2019

CONSOLIDATED FINANCIAL STATEMENTS

YOUR WORLD, ALL AROUND.

The evolution of serenity

The uniqueness of individuals enriches the community. Together we make up a world of amazing values and talents. When we are connected with others, we realise how great our human potential is.

Our symbol is completed graphically and lights up with images that talk about the world (with a desire to protect it) through the eyes of our employees, through their photographs.

We know we face great challenges ahead of us and we're ready to do all that is needed, with flexibility and commitment, to increase and protect the overall good, with a mutual serenity intent.

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

GRUPPO CATTOLICA ASSICURAZIONI

SUSTAINABILITY REPORT

REPORT ON REMUNERATION POLICES AND FEES PAID

REPORT ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURES

ANNUAL REPORT AND FINANCIAL STATEMENTS

2019 CONSOLIDATED FINANCIAL STATEMENTS

Approved by the Board of Directors on March 18th, 2020

LETTER FROM THE CHAIRMAN

2019 was a positive year for the Cattolica Assicurazioni Group, characterised by many challenges that we were able to accept and face with courage and determination. In an increasingly competitive environment, results have once again confirmed the growth recorded in recent years.

Our Company has proved to be one of the most important players in the domestic insurance sector, continuing with commitment the work defined in the Business Plan.

The figures on investments made, together with the various indices provided in these Financial Statements, reflect the solidity of the Company, which, over the years, has increased its assets with well-considered choices and far-sighted decisions.

This is a trend and a pathway that Cattolica intends to meticulously pursue in order to continue to respond in a timely and targeted manner to the interests and needs of its customers, shareholders and all stakeholders.

In 2019, the Group also dedicated time and resources to supporting and implementing the transformation project underway, increasing business, growth opportunities and the well-being of the communities in which it operates.

In a context characterised by an increasingly pervasive fluidity and rapidly evolving processes, Cattolica's identity remains the firm and indispensable element in every possible development for the company. The cooperative business model and the resulting values have once again proven to be more relevant than ever and capable of guaranteeing the future of a company that chooses to stick by the principles that have distinguished it since its inception, the first and foremost being social responsibility towards the territories where it operates.

Thanks to the activities of the distribution network, employees and collaborators, the Group closes another year with its accounts in order and with the possibility of allocating new resources to investments, representing the best pathway to meeting new targets.

Thank you all.

Paolo Bedoni
Chairman

"In a context characterised by an increasingly pervasive fluidity and rapidly evolving processes, **Cattolica's identity remains the firm and indispensable element in every possible development for the company.**"

LETTER FROM THE GENERAL MANAGER

At the end of 2019, the Cattolica Assicurazioni Group's profile is that of a solid Company with a growing business. The financial results, achieved in an increasingly challenging market environment, record positive technical and equity indicators and show a strong increase in production, with premiums written reaching € 7 billion. The operating result amounted to € 302 million, confirming the Group's managerial and industrial capacity.

These are positive results that we have achieved by continually operating with the business strategy presented to the markets in order to make Cattolica a stronger and more competitive company, with innovation and dynamism as two distinctive features of our Company, ensuring that our business activities are increasingly sustainable. I believe that these efforts have been recognised and appreciated by all our stakeholders, starting with the more than 3.5 million individuals who have relied on the Group's insurance solutions.

But there's more to it than that, numbers alone can't tell the whole story. This is the precious work of all employees, collaborators and agents of the Cattolica Assicurazioni Group, whose commitment is sprinkled between the lines of these Financial Statements. They deserve my heartfelt thanks.

Carlo Ferraresi
General Manager

"But there's more to it than that, numbers alone can't tell the whole story. **This is the precious work of all employees, collaborators and agents of the Cattolica Assicurazioni Group.**"

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Summary index of tables

GROUP HIGHLIGHTS

Total premiums written

6,944.4
€ mln (+19.9%)

Operating result

301.5
€ mln (+3.1%)

Operating ROE

7.9%
(+0.4 pp)

Consolidated profit

103.0
€ mln (-24.6%)

Cattolica net profit

120.2
€ mln (+116.7 mln)

Solvency II Ratio [1]

175%

Our People

1,778
(+5.1%)

726 (+5.7%)
WOMEN

1,052 (+4.7%)
MEN

Our Customers [2]

3,555,878
(-0.7%)

1 The Board of Directors reserved the right to formulate its proposal for the allocation of profits at and during the Shareholders' Meeting that is called to approve the Financial Statements, providing the appropriate information.

2 The number of customers does not include Vera brand companies.

NON-LIFE SEGMENT

Gross premiums written - direct non-life business

2,156.9
€ mln (+2.5%)

Operating result

148.8
€ mln (-11.8%)

Combined ratio of retained business

94.3%
(+0.9 pp)

LIFE SEGMENT

Gross premiums written - direct life business

4,771.7
€ mln (+30%)

Operating result

156.9
€ mln (+23.2%)

Our Distributors

1,887 (-2.2%)
AGENTS

1,395 (-3.4%)
AGENCIES

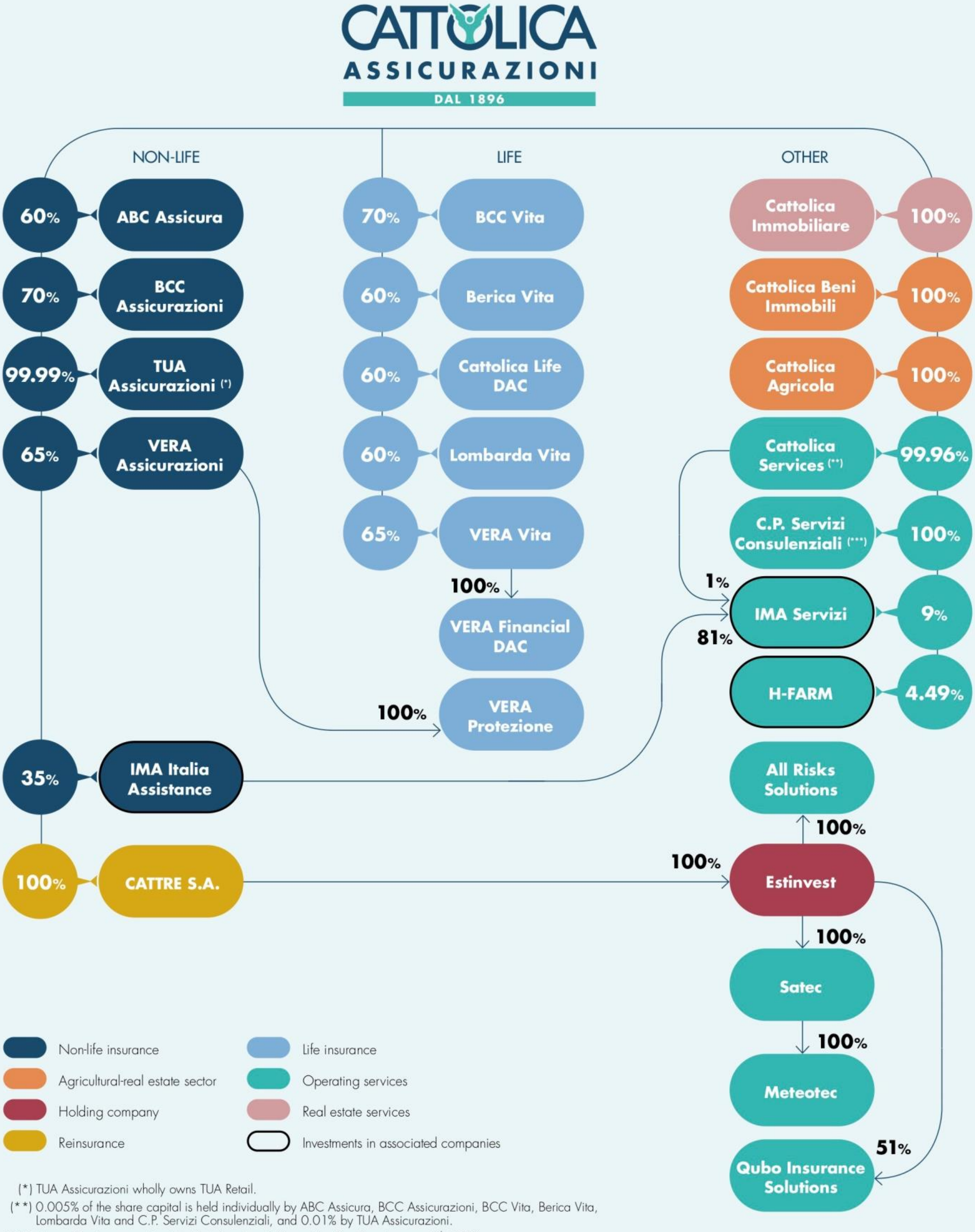
6,075 (+0.3%)
BRANCHES

13 Life/Non-life insurance companies

10 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% by TUA Assicurazioni.

(***) Merged by incorporation into Cattolica Immobiliare with effect from January 1st, 2020.

As of December 31st, 2019

2019 SIGNIFICANT EVENTS

2019 SIGNIFICANT EVENTS

FEBRUARY

On February 6th, and July 4th, the acquisition by Estinvest S.r.l. of 31% and 49% respectively of **All Risks Solutions S.r.l.** ("ARS"), a Rome-based insurance brokerage company, was completed, for € 33 thousand and € 43 thousand.

MARCH

On March 25th, Cattolica and Inter Mutuelles Assistance S.A. announced that they had completed the closing of the transaction, which involves the entry of Cattolica into **IMA Italia Assistance S.p.A.** with a 35% shareholding, achieved through the subscription of a reserved share capital increase against payment for a total amount of € 8.58 million. Through this partnership, Cattolica and the IMA Group put their industrial competence together, providing momentum to the growth of IMA Italia Assistance S.p.A., which from April 1st onwards has been the new sole provider of the assistance services offered by the Group's networks.

APRIL

On April 13th, the ordinary **Shareholders' Meeting** of Cattolica Assicurazioni was held and approved all items on the agenda, including the proposal of the Board of Directors concerning the draft 2018 Financial Statements, to distribute a dividend of € 0.40 per share, based on the 2018 Financial Statements.

The Shareholders' Meeting, based on the new Articles of Association approved by the Shareholders' Meeting of April 28th, 2018, appointed the members of the Board of Directors for the three-year period 2019-2021.

The directors Giovanni Glisenti, Cesare Brena and Federica Bonato were also appointed as members of the Management Control Committee for the three-year period 2019-2021, with Giovanni Glisenti as chairman.

The Meeting also resolved with regard to the determination of the related fees.

In accordance with IVASS 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. Following the entry into force of this regulation, the Shareholders' Meeting approved the revision of the 2018-2020 Performance Share Plan, already approved by the Shareholders' Meeting of April 28th, 2018.

JULY

The Boards of Directors of **Cattolica** and **ICCREA Banca**, which met on July 3rd and 5th, 2019 respectively, resolved the renewal of the bancassurance partnership and the terms of the shareholding reorganisation of the joint ventures BCC Vita S.p.A. and BCC Assicurazioni S.p.A., formalising the related contracts on July 12th, 2019. On July 29th, Cattolica closed the purchase, from ICCREA Banca, of 19% of the share capital of the subsidiaries **BCC Vita S.p.A.** and **BCC Assicurazioni S.p.A.**, thus increasing its own shareholding in both companies from 51% to 70%, for a total price of € 42.5 million. At the same time, a new shareholders' agreement relating to the governance of the same companies and a new commercial bancassurance agreement were signed 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, with the assumption, by the parent company ICCREA Banca, of specific promotion commitments. Upon expiration, scheduled for December 31st, 2022, the agreements will be automatically renewed 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.

OCTOBER

On October 31st, Cattolica's Board of Directors revoked the Managing Director Alberto Minali's operating powers and, after consulting the Appointments Committee, granted all powers to the **General Manager**, Carlo Ferraresi.

DECEMBER

On December 10th, 2019, Cattolica signed a binding agreement for the acquisition of 40% of Cattolica Life DAC from Banca Popolare di Vicenza, in compulsory administrative liquidation. This acquisition follows the binding agreement signed on November 7th between Cattolica and the reinsurance group **Monument Re** concerning the sale of 100% of Cattolica Life DAC.
The entire transaction is expected to be completed by the first half of 2020 and is subject to the issue of the necessary authorisations by the competent authorities. The sale of Cattolica Life is part of the wider context of rationalisation and simplification of the Cattolica Group.

On December 12th, as part of the corporate reorganisation of Specialty Lines, the following transactions were completed, at market conditions:

- transfer in favour of the Luxembourg subsidiary **CattRe S.A.** of the interest held in Estinvest S.r.l., equal to 100% of the share capital;
- transfer in favour of **Estinvest S.r.l.** of the shares held in **Satec S.r.l.** (equal to 15.87%) and **All Risk Solutions S.r.l.** (equal to 20%).

The transfers are part of the development of the Specialty Lines project, in line with the guidelines of the Business Plan and with the objective of perfecting the layout of the deputy corporate structure, grouping all the MGAs into a single set dedicated to special risks, at the top of which CattRe S.A. is positioned.

On December 18th, Cattolica subscribed 70 Equity Financial Instruments with a nominal value of € 100,000 each, issued by **H-FARM S.p.A.** on December 14th, paying on the same date a total consideration of € 7 million. Even though the transaction did not affect the quota of ordinary shares held in H-FARM S.p.A., which remained unchanged and equal to 4.49%, Cattolica considered that all the relationships with the investee company, following the subscription of the Equity Financial Instruments, entailed its qualification as a related party.

Market share

4.6% life

6.3% non-life

REFERENCE SCENARIO

MACROECONOMIC SCENARIO

The macroeconomic environment in the first half of 2019 was characterised by a deterioration of the main current and forecast indicators, leading to a downward revision of global growth estimates. The slowdown in various economic areas has been mainly due to the global trade, which has witnessed a sharp contraction due to the tariff war between United States and China and, at the same time, the manufacturing sector, weakened by less international trade. Subsequently, starting from the third quarter, the situation settled thanks to a mitigation of the pessimism incorporated in the initial forecasts and the effects of renewed support from expansionary monetary policies.

The United States, after their 2018 exploits, closed 2019 with a growth of around 2.3%, continuing what can be considered the longest expansion cycle in their history. However, peak growth has been left behind and moderation is evident in the second and third quarters. The figures, 2.3% and 2.1% respectively, are a clear sign of it.

Industrial production, which is more sensitive to global trade dynamics, has particularly suffered throughout the year due to geopolitical uncertainties and the increased tensions between the US and China in relation to the trade war. The rivalry between the two superpowers, with President Trump threatening new duties and placing restrictions on American multinationals working with Chinese companies, especially in the technology and communications sectors, had a negative impact on the confidence indicators of the manufacturing sector, which stabilised in the second half of the year.

On the other hand, the indicators pertaining to the services sector, mainly driven by internal consumption, are still in a widely expansive territory, albeit at a slower rate. On this front, it should be pointed out that the labour market remains sound, with the unemployment rate falling from 4% to 3.5% during the year and a workforce participation rate that rose above 63%.

In his war against Chinese competition, Trump also involved the Federal Reserve, repeatedly clamouring for more accommodating policies, a weakening of the US Dollar and less competitive imports. Governor Powell, while reaffirming the Fed's autonomy from the US government, recognised the current slowdown and that expected on the basis of confidence indices and reversed the rate hike planned last year, making three cuts of 25 basis points. The reduction in the key rate should also be considered in relation to not particularly impressive inflationary dynamics, with the year-on-year variation that at different stages of the year has moved away from the 2% target.

European growth dynamics have declined even more sharply than those in the US. Confidence indicators in the manufacturing sector deteriorated in the first half, dropping below the threshold between expansion and recession, continuing their decline in the third quarter and then rebounding slightly in the latter part of the year. After ending 2018 with 1.9% growth, the European GDP was around +1.2% for 2019.

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

The indicators for the service sector are holding up in the expansion zone. The unemployment rate continued its six-year decline, reaching 7.5%. Inflation, after rising to 1.7% in the spring, fell sharply to 0.7% in the autumn, before rising to 1.3% at the end of the year.

Several geopolitical factors such as Brexit and the European elections weighed on the Eurozone during the year. The failure to reach an agreement on the UK's exit from the EU and the disorientation of UK domestic policy have created considerable uncertainty in the macroeconomic environment.

However, the outcome of the European elections brought some calm in the political landscape. The *status quo* remained essentially unchanged, with the two main Eurocentric parties, i.e. Socialists and Popular, while forced to find new alliances, 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, keeping the budget unchanged through the reinvestment of coupons and maturities. Like the Federal Reserve also the ECB reacted in advance to the weakness projected by indicators and restored a particularly accommodating monetary policy stance. The changeover from Mario Draghi to Christine Lagarde took place under the banner of continuity in the Frankfurt institution, which reassured the financial markets and made the environment generally more stable.

The performance 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.

Overall growth for 2019 has settled not far from 0.2%. Positive signs are instead coming on the front of unemployment, which dropped below 10% for the first time in seven years.

After a period of volatility experienced by domestic government securities during the summer, stabilisation of the domestic policy and the passing of a stability law in line with European restrictions led to a normalisation of the differential towards the corresponding German stocks, with a relative benefit for public finances.

The Japanese economy continues along its path to recovery, albeit characterised by a certain volatility. After a stable first quarter (+0.6%), driven by the improvement in the trade balance due to the collapse of imports, progress continued with moderation and an overall result of 1% is the target for 2019. Raising the VAT from 8% to 10%, implemented in October, led to a decline in the confidence of consumers, who, in spite of the 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 meant that the net contribution of the trade balance remained negative. Inflation, quite far from the 2% target, induced the Bank of Japan to hold the key rate at -0.10%, in part also to contrast the moves of the other central banks.

Emerging countries, China first and foremost, are slowing down much less markedly than developed countries, although they are still suffering from the downturn in global trade.

China's growth rate remains above 6%, experiencing a soft descent and confidence indicators show an opposite trend compared to developed countries. The services and agriculture sectors are contracting, while manufacturing is growing, but both remain in expansive territory above 50 points. Among the most positive signs are retail sales, which grew strongly in spite of the decline in the automotive sector. Solid wage growth, tax cuts and consumer confidence have supported consumption, but the issue of financial risk control remains in the background, which has limited and will continue to limit the degree of loosening of fiscal and monetary policy.

Bond markets

2019 was characterised by a substantial change in the macroeconomic environment, which had an impact on interest rates. From the first months of the year, central banks have taken note of the succession of unsatisfactory macroeconomic data and have gradually changed their monetary policy approach. Monetary policy decisions have therefore had an impact on the dynamics of rates, which have reached, at least in Europe, historical lows. The German ten-year bond opened the year at +0.24% and reached a record level of -0.70% at the end of August. In the third and fourth quarters, the less significant geopolitical uncertainties relieved the pressure on the Bund, which closed the year at -0.18%.

The Italian ten-year bond has experienced a similar dynamic. The market reacted positively to the government alliance formed at the end of the summer. The Italian ten-year rate, after starting the year around 2.7%, reached 1.4% at the end of December. The spread also showed similar dynamics: in the first months of the year it remained around 250 bps, fluctuating with peaks of over 280; in the summer months it compressed by over 100 bps to 140 and then closed the year at around 160 bps.

Stock markets

The stock markets recorded a particularly impressive year, not only recovering from the losses of the previous year, but experiencing one of the most impressive performances since the 2008 crisis. The balance was positive for all geographical areas and the MSCI World All Country Index, with a performance of 27%, broke new records, driven by the US stock exchanges, which are also at historic highs.

While on one hand the macroeconomic scenario was not favourable, with events that fuelled a climate of uncertainty, 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 maintained an accommodating attitude, which in fact limited market losses during periods of greater uncertainty. In particular, the Fed, in addition to cutting rates three times during the year, has once again expanded its performance, providing liquidity through very short-term transactions in order to guarantee liquidity for the banking system.

In general, the losses incurred by the stock exchanges when negative events were announced were more than offset by recoveries following positive news. Furthermore, at the end of the year, the tensions from the US-China trade war were partially calmed and the continuing uncertainty surrounding the Brexit issue was significantly reduced following the general elections in the UK.

In detail, 2019 saw the following performance before dividends among European stock exchanges: the FTSE MIB + 33.8%, the German DAX +25.5%, the French CAC 40 +30.5% and the Spanish IBEX 35 +16.5%.

In the United States, the S&P 500 grew by +31.5%, the Nasdaq by +36.7% and the Dow Jones by +25.3%. Japan ended the year with an increase of 20.7% while the MSCI emerging countries index closed at +18.6%, with Shanghai at +39.2% and Hong Kong at +13%.

Foreign exchange markets

In a context of low volatility of the currency market, the Euro saw a moderate weakening against the dollar for much of the year. The single currency has been weighed down by the relative weakness of macroeconomic figures in Europe, compounded by a worsening of expectations. This scenario prompted the ECB, during the course of the year, to provide a new accommodative impetus to its monetary policy. In the last quarter, thanks to the disappearance of a number of geopolitical tensions and the rise in the risk-free rate, the Euro regained strength. After hitting a low of just under $1.09 at the end of September, the Euro-Dollar exchange rate closed the year at 1.123.

The Yen strengthened in the first part of the year, especially during the phase of significant tension in the USA-China trade negotiations, reaching its peak in August, when 105 Yen was worth a Dollar. The American currency regained strength in the latter part of the year, with the easing of trade tensions between the USA and China, closing at 108.6, not far from the levels of the previous year.

Real estate market

The real estate sector in Italy in 2019 set a new record: with € 12.3 billion in investments, it is the highest value ever recorded. The previous record of 2017, when investments in the real estate sector amounted to € 11.2 billion, was therefore broken and the previous value recorded in 2018 was outperformed by 36%.

The Italian real estate market has therefore confirmed its attractiveness with an expected value of investments for the last quarter of the year of € 4 billion. The figure is significantly higher than the average of € 7.9 billion recorded over the last 5 years.

23% of capital flows came from domestic investors and 77% from international markets: 22% from North America, followed by France (23%), the United Kingdom (10%), Germany (8%), Asia Pacific (5%) and other investments "segmented" from the remaining financial markets (9%).

A particularly interesting asset class has been identified, tourism: thanks to its fifth position among the world's favourite destinations, Italy recorded over € 2.6 billion in investments in the hospitality sector at the end of September 2019, with an aggregate growth trend of 26%.

With reference to the other sectors of the real estate market, the logistics market grew, with investment volumes of over € 1.3 billion. A negative trend, on the other hand, was seen in the retail sector, which fell from € 2.2 billion in 2018 to € 2 billion in 2019, and the residential sector, which fell from € 763 million in investments raised in 2018, to € 687 million in investments.

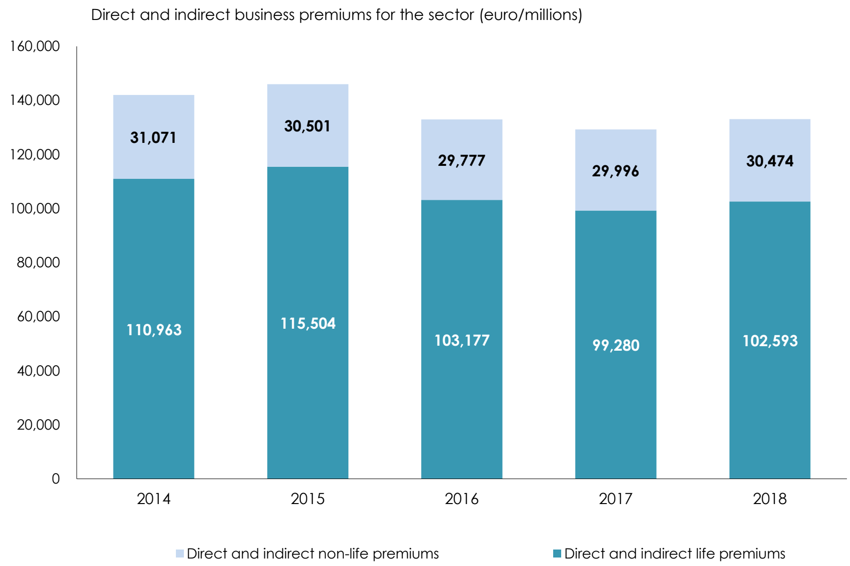
Finally, it should be noted that the Italian market has recorded a significant demand for high quality on the tertiary front, with the search for flexible spaces, in prime locations, which meet high sustainability criteria, and that possess certifications of global excellence, at the forefront of technology.

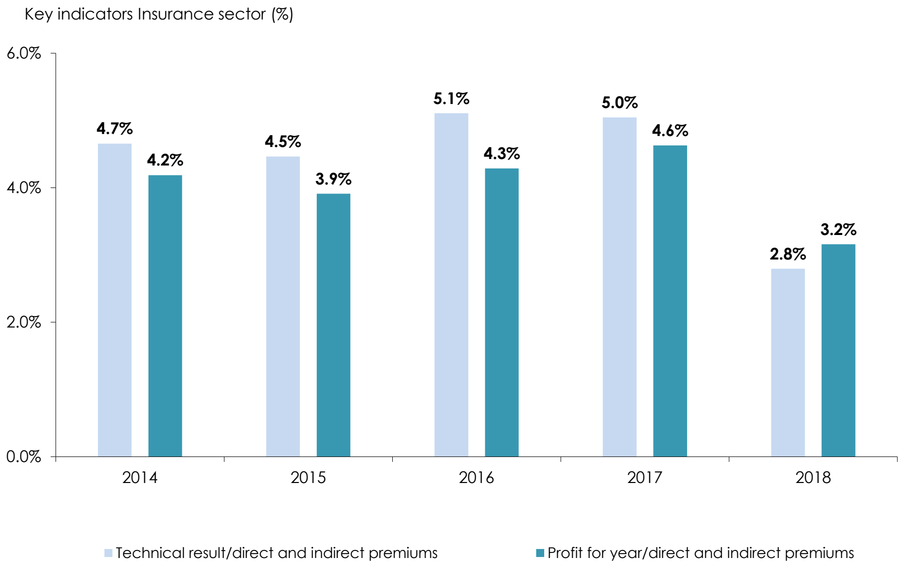
In particular, the Milan market, with a yield of 3.4% (source: Coima), confirmed its position as a market capable of guaranteeing returns similar to those of London and Madrid (3.5%) and higher than those of other European cities such as Frankfurt (3%) and Paris (2.75%).

In light of the COVID-19 emergency, the outlook for the development of the real estate market is changing radically and at the same time it is not possible to provide certainty to investors who are slowing down or suspending activities while waiting to assess the duration and evolution of the health emergency situation. The general expectations seem to go towards a lowering of prices for some asset classes such as Retail and Hospitality, whilst also considering important repercussions in the corporate office sector.

INSURANCE INDUSTRY

The graphs below show certain summary figures published by ANIA[1] for the insurance industry for the period 2014-2018.





1 Source ANIA - *L'assicurazione italiana* 2018-2019, publication dated July 2019.

According to ANIA, 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 business would thus continue its moderately expansionary phase, in line with the growth of the previous year (+3.2% in 2018). The positive development both of the non-life business premiums (+3.2%) and of the life business premiums (+2.5%) would contribute to the 2019 result. Total premiums written as a percentage of GDP would slightly rise, from 7.7% in 2018 to 7.8% in 2019.

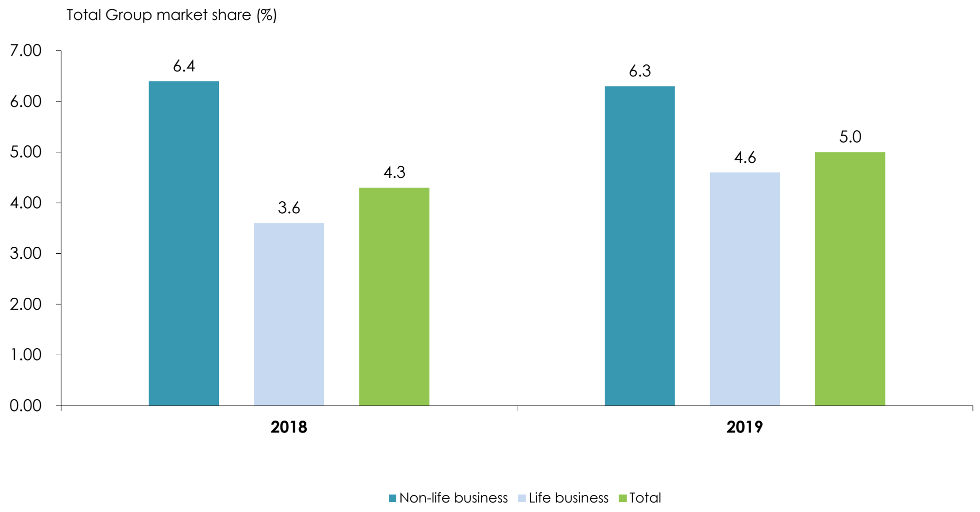
Premiums written for the Italian direct portfolio of the **non-life business** in 2019 would exceed € 34 billion, up 3.2% with respect to 2018, consolidating the positive performance that started in 2017 (+1.2%) and continued in 2018 (+2.3%), after the overall decline of over 12% in the previous five 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 business. The impetus would come from continuous technological innovation, which impacts the creation of ever more attractive and usable 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 2019 (-2.9% from January to May 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 would remain unaltered (1.9%).

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

The new life production of individual policies at the end of May 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 business with respect to GDP would rise from 5.8% in 2018 to 5.9% in 2019.

On the basis of the market figures for gross premiums written as of September 30th, 2019, of Italian companies and non-EU representative agencies, (Ania Trends, No. 10, December 2019) total life and non-life premiums were up 0.2%, the non-life classes were up 3.6% and the life classes down 0.8%. The non-life classes rose 0.4% in the motor classes and 7% in the non-motor classes.


Total Group market share (%)
7.00
6.00
5.00
4.00
3.00
2.00
1.00
0.00
6.4
3.6
4.3
6.3
4.6
5.0
2018
2019
Non-life business
Life business
Total

MANAGEMENT REPORT

Total premiums written

6,944.4 € MLN

+19.9%

MANAGEMENT REPORT

THE GROUP IN 2019

During the year, the Cattolica Group was able to maintain its growth rates in the Life business and the Non-life business, as well as with the ongoing precious contribution of the agency network, also thanks to the contribution of the bancassurance agreements, in particular with the increase in premiums written with Banco BPM.

In particular, operating profit, which is the bellwether, is still growing, even in 2019 just ended, albeit with a 2020 projection slightly lower than the targets of the 2018-2020 Plan, taking into account the more unfavourable than expected financial and insurance scenarios. In the first months of 2020, new 2020 projections were approved with an expected operating result in a range between € 350 million and € 375 million compared to €375/400 million before.

The Cattolica Group closed the year with an operating result[2] up by 3.1% to € 301.5 million (€ 292.4 million in 2018), suffering the effect of various extraordinary negative entries on the consolidated profit, which amounted to € 103 million (-24.6%) and with the Group net profit of € 75.1 million (-29.7%). The Group's profit was mainly affected by the loss deriving from the transfer of Cattolica Life, which will be completed in 2020 (€ 7 million) communicated to the market in December, the impairment of the goodwill of Vera Vita (€ 13 million), property write-downs of € 10 million and other residual and segmented entries totalling € 16 million.
The adjusted Group result[3] amounts to € 103 million (-13.2%).

In particular, in the non-life business, the operating result, weighted down by the weather events recorded in the second half of the year, is € 148.8 million (-11.8%), while in the life business amounts to € 156.9 million (+23.2%).
Operating ROE (Return on Equity)[4] was 7.9%, up by 0.4 percentage points.

The increase in volumes and the technical profitability of life and non-life, which remains solid even though it was affected by the major weather events recorded in particular in the third quarter, led to a growing operating result, demonstrating the solidity of the Group's core business.

Total premiums written for direct and indirect life and non-life business came to € 6,944.4 million (+19.9%), up by 13.1% on a like-for-like basis[5].

Premiums written for direct non-life business amounted to € 2,156.9 million (+2.5%): growth amounted to 1.6% on a like-for-like basis.
In the motor sector, premiums amounted to € 1,092.1 million (-1.7%), down 1.9% on a like-for-like basis, due to actions to recover profitability through an increase in the average premium and several specific pruning actions. Premium income from non-motor classes amounted to € 1,064.8 million (+7.3%), up 5.4% on a like-for-like basis, thanks to the numerous initiatives envisaged in the Business Plan aimed at rebalancing the non-life business mix in favour of non-motor.

The combined ratio increased from 93.4% to 94.3% (+0.9 percentage points) despite the impact of the increase in weather-related claims, equal to +2.2 percentage points. (6.4% of net premiums for the year). The claims ratio for retained business is stable at 63.1% (-0.1 percentage points), while the expense ratio for retained business is 29.7%, up 0.5 percentage points, due to the production mix that affects the acquisition ratio (+0.5 percentage points); the G&A expense ratio is in line with last year.

In the life sector, direct business premiums came to € 4,771.7 million (+30%), an increase of 19.7% on a like-for-like basis.
Production is supported by a highly positive increase of linked products (+91.2%), in line with the actions of the Plan, which accelerated sharply from the second quarter onwards, thanks mostly to the contribution of bancassurance with Banco BPM. The new business concerning the life policies subject to revaluation with minimum guaranteed rates of 0% is allowing a gradual reduction in the average guaranteed minimum of the Group's stock of actuarial provisions at 0.58% (0.78% as of December 31st, 2018). The cost savings observed in particular in the life business were significant, with a ratio

[2] The operating result excluded more volatile components (realisations, write-downs, other one-offs). In detail, the Non-life operating result is defined as the sum of the re-insurers net technical balance, ordinary financial income, other net non-technical costs (amortisation/depreciation, write-down of insurance receivables, etc.); excluded from the operating result are realised (plus/minus) financial results, valuation and impairment; write-downs 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] It is defined as the measure of Group profit less the amortisation of VOBA (value of business acquired) and goodwill impairment, which have an impact on Group profit but do not affect the Solvency position.
[4] The operating ROE is the ratio between the sum of the operating result minus the cost of employment, taxation and minority interest and the average of the Group shareholders' equity (excluding the AFS reserve). Taxation is calculated consistently with reference to the operating result entries.

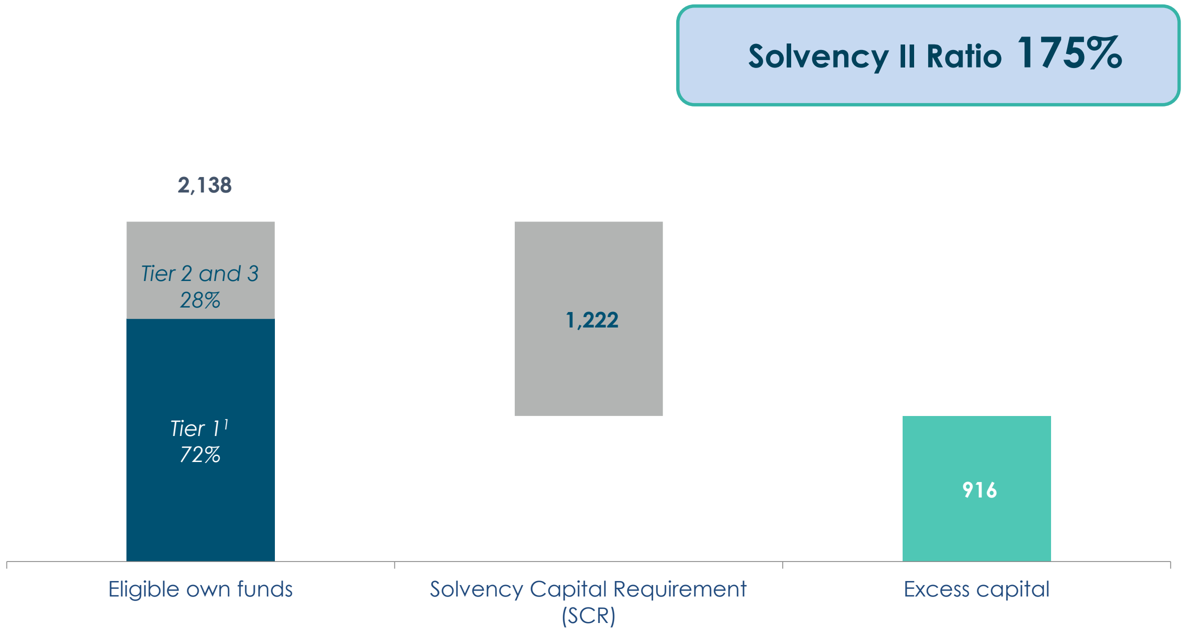
[5] Excluding premiums relating to the partnership with Banco BPM pertaining to the 1st quarter of 2019.

of other administrative expenses to premiums falling from 2.1% to 1.3%.
Financial management[6], before tax, posted a net profit of € 528.6 million (+9.1%), with non-life yield up from 2.4% to 2.8%. The components of this result are discussed in the "Financial and asset management" section in the "Business performance for the period" chapter.

As of December 31st, investments - including properties classified in the tangible assets and cash and cash equivalents item - amounted to € 33,401.5 million (+6%). Gross technical provisions for non-life business amounted to € 3,704.2 million (-1.2%). Provisions for life business, inclusive of financial liabilities, amounted to € 28,002.8 million (+5.7%).

Consolidated net shareholders' equity amounted to € 2,351 million (+4.2%).

The Solvency II margin of the Group came to 1.75 times the regulatory minimum. The Board of Directors reserved the right to formulate, availing itself of the Italian "Cura Italia" Decree, its proposal for the allocation of profits at and during the Shareholders' Meeting that is called to approve the Financial Statements, providing the appropriate information.



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

KEY INDICATORS OF CATTOLICA GROUP BUSINESS PERFORMANCE

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

For a proper analysis of changes during the year, note that the income statement figures as of December 31st, 2018, include those relating to the nine months of the year for the companies acquired by Banco BPM on March 29th, 2018. The assets and liabilities of Cattolica Life, the transfer of which will be realised, having obtained the related authorisations, in the first half of 2020, have been reclassified to the specific "disposal" items pursuant to IFRS 5.

In this report, the term “premiums written” means the sum 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

(€ thousands)	2019	2018	Changes Amount	%
Total premiums written	**6,944,434**	**5,793,132**	**1,151,302**	**19.9**
of which				
Gross premiums written	**6,857,965**	**5,648,624**	**1,209,341**	**21.4**
Direct business - non-life	2,156,914	2,103,858	53,056	2.5
Direct business - life	4,685,223	3,527,196	1,158,027	32.8
Indirect business - non-life	15,801	17,534	-1,733	-9.9
Indirect business - life	27	36	-9	-23.9
of which				
Investment contracts	**86,469**	**144,508**	**-58,039**	**-40.2**
Operating result	**301,512**	**292,447**	**9,065**	**3.1**
Consolidated net profit for the period	**103,026**	**136,626**	**-33,600**	**-24.6**
Group net profit for the period	**75,140**	**106,934**	**-31,794**	**-29.7**

Table 2 - Key equity indicators

(€ thousands)	2019	2018	Changes Amount	%
Investments	**33,401,509**	**31,501,671**	**1,899,838**	**6.0**
Assets of disposal group held for sale	**197,164**	**0**	**197,164**	**n.a.**
Technical provisions net of reinsurance amount	**30,272,836**	**28,261,846**	**2,010,990**	**7.1**
Financial liabilities relating to investment contracts	**1,494,280**	**1,809,686**	**-315,406**	**-17.4**
Liabilities of disposal group held for sale	**193,783**	**0**	**193,783**	**n.a.**
Consolidated shareholders' equity	**2,351,011**	**2,255,327**	**95,684**	**4.2**

n.a. = not applicable

Table 3 - Headcount and sales network

(number)	2019		2018	Changes Amount	%
Total headcount	1,778	(1)	1,692	86	5.1%
Full time equivalent headcount	1,717	(1)	1,631	86	5.3%
Direct network:					
Agencies	1,395		1,444	-49	-3.4%
Partner networks:					
Bank branches	6,075		6,054	21	0.3%
Financial advisors	737		733	4	0.5%

(1) Having taken into account the exit as of December 31st, 2019, of 7 collaborators to join the Intersectorial Solidarity Fund.

Table 4 - Reclassified consolidated statement of financial position

(€ thousands)	2019	2018	Changes Amount	Changes %	*Items from obligatory statements (*)*
Assets					
Investment Property	850,449	787,262	63,187	8.0	*4.1*
Property	210,291	169,431	40,860	24.1	*2.1*
Investments in subsidiaries, associated companies and joint ventures	159,846	119,060	40,786	34.3	*4.2*
Loans and receivables	1,072,157	864,913	207,244	24.0	*4.4*
Held to maturity investments	212,129	225,434	-13,305	-5.9	*4.3*
Available for sale financial assets	23,823,347	23,119,705	703,642	3.0	*4.5*
Financial assets at fair value through profit or loss	6,604,905	5,809,521	795,384	13.7	*4.6*
Cash and cash equivalents	468,385	406,345	62,040	15.3	*7*
Total Investments	**33,401,509**	**31,501,671**	**1,899,838**	**6.0**	
Intangible assets	880,981	911,283	-30,302	-3.3	*1*
Technical provisions - reinsurance amount	618,776	701,607	-82,831	-11.8	*3*
Sundry receivables, other tangible assets and other asset items	2,439,307	1,748,620	690,687	39.5	*(**)*
of which assets of a disposal group held for sale	*197,164*	*0*	*197,164*	*n.a.*	*6.1*
TOTAL ASSETS	**37,340,573**	**34,863,181**	**2,477,392**	**7.1**	
Shareholders' equity and liabilities					
Group capital and reserves	1,818,491	1,672,952	145,539	8.7	
Group profit (loss) for the period	75,140	106,934	-31,794	-29.7	*1.1.9*
Shareholders' equity pertaining to the Group	***1,893,631***	***1,779,886***	***113,745***	***6.4***	*1.1*
Capital and reserves pertaining to minority interests	429,494	445,749	-16,255	-3.6	
Profit (loss) for the period pertaining to minority interests	27,886	29,692	-1,806	-6.1	*1.2.3*
Shareholders' equity pertaining to minority interests	***457,380***	***475,441***	***-18,061***	***-3.8***	*1.2*
Total Capital and reserves	**2,351,011**	**2,255,327**	**95,684**	**4.2**	*1*
Premium provision	880,196	853,672	26,524	3.1	
Provision for outstanding claims	2,824,012	2,894,197	-70,185	-2.4	
Gross technical provisions - non-life	**3,704,208**	**3,747,869**	**-43,661**	**-1.2**	*3*
Gross technical provisions - life	**26,508,471**	**24,692,603**	**1,815,868**	**7.4**	*3*
Other gross non-life technical provisions	2,789	2,093	696	33.2	*3*
Other gross life technical provisions	676,144	520,888	155,256	29.8	*3*
Financial liabilities	2,344,915	2,601,082	-256,167	-9.8	*4*
of which deposits from policyholders	*1,494,280*	*1,809,686*	*-315,406*	*-17.4*	
Allowances, payables and other liability items	1,753,035	1,043,319	709,716	68.0	*(***)*
of which liabilities of a disposal group held for sale	*193,783*	*0*	*193,783*	n.a.	*6.1*
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**37,340,573**	**34,863,181**	**2,477,392**	**7.1**	

n.a. = not applicable

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

Table 5 - Reclassified consolidated income statement

(€ thousands)	2019	2018	Changes Amount	Changes %	Items from obligatory statements (*)
Net premiums	6,544,168	5,354,832	1,189,336	22.2	*1.1*
Net charges relating to claims	-6,257,029	-4,567,627	-1,689,402	-37.0	*2.1*
Operating expenses	-778,277	-736,149	-42,128	-5.7	
of which commission and other acquisition costs	-569,766	-516,624	-53,142	-10.3	*2.5.1*
of which other administrative expenses	-208,511	-219,525	11,014	5.0	*2.5.3*
Other revenues net of other costs (other technical income and charges)	-80,480	-55,062	-25,418	-46.2	*1.6 - 2.6*
Net income from financial instruments at fair value through profit or loss	366,042	-162,421	528,463	n.s.	*1.3*
Result from class D financial operations (**)	372,684	-164,208	536,892	n.s.	
Net income from investments in subsidiaries, associated companies and joint ventures	2,182	2,883	-701	-24.3	*1.4 - 2.3*
Net income from other financial instruments and investment property	577,351	522,025	55,326	10.6	*1.5 - 2.4*
of which net interest	441,906	444,041	-2,135	-0.5	*1.5.1 - 2.4.1*
of which other income net of other charges	91,986	93,543	-1,557	-1.7	*1.5.2 - 2.4.2*
of which net profits realised	77,896	10,941	66,955	n.s.	*1.5.3 - 2.4.3*
of which net valuation profits on financial assets	-34,437	-26,506	-7,931	-29.9	*1.5.4 - 2.4.4*
of which changes in other financial liabilities	0	6	-6	-100.0	
Commissions income net of commissions expense	-1,106	213	-1,319	n.s.	*1.2 - 2.2*
Operating expenses relating to investments (***)	-50,831	-43,538	-7,293	-16.8	2.5.2
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**322,020**	**315,156**	**6,864**	**2.2**	
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-133,065	-84,443	-48,622	-57.6	*1.6 - 2.6*
PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR	**188,955**	**230,713**	**-41,758**	**-18.1**	
Taxation	-85,929	-94,087	8,158	8.7	*3*
NET PROFIT (LOSS) FOR THE YEAR	**103,026**	**136,626**	**-33,600**	**-24.6**	
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**n.a.**	***4***
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**103,026**	**136,626**	**-33,600**	**-24.6**	
Profit (loss) for the year pertaining to minority interests	27,886	29,692	-1,806	-6.1	
PROFIT (LOSS) FOR THE YEAR PERTAINING TO THE GROUP	**75,140**	**106,934**	**-31,794**	**-29.7**	

(*) 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 € 864 thousand and other revenues amounting to € 7.664 million.

(***) Includes operating expenses relating to class D investments amounting to € 864 thousand.

n.s. = not significant

n.a. = not applicable

Table 6 - Reclassified consolidated income statement by business segment

	NON-LIFE		LIFE		OTHER		TOTAL	
(€ thousands)	2019	2018	2019	2018	2019	2018	2019	2018
Net premiums	1,887,566	1,854,611	4,656,602	3,500,221	0	0	6,544,168	5,354,832
Net charges relating to claims	-1,190,155	-1,171,230	-5,066,874	-3,396,397	0	0	-6,257,029	-4,567,627
Operating expenses	-561,282	-540,934	-216,911	-195,155	-84	-60	-778,277	-736,149
of which commission and other acquisition costs	-413,375	-397,749	-156,391	-118,875	0	0	-569,766	-516,624
of which other administrative expenses	-147,907	-143,185	-60,520	-76,280	-84	-60	-208,511	-219,525
Other revenues net of other costs (other technical income and charges)	-27,913	-20,167	-52,567	-34,895	0	0	-80,480	-55,062
Net income from financial instruments at fair value through profit or loss	-582	-1,368	366,620	-161,049	4	-4	366,042	-162,421
Result from class D financial operations (*)	0	0	372,684	-164,208	0	0	372,684	-164,208
Net income from investments in subsidiaries, associated companies and joint ventures	3,406	2,416	-1,224	467	0	0	2,182	2,883
Net income from other financial instruments and investment property	70,552	68,629	515,488	454,488	-8,689	-1,092	577,351	522,025
Commissions income net of commissions expense	0	0	-1,106	213	0	0	-1,106	213
Operating expenses relating to investments (**)	-10,001	-10,501	-38,251	-29,578	-2,579	-3,459	-50,831	-43,538
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**171,591**	**181,456**	**161,777**	**138,315**	**-11,348**	**-4,615**	**322,020**	**315,156**
Other revenues net of other costs (excluding other technical income and charges included under insurance operations)	-66,503	-51,989	-65,295	-33,134	-1,267	680	-133,065	-84,443
PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR	**105,088**	**129,467**	**96,482**	**105,181**	**-12,615**	**-3,935**	**188,955**	**230,713**
Taxation	-47,118	-58,039	-41,496	-36,826	2,685	778	-85,929	-94,087
NET PROFIT (LOSS) FOR THE YEAR	**57,970**	**71,428**	**54,986**	**68,355**	**-9,930**	**-3,157**	**103,026**	**136,626**
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	**57,970**	**71,428**	**54,986**	**68,355**	**-9,930**	**-3,157**	**103,026**	**136,626**
Profit (loss) for the year pertaining to minority interests	2,297	1,113	25,589	28,704	0	-125	27,886	29,692
PROFIT (LOSS) FOR THE YEAR PERTAINING TO THE GROUP	**55,673**	**70,315**	**29,397**	**39,651**	**-9,930**	**-3,032**	**75,140**	**106,934**

(*) Includes the Class D profits recognised in the operating expenses relating to investments amounting to € 864 thousand and other revenues amounting to € 7.664 million.

(**) Includes operating expenses relating to class D investments amounting to € 864 thousand.

Table 7 - Operating result by business segment

	NON-LIFE		LIFE		OTHER		TOTAL		
(€ thousands)	2019	2018	2019	2018	2019	2018	2019	2018	*Items from obligatory statements (**)*
Net premiums	1,887,566	1,854,611	4,656,602	3,500,221	0	0	6,544,168	5,354,832	1.1
Net charges relating to claims	-1,190,155	-1,171,230	-5,066,874	-3,403,221	0	0	-6,257,029	-4,574,451	2.1
Operating expenses	-561,282	-540,934	-216,911	-195,155	-84	-60	-778,277	-736,149	
of which commission and other acquisition costs	*-413,375*	*-397,749*	*-156,391*	*-118,875*	*0*	*0*	*-569,766*	*-516,624*	*2.5.1*
of which other administrative expenses	*-147,907*	*-143,185*	*-60,520*	*-76,280*	*-84*	*-60*	*-208,511*	*-219,525*	*2.5.3*
Other revenues net of other costs (other technical income and charges)	-27,913	-20,167	-52,567	-34,895	0	0	-80,480	-55,062	1.6 - 2.6
Income from gross ordinary investments	93,570	93,141	880,612	296,417	-942	0	973,240	389,558	1.3 + 1.5 - 2.4
Commissions income net of commissions expense	0	0	-1,106	213	0	0	-1,106	213	1.2 - 2.2
Operating expenses relating to investments (*)	-10,001	-10,501	-38,251	-29,578	-2,579	-3,459	-50,831	-43,538	2.5.2
RESULT OF INSURANCE BUSINESS AND FINANCIAL OPERATIONS	**191,785**	**204,920**	**161,505**	**134,002**	**-3,605**	**-3,519**	**349,685**	**335,403**	
Other revenues net of other operating costs	-42,964	-36,279	-4,619	-6,677	-590	0	-48,173	-42,956	1.6 - 2.6
OPERATING RESULT	**148,821**	**168,641**	**156,886**	**127,325**	**-4,195**	**-3,519**	**301,512**	**292,447**	
Realised and valuation gains	1,104	-1,152	7,146	2,678	-7,743	-1,096	507	430	1.3 + 1.5 - 2.4
Subordinated interest	-24,704	-24,728	-5,650	-5,655	0	0	-30,354	-30,383	1.3 + 1.5 - 2.4
Net income from investments in subsidiaries, associated companies and joint ventures	3,406	2,416	-1,224	467	0	0	2,182	2,883	1.4 - 2.3
Other revenues net of other non-operating costs	-23,539	-15,710	-60,676	-19,634	-677	680	-84,892	-34,664	1.6 - 2.6
PROFIT (LOSS) BEFORE TAXATION FOR THE YEAR	**105,088**	**129,467**	**96,482**	**105,181**	**-12,615**	**-3,935**	**188,955**	**230,713**	
Taxation	-47,118	-58,039	-41,496	-36,826	2,685	778	-85,929	-94,087	3
PROFIT (LOSS) FOR THE YEAR	**57,970**	**71,428**	**54,986**	**68,355**	**-9,930**	**-3,157**	**103,026**	**136,626**	
pertaining to the Group	55,673	70,316	29,397	39,651	-9,930	-3,033	75,140	106,934	
pertaining to minority interests	2,297	1,112	25,589	28,704	0	-124	27,886	29,692	
ADJUSTED GROUP RESULT	**58,242**	**72,223**	**54,986**	**49,785**	**-9,930**	**-3,047**	**103,298**	**118,961**	

(*) Includes operating expenses relating to class D investments amounting to € 864 thousand.
(**) Indicates the items of the statements in the Consolidated Financial Statements as per ISVAP Regulation No. 7 dated July 13th, 2007

Table 8 - Key efficiency and profitability indicators

	2019	2018
Non-life ratios for retained business		
Claims ratio (Net charges relating to claims / Net premiums)	63.1%	63.2%
G&A ratio (Other administrative expenses/ Net premiums)	7.8%	7.7%
Commission ratio (Acquisition costs / Net premiums)	21.9%	21.4%
Total Expense ratio (Operating expenses / Net premiums)	29.7%	29.1%
Combined ratio (1 - (Technical balance / Net premiums))	94.3%	93.4%
Non-life ratios for direct business		
Claims ratio (Net charges relating to claims / Premiums for the year)	63.1%	62.8%
G&A ratio (Other administrative expenses / Premiums for the year)	7.0%	6.8%
Commission ratio (Acquisition costs / Premiums for the year)	22.0%	21.3%
Total Expense ratio (Operating expenses / Premiums for the year)	29.0%	28.1%
Combined ratio (1 - (Technical balance / Premiums for the year))	93.7%	92.1%
Life ratios		
G&A ratio (Other administrative expenses / Premiums written)	1.3%	2.1%
Commission ratio (Acquisition costs / Premiums written)	3.3%	3.2%
Total Expense ratio (Operating expenses/ Premiums written)	4.6%	5.3%
Total ratios		
G&A ratio (Other administrative expenses / Premiums written)	3.0%	3.8%
Operating costs [(1)] / Premiums written	4.5%	5.5%

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 costs 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 24 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 also achievable thanks to the contribution of inorganic actions.
At the centre of the distribution system remains the agency network for which the Plan forecasts, with a view to an ever closer partnership with the Company, medium-sized premium portfolio 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, during 2019, a "fly to quality" path was launched, which is expressed in a series of initiatives that, thanks to the recognition of greater autonomy, more services and a more specific and attentive support to values such as competence and speed of response, will guarantee the network and end customers an increasingly distinctive offer, having, at the same time, positive effects 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. In this regard, both the results achieved by the network in the life business in terms of the ratio of Class III production, which rose from 5.7% at the start of the Plan to around 25% at the end of 2019 with a more favourable mix compared to the market, and the considerable proactivity shown by the network towards a new way of working with the number of agencies classified as "fully digital", which rose from 19% to 33% in 2019, were very positive.
Lastly, it should be noted - still in the area of growth of the Agency's prospective profitability and increased partnership with the Company - the sharing in 2019 of a new tool called "Quadrifoglio", capable of simulating the agency's economic leverage and its impact in terms of expected profit increase.

However, the distribution model is also reinforced by the offer through the broker channel. Precisely for the purpose of providing the channel with greater service and support the administration and management of the Milan Operations was reorganised in early 2018. Primarily focused on the "Large Companies Risks", it led 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 the low capital-absorption products for the life and non-motor non-life sectors are expected in addition 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 to 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 agency that will be more accessible are amplified; a customised navigation will then allow, thanks to an AI motor, the collection of data to be used to propose a more tailor-made offer; also important, last but not least, will be the improvement of the ability to attract new target customers represented by millennial and/or hybrid customers.

In keeping with the logic of innovating and improving the customer experience alongside distribution networks, digital channels and access points were developed in 2019. The innovative "C2 Cattolica Community" digital platform, launched during the year and already extended to the entire network, complementary to the "Mobile App", aims to build customer loyalty according to new engagement models based on community concepts, an ecosystem of scalable services in synergy with the other Business Plan and marketplace initiatives.
Lastly, rapid quotation services have been activated for the main retail products (Car, Motorcycle, Home, Travel, Life Protection, Pension Planning) and are directly accessible by the customer via the internet or the app.

With regard to the customisation of the offer and the enhancement of a distinctive segment, which has always been important for Cattolica, mainly that of the "Third Sector and Volunteering", it should be noted that the Group has placed a new product on the market, thus increasing its presence in the sector, known as, "*Cattolica&Solidarietà TerzoSettore*", an insurance solution that complies with the obligations imposed by the Reform of the Third Sector Code (Italian Legislative Decree No. 117 of July 3rd, 2017), providing comprehensive insurance protection to volunteers and all those who make up this varied and important sector.

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 timeframe 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: 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 construction of the data architecture, started at the beginning of 2018, foresees the availability of a unique and certified digital platform, resident in the cloud, which, allowing the integrated management of both static and dynamic customer data, relating to clients, allowing for the creation of 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.

Precisely in this direction, with regard to pricing, it is worth mentioning the application, already in place in the last months of 2018 - by virtue of the simplification of the methods of company data use enabled by the new data platform - of a sophisticated technical calibration rationale for Motor TPL prices proposed for renewal. This "pricing optimisation" rationale currently applied to about 50% of the motor vehicle portfolio is expected to be extended to the Group's entire customer base in 2020.
Significant results have also been achieved in the field of anti-fraud activities, favoured by the introduction on the aforementioned platform of an innovative artificial intelligence engine, aimed at improving the efficiency of predictive methods of detection of fraudulent claims on which to intensify investigative activities.

The offer of new related products is moving in the same direction and in parallel: "*Active Auto*", the car offer launched during 2018, is its first tangible example.
This offer, devised in particular for millennials and for urban area students, 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.
About a year and a half after the launch of the product, the "connected" portion of the new car production in relation to the Cattolica agency channel has increased

by up to 27%, with a significantly increased product profitability in terms of C/P compared to the "traditional product". In addition, processes and product innovations are continuing to improve assistance in the installation and connection phases.

The very recent launch of the "*Active Casa e Persona*" product is also part of this rationale. Characterised by a modular approach and an immediately comprehensible information set, it includes, among its most important new features, specific tele-surveillance services, solutions related to home automation (which is at the heart of a shared innovation project developed with a start-up) as well as formulas to combat cyber risk.
It is always from a viewpoint of providing high-value, long-term services, and as part of a strategy strongly focused on prevention and assistance, that we can frame both the partnership concluded during 2018 with IMA Italia Assistance and the establishment in the same year of a real estate fund dedicated to the care of the elderly.
The agreement with IMA Italia Assistance has allowed Cattolica to reach a significant size in the strongly growing business area of assistance, while enriching the ecosystem of the services for its own clients in the motor, home, travel and health sectors. During 2019, the industrial partnership with IMA was developed, extending the concept of customer service in addition to assistance (Class 18). In fact, IMA has launched other services for the Cattolica Group, such as the activation of a telephone channel for reporting and support in the event of a claim (currently operational for the bancassurance channel) and the provision of the Third Party Administrator on Health (for the management of medical expenses, including through a network of over 11,000 health facilities in the area).

The investment subscribed with Coopselios, for the creation of a real estate fund dedicated to elderly care, consolidated the presence of Cattolica in the sector of health care real estate and of prevention and protection for the elderly. As a natural consequence of all this, in 2019, as a Promoter Partner, Cattolica joined the "*Fondazione Easy Care*", a qualified entity in the field of innovative social cohesion and welfare models.

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 of particular significance is the saving obtained from the re-pricing and re-underwriting actions that, after starting in 2018, are considerable and continued successfully during 2019 in the Business and Agriculture sectors and extended in the second half of the year to Religious Entities.

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. A considerable impulse was also given to enriching the catastrophe offer, which has already generated a premium portfolio increase of around € 6.5 million. In this sense, during the last few months of 2018, the existing products were updated with the inclusion of such coverage and a policy against natural catastrophes for the whole world of ecclesiastical entities, entered into with the Italian Episcopal Conference.

In addition, according to an innovative scheme, a project was launched that entails the development of specialty lines, which allows the Group to position itself in an area somewhere between retail and 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, 100% Cattolica-owned, operates as a reinsurer, but at the same time coordinates various underwriting agencies (MGAs), which are acquired or federated from time to time, focused on specific geographical areas and/or business lines.
A commercial partnership with them is envisaged, as well as tight control and overview on the pricing and underwriting activities of the identified agencies. 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 and those deriving from the creation of a new "Claims Control" organisational unit. Additional projects aimed at achieving further savings thanks to the channelling processes are almost complete.

The partnership with Banco BPM also permits 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).

On the other hand, the ongoing cultural change aims to "put people at the centre", making them feel that they are the protagonists of the change in a vision that aims at cultivating new skills that are increasingly necessary in today's dynamic environment.

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

- introduction of a new performance assessment system, aligned with the objectives of the Business Plan, to contribute to the enhancement of the most dynamic resources present in the company, also in respect of gender equality and parallel development of a recovery plan for "low performers"; identification in particular of a group of high performers called "Plan talents", who are sought after for support that is expressed in particular in a bottom-up co-creation activity in relation to a number of new transversal projects;
- launch of an initiative called "job market", a type of internal labour market within which employees can choose a new job by applying to be transferred to another department;
- start of a re-training activity for the labour force following significant organisational developments of the Plan;
- development of a specific path to enhance "digital mindfulness", i.e. a more versatile mindset, more closely suited to new technologies;
- improvement of the model for corporate welfare but also well-being (including agreements with gyms, extension of smart-working, managing maternity leave by hours, incentives for long-term rental, health initiatives);
- start of 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;
- launch of a car-pooling initiative, i.e. the sharing of private vehicles among colleagues, with the aim of saving costs and travel time as well as positive effects in terms of internal cohesion and environmental pollution.

Within this path to cultural change was the excellent results of the "Great Place to Work" corporate climate survey, with a further rise in the confidence index by 5 percentage points in 2019 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 tangible 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. Launched in particular in the last months of 2019, to be completed in the first quarter of 2020, a number of corporate competitions with the aim of increasing their diffusion and orientation were carried out, and whose awards to the winners are accompanied by donations to parties active in the non-profit world.
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 2019.

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 was also 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 UCITS was raised to 5%. Exceeding the threshold, however, does not result in loss of shareholder status.

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 capital respectively, whatever the number of Shareholders that voted it may be.

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 2019, six brokers followed Cattolica stock with analyses and comments. On December 10th, 2019, Société Générale began hedging Cattolica's stock, bringing the number of brokers following the stock to seven.

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 2019, more than 100 investors were met on the occasion of road shows or events both in Italy and abroad, during which broad interest for the Group was generated. Public conference calls were also organised at the time of the approval of the results.

Rating

On July 26th, Standard & Poor’s confirmed Cattolica’s rating as BBB- and the outlook as negative. Cattolica's assessment before sovereign risk, also on the basis of the new criteria adopted, is confirmed as bbb+, one notch higher than the financial strength rating BBB, which remains limited by that of the Italian Republic, in accordance with the matters envisaged by the standards of the Agency. The outlook remains negative and reflects that relating to the sovereign debt of the Italian Republic.

Operating Result

Life Business

156.9 € MLN

Non-life Business

148.8 € MLN

Other

-4.2 € MLN

MANAGEMENT REPORT

BUSINESS PERFORMANCE

A BRIEF OUTLINE OF THE BUSINESS PERFORMANCE

The Group by main financial statements 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 the life and non-life business, is divided between the Non-Life business(ABC Assicura, BCC Assicurazioni, CattRE, TUA Assicurazioni, Vera Assicurazioni, Estinvest, All Risks Solutions, Satec, Meteotec and Qubo Insurance Solutions, and the closed-end real estate 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 real estate funds allocated to the life portfolio).

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

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

Profit for the year

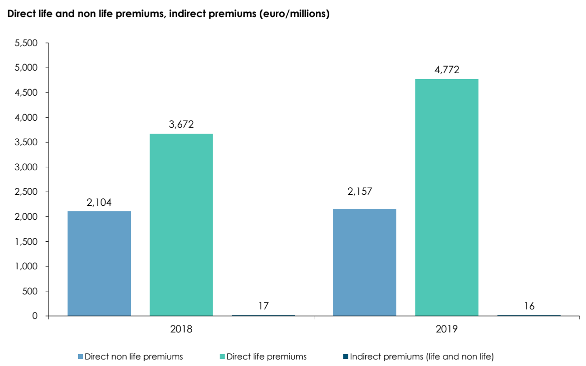
The Financial Statements closed with a consolidated net result of € 103 million (-24.6%) attributable to the Non-life business for € 58 million (-18.8%), affected by the worsening of the combined ratio, to the Life business for € 55 million (-19.6%), affected by the capital loss on the future transfer of Cattolica Life and the impairment of goodwill and to the Other business which recorded a loss of € 10 million against € -3.2 million in 2018, affected by a number of write-downs of investment property.

The Group's net profit amounted to € 75.1 million (-29.7%).

Operating result[7] with € 301.5 million marks an increase of 3.1%, in line with the objectives of the 2018-2020 Business Plan.

Premiums

Gross consolidated premiums (which comply with the definition of insurance policy as per IFRS 4) at the end of the accounting period amounted to € 6,858 million (+21.4%). Also taking into account investment contracts, total premiums written came to € 6,944.4 million (+19.9%).



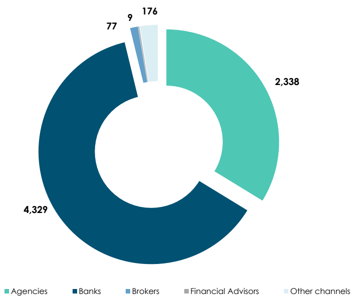
Gross direct non-life premiums totalled € 2,157 million (+2.5%) and account for 31.5% of total direct premium business (37.4% as of December 31st, 2018).

Gross direct life premiums totalled € 4,685.2 million (+32.8%); total life premiums written amounted to € 4,771.7 million (+30%). Life premiums represented the majority share of total direct business (68.5% compared with 62.6% as of December 31st, 2018).

Direct business premium collection, per distribution channel, is broken down as follows: agencies 33.7%, banks 62.6%, brokers 1.1%, advisors 0.1% and other channels 2.5%.

[7] The operating result excluded more volatile components (realisations, write-downs, other one-offs). In detail, the Non-life operating result is defined as the sum of the re-insurers net technical balance, ordinary financial income, other net non-technical costs (amortisation/depreciation, write-down of insurance receivables, etc.); excluded from the operating result are realised (plus/minus) financial results, valuation and impairment; write-downs 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.

Direct premiums by channel
(euro/millions)



Other administrative expenses

Other administrative expenses amounted to € 208.5 million (-5%).

With reference to direct business, the ratio of other non-life administrative expenses to premiums written for the period rose from 6.8% to 7%, while the ratio of other life administrative expenses to life premiums dropped from 2.1% to 1.3%.

The Group by segments

Non-life business

Non-life business, as already reported, closed the year with a profit of € 58 million (-18.8%). Net non-life premiums amounted to € 1,887.6 million (+1.8%). The combined ratio of direct business was 93.7%, versus 92.1% for 2018. The claims ratio (claim/premium ratio) is equal to 63.1% (62.8%), while the ratio of other administrative expenses rose from 6.8% to 7%. The combined ratio of retained business rose from 93.4% to 94.3%, with the technical account balance falling from € 122 million to € 108 million.

Financial operations, which ended the year with a result of € 63.4 million (+7.1%), were mainly characterised by net income deriving from other financial instruments and investment property for € 70.6 million (+2.8%), with net interest and other net income amounting to € 73.5 million (-3.1%), with net realised gains totalling € 11.4 million compared to € 3.1 million for 2018 and with net losses from valuation that came to € 14.4 million (+40.5%).

The contribution of financial operations to operating income, i.e. net of interest expense on subordinated loans, realisation and valuation results, amounted to € 83.6 million compared to € 82.6 million last year.
The operating result came to € 148.8 million (-11.8%). The performance of the operating result was affected by the deterioration of the combined ratio, due mainly to claims deriving from the weather events of the second half-year, and to the improvement of the financial contribution. The other operating components are substantially in line with last year.

The non-operating result deteriorated from € -39 million to € -44 million.

Life business

The life business closed the year with a profit of € 55 million (-19.6%).

Net life premiums rose to € 4,656.6 million (+33%), and financial operations[8] closed with a result of € 476.5 million (+10.8%), with net income from other financial instruments and investment property for € 515.5 million (+13.4%), of which interest and other net income amounting to € 460.4 million (-0.3%), net realised gains, largely relating to segregated management, which amounted to € 66.5 million compared to € 7.9 million in 2018 and net losses from valuation of € 11.4 million (-26.1%).

The operating result came to € 156.9 million (+23.2%).
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 agreement with Banco BPM, the life operating result improved from € 90 to € 106 million, confirming the effectiveness of the technical actions of the Plan implemented on all Group companies, as well as cost savings.

Other business

Other business recorded a loss of € 10 million at the end of the year, which was affected by write-downs of € 5.9 million on investment property, compared with a loss of € 3.2 million last year.

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.

Investments

Investments amounted to € 33,401.5 million (+6%). Their breakdown and variation compared to 2018 is represented in the following table.

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

Table 9 - Total investments

(€ thousands)	2019	% of total	2018	% of total	Changes Amount	%
Investment Property	850,449	2.6	787,262	2.5	63,187	8.0
Property	210,291	0.6	169,431	0.5	40,860	24.1
Investments in subsidiaries, associated companies and joint ventures	159,846	0.5	119,060	0.4	40,786	34.3
Loans and receivables	1,072,157	3.2	864,913	2.8	207,244	24.0
Held to maturity investments	212,129	0.6	225,434	0.7	-13,305	-5.9
Available for sale financial assets	23,823,347	71.3	23,119,705	73.4	703,642	3.0
Financial assets at fair value through profit or loss	6,604,905	19.8	5,809,521	18.4	795,384	13.7
Cash and cash equivalents	468,385	1.4	406,345	1.3	62,040	15.3
TOTAL	**33,401,509**	**100.0**	**31,501,671**	**100.0**	**1,899,838**	**6.0**

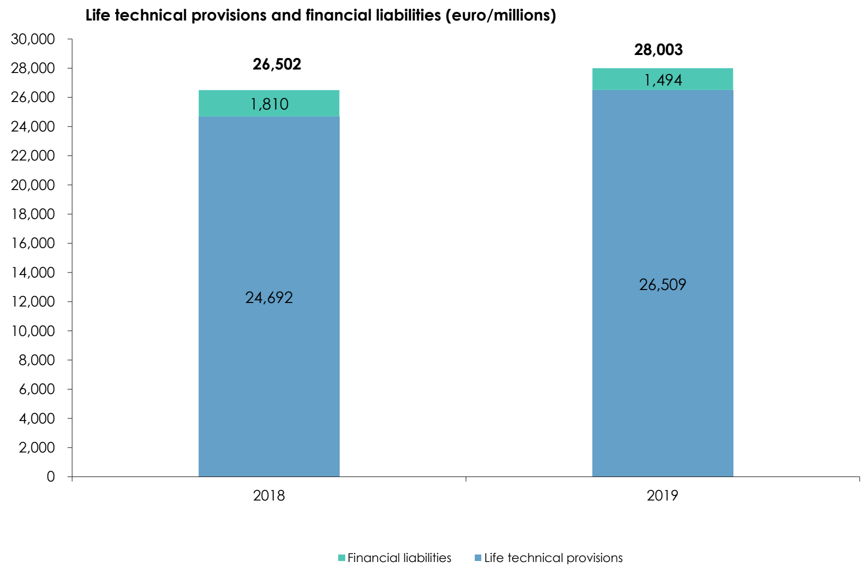
The result of financial operations, with the exclusion of investments whose risk is borne by the policyholders and gross of the tax effects and the change in other financial liabilities, came - as already mentioned - to € 528.6 million (+9.1%).

Technical provisions

Non-life technical provisions (premiums and claims) amounted to € 3,704.2 million (-1.2%).

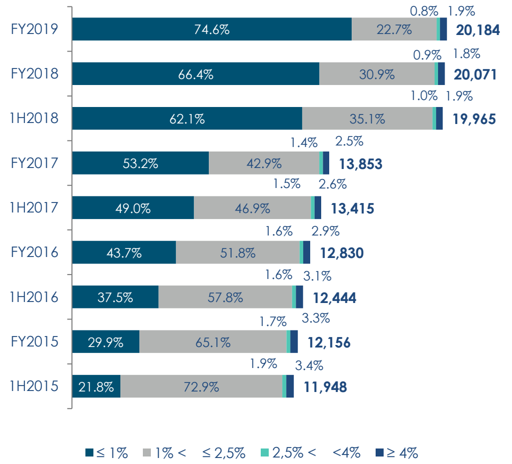
Technical provisions for life business (actuarial provisions inclusive of shadow accounting) amounted to € 26,508.5 million (+7.4%). Also taking into account financial liabilities relating to investment contracts, the technical provisions and deposits relating to life business amounted to € 28,002.8 million (+5.7%).

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:

€ mln

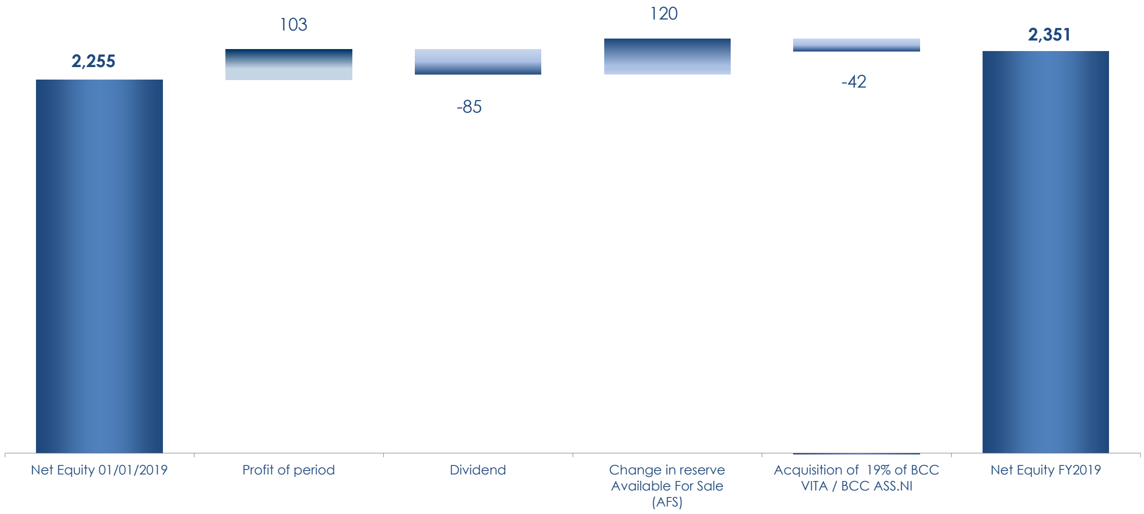


Shareholders' equity and its trend

The change in consolidated shareholders' equity since last year is mainly attributable to the distribution of dividends from the Parent Company and of minority interests of € 85 million from 2018 profits, the positive change in the AFS reserve and other gains and losses recognised directly in shareholders' equity of € 120 million, the negative effect of € 42 million arising from the acquisition of a further 19% of BCC Vita and BCC Assicurazioni already controlled and consolidated on a line-by-line basis and the positive contribution of € 103 million from profit for the year.

Consolidated shareholders' equity at the end of the accounting period came to € 2,351 million (+4.2%).
The Group net equity amounts to € 1,893.6 million (+6.4%) and includes gains on available for sale financial assets amounting to € 77.6 million.
Portions of shareholders' equity pertaining to minority interests amounted to € 457.4 million (-3.8%) and include gains on available for sale financial assets amounting to € 11 million.

Trend of consolidated Shareholders' Equity FY2019



INSURANCE BUSINESS AND OTHER SECTORS OF ACTIVITIES

Summary of the activities carried out by the Group companies

As of December 31st, the consolidation area comprised the insurance Parent Company, twelve insurance companies, a reinsurance company, a holding company, a real estate services company, seven service companies, two companies in the agricultural-real estate sector and six real estate 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 operate in the non-life business. From 2018 there is a substantial absence of new production and the company directly provides customer service for all necessary after-sales operations. As of December 31st, 2019, the Parent Company holds 60% of the share capital. In February 2020, the Parent Company acquired the remaining 40% of the company from Banca Popolare di Vicenza, in compulsory administrative liquidation;

BCC Assicurazioni, with headquarters in Milan, share capital of € 14.4 million, is authorised to operate in the non-life business and distributes its products using the network of branches of the ICCREA Group. The Parent Company holds 70% of the share capital following the purchase of a further 19% from ICCREA Banca in July;

CattRE, with headquarters in Luxembourg, share capital of € 33.6 million, is authorised to operate in the reinsurance sector. Cattolica holds 100% of the company;

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 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 operate in the non-life business. Cattolica holds 65% of the company;

All Risks Solutions, with headquarters in Rome, carries out insurance brokerage activities, with a share capital of € 10 thousand. It is wholly owned by Estinvest;

Estinvest, with headquarters in Venice, is a holding company, share capital of € 81 thousand. CattRE has held 100% of the capital since December;

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

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

Satec, with headquarters in Venice, carries out insurance brokerage activities, share capital of € 135 thousand. Since December it has been wholly-owned by Estinvest;

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

Fondo Euripide is a closed-end real estate mutual investment fund, managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica 69.21%, Lombarda Vita 17.26%, TUA Assicurazioni 1.08%, Vera Vita 10.52%, Vera Protezione 1.39% and Vera Assicurazioni 0.54%. Part of said interests is allocated to the non-life portfolios of Cattolica, TUA Assicurazioni and Vera Assicurazioni;

Fondo Girolamo is a newly established closed-end real estate mutual investment fund managed by Savills IM SGR. Cattolica holds 80.65% interest and TUA Assicurazioni holds 19.35%. Part of the interests is allocated to Cattolica and TUA Assicurazioni's non-life portfolio;

Fondo Innovazione Salute is a real estate mutual investment fund dedicated to housing for the elderly, and was formed in 2018. The interests held are as follows: 66.83% Cattolica and 9.97% TUA Assicurazioni. Part of said interests is allocated to Cattolica and TUA Assicurazioni's non-life portfolio;

Fondo Perseide is a real estate 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 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 68.02%, Lombarda Vita 12.65% and BCC Vita 19.33%. Part of said interests is allocated to Cattolica's non-life portfolio;

Campo dei Fiori is a limited liability company, wholly-owned by Fondo San Zeno of which Cattolica holds 68.02%.

Life companies

BCC Vita, with headquarters in Milan, share capital of € 62 million, is authorised to carry out insurance activities in the life business and distributes its products via the branches of the ICCREA Group. The Parent Company holds 70% of the share capital following the purchase of a further 19% from ICCREA Banca in July;

Berica Vita, with headquarters in Vicenza, share capital of € 31 million, is authorised to carry out insurance activities in the life business. From 2018 there is a substantial absence of 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. In December, the Parent Company signed a binding agreement for the acquisition of the remaining 40% from Banca Popolare di Vicenza in L.c.a. and the subsequent transfer to Monument Re: the entire transaction is expected to be completed in the first half of 2020;

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

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;

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

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

C.P. Servizi Consulenziali, with headquarters in Verona, share capital of € 120 thousand. Until November, it carried out non-life premium business activities (with TUA and Cattolica products) as well as in the life business (Cattolica) using sub-agents. It has ceased its activities since November. As of December 31st, it is wholly-owned by Cattolica. With effect from January 1st, 2020, it was merged through incorporation into Cattolica Immobiliare;

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

Fondo Euripide is a closed-end real estate mutual investment fund, managed by Finanziaria Internazionale Investments SGR. The interests held in the fund are as follows: Cattolica 69.21%, Lombarda Vita 17.26%, TUA Assicurazioni 1.08%, Vera Vita 10.52%, Vera Protezione 1.39% and Vera Assicurazioni 0.54%. Part of said interests is allocated to the life portfolios of Cattolica, Lombarda Vita, Vera Protezione and Vera Vita;

Fondo Girolamo is a newly established closed-end real estate mutual investment fund managed by Savills IM SGR. Cattolica holds 80.65% interest and TUA Assicurazioni holds 19.35%. Part of the interests is allocated in the Cattolica's life portfolio;

Fondo Innovazione Salute is a real estate mutual investment fund dedicated to housing for the elderly, and was formed in 2018. The interests held are as follows: 66.83% Cattolica and 9.97% TUA Assicurazioni. Part of said interests is allocated to Cattolica's life portfolio;

Fondo Perseide is a real estate 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 the life portfolio of Cattolica, Lombarda Vita and BCC Vita;

Fondo San Zeno is a closed-end real estate 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 68.02%, Lombarda Vita 12.65% and BCC Vita 19.33%. Part of said interests is allocated to the life portfolio of Cattolica, Lombarda Vita and BCC Vita.

Other companies

Agricultural - real estate sector

Cattolica Agricola was established in 2012 by Cattolica, the single-member company within the scope of the purchase of the real estate 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 real estate 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" real estate 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 real estate 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, crop 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 controlled by the Parent Company Cattolica, which holds 99.96%, the remaining part is owned by the other Group companies (ABC Assicura, BCC Assicurazioni, BCC Vita, Berica Vita, C.P. Consulting Services, Lombarda Vita in equal percentages of 0.005%) and TUA Assicurazioni, which has 0.01%.

Group insurance business

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

Table 10 - Total premiums written

					Changes	
(€ thousands)	2019	% of total	2018	% of total	Amount	%
Accident and injury	216,367	3.2	204,361	3.6	12,006	5.9
Health	111,221	1.6	97,229	1.7	13,992	14.4
Land vehicle hulls	149,722	2.2	139,856	2.5	9,866	7.1
Goods in transit	6,439	0.1	6,474	0.1	-35	-0.5
Fire & natural forces	165,021	2.4	148,499	2.7	16,522	11.1
Other damage to assets	238,518	3.5	241,216	4.3	-2,698	-1.1
TPL - Land motor vehicles	942,352	13.8	971,514	17.3	-29,162	-3.0
TPL - General	199,480	2.9	189,549	3.4	9,931	5.2
Credit	249	n.s.	499	n.s.	-250	n.a.
Suretyship	20,258	0.3	18,691	0.3	1,567	8.4
Sundry financial losses	23,626	0.3	17,871	0.3	5,755	32.2
Legal protection	19,549	0.3	17,862	0.3	1,687	9.4
Assistance	48,014	0.7	43,628	0.8	4,386	10.1
Other classes [1]	16,098	0.2	6,609	0.1	9,489	n.s.
Total non-life business	**2,156,914**	**31.5**	**2,103,858**	**37.4**	**53,056**	**2.5**
Insurance on the duration of human life - class I	3,130,411	45.8	2,600,995	46.2	529,416	20.4
Insurance on the duration of human life linked to investment funds - class III	1,439,667	21.0	693,619	12.3	746,048	n.s.
Health insurance - class IV	1,315	n.s.	1,312	n.s.	3	n.a.
Capitalisation transactions - class V	100,408	1.5	217,680	3.9	-117,272	-53.9
Pension funds - class VI	13,422	0.2	13,590	0.2	-168	-1.2
Total life business	**4,685,223**	**68.5**	**3,527,196**	**62.6**	**1,158,027**	**32.8**
Total direct business	**6,842,137**	**100.0**	**5,631,054**	**100.0**	**1,211,083**	**21.5**
Indirect business	**15,828**		**17,570**		**-1,742**	**-9.9**
Total insurance premiums	**6,857,965**		**5,648,624**		**1,209,341**	**21.4**
Insurance on the duration of human life linked to investment funds - class III	15,657	18.1	67,584	46.8	-51,927	-76.8
Pension funds - class VI	70,812	81.9	76,924	53.2	-6,112	-7.9
Total investment contracts	**86,469**	**100.0**	**144,508**	**100.0**	**-58,039**	**-40.2**
TOTAL PREMIUMS WRITTEN	**6,944,434**		**5,793,132**		**1,151,302**	**19.9**

[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. = not 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					**Changes**	
(€ thousands)	**2019**	**% of total**	**2018**	**% of total**	**Amount**	**%**
Insurance on the duration of human life - class I	3,130,411	65.6	2,600,995	70.9	529,416	20.4
Insurance on the duration of human life linked to investment funds - class III	1,455,324	30.5	761,203	20.7	694,121	91.2
Health insurance - class IV	1,315	n.s.	1,312	n.s.	3	0.2
Capitalisation transactions - class V	100,408	2.1	217,680	5.9	-117,272	-53.9
Pension funds - class VI	84,234	1.8	90,514	2.5	-6,280	-6.9
Total life premiums - direct business	**4,771,692**	**100.0**	**3,671,704**	**100.0**	**1,099,988**	**30.0**

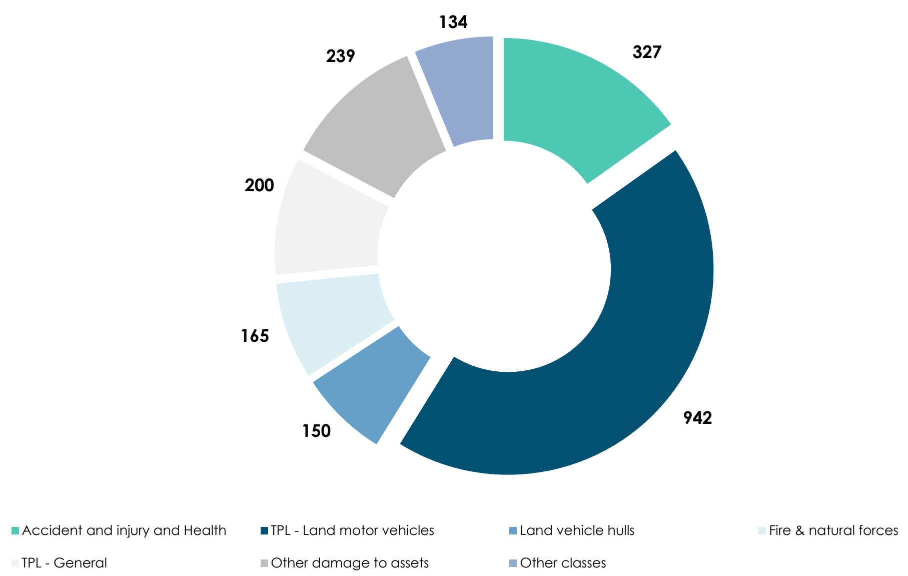
n.s. = not significant

Non-life business - Premiums written

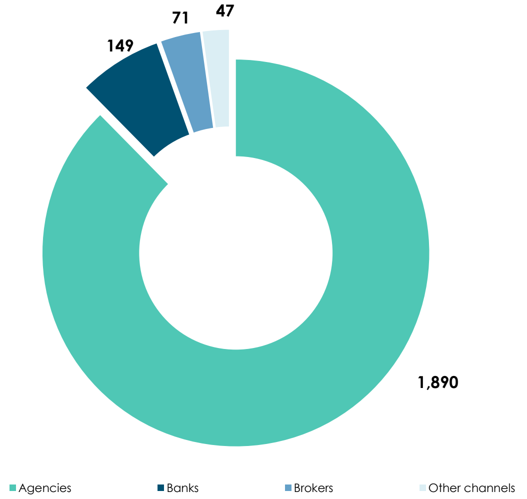
Direct non-life premiums written increased by 2.5% to € 2,156.9 million (+1.6% on a like-for-like basis), of which € 1,092.1 million in the motor segment, -1.7% (-1.9% on a like-for-like basis), linked to an increase in the average premium. The non-motor segment shows sharp growth in premiums written, +7.3% to € 1,064.8 million (+5.4% on a like-for-like basis), 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 € 15.8 million (-9.9%).

Direct non-life premiums written were generated as follows: the agency channel with € 1,890.3 million (+0.1%), the banking channel with € 149 million (+41.9%), brokers with € 71.4 million (+5.6%) and other channels with € 46.7 million (+10.2%).

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

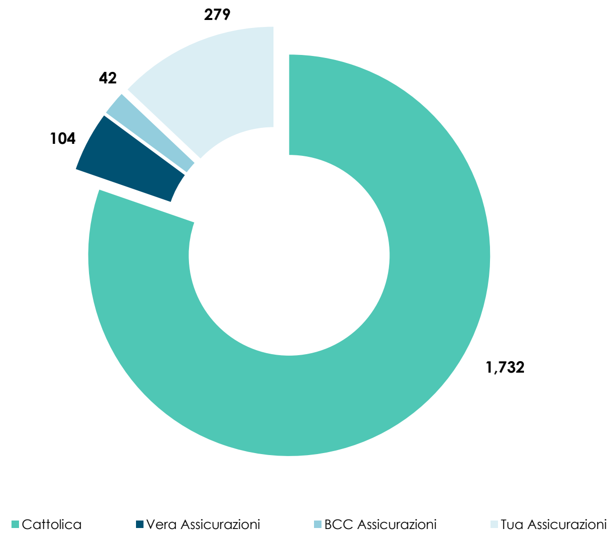


Premiums by channel, non life direct premiums (euro/millions)



Direct non-life premiums are attributable mainly to the Parent Company for € 1,731.6 million, BCC Assicurazioni for € 41.7 million, TUA Assicurazioni for € 279.6 million and Vera Assicurazioni for € 104 million.

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



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

During the year, the Group companies, with the entry into force, from January 1st, 2019, of IVASS Regulation No. 41 of August 2nd, 2018, 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 is made up of modular solutions, with which to build a tailor-made offer that is increasingly tailored to customers, their needs and lifestyles, which has been developed with the possibility to make use of sophisticated and cutting-edge security and prevention systems connected to their smartphones, thanks to Cattolica's partnership with IMA Protect, a leading company in the field of remote surveillance.

The reform of the Third Sector started with Italian Delegation Law No. 106 of June 6th, 2016, and was defined by Italian Legislative Decree No 117 of July 3rd, 2017 (Third Sector Code), replacing the previous regulations in force and becoming the only legislative reference, representing a true "revolution" for Third Sector Entities. The development of greatest interest is the extension of the insurance obligation for health (accident and illness) and civil liability coverage and for all Third Sector Entities that use volunteers. "*Cattolica&Solidarietà Terzo Settore*" is the complete, innovative and high-profile insurance solution capable of providing suitable answers to the insurance needs of Entities and individuals who are committed to others, proposing areas of coverage in line with legal obligations.

BCC Assicurazioni

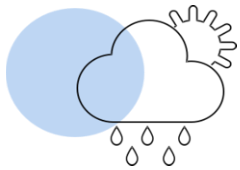
With effect from March 1st, a number of changes were introduced to the "*Formula Auto*" product, including: the intervention on territorial coefficients, the introduction of the financial reliability index (Credit Scoring), the revision of the functioning and coefficients of certain tariff parameters, the introduction of the new "*Premium*" package for the glass guarantee with a maximum value of up to one thousand euros.
From May onwards, the assistance provider was changed with the introduction of IMA Italia Assistance S.p.a.

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

Since November, the "*Formula Mutuo al Sicuro 1.0*" and "*Formula Prestito al Sicuro 1.0*" products have been updated, with the inclusion of an additional guarantee relating to the loss of employment that provides protection for the customer in the event of work stoppages or economic difficulties due to the involuntary loss of employment.

Since December, "*Formula Casa e Famiglia*", "*Formula Casa Sicura*" and "*Formula Animali Protetti*", the new insurance solutions dedicated to the protection of the home, the individual and the family, have been made available.

TUA Assicurazioni



In April the new product "*Sunny*" was launched, aimed at those insuring an event (a holiday or a trip for example) from the risk of rain and in June the product "*TUA Agricoltura*" was restyled, both in terms of price and product features. In July the new product "*TUA Casa e Famiglia*" was made available across the network.
It is a solution dedicated to the complete protection of individuals, families, homes and all assets within them.

The product also includes a special version, thanks to the partnership with IMA Protect, with the potential to use sophisticated and advanced security systems connected to smartphones.

In December, **TUA PER IL SOCIALE** following the aforementioned legislative reform that affected the Third Sector, the company's product catalogue was enriched with the new product "*TUA Per il Sociale*": a complete, innovative and high-profile insurance solution to meet the different needs of the Third Sector.

In December, the offer was expanded with the introduction of products dedicated to the Transport class: "*TUA Trasporti Unità da Diporto*", which insures damages to vessels intended for pleasure boating, and "*TUA Trasporti Autotrasportatori*", which consists of Carrier liability and Non-life sections.

| TUA TRASPORTI UNITA' DA DIPORTO
| TUA TRASPORTI AUTOTRASPORTATORE

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.
The following new products were placed on the same date: "*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.

In the second half of the year, commercial initiatives referred to as "*Black week*" were organised, which provided for discounts on the first year if the customer purchased a new policy during said Black week.

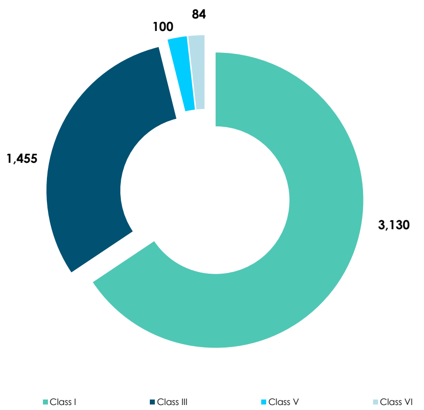
ABC Assicura

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

Life business – Premiums written

Insurance premiums in the life business totalled € 4,685.2 million (+32.8%). Premiums written relating to investment contracts amounted to € 86.5 million (-40.2%). Total direct life premiums written, amounting to € 4,771.7 million, were up by 30%.

Main life classes, direct premiums (euro/millions)



During 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.

Total class III premiums written (insurance on the duration of human life linked to investment funds) amounted to € 1,455.3 million (+91.2%) and consisted of unit linked contracts. Investment contracts amounted to € 15.7 million (-76.8%).

The low interest rates and the uncertainty of the overall economic situation have generated for the segment of policies with a higher financial component (attributable to unit-linked type policies, associated with internal funds, external UCITS 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 continue to be drawn along by the bancassurance channel. The agent channel recorded a 25% increase in volumes on class III and class I fell by around 18%.

The performance of premiums written relating to products linked 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 companies, the segregated management to profit provisions, with the goal of making the return for policyholders more stable when sudden market

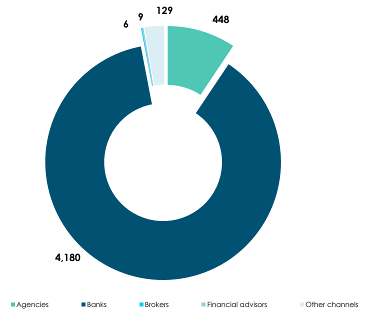
fluctuations occur. When possible, the new production is thus directed to these new segregate management schemes.

Class I premiums written amounted to € 3,130.4 million (+20.4%).

Class V premiums written (capitalisation) amounted to € 100.4 million (-53.9%).
Total class VI premiums written (pension funds) amounted to € 84.2 million (-6.9%) and were mainly generated by investment contracts.

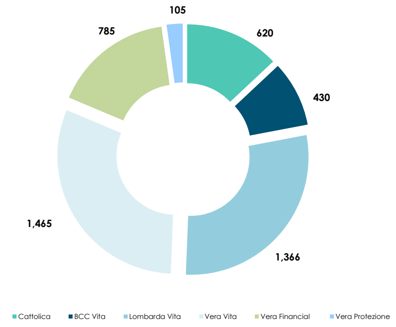
Direct life premiums written were generated as follows: the agency channel with € 447.5 million (-18.2%), the banking channel with € 4,179.7 million (+44.6%), brokers with € 5.9 million (-66.1%), financial advisors with € 9.4 million (-59.5%) and other channels with € 129.2 million (-33.3%).

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



The contribution made to the consolidated amount on life premiums attributable to the Parent Company totalled € 619.2 million, to BCC Vita € 430 million, to Berica Vita € 1.5 million, to Cattolica Life approximately € 177 thousand, to Lombarda Vita for € 1,365.6 million, to Vera Financial for € 785.3 million, to Vera Protezione for € 104.8 million and to Vera Vita for € 1,465.2 million.

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



Life business - Research and development activities: new products

As already stated for non-life products, for the life sector, too, during the year, the Group companies, with the entry into force, from January 1st, 2019, of IVASS Regulation No. 41 of August 2nd, 2018, revised the contractual documentation of all marketed products according to the Information Set outlines dictated by the Supervisory Body and in accordance with the "Simple and Clear Contracts" guidelines of the regulations in force.
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 interventions during the year concern:

- a new edition of the main revaluable products: "*Scelta Protetta 3.0*", "*Più Vantaggi Next 3.0*" and "*Capitalizzazione Next 3.0*" are linked to the new segregated management called "*Cattolica Serenamente*". The goal of this management is benefiting 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;
- "*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 year of the contract.

With regard to the solutions dedicated to the protection area, in the second half of the year, with the aim of keeping the offer competitive and facilitating its marketing, the Company released the updated versions of the temporary insurance products in the event of death, "*Cattolica&Protezione TUTTA LA VITA*", "*Cattolica&Protezione TUTTA LA VITA ELITE* " and "*Cattolica&Protezione NOI PROTETTI GOLD*".

Lombarda Vita

The offer of the product range, placed by UBI Banca, dedicated to the savings/investment and protection area was expanded and updated during the year.

As for the individual investment solutions, new insurance solutions were devised with a view to completing the offer catalogue:

- "*YOUR Private Insurance – Soluzione Crescita ed. 2019*": is an insurance solution for Private clients with annual revaluation of capital and additional benefit in the event of death connected with the return of the "Fondo Sicuro" management;
- "*Risparmio Plus ed. 2019*": is a mixed policy dedicated to a wider retail *clientèle* with single premium and additional single premiums.

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 products 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*": a multi-class insurance with single premium, with possibility of additional premiums written, with additional benefit in the case of death;
- "*YOUR PRIVATE INSURANCE – Lombarda Vita Soluzione Unit UB1 ed. 2011*", "*YOUR PRIVATE INSURANCE – Lombarda Vita Soluzione Unit UB3*" *and* "*YOUR PRIVATE INSURANCE – Lombarda Vita Soluzione Unit UB4*": are Unit Linked insurance products with single premium and additional single premiums with additional benefit in the case of death.

During the second half of the year, with regard to the solutions dedicated to the protection area, the Company's current offer was integrated with the "*Bluredditо*" temporary insurance policy in the event of death, a solution dedicated to private customers, holders of current accounts with UBI Banca and underwriters of the *Blu Reddito* non-life policy, who display a need for protection aimed at protecting their assets, extending it also to designated beneficiaries in relation to the risk of pre-demise.

With regard to the offer of collective products, the "*CQP Prestitalia*" product has been updated in order to increase its availability, by increasing the maximum insurable age at the time the policy is entered into and raising the maximum age at maturity.

BCC Vita

During the year, the "*Autore Sinergia 2.0*" product was updated, keeping the offer of external UCITS available under contract current.

In August, the company, with the intention of raising new liquidity on the market and preserving an approach aimed at reducing the absorption of capital (*non-cliquet* revaluation methods) on products linked to segregated management, as provided for in the business plan, proposed to clients who are policyholders and have one or more Basic (1.0 or 1.1 or 2.0) or Basic Privilege policies in force, with effect from before December 31st, 2012, the new product "*BCC Vita - Futuro 1.0 Special*". This product, in addition to the current offer in the catalogue, aims to diversify investments in a supplementary and complementary way to existing products.

In the same period the Multi-class offer was revised: the "*BCC Vita - StartEvolution 3.1*" product is a restyling of the current product.

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.

The offer dedicated to *PPI Prestiti e Mutui* collective policies was also revised and updated, through the "*Formula Prestito al sicuro 1.0*" and "*Formula Mutuo al sicuro 1.0*" initiatives, both in the technical part, through the use of new rates, and in the guarantees offered, with the aim of responding promptly to new market and target market needs.

Vera Protezione

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

Vera Vita

During the year, two new investment solutions were launched, "*Vera Vita - SempreVera*" and "*Vera Vita - SempreVera Convenzione*", and research and development activities were carried out on existing products ("*Vera Vita - PrimaVera Multiramo*", "*Vera Vita - SempreVera*" and "*Vera Vita Private Life Insurance*") in accordance with the guidelines set out in the agreement between the Parent Company and Banco BPM.

Vera Financial

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

As regards the plan to release new products, six new class III products were made available to the distributor during the year: "*ESG Protection Clima*", characterised by the prevalent investment in financial instruments issued by companies that meet socially responsible management criteria, "*Valore Aprile 2019*", "*Valore Luglio 2019*", "*Valore Agosto 2019*", "*Valore Ottobre 2019*" and "*Valore Più Novembre 2019*" characterised by investments mainly in bonds.

Berica Vita and Cattolica Life

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

Reinsurance

Non-life business

The Parent Company's reinsurance programme maintained a standardised structure in line with 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%;
- percentage 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, for 2019 it was decided to acquire a capacity as on expiration, corresponding to a return period of around 200 years (RMS model) and the Top&Top mechanism was maintained, which provides, in the event of extreme damage exceeding the limit of the agreement, an increase of capacity up to € 500 million (return period of around 500 years of RMS). Lastly, a new coverage was entered into 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 utilised.

For the year 2019, as regards D&O (Directors & Officers) policies, a proportional coverage was renewed, reducing the transfer percentage from 90% to 60%.

With respect to the crop 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 crop 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, for policies combined with loans (PPI - Payment Protection Insurance), the Parent Company and BCC Assicurazioni have renewed their proportional coverage at conditions as they expire with a transfer of 85%.

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.

***

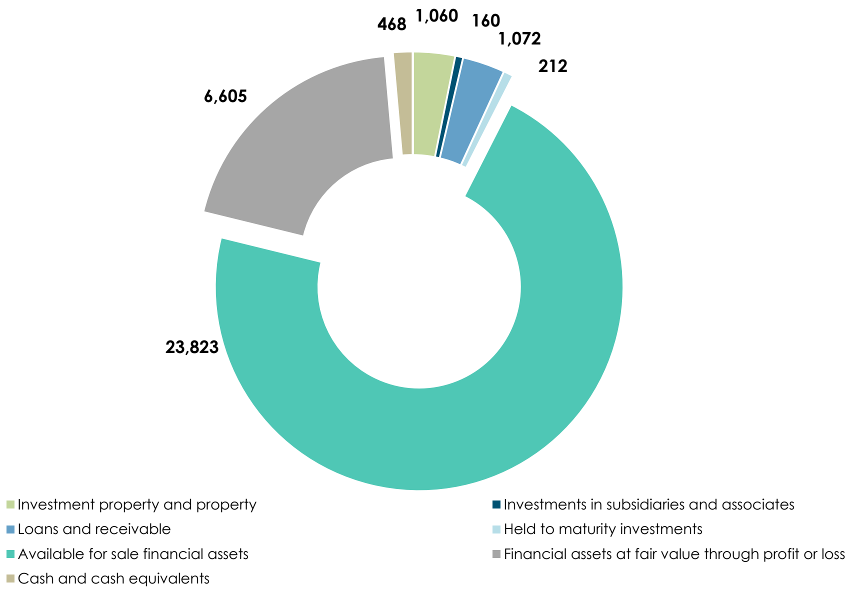
Dealings with reinsurance companies, which present the best prospects of continuity over the long-term, have been preferred for all the Group companies. When selecting partners, particular attention was paid to the solidity and reliability of the same, directing the choice towards those with the best 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

Investments breakdown, (euro/millions)



Investment property and properties

In 2019, 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 six properties for supermarket use for a total of € 26.6 million. This is the second tranche of purchases of the Fund, launched in December 2018, which now has 11 properties, all for supermarket use and leased to Conad Nord Ovest, for a total value at historical cost of € 45.1 million. 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, on August 8th, 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 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 an office building in the Bicocca district of Milan for € 27.1 million through a newly established fund called Girolamo and managed by Savills IM SGR (former manager of the Fondo Innovazione Salute and the Fondo Mercury). The property is located less than 200 meters from the Metro line 5 ("viola"), it covers 7,300 leasable square meters, renovated for about a year and is fully leased to 3 different companies;

- the purchase on November 20th of a property in Turin, via Milano 12, to be converted into a hotel through the Fondo Euripide. The project envisages a total investment cost of about € 23 million (purchase price and renovation cost), for the conversion into a hotel of 107 rooms, about 6,000 square meters above ground and mechanised underground garage with 3 levels for 120 parking spaces. The completion of works is estimated for December 2021. Several negotiations have been started with the operators in the sector for the rental of the structure;
- 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 year, in the area known as Cattolica Center in Verona, work continued and reached the final stage for the requalification and safety measures on the building, used for the congress activities, which temporarily hosted the annual shareholders' meeting of the Parent Company Cattolica Assicurazioni and Banco BPM.

Within the Ca' Tron estate in the municipality of Roncade (TV), valorisation, requalification and restructuring work continued as part of a property renovation Plan of the complex called "Centro aziendale Ca' Tron", 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 aimed at achieving the objectives set out in the investment plan are the planting of a new vineyard, the use of advanced mechanisation systems and the management of a small cattle farm located on the land of the Ca' Deriva Estate (about 220 ha), which possesses organic certification.

It should also be noted that all the vineyards in production and the hazelnut grove adhere to the "National Integrated Production Quality System" (*Sistema di qualità nazionale produzione integrata - SQNPI*) aimed at recognising and identifying quality products that require control and certification by third-party and independent bodies specifically authorised.

Securities investments

During the year, investment activity developed in a context characterised by the progressive deterioration of the macroeconomic environment. The deterioration had its most acute phase in the first half of the year and continued, albeit less pronouncedly, in the following quarter. The last two months have seen a relative stabilisation, especially in the United States. In the face of this slowdown, economists have reduced estimates of GDP growth and inflation. The Eurozone, which suffered most from the strong uncertainties surrounding the outcome of the trade negotiations between the USA and China, was particularly affected. The decline in macroeconomic indicators and confidence indexes has led to a change in central banks' attitudes on monetary policy, which has once again become accommodative.

Against this background of economic slowdown, political uncertainty and the accommodating attitude of central banks, yields on government bonds fell almost continuously until the end of August, when new historical lows were reached for several issuers in the Eurozone, while in the USA they reached lows for the period, and then partially recovered in the following months. Corporate bonds also benefited from this favourable interest rate environment. The stock market also offered two-digit returns after the sharp drop in the last few months of the year, thanks to a change in the central banks' bias.

During the year, exposure to domestic securities remained stable overall compared to the previous year, mainly affecting the distribution of maturities with the lengthening of the average duration of the portfolios developed, especially in the first part of the year consistent in terms of ALM policy with the durations of the reference liabilities. A similar manoeuvre was carried out on the non-Italian component of government bonds, with benefits being taken on the bonds of the core countries in correspondence with the very strong yield compression that occurred during the summer season.

The corporate component was purchased in the first half of the year and then reduced in the following months. In the first few months of the year, due to the severe crisis in the last quarter of 2018, the segment's returns were attractive in terms of risk-return and the exposure was therefore increased. As with government rates, the sharp narrowing of the spread has made the investment less attractive in perspective, even in light of a not particularly positive macroeconomic environment. As a result, exposure was reduced in the second half of the year, especially for issuers with lower credit quality. Furthermore, positions that had underwent severe rating deterioration according to the ESG (Environmental, Social and Governance) parameters were disposed of.

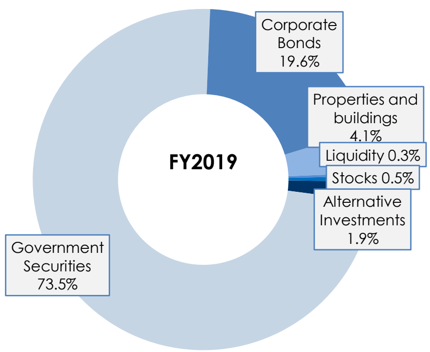
The stock segment was partially reduced at the beginning of the year before being purchased in the middle of the first half of the year, with particular interest in those securities able to sustain the Group's profitability thanks to the detachment of dividends. The increase in equity exposure has been mitigated through instruments that reduce portfolio volatility. The positions acquired were gradually reduced during the second half of the year.

Alternative investments continued to be made. In particular, commitments were made in funds linked to strategies focusing on infrastructure activities and projects and direct lending to businesses. Investments are concentrated in Europe, in this way contributing to the strategy of overall diversification of the portfolio and of keeping adequate profitability levels.
The real estate component rose during the year through the subscription of new funds and calls on some funds already in the portfolio.

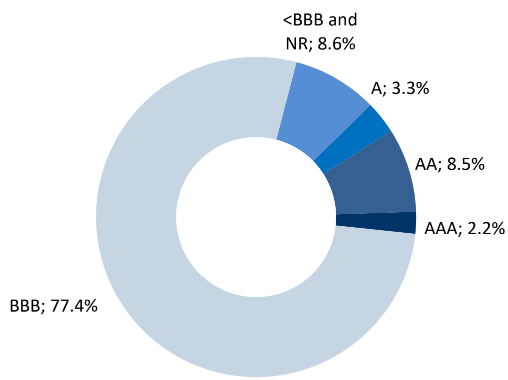
The portfolio is denominated principally in Euro, with marginal exposures in US dollars and GBP. Issuers place products primarily in Europe, and to a lesser extent in the United States. However, many issuers presented spheres of operations highly diversified in geographic terms, for the purpose of reducing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

With reference to the volumes managed as of December 31st, 2019 (excluding the equity investments), 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 € 528.6 million (+9.1%). With reference to net income from other financial instruments and investment property, this aggregate was characterised by the decrease in net income from interest and other net proceeds, which amounted to € 533.9 million (-0.7%), by net realised profits, which amounted to € 77.9 million, mostly under segregated management, compared to € 10.9 million in 2018, and net losses from valuation on financial assets of € 34.4 million (+29.9%), in addition to net income from investments in associated companies of € 2.2 million (-24.3%). With reference to net income deriving from financial assets held for trading, the result from financial operations was characterised by income from net interest and other net proceeds for € 3.2 million (negative € 77 thousand in 2018), net gains from valuation of € 400 thousand (up € 1.2 million compared to 2018) and losses from realisation of € 3.3 million (down € 785 thousand compared to 2018).

PERFORMANCE IN THE 4TH QUARTER

The Group's result as of December 31st was affected by a loss in the fourth quarter of € 8 million due to non-operating costs, including, mainly, the impairment of goodwill (€ 13 million), the loss from the transfer of Cattolica Life (€ 7 million), property write-downs (€ 10 million) and other residual entries totalling € 16 million. The fourth quarter had a negative impact of € 4 million on the consolidated result.

UNREALISED CAPITAL GAINS AND LOSSES

At year end, unrealised capital gains net of tax effects were recorded on held to maturity investments for € 20.6 million, along with unrealised capital gains net of tax effects on loans and receivables for € 116.4 million, relating to bonds and other fixed-income securities.

The overall fair value of the held to maturity investments and loans and receivables as of December 31st, amounted to € 1,482.3 million.

Net of the tax effects on properties and on investment property, unrealised capital gains - on the basis of estimates made by appointed outside experts - totalled € 175.4 million. The overall fair value of property and investment property came to € 1,314.3 million.

SOLVENCY II RATIO

Pursuant to Article 24, paragraph 4-bis of ISVAP Regulation No 7 of July 13th, 2017, information on the operating conditions is provided: in particular, the eligible own funds, calculated taking into account USP, amount to 1.75 times the Solvency II capital requirement.

The Board of Directors reserved the right to formulate its proposal for the allocation of profits at and during the Shareholders' Meeting that is called to approve the Financial Statements, providing the appropriate information.

Table 12 - Solvency II Ratio USPs

(€ thousands)		2019	2018
Solvency Capital Requirement (SCR)	**A**	**1,222,290**	**1,240,943**
Minimum Capital Requirement (MCR)		745,038	726,372
TOTAL ELIGIBLE OWN FUNDS TO COVER THE SOLVENCY CAPITAL REQUIREMENT	**B**	**2,138,153**	**2,119,018**
of which TIER 1 unrestricted		1,446,877	1,418,270
of which TIER 1 restricted		80,132	80,277
of which TIER 2		611,145	617,553
of which TIER 3		0	2,918
SOLVENCY II RATIO	**B/A**	**175%**	**171%**
TOTAL ELIGIBLE OWN FUNDS TO COVER THE MINIMUM SOLVENCY CAPITAL REQUIREMENT		1,676,016	1,643,821
of which TIER 1 unrestricted		1,446,877	1,418,270
of which TIER 1 restricted		80,132	80,277
of which TIER 2		149,008	145,274
of which TIER 3		0	0

The figures relating to 2019 have not yet been subject to the checks envisaged by Regulation No. 42 of August 2nd, 2018; the figures will be communicated to the Supervisory Body and to the market in accordance with the timeframes provided for by current regulations.

The Solvency Ratio of the Cattolica Group recorded a slight increase during 2019 from 171%, post dividend, to 175% before any detachment of dividends.

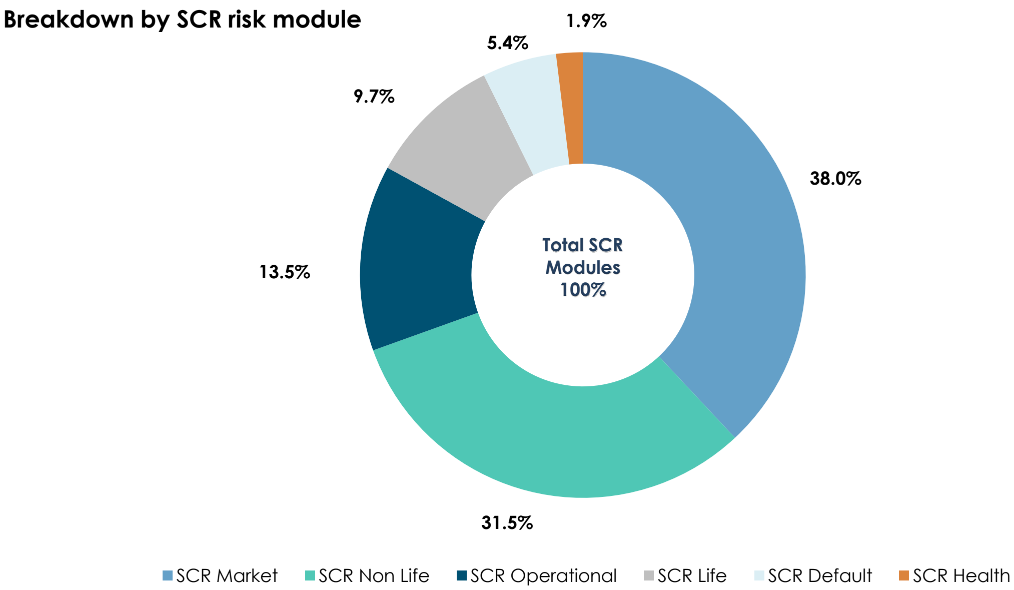
Compared to the 2018 closing value, there was an increase in market risks, due in particular to the performance of the spread component, linked to the increase in exposure in corporate securities, and the real estate risk component, against a greater exposure in real estate funds.

Technical risks in the Non-life and Health NSLT area also increased during the year, primarily due to the increase in catastrophic exposures, while technical risks in the Life area decreased, due to the strong containment of redemption risk.

The loss mitigation capacity of technical provisions increased significantly during the year, thanks to an increased capacity of the loss retrocession model.

Balance Sheet balances decreased slightly during the period.

With reference to risks also measured through the regulatory capital requirement, the relative weight of each risk in relation to the total is indicated. The composition by risk module of the Solvency Capital Requirement (SCR) is shown in the chart below, which shows that the most significant macro-categories with reference to the overall risk profile are market risks (38%) and non-life technical risks (32%).



With reference to the sensitivity analysis of the main financial risk factors, the table below measures the effects of the sensitivity on the ratio prior to the Parent Company's proposed dividend distribution.

Table 13 – Sensitivity Solvency II Ratio

(€ millions)

Cattolica Assicurazioni Group	Ratio FY2019	post sensitivity rates +50bps	post sensitivity spread +50bps	post sensitivity spread Italy +50bps	post sensitivity shares -25%	post sensitivity property -25%	post sensitivity rates -50bps
12/31/2019 FY	**175%**	**RATE**	**SPREAD**	**SPREAD**	**SHAREHOLDERS**	**PROPERTY**	**RATE**
delta Ratio		5%	-20%	-19%	-8%	-24%	-13%

Pillar 1 Risks

Pillar 2 Risks

MANAGEMENT REPORT

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 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 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[9] are also provided periodically and occasionally for particularly important events or specially formalised events based on relevance to the Group's risk profile. This second scenario takes on particular importance within the scope of preventive checks for investments, in application of the provisions of IVASS Regulation No. 24 dated June 6th, 2016. Results emerging from these analyses and information flows are brought to the attention of the Board of Directors of each Italian company of the Group at least once every quarter.

The exposure of each company to the different types of risks is also summarised 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:

1. **risk propensity level**, quantitative, defined with capital adequacy indicators. Risk propensity is

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

established in terms of solvency Target, defined as the ratio between eligible own funds and the 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[10]), the Group, Cattolica and TUA Assicurazioni, availing themselves of the option provided for by regulations, have received authorisation from the IVASS[11] to replace a subset of the parameters of the standard formula with specific Group and business parameters (so-called GSP - Group Specific Parameters and USP - Undertaking Specific Parameters) in order to reflect more accurately the risk profile. 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 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.

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

11 The authorisation received on May 11th, 2017, with application starting from the figures as of 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 31% 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 risk propensity system. 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 business of the Group companies and their risk profile, there are no concentrations such as to prejudice the latter. The exposures monitored concern natural catastrophes, earthquakes, floods and crop hail, the concentration for the risk of Fire and the concentration for Security risk.

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

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

In 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 estimate process for provisions

Technical risks of the life business represent approximately 10% 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 risk propensity system. 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 segment 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 38% 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 risk propensity system since specific aggregated and detailed parameters on which the investment activity is steered are defined. The limits system is applied with first level control 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. Consequently, 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 Division as well, and is continually compared with the first and second level control and business 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. A downward sensitivity analysis of interest rates has also been introduced. The results are shown in the following table. All figures are stated net of the tax effect and without taking into account the retrocession of losses on insurance liabilities:

Table 14- Sensitivity analysis on market risks

(€ millions)

Financial Statements Category	Risk-free rates +50 bps	Spread on government and corporate bonds + 50 bps	Spread on Italian government bonds +50 bps	Equity -25%	Property -25%	Risk-free rates -50 bps
Impact on IAS Shareholders' Equity	-495.8	-466.7	-235.5	-75.3	-266.7	495.8
Impact on Income Statement	-1.7	-1.8	-0.6	-1.9	-0.0	1.7
Impact on unrealised gains/losses	-24.3	-32.2	-3.5	0	0	24.3

- 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 5% of the total SCR (bearing in mind the effect of the differentiations between risk modules and the contribution of the capacity to absorb losses tied to technical provisions and deferred taxes).

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

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

As part of the assessments made using these metrics, particular attention was paid to the details of the risk by type of exposure and by the single most important counterparties, by monitoring their performance 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 13% of the Solvency Capital Requirement (SCR) of the Group.
- an internal qualitative assessment carried out by the managers of company processes and the Risk Management Unit, where risks are identified and classified by risk factors (persons, procedures, external systems and events) and by type of event according to the taxonomy shown below:
    - Internal fraud;
    - External fraud;
    - Employment and occupational safety;
    - Customers, products and business practices;
    - Damages to tangible assets;
    - Interruptions in operations and malfunctions of computer systems;
    - Process execution, delivery and management.

Risk exposure is measured using a qualitative scale determined based on a logic of probability of occurrence and potential economic impact, which has a minimum value of 1 (very low) and a maximum value of 10 (very high). As of December 31st, 2019, the qualitative assessment of the risk as a whole for the Group comes to a 4 exposure value (medium to low), slightly higher than 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.

In particular, for Cyber Risk a qualitative scenario analysis approach has been adopted, articulating the risk assessment with respect to specific "focal points" relating to the status of the controls implemented and the vulnerabilities identified. Specifically, in the face of an ever-changing general context, characterised by the emergence of new threats and significant organisational and technological changes, the following are considered: the management of backups and Disaster Recovery, the evidence of Vulnerability Assessment and Penetration Tests, the monitoring of security events and incident management, the state of ICT Governance and management processes (policies and guidelines adopted), the security rating of systems exposed on the internet, the state of availability of infrastructure and business applications.

PILLAR 2 RISKS

Risk of non-compliance with legislation

The Group Compliance Unit, as set out in IVASS Regulation No. 38 of July 3rd, 2018, assesses that the organisation and internal procedures of Group companies, as defined in the Corporate Governance Directives, are adequate to monitor the risk of non-compliance.

In particular, the Unit has the task of:

- identifying on an ongoing basis the rules applicable to the Group and assessing their impact on company processes and procedures (a task that the Compliance Unit oversees within the scope of the so-called "Legislative Observatory");
- assessing the adequacy and effectiveness of the organisational measures adopted to prevent the risk of non-compliance with the regulations and proposing organisational and procedural changes aimed at ensuring adequate risk control (a task that the Compliance Unit oversees both through the checks *carried out on time and on site* at the corporate units concerned, and through the checks carried out *on a larger scale and remotely* as part of the so-called "*Compliance Risk Assessment*");
- assessing the effectiveness of the organisational adjustments resulting from the recommended changes;
- providing support and advice to the corporate bodies and other corporate functions on matters where the risk of non-compliance is significant, with particular reference to the design of products (a task that the Compliance Unit oversees through the so called "Non-compliance risk assessments");
- preparing adequate information flows to the corporate bodies and other structures involved, including the Supervisory Bodies of the companies, pursuant to Italian Legislative Decree No. 231 of 2001 (hereinafter "Supervisory Body 231").

In order to carry out the activities relating to the mandate, in conditions of independence from the operational and other fundamental functions, the Parent Company's Unit is equipped with quantitatively and qualitatively adequate human and financial resources.

In the resolution establishing the Unit, the Board of Directors of the Parent Company has defined an organisational model that provides for collaboration between Compliance and other corporate units. The Unit shall implement its own organisational model, also 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, within the so-called Compliance Risk Assessment.

The Compliance Unit of the Parent Company also carries out, through specific service contracts, activities for all Italian insurance companies of the Group according to the rationale of inexpensiveness, reliability, efficiency and professional specialisation.

The Head of the Compliance Unit is appointed by the Board of Directors after verifying the requirements of suitability for the role, provided for by the relevant policy; it is also up to the Board of Directors to revoke the same appointment.

The Head of the Unit, in addition to the final report for the year, prepared 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 as well as ongoing alignment addressed to the units included in the Internal Control System.

The Head of the Parent Company's Unit has presented the 2020 Business Plan to the Board of Directors, following a risk-based approach, which allows the definition of the areas to be prioritised for investigation, in line with the Group's main risks and at the same time guaranteeing coverage of all significant activities within a reasonable period of time. The Plan indicates the actions planned, taking into account the main risks to which the Group is exposed and the activities to be checked as a matter of priority. The Plan of the Parent Company's Unit for the year 2020 was approved by the Board of Directors after examination by the Risk Control Committee in accordance with the provisions of the Corporate Governance System Directives.

During the year, the Compliance Unit 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. During 2019, the Unit continued to monitor the new regulations (within the scope of the so-called Legislative Observatory), identifying the measures applicable to companies and assessing - together with the units concerned - the potential impacts on company processes and procedures.

In identifying and assessing the risk of non-compliance with legislation, the Compliance Unit, during the last financial year, paid particular attention to compliance with the rules on transparency and correctness of conduct towards policyholders and injured parties, pre-contractual and contractual information, correct

execution of contracts, with particular reference to claims management, protection of policyholders and other persons entitled to insurance benefits, formulating assessments of the risk of non-compliance for the benefit of the various units operating within Group companies.
The Compliance Unit has therefore carried out verification activities both on the issues identified in the Compliance Plan for 2019 and on the areas considered most sensitive. The results of these checks have been brought to the attention of the Board of Directors.

The Compliance Unit has also collaborated with the various corporate units on projects and initiatives to adapt or consolidate processes in response to regulatory changes.

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. There are present and adopted methods of reaction and management of events that may have an impact on the reputation of the Group, which involve the most suitable company representatives both in internal and external communication and in the definition of the most appropriate actions to preserve the reputation of the company.
From this point of view, it is therefore possible to conclude the adequacy of the company's monitoring of this type of risk.

Branches

6,075

Agencies

1,395

MANAGEMENT REPORT

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.

Work continued on the "*Job Market*" facility, a tool aimed at strengthening and promoting internal mobility while keeping people at the centre and having as its primary objective the enhancement of company skills through a process based on fairness and transparency.
Job Market confirms itself as a distinctive element of the

Human Resources development strategy by focusing on dynamism, development and personal growth.
During 2019, 82 positions were opened for which 165 internal applications were received.

The Group has implemented 44 training projects (internships) and has welcomed 16 high school students in the *Alternanza Scuola Lavoro* project, confirming its strong interest in talented young people.

As of December 31st, the Group headcount included 1,778 staff members, not including the 7 members joining the Solidarity Fund, compared to 1,692 as of December 31st, 2018 (+86). The staff is broken down as follows: 67 executives (+2 with respect to 2018), 412 officials (+31 with respect to 2018) and 1,299 office workers (+53 with respect to 2018).
The number of Group employees recorded on an FTE (full time equivalent) basis was 1,717, not including 7 members joining the Solidarity Fund as of December 31st (1,631 as of December 31st, 2018).

Headcount (number)

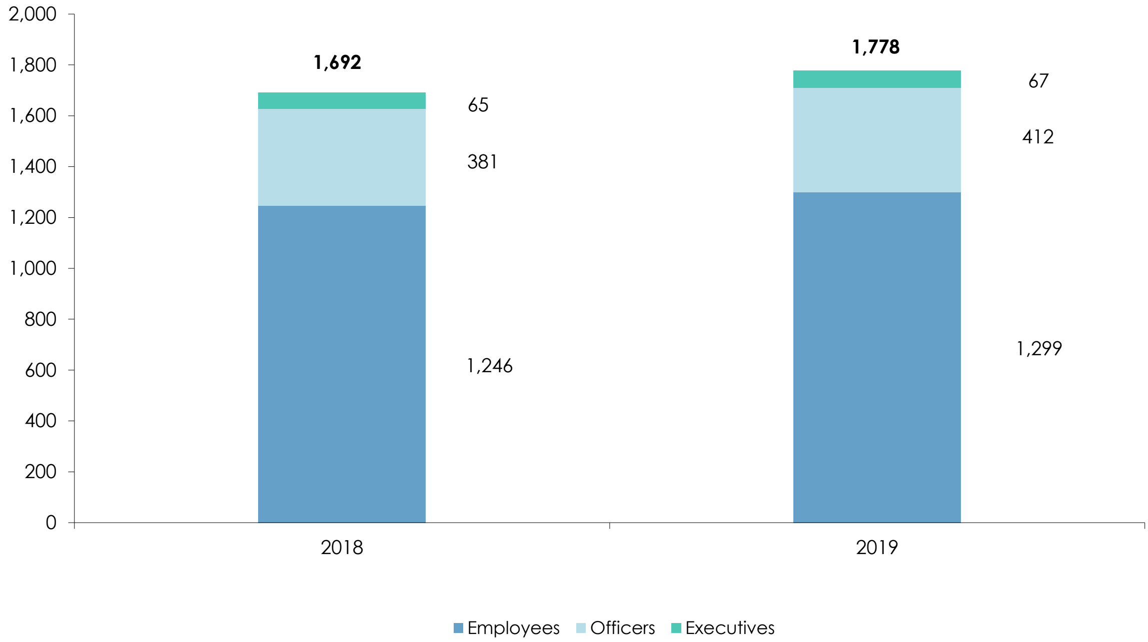


Table 15 - Group headcount

Group companies (*)	Registered offices	2018	Increases	Decreases	Changes	2019	Leavers as of Dec. 31st, 2019 (**)	2019, net of leavers as of Dec. 31st, 2019
ABC Assicura	Verona	7	0	0	0	7	0	7
BCC Assicurazioni	Milan	4	0	0	0	4	0	4
TUA Assicurazioni	Milan	71	11	3	8	79	0	79
VERA Assicurazioni	Verona	6	0	0	0	6	0	6
CattRE	Luxembourg	1	8	1	7	8	0	8
BCC Vita	Milan	8	0	0	0	8	0	8
Berica Vita	Vicenza	3	0	0	0	3	0	3
Cattolica Life	Dublin (Ireland)	5	1	1	0	5	0	5
Lombarda Vita	Brescia	10	2	1	1	11	0	11
VERA Financial	Dublin (Ireland)	18	6	5	1	19	0	19
VERA Protezione	Verona	3	0	0	0	3	0	3
VERA Vita	Verona	6	1	0	1	7	0	7
Cattolica Assicurazioni	Verona	947	97 1)	39 2)	58	1,005	4	1,001
All Risks Solutions	Rome	0	2	0	2	2	0	2
Cattolica Agricola	Verona	8	1	0	1	9	0	9
Cattolica Beni Immobili	Verona	1	0	0	0	1	0	1
Cattolica Immobiliare	Verona	7	4	2	2	9	0	9
Cattolica Services	Verona	559	49 3)	40 4)	9	568	3	565
C.P. Servizi Consulenziali	Verona	5	0	5 5)	-5	0	0	0
Estinvest	Venice	0	1	0	1	1	0	1
Satec	Venice	18	6	0	6	24	0	24
Meteotec	Venice	2	0	0	0	2	0	2
Qubo Insurance Solutions	Milan	3	2	1	1	4	0	4
Group Total		**1,692**	**191**	**98**	**93**	**1,785**	**7**	**1,778**

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

1) of which 23 intercompany transfers
2) of which 24 intercompany transfers
3) of which 24 intercompany transfers
4) of which 22 intercompany transfers
5) of which 2 in Cattolica and 3 in Cattolica Services

Academy & People Development

Cattolica's development path continues with projects and activities aimed at encouraging and enhancing the contribution of people, considered one of the main and fundamental assets of the Group's strategy: the achievement of the objectives of the Business Plan shall pass through a cultural transformation.
Cultural change places individual performance at the centre of the people management system.
Also in 2019, particular attention was paid to the performance management system, "WITH - We Improve Together", as a tool for guidance, management, enhancement and recognition of people's contribution to the achievement of corporate objectives.

Performance is represented according to two dimensions: a more quantitative dimension linked to the results obtained with respect to the assigned targets and a qualitative dimension referring to the personal conduct.
To this end, the performance management system has been integrated into the qualitative dimension with the inclusion of 6 reference organisational skills, differentiated for the role of manager and professional, and based on the Group's guiding values (integrity, cohesion, courage to do and to learn, focus on result, meritocracy). For each

skill, three indicator behaviours have been identified, associated with an assessment scale that clearly and precisely defines expectations in terms of behaviour acted upon and facilitates their observation in action.
A feedback culture has also been fostered as a fundamental element of engagement and development of individuals. The end of the 2019 performance assessment process is set for early 2020.

Cattolica also started along a path to identify and enhance 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.
Based on the same criteria, a second group of 26 Talents was identified in 2019 within the Plan.
The Talent Management strategy entails hiring talents identified as boosters in Plan projects and as supports and witnesses of the cultural change that is at the basis of the Business Plan.
4 project streams of cultural transformation have been identified as optimal fields of action to enhance and develop talents:

- *"I Nostri Valori"* (Our values) is the project that proposes the involvement of all 56 Talents identified as Supporters for all colleagues of the Group to facilitate the internalisation and memorisation of our Values, break down any resistance to change and encourage the acquisition of new behaviours that are inspired by these values;
- "*Ready to Go*", which proposes the role of Individual Contributor to 15 Plan Talents to implement the projects generated by the ideas proposed by the Group's colleagues through a digital platform, which shall be transformed into tangible projects to improve the corporate climate;
- "*Digital Transformation*", involving 8 Talents with high digital skill-levels, in a Mentor role for other colleagues with low digital skills;
- "*Professional models*", which involves 33 Talents with high professional skills for mapping the knowledge of all the professional positions in the company in order to build reference models to facilitate the adaptation and development of the professional skills of all colleagues.

The 4 project streams enable all Talents to become protagonists and observers through the development of the projects put in place, presence and constant support.

The Training Unit acts within the Academy with a perspective that encompasses the entire Group and contributes to safeguarding, enhancing and developing the technical-professional knowledge, the development of role skills and supports change management processes. The unit offers substantial support to the various areas of the company to maintain standards of professionalism in line with the dynamics of a rapidly and continuously evolving market context.

For this purpose, with the involvement of the managers, a 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**.**

In order to support the management of the phases of strong change, in line with the objectives of industrial and cultural transformation, training courses aimed at promoting the adoption of intra- and inter-division teamwork and working with targets have continued. These themes were the subject of the Soft Skill Lab, a project that included the Feedback Lab and Work Agile courses. This lab involved 335 people.

In support of the performance management process, Executives and Resource Managers have been involved in skills and competency development courses to effectively manage the phases of goal setting, performance evaluation and feedback to their employees. Training and team coaching courses were carried out involving 183 people.

To increase the managerial skills of newly appointed managers, "Smart Leadership Journey" was created, a training course with three modules (self leadership, team leadership, execution gym) to work on the six managerial skills of the Group's skills model: change management, strategic thinking, collaboration, people leadership, decision making and customer orientation.

On the subject of language training, specifically English, the English4All project was implemented, which provided on-line training courses, differentiated according to the level of knowledge of the language, in which more than 500 colleagues participated.

In order to promote a structured approach to project management, enabling professional growth through the acquisition of soft and technical skills, inter-division projects have been implemented with Skillbooster programs focused on analytical process skills, team working, structured communication, effective presentations.

In line with and in support of the changes generated by the introduction of the New IFRS 9 and IFRS 17 accounting standards, a specialist technical training and education programme has been launched for the organisational units affected, which will continue for the two-year period 2020-21. Training actions have taken shape in:

- horizontal training, with the aim of training the corporate areas impacted by the new standards and providing information in relation to the strategic choices made;
- vertical training on project working groups, with the aim of deepening the knowledge of the standards, understanding of impacts and thereby enabling active participation in the working groups.

The participants in the working groups will be the main sponsors of the corporate change brought about by the introduction of the new accounting standards and will become the on-the-job trainers and the focal points of expertise for the application of the new corporate policies in 2021.

In terms of IT skills, in order to deepen and strengthen the knowledge of Office applications, courses in e-learning mode for basic Excel, advanced Excel and PowerPoint have been kept active, also during 2019, for all employees of the Group.

To support the business, specific measures have been implemented to maintain the skills needed to achieve the objectives of the Business Plan.
For the Bancassurance Division, the Homo Faber Project was completed with the aim of enhancing the technical knowledge of the customer/bank. The project involved 18 participants.
Also within the bancassurance field, the Vera Vita "accounts" were provided with the knowledge and application elements for MIFiD 2, the Central Directive for the offer of savings and investment solutions in banks and financial advisor networks. 3 classroom days were dedicated to content relating to the CONSOB Intermediaries Regulation and the new Consolidated Law on Finance: impacts for financial advisory activities, the Client POG and life cycle, in particular for the points of contact
As part of the Giulietta Project, training was carried out for the price-estimation, issuing and after-sales processes and training on the operation of the ALL-IN system for Recruitment, After-sales and Liquidations operations. 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. Training courses on the *CLICK2GO* application, *CRM - Microsoft Dynamics, All In, Processi Trasversali* and *Infografiche Prodotti* are available on the platform.

For the Claims Division, in support of the reorganisation process that involved all functions and therefore to increase the technical skills of the role, training sessions were organised on issues relating to TPL land motor vehicles, general civil liability, personal injury and assets damage, accidents, anti-fraud and technical verification tools and processes. One of the projects carried out for the Division, which involved the Polo Auto, focussed both on technical skills and on the awareness and development of the professional role, with an eye to the market and its evolutions.

In order to meet a specific need of departments that use the SAS application, statistical analysis software, a specialist technical training course has been created in the Programming and Macro Language modules, involving 25 people.

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

The digital transformation project, launched last year, which involves the entire organisation, in line with strategic and business objectives, continued. For 2019, in view of the data collected with the "Digital Skill & Digital Mindset" assessment, the Training Unit has implemented the Digital Transformation project, including three training courses, aimed at strengthening knowledge and use of technologies, through innovative methods of digital collaboration and design thinking. The training courses carried out are:

- *Transformation Lab*: design thinking laboratory that is leading approximately seventy colleagues to transform two digital ideas from last year's Ready to Go project into real projects that can be implemented in the company;
- *Dal mercato alla nostra azienda* (From the market to our company): workshops to understand digital transformation through an overview of impacts and best business cases, including non-insurance. This was an opportunity to present and launch the Mentorship Course, the first intra-company knowledge sharing project;
- *Mentor4U*: a course that brought together several colleagues, with good digital knowledge and high digital mindset, to play the role of Digital Mentors, available to their mentees in the mentorship course mentioned above.

236 people were involved for 11 classrooms.

For all employees there are Digital Pills, on-line training pills on digital topics such as Apps and services; artificial intelligence; big data and analytics; blockchain; digital workplace; cloud computing; devices and mobile economy; digital marketing; e-commerce; industry 4.0; insurtech; Internet of Things; search engines and social networks.

As part of the training aimed at providing updates on regulatory issues, all the courses promoted and updated in the last two years are available in e-learning mode, aimed at all Group employees. Particular attention was paid to the training of newly-employed colleagues.
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 continued. In addition to the module providing the regulations and the specific module dedicated to Cattolica's Distribution Policy, available on the E-Learning platform and addressed to all the Group's employees, two classroom courses have been initiated.

The first one, basic IDD, is aimed at explaining the founding spirit of the architecture of the regulation, to share the message of the client's centrality in the insurance business and enhance its role in the Company's action towards the market. In total, 12 editions were held for 196 participants. The second course, advanced IDD, launched in the last quarter of the year with 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 enhancing their professionalism in compliance with the regulation. 103 people were involved for 7 classrooms.

On the subject of Safety in the Workplace, training meetings continued in classroom, dedicated to specific thematic areas for identified Group employees. In addition, an on-line update campaign was also carried out for *Lavoratori e Lavoratori Preposti* (Workers and Workers in charge) and training campaigns dedicated to Executives (new appointments and updating) and to new collaborators were initiated, again in on-line mode.

In parallel with the activities carried out within the company, in 2019 participation in training events organised outside the company by universities, associations and sector institutes was considerable, with which fruitful collaboration relationships were developed.

Of particular note was the "Advanced course in Actuarial Sciences and Risk Management in Insurance Companies", launched in 2018 in partnership with Università degli Studi di Verona, which provided an opportunity for Group employees, who had applied and been selected by a dedicated committee, to take part in a training course that had a number of Group executives and officers as lecturers, among others. The Course, organised into 144 hours of lessons, structured into 10 thematic modules, dealt with different topics: Insurance and pension legislation, Probability and finance mathematics, Actuarial mathematics, Insurance statistics, Actuarial techniques for life insurance, Actuarial techniques for non-life insurance, Derivatives, Reinsurance models, financial statements and reporting models, Models for the assessment of insurance portfolios and for risk management. The course ended with the graduation of colleagues in autumn 2019.

During 2019, 5,902 training man/days were held for the Group.

Training for the Board of Directors

The Board of Directors of Cattolica resolved to prepare a multi-year training Plan for the members of the Board of Directors of all Group companies (in compliance with IVASS Regulation No. 38 dated July 3rd, 2018).
Four training meetings were held, which also involved the Executives of all Group companies.

- Presentation of the 2018 financial results of the Cattolica Group, speakers the Managing Director and the Chief Financial Officer, and an in-depth analysis of the Ethics and Finance conducted by Mons. Dario Edoardo Viganò, Prefect of the Secretariat for Communication of the Holy See;
- The corruptive phenomena and contrast systems, speakers: Francesco Mucciarelli - Partner Penalisti via Manin, Studio Legale Associato Mucciarelli (Milan); Professor of Criminal Law, Università Commerciale L. Bocconi, Milan and Stefano Giani - Partner, Risk Consulting KPMG Advisory;
- Corporate Bodies in the face of potential violations of the rules on Market Abuse, speaker: Francesca Petronio - partner of Paul Hastings' Milan office;
- Corporate Sustainability and the ESG approach: origins, evolutions and recent developments, speakers: Franco Amelio - Deloitte Sustainability Leader and Pietro Negri - Head of Sustainability Services and Corporate Governance Borsa Italiana at ANIA.

Industrial relations and disputes

During the year, union relations were conducted in an atmosphere of frank confrontation and mutual collaboration, examining personnel issues in depth and encouraging the development of agreements among the most advanced in the insurance and financial sector.

In February, an agreement was signed with the Trade Unions providing an extraordinary tender of the Intersectorial Solidarity Fund. By adhering to this tender, employees who will accrue the pension requirements by July 31st, 2024, had the opportunity to terminate their employment on July 31st, 2019, bringing retirement forward by up to 5 years. 11 applications were submitted, all accepted.
In May, as provided for in the agreement of October 2017, the ordinary call for tenders was opened. By signing-up to the latter, 7 employees who will be eligible for retirement by December 31st, 2024, were able to access the Solidarity Fund by terminating their employment on December 31st, 2019, bringing their retirement forward by up to 5 years.

During the year, the Group underwent important organisational changes in various areas.

In February, the reorganisation of the Claims Area 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 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 initiated in relation to the reorganisation of the Marketing Division, in accordance with the procedure pursuant to Article 15 of the National Collective Labour Agreement. The operation became necessary in response to the entry into force of the IDD regulations, which imposed a development of the insurance market through the preparation, by insurance companies, of products suited to the needs of customers, moving from a "product based" logic to a new "customer based" one.
In this sense, the Marketing Division evolved with a view to “customer centricity”, comprising organisational structures focused in the different aspects of the relation with the clients.

Following the acquisition of the interest in Vera Assicurazioni and Vera Protezione by the Parent Company, the Parties entered into two important Variable Bonus agreements in February, which will refer to the Group's Operating Profit.
In 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 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, to be recognised for all employees in June 2019.
In June, a new comparison table was opened due to a reorganisation of TUA Assicurazioni's structure. The operation was carried out with the logic of favouring the implementation of the initiatives of the Group's 2018-2020 Business Plan through the rationalisation and efficiency of structures, the strengthening of several units and the creation of new units responsible for analysing and evaluating the performance of the Plan. In particular, through this reorganisation, the company aimed to strengthen the monitoring of technical performance trends, make the relationship between TUA Assicurazioni's units and those of the Parent Company more fluid and plan, in synergy with the latter, the actions necessary to achieve the strategic objectives.
Moreover, in July, the Parties identified the Cattolica Group's Operating Result/Profit as the new parameter to be satisfied for the payment of the variable bonus envisaged by Art. 36 of the 2012-2015 Collective Company Agreement for TUA Assicurazioni employees.

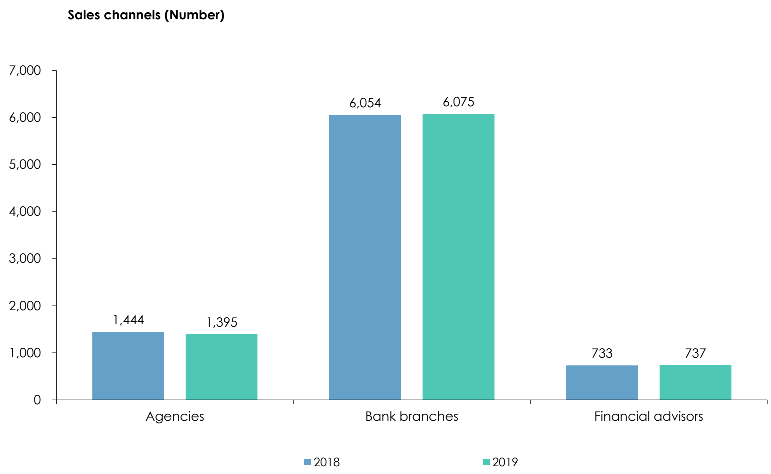
In July, the Training Commission (a joint company/syndicate commission whose purpose is to promote, develop and monitor training initiatives for employees) signed the agreement to obtain funding from the Fondo Banche Assicurazioni - FBA. Following a number of legislative changes to the Fund's Regulation, a supplementary agreement had to be drawn up in December in order to benefit from the full amount available to the Group.
The training plan presented is entitled “Noi per fare ed imparare” (To do and to learn). The value of the plan, which can be financed by the Fund, amounts to approximately € 400 thousand.
In September, the agreements for the renewal of the Group's Collective Company Agreement were reached.
The elements of particular importance are: the harmonisation of the 7 contracts that were applied within the Group, generational equality and the confirmation of the Performance Bonus linked to corporate performance.
Through this agreement, the contractual conditions of all employees of the various Group companies have been homogenised, bringing the agreements relating to regulatory, economic and welfare aspects applicable to former FATA employees and BCC Assicurazioni and BCC Vita, Vera Assicurazioni, Vera Protezione and TUA Assicurazioni into line with those of the Parent Company.

Emphasis was also placed on corporate welfare, a central element of the Business Plan, with the possibility of converting part of the Performance Bonus into welfare benefits.
With this agreement Cattolica marked an important step in terms of organisational and generational fairness, significantly linking the direct participation of people to the results that our Group is achieving.
In December, an agreement was reached to extend the trial started in December 2018 with regard to Friday afternoon working. The purpose of the agreement is to provide an increasingly efficient, extensive, broad and flexible service.

During the year, Smart Working was extended to the entire company population, one year in advance of the initial planning. This initiative has the dual aim of promoting work-life balance and improving the efficiency of professional performance. Through this innovative initiative, all employees were offered the opportunity to work outside the company premises, if they can do so, up to a maximum of 2 days a week.

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 1,395 agencies, distributed as follows: 50.8% in Northern Italy, 25.7% in Central Italy and 23.5% in Southern Italy and the islands. The Parent Company had 848 agencies.
At the end of the year, there were no welfare and pension product advisors, as, following the termination of C.P. Servizi Consulenziali activities in November, the subsidiary's sub-agents broke off the relationship with the Parent Company: several became sub-agents of a number of its agencies.

Agent network training

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

- development of the expertise of its networks;
- the digital transformation of the same.

To this end, the commitment to activate and support the agencies on the innovations of the Digital Transformation

Programme continued. Approximately 880 agencies were visited in all, to plan the organisational strategies for the adoption of tools following the releases during the three phases of the Digital Transformation Programme and subsequent releases such as client App, C2 Community and the Agency Activebox Delivery portal. For the latter, the training activity was also developed through 4 virtual classrooms for the 95 agencies forming part of the Roll-out machine and a subsequent on-line training release for all users.

Development of the skills and training

The Group's training courses were constantly updated in consideration of the regulatory amendments and the marketing of new products. The on-line training platform provided approximately 18,000 training man/days, while the 500 editions of classroom courses, for a total of about 5,000 man/days, were attended by almost 6,000 people.

The main initiatives included:

- supporting 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 on-line training course "*Prima Formazione 60 ore*" ("Initial Training 60 hours") was made available to Agents; it is a prerequisite for working in agencies and for enrolment in the consolidated register of insurance brokers. The course was attended by 124 new brokers;
- the fourth edition of the Agents Profession Master - MPA started off in June, with 19 young talents participating up to March 2020. There were 6 weeks of classroom time, equal to 28 training days and 532 man/days. The main issues addressed are: General Management, Marketing and sales techniques, Communication, Recruiting, Finance, Planning and Management Control;
- The Agents Executive Master (MEA) continued: 258 agents were trained, for a total of over 233 agencies involved. 30 classroom editions were carried out, for a total turnout of 390 people in attendance and 820 man/days of training;
- classroom training dedicated to the agriculture sector was directed at 30 agency employees whose attention was focused on the "*Agricola 360°*" policy while almost 2,900 brokers completed the new on-line course entitled 2019 Weather Risks.

The Professional Channels Skills Development Unit, thanks to the positive outcome of the annual inspection visits by the certifying body, has obtained the confirmation of the certification according to the technical quality standard UNI ISO 29990 and UNI 11402:2011 for financial education services in insurance, social security and investment, through financial educators.

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, 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 courses had 3,505 attendees.

In line with the IVASS recommendations on cyber risk preparedness, 6 one-hour courses dealing with specific Cyber Risk content have been made available on the on-line training platform.

Territorial training continued for the Religious Bodies Division, for which a meeting was held on the "*Cattolica & Volontariato*" ("Cattolica and Volunteers") policy and three on the commercial opportunities of the third sector, followed by a total of 85 brokers.

The training dedicated to the growth of skills related to non-life products and their IT management has involved brokers in the classroom for courses dedicated to Cyber Security, D&O, the new system for issuing zootechnical risk policies and the new advanced estimator tool.
Particular attention was paid to the new product "*Active Casa & Persona*", for which an initial training session was held for the product launch, followed by a road show in synergy with colleagues from the Non-Motor Non-Life Division and IMA Protect. Twenty-three classroom courses have been organised throughout the territory, with over 960 brokers.
In November, on-line Non-life training was enriched by the course designed to support the marketing of the new product "*Cattolica & Solidarietà Terzo Settore*", for which 900 brokers completed the course and successfully passed the final test.

Life classroom training was dedicated to Agency employees, stimulating their attention to the commercial opportunities of TCM and Multi-class policies. In October, the Life Specialist colleagues met over 1,300 brokers in 35 national training sessions.

The FAD "Management of SARC Claims, Injuries and Recoveries V. 09/19" course was released on the platform, which is important for alignment on both internal and legal claims procedures.
Finally, the "*Tour Collaboratori 2019*" aimed at agency employees and held in 9 stages throughout Italy was successfully concluded. The classrooms involved more than 900 employees, each lasting 8 hours.

Another focus was on deepening the capacity of Agents to use the Sales Force System, the strategic management program that manages all agency records. The courses, which began in September, were delivered directly in the Agencies by our Digital Coach colleagues, with over 500 Agents refreshed on the subject.

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, 35 classroom editions were carried out, for a total turnout of 752 people in attendance. The remote course, instead, was attended by 1,061 users.
In relation to the insurance technical area, a classroom course entitled "Permanent invalidity from Illness" was organised, with 8 editions, for a total number of 207 participants.
To mark the release of the "*Tua Casa e Famiglia*" new product, two classroom training courses were launched; the first, consisting of 7 editions for a total of 209 participants, was aimed at training agents, in particular on the new cyber risk guarantee; the second, consisting of 11 editions for a total of 302 participants, was characterised by a focus on the remote surveillance service of the partner Ima Protect.
The company also organised a general presentation classroom course on Cattre and Specialty Lines, which involved 73 agents.
In line with previous years, the first training course for newcomers continued, a pre-requisite for initiating activities and inclusion in section E of the RUI (Consolidated Register of Insurance Brokers), provided in mixed mode, classroom and e-learning, in which 31 collaborators 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 46 users.
With regard to professional distance learning, 6 further courses have been published for the following products: for "*Tua Salute*" (attended by 805 users), for "*Tua Condominio*" (586 users), for "*Tua Impresa*" (594 users), on the Transport Class(198 users), for "*Tua Per il Sociale*" (320 users) and on the product "*Tua Casa e Famiglia*" (1,082 users).

Bank coverage

The bancassurance 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 6,075 compared to the 6,054 branches in 2018, and included 1,487 branches of Banco BPM, Banca Aletti & C. S.p.A. and Agos Ducato S.p.A. (1,437 in 2018).
The bank branches of the UBI Group numbered 383 (392 in 2018). The alliance with ICCREA HOLDING launched in the second half of 2009 makes it possible to distribute products via 4,003 branches of the co-operative lending banks (4,021 in 2018).

Bancassurance 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 courses and e-learning courses aimed at meeting the professional training and refresher courses for their distribution networks.

The training offer has deepened the thematic areas and forms provided for in Attachment 6 of the above mentioned Regulation in accordance with the standard. Particular attention was dedicated to the regulatory development relating to the introduction of the IDD Directive and issues related to information security, in compliance with the requirements of the legislator.
With regard to the companies acquired by Banco BPM (Vera Assicurazioni, Vera Protezione and Vera Vita), the choice of training company is made directly by the distributor. The companies are then involved in the definition of the content and validation of the materials packaged by the training company.

Financial advisor distribution

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

Performance
of Cattolica stock

Minimum price
7.10€

Maximum price
8.83€

MANAGEMENT REPORT

SIGNIFICANT EVENTS AND OTHER INFORMATION

SIGNIFICANT TRANSACTIONS CARRIED OUT DURING THE YEAR

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

You are hereby reminded that the Parent Company's Board of Directors resolved to comply, with effect as from December 13th, 2012, with the opt-out regime as per Arts. 70, paragraph 8 and 71, paragraph 1 bis, of the Issuers' Regulation, 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 initiation 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, thus defined the essential elements for the revision of existing shareholder agreements and the distribution agreement as regards the subsidiaries BCC Vita S.p.A. and BCC Assicurazioni S.p.A. and the execution of a new distribution agreement, concurrently regulating the terms for the reorganisation of their shareholding structure.
The Boards of Directors of Cattolica and ICCREA Banca, which met on July 3rd and 5th, 2019 respectively, therefore resolved the renewal of the bancassurance partnership and the terms of the shareholding reorganisation of the joint ventures BCC Vita S.p.A. and BCC Assicurazioni S.p.A., formalising the related contracts on July 12th, 2019. On July 29th, the Parent Company closed the purchase, from ICCREA Banca, of 19% of the share capital of the subsidiaries BCC Vita S.p.A. and BCC Assicurazioni S.p.A., thus increasing its own shareholding in both companies from 51% to 70%, for a total price of € 42.5 million. At the same time, a new shareholders' agreement relating to the governance of the same companies and a new commercial bancassurance agreement were signed 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, with the assumption, by the parent company ICCREA Banca, of specific promotion commitments.
Upon expiration, scheduled for December 31st, 2022, the agreements will be automatically renewed for additional periods of 12 months, without prejudice to the possibility of renegotiating their contents and duration or, alternatively, terminating the partnership through the exercise of symmetrical call and put options.

On February 6th, and July 4th, the acquisition by Estinvest S.r.l. of 31% and 49% respectively of All Risks Solutions S.r.l. ("ARS"), a Rome-based insurance brokerage company, was completed, for € 33 thousand and € 43 thousand.

On March 25th, following what was announced on September 26th, 2018, and after obtaining the necessary authorisations from IVASS and the European Commission in the antitrust field, Cattolica and Inter Mutuelles Assistance S.A. announced that they had completed the closing of the transaction, which involves the entry of Cattolica into IMA Italia Assistance S.p.A. with a 35% interest, achieved through the subscription of a reserved share capital increase against payment for a total amount of € 8.58 million. Through this partnership, Cattolica and the IMA Group put their industrial competence together, providing momentum to the growth of IMA Italia Assistance S.p.A., 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 met in Verona and approved all items on the agenda, including the proposal of the Board of Directors concerning the draft 2018 Financial Statements, 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 were also appointed as members of the Management Control Committee for the three-year period from 2019 to 2021, with Giovanni Glisenti as Chairman. The Shareholders'' 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 IVASS 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 corporate bodies, 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 aforementioned parties.
Following the entry into force of the aforementioned regulation, the Shareholders' Meeting approved the revision of the 2018-2020 Performance Share Plan, already approved by the Shareholders' Meeting on April 28th, 2018.

On October 31st, Cattolica's Board of Directors revoked the Managing Director Alberto Minali's operating powers and, after consulting the Appointments Committee, granted all powers to the General Manager, Carlo Ferraresi.
The Board of Directors confirmed its willingness to pursue the implementation of the growth plan already announced to the markets and reaffirmed its commitment to defend the founding values and the cooperative model and to enhance the sustainability of shareholders' and investors' investment over time.
The Board of Directors has also confirmed that it is continuing along the path of innovation and adaptation of corporate governance, in accordance with the best practices of the market; a path long undertaken through the adoption of the monistic system and the potential for shareholders to participate in governance.

In September, the Parent Company and TUA Assicurazioni contributed € 25 million and € 6 million respectively to set up a new fund called Girolamo managed by Savills IM SGR (former manager of the Fondo Innovazione Salute and the Fondo Mercury); the fund purchased a property in Milan, which covers 7,300 leasable square meters, renovated for about a year and has been fully leased to 3 different companies.

On November 19th, the transfer of 6.235 units of the closed-end reserved Italian Alternative Investment Fund called "Ca' Tron H-Campus" from Ca' Tron Real Estate S.r.l. to the Parent Company was completed for a consideration of € 3.087 million. As a result of the transaction, the Parent Company increased its stake in the Fund from 65.5% to 68.5%.
In November C.P. Servizi Consulenziali ceased its activities and was merged into Cattolica Immobiliare S.p.A. on December 12th, 2019: the merger took effect from January 1st, 2020.

On December 10th, the Parent Company signed a binding agreement for the acquisition of 40% of Cattolica Life DAC from Banca Popolare di Vicenza, in compulsory administrative liquidation. This acquisition follows the binding agreement signed on November 7th between Cattolica and the reinsurance group Monument Re concerning the transfer of 100% of Cattolica Life DAC. The entire operation is expected to be completed by the first half of 2020 and is subject to the issue of the necessary authorisations by the competent authorities. The transfer of Cattolica Life is part of the wider context of rationalisation and simplification of the Cattolica Group.

On December 12th, as part of the corporate reorganisation of Specialty Lines, the following transactions were completed, at market conditions:

- transfer in favour of the Luxembourg subsidiary CattRe S.A. of the investment held by Cattolica in Estinvest S.r.l., equal to 100% of the share capital;
- transfer in favour of Estinvest S.r.l. of the shares held by Cattolica in Satec S.r.l. (equal to 15.87%) and All Risk Solutions S.r.l. (equal to 20%).

The transfers are part of the development of the Specialty Lines project, in line with the guidelines of the Business Plan and with the objective of perfecting the layout of the deputy corporate structure, grouping all the MGAs into a single set dedicated to special risks, at the top of which CattRe S.A. is positioned.

On the same date, Cattolica completed the transfer to its subsidiary Cattolica Services S.C.p.A. of a 1% interest in IMA Servizi S.c.ar.l. for € 16 thousand. This transaction

follows the partnership with the IMA Group for the development of business in the assistance and customer service sector, and will enable the subsidiary Cattolica Services S.C.p.A. to join the IMA Servizi S.c.ar.l. consortium, an instrumental company that provides, among other things, operations centre and claims call centre services.
On December 18th, Cattolica subscribed 70 Participative Financial Instruments (SFP) with a nominal value of € 100,000 each, issued by H-FARM S.p.A. on December 14th, paying on the same date a total consideration of € 7 million. Even though the transaction did not affect the quota of ordinary shares held in H-Farm S.p.A., which remained unchanged and equal to 4.49%, Cattolica considered that all the relationships with the investee company, following the subscription of the Participative Financial Instruments (SFP), involved its qualification as a related party.

Other events

The companies of the Cattolica Group, as from January 1st, 2019, have joined the Cattolica Assicurazioni VAT Group. This entailed the assignment of a new VAT Code (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 January 10th, 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.

In accordance with IVASS Regulation No. 38 of July 3rd, 2018, and, in application of the principle of proportionality set out in the IVASS letter to the Market of July 5th, 2018, the administrative body of BCC Vita, Lombarda Vita and Vera Vita respectively has identified the "ordinary" system of corporate governance as the most suitable for the purposes of sound and prudent corporate management; consequently, in December 2019, the Board of Directors, subject to amendment of the Articles of Association by the extraordinary Shareholders' Meeting, set up an Internal Control and Risks Committee within the Board itself, the majority of which is made up of Independent Directors, with the task of making proposals, providing advice and making inquiries.

During the year, following a resolution passed at the Shareholders' Meeting held on July 23rd, 2019, TUA Assicurazioni adopted a "monistic" administration and control system in place of the "traditional" one, thereby amending the Articles of Association. As a result of the transition to the monistic system, the Board of Directors, pursuant to the Articles of Association, is composed of a minimum of 7 (seven) and a maximum of 9 (nine) members appointed by the Shareholders' Meeting, which determines the number within the statutory range. Within the Board of Directors the Management Control Committee is made up of 3 (three) members. The Directors thus appointed remain in office for three financial years.

Italian Revenue Agency

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

On May 9th, the Italian Revenue Agency, Lombardy Regional Directorate 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.
On November 29th, the Bologna Provincial Directorate of the Italian Revenue Agency ordered the filing of the report on the findings process drawn up by the *Guardia di Finanza, Nucleo polizia economico-finanziaria di Bologna* (Guardia di Finanza, Bologna Economic and Financial Police Unit) on June 27th, 2018, following the IRES (corporate income tax) and IRAP (regional business tax) audit carried out by Vera Financial DAC.

During the month of December, the proposal for the definition of the outcome contained in the report of findings of June 1st, 2018, against Vera Vita relating to the 2014 tax period for IRES and IRAP, was signed. It should be noted that the company had already challenged, during 2018, the observations made against it by submitting its observations to the Piedmont Regional Directorate of the Italian Revenue Agency, pursuant to paragraph 7 of Art.

12 of Italian Law No. 212 of July 27th, 2000 (the so-called "Statute of Taxpayers' Rights").
The signing of the deeds of accession made it possible to conclude the dispute with the payment of a total of € 198 thousand.

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, making it obligatory within sixty days for the effective implementation of the commitments undertaken by the same. Following receipt of the communications certifying compliance with the aforementioned commitments, AGCM took note of them by notifying it on December 10th, 2019.

On December 18th, IVASS and CONSOB started independent inspection activities with regard to Cattolica. The checks conducted by IVASS are aimed at verifying the governance structure, with particular regard to the correct functioning of the monistic system, also in relation to the main issues for the attention of corporate bodies and the verification of the Group's real estate risks.
The activities carried out by CONSOB concerned the acquisition of documentation in relation to: the information provided to the market on the occasion of the publication of the Press Release concerning the revocation of the powers of the Managing Director by the Board of Directors; the functioning of the corporate bodies, also with regard to the procedures for calling and recording minutes of Board meetings; the procedures for holding the Shareholders' Meeting of April 13th, 2019, with specific regard to the mechanism for collecting voting proxies; the investment policy adopted and the consequent assessment methods used with regard to certain financial instruments held.
In both cases, the checks are still ongoing.

PREVENTION AND COUNTERING OF FRAUD

The Parent Company, whilst also implementing regulatory provisions concerning the fight against fraud in the motor liability sector, has adopted a prevention and countering fraud policy, in implementation of the policy prepared at Group level, in which objectives, responsibilities and guidelines of the specific organisational model are defined.
The policy is aimed at limiting exposure to the risk of fraud, understood as the possibility of suffering economic losses due to the undue conduct of employees or third parties, with possible consequences also in terms of reputation.

The organisational model for preventing and countering fraud is integrated into the internal control system and is similarly structured along three lines of defence. Responsibility is pervasive and widespread throughout the corporate organisation.

In compliance with the provisions of Art. 30 of the Italian Law No. 27 of March 24th, 2012 and the IVASS Protocol No. 47-14-000982 dated March 11th, 2014, the estimate of the reduction of the charges for motor TPL claims deriving from the assessment of fraud, consequent to control and fraud suppression activities, for the Group, is quantified as € 22 million, in line with December 31st, 2018.

GROUP COMPLAINTS MANAGEMENT

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

The unit also contributes towards monitoring the service levels and the company areas in view of possible improvements.
During the year, with reference to the Group, a total of 4,855 written complaints were registered, of which 1,231 were upheld. The complaints were dealt with, on average, in 20 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 in March 2018, the migration of the systems of Vera Assicurazioni, Vera Protezione, Vera Financial and Vera Vita companies was completed.
In addition, the process of bringing TUA Assicurazioni into line with Group applications was completed.

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.
Also in the field of digital services, the C2 Cattolica Community platform has been implemented, an innovative loyalty system that offers customers exclusive non-insurance offers and services at discounted prices.

Activities were also carried out for the launch of the "*Active Casa&Persona*" product, a new modular and connected insurance solution for the home and the individual.

As part of a "fly to quality" process, which also includes a series of initiatives aimed at further increasing the quality of the services offered to the agency network and customers, a number of actions were carried out to improve the information systems supporting the sales network.

As far as financial systems are concerned, the production start-up of the new front-office system has been completed.

In addition, the new Risk Management System, used to determine the technical provisions and regulatory capital requirements under Solvency II, was introduced.

Work continues on the development of a new technological platform ("data platform") as the sole point of consolidation of all company data (structured and unstructured) that will increase the effectiveness of certain company processes (e.g. anti-fraud, pricing, claim management).

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, still in progress, directed at introducing innovative processes in support of the entire claim management process.

Analysis activities are underway to comply with the new IFRS (International Financial Reporting Standards).

Infrastructures and security

Initiatives were carried out to update the technical infrastructure and, in particular, to enhance the telecommunications networks, support the spread of smart working and so-called "unified communication" (approach to collaboration through document sharing between remote users).

The cyber security initiatives during the year concerned in particular the upgrading of the Security Operation Centre, the unification of access credentials for certain management applications, the launch of a mobile device management solution and activities for training and awareness raising on IT security issues for Group employees.

MANAGEMENT AND COORDINATION ACTIVITIES ACCORDING TO ARTS. 2497 ET SEQ. OF THE ITALIAN CIVIL CODE

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

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

- resolutions concerning the rules laid down in IVASS Regulation No. 38 dated July 3rd, 2018;
- the approval of guidelines for the handling of risks at Group level, as well as the forecast assessment of the risk and solvency profile within the sphere of the ORSA process;
- the approval of the risk propensity systems, setting the risk tolerance levels;
- the adoption of the guidelines for intercompany transactions;
- the adoption of governance and management approaches and controls, which are standard at Group level;
- the implementation of coordinated operating policies;
- the adoption and the review of company policies in accordance with the current applicable legislation;
- the choices concerning the composition, formation and the remuneration of the corporate bodies, management and other significant roles with respect to the governance set up.

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

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

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

TAX CONSOLIDATION

The subsidiaries which comply with the national tax consolidation system are: ABC Assicura, Berica Vita, BCC Assicurazioni, BCC Vita, Cattolica Agricola, Cattolica Beni Immobili, Cattolica Immobiliare, Cattolica Services, C.P. Consultancy Services, Lombarda Vita, TUA Assicurazioni TUA Retail, Vera Vita, Vera Assicurazioni and Vera Protezione (the last three entries to be included in the tax consolidation scheme from 2019, as specified below).

As a result of the acquisition, in 2018, of the equity investments in Vera Vita S.p.A., Vera Assicurazioni S.p.A. and Vera Protezione S.p.A., from 2019 onwards the conditions required by law for compliance with the tax consolidation regime, for these companies, have been integrated. In order to regulate the economic relations deriving from compliance with the tax consolidation regime, following the resolution of the Board of Directors of the companies and that of the Consolidating Company, special agreements were signed in December between the companies and Cattolica.

The reasons for exercising the option, which has a duration of three financial years and is subject to automatic renewal unless expressly revoked, lie in the appropriateness of offsetting the tax positions with an opposite sign between the Group companies, consequently optimising the financial aspects.

With reference to the allocations of the economic effects associated with the exercise of the option, the subsidiaries transfer the amounts corresponding to the taxes and advances deriving from their taxable position to the Parent Company; by contrast, they receive from the Parent Company the amount corresponding to lower tax paid by the same due to the effects of the use of tax losses transferred by subsidiaries.

CONSOLIDATED NON-FINANCIAL STATEMENT

The consolidated non-financial statement of Società Cattolica di Assicurazione - Società Cooperativa, prepared in accordance with Italian Legislative Decree No. 254 of December 30th, 2016, constitutes a separate report (Sustainability Report) with respect to this Management Report, as required by Art. 5, paragraph 3, letter b) of the aforementioned Legislative Decree, and is available on the following website www.cattolica.it in the "Sustainability" section.

OWN SHARES HELD BY THE PARENT COMPANY AND BY ITS SUBSIDIARIES

The Shareholders' Meeting held on April 13th, 2019, 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 not be lower, either minimum or maximum, by more than 20%, with respect to the official price of Cattolica shares recorded by Borsa Italiana S.p.A. in the stock exchange session prior to 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.

No shares were purchased or sold during the year.

As of December 31st, the Parent Company held 7,036,907 own shares, equal to 4.04% of the share capital, recorded in the Reserve for own shares in the portfolio for a total book value of € 49.9 million.

TRANSACTIONS WITH RELATED PARTIES

Pursuant to CONSOB Regulation No. 17221 dated March 12th, 2010, and subsequent amendments and additions, as from January 1st, 2011 the "Procedure for the management of transactions with related parties" approved by the Board of Directors with last update by means of resolution dated December 19th, 2019, 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, under 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 year 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 year, Cattolica shares recorded a minimum price of € 7.10 and a maximum price of € 8.83. The capitalisation of the stock on the market as of December 31st came to € 1,267 million.

During the year the performance of the stock reported an increase of 3.03% with respect to an increase of 29.62% in the FTSE Mib index and an increase of 29.41% in the FTSE Italia All-Share Insurance Index.

During the year, the average volumes traded were 440,699 transactions.

On May 22nd, 2019, with coupon detachment date on the 20th 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 December 31st:

Table 16 - Ratios per share

(amounts in €)	2019	2018
Number of outstanding shares (*)	167,257,019	167,383,751
Premiums written per share (insurance premiums and investment contracts)	41.52	34.61
Group profit per share	0.45	0.64
Group shareholders' equity per share	11.32	10.63

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

SIGNIFICANT EVENTS DURING THE FIRST FEW MONTHS OF 2020

On January 16th, 2020, Cattolica's Board of Directors approved the organisational change at the top management level of the Parent Company, which became appropriate following the assignment to Carlo Ferraresi, Cattolica's General Manager, of the powers already delegated to the Managing Director. An Insurance Division General Co-Management has been set up to report to Carlo Ferraresi and under the responsibility of Valter Trevisani, who has been appointed General Co-Manager of the Insurance Division; he is assigned operational powers in the following areas:

- Technical Division of all classes (Life and Pension Planning, Motor Non-life, Non-Motor Non-life);
- Reinsurance for all classes (Life and Pension Planning, Motor Non-life, Non-Motor Non-life);
- Claims (settlement and management);
- Distribution (Professional Channels, Bancassurance and Religious Bodies and Third Sector Business Units);
- Marketing;
- Legal Affairs and Complaints Service;
- Insurance Analytics & Business Architecture.

In addition, a Chief Operations Office Deputy General Management has been established, reporting to Carlo Ferraresi and under the responsibility of Samuele Marconcini, into which the Operations and IT, Organisation and Resources and the Academy and Transformation & Automation organisational units have merged.
The team of Deputy General Managers, in addition to Samuele Marconcini, is also composed of CFO Enrico Mattioli and Non-Motor Non-life Manager Nazzareno Cerni.
On the same date, the Board of Directors of Cattolica Assicurazioni resolved, accepting the request of several shareholders (Francesco Brioschi, Massimiliano Cagliero, Giuseppe Lovati Cottini, Credit Network & Finance S.p.A., SH64 S.r.l.), received on December 18th, 2019, to call the extraordinary Shareholders' Meeting of Cattolica Assicurazioni for March 6th, 2020, in first call, and the following day, March 7th, 2020, in second call, according to the agenda proposed by the requesting shareholders: "New corporate governance rules: amendments, deletion and additions to Articles 1, 22, 23, 24, 27, 29, 30, 31, 32, 33, 37, 38, 39, 40, 41, 43, 46, 47, 48, 59 of the Articles of Association. Inherent and consequent resolutions".

On February 6th, 2020, the Board of Directors of the Parent Company approved the Cattolica Group's 2020-22 Rolling Plan and also took note of the initial results on the economic performance for 2019. The Board has noted and approved new projections for the year 2020, which are slightly lower than those previously communicated to

the financial markets during the presentation of the 2018-20 Business Plan: the Operating Result is expected to be between € 350 and € 375 million compared to the range previously communicated (€ 375-400 million) and therefore there is a deviation of -6% between the two average values.
In fact, the financial and insurance scenarios that have materialised to date and those forecast for the current year are more unfavourable than assumed in the preparation of the 2018-20 Business Plan, in particular due to the persistence of very strong competitive dynamics and lower than expected interest rates that lead to an erosion of financial returns.

On February 20th, 2020, the Parent Company completed the purchase of 40% of ABC Assicura S.p.A. from Banca Popolare di Vicenza, in compulsory administrative liquidation. Following the acquisition, Cattolica Assicurazioni holds 100% of the share capital of ABC Assicura. The transaction is part of the wider context of rationalisation and simplification of the Cattolica Group and does not have any material impact on the solvency position of the Cattolica Group.

On February 25th, 2020, the Board of Directors, having assessed the situation that had arisen as a result of the Covid-19 epidemiological emergency, the measures already taken, or that may be taken in the near future by the Public Authorities, and in consideration of the well-founded risk that the Shareholders' Meeting convened for March 6-7th, 2020 in Verona may not be held due to community safety requirements, decided, due to the objective circumstances that had arisen, to revoke the calling of the aforementioned extraordinary Shareholders' Meeting for March 6/7th, 2020. The Board of Directors postponed the meeting to April 24/25th, 2020, at the same time as the scheduled ordinary Shareholders' Meeting, taking care of all the appropriate and improved communication formalities to the Shareholders, the market and the Authorities.

On February 26th, 2020, the Parent Company announced that it had received acceptance from the CAR Committee, the UBI's Reference Shareholders' Committee, with regard to its participation in the Shareholders' Consultation Agreement concerning UBI Banca S.p.A. shares.
It should also be noted that Cattolica has increased, through purchases on the stock market made over the last two weeks following the decision taken by the Board of Directors of Cattolica Assicurazioni on February 13th, the equity investment held in UBI S.p.A. from the previous 0.50% (held for an extended period) to 1.01%, thus exceeding the 1% threshold envisaged by the Agreement for the appointment of a member of the aforementioned Reference Shareholders' Committee (CAR).

During the month of February, an audit was initiated at the Parent Company by the Veneto Regional Directorate of the Italian Revenue Agency, the Large Taxpayers Office, limited to certain specific items relating to the financial years 2015, 2016, 2017 and 2018. The audit falls within the annual plan for the inspection of large taxpayers.

On March 10th, 2020, the Board of Directors defined, based on the relevant opinion and the findings of the Remuneration Committee, the amount due to the former Managing Director following the revocation of his powers on October 31st, 2019. In consideration of the just cause underlying the revocation resolution, Alberto Minali is awarded the amount of € 422,400 thousand as the office leaving indemnity provided for by the current Remuneration Policy (point 4.1.2, first paragraph). All the above is in line with the envisaged and current remuneration policies and taking into account the provisions of laws and regulations. This is without prejudice to the Company's credit and compensation claims against Alberto Minali, which are being investigated and verified, also with the help of independent legal advisors and therefore subject to future initiatives.

Covid-19 Emergency (Coronavirus)

The Cattolica Group promptly reacted on several fronts to the health emergency that occurred at the end of February with the spread of the Coronavirus:

- for company personnel, by promptly activating smart working methods, a project that the Group had already initiated in 2017, thus guaranteeing the continuity of processes and activities, without negatively affecting company productivity; in March, more than 90% of the workforce worked with this method, which guaranteed business continuity while protecting the well-being and safety of Group personnel;
- for the business side, creating and marketing in the initial phase of the emergency, the "*Active Business NON Stop*" product, in order to respond to the demand of businesses (shops, bars, services) forced by an emergency measure of the Authorities to close down and to comply with the restrictive measures imposed following the threat of an epidemic; the sale of this product was almost immediately blocked following the extension of the restrictive measures throughout the country;

- management analysis aimed at identifying potential critical issues, impacts and possible managerial actions that can be taken in all areas of the business to counter any negative effects arising from the spread of the virus. Numerous analyses linked to stress scenarios are underway to estimate the impact of the pandemic on the Group's business, in particular premiums written, cash flow, solvency position, and economic results.

With regard to the macroeconomic environment, the initial and most significant impact was first in China, with subsequent spread throughout the world, with significant repercussions on the major economies. The various supranational bodies, major investment banks and research companies are constantly updating their downward growth estimates, in a context that makes it difficult to make precise assumptions about how the situation will evolve further.

In response to this emergency, which has become increasingly serious, the market is waiting for a strong and determined reaction from both monetary and fiscal policy. Although the monetary stimulus is not fully effective and incisive on the supply side, and although the available margin is very risky, the Central Banks are reacting with measures to maintain a high level of liquidity.

The reaction of the financial markets, consistent with a progressive downward revision of prospective growth, resulted in a sharply increase in volatility, a reduction in core rates, and a generalised repricing of all riskier assets, from equities to credit, via domestic governments.

Volatility is likely to persist in the markets until the impact of the epidemic on global growth becomes clearer.

As far as the Group is concerned, it is currently difficult to quantify the impact, which will depend heavily on the duration and intensity of the pandemic. At present, the following trends and their effects have been identified:

- In terms of premiums written, significant declines can be seen in new business, although this evidence has only emerged in the last few weeks of the first quarter of 2020; these effects are especially evident in non-motor and life businesses.
- An overall improvement in the cost of claims is expected, due to a material decline in the frequency of claims in some key areas such as motor insurance, while at present, minor negative effects are expected due to pandemic-related insurance coverage such as business interruption, healthcare, general civil liability. If persistent, the pandemic could lead to a significant increase in life claims related to TCM (temporary life insurance) policies.
- The economic effects deriving from the investment portfolio should be of medium size if referring to the share segment, given the Group's limited exposure to this asset class (<1% of total investments, excluding those where the risk is borne by policyholders). At present, it is difficult to make predictions about the bond and other asset classes if the pandemic continues for an extended period of time.
- According to estimates, the solvency position has been volatile since the end of February, driven by exogenous factors, in particular the spread on government and corporate bonds, the fall in risk free rates and the sharp fall in equity markets. Despite the extreme volatility of the financial markets, the S-II ratio is estimated to have always remained well above the regulatory minima, although below the level of end-2019 (175%). The interventions decided by the ECB seem to have eased the tension on the spread of Italian government bonds, which is one of the most important risk factors for the solvency position of the Group and the individual companies.

OUTLOOK FOR BUSINESS ACTIVITIES

As already announced on February 6th, 2020, Cattolica's Board of Directors acknowledged that the financial and insurance scenarios envisaged for the current year are more unfavourable than assumed when drawing up the 2018-20 Business Plan, in particular due to the persistence of very strong competitive dynamics and lower than expected interest rates that lead to an erosion of financial returns. New projections for 2020 have therefore been approved, which are slightly lower than those previously communicated to the financial markets during the presentation of the 2018-20 Business Plan: the Operating Result is expected to be in the range between € 350 million and € 375 million. Compared to the range previously communicated (€ 375 - 400 million) there is therefore a deviation of -6% between the two average values.

As of today, it is too early to predict the impact of the pandemic on the Group's income statement. In preliminary terms, in a context of uncertainty and increased volatility in financial markets, it is expected to have a negative impact on premiums written while it is not expected to lead to an increase in overall claims.

THE BOARD OF DIRECTORS

Verona, March 18th, 2020

Total assets

37,341 € MLN

Total shareholders' equity

2,351 € MLN

CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31ST ASSETS

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		2019	2018
1	**INTANGIBLE ASSETS**	**880,981**	**911,283**
1.1	Goodwill	548,412	561,461
1.2	Other intangible assets	332,569	349,822
2	**TANGIBLE ASSETS**	**237,613**	**189,459**
2.1	Property	210,291	169,431
2.2	Other tangible assets	27,322	20,028
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**618,776**	**701,607**
4	**INVESTMENTS**	**32,722,833**	**30,925,895**
4.1	Investment Property	850,449	787,262
4.2	Investments in subsidiaries, associated companies and joint ventures	159,846	119,060
4.3	Held to maturity investments	212,129	225,434
4.4	Loans and receivables	1,072,157	864,913
4.5	Available for sale financial assets	23,823,347	23,119,705
4.6	Financial assets at fair value through profit or loss	6,604,905	5,809,521
5	**SUNDRY RECEIVABLES**	**688,411**	**698,742**
5.1	Receivables deriving from direct insurance transactions	461,445	432,678
5.2	Receivables deriving from reinsurance transactions	107,421	63,286
5.3	Other receivables	119,545	202,778
6	**OTHER ASSET ITEMS**	**1,723,574**	**1,029,850**
6.1	Non-current assets or disposal group held for sale	197,164	0
6.2	Deferred acquisition costs	19,274	24,998
6.3	Deferred tax assets	687,387	304,441
6.4	Current tax assets	592,203	448,306
6.5	Other assets	227,546	252,105
7	**CASH AND CASH EQUIVALENTS**	**468,385**	**406,345**
	TOTAL ASSETS	**37,340,573**	**34,863,181**

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31ST, 2019
SHAREHOLDERS' EQUITY AND LIABILITIES

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		2019	2018
1	**SHAREHOLDERS' EQUITY**	**2,351,011**	**2,255,327**
1.1	**pertaining to the Group**	**1,893,631**	**1,779,886**
1.1.1	Share capital	522,882	522,882
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	712,031	739,494
1.1.4	Revenue reserves and other equity reserves	560,475	495,982
1.1.5	(Own shares)	-49,927	-49,927
1.1.6	Reserve for net exchange differences	0	0
1.1.7	Gains or losses on available for sale financial assets	77,649	-35,447
1.1.8	Other gains or losses recognised directly in equity	-4,619	-32
1.1.9	Profit (loss) for the year pertaining to the Group	75,140	106,934
1.2	**pertaining to minority interests**	**457,380**	**475,441**
1.2.1	Capital and reserves pertaining to minority interests	418,506	445,639
1.2.2	Profits or losses recognised directly in equity	10,988	110
1.2.3	Profit (loss) for the year pertaining to minority interests	27,886	29,692
2	**PROVISIONS AND ALLOWANCES**	**61,788**	**59,307**
3	**TECHNICAL PROVISIONS**	**30,891,612**	**28,963,453**
4	**FINANCIAL LIABILITIES**	**2,344,915**	**2,601,082**
4.1	Financial liabilities at fair value through profit or loss	1,494,274	1,809,680
4.2	Other financial liabilities	850,641	791,402
5	**PAYABLES**	**410,706**	**399,327**
5.1	Payables deriving from direct insurance transactions	134,238	83,772
5.2	Payables deriving from reinsurance transactions	27,999	34,562
5.3	Other payables	248,469	280,993
6	**OTHER LIABILITY ITEMS**	**1,280,541**	**584,685**
6.1	Liabilities of disposal group held for sale	193,783	0
6.2	Deferred tax liabilities	671,299	303,005
6.3	Current tax liabilities	263,577	111,673
6.4	Other liabilities	151,882	170,007
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**37,340,573**	**34,863,181**

INCOME STATEMENT

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31ST INCOME STATEMENT

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)		2019	2018
1.1	Net premiums	6,544,168	5,354,832
1.1.1	*Gross premiums written*	6,827,887	5,649,024
1.1.2	*Ceded premiums*	-283,719	-294,192
1.2	Commissions income	5,329	6,982
1.3	Income and charges from financial instruments at fair value through profit or loss	366,042	-162,421
1.4	Income from investments in subsidiaries, associated companies and joint ventures	5,446	3,789
1.5	Income from other financial instruments and investment property	821,473	764,054
1.5.1	*Interest income*	598,403	593,297
1.5.2	*Other income*	99,630	96,195
1.5.3	*Realised gains*	122,861	74,258
1.5.4	*Valuation gains*	579	304
1.6	Other revenues	142,333	140,484
1	**TOTAL REVENUES AND INCOME**	**7,884,791**	**6,107,720**
2.1	Net charges relating to claims	-6,257,029	-4,567,627
2.1.1	*Amounts paid and change in technical provisions*	-6,432,715	-4,740,914
2.1.2	*Reinsurance amount*	175,686	173,287
2.2	Commissions expense	-6,435	-6,769
2.3	Charges from investments in subsidiaries, associated companies and joint ventures	-3,264	-906
2.4	Charges from other financial instruments and investment property	-244,122	-242,029
2.4.1	*Interest expense*	-156,497	-149,256
2.4.2	*Other charges*	-7,644	-2,652
2.4.3	*Realised losses*	-44,965	-63,317
2.4.4	*Valuation losses*	-35,016	-26,804
2.5	Operating expenses	-829,108	-779,687
2.5.1	*Commission and other acquisition costs*	-569,766	-516,624
2.5.2	*Operating expenses relating to investments*	-50,831	-43,538
2.5.3	*Other administrative expenses*	-208,511	-219,525
2.6	Other costs	-355,878	-279,989
2	**TOTAL COSTS AND CHARGES**	**-7,695,836**	**-5,877,007**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXATION	**188,955**	**230,713**
3	Taxation	-85,929	-94,087
	PROFIT (LOSS) FOR THE YEAR NET OF TAXATION	**103,026**	**136,626**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**0**	**0**
	CONSOLIDATED PROFIT (LOSS)	**103,026**	**136,626**
	pertaining to the Group	**75,140**	**106,934**
	pertaining to minority interests	**27,886**	**29,692**

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31ST, 2019
STATEMENT OF COMPREHENSIVE INCOME - Net amounts

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)	2019	2018
CONSOLIDATED PROFIT (LOSS)	**103,026**	**136,626**
Other income components net of income taxes without reclassification in the income statement	**-1,121**	**-99**
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	-1,121	-99
Other items	0	0
Other income components net of income taxes with reclassification in the income statement	**120,508**	**-123,196**
Change in reserve for net exchange differences	0	0
Gains or losses on available for sale financial assets	124,001	-121,965
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	-3,493	-1,231
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	**119,387**	**-123,295**
TOTAL OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**222,413**	**13,331**
pertaining to the Group	**183,649**	**-8,306**
pertaining to minority interests	**38,764**	**21,637**

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

The Chairman PAOLO BEDONI ______________________ (**)

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

CASH FLOW STATEMENT

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31ST

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)	2019	2018
Profit (loss) for the year before taxation	**188,955**	**230,713**
Changes in non-monetary items	**987,069**	**371,697**
Change in non-life premium provision	56,548	9,664
Change in provision for outstanding claims and other non-life technical provisions	-18,093	20,174
Change in mathematical provisions and other life technical provisions	955,712	-62,733
Change in deferred acquisition costs	3,111	5,879
Change in provisions and allowances	2,481	6,562
Non-monetary income and charges from financial instruments, investment property and equity investments	-110,569	253,261
Other changes	97,879	138,890
Change in receivables and payables generated by operating activities	**25,536**	**63,921**
Change in receivables and payables deriving from direct insurance and reinsurance transactions	-35,501	50,884
Change in other receivables/payables, other assets/liabilities	61,037	13,037
Taxes paid	**-149,613**	**-122,231**
Net liquidity generated/absorbed by monetary items pertaining to investments and financing activities	**-218,840**	**-392,546**
Liabilities from financial contracts issued by insurance companies	-218,840	-392,546
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	**833,107**	**151,554**
Net liquidity generated/absorbed by investment property	-91,836	-228,927
Net liquidity generated/absorbed by investments in subsidiaries, associated companies and joint ventures	-42,097	-19,899
Net liquidity generated/absorbed by loans and receivables	-202,835	51,350
Net liquidity generated/absorbed by held to maturity investments	13,990	17,990
Net liquidity generated/absorbed by available for sale financial assets	507,133	84,491
Net liquidity generated/absorbed by tangible and intangible assets	-61,227	-720,331
Other net liquidity flows generated/absorbed by investment activities	-771,242	911,938
TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITIES	**-648,114**	**96,612**
Net liquidity generated/absorbed by capital instruments pertaining to the Group	-42,463	0
Net liquidity generated/absorbed by own shares	0	-2,982
Distribution of dividends pertaining to the Group	-70,403	-58,559
Net liquidity generated/absorbed by capital and reserves pertaining to minority interests	-18,481	-7,471
Net liquidity generated/absorbed by subordinated liabilities and by participative financial instruments	0	0
Net liquidity generated/absorbed by sundry financial liabilities	8,394	20,307
TOTAL NET LIQUIDITY DERIVING FROM FINANCING ACTIVITIES	**-122,953**	**-48,705**
Effect of the exchange differences on cash and cash equivalents	**0**	**0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	406,345	206,884
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62,040	199,461
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	468,385	406,345

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31ST, 2019

Company: CATTOLICA ASSICURAZIONI GROUP

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

(€ thousands)		Balance as of December 31st, 2018	Change in closing balances	Charges	Adjustments from reclassification to income statement	Transfers	Changes in investment holdings	Balance as of December 31st, 2019
	Share capital	522,882	0	0		0		522,882
	Other equity instruments	0	0	0		0		0
Shareholders' equity	Capital reserves	739,494	0	-27,463		0		712,031
pertaining to	Revenue reserves and other equity reserves	495,982	0	136,885		-70,403	-1,989	560,475
the Group	(Own shares)	-49,927	0	0		0		-49,927
	Profit (loss) for the year	106,934	0	-31,794		0		75,140
	Other components of the statement of comprehensive income	-35,479	0	95,894	12,615	0	0	73,030
	Total pertaining to the Group	**1,779,886**	**0**	**173,522**	**12,615**	**-70,403**	**-1,989**	**1,893,631**
Shareholders' equity	Capital and reserves pertaining to minority interests	445,639	0	31,822		-18,481	-40,474	418,506
pertaining to	Profit (loss) for the year	29,692	0	-1,806		0		27,886
minority interests	Other components of the statement of comprehensive income	110	0	8,170	2,708	0	0	10,988
	Total pertaining to minority interests	**475,441**	**0**	**38,186**	**2,708**	**-18,481**	**-40,474**	**457,380**
TOTAL		**2,255,327**	**0**	**211,708**	**15,323**	**-88,884**	**-42,463**	**2,351,011**

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

The Chairman PAOLO BEDONI ____________________ (**)

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31ST, 2019

Company: CATTOLICA ASSICURAZIONI GROUP

(€ thousands)	Capital and reserves	Profit (loss) for the year	Shareholders' equity
Parent Company amounts It Gaap	**1,686,762**	**120,241**	**1,807,003**
Adjustment IAS/IFRS - Parent Company	403,446	-41,850	361,596
Parent Company amounts IAS/IFRS	**2,090,208**	**78,391**	**2,168,599**
Netting of the book values of the equity investments included in the consolidation area:			
- difference between the book value and the pro-quota value of the shareholders' equity	-636,217	0	-636,217
- pro-quota results of investee companies	0	69,030	69,030
- capital gains from sale of equity investments recorded in the consolidated fin. stat.	0	0	0
- goodwill	544,586	-12,511	532,075
- value of portfolio	148,242	-22,618	125,624
Netting of intercompany transactions:			
- dividends from consolidated companies	65,291	-65,291	0
- write-back of effects of equity investment transfers	0	0	0
- reversal of intercompany real estate transactions	0	0	0
- reversal of effects of mergers/disposals of business segments among Group companies	-318,509	0	-318,509
- write-backs of write-downs	-23,478	23,478	0
- reversal of the effects of business combinations	0	0	0
- reversal of intercompany transactions	2,718	273	2,991
Tax effects of above-mentioned consolidation adjustments	**-46,646**	**6,996**	**-39,650**
Effects associated with non-consolidated companies:			
Effects associated with the valuation of non-consolidated companies	-14,952	4,640	-10,312
Dividends from associated companies	7,248	-7,248	0
Shareholders' equity and profit pertaining to the Group	**1,818,491**	**75,140**	**1,893,631**
Shareholders' equity and profit pertaining to minority interests	**429,494**	**27,886**	**457,380**
CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT	**2,247,985**	**103,026**	**2,351,011**

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

The Chairman PAOLO BEDONI (**)

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NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

Part A - Basis of presentation and consolidation area

PART A
BASIS OF PRESENTATION AND CONSOLIDATION AREA

Applicable legislation

The Consolidated Financial Statements have been prepared by the Parent Company Cattolica di Assicurazione Soc. Coop. pursuant to Art. 154-ter, paragraph 1 of Italian Legislative Decree No. 58 dated February 24th, 1998, "Regulations concerning financial brokers" and Art. 95 of Italian Legislative Decree No. 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 December 31st, and compliant with the instructions of 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 provisions set forth by CONSOB Regulation No. 11971 dated May 14th, 1999, and subsequent additions and amendments, and CONSOB recommendations, have also been followed.

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

Accounting reference date

The Consolidated Financial Statements closed as of December 31st, 2019, a date which coincides with that of the Financial Statements of all the companies included within the consolidation area.

The statements drawn up according to the international accounting standards (IAS/IFRS) as approved by the Boards of Directors of the respective companies who are not obliged to adopt the aforementioned international accounting standards for the purpose of drawing up the annual financial statements have been used for the preparation of the Consolidated Financial Statements. Cattolica Life and Vera Financial have prepared their financial statements in compliance with the international accounting standards. The statements drawn up by the management companies have been used for the funds.

CONSOLIDATION METHODS

a) Line-by-line consolidation

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

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

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

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

b) Equity method

In accordance with IAS 28, the equity method is applied to investments in associated companies and jointly-controlled companies.

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

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

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

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

CONSOLIDATION AREA

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

During the year, the scope of consolidation changed from that of December 31st, 2018 due to:

- the purchase, completed in two tranches and, respectively, on February 6th and July 4th, through the subsidiary Estinvest, of a 31% and a further 49% stake in the share capital of All Risk Solutions Srl (already 20% owned by the Parent Company) in order to hold a total stake;
- the purchase of the 100% interest in a newly formed alternative property fund called "*Fondo Girolamo*";
- the consolidation of Campo dei Fiori, a company wholly owned by Fondo San Zeno and valued, until the 2018 financial statements, at cost, since it is not significant. During 2019 the value of the shareholding in Campo dei Fiori increased following the recapitalisation by the Fondo San Zeno, requiring the provision of company with suitable financial means for the acquisition of commercial licenses for property projects underway. For this reason we moved from valuation at cost to full consolidation.

As of December 31st, 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, seven service companies and six real estate mutual funds.

In addition to companies in the consolidation area, the Group includes three service companies, an insurance company, the Fondo Immobiliare Mercury, structured in three sub-funds, 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 and over which the Parent Company exercises significant influence.

Significant assumptions and assessments for establishing the consolidation area

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

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

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

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

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

Table 17 - Consolidation area (ISVAP Regulation No. 7 dated July 13th, 2007)

Name	Registered offices and operating headquarters	Method (1)	Activity (2)	% direct investment	% total holding (3)	% of votes available during ordinary shareholders' meetings (4)	% 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	70.00%	70.00%		100%
BCC Vita s.p.a.	086	G	1	70.00%	70.00%		100%
Berica Vita s.p.a.	086	G	1	60.00%	60.00%		100%
C. P. Servizi Consulenziali s.p.a.	086	G	11	100.00%	100.00%		100%
Cattolica Agricola s.a.r.l.	086	G	10	100.00%	100.00%		100%
Cattolica Beni Immobili s.r.l.	086	G	10	100.00%	100.00%		100%
Cattolica Immobiliare s.p.a.	086	G	11	100.00%	100.00%		100%
Cattolica Life d.a.c.	040	G	2	60.00%	60.00%		100%
Cattolica Services s.c.p.a.	086	G	11	99.96%	99.99%		100%
Fondo Euripide	086	G	10	69.21%	88.74%		100%
Fondo San Zeno (formerly MOI)	086	G	10	68.02%	89.14%		100%
Fondo Perseide	086	G	10	79.15%	94.19%		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%		100%
Vera Protezione s.p.a.	086	G	1		65.00%		100%
Vera Vita s.p.a.	086	G	1	65.00%	65.00%		100%
Fondo Innovazione Salute	086	G	10	66.83%	76.80%		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%
Meteotec	086	G	11		100.00%		100%
Satec	086	G	11		100.00%		100%
Qubo Insurance Solutions	086	G	11		51.00%		100%
All Risks Solutions s.r.l.	086	G	11		100.00%		100%
Fondo Girolamo	086	G	10	80.65%	100.00%		100%
Campo dei Fiori s.r.l.	086	G	11		89.14%		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=real estate11=other.

(3) This is the product of the investment relationships relating to all the companies that, 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 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.

Following the signing of the agreement with Monument RE, the equity investment in Cattolica Life was reclassified, in accordance with IFRS 5, to assets and liabilities held for sale at fair value, i.e. at the sale price, since it is lower than the book shareholders' equity.

The price set at € 6.5 million is adjusted, pursuant to certain clauses of the sales agreement and, more specifically, for certain guarantees issued to the buyer in connection with tax assets and personnel, resulting in a price of € 2.401 million (60%).

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

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

					Summary income statement-financial figures							
(€ 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	Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' Equity	Net profit (loss) for the year	Dividends distributed to minority interests	Gross premiums written
ABC Assicura s.p.a.	40.00%		-403	3,608	41,947	17,313	24,171	18	9,020	-1,008	0	1
BCC Assicurazioni s.p.a.	30.00%		195	3,679	94,020	35,360	62,136	559	12,262	495	0	41,711
BCC Vita s.p.a.	30.00%		6,542	63,553	3,679,528	3,483,171	3,343,054	2,312	211,842	16,882	0	430,044
Berica Vita s.p.a.	40.00%		2,368	40,777	833,410	769,995	702,709	68	101,943	5,921	0	1,482
Cattolica Life d.a.c.	40.00%		-1,030	6,248	197,164	0	0	0	15,619	-2,574	0	36
Fondo Euripide	11.26%		1,309	46,289	431,379	415,094	0	0	411,093	11,623	1,786	0
Fondo San Zeno (formerly MOI)	10.86%		621	18,224	170,793	160,573	0	0	167,808	5,720	857	0
Fondo Perseide	5.81%		404	6,669	122,739	95,548	0	2,517	114,789	6,947	595	0
Lombarda Vita s.p.a.	40.00%		18,973	137,182	9,267,686	8,842,200	8,392,292	248,203	342,955	47,432	9,351	1,350,186
Vera Assicurazioni s.p.a.	35.00%		2,393	28,875	265,725	204,688	156,277	504	82,501	6,838	9,081	104,019
Vera Financial d.a.c.	35.00%		302	25,076	1,764,712	1,593,773	1,400,128	265,321	71,645	864	0	785,297
Vera Protezione s.p.a.	35.00%		5,607	30,933	422,437	353,374	300,028	0	88,381	16,021	0	104,752
Vera Vita s.p.a.	35.00%		6,728	110,545	8,338,658	7,997,422	7,524,036	317,948	315,843	19,224	0	1,464,793
Fondo Innovazione Salute	23.20%		298	11,115	75,519	71,441	0	27,436	47,911	1,284	0	0
Qubo Insurance Solutions	49.00%		90	125	1,078	0	0	0	256	183	0	0

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

The non-consolidated structured entities identified by the Group include a total of € 671.076 million represented by special purpose vehicles (SPVs) with underlying securities issued by the Italian government and swaps and € 137.147 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 and IFRS 11:

Associated companies and Joint ventures

- **Multi-segment real estate investment fund** known as "**Mercury**". The Parent Company holds units equal to around 51% in each of the three segments for a total book value of € 74.698 million;

- **Real estate investment fund** called "**HCampus**" divided into two classes of units. The Parent Company holds Class A and Class B units equal to 68.53% for a total book value of € 28.408 million;

- **Real estate investment fund** called "**Mercury Nuovo Tirreno**". The Group holds 90.1% of the shares with a book value of € 41.932 million;

- **Ima Italia Assistance S.p.A.** with 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 registered office in Sesto San Giovanni, share capital of € 100 thousand, exercises claims management activities for Ima Italia Assistance, which controls it with an 81% interest. The Group holds an equity investment of 10% while the equity interest is 38.35%;

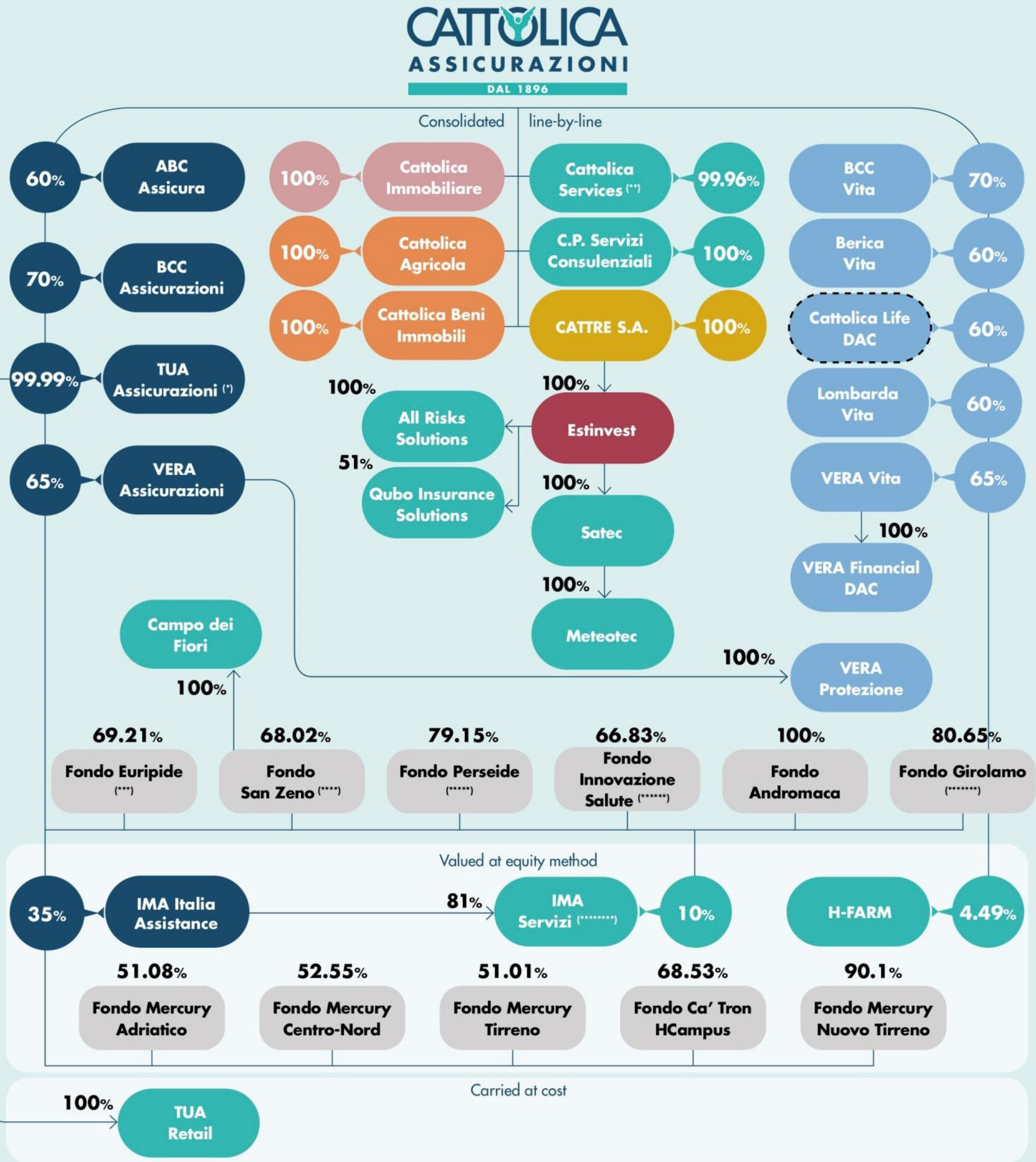
- **H-Farm S.p.A.** with registered office in Roncade, share capital of € 8.924 million, engaged in the field of innovation. As noted, on December 18th, 2019, Cattolica subscribed participative financial instruments (SFP) issued by H-Farm. Although the shareholding in the investee company's capital remained unchanged (since the participative financial instruments did not affect the shareholding structure), the H-Farm counterparty was classified as a related party, i.e. subject to "significant influence" within the meaning of the relevant legislation.

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

Subsidiary company

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

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



(*) 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 30.79% is held as follows: 17.26% by Lombarda Vita, 10.52% by Vera Vita, 1.39% by Vera Protezione, 1.08% by TUA Assicurazioni and 0.54% by Vera Assicurazioni.

(****) The remaining 31.98% is held as follows: 12.65% by Lombarda Vita and 19.33% 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.

(******) The remaining 9.97% is held by TUA Assicurazioni.

(*******) The remaining 19.35% is held by TUA Assicurazioni.

(********) Ima Servizi is 9% owned by Cattolica and 1% by Cattolica Services.

Non-life insurance | Holding | Agricultural-real estate sector | Reinsurance | Funds

Life insurance | Operating services | Real estate services | Assets held for sale as of December 31st, 2019 pursuant to IFRS 5

As of December 31st, 2019

NOTES TO THE ACCOUNTS

Part B - Accounting standards

PART B
ACCOUNTING STANDARDS

Format

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

Accounting standards

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

New accounting standards

IFRS 16

On January 1st, 2019, IFRS 16 - Leases entered into force, superseding 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 further renewal period for which 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 17

On May 18th, 2017, the IASB published IFRS 17 - Insurance Contracts, which is intended to replace IFRS 4 - Insurance Contracts. The objective of the new standard is to ensure that an entity provides relevant information so that the rights and obligations arising from insurance contracts issued are faithfully represented. IASB developed the standard for eliminating the inconsistencies of the existing accounting policies by providing a single principle-based picture to take into account all types of insurance contracts, including reinsurance contracts that an insurer holds.
It is intended to be applied from January 1st, 2023.
During 2019, the Group conducted the methodological analysis of IFRS 9 and 17 accounting standards, also carrying out several impact analyses, and is preparing for the start of the implementation phase.

Finally, it should be remembered that the Cattolica Insurance Group has decided to avail itself of the "Temporary Exemption" provided for by IFRS 4, which allows the deferral of the application of IFRS 9 (and consequently the continued application of IAS 39), until IFRS 17 comes into force.
To this end, the requirements of paragraph 20 B of IFRS 4 in terms of predominance of the insurance business were verified. For further information, see the paragraph "Additional information" in Part C Statement of Financial Position - Assets in the notes to the accounts.

Reporting currency used in the financial statements

The reporting currency for the consolidated financial statements is the Euro. The report has been drawn up in thousands of Euro without decimals, duly rounded off as per the applicable legislation. The amounts have been rounded up or down to the closest unit. The rounded off amount of totals and subtotals in the 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 the monetary assets and liabilities in foreign currency, with the exception of financial instruments, are recorded using the spot exchange rate ruling as of the period end date and the related exchange gains and losses are recognised to the income statement.

Section 1

Illustration of the accounting standards

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

No consolidation adjustments were necessary to bring the accounting standards and valuation criteria of the consolidated companies in line with those of the Parent Company, with the exception of investment property held by real estate funds that, in their accounts, value these properties at fair value and therefore, for the purposes of the consolidated financial statements, are reported at historical cost net of the related accumulated depreciation.

The preparation of the Group's financial statements requires the directors to make discretionary evaluations, estimates based on past experience and assumptions considered reasonable and realistic on the basis of information known at the time of the estimate. The use of these estimates influences the book value of assets and liabilities, identification of potential liabilities at the date of the financial statements, as well as the volumes of revenues and costs in the reference period. The assumptions made are deemed appropriate for the preparation of the financial statements and, consequently, the financial statements have been prepared with the intention of clarity and provide a true and fair view of the capital and business-performance status and cash flows for the year. However, it must be noted that changes in these estimates and assumptions could have a significant effect on the capital and business-performance status if different elements of judgement intervene compared to those expressed. In this regard, it should be noted that the continuation of the Covid-19 emergency situation could have an impact on the assumptions used as a basis for the estimates carried out, which at present cannot be quantified.
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

In accordance with the provisions of Bank of Italy/CONSOB/ISVAP document No. 2 of February 6th, 2009, it should be noted that, despite the uncertainties in the outlook linked to the current situation following the spread of Covid-19, the solidity of the Group's fundamentals does not generate or leave any doubt as to its ability to continue as a going concern.

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STATEMENT OF FINANCIAL POSITION

INTANGIBLE ASSETS

Goodwill

The item comprises the goodwill acquired in the business combinations as established by IFRS 3.
The goodwill deriving from consolidation represents the additional value of the purchase cost when compared with the value of the assets, liabilities and potential liabilities, valued at fair value, of the subsidiary company. The goodwill is stated as an asset and recorded at cost less the cumulative impairment losses. As prescribed by IAS 36, an impairment test is carried out at least once a year, the procedure having been approved by the Board of Directors. On the basis of the provisions of IAS 36, it is analysed whether any trigger events have taken place such as stock market capitalisation lower than the Group shareholders' equity or whether the flows of the cash-generating units (CGUs) to which the goodwill is allocated have registered significant negative deviations; if this occurs, the value of the goodwill is subjected to a specific impairment test, based on discounted cash flow techniques. A permanent loss in value is recorded if the book value of the CGU to which the goodwill refers is greater than its recoverable value, or the greater value between the value in use and the fair value net of the sales costs; this loss in value reduces the book value of the goodwill and, residually, if the conditions required by IAS 36 are met, of the other assets of the CGU proportionally to their book value.

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

Other intangible assets

The item comprises the assets defined and governed by IAS 38. It also includes the value of the insurance portfolio acquired as part of the business combination and by contrast, excludes deferred purchase costs.
An intangible asset is recorded among the assets, and therefore capitalised, only when it is subject to the control of the company, it is identifiable and it is probable that it will generate future economic benefits and when the cost can be reliably determined.

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

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

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

TANGIBLE ASSETS

Property

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

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

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

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

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

Other tangible assets

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

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

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

INVESTMENTS

Investment Property

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

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

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

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

Investments in subsidiaries, associated companies and joint ventures

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

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

Equity investments in associated companies and joint ventures are accounted for in the financial statements using the equity method.

The book value is subject to assessment so as to reveal any losses due to permanent reductions in value.
Equity investments in subsidiary, associated companies and joint ventures are eliminated from the financial statements when, following disposal or other events, the requisites envisaged by IFRS 10 and 11 for their recording cease to exist.

FINANCIAL ASSETS

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

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

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

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

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

- market approach: prices and other significant information are used, generated by market transactions carried out on identical or similar instruments;

- cost approach: this reflects the approach, which would be requested at the time of the valuation to replace the service capacity of an asset;
- income approach: the future cash flows are converted to their current value.

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

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

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

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

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

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

Held to maturity investments (HTM)

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

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

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

Loans and receivables

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

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

Available for sale financial assets (AFS)

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

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

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

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

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

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

- for equities, open-ended mutual investment funds and ETFs, for all sectors, as well as real estate funds and closed-end non real estate funds with a fair value trend more than 30% lower than the initial book value or with a price lower than the initial book value for a continuous period of more than 12 months; for closed-end non real estate funds the 12 months are counted from the closing of the "Investment period" of each fund;
- for debt securities, factors originating inside the company subject to the evaluation; for example, significant difficulties of the issuer with deviations from budget targets, announcement of restructuring plans, downward review of the rating assigned by specialised companies greater than class "C".

Financial assets at fair value through profit or loss

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

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

SUNDRY RECEIVABLES

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

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

OTHER ASSET ITEMS

Non-current assets or disposal group held for sale

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

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

Deferred acquisition costs

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

Life acquisition commissions is divided up, net of reinsurance amount, for a period of no longer than the duration of the contracts and in any event within the limit of the premium loadings present in the tariff.

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

Deferred tax assets

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

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

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

Current tax assets

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

Other assets

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

CASH AND CASH EQUIVALENTS

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

SHAREHOLDERS' EQUITY

Shareholders' equity pertaining to the Group

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

Share capital

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

Capital reserves

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

Revenue reserves and other equity reserves

The item includes:

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

Own shares

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

Reserve for net exchange differences

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

Gains or losses on available for sale financial assets

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

Other gains or losses recognised directly in equity

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

Shareholders' equity pertaining to minority interests

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

PROVISIONS AND ALLOWANCES

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

TECHNICAL PROVISIONS

Life provisions

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

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

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

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

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

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

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

Provisions for outstanding claims

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

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

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

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

Shadow accounting

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

Provision for default and liquidity risk

The need for an additional provision has been assessed, based on Art. 41 of ISVAP Regulation No. 22, for the hedging of the default risk, which constitutes an allocation aimed at protecting the company from the risk of bankruptcy of securities issuers, hedging technical reserves of contracts with maturity guarantees provided by the company.
On the basis of said article of the aforementioned regulation, the need for a provision against the liquidity risk of the assets hedging the reserves of index-linked contracts has also been ascertained.

Non-life provisions

This item includes the technical provisions associated with insurance contracts.

Premium provision

The provision for the fraction of premiums shall be calculated analytically using the *pro rata temporis* method in accordance with Art. 2, paragraph 2 of Attachment 15 to ISVAP regulation No. 22 of April 4th, 2008, on the basis of gross premiums written, as defined in Art. 45 of Italian Legislative Decree No. 173 of May 26th, 1997, less acquisition commissions and other acquisition costs, limited to directly attributable costs, for the portion attributable to the financial year.

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

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

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

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

Provision for outstanding claims

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

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

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

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

With regard to average costs used, the triangle of inflated and stripped reported averages as of 12/31/2019 for non-delayed claims of the 2016-2019 generations (claims that occurred and were reported in the year) was analysed.

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

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

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

The number of expected claims was estimated, where the conditions for their applicability were met, by using the chain ladder method applied to the triangle of claims reported over the 2013-2019 time period.
The average cost was obtained by observing the average costs reported late for the 2014-2019 generations.

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

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

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

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

Other technical provisions

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

FINANCIAL LIABILITIES

This account group includes the financial liabilities at fair value through profit or loss and the financial liabilities at amortised cost.

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

PAYABLES

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

The other long-term benefits concern the health bonuses for retired staff and seniority bonuses, which mature in the 25th and 35th year of service with some companies as envisaged by the related CCNL (National Collective Labour Agreement). The frequency of the evaluations and the method of accounting are similar to those used for the defined benefit pension plans.
Following the reform of the employee severance indemnity scheme, culminating in the Italian decrees implementing the 2007 Finance Law on the contribution of employee severance indemnities and supplementary pension planning (Italian Official Gazette No. 26 of February 1st, 2007), the application of the above method varies depending on whether the company being valued has less than or at least 50 employees.

On the basis of Italian Law No. 296/06, for companies with at least 50 employees, the transfer of the portions of employee severance indemnities (TFR) to a specific Treasury Fund set up with INPS (national social security institute) is envisaged. In line with the matters indicated by the OIC (Italian Accounting Organisation) in the attachment to Operating Guide No. 1 for the transition to international accounting standards (chapter13), for companies with at least 50 employees, steps were not taken to make the actuarial calculation relating to the employee severance indemnity (TFR) accruing as from January 1st, 2007. This is equivalent to considering the employee severance indemnity accrued up until December 31st, 2006 as a defined benefit plan (and therefore subject to actuarial calculation) and the severance indemnity as from January 1st, 2007 to the Treasury Fund set up with INPS as a fixed contribution plan (and therefore not subject to actuarial calculation). With reference to the employee severance indemnity accrued up until December 31st, 2006, since the contribution period has fully matured, the weighting of the outlays no longer applies.

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

OTHER LIABILITY ITEMS

Liabilities of disposal group held for sale

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

Current and deferred tax liabilities

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

Other liabilities

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

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

INCOME STATEMENT

REVENUES

Net premiums

This item includes the net premiums relating to insurance policies and investment contracts with discretionary participation features, net of transfers under reinsurance.

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

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

The item also includes the charges on the financial liabilities linked to investment contracts without discretionary participation features.

Income from investments in subsidiaries, associated companies and joint ventures

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

Income from other financial instruments and investment property

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

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

Other revenues

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

COSTS

Net charges relating to claims

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

Charges from investments in subsidiaries, associated companies and joint ventures

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

Charges from other financial instruments and investment property

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

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

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

Operating expenses

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

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

Other costs

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

Current taxes

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

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

Deferred taxes

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

Profit (loss) from discontinued operations

This item includes the economic results relating to discontinued operations.

NOTES TO THE ACCOUNTS

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

PART C
STATEMENT OF FINANCIAL POSITION - ASSETS

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

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

	Non-life business		Life business		Other		Eliminations between sectors		Total	
(€ thousands)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
1 INTANGIBLE ASSETS	**225,375**	**225,834**	**109,619**	**106,739**	**140,490**	**125,775**	**405,497**	**452,935**	**880,981**	**911,283**
2 TANGIBLE ASSETS	**85,180**	**51,377**	**14,370**	**495**	**138,063**	**137,587**	**0**	**0**	**237,613**	**189,459**
3 TECHNICAL PROVISIONS - REINSURANCE AMOUNT	**557,039**	**596,771**	**141,967**	**143,378**	**0**	**0**	**-80,230**	**-38,542**	**618,776**	**701,607**
4 INVESTMENTS	**5,669,067**	**5,518,984**	**30,053,869**	**28,181,365**	**38,621**	**44,044**	**-3,038,724**	**-2,818,498**	**32,722,833**	**30,925,895**
4.1 Investment property	398,956	394,945	417,117	351,315	35,222	41,760	-846	-758	850,449	787,262
4.2 Investments in subsidiaries, associated companies and joint ventures	1,697,589	1,613,612	407,848	382,121	1	1	-1,945,592	-1,876,674	159,846	119,060
4.3 Held to maturity investments	105,795	110,297	106,334	115,137	0	0	0	0	212,129	225,434
4.4 Loans and receivables	499,043	284,519	569,043	576,517	1,222	1,028	2,849	2,849	1,072,157	864,913
4.5 Available for sale financial assets	2,916,063	3,041,069	22,002,345	21,022,493	74	58	-1,095,135	-943,915	23,823,347	23,119,705
4.6 Financial assets at fair value through profit or loss	51,621	74,542	6,551,182	5,733,782	2,102	1,197	0	0	6,604,905	5,809,521
5 SUNDRY RECEIVABLES	**589,033**	**517,087**	**216,104**	**250,022**	**44,480**	**29,376**	**-161,206**	**-97,743**	**688,411**	**698,742**
6 OTHER ASSET ITEMS	**387,718**	**345,442**	**1,322,409**	**671,239**	**15,717**	**15,050**	**-2,270**	**-1,881**	**1,723,574**	**1,029,850**
6.1 Deferred acquisition costs	0	0	19,274	24,998	0	0	0	0	19,274	24,998
6.2 Other assets	387,718	345,442	1,303,135	646,241	15,717	15,050	-2,270	-1,881	1,704,300	1,004,852
7 CASH AND CASH EQUIVALENTS	**67,249**	**65,231**	**390,980**	**332,042**	**10,156**	**9,072**	**0**	**0**	**468,385**	**406,345**
TOTAL ASSETS	**7,580,661**	**7,320,726**	**32,249,318**	**29,685,280**	**387,527**	**360,904**	**-2,876,933**	**-2,503,729**	**37,340,573**	**34,863,181**
1 SHAREHOLDERS' EQUITY									**2,351,011**	**2,255,327**
2 PROVISIONS AND ALLOWANCES	**44,118**	**41,034**	**10,586**	**11,255**	**7,084**	**7,018**	**0**	**0**	**61,788**	**59,307**
3 TECHNICAL PROVISIONS	**3,787,085**	**3,788,504**	**27,276,139**	**25,276,857**	**0**	**0**	**-171,612**	**-101,908**	**30,891,612**	**28,963,453**
4 FINANCIAL LIABILITIES	**590,431**	**547,517**	**1,704,740**	**2,020,580**	**49,762**	**33,003**	**-18**	**-18**	**2,344,915**	**2,601,082**
4.1 Financial liabilities at fair value through profit or loss	0	0	1,494,274	1,809,680	0	0	0	0	1,494,274	1,809,680
4.2 Other financial liabilities	590,431	547,517	210,466	210,900	49,762	33,003	-18	-18	850,641	791,402
5 PAYABLES	**247,607**	**242,534**	**228,028**	**168,109**	**71,623**	**64,238**	**-136,552**	**-75,554**	**410,706**	**399,327**
6 OTHER LIABILITY ITEMS	**295,884**	**228,840**	**944,717**	**301,436**	**1,751**	**3,203**	**38,189**	**51,206**	**1,280,541**	**584,685**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES									**37,340,573**	**34,863,181**

1. INTANGIBLE ASSETS

Table 20 - Intangible assets

(€ thousands)	2019	2018	Changes Amount	%
Goodwill	548,412	561,461	-13,049	-2.3
Other intangible assets:	332,569	349,822	-17,253	-4.9
insurance portfolios	187,372	221,605	-34,233	-15.4
software	107,930	89,329	18,601	20.8
models and projects	1,967	1,852	115	6.2
patent rights, trademarks and similar rights	8,355	4,240	4,115	97.1
other	26,945	32,796	-5,851	-17.8
Total	**880,981**	**911,283**	**-30,302**	**-3.3**

1.1 Goodwill

The goodwill item decreased by € 13.049 million compared to December 31st, 2018.

Table 21 - Goodwill - changes during the year

(€ thousands)	Goodwill
Gross balance as of December 31st, 2018	**584,655**
Accumulated amortisation	23,194
Net balance as of December 31st, 2018	**561,461**
Increases due to:	**10**
business combinations	10
Decreases due to:	**13,059**
business combinations	549
write-downs	12,510
Gross balance as of December 31st, 2019	**571,606**
Accumulated amortisation	**23,194**
Net balance as of December 31st, 2019	**548,412**

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

The accumulated amortisation in the above table refers to amortisation 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) the CattRe CGU (including Estinvest, Satec, Meteotec and Qubo) and legal entities included within the consolidation area.

In detail, the goodwill recognised to the different CGUs as of December 31st, 2019, is the following:

- € 136.454 million concerning the Cattolica Danni CGU, represented by the goodwill relating to the purchase transactions of Duomo Assicurazioni, Uni One Assicurazioni and FATA Assicurazioni, which are now included in the Cattolica Danni CGU;
- € 2.977 million in Berica Vita, relating to the initial purchase of 50% of the company;
- € 71.491 million in Vera Assicurazioni, following the acquisition of 65% of the company;
- € 100.473 million in Vera Protezione, following the purchase of 65% of the company;
- € 210.586 million in Vera Vita, following the purchase of 65% of the company;
- € 12.235 million in CattRe, relating to the purchase of the companies included in this CGU.

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

- € 14.186 million in Cattolica, relating to the partial spin-off of B.P.Vi Fondi SGR within the same;
- € 10 thousand in All Risks Solutions following the purchase of the 31% incremental shareholding in the company.

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. The impairment test conducted as of December 31st, 2019, is based on the guidelines and projections of economic results for the 2020-2022 period approved by the Parent Company's Board of Directors on February 6th, 2020. These projections will form the basis of the ORDEA 2020-2022 Evaluation (pursuant to Regulation No. 32/2016). For Vera Assicurazioni, Vera Protezione and Vera Vita CGUs, in accordance with the acquisition agreements, reference was made to the distribution Plans negotiated in the course of the 2018-2033 acquisition.
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 and ABC CGUs affected by the bancassurance agreement with BPVI, a methodology based on "Market Consistent Embedded Value" and Own Funds was used.

The underlying assumptions 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 7.83% for life insurance companies and 6.93% for non-life companies. The long-term growth rate ("g") was 1.44% 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 outcome of the test carried out in accordance with IAS 36 on insurance companies as of December 31st, 2019, resulted in a write-down of € 12.51 million of the value of goodwill recognised in the Consolidated Financial Report, entirely attributable to the Vera Vita CGU.

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 growth rate (g) and NBV margin necessary for rendering the recoverable value of each CGU equal to their book value.

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

	Excess of the recoverable value 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	147.4	8.43%	4.99%	n.s.
Vera Assicurazioni CGU	37.7	10.85%	n.s.	n.s.
CattRE CGU	54.1	11.49%	-20.44%	n.s.
Cattolica SGR CGU	5.2	n.s.	n.s.	n.s.
Vera Protezione CGU	4.5	8.58%	0.16%	-14.92%
Berica Vita CGU	5.4	n.s.	n.s.	n.s.

n.s. = not significant

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

1.2 Other intangible assets

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

Table 23 - Other intangible assets - changes during the year

(€ thousands)	Insurance portfolios	Software	Models and projects	Patent rights, trademarks and similar rights	Other intangible assets	Total
Gross balance as of December 31st, 2018	**279,181**	**314,780**	**8,792**	**7,160**	**34,917**	**644,830**
Accumulated amortisation	57,576	225,451	6,940	2,920	2,121	295,008
Net balance as of December 31st, 2018	**221,605**	**89,329**	**1,852**	**4,240**	**32,796**	**349,822**
Increases due to:	**0**	**62,252**	**146**	**5,694**	**4,229**	**72,321**
purchase	0	62,246	146	5,694	4,209	72,295
other	0	6	0	0	20	26
Decreases due to:	**0**	**403**	**1,209**	**0**	**9,136**	**10,748**
other	0	403	1,209	0	9,136	10,748
Gross balance as of December 31st, 2019	**279,181**	**376,629**	**7,729**	**12,854**	**30,010**	**706,403**
Amortisation	34,233	43,651	31	1,579	1,212	80,706
Other changes in acc. amortisation	0	-403	-1,209	0	-268	-1,880
Accumulated amortisation	**91,809**	**268,699**	**5,762**	**4,499**	**3,065**	**373,834**
Net balance as of December 31st, 2019	**187,372**	**107,930**	**1,967**	**8,355**	**26,945**	**332,569**

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

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

The item includes € 183.698 million attributable to the insurance portfolios acquired in 2018 in relation to the joint ventures with Banco BPM (acquisition of Vera Vita, Vera Financial, Vera Assicurazioni and Vera Protezione). This value corresponds to the estimate of the implied earnings in the insurance portfolios subject to the acquisition, which is an intangible asset with finite useful life and, as a result, its amortisation process was determined consistent with the estimate of the run-down of the insurance portfolios of reference (expected cash flows).
The item also includes € 6.22 million relating to the cash generating unit known as Cattolica Danni, deriving from the incorporation of FATA, which took place in December 2016. In particular, the following intangible assets were reported: agency and customer relationship network (reported under insurance portfolios), for a total of € 3.674 million and brand (reported under patent, trademarks and similar rights), for a total of € 2.546 million.

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 year, as well as software "under construction" referring to projects launched but not yet concluded and therefore not yet used during the year. The software item increased during the year for € 18.601 million, mainly due to the purchase of new software.

The cumulative impairment losses during previous years have been deducted from the gross amount and are due to the obsolescence of some 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

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

Table 24 - Tangible assets

			Changes	
(€ thousands)	2019	2018	Amount	%
Property	210,291	169,431	40,860	24.1
Other tangible assets:	27,322	20,028	7,294	36.4
furniture, office machines and internal means of transport	10,307	5,395	4,912	91.0
movable assets recorded in public registers	2,174	94	2,080	n.s.
plant and equipment	14,164	14,185	-21	-0.1
inventories and miscellaneous assets	677	354	323	91.2
Total	**237,613**	**189,459**	**48,154**	**25.4**

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, at the end of the year, came to € 256.169 million.
The current value of the properties was updated on the basis of the market value as of December 2019.

2.2 Other tangible assets

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

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

(€ thousands)	Property	Furniture, office machines and internal means of transport	Movable assets recorded in public registers	Plant and equipment	Inventories and miscellaneous assets	Total
Gross balance as of December 31st, 2018	**186,060**	**60,338**	**941**	**18,921**	**354**	**266,614**
Accumulated depreciation	16,629	54,943	847	4,736	0	77,155
Net balance as of December 31st, 2018	**169,431**	**5,395**	**94**	**14,185**	**354**	**189,459**
Increases due to:	**47,820**	**8,439**	**3,099**	**1,384**	**677**	**61,419**
first-time adoption of IFRS 16	44,598	7,734	1,862	0	0	54,194
purchase / new contracts IFRS 16	2,802	522	1,237	1,298	677	6,536
other	420	183	0	86	0	689
Decreases due to:	**679**	**551**	**506**	**231**	**354**	**2,321**
sales / end of contracts IFRS 16	413	55	419	30	354	1,271
write-downs	13	0	0	7	0	20
other	253	496	87	194	0	1,030
Gross balance as of December 31st, 2019	**233,201**	**68,226**	**3,534**	**20,074**	**677**	**325,712**
Depreciation	6,312	3,369	989	1,373	0	12,043
Other changes in acc. depreciation	-31	-393	-476	-199	0	-1,099
Accumulated depreciation	**22,910**	**57,919**	**1,360**	**5,910**	**0**	**88,099**
Net balance as of December 31st, 2019	**210,291**	**10,307**	**2,174**	**14,164**	**677**	**237,613**

The adoption of the new IFRS 16 - Leases entitled the initial recognition of right of use assets attributable to property amounting to € 44.598 million. The further increases refer to lease contracts signed subsequently, to the purchase of land by Cattolica Agricola and to the incremental expenses for the year. During the year Cattolica Agricola also sold land for € 413 thousand.

The initial recognition of right of use assets attributable to furniture, office machines and internal means of transport amounted to € 7.734 million and that relating to movable assets recorded in public registers amounted to € 1.862 million. During the year, new lease contracts pursuant to IFRS 16 were signed in relation to movable assets recorded in public registers for € 1.237 million.

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

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

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

3. TECHNICAL PROVISIONS - REINSURANCE AMOUNT

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

	Direct business		Indirect business		Total book value	
(€ thousands)	2019	2018	2019	2018	2019	2018
Non-life provisions	**457,478**	**549,527**	**19,332**	**8,702**	**476,810**	**558,229**
Premium provision	93,136	127,172	7,099	3,087	100,235	130,259
Provision for outstanding claims	363,475	421,531	12,233	5,615	375,708	427,146
Other provisions	867	824	0	0	867	824
Life provisions	**141,966**	**143,378**	**0**	**0**	**141,966**	**143,378**
Provision for outstanding claims	18,280	14,512	0	0	18,280	14,512
Mathematical provisions	123,027	128,236	0	0	123,027	128,236
Technical provisions for contracts where the investment risk is borne by the policyholders and deriving from the management of pension funds	0	0	0	0	0	0
Other provisions	659	630	0	0	659	630
Total technical provisions - reinsurance amount	**599,444**	**692,905**	**19,332**	**8,702**	**618,776**	**701,607**

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

4. INVESTMENTS

Table 27 - Investments

			Changes	
(€ thousands)	2019	2018	Amount	%
Investment Property	850,449	787,262	63,187	8.0
Investments in subsidiaries, associated companies and joint ventures	159,846	119,060	40,786	34.3
Held to maturity investments	212,129	225,434	-13,305	-5.9
Loans and receivables	1,072,157	864,913	207,244	24.0
Available for sale financial assets	23,823,347	23,119,705	703,642	3.0
Financial assets at fair value through profit or loss	6,604,905	5,809,521	795,384	13.7
Total	**32,722,833**	**30,925,895**	**1,796,938**	**5.8**

4.1 Investment property

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

The item includes land and buildings belonging to the Euripide, San Zeno (formerly Macquarie Office Italy), Perseide, Andromaca, Innovazione Salute, Girolamo, Cattolica Agricola, Cattolica Beni Immobili and the Parent Company.

Table 28 - Investment property – changes during the year

(€ thousands)	Investment Property	Property under construction and advance payments	Total
Gross balance as of December 31st, 2018	**842,249**	**441**	**842,690**
Accumulated depreciation	55,428	0	55,428
Net balance as of December 31st, 2018	**786,821**	**441**	**787,262**
Increases due to:	**90,497**	**1,615**	**92,112**
purchase	81,054	0	81,054
other	9,443	1,615	11,058
Decreases due to:	**11,892**	**272**	**12,164**
write-downs	11,887	0	11,887
other	5	272	277
Gross balance as of December 31st, 2019	**920,854**	**1,784**	**922,638**
depreciation	16,761	0	16,761
Accumulated depreciation	**72,189**	**0**	**72,189**
Net balance as of December 31st, 2019	**848,665**	**1,784**	**850,449**

The increases refer to purchases made by the real estate funds Euripide for € 34.934 million, Girolamo for € 27.858 million, Perseide for € 9.413 million and Innovazione Salute for € 8.849 million.
The other increases, on the other hand, refer to incremental expenses incurred on property owned.
The decreases are mainly due to depreciation and write-downs (€ 4.143 million for a property owned by the Parent Company and € 7.744 million for properties owned by Cattolica Beni Immobili).

Revenues for rents generated during the year amounted to € 58.437 million (€ 48.314 million as of December 31st, 2018).

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

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

The fair value of the investment property held by the Group, estimated by an external and independent expert, at the end of the reporting period, amounted to € 1,058.144 million.

The Cattolica Group avails itself of three main procedures for estimating the value of properties, as indicated below.

For each assessment, the selection of the most suitable method is assessed according to the type and specific characteristics of the property being valued.
In particular, the main procedures for estimating the value of properties are as follows:

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

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

(€ thousands)	At cost	At re-determined value or at fair value	Total book value
Investment Property	850,449		850,449
Other property	210,291		210,291
Other tangible assets	27,322		27,322
Other intangible assets	332,569		332,569

4.2 Investments in subsidiaries, associated companies and joint ventures

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

(€ thousands)	2019	2018	Changes Amount	Changes %
Subsidiaries	50	60	-10	-16.7
Associated companies and joint ventures	159,796	119,000	40,796	34.3
Total	**159,846**	**119,060**	**40,786**	**34.3**

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.

Investments in subsidiaries

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

Investments in associated companies and Joint ventures

The item includes investments, accounting for using the equity method, in companies over which the Group exercises significant influence, such as the multi-sector real estate investment fund called "Mercury", the real estate funds Ca' Tron HCampus, the "Mercury Nuovo Tirreno" fund, Ima Italia Assistance, Ima Servizi and H-FARM.

With reference to H-Farm and as already mentioned, on December 18th, 2019 Cattolica subscribed participative financial instruments (SFP) issued by H-Farm for a total amount of € 7 million.

Although the shareholding in the investee company's share capital remained unchanged (as participative financial instruments did not affect the shareholding structure) and therefore very limited, given the subscription of the SFPs, there were also other elements (presence of a representative in the board of directors appointed under a shareholders' agreement between shareholders representing around 49% of H-Farm's share capital and the existence of other commercial relationships, including that which - indirectly - will derive from the lease agreement of H-Campus, owned by the reserved closed-end real estate fund Ca' Tron H-Campus, of which Cattolica is the majority shareholder) the counterparty H-Farm has been qualified as a related party, i.e. subject to "significant influence" according to the reference regulations.

The interest held in H-Farm has therefore been classified as a significant influence interest reclassified from "available for sale financial assets" (item 4.5) to "investments in subsidiaries, associated companies and joint ventures" (item 4.2)

On the basis of the above, H-Farm's participative financial instruments subscribed for € 7 million, qualifying as equity instruments, were also recognised on December 18th under "investments in subsidiaries, associated companies and joint ventures".

Following the year-end assessment, carried out using the Discounted Cash Flow method on the basis of the company's 2020-2024 Business Plan, within which future management actions were weighted by the presumed probability of realisation, an impairment loss of € 2.458 million was recognised.

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

(€ thousands) **Name**	**Registered offices and operating headquarters**	**Activity (1)**	**Type (2)**	**% direct investment**	**% Total holding (3)**	**% of votes available during ordinary shareholders' meetings (4)**	**Book value**
Ima Italia Assistance S.p.A.	086	1	b	35.00%	35.00%		8,732
Ima Servizi S.c.a.r.l.	086	11	b	10.00%	38.35%		166
TUA Retail s.r.l.	086	11	a	100.00%	99.99%		50
Fondo Mercury Centronord	086	10	c	52.55%	52.55%		28,551
Fondo Mercury Adriatico	086	10	c	51.08%	51.08%		16,793
Fondo Mercury Tirreno	086	10	c	51.01%	51.01%		29,354
Fondo Mercury Nuovo Tirreno	086	10	c	90.10%	90.10%		41,932
Fondo Ca' Tron Hcampus	086	10	c	68.53%	68.53%		28,408
H-Farm S.p.a.	086	11	b	4.49%	4.49%		5,860

(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=real estate11=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 that, 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 32 - Summary data of non-consolidated subsidiaries, associated companies and joint ventures

(€ thousands) Name or business name		Registered offices	Share capital	Total assets	Total liabilities	Shareholders' equity	of which profit (+) or loss (-) for the year	Revenues	Dividends received in the year
Subsidiaries									
TUA Retail s.r.l.		Milan	50	673	570	103	2	923	0
Associated companies									
Ima Italia Assistance S.p.A.	(1)	Sesto San Giovanni	2,507	22,773	9,837	12,935	-1,293	21,913	0
Ima Servizi S.c.a.r.l.	(1)	Sesto San Giovanni	100	11,261	9,602	1,658	0	24,770	0
Fondo Mercury Centronord		Milan	n.a.	118,663	64,334	54,329	3,610	7,434	2,231
Fondo Mercury Adriatico		Milan	n.a.	75,917	43,039	32,878	2,419	5,110	1,663
Fondo Mercury Tirreno		Milan	n.a.	133,717	76,176	57,541	4,243	8,782	2,909
Fondo Mercury Nuovo Tirreno		Milan	n.a.	51,110	4,572	46,538	-17	1,553	445
Fondo Ca' Tron Hcampus		Roncade (Tv)	n.a.	68,441	23,406	45,035	-1,154	1,360	0
H-Farm S.p.a.	(1)	Roncade (Tv)	8,924	65,262	33,186	32,076	-1,086	39,169	0

(1) The balances as of December 31st, 2018 have been provided since the 2019 financial statements had not yet been approved as of the date of approval of Cattolica Assicurazioni's financial statements by the Board of Directors.

n.a. = not applicable

n.av. = not available

Financial investments

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

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

The reclassifications carried out in 2008 relate to securities transferred from the "financial assets at fair value through profit or loss" to the "available for sale financial assets" for a book value of € 26.580 million as of December 31st, 2019.

As a result of the reclassification carried out in 2008, lower income would have been recognised to the income statement during the year for € 485 thousand.

Table 33 - Financial Investments

(€ thousands)	2019	%	2018	%	Changes Amount	Changes %
Held to maturity investments	212,129	0.7	225,434	0.8	-13,305	-5.9
Loans and receivables	1,072,157	3.4	864,913	2.9	207,244	24.0
Available for sale financial assets	23,823,347	75.1	23,119,705	76.9	703,642	3.0
Financial assets at fair value through profit or loss	6,604,905	20.8	5,809,521	19.4	795,384	13.7
Total	**31,712,538**	**100.0**	**30,019,573**	**100.0**	**1,692,965**	**5.6**

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

							Financial assets at fair value through profit or loss					
Financial investments (disciplined by IAS 39)	**Held to maturity investments**		**Loans and receivables**		**Available for sale financial assets**		**Financial assets held for trading**		**Financial assets at fair value through profit or loss**		**Total book value**	
(€ thousands)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**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	101,021	163,024	1,814	837	36,258	45,134	139,093	208,995
of which listed securities	*0*	*0*	*0*	*0*	*54,520*	*118,832*	*1,814*	*832*	*36,258*	*45,134*	*92,592*	*164,798*
Debt securities	212,129	225,434	1,003,417	799,402	22,921,778	22,307,155	700,539	427,387	1,541,205	1,120,586	26,379,068	24,879,964
of which listed securities	*212,129*	*225,434*	*0*	*0*	*22,875,379*	*22,251,831*	*699,988*	*426,213*	*1,541,204*	*1,113,310*	*25,328,700*	*24,016,788*
UCIT units	0	0	0	0	800,548	649,526	537	6,515	4,315,995	4,200,282	5,117,080	4,856,323
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	9,818	10,013	0	0	0	0	0	0	9,818	10,013
Receivable financial components of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	58,922	55,498	0	0	0	0	0	0	58,922	55,498
Non-hedging derivatives	0	0	0	0	0	0	8,557	8,379	0	401	8,557	8,780
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	**212,129**	**225,434**	**1,072,157**	**864,913**	**23,823,347**	**23,119,705**	**711,447**	**443,118**	**5,893,458**	**5,366,403**	**31,712,538**	**30,019,573**

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

This item, amounting to € 212.129 million, includes 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.

In detail, the item mainly includes Italian government securities.

4.4 Loans and receivables

This item, amounting to € 1,072.157 million, includes 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.

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

4.5 Available for sale financial assets

This category includes all the financial assets, valued at fair value, other than derivative instruments, both debt instruments and equities, which are not classified in the other categories and are disciplined by IAS 39. The item includes financial instruments amounting to € 23,823.347 million, of which € 22,404.241 million classified in level 1 in the fair value hierarchy (€ 22,327.679 million of debt instruments and € 76.562 million of shares and funds), € 825.237 million in level 2 (€ 593.457 million of debt instruments and € 231.780 million of shares and funds) and € 593.869 million in level 3 (€ 642 thousand of bonds and € 593.227 million of shares and funds).

This category comprises the equity investments deemed to be strategic in companies, which are not subsidiary or associated companies, whose fair value derives from prices taken from active markets, or, in the case of securities not listed on active markets, from commonly applied valuation methods. In particular, the valuation methods adopted were chosen taking into account the pertinent sector.

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 February 6th, 2020 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 implementation of the impairment test on all financial instruments included in the “loans and receivables”, “held to maturity investments”, and “available for sale financial assets ” categories, as disciplined by IAS 39, permanent losses were revealed (impairment losses), before tax effects, on shares for € 1.131 million, on mutual investment funds for € 5.208 million and on bonds for € 29 thousand.

4.6 Financial assets at fair value through profit or loss

This item, amounting to € 6,604.905 million, comprises the classification of financial assets, including derivatives, held for trading and those designated by the Group as valued at fair value through profit or loss. Specifically, besides assets held for trading purposes, the item also includes the financial assets designated at fair value through profit or loss related to:

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

Derivatives

The Group does not have any hedging derivatives.
Non-hedging derivatives are classified as for trading and amount to € 8.557.

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The tables below provide a breakdown of the Cattolica Group’s residual exposures as of December 31st, 2019, in government debt securities issued or guaranteed by European Union nations.

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

Country (€ thousands)	Maturity up to 5 years	Maturing between 6 to 10 years	Maturity beyond 10 years	Total fair value	Gross AFS provision
Italy	5,940,907	3,156,759	3,860,723	**12,958,389**	753,477
Spain	484,033	1,199,893	386,675	**2,070,601**	143,764
Portugal	2,574	140,677	85,043	**228,294**	30,803
Ireland	0	53,173	16,859	**70,032**	6,083
Other EU countries	165,546	1,745,450	697,369	**2,608,365**	160,439
TOTAL	**6,593,060**	**6,295,952**	**5,046,669**	**17,935,681**	**1,094,566**

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

Country (€ thousands)	Maturity up to 5 years	Maturing between 6 to 10 years	Maturity beyond 10 years	Total fair value*
Italy	1,064,089	44,940	32,192	**1,141,221**
Spain	229,179	5,365	5,453	**239,997**
Portugal	68,115	776	0	**68,891**
Ireland	0	118	1,028	**1,146**
Other EU countries	116,588	15,431	16,759	**148,778**
TOTAL	**1,477,971**	**66,630**	**55,432**	**1,600,033**

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

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

Country (€ thousands)	Maturity up to 5 years	Maturity between 6 and 10 years	Maturity beyond 10 years	Total book value	Total fair value
Italy	151,323	57,481	0	**208,804**	237,106
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	**151,323**	**57,481**	**0**	**208,804**	**237,106**

***

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

		Level 1		Level 2		Level 3		Total	
(€ thousands)		2019	2018	2019	2018	2019	2018	2019	2018
Assets and liabilities valued at fair value on a recurrent basis									
Available for sale financial assets		22,404,241	21,870,493	825,237	770,529	593,869	478,683	23,823,347	23,119,705
Financial assets at fair value through profit or loss	Financial assets held for trading	695,873	427,896	5,958	5,270	9,616	9,952	711,447	443,118
	Financial assets at fair value through profit or loss	2,527,435	4,016,990	3,142,302	1,349,061	223,721	352	5,893,458	5,366,403
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		**25,627,549**	**26,315,379**	**3,973,497**	**2,124,860**	**827,206**	**488,987**	**30,428,252**	**28,929,226**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	0	0	0	0	0	0	0	0
	Financial liabilities at fair value through profit or loss	0	0	1,494,274	1,809,680	0	0	1,494,274	1,809,680
Total liabilities at fair value on a recurrent basis		**0**	**0**	**1,494,274**	**1,809,680**	**0**	**0**	**1,494,274**	**1,809,680**

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 policyholders and deriving from 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 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 Discounted Cash Flow, which estimates the value of a company or of a business unit on the basis of the future cash flows.

Table 39- Analysis of changes in level 3 financial assets and liabilities valued at fair value on a recurrent basis (ISVAP Regulation No. 7 dated July 13th, 2007)

		Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss	
(€ thousands)	Available for sale financial assets	Financial assets held for trading	Financial assets at fair value through profit or loss	Investments property	Tangible assets	Intangible assets	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss
Opening balance	**478,683**	**9,952**	**352**	**0**	**0**	**0**	**0**	**0**
Purchases/Issues	185,995	0	213,066	0	0	0	0	0
Sales/Repurchases	-70,404	0	-352	0	0	0	0	0
Reimbursements	-67	-362	0	0	0	0	0	0
Gain or loss through profit or loss	20	55	10,655	0	0	0	0	0
- of which valuation profits/losses	-3,977	87	9,754	0	0	0	0	0
Gain or loss recorded in other components of the statement of comprehensive income	-753	0	0	0	0	0	0	0
Transfers in level 3	1,000	0	0	0	0	0	0	0
Transfers to other levels	-605	0	0	0	0	0	0	0
Other changes	0	-29	0	0	0	0	0	0
Closing balance	**593,869**	**9,616**	**223,721**	**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 € 318 thousand.

The transfers from level 3 to 2 involved bonds classified under "Available for sale financial assets" for a total amount of € 287 thousand.

The transfers from level 1 to 3 involved shares classified under "Available for sale financial assets" for a total amount of € 1.000 million.

The transfers from level 1 to 2, for a total of € 1,303.770 million, concerned:

- "Available for sale financial assets": bonds for an equivalent value of € 135.843 million and funds for an equivalent value of € 2.577 million;
- "Financial assets at fair value through profit or loss": bonds for a value of € 525 thousand and funds for a value of € 1,164.826 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 € 241.775 million, concerned:

- "Available for sale financial assets" bonds for an equivalent value of € 88.133 million;
- "Financial assets at fair value through profit or loss": bonds for a value of € 1.318 million and funds for a value of € 152.323 million.

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

	Book value		**Fair Value**							
			Level 1		**Level 2**		**Level 3**		**Total**	
(€ thousands)	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Assets										
Held to maturity investments	212,129	225,434	237,106	252,057	4,862	0	0	0	241,968	252,057
Loans and receivables	1,072,157	864,913	0	0	224,038	324,774	1,016,334	595,518	1,240,372	920,292
Investments in subsidiaries, associated companies and joint ventures	159,846	119,060	0	0	0	0	181,210	131,798	181,210	131,798
Investment Property	850,449	787,262	0	0	0	0	1,058,144	936,595	1,058,144	936,595
Tangible assets	237,613	189,459	0	0	0	0	283,491	240,060	283,491	240,060
Total assets	**2,532,194**	**2,186,128**	**237,106**	**252,057**	**228,900**	**324,774**	**2,539,179**	**1,903,971**	**3,005,185**	**2,480,802**
Liabilities	**850,641**	**791,402**	**0**	**0**	**805,772**	**722,047**	**35,753**	**35,386**	**841,525**	**757,433**
Other financial liabilities	850,641	791,402	0	0	805,772	722,047	35,753	35,386	841,525	757,433

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 property is estimated on the basis of the methods described previously.

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

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

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

	Benefits associated with investment funds and stock market indices		Benefits associated with the management of pension funds		Total	
(€ thousands)	2019	2018	2019	2018	2019	2018
Assets in the financial statements	5,032,055	4,899,508	827,012	761,054	5,859,067	5,660,562
Intercompany assets*	0	0	0	0	0	0
Total Assets	**5,032,055**	**4,899,508**	**827,012**	**761,054**	**5,859,067**	**5,660,562**
Financial liabilities in the financial statements	811,247	1,175,367	682,884	634,126	1,494,131	1,809,493
Technical provisions in the financial statements	4,220,808	3,724,141	144,128	126,928	4,364,936	3,851,069
Intercompany liabilities*	0	0	0	0	0	0
Total Liabilities	**5,032,055**	**4,899,508**	**827,012**	**761,054**	**5,859,067**	**5,660,562**

* Assets and liabilities eliminated during the consolidation process

5. SUNDRY RECEIVABLES

Table 42 - Sundry receivables

			Changes	
(€ thousands)	2019	2018	Amount	%
Receivables deriving from direct insurance transactions	**461,445**	**432,678**	**28,767**	**6.6**
Policyholders	212,047	177,296	34,751	19.6
Insurance brokers	180,048	186,137	-6,089	-3.3
Insurance companies - current accounts	29,139	32,279	-3,140	-9.7
Policyholders and third parties for claims to be settled	40,211	36,966	3,245	8.8
Receivables deriving from reinsurance transactions	**107,421**	**63,286**	**44,135**	**69.7**
Insurance and reinsurance companies	107,421	63,272	44,149	69.8
Reinsurance brokers	0	14	-14	-100.0
Other receivables	**119,545**	**202,778**	**-83,233**	**-41.0**
Total	**688,411**	**698,742**	**-10,331**	**-1.5**

On the basis of the experience of previous accounting periods, the item was adjusted for a total of € 56.145 million for write-downs due to doubtful collection.

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

6. OTHER ASSET ITEMS

Other asset items are made up as follows:

Table 43 - Other asset items

(€ thousands)	2019	2018	Changes	
			Amount	%
Non-current assets or disposal group held for sale	197,164	0	197,164	n.a.
Deferred acquisition costs	19,274	24,998	-5,724	-22.9
Deferred tax assets	687,387	304,441	382,946	n.s.
Current tax assets	592,203	448,306	143,897	32.1
Other assets	227,546	252,105	-24,559	-9.7
Total	**1,723,574**	**1,029,850**	**693,724**	**67.4**

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

6.1 Non-current assets or disposal group held for sale

This item includes Cattolica Life's total assets of € 197.164 million, as a result of the agreements for the transfer of the subsidiary, which are expected to be completed within the first half of 2020. In this regard, following the signing of the agreement with Monument RE, the assets of Cattolica Life were reclassified, in accordance with IFRS 5, to assets and liabilities held for sale at fair value, i.e. at the sale price, being lower than the book shareholders' equity.

For details of the values see Part E - Transfers.

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 € 74.279 million, of the prepaid taxes recorded on goodwill and on other intangible assets.

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

Deferred tax assets were determined according to the rate established by Art. 1, paragraph 33, letter E (with reference to IRES) and Art.1, paragraph 50, letter H (with reference to IRAP) of Italian Law No. 244 dated December 24th, 2007, "2008 Finance Law", taking into account the amendments introduced by Art. 23, paragraph 5 of Italian Law No. 98 of July 6th, 2011, containing 'Urgent provisions for financial stabilisation' (so-called "corrective manoeuvre "), as well as the regulatory provisions referred to in Art. 1, paragraph 61, of Italian Law No. 208 of December 28th, 2015, "(Stability Law 2016)".

6.4 Current tax assets

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

6.5 Other assets

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

Table 44 - Other assets

			Changes	
(€ thousands)	**2019**	**2018**	**Amount**	**%**
Deferred commissions expense associated with investment contracts	1,449	5,743	-4,294	-74.8
Accruals and deferrals	9,382	10,876	-1,494	-13.7
Sundry assets	216,715	235,486	-18,771	-8.0
Total	**227,546**	**252,105**	**-24,559**	**-9.7**

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 mainly include the amount relating to taxation on the mathematical provisions of the life business accrued during the year for € 102.088 million, the balance of the liaison account between the life and non-life businesses of the Group insurance companies for € 70.112 million, which has a matching balance under other liabilities, and the balances of transactions to be settled for € 5.858 million.

7. CASH AND CASH EQUIVALENTS

The item "Cash and cash equivalents" represents the balance as of the end of the accounting period of the current accounts held with various banks. Cash and cash equivalents amount to € 468.385 million. During the year, the item reported an increase of € 62.04 million. The book value of these assets significantly approximates their fair value. Deposits and bank current accounts are remunerated at both fixed and floating rates.

PART C
STATEMENT OF FINANCIAL POSITION - LIABILITIES

1. SHAREHOLDERS' EQUITY

As of December 31st, 2019, this item was made up as follows:

Table 45 - Shareholders' equity

(€ thousands)	2019	2018	Changes Amount	Changes %
Shareholders' equity				
pertaining to the Group	**1,893,631**	**1,779,886**	**113,745**	**6.4**
Share capital	522,882	522,882	0	0
Other equity instruments	0	0	0	n.a.
Capital reserves	712,031	739,494	-27,463	-3.7
Revenue reserves and other equity reserves	560,475	495,982	64,493	13.0
(Own shares)	-49,927	-49,927	0	0
Reserve for net exchange differences	0	0	0	n.a.
Gains or losses on available for sale financial assets	77,649	-35,447	113,096	n.s.
Other gains or losses recognised directly in equity	-4,619	-32	-4,587	n.s.
Profit (loss) for the period pertaining to the Group	75,140	106,934	-31,794	-29.7
pertaining to minority interests	**457,380**	**475,441**	**-18,061**	**-3.8**
Capital and reserves pertaining to minority interests	418,506	445,639	-27,133	-6.1
Gains and losses recognised directly in equity	10,988	110	10,878	n.s.
Profit (loss) for the period pertaining to minority interests	27,886	29,692	-1,806	-6.1
Total	**2,351,011**	**2,255,327**	**95,684**	**4.2**

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

1.1 Shareholders' equity pertaining to the Group

This item totals € 1,893.631 million and comprises the following items:

1.1.1 Share capital

The fully subscribed share capital amounts to € 522.882 million and is made up of 174,293,926 ordinary shares with no nominal value, further to the amendment of Art. 6 of the Articles of Association approved by the extraordinary Shareholders' Meeting held on April 25th, 2015.

1.1.3 Capital reserves

This item includes the share premium reserve of the Parent Company. The negative change of € 27.463 million with respect to last year is 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), 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 in the year is attributable to the allocation of profit for the previous year, the performance of consolidation reserves and the capital reserve connected to the aforementioned Performance Shares. The Parent Company distributed dividends net of own shares for € 67.114 million during the year and a contribution of € 3.5 million in favour of Fondazione Cattolica Assicurazioni, as provided by Art. 52.2 of the current Articles of Association.

1.1.5 Own shares

At December 31st, 2019, the Parent Company held 7,036,907 own shares.

1.1.7 Gains or losses on available for sale financial assets

The changes reported during the year are mainly attributable to:

- the transfer of net capital losses to the income statement following disposals for € 8.596 million, and net capital losses from impairment for € 4.019 million;
- net positive fair value changes in financial instruments included in the corresponding asset item for € 100.789 million.

1.1.8 Other gains or losses recognised directly in equity

The change is attributable to the decrease of € 3.493 million in the reserve from valuation of the associated companies and joint ventures and the decrease of € 1.094 million in actuarial gains and losses from valuation of the employee benefits as per the matters envisaged by revised IAS 19.

1.2 Shareholders' equity pertaining to minority interests

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

- net positive fair value changes in financial instruments included in the corresponding asset item for € 7.883 million;
- net capital losses from impairment of € 387 thousand;
- the transfer of net capital losses of € 2.321 million.

2. PROVISIONS AND ALLOWANCES

Table 46 - Provisions and allowances - changes during the year

(€ thousands)	2018	Increases	Decreases	2019
Provisions and allowances	**59,307**	17,533	15,052	**61,788**

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

- legal disputes and costs for € 14.195 million (€ 4.854 million was set aside and € 2.988 million used during the year);
- intersectorial solidarity fund of € 11.404 million (€ 4.037 million was set aside and € 5.002 million was used during the year);
- provision for agents' leaving indemnity for € 8.415 million (€ 650 thousand were set aside and € 150 thousand used during the year);
- claims division fund for € 4.160 million (€ 1.055 thousand was set aside and € 300 thousand used during the year);
- provision for penalties that can be recorded in the register following the rulings of the Supreme Court of Cassation on intragroup VAT Art. 6, amounting to € 3.955 million (no significant changes occurred during the year);
- potential future liabilities relating to CPI products for € 2.65 million;
- provision relating to rulings filed with the Court of Cassation concerning the applicability of VAT exemption to delegation commissions on co-insurance contracts amounting to € 2.265 million (€ 1.392 million was set aside and € 3.961 million was used during the year).
- disputes outstanding with regard to labour or tax issues for € 1.815 million (€ 176 thousand was set aside and € 531 thousand was used during the year);
- formal notices or reports on findings, which can be served for violations of law or for other findings for € 1.495 million (€ 785 thousand was set aside and € 276 thousand used during the year);
- amounts allocated to cover the risk of assistance to employees in the event of non-self-sufficiency (long term care) of € 1.321 million;
- 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 € 646 thousand (no significant changes took place during the year);
- the risk provision for defence costs of € 442 thousand (no changes occurred during the year).

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. As regards IVASS sanctions, account has been taken of those already notified as well as the historical series recorded by the Group companies in the past.

3. TECHNICAL PROVISIONS

This item includes, as mentioned in the accounting standards, provisions associated with insurance contracts, and those deriving from investment contracts with discretionary participation features (DPF), gross of reinsurance.

The fairness of the liabilities as of December 31st, 2019, was ascertained by means of the method envisaged by sections 15 et seq. of IFRS 4 (liability adequacy test). The assessment was carried out on liabilities relating to portfolios classified as insurance contracts or financial contracts with Discretionary Participation Features (DPF). The test was carried out by comparing the technical provisions, decreased by the acquisition costs still to be amortised and the value of any other related intangible assets, with the current value of the expected cash flows generated by the policy, including the liquidation and management costs.
In the event of insufficiency of the provisions, the difference is booked to the income statement with an increase in liabilities.

With regard to non-life business, for the purpose of checking the fairness of the insurance liabilities, in replacement of the LAT, a control was used at individual ministerial class level by testing the calculation of the supplementary provision for risks underway with the simplified method as envisaged by Art. 8 of Attachment

No. 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 December 31st, 2019, are adequate and therefore no supplementary provision is required.

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

	Direct business		Indirect business		Total book value	
(€ thousands)	2019	2018	2019	2018	2019	2018
Non-life provisions	**3,689,226**	**3,735,804**	**17,771**	**14,158**	**3,706,997**	**3,749,962**
Premium provision	876,522	849,850	3,674	3,822	880,196	853,672
Provision for outstanding claims	2,809,916	2,883,863	14,096	10,334	2,824,012	2,894,197
Other provisions	2,788	2,091	1	2	2,789	2,093
of which provisions allocated following the assessment of fairness of the liabilities	*0*	*0*	*0*	*0*	*0*	*0*
Life provisions	**27,181,104**	**25,209,810**	**3,511**	**3,681**	**27,184,615**	**25,213,491**
Provision for outstanding claims	577,096	410,356	0	0	577,096	410,356
Mathematical provisions	20,776,873	20,622,592	3,446	3,613	20,780,319	20,626,205
Technical provisions for contracts where the investment risk is borne by the policyholders and deriving from the management of pension funds	4,364,936	3,737,168	0	0	4,364,936	3,737,168
Other provisions	1,462,199	439,694	65	68	1,462,264	439,762
of which provisions allocated following the assessment of fairness of the liabilities	*0*	*0*	0	*0*	0	*0*
of which deferred liabilities due to policyholders	*1,363,216*	*329,230*	*0*	*0*	*1,363,216*	*329,230*
Total Technical Provisions	**30,870,330**	**28,945,614**	**21,282**	**17,839**	**30,891,612**	**28,963,453**

NON-LIFE BUSINESS

Premium provision

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

Provision for outstanding claims

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

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

(€ thousands)	2019	2018	Changes	
			Amount	%
Classes:				
01 - Accident and injury	132,182	114,564	17,618	15.4
02 - Health	56,594	60,692	-4,098	-6.8
03 - Land vehicle hulls	31,037	23,186	7,851	33.9
04 - Railway rolling stock	253	240	13	5.4
05 - Aircraft hulls	33	49	-16	-32.7
06 - Ships (sea and inland water vessels)	8,896	3,140	5,756	n.s.
07 - Goods in transit	11,127	13,823	-2,696	-19.5
08 - Fire & natural forces	166,465	166,374	91	0.1
09 - Other damage to assets	76,397	79,964	-3,567	-4.5
10 - TPL - Land motor vehicles	1,469,433	1,483,599	-14,166	-1.0
11 - TPL - Aircraft	10	15	-5	-33.3
12 - TPL - Sea and inland water vassels	3,594	3,746	-152	-4.1
13 - TPL - General	802,410	876,232	-73,822	-8.4
14 - Credit	1,080	1,065	15	1.4
15 - Suretyship	33,779	32,367	1,412	4.4
16 - Sundry financial losses	15,872	17,045	-1,173	-6.9
17 - Legal protection	9,807	11,023	-1,216	-11.0
18 - Assistance	5,043	7,073	-2,030	-28.7
TOTAL	**2,824,012**	**2,894,197**	**-70,185**	**-2.4**

n.s. = not significant

LIFE BUSINESS

Mathematical provisions

The mathematical provisions include those envisaged by Attachment No. 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 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 € 92.689 million (€ 104.929 million as of December 31st, 2018) and the shadow accounting provision totalling € 1,363.216 million (€ 329.230 million as of December 31st, 2018).

4. FINANCIAL LIABILITIES

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

Table 49 - Analysis of financial liabilities (ISVAP Regulation No. 7 dated July 13th, 2007)

	Financial liabilities at fair value through profit or loss							
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss		Other financial liabilities		Total value for the period	
(€ thousands)	2019	2018	2019	2018	2019	2018	2019	2018
Participative financial instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	678,735	678,261	678,735	678,261
Liabilities from investment contracts issued by insurance companies deriving	0	0	1,494,274	1,809,680	6	6	1,494,280	1,809,686
from contracts where the investment risk is borne by the policyholders	*0*	*0*	*811,247*	*1,175,367*	*0*	*0*	*811,247*	*1,175,367*
from the management of pension funds	*0*	*0*	*682,884*	*634,126*	*0*	*0*	*682,884*	*634,126*
from other contracts	*0*	*0*	*143*	*187*	*6*	*6*	*149*	*193*
Deposits received from re-insurers	0	0	0	0	35,747	35,380	35,747	35,380
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	136,153	77,755	136,153	77,755
Total	**0**	**0**	**1,494,274**	**1,809,680**	**850,641**	**791,402**	**2,344,915**	**2,601,082**

4.1 Financial liabilities at fair value through profit or loss

The item includes the financial liabilities at fair value through profit or loss, defined and disciplined by IAS 39, relating to:

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

The item represents 63.7% of total financial liabilities.

4.2 Other financial liabilities

The item represents 36.3% of total financial liabilities.

The item includes the financial liabilities defined and regulated by IAS 39 not included in the category financial liabilities at fair value through profit or loss.

Other financial liabilities include loans of € 85.782 million and liabilities recognised by effect of the adoption of IFRS 16 of € 50.371 million.

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

Table 50 - Analysis of other financial liabilities

(€ thousands)

Beneficiary company	Type of liability	Amount	Contracting bank	Stipulation date	Maturity	Repayment plan
Società Cattolica di Assicurazione	Subordinated loan	80,000	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	99,774		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 standards implemented by the rating agencies
Società Cattolica di Assicurazione	Subordinated loan	498,961		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 standards implemented by the rating agencies
Società Cattolica di Assicurazione	Balance due for credit facility	5,234	Banca Popolare di Sondrio	January 2016		
Cattolica Agricola	Loan	2,502	Banca di Verona	July 2019	February 2020	Single repayment at the maturity date
Cattolica Services	Loan	1,900	Banca di Verona	June 2018	December 2020	The loan will be repaid by amortisation plan comprising a single instalment
Cattolica Services	Unsecured loan	20,040	Banca Popolare di Sondrio	June 2019	June 2022	The loan is repayable in quarterly instalments
Cattolica Services	Loan	10,001	UBI	June 2019	March 2021	The loan is repayable in quarterly instalments
Cattolica Services	Loan	3,005	Banca di Verona	July 2019	July 2021	Single repayment at the maturity date
Cattolica Services	Loan	2,000	UBI	July 2019	March 2021	The loan is repayable in monthly instalments
Cattolica Services	Loan	10,003	UBI	December 2019	December 2022	The loan is repayable in quarterly instalments
Fondo Perseide	Financial lease	2,517	Iccrea Banca Impresa		January 2019	The loan is repayable in monthly instalments
Fondo Innovazione Salute	Financial lease	27,000	UBI, BPER	July 2018	July 2025	Single repayment at the maturity date
Fondo Innovazione Salute	Financial lease	436	UBI, BPER	July 2018	July 2023	Single repayment at the maturity date
Fondo Girolamo	Unsecured loan	1,000	Banco BPM	December 2019	December 2022	The loan is repayable in quarterly instalments
Satec	Unsecured loan	144	Credem	April 2017	May 2023	The debt will be extinguished by the system of gradual amortisation in constant deferred instalments including capital and interest
TOTAL		**764,517**				

5. PAYABLES

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

Table 51 - Payables

(€ thousands)	2019	2018	Changes Amount	%
Payables deriving from direct insurance transactions	**134,238**	**83,772**	**50,466**	**60.2**
Insurance brokers	86,163	55,368	30,795	55.6
Insurance companies - current accounts	7,379	8,869	-1,490	-16.8
Policyholders for guarantee deposits and premiums	40,051	18,954	21,097	n.s.
Guarantee funds in favour of policyholders	645	581	64	11.0
Payables deriving from reinsurance transactions	**27,999**	**34,562**	**-6,563**	**-19.0**
Insurance and reinsurance companies	27,999	34,562	-6,563	-19.0
Insurance brokers	0	0	0	n.a.
Other payables	**248,469**	**280,993**	**-32,524**	**-11.6**
For taxes payable by policyholders	49,901	46,116	3,785	8.2
Amounts due to social security and welfare institutions	5,301	5,216	85	1.6
Sundry payables	193,267	229,661	-36,394	-15.8
Total	**410,706**	**399,327**	**11,379**	**2.8**

n.s. = not significant

n.a. = not applicable

5.1 Payables deriving from direct insurance transactions

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

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

Other payables mainly include trade payables of € 109.638 million and payables to employees of € 48.283 million; the latter include employee benefits pursuant to IAS 19 revised, of which € 13.534 million in employee severance indemnities, € 9.089 million in seniority bonuses and € 9.494 million in health bonuses for retired employees.

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 paragraph 68 of IAS 19, known as the Projected Unit Credit Method.
The projected benefits, which can be disbursed in the event of death, incapacity, resignation or retirement based on the applicable actuarial bases, have been determined for all the employees active as of the date of assessment and distributed uniformly over all the years of service for each employee as from the date of employment until the date the events take place.

The employee severance indemnity represents the effective value of the foreseeable obligation, net of any assets serving the plans, adjusted to reflect any actuarial losses or gains not amortised. The discounting back of the future cash flows is carried out on the basis of the interest rate of high quality corporate securities. The main assumptions used are: discount rate of 0.70%, inflation rate of 1.5%, revaluation rate of 2.17% (already net of the tax of 17%, in force as from January 1st, 2015), salary increases of 2.9%, mortality based on the most recent ANIA A62 mortality tables broken down by gender and the disability/invalidity, adopted in the INPS model for 2010 projections. For the retirement age of the generic asset, it was assumed that the pension requirements valid for Compulsory General Insurance (AGO, 67 years of age for males and females) were met. In relation to the resignation frequency, a table has been used in line with the expected value of the resignation rate over the long-term for the Parent Company.

The categories of employee benefits which are governed by revised IAS 19 include the indemnities represented by seniority bonuses.

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

Among the categories of benefits, identified by revised IAS 19 as other long-term benefits, for which an actuarial-type valuation is required, are the indemnities represented by health bonuses provided to retired staff.
With reference to the health bonuses for retired employees, revised IAS 19 confirms the need to make assessments taking into due consideration the period in which the aforementioned benefits will presumably be provided with the consequent need to quantify them in terms of average current values.
The provisions, which discipline the aforementioned benefits, are presented in the National Collective Labour Agreement for employees and executives and in the in-house collective contract of the Cattolica Assicurazioni Group companies. Explicit reference was made to these provisions and rules for the creation of the technical valuation model.
The actuarial valuations of the health bonuses were carried out, in compliance with the revised international

accounting standard IAS 19, on the basis of the method of the benefits accrued using the projected unit credit method.

With reference to the demographic hypotheses, the recent ANIA A62 mortality tables were used. For the retirement age of the generic asset (officer or executive), it was assumed that the pension requirements valid for Compulsory General Insurance (AGO, 67 years of age for males and females) were met. With regard to the probability of ceasing work activities, for reasons other than death, the turn-over probabilities detected in the companies were used, both for active officials and active executives. The financial assumptions used are identical to those used for the valuation of the employee severance indemnity described previously.

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

Table 52 - Sensitivity test hypothesis

	Central hypothesis	**Hypothesis 1**	**Hypothesis 2**	**Hypothesis 3**	**Hypothesis 4**	**Hypothesis 5**	**Hypothesis 6**	**Hypothesis 7**	**Hypothesis 8**	**Hypothesis 9**	**Hypothesis 10**
		Discount rate +1%	Discount rate -1%	Retirement age + 2 years	Retirement age - 2 years	Inflation rate +1%	Inflation rate -1%	Mortality table increase of 10%	Mortality table decrease of 10%	Resignation frequency increase of 10%	Resignation frequency decrease of 10%
Discount rate	0.7%	1.7%	-0.3%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Retirement age	67	67	67	69	65	67	67	67	67	67	67
Inflation rate	1.5%	1.5%	1.5%	1.5%	1.5%	2.0%	1.0%	1.5%	1.5%	1.5%	1.5%
Salary increase rate	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Employee severance indemnity revaluation rate	2.6%	2.6%	2.6%	2.6%	2.6%	3.0%	2.3%	2.6%	2.6%	2.6%	2.6%
Mortality table	A 62	A 62	A 62	A 62	A 62	A 62	A 62	A 62 +10%	A 62 -10%	A 62	A 62
Voluntary resignation frequency	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.2%	1.8%

The results of the sensitivity test on the value of the DBO as of December 31st, 2019, are shown in the table below.

Table 53 - Sensitivity test results

(€ thousands)	**Value of the obligation for defined benefits as of December 31st, 2019**	**Sensitivity %**
Central hypothesis	32,117	
Hypothesis 1	30,845	-4.0%
Hypothesis 2	33,852	5.4%
Hypothesis 3	32,190	0.2%
Hypothesis 4	32,043	-0.2%
Hypothesis 5	33,012	2.8%
Hypothesis 6	30,337	-5.6%
Hypothesis 7	31,676	-1.4%
Hypothesis 8	32,233	0.4%
Hypothesis 9	31,023	-3.4%
Hypothesis 10	32,666	1.7%

Table 54 - Employee severance indemnity, seniority bonuses and premiums on health contracts

(€ thousands)	**Employee benefits as per IAS 19R**
Balance as of December 31st, 2018	**29,436**
Interest cost	461
Service cost	2,298
Change in the demographic actuarial component	-337
Change in the rate actuarial component	1,946
Disbursements and transfers	-1,742
Business combinations	55
Balance as of December 31st, 2019	**32,117**

6. OTHER LIABILITY ITEMS

Table 55 - Other liability items

			Changes	
(€ thousands)	**2019**	**2018**	**Amount**	**%**
Liabilities of disposal group held for sale	193,783	0	193,783	n.a.
Deferred tax liabilities	671,299	303,005	368,294	n.s.
Current tax liabilities	263,577	111,673	151,904	n.s.
Other liabilities	151,882	170,007	-18,125	-10.7
Total	**1,280,541**	**584,685**	**695,856**	**n.s.**

n.s. = not significant

n.a. = not applicable

6.1 Liabilities of disposal group held for sale

The item totalling € 193.783 million includes the total liabilities of Cattolica Life, of which € 12.238 million relating to the liability recorded for the alignment of the subsidiary's shareholders' equity to the sale price. In this regard, following the signing of the agreement with Monument RE, the liabilities of Cattolica Life were reclassified in accordance with IFRS 5 to assets and liabilities held for sale at fair value, i.e. at the sale price, being lower than the book shareholders' equity.

For details of the values see Part E - Transfers.

6.2 Deferred tax liabilities

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

As of December 31st, 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 aforementioned 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

Table 56 - Other liabilities

			Changes	
(€ thousands)	**2019**	**2018**	**Amount**	**%**
Deferred income revenue (DIR)	6,471	12,287	-5,816	-47.3
Transitory reinsurance accounts - payable	105	105	0	0
Liaison account	70,112	79,857	-9,745	-12.2
Other liabilities	64,599	69,221	-4,622	-6.7
Accrued expenses and deferred income	10,595	8,537	2,058	24.1
of which for interest	*3,409*	*4,119*	*-710*	*-17.2*
Total	**151,882**	**170,007**	**-18,125**	**-10.7**

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

The liaison account between the life and non-life businesses for Group companies that provide both life and non-life insurance amounts to € 70.112 million and is recognised equally among the other assets.

Other liabilities mainly include balances for premiums collected on policies being issued amounting to € 12.256 million and commissions on premiums being collected amounting to € 38.958 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 € 103.026 million (€ 136.626 million as of December 31st, 2018).

INSURANCE BUSINESS

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

Table 57 - Breakdown of direct and indirect gross premiums written

(€ thousands)	Direct business	Indirect business			%
Classes	Italy	Italy	Abroad	Total business	of total
Accident and injury	216,367	0	121	216,488	3.1
Health	111,221	0	18	111,239	1.6
Land vehicle hulls	149,722	0	0	149,722	2.2
Goods in transit	6,439	0	104	6,543	0.1
Fire & natural forces	165,021	0	14,251	179,272	2.6
Other damage to assets	238,518	0	261	238,779	3.4
TPL - Land motor vehicles	942,352	0	387	942,739	13.6
TPL - General	199,480	440	171	200,091	2.9
Credit	249	0	0	249	n.s.
Suretyship	20,258	0	40	20,298	0.3
Sundry financial losses	23,626	0	0	23,626	0.3
Legal protection	19,549	0	0	19,549	0.3
Assistance	48,014	0	0	48,014	0.7
Other classes (1)	16,098	0	8	16,106	0.2
Total non-life business	**2,156,914**	**440**	**15,361**	**2,172,715**	**31.3**
Class I	3,130,411	27	0	3,130,438	45.1
Class III	1,439,667	0	0	1,439,667	20.7
Class IV	1,315	0	0	1,315	n.s.
Class V	100,408	0	0	100,408	1.5
Class VI	13,422	0	0	13,422	0.2
Total life business	**4,685,223**	**27**	**0**	**4,685,250**	**67.5**
Total insurance premiums	**6,842,137**	**467**	**15,361**	**6,857,965**	**98.8**
Class III	15,657	0	0	15,657	0.2
Class VI	70,812	0	0	70,812	1.0
Total investment contracts	**86,469**	**0**	**0**	**86,469**	**1.2**
TOTAL PREMIUMS WRITTEN	**6,928,606**	**467**	**15,361**	**6,944,434**	**100.0**

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

n.s. = not significant

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

Table 58 - Insurance business

(€ thousands)	2019 Gross balance	2019 Reinsurance amount	2019 Net balance	2018 Gross balance	2018 Reinsurance amount	2018 Net balance
Non-life business						
NET PREMIUMS	**2,142,637**	**-255,071**	**1,887,566**	**2,121,792**	**-267,181**	**1,854,611**
a Premiums written	2,172,715	-234,827	1,937,888	2,121,392	-256,630	1,864,762
b Change in premium provision	-30,078	-20,244	-50,322	400	-10,551	-10,151
NET CHARGES RELATING TO CLAIMS	**-1,352,173**	**162,018**	**-1,190,155**	**-1,331,601**	**160,371**	**-1,171,230**
a Claims paid	-1,447,852	175,517	-1,272,335	-1,355,360	158,730	-1,196,630
b Change in provision for outstanding claims	68,468	-13,542	54,926	-2,549	1,665	-884
c Change in recoveries	28,373	0	28,373	26,570	0	26,570
d Change in other technical provisions	-1,162	43	-1,119	-262	-24	-286
Life business						
NET PREMIUMS	**4,685,250**	**-28,648**	**4,656,602**	**3,527,232**	**-27,011**	**3,500,221**
NET CHARGES RELATING TO CLAIMS	**-5,080,542**	**13,668**	**-5,066,874**	**-3,409,313**	**12,916**	**-3,396,397**
a Claims paid	-4,291,413	14,935	-4,276,478	-3,463,762	17,416	-3,446,346
b Change in provision for outstanding claims	-30,149	3,911	-26,238	-99,830	-1,281	-101,111
c Change in mathematical provisions	-159,586	-5,208	-164,794	-144,902	-3,535	-148,437
d Change in technical provisions for contracts where the investment risk is borne by the policyholders and deriving from the management of pension funds	-705,038	0	-705,038	220,130	0	220,130
e Change in other technical provisions	105,644	30	105,674	79,051	316	79,367

Table 59 - Analysis of insurance operating expenses

(€ thousands)	Non-life business 2019	Non-life business 2018	Life business 2019	Life business 2018
Commissions and other acquisition costs, net of commissions and profit-sharing received from re-insurers	-413,375	-397,749	-156,391	-118,875
Acquisition commissions	*-359,918*	*-341,572*	*-121,191*	*-87,469*
Other acquisition expenses	*-94,130*	*-98,151*	*-28,048*	*-22,058*
Change in deferred acquisition costs	*0*	*0*	*-2,933*	*-5,155*
Collection commissions	*-16,938*	*-15,851*	*-9,276*	*-9,381*
Commissions and profit-sharing received from re-insurers	*57,611*	*57,825*	*5,057*	*5,188*
Operating expenses relating to investments	-10,001	-10,501	-38,251	-29,578
Other administrative expenses	-147,907	-143,185	-60,520	-76,280
Total	**-571,283**	**-551,435**	**-255,162**	**-224,733**

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

FINANCIAL OPERATIONS

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

Table 60 - Financial operations

			Changes	
(€ thousands)	2019	2018	Amount	%
Net income from financial instruments at fair value through profit or loss	**366,042**	**-162,421**	**528,463**	**n.s.**
Income from investments in subsidiaries, associated companies and joint ventures	5,446	3,789	1,657	**43.7**
Charges from investments in subsidiaries, associated companies and joint ventures	-3,264	-906	-2,358	**n.s.**
Result deriving from equity investments in subsidiaries, associated companies and joint ventures	**2,182**	**2,883**	**-701**	**-24.3**
Income from other financial instruments and investment property	821,473	764,054	57,419	**7.5**
Charges from other financial instruments and investment property	-244,122	-242,029	-2,093	**-0.9**
Result deriving from other financial instruments and investment property	**577,351**	**522,025**	**55,326**	**10.6**

n.s. = not significant

The table below shows financial income and charges from investments in accordance with ISVAP Regulation No. 7 of July 13th, 2007.

Table 61 - Financial and investment income and charges (ISVAP Regulation No. 7 dated July 13th, 2007)

							Valuation gains		Valuation losses				
(€ thousands)	Interest	Other income	Other charges	Realised gains	Realised losses	Total realised income and charges	Valuation capital gains	Value write-back	Valuation capital losses	Write-down	Total unrealised income and charges	Total income and charges 2019	Total income and charges 2018
Result of investments	**487,605**	**117,386**	**-43,172**	**293,294**	**-63,116**	**791,997**	**306,107**	**0**	**-37,495**	**-20,713**	**247,899**	**1,039,896**	**329,920**
a Deriving from investment property	0	58,437	-2,864	0	0	55,573	0	0	-16,761	-11,887	-28,648	26,925	31,342
b Deriving from investments in subsidiaries, associated companies and joint ventures	0	5,446	-806	0	0	4,640	0	0	0	-2,458	-2,458	2,182	2,883
c Deriving from held to maturity investments	10,434	0	0	0	0	10,434	0	0	0	0	0	10,434	11,102
d Deriving from loans and receivables	46,290	710	0	0	0	47,000	0	0	0	0	0	47,000	37,039
e Deriving from available for sale financial assets	418,568	40,483	-4,780	122,861	-44,965	532,167	579	0	0	-6,368	-5,789	526,378	472,594
f Deriving from financial assets held for trading	353	3,090	-281	2,474	-5,803	-167	1,689	0	-1,289	0	400	233	372
g Deriving from financial assets at fair value through profit or loss	11,960	9,220	-34,441	167,959	-12,348	142,350	303,839	0	-19,445	0	284,394	426,744	-225,412
Result of sundry receivables	**1,238**	**0**	**0**	**0**	**0**	**1,238**	**0**	**0**	**0**	**0**	**0**	**1,238**	**1,439**
Result of cash and cash equivalents	**-490**	**0**	**0**	**0**	**0**	**-490**	**0**	**0**	**0**	**0**	**0**	**-490**	**702**
Result of financial liabilities	**-33,556**	**0**	**0**	**0**	**0**	**-33,556**	**0**	**0**	**-60,935**	**0**	**-60,935**	**-94,491**	**30,901**
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	-60,935	0	-60,935	-60,935	62,619
c Deriving from other financial liabilities	-33,556	0	0	0	0	-33,556	0	0	0	0	0	-33,556	-31,718
Result of payables	**-578**	**0**	**0**	**0**	**0**	**-578**	**0**	**0**	**0**	**0**	**0**	**-578**	**-475**
Total	**454,219**	**117,386**	**-43,172**	**293,294**	**-63,116**	**758,611**	**306,107**	**0**	**-98,430**	**-20,713**	**186,964**	**945,575**	**362,487**

Commissions income

Commissions income, amounting to € 5.329 million, mainly comprises the commission relating to investment contracts issued by the Group’s insurance companies (DIR); specifically, the item includes the explicit and implicit premium loading encumbering the investment contracts issued.

Commissions expense

The item amounts to € 6.435 million and includes acquisition costs related to investment contracts (DAC) pertaining to the year.

OTHER REVENUES AND OTHER COSTS

Other revenues

The item amounts to € 142.333 million, of which € 87.293 million is in other net technical income associated with insurance contracts.
Other revenues amounted to € 55.04 million, of which € 15.052 million relating to recoveries from provisions for liabilities and charges, € 9.632 million for withdrawals from the write-down allowance, € 7.809 million for retrocession commissions and € 6.576 million relating to the sale of agricultural products. It should also be noted, pursuant to Italian Decree Law No. 34 dated April 30th, 2019, converted into Italian Law No. 58 dated June 28th, 2019, that Cattolica Services received € 460 thousand from the Fondo Banche Assicurazioni for the implementation of employee training courses.

Other costs

The item, amounting to € 355.878 million, includes other net technical charges relating to insurance contracts of € 167.772 million and other charges of € 188.106 million, the latter consisting mainly of amortisation of intangible assets of € 80.705 million, adjustments to loans of € 18.681 million and provisions for risks and charges of € 17.533 million, the write-down of the value of goodwill recorded in the Consolidated Financial Statements for € 12.511 million, the cost recorded for the alignment of Cattolica Life's shareholders' equity to the related sale price for € 12.238 million and charges incurred for the sale of agricultural products for € 5.649 million.

INCOME TAXES

Table 62 - Income taxes for the year

			Changes	
(€ thousands)	2019	2018	Amount	%
Current taxes	**-151,948**	**-21,085**	**-130,863**	**n.s.**
Change in prepaid taxes	43,383	-103	43,486	n.s.
Change in deferred taxes	22,636	-72,899	95,535	n.s.
Balance of deferred taxes	**66,019**	**-73,002**	**139,021**	**n.s.**
TOTAL	**-85,929**	**-94,087**	**8,158**	**8.7**

n.s. = not significant

This item records current taxes (IRES - company earnings tax and IRAP - regional business tax), deferred taxes of individual Group companies recorded in observance of accounting standard No. 25 on income taxes and deferred taxes, which

have arisen from the temporary misalignment between accrual-basis accounting as laid down by the international accounting standards (IAS 12) and tax legislation.
The reconciliation between the effective average tax rate and the applicable tax rate is illustrated below.

Table 63 - Reconciliation of the tax rate - analysis

(value as %)	2019	2018
Rate applicable	30.82%	30.82%
Impairment and write-downs	2.69%	0.14%
Non-deductible costs and charges	5.45%	3.44%
Tax effect and other taxation	5.22%	6.03%
Other	1.30%	0.35%
Tax rate on pre-tax profit	**45.48%**	**40.78%**

The tax rate on profit before tax is affected to a greater extent by the non-deductibility of impairment losses on the goodwill of the business units belonging to the life business.
It should be noted that the rate recorded in 2018 was mainly affected by the effects of negative non-deductible income components referring to non-recurring and non-operating items.

STATEMENT OF COMPREHENSIVE INCOME

The statement of comprehensive income for the year 2019 amounted to € 222.413 million, of which € 183.649 million pertaining to the Group.
The analysis of other components in the statement of comprehensive income pursuant to ISVAP Regulation No. 7 dated July 13th, 2007, is presented below. The balances are stated net of income taxes, which is in any event indicated in the specific column.

Table 64 - Analysis of the statement of other comprehensive income - net amounts (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	Charges		Adjustments from reclassification to income statement		Other changes		Total changes		Income taxes		Balance	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Other income components net of income taxes without reclassification in the income statement	**-1,121**	**-99**			**0**	**0**	**-1,121**	**-99**	**-499**	**-44**	**-2,230**	**-1,109**
Provisions deriving from changes in the shareholders' equity of investee companies	0	0			0	0	0	0	0	0	0	0
Intangible assets revaluation reserve	0	0			0	0	0	0	0	0	0	0
Tangible assets revaluation reserve	0	0			0	0	0	0	0	0	0	0
Income and charges relating to non-current assets or disposal group held for sale	0	0			0	0	0	0	0	0	0	0
Actuarial gains and losses and adjustments related to defined-benefit plans	-1,121	-99			0	0	-1,121	-99	-499	-44	-2,230	-1,109
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	**105,185**	**-50,877**	**15,323**	**-72,319**	**0**	**0**	**120,508**	**-123,196**	**53,687**	**-54,884**	**86,248**	**-34,260**
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	108,678	-49,646	15,323	-72,319	0	0	124,001	-121,965	55,243	-54,336	88,632	-35,369
Profits or losses on cash flow hedging instruments	0	0	0	0	0	0	0	0	0	0	0	0
Profits or losses on instruments hedging a net investment in foreign operations	0	0	0	0	0	0	0	0	0	0	0	0
Provisions deriving from changes in the shareholders' equity of investee companies	-3,493	-1,231	0	0	0	0	-3,493	-1,231	-1,556	-548	-2,384	1,109
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	**104,064**	**-50,976**	**15,323**	**-72,319**	**0**	**0**	**119,387**	**-123,295**	**53,188**	**-54,928**	**84,018**	**-35,369**

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

	Non-life business		Life business		Other		Eliminations between sectors		Total	
(€ thousands)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
1.1 Net premiums	1,889,011	1,856,261	4,657,738	3,501,075	0	0	-2,581	-2,504	6,544,168	5,354,832
1.1.1 Gross premiums written	2,203,076	2,149,470	4,686,386	3,528,086	0	0	-61,575	-28,532	6,827,887	5,649,024
1.1.2 Ceded premiums	-314,065	-293,209	-28,648	-27,011	0	0	58,994	26,028	-283,719	-294,192
1.2 Commissions income	0	0	5,329	6,982	0	0	0	0	5,329	6,982
1.3 Income and charges from financial instruments at fair value through profit or loss	-581	-1,368	366,619	-161,049	4	-4	0	0	366,042	-162,421
1.4 Income from investments in subsidiaries, associated companies and joint ventures	28,979	81,504	5,988	16,162	0	0	-29,521	-93,877	5,446	3,789
1.5 Income from other financial instruments and investment property	148,212	142,363	714,668	657,350	1,054	972	-42,461	-36,631	821,473	764,054
1.6 Other revenues	211,847	196,273	127,535	113,342	11,158	11,274	-208,207	-180,405	142,333	140,484
1 TOTAL REVENUES AND INCOME	**2,277,468**	**2,275,033**	**5,877,877**	**4,133,862**	**12,216**	**12,242**	**-282,770**	**-313,417**	**7,884,791**	**6,107,720**
2.1 Net charges relating to claims	-1,231,527	-1,210,270	-5,075,925	-3,407,191	0	0	50,423	49,834	-6,257,029	-4,567,627
2.1.1 Amounts paid and change in technical provisions	-1,431,475	-1,381,659	-5,089,593	-3,420,107	0	0	88,353	60,852	-6,432,715	-4,740,914
2.1.2 Reinsurance amount	199,948	171,389	13,668	12,916	0	0	-37,930	-11,018	175,686	173,287
2.2 Commissions expense	0	0	-6,435	-6,769	0	0	0	0	-6,435	-6,769
2.3 Charges from investments in subsidiaries, associated companies and joint ventures	-15,778	-48,874	-10,158	-15,096	0	0	22,672	63,064	-3,264	-906
2.4 Charges from other financial instruments and investment property	-56,945	-53,836	-178,111	-186,402	-9,555	-1,791	489	0	-244,122	-242,029
2.5 Operating expenses	-656,418	-626,174	-299,673	-262,084	-3,711	-5,913	130,694	114,484	-829,108	-779,687
2.6 Other costs	-173,657	-149,589	-160,719	-122,104	-9,087	-7,772	-12,415	-524	-355,878	-279,989
2 TOTAL COSTS AND CHARGES	**-2,134,325**	**-2,088,743**	**-5,731,021**	**-3,999,646**	**-22,353**	**-15,476**	**191,863**	**226,858**	**-7,695,836**	**-5,877,007**
PROFIT (LOSS) FOR THE YEAR BEFORE INCOME TAXES	**143,143**	**186,290**	**146,856**	**134,216**	**-10,137**	**-3,234**	**-90,907**	**-86,559**	**188,955**	**230,713**

Table 66 - Analysis of technical insurance items (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	2019			2018		
	Gross balance	**Reinsurance amount**	**Net balance**	**Gross balance**	**Reinsurance amount**	**Net balance**
Non-life business						
NET PREMIUMS	**2,203,076**	**-314,065**	**1,889,011**	**2,149,470**	**-293,209**	**1,856,261**
a Premiums written	2,242,179	-302,926	1,939,253	2,148,768	-282,355	1,866,413
b Change in premium provision	-39,103	-11,139	-50,242	702	-10,854	-10,152
NET CHARGES RELATING TO CLAIMS	**-1,431,475**	**199,948**	**-1,231,527**	**-1,381,659**	**171,389**	**-1,210,270**
a Claims paid	-1,500,815	189,835	-1,310,980	-1,407,124	171,455	-1,235,669
b Change in provision for outstanding claims	42,129	10,070	52,199	-843	-42	-885
c Change in recoveries	28,373	0	28,373	26,570	0	26,570
d Change in other technical provisions	-1,162	43	-1,119	-262	-24	-286
Life business						
NET PREMIUMS	**4,686,386**	**-28,648**	**4,657,738**	**3,528,086**	**-27,011**	**3,501,075**
NET CHARGES RELATING TO CLAIMS	**-5,089,593**	**13,668**	**-5,075,925**	**-3,420,107**	**12,916**	**-3,407,191**
a Claims paid	-4,295,757	14,935	-4,280,822	-3,467,732	17,416	-3,450,316
b Change in provision for outstanding claims	-30,149	3,911	-26,238	-99,830	-1,281	-101,111
c Change in mathematical provisions	-159,586	-5,208	-164,794	-144,902	-3,535	-148,437
d Change in technical provisions related to contracts where the investment risk is borne by the policyholders and deriving from the management of pension funds	-705,038	0	-705,038	220,130	0	220,130
e Change in other technical provisions	100,937	30	100,967	72,227	316	72,543

Table 67 - Analysis of insurance operating expenses (ISVAP Regulation No. 7 dated July 13th, 2007)

(€ thousands)	**Non-life business**		**Life business**	
	2019	**2018**	**2019**	**2018**
Gross commissions and other acquisition costs	-502,500	-475,986	-165,503	-130,891
a Acquisition commissions	*-378,219*	*-348,901*	*-121,800*	*-90,293*
b Other acquisition costs	*-107,343*	*-111,236*	*-31,002*	*-24,957*
c Change in deferred acquisition costs	*0*	*0*	*-2,933*	*-5,155*
d Collection commissions	*-16,938*	*-15,849*	*-9,768*	*-10,486*
Commissions and profit-sharing received from re-insurers	73,286	65,119	5,057	5,188
Operating expenses relating to investments	-13,768	-13,445	-51,078	-40,938
Other administrative expenses	-213,436	-201,862	-88,149	-95,443
Total	**-656,418**	**-626,174**	**-299,673**	**-262,084**

NOTES TO THE ACCOUNTS

Part D – Other information

PART D
OTHER INFORMATION

Group headcount

Group employees calculated as per FTE, amounted to 1,717, compared with 1,631 as of December 31st, 2018. Account was taken of the exit of 7 co-workers at year end in the calculation, due to joining the Intersectorial Solidarity Fund.

Directors, Statutory Auditors' and strategic executives' fees.

CONSOB resolution No. 18049, published in 2011, implemented the provisions concerning remuneration contained in Art. 123-ter of the Consolidated Finance Law (TUF) and envisages the drawing up and subsequent resolution by the Shareholders' Meeting of the report on remuneration for the companies, to be made public in accordance with the terms as per the formalities envisaged by current legislation, which in Section II includes the analytical indication of the fees paid during the year for any reason by the Parent Company and the subsidiary and associated companies.

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

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

Earnings for shares in circulation

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

Information on risks

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

Transactions with related parties

As already disclosed in the Management Report, pursuant to CONSOB Regulation No. 17221 dated March 12th, 2010, and subsequent amendments and additions, as from January 1st, 2011 the "Procedure for the management of transactions with related parties" approved by the Board of Directors and last updated by resolution dated December 19th, 2019, 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 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 December 31st, 2019.

The balance presented in the "Joint ventures, associated companies and their subsidiaries" column represents investments in companies, 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 and H-Farm.

The "Other related parties" column includes all the relationships with the directors, the statutory auditors as well as the General Managers and the executives with strategic responsibilities of the Parent Company and related parties.

Table 68 - Transactions with related parties

Statement of financial position transactions (€ thousands)	Joint Ventures, associated companies and their subsidiaries	Other related parties	Total 2019
Assets			
Equity investments	159,846	0	159,846
Loans granted	0	0	0
Subordinated bonds	0	0	0
Unsubordinated bonds	0	0	0
Provisions	0	0	0
Derivatives	0	0	0
Other receivables	141	15	156
Current account transactions	0	0	0
Total	**159,987**	**15**	**160,002**
Liabilities			
Loans received	0	0	0
Other payables	675	825	1,500
Total	**675**	**825**	**1,500**

Economic transactions and relationships (€ thousands)	Joint Ventures, associated companies and their subsidiaries	Other related parties	Total 2019
Revenues and income			
Premiums	0	0	0
Financial income	0	0	0
Capital gains for financial disposals	0	0	0
Other revenues	141	0	141
Total	**141**	**0**	**141**
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	678	10,001	10,679
Total	**678**	**10,001**	**10,679**

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.

With reference to the requirement under letter a) above, the book value of liabilities arising from contracts falling within the scope of IFRS 4, amounting to € 18,899.621 million, is considered significant compared to the total book value of all liabilities, determined as the difference between total liabilities and shareholders' equity as of December 31st, 2015 (€ 21,884.797 million).

Specifically, insurance liabilities account for about 86% of total liabilities.

With reference to point b), it should be noted that the percentage of the total book value of insurance-related liabilities out of the total book value of all liabilities as of December 31st, 2015, is 93.8%, which is above the 90% limit introduced by IFRS 4.

For the purposes of calculating the ratio, in addition to the technical reserves, liabilities arising from non-derivative investment contracts measured at fair value with a balancing entry in the income statement of € 1,622.526 million were taken into account.

Even with the entry into the Cattolica Group of Vera Vita, Vera Protezione, Vera Assicurazioni and Vera Financial, the requirements, envisaged by IFRS 4, to benefit from the temporary exemption are still met.

In light of the above, in compliance with paragraph 39 E of IFRS 4, the following table indicates the fair value as of December 31st, 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 69 – Change in the fair value of the financial instruments in the scope of application of IFRS 9

(€ thousands)

	Group 1		Group 2	
Categories of financial instruments	**Fair Value**	**Fair value change**	**Fair Value**	**Fair value change**
Held to maturity investments	241,968	29,840	0	0
Loans and receivables - Debt securities	827,977	96,998	343,988	71,550
Available for sale financial assets	22,725,478	1,250,421	1,097,869	34,280
Debt securities	*22,725,478*	*1,250,421*	*196,300*	*14,640*
Equities	*0*	*0*	*101,021*	*13,184*
Units of mutual investment funds	*0*	*0*	*800,548*	*6,456*
Total	**23,795,423**	**1,377,259**	**1,441,857**	**105,830**

As of December 31st, 2019, the financial statements include financial assets at fair value through profit or loss amounting to € 6,604.905 million with fair value change of € 284.794 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 70– Book value and fair value by rating class of the debt securities that include Group 1 cash flows

(€ thousands)

Rating	**Book Value**	**Fair Value**
AAA	544,720	544,720
AA	2,047,472	2,047,472
A	2,219,293	2,219,449
BBB	17,043,870	17,075,076
BB	961,550	963,088
B	89,974	89,974
CCC	42,212	42,212
N.R.	719,495	813,432
Total	**23,668,586**	**23,795,423**

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 end date of the financial statements.

Table 71 – Group 1 financial instruments that do not have a low credit risk and have no rating

(€ thousands)

Financial instruments	**Book value**	**Fair Value**
Loans and receivables	555,619	649,556
Held to maturity investments	3,324	4,862
Available for sale financial assets	1,254,288	1,254,288

As of December 31st, 2019, the risk profile of the instruments listed in Group 1 is broken down as follows: financial instruments with a BBB rating account for 72.01% of the group total, those with a rating equal to or lower than BB, or unrated, account for approximately 7.66%, those with a rating equal to or higher than A account for 20.33%.

NOTES TO THE ACCOUNTS

Part E - Transfers

PART E
TRANSFERS

ADDITIONAL INFORMATION ON TRANSFERS

This section of the Notes to the Accounts includes the information required by IFRS 5 in relation to transfers carried out during the period.

As required by IFRS 5, a non-current asset or disposal group is classified as held for sale if its book value will be recovered principally through a sales transaction, rather than through continued use, within a time horizon of one year, except in specific cases. Classification takes place when the sale is highly probable.
Assets or disposal groups of assets held for sale that meet the above criteria are valued, with the sole exception of those expressly indicated by IFRS 5, at the lower of their carrying amount and fair value net of sales costs; amortisation is interrupted from the moment they meet the requirements for reclassification.
As already mentioned in the "Significant transactions carried out during the year" section in the Management Report, on December 10th, 2019, the Parent Company signed a binding agreement for the purchase of 40% of Cattolica Life DAC from Banca Popolare di Vicenza, in compulsory administrative liquidation. The purchase of the minority interests in the subsidiary follows the binding agreement signed on November 7th, 2019, between Cattolica and the Monument Re insurance group concerning the transfer of 100% of Cattolica Life DAC.
The completion of the sales transaction is expected to take place in the first half of 2020 and is subject to the necessary authorisations by the competent supervisory and control authorities.
For the purposes of preparing the Group's consolidated financial statements, the transfer of Cattolica Life DAC, which does not constitute a significant independent class of business for the Group, entailed the following:

- the reclassification of all the assets (and liabilities) relating to Cattolica Life DAC as assets (and liabilities) held for sale in accordance with IFRS 5;
- the recognition of a cost, and the related liability, of € 12.238 million in order to align the book shareholders' equity of Cattolica Life DAC to the (lower) sales price of the investment in Monument Re, in compliance with IFRS 5.

For the purpose of recognising the aforementioned cost, the sales price set forth in the transfer agreement (€ 6.5 million) was adjusted to reflect certain contractual clauses, resulting in a price of € 2.401 million for the Group's interest (60%). The subsidiary's shareholders' equity has therefore been aligned with this latter value.
The clauses generating the sales price adjustment concern the cost to be borne by the Group for the time delay between the signing of the agreement and the closing of the transaction, which is considered highly probable during the first half of 2020, and certain guarantees issued to the buyer with regard to tax-assets and relations with employees.

The table below analyses the assets and liabilities of Cattolica Life DAC. They are recognised on the basis of the accounting standards used by the Group; please refer to Part B - Accounting standards in the notes to the accounts.
Subsequently, these statement of financial position items were reclassified, without offsetting assets and liabilities, to non-current assets or disposal groups held for sale and non-current liabilities or disposal groups held for sale.

Table 72 - Statement of financial position of Cattolica Life DAC as of December 31st, 2019

STATEMENT OF FINANCIAL POSITION - ASSETS

	(€ thousands)	December 31st, 2019 CATTOLICA LIFE
1	**INTANGIBLE ASSETS**	**0**
1.1	Goodwill	0
1.2	Other intangible assets	0
2	**TANGIBLE ASSETS**	**176**
2.1	Property	150
2.2	Other tangible assets	26
3	**TECHNICAL PROVISIONS - REINSURANCE AMOUNT**	**0**
4	**INVESTMENTS**	**165,688**
4.1	Investment Property	0
4.2	Investments in subsidiaries, associated companies and joint ventures	0
4.3	Held to maturity investments	0
4.4	Loans and receivables	0
4.5	Available for sale financial assets	0
4.6	Financial assets at fair value through profit or loss	165,688
5	**SUNDRY RECEIVABLES**	**0**
5.1	Receivables deriving from direct insurance transactions	0
5.2	Receivables deriving from reinsurance transactions	0
5.3	Other receivables	0
6	**OTHER ASSET ITEMS**	**7,688**
6.1	Non-current assets or disposal group	0
6.2	Deferred acquisition costs	0
6.3	Deferred tax assets	0
6.4	Current tax assets	4,904
6.5	Other assets	2,784
7	**CASH AND CASH EQUIVALENTS**	**23,612**
	TOTAL ASSETS	**197,164**

STATEMENT OF FINANCIAL POSITION - SHAREHOLDERS' EQUITY AND LIABILITIES

	(€ thousands)	December 31st, 2019 CATTOLICA LIFE
1	**SHAREHOLDERS' EQUITY**	**3,381**
1.1	Share capital	635
1.1	Other equity instruments	0
1.1	Capital reserves	12,062
1.1	Revenue reserves and other equity reserves	5,496
1.1	(Own shares)	0
1.1	Reserve for net exchange differences	0
1.1	Gains or losses on available for sale financial assets	0
1.1	Other gains or losses recognised directly in equity	0
1.1	Profit (loss) for the year	-14,812
2	**PROVISIONS AND ALLOWANCES**	**12,238**
3	**TECHNICAL PROVISIONS**	**78,061**
4	**FINANCIAL LIABILITIES**	**101,448**
4.1	Financial liabilities at fair value through profit or loss	101,270
4.2	Other financial liabilities	178
5	**PAYABLES**	**2,006**
5.1	Payables deriving from direct insurance transactions	64
5.2	Payables deriving from reinsurance transactions	12
5.3	Other payables	1,930
6	**OTHER LIABILITY ITEMS**	**30**
6.1	Liabilities of disposal group held for sale	0
6.2	Deferred tax liabilities	0
6.3	Current tax liabilities	0
6.4	Other liabilities	30
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**197,164**

Table 73 - Income Statement of Cattolica Life DAC as of December 31st, 2019

INCOME STATEMENT

	(€ thousands)	December 31st, 2019 CATTOLICA LIFE
1.1	Net premiums	23
1.1	*Gross premiums written*	36
1.1	*Ceded premiums*	-13
1.2	Commissions income	2,228
1.3	Income and charges from financial instruments at fair value through profit or loss	5,337
1.4	Income from investments in subsidiaries, associated companies and joint ventures	0
1.5	Income from other financial instruments and investment property	0
1.5	*Interest income*	0
1.5	*Other income*	0
1.5	*Realised gains*	0
1.5	*Valuation gains*	0
1.6	Other revenues	761
1	**TOTAL REVENUES AND INCOME**	**8,349**
2.1	Net charges relating to claims	-3,797
2.1	*Amounts paid and change in technical provisions*	-3,797
2.1	*Reinsurance amount*	0
2.2	Commissions expense	0
2.3	Charges from investments in subsidiaries, associated companies and joint ventures	0
2.4	Charges from other financial instruments and investment property	-6
2.4	*Interest expense*	-6
2.4	*Other charges*	0
2.4	*Realised losses*	0
2.4	*Valuation losses*	0
2.5	Operating expenses	-5,601
2.5	*Commission and other acquisition costs*	-1,200
2.5	*Operating expenses relating to investments*	-87
2.5	*Other administrative expenses*	-4,314
2.6	Other costs	-13,755
2	**TOTAL COSTS AND CHARGES**	**-23,159**
	PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION	**-14,810**
3	Taxation	-2
	PROFIT (LOSS) FOR THE PERIOD NET OF TAXATION	**-14,812**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**0**
	PROFIT (LOSS)	**-14,812**

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

The Chairman PAOLO BEDONI ______________________ (**)

______________________ (**)

______________________ (**)

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

CATTOLICA ASSICURAZIONI

DAL 1896

Attestation of the consolidated financial statements pursuant to Article 154 bis, paragraphs 5 of Italian Legislative Decree No. 58 dated February 24th, 1998 and Article 81 ter of Consob Regulation No. 11971 dated May 14th, 1999 and subsequent amendments and additions

1. The undersigned, Paolo Bedoni, in his capacity as Chairman of the Board of Directors, Carlo Ferraresi, in his capacity as General Manager with executive powers, and Enrico Mattioli, in his capacity as Manager in charge of preparing the financial reports of Cattolica Assicurazioni Soc. Coop., hereby certify, also taking into account the provisions of Article 154 *bis*, paragraphs 3 and 4 of Italian Legislative Decree No. 58 dated February 24th, 1998:

   - the adequacy in relation to the characteristics of the Company and

   - the effective application,

   of the administrative and accounting procedures in place for preparing the consolidated financial statements as of financial year 2019.

2. The adequacy of the administrative and accounting procedures in place for preparing the consolidated financial statements as at December 31st, 2019, has been assessed through a process established by Cattolica Assicurazioni Soc. Coop. 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 consolidated financial statements as at December 31st, 2019:

   a) are prepared in compliance with applicable international accounting standards recognized by the European Community pursuant to EC Regulation No. 1606/2002 of the European Parliament and of the Council dated July 19th, 2002, as well as the provisions pursuant to Italian Legislative Decree No. 38 dated February 28th, 2005, the Italian Civil Code, Italian Legislative Decree No. 209 dated September 7th, 2005 and subsequent amendments and applicable provisions, regulations and circular letters issued by IVASS;

   b) correspond to the related books and accounting records;

   c) provide a true and fair representation of the equity, economic and financial situation of the issuer and of all the companies included in the scope of consolidation;

   3.2 The management report includes a reliable analysis of the performance and of the management result, as well as of the situation of the issuer and all the companies included in the scope of consolidation, together with the description of the main risks and uncertain situations to which they are exposed.

Verona, March 18th, 2020

Paolo Bedoni	Carlo Ferraresi	Enrico Mattioli
Chairman	General Manager	Manager in charge of preparing the Company's financial reports

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010,
ARTICLE 10 OF THE EU REGULATION N. 537/2014
AND ARTICLE 102 OF LEGISLATIVE DECREE No.209 OF SEPTEMBER 7, 2005

To the Shareholders of
Società Cattolica di Assicurazione – Società Cooperativa

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Cattolica Assicurazioni Group (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2019, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the regulation issued pursuant to art. 90 of Legislative Decree no. 209 of September 7, 2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Società Cattolica di Assicurazione – Società Cooperativa (the "Company") in accordance with the regulations and standards on ethics and independence applicable to the audit of the financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the recoverability of goodwill

Description of the key audit matter	The consolidated financial statements of the Group as at December 31, 2019, in item "1. Intangible assets" includes goodwill for an amount of Euro 548.4 million. As required by IAS 36 "Impairment of assets", goodwill is not amortized but it is subjected to the valuation of the recoverability of the carrying amount recognized in the financial statements ("impairment test"), by comparing the carrying amount with the recoverable amount of the "Cash Generating Unit" ("CGU") to which the goodwill is allocated. The Directors, for the purposes of carrying out the impairment test, determine the recoverable amount of the CGUs defining the value of the assets based on their ability to generate future cash flows. As indicated by the Directors in the "Part B – Accounting standards" of the notes, the impairment test involves a high recourse to discretionary evaluations, assumptions, estimates and hypotheses whose variation could cause deviations in relation to those figures. In particular, the valuation process adopted by the Group is based on assumptions concerning, among others, the forecast of expected cash flows of the CGUs which are based on the projections of the economic results for the period 2020-2022 approved by the Board of Directors, and on the distribution plans negotiated at the time of acquisition as regards the CGUs Vera Vita, Vera Assicurazioni and Vera Protezione, the determination of the cost of capital and the long-term growth rate, the definition of the Solvency Ratio level, the identification of the combined ratio for the CGUs included in the "non-life" business and the new business for the CGUs included in the "life" business. The paragraph related to goodwill in the "Part C - Information on the consolidated statement of financial position and income statement" of the explanatory notes, reports the information on the aspects described above, together with the adjustments made by the Group to the value of goodwill recorded following the impairment test performed. In consideration of the subjectivity of the estimates relating to the determination of the cash flows of the CGUs and the key variables used in the impairment models and the relevance of the recorded item, we considered the valuation of the recoverability of the goodwill a key matter for the audit of the Group's consolidated financial statements as at December 31, 2019.
Audit procedures performed	The audit procedures, carried out also with the support of experts belonging to the Deloitte network, have included, among others, the following: • examination of the methods used to determine the recoverable amount of goodwill, analyzing methods and assumptions adopted in order to develop the evaluation models; • understanding and recognition of the relevant controls carried out by the Group on the process for determining the recoverable amount;

- analysis of the reasonableness of the main assumptions adopted for the formulation of the expected cash flow forecasts, also by analyzing available sector data and obtaining information from the Management;

- analysis of the reasonableness of the variables used, such as the cost of capital and the long-term growth rate, the Solvency Ratio, the combined ratio for the non-life business CGUs and the new business for the life business CGUs;

- control of the mathematical accuracy of the calculations made to determine the recoverable amount of the CGUs;

- control of the correct calculation of the carrying amount of the CGUs and of the adjustments made for permanent losses;

- control of the completeness and adequacy of the information provided by the Group in the consolidated financial statements on the impairment test with respect to the provisions of IAS 36.

Valuation of unlisted debt securities and debt securities listed on non-active markets

Description of the key audit matter

In the consolidated financial statements as at December 31, 2019, are recorded in the item "4.5 Available for sale financial assets", unlisted debt securities and debt securities listed on non-active markets (hereinafter "Financial instruments not listed on active markets") for a total amount of Euro 594.1 million. On the basis of the nature and degree of observability on the market of the inputs used in the valuation techniques adopted by the Group, Euro 593.5 million are classified as financial instruments at level 2 of the fair value hierarchy and Euro 0.6 million as financial instruments of level 3.

In the item "4.4 Loans and receivables" are also included unlisted debt securities on active markets for Euro 1,003.4 million.

As noted by the Directors in the "Part B – Accounting standards" of the explanatory notes, the identification of the fair value of financial instruments, if not directly observable on an active market, involves a high recourse to discretionary evaluations, assumptions, estimates and hypotheses, whose variation could cause deviations in relation to those figures.

The Group describes in the "Part B - Accounting standards" and in the "Part C - Information on the consolidated statement of financial position and income statement" of the explanatory notes, in the section related to financial investments, the criteria used to determine the fair value of the financial assets and the main evaluation techniques applied for defining the fair value for the different kinds of instruments held in the portfolio.

In consideration of the relevance of the amount of Financial instruments not listed on active markets, of the degree of subjectivity inherent in the valuation of these financial instruments, also taking into account the uncertainties related to the correct and complete identification of the same, we considered the valuation of the Financial instruments not listed on active markets a key audit matter for the audit of the Group's consolidated financial statements.

Audit procedures performed

We have preliminarily acquired a knowledge of the investment process followed by the Group, which included the understanding of operational and strategic guidelines. In this context, the audit procedures included the detection and understanding of the relevant controls implemented by the Group and the performance of procedures regarding compliance with corporate guidelines and investment policies.

With reference to Financial instruments not listed on active markets, we have carried out also with the support of experts belonging to the Deloitte network, the following main procedures:

- understanding and recognition of the controls carried out by the Group in identifying these financial instruments;
- understanding and recognition of the controls carried out by the Group in the process of determining the fair value of these financial instruments;
- control, on a sample basis, of the correct identification by the Management of the kind of such financial instruments;
- understanding of the valuation models and related input data used by the Group for the determination of the fair value of Financial instruments not listed on active markets and analysis of their reasonableness, also the market standards or market best practices;
- analysis of the sources used and verification of the reliability of the main inputs included in the evaluation model, by comparison with the main info providers;
- recalculation of the fair value on a selection of these financial instruments;
- control of the completeness and adequacy of the information provided by the Group with respect to the provisions of the applicable regulations.

Valuation of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes

Description of the key audit matter

At December 31, 2019, the Group recorded, in the item "3. Technical provisions", provisions for outstanding claims for a total amount of Euro 2,824 million, of which Euro 1,469.4 million related to the Ministerial class 10 TPL – Land motor vehicles class and Euro 802.4 million related to Ministerial class 13 TPL – General class (hereinafter the " Provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes").

As indicated by the Directors in the "Part B – Accounting standards” of the explanatory notes, the provisions for outstanding claims are calculated according to the provisions of Attachment 15 of ISVAP regulation no. 22 of April 4, 2008.

In particular, for the definition of the provision for outstanding claims reference was made to the concept of the ultimate cost, which consists in a separate assessment for each claim (inventory method), based on the analysis of the documentation relating to each individual damage case implemented made by the staff assigned to the claims settlement; with regard to the classes characterized by slow settlement processes or for which the analytical valuation does not make it possible to take into account all possible charges, the valuation based on the inventory method is supplemented by an additional valuation, which requires the use of methodologies and statistical-actuarial calculation models.

As noted by the Directors in the "Part B - Accounting standards" of the explanatory notes, the valuation process of the provisions for outstanding claims involves an articulated valuation activity by the Management, which presumes the formulation of subjective hypotheses, the variation of which could impact on the final result. In particular, the main assumptions used in the application of the statistical-actuarial methodologies concern the technical variables, including the time interval for deferring payments and the trend in the cost of claims, linked to the length of payments, as well as the prospective assessments of the economic scenario.

The Directors in the " Part B - Accounting standards" of the explanatory notes describe the Valuation Criteria followed in estimating the provisions for outstanding claims and the statistical-actuarial methodologies applied to verify the adequacy of the ultimate cost.

In consideration of the relevance of the amount of the Provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes recorded in the financial statements, of the peculiarity of these classes of claims, of the complexity of the valuation models, that also require the use of statistical and actuarial techniques and calculations, of the uncertainty connected to the definition of the assumptions and hypotheses on the effects deriving from future events, we considered the valuation process of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes a key matter for the audit of the Group's consolidated financial statements for the year ended December 31, 2019.

Audit procedures performed

The audit procedures, carried out also with the support of experts belonging to the Deloitte network, have included, among others, the following:

- understanding of the process of formation of the Provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes which included the knowledge of corporate and settlement guidelines and any possible changes in the legal and regulatory framework of the sector;

- recognition and test of the relevant controls performed by the Group on the estimating process of the Provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes;

- performing procedures on the completeness and adequacy of the portfolios and the related key data used;

- reading and analyzing the Actuarial Function report, with reference to the TPL – Land motor vehicles classes;

- performing comparative analyses through the recalculation of relevant indices observed in historical series and examination of their correlation with other significant indicators. In particular, we analyzed appropriate technical indicators and relevant figures, comparing them with comparable data and information relating to previous periods and available sector data;

- comparison between the estimate of the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes performed in previous periods and what subsequently took place, with an analysis of the nature of the run-off;

- control, on a sample basis, of the coherence of the estimate of the Provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes with the documentary evidences and with the results of written confirmations obtained from external lawyers, where applicable;

- analysis of the reasonableness of the methodologies and the main technical and evolutionary assumptions used to estimate the provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes, also by checking their coherence with those used in previous years and considering the applicable regulation;

- identification of a range of reasonable outcomes and verification that the estimated Provisions for outstanding claims of the TPL – Land motor vehicles classes and TPL – General classes fell into that range;

- control of the completeness and adequacy of the information provided by the Group in accordance with the applicable regulation.

Valuation of mathematical provisions

Description of the key audit matter

At December 31, 2019, the Group recorded in the consolidated financial statements in the item "3. Technical reserves" mathematical provisions for a total amount of Euro 20,780.3 million.

As reported in the "Part B – Accounting standards" of the explanatory notes, the mathematical provisions related to the life insurance business have been evaluated on the basis of the actuarial principles provided in Attachment 14 of ISVAP regulation no. 22 of April 4, 2008.

The process of formation the mathematical provisions is based on data flows deriving from the main characteristic processes that, by its nature, is affected by risks typical of an insurance company, linked to the financial management of investments and the complexity and variety of the insurance portfolio.

The process of formation of the mathematical provisions also includes the determination of additional provisions, provided to cover mortality or other risks, such as guaranteed benefits on maturity or guaranteed redemption values. The definition of the mathematical provisions therefore entails a high use of discretionary valuations, assumptions, estimates and hypotheses, the modification of which could lead to a change in the final result of the amounts recorded in the consolidated financial statements.

The Group reports in the "Part B – Accounting standards" of the explanatory notes the criteria followed and the methodologies applied in determining the mathematical provisions.

In consideration of the significance of the amount of the mathematical provisions recorded in the consolidated financial statements and the existence of a discretionary component inherent in the estimation of certain additional provisions, we considered the process of evaluating the mathematical provisions a key matter for the audit of the consolidated financial statements of the Group closed as of December 31, 2019.

Audit procedures performed

The audit procedures, carried out also with the support of experts belonging to the Deloitte network, have included, among others, the following:

- understanding of the process of evaluation of the mathematical provisions which included the knowledge of general and underwriting strategies and any possible changes in the legal and regulatory framework of the sector;

- recognition and test of the relevant controls performed by the Group on the process of preparing financial information in the area of mathematical provisions;

- performing procedures on the completeness and appropriateness of the portfolios and the key data used;

- reading and analyzing the Actuarial reports prepared by the competent corporate departments;

- verification of the evaluation of the mathematical provisions through the application of simplified methods (so-called "recurring accounting method") in order to assess the reasonableness of the provision determined by the Management;

- recalculating, on a sample basis, the value of the mathematical provision as at December 31 2019, using the calculation formulas contained in the technical documentation and analyzing the compliance of the calculation with the corporate procedures and the applicable legislation;

- analysis of the reasonableness of the methods and of the main technical and evolutionary hypotheses on which the estimates of the additional reserves included in the mathematical provisions were based, in accordance with the provisions of the applicable regulation;

- verification of the completeness and adequacy of the information provided by the Group in accordance with the provisions of the applicable regulation.

Responsibilities of the Directors and the Management Control Committee for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 90 of Legislative Decree no. 209 of September 7, 2005 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or unintentional behaviors or events.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, and, in preparing the consolidated financial statements, for the appropriateness of using the going concern assumption, as well as for adequate disclosure in matter.

The Directors use the going concern assumption in the preparation of the consolidated financial statements unless they have assessed that the conditions exist for the liquidation of the Parent Company Società Cattolica di Assicurazione – Società Cooperativa or for the interruption of the activity or do not have realistic alternatives to such choices.

The Management Control Committee is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or unintended behaviors or events, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or unintended behaviors or events and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from unintended behaviors or events, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società Cattolica di Assicurazione – Società Cooperativa has appointed us on April 21, 2012 as auditors of the Company for the years from December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Management Control Committee, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree no. 39 of January 27, 2010, and art. 123-bis, paragraph 4, of Legislative Decree no. 58 of February 24, 1998

The Directors of Società Cattolica di Assicurazione – Società Cooperativa are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structures as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

Deloitte.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree no. 58 of February 24, 1998, with the consolidated financial statements of Cattolica Assicurazioni Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Cattolica Assicurazioni Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree no. 39 of January 27, 2010, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree no. 254 of December 30, 2016

The Directors of Società Cattolica di Assicurazione – Società Cooperativa are responsible for the preparation of the non-financial statement pursuant to Legislative Decree no. 254 of December 30, 2016.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Andrea Paiola
Partner

Milan, April 8, 2020

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

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abc ASSICURA

BCC Assicurazioni

CATTRe

TUA ASSICURAZIONI

VERA Assicurazioni

BCC Vita

BERICA VITA

CATTOLICA LIFE

LombardaVita

VERA Financial

VERA Protezione

VERA Vita

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