of € 2 million and funds for a value of € 2 million.

Table 38 - Assets and liabilities not valued at fair value: breakdown by fair value hierarchy

	Book value		Fair Value							
			Level 1		Level 2		Level 3		Total	
(€ millions)	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018
Assets										
Held to maturity investments	226	225	254	252	0	0	0	0	254	252
Loans and receivables	1,184	865	0	0	324	325	961	596	1,285	921
Investments in subsidiaries, associated companies and joint ventures	123	119	0	0	0	0	144	132	144	132
Investment Property	798	787	0	0	0	0	994	936	994	936
Tangible assets	242	190	0	0	0	0	294	240	294	240
Total assets	**2,573**	**2,186**	**254**	**252**	**324**	**325**	**2,393**	**1,904**	**2,971**	**2,481**
Liabilities	**877**	**791**	**0**	**0**	**834**	**722**	**36**	**35**	**870**	**757**
Other financial liabilities	877	791	0	0	834	722	36	35	870	757

Loans and receivables include the deposits with re-insurers and receivables for right of offset whose book value is considered to be a good approximation of the fair value.
The fair value of investment properties is estimated on the basis of the methods described previously.

Investments in subsidiaries, associated companies and joint ventures include the real estate investment funds Mercury and HCampus whose reference value, for the purposes of the determination of the fair value, is represented by the NAV communicated by the asset management company. The fair value level assigned is 3.

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

Table 39 - Analysis of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by the policyholders and deriving from pension fund management

	Benefits associated with investment funds and stock market indices		Benefits associated with the management of pension funds		Total	
(€ millions)	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018	June 30th, 2019	December 31th, 2018
Assets in the financial statements	4,969	4,900	802	761	5,771	5,661
Intercompany assets*	0	0	0	0	0	0
Total Assets	**4,969**	**4,900**	**802**	**761**	**5,771**	**5,661**
Financial liabilities in the financial statements	1,062	1,176	666	634	1,728	1,810
Technical provisions in the financial statements	3,907	3,724	136	127	4,043	3,851
Intercompany liabilities*	0	0	0	0	0	0
Total Liabilities	**4,969**	**4,900**	**802**	**761**	**5,771**	**5,661**

* Assets and liabilities eliminated during the consolidation process

5. SUNDRY RECEIVABLES

Table 40 - Sundry receivables

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Receivables deriving from direct insurance transactions	**409**	**433**	**−24**	**−5.5**
Policyholders	212	178	34	19.7
Insurance brokers	140	186	−46	−25,0
Insurance companies - current accounts	16	32	−16	−50.4
Policyholders and third parties for claims to be settled	41	37	4	11.5
Receivables deriving from reinsurance transactions	**101**	**63**	**38**	**59.4**
Insurance and reinsurance companies	101	63	38	59.4
Reinsurance brokers	0	0	0	−100.0
Other receivables	**126**	**203**	**−77**	**−38.0**
Total	**636**	**699**	**−63**	**−9.0**

On the basis of the experience of previous accounting periods, the item was adjusted for a total of € 51 million for writedowns due to doubtful collection.

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

6. OTHER ASSET ITEMS

Other asset items are made up as follows:

Table 41 - Other asset items

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Deferred acquisition costs	22	25	−3	−10.9
Deferred tax assets	485	304	181	59.2
Current tax assets	489	448	41	9.1
Other assets	225	252	−27	−10.6
Total	**1,221**	**1,029**	**192**	**18.6**

6.2 Deferred acquisition costs

The deferred acquisition costs relate to insurance contracts, as agreed upon by IFRS 4.

Deferred and current tax assets

6.3 Deferred tax assets

In accordance with the definition contained in IAS 12, these comprise the amounts of income taxes recoverable in future accounting periods.

Amounts receivable for deferred tax assets, recorded under "Deferred tax assets" derive from the deductible timing differences, such as the write-down of receivables, the deductible portion of the change in the provision for outstanding non-life business claims, the capital losses on shares, the amortisation of the insurance portfolio, the allowances to provisions for risks and charges, as well as from the carrying forward of tax losses not used and the freeing up as per Italian Decree Law No. 185/2008, for € 78.47 million, of the prepaid taxes recorded on goodwill and on other intangible assets.

They also comprise deferred tax assets which have arisen from the temporary misalignment between accrual-basis accounting laid down by the international accounting standards and Italian tax legislation. This misalignment is mainly due to the representation in the income statement and under shareholders' equity of capital gains and losses from valuation generated on financial assets at fair value through profit or loss and on available for sale financial assets, recalculation of the employee severance indemnity in accordance with revised IAS 19, calculation of deferred income revenue (DIR) associated with investment contracts held by the Group, recalculation of depreciation plans for properties and investment properties in accordance with IAS 16 and 40, recalculation of the supplementary provisions and the recording of the shadow accounting provision.

Deferred tax assets were determined according to the rate established by Article 1, paragraph 33 (with reference to IRES) and Article 1, paragraph 50 (with reference to IRAP) of Italian Law No. 244 dated December 24th, 2007, "2008 Finance Law", taking into account the amendments introduced by Article 23, paragraph 5 of Italian Law Decree No. 98 of July 6th, 2011, containing "Urgent provisions for financial stabilisation" (so-called "corrective manoeuvre'), and the regulatory provisions pursuant to Italian Law No. 208 of December 28th, 2015 ("2016 Stability Law").

6.4 Current tax assets

This item is represented by amounts due from tax authorities and mainly derives from the surplus emerging from the tax returns submitted, withholdings made on bank interest, tax credits on income deriving from equity investments in mutual investment funds, the advance tax on employee severance indemnities as per Article 3, paragraph 213 of Italian Law No. 662 dated December 23rd, 1996 and from amounts due from tax authorities transferred to the Parent Company by the subsidiaries who have complied with the tax consolidation system. Amounts due from tax authorities also comprise prepaid taxes pursuant to Italian Law No. 265 dated November 22nd, 2002, concerning the taxation of the life provisions, and amounts due from tax authorities for the payment of the annual advance of tax on premiums envisaged by Article 9, paragraph 1-bis, of Italian Law No. 1216.

6.5 Other assets

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

Table 42 - Other assets

			Changes	
(€ millions)	June 30th, 2019	December 31th, 2018	Amount	%
Deferred commissions expense associated with investment contracts	3	6	−3	−50.0
Accruals and deferrals	10	11	−1	−9.1
Sundry assets	212	235	−23	−9.8
Total	**225**	**252**	**−27**	**−10.7**

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

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

Sundry assets include mainly the amount relating to taxation on the mathematical provisions of the life classes accrued during the period for € 112 million and the balance of the liaison account between the life and non-life sectors recorded by the Parent Company for € 50 million, which has a matching balance under other liabilities, and the balances of transactions to be settled for € 10 million.

7. CASH AND CASH EQUIVALENTS

The item "cash and cash equivalents" represents the balance as of the end of the accounting period of current accounts held with various banks. Cash and cash equivalents total € 584 million, showing an increase of € 178 million in the period. The book value of these assets significantly approximates their fair value. Deposits and bank current accounts are remunerated at both fixed and floating rates.

PART C
STATEMENT OF FINANCIAL POSITION - LIABILITIES

1. SHAREHOLDERS' EQUITY

As of June 30th, 2019, this item was made up as follows:

Table 43 - Shareholders' equity

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Shareholders' equity				
pertaining to the Group	**1,848**	**1,780**	**68**	**3.8**
Share capital	523	523	0	0
Other equity instruments	0	0	0	n.a.
Capital reserves	712	739	−27	−3.7
Revenue reserves and other equity reserves	563	496	67	13.5
(Own shares)	−50	−50	0	0
Reserve for net exchange differences	0	0	0	n.a.
Gains or losses on available for sale financial assets	43	−35	78	n.s.
Other gains or losses recognised directly in equity	−4	0	−4	n.s.
Profit (loss) for the period pertaining to the Group	61	107	−46	−42.8
pertaining to minority interests	**483**	**475**	**8**	**1.6**
Capital and reserves pertaining to minority interests	457	445	12	2.6
Gains and losses recognised directly in equity	11	0	11	n.s.
Profit (loss) for the period pertaining to minority interests	15	30	−15	−50.0
Total	**2,331**	**2,255**	**76**	**3.4**

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

1.1 Shareholders' equity pertaining to the Group

This item totals € 1,848 million and comprises the following items:

1.1.1 Share capital

The fully subscribed share capital amounts to € 523 million and is made up of 174,293,926 ordinary shares lacking par value, further to the amendment of Article 6 of the Articles of Association approved by the extraordinary shareholders' meeting held on April 25th, 2015.

1.1.3 Capital reserves

This item includes the share premium reserve of the Parent Company. The variation of € 27 million with respect to last year is essentially linked to the coverage of the loss of the life business by means of use of reserves.

1.1.4 Revenue reserves and other equity reserves

This item comprises the gains and losses deriving from initial application of international accounting standards (IFRS 1) and the reserves envisaged by the Italian Civil Code (consolidation reserve, legal reserve and extraordinary reserve) and by special laws prior to the adoption of international accounting standards and the provision relating to the stock-based payment of the Parent Company, in relation to the Performance Shares plan. The change is attributable to the allocation of profit for the previous year, the performance of consolidation reserves and the capital reserve connected to the aforesaid Performance Shares. The Parent Company distributed dividends net of own shares for € 67 million during the period and a contribution of € 4 million in favour of Fondazione Cattolica Assicurazioni, as provided by Article 52.2 of the current Articles of Association.

1.1.5 Own shares

At June 30th, 2019, the Parent Company held 7,036,907 own shares.

1.1.7 Gains or losses on available for sale financial assets

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

- the transfer of net capital losses to the income statement following disposals for € 8 million, and net capital losses from impairment for € 3 million;
- net positive fair value changes in financial instruments included in the corresponding asset item for € 67 million.

1.1.8 Other gains or losses recognised directly in equity

The change in this item is mainly due to the decrease by € 4 million in the value of the capital reserves of associated companies and joint ventures.

1.2 Shareholders' equity pertaining to minority interests

This account comprises the values pertaining to minority interests regarding the companies included in the consolidation area. With reference to the item "gains or losses recognised directly in equity", variations during the period, net of the related deferred taxation, are due to the net positive changes in fair value of the financial instruments included in the corresponding assets item for € 9 million and to the transfer of net realised capital losses for € 2 million.

2. PROVISIONS AND ALLOWANCES

Table 44 - Provisions and allowances - changes during the period

(€ millions)	December 31th, 2018	Increases	Decreases	June 30th, 2019
Provisions and allowances	**59**	4	5	**58**

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

- legal disputes and costs for € 13 million (during the half year period, € 2 million were set aside and € 1 million was utilised);
- formal notices or reports on findings which can be served for violations of Italian Law No. 57/01 or for other findings for € 1 million (no changes took place during the interim period);
- sums which will be paid for the acceptance of any requests by beneficiaries for services regarding life insurance contracts in relation to which prescription has taken place in favour of the Group for € 1 million (no significant changes took place during the interim period);
- disputes outstanding with regard to labour or tax issues for € 11 million;
- the provision for agents' leaving indemnity for € 8 million (no changes were recorded during the interim period);
- intersectorial solidarity fund for € 11 million (€ 1 million was set aside and € 2 million were utilised during the reporting period);
- claims division funds for € 4 million.
- potential future liabilities relating to CPI products for € 3 million.

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

3. TECHNICAL PROVISIONS

This item includes provisions associated with insurance contracts, and those deriving from investment contracts involving discretionary profit sharing (DPF), gross of reinsurance.

The fairness of the liabilities as of June 30th, 2019 was ascertained by means of the method envisaged by section 15 et seq. of IFRS 4 (liability adequacy test). The assessment was carried out on liabilities relating to portfolios classified as insurance contracts or financial contracts with Discretionary Participation Features (DPF).

At the time of half-year valuation, the test is carried out in a simplified manner by means of analysis by components, which envisages specific adequacy checks on the provision for future expenses, the additional provision for guaranteed rate and interest risk and the additional provision for population risk.

In the event of insufficiency of the provisions, the difference is booked to the income statement with an increase in liabilities.

With regard to non-life classes, for the purpose of checking the fairness of the insurance liabilities, in replacement of the LAT, a control was used at individual ministerial class level by testing the calculation of the supplementary provision for risks underway with the simplified method as envisaged by Article 8 of attachment 15 of the ISVAP regulation No. 22 dated April 4th, 2008, amended by means of IVASS Provision No. 53 dated December 6th, 2016. Since the claims for the period were valued at ultimate cost, and not discounted back, it is possible to consider the future flows of the payments as implicitly checked.

The current estimates have confirmed that the provisions as of June 30th, 2019 are adequate and therefore no supplementary provision is required.

Table 45 - Analysis of technical provisions

	Total value for the period	
(€ millions)	**June 30th, 2019**	**December 31th, 2018**
Non-life provisions	**3,756**	**3,750**
Premium provision	894	854
Provision for outstanding claims	2,860	2,894
Other provisions	2	2
of which provisions allocated following the assessment of fairness of the liabilities	*0*	*0*
Life provisions	**26,133**	**25,214**
Provision for outstanding claims	569	410
Mathematical provisions	20,314	20,627
Technical provisions for contracts where the investment risk is borne by the policyholders and provisions deriving from the management of pension funds	4,043	3,737
Other provisions	1,207	440
of which provisions allocated following the assessment of fairness of the liabilities	*0*	*0*
of which deferred liabilities due to policyholders	*1,103*	329
Total Technical Provisions	**29,889**	**28,964**

NON-LIFE BUSINESS

Premium provision

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

Provision for outstanding claims

The item includes, based on domestic regulations, both the provision for claims reported, and the one relating to claims that have occurred but have not yet been reported, as well as the provision for settlement costs.

LIFE BUSINESS

Mathematical provisions

The mathematical provisions include those envisaged by attachment 14 of the ISVAP Regulation No. 22 dated April 4th, 2008, amended by the IVASS Provision No. 53 dated December 6th, 2016.

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

This item exclusively comprises the provisions relating to index-linked and unit-linked polices and the provisions relating to pension funds.

Other provisions

Other provisions mainly comprise provisions for future costs associated with insurance contracts for € 99 million and the shadow accounting provision totalling € 1,103 million.

4. FINANCIAL LIABILITIES

4.1 Financial liabilities at fair value through profit or loss

The item, which represents 66% of total financial liabilities, includes the financial liabilities at fair value through profit or loss, defined and disciplined by IAS 39, relating to:

- investment contracts, not falling within the scope of IFRS 4, issued by Group insurance companies, where the risk of the investment is borne by the policyholders;
- management of pension funds, not falling within the scope of IFRS 4.

4.2 Other financial liabilities

The item represents 34% of total financial liabilities and it includes the financial liabilities defined and regulated by IAS 39 not included among the financial liabilities at fair value through profit or loss.

The following table provides the features of the subordinated liabilities and loans:

Other financial liabilities also include € 51 million recognised by effect of the adoption of IFRS 16.

(€ millions)

Beneficiary company	Type of liability	Amount	Contracting bank	Stipulation date	Maturity	Repayment plan
Società Cattolica di Assicurazione	Subordinated loan	80	UBI	September 2010	Unspecified	Possibility of early repayment as from September 2020. A subordination condition is envisaged with respect to all the unsubordinated creditors including the policyholders;
Società Cattolica di Assicurazione	Subordinated loan	103		December 2013	December 2043	The possibilities for optional early repayment are envisaged after 10 years from issue and on each payment date of the subsequent coupon. The securities can be reimbursed in advance and subject to IVASS authorisation, also in the presence of regulatory or tax changes or changes in accounting principles implemented by the rating agencies
Società Cattolica di Assicurazione	Subordinated loan	510		December 2017	December 2047	The possibilities for optional early repayment are envisaged after 10 years from issue and on each payment date of the subsequent coupon. The securities can be reimbursed in advance and subject to IVASS authorisation, also in the presence of regulatory or tax changes or changes in accounting principles implemented by the rating agencies
Società Cattolica di Assicurazione	Balance due for credit facility	2	Banca Popolare di Sondrio	January 2016		
Società Cattolica di Assicurazione	Balance due for credit facility	21	UBI	June 2016		
Fondo Euripide	Mortgage loan	1	Gruppo Banca Intesa	March 24th, 2004	December 2019	The loan is repayable in quarterly instalments
Cattolica Agricola	Loan	3	Banca di Verona	January 19	July 2019	Lump sum repayment at the maturity date
Cattolica Services	Loan	2	Banca di Verona	June 2018	December 2020	The loan will be repaid by amortisation plan comprising a single instalment.
Cattolica Services	Loan	8	UBI	December 2018	December 2019	The loan is repayable in quarterly instalments
Cattolica Services	Unsecured loan	19	Banca Popolare di Sondrio	June 2019	June 2022	The loan is repayable in quarterly instalments
Cattolica Services	Loan	10	UBI	June 2019	March 2021	The loan is repayable in quarterly instalments
Fondo Perseide	Financial lease	3	Iccrea Banca Impresa		January 2019	The loan is repayable in monthly instalments
Fondo Innovazione Salute	Financial lease	27	UBI, BPER	July 2018	July 2025	Single repayment at the maturity date
Fondo Innovazione Salute	Financial lease	1	UBI, BPER	July 2018	July 2023	Single repayment at the maturity date
TOTAL		**790**				

The table below provides an analysis of the financial liabilities undertaken by the Group, expressed according to nature and in accordance with the IAS classification criteria.

Table 46 - Analysis of financial liabilities

	Financial liabilities at fair value through profit or loss							
	Financial liabilities held for trading		**Financial liabilities at fair value through profit or loss**		**Other financial liabilities**		**Total value for the period**	
(€ millions)	**June 30th, 2019**	**December 31th, 2018**	**June 30th, 2019**	**December 31th, 2018**	**June 30th, 2019**	**December 31th, 2018**	**June 30th, 2019**	**December 31th, 2018**
Participative financial instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	693	678	693	678
Liabilities from investment contracts issued by insurance companies deriving	0	0	1,728	1,810	0	0	1,728	1,810
from contracts where the investment risk is borne by the policyholders	*0*	*0*	*1,062*	*1,176*	*0*	*0*	*1,062*	*1,176*
from the management of pension funds	*0*	*0*	*666*	*634*	*0*	*0*	*666*	*634*
from other contracts	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Deposits received from re-insurers	0	0	0	0	36	35	36	35
Financial liability components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities issued	0	0	0	0	0	0	0	0
Payables due to banking customers	0	0	0	0	0	0	0	0
Interbanking payables	0	0	0	0	0	0	0	0
Other loans received	0	0	0	0	0	0	0	0
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Sundry financial liabilities	0	0	0	0	148	78	148	78
Total	**0**	**0**	**1,728**	**1,810**	**877**	**791**	**2,605**	**2,601**

5. PAYABLES

The account group comprises trade payables disciplined by IAS 39, mainly represented by payables deriving from direct insurance transactions, reinsurance payables and other payables.

Table 47 - Payables

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	Changes %
Payables deriving from direct insurance transactions	**149**	**84**	**65**	**79.2**
Insurance brokers	83	55	28	51.0
Insurance companies - current accounts	7	9	−2	−15.2
Policyholders for guarantee deposits and premiums	59	19	40	n.s.
Guarantee funds in favour of policyholders	0	1	−1	−100.0
Payables deriving from reinsurance transactions	**65**	**35**	**30**	**88.9**
Insurance and reinsurance companies	65	35	30	88.9
Insurance brokers	0	0	0	n.a.
Other payables	**222**	**280**	**-58**	**-20.9**
For taxes payable by policyholders	32	46	−14	−31.1
Amounts due to social security and welfare institutions	8	5	3	48.0
Sundry payables	182	229	−47	−20.4
Total	**436**	**399**	**37**	**9.6**

n.s. = not significant

n.a. = non-applicable

5.1 Payables deriving from direct insurance transactions

"Payables deriving from direct insurance transactions" mainly comprise the amounts due to insurance brokers and amounts due to policyholders for guarantee deposits and premiums.

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

5.2 Payables deriving from reinsurance transactions

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

5.3 Other payables

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

In detail, the item "sundry payables" included amounts due to suppliers, due to employees and for employee benefits as per revised IAS 19.

The employee benefits as per revised IAS 19 include the employee severance indemnity for € 13 million, seniority bonuses for € 9 million and health bonuses for retired staff for € 8 million.

The employee severance indemnity is subject to actuarial calculation which takes into account the future developments of the employment relationship. The future flows of the employee severance indemnity have been discounted back as of the reference date on the basis of the method expressly requested by section 68 of IAS 19, known as the Projected Unit Credit Method.

The projected benefits which can be disbursed in the event of death, incapacity, resignation or retirement based on the applicable actuarial bases have been determined for all the employees active as of the date of assessment and distributed uniformly over all the years of service for each employee as from the date of employment until the date the events take place.

With regard to Group companies with at least 50 employees, the employee severance indemnity accrued up to December 31st, 2006 is treated like a defined benefit plan and is therefore subject to actuarial calculation, while the employee severance indemnity allocated as from January 1st, 2007 to a specific Treasury Fund set up with INPS (national social security institute) is treated as a defined contribution plan. For the companies with less than 50 employees, the entire liability has been treated as a defined benefit plan.

The employee severance indemnity represents the effective value of the foreseeable obligation, net of any assets serving the plans, adjusted to reflect any actuarial losses or gains not amortised. The discounting back of the future cash flows is carried out on the basis of the interest rate of high quality corporate securities. The main hypotheses used are: discount rate of 0.8%, inflation rate of 1.5%, revaluation rate of 2.16% (already net of the tax of 17%, in force as from January 1st, 2015), salary increases of 2.9%, mortality based on the most recent ANIA A62 mortality tables broken down by gender and the disability/invalidity, adopted in the INPS model for 2010 projections. For the retirement age of the generic asset, it was assumed that the pension requirements valid for Compulsory General Insurance (AGO, 67 years of age for males and females) were met.

In relation to the resignation frequency, a table has been used in line with the expected value of the resignation rate over the long-term for the Parent Company.

In accordance with revised IAS 19, sensitivity analysis has been carried out on the value of the obligation for defined benefits (DBO) based on changes in the main valuation hypotheses. In detail, the change in the value of the DBO has been gauged consequent to a change in the amount of the discount rate, a change in retirement age, a change in the inflation rate, a change in the mortality table and a change in the frequency of voluntary resignations. In light of these changes, also the parameters associated with the figure amended in accordance with the matters indicated in the following table have been changed, again in observance of the central hypothesis.

Table 48 - Sensitivity test hypotheses

	Central hypotheses	Hypothesis 1	Hypothesis 2	Hypothesis 3	Hypothesis 4	Hypothesis 5	Hypothesis 6	Hypothesis 7	Hypothesis 8	Hypothesis 9	Hypothesis 10
		Discount rate +1%	Discount rate -1%	Retirement age + 2 years	Retirement age - 2 years	Inflation rate +0.5%	Inflation rate -0.5%	Mortality table increase of 10%	Mortality table decrease of 10%	Resignation frequency increase of 10%	Resignation frequency decrease by 10%
Discount rate	0.80%	1.30%	0.30%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
Retirement age	67	67	67	69	65	67	67	67	67	67	67
Inflation rate	1.50%	1.50%	1.50%	1.50%	1.50%	2.00%	1.00%	1.50%	1.50%	1.50%	1.50%
Salary increase rate	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
Severance indemnity revaluation rate	2.60%	2.60%	2.60%	2.60%	2.60%	3.00%	2.25%	2.60%	2.60%	2.60%	2.60%
Mortality table	A 62	A 62	A 62	A 62	A 62	A 62	A 62	A 62 +10%	A 62 -10%	A 62	A 62
Voluntary resignation frequency	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.20%	1.80%

The results of the sensitivity test on the value of the leaving indemnity DBO, Premiums and Health Requirement as of June 30th, 2019 are shown in the table below.

Table 49 - Sensitivity test results

(€ thousands)	Value of the obligation for defined benefits as of June 30th, 2019	Sensitivity %
Central hypotheses	30.29	
Hypothesis 1	29.08	−4.0%
Hypothesis 2	31.92	5.4%
Hypothesis 3	30.35	0.2%
Hypothesis 4	30.21	−0.2%
Hypothesis 5	31.13	2.8%
Hypothesis 6	28.60	−5.6%
Hypothesis 7	29.87	−1.4%
Hypothesis 8	30.39	0.4%
Hypothesis 9	29.25	−3.4%
Hypothesis 10	30.80	1.7%

Table 50 - Employee severance indemnity, length-of-service bonus and premiums on health contracts

(€ millions)	Employee benefits as per IAS 19R
Balance as of December 31st, 2018	**29**
Interest cost	0
Service cost	1
Change in the demographic actuarial component	0
Change in the rate actuarial component	1
Disbursements and transfers	−1
Business combinations	0
Balance as of June 30th, 2019	**30**

6. OTHER LIABILITY ITEMS

Table 51 - Other liability items

(€ millions)	June 30th, 2019	December 31th, 2018	Changes	
			Amount	%
Deferred tax liabilities	483	303	180	59.3
Current tax liabilities	198	112	86	76.9
Other liabilities	125	170	−45	−26.4
Total	**806**	**585**	**221**	**37.7**

6.2 Deferred tax liabilities

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

As of June 30th, 2019, "deferred tax liabilities" included:

- deferred taxes which have arisen from taxable timing differences due to the deferral of the taxability of positive income elements realised and recorded through profit or loss, which will be settled when the afore-mentioned revenues are taxed;
- the deferred taxes which have arisen from the temporary misalignment between the principle of economic competence laid down by the international accounting standards and tax legislation, due mainly to the statement in the income statement and under shareholders' equity of the capital gains on valuations recorded respectively on the "financial assets at fair value through profit or loss" and on the "available for sale financial assets".

Deferred tax liabilities were determined according to the IRES and IRAP rates in force.

6.3 Current tax liabilities

This item comprises the current tax liabilities defined and disciplined under IAS 12.
The item essentially comprises the current liability for income taxes for the year, the liability deriving from the tax assessment on the life business mathematical provisions pertaining to the period, liabilities for withholding taxes made, liabilities resulting from taxation on premiums as provided for by Italian Law No. 1216 of October 29th, 1961, and the liabilities for VAT to be paid.

6.4 Other liabilities

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

Table 52 - Other liabilities

(€ millions)	June 30th, 2019	December 31th, 2018	Changes Amount	%
Deferred income revenue (DIR)	10	12	−2	−15.3
Transitory reinsurance accounts - payable	0	0	0	0
Liaison account	50	80	−30	−37.2
Other liabilities	56	69	−13	−18.8
Accrued expenses and deferred income	9	9	0	−2.7
of which for interest	*4*	*4*	*0*	*−8.5*
Total	**125**	**170**	**−45**	**−26.4**

Other liabilities include the liaison account between the life and non-life businesses recognised by the Parent Company and amounting to € 50 million. The amount is recorded for an equal balance under Other assets.

The balances for premiums collected on policies being issued as of June 30th are also included, for € 12 million along with commission on premiums being collected for € 38 million.
Deferred income includes the Parent Company's portion of the extraordinary coupon relating to bonds acquired for the restructuring transactions of the main segregated fund entered into in 2005 and deferred to subsequent years on the basis of the residual duration of the securities.

PART C
INCOME STATEMENT

The income statement closed with a consolidated profit of € 76 million (€ 63 million as of June 30th, 2018); the Group's net profit was € 61 million (€ 51 million as of June 30th, 2018).

INSURANCE BUSINESS

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

Table 53 - Breakdown of direct and indirect gross premiums written

Classes	Direct business	Indirect business			%
(€ millions)	Italy	Italy	Abroad	Total business	of total
Accident and injury	107	0	0	107	3.2
Health	52	0	0	52	1.6
Land vehicle hulls	75	0	0	75	2.3
Goods in transit	4	0	0	4	0.1
Fire & natural forces	81	0	7	88	2.7
Other damage to assets	134	0	0	134	4.1
TPL - Land motor vehicles	477	0	0	477	14.6
TPL - General	99	0	0	99	3.0
Credit	0	0	0	0	0.0
Suretyship	10	0	0	10	0.3
Sundry financial losses	9	0	0	9	0.3
Legal protection	10	0	0	10	0.3
Assistance	24	0	0	24	0.7
Other classes (1)	8	0	0	8	0.2
Total non-life business	**1,090**	**0**	**7**	**1,097**	**33.6**
Class I	1,498	0	0	1,498	45.8
Class III	565	0	0	565	17.3
Class IV	1	0	0	1	0.0
Class V	50	0	0	50	1.5
Class VI	5	0	0	5	0.1
Total life business	**2,119**	**0**	**0**	**2,119**	**64.8**
Total insurance premiums	**3,209**	**0**	**7**	**3,216**	**98.4**
Class III	13	0	0	13	0.4
Class VI	39	0	0	39	1.2
Total investment contracts	**52**	**0**	**0**	**52**	**1.6**
TOTAL PREMIUMS WRITTEN	**3,261**	**0**	**7**	**3,268**	**100.0**

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

Analysis is presented below relating to the technical insurance items and the insurance operating expenses net of eliminations between sectors.

Table 54 - Insurance business

(€ millions)	June 30th, 2019 Gross balance	June 30th, 2019 Reinsurance amount	June 30th, 2019 Net balance	June 30th, 2018 Gross balance	June 30th, 2018 Reinsurance amount	June 30th, 2018 Net balance
Non-life business						
NET PREMIUMS	**1,053**	**−125**	**928**	**1,027**	**−125**	**902**
a Premiums written	1,097	−137	960	1,063	−136	927
b Change in premium provision	−44	12	−32	−36	11	−25
NET CHARGES RELATING TO CLAIMS	**−655**	**73**	**−582**	**−638**	**72**	**−566**
a Claims paid	−702	76	−626	−693	71	−622
b Change in provision for outstanding claims	33	−3	30	41	1	42
c Change in recoveries	14	0	14	14	0	14
d Change in other technical provisions	0	0	0	0	0	0
Life business						
NET PREMIUMS	**2,119**	**−15**	**2,104**	**1,791**	**−12**	**1,779**
NET CHARGES RELATING TO CLAIMS	**−2,328**	**7**	**−2,321**	**-1,837**	**9**	**−1,828**
a Claims paid	−2,235	7	−2,228	−1,650	9	−1,641
b Change in provision for outstanding claims	−162	3	−159	−227	0	−227
c Change in mathematical provisions	313	−3	310	−41	0	−41
d Change in technical provisions related to contracts where the investment risk is borne by the policyholders and derive from the management of pension funds	−310	0	−310	73	0	73
e Change in other technical provisions	66	0	66	8	0	8

Table 55 - Analysis of insurance operating expenses

(€ millions)	Non-life business June 30th, 2019	Non-life business June 30th, 2018	Life business June 30th, 2019	Life business June 30th, 2018
Commissions and other acquisition costs, net of commissions and profit-sharing received from re-insurers	−200	−187	−75	−50
Acquisition commissions	*−180*	*−171*	*−60*	*−33*
Other acquisition expenses	*−43*	*−43*	*−13*	*−13*
Change in deferred acquisition costs	*0*	*0*	*−1*	*−2*
Collection commissions	*−9*	*−5*	*−4*	*−5*
Commissions and profit-sharing received from re-insurers	*32*	*32*	*3*	*3*
Operating expenses relating to investments	−5	−5	−19	−14
Other administrative expenses	−72	−67	−34	−33
Total	**−277**	**−259**	**−128**	**−97**

In addition to the matters observed in the above table, operating expenses relating to investments, recorded during the period, comprise general expenses and expenses for employees relating to the management of investment property and investments. In the life business, commissions and other acquisition costs, net of commissions and profit-sharing received from re-insurers, include acquisition costs relating to insurance contracts and investment contracts with discretionary participation features.

FINANCIAL OPERATIONS

The table which follows discloses the income and charges deriving from financial operations as presented in the income statement for the first half.

Table 56 - Financial operations

(€ millions)	June 30th, 2019	June 30th, 2018	Changes Amount	%
Net income from financial instruments at fair value through profit or loss	**208**	**−8**	**216**	**n.s.**
Income from investments in subsidiaries, associated companies and joint ventures	3	2	1	**76.1**
Charges from investments in subsidiaries, associated companies and joint ventures	0	0	0	**n.a.**
Result deriving from equity investments in subsidiaries, associated companies and joint ventures	**3**	**2**	**1**	**79.8**
Income from other financial instruments and investment property	399	362	37	**10.2**
Charges from other financial instruments and investment property	−126	−88	−38	**−43.6**
Result deriving from other financial instruments and investment property	**273**	**274**	**−1**	**−0.6**

n.s. = not significant

Table 57 - Financial and investment income and charges (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ millions)	Interest	Other income	Other charges	Realised gains	Realised losses	Total realised income and charges	Valuation gains: Valuation capital gains	Valuation gains: Value write-back	Valuation losses: Valuation capital losses	Valuation losses: Writedown	Total unrealised income and charges	Total income and charges - June 30th, 2019	Total income and charges - June 30th, 2018
Result of investments	**241**	**60**	**−17**	**133**	**−43**	**374**	**214**	**0**	**−21**	**−4**	**189**	**563**	**268**
a Deriving from investment property	0	29	−1	0	0	28	0	0	−9	0	−9	19	16
b Deriving from investments in subsidiaries, associated companies and joint ventures	0	3	0	0	0	3	0	0	0	0	0	3	2
c Deriving from held to maturity investments	5	0	0	0	0	5	0	0	0	0	0	5	6
d Deriving from loans and receivables	23	0	0	0	0	23	0	0	0	0	0	23	18
e Deriving from available for sale financial assets	209	20	0	47	−31	245	0	0	0	−4	−4	241	249
f Deriving from financial assets held for trading	0	3	0	1	−4	0	3	0	−2	0	1	1	0
g Deriving from financial assets at fair value through profit or loss	4	5	−16	85	−8	70	211	0	−10	0	201	271	−23
Result of sundry receivables	**1**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**1**
Result of cash and cash equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Result of financial liabilities	**−16**	**0**	**0**	**0**	**0**	**−16**	**0**	**0**	**−64**	**0**	**−64**	**−80**	**−1**
a Deriving from financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b Deriving from financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0	−64	0	−64	−64	15
c Deriving from other financial liabilities	−16	0	0	0	0	−16	0	0	0	0	0	−16	−16
Result of payables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**226**	**60**	**−17**	**133**	**−43**	**359**	**214**	**0**	**−85**	**−4**	**125**	**484**	**268**

The interest of the other financial liabilities includes costs of € 1 million relating to the interest expense recognised by effect of the adoption of IFRS 16.

Commissions income

Commissions income mainly comprises the commission relating to investment contracts issued by the Group's insurance companies (DIR); specifically, the item includes the explicit and implicit premium loading encumbering the investment contracts issued.

Commissions expense

The item comprises the acquisition costs associated with investment contracts (DAC) recorded during the period.

OTHER REVENUES AND OTHER COSTS

Other revenues

The item amounts to € 76 million, of which € 56 million in other net technical income associated with insurance contracts.
Other revenues amount to € 20 million, of which € 5 million relating to recoveries from provisions for risks and charges and € 3 million relating to withdrawals from the writedown allowance.

Other costs

The item, which amounts to € 161 million, comprises other net technical charges associated with insurance contracts for € 94 million and other charges for € 67 million, mainly represented by amortisation on intangible assets for € 40 million, provisions for risks and charges for € 4 million and loan adjustments totalling € 4 million.

INCOME TAXES

This item records current taxes (IRES - company earnings tax and IRAP - regional business tax), deferred taxes of individual Group companies recorded in observance of accounting standard No. 25 on income taxes, and deferred taxes which have arisen from the temporary misalignment between accrual-basis accounting as laid down by the international accounting standards (IAS 12) and tax legislation.

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income amounted to € 161 million, of which a € 135 million pertaining to the Group and € 26 million pertaining to minority interests.
The analysis of other components in the statement of comprehensive income pursuant to ISVAP Regulation No. 7 dated July 13th, 2007, is presented below. The balances are stated net of income taxes, which is in any event indicated in the specific column.

Table 58 - Analysis of the statement of other comprehensive income - net amounts (ISVAP Regulation No. 7 dated July 13th, 2007)

	Charges		Adjustments from reclassification to income statement		Other changes		Total changes		Income taxes		Balance	
(€ millions)	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018	June 30th, 2019	December 31th, 2018
Other income components net of income taxes without reclassification in the income statement	**0**	**0**			**0**	**0**	**0**	**0**	**0**	**0**	**−1**	**−1**
Provisions deriving from changes in the shareholders' equity of investee companies	0	0			0	0	0	0	0	0	0	0
Intangible assets revaluation reserve	0	0			0	0	0	0	0	0	0	0
Tangible assets revaluation reserve	0	0			0	0	0	0	0	0	0	0
Income and charges relating to non-current assets or disposal group held for sale	0	0			0	0	0	0	0	0	0	0
Actuarial gains and losses and adjustments related to defined-benefit plans	0	0			0	0	0	0	0	0	−1	−1
Other items	0	0			0	0	0	0	0	0	0	0
Other income components net of income taxes with reclassification in the income statement	**72**	**−78**	**13**	**−20**	**0**	**0**	**85**	**−98**	**38**	**−44**	**51**	**−34**
Reserve for net exchange differences	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on available for sale financial assets	76	−78	13	−20	0	0	89	−98	40	−44	54	−35
Profits or losses on cash flow hedging instruments	0	0	0	0	0	0	0	0	0	0	0	0
Profits or losses on instruments hedging a net investment in foreign operations	0	0	0	0	0	0	0	0	0	0	0	0
Provisions deriving from changes in the shareholders' equity of investee companies	−4	0	0	0	0	0	−4	0	−2	0	−3	1
Income and charges relating to non-current assets or disposal group held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OF THE OTHER COMPONENTS OF THE STATEMENT OF COMPREHENSIVE INCOME	**72**	**−78**	**13**	**−20**	**0**	**0**	**85**	**−98**	**38**	**−44**	**50**	**−35**

OTHER IVASS TABLES

Pursuant to ISVAP Regulation No. 7 dated July 13th, 2007, the income statement by sector of activities, the analysis of the technical insurance items and the analysis of the insurance operating expenses, gross of eliminations within sectors, are presented as follows.

Table 59 - Income statement by sector of activities (ISVAP Regulation No. 7 dated July 13th, 2007)

	Non-life business		Life Business		Other		Eliminations between sectors		Total	
(€ millions)	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018
1.1 Net premiums	930	903	2,105	1,780	0	0	−3	−2	3,032	2,681
1.1.1 Gross premiums written	1,078	1,042	2,120	1,792	0	0	−26	−16	3,172	2,818
1.1.2 Ceded premiums	−148	−139	−15	−12	0	0	23	14	−140	−137
1.2 Commissions income	0	0	3	3	0	0	0	0	3	3
1.3 Income and charges from financial instruments at fair value through profit or loss	−1	−1	209	−7	0	0	0	0	208	−8
1.4 Income from investments in subsidiaries, associated companies and joint ventures	28	81	6	17	0	0	−31	−96	3	2
1.5 Income from other financial instruments and investment property	75	73	342	306	1	1	−19	−18	399	362
1.6 Other revenues	96	88	75	45	6	4	−101	−94	76	43
1 TOTAL REVENUES AND INCOME	**1,128**	**1,144**	**2,740**	**2,144**	**7**	**5**	**−154**	**−210**	**3,721**	**3,083**
2.1 Net charges relating to claims	−604	−587	−2,325	−1,830	0	0	26	23	−2,903	−2,394
2.1.1 Amounts paid and change in technical provisions	−690	−665	−2,332	−1,839	0	0	39	29	−2,983	−2,475
2.1.2 Reinsurance amount	86	78	7	9	0	0	−13	−6	80	81
2.2 Commissions expense	0	0	−3	−2	0	0	0	0	−3	−2
2.3 Charges from investments in subsidiaries, associated companies and joint ventures	0	−43	0	−13	0	0	0	56	0	0
2.4 Charges from other financial instruments and investment property	−27	−23	−98	−64	−1	−1	0	0	−126	−88
2.5 Operating expenses	−323	−300	−147	−117	−3	−2	66	62	−407	−357
2.6 Other costs	−69	−73	−84	−51	−5	−4	−3	−2	−161	−130
2 TOTAL COSTS AND CHARGES	**−1,023**	**−1,026**	**−2,657**	**−2,077**	**−9**	**−7**	**89**	**139**	**−3,600**	**−2,971**
PROFIT (LOSS) FOR THE PERIOD BEFORE INCOME TAXES	**105**	**118**	**83**	**67**	**−2**	**−2**	**−65**	**−71**	**121**	**112**

Table 60 - Analysis of technical insurance items (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ millions)		June 30th, 2019	June 30th, 2018
Non-life business			
NET PREMIUMS		**930**	**903**
a	Premiums written	961	929
b	Change in premium provision	−31	−26
NET CHARGES RELATING TO CLAIMS		**−604**	**−587**
a	Claims paid	−648	−643
b	Change in provision for outstanding claims	30	42
c	Change in recoveries	14	14
d	Change in other technical provisions	0	0
Life business			
NET PREMIUMS		**2,105**	**1,780**
NET CHARGES RELATING TO CLAIMS		**−2,325**	**−1,830**
a	Claims paid	−2,230	−1,643
b	Change in provision for outstanding claims	−159	−227
c	Change in mathematical provisions	310	−41
d	Change in technical provisions related to contracts where the investment risk is borne by the policyholders and derive from the management of pension funds	−310	73
e	Change in other technical provisions	64	8

Table 61 - Analysis of insurance operating expenses (ISVAP Regulation No. 7 dated July 13th, 2007)

	Non-life business		**Life business**	
(€ millions)	June 30th, 2019	June 30th, 2018	June 30th, 2019	June 30th, 2018
Gross commissions and other acquisition costs, net of commissions and profit-sharing received from re-insurers	−208	−195	−77	−55
Operating expenses relating to investments	−6	−6	−26	−19
Other administrative expenses	−109	−99	−44	−43
Total	**−323**	**−300**	**−147**	**−117**

NOTES TO THE ACCOUNTS

Part D - Other information

PART D
OTHER INFORMATION

Group headcount

Group employees calculated as per FTE, amounted to 1,709 (1,631 as of December 31st, 2018).

Atypical and unusual transactions and non-recurrent significant events and operations

With reference to non-recurrent significant events and transactions and positions or transactions deriving from atypical and/or unusual operations, reference should be made to the section "Other information" in the Interim Management Report.

Earnings for shares in circulation

With reference to earnings per share in circulation, reference should be made to the section "Significant events and other information" in the Interim Management Report.

Information on risks

With regard to the disclosure required by IFRS 13 concerning outstanding risks, reference should be made to the section "Risk management" in the Interim Management Report.

Transactions with related parties

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

With regard to transactions with related parties, without prejudice to the approval procedures described in the Parent Company's Report on Corporate Governance on the website www.cattolica.it, shareholders are hereby informed that, for reporting purposes, a procedure has been set up for detecting outstanding transactions, via the prior acquisition of the necessary information to identify related parties in relation to international accounting standard IAS 24 and subsequent extrapolation of the transactions relating to the same.

The table below shows the equity transactions and relationships resulting from the aforementioned related party transactions as of June 30th, 2019.

The balance presented in the "Joint ventures, associated companies and their subsidiaries" column represents investments in joint ventures, over which the Group exercises significant influence: these include the real estate investment fund "Mercury", the real estate fund "HCampus", Ima Italia Assistance and its subsidiary Ima Servizi.

The "Other related parties" column includes all the dealings with the directors, the statutory auditors as well as the General Managers and the executives with strategic responsibilities of the Parent Company and related parties.

Table 62 - Transactions with related parties

Statement of financial position transactions (€ thousands)	Joint Ventures, associated companies and their subsidiaries	Other related parties	Total June 30th, 2019
Assets			
Equity investments	123	0	123
Loans granted	0	0	0
Subordinated bonds	0	0	0
Unsubordinated bonds	0	0	0
Provisions	0	1	1
Derivatives	0	0	0
Other receivables	0	0	0
Current account transactions	0	0	0
Total	**123**	**1**	**124**
Liabilities			
Loans received	0	0	0
Other payables	0	1	1
Total	**0**	**1**	**1**

Economic transactions and relationships (€ thousands)	Joint Ventures, associated companies and their subsidiaries	Other related parties	Total June 30th, 2019
Revenues and income			
Premiums	0	0	0
Financial income	0	0	0
Capital gains for financial disposals	0	0	0
Other revenues	0	0	0
Total	**0**	**0**	**0**
Costs and charges			
Claims	0	0	0
Financial charges	0	0	0
Capital losses for financial disposals	0	0	0
Commissions	0	0	0
Other costs	0	4	4
Total	**0**	**4**	**4**

ADDITIONAL INFORMATION

Information about the deferred adoption of IFRS 9 "Financial Instruments"

The Cattolica Insurance Group, to meet the requirements of paragraph 20 D of IFRS 4 in terms of predominance of the insurance business, opted for the temporary exemption from IFRS 9.

In particular, in accordance with the aforementioned paragraph, an insurance Company or an insurance group performs an activity prevalently connected with the insurance activity, if and only if:

a) the book value of the liabilities deriving from agreements covered by IFRS 4 (including deposit components or embedded derivatives separated from insurance agreements), is significant with respect to the total book value of all its liabilities and
b) the percentage of the total book value of its liabilities connected with the insurance activity, with respect to the total book value of all its liabilities is:

   i. greater than 90% or
   ii. equal to or lower than 90%, but greater than 80%, and the insurer does not exercise a significant activity lacking any connection with the insurance activity.

This assessment is required to be carried out on the basis of the book values on the ending date of the year immediately preceding April 1st, 2016, or on a subsequent ending date if, after that date, a significant change has occurred in the activity of the Company.

The standard requires the performance of this test at the level of each individual entity belonging to the insurance Group because although some of them can benefit from the temporary exemption at the consolidated level, they shall apply IFRS 9 in their own individual financial statements if they prepare or are required to prepare IAS / IFRS financial statements.

The Cattolica Group does not present the aforementioned case in its own consolidation scope.

Please refer to the comments provided in the 2018 consolidated financial statements in relation to the positive results of the checks of the requirements carried out by the Group.

In compliance with paragraph 39 E of IFRS 4, the following table indicates the fair value as of June 30th, 2019 and the amount of the fair value change for 2019, separately for the following two groups of assets:

a) Group 1: financial assets with contractual terms that prescribe, at determined dates, cash flows represented solely by payments of the principal and interest on the amount of the principal to be repaid;
b) Group 2: financial assets with contractual terms that do not prescribe, at determined dates, cash flows represented solely by payments of principal and interest on the amount of the principal to be repaid;

Table 63 – Change in the fair value of the financial instruments in the scope of application of IFRS 9

(€ millions)	Group 1		Group 2	
Categories of financial instruments	**Fair Value**	**Fair value change**	**Fair Value**	**Fair value change**
Held to maturity investments	254	28	0	0
Loans and receivables - Debt securities	947	109	271	-7
Available for sale financial assets	22,768	924	935	21
Debt securities	*22,768*	*924*	*190*	*10*
Equities	*0*	*0*	*106*	*1*
Units of mutual investment funds	*0*	*0*	*639*	*11*
Total	**23,969**	**1,061**	**1,206**	**14**

As of June 30th, 2019, the financial statements include financial assets at fair value through profit or loss amounting to € 5,819 million with fair value change of € 202 million.

The following table shows the exposure to the credit risk pertaining to the financial assets with contractual terms that prescribe, at determined dates, cash flows represented solely by payments of the principal and interest on the amount of the principal to be repaid (Group 1):

Table 64 – Book value and fair value by rating class of the debt securities that include Group 1 cash flows

(€ millions)

Rating	Book Value	Fair Value
AAA	579	579
AA	2,083	2,083
A	2,227	2,227
BBB	17,100	17,128
BB	1,027	1,029
B	96	96
CCC	43	43
N.R.	678	784
Total	**23,833**	**23,969**

The following table shows, in relation to the financial assets per the previous table, which do not have a low credit risk on the date of the financial statements, the fair value and the accounting value in application of IAS 39 at the ending date of the financial statements.

Table 65 – Group 1 financial instruments that do not have a low credit risk and have no rating

(€ millions)

Financial instruments	Book value	Fair Value
Loans and receivables	610	717
Held to maturity investments	3	4
Available for sale financial assets	1,231	1,231

As of June 30th, 2019, with regard to the risk profile, the instruments of group 1 are broken down as follows: financial instruments with BBB rating account for 71.75% of the group total, those with rating equal to or lower than BB or lacking rating total approximately 7.74%, those with rating equal to or higher than A amount to 20.51%.

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

The legal representatives of the company (*)

The Managing Director ALBERTO MINALI ______________________ (**)

______________________ (**)

______________________ (**)

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

Attestation to the condensed interim consolidated financial statements pursuant to Article 154 bis, paragraph 5, of Italian Legislative Decree No. 58 dated February 24th, 1998 and Article 81 ter of Consob Regulation No. 11971 dated May 14th, 1999 and subsequent amendments and additions

1. The undersigned, Alberto Minali, in his capacity as Managing Director, and Enrico Mattioli, in his capacity as Manager in charge of preparing the financial reports of Società Cattolica di Assicurazione Società Cooperativa, hereby certify, also taking into account the provisions of Article 154 bis, paragraphs 3 and 4 of Italian Legislative Decree No. 58 dated February 24th, 1998:

- the adequacy in relation to the characteristics of the company and

- the effective application

of the administrative and accounting procedures in place for preparing the condensed interim consolidated financial statements as of June 30th, 2019.

2. The adequacy of the administrative and accounting procedures in place for preparing the condensed interim consolidated financial statements as of June 30th, 2019, has been assessed through a process established by Società Cattolica di Assicurazione Società Cooperativa on the basis of the COSO Framework (Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission) and, as regards the IT component, of applicable processes of the COBIT Framework (Control Objectives for Information and related Technology), which represent the internationally-accepted reference frameworks.

3. It is also certified that:

3.1 the condensed interim consolidated financial statements as of June 30th, 2019:

a) are prepared in accordance with applicable international accounting standards recognized in the European Union under the EC Regulation No. 1606/2002 of the European Parliament and of the Council dated July 19th, 2002, with the provisions of the Italian Civil Code, of Italian Legislative Decree No. 38 dated February 28th, 2005, of Italian Legislative Decree No. 209 dated September 7th, 2005 and subsequent amendments and with applicable provisions, regulations and circular letters issued by IVASS;

b) are consistent with the entries in the accounting books and records;

c) are suitable to provide a true and fair representation of the assets and liabilities, profits and losses and financial position of the issuer and of the consolidated companies.

3.2 The interim management report includes a reliable analysis of the references to the significant events that occurred in the first six months of the financial year and their impact on the condensed interim consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim management report also includes a reliable analysis of the disclosure on significant related party transactions.

Verona, Italy
August 8th, 2019

Alberto Minali	Enrico Mattioli
Managing Director	Manager in charge of preparing the Company's financial reports

INDEPENDENT AUDITORS' REPORT

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

To the Shareholders of
Società Cattolica di Assicurazione - Società Cooperativa

Introduction

We have reviewed the half-yearly condensed consolidated financial statements of Società Cattolica di Assicurazione - Società Cooperativa and subsidiaries (the "Cattolica Assicurazioni Group"), which comprise the statement of financial position as of June 30, 2019, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the six month period then ended, and the related notes. The Directors are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the half-yearly condensed consolidated financial statements of the Cattolica Assicurazioni Group as at June 30, 2019 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Andrea Paiola
Partner

Milan, Italy
August 9, 2019

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