UnipolSai ASSICURAZIONI

2019

Consolidated Financial Statements

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UnipolSai Assicurazioni
Consolidated Financial Statements
2019

Translation from the Italian original solely for the convenience of international readers

EVOLVING. GOING BEYOND.

Financial year 2019 is the starting point for a new and ambitious mission: evolution.

In the current economic scenario, in which the entire insurance sector is undergoing extensive changes, we want to continue looking forward, backed by our role as market leader, which we have built over time alongside our stakeholders.

Evolving with a change in pace that enables the UnipolSai and the Unipol Group to become leader in three major ecosystems: Mobility-Welfare-Property.

The strength of our assets - people, technology and sustainability - will allow us to overcome the single concept of insurance in order to evolve together, continuing to create shared value.

Contents

Company bodies

BOARD OF DIRECTORS	CHAIRMAN	Carlo Cimbri	
	VICE CHAIRMEN	Fabio Cerchiai Pierluigi Stefanini	
	DIRECTORS	Fabrizio Chiodini Lorenzo Cottignoli Ernesto Dalle Rive Cristina De Benetti Massimo Masotti Maria Rosaria Maugeri Maria Lillà Montagnani	Nicla Picchi Giuseppe Recchi Elisabetta Righini Antonio Rizzi Barbara Tadolini Adriano Turrini Francesco Vella
	SECRETARY OF THE BOARD OF DIRECTORS	Alessandro Nerdi	
GENERAL MANAGER		Matteo Laterza	
BOARD OF STATUTORY AUDITORS	CHAIRMAN	Paolo Fumagalli	
	STATUTORY AUDITORS	Giuseppe Angiolini Silvia Bocci	
	ALTERNATE AUDITORS	Domenico Livio Trombone Luciana Ravicini Sara Fornasiero	
MANAGER IN CHARGE OF FINANCIAL REPORTING		Maurizio Castellina	
INDEPENDENT AUDITORS		PricewaterhouseCoopers SpA	

Board of Directors and Board of Statutory Auditors appointed by the Shareholders' Meeting on 17 April 2019

Introduction

Macroeconomic background and market performance

Macroeconomic background

In 2019, **global growth** came to around 2.5% (3.2% in 2018). The main economic areas experienced a slowdown in GDP growth, in particular in the second half, due to the reduction in trade triggered by US trade policies and continuing elements of uncertainty, such as Brexit and geopolitical risks in the Middle East.

The **United States** grew at a rate of 2.3% (2.9% in 2018). The growth was primarily supported by private consumption, whilst the contribution to growth from investments and public spending reduced. Against a moderate slowdown in economic activity and a job market that is remaining robust (unemployment rate of 3.5% in December) and despite the December inflation rate of 2.3%, the Federal Reserve cut the Fed Funds rate three times during the year (the rate reaching 1.75% in October), suspending the reduction in the amount of bonds held starting from the end of August. In addition, so as to overcome a strong liquidity draining in the Repo market, the Federal Reserve introduced a short-term bond buying programme with a view to bringing the level of bank reserves back to around $1,500bn and maintaining them at that level. These moves did not change the tone of the monetary policy however.

China continues to slow, with GDP growth in 2019 coming in at 6.1% on an annual basis. This was the slowest growth rate recorded since 1992 (6.5% in 2018). The slowdown is in large part attributable to the slowdown in international trade and the trade war with the United States, which hit the manufacturing sector hard, causing a significant slip in production. The difficulties in that sector led to a drop in private demand, and in particular investments, only partially offset by the positive contribution of investments of public companies. In December, the inflation rate stood at 4.2%.

Emerging markets were also impacted by the global slowdown, as well as substantial stability in the price of commodities. In 2019, growth of roughly 4% was observed, against 4.7% in 2018.

Japan should achieve weak growth, estimated at +1.0%, thanks to the contribution of unconventional, highly expansionary monetary policies and domestic demand, which offset a considerable decline in exports. Despite higher tax on consumption and expansion of the assets held by the Bank of Japan, inflation remains modest (0.8% in December), although within a context of close to full employment (unemployment at 2.2% in December).

The **Euro Area** achieved GDP growth of +1.1% (+1.8% in 2018). The drop in growth can be attributed to multiple factors, such as slowing international trade, uncertainty with respect to Brexit developments and the slowdown in the manufacturing sector (which particularly impacted Germany and Italy). The unemployment rate continued to decline, reaching 7.4% in December 2019.

Given the economic slowdown and inflation significantly lower than the 2% target (1.3% in December), the ECB modified the tone of its monetary policy and adopted additional expansionary stimulus measures. In particular, as of September the following measures were adopted:
- launch of a new quantitative easing bond buying plan amounting to €20bn per month, plus the full reinvestment of the capital from maturing bonds;
- cut in the deposit rate to -0.5%, while at the same time introducing a tiering system to mitigate the effect of negative rates on bank profitability;
- adoption of a new plan of auctions for financing the banking system (TLTRO III).

In 2019, the **Italian economy** slowed further compared to the previous year, with a GDP growth rate of +0.2% on an annual basis (+0.7% in 2018), resulting from a number of factors: the reduced contribution of net exports due to the above-mentioned slowdown in international trade, the modest trend in investments and the slowdown in private consumption. Nonetheless, the job market remained solid, with an unemployment rate of 9.8% at year-end, down compared to 2018. The inflation rate in December was 0.6% (1.2% in 2018).

Financial markets

The monetary expansion manoeuvres announced by the ECB in September 2019, implemented starting last November, drove all European interest rate curves down. The 3-month Euribor rate closed 2019 down by 7 basis points versus the same figures at the end of 2018, while the 10-year Swap rate declined in the same period by 82 basis points. The German government yield curve showed modest volatility on maturities up to 3 years and a reduction in long-term rates in 2019. The 10-year Bund returned to negative values from May 2019 and amounted to -0.17% at the end of 2019, down by 45 basis points compared to the values at the end of 2018.

In Italy, the ECB expansion manoeuvres compressed the returns on government bonds. The 10-year spread between Italian and German rates was 157 basis points at the end of 2019, down by 95 basis points compared to the end of 2018.

2019 closed on a positive note for the European equity markets after the losses recorded in 2018. The **Eurostoxx 50** index, referring to the Euro Area prices, achieved a 25% upturn in 2019 compared to the values at the end of 2018, whilst the **FTSE Mib**, referring to Italian listed companies, rose by 28% in the same period.

In the course of 2019, the Fed suspended the normalisation of its monetary policy, cutting the Fed Funds rate three times and injecting liquidity into the US interbank markets. Over 2019, the return to expansionary monetary policies allowed the S&P 500 index to rise by 29% compared to 2018 year-end values. The Fed's more expansionary monetary policies also benefited the emerging market prices: in 2019 the Morgan Stanley Emerging Markets index saw a 15% upturn.

Insurance sector

In 2019, due to the expected evolution of the last part of the year, taking into consideration the final data relating to the third quarter, Italian insurance premiums should reach €142.5bn, up 5.4% compared to 2018.

Total premiums of the Italian direct portfolio in the Non-Life business are expected to rise in 2019 by 3.3% compared to 2018. In the MV sector, consisting of MV TPL, Marine Vessels TPL and Land Vehicle Hulls, premiums are expected to rise slightly compared to 2018 (+1.0%). According to ANIA data for December 2019, the average premium in the MV TPL business fell by around 1% in 2019, from €352 to €349. The ISTAT index for MV TPL prices, the value of which reflects the price lists and not those actually applied by companies, instead recorded a 0.3% decline in 2019.

The positive trend in the Non-MV Non-Life business is confirmed, with premiums up by 5.5% compared to 2018. Particularly positive trends were recorded in the Healthcare segment (+8.3%), driven by positive performance in the Health (+12.3%) business, and in the Property segment (+4.5%), which benefited from the expected growth rate of +6.1% in the Pecuniary Losses business. Likewise, growth is also expected in premiums of other Non-Life classes (+5.3%) thanks to the increase in the Assistance business (+9.8%), while the General TPL business likely achieved more limited growth (+2.3%).

The negative trend in the MV segment agency channel is expected to continue, with a decline of 0.4% and an overall impact of 82.7% on total premiums, against an increase in the share of the Direct channel (+0.2%) and Brokers (+0.3%) and substantial stability in the banking channel, accounting for 3.1% of premiums. For the Non-MV classes, a decline is expected in the agency channel share (-0.5%) and in Brokers (-0.2%), against growth in the banking channel (+0.6%) and direct sales (+0.1%).

In the Life sector, the trend already observed in 2018 was confirmed in 2019 as well, with rates of increase close to 4%, deriving primarily from sustained growth in premiums relating to class I revaluable policies (+9.5%), against a further downturn in the sale of class III policies (-6.0%). In 2019, growth continued in classes IV (+36.2%) and VI (+33.9%), while class V closed 2019 with a reduction of 32.9% in premiums.

The share of the agency channel in the Life business was up by 11.1% in 2019, accounting for 14.45% of total premiums, thus suspending the negative trend recorded in previous years. The Banks and Consultants channels were down, by a total of 5.8% compared to 2018, making up 74.3% of total premiums.

Pension funds

In 2019, net deposits of assets under management (mutual funds, individual asset management, collective and individual pension plans) amounted to around €73.5bn, of which 2.4% referring to pension management (+€1.8bn). Net deposits of pension funds remained positive in 2019 (+€0.6bn in the first quarter, +€0.5bn in the second, +€0.3bn in the third and +€0.4bn in the fourth). Asset management referring to pension funds and individual pension plans at the end of 2019 totalled €98bn, equal to 4.3% of total assets under management, up 5.6% on 2018.

In 2019, pension fund positions increased by 4.5% compared to the end of 2018, reaching 393k positions in December, 72.5% relating to employees. An expansion was seen in 2019 both in open pension funds which recorded a 6.1% in existing positions, corresponding to a growth in assets under management of 15.6%, and in other pension plans such as the "new" PIPs, for which existing positions increased by 4.4% and assets under management by 10.5%. The occupational pension funds also recorded an increase in existing positions (+5.3%), but against a decline in assets under management (-1.2%). In fact, the higher number of positions depends solely on the contribution of ten funds for which contractual mechanisms are in operation (welfare funds) and whose assets increased by 24.3%, but which represent less than 10% of the total assets under management. Lastly, pre-existing pension funds remained stable in terms of the number of subscribers (+0.3%), but with assets under management expanding by 18.2% as a result of their revaluation.

The favourable equity market trends in 2019 led to average returns on supplementary pension plans being positive and much higher than the benchmark following the revaluation of post-employment benefits. The best performance was attributable to the "new" PIPs structured as Unit-Linked, with a net return of 12.2%, followed by open pension funds with a net return of 8.3% (particularly the balanced and equity-based funds with respective returns of 14.8% and 9.2%), occupational pension funds with a net return of 7.2%, and the "new" PIPs structured as segregated funds with a net return of 1.7%.

Real Estate market

According to the Real Estate Market Observatory of the Tax Authorities, in 2019 the sale of homes in the residential segment continued to post a positive growth trend (+5.5%), although it was slowing compared to 2018: Milan was confirmed as one of the most active markets in Italy (+7.8%).
Real estate agent expectations are still weak, and data relating to the first half of 2019 regarding the 13 major cities show a downturn in home prices by 0.3% (except in Milan and Florence, where prices rose significantly).

In 2019, sales in the non-residential sector were up by 4.7% over 2018, driven by the tertiary-residential sector (+6.1%), while the production sector declined (-0.8%). The expansion in the commercial tertiary sector reflected growth in sales of offices (+7.1%) as well as of stores (+5.9%), which benefitted from the particularly positive performance of hotels (+26.7%).

The prices of offices and stores continued to fall in 2019 as well, and has now lasted for 12 years. Prices of offices declined by -0.9%, while those of stores were down by -0.6%. Rents are also down, but at slightly lower rates than prices (-0.5% for offices and -0.4% for stores, respectively). In 2019, the cap rates remained stable at 5.1% for offices and 7.3% for stores.

Main regulatory developments

In 2019, the reference regulatory framework for the sectors in which the Group carries on business saw a number of developments and innovations.

Relevant regulations for the insurance sector

In June 2019, following a consultation process that started in the previous year, the Solvency II Delegated Acts (Reg. (EU) 2015/35) were subject to several amendments, including:

- Long-term investments - reduction of capital requirements for long-term investments in equity;
- look-through approach - possibility of a more extensive use of simplification relating to the application of the look-through approach in relation to collective investment undertakings and "packaged" investments like mutual funds;
- credit risk - coordination with standards in force in the banking sector as regards the classification of own funds, exposure to central counterparties (CCP) and the handling of exposures to regional administrations and local authorities;
- calculation of SCR - concession of simplifications in the calculation of SCR for several Life, Non-Life and health sub-modules, so as to guarantee adequate proportionality between the computational load and the real risks incurred by the insurer; and
- Deferred Tax Assets - introduction of additional principles for the calculation of the capacity to absorb deferred tax losses (LAC DT) in the standard formula in order to guarantee greater uniformity of application.

The Regulation entered into force on 8 July 2019, while the points relating to Deferred Tax Assets and the amendments of the method for calculating the risks of the Non-Life and health businesses came into force on 1 January 2020.

Furthermore, in this same area, the **Solvency II Directive** was subject to targeted amendments - aiming to improve several provisions that had encountered application difficulties - as well as an overall review process, the legislative procedure of which is still in the initial phase.
In relation to the first aspect, **Directive (EU) 2019/2177 of 18 December 2019** is particularly significant, as it introduces corrections to the functioning of the country component of the volatility adjustment.
Specifically, the rules call for a reduction in the intervention threshold (from 100 to 85 basis points in terms of the country spread and the currency spread with respect to the yields of baskets of financial assets) and the national volatility adjustment component such so as to make the effective application of that correction component more frequent, while in the past it was limited to cases of strong financial market turbulence.

Also with regard to the solvency regulations, on 11 February 2019 the European Commission officially started the **process of reviewing the Solvency II Directive**, asking EIOPA for an overall assessment of the legislative framework of Solvency II, without prejudice to the basic principles of the Directive, such as the model for calculating capital requirements based on the calibration of risks and the market-consistent valuation of assets and liabilities.
EIOPA responded to the European Commission's request by promoting two consultations relating to the reports and disclosure to the public. The first consultation was open from 12 July 2019 to 18 October 2019, while the second consultation was part of the Opinion of 15 October 2019 concluding on 15 January 2020 on the review of Solvency II.
The European Commission will take EIOPA's advice into account in the legislative proposal to amend Solvency II, which will be presented by 31 December 2020.

On the domestic front, regarding MV TPL, Italian Decree Law 124 of 26 October 2019 converted with Law 157 of 19 December 2019 (the "2020 Tax Decree") amended paragraph 4-bis of Art. 134 of the Private Insurance Code, introducing the **single family premium**. The objective of that measure is to reduce the average premium paid by families, giving all members of the nuclear family the lowest merit category present within that family, irrespective of the type of vehicle owned. The measure entered into force on 16 February 2020.

With reference to primary legislation, please also note **Italian Legislative Decree 49 of 10 May 2019** issued in implementation of Directive (EU) 2017/828 as regards the **encouragement of long-term shareholder engagement (Shareholder Rights II),** which introduced significant amendments to the Consolidated Law on Finance (TUF), including:

- attribution to issuers of the right to ask intermediaries and central depositories to identify the shareholders holding more than 0.5% of the share capital with voting rights;

- new transparency obligations for pension funds and insurance companies, now defined as institutional investors, when they invest in shares of companies listed in Italian or EU regulated markets (for insurance companies it is also necessary to report their investment strategies in the Solvency and Financial Conditions Report);
- complete voting on the Report on the remuneration policy and compensation paid by the shareholders' meeting, with both sections of the Report now being subject to shareholder vote; and
- more detailed regulations on transactions with related parties (with the resulting amendment of Art. 2391-bis of the Italian Civil Code), in part referred to Consob regulations.

In terms of secondary regulations, of particular importance are the **consultations on Consob and IVASS regulations on insurance distribution**, which will complete the **adoption of the Insurance Distribution Directive (IDD)** within the Italian legal system. The most significant new elements regard: obligatory consulting for complex products; the admissibility of incentive systems only if intended to boost service quality (as set forth in the MiFID II); the prohibition against sales outside the target market, except for Life products with considerable financial content (IBIPs), for which there is an exception, subject to meeting specific conditions.

Relevant regulations for the pension sector

With regard to **pensions**, the most significant new element at European level is the entry into force, on 14 July 2019, of **Regulation (EU) 2019/1238** on **a pan-European Personal Pension Product (PEPP),** which will become applicable 12 months after the publication in the Official Journal of the European Union of the delegated acts set forth by the Regulation. The PEPP intends to offer consumers a new pan-European option for pension savings, complementary to existing government, professional or personal pension schemes. EIOPA is currently developing proposals to the European Commission on the regulatory technical standards (RTS), the implementing technical standards (ITS) and technical opinions. These proposals will be followed by the adoption by the European Commission of the delegated and implementing acts set forth in the Regulation.
Lastly, also with regard to pensions, on the domestic front, **Italian Legislative Decree 147 of 13 December 2018**, which entered into force on 1 February 2019, transposed in Italy Directive (EU) 2016/2341 ("IORP II") on the activities and supervision of **institutions for occupational retirement provision**, making significant amendments to the basic rules relating to supplementary pensions set forth by Italian Legislative Decree 252/2005 and granting the applicable regulatory power to COVIP. On the basis of the above-mentioned delegation, as of 2019 COVIP has promised some public consultations to adjust the reference regulations of the various types of Pension Funds to the new IORP II principles, introducing significant changes especially as regards transparency with respect to members, governance rules, the authorisation system and the penalty system. On conclusion of that regulatory adjustment process, still under way, important organisational revisions are expected for the various forms of supplementary pension schemes.

Tax regulations

The most significant new tax laws for the Group were introduced with the above-mentioned 2020 Tax Decree and with Italian Law no. 160 of 27 December 2019 ("2020 Budget Law").

The 2020 Tax Decree set forth, *inter alia*, the following provisions:

- the redefinition of rules regarding long-term individual savings plans (PIR) through the cancellation of the obligation of investment in funds for venture capital set forth in the 2019 Budget Law and the re-proposition of restrictions similar to those in force until 31 December 2018, also allowing for the adjustment of the underlying instruments (internal funds and/or UCIs) and making their marketing possible again;
- the tightening of the criminal tax offences pursuant to Italian Legislative Decree 74/2000 and the amendment of rules on the administrative liability of entities pursuant to Italian Legislative Decree 231/2001 through the introduction, within the group of offences presupposing the entity's liability, of several tax crimes concerning fraud/with particular severity.

The 2020 Budget Law contains the following provisions:

- the reintroduction effective as of the tax period subsequent to that under way on 31 December 2018 of the ACE (*Aiuto alla crescita economica* - Aid to Economic Growth) relief, with the establishment of a return on capital coefficient equal to 1.3%: the ACE relief therefore applies without interruption from 2018, with both the specific rules of the 2019 Budget Law and the Growth Decree remaining unimplemented;

- the postponement, for insurance companies and credit and financial institutions, of the deductibility contemplated in the 2019 period of the non-deducted portion of write-downs and impairment losses on receivables, and of amortisation of the goodwill and of other intangible assets that have entailed the recognition of deferred tax assets in the financial statements, as well as the postponement of the deductibility of the share relating to 2019 of the negative components recognised due to the application of IFRS 9;
- the remodulation of the deductibility of IMU paid on the company's property for business use, with the following rates: 50% for the 2019 period; 60% for the 2020 to 2021 period; 100% from the 2022 tax period;
- reopening of the terms for the revaluation of the corporate assets and for the realignment of the civil and fiscal values.

Other regulations

Another priority topic in the agenda of European policy-makers is that of **sustainability**. In the course of 2019, the European Commission presented a number of legislative proposals linked to sustainability, in implementation of its "Action plan on financing sustainable growth" presented in March 2018: these include in particular the entry into force of **Regulation (EU) 2019/2088 of 27 November 2019** on sustainability"related disclosures in the financial services sector. The Regulation establishes harmonised rules for financial market participants and financial advisors to promote transparent disclosures on the policies they adopt on sustainability risk, both in internal corporate governance processes and in risk management processes and in the phase of product engineering, reducing informational asymmetries with investors so they are able to choose investment products that take into account environmental, social or governance ("ESG") factors.

Also in the European realm, lastly, **Regulation (EU) 2019/2144 of 27 November 2019** was approved, on **type-approval requirements for motor vehicles** and their trailers, and systems, components and separate technical units intended for such vehicles, as regards their general safety and the protection of vehicle occupants. The Regulation requires all newly registered vehicles to be equipped with a series of advanced safety systems such as intelligent speed assistance, an advanced driver distraction warning and in particular an "event data recorder" (or EDR). The EDR will save only data relating to accidents and will make them available to the public authorities, which will need to use them to improve overall road safety. The data saved by the EDRs will be anonymous and it will not be possible to use them to identify the vehicle or its owner. The new type-approval requirements and the new safety systems are expected to contribute - in the intention of EU lawmakers - to reducing the frequency and average cost of claims, but the impact will not be immediate, as the new rules will apply only beginning from 6 July 2022, and will gradually take effect in line with the turnover rate in vehicles currently on the road.

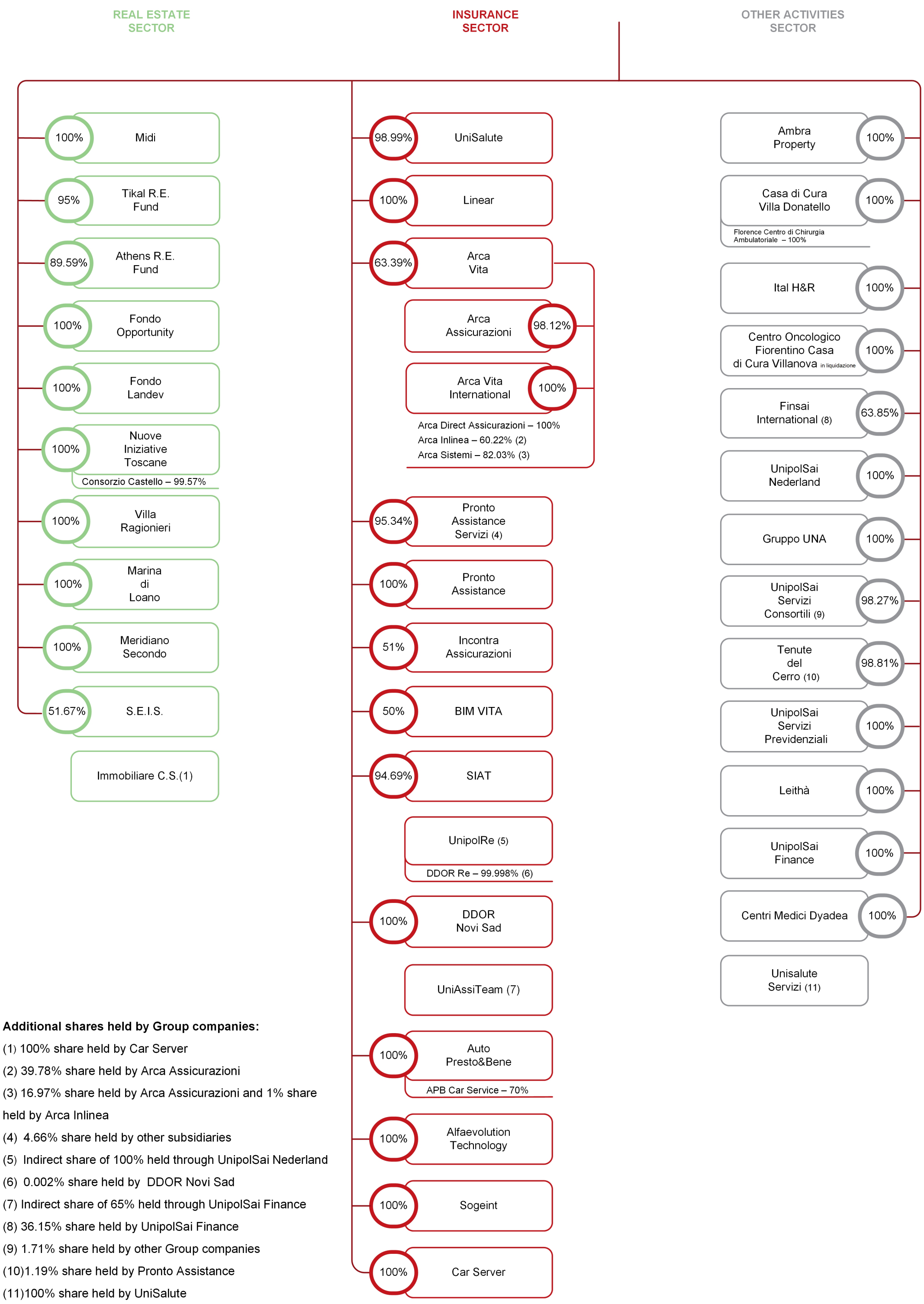
The Consolidated financial statements of UnipolSai Assicurazioni SpA are subject to an audit by independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2013/2020 period. The duration of the assignment is one year less than originally agreed, following the waiver for 2021 submitted by PwC on 4 April 2019 at the request of UnipolSai, in relation to appointment of the independent auditors for the Parent Unipol for 2021-2029, to allow alignment between the duration of the UnipolSai audit engagement with that of the Parent.

With respect to the obligations laid out by Legislative Decree 254 of 30 December 2016, on the communication of non-financial and diversity information by certain large undertakings and groups, please note that the UnipolSai Group is not subject to this obligation as one of the cases of exemption and equivalence laid out in Art. 6, paragraph 2 applies to it, given that it is a subsidiary company included within the Consolidated Non-Financial Statement prepared by the Unipol Group.

Consolidation Scope at 31 December 2019

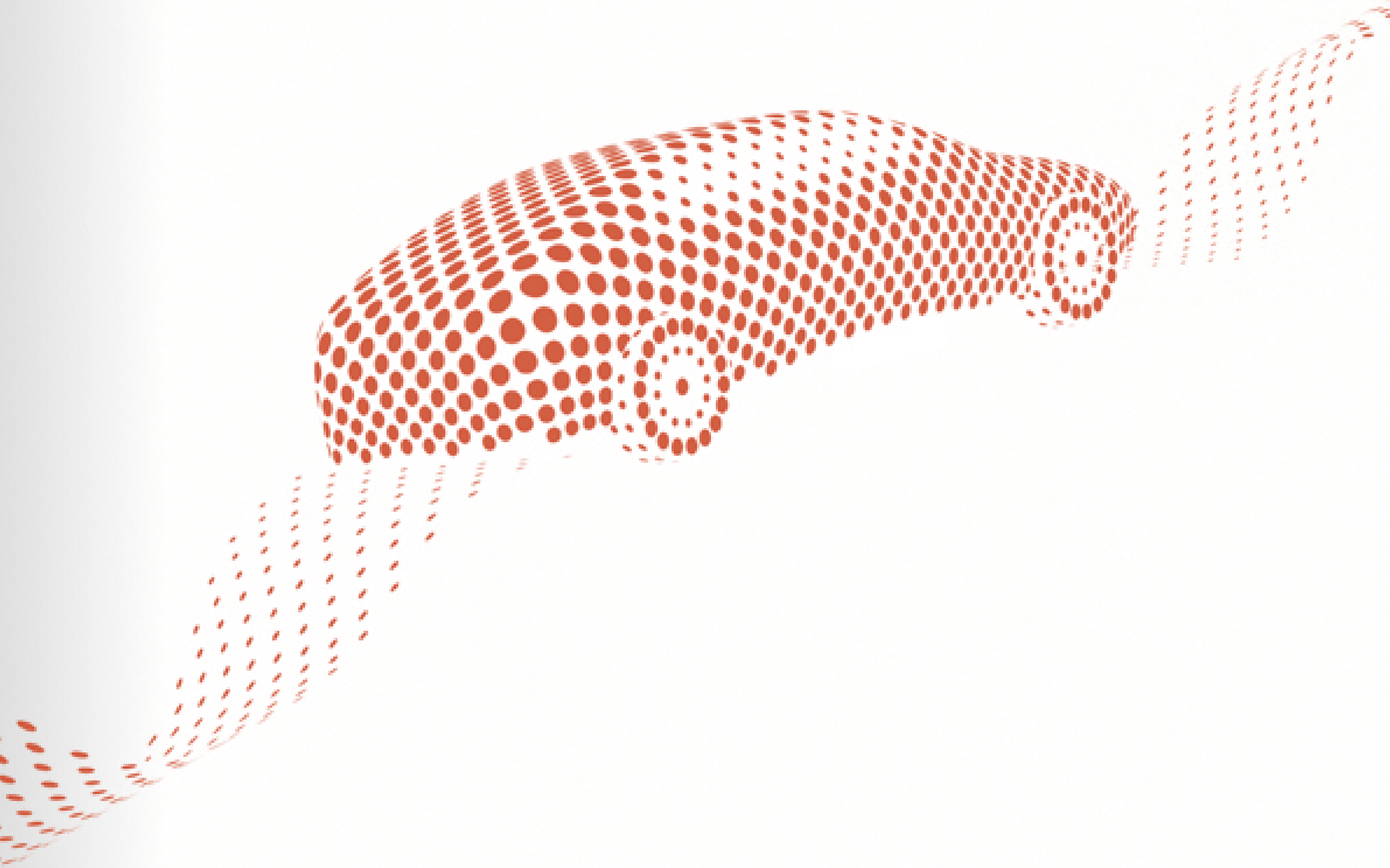
(direct holding out of total share capital)

For more details see the table appended to the Notes "Consolidation Scope"



Additional shares held by Group companies:

(1) 100% share held by Car Server
(2) 39.78% share held by Arca Assicurazioni
(3) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea
(4) 4.66% share held by other subsidiaries
(5) Indirect share of 100% held through UnipolSai Nederland
(6) 0.002% share held by DDOR Novi Sad
(7) Indirect share of 65% held through UnipolSai Finance
(8) 36.15% share held by UnipolSai Finance
(9) 1.71% share held by other Group companies
(10)1.19% share held by Pronto Assistance
(11)100% share held by UniSalute



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MANAGEMENT REPORT

Group highlights

Amounts in €m	31/12/2019	31/12/2018
Non-Life direct insurance premiums	8,167	7,892
% variation	*3.5*	*7.3*
% variation on a like-for-like basis	*2.7*	
Life direct insurance premiums	5,847	3,826
% variation	*52.8*	*3.1*
% variation on a like-for-like basis	*36.2*	
of which Life investment products	393	358
% variation	*9.7*	*37.3*
% variation on a like-for-like basis	*(22.5)*	
Direct insurance premiums	14,014	11,718
% variation	*19.6*	*5.9*
% variation on a like-for-like basis	*14.4*	
Net gains on financial instruments (*)	1,606	1,924
% variation	*(16.5)*	*22.7*
% variation on a like-for-like basis	*(4.6)*	
Consolidated profit (loss)	655	948
% variation	*(30.9)*	*76.5*
% variation on a like-for-like basis	*3.2*	
Balance on the statement of comprehensive income	1,748	90
% variation	*n.s.*	*(87.2)*
Investments and cash and cash equivalents	66,369	59,718
% variation	*11.1*	*14.9*
Technical provisions	57,567	53,223
% variation	*8.2*	*16.3*
Financial liabilities	6,000	5,253
% variation	*14.2*	*43.4*
Shareholders' Equity attributable to the owners of the Parent	6,878	5,448
% variation	*26.2*	*(7.2)*
UnipolSai Assicurazioni SpA Solvency ratio - Partial Internal Model	284%	253%
No. Staff	12,274	11,935

(*) excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management

To facilitate the comparative analysis with the same period of the previous year, like-for-like figures are also provided, which are restated based on the consolidation scope at 31 December 2019. Therefore, compared to the final data for 2018, the amounts contributed by Popolare Vita and The Lawrence Life were excluded, the result from the measurement of Unipol Banca at equity was excluded and the income statement figures for the Arca Group, acquired by UnipolSai in the third quarter of 2018, referring to the part-year prior to the acquisition were included. In addition, when deemed necessary for a better representation of current operating performance, comparisons were made by normalising the profit (loss) for 2018 with the exclusion of the effects of the capital gain from the sale of Popolare Vita, with those for 2019, excluding expenses deriving from staff leaving incentive plans.

Alternative performance indicators[1]

	classes	31/12/2019	31/12/2018	31/12/2018 on a like for like basis
Loss ratio - direct business (including OTI ratio)	Non-Life	66.1%	67.4%	67.2%
Expense ratio (calculated on written premiums) - direct business	Non-Life	27.7%	27.2%	27.2%
Combined ratio - direct business (including OTI ratio)	Non-Life	93.7%	94.6%	94.4%
Loss ratio - net of reinsurance	Non-Life	66.3%	67.0%	66.8%
Expense ratio (calculated on premiums earned) - net of reinsurance	Non-Life	27.9%	27.3%	27.4%
Combined ratio - net of reinsurance (*)	Non-Life	94.2%	94.3%	94.2%
Premium retention ratio	Non-Life	94.7%	95.1%	
Premium retention ratio	Life	99.7%	99.8%	
Premium retention ratio	Total	96.7%	96.5%	
Group pro-rata APE (amounts in €m)	Life	608	491	
Expense ratio - direct business	Life	3.8%	5.3%	
Expense ratio - net of reinsurance	Life	3.7%	5.2%	

(*) with expense ratio calculated on premiums earned

[1] These indicators are not defined by accounting rules; rather, they are calculated based on economic-financial procedures used in the sector.
Loss ratio: primary indicator of the cost-effectiveness of operations of an insurance company in the Non-Life sector. This is the ratio of the cost of claims for the period to premiums for the period.
OTI (Other Technical Items) ratio: ratio of the sum of the balance of other technical charges/income and the change in other technical provisions to net premiums for the period.
Expense ratio: percentage indicator of the ratio of total operating expenses to premiums written as far as direct business is concerned, and the premiums as far as retained business, net of reinsurance, is concerned.
Combined ratio: indicator that measures the balance of Non-Life technical management, represented by the sum of the loss ratio and the expense ratio.
APE – Annual Premium Equivalent: the new Life business expressed in APE is a measurement of the volume of business relating to new policies and corresponds to the sum of periodic premiums of new products and one tenth of single premiums. This indicator is used to assess the business along with the in force value and the Life new business value of the Group.
The premium retention ratio is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. Investment products are not included in calculating this ratio.

1 Management Report

Management Report

Significant events during the year

Exercise of the put option on Unipol Banca and UnipolReC

The Board of Directors of UnipolSai Assicurazioni SpA ("**UnipolSai**" or the "**Company**"), in the meeting of 7 February 2019, resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca SpA ("**Unipol Banca**") and UnipolReC SpA ("**UnipolReC**"), held by the holding company Unipol Gruppo SpA ("**Unipol**") by virtue of the option agreement signed on 31 December 2013 by the former Fondiaria-Sai SpA and Unipol. On 14 February 2019, UnipolSai notified Unipol of its exercise of the option right. The transfer of the shares was completed on 1 March 2019 against payment by Unipol of a total consideration of €579.1m, calculated on the basis of the option contract. Based on the outcome of the put option, the direct investment held by UnipolSai in Unipol Banca and in UnipolReC stood at 14.76% of the respective share capital and the corresponding shares of these companies held by Unipol increased to 85.24%.

The Board of Directors also decided to grant to Unipol, within the scope of the aforementioned put option, a 5-year loan of €300m, also repayable early, at an interest rate of the 3-month Euribor plus a spread of 260 basis points. For UnipolSai, the granting of the afore-mentioned loan represents a form of investment of liquid assets that meets the investment principles compliant with the adopted policy for medium-long term investments as well as the risk profile. The loan was disbursed on 1 March 2019.

The loan was approved by UnipolSai in compliance with provisions of the Policy on intragroup transactions, adopted pursuant to IVASS Regulation no. 30 of 26 October 2016, and - as specified below - in compliance with the Procedure for related party transactions.

Sale of Unipol Banca to BPER Banca and acquisition of NPL portfolios

On 7 February 2019 Unipol, along with UnipolSai and UnipolReC, on one hand, and BPER Banca S.p.A. ("**BPER**"), along with the subsidiary Banco di Sardegna S.p.A. ("**Banco di Sardegna**") on the other hand, entered into agreements concerning an extraordinary transaction on the banking sector of the Unipol Group, to be performed in a single context through the:

- transfer to BPER Banca S.p.A. of the entire investment held by Unipol and by UnipolSai, in Unipol Banca, equal to the entire share capital of the latter, for a cash consideration of €220m;
- UnipolReC's purchase of two separate portfolios composed of bad and doubtful loans, one owned by BPER Banca and one by Banco di Sardegna for a gross total of €1.3bn, for a consideration of €130m.

On 31 July 2019 - with all conditions precedent set forth in the contract being met and, in particular, with the necessary authorisations having been received from the competent Supervisory Authorities - the transaction, in execution of the agreements entered into by the parties, was completed.

In particular:

- Unipol and UnipolSai sold their holdings to BPER representing the entire share capital of Unipol Banca (which in turn controls Finitalia S.p.A.), respectively 85.24% and 14.76% of the capital, at the total price of €220m, divided pro rata between the two sellers as approximately €187.5m and €32.5m, respectively;
- UnipolReC in turn acquired two separate non-performing loan portfolios, one owned by BPER and the other by Banco di Sardegna, for a gross carrying amount of around €1.2bn, against a final price of €102m which takes into account the effects of credit management activities from the assessment reference date up to 31 July 2019.

With this transaction, the Unipol Group completed the process of requalification of its strategy in the banking sector, by exiting from the direct business of a medium sized bank, in order to take on the role of major investor of one of the main Italian banking groups.

It also increased the scale of operations of UnipolReC, which became a financial intermediary registered pursuant to Art. 106 of the Consolidated Law on Banking, enhancing its expertise in credit recovery.

On 25 September 2019, following the authorisation granted by the competent Supervisory Authority, BPER filed and entered in the Register of Companies the project for the merger of Unipol Banca into BPER . The deed of merger, signed on 15 November 2019 and entered in the competent Registers of Companies of the companies participating in the merger on 18 November 2019, entered into effect on 25 November 2019, with continuity as part of BPER of all Unipol Banca S.p.A. accounts.

MISSION EVOLVE – Always one step ahead: the new 2019-2021 strategic plan

On 9 May, the Board of Directors of UnipolSai SpA approved the 2019-2021 Strategic Plan "MISSION EVOLVE – Always one step ahead". The Strategic Plan has the objective of strengthening the leadership of
UnipolSai in the next three years, establishing the basis for confirming its leadership position also beyond the Plan's scope.
The new Plan responds to a scenario of profound change in the insurance market as concerns customer expectations, the technological and digital evolution, new competitors and regulatory developments.

In this context, UnipolSai intends to strengthen its leadership in Italy:
1) within Non-Life insurance, in terms of the customer portfolio, market share, distribution network and number of black boxes installed (leader in Europe);
2) by extending its leadership to the Mobility, Welfare and Property ecosystems.

By leveraging on the distinctive assets, the "MISSION EVOLVE - Always one step ahead" Plan is structured based on five
strategic areas:
- development of technical excellence, setting the objective of achieving a Non-Life combined ratio of 93%. In the Life segment, the goal is to overcome the traditional product-based approach by evolving the offer towards an integrated life and welfare vision;
- development of distribution excellence, with the objective of reaching in 2021 premiums at a consolidated level of €8.7bn in the Non-Life business and €5.0bn in the Life business, thus confirming its central role as the top Italian agency network and distinctively positioning itself in the process of developing bancassurance and partnerships;
- beyond insurance, by characterising itself as a reference point for the needs of the customers in the Mobility ecosystems (planning for the launch of new solutions such as long term leases and an online platform for the re-use), Welfare (with tele-medicine) and Property (planning for the development of an integration of insurance, home automation and service) offering integrated solutions;
- people and technology, by accelerating the development process complementing the staff professionalism with new digital skills and the use of technology and automation to simplify the operating model;
- shared value and sustainable development, by contributing to reaching the sustainable development goals of the UN 2030 Agenda.

Fitch raised UnipolSai's rating to "BBB+"

On 29 May, the Fitch Ratings rating agency announced its upgrade of the Insurer Financial Strength (IFS) rating of UnipolSai Assicurazioni SpA to "BBB+", with negative outlook, from "BBB".
At the same time, the rating agency confirmed the Long-Term Issuer Default Rating (IDR) assigned to Unipol Gruppo SpA and UnipolSai Assicurazioni SpA as "BBB" with a negative outlook. Also the ratings of the debt securities issued by the Unipol Group were confirmed: the Unipol Gruppo SpA senior loans were confirmed at "BBB-", the subordinated loans with maturity of UnipolSai Assicurazioni SpA were confirmed at "BBB-" and the perpetual bond loan of UnipolSai Assicurazioni SpA was confirmed at "BB+".

Mergers and spin-offs within the Group

In June 2019 the Boards of Directors of UnipolSai and the subsidiaries concerned, insofar as they were respectively responsible, approved the following mergers and spin-offs (the "Transactions") involving UnipolSai and its wholly-owned subsidiaries:
- project for the merger by incorporation of Pronto Assistance SpA into UnipolSai;

- project for the full spin-off of Ambra Property Srl in favour of UnipolSai, UNA SpA Group and Midi Srl;
- project for the partial spin-off of Casa di Cura Villa Donatello SpA in favour of UnipolSai, as well as the full spin-off of Villa Ragionieri Srl in favour of the Company itself and of Casa di Cura Villa Donatello SpA.

The Transactions are part of a project for streamlining and simplifying the structure of the Unipol Group which aims to:
- simplify and further boost the efficiency of the industrial management and administrative, capital and financial organisation of the companies within the Group, eliminating duplications of structures and skills, today placed in companies or company complexes for which the prerequisites for autonomous management and/or income generating capacity have progressively stopped being met;
- concentrate into UnipolSai, or under its direct control, assets or corporate structures functional to the pursuit of the strategic objectives set forth in the 2019-2021 Business Plan.

By communication dated 16 October 2019, pursuant to Art. 201 et seq., Italian Legislative Decree no. 209 of 7 September 2005 and Art. 23 et seq. of ISVAP Regulation no. 14/2008, IVASS granted authorisation to UnipolSai Assicurazioni for the merger by incorporation of Pronto Assistance SpA into UnipolSai Assicurazioni and for the spin-offs, with partial transfer of the company complex to UnipolSai Assicurazioni, of Ambra Property, Villa Ragionieri and Casa di Cura Villa Donatello.

On 21 January 2020, after concluding the required corporate procedures, the deed of merger and the deeds relating to the spin-offs were signed. Following their registration in the respective Registers of Companies, these transactions became legally effective from 1 February 2020. They became effective for accounting and tax purposes as of 1 January 2020 as regards the merger and total spin-offs of Ambra Property and Villa Ragionieri, and as of 1 February 2020 as regards the partial spin-off of Villa Donatello.

Again in June 2019, the Boards of Directors of the subsidiaries UniSalute SpA ("UniSalute") and Unisalute Servizi Srl ("Unisalute Servizi") approved, within their areas of competence, the proportional partial spin-off of Unisalute Servizi, with transfer to a NewCo of the business consisting in the provision of specialist medical-healthcare services. The proportional partial spin-off was completed on 1 October 2019, with the simultaneous setup of "Centri Medici Dyadea". On 20 December 2019, UnipolSai acquired 100% of the share capital of Centri Medici Dyadea from UniSalute at the price of €5.1m.
Following the spin-off, UniSalute Servizi focuses its activities on the marketing, promotion and management of social and healthcare assistance services, whilst Centri Medici Dyadea is a network of clinics that guarantees quality healthcare in the area of Bologna.

Trade Union agreement regarding Personnel

As part of the implementation of the 2019-2021 Business Plan, on 18 July 2019 a trade union agreement was signed regarding voluntary pre-retirement arrangements for UnipolSai Assicurazioni employees meeting pension requirements by the end of 2023.
The Agreement of 18 July 2019 envisaged early retirement for a maximum of 760 individuals, but as over 800 subscribed to the option, on 20 November 2019 a further trade union agreement was signed that will allow all employees subscribing to access the arrangements envisaged in the previous Agreement.
In February 2020, the agreement was also extended to the Group's other insurance companies, for which the number of potential applications is not expected to exceed 20.
For further information, please refer to the section "Other Information".

Repayment of subordinated liabilities

On 24 July 2019, in application of the contractual repayment plan, UnipolSai arranged repayment of the first of five annual instalments in equal amounts of €80m of the Restricted Tier 1 subordinated loan disbursed on 24 July 2003 by Mediobanca - Banca di Credito Finanziario SpA for a total nominal amount of €400m, maturing on 24 July 2023.

Acquisition of Car Server

On 1 August 2019, UnipolSai finalised the acquisition of 100% of the share capital of Car Server SpA ("Car Server" at the price of €96m.
Car Server is one of the leading operators on the Italian market for long-term company fleet rental and business mobility management in general. With this transaction, the Group has laid the groundwork for implementation of the 2019-2021 Strategic Plan as regards the mobility ecosystem.

"Always one step ahead": the leadership and innovation of UnipolSai Assicurazioni at the heart of the multimedia advertising campaign

In 2019, UnipolSai Assicurazioni was back on air with the **new multimedia advertising campaign "Always one step ahead"**.
Through creativity that effectively combines corporate and product elements, at the same time the campaign emphasises the leadership, expertise and reliability of UnipolSai and its innovative vocation that is consolidated by the offer of insurance solutions combined with state-of-the-art technology services.
With an authoritative and reassuring mood and sophisticated cinematographic processing, the campaign advertises two products dedicated to the world of cars:

- **the Unibox digital device for cars**, the satellite device linked to the KM&Servizi MV policy, which offers a series of functions such as call-out when needed of tow trucks and emergency assistance, and which allows the premium to be modelled according to driving style;
- **the innovative UnipolSai App**, which offers direct management of car details via smartphone or tablet: from the km travelled to routes, and the most sophisticated high-value added services, all readily to hand, such as the option of tow truck call-out and real-time monitoring of its route.

A major advertising project for which Alessandro Gassmann was chosen as the key protagonist and with strong scheduling of 30-second and 15-second TV advertisements on all the main national networks, in addition to a presence on digital channels, radio and press with creative integration over the various media.

Unica obtains ISO 9001:2015 Quality Certification

On 2 July 2019, UnipolSai obtained ISO 9001:2015 Certification for its Unica (Unipol Corporate Academy) training processes, with definition of the Unica Quality Management System and training of Academy personnel.

Car Server judged to be at the top for its long-term rental administrative management

On 27 September 2019, Fleet Magazine presented its "Rental&Quality" research during the Customer Centricity event, which analysed 100 large companies. Some of the aspects studied included: commercial relationships, customer service, information technology, consulting and telecommunications and administrative management, the section in which Car Server was awarded the best score, thanks to the management of the obligations laid out in Article 94 of the Highway Code and the clarity and comprehensibility of the documents sent.

UnipolSai and Sport Festival together again for the second year

For the second year, UnipolSai confirmed its support to the Sport Festival, a large national and international event dedicated to the world of sport to bring champions into contact with fans: debates and analyses along with Olympic and Paralympic athletes, trainers, institutional representatives, technical and other experts and fans.
UnipolSai was a Premium Partner of this edition, planned from 10 to 13 October 2019 in Trento.
With its Corporate Sponsorship Program, UnipolSai aims to become increasingly closer to people and the community, in the conviction that the role of a large company, in addition to creating economic value and well-being, is to generate social value for a broad spectrum of stakeholders, from institutions to social enterprise, from associations to the general public.

Insurance Day 2019 - awards

On 17 October 2019, during the XVIII edition of Insurance Day 2019, the exclusive annual event for the top management of major insurance companies, the Group was awarded a number of recognitions. Amongst other awards, our Group received:

- the "Companies of Value" Award for the best stock exchange performance at 30 June 2019;
- the "Golden lion" for the best Creative IVASS capable of combining detailed service information with appropriate positioning in commercial advertising;
- the MF Innovazione Awards Award in the "Home protection" category for the UnipolSai product Condominio&Servizi;
- the "Best Company for direct premiums 2018" Awards in the Non-Life business;
- the "Elite Insurance and Pension Scheme" Award for the MV segment service platform communication strategy.

Operating performance

UnipolSai closed 2019 with a **consolidated net profit** of €655m, including the non-recurring effects associated with the signing of Trade Union agreements for the Solidarity Fund and other leaving incentives for approximately €66m, net of tax effects (€95.5m gross of taxes).
Note that in 2018, the Group reported a profit of €948m, including the non-recurring effects of the capital gain of €309m from disposal of the investment in Popolare Vita and the negative effects for €50m of the decision to sell the investment held in Unipol Banca. Excluding the effects of these non-recurring components from the two periods under review, and restating the consolidated profits on a like-for-like basis (i.e. for 2018 excluding the contribution to the result of Popolare Vita, Unipol Banca and their subsidiaries, as well as including the profit of Arca Vita and related subsidiaries for the part-year prior to the acquisition), the consolidated net profit for 2019 was €721m, up (+3.2%) on the €699m recorded in the previous year.

At 31 December 2019, **direct insurance premiums**, gross of reinsurance, totalled €14,014m, a considerable increase on 31 December 2018 on a like-for-like basis (€12,245m, +14.4%), particularly in the Life business (+36.2%).

Direct **Non-Life** premiums in 2019 amounted to €8,167m (€7,953m at 31/12/2018 on a like-for-like basis, +2.7%). The MV business amounted to €4,178m (-0.1% on a like-for-like basis) while in the Non-MV business, the premiums reached €3,989m, up by +5.8% on a like-for-like basis, thanks mostly to significant growth in the Health business (+11.2%).
The increase in Non-Life turnover concerned both UnipolSai, which recorded 1.3% growth with premiums for €6,990m, as well as, more notably, the Group's other major companies: UniSalute's premiums amounted to €448m (+9.3%); Linear, the other main company of the Group operating in the MV segment, totalled €184m in premiums (+2.4%); SIAT, which focuses on the Marine Vessels segment, recorded premiums for €137m (+7.7%). The Non-Life bancassurance segment had very good performance, with Arca Assicurazioni achieving premiums of €136m (+13.1%) and Incontra Assicurazioni recording premiums of €185m (+35.8%) thanks especially to the placement of new Health products by the Unicredit network.
In terms of the Non-Life loss ratio trend, in the MV TPL segment the technical performance continued to be characterised by compression in the average premium due to market competition, counteracted by positive performances as concerns the frequency as well as the average cost of claims, due in particular to the benefits of digital (40% of vehicles insured by UnipolSai are fitted with the black box) and the cost savings permitted by the network of authorised repair shops, managed by the subsidiary Auto Presto&Bene, to which a growing number of claims are routed.
After a 2018 affected by damage caused by storm "Vaia", 2019 was also characterised by a significant loss ratio due to weather-related events of considerable impact not only on the Fire and Other damage to property business, but also on Land Vehicle Hulls as a result of hail storms that hit numerous towns and cities in Italy. The economic effects of the loss ratio from weather-related events were in part reabsorbed by reinsurance, and consequently the combined ratio of the Group, net of reinsurance, stood at 94.2% (93.7% direct business combined ratio), in line with the 94.2% on a like-for-like basis at 31 December 2018 (94.4% on a like-for-like basis the direct business combined ratio). The loss ratio, including the balance of the other technical items, stood at 66.3% (66.8% at 31/12/2018 on a like-for-like basis) and the expense ratio at 27.9% of premiums earned (27.4% at 31/12/2018 on a like-for-like basis), also reflecting a product mix more centred on products other than MV TPL with higher commission rates (the expense ratio of direct business to premiums written stood at 27.7%; 27.2% at 31/12/2018 on a like-for-like basis).
The pre-tax result for the Non-Life segment was €698m, up compared to €676m at 31 December 2018, positively affected by the growth in volumes and a stronger contribution from investment properties. The results for the two periods, normalised and on a like-for-like basis, were €782m for 31 December 2019 compared to €729m at 31 December 2018.

In the **Life segment**, on a like-for-like basis the UnipolSai Group posted a significant growth in turnover thanks to the attractiveness of the performance offered by insurance products linked to segregated funds and to deposits, for around €640m, associated with the addition of two new closed pension funds. Direct premiums amounted to €5,847m at 31 December 2019 (+52.8% compared to 31/12/2018, +36.2% on a like-for-like basis).
UnipolSai posted €4,080m in direct premiums (+30.4%) while in the bancassurance channel, in particular, Arca Vita confirmed its strong growth and, jointly with the subsidiary Arca Vita International, recorded direct premiums for €1,676m, up 55.6% compared to 31 December 2018.
New business in terms of APE, net of non-controlling interests, amounted to €608m (€491m at 31/12/2018 on a like-for-like basis, +23.7%), of which €495m contributed by traditional companies and €113m by bancassurance companies.

The normalised pre-tax profit for the Life segment was €239m, down compared to the €300m recorded on a like-for-like basis in 2018, to which a particularly strong financial income had contributed.

As regards the **management of financial investments**, 2019 was still characterised by geo-political tensions and, in Italy, by political instability which in August led to a new Government being formed. In September the ECB again dropped the cost of borrowing by 10 basis points and launched a package of measures that included the relaunch, until further notice, of securities purchases on the market. All of this led in the second part of the year to keeping the interest rates and spreads on Italian government bonds low and an upward trend in the share markets. In this context, the gross profitability of the Group's insurance financial investments portfolio remained at significant levels with returns on invested assets equal to 3.60% (3.89% in 2018 on a like-for-like basis), of which 3.36% relating to the coupons and dividends component.

Real estate management continued to focus on the renovation of a number of properties, particularly the high-end areas of Milan, in order to seek out opportunities to increase value or generate income, as well as structures intended for business use. Note the signing in December of a preliminary agreement for the sale of the building known as Torre Velasca (MI) at a total sale price of €160m (notarisation is planned by the end of 2020).

The **other sectors** where the Group operates showed positive performances, particularly the hotel sector, which allowed the UNA Group to close the year with a profit of €4m.
The pre-tax loss for the Real Estate, Holding and Other Businesses sectors, still affected by write-downs in the real estate sector, was -€52m, compared to -€66m at 31 December 2018.

At 31 December 2019, **consolidated shareholders' equity** amounted to €7,153m (€5,697m at 31/12/2018). The main factors increasing shareholders' equity were linked to the profit for the period, corroborated by the considerable growth in the reserve on AFS securities, due in particular to the decrease in interest rates. **Shareholders' Equity attributable to the owners of the Parent** amounted to €6,878m (€5,448m at 31/12/2018).

As regards the ratio of own funds to capital required, the **individual solvency ratio** of UnipolSai at 31 December 2019, calculated in application of the Partial Internal Model, was 284%, compared to 253% at 31 December 2018. The **consolidated solvency ratio** based on economic capital was 252% (202% at 31/12/2018).

Salient aspects of business operations

The Consolidated Financial Statements of the UnipolSai Group at 31 December 2019 closed with a **net profit of €655m** (€948m at 31/12/2018), net of taxation for 2019 of €218m. On a like-for-like basis and net of non-recurring transactions carried out in the two years compared, the profit at 31 December 2019 would have been €721m versus a profit of €699m at 31 December 2018.

The **solvency situation of UnipolSai SpA** at 31 December 2019, calculated according to Solvency II Partial Internal Model metrics, showed a ratio of available capital to required capital of 284%[2] (253% at 31/12/2018).

The **Insurance sector** contributed to the consolidated profit with €702m, (€1,002m at 31/12/2018), of which €534m from the Non-Life business (€487m at 31/12/2018) and €169m from the Life business (€514m at 31/12/2018). On a like-for-like basis and net of non-recurring transactions carried out in the two periods compared, the results would be as follows:

- Insurance sector: €768m at 31 December 2019 (€753m at 31/12/2018);
- Non-Life business: €592m at 31 December 2019 (€535m at 31/12/2018);
- Life business: €176m at 31 December 2019 (€218m at 31/12/2018).

The results of the other sectors in which the Group carries out business are as follows:

- the **Other Businesses sector** recorded a -€4m loss (-€3m at 31/12/2018);
- the **Real Estate sector** recorded a -€44m loss (-€51m at 31/12/2018).

Among the other important factors that marked the performance of the Group, note the following:

- **direct insurance premiums**, gross of reinsurance, totalled €14,014m (€11,718m in 2018, +19.6%; +14.4% on a like-for-like basis). Non-Life direct premiums amounted to €8,167m (€7,892m in 2018, +3.5%, +2.7% on a like-for-like basis) and Life direct premiums €5,847m (€3,826m in 2018, +52.8%; +36.2% on a like-for-like basis), €393m of which related to investment products (€358m in 2018);

- **net premiums earned**, net of reinsurance, amounted to €13,262m (€11,005m in 2018, +20.5%; on a like-for-like basis +16.7%), of which €7,822m in the Non-Life business (€7,543m in 2018, +3.7%; on a like-for-like basis +3%) and €5,440m in the Life business (€3,462m in 2018, +57.1%; on a like-for-like basis +44.2%);

- **net charges relating to claims**, net of reinsurance, amounted to €11,167m (€9,087m in 2018, +22.9%; on a like-for-like basis +18.2%), of which €5,070m in the Non-Life business (€4,947m in 2018, +2.5%; +2.1% on a like-for-like basis) and €6,097m in the Life business (€4,140m in 2018, +47.3%; +36.1% on a like-for-like basis), including €183m in net gains on financial assets and liabilities at fair value (net charges of €107m in 2018);

- the **loss ratio** of direct Non-Life business was 66.1% (67.4% in 2018, 67.2% on a like-for-like basis);

- **operating expenses** were €2,635m (€2,428m in 2018). In the Non-Life business they amounted to €2,254m (€2,129m in 2018), in the Life business to €244m (€221m in 2018), in the Other Businesses sector to €125m (€67m in 2018) and in the Real Estate sector to €22m (€22m in 2018);

- the **combined ratio** of direct Non-Life business was 93.7%, (94.6% in 2018, 94.4% on a like-for-like basis);

- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value related to the Life business) were €1,606m (€1,924m in 2018);

- the **pre-tax profit** amounted to €873m (€1,203m in 2018);

- **taxes** for the year represented a net expense of €218m (€256m in 2018). The tax rate for 2019 was 25.0% (21.3% in 2018);

[2] Value calculated on the basis of the information available as of today. The definitive results will be reported to the Supervisory Authority with the timing required by regulations in force. For further information on the Company's solvency situation, please refer to the "Disclosure about Solvency II prudential supervision" section included in the Management Report accompanying the 2019 Separate Financial Statements of UnipolSai Assicurazioni SpA.

- net of the €27m profit attributable to non-controlling interests, the **profit attributable to the owners of the Parent** at 31 December 2019 was **€628m** (€905m in 2018);

- **comprehensive income** amounted to €1,748m (€90m in 2018), contributing to which was the increase in the reserve for gains or losses on available-for-sale financial assets for €1,077m (a decrease of -€860m in 2018);

- **investments and cash and cash equivalents** amounted to€66,369m (€59,718m at 31/12/2018) after reclassifying, pursuant to IFRS 5, under assets held for sale €189m, of which €188m related to properties for which the owner Companies started disposal activities or for which the related preliminary sales contracts have already been signed and €1m in assets held by the subsidiary Consorzio Castello (€133m in property disposals at 31/12/2018, in addition to the interest in Unipol Banca for €404m);

- **technical provisions** and **financial liabilities** amounted to €63,568m (€58,476m in 2018).

A summary of the Consolidated Operating Income Statement at 31 December 2019 is illustrated below, broken down by business segment: Insurance (Non-Life and Life), Other Businesses and Real Estate, compared with the figures at 31 December 2018.

Condensed Consolidated Operating Income Statement broken down by business segment

Amounts in €m	NON-LIFE BUSINESS			LIFE BUSINESS			INSURANCE SECTOR		
	31/12/19	31/12/18	% var.	31/12/19	31/12/18	% var.	31/12/19	31/12/18	% var.
Net premiums	7,822	7,543	*3.7*	5,440	3,462	*57.1*	13,262	11,005	*20.5*
Net commission income	(2)	(1)	*n.s.*	16	14	*8.6*	13	14	*(1.3)*
Financial income/expenses (**)	448	439	*1.9*	1,200	1,535	*(21.8)*	1,648	1,975	*(16.5)*
Net interest income	*312*	*352*		*1,065*	*1,010*		*1,377*	*1,362*	
Other income and charges	*74*	*63*		*96*	*57*		*170*	*119*	
Realised gains and losses	*64*	*111*		*69*	*474*		*132*	*586*	
Unrealised gains and losses	*(2)*	*(87)*		*(30)*	*(6)*		*(32)*	*(92)*	
Net charges relating to claims	(5,070)	(4,947)	*2.5*	(6,097)	(4,140)	*47.3*	(11,167)	(9,087)	*22.9*
Operating expenses	(2,254)	(2,129)	*5.9*	(244)	(221)	*10.6*	(2,498)	(2,350)	*6.3*
Commissions and other acquisition expenses	*(1,751)*	*(1,678)*	*4.4*	*(113)*	*(103)*	*10.2*	*(1,864)*	*(1,780)*	*4.7*
Other expenses	*(503)*	*(452)*	*11.3*	*(131)*	*(118)*	*11.0*	*(634)*	*(570)*	*11.3*
Other income/charges	(246)	(230)	*(7.0)*	(87)	(57)	*(51.7)*	(333)	(287)	*(15.9)*
Pre-tax profit (loss)	**698**	**676**	*3.3*	**228**	**593**	*(61.6)*	**926**	**1,269**	*(27.1)*
Income taxes	(164)	(188)	*(12.9)*	(59)	(79)	*(25.3)*	(223)	(267)	*(16.5)*
Profit (loss) from discontinued operations									
Consolidated profit (loss)	**534**	**487**	*9.5*	**169**	**514**	*(67.2)*	**702**	**1,002**	*(29.9)*
Profit (loss) attributable to the Group									
Profit (loss) attributable to non-controlling interests									

(*) The Real Estate sector only includes real estate companies controlled by UnipolSai.

(**) Excluding assets and liabilities at fair value relating to insurance contracts issued by insurance companies where the investment risk is borne by policyholders and arising from pension fund management

OTHER BUSINESSES SECTOR			REAL ESTATE SECTOR (*)			INTER-SEGMENT ELIMINATIONS		TOTAL CONSOLIDATED		
31/12/19	31/12/18	% var.	31/12/19	31/12/18	% var.	31/12/19	31/12/18	31/12/19	31/12/18	% var.
								13,262	11,005	20.5
								13	13	(2.1)
3	(1)	n.s.	(33)	(40)	16.9	(12)	(10)	1,606	1,924	(16.5)
(1)	(1)		(5)	(6)				1,372	1,354	
6			14	15		(12)	(10)	178	125	
				1				133	586	
(2)			(43)	(50)				(76)	(142)	
								(11,167)	(9,087)	22.9
(125)	(67)	85.7	(22)	(22)	0.1	10	11	(2,635)	(2,428)	8.5
						1		(1,864)	(1,780)	4.7
(125)	(67)	85.8	(22)	(22)	0.1	10	11	(771)	(648)	19.0
118	64	85.0	7	1	n.s.	2	(1)	(206)	(224)	7.7
(3)	(4)	22.2	(49)	(61)	20.2			873	1,203	(27.4)
	1	(107.2)	5	10	(53.4)			(218)	(256)	(14.6)
(4)	(3)	(7.2)	(44)	(51)	13.4			655	948	(30.9)
								628	905	
								27	43	

Insurance Sector

The Group's insurance business closed the period with a **profit of €702m**, €1,002m at 31 December 2018, of which €534m pertaining to the Non-Life business (€487m at 31/12/2018) and €169m pertaining to the Life business (€514m at 31/12/2018). On a like-for-like basis and net of non-recurring transactions carried out in the two years compared, the results would have been as follows:

- Insurance sector: €768m at 31 December 2019 (€753m at 31/12/2018);
- Non-Life business: €592m at 31 December 2019 (€535m at 31/12/2018);
- Life business: €176m at 31 December 2019 (€218m at 31/12/2018).

At 31 December 2019, Investments and cash and cash equivalents of the Insurance sector, including properties for own use, totalled €64,542m (€58,236m at 31/12/2018), €16,616m of which was from Non-Life business (€15,784m at 31/12/2018) and €47,926m from Life business (€42,452m at 31/12/2018).

Financial liabilities amounted to €5,852m (€4,955m at 31/12/2018), of which €2,133m in the Non-Life business (€1,581m at 31/12/2018) and €3,719m in the Life business (€3,374m at 31/12/2018). The change referred to the increase in liabilities on contracts where the risk is borne by policyholders, financial liabilities deriving from first-time adoption of IFRS 16 and the consolidation of Car Server.

Total premiums (direct and indirect premiums and investment products) at 31 December 2019 amounted to €14,298m (€11,928m at 31/12/2018, +19.9%, +14.8% on a like-for-like basis).
Life premiums amounted to €5,847m (€3,827m at 31/12/2018, +52.8%; +36.2% on a like-for-like basis) and Non-Life premiums totalled €8,451m (€8,102m at 31/12/2018, +4.3%; +3.6% on a like-for-like basis).

All Non-Life premiums of the Group insurance companies are classified under insurance premiums, as they meet the requirements of the IFRS 4 standard (presence of significant insurance risk).
As for Life premiums, investment products at 31 December 2019, for €393m, related to Class III (Unit- and Index-Linked policies) and Class VI (Pension Funds).

Total premiums

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Non-Life direct premiums	8,167		7,892		*3.5*
Non-Life indirect premiums	284		210		*35.7*
Total Non-Life premiums	**8,451**	***59.1***	**8,102**	***67.9***	***4.3***
Life direct premiums	5,454		3,468		*57.3*
Life indirect premiums					*(4.1)*
Total Life premiums	**5,455**	***38.1***	**3,469**	***29.1***	***57.3***
Total Life investment products	393	*2.7*	358	*3.0*	*9.7*
Total Life business	**5,847**	***40.9***	**3,827**	***32.1***	***52.8***
Overall total	**14,298**	***100.0***	**11,928**	***100.0***	***19.9***

Direct premiums amounted to €14,014m (€11,718m at 31/12/2018, +19.6%, +14.4% on a like-for-like basis), of which Non-Life premiums totalled €8,167m and Life premiums €5,847m.

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Non-Life direct premiums	8,167	*58.3*	7,892	*67.3*	*3.5*
Life direct premiums	5,847	*41.7*	3,826	*32.7*	*52.8*
Total direct premiums	14,014	***100.0***	11,718	***100.0***	***19.6***

Non-Life and Life **indirect premiums** totalled €285m at 31 December 2019 (€210m in 2018, +35.6%; +36.8% on a like-for-like basis), €284m of which referred to premiums from Non-Life business (€210m in 2018, +35.7%; +36.9% on a like-for-like basis) and Life premiums for €0.4m (€0.4m at 31/12/2018, -4.1%; -14.3% on a like-for-like basis).

The increase in the Non-Life business is due to the contribution from UnipolRe, a Group company specialised in the reinsurance business which has further developed its activities with companies outside the Group since the previous year.

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Non-Life premiums	284	*99.9*	210	*99.8*	*35.7*
Life premiums		*0.1*		*0.2*	*(4.1)*
Total indirect premiums	285	***100.0***	210	***100.0***	*35.6*

Group **premiums ceded** amounted to €463m (€404m in 2018, +14.5%; +9.7% on a like-for-like basis), of which €448m from Non-Life premiums (€398m in 2018, +12.8%; +9.8% on a like-for-like basis) and €14m from Life premiums (€7m at 31/12/2018, +117.5%; +4.5% on a like-for-like basis).

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Non-Life premiums	448	*96.9*	398	*98.4*	*12.8*
Retention ratio - Non-Life business (%)	*94.7%*		*95.1%*		
Life premiums	14	*3.1*	7	*1.6*	*117.5*
Retention ratio - Life business (%)	*99.7%*		*99.8%*		
Total premiums ceded	463	***100.0***	404	***100.0***	***14.5***
Overall retention ratio (%)	*96.7%*		*96.5%*		

The retention ratio is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. In calculating the ratio, investment products are not considered.

At 31 December 2019, the technical result of premiums ceded was positive for reinsurers in the Non-Life as well as the Life business.

Non-Life business

Total Non-Life premiums (direct and indirect) at 31 December 2019 were €8,451m (€8,102m at 31/12/2018, +4.3%; +3.6% on a like-for-like basis).

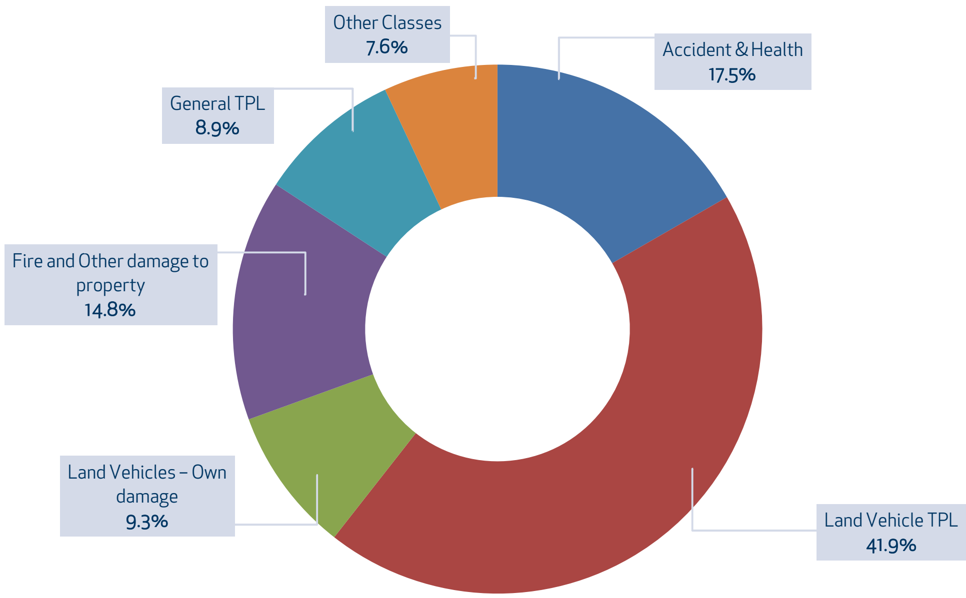
Direct business premiums alone amounted to €8,167m (€7,892m at 31/12/2018, +3.5%; +2.7% on a like-for-like basis). **Indirect business** premiums were €284m (€210m at 31/12/2018, +35.7%; +36.9% on a like-for-like basis).

The breakdown for the main classes and the changes with respect to 31 December 2018 are shown in the following table:

Non-Life business direct premiums

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Motor vehicles - TPL and sea, lake and river (classes 10 and 12)	3,422		3,464		*(1.2)*
Land Vehicle Hulls (Class 3)	756		701		*7.9*
Total premiums - Motor vehicles	**4,178**	*51.2*	**4,165**	*52.8*	*0.3*
Accident & Health (Classes 1 and 2)	1,431		1,317		*8.7*
Fire and Other damage to property (Classes 8 and 9)	1,211		1,164		*4.0*
General TPL (Class 13)	727		696		*4.5*
Other classes	620		551		*12.6*
Total premiums - Non-Motor vehicles	**3,989**	*48.8*	**3,727**	*47.2*	*7.0*
Total Non-Life direct premiums	**8,167**	*100.0*	**7,892**	*100.0*	*3.5*

% breakdown of Non-Life direct business premiums



Premiums in the MV TPL class were €3,422m, down by 1.2% over 2018 (-1.7% on a like-for-like basis). An increase was reported in the Land Vehicle Hulls class with premiums equal to €756m, +7.9% (+7.6% on a like-for-like basis); premiums in the Non-MV segment were up to €3,989m, +7% (+5.8% on a like-for-like basis).

Non-Life claims

In terms of the Non-Life loss ratio trend, the MV TPL segment recorded a further improvement both in terms of the frequency as well as the average cost of claims, due in particular to the benefits of digital (40% of vehicles insured by UnipolSai are fitted with the black box) and the cost savings permitted by the network of authorised repair shops, managed by the subsidiary Auto Presto&Bene, to which a growing number of claims are routed.
2019 was again characterised by a significant loss ratio due to weather-related events of considerable impact not only on the Fire and Other damage to property business, but also on Land Vehicle Hulls as a result of hail storms that hit numerous towns and cities in Italy. The economic effects of the loss ratio from weather-related events were in part reabsorbed by reinsurance.

The following table, with data from the previous year restated on a like-for-like basis, shows the net profit (loss) of the claims experience for the main classes:

Amounts in €m	Net breakdown at 31/12/2019	Net breakdown at 31/12/2018
MV TPL	170	150
Land Vehicle Hulls	10	16
General TPL	159	110
Other Classes	245	212
Total	**583**	**487**

The **loss ratio** (for Non-Life direct business alone), including the OTI ratio, stood at 66.1% (67.4% in 2018; on a like-for-like basis 67.2%).

The number of claims reported, without considering the MV TPL class, was up by 12% on a like-for-like basis. The table with the changes by class is provided below.

Number of claims reported (excluding MV TPL)

	31/12/2019	31/12/2018	31/12/2018 on a like-for-like basis	*% var.*	*% var. on a like-for-like basis*
Land Vehicle Hulls (Class 3)	362,632	320,642	321,710	*13.1*	*12.7*
Accident (Class 1)	135,264	129,851	130,940	*4.2*	*3.3*
Health (Class 2)	4,273,662	3,722,094	3,727,327	*14.8*	*14.7*
Fire and Other damage to Property (Classes 8 and 9)	334,751	327,122	328,981	*2.3*	*1.8*
General TPL (Class 13)	93,521	95,907	96,452	*(2.5)*	*(3.0)*
Other classes	549,428	527,304	528,703	*4.2*	*3.9*
Total	**5,749,258**	**5,122,920**	**5,134,113**	***12.2***	***12.0***

As regards the MV TPL class, to which the CARD agreement[3] applies, the analysis on a like-for-like basis shows the following figures.

[3] CARD - Convenzione tra Assicuratori per il Risarcimento Diretto: Agreement between Insurers for Direct Compensation: MV TPL claims may be classified as one of three cases of claims managed:
- Non-Card claims: claims governed by the ordinary regime, to which CARD is not applied;
- Debtor Card claims: claims governed by CARD where "our" policyholder is fully or partially liable, which are settled by the counterparty's insurance companies, to which "our" insurance company must pay a flat rate pay-out ("Debtor Flat Rate");
- Handler Card claims: claims governed by CARD where "our" policyholder is fully or partially not liable, which are settled by "our" insurance company, to which the counterparty's insurance companies must pay a flat rate pay-out ("Handler Flat Rate").
However, it must be noted that this classification is a simplified representation because, in reality, each individual claim may contain damages included in each of the three above-indicated cases.

In 2019, cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) that were reported, totalled 636,005, down by 0.8% (641,116 in 2018 on a like-for-like basis).
Claims reported with at least one Debtor Card claim were 369,577 (-0.5% on a like-for-like basis) compared to the same period of the previous year.
Handler Card claims were 482,502 (including 108,261 Natural Card claims, i.e. claims between policyholders at the same company), down by 1.3% on a like-for-like basis compared to the previous year. The settlement rate in 2019 was 82.3%, down from the same period of last year (82.8% on a like-for-like basis).
The weight of cases to which the Card agreement may be applied (both Handler Card and Debtor Card claims) out of total cases (Non-Card + Handler Card + Debtor Card) in 2019 came to 84.3% (84.2% in 2018 on a like-for-like basis).
The average cost (amount paid plus amount reserved) for claims reported and handled (including claims reported late) further declined by 0.6% in 2019 (-2.2% in 2018 on a like-for-like basis). The average cost of the amount paid out rose by 6.2% (-1.1% in 2018 on a like-for-like basis).

The **expense ratio** for the Non-Life direct business was 27.7% (27.2% at 31/12/2018; 27.2% on a like-for-like basis).

The **combined ratio** of direct Non-Life business was 93.7%, (94.6% in 2018, 94.4% on a like-for-like basis).

Information about the main insurance companies in the Group - Non-Life business

The performance of the main insurance companies in the Group at 31 December 2019 is summarised in the following table:

Amounts in €m	Premiums written	*% Variation*	Investments	Gross Technical Provisions	Technical Provisions - Reinsurers' share
NON-LIFE INSURANCE SECTOR					
UNIPOLSAI ASSICURAZIONI SpA	7,001	1.3	16,196	13,093	609
GRUPPO ARCA	136	13.1	348	238	23
DDOR NOVI SAD ADO	85	*5.7*	92	82	4
INCONTRA ASSICURAZIONI SpA	185	*35.8*	256	325	131
COMPAGNIA ASSICURATRICE LINEAR SpA	184	*2.4*	406	276	
UNISALUTE SpA	489	*(2.5)*	433	377	
PRONTO ASSISTANCE SpA	169	*17.8*	41	1	
SIAT SpA	160	*7.6*	118	305	222

The direct premiums of **UnipolSai**, the Group's main company, stood at €6,990m (€6,898m at 31/12/2018, +1.3%), of which €3,927m in the MV classes (€3,940m at 31/12/2018, -0.3%) and €3,063m in the Non-MV classes (€2,958m at 31/12/2018, +3.6%). Also considering indirect business, premiums earned over the year amounted to €7,001m (€6,908m at 31/12/2018).

In the **MV** sector, premiums continued to decrease for MV TPL due to lower average premium, most of which offset by the increase in Land Vehicle Hulls premiums.

2019 was also characterised by initiatives aimed at improving the settlement processes for claims related to the MV sector such as, for example, the use of the **Black Box** which represents an innovative way of providing information within the process of electronic settlements, in particular by verifying consistency between the details claimed and the actual dynamics of the event. The project launched in partnership with Alfaevolution also continued, aiming to improve the effectiveness of the boxes and increase the available dataset. The new Real Time 2.0 pilot process was implemented in 2019, which envisages the opening of a claim from the moment of a crash detected in black box data, at the same time triggering initial contact with the policyholder to open the claim and anticipating the information collection stage. This process was later extended to all the agencies in Lazio, Apulia, Sicily, Campania, Tuscany, Emilia-Romagna, Veneto, Piedmont and Lombardy, plus a number of agencies in Umbria, Marche and Abruzzo, sensitised through dedicated meetings.

Also note the continued activity in 2019 to improve the criteria adopted to identify fraud through use of the **Anti-fraud Engine**, which identifies potentially fraudulent claims so that they may be channelled to the dedicated settlement structure, and the use of the **CPM (Medical Report Centre)**, i.e. a service provided to the claimant who has suffered modest injuries and that provides the option of a legal-medical visit directly at the offices of UnipolSai in order to reach an immediate settlement.
In addition to existing services and those released in past years (personal agency information, personal policy status, identification of the nearest workshop and direct calls to public assistance numbers, section dedicated to "Your claims", claim tracking), in 2019 the **UnipolSai App** was enhanced with the option of booking a medical check-up at Medical Report Centres (CPMs) and **Medical Booking Services** (SPMs) and to activate the recovery process for policyholder reports on debtor Card claims.

In the **Non-MV** business, the growth in premiums is spread across the various segments and classes, confirming the trend recorded during the year. The technical result for the segment was an improvement on the previous year, with major contributions from General TPL and Assistance business.
To offer an innovative service to customers, similarly to what has been done for the MV Classes for years, a process of "direct repair intervention" was established for General Classes (Piped Water, Research and Damage Repair, Weather, Plates and Electrical) to repair the damage without the Customer having to pay anything, and with consequent elimination of the excess, where present. Direct Repairs in Electrical claims, launched in 2019, are carried out through specialist companies which offer an estimate of the damage, also through the use of the repurchase values of any assets damaged as indicated by external databases.

Arca Assicurazioni achieved a net profit at 31 December 2019 of €27.8m (-6.9%), recording direct premiums for €136m (+13.1%), with a significant increase in the Non-MV classes (+18.1%) and a more limited growth in the MV segment (+2.3%). The breakdown of the portfolio among the distribution channels is almost totally focused on the banking channel which, at 31 December 2019, recorded 98.3% of the total Non-Life premiums. Overall, the banking channel recorded a 13.9% increase in premiums compared to the previous year, with premiums written totalling approximately €134m.

DDOR Novi Sad recorded a €7.3m profit (Non-Life and Life businesses) at 31 December 2019 (up from €5.3m at 31/12/2018) following a growth in premiums (Non-Life and Life businesses), from €95.3m at the end of 2018 (of which €80.7m in the Non-Life segment) to €100.9m at 31 December 2019 (of which €85.3m in the Non-Life business). The main macro-economic indicators showed the continuation of economic stability in Serbia, thanks also to the several reforms enacted in the previous years by the local government. Based on preliminary Serbian Chamber of Commerce figures, it is estimated that the company will remain among the sector leaders, with growth in premiums of 5.7% in the Non-Life segment and 6.7% in the Life segment.

Incontra Assicurazioni recorded a €9.7m profit at 31 December 2019 (profit of €6.8m at 31/12/2018), with premiums equal to €185m, up compared to the previous year (€136m in 2018), mainly concentrated in the Health and Pecuniary Losses classes (respectively 56% and 32% of the total gross premiums written). At 31 December 2019, the volume of total investments reached €256m (€194m at 31/12/2018), almost entirely concentrated in available-for-sale financial assets, while gross technical provisions amounted to €325m (€251m at 31/12/2018).

Linear, a company specialised in direct sales (online and call centre) of MV products, in 2019 generated a profit of €9.8m (€9.4m at 31/12/2018). Total gross premiums, amounting to €184.2m, recorded a 2.4% increase on 2018, particularly in the Land Vehicle Hulls class (+5.7%). The partnership for the sale of Home Assistance insurance with Hera, an Italian multiutility based in Bologna, recorded premiums written for €1.9m in 2019. Contracts in the portfolio at the end of 2019 were close to 628k units (+5.4%), an all-time high for the Company.

Pronto Assistance, active in placing assistance services insurance policies in the home, health, MV and business sectors, customisable so as to meet the customer's needs, closed 2019 with a profit of €1.1m (€4.3m recorded in 2018). 2019 posted total premiums amounting to €168.6m (€143.1m at 31/12/2018), with an increase of approximately 17.8% mainly referred to the indirect business taken by Group companies. As mentioned previously, the company was merged into UnipolSai Assicurazioni with effect from 1 February 2020.

SIAT recorded a €0.1m profit in 2019 (€0.7m at 31/12/2018) with total gross premiums (direct and indirect) at €159.8m (€148.5m in 2018). The increase in new business is mainly due to the Hulls segment, which saw a major growth in business relating to sportscraft, particularly medium-large sized craft, and in foreign business, as well as increased insurance coverage relating to boatyards affected by order book trends and the start of new constructions.

UniSalute, the top health insurance company in Italy by number of customers managed, specialised in the Healthcare segment (Health and Assistance), continued to successfully expand activities based on its business model, with premiums (including indirect business) totalling €489.2m (€501.9m at 31/12/2018), down by 2.5%. Among the main agreements that were executed by UniSalute over the period, to be noted are those with Fondo Sanimoda, EBM (Ente Bilaterale Metalmeccanici), Fondo Sanipro, Intesa Sanpaolo and Lidl.
The number of claims reported rose by 15.3%, from 3,340,648 in 2018 to 3,851,034 in the period under review.
2019 also posted a profit of €34.2m (€40.3m at the end of 2018), down by approximately 15.1%.

New products

2019 saw tariff adjustments mostly relating to the **MV TPL and Land Vehicle Hulls** segments, in addition to updates to incorporate IVASS instructions on the simplification of insurance contracts.

The Vehicle "Dynamic Pricing" project also continued for the Km&Servizi product, which envisages the application of differentiated discounts, also by province, to personalise premiums based on technical results both at new issue and renewal stages. In addition, during 2019 the mass offer on this portfolio was structured in a more complete and comprehensive manner, on a portion of the "High Value" portfolio integrating - at renewal stage - guarantees considered more suited to a customer target selected as potentially requiring more extensive and complete insurance coverage.
An increasing number of drivers are now satisfied users of the **black boxes of UnipolSai** which, in addition to a discount on the Motor, Theft and Fire policy, provide other high value-added services such as:

- data collection and processing based on engine-running time of the vehicle, the kilometres travelled and the detection of any crashes or mini-crashes;
- alarms sent directly to the appointed assistance company in the event of crashes detected of a certain severity;
- speed limit, car finder, target area;
- a Voice device, including hands-free usage, that offers access to travel information and electronic bodyguard services as well as the ability to contact the appointed assistance company with immediate GPS location of the vehicle.

With 100k new devices installed every month, at the end of 2019 UnipolSai reached the milestone of over 4m black boxes installed in vehicles and integrated with the MV TPL policy. This significant result bears witness to the leadership of UnipolSai not only in Italy, but also at European level.

As regards the **Non-MV Non-Life** price list, note the following action taken in 2019:

- new UnipolSai Agricoltura&Servizi product, targeting agricultural and agri-tourism companies, that has the following strengths:
  - Damage to property insurance, also in All Risks format;
  - coverage for Earthquake and Flood;
  - protection of agricultural revenue, if activities are interrupted following an indemnifiable claim of damage to property, theft, electrical/electronic phenomena and breakdowns, catastrophe events and digital protection;
  - supervaluation of 20% of the indemnity - granted without additional premiums - for claims relating to damage to property, theft and catastrophe events affecting agricultural products certified as organic, recognising the added value of such businesses in terms of sustainability;
  - Digital protection (cyber risks), which provides an assistance service in addition to specific reimbursements in case of "cyber attack";
  - a Quick recovery service which, in the event of a damage to property claim, envisages the rapid intervention of technicians specialised in emergency response and rescue, and in clean-up and restoration of damaged property, with a view to avoiding or limiting the worsening of the damage;
  - a Direct repair service which, if the estimated amount of the damage is not more than €5,000, envisages action by a network of authorised repair specialists which will arrange direct repair of the damage;

- new UnipolSai Terzo Settore product, designed and created for associations and organisations that pursue the third sector's typical objectives of solidarity and social utility. The product is broken down into five Macro Areas, or uniform groups of activities aggregated based on related social purposes: volunteerism, amateur sport, social relationships and culture, childhood and, lastly, other temporary duration events/demonstrations. The key strengths and innovative qualities of the product include:
  - streamlining of the insurance product mix for the reference target market, through a single standardised multi-risk product;
  - granular offer suited to fully and flexibly satisfy Third Sector insurance requirements;
  - simplification and speeding up, for the agencies, of the preventive and issuing process;
  - coverage dedicated to temporary risks;
- new Tutela Sisma product, marketed by Incontra Assicurazioni from October, which offers insurance coverage against direct damage from a significant event such as an earthquake can cause to the home with the guarantee subject to an existing mortgage on the property. The product insures against material and direct damage to the building caused by:
  - earthquake;
  - fire, explosion and blasts following an earthquake;
  - earthquake of volcanic origin.

  Also included are the expense for demolition, clearance and disposal of waste from the damage and expense relating to redesign of the building.

Lastly, for Non-MV business, during the second half of 2019 a review was undertaken of the regulatory and tariff characteristics of certain products for IDD (Insurance Distribution Directive) purposes, without significant changes being made to the text of the legal provisions.

Activities to impede and prevent insurance fraud relating to civil liability deriving from motor vehicle traffic (MV TPL).

Preventing and impeding insurance fraud are consolidated activities and an integral aspect of the core business. The results of these activities not only make positive impacts directly on the financial statements of the Group companies, but also generate deterrent effects on proliferation of the offences, with consequent benefits for the customers as well.
Decree Law no. 1/2012, converted with amendments by Law no. 27 of 24 March 2012, envisages that insurance companies are required to provide an estimate of the reduced charges for claims arising from verification of fraud in their Management Report or in the Notes to the Financial Statements annexed to the annual financial statements and to publish it on their websites or using another appropriate form of disclosure.
Pursuant to and in accordance with Art. 30, paragraph 2 of Decree Law no. 1/2012, the estimate of the reduction of charges for claims arising from this activity totals approximately €78m.
This estimate consists of the sum of provisions/forecasts of expense for claims to be investigated for antifraud purposes that were settled without follow-up in 2019, regardless of the year when they are generated.

Life business

Total Life premiums (direct and indirect) amounted to €5,847m (€3,827m at 31/12/2018, +52.8%; +36.2% on a like-for-like basis) driven by the bancassurance sector following renewal of the distribution agreements between Arca Vita and the main placing banks.

The **direct premiums**, which represent almost all of the premiums, are broken down as follows:

Life business direct premiums

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Total premiums					
I – Whole and term Life insurance	3,717	*63.6*	2,391	*62.5*	*55.5*
III - Unit-linked/index-linked policies	375	*6.4*	362	*9.5*	*3.3*
IV - Health	6	*0.1*	4	*0.1*	*37.6*
V - Capitalisation insurance	481	*8.2*	406	*10.6*	*18.6*
VI - Pension funds	1,268	*21.7*	663	*17.3*	*91.3*
Total Life business direct premiums	**5,847**	***100.0***	**3,826**	***100.0***	***52.8***
of which Premiums (IFRS 4)					
I – Whole and term Life insurance	3,717	*68.2*	2,391	*68.9*	*55.5*
III - Unit-linked/index-linked policies	12	*0.2*	37	*1.1*	*(66.4)*
IV - Health	6	*0.1*	4	*0.1*	*37.6*
V - Capitalisation insurance	481	*8.8*	406	*11.7*	*18.6*
VI - Pension Funds	1,238	*22.7*	631	*18.2*	*96.3*
Total Life business premiums	**5,454**	***100.0***	**3,468**	***100.0***	*57.3*
of which Investment products (IAS 39)					
III - Unit-linked/index-linked policies	362	*92.2*	326	*90.9*	*11.2*
VI - Pension funds	31	*7.8*	32	*9.1*	*(5.9)*
Total Life investment products	**393**	***100.0***	**358**	***100.0***	*9.7*

New business in terms of APE, net of non-controlling interests, amounted to €608m at 31 December 2019 (€491m at 31/12/2018).

Pension Funds

The UnipolSai Group retained its leading position in the supplementary pension market, despite a difficult competitive context.

At 31 December 2019, UnipolSai Assicurazioni managed a total of 25 mandates for **Occupational Pension Funds** (19 of them for accounts "with guaranteed capital and/or minimum return"). On the same date resources under management totalled €4,777m (€4,093m with guaranteed capital). At 31 December 2018, UnipolSai managed a total of 23 Occupational Pension Fund mandates (17 of which "with guaranteed capital and/or minimum return"); resources under management totalled €3,830m (of which €3,223m with guaranteed capital).

As regards **Open Pension Funds**, at 31 December 2019 the UnipolSai Group managed 2 Open Pension Funds (UnipolSai Previdenza FPA and Fondo Pensione Aperto BIM Vita) which at that date amounted to a total of 42,277 members for total assets of €908m. At 31 December 2018, the Open Pension Funds managed total assets of €852m and a total of 43,218 members.

Information about the main insurance companies in the Group - Life business

The performance of the main Group companies at 31 December 2019 is summarised in the following table:

Amounts in €m	Premiums written (*)	% *Variation*	Investments	Gross Technical Provisions	Technical Provisions - Reinsurers' share
LIFE INSURANCE SECTOR					
UNIPOLSAI ASSICURAZIONI SpA	3,925	*36.1*	36,801	32,380	31
GRUPPO ARCA	1,458	*74.6*	11,124	9,559	10
BIM VITA SpA	56	*6.7*	638	536	

(*) excluding financial products

UnipolSai collected a total of direct premiums amounting to €3,925m (€2,883m at 31/12/2018, +36.1%) in addition to financial products amounting to €155m (€246m at 31/12/2018, -37%). The **individual policy** sector recorded a 16.6% growth compared to 31 December 2018. The increase is positively conditioned by the increase in single Class I premiums, confirming the appeal for the UnipolSai Investimento Garantito product, and the increase in Class V premiums. In 2019, detrimentally affected by a largely unfavourable market, new Class III business was down (-45.0%). Among the Multisegment products, the excellent performance of the Pip UnipolSai Previdenza Futura continued.
Again in the individual sector, Class IV premiums continued to increase (+51.8%) which, albeit not significant in absolute terms, shows a growing interest in products that guarantee coverage for risks other than death, such as those with long-term care coverage and coverage against the onset of serious illnesses, an additional cover that can be combined with the term life product.

Premiums on **collective policies** showed a strong increase compared with the same period of the previous year (+53.9%), due to the growth of Class VI (+96.6%).

In the bancassurance channel, the **Arca Group** (Arca Vita and Arca Vita International) recorded direct premiums amounting to €1,676m (+55.6%). The volume of total investments amounted to €11,123.8m (€8,921.5m at 31/12/2018). The profit of Arca Vita, net of dividends collected from the subsidiaries, was €31.4m (+4.2%), and that of Arca Vita International was €0.7m (-60.1%).

BIM Vita recorded a profit of €1.8m at the end of 2019, up compared to 31 December 2018 (€1.5m). Gross premiums written amounted to €56.2m (around €52.6m at 31/12/2018). The volume of total investments amounted to €638m (€608.6m at 31/12/2018).

New products

In 2019, UnipolSai, continuing with its allocation of new investments in order to optimise flows and returns, updated the offers of the main revaluable products managed as segregated funds.
In particular, since April 2019, the class I Investment product with single premium, UnipolSai Investimento Garantito, has been available on the market. It features the possibility of making additional payments, to remodel surrender penalties, to introduce a new overhead bracket and a new variable management fee according to Active Premium Accumulation (Cumulo Premi Attivi - CPA).
The update and expand the Protection offer, from October 2019 the UnipolSai Vita product was replaced with the new term life insurance UnipolSai Vita Premium. The new product is more competitive and offers greater flexibility due to the updating of demographic bases and expansion of the underwriting limits. In addition, the range of accessory guarantees available was completed by introducing the option to add insurance coverage for serious illnesses.
To complete the offer dedicated to Protection, at the end of November 2019 the new UnipolSai Vita Serena product was launched, specifically dedicated to coverage for cases of disease-related death. This product has a structure similar to that of the product covering death for any reason, but is dedicated to guaranteed capital of a lower amount.

Reinsurance

UnipolSai Group reinsurance policy

With regard to the risks underwritten in the Non-Life business, the reinsurance strategy proposed the same cover structures in place in 2018, maximising the effectiveness of the most operational of the main non-proportional treaties. The renewal for 2019 took place in continuity with those expiring, with a number of improvements from a risk mitigation perspective.

At Group level, the following cover was negotiated and acquired in 2019:

- excess of loss treaties for the protection of MV TPL, General TPL, Fire (by risk and by event), Land Vehicle Hulls weather, Theft, Accident and Transport portfolios;
- stop loss treaty for the Hail class;
- proportional treaties for Technological risk (C.A.R. - Contractors' All Risks -, Erection all Risks and Decennale Postuma - Ten-year Building Guarantee), Bonds (the retention of which is then protected by a "risk attaching" excess of loss), Aviation, Accident, Hulls and TPL, (the retention of which is protected by a "loss attaching" excess of loss), Assistance, Legal Expenses, "D & O" and "Cyber" TPL.

Furthermore, in 2019 a CAT-bond type Insurance-Linked Securities (ILS) transaction was executed: in particular, UnipolSai signed a reinsurance agreement with "Atmos Re I Dac", an Irish special purpose reinsurance vehicle, which in turn arranged the issue of CAT-bonds, fully subscribed by institutional investors.
The purpose of this instrument is annual protection against anomalies in the frequency of small and medium-sized catastrophe events (Flood, Weather, Excessive Snow).

The risks underwritten in the Life business in 2019 are mainly covered at Group level with two proportional treaties, one for individual risks and one for collective risks in excess of the risk premium. Retention is protected with a non-proportional cover in excess of loss by event that regards the Life and/or Accident classes. There are also two proportional covers for LTC guarantees, one proportional cover for Individual Serious Illnesses and one for Weighted Risks.

To minimise counterparty risk, reinsurance coverage continued to be spread out and placed with the major professional reinsurers that have been given a high credit rating by major rating agencies, in order to provide a comprehensive and competitive service. With regard to the risks of: Assistance, Legal Expenses and part of Transport classes, these were instead ceded to specialised reinsurers and/or specialist Group companies.

Real Estate Sector

The main income statement figures for the Real Estate sector are summarised below:

Income Statement - Real Estate Sector

Amounts in €m	31/12/2019	31/12/2018	*% var.*
Gains on other financial instruments and investment property	26	26	*(0.7)*
Other revenue	35	37	*(7.0)*
Total revenue and income	**60**	**63**	***(4.4)***
Losses on other financial instruments and investment property	(59)	(66)	*(10.1)*
Operating expenses	(22)	(22)	*0.1*
Other costs	(28)	(36)	*(22.7)*
Total costs and expenses	**(109)**	**(124)**	***(12.2)***
Pre-tax profit (loss) for the year	**(49)**	**(61)**	***20.2***

The pre-tax result at 31 December 2019 was a loss of €49m (-€61m at 31/12/2018), after having applied property write-downs for €35m (€50m at 31/12/2018) and depreciation of investment property and tangible assets of €26m (€25m at 31/12/2018).

Investments and cash and cash equivalents of the Real Estate sector (including instrumental properties for own use) totalled, at 31 December 2019, €1,425m (€1,305m at 31/12/2018), consisting mainly of Investment property and Properties for own use amounting to€1,374m (€1,191m at 31/12/2018).

Financial liabilities, at 31 December 2019, were €232m (€329m at 31/12/2018).

Group Real estate business[4]

During the year, the Group continued to renovate its owned property assets in order to subsequently leverage the refurbished properties with a view to leasing or use for business purposes. The projects are characterised by the use of technologies designed to maximise energy savings, including by relying on renewable energy.

The main projects, partially started in previous years, have been concentrated in the Milan area, and include:

- continued construction of a new multi-storey headquarters building in Piazza Gae Aulenti (Porta Nuova Garibaldi area). The project entails building an approximately 100 metre tall elliptical office tower. The architect's choice of an elliptical shape allows the tower to blend into an already strongly built-up area. The tower will be built with a view to ensuring the best certification in terms of energy and water saving and the ecological quality of the interior spaces (LEED Platinum certification);
- conclusion of works for the completion of a headquarters building in via De Castillia (Porta Nuova-Garibaldi area). Composed of two interconnected units, the building is characterised for its modern style and the use of innovative materials capable of reducing local air pollution. The property was inaugurated by an event held in December as part of the Christmas festivities;
- completion of the interiors of Torre Galfa, Via Fara 41, a 31-storey building in a central location in Milan, which will become a multifunctional building with a hotel in the first 13 storeys and luxury residential apartments for temporary use in the remaining storeys. It must be noted that for the portion of Torre Galfa to be used as hotel and temporary accommodations, leasing agreements have already been signed. The top floor of the Tower will be occupied by a restaurant-bar; the lower level will be occupied by a fitness facility. In September, at the 27th Real Estate Scenarios Forum, Torre Galfa received an award in the "Design excellence in real estate" category. This

[4] The scope of the disclosure on Group real estate business also includes properties owned by the companies in sectors other than the Real Estate sector.

award is dedicated to companies which, through innovative projects, enhance Italian cities by improving the quality of life;

- continuation of the renovation works on a building to be used as a hotel in Via De Cristoforis (Hotel UNA Esperienze Milano De Cristoforis). The project provides for the construction of a luxury hotel with more than 170 rooms, restaurant, bistro, cocktail and lounge bar, terrace for events, garden area, fitness services, Spa and a convention centre with flexible meeting spaces. A modern re-engineering of the original design of the facades has considerably improved the building's energy performance, strongly focusing on sustainability and energy savings.

During the second half of the year, Hotel Principi di Piemonte, located on Via Gobetti, Turin, reopened after major renovation works which involved in particular the facades, in order to reduce the environmental impact of the structure as regards energy consumption, and an internal restyling that has made the environments more comfortable, safeguarding the historic features of the building.
Other residential and office property requalification activities were developed in various Italian cities in order to subsequently generate income through leasing.

As regards sales, of note during the year was the sale of a number of properties and land for a significant amount, located respectively in Milan (offices and land in Trenno), Sesto San Giovanni (healthcare facility), Florence (hotel and residential properties), Genoa (various uses), as well as the sales of properties located in Via Ciro Menotti and Via In Arcione in Rome, Via Pantano, Via Monti, Via De Missaglia (the Le Terrazze complex) and Via Castellanza in Milan, and Via Grossi/Vinci/Cellini in Turin.
A preliminary sale agreement was signed in December for the property in Piazza Velasca, Milan ("Torre Velasca"), finalisation of which is expected in the second half of 2020.
Lastly, note the purchases made by certain Group companies in relation to properties for use as headquarters in Milan and Padua, for use as a hotel in Barberino del Mugello (FI), and for industrial use in Bologna.

Porta Nuova Project

There were no changes compared to the financial statements of the previous year.
Therefore, it is estimated that the remaining collections, expected in an additional two tranches in July 2023 and April 2025, will guarantee the recovery of the remaining investment, totalling €11.4m at 31 December 2019, plus additional proceeds, the quantification of which is currently uncertain as it relates to the outcome of the guarantees issued to the purchaser.

Other Businesses Sector

The key income statement figures regarding the Other Businesses sector are provided below:

Income Statement - Other Businesses Sector

Amounts in €m	31/12/2019	31/12/2018	*% var.*
Income from investments in subsidiaries, associates and interests in joint ventures	4		*n.s.*
Gains on other financial instruments and investment property	2	1	*n.s.*
Other revenue	224	201	*11.5*
Total revenues and income	**231**	**202**	***14.4***
Losses on other financial instruments and investment property	(3)	(2)	*92.1*
Operating expenses	(125)	(67)	*85.7*
Other costs	(106)	(137)	*(22.7)*
Total costs and expenses	**(234)**	**(206)**	***13.6***
Pre-tax profit (loss) for the year	**(3)**	**(4)**	***22.2***

The pre-tax loss at 31 December 2019 amounted to -€3m (-€4m at 31/12/2018).

The items Other revenue and Other costs include revenue and costs for secondment of personnel and for services provided to and received from companies of the Group belonging to other sectors, eliminated during the consolidation process.

At 31 December 2019, Investments and cash and cash equivalents of the Other Businesses sector (including properties for own use of €148m) totalled €511m (€257m at 31/12/2018).

Financial liabilities amounted to €26m (€49m at 31/12/2018).

In 2019, the companies of the area continued their activities focusing on commercial development, with continuous attention to improving the efficiency of the different operating platforms.

As regards the hotel sector, revenue on a like-for-like basis generated by the subsidiary **UNA Group** increased by 4.6% since 2018, from approximately €122.1m (adjusted to exclude the structures not in the portfolio in 2019) to about €127.8m, due to improvements in terms of occupancy and average daily rate. The company closed the year with a profit of around €4m compared to a loss of €3.5m in 2018.

Casa di Cura Villa Donatello closed 2019 with revenue of €26.4m, up by around 13.6% compared to 2018 (€23.3m). Revenue trends show a continuation of the positive performance in the core business, for hospitalisation (hospital stays and outpatient surgery) as well as clinic activities (visits and diagnostics). The company recorded a profit of €0.3m, up slightly compared to 2018.

As regards agricultural activities, the sales of bottled wine by the company **Tenute del Cerro** generated a 12.9% increase compared to the figure at 31 December 2018, from €6.8m to €7.7m. Total revenue showed an approximate 7.5% increase compared to 2018, from €8.7m to €9.4m.

Asset and financial management

Investments and cash and cash equivalents

At 31 December 2019 the balance of the **Investments and the Cash and cash equivalents** of the Group was €66,369m (€59,718m at 31/12/2018), with the following breakdown by business segment:

Investments and cash and cash equivalents - Breakdown by business segment

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Insurance sector	64,542	*97.2*	58,236	*97.5*	*10.8*
Other Businesses sector	511	*0.8*	257	*0.4*	*98.7*
Real Estate sector	1,425	*2.1*	1,305	*2.2*	*9.2*
Inter-segment eliminations	(110)	*(0.2)*	(81)	*(0.1)*	*36.1*
Total Investments and cash and cash equivalents (*)	**66,369**	***100.0***	**59,718**	***100.0***	***11.1***

(*) including properties for own use

The breakdown by investment category is as follows:

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Property (*)	**3,624**	***5.5***	**3,635**	***6.1***	***(0.3)***
Investments in subsidiaries, associates and interests in joint ventures	**169**	***0.3***	**341**	***0.6***	***(50.4)***
Held-to-maturity investments	**455**	***0.7***	**460**	***0.8***	***(1.1)***
Loans and receivables	**4,767**	***7.2***	**4,313**	***7.2***	***10.5***
Debt securities	3,471	*5.2*	3,410	*5.7*	*1.8*
Deposits with ceding companies	63	*0.1*	33	*0.1*	*92.3*
Other loans and receivables	1,232	*1.9*	870	*1.5*	*41.6*
Available-for-sale financial assets	**48,854**	***73.6***	**43,446**	***72.8***	***12.4***
Financial assets at fair value through profit or loss	**7,752**	***11.7***	**6,498**	***10.9***	***19.3***
held for trading	287	*0.4*	292	*0.5*	*(1.8)*
at fair value through profit or loss	7,466	*11.2*	6,206	*10.4*	*20.3*
Cash and cash equivalents	**747**	***1.1***	**1,025**	***1.7***	***(27.1)***
Total Investments and cash and cash equivalents	**66,369**	***100.0***	**59,718**	***100.0***	***11.1***

(*) including properties for own uses

Transactions carried out in 2019[5]

In 2019 the investment policies continued to adhere, in terms of medium/long-term investments, to the general criteria of prudence and of preserving asset quality consistent with the Guidelines defined in the Group Investment Policy. Specifically, financial operations were geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, maintaining a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, with a particular focus on the liquidity profile.

The **bond segment** was the main focus of operations, mainly affecting Italian government bonds and non-government bonds, applying a medium/long-term investment approach.
In 2019, exposure to government bonds rose by €909m: within the Government segment a policy was adopted for their replacement with the purchase of Italian government bonds following the sale of securities issued by other countries (mainly Spanish bonds).

The non-government component of bonds remained unchanged overall, though with some sector-level differentiation: the Life business saw an increase of €495m, whilst the Non-Life business recorded a decline of €493m which mainly involved financial issuers.

Asset portfolio simplification activities continued during 2019, with a reduction of €158m in exposure to level 2 and 3 structured bonds.

The following table shows the Group's exposure to structured securities on a like-for-like basis:

	31/12/2019			31/12/2018			variation	
Amounts in €m	Carrying amount	Market value	Implied +/(-)	Carrying amount	Market value	Implied +/(-)	Carrying amount	Market value
Structured securities - Level 1	40	40		42	40	(2)	(2)	
Structured securities - Level 2	517	497	(20)	607	540	(68)	(90)	(42)
Structured securities - Level 3	164	138	(25)	232	193	(39)	(68)	(54)
Total structured securities	721	676	(45)	881	773	(108)	(160)	(97)

Share exposure increased in 2019 by around €246m; the put options on the Eurostoxx50 index are still active in the equity portfolio and were revalued during the year to mitigate volatility and preserve the value of the portfolio. Transactions were broken down based on individual shares and ETFs (Exchange Traded Funds), representing share indexes. Almost all equity instruments belong to the main European share indexes.

Exposure to **alternative funds**, a category that includes Private Equity Funds, Hedge Funds and investments in Real Assets, amounted to €776m, a net decrease of €117m compared to 31 December 2018, mostly due to the sale of most of the exposure to Hedge Funds.

Currency operations were conducted exclusively to hedge the currency risk of outstanding equity and bond positions.

The overall Group duration stood at 6.66 years, up compared to the end of 2018 (6.09 years). The Non-Life duration in the Group insurance portfolio was 3.80 years (3.09 years at the end of 2018); the Life duration was 7.64 years (7.15 years at the end of 2018). The fixed rate and floating rate components of the bond portfolio amounted respectively to 87.8% and 12.2%. The government component accounted for approximately 71% of the bond portfolio whilst the corporate component accounted for the remaining 29%, split into 21.8% financial and 7.2% industrial credit.

90.3% of the bond portfolio is invested in securities with ratings higher than BBB-, 2.6% of the total is positioned in classes AAA to AA-, while 13% of securities had an A rating. The exposure to securities in the BBB rating class was 74.7% and includes Italian government bonds which make up 57.9% of the total bond portfolio.

[5]The scope of the disclosure on financial transactions, in terms of the breakdown of investments, does not include investments the risk of which is borne by the policyholders and customers and, in terms of companies, does not include the foreign companies DDOR, DDOR Re and The Lawrence Life, the investment values of which are of little significance on the whole within the Group's overall portfolio.

Net gains on investments and financial income

The breakdown of net gains (losses) on investments and financial income is shown in the table below:

Net investment income

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Investment property	(13)	*(0.8)*	(33)	*(1.6)*	*(60.5)*
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	10	*0.6*	322	*15.9*	*(96.9)*
Net gains on held-to-maturity investments	19	*1.1*	21	*1.0*	*(10.9)*
Net gains on loans and receivables	115	*6.7*	144	*7.1*	*(20.4)*
Net gains on available-for-sale financial assets	1,868	*109.2*	1,615	*80.0*	*15.7*
Net gains on held-for-trading financial assets held for trading and at fair value through profit or loss (*)	(289)	*(16.9)*	(51)	*(2.5)*	*n.s.*
Balance of cash and cash equivalents	1	*0.1*	1	*0.0*	*26.3*
Total net gains on financial assets, cash and cash equivalents	**1,710**	***100.0***	**2,018**	***100.0***	***(15.3)***
Net losses on held-for-trading financial liabilities and at fair value through profit or loss (*)	(1)				
Net losses on other financial liabilities	(104)		(94)		*9.6*
Total net losses on financial liabilities	**(104)**		**(94)**		***10.5***
Total net gains (*)	**1,606**		**1,924**		***(16.5)***
Net gains on financial assets at fair value (**)	439		(228)		
Net losses on financial liabilities at fair value (**)	(256)		121		
Total net gains on financial instruments at fair value (**)	**183**		**(107)**		
Total net gains on investments and net financial income	**1,789**		**1,817**		***(1.5)***

(*) Excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers (index- and unit- linked) and arising from pension fund management.

(**) Net gains and losses on financial instruments at fair value through profit or loss with investment risk borne by customers (index-and unit-linked) and arising from pension fund management.

It should be noted that at 31 December 2018 the item Gains/losses on investments in subsidiaries, associates and interests in joint ventures included gains of €309m resulting from the sale of Popolare Vita.

At 31 December 2019, write-downs of €21m due to impairment on financial instruments classified in the Available-for-sale asset category were recognised in the income statement (€24m at 31/12/2018) along with write-downs on Investment property amounting to €18m (€59m at 31/12/2018).

Shareholders' equity

Movements in shareholders' equity recognised during the year with respect to 31 December 2018 are set out in the attached Statement of Changes in Shareholders' equity.

Shareholders' equity, excluding non-controlling interests, breaks down as follows:

Amounts in €m	31/12/2019	31/12/2018	*var. in amount*
Share capital	2,031	2,031	
Capital reserves	347	347	
Income-related and other equity reserves	2,718	2,133	*585*
(Treasury shares)	(2)	(46)	*44*
Reserve for foreign currency translation differences	5	5	
Gains/losses on available-for-sale financial assets	1,142	80	*1,061*
Other gains and losses recognised directly in equity	9	(7)	*16*
Profit (loss) for the period	628	905	*(277)*
Total shareholders' equity attributable to the owners of the Parent	**6,878**	**5,448**	***1,430***

The main changes in the year in the Shareholders' equity attributable to the owners of the Parent were as follows:
- decrease due to dividend distribution for €403m;
- increase as a result of the increase in the provision for gains and losses on available-for-sale financial assets, net of both the related tax liabilities and the part attributable to the policyholders and charged to insurance liabilities for €1,061m;
- increase following the sale of treasury shares for €127m;
- an increase of €628m for the Group profit for the period.

Shareholders' Equity attributable to non-controlling interests was €275m (€249m at 31/12/2018).

Treasury shares and shares of the holding company

At 31 December 2019, UnipolSai held a total of 1,088,547 ordinary treasury shares (50,052,345 at 31/12/2018), of which 1,004,643 directly and 83,904 indirectly through the following subsidiaries:
- UNA Group held 33,900;
- SIAT held 23,675;
- UnipolSai Servizi Consortili held 9,727;
- Arca Vita held 7,510;
- UniSalute held 5,222;
- AlfaEvolution Technology held 2,891;
- Leithà held 979.

During the year, the subsidiary Pronto Assistance sold 344,312 shares on the market and the subsidiaries UnipolSai Finance and UnipolSai Nederland respectively sold 38,454,775 and 9,443,258 shares to the affiliate Unipol Finance. As mentioned above, these disposals generated an increase in equity of €127m, corresponding to the total sale value.
The additional changes concerned the following transactions in execution of the compensation plans based on financial instruments (performance share type) for the executive staff of UnipolSai and its subsidiaries:
- acquisition of a total of 1,344,000 UnipolSai shares by UnipolSai and its subsidiaries;
- allocation on 25 April 2019 of 2,065,453 UnipolSai shares relating to the first tranche of the compensation plan based on financial instruments for the period 2016-2018.

At 31 December 2019, UnipolSai held, directly and through its subsidiaries, a total of 617,081 shares issued by the holding company Unipol Gruppo SpA (1,242,884 at 31/12/2018).
During the year, 1,127,703 shares were assigned to the company executives and 501,900 shares were acquired (performance share type) pursuant to compensation plans based on financial instruments.

Reconciliation statement for the Group result for the year and shareholders' equity showing the corresponding figures for the Parent

In accordance with Consob Communication 6064293 of 28 July 2006 the statement reconciling the Group result for the year and shareholders' equity, including the corresponding figures for the Parent, is shown below:

Amounts in €m	Share capital and reserves	Profit(loss) for the year	Shareholders' equity at 31/12/2019
Parent balances in accordance with Italian GAAP	**5,357**	**701**	**6,058**
IAS/IFRS adjustments to the Parent's financial statements	1,354	(96)	1,257
Differences between net carrying amount and shareholders'equity and profit (loss) for the year of consolidated investments, of which:	(496)	125	(370)
- Translation reserve	*5*		*5*
- Gains or losses on available-for-sale financial assets	*632*		*632*
- Other gains or losses recognised directly in equity	*20*		*20*
Consolidation differences	162		162
Companies measured using the equity method	19	9	29
Intercompany elimination of dividends	86	(86)	
Other adjustments	16	1	17
Consolidated Shareholders' equity	6,498	655	7,153
Non-controlling interests	248	27	275
Shareholders' equity attributable to the owners of the Parent	**6,250**	**628**	**6,878**

Technical provisions and financial liabilities

At 31 December 2019, Technical provisions amounted to €57,567m (€53,223m at 31/12/2018) and Financial liabilities totalled €6,000m (€5,253m at 31/12/2018).

Technical provisions and financial liabilities

Amounts in €m	31/12/2019	31/12/2018	*% var.*
Non-Life technical provisions	15,067	15,212	*(1.0)*
Life technical provisions	42,500	38,011	*11.8*
Total technical provisions	**57,567**	**53,223**	***8.2***
Financial liabilities at fair value	**2,914**	**2,539**	***14.8***
Investment contracts - insurance companies	2,662	2,261	*17.7*
Other	253	278	*(9.2)*
Other financial liabilities	**3,086**	**2,713**	***13.7***
Subordinated liabilities	2,168	2,247	*(3.5)*
Other	918	466	*97.1*
Total financial liabilities	**6,000**	**5,253**	***14.2***
Total	**63,568**	**58,476**	***8.7***

UnipolSai Group Debt

For a correct representation of the accounts under examination, information is provided below of financial debt only, which is the total amount of the financial liabilities not strictly associated with normal business operations. Please note that from 2019 the figure included the recognition of financial liabilities for future lease payments due based on lease agreements accounted for according to the financial method pursuant to IFRS 16.

The situation is summarised in the following table.

Amounts in €m	31/12/2019	31/12/2018	*variation in amount*
Subordinated liabilities	2,168	2,247	*(80)*
Payables to banks and other lenders	560	300	*260*
Total debt	**2,727**	**2,547**	***180***

With reference to the Subordinated liabilities, all issued by UnipolSai, the change is mainly due to the repayment made on 24 July 2019, as per the contractually envisaged repayment plan, of the first tranche of €80m on the Restricted Tier 1 loan originally for €400m, disbursed in July 2003 by Mediobanca - Banca di Credito Finanziario SpA to Fondiaria-SAI SpA and maturing 24 July 2023.

Payables to banks and other lenders, totalling €560m (€300m at 31/12/2018), related primarily to:

- the loan obtained for the acquisition of properties and for improvement works by the Closed Real Estate Fund Athens R.E. Fund for a nominal value of €170m disbursed, through the company Loan Agency Service Srl, by a pool of 13 banks including Unipol Banca (merged into BPER Banca in 2019) for a nominal value of €10m;
- the financial liabilities deriving from the present value of future lease payments due for lease agreements accounted for on the basis of IFRS 16.

Other information

Human Resources

The total number of Group employees at 31 December 2019 was 12,274 (+339 compared to 2018).

	31/12/2019	31/12/2018	*Variation*
Total number of UnipolSai Group employees	12,274	11,935	*339*
of which on a fixed-term contract	523	444	*79*
Full Time Equivalent - FTE	11,662	11,342	*320*

This includes 64 seasonal staff of the UNA Group at 31 December 2019 (62 at 31/12/2018), and foreign company employees (1,445) include 542 agents.

The increase of 339 employees compared to 31 December 2018 is the net result of 856 being hired and 516 leaving, net of transfers to fixed-term or for seasonal work that began and ended during the year.
Specifically, during the year, 268 new employees were hired permanently (recruited from the market or former temporary staff), 14 reinstatements, 185 new employees following business or business unit acquisitions and 389 were hired on fixed-term contracts or for seasonal work during the year and counted among the workforce at 31 December 2019. The 517 departures were due to resignations, incentivised departures and other reasons for termination.

As part of the implementation of the 2019-2021 Business Plan, on 18 July 2019 a trade union agreement was signed regarding voluntary pre-retirement arrangements for employees meeting pension requirements by the end of 2023.
This agreement is divided into three types of case:

- employees who have met or will meet early retirement requirements pursuant to the "Fornero Reform" by 1 August 2020: jointly agreed termination of the employment contract was set for 31 October 2019 for those already meeting the requirements or will gradually be set as the last day prior to meeting the requirements for the aforementioned pension treatment.
- employees who will meet the early retirement or normal retirement requirements pursuant to the "Fornero Reform" in the period between 1 September 2020 and 1 January 2024, as well as those who will meet the "Fornero Reform" early retirement requirements in the last quarter of 2023 and consequently accruing the related pension by 1 April 2024. Access to the extraordinary section of the Solidarity Fund with all charges borne by the Company, which envisages payment to the interested party of a pay cheque equal to the future pension and payment of the related contributions for as long as the individual accesses the Fund.
  Jointly agreed termination of the employment contract was established with effect from:
  - 1 March 2020 (termination on 29 February 2020) for those due to meet the pension requirements between 1 September 2020 and 1 December 2022;
  - 1 February 2021 (termination on 31 January 2021) for those due to meet the pension requirements between 1 January 2023 and 1 January 2024, as well as those who will meet the early retirement requirements pursuant to the "Fornero Reform" in the last quarter of 2023 and consequently accruing the related pension by 1 April 2024.
- employees who have met or will meet early retirement requirements through the "Quota 100" formula: jointly agreed termination of the employment contract was set for 30 November 2019 for those already meeting the requirements or will gradually be set as the last day prior to meeting the requirements for this form of pension treatment.

The agreement of 18 July 2019 envisaged early retirement for a maximum of 760 individuals, but as over 800 subscribed to the option, on 20 November 2019 a further trade union agreement was signed that will allow all employees subscribing to access the arrangements envisaged in the previous agreement.

Social and environmental responsibility

Sustainability is managed in UnipolSai through an operating structure made up of the staff reporting to the Chairman to guarantee conformity with the values and completeness of vision on the activities carried out, while the policy function is attributed to the Board of Directors, which approves the Policies and monitors ESG (Environmental, Social and Governance) risks, the Integrated Three-year Plan and the Sustainability Report. The Board receives support from the investigative work carried out by the Sustainability Committee of the Unipol Gruppo Board of Directors, which examined and evaluated the activities carried out throughout the entire year, and provided its opinion on the process adopted and on the main sustainability decisions taken by the Group.

The Group's integration of sustainability into business activities starts with the Charter of Values and the Code of Ethics of the Unipol Group, based on the Vision and Mission, and is described in the Business Plan and the system of Policies approved during the year.

The Sustainability Policy illustrates the model used to identify and monitor ESG risks in the various business policies. In particular:

- the Risks Policy, which accurately identifies the ESG risks to be monitored and managed,
- the Non-Life and Life Underwriting Policies, which illustrate the procedures for reducing the damage suffered and generated,
- the Investment Policy, which identifies the sectors and countries to be avoided in terms of investment as they carry ESG risks,
- the Outsourcing Policy, which envisages the adoption of a Suppliers Code of Conduct.

Convinced of the importance of integrating sustainability in business processes to develop long-term competitiveness, the UnipolSai Group decided to integrate it at planning stage, making it one of the five key guidelines of Mission Evolve. The guideline "Shared value and sustainable development" includes a number of fundamental sustainability projects and numerous ecosystem-centred actions that help to achieve the UN Agenda 2030 goals 3 (Good health and well-being), 8 (Decent work and economic growth) and 11 (Sustainable cities and communities) and/or promote preventive action, enhancing proprietary assets to create shared value.

Of particular note among the projects included in the Plan are:

- the commitment to increase the resilience of the production system, focusing on the agricultural sector, climate change-related risks through the ADA project, funded through the European Life Fund, to define a short- and long-term forecasting model to reduce catastrophe risk and transition risk.
- the development of a green certification model for the agency network, built and verified by Legambiente with the aim of reaching 300 agencies over the duration of the Plan.
- the adoption of an SRI (Socially Responsible Investing) management model for the underlying financial assets of Life products that make them certifiable as part of the Bureau Veritas "Disciplinare Vita" life business certification process.

To monitor compliance with the commitments undertaken, 10 sustainability indicators were identified, three of which disclosed to the market: increased penetration of social and environmental impact products for up to 30% of the total insurance portfolio, increased total theme-based investments for the SDGs (Sustainable Development Goals) for up to €600m, the Group's commitment to achieving and maintaining a reputation that is above the insurance and financial market average.

This last benchmark was introduced as a non-financial factor also among the long-term variable remuneration criteria to support the adoption of integrated thinking in the managerial structure.

Initiatives of a social nature also continued during the year: insurance education through the Eos project that targets schools and through partnerships with a number of communities to involve adults (Gengle, Le Contemporanee), campaigns with Legambiente (Bellezza Italia) and Libera, and initiatives in support for a widespread culture of respect for women. There was further development in the regions of stakeholder engagement and management activities through the Unipol Regional Councils, also involved in the process of disseminating awareness of the Business Plan with dedicated engagement events.

At international level, Unipol has adopted the UN Global Compact and the Principle for Responsible Investing (PRI).

Group sales network

At 31 December 2019, 2,610 agencies were in operation, of which 2,434 of UnipolSai (at 31/12/2018, the agencies were 2,753, of which 2,591 of UnipolSai), with 4,221 agents (4,352 at 31/12/2018). 2019 saw the continuation of the streamlining and consolidation of the agency network to optimise the nationwide coverage. With a reduction in numbers, consistent with the process of repositioning the agencies on the market, a growth in size was recorded for the Agencies and their development towards a more managerial model to make them more solid and better structured in organisational terms.

Again in the course of 2019, UnipolSai placed Life products through the branches of Unipol Banca, now incorporated within BPER Banca.
The leading bancassurance companies of the Group placed their products through the following sales networks:
- Arca Assicurazioni, Arca Vita and Arca Vita International through BPER Banca SpA and Banca Popolare di Sondrio ScpA;
- BIM Vita through the branches of Banca Intermobiliare and of Banca Consulia (formerly Banca Ipibi) and solely with regard to post-sale activities, of Cassa di Risparmio di Fermo;
- Incontra Assicurazioni through Unicredit Group.

IT services

The Information and Communications Technology (ICT) Plan was prepared in a manner consistent with the guidelines of the 2019-2021 Business Plan and with the ongoing process of strategic development of the Group IT Services. The new Business Plan envisages the mass introduction of new technologies into the Group companies with the aim of:

(i) operating more effectively, as part of the core insurance business, in a competitive scenario characterised by new technologies and new competitors, also originating from other sectors; and

(ii) modifying the vision of the reference context, taking into account that the profound changes in progress will lead to consideration for ecosystems, which will involve the adoption and integration of solutions and technologies different from those used in the core insurance business sphere.

The ICT Plan therefore has the objective of contributing to achievement of the Business Plan by defining a technology management strategy which, though offering specific support for each of the aims listed above, each to the extent of their specific needs, also creates a means for their reconciliation.

In this framework, the activities carried out in 2019 targeted the **completion and enhancement of digitalisation initiatives for the Agency network** undertaken last year, the **identification and introduction of new technologies** necessary to enable the start of new planning envisaged in the Business Plan and the implementation of activities to **develop the core systems and insurance product mix**, in addition to **development of the Mobility ecosystem**.
As part of the **Digitalisation, process Optimisation and Development of Core systems**, the new <u>"Leonardo" digital workspace</u> and the new <u>Non-Life Underwriting Model</u> have been rolled out to all the private agencies.
<u>New agency processes integrated with external contact centres for multi-channel marketing campaign management</u> have been created using new process orchestration technology (PEGA).
The integrated use with the claims system of <u>new Artificial Intelligence technology</u>, for a better understanding of natural language and semantics analysis, led to the automation of recognition and management of around 300,000 documents, significantly reducing costs and processing times (-17%), whilst the release of the new anti-fraud platform based on the combined use of new deterministic and predictive rules engines and new advanced data analysis technologies led to a 10% reduction in false positives and a 30% improvement in routing towards the Special Areas. The project received the best Antifraud Project award at the Insurance Club's "Insurance Italy Forum Awards".
In relation to <u>Robotic Process Automation</u>, the new "Robo-farm" has been installed and the first 14 processes have been automated.
As regards **Multi-channelling, Mobility, Telematics and Payments**, the <u>App</u> and the <u>UnipolSai Customers Area</u> have been enhanced with new support functions, before-you-buy car insurance quotes and new In-Vehicle Payment services for the Mobility ecosystem. The UnipolSai App received the OF Financial Observatory award for the best Insurance App for the second consecutive year.
With reference to the **New Technological Architectures & Solutions**, <u>enhancement of the agency network links</u> was completed, migrating over 5,300 points of sale to fibre optics and migration to the <u>Google Cloud</u> of around 20,000 agency user accounts, thereby making available all the Mail, Office and Collaboration services of the Google Suite and the Company services, also in mobile format and on agent-owned devices.

A new digital behavioural monitoring platform (CU.IN.DI) has been created, used to analyse Leonardo Workspace operations and to measure the digital effects of the advertising campaign.
As regards **Cybersecurity Data Governance & Data Strategy**, action continued to introduce new technologies in support of security monitoring and the protection of personal data, and a new platform for Data Governance and Data Quality management has been introduced in compliance with IVASS Regulation 38.

Transactions with related parties

The "Procedure for related party transactions" (the "**Related Parties Procedure**"), prepared in accordance with Art. 4 of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments (the "**Consob Regulation**"), was most recently updated by UnipolSai's Board of Directors on 7 November 2019, following opinion in favour by the Related Party Transactions Committee (the "**Committee**"), with effect from that date. In turn, the Board of Statutory Auditors of the Company expressed its opinion in favour on the compliance of the Procedure with the principles indicated in the Consob Regulation.

The Related Parties Procedure - published on UnipolSai's website (www.unipolsai.com) in the "*Governance/Related Party Transactions*" section - defines the rules, methods and principles that ensure the transparency and substantive and procedural fairness of the transactions with related parties carried out by UnipolSai, either directly or through its subsidiaries.

In 2019, with respect to transactions with related parties of "Major Significance", the UnipolSai Board of Directors, in compliance with the Related Parties Procedure, on 7 February 2019 approved:

- the exercise of the put option with respect to Unipol Gruppo SpA ("**Unipol**") of the equity investments held by the Company in Unipol Banca and in UnipolReC, equal to 27.49% of the respective share capitals (the "**Disposal of Equity Investments**"), in compliance with the Put/Call Option agreement signed between Unipol and the former Fondiaria-Sai SpA on 31 December 2013;
- the granting by UnipolSai in favour of Unipol of an unsecured €300m loan at an interest rate equal to the 3-month Euribor plus 260 basis points (the "**Loan**").

The above-mentioned transactions were reviewed in advance by the Committee of UnipolSai, which issued its favourable opinion for their execution. On 14 February 2019 UnipolSai published the Information Document in accordance with Art. 5 of the Consob Regulation available on the website www.unipolsai.com in the *Governance/Related Party Transactions* section. The Disposal of Equity Investments and the disbursement of the Loan took place on 1 March 2019.
As regards the disclosure required by IAS 24, please refer to paragraph 5.6 - Transactions with Related Parties in the Notes to the financial statements.

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In addition, for the sake of complete disclosure, it should be emphasised that the Transaction illustrated above in the paragraph on "Significant events during the year", involving: (i) the sale to BPER Banca SpA ("**BPER**") by Unipol and, to the extent of its responsibility, by UnipolSai of the investments held in Unipol Banca and, indirectly, in Finitalia SpA and (ii) the purchase by UnipolReC of two separate non-performing loan portfolios, one owned by BPER and one by its subsidiary Banco di Sardegna SpA, to which the procedural and decision-making processes, established in the Procedure for transactions of "Minor Significance", were voluntarily applied. The Transaction was therefore submitted for review by the Committee, which on 6 February 2019 issued its reasoned opinion in favour.

Unipol and UnipolReC, on a voluntary basis and within their areas of competence, also submitted the Transaction for approval to the Unipol's Related Party Transactions Committee, which also acted as the Committee for the management of transactions with associated parties of UnipolReC, and issued its own favourable opinion again on 6 February 2019.

Report on corporate governance and ownership structures pursuant to Art. 123-bis of Italian Legislative Decree 58 of 24 February 1998

The information required by Art. 123-bis, Italian Legislative Decree 58 of 24 February 1998 as amended is included in the Annual Report on corporate governance and ownership structures, approved by the Board of Directors and published together with the management report.
The Annual Report on Corporate Governance and ownership structures is available in the "Governance/Corporate Governance System/Annual Report on Corporate Governance" section on the Company's website (www.unipolsai.com).

Statement pursuant to Art. 2.6.2, paragraph 9 of the Regulation governing markets organised and managed by Borsa Italiana SpA

Pursuant to the requirements set forth in Art. 2.6.2, paragraph 9 of the Regulation governing markets organised and managed by Borsa Italiana SpA with reference to subsidiaries subject to the management and coordination of another company, it is hereby stated that the conditions set forth in Art. 37 of Consob Regulation no. 16191/2007 exist for UnipolSai SpA.

Significant events after the reporting period

Mergers/spin-offs of subsidiaries

Following the granting of the prescribed authorisations by IVASS and the completion of the company procedures, on 21 January 2020 UnipolSai Assicurazioni ("UnipolSai" or the "Company") signed the:
• deed of merger by incorporation of Pronto Assistance SpA into UnipolSai (the "Merger");
• deed for the full spin-off of Ambra Property Srl in favour of UnipolSai, UNA SpA Group and MIDI Srl;
• deed for the partial spin-off of Casa di Cura Villa Donatello SpA ("Villa Donatello") in favour of UnipolSai, as well as the full spin-off of Villa Ragionieri Srl in favour of UnipolSai and Villa Donatello,
all wholly-owned direct subsidiaries of UnipolSai.
Subject to registration in the respective Registers of Companies, these transactions became legally effective from 1 February 2020. They became effective for accounting and tax purposes as of 1 January 2020 as regards the Merger and total spin-offs of Ambra Property and Villa Ragionieri, and as of 1 February 2020 as regards the partial spin-off of Villa Donatello.

Agreement with Intesa Sanpaolo SpA

On **17 February 2020**, UnipolSai Assicurazioni and Unipol Gruppo, in relation:

i) to the promotion by Intesa Sanpaolo of a surprise voluntary public exchange offer on all shares of UBI Banca SpA (the "PEO");
ii) to the acquisition by BPER Banca SpA ("BPER"), having positively concluded the PEO, of a business unit consisting of bank branches and the assets, liabilities and legal relationships connected to them,

jointly notified the market that UnipolSai Assicurazioni had entered into an agreement with Intesa for the subsequent acquisition, either directly or through a subsidiary, of business units linked to one or more current investee insurance companies of UBI Banca (BancAssurance Popolari SpA, Lombarda Vita SpA and Aviva Vita SpA), consisting of life insurance policies taken out by customers in the Banking Business and the relative assets, liabilities and legal relationships (the "Insurance Businesses").
UnipolSai Assicurazioni and Intesa will proceed with the definition of the Insurance Businesses and their subsequent transfer as soon as it is possible to have access to the data and information of BancAssurance Popolari, Lombarda Vita and Aviva Vita, also pursuant to regulations in force, subject to the fulfilment of specific conditions, including the completion of the transactions pursuant to points (i) and (ii) above and the assumption of control of Lombarda Vita and Aviva Vita by UBI Banca. The Insurance Business of BancAssurance Popolari, already wholly owned by UBI Banca, may in any event be transferred even independent of the transfer of the other Insurance Businesses.
The consideration for the transfer of the Insurance Businesses will be determined on the basis of the same valuation criteria as those adopted for the determination of the price paid by UBI Banca for the possible acquisition of control of Lombarda Vita and Aviva Vita as well as, as concerns the Insurance Business of BancAssurance Popolari, by making reference to its asset value.
Furthermore, with respect to the resolutions passed by the BPER Board of Directors regarding the acquisition of the Banking Business and the resulting share capital increase of the Bank for a maximum of €1bn in order to provide it with the resources necessary to perform the transaction and maintain capital ratios in line with those recorded at 31 December 2019, Unipol Gruppo and UnipolSai Assicurazioni, positively evaluating such acquisition for the BPER Group, notified the competent bodies of the Bank of their favourable orientation and their willingness to subscribe their applicable shares of the share capital increase.

Renewed the partnership between UnipolSai and Ducati Corse for the MotoGP World Championship 2020

On 27 January 2020, UnipolSai confirmed its partnership that will once again see the company as the official sponsor of Ducati Corse in the MotoGP 2020 World Championship. The partnership with the Ducati Team will entail the UnipolSai brand appearing on the tail of the two red sport bikes of Borgo Panigale and on the team uniforms.

Establishment of UNICA LAB Srl

On 26 February 2020, the sole member company UNICA LAB Srl a socio unico (100% UnipolSai Assicurazioni SpA) was registered with the Register of Companies, in order to leverage the skills developed over the years by Unica by offering training courses and services to customers outside the Group.

Business outlook

The global economy is continuing to show signs of a general slowdown, even if certain unknowns relating to the US-China “tariffs war” and Brexit appear to have stabilised or are in the process of doing so. Vice versa, the first part of 2020 was characterised by negative repercussions on growth of the economy generated for the most part by the worldwide extension of the COVID-19 (Coronavirus) epidemic. The infection from Coronavirus, recently qualified as a pandemic by the World Health Organisation, indeed led to precautionary measures being adopted in China, which were then extended to many other countries, including Italy, to combat the spread of the epidemic. The size of the pandemic, in terms of temporal duration and extension, is currently difficult to estimate, and it is likewise difficult to reliably quantify the negative repercussions that it will have on the global economic cycle.

In our country, GDP figures below expectations were recorded in the fourth quarter of 2019, confirming the vulnerability of Italy’s economy in a context of weak growth in the international economy, and the spread as of the end of February of the health emergency situation led many observers to a considerable downwards review of the 2020 growth forecasts, previously expected to be around +0.5%. Some are now even expecting negative growth.

As regards the financial markets, the Central Banks continue to implement easing policies, without fear of serious risk of inflation, that keep interest rates low, whilst the main stock markets have been strongly volatile due to worries that the measures launched in many countries, including Italy, with the aim of combating the spread of the epidemic, will halt the global economy. Indeed, this public health emergency is unleashing highly negative trends in the stock indexes at the end of February 2020, along with an increase in the spread between Italian government bonds and the German Bund.

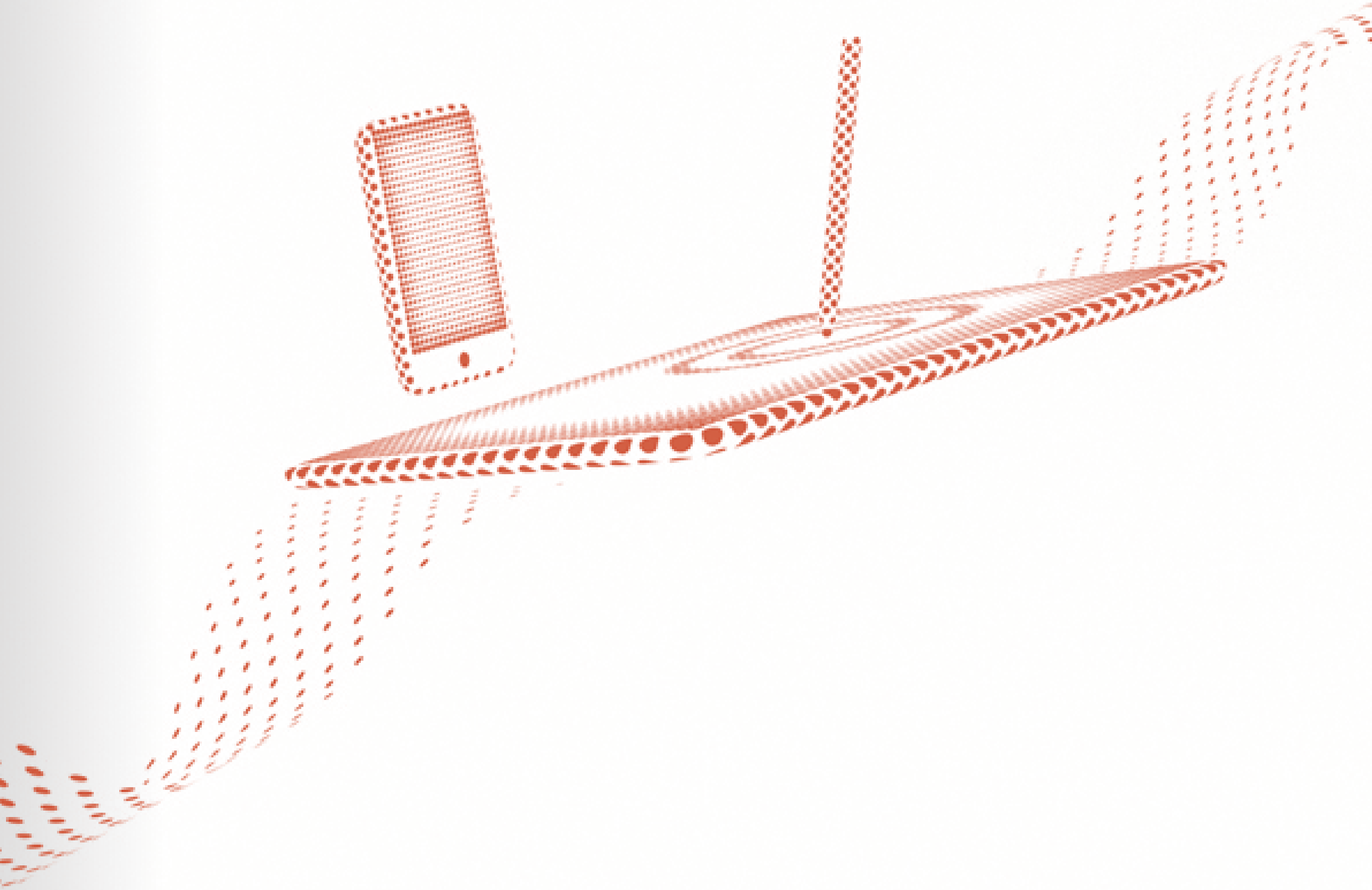
All this may reflect on our financial investments and on the financial management, which continues to be aimed at the consistency of assets and liabilities, with a view to maintaining a proper risk-return profile of the portfolio and pursuing selectively an adequate diversification of the risks.

With regard to the trends of the insurance business, starting from the last week of February, due to the increasingly stringent government provisions on the movement of people, there has been a reduction in the signing of new contracts and, with reference to the Non-Life classes, a reduction in claims as well.
In the hotel business, this public health emergency is likely to have a more significant impact, although this will depend on its duration, which currently cannot be predicted.
In any event, the Group has initiated several specific actions to support our customers and agents residing in the areas hardest hit most by the ongoing epidemic, as well as to protect our employees throughout the country.

Excluding currently unforeseeable events and lasting and significant impacts of the ongoing health emergency on the economic cycle as well as the financial markets, the consolidated operating result for the current year is expected to remain positive, in line with the objectives defined in the Business Plan.

Bologna, 19 March 2020

The Board of Directors



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CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2019 TABLES OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position
Assets

	Amounts in €m	31/12/2019	31/12/2018
1	INTANGIBLE ASSETS	893.0	835.4
1.1	Goodwill	507.9	464.6
1.2	Other intangible assets	385.2	370.8
2	PROPERTY, PLANT AND EQUIPMENT	2,411.5	1,813.6
2.1	Property	1,561.1	1,564.1
2.2	Other tangible assets	850.4	249.5
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	989.6	982.0
4	INVESTMENTS	64,060.7	57,128.6
4.1	Investment property	2,063.2	2,071.1
4.2	Investments in subsidiaries, associates and interests in joint ventures	169.2	341.0
4.3	Held-to-maturity investments	454.6	459.6
4.4	Loans and receivables	4,766.7	4,313.1
4.5	Available-for-sale financial assets	48,854.5	43,446.0
4.6	Financial assets at fair value through profit or loss	7,752.5	6,497.7
5	SUNDRY RECEIVABLES	3,152.7	2,869.1
5.1	Receivables relating to direct insurance business	1,456.2	1,365.5
5.2	Receivables relating to reinsurance business	260.8	137.3
5.3	Other receivables	1,435.8	1,366.4
6	OTHER ASSETS	924.3	1,540.3
6.1	Non-current assets or assets of a disposal group held for sale	189.2	536.7
6.2	Deferred acquisition costs	101.2	98.1
6.3	Deferred tax assets	127.3	465.4
6.4	Current tax assets	3.5	22.9
6.5	Other assets	503.0	417.2
7	CASH AND CASH EQUIVALENTS	747.1	1,025.1
	TOTAL ASSETS	73,178.9	66,194.2

Statement of Financial Position
Shareholders' Equity and Liabilities

	Amounts in €m	31/12/2019	31/12/2018
1	SHAREHOLDERS' EQUITY	7,152.9	5,697.0
1.1	**attributable to the owners of the Parent**	6,877.6	5,447.6
1.1.1	Share capital	2,031.5	2,031.5
1.1.2	Other equity instruments		
1.1.3	Capital reserves	346.8	346.8
1.1.4	Income-related and other equity reserves	2,718.1	2,132.6
1.1.5	(Treasury shares)	(2.0)	(46.2)
1.1.6	Reserve for foreign currency translation differences	5.1	4.9
1.1.7	Gains or losses on available-for-sale financial assets	1,141.6	80.1
1.1.8	Other gains or losses recognised directly in equity	8.8	(7.2)
1.1.9	Profit (loss) for the year attributable to the owners of the Parent	627.8	905.1
1.2	**attributable to non-controlling interests**	275.3	249.4
1.2.1	Share capital and reserves attributable to non-controlling interests	232.7	206.7
1.2.2	Gains or losses recorded directly in equity	15.5	0.2
1.2.3	Profit (loss) for the year attributable to non-controlling interests	27.1	42.6
2	PROVISIONS	442.3	353.4
3	TECHNICAL PROVISIONS	57,567.3	53,223.3
4	FINANCIAL LIABILITIES	6,000.4	5,252.6
4.1	Financial liabilities at fair value through profit or loss	2,914.4	2,539.3
4.2	Other financial liabilities	3,086.1	2,713.3
5	PAYABLES	1,080.4	904.5
5.1	Payables arising from direct insurance business	164.7	160.9
5.2	Payables arising from reinsurance business	96.6	86.8
5.3	Other payables	819.1	656.7
6	OTHER LIABILITIES	935.6	763.4
6.1	Liabilities associated with disposal groups	3.3	3.2
6.2	Deferred tax liabilities	78.0	8.9
6.3	Current tax liabilities	48.4	21.8
6.4	Other liabilities	805.9	729.4
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	73,178.9	66,194.2

2 Tables of Consolidated Financial Statements

Income Statement

	Amounts in €m	31/12/2019	31/12/2018
1.1	Net premiums	13,262.5	11,005.4
1.1.1	Gross premiums earned	13,715.8	11,412.2
1.1.2	Earned premiums ceded to reinsurers	(453.3)	(406.9)
1.2	Commission income	34.0	30.0
1.3	Gains and losses on financial instruments at fair value through profit or loss	(106.3)	(157.5)
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	10.2	322.4
1.5	Gains on other financial instruments and investment property	2,296.8	2,033.2
1.5.1	Interest income	1,467.5	1,441.4
1.5.2	Other income	213.7	178.5
1.5.3	Realised gains	547.3	412.1
1.5.4	Unrealised gains	68.2	1.2
1.6	Other revenue	803.7	635.1
1	**TOTAL REVENUE AND INCOME**	**16,300.9**	**13,868.4**
2.1	Net charges relating to claims	(11,349.9)	(8,980.1)
2.1.1	Amounts paid and changes in technical provisions	(11,658.4)	(9,288.9)
2.1.2	Reinsurers' share	308.5	308.8
2.2	Commission expenses	(21.0)	(16.6)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(0.3)	(0.9)
2.4	Losses on other financial instruments and investment property	(411.4)	(380.2)
2.4.1	Interest expense	(101.0)	(96.0)
2.4.2	Other charges	(31.2)	(30.7)
2.4.3	Realised losses	(109.9)	(136.0)
2.4.4	Unrealised losses	(169.4)	(117.5)
2.5	Operating expenses	(2,634.9)	(2,428.4)
2.5.1	Commissions and other acquisition costs	(1,863.9)	(1,780.3)
2.5.2	Investment management expenses	(129.7)	(117.4)
2.5.3	Other administrative expenses	(641.3)	(530.8)
2.6	Other costs	(1,010.1)	(858.8)
2	**TOTAL COSTS AND EXPENSES**	**(15,427.7)**	**(12,665.1)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**873.2**	**1,203.4**
3	Income tax	(218.3)	(255.8)
	PROFIT (LOSS) FOR THE PERIOD AFTER TAXES	**654.8**	**947.6**
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		
	CONSOLIDATED PROFIT (LOSS)	**654.8**	**947.6**
	of which attributable to the owners of the Parent	627.8	905.1
	of which attributable to non-controlling interests	27.1	42.6

Comprehensive Income Statement

Amounts in €m	31/12/2019	31/12/2018
CONSOLIDATED PROFIT (LOSS)	654.8	947.6
Other income items net of taxes not reclassified to profit or loss	6.0	(8.7)
Change in the shareholders' equity of the investees	10.8	(7.9)
Change in the revaluation reserve for intangible assets		
Change in the revaluation reserve for property, plant and equipment		
Gains and losses on non-current assets or disposal groups held for sale		
Actuarial gains and losses and adjustments relating to defined benefit plans	(6.1)	(0.7)
Other items	1.3	(0.0)
Other income items net of taxes reclassified to profit or loss	1,087.0	(849.3)
Change in the reserve for foreign currency translation differences	0.2	0.1
Gains or losses on available-for-sale financial assets	1,076.9	(859.5)
Gains or losses on cash flow hedges	9.9	10.1
Gains or losses on hedges of a net investment in foreign operations		
Change in the shareholders' equity of the investees		
Gains and losses on non-current assets or disposal groups held for sale		
Other items		
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	1,092.9	(858.0)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	1,747.8	89.7
of which attributable to the owners of the Parent	1,705.4	73.6
of which attributable to non-controlling interests	42.4	16.0

Statement of Changes in Shareholders' Equity

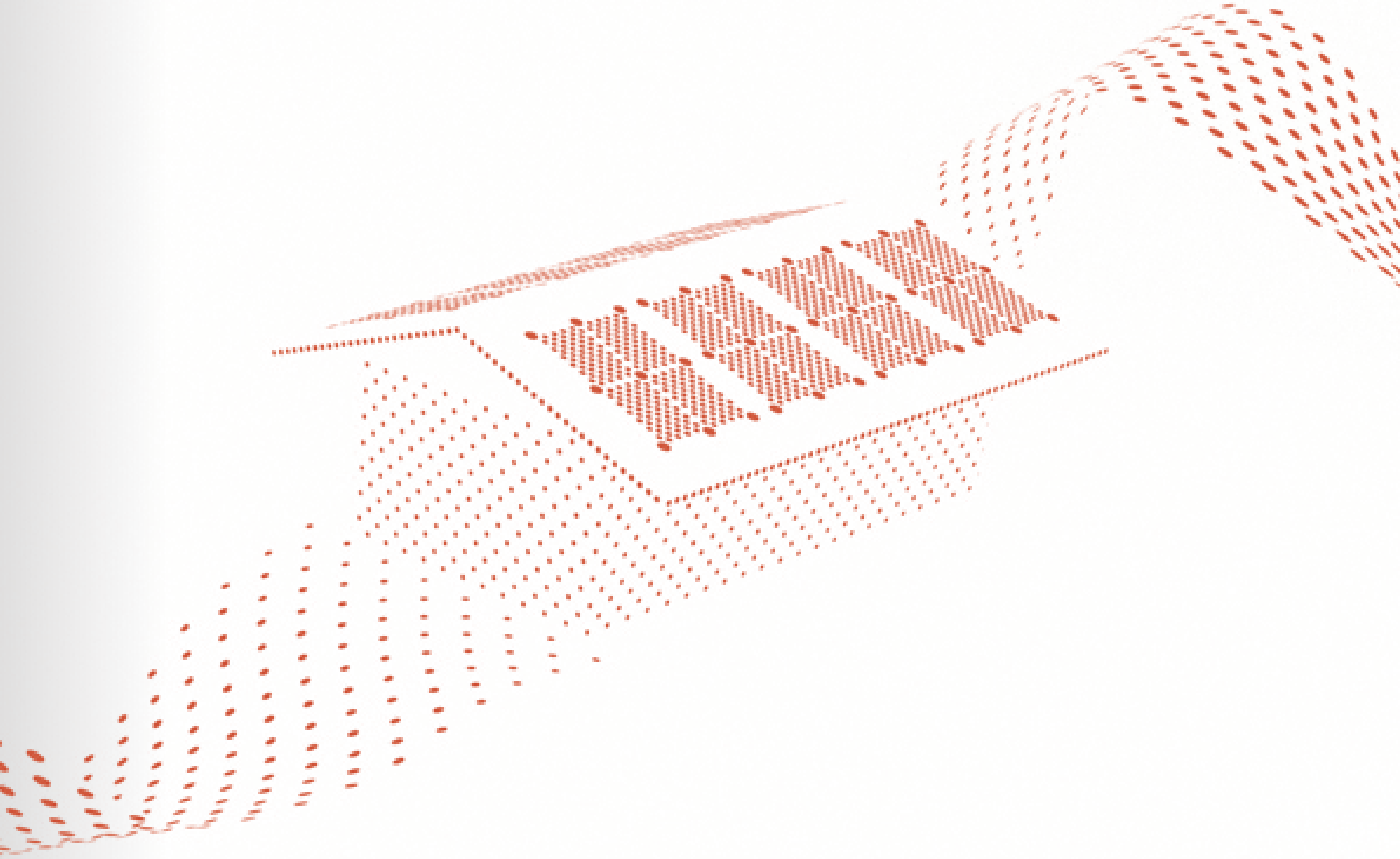
	Amounts in €m	Balance at 31/12/2017	Changes to closing balances	Amounts allocated	Adjustments from reclassif. to profit or loss	Transfers	Changes in investments	Balance at 31/12/2018
Shareholders' Equity attributable to the owners of the Parent	Share capital	2,031.5						2,031.5
	Other equity instruments							
	Capital reserves	346.8						346.8
	Income-related and other equity reserves	2,129.5	(7.2)	10.4				2,132.6
	(Treasury shares)	(52.3)		6.1				(46.2)
	Profit (loss) for the year	504.2		803.9		(403.1)		905.1
	Other comprehensive income/(expense)	909.4	2.7	(432.7)	(401.5)			77.9
	Total attributable to the owners of the Parent	**5,869.0**	**(4.4)**	**387.7**	**(401.5)**	**(403.1)**		**5,447.6**
Shareholders' Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	265.5		(58.8)				206.7
	Profit (loss) for the year	32.6		15.5		(5.5)		42.6
	Other comprehensive income/(expense)	26.7	(0.0)	134.4	(160.9)			0.2
	Total attributable to non-controlling interests	**324.7**	**(0.0)**	**91.1**	**(160.9)**	**(5.5)**		**249.4**
Total		6,193.7	(4.4)	478.8	(562.5)	(408.6)		5,697.0

		Balance at 31/12/2018	Changes to closing balances	Amounts allocated	Adjustments from reclassif. to profit or loss	Transfers	Changes in investments	Balance at 31/12/2019
Shareholders' Equity attributable to the owners of the Parent	Share capital	2,031.5						2,031.5
	Other equity instruments							
	Capital reserves	346.8						346.8
	Income-related and other equity reserves	2,132.6		584.6			0.9	2,718.1
	(Treasury shares)	(46.2)		44.2				(2.0)
	Profit (loss) for the year	905.1		125.8		(403.2)		627.8
	Other comprehensive income/(expense)	77.9	(0.0)	1,120.5	(42.9)		(0.0)	1,155.5
	Total attributable to the owners of the Parent	**5,447.6**	**(0.0)**	**1,875.1**	**(42.9)**	**(403.2)**	**0.9**	**6,877.6**
Shareholders' Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	206.7		28.8			(2.7)	232.7
	Profit (loss) for the year	42.6		(1.7)		(13.8)		27.1
	Other comprehensive income/(expense)	0.2		12.6	2.7		0.0	15.5
	Total attributable to non-controlling interests	**249.4**		**39.7**	**2.7**	**(13.8)**	**(2.7)**	**275.3**
Total		5,697.0	(0.0)	1,914.9	(40.2)	(416.9)	(1.9)	7,152.9

Statement of Cash Flows (indirect method)

Amounts in €m	31/12/2019	31/12/2018
Pre-tax profit (loss) for the year	873.2	1,203.4
Change in non-monetary items	586.7	202.1
Change in Non-Life premium provision	186.5	171.8
Change in claims provision and other Non-Life technical provisions	(348.3)	(531.0)
Change in mathematical provisions and other Life technical provisions	4,498.2	(147.1)
Change in deferred acquisition costs	(3.1)	(13.1)
Change in provisions	88.9	(30.5)
Non-monetary gains and losses on financial instruments, investment property and investments	(1,242.7)	(47.6)
Other changes	(2,592.8)	799.6
Change in receivables and payables generated by operating activities	(211.9)	(446.0)
Change in receivables and payables relating to direct insurance and reinsurance	(276.0)	(36.3)
Change in other receivables and payables	64.1	(409.7)
Paid taxes	(34.4)	(271.1)
Net cash flows generated by/used for monetary items from investing and financing activities	(867.6)	(348.2)
Liabilities from financial contracts issued by insurance companies	300.1	165.9
Payables to bank and interbank customers		
Loans and receivables from banks and interbank customers	(0.0)	
Other financial instruments at fair value through profit or loss	(1,167.7)	(514.0)
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	346.0	340.2
Net cash flow generated by/used for investment property	(83.7)	(34.9)
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures (*)	113.2	(333.0)
Net cash flow generated by/used for loans and receivables	(308.5)	426.0
Net cash flow generated by/used for held-to-maturity investments	9.4	81.2
Net cash flow generated by/used for available-for-sale financial assets	(85.0)	(1,149.1)
Net cash flow generated by/used for property, plant and equipment and intangible assets	(217.9)	(164.3)
Other net cash flows generated by/used for investing activities	440.3	606.0
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	(132.2)	(568.2)
Net cash flow generated by/used for equity instruments attributable to the owners of the Parent	0.0	0.0
Net cash flow generated by/used for treasury shares	128.1	10.3
Dividends distributed attributable to the owners of the Parent	(403.2)	(403.1)
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	(13.8)	(5.5)
Net cash flow generated by/used for subordinated liabilities and equity instruments	(80.0)	200.0
Net cash flow generated by/used for other financial liabilities	(123.1)	(3.7)
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	(491.9)	(202.0)
Effect of exchange rate gains/losses on cash and cash equivalents	0.0	0.0
CASH AND CASH EQUIVALENTS AT 1 JANUARY (**)	1,025.4	1,455.3
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(278.1)	(429.9)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (***)	747.3	1,025.4

(*) The figure of 2019 includes the difference between the price paid for the purchase of Car Server (€96.1) and the cash and cash equivalents transferred as a result of the acquisition (€23.4m); the figure of 2018 includes the difference between the price paid for the purchase of Arca (€475.0m) and the cash and cash equivalents transferred as a result of the acquisition (€131.8m).
(**) Include cash and cash equivalents of non-current assets or those of a disposal group held for sale (2019: €0.3m; 2018: €51.7m).
(***) Include cash and cash equivalents of non-current assets or those of a disposal group held for sale (2019: €0.2m; 2018: €0.3m).



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NOTES
TO THE FINANCIAL STATEMENTS

1. Basis of presentation

The UnipolSai Group, consisting of UnipolSai Assicurazioni ("UnipolSai") and its subsidiaries, operates in all Non-Life and Life insurance and reinsurance and capitalisation business; it may issue investment contracts and may set up and manage open pension funds, in compliance with the provisions of Art. 9 of Italian Legislative Decree 124 of 21 April 1993 and subsequent amendments.
It also carries out real estate, and to a lesser extent, hotel, agricultural and healthcare activities. UnipolSai is a joint-stock company, has its registered office in Bologna (Italy) and is listed on the Milan Stock Exchange.
UnipolSai's Consolidated Financial Statements were drawn up in accordance with Art. 154-ter of Italian Legislative Decree 58/1998 (Consolidated Law on Finance) and of ISVAP Regulation no. 7 of 13 July 2007, as amended. They conform to the IAS/IFRS standards issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of Regulation (EC) no. 1606/2002 in force on the closing date of the financial statements.

The Consolidated Financial Statements consist of:
- Statement of Financial Position;
- Income Statement and Comprehensive Income Statement;
- Statement of changes in Shareholders' equity;
- Statement of Cash Flows;
- Notes to the financial statements;
- Tables appended to the notes to the financial statements.

The layout conforms to the provisions of ISVAP Regulation no. 7 of 13 July 2007, Part III as amended, relating to the layout of the Consolidated Financial Statements of insurance and reinsurance companies that must adopt international accounting standards.

The information requested by Consob Communications DEM/6064293 of 28 July 2006 and DEM/11070007 of 5 August 2011 is also provided.

The Consolidated Financial Statements are drawn up on the assumption that the company will continue as a going concern, in application of the principles of accrual accounting, materiality and truthfulness of accounting information, in order to provide a true and fair view of the equity-financial position and economic result, in compliance with the principle of the prevalence of the economic substance of transactions over their legal form.
The going concern assumption is considered to be confirmed with reasonable certainty given that companies belonging to the UnipolSai Group have sufficient resources to ensure that they will continue to operate for the foreseeable future. In addition, the liquidity risk is deemed to be very remote.

The layout of the financial statements offers a comparison with the figures of the previous year. Where necessary, in the event of a change to the accounting standards, measurement or classification criteria, the comparative data are re-stated and reclassified in order to provide homogeneous and consistent information.

The presentation currency is the euro and all the amounts shown in the financial statements and these notes are in €m, except when specifically indicated, rounded to one decimal place; therefore the sum of the individual amounts is not always identical to the total.

The Consolidated financial statements of UnipolSai Assicurazioni SpA are subject to an audit by independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2013/2020 period. The duration of the assignment is one year less than originally agreed, following the waiver for 2021 submitted by PwC on 4 April 2019 at the request of UnipolSai, in relation to appointment of the independent auditors for the Parent Unipol for 2021-2029, to allow alignment between the duration of the UnipolSai audit engagement with that of the Parent.

Consolidation scope

The UnipolSai Group's consolidated financial statements at 31 December 2019, were drawn up by combining the figures of UnipolSai with the figures of 49 direct and indirect subsidiaries (IFRS 10). At 31 December 2018 a total of 46 companies were consolidated on a line-by-line basis. Subsidiaries deemed to be too small to be of relevance are excluded from the line-by-line consolidation.

There are no jointly-controlled interests.

Associates (21 companies), in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (2 companies), are measured using the equity method (IAS 28) or maintained at the carrying amount. At 31 December 2018, a total of 23 associates and subsidiaries were considered immaterial.

Investments consolidated on a line-by-line basis and those measured using the equity method are listed in the tables showing the Consolidation scope and Details of unconsolidated investments, respectively, which are appended to these Notes.

Changes in the consolidation scope compared with 31 December 2018 and other transactions

On 1 March 2019, after UnipolSai exercised the put option, pursuant to the put/call option contract dating back to 31 December 2013 between the former Fondiaria-SAI SpA and Unipol Gruppo, 246,726,761 shares of Unipol Banca (27.49% of the company's share capital) and 79,766,325 shares of UnipolReC SpA (27.49% of the company's share capital) were transferred from UnipolSai to Unipol Gruppo. At 31 December 2019, UnipolSai held 14.76% of UnipolReC, after selling its residual interest of 14.76% of the share capital of Unipol Banca to BPER Banca on 31 July 2019.

Again on 31 July, as part of the arrangements with BPER Banca:
- UnipolSai acquired the interests held by Unipol Banca and Finitalia in UnipolSai Servizi Consortili (USSC) with a nominal value of €1,040 each (for a total of 4,000 shares), accounting for 0.04% of the share capital. Consequently, the interest of UnipolSai in USSC rose from 98.23% to 98.27%;
- UnipolSai Finance acquired the entire interest held by Unipol Banca in Promorest Srl for a nominal €5.2m, equal to 49.92% of the share capital, and the interest in SCS Azioninnova SpA comprising 6,000 shares representing 42.85% of the share capital.

On 1 August 2019, UnipolSai acquired the entire share capital of Car Server, with subsequent acquisition of indirect control of its 100% subsidiaries, Immobiliare C.S. Srl and Gieffe Srl Gestione Flotte. The latter was later merged into the parent Car Server with effect from 13 December 2019.

On 1 October 2019, the partial spin-off became effective of Unisalute Servizi Srl to the beneficiary newco Centri Medici Dyadea Srl, originally a subsidiary of Unisalute SpA, then sold by the latter to UnipolSai on 20 December 2019.

On 14 October 2019, following conclusion of the voluntary liquidation procedure, the associate Penta Domus SpA was cancelled from the Register of Companies.

Information about business combinations

As reported previously, on 1 August 2019 UnipolSai finalised the acquisition of 100% of the share capital of Car Server SpA at the price of €96.1m. Car Server is one of the leading operators on the Italian market for long-term company fleet rental and business mobility management in general.

The values of the assets and liabilities acquired, calculated on the consolidated accounting position of Car Server at 30 June 2019, are reported below:

Amounts in €m	30/6/2019
Goodwill	
Other intangible assets	2.4
Property, plant and equipment	609.1
Available for sales	0.5
Other receivables	96.1
Deferred tax assets	10.1
Other assets	5.1
Cash and cash equivalents	6.8
Other financial liabilities	(588.5)
Other payables	(86.2)
Current tax liabilities	(0.7)
Other liabilities	(1.9)
Total Net identifiable assets	**52.8**

The values of the assets acquired and the liabilities assumed are still considered provisional and may be recalculated within 12 months of the acquisition, as laid out in IFRS 3. On the basis of these values, the difference between the acquisition cost (€96.1m) and the net identifiable assets led to the recognition of goodwill for €43.3m.
Note that Car Server made a positive contribution to the consolidated profit for a total of €9.8m and, if the acquisition of control had coincided with the start of 2019, this contribution would have been €15m.

Transactions carried out on the share capital and other transactions

On 30 July 2019, UnipolSai made a capital contribution for €15m, proportional to its percentage interest, to UnipolReC SpA in order to provide UnipolReC with the funding necessary to purchase NPL portfolios from the BPER Banca Group, envisaged in the framework agreement signed on 7 February 2019 as part of the extraordinary transaction concerning the banking sector. This purchase was finalised on 31 July, at the same time as the sale of Unipol Banca.

UnipolSai made capital contributions in favour of Meridiano Secondo Srl as follows:
- €53.4m for purchase of the property at Via Sassetti 27, Milan, and completion of the renovation works;
- €8.8m for payments associated with the commencement of construction works for the Unipol Tower.

On 18 April 2019, UnipolSai subscribed to the share capital increase, with share premium, of the subsidiary Meridiano Secondo Srl for €102.7m through contribution of a property at Via De Castillia 23, Milan.

During 2019, the Shareholders' Meeting of UniSalute resolved upon a share capital increase that was not fully subscribed by the minority shareholders (other than the parent UnipolSai) holding option rights. Following the non-subscription of all shares offered on option, UnipolSai increased its own percentage investment from 98.53% to 98.99%.

Reporting date

The reporting date of the Consolidated Financial Statements is 31 December 2019, the date the separate financial statements of UnipolSai closed. All the consolidated companies closed their financial statements at 31 December with the exception of the following:

- the associate Pegaso Finanziaria SpA closes its financial year on 30 June and prepares interim financial statements in reference to the reporting date for the consolidated financial statements;
- the associate Fin.Priv Srl closes its financial year on 30 November.

The consolidated financial statements were drawn up using restatements of the separate financial statements of the consolidated companies adjusted to comply with the IAS/IFRS, as applied by UnipolSai and approved by the Boards of Directors of the companies concerned.

Basis of consolidation

Companies consolidated on a line-by-line basis

This method provides for the consolidation on a line-by-line basis of the assets, liabilities, gains and losses of the consolidated companies as from the date they were acquired, with the carrying amount of the investment being offset against the corresponding amount of the shareholders' equity of each individual subsidiary and, in the case of investments not wholly owned, the separate recognition of the amount of the equity and the profit or loss for the year attributable to non-controlling interests.
The amount of equity attributable to non-controlling interests is recognised under shareholders' equity as "Share capital and reserves attributable to non-controlling interests", whilst the corresponding share of consolidated profit or loss is shown under "Profit (loss) for the year attributable to non-controlling interests".
The financial statements of the subsidiaries are consolidated on a line-by-line basis with the exception of small subsidiaries, for which the equity method is used.

Goodwill

If the cost of acquiring investments in subsidiaries exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the excess amount is recognised as goodwill under intangible assets.
This goodwill represents a payment made in the expectation of future economic benefits arising from assets that cannot be identified individually and recognised separately.
In the years after the year of acquisition, goodwill is measured at cost, net of any impairment losses accumulated.
Ancillary acquisition costs are recognised in the income statement during the year in which the costs are incurred or the services provided.

Under IFRS 10.23 changes in investments in subsidiaries that do not lead to a loss of control are recognised as equity transactions. Any positive difference between the proportion of net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary and the fair value of the price paid or received is recognised directly in profit for the period and allocated to the members of the holding company.

Companies measured using the equity method

When this method is used the carrying amount of the investment is adjusted to the corresponding portion of shareholders' equity, including the profit/loss for the year and all the adjustments made when consolidation is on a line-by-line basis. Any difference between the portion of shareholders' equity acquired and the fair value of the price paid (goodwill) is recognised in the carrying amount of the investment.

Elimination of intragroup transactions

The amounts receivable and payable between companies included in the consolidation scope, the gains and losses relating to transactions carried out between these companies and the profits and losses resulting from transactions carried out between these companies and not yet realised with parties external to the Group are eliminated during the preparation of Consolidated Financial Statements.

Segment reporting

Segment reporting is provided according to the provisions of IFRS 8 and structured on the basis of the major business segments in which the Group operates:

- Non-Life insurance business;
- Life insurance business;
- Real estate business;
- Other businesses.

Segment reporting is carried out by separately consolidating the accounting items for the individual subsidiaries and associates that belong to each identified segment, eliminating intragroup balances between companies in the same segment and cancelling, where applicable, the carrying amount of the investments against the corresponding portion of shareholders' equity.
In the column "Intersegment eliminations", the intragroup balances between companies in different sectors are eliminated.

This rule does not apply in the following cases:

- investment relations between companies in different sectors, since the elimination of the investment takes place directly in the sector of the company that holds the investment, while any consolidation difference is attributed to the sector of the investee;
- collected dividends, eliminated in the sector of the company that collects the dividend;
- realised profits and expenses, since the elimination takes place directly in the sector of the company that realises the capital gain or loss.

No segment reporting based on geographical area has been provided since the Group operates mainly at the national level and there appears to be no significant diversification of risks and benefits, for a given type of business activity, based on the economic situation of the individual regions.

The segment reporting layout conforms to the provisions of ISVAP Regulation no. 7/2007.

2. Main accounting standards

The newly issued accounting standards and amendments to previous ones, effective from 1 January 2019, are listed below. Of the new elements of interest for the Unipol Group note the entry into force of IFRS 16 "Leases", the first-time application of which, commented on below, had little relevance for the Group's financial position, with no impact on shareholders' equity at the transition date.
As regards the other regulatory developments that entered into force as of 1 January 2019 summarised below, no impact is worth reporting.

IFRS 16 – Leases

On 13 January 2016 the IASB issued IFRS 16 "Leases", endorsed through Regulation (EU) 2017/1986. IFRS 16 defines the accounting requirements for the recognition, measurement and presentation of lease agreements, replacing IAS 17 and the related interpretations. The main new aspect introduced by IFRS 16 refers to the accounting method for leases payable, which are no longer divided into finance (contracts whereby the lessee substantially assumes all risks and rewards of ownership of the leased asset) and operating (lease agreements other than finance leases) leases, but are instead subject, with the exception of specific contractual types mentioned below, to a single accounting model similar to that envisaged in IAS 17 for finance leases. For lessee/user companies, this different accounting representation (the "financial method") results in an increase in tangible assets recognised in the financial statements (right-of-use assets), an increase in liabilities (the financial debt on the leased assets), a reduction in lease costs and an increase in financial costs (to remunerate the financial debt) and amortisation (for the time distribution of right-of-use assets).
On the other hand, the introduction of IFRS 16 did not entail any changes compared to the previous situation with reference to the accounting of:

- leases receivable, for which IFRS 16 retains the same differentiation between operating and finance leases as IAS 17;
- leases payable qualified as finance leases, for which IFRS 16 confirmed the application of the same accounting method (financial method) as that already set forth under IAS 17 in force previously.

Scope of application for the UnipolSai Group

The UnipolSai Group applied the IFRS 16 standard for the accounting of leases payable, that are contracts based on which, against the payment of a consideration, a user obtains the right to control the use of a specified asset for a determined period of time. In particular, by availing itself of the faculty envisaged by IFRS 16, paragraph 5, the UnipolSai Group applied the financial method to leases payable, except for the following types of agreement:

- contracts with a duration equal to or lower than 12 months, or ("short term");
- contracts concerning low value assets.

These types of contracts were subject to the accounting method pursuant to paragraphs 6 and 7 of IFRS 16 which, in continuity with what was set forth in IAS 17 in force previously for operating leases, required the recognition in the income statement of the expense for lease payments on a straight-line basis for the term of the contract or through another systematic method if it is more representative of the benefits enjoyed by the lessee.

Transition

During the transition phase, the UnipolSai Group relied on the rights and on the transitional provisions pursuant to appendix C of IFRS 16.
In particular, the UnipolSai Group recognised the impacts on equity resulting from the first-time application of the new standard, without restating the previous years, in application of the faculty envisaged in appendix C of IFRS 16 (par. C5 b)).
Furthermore, for each lease payable to be accounted for under the new provisions set forth in paragraphs 22-49 of IFRS 16, at the date of initial adoption the value of the financial liability corresponding to the present value of the future lease payments due for the term of the contract was recognised in item 4.2 Financial liabilities measured at amortised cost. In application of a specific right set forth in par. C8 b) ii) of IFRS 16, a tangible asset representing the right of use of the tangible asset being leased was recognised against that liability in the same amount.
The rights of use noted above were recognised in items 2.1 Property, 2.2 Other tangible assets and 4.1 Investment property, based on the nature and purpose of the leased asset.
With respect to accounting options adopted, it is noted that, at the first-time application date, the Shareholders' Equity of the UnipolSai Group underwent no changes by effect of the adoption of the new IFRS 16 standard.

As regards the quantitative impact of first-time application, note that at the transition date rights of use were recognised for €40.3m under the item Property, €23.1m under Other tangible assets and €3.4m under Investment property, with Financial liabilities measured at amortised cost recognised for an equal amount, i.e. a total of €66.8m.

Amendments to IAS 19 - Employee benefits

On 13 March 2019, Regulation (EU) 2019/402 was issued, adopting the amendments to IAS 19 "Employee Benefits" on "plan amendment, curtailment or settlement". These amendments aim to clarify how service costs are calculated when a change is made to a defined benefit plan.

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 - Annual Improvements to IFRSs - 2015-2017 Cycle

On 15 March 2019 Regulation (EU) 2019/412 was published in the Official Journal, adopting the "Annual improvements to IFRSs - 2015-2017 Cycle", which introduced several amendments with respect to the corresponding standards:
- IFRS 3 "Business Combinations": when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business at fair value;
- IFRS 11 "Joint Arrangements": in this case, when an entity obtains control of a business that is a joint operation, it is not required to remeasure the previously held interests at fair value;
- IAS 12 "Income Taxes": an entity must recognise income taxes deriving from dividends in the income statement and the comprehensive income statement, in line with the accounting approach for the dividends to which the taxes refer;
- IAS 23 "Borrowing Costs": in order to determine capitalisable borrowings costs, an entity needs to exclude from the calculation of the generic weighted average cost of debt the share of costs referring specifically to loans obtained to acquire or develop an asset until it becomes ready for use or for sale.

Amendments to IFRS 9 Financial Instruments - Prepayment features with negative compensation

On 22 March 2018, Regulation (EU) 2018/498 was issued, adopting the Amendments to IFRS 9 "Financial Instruments - Prepayment Features with Negative Compensation", which aims to clarify the classification of certain financial assets with early repayment, subject to application of IFRS 9, at amortised cost or at fair value through other comprehensive income (FVOCI).

IFRIC 23 Uncertainty over Income Tax Treatments

On 23 October 2018, Regulation (EU) 2018/1595 was published, adopting the interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" which provides indications on how uncertainty regarding the tax treatment of a given phenomenon should be reflected in income tax accounting.

Amendments to IAS 28 Investments in Associates and Joint Ventures

On 8 February 2019 Regulation (EU) 2019/237 was issued, adopting the amendments to IAS 28 "Investments in Associates and Joint Ventures", which the IASB had published on 12 October 2017, to clarify that for long-term receivables from an associate or joint venture which, in effect, form part of the net investment in the associate or joint venture, the provisions of IFRS 9 must be applied.

New accounting standards not yet in force

The documents published by the International Accounting Standards Board listed below could be significant for the Group, but are still not applicable since they have not yet been endorsed by the European Union or have not yet entered into force at the reporting date.

IFRS 17 – Insurance contracts

On 18 May 2017, the IASB published the new IFRS 17 standard, aimed at improving investors' understanding of risk exposure, as well as of profitability and financial exposure of insurers by defining measurement and accounting standards of insurance products. IFRS 17 will supersede IFRS 4, an interim standard issued in 2004, which envisaged the application of local accounting practices, which entailed a difficult comparison of financial results of companies.

Very briefly, the new IFRS 17 standard will introduce the following new aspects:
- change in aggregation criteria of insurance contracts: the new accounting model envisages an increase in the number of portfolios of insurance contracts that bear similar characteristics (so-called Units of Account), according to which the financial and equity components should be determined;
- market-consistent values: insurance liabilities shall be measured at current values (based on updated information), weighted for their possible realisation;
- explicit measurement of risk adjustment: it shall be estimated in a distinct way from liabilities related to cash flows estimated to fulfil contract obligations undertaken;
- recognition of the estimated profit that is implicit in the insurance contracts in portfolio: the so-called "Contractual service margin" (CSM), estimated as the difference between the premiums collected by the company and the aggregate contract charges undertaken, including risk adjustment. This amount, if positive, i.e. in case of non-onerous contracts at the subscription date, will be recognised in the income statement over the entire period of the insurance coverage, with the function of suspending the expected profit;
- profit or loss based on margins: a new way of disclosing profit in the income statement was introduced by envisaging a recognition based on margin (divided by subscription assets and investment assets);
- disclosure: to complete information reported in the income statement and in the statement of financial position, various statements shall be drawn up showing the changes occurred during the year related to the single components making up the insurance liabilities.

The date of entry into force, initially established by the standard, was 1 January 2021 (with early application only if the entity had already adopted IFRS 9 and IFRS 15). Based on feedback received, on 14 November 2018 the IASB proposed a one-year postponement of the entry into force of IFRS 17 (i.e. to 1 January 2022), also extending the option to IFRS 9 in order to align the dates of entry into force of the two accounting standards for the insurance sector.
In recent months, the IASB continued its discussions with stakeholders to assess a number of targeted amendments to IFRS 17. As a result of this process, on 26 June 2019 the IASB issued the Exposure Draft containing some Amendments to IFRS 17, the main amendments being:
- optional exclusion of loans that transfer significant insurance risk,
- exclusion of credit cards that have insurance coverage embedded;
- release of the CSM (Contractual Service Margin) relating to investment components in the general accounting model;
- extension of the scope of application of the risk mitigation option;
- accounting for onerous contracts underlying reinsurance contracts;
- additional simplifications in the period of transition to the new IFRS 17;
- presentation in the financial statements of receivables and payables deriving from insurance contracts, broken down by portfolio rather than grouped.

On 24 September 2019, at the end of the public consultation on the aforementioned Amendments, EFRAG approved the Final Comment Letter to provide official feedback on the amendments proposed by the IASB. This document specified the need to take further action on the standard for a number of issues particularly sensitive for the European market (e.g. Annual Cohorts, Transition, Reinsurance, etc.) in addition to the request to further postpone the date of entry into force of the standard to 1 January 2023, again envisaging the early application option.
As a result of the numerous comments received from various stakeholders, the IASB planned an intense schedule of meetings with the aim of preparing further amendments ready for issue of the new and final text of IFRS 17 by mid-2020.
The Unipol Group has been strongly committed to planning for the future application of IFRS 17 since 2017, with extensive involvement of the main corporate functions. After a thorough assessment to determine the impact of this standard and measuring the gaps in terms of processes, IT systems, accounting, actuarial calculations, business and risk, at the beginning of 2018 the IFRS 17 transition project was launched which, under the guidance of UnipolSai, has gradually also involved the other insurance companies in the Group, with a view to implementing a single data processing and management model within the Group, leveraging common policies, processes and IT applications. With regard to definition of the standard, the final draft of which is still in progress, the Unipol Group is closely following the debate at national and international level, participating where possible, and hopes for favourable implementation of the remarks put forward by EFRAG.

IFRS 3 Amendments - Definition of a business

On 22 October 2018 (endorsed by EFRAG on 28 March 2019), the IASB issued the document "Definition of a business" which contains clarification on determining whether a transaction is the acquisition of a business or of a group of activities that does not satisfy the definition of business pursuant to IFRS 3. The amendments apply to acquisitions after 1 January 2020.

IAS 1 and IAS 8 Amendments - Definition of material

On 31 October 2018, the IASB published "Definition of Material" (amendment to IAS 1 and IAS 8), which describes the definition of "material" as part of the general measurement criteria for disclosures to be provided in the financial statements. This amendment, adopted on 29 November 2019 through Regulation (EU) 2019/2104, applies to financial statements with reporting date on or after 1 January 2020. However, early application is allowed.

IBOR - Amendments to IAS 39, IFRS 9 and IFRS 7 - Financial Instruments

On 26 September last year, the IASB issued a number of amendments to the standards IFRS 9, IAS 39 and IFRS 7 with the name of removing uncertainties deriving from the reform of the IBOR (Inter Bank Offered Rate) indexes, allowing a certain easing of deadlines envisaged in the standards mentioned during the period prior to the change in benchmark indexes. The amendments introduced mainly refer to hedge accounting practices and related disclosures.
The above amendments, adopted by Regulation (EU) 2020/34 on 15 January 2020, apply from 1 January 2020.
As part of this same project, the IASB is assessing the publication of additional amendments to the international accounting standards for periods after the effective change in the IBOR benchmark indexes.

The accounting standards and the most significant criteria used in drawing up the Consolidated Financial Statements are described below.

The paragraph numbers are the same as those of the corresponding items in the Statement of Financial Position and Income Statement, which are laid out in accordance with ISVAP Regulation no. 7/2007.

Statement of financial position

Assets

1 Intangible assets - IAS 38

In accordance with the provisions of IAS 38, the only intangible assets that may be capitalised are those that can be identified and controlled by the company and from which the company will derive future financial benefits.

The following assets are recognised as intangible assets with a finite life:

- goodwill paid for the acquisition of Non-Life and Life portfolios: the value of the policies acquired is calculated by estimating the present value of the future cash flows of the existing policies. The Group amortises this value throughout the expected average residual life. This valuation is reviewed annually;
- costs incurred for the acquisition of software licences, amortised over three years;
- trademarks acquired within a business combination;
- costs incurred for consultancy on major projects for developing and implementing IT systems, including personalisation of the relative software, amortised over five or ten years according to their estimated useful life.

Projects under development are not amortised until the year in which they are first used.

Goodwill paid when companies are acquired or merged is also included among intangible assets, as already mentioned in the previous paragraph Basis of consolidation (also provisionally, determined on the basis of IFRS 3). As this goodwill has an indefinite useful life, it is not amortised, but it is tested for impairment at least once a year, or each time there is any indication of impairment; durable impairments are recognised in the income statement and cannot be reversed in subsequent years.

2 Property, plant and equipment - IAS 16 and IFRS 16

This item includes property used for corporate business, plant, other machinery and equipment.

For recognising and measuring this category of assets the Group has adopted the cost model, which systematically depreciates the asset's depreciable amount over its useful life.
Depreciation, which is carried out each year on a straight-line basis, begins when the asset is available and ready for use and ends when the asset has come to the end of its useful life (which in the case of property is estimated at 33.4 years). In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

Consolidated real estate companies include in the carrying amount the borrowing costs incurred for loans specifically for acquiring and renovating property, if this can be justified.

The costs of improvements and conversions are capitalised if they result in an increase in the useful life or the carrying amount of the assets.

Assets that suffer impairment losses are written down.
The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

From 1 January 2019 the Group adopted IFRS 16, which defines the accounting requirements for the recognition, measurement and presentation of lease agreements, replacing IAS 17 and the related interpretations. The main new aspect introduced by IFRS 16 refers to the accounting method for leases payable, which are no longer divided into finance (contracts whereby the lessee substantially assumes all risks and rewards of ownership of the leased asset) and operating (lease agreements other than finance leases) leases, but are instead subject, with the exception of specific contractual types mentioned below, to a single accounting model similar to that envisaged in IAS 17 for finance leases.
For lessee/user companies, this different accounting representation (the "financial method") results in an increase in tangible assets recognised in the financial statements (right-of-use assets), an increase in liabilities (the financial debt

on the leased assets), a reduction in lease costs and an increase in financial costs (to remunerate the financial debt) and amortisation (for the time distribution of right-of-use assets).
On the other hand, the introduction of IFRS 16 did not entail any changes compared to the previous situation with reference to the accounting of:
- leases receivable, for which IFRS 16 retains the same differentiation between operating and finance leases as IAS 17;
- leases payable qualified as finance leases, for which IFRS 16 confirmed the application of the same accounting method (financial method) as that already set forth under IAS 17 in force previously.
With regard to application of the standard, the decisions made and the transition, reference should be made to the paragraph on "New accounting standards".

3 Technical provisions - Reinsurers' share - IFRS 4

This item includes reinsurers' liabilities arising from reinsurance contracts governed by IFRS 4.

4 Investments

4.1 Investment Property - IAS 40

This item includes property held either to earn rental income or for capital appreciation or for both.
Investment property is recognised by applying the cost method, as allowed by IAS 40 (an alternative to the fair value method).
If the final recoverable amount of property is estimated to be less than the carrying amount (or zero) it is depreciated annually on a straight-line basis, based on the recoverable amount and the estimated useful life (33.4 years). This generally applies to properties that are instrumental by nature, such as hotels, shopping centres, and office buildings.
If the recoverable amount of the property is estimated to exceed the carrying amount, no depreciation is applied. For the Group this is the case with residential property. In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

The costs of improvements and conversions are capitalised if they result in an increase in the carrying amount, the useful life or the profitability of the assets.

Assets that suffer impairment losses are written down. The market value is determined at least once a year by means of expert appraisals conducted by outside companies.

The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

4.2 Investments in subsidiaries, associates and interests in joint ventures – IAS 28

This item includes investments in associates as defined in IAS 28 and investments in subsidiaries that because of their size are considered immaterial, which are measured using the equity method or at cost.

Financial assets – IAS 32 and 39 – IFRS 7 – IFRS 13

IAS 39 provides that debt and equity instruments, receivables, payables and derivatives must be classified according to the purposes for which they are held. The following categories are provided for:

- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets;
- Financial assets at fair value through profit or loss.

There is a specific standard for recognising and measuring each of these categories.

It should be mentioned that the Group recognises financial transactions on the value date.

In relation to financial instruments, note that for the purpose of drawing up its consolidated financial statements, from the 2018 financial statements the UnipolSai Group decided to opt for deferring the application of IFRS 9, as envisaged by the IASB, based on the "deferral approach".

As a consequence, except for some financial entities consolidated at equity and for which the application of IFRS 9 is mandatory on a separate basis, all entities consolidated on a line-by-line basis or at equity continued to apply IAS 39 in drawing up their consolidated financial statements.

4.3 Held-to-maturity investments

Investments in securities held to maturity are recognised at amortised cost, net of any impairment losses.

This category includes bonds that the Group intends and is in a financial position to hold to maturity, for example most of the fixed-yield bonds acquired to match special Life tariffs.

If a substantial number of securities in this category are sold early (or reclassified), all the remaining securities must be reclassified as Available-for-sale financial assets and the category cannot be used for the next two financial years.

4.4 Loans and receivables

Receivables in this category consist of agreements for which the Group holds a right to the cash flows arising from the loan agreement. They are characterised by fixed or determinable payments and are not listed on an active market.
This category also includes mortgages and loans provided to the insurance companies, reinsurers' deposits, loan repurchase agreements, term deposits exceeding 15 days, receivables for agents' reimbursements, unlisted debt securities not held for sale which the Group intends to hold for the foreseeable future, including bonds reclassified following application of IAS 39 paragraphs 50D and 50E.

In accordance with the provisions of IAS 39, loans and receivables must be initially recognised at their fair value, which corresponds to the amount granted including the transaction costs and the commissions and fees chargeable directly.
Following the initial recognition receivables are measured at the amortised cost, which is represented by the initial carrying amount net of repayments, plus or minus any difference between the initial amount and the amount on maturity because of amortisation calculated in accordance with the criterion of effective interest method and less any impairment loss or reduction due to non-recoverability.
Applying the effective interest rate method enables the financial effect of a loan transaction to be spread evenly over its expected life, which makes financial sense. In fact, the effective interest rate is the rate that discounts all the future cash flows of the loan and establishes a present value corresponding to the amount granted including all the transaction costs and income pertaining to it. When the cash flows and the contractual term of the loan are being estimated, all the contractual terms that can affect the amounts and the maturity dates (for instance, early repayments and the various options that may be exercised) are taken into account but not the losses expected on the loan. Following initial recognition, for the whole life of the loan the amortised cost is determined by continuing to apply the effective interest rate fixed at the start of the transaction (original interest rate). This original interest rate does not vary over time and is also used in the case of any contractual amendments to the interest rate or events as a result of which the loan has in practice stopped bearing interest (for instance, due to insolvency proceedings).

The amortised cost method is applied only to loans with an original term of at least eighteen months, on the assumption that in the case of shorter loans the application of this method does not involve significant changes to the financial effect. Loans with a term of less than eighteen months and those that have no fixed maturity date and revocable loans are therefore measured at their historical cost.

On the reporting date for each set of annual or interim financial statements, the loans are assessed to identify those for which there is objective evidence of impairment due to events that have occurred after their initial recognition.

The original value of the loans is reinstated in subsequent years only in the event that the reasons that led to the impairment in question no longer exist. Impairment losses can be reversed up to an amount not exceeding the carrying amount that it would have been recognised if the amortised cost had been applied without prior impairment.

4.5 Available-for-sale financial assets

Investments classified as available-for-sale financial assets are measured at fair value. The differences with respect to the carrying amount must be recognised in the shareholders' equity in a specific reserve for unrealised gains/losses (net of tax). In the event of sale or impairment established as a result of impairment testing, unrealised gains or losses accumulated in shareholders' equity until that time are transferred to the income statement.

Information on how the fair value is determined is provided in the section "Fair value measurement criteria – IFRS 13".

The amortised cost of the debt securities in this category calculated using the effective rate of return is recognised in the income statement. The comparison with the fair value is made after the proportion of the amortised cost for the year has been recognised.

This category includes debt securities, equity securities, UCITS units, and investments deemed to be of strategic importance (less than 20% of the share capital, of commercial or corporate strategic importance).

Impairment policy for financial assets adopted by the Group

IAS 39, paragraph 58, provides for companies to carry out assessments on each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.
In order to determine whether a financial asset or a group of financial assets shows signs of impairment, a regular impairment test must be carried out.
Indicators of a possible impairment are, for instance, the issuer's significant financial difficulties, failure to pay the full amount of interest or principal, the possibility of the beneficiary becoming bankrupt or entering into another insolvency proceeding and the disappearance of an active market for the asset.
Pursuant to paragraph 61 of IAS 39, a "significant or prolonged" decline in the fair value of an equity instrument below its cost must be considered as "objective evidence of impairment".
IAS 39 does not define the two terms "significant" and "prolonged" but implies, partly on the basis of an IFRIC guideline, that their meaning should be left to the directors' judgement, whenever annual or interim financial statements must be prepared under IAS, provided that the meaning is determined in a reasonable manner and complies with paragraph 61 of IAS 39.

The Group has defined as "significant" a reduction of more than 50% in the market value of available-for-sale financial assets with respect to the initial recognised value and as "prolonged" the permanence of market value at levels below the initially recognised amount for more than 36 months.

Therefore, for equity instruments, the impairment test is carried out by selecting all the instruments to which at least one of the following conditions applies:

a) the market price has remained below the initially recognised amount for the last 36 months;
b) the impairment on the reporting date is more than 50% of the initial recognition amount.

The impairment of these instruments is deemed to be confirmed and the total change in fair value is recognised in the income statement, with elimination of gains or losses on the underlying available-for-sale financial assets.

For debt securities, whenever payment of a coupon or repayment of principal is late or missed and this is confirmed by the custodian bank, the Group Finance Department immediately notifies the Risk Management Department, so that the latter can carry out the assessments within its competence on the need to recognise an impairment on these instruments.

4.6 Financial assets at fair value through profit or loss

Investments in this category are recognised at fair value and the differences (positive or negative) between fair value and carrying amount are recognised through profit or loss.
Information on how the fair value is determined is provided in the section "Fair value measurement criteria – IFRS 13".

There are two further sub-items:
- held-for-trading financial assets, which includes debt securities and equity instruments, mainly listed, credit positions in derivative contracts and structured financial instruments where the embedded derivative would have to be separated if they were classified in a different category;
- financial assets to be recognised at fair value through profit or loss, mainly consisting of assets linked to financial liabilities measured at fair value such as investments related to policies issued by insurance companies where the investment risk is borne by the policyholders and those arising from pension fund management.

Derivatives

Derivatives are initially recognised at the purchase cost representing the fair value and subsequently measured at fair value. Information on how the fair value is determined, is provided in the section "Fair value measurement criteria – IFRS 13".

Derivatives may be acquired for "trading" or "hedging" purposes. For hedging transactions IAS 39 sets out cumbersome and complex rules to assess, by preparing appropriate documentation, the effectiveness of the hedge from the time it is activated and throughout its entire term (hedge accounting).

All derivatives are placed in the category "Financial assets at fair value through profit or loss".

Reclassifications of financial assets – IAS 39

If an available-for-sale financial asset is transferred to the held-to-maturity investments category, the fair value recognised on the date of transfer becomes its new cost or amortisable cost. Any previous gain or loss on this asset that has been recognised directly in equity is recognised through profit or loss throughout the remaining useful life of the investment held to maturity using the effective interest method.

If a financial asset is no longer held for sale or repurchased in the short term (although the financial asset may have been acquired or held mainly for sale or repurchase in the short term), it may be transferred from fair value through profit or loss if the following requirements are met:
- the circumstances are very unusual (IAS 39, paragraph 50B), or
- the asset to be reclassified would have come under "loans and receivables" (if the financial asset had not had to be classified as held for trading when initially recognised) and the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50D).

A financial asset classified as available for sale that would have come under loans and receivables (if it had not been designated as available for sale) may be transferred from "available for sale" to "loans and receivables" if the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50E).
If an entity reclassifies a financial asset from fair value through profit or loss or from "available for sale", it must reclassify the financial asset at its fair value on the date of reclassification and the gain or loss already recognised in the income statement must not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost (IAS 39, paragraphs 50C and 50F).

In the case of a financial asset reclassified from "available for sale", the previous gain or loss on the asset recognised directly in equity must be amortised in the income statement throughout the asset's remaining useful life using the effective interest method.

If the entity has reclassified a financial asset from fair value through profit or loss or from "available for sale", the following is some of the information that must be provided (IFRS 7):

- the amount reclassified from and to each category;
- for each year until it is derecognised, the carrying amount and the fair value of all financial assets reclassified during the current and preceding year;
- whether a financial asset was reclassified in accordance with paragraph 50B of IAS 39, however unusual the situation, and the facts and the circumstances of the unusual situation;
- for the financial year in which the financial asset was reclassified, the fair value gain or loss on the financial asset;
- for each year after reclassification (including the year in which the financial asset was reclassified) until the financial asset is derecognised, the fair value gain or loss that would have been recognised if the financial asset had not been reclassified.

Accounting of structured bonds issued by special purpose vehicles (SPVs)

The Group invests in notes issued by SPVs with rather similar purposes and management methods as those that characterise investments in structured and unstructured bonds, made as part of the ordinary financial management of resources derived from normal business. This financial management is characterised, in relation to the Group's business sector, by a special degree of complexity, which requires, under certain circumstances, the subscription of financial assets with specific characteristics (e.g. in terms of maturity, creditworthiness and payoff) that are not always easy to find on the financial markets. The investment opportunities offered via SPVs also make it possible, owing to their specific nature, to expand the range of financial investments available.

The Group classifies and records the bonds issued by SPVs based on the instructions provided in IAS 39, deeming the circumstance that they have been issued by SPVs irrelevant, in consideration of the fact that the SPV is, in fact, considered merely a technical instrument through which to structure complex financial instruments whose risk/return profile is essentially evaluated by jointly taking into consideration the contracts that govern the notes issued by the SPV, the associated derivative contracts (generally swap agreements) and any other contractual clauses such as financial guarantee or similar clauses, or yet other "ancillary" clauses which may, in theory, make provision, when given conditions are satisfied, for the liquidation of the securities. The SPVs whose bonds are held by the Group in fact, consistently replicate, with the arranger, the positions they assume with noteholders, as the risks or returns of the transaction cannot be retained within it.

Therefore, investments in notes issued by SPVs are accounted for on the basis of IAS 39, with the same criteria applied for the investments in structured and unstructured bonds, with particular regard to the presence of embedded derivatives and valuations regarding any segregation.
In fact, an entity must only consolidate an SPV in the event the entity exercises control over it pursuant to IFRS 10, paragraphs 6 and 7.

The Group, with regard to bonds issued by SPVs in the portfolio at 31 December 2019, does not exercise any form of control over the SPVs, in the sense that it is not able to govern the management process of the SPVs (which, in fact, is defined by the arrangers of the investment transaction in which the Group participates by subscribing the notes and other relevant contracts) and does not obtain any benefits from the SPVs other than those strictly dependent on the formally subscribed financial instrument. The Group holds the notes issued by the SPV and can only dispose of these autonomously, as it does not have the power to dispose of the financial instruments held by the vehicle. It is reasonable to infer, from this, that the Group holds no form of control of the SPVs pursuant to IFRS 10.

In cases where, through the SPV internal segments, which segregate the risks and benefits of issues, the majority of said risks and benefits are transferred to the Group, the consolidation of the segments would lead to the need to replace the debt securities issued by the SPV and subscribed by the Group with a financial asset which, in terms of the associated risks and returns, exactly replicates the financial profile of the notes cancelled as a result of the consolidation.

In fact, the segments consistently replicate, with the arranger, the positions the latter assume with noteholders, as the risks or benefits of the transaction cannot be retained within it. The result is that the financial asset to be recognised due to the consolidation of the segments would have, substantively speaking and therefore for the purposes of classification and measurement pursuant to IAS 39, characteristics identical to those of the notes cancelled as a result of the consolidation of said segment; the result being that, in the case of consolidation of segments in which the risks/benefits of the asset pertain fully to the Group, there would be no substantive effects on the accounting representation of the transaction, essentially confirming the fact that, in effect, the SPVs are technical instruments for realising an investment in financial assets with characteristics which are, for all intents and purposes, equivalent to those of the notes issued by the SPV itself and segregated in the segment.

5 Sundry receivables

Sundry receivables are recognised at their nominal value and subsequently assessed at their estimated realisable value.

The item Sundry receivables includes receivables due within twelve months, in particular Receivables relating to direct insurance business, Receivables relating to reinsurance business and Other receivables, such as trade receivables and tax receivables.

6 Other assets

6.1 Non-current assets or assets of a disposal group held for sale - IFRS 5

This item includes Non-current assets held for sale and any discontinued operations as defined by IFRS 5.

Assets held for sale are recognised at the carrying amount or fair value, whichever is the lower, less costs to sell.

If an investment in a subsidiary consolidated using the line-by-line method is to be sold within the time limit set by IFRS 5, all the assets of the company to be sold are reclassified as “Non-current assets or assets of a disposal group held for sale” in the consolidated statement of financial position (item 6.1 of the Assets) and the liabilities are similarly reclassified under the single item “Liabilities associated with disposal groups” (item 6.1 of the Liabilities). Both items appear in the Consolidated financial statements net of intragroup transactions with the company to be sold.

If a group continues to operate in the business of the company to be sold, income statement items relating to the assets held for sale or disposal groups are recognised in accordance with the normal rules of consolidation on a line-by-line basis.

6.2 Deferred acquisition costs

This item includes acquisition costs for multiyear insurance contracts, paid in advance and amortised on a straight-line basis over the maximum life of the contracts.

6.3 Deferred tax assets - IAS 12

This item includes deferred tax assets based on the deductible temporary differences between the carrying amounts and the amounts for tax purposes of the assets and liabilities of the individual consolidated companies and on the consolidation adjustments. If there are any tax losses, deferred tax assets are also recognised provided there is a probability that taxable income for which they can be used will be available in future.
Deferred taxes are based on the tax rates applied at the end of the year or on the rates that are expected to be applied in the future according to the information available at the end of the financial year.

If assets are revalued solely for tax purposes and relate neither to a revaluation of the carrying amount for a previous year nor to one that is to be carried out in a subsequent year, the tax effects of the adjustment for tax purposes must be recognised in the income statement.

Deferred tax assets and liabilities, distinguished by type of tax, are offset at the level of single Group company or at the consolidated level, within the limits of the scope of the tax consolidation agreement set up by Unipol Gruppo.

6.4 Current tax assets - IAS 12

This item includes assets related to current taxation.

6.5 Other assets

Among other things, this item includes prepayments and accrued income and deferred commission expense for investment contracts with no discretionary participation feature, as these are additional costs incurred to acquire the contract, amortised on a straight-line basis over the whole life of the contract.

7 Cash and cash equivalents - IAS 7

Cash and cash equivalents include cash on hand, cash in current accounts available on demand, and term deposits for periods not exceeding 15 days.

Liabilities

1 Shareholders' equity - IAS 32

1.1.1 Share capital

The item includes the share capital of the consolidating company.

1.1.3 Capital reserves

This item includes in particular the share premium reserve of the company that carries out the consolidation. It includes the direct costs of issuing equity instruments, net of tax, and any commission income, net of tax, received for the sale of option rights not exercised by shareholders.

1.1.4 Income-related and other equity reserves

In addition to the income-related and other equity reserves of the consolidating company, this item includes in particular gains or losses arising from the first-time application of IAS/IFRS (IFRS 1), gains or losses resulting from changes in accounting standards or accounting estimates (IAS 8), equalisation and catastrophe provisions eliminated under IFRS 4, provisions arising from equity-settled share-based payment transactions (IFRS 2) and consolidation reserves.

1.1.5 Treasury shares

This item includes the equity instruments of the undertaking that draws up the consolidated financial statements owned by the undertaking itself and the consolidated companies. The item was negative. The gains or losses resulting from their subsequent sale are recognised as changes in shareholders' equity.

1.1.6 Reserve for foreign currency translation differences

The item includes the exchange rate differences to be charged to shareholders' equity pursuant to IAS 21, whether they arise from transactions in foreign currency or from conversion into the currency of presentation of the financial statements stated in foreign currency.

1.1.7 Gains or losses on available-for-sale financial assets

This item includes gains or losses on available-for-sale financial assets, net of tax and amounts pertaining to policyholders as a result of the application of shadow accounting.

1.1.8 Other gains or losses recognised directly in equity

This item includes, inter alia, gains or losses on cash flow hedges and the revaluation reserves of property, plant and equipment and intangible assets.

2 Provisions - IAS 37

Provisions are made for risks and charges only when they are deemed necessary to meet an obligation arising from a past event and when it is likely that the amount of resources required can be reliably estimated.

3 Technical provisions - IFRS 4

Classification of insurance contracts

According to IFRS 4 insurance contracts are contracts that transfer significant insurance risks. Such contracts may also transfer financial risks.
An insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of the insured event will cause a significant change in the current value of the insurer's net cash flows. Investment contracts are contracts that transfer financial risks but involve no significant insurance risks.
Some insurance and investment contracts may include discretionary participation features.

As for the Non-Life sector, all the policies in the portfolio are classified as insurance contracts.

As regards the Life sector, the principal criteria used for classifying Life products as insurance policies were:

- the presence of a significant insurance risk, i.e. the reasonable possibility that the occurrence of the insured event would give rise to the payment of significant "additional benefits" compared with those that would have been payable if the insured event had not taken place. The criteria for identifying the presence of significant insurance risk are structured as follows:
  a. above 10% the contract is an insurance contract;
  b. under 5% the contract is a financial contract;
  c. between 5% and 10% specific product analyses are carried out
- the presence of options or guarantees, such as the coefficient of conversion into a guaranteed rate annuity.

Some contracts provide for discretionary participation features (DPF) i.e. the policyholder's right to receive a benefit in addition to the guaranteed minimum. The benefit must fulfil specific contractual terms and represent a significant part of the total payments. In particular, contracts subject to revaluation and linked to segregated funds were classified as investment products with DPF and were therefore measured and recognised as insurance contracts.

A contract classified as an insurance contract continues to be an insurance contract until terminated, whereas under certain circumstances an investment contract may be subsequently classified as an insurance contract.

However, the following types of contract were classified as investment contracts with no DPFs. For this reason, according to paragraph 3 of IFRS 4, contracts of this type do not produce premiums but are measured and recognised in accordance with IAS 39:

- index-linked, where the sum insured in the event of death corresponds to the value of the asset plus a small percentage;
- unit-linked, where the sum insured in the event of death corresponds to the NAV plus a small percentage;
- mixed, where funding is specific and the technical rate is zero;
- capital redemption, where funding is specific and the technical rate is zero;
- pension funds with guaranteed benefit when the policy matures or when certain events occur.

In the case of unit-linked products the loading and the acquisition commissions for the asset management service are recognised and amortised separately over the life of the contract. In the case of index-linked policies, which are not managed over time but only administered, these deferments are not necessary.

Non-Life business technical provisions

Premium provision

The direct insurance premium provision is established analytically for each policy using the pro rata temporis method, as provided by paragraph 5 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008 (former ISVAP Regulation no. 16 of 4 March 2008 as amended), on the basis of the gross premiums written less acquisition commissions and the other acquisition costs that are chargeable directly, with the exception of risks included in the Credit class for contracts stipulated or renewed on or before 31 December 1991, for which the calculation criteria provided in Annex 15-bis to the same Regulation no. 22 as amended. In the case of long-term contracts the amount of amortisation for the year is deducted.
Under certain conditions the premium provision also includes the premium provision for unexpired risks, calculated in accordance with the simplified method laid down in paragraph 6 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008, which is based on the expected loss ratio for the year, adjusted on a prospective basis.
The total amount allocated to this provision is sufficient to meet costs arising from the portion of risk pertaining to subsequent years.
The reinsurers' share of the premium provisions is calculated by applying to the premiums ceded the same criteria as those used for calculating the premium for direct insurance business provision.

Ageing provision

The ageing provision, intended to cover the deterioration of the risk as the age of the policyholders rises, is calculated on the basis of the flat-rate method provided for by Art. 44, paragraph 3 of Annex no. 15 of ISVAP Regulation no. 22 of 4 April 2008 as amended, to the extent of 10% of the gross premiums written of the year pertaining to contracts having the characteristics given under paragraph 43, paragraph 1 of the Annex.

Claims provision

The direct claims provision is ascertained analytically by estimating the presumed cost of all the claims outstanding at the end of the year and on the basis of prudent technical valuations carried out with reference to objective elements, in order to ensure that the total amount set aside is enough to meet the claims to be settled and the relative direct expenses and settlement expenses.

The figures ascertained in this way were analysed and checked by Head Office. Subsequently, in order to take account of all reasonably foreseeable future charges, actuarial-statistical methods are used to determine the final level of the claims provision.
The claims provision also includes the amounts set aside for claims incurred but not reported, based on past experience of IBNR for previous years.
The reinsurers' share of the claims provision reflects the sums recovered from them to meet the reserves, the amounts being laid down in the individual policies or in the contracts.

Provision arising from the adequacy test for Non-Life technical provisions

The Non-Life technical provisions have been subjected to the test provided for by IFRS 4 (Liability Adequacy Test - LAT).

In order to monitor the adequacy of the premium provision, the supplementary provision for Unexpired Risks is calculated for each individual company and class of business using the simplified method provided for in paragraph 6 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008. As claims for the year are measured at final cost and not discounted, future payment flows can be deemed to have implicitly taken place (LAT on the claims provision).

Life business technical provisions

The amount recognised is calculated in accordance with the provisions of Art. 36 of Italian Legislative Decree 209 of 7 September 2005 (Insurance Code) and Annex no. 16 of ISVAP Regulation no. 22 of 4 April 2008 (former ISVAP Regulation no. 21 of 28 March 2008, as amended).

Mathematical provisions

The mathematical provision for direct insurance is calculated analytically for each contract on the basis of pure premiums, with no deductions for policy acquisition costs, and by reference to the actuarial assumptions (technical interest rates, demographic models of death or disability) used to calculate the premiums on existing contracts. The mathematical provision includes the portion of pure premiums related to the premiums accrued during the year. It also includes all the revaluations made under the terms of the policy
and is never less than the surrender value. In accordance with the provisions of Art. 38 of Italian Legislative Decree 173/1997, technical provisions, which are set up to cover liabilities deriving from insurance policies where the yield is based on investments or indices for which the policyholder bears the risk, and provisions arising from pension fund management, are calculated by reference to commitments made under these policies and to the provisions of Art. 41 of Italian Legislative Decree 209 of 7 September 2005.

Under Art. 38, paragraph 3, of Italian Legislative Decree 173/1997, the mathematical provision includes provisions set up to hedge the risk of mortality in insurance contracts in Class III (as laid down in Art. 2, paragraph 1, of Italian Legislative Decree 209 of 7/9/2005), which provide a benefit should the insured party die during the term of the contract.
In the case of insurance contracts in Class III and VI the mathematical provision also includes the provisions set up to fund guaranteed benefits on maturity or when certain events occur (as laid down in Art. 2, paragraph 1, of Italian Legislative Decree 209 of 7/9/2005). The mathematical provision also includes an additional provision for demographic risk. To this regard, it was decided to add to the provisions to be set up to cover commitments undertaken with the policyholders, in compliance with Annex 14, paragraph 36 of ISVAP Regulation no. 22 of 4 April 2008 after having verified a variance between the demographic bases used to calculate the principals forming the annuities and table A62 prepared by ANIA.

Furthermore, an additional provision was set up to cover the possible variance between the expected rates of return on the assets held as a hedge against the technical provisions and commitments by way of levels of financial guarantees and adjustments made to the benefits provided under the policies.

As laid down in Art. 36, paragraph 3, of Italian Legislative Decree 209 of 7 September 2005, the provision for amounts payable includes the total amount needed to cover payment of benefits that have fallen due but not so far been paid, surrendered policies and claims not yet paid.

Other technical provisions consist almost entirely of amounts set aside for operating expenses and are calculated on the basis of the provisions of paragraph 17 of Annex 14 of ISVAP Regulation no. 22 of 4 April 2008.

The liability adequacy test required by IFRS 4 was also carried out to verify that the technical provisions are adequate to cover the present value of future cash flows related to insurance contracts.
The test was performed by projecting the cash flows and taking into account the following elements:
- guaranteed services by guarantee line, projected on the basis of contractual conditions;
- trend in the existing portfolio relating to recurring payment aspects, expiry of contracts, policyholder mortality and propensity to redemption;
- costs and revenues associated with portfolio management and liquidation.

Provision for shadow accounting

The shadow accounting technique set out in IFRS 4 enables the unrealised losses and/or gains on the underlying assets to be recognised as technical provisions for insurance or investment contracts that offer discretionary participation features as if they had been realised. This adjustment is recognised in the shareholders' equity or the income statement depending on whether the losses or gains in question are recognised in the shareholders' equity or the income statement.

Net losses are recognised in the provision for deferred financial liabilities to policyholders only after the guaranteed minimum has been reached, otherwise the company continues to bear them in full. Losses are quantified using a financial prospective method in line with Annex 14, paragraph 32 of ISVAP Regulation no. 22 of 4 April 2008, amended and supplemented by IVASS measure no. 53 of 6 December 2016.

Applying shadow accounting enables the value mismatch between technical provisions and related assets to be mitigated and is therefore deemed to be more representative of the economic substance of the transactions in question.

4 Financial liabilities - IAS 39

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

4.1 Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subdivided into two further sub-items:
- held-for-trading financial liabilities, which include negative items on derivatives;
- financial liabilities to be measured at fair value through profit or loss, which include the financial liabilities relating to contracts issued by insurance companies where the investment risk is borne by the policyholders, when the insurance risk is not significant, and where there is no discretionary participation feature.

4.2 Other financial liabilities

This item includes deposits received from reinsurers, debt securities issued, financial liabilities for future payments to lessors following the recognition of right of use on property, plant and equipment in application of IFRS 16, other loans obtained and liabilities on Life policies with a financial content where the insurance risk is not significant and there is no discretionary participation feature (some types of product matched by specific funding).

5 Payables

Payables includes Payables arising from direct insurance business, Payables arising from reinsurance business and Other payables, such as trade payables, payables for policyholders' tax due, payables for post-employment benefits, sundry tax payables and social security charges payable.

Payables are recognised at their nominal value.

Employee benefits - IAS 19

Post-employment benefits accrued by 31 December 2006 that were not transferred to external bodies in accordance with the provisions of Italian Legislative Decree 252/05 on supplementary pension schemes come under the category of employee benefits classified as a defined benefits plan. The amount due to employees is therefore calculated using actuarial techniques and discounted at the reporting date, using the "Projected unit credit method" (a method based on benefits accrued in proportion to length of employment).
The same method is used to establish the effects of other defined benefits for employees for the post-employment period.

Actuarial gains and losses relating to obligations deriving from defined benefit plans are recorded under Other comprehensive income (expense).
Future cash flows are discounted on the basis of the market yield curve, recorded at the end of the year, for corporate bonds issued by issuers with high credit standing.

The service cost and net interest are recognised in the Income statement.

Net interest is calculated by applying to the net value of liabilities for defined benefits existing at the start of the year the one-year interest rate taken from the yield curve used to discount the liability at the end of the previous year.

6 Other liabilities

6.1 Liabilities associated with disposal groups - IFRS 5

Please see above for the corresponding asset item.

6.2 Deferred tax liabilities - IAS 12

Deferred tax liabilities are recognised whenever there is a taxable temporary difference, except in the cases provided for in paragraph 15 of IAS 12.
Deferred tax liabilities must be measured using the tax rates that are expected to apply during the year in which the tax liability will be paid off, based on the ruling tax rates (and tax legislation) or those in force at the reporting date.
If tax rates change, despite being prior year items, the deferred taxes recalculated in accordance with the new rates are recognised under Income tax in the income statement or under equity reserves to which the temporary variations in question apply.

With regard to the offsetting of deferred tax assets and liabilities, reference should be made to the previous paragraph "6.3 Deferred tax assets - IAS 12" in the section on Assets.

6.3 Current tax liabilities

This item includes current tax payables.

6.4 Other liabilities

This item includes, inter alia, accrued expense and deferred income, accruals for commissions on premiums under collection and deferred commission income related to investment contracts with no discretionary participation feature required in advance for the contract-administration service or for the investment-management service, amortised on a straight-line basis over the life of the contract or, in the case of whole-life contracts, over the "expected" life of the contract.

Income Statement

1 Revenue and income

1.1 Net premiums

This item includes the premiums related to insurance contracts and financial instruments that include discretionary participation features, net of reinsurance.
Premiums are recognised at the time they are due. The total for the year is obtained by adding the premium provision.

1.2 Commission income

This item includes commission income for financial services provided. It includes fees pertaining to the year related to Life assurance contracts classified as financial liabilities. In the case of unit-linked policies, in particular, acquisition fees for the asset management service provided have been recognised and deferred throughout the term of the contract.

1.3 Gains and losses on financial instruments at fair value through profit or loss

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

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

This item includes investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

1.5 Gains on other financial instruments and investment property

This item includes gains on investments that do not come under the previous two categories. It mainly includes interest income on Loans and receivables and on securities classified as available-for-sale financial assets and held to maturity, other investment income, including dividends and rental income from investment property, and realised gains on the sale of financial assets or liabilities and investment property.

1.6 Other revenue

This item includes income arising from the sale of goods, the provision of services other than those of a financial nature and the use by third parties of the company's property, plant and equipment and other assets. It also includes other net technical income on insurance contracts, exchange rate differences allocated to the income statement as per IAS 21, realised gains and reversals of impairment losses on property, plant and equipment and other assets.

2 Costs and expenses

2.1 Net charges relating to claims

This item includes the amounts paid during the year for claims, matured policies and surrendered policies, as well as the amount of the changes in technical provisions related to contracts that fall within the scope of IFRS 4, net of amounts recovered and outwards reinsurance.

2.2 Commission expense

This item includes commission expense for financial services received. It includes commissions on Life assurance contracts classified as financial liabilities. In particular, acquisition commissions paid for the placement of unit-linked policies are amortised throughout the term of the contract to meet deferred acquisition loadings.

2.3 Losses on investments in subsidiaries, associates and interests in joint ventures

This item includes losses on investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

2.4 Losses on other financial instruments and investment property

This item includes losses from investment property and financial instruments other than investments and financial instruments classified as "Assets at fair value through profit or loss". It mainly includes interest expense on financial liabilities, other investment expense, costs relating to investment property such as condominium expenses and maintenance expenses that do not increase the value of the investment property, losses realised as a result of the derecognition of financial assets or liabilities and investment property, depreciation and impairment losses.

2.5 Operating expenses

This item includes commissions and other acquisition costs relating to insurance contracts, investment management expenses, other administrative expenses, and depreciation and amortisation (overheads and personnel expenses that are not allocated to losses relating to claims, insurance contract acquisition expenses or investment management expenses).

2.6 Other costs

This item mainly includes other net technical charges relating to insurance contracts, additional amounts set aside during the year, exchange rate differences to be allocated to the income statement under IAS 21, realised losses and depreciation and amortisation relating to property, plant and equipment and intangible assets, not allocated to other cost items.

3 Income tax for the year

For the 2018-2020 three-year period, UnipolSai has opted for the Group tax regime regulated by Art. 117 et seq. of Italian Presidential Decree no. 917/86, under the tax consolidating company Unipol Gruppo, together with its own subsidiaries that meet the regulatory requirements.
An agreement was signed between the consolidating company and the respective consolidated companies, regulating the financial and procedural aspects governing the option in question.

Tax for the year is calculated according to current tax regulations and recognised among costs for the year. It represents:
- the charges/income for current taxes;
- the amounts of deferred tax assets and liabilities arising during the year and usable in future years;
- for the portion due for the year, the deduction of deferred tax assets and liabilities generated in previous years;

Deferred tax assets and liabilities are calculated on the basis of the temporary differences (arisen or deducted during the year) between the profit (loss) for the year and the taxable income and on the consolidation adjustments.
IRAP for the year is also recognised under Income tax.

Foreign currency transactions - IAS 21

Items expressed in foreign currencies are treated in accordance with the principles of multicurrency accounting.
Monetary elements in foreign currency (units of currency owned and assets or liabilities that must be received or paid in a fixed or ascertainable number of units of currency) are translated using the exchange rate applicable at the end of the year.
Non-monetary elements measured at historical cost in foreign currency are translated using the exchange rate applicable on the date of the transaction.
Non-monetary elements measured at fair value in a foreign currency are translated using the exchange rates applicable on the date on which the fair value is determined.
Exchange rate differences arising from the settlement of monetary elements are recognised in the income statement.
Exchange rate differences arising when non-monetary elements are measured are allocated to the profit (or loss) for the year or to other comprehensive income (expense) depending on whether the profit (or loss) to which they relate is recognised in the profit (loss) for the year or in other comprehensive income (expense), respectively.

Share-based payments - IFRS 2

The Group pays additional benefits to senior executives under a closed share-based compensation plan under which Unipol Ordinary shares and UnipolSai Ordinary shares are granted if specific targets are achieved (Performance shares). As laid down by IFRS 2 – Share-based payments, these plans form part of the beneficiaries' remuneration. The charge must be recognised through profit or loss, with a balancing item - for UnipolSai Ordinary shares only - recognised directly in equity (Reserve arising from equity-settled share-based payment), on the basis of the fair value of the instruments allocated on the grant date, the charge being spread over the period provided for in the scheme.

Earnings per share - IAS 33

Basic earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in the UnipolSai by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in UnipolSai by the weighted average number of any additional ordinary shares that would be outstanding if all the potential ordinary shares with dilutive effect were converted. If the result is negative, the loss (basic and diluted) per share is calculated.

Use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
It is believed that the assumptions made are appropriate and, therefore, that the financial statements have been drafted clearly and give a true and fair view of the statement of financial position, income statement and statement of cash flows.
In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the case in question, based on all available information. However, we cannot exclude that changes in these estimates and assumptions may have a significant effect on the statement of financial position

and income statement as well as on the potential assets and liabilities reported in the financial statements for disclosure purposes, if different elements emerge with respect to those considered originally.

The estimates mainly concern:
- Life and Non-Life technical provisions;
- assets and liabilities measured at fair value (particularly for level 2 and 3 financial instruments);
- the analyses targeted at identifying any impairment of intangible assets (e.g. goodwill) booked to the financial statements (impairment test);
- the quantification of provisions for risks and charges and provisions for employee benefits.

For information on the methods used to determine the items in question and the main risk factors, please refer to the sections containing a description of the measurement criteria.

Fair value measurement criteria - IFRS 13

IFRS 13 provides guidelines to the measurement at fair value of financial instruments and non-financial assets and liabilities already required or permitted by other accounting standards (IFRS). This standard:
a) defines fair value;
b) groups into a single accounting standard the rules for measuring fair value;
c) enriches financial statement information.

The standard defines *fair value* as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (*exit price*).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:
- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a fair value hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure fair value.

IFRS 13 governs the fair value measurement and the associated disclosure also for assets and liabilities not measured at fair value on a recurring basis in the Statement of financial position. For these assets and liabilities, fair value is calculated for financial statement disclosure purposes. It should also be noted that since said assets and liabilities are not generally exchanged, the calculation of their fair value is based primarily on the use of internal parameters not directly observable on the market, with the sole exception of listed securities classified as “Held-to-maturity investments”.

Fair value measurement criteria

The table below summarises the methods to calculate the *fair value* for the different macro categories of financial instruments, receivables and property.

		Mark to Market	Mark to Model and other
Financial Instruments	Bonds	CBBT contributor - Bloomberg Other contributor - Bloomberg	Mark to Model Counterparty valuation
	Listed shares and investments, ETFs	Reference market	
	Unlisted shares and investments		DCF DDM Multiples
	Listed derivatives	Reference market	
	OTC derivatives		Mark to Model
	UCITS	Net Asset Value	
Receivables			Trade receivables (Mark to Model) Other receivables (carrying amount)
Property			Appraisal value

In compliance with IFRS 13, the market price is used to determine the *fair value* of financial instruments, in the case of instruments traded in liquid and active markets (Mark to Market).

"Liquid and active market" means:
– the regulated market in which the instrument subject to measurement is traded and regularly listed;
– the multilateral trading system (MTF) in which the instrument subject to measurement is traded or regularly listed;
– listings and transactions performed on a regular basis, i.e. high-frequency transactions with a low bid/*offer spread*, by an authorised intermediary (hereinafter "contributor").

In the absence of available prices on a liquid active market, valuation methods are used which maximise the use of observable parameters and minimise the use of non-observable parameters. These methods can be summarised in Mark to Model valuations, valuations by counterparty or valuations at the carrying amount in connection with some non-financial asset categories.

Mark to Market valuations

With reference to shares, listed investments, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the market.

For bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:
- the primary source is the CBBT price provided by data provider Bloomberg;
- where the price referred to the previous point is unavailable, an internal scoring model is used, which makes it possible to select liquid and active contributors on the basis of pre-defined parameters.

For UCITS the *Net Asset Value* is the source used.

Mark to Model valuations

The Group uses valuation methods (Mark to Model) in line with the methods generally used by the market.

The objective of the models used to calculate the fair value is to obtain a value for the financial instrument consistent with the assumptions that market participants would use to quote a price, assumptions that also concern the risk inherent in a particular valuation technique and/or in the inputs used. To ensure the correct Mark to Model valuation of each category of instrument, adequate and consistent valuation models must be defined beforehand as well as reference market parameters.

The list of the main models used within the UnipolSai Group for Mark to Model pricing of financial instruments is provided below:

Securities and interest rate derivatives
- Discounted cash flows;
- Black;
- Black-Derman-Toy;
- Hull & White 1, 2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

Securities and inflation derivatives
- Discounted cash flows;
- Jarrow-Yildirim.

Securities and share, index and exchange rate derivatives
- Discounted cash flows;
- Black-Scholes.

Securities and credit derivatives
- Discounted cash flows;
- Hazard rate models.

The main observable market parameters used to perform Mark to Model valuations are as follows:
- interest rate curves for reference currency;
- interest rate volatility surface for reference currency;
- CDS spread or Asset Swap spread curves of the issuer;
- inflation curves for reference currency;
- reference exchange rates;
- exchange rate volatility surface;
- share or index volatility surface;
- share reference prices;
- reference inflation curves.

The main non-observable market parameters used to perform Mark to Model valuations are as follows:
- correlation matrices between exchange rates and risk factors;
- historical volatility;
- benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or CDS curves are unavailable;
- credit risk parameters such as the recovery rate;
- delinquency or default rates and prepayment curves for ABS-type financial instruments.

With reference to bonds in those cases when, even on the basis of the results of the Scoring Model, it is not possible to measure an instrument using the Mark to Market method, the fair value is obtained on the basis of Mark to Model type valuations. The different valuation models referred to above are chosen according to the instrument characteristics.

For OTC derivative contracts, the models used are consistent with the risk factor underlying the contract. The fair value of OTC interest rate derivatives and OTC inflation-linked derivatives is calculated on the basis of Mark to Model type valuations, acknowledging the rules set in IFRS 13.
As regards derivatives on which a collateralisation agreement is provided (Credit Support Annex) between the companies of the UnipolSai Group and the authorised market counterparties, the EONIA (Euro OverNight Index Average) discount curve is used.
As regards uncollateralised derivatives, CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments are made. It should be noted that, at 31 December 2018, almost all derivative positions represented collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

As regards unlisted shares and investments for which a market price or an appraisal by an independent expert is not available, the valuations are performed mainly on the basis of (i) equity methods, (ii) methods based on the discounting of future profit or cash flows, i.e. Discounted Cash Flow (DCF) or Dividend Discount Model (DDM), (the so-called "excess capital" version) (iii) if applicable, methods based on market multiples.

As regards unlisted UCITS, Private Equity Funds and Hedge Funds, the fair value is calculated as the Net Asset Value at the financial statement date provided directly by the fund administrators.

With reference to properties, the fair value is measured on the basis of the appraisal value provided by independent experts, in compliance with current legal provisions.

Counterparty valuations

For financial assets and liabilities which do not fall into the categories of instruments valued on a Mark to Market basis and for which there are no consistent and validated valuation models available for the purposes of measuring *fair value*, the valuations provided by the counterparties that could be contacted to liquidate the position are used.

Unique characteristics of the fair value measurement for structured bonds and SPV structured bonds

Bond issues that incorporate a derivative contract which modifies the cash flows generated by the host contract are considered structured bonds. The measurement of structured bonds requires the representation and separate valuation of the host contract and of embedded derivative contracts.
The measurement of structured bonds makes use of models consistent with the breakdown into elementary components (host contract and embedded derivatives) and with the risk factor underlying said contract.
For structured bonds, the valuation of elementary components follows the criteria defined above for the calculation of fair value, which makes provision for use of Mark to Market valuation if available, or of the Mark to Model approach or counterparty price in the case in which the Mark to Market-type price is not available.
Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the arranger of the transaction) are considered SPV structured bonds. The measurement of SPV structured bonds requires the representation and separate valuation of the following elements:

- collateral issue of the vehicle;
- interest rate swap agreement between the vehicle and arranger;
- any other optional components or CDS agreements included in the vehicle.

For SPV structured bonds the valuation of collateral follows the criteria defined previously for the calculation of the fair value, which makes provision for the use of the Mark to Market approach if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
The valuation of the interest rate swap agreement provides for the discounting of future cash flows on the basis of the different discount curves, based on the existence or not of a collateralisation agreement (Credit Support Annex) between the vehicle and swap counterparty. In particular, if the derivative contract is collateralised using available securities included in the SPV's assets, the future cash flows of the interest rate swap agreement are discounted using the EONIA discount curve; while if there is no collateralisation agreement, use is made of CVA (Credit Valuation Adjustment), DVA (Debit Valuation Adjustment) and FVA (Funding Valuation Adjustment), as appropriate.

Criteria for determining the fair value hierarchies

Assets and liabilities measured at fair value are classified on the basis of the hierarchy defined by IFRS 13. This classification establishes a fair value hierarchy based on the degree of discretionary power used, giving priority to the use of observable market parameters, as these are representative of the assumptions that market participants would use in the pricing of assets and liabilities.

Assets and liabilities are classified on the basis of the criterion used to determine fair value (Mark to Market, Mark to Model, Counterparty) and on the basis of the observability of the parameters used, in the case of the Mark to Model valuation:

- Level 1: this category includes assets and liabilities valued on a Mark to Market basis, with CBBT price source and with contributor prices that meet the minimum requirements able to ensure that these prices can be applied to active markets;
- Level 2: this category includes assets and liabilities valued on a Mark to Market basis, but which cannot be classified in the previous category, and assets the fair value of which is obtained with a consistent pricing model with observable market parameter inputs;
- Level 3: this category includes assets and liabilities for which the variability of the estimate of the pricing model may be significant due to the complexity of the pay-off or, if a consistent and validated model is available, the parameters needed for the valuation are not observable. This category also includes bonds which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible. Lastly, this category also includes loans and investment property.

Fair value measurement on a recurring basis

<u>Process for fair value measurement on a recurring basis</u>

The measurement of financial instruments is a preliminary activity for risk monitoring, integrated asset and liability management and the drafting of the financial statements for the year.
The fair value measurement of financial instruments on a recurring basis is structured into different stages and is carried out, in compliance with the principles of separateness, independence and responsibility of the departments, at the same time, and independently, by the Finance Department and the Risk Management Department of Unipol Gruppo, using the measurement criteria defined in the previous paragraph.

When the independent valuations of financial assets and liabilities have been carried out by the two Departments involved in the pricing process, a check is performed for significant deviations, which refer to deviations of more than 3% in terms of absolute value. In the event of deviations of more than 3%, the reasons for the differences identified are analysed and, when the outcomes of the comparison are known, the price to be used for financial statement valuation purposes is determined.

<u>Fair value measurement on a recurring basis through non-observable parameters (Level 3)</u>

The classification of financial assets and liabilities at Level 3 adheres to a prudential approach; this category mainly includes the following types of financial instruments:

- unlisted equity instruments or investments for which a market price or an appraisal drafted by an independent expert is not available; valuations are performed on the basis of the methods indicated previously;
- shares in private equity funds, hedge funds and unlisted UCITS units for which information on the financial instruments held in the relative portfolios is not available and which could, as such, include financial instruments valued on a Mark to Model basis using non-observable parameters;
- bonds valued on a Mark to Model basis using non-observable parameters (correlations, benchmark spread curves, recovery rate);
- bonds valued with a counterparty price on a Mark to Model basis using non-observable parameters;
- ABS type bonds for which a Mark to Market valuation is not available;
- derivative instruments valued on a Mark to Model basis using non-observable parameters (correlations, volatility, dividend estimates);

- bonds which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible.

Fair value measurement on a non-recurring basis in compliance with the disclosure requirements of other standards

Consistent with the provisions of IFRS 13, fair value is measured also for assets and liabilities not measured at fair value on a recurring basis in the Statement of financial position and when the disclosure on fair value has to be provided in the Notes to the financial statements in compliance with other international accounting standards. Since these assets and liabilities are usually not exchanged, the calculation of their fair value is based primarily on the use of internal parameters not directly observable on the market. This category mainly includes the following types of financial instruments:

- bond issues valued on a Mark to Market basis (level 1);
- bond issues and loans valued on a Mark to Model basis using non-observable parameters (benchmark spread curves) (level 3);
- short-term payables with a duration of less than 18 months and Certificates of Deposit at amortised cost (level 3);
- impaired loans and receivables from bank customers measured at amortised cost, net of analytical valuations (level 3);
- other receivables valued at carrying amount (level 3);
- investment property valued on the basis of the appraisal value determined by independent experts in compliance with the provisions of the applicable legislation. The approach to assigning appraisal mandates is based on the non-exclusive assignment of assets; there is usually a three-year rotation in the assignment of experts.

3. Notes to the Statement of Financial Position

Comments and further information on the items in the statement of financial position and the changes that took place compared to balances at 31 December of the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the statement of financial position).

In application of IFRS 5, assets and liabilities held for sale are shown respectively under items 6.1 in Assets and 6.1 under Liabilities. As regards Non-current assets or assets of a disposal group held for sale, please refer to Chapter 5 Other information, paragraph 5.5, for more information on their composition and measurement criteria.

ASSETS

1. Intangible assets

Amounts in €m	31/12/2019	31/12/2018	*var. in amount*
Goodwill	507.9	464.6	*43.3*
resulting from business combinations	507.7	464.4	*43.3*
resulting from other	0.2	0.2	
Other intangible assets	385.2	370.8	*14.4*
portfolios acquired under business combinations	90.3	127.4	*(37.1)*
software and licenses	276.5	226.1	*50.5*
other intangible assets	18.3	17.3	*1.0*
Total intangible assets	893.0	835.4	*57.7*

1.1 Goodwill

This item, equal to €507.9m (€303.3m of which relating to the Non-Life business and €204.5m relating to the Life business) includes €464.6m from goodwill resulting from business combinations in previous years and €43.3m from goodwill recognised during the year following the acquisition of Car Server, calculated provisionally as permitted by IFRS 3. Reference should be made to the Basis of presentation, "Information about business combinations" section, of these Notes for further details of the accounting method for the Car Server acquisition.

Goodwill with an indefinite useful life recorded in the financial statements was tested for impairment in accordance with the procedure specifically approved by UnipolSai's Board of Directors. For information on the criteria used for the tests, please refer to paragraph 5.13 of Chapter 5 of this document, "Other information".

1.2 Other intangible assets

This item amounted to €385.2m (€370.8m in 2018) and consisted of:

- the residual value of the Life and Non-Life portfolios acquired as a result of business combinations and equal to €90.3m (€127.4m in 2018), the change in which, amounting to -€37.1m, is due to the decrease in amortisation for the year on the Non-Life (€20.3m) and Life portfolios (€16.8m);
- costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €276.5m (€226.1m in 2018);
- other intangible assets amounting to €18.3m (€17.3m at 31/12/2018).

2. Property, plant and equipment

At 31 December 2019 Property, plant and equipment, net of accumulated depreciation, amounted to €2,411.5m (€1,813.6m in 2018), €1,561.1m of which was Properties for own use (€1,564.1m in 2018) and €850.4m was Other tangible assets (€249.5m in 2018).

Properties for own use

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2018	1,869.4	(305.3)	1,564.1
Increases	99.9		99.9
Decreases	(77.0)		(77.0)
Depreciation for the year		(41.9)	(41.9)
Other changes in provisions		15.9	15.9
Balance at 31/12/2019	1,892.3	(331.3)	1,561.1

The increases refer to purchases, incremental expenses and to assets measured using the financial method pursuant to IFRS 16.
The decreases include write-downs for €16.6m.
The current value of properties for own use, €1,701.3m, was based on independent expert appraisals.

Other tangible assets

Amounts in €m	Office furniture and machines	Movable assets entered in public registers	Plant and equipment	Other	Total
Balance at 31/12/2018	323.1	4.7	347.3	11.2	686.3
Increases	54.1	1,078.7	48.5	3.1	1,184.4
Decreases	(2.2)	(87.3)	(29.4)	(1.7)	(120.8)
Balance at 31/12/2019	375.0	996.0	366.4	12.6	1,749.9
Accumulated depreciation at 31/12/2018	262.2	3.3	171.2	0.2	436.9
Increases	42.2	427.1	32.6	0.1	502.1
Decreases	(2.2)	(12.7)	(24.5)	(0.1)	(39.5)
Accumulated depreciation at 31/12/2019	302.2	417.7	179.3	0.2	899.5
Net amount at 31/12/2018	60.9	1.4	176.1	11.1	249.5
Net amount at 31/12/2019	72.8	578.2	187.1	12.4	850.4

The increases in gross assets and accumulated depreciation include the values recognised on the acquisition of Car Server, respectively €982.6m and €396.6m, for a net value of €585.9m.

3. Technical provisions - Reinsurers' share

The balance of this item was €989.6m, an increase of €7.6m compared with 2018. Details are set out in the appropriate appendix.

4. Investments

At 31 December 2019, total Investments (Investment property, Equity investments and Financial assets) amounted to €64,060.7m (€57,128.6m in 2018).

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Investment property	2,063.2	*3.2*	2,071.1	*3.6*	*(0.4)*
Investments in subsidiaries, associates and interests in joint ventures	169.2	*0.3*	341.0	*0.6*	*(50.4)*
Financial assets (excluding those at fair value through profit or loss)	54,362.6	*84.9*	48,511.0	*84.9*	*12.1*
Held-to-maturity investments	*454.6*	*0.7*	*459.6*	*0.8*	*(1.1)*
Loans and receivables	*4,766.7*	*7.4*	*4,313.1*	*7.5*	*10.5*
Available-for-sale financial assets	*48,854.5*	*76.3*	*43,446.0*	*76.0*	*12.4*
Held-for-trading financial assets	*286.8*	*0.4*	*292.2*	*0.5*	*(1.8)*
Financial assets at fair value through profit or loss	7,465.6	*11.7*	6,205.5	*10.9*	*20.3*
Total Investments	64,060.7	*100.0*	57,128.6	*100.0*	*12.1*

4.1 Investment property

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2018	2,336.2	(265.1)	2,071.1
Increases	267.5		267.5
Decreases	(243.7)		(243.7)
Depreciation for the year		(34.3)	(34.3)
Other changes in provisions		2.7	2.7
Balance at 31/12/2019	2,359.9	(296.7)	2,063.2

The increases refer primarily to purchases and incremental expenses.
The decreases refer to sales of €209.2m and to net write-downs of €17.6m; the residual mainly refers to class transfers.
The current value of Investment property, €2,239.9m, was based on independent expert appraisals.

4.2 Investments in subsidiaries, associates and interests in joint ventures

At 31 December 2019, investments in subsidiaries, associates and interests in joint ventures amounted to €169.2m (€341.0m in 2018).

Financial assets - items 4.3, 4.4, 4.5 and 4.6 (excluding Financial assets at fair value through profit or loss)

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Held-to-maturity investments	**454.6**	***0.8***	**459.6**	***0.9***	***(1.1)***
Listed debt securities	422.6		427.6		*(1.2)*
Unlisted debt securities	32.0		32.0		*(0.0)*
Loans and receivables	**4,766.7**	***8.8***	**4,313.1**	***8.9***	***10.5***
Unlisted debt securities	3,471.4		3,409.9		*1.8*
Deposits with ceding companies	62.9		32.7		*92.3*
Other loans and receivables	1,232.5		870.5		*41.6*
Available-for-sale financial assets	**48,854.5**	***89.9***	**43,446.0**	***89.6***	***12.4***
Equity instruments at cost	4.8		8.8		*(45.3)*
Listed equity instruments at fair value	744.4		589.6		*26.3*
Unlisted equity instruments at fair value	197.3		196.7		*0.3*
Listed debt securities	44,589.3		39,594.9		*12.6*
Unlisted debt securities	407.3		467.3		*(12.8)*
UCITS units	2,911.4		2,588.8		*12.5*
Held-for-trading financial assets	**286.8**	***0.5***	**292.2**	***0.6***	***(1.8)***
Listed equity instruments at fair value	3.0		4.3		*(29.9)*
Listed debt securities	90.6		93.4		*(2.9)*
Unlisted debt securities	3.5		24.7		*(86.0)*
UCITS units	6.1		9.4		*(35.1)*
Derivatives	183.6		160.5		*14.4*
Total financial assets	**54,362.6**	***100.0***	**48,511.0**	***100.0***	***12.1***

Details of Financial assets at fair value through profit or loss by investment type:

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Financial assets at fair value through profit or loss	**7,465.6**	***100.0***	**6,205.5**	***100.0***	***20.3***
Listed equity instruments at fair value	164.6	*2.2*	179.6	*2.9*	*(8.4)*
Listed debt securities	4,374.4	*58.6*	3,494.4	*56.3*	*25.2*
Unlisted debt securities	2.3	*0.0*	1.3	*0.0*	*73.6*
UCITS units	2,576.4	*34.5*	2,195.7	*35.4*	*17.3*
Other financial assets	347.9	*4.7*	334.5	*5.4*	*4.0*

For information on fair value, reference should be made to paragraph 5.7 of Section 5 "Other information" of these Notes to the financial statements.

5. Sundry receivables

Amounts in €m	31/12/2019	% comp.	31/12/2018	% comp.	% var.
Receivables relating to direct insurance business	1,456.2	*46.2*	1,365.5	*47.6*	*6.6*
Receivables relating to reinsurance business	260.8	*8.3*	137.3	*4.8*	*90.0*
Other receivables	1,435.8	*45.5*	1,366.4	*47.6*	*5.1*
Total sundry receivables	**3,152.7**	***100.0***	**2,869.1**	***100.0***	***9.9***

The item Other receivables included:

- €648.6m related to tax receivables (€460.5m at 31/12/2018);
- substitute tax receivables on the mathematical provisions totalling €302.6m (€296.1m at 31/12/2018);
- €212.5m related to trade receivables (€143.5m at 31/12/2018);
- payments made as cash collateral against financial derivative payables totalling €166.8m (€195.8m at 31/12/2018);

In relation to the receivable from Avvenimenti e Sviluppo Alberghiero Srl (a wholly-owned subsidiary of Im.Co.) totalling €103.2m before the value adjustments (of which €101.7m as advances paid by the former Milano Assicurazioni pursuant to a contract for the purchase of future property pertaining to a property complex in Rome, Via Fiorentini), already significantly written down in previous years, note that on 31 December 2019 this receivable was fully written down. Though possible recovery initiatives may still be adopted, with effect from 2019, in fact, further value adjustments were made for €11.4m, equal to the net carrying amount of the receivable at 31 December 2018.

6. Other assets

Amounts in €m	31/12/2019	% comp.	31/12/2018	% comp.	% var.
Non-current assets or assets of a disposal group held for sale	189.2	*20.5*	536.7	*34.8*	*(64.7)*
Deferred acquisition costs	101.2	*11.0*	98.1	*6.4*	*3.2*
Deferred tax assets	127.3	*13.8*	465.4	*30.2*	*(72.6)*
Current tax assets	3.5	*0.4*	22.9	*1.5*	*(84.8)*
Other assets	503.0	*54.4*	417.2	*27.1*	*20.6*
Total other assets	**924.3**	***100.0***	**1,540.3**	***100.0***	***(40.0)***

The item Deferred tax assets is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in Deferred tax liabilities, as described in Chapter 2 Main accounting standards.
The item "Other assets" includes, *inter alia*, deferred commission expense on contracts not included in the scope of application of IFRS 4 and other accruals and deferrals.

7. Cash and cash equivalents

At 31 December 2019, Cash and cash equivalents amounted to €747.1m (€1,025.1m at 31/12/2018).

LIABILITIES

1. Shareholders' equity

Movements in shareholders' equity recognised during the year with respect to 31 December 2018 are set out in the attached Statement of Changes in Shareholders' equity.

1.1. Shareholders' Equity attributable to the owners of the Parent

Shareholders' equity, excluding non-controlling interests, is composed as follows:

Amounts in €m	31/12/2019	31/12/2018	*var. in amount*
Share capital	2,031.5	2,031.5	
Capital reserves	346.8	346.8	
Income-related and other equity reserves	2,718.1	2,132.6	*585.5*
(Treasury shares)	(2.0)	(46.2)	*44.2*
Reserve for foreign currency translation differences	5.1	4.9	*0.2*
Gains/losses on available-for-sale financial assets	1,141.6	80.1	*1,061.5*
Other gains and losses recognised directly in equity	8.8	(7.2)	*16.0*
Profit (loss) for the period	627.8	905.1	*(277.3)*
Total shareholders' equity attributable to the owners of the Parent	**6,877.6**	**5,447.6**	***1,429.9***

At 31 December 2019, UnipolSai's share capital amounted to €2,031.5m, fully paid-up, and was made up of 2,829,717,372 ordinary shares without nominal value (unchanged compared with 31/12/2018).

The main changes in the year in the Shareholders' equity attributable to the owners of the Parent were as follows:
- decrease due to dividend distribution for €403.2m;
- increase as a result of the increase in the provision for gains and losses on available-for-sale financial assets, net of both the related tax liabilities and the part attributable to the policyholders and charged to insurance liabilities for €1,061.5m;
- increase following the sale of treasury shares for €127.1m;
- increase of €627.8m in Group profit for the period.

Shareholders' Equity attributable to non-controlling interests was €275.3m (€249.4m at 31/12/2018).

Treasury shares or quotas

At 31 December 2019, UnipolSai held a total of 1,088,547 ordinary treasury shares (50,052,345 at 31/12/2018), of which 1,004,643 directly and 83,904 indirectly through the following subsidiaries:
- UNA Group held 33,900;
- SIAT held 23,675;
- UnipolSai Servizi Consortili held 9,727;
- Arca Vita held 7,510;
- UniSalute held 5,222;
- AlfaEvolution Technology held 2,891;
- Leithà held 979.

During the year, the subsidiary Pronto Assistance sold 344,312 shares on the market and the subsidiaries UnipolSai Finance and UnipolSai Nederland respectively sold 38,454,775 and 9,443,258 shares to the affiliate Unipol Finance. As mentioned above, these disposals generated an increase in equity of €127m, corresponding to the total sale value.
The additional changes concerned the following transactions in execution of the compensation plans based on financial instruments (performance share type) for the executive staff of UnipolSai and its subsidiaries:
- acquisition of a total of 1,344,000 UnipolSai shares by UnipolSai and its subsidiaries;
- allocation on 25 April 2019 of 2,065,453 UnipolSai shares relating to the first tranche of the compensation plan based on financial instruments for the period 2016-2018.

2. Provisions and potential liabilities

The item "Provisions" totalled €442.3m at 31 December 2019 (€353.4m at 31/12/2018) and mainly consisted of provisions for litigation, various disputes, charges relating to the sales network, provisions for salary policies and employee leaving incentives.

Ongoing disputes and contingent liabilities

Relations with the Tax Authorities

Settlement of pending tax disputes

In 2019, the Group companies made use of the settlement procedure for pending tax disputes in application of the provisions of Art. 6, Italian Decree Law 119/2018, given the economic convenience of such settlement through payment of amounts significantly lower than those demanded, already specifically allocated in the 2018 financial statements. The main positions involved were the following:
- the UnipolSai dispute regarding the treatment of technical outwards reinsurance items of the former Aurora Assicurazioni, already started against the parent Unipol, and also extended to the merged entity Unipol Assicurazioni for the tax periods 2007-2009;
- the UnipolSai dispute regarding an assessment notice for IRPEG and ILOR for the year 1991 concerning the merged Fondiaria Assicurazioni, still pending before the Court of Cassation as a result of the appeal filed by the Company;
- almost all the pending VAT disputes on coinsurance relations with other insurance companies for the tax periods 2003-2012.

In all cases, adoption of the settlement procedure does not constitute acceptance by the Group companies of the opposing party claims, but was assessed merely in the light of economic convenience of the transaction, also taking into account the more recent jurisprudence on the legitimacy of cases disputed. The tax periods for which it is in any event considered that a favourable decision will be obtained, or where there would be no significant economic saving by discontinuing the dispute, were not defined. The settlement-related expenses were for amounts significantly lower than those originally claimed and were covered from risk provisions already allocated at 31 December 2018.

Other tax disputes and assessments

UnipolSai
The dispute deriving from an assessment notice for abuse of rights with reference to IRPEG and IRAP for the year 2004, on share purchases and collections of the related dividends, was closed with decision in favour of the Company by the Court of Cassation.
The Report on Findings notified on 20 November 2018 by the Italian Tax Police of Bologna, following a general audit undertaken in February 2018, was the subject of a settlement agreement with the Emilia Romagna Regional Tax Authorities as regards the finding relating to the tax treatment applied by the Company to the disposal of a real estate investment. The other finding regarding the deduction of costs related to the transactions underwritten by the Company in civil proceedings, brought by some former shareholders of La Fondiaria Assicurazioni for the failed takeover bid of 2002, was instead dismissed.

Arca Vita
With reference to the general audit carried out in 2017 by the Veneto Regional Department for the years 2012-2015, and related notices of assessment that were subsequently notified, the dispute is still pending for the tax periods 2013 and 2014.

Arca Vita International DAC
With regard to the Report on Findings prepared by the Italian Tax Police of Bologna and notified to the company on 14 January 2019, disputing the existence of a permanent establishment in Italy and consequently alleged violation of the related tax disclosure and payment obligations for IRES and IRAP, note that there have been no further developments.

Amounts deemed fair to cover the potential estimated liabilities deriving from already formalised, or not yet formalised charges, for which no tax dispute has yet been brought or has not yet been formalised, including the application of VAT on delegation fees relating to the tax periods 2013-2019, were allocated in the consolidated financial statements at 31 December 2019.

Consob sanction proceedings

By means of communications dated 19 April 2013, Consob commenced two separate sanction proceedings against Fondiaria-SAI and Milano Assicurazioni for charges relating to their respective 2010 consolidated financial statements. Pursuant to Art. 187-septies, paragraph 1 of the Consolidated Law on Finance, Consob notified Ms. Jonella Ligresti and Mr. Emanuele Erbetta, for the offices held in Fondiaria-SAI at the time of the events, of the violation set forth in Art. 187-ter, paragraph 1, of the Consolidated Law on Finance. Fondiaria-SAI is also charged with this violation as a party bearing joint and several liability. It is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Law on Finance by Ms. Jonella Ligresti and Mr. Emanuele Erbetta, acting in the above mentioned capacities.

Consob also made the same charge against Milano Assicurazioni. In this regard, pursuant to Art. 187-septies, paragraph 1 of the Consolidated Law on Finance, the Commission charged Mr. Emanuele Erbetta, for the role he held in the subsidiary at the time of the events, with the violation established in Art. 187-ter, paragraph 1, of the Consolidated Law on Finance. Milano Assicurazioni is also charged with this violation as a party bearing joint and several liability. It is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Law on Finance by Mr. Emanuele Erbetta, acting in the above mentioned capacity.

Fondiaria-SAI and Milano Assicurazioni (currently UnipolSai), assisted by their lawyers, presented their conclusions, asking that the administrative penalties set out in Articles 187-ter, 187-quinquies and 187-septies of the Consolidated Law on Finance not be imposed on the companies. On 20 March 2014 the Consob issued a resolution whereby, not deeming that the parties' defences deserved to be accepted, it ordered:
- Jonella Ligresti to pay €250k and to be disqualified from office for four months;
- Emanuele Erbetta to pay €400k and to be disqualified from office for eight months;
- UnipolSai to pay €650k.

UnipolSai provided for the payment of the fines, and also filed an appeal against Ms. Ligresti. Mr. Erbetta directly paid the penalty imposed on him. In any case, UnipolSai challenged the decision before the Court of Appeal of Bologna, which rejected the appeal on 6 March 2015. The Company, assisted by its lawyers, challenged the decision before the Court of Cassation which, on 6 December 2018, rejected the appeal and confirmed the Consob sanctions.
In March 2019, the Company challenged the decision before the European Court of Human Rights (ECHR), asking for the cancellation of the sanction for the breach of the *ne bis in idem* principle, according to which a person should not be submitted to sanction or judicial proceedings several times for the same fact.

IVASS assessments

On 2 July 2014, IVASS sent to UnipolSai the order of sanctions at the end of the proceeding started in 2012 against Unipol Assicurazioni on the matter of the measurement of the claims provisions of the MV and Boats TPL classes. The sanction imposed was €27,500. Since UnipolSai does not deem the conclusions of the Institute to be acceptable in any way, it appealed against this decision before the Regional Administrative Court (TAR). On 9 September 2015 the Regional Administrative Court rejected the appeal of the Company, which challenged the ruling before the Council of State.
On 21 February 2019 the Council of State accepted an objection submitted by the Company and cancelled the sanction. The process was initiated for the recovery of the sanction paid.

Corporate liability action against certain former directors and statutory auditors decided by the Shareholders' Meetings of Fondiaria-SAI and Milano Assicurazioni

On 17 October 2011, Amber Capital LP, fund manager of Amber Global Opportunities Master Fund Ltd, a Fondiaria-SAI shareholder, in accordance with Art. 2408 of the Civil Code, informed the Board of Statutory Auditors of Fondiaria-SAI of various transactions carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family, criticising the "non-market" conditions and "anomalies" of said transactions.

On 16 March 2012 the Board of Statutory Auditors of Fondiaria-SAI issued an initial response in its "Report pursuant to Art. 2408, paragraph 2 of the Civil Code", after which by letter dated 26 March 2012 the shareholder Amber Capital requested further investigation.

The Board of Statutory Auditors therefore performed further controls and investigations. On 15 June 2012 IVASS served Measure no. 2985 upon Fondiaria-SAI by which the Authority defined the proceedings launched pursuant to Art. 238 of the Private Insurance Code, and through IVASS Communication prot. no. 32-12-000057 of the same date charged Fondiaria-SAI with significant irregularities pursuant to Art. 229 of the Private Insurance Code, with particular reference to a number of transactions implemented by Fondiaria-SAI and its subsidiaries with counterparties qualifying as related parties of Fondiaria-SAI, and assigning a fifteen-day deadline for the effects of these transactions to be permanently removed.
IVASS considered that the actions proposed or implemented by the Company were not suitable to correct the situation which led to the charges cited in the notice of 15 June 2012, prolonging – according to IVASS – the inability of Fondiaria-SAI to remedy the violations and the relative effects.
Therefore by Measure no. 3001 of 12 September 2012 (the "IVASS Measure"), IVASS appointed Prof. Matteo Caratozzolo as ad acta commissioner of Fondiaria-SAI (the "Commissioner"), also as Parent, considering the requirements of Art. 229, Italian Legislative Decree no. 209 of 7 September 2005 to be met.
In particular, with regard to the disputed transactions considered not only on an individual basis but as a whole, IVASS tasked the Commissioner with (i) specifically identifying the individuals responsible for the transactions carried out to the detriment of Fondiaria-SAI SpA and its subsidiaries; (ii) determining the damage suffered by the same; (iii) promoting or encouraging the promotion of all necessary initiatives, including judicial, at Fondiaria-SAI SpA and its subsidiaries, suitable, in relation to the disputed transactions, to safeguard and reintegrate the assets of Fondiaria-SAI SpA and its subsidiaries; (iv) exercising the powers held by Fondiaria-SAI SpA as Parent and as a shareholder in the shareholders' meetings of the subsidiaries.

Following the in-depth examinations conducted regarding the above-mentioned transactions, entered into by the Fondiaria-SAI Group primarily in the real estate segment in the 2003-2011 period, which directly involved members of the Ligresti family and certain SPVs attributable to said family, the Commissioner asked the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni to call the respective shareholders' meetings, placing on the agenda the proposed corporate liability action, pursuant to Articles 2392 and 2393 of the Civil Code, against some directors and statutory auditors of the companies (jointly with other parties).

On 5 February 2013, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni, having examined the respective reports drafted by the Commissioner in accordance with Art. 125-ter of the Consolidated Law on Finance, resolved, following the aforementioned request, to call the Shareholders' Meetings of the two companies for 13 and 14 March 2013, on first and second call respectively.

The Shareholders' Meetings, held on second call on 14 March 2013, resolved to promote corporate liability action against the persons indicated in the reports prepared for the Meetings by the Commissioner and made these resolutions public in accordance with law.
As a result of the aforementioned resolutions, the ad acta Commissioner appointed his own lawyers who arranged for civil proceedings to be brought before the Court of Milan against the parties identified as responsible for the transactions described above. The proceedings are currently at preliminary investigation stage during which the court has, amongst other things, ordered a technical court expert's report.

In relation to the aforementioned transactions, the Companies requested and, on 20 December 2013, obtained a seizure order from the Court of Milan against some of the defendants in the above proceedings. The Company made arrangements to enforce the attachment through the parties concerned and through third parties, and the related enforcement proceedings are still in progress.
The attachment was challenged by the counterparties and on 24 March 2014 the Court of Milan, sitting en banc, confirmed the precautionary provision, rejecting all complaints filed by the counterparties.
Furthermore, with reference to the other transactions involved in the complaint from Amber Capital LP, not included in the Commissioner's mandate ("Minor Transactions"), on the invitation of the Board of Statutory Auditors of Fondiaria-SAI pursuant to Art. 2408 of the Civil Code, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni conducted investigations and checks, which showed that Minor Transactions were also carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family with various breaches of directors' and statutory auditors' duties. In particular, the investigations and checks highlighted both breaches of directors' and statutory auditors' duties and damages to the company assets of the Fondiaria-SAI Group.
The persons who, as a result of the checks performed by the Boards of Directors, were deemed responsible for the Minor Transactions are (i) members of the Ligresti family, who exercised control over the Fondiaria-SAI Group companies involved, and who would have pursued their own personal interests to the detriment of said companies in violation of Articles 2391 and 2391-bis of the Civil Code and the procedure governing "related party" transactions; (ii) the former "executive" directors, who would have proposed and implemented the transactions in question, and the directors of the internal control committees of Fondiaria-SAI and Milano Assicurazioni, who would also have been responsible for the violation of said regulations and procedures; (iii) the statutory auditors who would have also been responsible for the damages suffered by the companies in the Fondiaria-SAI Group due to the violation of Articles 2403 and 2407 of the Civil Code and Art. 149 of the Consolidated Law on Finance.
The liability of members of the Ligresti family in relation to the transaction in question (as with the transactions already involved in the liability actions of the Commissioner) would derive not only from the violation of their duties of the offices of director formally held in Fondiaria-SAI and Milano Assicurazioni but also (aa) from the "unitary management" they would have illegitimately exercised over companies in the Fondiaria-SAI Group by helping to approve and implement the transactions constituting a "conflict of interests" and "in violation of the principles of correct corporate and business management" (pursuant to Art. 2497 of the Civil Code); (bb) the de facto interference (in particular from Mr. Salvatore Ligresti) in the administration of the companies in the Fondiaria-SAI Group (in accordance with Art. 2392 of the Civil Code).

Consequently, on 30 July 2013 the ordinary shareholders' meetings of Fondiaria-SAI and Milano Assicurazioni resolved to promote corporate liability action pursuant to Articles 2392 and 2393 of the Civil Code and, to the extent they may apply, Articles 2043 and 2497 of the Civil Code, against certain former de facto and official directors of Fondiaria-SAI and Milano Assicurazioni, regardless of their particular offices held and even if no formal office was held; certain former directors of Fondiaria-SAI and Milano Assicurazioni and, pursuant to Art. 2407 of the Civil Code, against certain members of the Board of Statutory Auditors of Fondiaria-SAI and Milano Assicurazioni.
In connection with the resolutions mentioned above, UnipolSai (formerly Fondiaria-SAI) served the writ of summons. The proceedings are currently in the preliminary investigation stage and, in this case as well, the Court ordered a technical expert's report which is still in progress.

Ongoing disputes with investors

<u>Writs of summons by shareholders of La Fondiaria Assicurazioni (takeover bid legal cases)</u>
From 2003 onwards, a number of La Fondiaria Assicurazioni ("Fondiaria") shareholders have initiated a series of legal proceedings claiming, albeit on different legal grounds and justifications, compensation for damages allegedly suffered due to failure to launch the takeover bid on Fondiaria shares by SAI Società Assicuratrice Industriale SpA ("SAI") in 2002.

On the whole, 16 proceedings were brought against the Company; 14 of these were settled at various degrees and stages of the proceeding, while one was extinguished when the first court's decision handed down in favour of the Company became definitive, as the opposing party failed to appeal it.
At 31 December 2019, only one case is still pending before the Milan Court of Appeal, resumed following the decision of the Court of Cassation. An appropriate provision has been allocated to cover this pending dispute.

Other ongoing proceedings
UnipolSai Assicurazioni SpA is a party in criminal and civil proceedings referring to events occurred during the previous management of Fondiaria-SAI and Milano Assicurazioni.

A summary of the currently pending criminal cases is provided below.

(a) Criminal Case 21713/13 (formerly Gen. Criminal Records Reg. 20219/2012) pending before the Fourth Criminal Section of the Court of Turin against defendants Salvatore Ligresti, Antonio Talarico, Fausto Marchionni, Jonella Ligresti, Emanuele Erbetta, Ambrogio Virgilio and Riccardo Ottaviani, accused of the offences of false corporate communications under Art. 2622 of the Civil Code in relation to the 2010 financial statements of Fondiaria-SAI SpA and market manipulation under Art. 185 of the Consolidated Law on Finance ("TUF") on Fondiaria-SAI and Milano Assicurazioni securities, owing to the alleged falsification of the financial statements that allegedly pertained to the claims provisions; within this proceeding, UnipolSai Assicurazioni SpA was summoned and appeared before the court as civilly liable for the actions of the defendants.
At the end of the preliminary hearings and of the trial phase, at the hearing of 11 October 2016 the Court read out the verdict, whereby:
- it affirmed the criminal liability of the defendants Salvatore Ligresti, Jonella Ligresti, Fausto Marchionni and Riccardo Ottaviani, accused of false corporate communications and market manipulation;
- it ordered the defendants, jointly and where applicable, with the civilly liable UnipolSai Assicurazioni SpA and Reconta Ernst & Young SpA, to pay compensation for damages to the 2,265 allowed civil claimants, to be allowed in a separate civil proceeding;
- it ordered the defendants, jointly and where applicable, with the civilly liable UnipolSai Assicurazioni SpA and Reconta Ernst & Young SpA, to pay the legal fees of the civil claimants' legal counsel;
- it acquitted the defendants Antonio Talarico and Ambrogio Virgilio because they did not commit any criminal offence, in accordance with Art. 530, paragraph 2 of the Code of Criminal Procedure;
- it rejected the compensation requests of some civil claimants;
- it set the term for filing the grounds for the decision at ninety days.

The Court of Turin did not order payment of any interim award on the damage claimed by the civil claimants.
Moreover, with its decision of 25 October 2016, the Court of Turin allowed the plea bargain request filed by Mr. Emanuele Erbetta and sentenced the defendant to 3 years of incarceration and a fine of €200k, in addition to the payment of the legal expenses borne by the civil claimants.
The decision pronounced by the Court of Turin on 11 October 2016 was challenged before the Turin Court of Appeal, which on 12 March 2019 cancelled the decision due to lack of area jurisdiction and ordered the forwarding of proceedings papers to the Court of Milan.

(b) The criminal proceeding Gen. Criminal Records Reg. no. 14442/14, with the defendants Gioacchino Paolo Ligresti, Pier Giorgio Bedogni and Fulvio Gismondi accused of false corporate communications (Art. 2622 of the Civil Code) and market manipulation (Art. 185 of the Consolidated Law on Finance) for Mr. Fulvio Gismondi only, in which proceeding UnipolSai was cited for civil liability, false official statement in certificates (Art. 481 of the Criminal Code), ended in the first instance, at the end of the shortened and simplified proceedings, with the decision of 16 December 2015 acquitting the defendants because the fact does not exist. The decision was appealed by the General Prosecutor's Office at the Court of Appeal of Milan and by the civil claimant Consob. On 10 July 2018, the Milan Court of Appeal confirmed the acquittal ruling. The ruling was appealed before the Supreme Court of Cassation by Consob as regards the civil effects only. By decision issued on 21 November 2019, the Court of Cassation rejected Consob's appeal, confirming the decision of the Milan Court of Appeal as final.

(c) Criminal Case (Gen. Criminal Records Reg. 24630/2013) against Messrs. Benito Giovanni Marino, Marco Spadacini and Antonio D'Ambrosio, acquitted on 10 November 2014 at the end of the shortened and simplified proceeding before the Court of Turin, is awaiting the setting of the appeal trial following the Prosecutor's filing of an appeal.

Based on the status of the criminal proceedings, on the information acquired hitherto by the Company and on the legal opinions acquired on the matters, the risk of loss is deemed unlikely.

Moreover, as reported in the Financial Statements ended 31 December 2018, some investors have autonomously initiated civil proceedings for damages. In these proceedings, the plaintiffs summarily stated that they had purchased and subscribed Fondiaria-SAI shares as they were prompted by the information in the information prospectuses published by Fondiaria-SAI on 24 June 2011 and 12 July 2012 in relation to the increases in share capital under option resolved by the company on 14 May 2011, 22 June 2011 and 19 March 2012 respectively, and in the financial statements of Fondiaria-SAI relating to the years 2007-2012. UnipolSai (former Fondiaria-SAI) appeared at all Civil Proceedings and disputed the plaintiffs' claims. Two civil proceedings before the Court of Turin ended with rulings that rejected the merits of the Plaintiff's requests, acquitting UnipolSai from all compensation claims. The two rulings have become res judicata since they were not appealed by the counterparties. On 18 May 2017, the Milan Court has instead partially upheld the compensation claims of another shareholder. The Company appealed against the sentence before the Milan Court of Appeal. Of the remaining proceedings, some are in the decision stage and some in the introductory/preliminary stage.

Provisions deemed suitable were made in relation to the disputes with investors described above.

Commitments deriving from the sale of Unipol Banca

As part of arrangements relating to the sale to BPER Banca of the entire equity investment in Unipol Banca, Unipol Gruppo and UnipolSai committed, *inter alia*, to indemnifying BPER Banca - on a pro-rata basis in relation to the interest transferred - for losses deriving from specifically identified dispute counterclaims of the Unipol Banca Group outstanding at 31 March 2019 (the "Losses from Dispute Counterclaims"), provided that such losses are effectively and definitively incurred and within the limits and to the extent they exceed, net of tax relief, the related provisions specifically allocated in the consolidated statement of financial position of the Unipol Banca Group at 31 March 2019 (€10m). Similarly, the acquirer BPER is committed to paying an amount to the sellers for any excess of the aforementioned provisions over and above the Losses from Dispute Counterclaims. Against the commitments undertaken in relation to the Losses from Dispute Counterclaims, contingent liabilities have been estimated at a total of €5m. UnipolSai allocated provisions for its own portion (€0.7m; 14.76%), considered adequate based on information available regarding each outstanding dispute.

3. Technical provisions

Amounts in €m	31/12/2019	% comp.	31/12/2018	% comp.	% var.
Non-Life premium provisions	3,336.5	22.1	3,142.2	20.7	
Non-Life claims provisions	11,703.4	77.7	12,033.2	79.1	
Other Non-Life technical provisions	27.2	0.2	36.4	0.2	
Total Non-Life provisions	15,067.2	100.0	15,211.8	100.0	(1.0)
Life mathematical provisions	33,111.5	77.9	32,092.8	84.4	
Provisions for amounts payable (Life business)	413.4	1.0	407.6	1.1	
Technical provisions where investment risk is borne by policyholders and arising from pension fund management	4,817.2	11.3	3,963.3	10.4	
Other Life technical provisions	4,158.0	9.8	1,547.8	4.1	
Total Life provisions	42,500.2	100.0	38,011.5	100.0	11.8
Total technical provisions	57,567.3		53,223.3		8.2

4. Financial liabilities

Financial liabilities amounted to €6,000.4m (€5,252.6m at 31/12/2018).

4.1 Financial liabilities at fair value through profit or loss

This item, which amounted to €2,914.4m (€2,539.3m at 31/12/2018), is broken down as follows:

- Held-for-trading financial liabilities totalled €252.6m (€278.3m at 31/12/2018);
- Financial liabilities designated at fair value through profit or loss totalled €2,661.8m (€2,261.0m at 31/12/2018). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders and the insurance risk borne by the Group did not exceed 10% (some types of Class III, Class V and Class VI contracts).

4.2 Other financial liabilities

Amounts in €m	31/12/2019	% comp.	31/12/2018	% comp.	% var.
Subordinated liabilities	2,167.6	70.2	2,247.2	82.8	(3.5)
Deposits received from reinsurers	150.4	4.9	166.2	6.1	(9.5)
Other loans obtained	559.7	18.1	299.8	11.0	86.7
Sundry financial liabilities	208.3	6.8			
Total other financial liabilities	3,086.1	100.0	2,713.3	100.0	13.7

Sundry financial liabilities referred exclusively to loan repurchase agreements signed by UnipolSai.
Please note that the increase in Other loans obtained was due to the recognition as of 1 January 2019 of financial liabilities for future lease payments due based on lease agreements accounted for according to the financial method pursuant to IFRS 16.

Details of Subordinated liabilities are shown in the table below:

Issuer	Nominal amount outstanding	Subordination level	Year of maturity	Call	Rate	L/NL
UnipolSai	€300.0m	tier II	2021	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€261.7m	tier II	2023	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€320.0m (***)	tier I	2023	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€750.0m	tier I	in perpetuity	every 3 months from 18/06/2024	fixed rate 5,75% (*)	Q
UnipolSai	€500.0m	tier II	2028		fixed rate 3,875%	Q

(*) from June 2024 floating rate of 3M Euribor + 518 b.p.

(**) since September 2014, in application of the contractual clauses ("Additional Costs Clauses"), UnipolSai and Mediobanca signed an agreement to modify a Loan Agreement to cover the subordinated loan expiring in 2023. This agreement provides for the amendment of several economic terms, including payment by way of compromise, of an annual indemnity (additional spread) equal to 71.5 basis points, which increases the previous spread (thereby raising the total spread from 1.80 to 2.515 basis points) provided for in the Loan Agreement

(***) on 24 July 2019 the first tranche of 80.0 million euro was repaid as indicated in the planned amortisation plan contractually

5. Payables

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Payables arising from direct insurance business	164.7	*15.2*	160.9	*17.8*	*2.3*
Payables arising from reinsurance business	96.6	*8.9*	86.8	*9.6*	*11.3*
Other payables	819.1	*75.8*	656.7	*72.6*	*24.7*
Policyholders' tax due	163.0	*15.1*	156.4	*17.3*	*4.2*
Sundry tax payables	38.6	*3.6*	32.9	*3.6*	*17.6*
Trade payables	254.4	*23.5*	174.0	*19.2*	*46.2*
Post-employment benefits	66.0	*6.1*	63.9	*7.1*	*3.3*
Social security charges payable	38.2	*3.5*	37.8	*4.2*	*1.0*
Sundry payables	258.8	*24.0*	191.7	*21.2*	*35.0*
Total payables	**1,080.4**	***100.0***	**904.5**	***100.0***	***19.4***

6. Other liabilities

Amounts in €m	31/12/2019	*% comp.*	31/12/2018	*% comp.*	*% var.*
Current tax liabilities	48.4	*5.2*	21.8	*2.9*	*121.8*
Deferred tax liabilities	78.0	*8.3*	8.9	*1.2*	*n.s.*
Liabilities associated with disposal groups held for sale	3.3	*0.4*	3.2	*0.4*	*3.5*
Commissions on premiums under collection	114.3	*12.2*	110.9	*14.5*	*3.0*
Deferred commission income	4.4	*0.5*	3.4	*0.4*	*29.8*
Accrued expenses and deferred income	60.2	*6.4*	56.0	*7.3*	*7.6*
Other liabilities	626.9	*67.0*	559.1	*73.2*	*12.1*
Total other liabilities	**935.6**	***100.0***	**763.4**	***100.0***	***22.6***

The item Deferred tax liabilities is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax assets, as described in Chapter 2 Main accounting standards.
For the details of the sub-item Liabilities associated with disposal groups, please refer to paragraph 5.5 of these Notes.

4. Notes to the Income Statement

Comments and further information on the items in the Income statement and the variations that took place compared with the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the Income statement).

REVENUE

1.1 Net premiums

Amounts in €m	31/12/2019	31/12/2018	*% var.*
Non-Life earned premiums	8,261.2	7,943.6	*4.0*
Non-Life written premiums	8,451.1	8,101.5	*4.3*
Changes in Non-Life premium provision	(189.9)	(157.9)	*20.3*
Life written premiums	5,454.6	3,468.6	*57.3*
Non-Life and Life gross earned premiums	13,715.8	11,412.2	*20.2*
Non-Life earned premiums ceded to reinsurers	(438.9)	(400.2)	*9.7*
Non-Life premiums ceded to reinsurers	(448.5)	(397.7)	*12.8*
Changes in Non-Life premium provision - reinsurers' share	9.6	(2.5)	*n.s.*
Life premiums ceded to reinsurers	(14.4)	(6.6)	*117.5*
Non-Life and Life earned premiums ceded to reinsurers	(453.3)	(406.9)	*11.4*
Total net premiums	13,262.5	11,005.4	*20.5*

1.2 Commission income

Amounts in €m	31/12/2019	31/12/2018	*% var.*
Commission income from investment contracts	28.3	21.4	*32.4*
Other commission income	5.8	8.6	*(32.9)*
Total commission income	34.0	30.0	*13.7*

1.3 Gains and losses on financial instruments at fair value through profit or loss

Amounts in €m	31/12/2019	31/12/2018	*% var.*
on held-for trading financial assets	(288.6)	(50.7)	*n.s.*
on held-for trading financial liabilities	(0.8)		
on financial assets/liabilities at fair value through profit or loss	183.1	(106.8)	*n.s.*
Total net gains/losses	(106.3)	(157.5)	*(32.5)*

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

These amounted to €10.2m (€322.4m in 2018, of which €308.6m attributable to the capital gain realised from the sale of the equity investment in Popolare Vita).

1.5 Gains on other financial instruments and investment property

Amounts in €m	31/12/2019	31/12/2018	*% var.*
Interest	1,467.5	1,441.4	*1.8*
on held-to-maturity investments	18.7	21.0	*(10.9)*
on loans and receivables	110.0	126.3	*(12.9)*
on available-for-sale financial assets	1,335.0	1,290.0	*3.5*
on sundry receivables	2.8	3.3	*(15.0)*
on cash and cash equivalents	1.0	0.8	*25.0*
Other income	213.7	178.5	*19.7*
from investment property	59.8	64.8	*(7.6)*
from available-for-sale financial assets	153.9	113.7	*35.3*
Realised gains	547.3	412.1	*32.8*
on investment property	6.5	27.6	*(76.5)*
on loans and receivables	9.0	16.4	*(45.5)*
on available-for-sale financial assets	531.9	368.1	*44.5*
Unrealised gains and reversals of impairment losses	68.2	1.2	*n.s.*
on available-for-sale financial assets	36.7	0.0	*n.s.*
on other financial assets and liabilities	31.5	1.2	*n.s.*
Total item 1.5	2,296.8	2,033.2	*13.0*

1.6 Other revenue

Amounts in €m	31/12/2019	31/12/2018	var.%
Sundry technical income	72.6	98.7	*(26.5)*
Exchange rate differences	24.9	4.5	*n.s.*
Extraordinary gains	17.9	24.3	*(26.1)*
Other income	688.2	507.6	*30.2*
Total other revenue	**803.7**	**635.1**	***26.6***

Of the significant increase in Other income, €173m is attributable to the entry to the Group of Car Server and its subsidiary Immobiliare C.S. in the second half of 2019.

COSTS

2.1 Net charges relating to claims

Amounts in €m	31/12/2019	31/12/2018	% var.
Net charges relating to claims - direct and indirect business	**11,658.4**	**9,288.9**	***25.5***
Non-Life business	**5,371.5**	**5,256.6**	***2.2***
Non-Life amounts paid	5,885.5	5,774.5	
changes in Non-Life claims provision	(340.2)	(389.8)	
changes in Non-Life recoveries	(175.9)	(128.9)	
changes in other Non-Life technical provisions	2.0	0.8	
Life business	**6,286.8**	**4,032.3**	***55.9***
Life amounts paid	4,299.8	3,330.5	
changes in Life amounts payable	6.0	52.6	
changes in mathematical provisions	1,008.3	596.7	
changes in other Life technical provisions	36.1	104.6	
changes in provisions where the investment risk is borne by policyholders and arising from pension fund management	936.7	(52.1)	
Charges relating to claims - reinsurers' share	**(308.5)**	**(308.8)**	***(0.1)***
Non-Life business	**(301.8)**	**(309.9)**	***(2.6)***
Non-Life amounts paid	(299.2)	(201.9)	
changes in Non-Life claims provision	(11.9)	(122.0)	
changes in Non-Life recoveries	9.3	13.9	
Life business	**(6.6)**	**1.1**	***n.s.***
Life amounts paid	(14.2)	(13.9)	
changes in Life amounts payable	(1.2)	1.4	
changes in mathematical provisions	8.8	13.2	
change in other life technical provisions	0.0	0.4	
Total net charges relating to claims	**11,349.9**	**8,980.1**	***26.4***

2.2 Commission expense

Amounts in €m	31/12/2019	31/12/2018	% var.
Commission expense from investment contracts	13.5	8.3	62.4
Other commission expense	7.5	8.3	(9.7)
Total commission expense	**21.0**	**16.6**	**26.4**

2.3 Losses on investments in subsidiaries, associates and interests in joint ventures

These amounted to €0.3m (€0.9m in 2018).

2.4 Losses on other financial instruments and investment property

Amounts in €m	31/12/2019	31/12/2018	% var.
Interest:	101.0	96.0	5.2
on other financial liabilities	98.4	94.1	4.5
on payables	2.6	1.9	39.8
Other charges:	31.2	30.7	1.4
from investment property	26.3	26.4	(0.4)
from available-for-sale financial assets	3.2	2.8	15.8
from other financial liabilities	1.5	1.4	9.5
from sundry payables	0.1	0.1	(26.7)
Realised losses:	109.9	136.0	(19.2)
on investment property	1.2	5.3	(76.9)
on loans and receivables	4.4	0.0	n.s.
on available-for-sale financial assets	104.2	130.6	(20.2)
Unrealised losses and impairment losses:	169.4	117.5	44.2
on investment property	81.7	93.9	(13.0)
on available-for-sale financial assets	82.4	23.6	n.s.
on other financial liabilities	5.2	0.0	n.s.
Total item 2.4	411.4	380.2	8.2

The Unrealised losses and impairment losses relating to investment property included amortisation that totalled €34.3m (€34.7m at 31/12/2018) and write-downs amounting to €47.4m (€59.2m at 31/12/2018), carried out on the basis of updated valuations performed by independent experts.

2.5 Operating expenses

Amounts in €m	31/12/2019	31/12/2018	*% var.*
Insurance Sector	2,498.5	2,350.1	*6.3*
Other Businesses Sector	124.8	67.2	*85.7*
Real Estate Sector	22.1	22.1	*0.1*
Intersegment eliminations	(10.4)	(10.9)	*(5.2)*
Total operating expenses	**2,634.9**	**2,428.4**	***8.5***

Below are details of Operating expenses in the Insurance sector:

	Non-Life			Life			Total		
Amounts in €m	31/12/2019	31/12/2018	*% var.*	31/12/2019	31/12/2018	*% var.*	31/12/2019	31/12/2018	*% var.*
Acquisition commissions	1,350.5	1,275.0	*5.9*	69.1	58.0	*19.0*	1,419.6	1,333.0	*6.5*
Other acquisition costs	375.1	370.0	*1.4*	44.1	40.5	*8.8*	419.2	410.6	*2.1*
Change in deferred acquisition costs	0.9	(3.0)	*(131.2)*	(3.6)	(0.3)	*n.s.*	(2.7)	(3.2)	*(16.1)*
Collection commissions	158.7	155.7	*1.9*	7.0	7.1	*(0.8)*	165.7	162.8	*1.8*
Profit sharing and other commissions from reinsurers	(133.8)	(120.1)	*11.4*	(3.5)	(2.8)	*25.9*	(137.3)	(122.9)	*11.7*
Investment management expenses	70.8	66.9	*5.9*	42.8	40.5	*5.8*	113.6	107.3	*5.9*
Other administrative expenses	431.9	384.8	*12.3*	88.4	77.8	*13.7*	520.4	462.5	*12.5*
Total operating expenses	**2,254.2**	**2,129.3**	***5.9***	**244.3**	**220.8**	***10.6***	**2,498.5**	**2,350.1**	***6.3***

2.6 Other costs

Amounts in €m	31/12/2019	31/12/2018	*% var.*
Other technical charges	248.8	242.4	*2.7*
Impairment losses on receivables	38.9	13.3	*n.s.*
Other charges	722.4	603.1	*19.8*
Total other costs	**1,010.1**	**858.8**	***17.6***

Of the significant increase in Other charges, €157.7m is attributable to the entry to the Group of Car Server and its subsidiary Immobiliare C.S. in the second half of 2019.

3. Income tax

In accordance with the provisions of IAS 12 the following table shows, at consolidated level, the deferred taxes utilised and accrued.

	31/12/2019			31/12/2018		
Amounts in €m	Ires	Irap	Total	Ires	Irap	Total
Current taxes	(217.5)	(54.9)	(272.4)	(100.7)	(24.5)	(125.2)
Deferred assets and liabilities:	36.9	17.2	54.0	(99.0)	(31.5)	(130.5)
Use of deferred tax assets	(89.7)	(4.6)	(94.3)	(200.7)	(38.9)	(239.6)
Use of deferred tax liabilities	38.5	1.8	40.4	132.4	28.0	160.4
Provisions for deferred tax assets	171.2	31.7	202.9	108.4	13.2	121.6
Provisions for deferred tax liabilities	(83.2)	(11.8)	(95.0)	(139.0)	(33.9)	(172.9)
Total	(180.6)	(37.7)	(218.3)	(199.7)	(56.1)	(255.8)

Against a pre-tax profit of €873.2m, taxes pertaining to the year of €218.3m were recorded, corresponding to a tax rate of 25.0% (21.3% at 31/12/2018), 20.7% of which for IRES and 4.3% for IRAP. The tax rate was positively affected by tax adjustments carried out in previous periods for €16.3m.

The following statement illustrates the breakdown of deferred tax assets and liabilities recognised, with separate indication of offsetting performed for adjusted financial statements presentation purposes.

	31/12/2019			31/12/2018
Amounts in €m	Total	Ires/Corp. tax	Irap	Total
DEFERRED TAX ASSETS				
Intangible assets and property, plant and equipment	253.9	195.9	58.1	379.5
Technical provisions – Reinsurers' share	140.6	140.6	0.0	155.2
Investment property	167.4	137.4	30.0	195.4
Financial instruments	134.3	96.1	38.2	199.9
Sundry receivables and other assets	119.1	109.4	9.7	118.9
Provisions	201.0	189.3	11.8	173.2
Technical provisions	1,124.1	919.1	205.0	631.0
Financial liabilities				0.8
Payables and other liabilities	5.4	4.7	0.7	1.7
Other deferred tax assets	17.4	14.7	2.7	31.5
Netting as required by IAS 12	(2,036.0)	(1,681.9)	(354.1)	(1,421.6)
Total deferred tax assets	**127.3**	**125.2**	**2.1**	**465.4**
DEFERRED TAX LIABILITIES				
Intangible assets and property, plant and equipment	160.5	134.1	26.4	178.7
Investment property	3.6	1.1	2.5	15.7
Financial instruments	1,787.5	1,437.5	350.1	907.3
Sundry receivables and other assets	0.1	0.1	0.0	0.2
Provisions	9.8	7.7	2.2	22.1
Technical provisions	126.6	87.5	39.1	230.1
Financial liabilities	4.5	3.5	1.0	0.6
Payables and other liabilities	0.2	0.2	0.0	0.2
Other deferred tax liabilities	21.1	16.7	4.4	75.7
Netting as required by IAS 12	(2,036.0)	(1,681.9)	(354.1)	(1,421.6)
Total deferred tax liabilities	**78.0**	**6.3**	**71.6**	**8.9**

Deferred assets and liabilities are recognised in the financial statements net of the offsetting carried out pursuant to IAS 12.

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies.

5. Other information

5.1 Hedge Accounting

Fair value hedges

UnipolSai Assicurazioni: in 2019, new fair value hedging transactions were carried out.
Fair value hedging concerns fixed rate bonds, for which the interest rate risk was hedged through Interest Rate Swaps. Existing positions at 31 December 2019 were related to IRS contracts, for a nominal value of €1,270.0m to hedge bond assets recorded in Available-for-sale assets, with a hedged synthetic notional value equal to €668.4m.
At 31 December 2019, the fair value change related to the hedged bonds was a negative €25.1m, while the fair value change in IRS was positive for €25.1m, with a zero net economic effect.
Hedging was effective at 31 December 2019, since the ratios between the respective changes in fair value remained in the 80%-125% range.

Cash flow hedges

The purpose of the existing hedges is to transform the interest rate on financial assets from a floating rate to a fixed rate, stabilising the cash flows.

UnipolSai Assicurazioni: cash flow hedges on bond securities recorded in the Available-for-sale asset portfolio through the sale of IRSs for a notional value of €1,113.5m (€1,113.5m at 31/12/2018).
The cumulative positive effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was €15.7m (€3.3m at 31/12/2018): net of tax, the impact was €10.9m (€2.3m at 31/12/2018).

UnipolSai Assicurazioni: cash flow hedges on bond securities recorded in the Loans and Receivables portfolio through IRSs for a notional value of €250.0m (€250.0m at 31/12/2018).
The cumulative negative effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was €1.4m (€0.5m at 31/12/2018): net of tax, the negative impact was €0.9m (€0.4m at 31/12/2018).

Arca Vita: cash flow hedges on bond securities recorded in the Available-for-sale asset portfolio through the sale of IRSs for a notional value of €30.0m (€30.0m at 31/12/2018).
The cumulative effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was of an irrelevant amount (irrelevant also at 31/12/2018).

5.2 Information relating to the actual or potential effects of netting agreements

In order to allow an evaluation of the actual or potential effects of netting agreements on the UnipolSai Group, the information relating to the financial instruments involved in master netting arrangements, which at 31 December 2019 are exclusively represented by derivative instruments, are reported below.
The agreements contained in the ISDA Master agreements which regulate transactions in said instruments, make provision, in the cases of the insolvency of one of the contractual parties, for the offsetting between receivables and payables including any cash deposits or financial instruments pledged as guarantee.

Financial assets

(Amounts in €m)

Type	Gross amount (A)	Total financial liabilities offset in the financial statements (B)	Net total financial assets recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements		Net total (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits received as guarantees (E)	
Derivative transactions (1)	249.2		249.2	230.7	16.1	2.4
Repurchase agreements (2)						
Securities lending						
Other						
Total	249.2		249.2	230.7	16.1	2.4

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the netting agreements and any cash deposits given or received as guarantee.

(2) The amounts indicated include the financial assets/liabilities relating to the repurchase agreement and the amount of the financial transaction object of the forward purchase

Financial liabilities

(Amounts in €m)

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements		Net total (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits given as guarantees (E)	
Derivative transactions (1)	250.4		250.4	130.1	116.7	3.6
Repurchase agreements (2)	208.3		208.3	208.3		0.1
Securities lending						
Other						
Total	458.8		458.8	338.4	116.7	3.7

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the netting agreements and any cash deposits given or received as guarantee.

(2) The amounts indicated include the financial assets/liabilities relating to the repurchase agreement and the amount of the financial transaction object of the forward purchase

5.3 Earnings (loss) per share

Ordinary shares - basic and diluted

	31/12/2019	31/12/2018
Profit/(loss) allocated to ordinary shares (€m)	627.8	905.1
Weighted average of ordinary shares outstanding during the year (no./m)	2,787.0	2,779.0
Basic and diluted earnings (loss) per share (€ per share)	**0.23**	**0.33**

5.4 Dividends

In view of the profit for the year at 31 December 2018 (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of UnipolSai SpA, held on 17 April 2019, resolved on the distribution of dividends corresponding to €0.145 per share. The total amount set aside for dividends, including treasury shares held by UnipolSai, amounted to €410m.
The Shareholders' Meeting also set the dividend payment date as 22 May 2019 (ex-dividend date 20 May 2019 and record date 21 May 2019).

The financial statements at 31 December 2019 of UnipolSai, drawn up in accordance with Italian GAAP, posted a profit of €701.2m.
UnipolSai's Board of Directors proposes that the Ordinary Shareholders' Meeting allocate as dividends €0.160 per Ordinary Share, for a total amount, considering the treasury shares, totalling €452.3m.

5.5 Non-current assets or assets of a disposal group held for sale

At 31 December 2019, reclassifications carried out in application of IFRS 5 to item 6.1 of Assets amounted to €189.2m, of which €0.9m relating to assets held by the subsidiary Consorzio Castello and €188.3m relating to properties held for sale (€536.7m at 31/12/2018, of which €403.7m referred to assets held by Unipol Banca, €0.7m to assets held by the subsidiary Consorzio Castello and €132.3m to properties held for sale). The liabilities reclassified to item 6.1 Liabilities associated with disposal groups amounted to €3.3m (€3.2m at 31/12/2018).

5.6 Transactions with related parties

UnipolSai Assicurazioni provided the following services:

- Governance (services supporting internal control, risk management and compliance);
- Finance;
- Innovation;
- Communications and Media Relations;
- Anti-money laundering and Anti-terrorism;
- 231 support;
- Institutional Relations;
- Assessment of investments;
- Human resources and industrial relations (external selection, development and remuneration systems, welfare initiatives, personnel management, trade union relations and disputes, employee welfare, safety, personnel administration);
- Organisation;
- Training;
- Claims settlement;

- Insurance (distribution network regulations, MV portfolio management, reinsurance, product marketing, MV tariff setting, development and maintenance of MV products, general class tariff setting, development and maintenance of general class products, technical actuarial coordination, Life bancassurance);
- Legal and corporate (corporate affairs, group legal register management, anti-fraud, institutional response, legal insurance consulting, privacy consulting and support, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of investments);
- IT services;
- Actuarial Function Validation and Calculation;
- Administrative (accounting, tax, administrative and financial statements services, economic management control, purchases and general services);
- Real estate (coordination of urban planning processes, strategic real estate asset management, operational management of property sales and purchases, property leasing services, project management, tenders and contracts, logistics and real estate services, facility management, tax and duty property management, real estate appraisals and property management).

UniSalute provides the following services to the other companies of the Group:
- Managing addressing services, providing medical advice and assistance by telephone, making bookings, managing and settling claims relating to specific guarantees/products on behalf of UnipolSai;
- Policyholder record updating services and administrative services associated with the payment of health policy claims for UnipolSai.

The services provided by UniSalute to its subsidiary Unisalute Servizi mainly concern the following areas:
- Administration and budget;
- Planning and management control;
- Marketing;
- IT services;
- Suppliers;
- Human resource monitoring;
- Training process support;
- Commercial and welfare development.

SIAT performs the following services in favour of UnipolSai:
- Technical assistance in the negotiation and stipulation of transport and aviation contracts;
- Portfolio services for agreements in the transport sector;
- Administrative support in the relationships with insurance counterparties.

Auto Presto & Bene and APB Car Service provide car repair services to a number of Group companies.

UnipolSai Servizi Previdenziali, performs administrative management of open pension funds on behalf of a number of Group companies.

UnipolRe carries out administrative and accounting services for inwards and outwards reinsurance with reference to treaties in run-off on behalf of UnipolSai.

UnipolSai Investimenti SGR administers on behalf of UnipolSai the units of real estate funds set up by third-party asset managers, owned by UnipolSai.

In 2019, **UnipolReC**, in its capacity as an agent, conducted credit collection, out-of-court recovery of receivables due from Customers, such as, by way of example, the analysis of the receivables assigned, the sending of dunning letters by post and/or credit collection by phone, monitoring the responses received, checking payments and reconciliating the same, searching for individuals that are difficult to trace and any other activity required or related to said services on behalf of the UNA Group.

Alfaevolution Technology provides the following supply and management services to a number of Group companies:
- black boxes associated with MV and Motorcycle policies, added to which is a dedicated offer also to fleets, confirming the Unipol Group as leader in the global market. For these devices, AlfaEvolution provides a digital service that includes data analysis and the reconstruction of crashes;

- telematic kits associated with insurance policies for the protection of homes, stores and commercial businesses;
- telematic devices associated with insurance policies for pet protection;
- Qshino, the product that offers an anti-abandonment device service for child car seats as required by Italian Law no. 117 of 1 October 2018, which makes their use compulsory.

Support was also provided to UnipolSai in the development of mobile payment solutions to offer customers an integrated model of distinctive services, complementary to the insurance business. The first services available on the UnipolSai App therefore include the opportunity to pay car parking fees, fines and road tax.

Leithà provides, in favour of a number of Group companies, innovative services with high technological value, the study and analysis of data to support the development of new products and processes and business evolution, including the necessary preparatory and instrumental activities for the realisation of the commissioned research projects, and, possibly the development of operating system software, operating systems and applications and database management pertaining and functional to the projects

Pronto Assistance Servizi (PAS) provides the following services for the Companies of the consortium (and to a minimal extent also to third parties on the external market):
- organisation, provision and 24/7 management of services provided by the assistance insurance coverage, by taking the action requested and managing relations with professionals and independent suppliers to which the material execution of the action is assigned, also including settlement of the related remuneration. As part of the Tourism claims management for Consortium members only, in addition to the provision of normal Assistance services, at the request of an individual consortium member PAS can advance medical expense payments on behalf of that member.
- contact centre activities for the customers, specialists and agencies of the Group, whose services consist of:
  - providing front office services to existing or potential customers at all stages of relations with the consortium members and their respective sales networks, or to any intermediaries acting on their behalf (brokers, banks);
  - providing after-sales services on policy statuses or on any transactions that can be made on existing policies;
  - providing customer satisfaction services;
  - providing support services to the agency network in relations with customers and consortium members;
  - providing contact centre services dedicated to opening claims and related information requests.

The consortium **UnipolSai Servizi Consortili** manages a few agreements relating to communications, image and brand of the Unipol Group.

Ambra Property provides reception and booking services to Ital H&R.

Arca Vita provides the following services to Group companies:
- human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control for Arca Inlinea, Arca Sistemi and Arca Direct Assicurazioni;
- providing workstations, parking spaces and associated property services at the premises at Via del Fante 21, Verona, and general services necessary and functional to the outsourcing of compliance, anti-money laundering and anti-terrorism functions for UnipolSai Assicurazioni;
- providing parking spaces in the car park in Via del Fante 21, Verona, to UnipolSai Assicurazioni;
- providing workstations with associated property services at Via del Fante 21, Verona, and the related parking spaces in the property carparks and in Lungadige Capuleti to Arca Assicurazioni, Arca Direct Assicurazioni, Arca Sistemi and Arca Inlinea;
- leasing of offices in the property at Via San Marco 46, Verona, and related parking spaces, to UnipolSai;
- leasing of offices in the property at Via San Marco 48, Verona, and related parking spaces, to Arca Assicurazioni;
- an agreement with Arca Vita International is also in place regarding the licence for use of the "Arca Vita International" trademark owned by Arca Vita.

Arca Inlinea provides sales support services to Arca Assicurazioni, Arca Vita and Arca Vita International.

Arca Sistemi provides the following services:
– design, development and management of IT systems for Arca Vita, Arca Assicurazioni, Arca Inlinea and Arca Direct Assicurazioni;
– design, development and management of alternative storage for Arca Vita and Arca Assicurazioni;
– services as IT architecture provider for Arca Vita International.

Arca Direct Assicurazioni has insurance brokerage agreements in place with Arca Vita, Arca Assicurazioni and UnipolSai.

Moreover, it is noted that the Group companies conduct the following transactions with each other:
- normal insurance and reinsurance transactions;
- leasing of property;
- agency mandates;
- secondment of personnel;
- medium and long-term vehicle rental.

No atypical or unusual transactions were carried out in the execution of these services.

Fees are mainly calculated on the basis of the external costs incurred, for example the costs of products and services acquired from suppliers, and the costs resulting from activities carried out directly, i.e. generated by their own staff, and taking account of:
- performance objectives set for the provision of the service to the company;
- strategic investments required to ensure the agreed levels of service.

The following elements are specifically taken into consideration:
- personnel costs;
- operating costs (logistics, etc.);
- general costs (IT, consultancy, etc.).

As regards services rendered by Leithà and Ambra Property, the consideration was determined to the extent equal to costs, as previously defined, to which a 5% mark-up was applied, which is the operating margin for the service rendered.

The costs for financing activities are calculated by applying a fee on managed volumes. The services provided by UniSalute (except operating services provided to Unisalute Servizi for which the costs are split), Auto Presto & Bene, UnipolSai Investimenti SGR and UnipolRe involve fixed prices.

Unipol Gruppo, UnipolSai and the subsidiaries Arca Vita and Arca Assicurazioni second staff to the Group companies in order to optimise synergies within the Group.

The Parent Unipol exercised the Group tax consolidation option governed by Title II, Chapter II, Section II of Italian Presidential Decree 917/86 (the Consolidated Income Tax Act, Articles 117 et seq.) as consolidating entity, jointly with the companies belonging to the Unipol Group meeting the established regulatory requirements over time. The option has a three-year duration and is renewed automatically unless cancelled.

On 14 November 2018, Unipol Gruppo and the subsidiaries for which there are the economic, financial and organisational restrictions set forth by regulations in force exercised the joint option for the establishment of the Unipol VAT Group for the 2019-2021 three-year period, with automatic renewal until cancelled, pursuant to Arts. 70-bis et seq. of Italian Presidential Decree no. 633/1972 and Ministerial Decree of 6 April 2018.

The following table shows transactions with related parties (holding company, associates and others) carried out during 2019, as laid down in IAS 24 and in Consob Communication DEM/6064293/2006. It should be noted that the application scope of the Procedure for related party transactions, adopted pursuant to Consob Regulation no. 17221 of 12 March 2010, as amended, also includes some counterparties that are included, on a voluntary basis, pursuant to Art. 4 thereof. The above also includes UCIs, in which the Company, or one of its related parties, holds more than 20% of the equity rights.

Transactions with subsidiaries have not been recognised since in drawing up the Consolidated Financial Statements transactions among Group companies consolidated using the line-by-line method have been eliminated as part of the normal consolidation process.

Information on transactions with related parties

Amounts in €m	Holding company	Affiliates	Associates and others	Total	*% inc. (1)*	*% inc. (2)*
Loans and receivables	692.9		103.7	796.6	*1.1*	*230.2*
Available-for-sale financial assets	6.7			6.7	*0.0*	*1.9*
Sundry receivables	29.5	0.1	41.7	71.3	*0.1*	*20.6*
Other assets	0.0		35.4	35.4	*0.0*	*10.2*
Cash and cash equivalents			530.6	530.6	*0.7*	*153.4*
Total Assets	**729.1**	**0.1**	**711.4**	**1,440.7**	***2.0***	***416.4***
Technical provisions			0.1	0.1	*0.0*	*0.0*
Other financial liabilities	42.4		15.1	54.7	*0.1*	*15.8*
Sundry payables	107.6		41.1	148.7	*0.2*	*43.0*
Other liabilities	0.0		1.2	1.2	*0.0*	*0.3*
Total Liabilities	**150.0**		**54.6**	**204.6**	***0.3***	***59.1***
Commission income			4.6	4.6	*0.5*	*1.3*
Gains on other financial instruments and investment property	8.0		9.3	17.4	*2.0*	*5.0*
Other revenues	4.8	0.1	5.6	10.5	*1.2*	*3.0*
Total Revenues and Income	**12.8**	**0.1**	**19.5**	**32.4**	***3.7***	***9.4***
Commission expenses			3.9	3.9	*0.5*	*1.1*
Losses on other financial instruments and investment property	0.1		0.1	0.2	*0.0*	*0.1*
Operating expenses	0.2		156.4	156.6	*17.9*	*45.3*
Other costs	17.2		38.4	55.6	*6.4*	*16.1*
Total Costs and Expenses	**17.5**		**198.9**	**216.4**	***24.8***	***62.5***

(1) Percentage based on total assets in the consolidated statement of financial position recognised under Shareholders' Equity and on the pre-tax profit (loss) for income statement items.

(2) The percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

Loans and receivables due from the holding company include: (i) two loan agreements granted in 2009 (for a total of €267.8m) to Unipol following the takeover by Unipol Assicurazioni S.p.A. - later merged into UnipolSai Assicurazioni S.p.A. - of the role of issuer for the Unipol 7% and Unipol 5.66% subordinated bond loans issued by Unipol, and (ii) a 5-year loan for €300m disbursed by UnipolSai to Unipol on 1 March 2019, which may also be repaid in advance, at an interest rate equal to the 3-month Euribor plus 260 basis points, as part of the sale to Unipol of the interest in Unipol Banca.
The item also included a total of €124.5m relating to the receivable claimed by the subsidiary UnipolSai Finance towards the holding company Unipol as part of the cash pooling contract, in force from 1 July 2019 with the aim of pooling the management with Unipol of cash funds of the non-insurance companies of the Unipol Group. The contract envisages that the balance of cash and cash equivalents of each company in the pool is zeroed out daily, with a subsequent receivable/payable due to/from the Parent for the same amount. The aim of this contract is to improve corporate cash

management and allow the Parent to constantly monitor Group company liquidity, with resulting optimisation of costs and returns on the liquidity.
Loans and receivables from associates and others include €67.3m in shareholder loans disbursed to the associate UnipolReC, €19.5m in time deposits above 15 days held by the companies of the Group with BPER Banca, €10.1m relating to receivables from Assicoops (Corporate Agencies) for agents' reimbursements and €6.1m of interest-free loans disbursed by UnipolSai to the associate Borsetto.
The item Available-for-sale financial assets refers to bond securities issued by the holding company Unipol and subscribed by the subsidiary Arca Vita.
Sundry receivables from the holding company comprised amounts related to the tax consolidation and for services rendered.
The item Sundry receivables from associates and others included €36.8m in receivables due from insurance brokerage agencies for commissions.
The item Sundry receivables from affiliates included receivables for seconded staff and services supplied by UnipolSai.
Other assets were related to current accounts, temporarily unavailable, that UnipolSai has opened with BPER Banca.
Cash and cash equivalents included the balances of current accounts opened by Group companies with BPER Banca.
Other financial liabilities due to the holding company referred to the loan disbursed by the holding company Unipol Gruppo to the subsidiary Car Server. As regards relations with associates and others, this item referred to mortgages provided by BPER Banca to Group companies.
As for relations with the holding company, sundry payables included the payable for IRES on the income for the period of the companies participating in the tax consolidation and the payable for Unipol staff seconded to Group companies. As regards relations with associates and others, this item included commission payables due to BPER Banca for the placement of insurance products.
Commission income referred to the bank relations between Group companies and BPER Banca.
Gains on other financial instruments and investment property include:
- as for relations with the holding company, the interest income on loans provided by UnipolSai to Unipol and rents paid to UnipolSai for properties leased to Unipol;
- as for relations with associates and others, the interest income on bank deposits held by the Group companies at BPER Banca, interest on the loan supplied by UnipolSai to UnipolReC and rents paid to UnipolSai for use of the properties where their business is conducted.
The item Other revenue due from the holding company and from the affiliates mainly included income for staff secondment; other revenue due from associates and others included relations of the Group companies with BPER Banca for banking services.
Commission expense referred to bank relations between the Group companies and BPER Banca.
Losses on other financial instruments and investment property related to interest paid to BPER Banca on loans granted by the bank to the Athens RE real estate fund.
Operating expenses, as regards associates and others, included costs on commissions paid to insurance brokerage agencies (€100.5m) and bank relations operating costs (€33.0m).

Also note that the contributions due from the UnipolSai Group companies paid in the course of 2019 to pension funds reserved to Unipol Group employees and executives amounted to €19.1m.

Remuneration payable for 2019 to the UnipolSai Directors, Statutory Auditors, General Managers and Key Managers for carrying out their duties within the Company and in other consolidated companies amounted to €15m, details of which are as follows (in €m):

-	Directors and General Manager	4.0
-	Statutory auditors	0.4
-	Other key managers	10.7 (*)

The remuneration of the General Manager and the Key Managers relating to benefits granted under the share-based compensation plans (performance shares), is duly represented in the Remuneration Report, prepared according to Art. 123-ter of the Consolidated Law on Finance and made available, pursuant to current regulations, on the Company website.

(*) The amount mainly comprises compensation of employees and it includes the amount paid to the Unipol Gruppo as consideration for the secondment of some Key Managers.

During 2019, the companies of the Group paid Unipol Gruppo and UnipolSai the amount of €934k as remuneration for the offices held by the General Manager and by the Key Managers.

5.7 Fair value measurements – IFRS 13

IFRS 13:

a) defines the *fair value*;
b) groups into a single accounting standard the rules for measuring *fair value*;
c) enriches financial statement information.

The standard defines *fair value* as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (exit price).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:

- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a *fair value* hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure *fair value*.

Chapter 2, Main accounting standards, outlines the *fair value* measurement policies and criteria adopted by the UnipolSai Group.

Fair value measurement on a recurring and non-recurring basis

The table below shows a comparison between the assets and liabilities measured at fair value at 31 December 2019 and 31 December 2018, broken down by fair value hierarchy level.

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

		Level 1		Level 2		Level 3		Total	
Amounts in €m		31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		46,947.6	41,788.1	338.5	377.3	1,568.3	1,280.6	48,854.5	43,446.0
Financial assets at fair value through profit or loss	Held for trading financial assets	114.5	113.0	157.7	164.0	14.7	15.2	286.8	292.2
	Financial assets at fair value through profit or loss	7,465.0	6,203.5		0.7	0.6	1.3	7,465.6	6,205.5
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*54,527.1*	*48,104.6*	*496.2*	*542.0*	*1,583.6*	*1,297.1*	*56,606.9*	*49,943.8*
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	20.7	14.9	220.6	241.5	11.3	21.9	252.6	278.3
	Financial liabilities at fair value through profit or loss					2,661.8	2,261.0	2,661.8	2,261.0
Total liabilities measured at fair value on a recurring basis		*20.7*	*14.9*	*220.6*	*241.5*	*2,673.0*	*2,282.9*	*2,914.4*	*2,539.3*
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of disposal groups held for sale									
Liabilities associated with disposal groups									

The amount of financial assets classified in Level 3 at 31 December 2019 stood at €1,583.6m.

Details of changes in Level 3 financial assets and liabilities in the same period are shown below.

Details of changes in level 3 financial assets and liabilities at fair value on a recurring basis

Amounts in €m	Available-for-sale financial assets	Financial assets at fair value through profit or loss		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
		Held for trading financial assets	Financial assets at fair value through profit or loss				Held for trading financial liabilities	Financial liabilities at fair value through profit or loss
Opening balance	1,280.6	15.2	1.3				21.9	2,261.0
Acquisitions/Issues	320.9	0.1					(3.4)	
Sales/Repurchases	(42.9)							
Repayments	(2.4)							
Gains or losses recognised through profit or loss		(3.5)	(0.7)					
- of which unrealised gains/losses		(3.5)	(0.7)					
Gains or losses recognised in the statement of other comprehensive income	5.2							
Transfers to level 3	1.0							
Transfers to other levels								
Other changes	5.9	2.9	(0.0)				(7.2)	400.7
Closing balance	1,568.3	14.7	0.6				11.3	2,661.8

The transfers from Level 1 to Level 2 which occurred during the reference period were insignificant.

Analysis and stress testing of non-observable parameters (Level 3)

The table below shows, for Level 3 financial assets and liabilities measured at fair value, the effects of the change in the non-observable parameters used in the fair value measurement.

With reference to "assets at fair value on a recurring basis" and belonging to Level 3, the stress test of non-observable parameters is performed with reference to financial instruments valued on a Mark to Model basis and on which the measurement is carried out through one or more non-observable parameters.
The portion of securities subject to analysis had a market value of €52.9m at 31 December 2019.

The non-observable parameters subject to a shock are benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or Credit Default Swap curves are unavailable.

The following table shows the results of the shocks:

Amounts in €m	Curve Spread			
Fair value				
Shock	+10 bps	-10 bps	+50 bps	-50 bps
Fair Value delta	(0.18)	0.18	(0.85)	0.87
Fair Value delta %	*(0.33)*	*0.34*	*(1.61)*	*1.64*

Fair value measurements in compliance with the disclosure requirements of other standards

IFRS 13 governs the *fair value* measurement and the associated disclosure also for assets and liabilities not measured at *fair value* on a recurring basis.
For these assets and liabilities, *fair value* is calculated only for the purpose of market disclosure requirements. Furthermore, since these assets and liabilities are not typically traded, their *fair value* is largely based on the use of internal parameters that cannot be directly observed in the market, with the sole exception of listed securities classified as "Held-to-maturity investments".

Assets and liabilities not measured at fair value: breakdown by fair value level

	Carrying amount		*Fair value*							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Assets										
Held-to-maturity investments	454.6	459.6	543.2	497.3	37.9	34.5	2.2		583.2	531.7
Loans and receivables	4,766.7	4,313.1			2,839.9	2,650.3	2,084.2	1,571.6	4,924.1	4,221.9
Investments in subsidiaries, associates and interests in joint ventures	169.2	341.0					169.2	341.0	169.2	341.0
Investment property	2,063.2	2,071.1					2,239.9	2,202.8	2,239.9	2,202.8
Property, plant and equipment	2,411.5	1,813.6					2,551.8	1,976.8	2,551.8	1,976.8
Total assets	9,865.2	8,998.4	543.2	497.3	2,877.8	2,684.8	7,047.2	6,092.2	10,468.2	9,274.3
Liabilities										
Other financial liabilities	3,086.1	2,713.3	1,937.8	1,632.8			1,243.5	854.3	3,181.3	2,487.1

5.8 Information on personnel

Share-based compensation plans

The UnipolSai Group pays additional benefits (long-term incentives) to senior executives under closed share-based compensation plans by which Unipol and UnipolSai shares (performance shares) are granted if specific targets of Gross Profit and solvency capital requirement, as well as individual targets are achieved.

The 2016-2018 compensation plan based on financial instruments (performance share type), envisages the assignment of UnipolSai and Unipol shares over three years with effect from April 2019.
The first tranche, for 2,065,453 UnipolSai shares and 1,117,478 Unipol shares, was paid to those entitled on 25 April 2019.

The Information Documents, prepared pursuant to Art. 114-bis of the Consolidated Law on Finance and Art. 84-bis of the Consob Issuer's Regulation no. 11971/1999, are available on the relevant websites, in the Governance/Shareholders meetings section.

Trade union relations

The Group focuses particular attention on Trade Union relations since it believes that a dialogue and exchange of ideas, in full respect of the distinction of their respective roles, represent the best way to address the challenges concerning the personnel in the different phases of business performance.

As part of the implementation of the 2019-2021 Business Plan, on 18 July 2019 a trade union agreement was signed which, regarding voluntary pre-retirement arrangements for employees meeting pension requirements by the end of 2023, is divided into three types of case:

- employees who have met or will meet early retirement requirements pursuant to the "Fornero Reform" by 1 August 2020: jointly agreed termination of the employment contract was set for 31 October 2019 for those already meeting the requirements or will gradually be set as the last day prior to meeting the requirements for the aforementioned pension treatment.
- employees who will meet the early retirement or normal retirement requirements pursuant to the "Fornero Reform" in the period between 1 September 2020 and 1 January 2024, as well as those who will meet the "Fornero Reform" early retirement requirements in the last quarter of 2023 and consequently accruing the related pension by 1 April 2024. Access to the extraordinary section of the Solidarity Fund with all charges borne by the Company, which envisages payment to the interested party of a pay cheque equal to the future pension and payment of the related contributions for as long as the individual accesses the Fund.
- Jointly agreed termination of the employment contract was established with effect from:
  - 1 March 2020 (termination on 29 February 2020) for those due to meet the pension requirements between 1 September 2020 and 1 December 2022;
  - 1 February 2021 (termination on 31 January 2021) for those due to meet the pension requirements between 1 January 2023 and 1 January 2024, as well as those who will meet the early retirement requirements pursuant to the "Fornero Reform" in the last quarter of 2023 and consequently accruing the related pension by 1 April 2024.
- employees who have met or will meet early retirement requirements through the "Quota 100" formula: jointly agreed termination of the employment contract was set for 30 November 2019 for those already meeting the requirements or will gradually be set as the last day prior to meeting the requirements for this form of pension treatment.

The agreement of 18 July 2019 envisaged early retirement for a maximum of 760 individuals, but as over 800 subscribed to the various bands, on 20 November 2019 a further trade union agreement was signed that will allow all employees subscribing to access the arrangements envisaged in the previous agreement dated 18 July 2019.

Training

The first half of 2019 was characterised by activities targeting obtainment of the **ISO 9001:2015 Certification** for its **Unica (Unipol Corporate Academy) training processes**, with definition of the **Unica Quality Management System and training of Academy personnel** (certification obtained on 2 July).
Training activities during the year focused on implementing courses, through the Unica Faculties, with mandatory and regulatory, technical, commercial, managerial and behavioural content.
Among these were the hours provided to meet obligatory requirements and those provided in compliance with IVASS Regulation no. 40/2018, necessary to spread knowledge on insurance products and revised industry regulations.

During 2019, the training activities dedicated to all Unipol Group companies recorded a total of 1,004,407 man-hours, with breakdown as follows:

- 179,587 man-hours for Group employees (excluding bancassurance companies);
- 824,820 man-hours for the sales networks.

During the year 87% of the potential recipients were involved in training activities organised by Unica, and the learning methods used included not only traditional classroom training, but also webinar and digital learning.

A total of 1,152 courses were created and held, using the above-mentioned instructional methods, many of which common to employees and network intermediaries.

Training provided to employees

The training activities that mostly concerned the employees were those of a regulatory, technical-insurance and managerial nature. A total of 785 courses were created and held (including external courses). A good deal of the projects were carried out with training financed by the **Bank Insurance Fund** (FBA).

Some of the main projects were:

- The **Change Manager** course, designed to provide the tools, skills and mindset to effectively take on the new role of Change Manager (established in the Sales Department) in the Company or in an Agency. Recipients: 15 Change Managers from the Sales Department. It began in October and envisages a Kick-off Day, technical classroom training and three business/soft skills modules.
- The **Sales Tutor** course, designed to restyle the agencies with an unbalanced MV portfolio and without a specialist figure to give them a new Managerial figure to provide sales support in the Agency, starting from the counter staff. Recipients: 8 Sales Tutors from the Sales Department. It began in December and envisages 12 classroom training days.
- The **Welfare and Life** course: developed in partnership with the new Welfare and Life Division, consists in a course dedicated to the first 11 **Welfare Consultants** (a new professional role that will provide support to local Agencies in developing the sales of products associated with corporate welfare) and provided in blended mode. The course envisaged: self-training via online courses on the Unica portal, classroom training (14 days organised into 10 topic modules) and project work for the practical application of skills and sharing of experiences.

In addition, a number of initiatives of a regulatory/mandatory nature were undertaken in relation to:

- **Privacy-GDPR**: training courses targeting employees involved with particularly sensitive activities continued to be held.
- **Market Abuse**: classroom sessions continued dedicated to Executives of the functions affected by projects that offer access - even if occasional - to the "Insider List".
- **Workplace Safety**, with the provision of mandatory courses for Employees, Managers and Executives for Fire and First Aid Emergency Officers.

Added to these were other initiatives of a regulatory nature, designed to comply with European law and IVASS regulations.

Again to comply with IVASS provisions, coordination and planning took place throughout 2019 for the training targeting UnipolSai **Distributors**, subject to professional updating obligations, with the creation of a kit dedicated to opening courses in the FAD catalogue.

Training provided to the Sales Network

The training intended for the Sales Network referred to building courses (367 in total) useful in further increasing skills, also in compliance with training obligations envisaged in the IVASS Regulation.
Along with the standard training programme associated with regulatory updating on new products, with related restyling action, for the new UnipolSai Navigare product the webinar training format was successfully tested, with the benefit of effectively transferring technical content through interaction with the tutor, reducing travelling time and costs to zero.

Some of the main projects were:

- The **BPR4 Project - Assessment for independent transfer from A1 to A2**. In line with the Business Plan and in close partnership with the Non-Life and Claims Technical Division, this highly complex project aimed to review and automate the underwriting process in reference to the new autonomous agencies Model. Quarterly assessment sessions were implemented, ending on 31 December with the final mass phase of extension to the entire network (**4,200 agents**) in relation to 4 business classes: Accident, Theft, TPL and Fire, with the aim of transfer from autonomous level A1 to level A2. The project will continue with classroom planning in 2020.

- The **IMA Master Course - Agency Innovation Manager**, the third edition of which (from October 2019 to February 2021) will involve a further 24 high-potential agents. The project aims to develop an innovative business model regarding Agencies in the near future, associated with topics also presented in the new Group Business Plan.

Other initiatives

The roll-out for the **Leonardo Digital Workspace project and development of the Non-Life Underwriting Model** was completed, for which classroom training was held targeting the Network, and an online course was published.

The "**Le ali ai piedi**" ("Wings on our heels") communication campaign continued, as did the related "**Unica per tutti**" ("Unica for everyone") initiative, which include all of Unica's transversal projects dedicated to the continuous education of everyone working within the Group (smart training, office training, digital library and training events).

As regards **Office Automation**, 7 online courses were made available to employees and 6 to the Network in relation to the Office 2016 Suite, valid for IVASS purposes. In addition, given the gradual adoption of Windows 10 (and at the same time the Office 2016 suite), an online course on this operating system has been enabled for employees.

In 2019, as part of the implementation process for the **Register of Unipol Corporate Academy Trainers**, 188 employees received training to become Trainers. At 31 December 2019, **291 employees, 79 agents and 25 Assicoop employees had passed the examination and were entered in the register**.

During 2019 **Unica received various awards** for the projects **"Laboratorio Unipol Innovation"** (Unipol Innovation Lab) and **"Il Patentino Creditizio"** (The Lending Licence), at the IV Edition of the Olivetti Awards (promoted by the Italian Training Association - AIF), for **"Scrivere bene è pensare bene"** (To write well is to think well) and **"Sin@psi"** at the V Edition of the same Awards, and for "Unipol Insurance Master Program" at the V Edition of the Responsible Innovators Awards in Emilia Romagna. Lastly, Unica won the HR Community - HRC award as Academy, in the HRC Best Practice Awards - Digital Learning category.

5.9 Information on public funds received

With reference to the regulation on the transparency of public funds introduced by Art. 1, paragraph 125 of Italian Law 124/2017 and subsequent amendments and supplements, note that the Group collected the following contributions and subsidies subject to the mandatory disclosure in the notes to the financial statements pursuant to the above-cited regulation:

Recipient	Name of disbursing party	Amount collected (€)	Reason
Tenute del Cerro SpA	ARTEA	60,428.00	Capital Contributions for Delivery Chain Integrated Projects 2015 - Region of Tuscany
Tenute del Cerro SpA	ARTEA	15,370.00	Contributions for planting, forest conservation/reforestation - Region of Tuscany
Tenute del Cerro SpA	AGEA	10,054.00	Contributions for planting, forest conservation/reforestation - Region of Umbria
Tenute del Cerro SpA	ARTEA	8,533.00	Contributions for compensatory allowances for mountain areas – Region of Tuscany
Tenute del Cerro SpA	AGEA	82,327.00	Contributions for EU Agricultural Policy 2018
Tenute del Cerro SpA	AGEA	120,000.00	Contributions for the Common Market Organisation promotional expenses incurred in foreign countries - Tuscany 19/20
Tenute del Cerro SpA	AGEA	124,166.00	Contributions for the Common Market Organisation promotional expenses incurred in foreign countries - Umbria 19/20
Tenute del Cerro SpA	ARTEA	108,227.00	Contributions for the Common Market Organisation vineyards restructuring in Tuscany
Tenute del Cerro SpA	AGEA	108,609.00	Individual Insurance Plan Contribution
Tenute del Cerro SpA	AGEA	25,829.00	Contribution for the Rural Development Plan Umbria - agri-food sector

Also note that, through UnipolSai, in its capacity as the party submitting the relative petition, the Group collected contributions from the Banks and Insurance Fund and FONDIR in relation to training provided to its employees. In reference to the petitioning part and arranged by the granting body, information relating to these contributions was recorded in the National Register of Government Subsidies and was published in the "transparency" section of the related website where it can be consulted.

5.10 Non-recurring significant transactions and events

During the year, note the sale of the interest in Unipol Banca on 31 July 2019 and the acquisition of 100% of Car Server on 1 August 2019.

5.11 Atypical and/or unusual positions or transactions

In 2019 there were no atypical and/or unusual transactions aside from any mentioned among the main events of the period that, because of the significance, importance, nature of the counterparties involved in the transaction, transfer pricing procedures, or occurrence close to the end of the year, could give rise to doubts relating to: the accuracy and completeness of the information in these Consolidated Financial Statements, a conflict of interest, the safeguarding of the company's assets or the protection of non-controlling shareholders.

5.12 Additional information on the temporary exemption from IFRS 9

As indicated in these consolidated financial statements under the paragraph Application of IFRS 9 by the UnipolSai Group, except for some financial entities consolidated at equity and for which the application of IFRS 9 is mandatory on a separate basis (UnipolSai Sgr and UnipolReC SpA), all entities consolidated on a line-by-line basis or at equity continued to apply IAS 39 in drawing up their consolidated financial statements.
Below are tables containing the information necessary for comparison with the insurance companies that do apply IFRS 9.

Fair Value at 31 December 2019 and changes in the fair value of the financial investments recognised according to IAS 39 which passed the SPPI test, and the other financial investments

Amounts in €m	Consolidated Statement value at 31/12/2019	Fair value at 31/12/2019	Change in Fair value for the period
Financial investments passing the SPPI test, other than financial assets at fair value through profit or loss (a)	45,415.3	45,780.8	4,192.1
Other financial investments (b)	16,413.0	16,366.1	682.9
Total (a) + (b)	**61,828.3**	**62,146.8**	**4,875.0**

Main exposures by counterpart of investments passing the SPPI test

Amounts in €m

Counterpart	Consolidated Statement value at 31/12/2019
Italian Treasury	28,724.6
Spanish Treasury	3,949.1
Portuguese Treasury	657.0
French Treasury	523.0
Irish Treasury	336.3
Credit Agricole Groupe	297.1
Generali SpA	290.8
Deutsche Bank AG	282.8
Banco BPN SpA	268.8
Barclays PLC	263.9
Other counterparts	9,822.0
Financial investments passing the SPPI test, other than financial assets at fair value through profit or loss	**45,415.3**

Rating class of financial investments recognised according to IAS 39 which passed the SPPI Test

Amounts in €m

Rating class	Consolidated Statement value at 31/12/2019	IAS 39 carrying amount at 31/12/2019 before any impairment adjustment	Fair value at 31/12/2019
AAA	306.3	295.0	306.3
AA	906.1	818.6	906.1
A	5,859.9	5,105.7	5,910.9
BBB	35,585.7	31,177.5	35,851.4
Total financial investments with low credit risk (1)	42,657.9	37,396.8	42,974.7
BB	2,278.3	2,158.1	2,327.9
B	140.3	134.4	140.3
Lower rating	72.1	83.4	72.1
With no rating	266.6	261.8	265.8
Total financial investments other than those with low credit risk (2)	2,757.4	2,637.7	2,806.1
Financial investments passing the SPPI test, other than financial assets at fair value through profit or loss (1) + (2)	45,415.3	40,034.5	45,780.8

5.13 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

In accordance with IAS 36.10, the impairment test was carried out on the goodwill recognised in the Consolidated Financial Statements of UnipolSai Assicurazioni.

In determining the parameters used for the assessments, criteria were adopted that are in line with the market practice, in consideration of the overall economic scenario and, in particular, of the high volatility of the financial markets, despite the recovery expected in the coming years.

Appropriate Sensitivity Analyses were also developed to test the stability of the recoverable amounts of goodwill if there was a variation in the main parameters used in the tests.

Note that in August, UnipolSai arranged the acquisition of 100% of the share capital of Car Server SpA, a company operating in the long-term rental sector, incurring outlay of approximately €96m. This value was determined by taking into account the contents of a fairness opinion issued by a leading independent advisor. This transaction generated goodwill of around €43m, allocated to the Non-Life Business CGU. The goodwill was calculated on a provisional PPA (Purchase Price Allocation) basis as permitted by IFRS 3, in consideration of the consolidated accounting position of Car Server SpA at 30 June 2019. Note that the final accounting of the PPA, based on the fair value measurement of the assets and liabilities acquired, will take place within 12 months of the date that control of the company was acquired.

The CGU structure did not change compared to the previous year. Consequently, the CGUs to which the residual goodwill was allocated, impairment tested at 31 December 2019, were:
- Non-Life CGU: UnipolSai Assicurazioni - Non-Life
- Life CGU: UnipolSai Assicurazioni - Life

In relation to the measurement methods and benchmarks adopted to estimate the recoverable value of goodwill, note that for the Non-Life and Life businesses, as specified below, the same measurement criteria were adopted as for the previous year, with benchmark updating arranged at the end of 2019.
The impairment testing of the Non-Life CGUs was performed as follows: with regard to UnipolSai Assicurazioni - Non-Life, the recoverable value of goodwill was determined by using an excess capital version of the Dividend Discount Model (DDM): note in particular that, taking into account the 2019 financial statement, for the years 2020-2024 the economic-financial projections, functional to the definition of the profit forecasts of said financial years, prepared by the Company and approved by its Board of Directors, were considered.

The impairment testing of the Life CGU was performed as follows: in relation to UnipolSai Assicurazioni - Life, the recoverable amount of goodwill was calculated using the “Appraisal Value” method, by considering (i) the Embedded Value and (ii) the value of the portfolio of new products based on the discounting of related future cash flows (Value of New Business).

The results obtained in application of the impairment procedure, show that no suitable conditions exist to require value adjustments to the goodwill of the Non-Life and Life CGUs recognised in the consolidated financial statements at 31 December 2019.

Non-Life CGU	
Valuation method used	The method used, similar to that carried out last year, was an "excess capital" type of DDM (Dividend Discount Model) and focused on the future cash flows theoretically available for shareholders, without drawing on the assets needed to support the expected growth and in accordance with the capital requirements imposed by the Supervisory Authority on capital requirements. According to this method the value of the economic capital is the sum of the current value of potential future cash flows and the current terminal value.
Net profits used	The above net profits were considered.
Projection period	Five prospective flows were considered.
Rate of discounting	A rate of discounting of 6.63% was used, broken down as follows: - risk-free rate: 1.91% - beta coefficient: 0.86 - risk premium: 5.49% The average figure for the 10-year Long-Term Treasury Bond for the period January-December 2019 was used for the risk-free rate. As regards the Beta factor, reference was made, as in the previous year, to a 2-year adjusted Beta concerning a sample of companies listed on the European Market and deemed as comparable. The risk Premium was defined by taking into account the estimates of said parameters made by various contributors.
Long term growth rate (g factor)	It was deemed appropriate to reduce the g-rate to 1.7% (compared to 2% in the previous year) taking into account the macroeconomic predictive indicators and related to the reference market.
Life CGU	
Goodwill recoverable amount	With regard to UnipolSai Assicurazioni - Life, the recoverable value of goodwill was determined using the "Appraisal Value" method.

Below are the results of the impairment tests along with the relevant sensitivity analyses:

Amounts in €m	Recoverable amount (a)	Allocation of goodwill	Excess
Non-Life CGU	6,228	303	5,925
Life CGU	1,745	204	1,541
Total	**7,973**	**508**	**7,465**

(a) Recoverable value obtained as the difference between CGU Value and Adjusted Shareholders' Equity (net of goodwill therein included)

Parameters used	Non-Life
Risk Free	1.91%
Beta	0.86
Risk premium	5.49%
Short-term discounting rate	6.63%
Range	*6.13% - 7.13%*
Pass	*0.5%*
g factor	1.7%
Range	*1.2% - 2.2%*
Pass	*0.5%*

	Amounts in €m	Sensitivity (Value range)					
		Min			Max		
CGU	Recoverable Amount - Goodwill Delta	Amount	g	ke	Amount	g	ke
UnipolSai - Non-Life	5,925	5,085	1.2%	7.13%	7,170	2.2%	6.13%

	Amounts in €m	Sensitivity Recoverable Amount - Goodwill Delta	
CGU	Recoverable Amount - Goodwill Delta	Min	Max
UnipolSai - Life	1,541	1,494	1,608

5.14 Notes on Non-Life business

The process that leads to making the assumptions is carried out in such a way as to make a valuation of the liabilities with the intention of coming up with an estimate that is as realistic as possible.
The source of the figures is internal and the trends are based on annual statistics and monitored monthly throughout the year.
As far as possible assumptions are checked against market statistics.
If any information is missing, incomplete or unreliable the estimate of the final cost is based on the adoption of prudent assumptions.
The very nature of insurance business makes it highly complex to estimate the cost of settling a claim with any certainty, and the elements of complexity vary according to the class involved. The provision for each claim reported is set by an adjuster and is based on the information in his possession and on experience gained in similar cases. The forecasts fed into the system are periodically updated on the basis of new information about the claim. The final cost may vary as the claim proceeds (for example deterioration in the condition in the event of injury) or in the event of catastrophes.
As the Group's work is concentrated in Italy the major exposure to catastrophe risks is represented by natural disasters such as Earthquake, Flood and Hail.
Reinsurance cover is taken out to cover this type of risk, at levels differentiated with respect to the individual portfolios of the companies in the Group. The identified thresholds, with particular reference to the Earthquake risk, have been judged sufficiently prudent on the basis of calculations made using statistical models that simulate the company's exposures in detail.

The provisions for claims reported are estimated using the inventory method and the adjusters' estimates are also combined, where application conditions are satisfied, with the results of statistical methods such as the Chain Ladder, the Bornhuetter Ferguson and the ACPC (Average Cost Per Claim) and with valuations based on the average costs for the year (for similar groups covering a sufficiently large number of claims). These methods were applied after consistency of the underlying data had been verified using the model assumptions.

The Chain Ladder method is applied to the "paid" and "loading" factors. The method is based on historical analysis of the factors that affect the trend in claims. The selection of these factors is based on the figures for the accumulated amounts paid out, giving an estimate of the final cost per year of occurrence if the claims for that year have not been paid in full.
The Chain Ladder method is suitable for sectors in which the figures are stable and is therefore not suitable in cases in which there are no significantly stable previous periods and in cases of significant changes in the settlement rate.
The Bornhuetter Ferguson method uses a combination of a benchmark (or estimates of the ratio of losses to 'a priori' premium) and an estimate based on claims incurred (Chain Ladder).
The two estimates are combined using a formula that gives greater weight to experience. This technique is used in situations in which the figures are not suitable for making projections (recent years and new classes of risk).

The ACPC method is based on a projection of the number of claims to be paid and the respective average costs. This method is based on three fundamental assumptions: settlement rate, basic average costs and exogenous and endogenous inflation.

These methods extrapolate the final cost according to the year in which the claim is incurred and according to similar groups of risk on the basis of the trends in claims recognised in the past. Should there be a reason for deeming the trends recognised to be invalid some of the factors are modified and the projection adapted to fit the available information. Some examples of what affects the trends could be:
- changes in the claims handling procedures involving different approaches to settlement/making allocations to provisions;
- market trends showing increases higher than inflation (may be linked to the economic situation or to political, legal or social developments);
- random fluctuations including the impact of "major" claims.

Claims incurred but not yet reported are estimated on the basis of the historical trends within the company, with the number and the average costs of the claims being estimated separately.

As allowed by IFRS 4, the provisions were not discounted.

Scope of analysis

The UnipolSai Group companies operating in the Non-Life market (direct business) are: UnipolSai, Siat, Incontra, Linear, UniSalute, Arca, Pronto Assistance, Ddor.
The scope considered in this document makes reference to the UnipolSai Group's most significant companies: UnipolSai, Linear, Arca, UniSalute and Siat. The incidence of the amount of provisions of excluded companies stands at 0.6%.

Trend in claims

The table below, which illustrates the trend in claims, shows the estimated first-year costs for each year in which claims were incurred from 2010 until 2019 and the adjustments made in subsequent years as a result of the claim being settled or the budget being adjusted as a result of more information about the claim being received.
The line showing the variation compared with the first-year provision must be considered separately since subsequent adjustments may already have been incorporated into the provisions figures for later years.
Maximum caution must be exercised when extrapolating opinions on the adequacy or inadequacy of provisions from the results found in the following table.
The Group considers the provisions for claims reported or yet to be reported incurred by 31 December 2019 to be adequate in light of available information. Of course, as they are estimates there is no absolute certainty that the provisions are in fact adequate.

Trend in claims (all classes except Assistance)

Amounts in €m

Year of Event	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of claims accumulated											
at the end of the year of event	8,626	7,890	7,250	6,503	6,210	5,221	5,283	5,398	5,444	5,532	**63,357**
one year later	8,570	7,722	7,049	6,400	6,175	5,174	5,210	5,395	5,445		
two years later	8,845	7,783	7,037	6,352	6,103	5,109	5,181	5,344			
three years later	8,888	7,801	7,018	6,309	6,024	5,047	5,158				
four years later	8,916	7,776	6,976	6,269	5,946	5,010					
five years later	8,929	7,757	6,950	6,216	5,897						
six years later	8,913	7,732	6,927	6,179							
seven years later	8,891	7,716	6,899								
eight years later	8,881	7,691									
nine years later	8,836										
Estimate of claims accumulated	8,836	7,691	6,899	6,179	5,897	5,010	5,158	5,344	5,445	5,532	**61,990**
Accumulated payments	8,467	7,296	6,404	5,562	5,176	4,336	4,349	4,376	3,905	2,353	**52,224**
Change compared to assessment at year 1	209	(198)	(351)	(324)	(313)	(212)	(125)	(54)	1		
Outstanding at 31/12/2019	369	396	495	617	720	673	810	968	1,540	3,179	**9,766**
Discounting effects											
Carrying amount	369	396	495	617	720	673	810	968	1,540	3,179	**9,766**

The data contained in the trend in claims table as inputs for actuarial models like the Chain-Ladder model must be used with extreme care.
Future replication of changes in cost recorded in the past, in the case of provision strengthening, could lead to the paradoxical situation whereby the higher the strengthening the greater the insufficiency which may be inaccurately forecast by these methods.

The breakdown of the IBNR estimated at 31 December 2018 showed an overall sufficiency in 2019 of €55.1m or 5.7% of the estimate.

Change in the assumptions made and sensitivity analysis of the model

The estimated cost for 2010-2018 at 31 December 2019 was €56,458m, a decrease from the valuation carried out at 31 December 2018 for the same years (€56,752m).
The new figure takes account of the savings recognised on claims that have been settled and of the revaluations required on claims that are still outstanding.

The risks arising from insurance policies are complex and subject to numerous variables that make the task of quantifying the sensitivity of the model complex.
The incidence of the amount of the 2,557 major claims net of claims handled by others (above €800k in the case of MV TPL, above €400k in the case of General TPL and €350k in the case of Fire) on the total provisions of the three classes was 26.7%. A 10% increase in the number of major claims would have led to a fall in provisions of €215.1m. The incidence on total provisions of claims handled by others was 2.4%. If reinsurers had revalued these claims by 5.0%, costs would have risen by €11.9m.

The sensitivity analysis of the models directed at determining two scenarios, one favourable and one unfavourable, was conducted on the MV TPL (Non-Card and Handler Card separately) and General TPL classes of UnipolSai Assicurazioni (UnipolSai provisions represent 92.5% of the companies considered in this analysis; the provisions of the MV TPL and General TPL business of UnipolSai totalled 72.5%).

The two scenarios were obtained with the following assumptions:

- Favourable: for MV TPL, a decline in inflation by one and a half points (1.0%) was assumed for the ACPC method compared to the baseline model (2.5%); reference was made to the provision corresponding to the tenth percentile for the Chain Ladder Paid method (*). For General TPL, reference was made to the provision corresponding to the tenth percentile (*).
- Unfavourable: for MV TPL, a decline in inflation by one and a half points (4.0%) was assumed for the ACPC method compared to the baseline model (2.5%); reference was made to the provision corresponding to the ninetieth percentile for the Chain Ladder Paid method (*). For General TPL, reference was made to the provision corresponding to the ninetieth percentile (*).

(*) Assuming that the provision is distributed according to a log-normal function with parameter relating to standard deviation calculated with the Mack method

In the sensitivity analysis for years prior to 2008 (excluded from the model), the same changes deriving from application of the stress scenarios to later years were applied.

The following table shows the LAT's numbers:

Amounts in €m	Pre 2008	2008 -2019	Total	*Delta %*
Provision requirements	853	8,993	9,846	
Unfavourable LAT assumption	886	9,259	10,145	*3.04*
Favourable LAT assumption	820	8,735	9,555	*(2.95)*

In assessing the results of these variations, note that these analyses are of the deterministic type and no account is taken of any correlations. Overall, provisions (€11,162m relating to the consolidation scope examined) in the financial statements are higher than the top end, i.e. the unfavourable scenario assumption.

5.15 Notes on Life business

Breakdown of the insurance portfolio

Consolidated Life premiums for 2019 totalled €5,846.9m (insurance and investment products), with an increase of +36.2% compared to the previous year (calculated on a like-for-like scope of consolidation).
The Life direct premiums of the Group came from both the traditional companies (UnipolSai Assicurazioni and DDOR) and bancassurance companies (Bim Vita and Arca Group).

The consolidated Life premiums of the UnipolSai Group at 31 December 2019 are broken down as follows:

Consolidated Life direct premium

Amounts in €m	UnipolSai Assicurazioni	Arca Group	Bim Vita	Ddor Novi Sad	Total
Insurance premiums (IFRS4)	**3,924.9**	**1,457.6**	**56.2**	**15.6**	**5,454.2**
var. %	*36.1*	*74.6*	*6.7*	*6.7*	*44.1*
Investment Products (IAS39)	**155.0**	**218.0**	**19.8**		**392.7**
var. %	*(37.0)*	*(9.9)*	*4.8*		*(22.5)*
Total Life business premium income	**4,079.8**	**1,675.6**	**75.9**	**15.6**	**5,846.9**
var. %	*30.4*	*55.6*	*6.2*	*6.7*	*36.2*
Breakdown:					
Insurance premiums (IFRS4)	*96.2%*	*87.0%*	*74.0%*	*100.0%*	*93.3%*
Investment Products (IAS39)	*3.8%*	*13.0%*	*26.0%*	*0.0%*	*6.7%*

The Life direct premiums for the Group originate for €4,079.8m from UnipolSai (+30.4%), €1,675.6m from the ARCA Group (+55.6%), €75.9m from BIM Vita (+6.2%) and €15.6m from DDOR (+6.7%).

Insurance premiums totalling €5,454.2m (+44.1%) accounted for 93.3% of total premiums, up compared to the figure for the previous year (88.2%). Non-insurance premiums amounted to €392.7m (-22.5%) and related to unit-linked and open pension funds.

Direct insurance premiums: income type

Amounts in €m	UnipolSai Assicurazioni	Arca Group	Bim Vita	Ddor Novi Sad	Total
Traditional premiums	2,686.4	1,457.5	44.4	15.6	4,203.9
Financial premiums	0.5	0.1	11.8		12.4
Pension funds	1,237.9				1,237.9
Insurance premiums (IFRS4)	**3,924.9**	**1,457.6**	**56.2**	**15.6**	**5,454.2**
of which investments with DPF	2,109.5	1,409.3	0.0		3,518.9
% investment with DPF	*53.7%*	*96.7%*	*0.0%*	*0.0%*	*64.5%*

The insurance premiums of the UnipolSai Group continued to be composed primarily of traditional policies, which account for 77.1% of total consolidated premiums (down from the 82.7% recorded in 2018), compared to 22.7% represented by pension fund premiums (16.7% in 2018) and, finally, only 0.2% by financial premiums, down compared to 0.7% in 2018.

5.16 Risk Report

The Risk Report aims to provide an overview of the risk management system, the internal risk assessment and solvency assessment processes and the UnipolSai Group risk profile, in compliance with the principles introduced in the European Solvency II regulations that entered into force from 1 January 2016.

Activities by the competent corporate organisations of the Group were carried out in 2019 in compliance with Solvency II regulations and the supervisory provisions issued by IVASS.

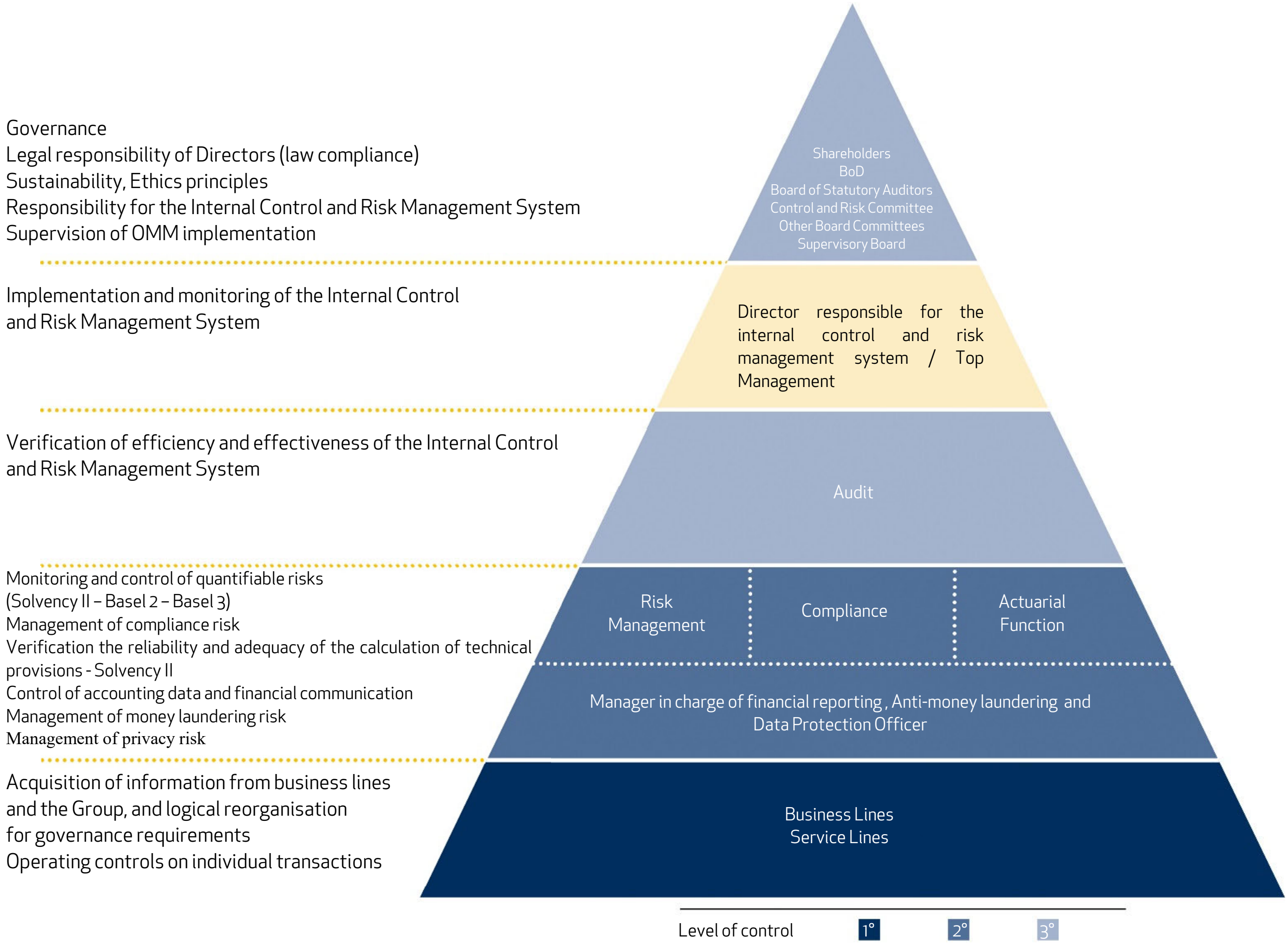
Internal Control and Risk Management System

The Unipol Group and the UnipolSai Group's Risk Management structure and process are part of the wider internal control and risk management system which operates on several levels:

- line controls (so-called "first-level controls"), aimed at ensuring transactions are carried out correctly. These are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the managers of the operating structures, or carried out as part of back office activities; as far as possible, they are incorporated in IT procedure. The operating structures are the primary bodies responsible for the risk management process and must ensure compliance with the adopted procedures for implementing the process and compliance with the established risk tolerance level;
- risk and compliance controls (so-called "second-level controls"), which aim to ensure, among other things:
  - the correct implementation of the risk management process;
  - the implementation of activities assigned to them by the risk management process;
  - the observance of the operating limits assigned to the various departments;
  - the compliance of company operations with the regulations, including self-regulation;
  - reliability and adequacy of the calculation of technical provisions - Solvency II.

The departments responsible for these controls are separate from the operating functions; they help define the risk governance policies and the risk management policy;
- internal review (so-called "third-level controls") verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls) and that business operations comply with the System.

By way of a non-exhaustive example, the UnipolSai Group's Risk and Control Governance model is shown below.



Within UnipolSai:

- The **Board of Directors**, in observance of and consistent with the policies and guidelines of the Parent and based on prior judgment of the Control and Risk Committee, defines the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and its subsidiaries are correctly identified, and adequately measured, managed and monitored. The Board performs an assessment, at least annually, of the adequacy of the current and forward-looking Internal Control and Risk Management System with respect to the characteristics of the Company and its subsidiaries and to the defined risk appetite, as well as its efficiency and capacity to adapt to evolving corporate risks and the interaction between them.
- The **Risk Control Committee** plays a propositional, advisory, investigative and support role to the Board of Directors in relation to the Board's assessments and decisions mainly concerning the Internal Control and Risk Management System.
- The **Director Responsible for the internal control and risk management system**, handles the identification of the main company risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, periodically subjecting them to review by the Board of Directors;
- **Top Management** supports the Director in charge of designing and implementing the Internal control and risk management system, including therein those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Administrative Body and with the guidelines provided by the Parent.
- **Key Functions**: in accordance with applicable sector regulations, the organisational structure of the Company requires that the Key Functions (Audit, Risk Management, Compliance and Actuarial Function) report directly to the Board of Directors and operate under the coordination of the Director responsible for the internal control and risk management system.
- The **Risk Management Department** supports the Board of Directors, the Director responsible for the internal control and risk management system and Top Management in the evaluation of the structure and effectiveness of the Risk Management System and reports its conclusions to said bodies, highlighting any deficiencies and

suggesting ways of resolving them. The Risk Management Department carries out this work as part of the process of "Own Risk and Solvency Assessment" (ORSA), ensuring that the work carried out by the various company departments dealing with risk management is coordinated. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work since the departments themselves must have the necessary tools and expertise.
Within the Risk management system, the Risk Management Department is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at individual and aggregated level which the Company is or may be exposed to and the relevant interdependencies.
In this respect, Risk Management also contributes to the dissemination of a risk culture extended to the entire Group.

Monitoring Procedures: Company committees

Some internal company committees have been set up within UnipolSai to support the General Manager in implementing and monitoring the policies on guidelines, coordination and operating strategy laid down by the Board of Directors.

Risk Management System

The internal control and risk management system (the "System") is defined in the Group Directives on the corporate governance system (the "Directives") - adopted by the UnipolSai Board of Directors on 21 June 2019 - which, *inter alia*, set out the role and responsibilities of the individuals involved in the internal control and risk management system. The Directives are completed by the Key Function Policies - approved at the same Board of Directors meeting[6].
The principles and processes of the System as a whole are governed by the following Group policies: "Risk Management Policy", "Current and Forward-looking Internal Risk and Solvency Assessment Policy", "Operational Risk Management Policy" and "Group-level Risk Concentration Policy".
The policies setting the principles and guidelines below are an integral part of this System: (i) management of specific risk factors (e.g. Investment Policy with regard to market and liquidity risks, and the "Credit Policy"), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.
A risk management process is defined within the Risk management system to allow for risk identification, measurement, monitoring and mitigation.
The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and any insurgence of new risks or changes in existing risks.
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company included in the scope of supervision of the Group and their mutual interdependencies.

Risk Appetite and Risk Appetite Framework

The Risk Management System is inspired by an enterprise risk management logic. This means that is based on the consideration, with an integrated approach, of all the current and prospective risks the Group is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives and replies on a fundamental element: the Risk Appetite.
In quantitative terms, Risk Appetite is determined on the basis of the following elements:
- capital at risk;
- capital adequacy;
- Liquidity/ALM ratios.

Furthermore, quality objectives are defined in reference to compliance, emerging, strategic, reputational, ESG (Environmental, Social and Governance) and operational risks.

[6] The documents mentioned entered into force from 1 January 2020. In fact, following the entry into force of IVASS Regulation no. 38 of 3 July 2018 containing provisions on the corporate governance system, the arrangements for corporate governance system documentation was reviewed.

The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Company intends to assume or avoid, sets their quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.
The Risk Appetite forms part of a reference framework - the Risk Appetite Framework (RAF).
The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the Own Risk and Solvency Assessment (ORSA) process, the budget, company organisation and the internal control system.
The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:

- Risk Capacity;
- Risk Tolerance;
- Risk Limits (or operational risk limits);
- Risk Profile.

The activity to define RAF components is dynamic and progressive, and reflects the risk management objectives associated with the objectives of the Strategic Plan. Verification is performed annually as part of the process of assigning Budget objectives. Further analyses for preventive control of the Risk Appetite, and capital adequacy in particular, are performed when studying extraordinary transactions (such as mergers, acquisitions, disposals).
The RAF is broken down into several analysis macro areas with the aim of guaranteeing continuous monitoring of risk trends and capital adequacy. The main analysis macro areas are risk type, total risk, individual company and group.
Lastly, the solvency objectives are defined.

The ORSA process

Under its own risk management system, the Company uses the ORSA process to assess the effectiveness of the risk management system and its capital adequacy in capital terms and as regards governance and liquidity management.
The internal ORSA assessment process allows the analysis of the current and prospective risk profile analysis of the Company, based on strategy, the market scenarios and business development; in addition, the ORSA is an assessment element to support operational and strategic decisions.

The risk management process

The risk management process involves the following steps:

- risk identification;
- current and forward looking assessment of risk exposure;
- risk monitoring and reporting;
- risk mitigation.

The process is performed in compliance with the Risk Appetite Framework.

Risk identification

Risk identification consists in identifying the risks considered significant, i.e. those with consequences capable of compromising the solvency or reputation of the Group and of the Company, or constitute a serious obstacle to achieving strategic objectives. These risks are classified according to a methodology that takes into consideration the Group structure, the specific nature of the types of business managed by the various operating Companies and the classifications proposed by Italian and European supervisory regulations.
The categories of risk identified are as follows:

- Technical-Insurance underwriting risks (Non-Life and Health);
- Technical-Insurance underwriting risks (Life);
- Market Risk;
- Credit Risk;
- Liquidity and ALM Risk;
- Operational Risk;
- Standard Compliance Risk;
- Emerging risks and strategic risk;
- Reputational Risk;
- ESG (Environmental, Social and Governance) risks

- Other risks.

This identification and its constant updating are the result of meticulous and continuous activity performed through:
- continuous monitoring of business operations;
- continuous monitoring of the reference regulatory framework;
- the exercise of Profit and Loss attribution that compares profit and loss recorded at year end with those estimated by the Internal Model, in order to verify whether it correctly represents all risk factors.

An assessment is performed at least annually to verify that the risks identified actually represent the risk profile of the Group and its companies.

Current and forward looking assessment of risk exposure

At least annually and in any event every time circumstances arise that could significantly alter the risk profile, the Group assesses the risks to which the Group and the individual companies are exposed, at present and prospectively, documenting the methods used and the related results. In the internal Current and Forward-looking Risk and Solvency Assessment Policy, the process for the current and forward-looking assessment of risks is also defined, including risks deriving from companies included in the scope of Group supervision and taking into account the risk interdependencies. The current and forward-looking assessment also includes stress testing to verify the company's vulnerability to extreme but plausible events.

<u>Current assessment of risks</u>
The current assessment of risks identified is performed through methods envisaged in regulations and best practices as regards risks for which measurement is not regulated or defined by high-level principles.

<u>Forward-looking assessment of risks</u>
The Own Risk and Solvency Assessment (ORSA) process is used to support operational and strategic decisions.
The Group defines and implements procedures that are commensurate with the nature, scope and complexity of the business activities and enable it to identify and assess accurately the risks to which the Group or individual company is or could be exposed in the short and long term.

Stress test, reverse stress test and sensitivity analyses

The Group and each subsidiary Company conduct stress test, reverse stress test and sensitivity analyses at least annually, in compliance with requirements of the national Supervisory Authority regulations. To this end, the Group has adopted:
- a stress test framework that begins with analysis of the key risk factors, envisaging the definition of a set of stress tests:
  - <u>general</u> (i.e. applying to the Group and to all Group Companies) or specific (i.e. applying to individual Companies);
  - which consist in the application of <u>shocks to individual risk factors</u> (e.g. interest rates) or contextual shocks to multiple groups of risk factors (i.e. scenario analysis);
  - which concern financial variables and/or technical-insurance variables.
- a sensitivity analysis framework for the main financial figures of interest, in order to assess the solvency of the Group and the Companies in alternative economic scenarios;
- a set of reverse stress test exercises to identify loss scenarios that could put the Company's solvency in difficulty.

Risk monitoring and reporting

In order to ensure prompt and constant monitoring of the evolution of the Risk Profile and compliance at the different levels of company responsibility with the defined Risk Appetite, a reporting system was implemented based on the principles of completeness, promptness and disclosure efficiency.
This system guarantees that the quality and quantity of information provided is commensurate with the needs of the various recipients and with the complexity of the business managed, in order for it to be used as a strategic and operating tool in assessing the potential impact of decisions on the company's risk profile and solvency.
In relation to the recipients, reporting is divided into "internal" and "external". "Internal" reporting is addressed to the bodies and internal structures of the Group and its companies, with the aim of steering strategic and business decisions and verifying sustainability over time. "External" reporting is directed to Supervisory Authorities and the market and meets the disclosure and transparency requirements of regulations in force.

With regard to "internal" reporting, in consideration of the recipients of the various requirements and uses, two types of reporting are provided:
- Strategic reporting on risk management, containing information important in supporting strategic decisions;
- Operational reporting on risk management with an adequate granularity in supporting business operations.

As part of the strategic reporting, the following are provided to the Board of Directors, the Control and Risk Committee and Top Management:
- annually, a proposal for approval of the Risk Appetite (Risk Appetite Statement)[7];
- quarterly, a report with the results of controls performed on observance of the Risk Appetite for the current year (Risk Appetite Monitoring);
- quarterly, a report with the results of controls performed on observance of the operational risk limits defined in the specific risk management policies;
- at least annually, the results of stress testing.

Risk escalation and mitigation process

With regard to Risk Appetite monitoring, detection of any of the defined thresholds being exceeded triggers the escalation process described below:
- if the Risk Appetite and the Risk Tolerance, when defined, are exceeded, the Board of Directors is informed. The Board of Directors assesses whether the approval of a new Risk Appetite or Risk Tolerance level is appropriate or defines action to be taken to restore the Risk Appetite or Risk Tolerance level;
- if the Risk Capacity is exceeded, the Board of Directors is notified and defines the actions to be taken.

If the Risk Appetite and/or Risk Tolerance and/or Risk Capacity of individual companies are exceeded, the Boards of Directors of Unipol Gruppo SpA and UnipolSai Assicurazioni SpA are informed, indicating any corrective action taken.
In order to mitigate existing or prospective levels of risk not in line with the defined risk objectives, the following measures can be adopted:

a) Financial hedges: these measures may take the form of hedging transactions on the market using financial derivatives. The Investment Policy defines the principles for the use and management of hedging instruments;
b) Reinsurance: transfers part of the underwriting risk outside the Group, providing more possibility for business growth, both by proportionally reducing the amounts at risk (e.g. proportional treaties) and by limiting even further the amounts of major claims (e.g. non-proportional treaties). The "Reinsurance and Other Risk Mitigation Techniques Policy" defines the guidelines on reinsurance cover management;
c) Guarantees held as a hedge against credit risks: the main type of guarantee available on exposures to reinsurers comprises deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depends on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. For exposures to reinsurers the Group also makes use of a limited number of guarantees consisting mainly of Letters of credit and Securities. Collateral deposited by the counterparties for operating in derivatives under CSA-type (Credit Support Annex) agreements is also used as guarantees on credit risks[8]. If the Internal Model for measuring risks includes mitigation techniques, their compatibility and constant updating in line with performance must be guaranteed;

[7] In reference to the Parent, at consolidated level and at individual company level.
[8] The CSA requires the delivery of a collateral asset when the value of the contract exceeds the set threshold.

d) **Management action**: corrective measures to be applied if certain events occur, such as the restructuring of assets and/or liabilities under management or the disposal of assets and/or liabilities (position closures);
e) **Operational risk mitigation actions**: mitigation plans with the aim of preventing or mitigating the effects should a risk event occur. The implementation of mitigation plans is based on decisions made on a continual basis during the entire operational risk monitoring stage.
f) **Emergency and contingency plans**: extraordinary *ex ante* measures to be activated if certain catastrophes or emergency events should occur, such as those envisaged in the Pre-emptive recovery plan of the Insurance Group, Business Continuity Plan and Disaster Recovery Plan which respectively define the measures/actions to be adopted at Group and/or Company level to restore the financial position of the Group and/or a Group company in specific scenarios of financial difficulty and severe macro-economic stress, and govern operating procedures for declaring a crisis situation arising from catastrophes and managing the effects.

Partial Internal Model

The Unipol Group, UnipolSai Assicurazioni and Arca Vita are authorised by IVASS to use the Partial Internal Model to calculate the Group and individual solvency capital requirement.

The Partial Internal Model is used to assess the following risk factors, as well as in the aggregation process:

- Non-Life and Health technical Insurance risks relating to the catastrophe component referring to earthquakes;
- Life technical insurance risks;
- Market risk;
- Credit risk.

It is worth noting that, on 9 April 2019, by Measure no. 0100506/19 IVASS, authorised Unipol Gruppo SpA, UnipolSai Assicurazioni SpA and Arca Vita SpA to make significant changes to the partial internal model for calculating the solvency capital requirement of the group and the individual requirements of UnipolSai Assicurazioni and Arca Vita, as of the requirement calculation for the year 2018. The significant changes made to the partial internal model refer to the Non-Life and Health technical-insurance risks, Life technical-insurance risks and credit risk modules.
There is a plan for the extension of the Partial Internal Model to include all measurable risk modules and reach a Full Internal Model type configuration.

Non-Life and Health technical insurance risk is represented by the following sub-modules: tariff-setting risk, provisions risk, catastrophe risk and surrender risk. A Partial Internal Model that integrates Internal Model components (Earthquake catastrophe risk), Specific Group Parameters and the Standard Formula is used to calculate the solvency capital requirement.
In particular, the use of the Specific Parameters concerns the tariff-setting and provisions risks of the company UnipolSai, in the segments of Non-Life insurance and reinsurance obligations under Annex II to EU Delegated Regulation 2015/35 of 10 October 2014, as specified below:

- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles;
- Segment 4, Proportional insurance and reinsurance against fire and other damage to property;
- Segment 5, Proportional insurance and reinsurance on general TPL.

In addition, except with regard to Earthquake risk, the catastrophe risks and surrender risk are assessed using the Standard Formula.

Life underwriting risk (mortality/longevity risk, surrender risk and expense risk) is measured using the Partial Internal Model based on the Least Square Monte Carlo approach, consistent with the principles indicated in Solvency II regulations, which allow calculation of the Probability Distribution Forecast in relation to Life risk factors. Catastrophe risk, in addition to the Life underwriting risks relating to Unit-Linked and Pension Fund products, are assessed using the Standard Formula.

The **market risk** of the securities portfolio, for which the investment risk is not borne by the policyholders, is measured using the Partial Internal Model that adopts a Monte Carlo VaR approach. As part of the Internal Market Model, Life liabilities are replicated through cash flows with a maturity equivalent to the breakdown of Life provisions for the guaranteed component and polynomial functions (the Least Square Monte Carlo approach) to represent the Future

Discretionary Benefits component. Market risk of the securities portfolio for which investment risk is borne by the policyholders and concentration risk are measured using the Market Wide Standard Formula.

The table in the following paragraph analyses the main sensitivities to market risk factors.

Credit risk is measured using the Partial Internal Model that adopts a CreditRisk+ approach. This model makes it possible to measure the risk of default relating to bank counterparties, concerning exposures deriving from cash available at banks and financial risk mitigation operations through derivative contracts, and to the insurance and reinsurance exposures. Furthermore, the model allows the risk of default deriving from exposures to intermediaries and policyholders to be measured.

Risk aggregation is measured using the Partial Internal Model. The risk aggregation process defined by the Group calls for a bottom-up approach and may be broken down into two phases:

- aggregation of the risk sub-modules which make up Market risks, Non-Life and Health Technical Insurance risks, Life technical insurance risks and Credit risks so as to obtain the Probability Distribution Forecast ("PDF") of each risk module;
- aggregation of the risk modules of Market risks, Non-Life and Health Technical Insurance risks, Life technical insurance risks and Credit risks in order to calculate the Basic SCR.

The aggregation of the sub-modules involves three distinct approaches:

- joint sampling of risk factors;
- aggregation by means of the Var-Covar method (with a posteriori determination of the PDF);
- aggregation of multiple marginal distributions through coupling functions.

Below is additional information on the calculation procedure and the main results for each risk at 31 December 2019.

Financial risks

The Group's Investment Policy establishes the criteria forming the basis of the investment policy, the types of activities considered correct to invest in, the breakdown of the portfolio of medium/long-term investments and fixes the limits on the underwriting and monitoring of market risk in such a way as to ascertain total exposure, in line with the "risk appetite" expressed in the Group's strategic objectives, guaranteeing an adequate portfolio diversification.

Market risk

Market risk refers to all risks which have the effect of diminishing investments of a financial or real estate nature as a result of adverse trends in the relevant market variables. The market risk modules are:

- <u>Interest rate risk</u>;
- <u>Equity risk</u>;
- <u>Real estate risk</u>;
- <u>Exchange rate risk</u>;
- <u>Spread risk</u>.

In the Partial Internal Model, the Value at Risk method is used to measure the market risk, calculated over a 1-year time period and with a confidence interval of 99.5%. In addition, sensitivity and stress test measurements are determined for each risk factor.

<u>Interest rate risk</u> for ALM purposes is quantified in terms of duration mismatch and Net Asset Value sensitivity against parallel changes in the forward interest rates structure. The assets falling under the calculation of the duration mismatch and Net Asset Value sensitivity include securities, cash, receivables and properties; the liabilities include the financial liabilities and technical provisions. The market value is used for financial assets and liabilities, whilst best estimates are used for the technical provisions. The duration mismatch is calculated as the difference between the duration of assets and the duration of liabilities weighted for the assets value, considering the adjusting effect of the derivatives.

For the UnipolSai Group, at 31 December 2019 the duration mismatch for Life business stood at -0.81, and at +1.52 for Non-Life business.

With reference to Net Asset Value sensitivity to a parallel change in the forward interest rate curve for the Life business, the sensitivity +100 basis points equals +€337m, whilst for the Non-Life business the sensitivity +100 basis points equals -€290m.

Equity risk is the risk connected with a potential variation in the value of share assets, as a result of market volatility of the reference indexes.

Real estate risk is the risk connected with the occurrence of losses as a result of unfavourable changes in the market value of real estate assets.
The assets falling under the calculation of *real estate risk* include real estate funds, directly-owned properties and direct and indirect investments in real estate projects.
In particular, with reference to directly-owned properties, the value used to calculate the risk (fair value) is that deriving from the estimate made by independent experts.

Exchange rate risk for ALM purposes is defined as the risk of a possible variation in the value of financial statement assets and liabilities and the Net Asset Value as a result of unfavourable changes in exchange rates. Based on the Investment Policy, the total exposure to non-Euro currencies, net of currency hedging, must be limited to 3% of total investments.
The UnipolSai Group's exposure to currency risk was not significant at 31 December 2019.

Spread risk is the risk connected with a variation in the value of bond assets following a change in spreads representing the credit rating of individual issuers. In light of the policies and processes adopted to monitor and manage liquidity risk and the objective difficulty in quantifying the default risk of government bonds issued by European Union Member States, spread risk on government bonds has been excluded from the measurement of the market SCR based on the Partial Internal Model. It is not included because of:

- the nature of the business of the insurance companies, characterised by primarily buy and hold type long-term investment strategies and restrictions regarding the matching of liabilities expressed in terms of ALM;
- the objective difficulty of quantifying the probability of default and loss given default of developed countries, which represent the reference investment area for government bonds for risk measurement purposes;

The assessment of spread risk on government bonds is included within Pillar II risks and the relative measurement is carried out based on a stress testing type approach.
The level of sensitivity of the UnipolSai Group's portfolios of financial assets to the main market risk factors is shown below.
Sensitivity is calculated as a variation in the market value of the assets at 31 December 2019, following the shocks resulting from a:

- parallel change in the interest rate curve of +10 bps;
- -20% change in the share prices;
- +10 bps change in the credit spread.

31/12/2019	INSURANCE BUSINESS		REAL ESTATE AND OTHER BUSINESSES		TOTAL	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position	Impact on Income Statement	Impact on Statement of financial position	Impact on Income Statement	Impact on Statement of financial position
UnipolSai Group						
Interest rate sensitivity (+10 bps)	27.21	(353.58)		(0.05)	27.21	(353.63)
Credit spread sensitivity (+10 bps)	(0.76)	(372.85)		(0.05)	(0.76)	(372.90)
Equity sensitivity (-20%)	1.56	(732.63)		(6.01)	1.56	(738.64)

The values include the hedging derivatives.

Liquidity risk

Liquidity risk is the risk of not having the liquid resources necessary to meet the assumed obligations, in the financial statements and off-balance sheet, pertaining to their business, without undergoing economic losses deriving from forced sales of assets in case of adverse scenarios.
The liquid resources functional for the core business deriving from cash and cash equivalents, from the sale of securities that can be swiftly turned into cash and from any financing activities.
The main principles on which the liquidity risk management model within the UnipolSai Group is based may be summarised as follows:

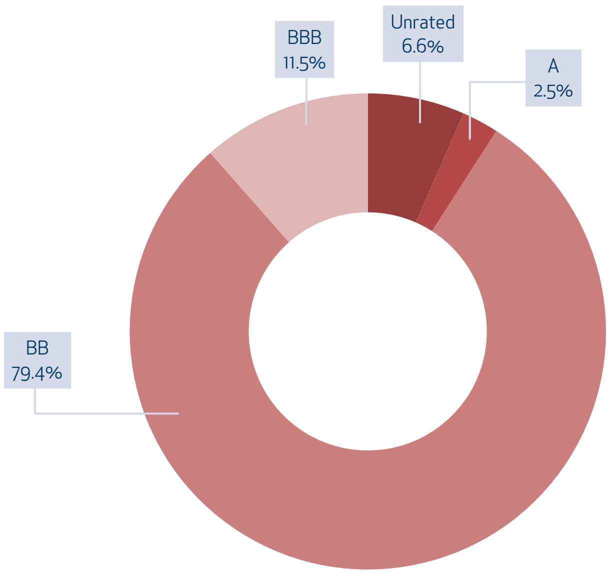
- punctual measurement of the contractual and forecast cash flows on different maturity dates;
- definition and approval of the liquidity risk tolerance in terms of "survival time" in ordinary and stress conditions;
- managing structural liquidity by keeping a balance between maturities of medium-term assets and liabilities in order to avoid critical situations in the short-term liquidity positions;
- managing short-term liquidity in order to have the necessary liquidity to fulfil short-term commitments, both foreseeable and unforeseeable, deriving from any stress scenarios, by keeping a suitable balance between cash in-flows and outflows;
- defining and periodically applying stress scenarios relating to the technical and financial variables in order to verify the ability of the individual Companies and of the Group as a whole to address these situations;
- maintaining an adequate amount of assets that can be swiftly turned into cash on the market, so as to avoid significant economic impact if adverse scenarios occur, or able to be financed with repurchase agreements.

Credit risk

Counterparty Default Risk identifies the risk that a debtor or guarantor under an enforcement order may wholly or partially fail to honour its accrued monetary commitment to the Parent or one of the Group companies.
Credit risk therefore reflects the potential losses from an unexpected default by counterparties and debtors of the insurance and reinsurance companies in the next twelve months. Counterparty default risk includes the risk mitigation contracts, e.g. reinsurance agreements, securitisations and derivatives, and likewise every other credit exposure not included among the financial risks (credit spread risk).
Credit risk management is defined in the Credit Policy which describes the roles and responsibilities of the parties involved, the risk assessment principles, the operating limits imposed for monitoring purposes and the mitigation principles.
In relation to credit risk, the Risk Management Department monitors compliance with the limits defined in the Group Credit Policy and prepares reports to the administrative body, Top Management and the operating structures on developments in this risk.

Within the scope of the UnipolSai Group, the credit risk is mainly in the exposures to banks, in the insurance and outwards reinsurance areas.

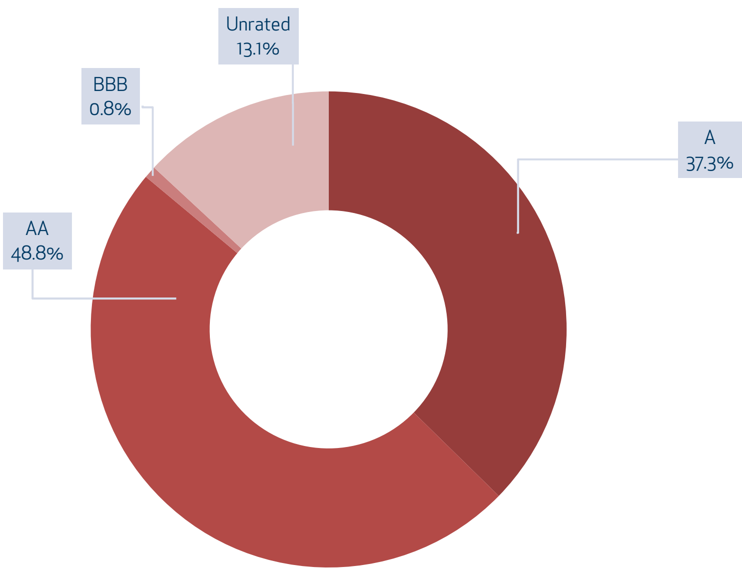
<u>Banks</u>
Existing exposure to banks refers to deposited liquidity and exposures in OTC derivatives. In particular, the derivatives exposure considered for risk management and monitoring purposes is equal to the sum of market values, if positive, of the current individual contracts and takes into account any risk mitigation arrangements (collateralisation) covered in the CSAs signed with individual counterparties. The following table shows the distribution of UnipolSai exposures to banks, broken down by rating class, recognised at 31 December 2019.



Bond classes of the insurance companies in the Group
This risk is calculated within the technical insurance risks (see relevant section) and monitored by the Bond and Credit Assignment Committee.

Outwards reinsurance
In this area, the existing exposure to credit risk is divided into:
- liquid receivables already due arising out of the bordereaux sent to the reinsurer listing the balances on each policy during the period and those still outstanding;
- potential estimated receivables for the provisions borne by the reinsurer (which will become due at the time of the payment to the policyholder and for the relative amounts). The exposure for provisions is always deemed to be net of any deposits retained or other collateral guarantees (e.g. Banking LOC, reinsurers' and Parent's commitment, etc.).

Provided below is the table of distribution of UnipolSai Group exposure to reinsurers, broken down by rating class, recognised at 31 December 2019 (net of intragroup reinsurance).

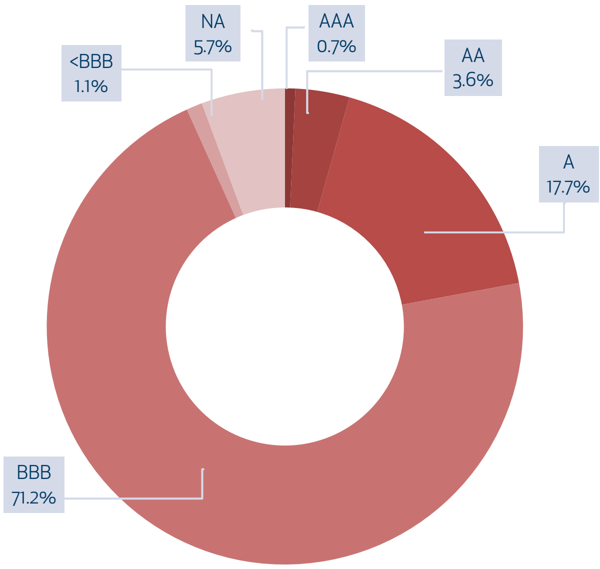


Debt security Issuer Risk

The credit risk of debt securities is monitored within market risk based on credit spread volatility.

The following table shows the distribution of the UnipolSai Group's bonds portfolio, insurance business and Real Estate and Other Businesses, broken down by rating class (figures at 31/12/2019).

Breakdown of debt securities by rating class



Information relating to exposure to sovereign debt securities referred to in Consob Communication DEM/11070007 of 5 August 2011

In accordance with Consob Communication DEM/11070007 of 5 August 2011 and ESMA document 2011/397 of 25 November 2011, relating to information to be provided in annual and interim financial reports on listed companies' exposures to Sovereign debt securities and current trends in international markets, details are provided of Sovereign exposures (i.e. bonds issued by central and local governments and by government organisations and loans granted to them), divided by portfolio type, nominal value, carrying amount and fair value, held by the UnipolSai Group at 31 December 2019.

Amounts in €m	Balance at 31 December 2019		
	Nominal value	Carrying amount	Market value
Italy	**27,703.9**	**29,112.4**	**29,300.8**
Available-for-sale financial assets	25,701.5	27,241.5	27,241.5
Financial assets at fair value through profit or loss	103.1	12.6	12.6
Held-to-maturity investments	362.7	349.7	473.1
Loans and receivables	1,536.7	1,508.7	1,573.6
Spain	**3,518.8**	**3,975.5**	**4,019.9**
Available-for-sale financial assets	3,214.3	3,656.9	3,656.9
Financial assets at fair value through profit or loss	20.0	26.4	26.4
Loans and receivables	284.5	292.1	336.6
Portugal	**513.9**	**657.0**	**658.0**
Available-for-sale financial assets	496.6	642.7	642.7
Loans and receivables	17.4	14.3	15.3
Great Britain	**15.9**	**17.0**	**17.0**
Available-for-sale financial assets	15.9	17.0	17.0
Ireland	**273.3**	**336.3**	**336.3**
Available-for-sale financial assets	273.3	336.3	336.3
Germany	**72.2**	**76.5**	**76.5**
Available-for-sale financial assets	72.2	76.5	76.5
Canada	**10.2**	**10.2**	**10.2**
Available-for-sale financial assets	10.2	10.2	10.2
Belgium	**130.7**	**138.9**	**138.9**
Available-for-sale financial assets	130.7	138.9	138.9
Slovenia	**217.8**	**255.9**	**255.9**
Available-for-sale financial assets	217.8	255.9	255.9
Serbia	**82.1**	**87.8**	**93.0**
Available-for-sale financial assets	14.8	17.0	17.0
Held-to-maturity investments	67.3	70.8	76.0
Israel	**77.3**	**85.5**	**85.5**
Available-for-sale financial assets	77.3	85.5	85.5
Mexico	**8.0**	**10.0**	**10.0**
Available-for-sale financial assets	8.0	10.0	10.0
Poland	**8.2**	**8.9**	**8.9**
Available-for-sale financial assets	8.2	8.9	8.9
Latvia	**48.5**	**58.0**	**58.0**
Available-for-sale financial assets	48.5	58.0	58.0
Chile	**13.0**	**14.3**	**14.3**
Available-for-sale financial assets	13.0	14.3	14.3
Cyprus	**19.0**	**22.1**	**22.1**
Available-for-sale financial assets	19.0	22.1	22.1
France	**506.0**	**523.0**	**523.0**
Available-for-sale financial assets	506.0	523.0	523.0

Amounts in €m	Balance at 31 December 2019		
	Nominal value	Carrying amount	Market value
Austria	14.5	15.2	15.2
Available-for-sale financial assets	14.5	15.2	15.2
Finland	5.0	5.1	5.1
Available-for-sale financial assets	5.0	5.1	5.1
Netherlands	67.3	67.9	67.9
Available-for-sale financial assets	67.3	67.9	67.9
Switzerland	3.7	3.8	3.8
Available-for-sale financial assets	3.7	3.8	3.8
USA	5.0	5.7	5.7
Available-for-sale financial assets	5.0	5.7	5.7
Slovakia	98.1	119.5	119.5
Available-for-sale financial assets	98.1	119.5	119.5
Lithuania	10.0	10.8	10.8
Available-for-sale financial assets	10.0	10.8	10.8
China	18.0	18.0	18.0
Available-for-sale financial assets	18.0	18.0	18.0
TOTAL	33,440.3	35,635.2	35,874.2

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2019 totalled €35,635.2m, 82% of which is concentrated on securities issued by the Italian State (80% in 2018). Moreover, the bonds issued by the Italian State account for 50% of total investments of the UnipolSai Group.

Technical-insurance risks

Risks relating to Life portfolios

The guidelines of the underwriting and provisions activities of the Life business are defined in the "Underwriting Policy - Life Business" and in the "Provisions Policy - Life Business".

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Life business.

The Provisions Policy defines the guidelines addressing provisioning activities for direct business and the related risk management, governing the provisioning principles and logic of UnipolSai Group insurance companies based in Italy, operating in the Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.

Technical-insurance risks relating to Life business underwriting are divided into:
- mortality risk: associated with an unfavourable change in demographic bases resulting from experience (higher death rate) compared to those used in determining the tariff;
- longevity risk: associated with an unfavourable change in demographic bases resulting from experience (lower death rate) compared to those used in determining the tariff;
- surrender risk: associated with adverse changes in the level or volatility of the incidence of surrenders, withdrawals, early settlements and terminations in premium payments;
- expense risk: associated with adverse changes in the value of expense linked to policies compared to the values used to determine the tariff;
- catastrophe risk: deriving from an unforeseeable event, the consequence of which is to affect multiple individuals at the same time, generating a number of claims for amounts significantly higher than expected.

The options included in the tariffs that can affect the assessment of risks present in the portfolio are monitored. The most significant of these are illustrated below.

<u>Surrender</u>
This option allows the customer to surrender the contract and receive the surrender value (does not apply to the pure-risk tariffs and annuities currently being distributed). Depending on the contract type, more or less significant penalties can be applied, often based on claim seniority.

<u>Conversion to annuity</u>
In individual products where the benefit is expressed in the form of capital, there is often the option to accept disbursement as an annuity.
Among the individual portfolio there are products for which the conversion ratios are determined at the time of issue of the contract and others, the majority of which (generally those issued after 2000) with the amount of the annuity determined only at the time of the option. In this case the demographic risk is considerably mitigated.
In the supplementary pensions segment, especially collective, the ratios are often associated with each sum paid in, but the risk is mitigated by the frequency at which the offer conditions can be reviewed.

<u>Maturity deferment</u>
The portfolio includes individual term life products (not "whole-life") that often provided the option to extend the validity of the contract after its original maturity date. During maturity deferment the payment of further premiums is not normally allowed.
The conditions applied during deferment vary according to the contractual terms, and continuation of the contract's financial guarantees or the application of those used at the time of the option can be granted.
Depending on the conditions, even the duration of the maturity deferment can be determined or extended year by year. The impact on the portfolio of exercising the maturity deferment option is not particularly significant at present.

Risks relating to Non-Life portfolios

With regard to risk assessment relating to the Non-Life portfolio, the reference guidelines are contained in the "Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks", the "Underwriting Policy - Non-Life Business", the "Provisions Policy - Non-Life Business" and the "Reinsurance and Other Risk Mitigation Techniques Policy".

The Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks defines guidelines on the governance and amendment of the USP methodology by defining the roles and responsibilities of the corporate bodies and functions involved.

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Non-Life business.

The Provisions Policy defines the guidelines addressing provisioning activities and the related risk management, governing the provisioning principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Non-Life business, in compliance with national and international accounting standards and the new Solvency II prudential supervisory system.

The "Reinsurance and Other Risk Mitigation Techniques Policy" aims to define the guidelines on outwards reinsurance and other techniques for mitigating risk.

During 2019 the Non-Life technical-insurance risks were calculated using the Non-Life Partial Internal Model, consistent with the standards of Solvency II.

With regard to the assessment of Non-Life and Health underwriting and provisions risks, in the initial transition phase it was decided to adopt the use of parameters calculated by Undertaking Specific Parameter methods (USP) for the high-volume business lines, in place of market parameters. These methods allow a more accurate representation of the Group's risk characteristics, which have specific features in terms of dimension, business type and reference market, that cannot be captured by average estimates performed on the European market.

Action continued in 2019 on the Non-Life Internal Model development project, which envisages the gradual development of models based on phased extension of the scope of application (insurance companies, risks, lines of business).

With reference to Earthquake risk, the Group adopts one of the main global models for the analytical assessment of such risk. This tool consists of three modules:

- Hazard, which assesses the uncertainty associated with the possibility of an earthquake occurring in a given area (frequency) and the uncertainty relating to its magnitude (intensity). The following chance variables are modelled in this module:
  - Location (uncertainty associated with determining the possible point of origin of the event);
  - Frequency (period of recurrence of the events);
  - Intensity (the severity of the event in terms of energy released).
- Vulnerability, which assesses the seismic vulnerability of different types of insurable assets to a seismic event of a given intensity. The assessment is based on specific parameters such as the type of building (residential, commercial, etc.), the construction quality, the number of floors in the building and the type of assets present;
- Financial, which identifies the economic loss to the insurance company (in terms of deductibles, the sum insured, reinsurance cover, etc.).

In 2019 this tool also provided support to the Group in the Underwriting and Tariff-setting processes and in defining the reinsurance strategy.

With reference to other Catastrophe Risks, the assessments were performed using the standardised scenario approach proposed by EIOPA, in which the following events are taken into consideration:

- natural disasters such as flood and hail;
- man-made disasters such as large-scale fires and acts of terrorism;

- "health" risks, such as the risk of a pandemic.

Operational risks

The Operational Risk Management Framework

In order to ensure a complete analysis of company risks, the UnipolSai Group has an "Operational Risk Management Policy", updated annually, and has drafted a framework to identify, measure, monitor and manage Operational Risk. This term means "*the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources or systems, or from external events*". Based on the Operational Risk Management framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk. In particular, the analysis schemes adopted are aimed at understanding, based on a causal approach, the risk factors, events and effects, both financial and non-financial, and the impacts these can have on the Group's solvency and on the achievement of the objectives set.

Within the Group governance structure, the monitoring of Operational Risks is entrusted to the Operational Risks function of the Risk Management Department. The objectives assigned to this unit, within the internal control system, are aimed at ensuring the Group's assets are safeguarded and at adequate risk control.

Operational risk identification consists in gathering as much information as possible about the risk event, its possible causes and effects with a view to increasing awareness of the specific exposure of the various company areas. In addition, this activity also aims to assess the adequacy of controls and identify the best management solutions for any critical situations.
The operational risk identification essentially involves carrying out two separate processes:

- Loss Data Collection ("LDC") with a backward-looking approach: LDC is a process that aims to analyse and quantify historic operational risk events. External loss data is also collected, which helps to enhance the wealth of information on how operational risk can arise in comparable companies.
- Collection of expert opinions through the Risk Self Assessment process ("RSA") with a forward-looking approach: the data collected through the RSA includes an estimate of the potential economic impact of the risk event and an estimate of the related expected annual occurrence frequency.

The organisational model for operational risk governance and control envisages a network of analysts in a number of UnipolSai Assicurazioni SpA Divisions and the main Group companies which, after following a specific training course on operational risk management, provide support to the Risk Management Department in identifying operational risk and monitoring this risk within their own areas of operations.
Operational risk assessment is performed annually by the main Group Companies.

Standard compliance risk

With regard to the Standard compliance risk, the Group's compliance risk management process is transversal and comprises organisational and operating monitoring activities carried out by resources from the various company functions. The Compliance Function is tasked with assessing whether the organisation and the internal corporate procedures are suitable to reach the objective of preventing this risk, according to a risk-based approach.

Emerging risks, strategic risk and reputational risk

With regard to emerging risks, strategic risk and reputational risk, within the dedicated structure present within the Risk Management Department, a dedicated Observatory was created at Group level, called "Reputational & Emerging Risk Observatory", whose key elements are the involvement of an interfunctional Technical Panel and of all the main Business Departments, the use of a consolidated predictive model and methodologies based on futures studies to ensure a forward-looking view of the medium/long-term in order to anticipate the risks and future opportunities, and a holistic approach aimed at grasping and governing the interconnections, both in reading the external context for an integrated vision of the different emerging macro trends (social, technological, political and environmental), and in the internal response for a unified view of the different corporate areas and of the different steps of the value chain.

The purpose of the Observatory is to assure effective monitoring of emerging risks, strategic risk and reputational risk, verifying the constant alignment between stakeholders' expectations and the Group's responses and anticipating the most significant phenomena to catch new business opportunities and prevent potential emerging risks.
Strategic risk is controlled at Group level through the monitoring of Strategic Plan drivers to verify any deviation from the defined scenarios, also using scenario analysis with the aim of strengthening the resilience of Group strategy in an external context characterised by accelerating change, with growing levels of complexity and uncertainty.
With specific reference to the reputational risk, within the frame of the Observatory, a Reputation Management framework was developed at the Group level, which operates in the dual mode of construction and protection of the reputational capital, through two work sites that rely on dedicated corporate competencies and structures in a path of constant mutual alignment, under the joint leadership of the "Corporate Communication and Media Relations" and "Risk Management" functions, with the goal of stably integrating these assets in the strategic planning processes.
The level of awareness reached within the Group on the growing importance of reputation as leverage for business and distinctive market positioning in 2019 led to the definition of an integrated governance model for Reputation, operational from 2020, which envisages the setup of corporate bodies dedicated to the proactive management of the Group's reputation in terms of both building and protection, such as the Operational Reputation Management Team and the Reputation Network, and the launch of a widespread system for reporting reputational warnings involving all the Group managers.

ESG risks

The ESG (Environmental, Social and Governance) risks are integrated into the ERM Framework and the Group policies system.

As part of the ERM Framework, the Group identifies and monitors the ESG risk factors at the level of impact on underwriting risks, in association with investment-related risks, with a view to focusing on risks emerging on environmental, social and governance aspects and in terms of potential impact at reputational risk level.

ESG risk control is outlined in the individual risk categories, in such a way as to ensure management at all stages of the value creation process and mitigating any reputational risks associated with ESG risks as they arise. These controls, also designed to prevent exposure concentration to areas and/or sectors significantly exposed to ESG risks, are defined in the management policies for each risk category, where material.

With regard to ESG risks, there is a special focus on climate change, identified in the dual components of emerging risk and ESG risk managed along the value chain, with particular reference to underwriting and investment activities. In reference to the climate change risks, the Group has undertaken activities to acquire greater awareness of the potential impacts deriving from changes in the frequency and intensity of catastrophe events, with particular regard to weather events and floods, in order to define the most appropriate mitigation methods. Specific activities are also in progress to integrate climate change scenarios over medium-term horizons into the Group framework of stress tests. The Group has mapped the risks and opportunities of climate change, prepared in accordance with the taxonomy defined by the Task Force on Climate-related Financial Disclosure. This map covers the various stages of the value chain and includes both physical and transitional risks.

Capital management

The capital management strategies and objectives of the Unipol Group are outlined in the "Capital management and dividend distribution policy", which describes the reference context and the process for managing capital and distributing dividends also in terms of the roles and responsibilities of the players involved. The document also identifies the principles of capital management and the distribution of dividends or other elements of own funds, in line with the capital return objectives and the risk appetite defined by the Board of Directors.

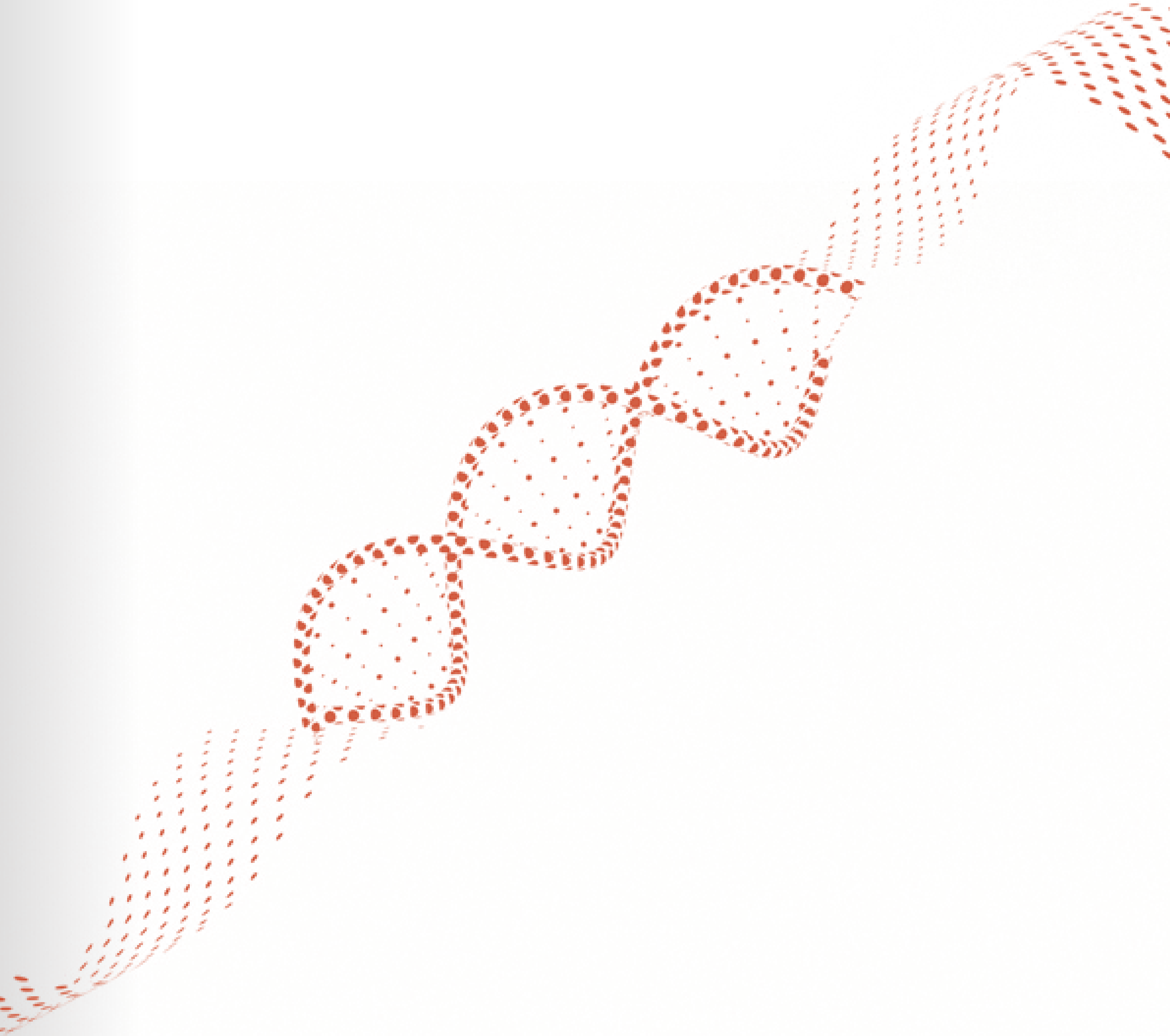
The general aims pursued by the "Capital management and dividend distribution policy" are:
- ex ante definition of the return objectives on allocated capital, consistent with the profitability targets and in line with the risk appetite;
- maintaining a sound and efficient capital structure, considering growth targets and risk appetite;
- outlining the capital management process for the definition of procedures to ensure, *inter alia*, that:

  - the elements of own funds, both at the time of issue and subsequently, satisfy the requirements of the applicable capital regime and are correctly classified;
  - the terms and conditions for each element of own funds are clear and unequivocal;
- ex ante definition of a sustainable flow of dividends, in line with the profit generated, free cash flow and risk appetite, identifying and documenting any situations in which the postponement or cancellation of distributions from an element of own funds could arise;
- outlining the dividend distribution process for the definition of procedures to ensure sound and efficient capital management, considering that the growth and profitability targets are in line with the risk appetite;
- defining the roles, responsibilities and reporting in relation to capital management and the distribution of dividends or other elements of own funds.

The capital management and dividend distribution process is divided into five steps, in close relation with other corporate processes:
- final measurement of available capital and the capital required;
- preparation of the mid-term capital management plan;
- monitoring and reporting;
- management action on capital, including any contingency measures;
- distribution of dividends or other elements of own funds.

Bologna, 19 March 2020

The Board of Directors



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TABLES APPENDED TO THE NOTES TO THE FINANCIAL STATEMENTS

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Method(1)	Assets (2)
UnipolSai Assicurazioni Spa	086	Italy	Bologna			G	1
Pronto Assistance Spa	086	Italy	Turin			G	1
Siat-Societa' Italiana Assicurazioni e Riassicurazioni-per Azioni	086	Italy	Genoa			G	1
BIM Vita Spa	086	Italy	Turin			G	1
Finsai International Sa	092	Luxembourg	Luxembourg			G	11
Tenute del Cerro Spa - Societa' Agricola	086	Italy	Montepulciano (SI)			G	11
Consorzio Castello	086	Italy	Florence			G	10
UnipolSai Nederland Bv	050	Netherlands	Amsterdam (NL)			G	11
UnipolSai Servizi Previdenziali Srl	086	Italy	Florence			G	11
Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	086	Italy	Florence			G	10
UnipolRe Dac	040	Ireland	Dublin (Ireland)			G	5
UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata	086	Italy	Bologna			G	11
Villa Ragionieri Srl	086	Italy	Florence			G	10
Meridiano Secondo Srl	086	Italy	Turin			G	10
Casa di Cura Villa Donatello - Spa	086	Italy	Florence			G	11
Centro Oncologico Fiorentino Casa di Cura Villanova Srl in Liquidazione	086	Italy	Sesto Fiorentino (FI)			G	11
Apb Car Service Srl	086	Italy	Turin			G	11
Marina di Loano Spa	086	Italy	Loano (SV)			G	10
Pronto Assistance Servizi Scarl	086	Italy	Turin			G	11

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	% Consolidation
				100.00%
100.00%		100.00%		100.00%
94.69%		94.69%		100.00%
50.00%		50.00%		100.00%
63.85%		100.00%		100.00%
	36.15% UnipolSai Finance Spa			
98.81%		100.00%		100.00%
	1.19% Pronto Assistance Spa			
	99.57% Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	99.57%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
	100.00% UnipolSai Nederland Bv	100.00%		100.00%
98.27%		99.88%		100.00%
	0.90% Pronto Assistance Spa			
	0.11% Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.02% BIM Vita Spa			
	0.02% UnipolRe Dac			
	0.02% Pronto Assistance Servizi Scarl			
	0.02% Incontra Assicurazioni Spa			
	0.02% Auto Presto & Bene Spa			
	0.20% Arca Vita Spa			
	0.20% UniSalute Spa			
	0.20% Compagnia Assicuratrice Linear Spa			
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
	70.00% Auto Presto & Bene Spa	70.00%		100.00%
100.00%		100.00%		100.00%
95.34%		99.81%		100.00%
	0.31% Pronto Assistance Spa			
	0.10% UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata			
	0.25% Apb Car Service Srl			
	0.15% Incontra Assicurazioni Spa			
	0.25% Auto Presto & Bene Spa			
	0.10% Arca Assicurazioni Spa			
	0.25% Alfaevolution Technology Spa			
	0.25% UniSalute Spa			
	3.00% Compagnia Assicuratrice Linear Spa			

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Method(1)	Assets (2)
Sogeint Societa' a Responsabilita' Limitata	086	Italy	San Donato Milanese			G	11
Tikal R.E. Fund	086	Italy				G	10
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence			G	11
Incontra Assicurazioni Spa	086	Italy	Milan			G	1
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' per Azioni	086	Italy	Bologna			G	10
Ddor Novi Sad	289	Serbia	Novi Sad (Serbia)			G	3
Auto Presto & Bene Spa	086	Italy	Turin			G	11
Gruppo UNA Spa	086	Italy	Milan			G	11
Athens R.E. Fund	086	Italy				G	10
Ddor Re	289	Serbia	Novi Sad (Serbia)			G	6
Arca Vita Spa	086	Italy	Verona			G	1
Arca Assicurazioni Spa	086	Italy	Verona			G	1
Arca Vita International Dac	040	Ireland	Dublin			G	2
Arca Direct Assicurazioni Srl	086	Italy	Verona			G	11
Arca Inlinea Scarl	086	Italy	Verona			G	11
Arca Sistemi Scarl	086	Italy	Verona			G	11
Ital H&R Srl	086	Italy	Bologna			G	11
UnipolSai Finance Spa	086	Italy	Bologna			G	9
Midi Srl	086	Italy	Bologna			G	10
Alfaevolution Technology Spa	086	Italy	Bologna			G	11
Leithà Srl	086	Italy	Bologna			G	11
UniAssiTeam Srl	086	Italy	Bologna			G	11
Fondo Opportunity	086	Italy				G	10
UniSalute Spa	086	Italy	Bologna			G	1
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna			G	1
Unisalute Servizi Srl	086	Italy	Bologna			G	11
Ambra Property Srl	086	Italy	Bologna			G	11
Fondo Landev	086	Italy				G	10
Car Server Spa	086	Italy	Reggio Emilia			G	11
Immobiliare C.S. Srl	086	Italy	Reggio Emilia			G	10
Centri Medici Dyadea Srl	086	Italy	Bologna			G	11

(1) Consolidation method: G=on a line-by-line basis; P=proportional=P; U=on a line-by-line basis as per unitary management.

(2) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(3) The product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first.

(4) Total % availability of votes at ordinary general meetings if different from the direct or indirect investment.

(5) This disclosure is required only if the country of operations is different from the country of the registered office.

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	% Consolidation
100.00%		100.00%		100.00%
95.00%		95.00%		100.00%
	100.00% Casa di Cura Villa Donatello - Spa	100.00%		100.00%
51.00%		51.00%		100.00%
51.67%		51.67%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
89.59%		89.59%		100.00%
	100.00% UnipolRe Dac	100.00%		100.00%
	0.00% Ddor Novi Sad			
63.39%		63.39%		100.00%
	98.12% Arca Vita Spa	62.20%		100.00%
	100.00% Arca Vita Spa	63.39%		100.00%
	100.00% Arca Vita Spa	63.39%		100.00%
	60.22% Arca Vita Spa	62.92%		100.00%
	39.78% Arca Assicurazioni Spa			
	82.03% Arca Vita Spa	63.19%		100.00%
	16.97% Arca Assicurazioni Spa			
	1.00% Arca Inlinea Scarl			
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
	65.00% UnipolSai Finance Spa	65.00%		100.00%
100.00%		100.00%		100.00%
98.99%		98.99%		100.00%
100.00%		100.00%		100.00%
	100.00% UniSalute Spa	98.99%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
	100.00% Car Server Spa	100.00%		100.00%
100.00%		100.00%		100.00%

Consolidation scope: interests in entities with material non-controlling interests

Amounts in €m

Name	% non-controlling interests	% Votes available at Ordinary General Meetings to non-controlling interests	Consolidated profit (loss) attributable to non-controlling interests	Shareholders' Equity attributable to non-controlling interests
Arca Vita Spa	36.61%		19.4	132.8

Summary income and financial position data							
Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' equity	Profit (loss) for the year	Dividends distributed to non-controlling interests	Gross premiums written
11,064.4	10,761.7	9,559.0	1,027.2	397.6	53.0	10.9	1,457.6

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Assets (1)	Type (2)
UnipolSai Investimenti Sgr Spa	086	Italy	Turin			8	b
Fin.Priv. Srl	086	Italy	Milan			11	b
Uci - Ufficio Centrale Italiano	086	Italy	Milan			11	b
Funivie del Piccolo San Bernardo Spa	086	Italy	La Thuile (AO)			11	b
Borsetto Srl	086	Italy	Turin			10	b
Garibaldi Sca	092	Luxembourg	Luxembourg			11	b
Servizi Immobiliari Martinelli Spa	086	Italy	Cinisello Balsamo (MI)			10	b
Ddor Auto - Limited Liability Company	289	Serbia	Novi Sad (Serbia)			3	a
Ddor Garant	289	Serbia	Beograd (Serbia)			11	b
Butterfly Am Sarl	092	Luxembourg	Luxembourg			11	b
Isola Sca	092	Luxembourg	Luxembourg			11	b
Assicoop Toscana Spa	086	Italy	Siena			11	b
Pegaso Finanziaria Spa	086	Italy	Bologna			9	b
Fondazione Unipolis	086	Italy	Bologna			11	a
Assicoop Bologna Metropolitana Spa	086	Italy	Bologna			11	b
Hotel Villaggio Citta' del Mare Spa in Liquidazione	086	Italy	Modena			11	b
Assicoop Modena & Ferrara Spa	086	Italy	Modena			11	b
Assicoop Romagna Futura Spa	086	Italy	Ravenna			11	b
Assicoop Emilia Nord Srl	086	Italy	Parma			11	b
Golf Club Poggio dei Medici Spa Societa' Dilettantistica Sportiva	086	Italy	San Piero (FI)			11	b
UnipolReC Spa	086	Italy	Bologna			11	b
SCS Azioninnova Spa	086	Italy	Bologna			11	b
Promorest Srl	086	Italy	Castenaso (BO)			11	b

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other

(2) a=subsidiaries (IFRS10); b= associates (IAS28); c=joint ventures (IFRS11)

(3) the product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first

(4) total % availability of votes at ordinary general meetings if different from the direct or indirect investment

(5) this disclosure is required only if the country of operations is different from the country of the registered office

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	Carrying amount (€m)
49.00%			49.00%		12.0
28.57%			28.57%		40.3
37.37%			37.46%		0.2
	0.09%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.00%	Incontra Assicurazioni Spa			
	0.01%	Arca Assicurazioni Spa			
	0.00%	Compagnia Assicuratrice Linear Spa			
23.55%			23.55%		2.5
44.93%			44.93%		0.4
32.00%			32.00%		3.4
20.00%			20.00%		0.2
	100.00%	Ddor Novi Sad	100.00%		0.0
	32.46%	Ddor Novi Sad	40.00%		0.6
	7.54%	Ddor Re			
28.57%			28.57%		0.0
29.56%			29.56%		
	46.77%	UnipolSai Finance Spa	46.77%		1.6
	45.00%	UnipolSai Finance Spa	45.00%		5.3
100.00%			100.00%		0.3
	49.19%	UnipolSai Finance Spa	49.19%		9.2
49.00%			49.00%		
	43.75%	UnipolSai Finance Spa	43.75%		7.8
	50.00%	UnipolSai Finance Spa	50.00%		6.7
	50.00%	UnipolSai Finance Spa	50.00%		6.4
	40.32%	Gruppo UNA Spa	40.32%		0.8
14.76%			14.76%		63.9
	42.85%	UnipolSai Finance Spa	42.85%		2.6
	49.92%	UnipolSai Finance Spa	49.92%		5.0

Statement of financial position by business segment

	Amounts in €m	Non-Life business		Life business	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
1	INTANGIBLE ASSETS	596.0	523.7	284.4	298.7
2	PROPERTY, PLANT AND EQUIPMENT	1,528.6	921.9	74.5	76.0
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	950.0	932.9	39.7	49.1
4	INVESTMENTS	15,597.0	14,725.4	47,499.9	41,849.6
4.1	Investment property	1,256.6	1,440.6	6.5	4.2
4.2	Investments in subsidiaries, associates and interests in joint ventures	96.4	237.2	27.3	103.0
4.3	Held-to-maturity investments	83.0	57.2	371.6	402.5
4.4	Loans and receivables	2,029.7	1,908.2	2,672.0	2,478.8
4.5	Available-for-sale financial assets	11,952.6	10,967.8	36,848.8	32,477.9
4.6	Financial assets at fair value through profit or loss	178.8	114.5	7,573.6	6,383.3
5	SUNDRY RECEIVABLES	2,428.5	2,251.4	695.4	576.1
6	OTHER ASSETS	810.3	1,140.8	88.5	287.5
6.1	Deferred acquisition costs	42.1	42.6	59.1	55.5
6.2	Other assets	768.2	1,098.2	29.3	232.0
7	CASH AND CASH EQUIVALENTS	285.7	335.5	354.3	528.6
	TOTAL ASSETS	22,196.1	20,831.6	49,036.6	43,665.7
1	SHAREHOLDERS' EQUITY				
2	PROVISIONS	403.4	322.7	20.1	18.4
3	TECHNICAL PROVISIONS	15,067.2	15,211.8	42,500.2	38,011.5
4	FINANCIAL LIABILITIES	2,133.5	1,581.0	3,718.9	3,374.2
4.1	Financial liabilities at fair value through profit or loss	65.6	71.6	2,848.8	2,467.7
4.2	Other financial liabilities	2,067.9	1,509.4	870.1	906.5
5	PAYABLES	880.6	708.8	168.9	169.2
6	OTHER LIABILITIES	733.7	648.4	282.9	96.5
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				

Other businesses		Real Estate		Inter-segment eliminations		Total	
31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
12.6	12.8	0.0	0.1			893.0	835.4
198.3	213.7	610.2	601.9			2,411.5	1,813.6
						989.6	982.0
284.7	34.1	789.1	600.4	(110.0)	(80.8)	64,060.7	57,128.6
33.4	33.0	766.6	593.4			2,063.2	2,071.1
45.5	0.8					169.2	341.0
						454.6	459.6
175.0			7.0	(110.0)	(80.8)	4,766.7	4,313.1
30.6	0.3	22.5	0.0			48,854.5	43,446.0
0.1						7,752.5	6,497.7
82.0	90.3	8.4	18.1	(61.6)	(67.0)	3,152.7	2,869.1
19.4	4.7	124.9	121.8	(118.8)	(14.4)	924.3	1,540.3
						101.2	98.1
19.4	4.7	124.9	121.8	(118.8)	(14.4)	823.0	1,442.3
78.5	53.9	28.6	107.1			747.1	1,025.1
675.5	409.5	1,561.2	1,449.5	(290.4)	(162.2)	73,178.9	66,194.2
						7,152.9	5,697.0
14.3	7.4	4.5	4.8			442.3	353.4
						57,567.3	53,223.3
25.8	49.1	231.9	328.7	(109.6)	(80.5)	6,000.4	5,252.6
						2,914.4	2,539.3
25.8	49.1	231.9	328.7	(109.6)	(80.5)	3,086.1	2,713.3
61.7	62.6	35.0	27.4	(65.8)	(63.5)	1,080.4	904.5
19.2	16.2	14.8	20.5	(115.0)	(18.2)	935.6	763.4
						73,178.9	66,194.2

Income statement by business segment

	Amounts in €m	Non-Life business		Life business	
		31/12/2019	31/12/2018	31/12/2019	31/12/2018
1.1	Net premiums	7,822.3	7,543.4	5,440.2	3,462.0
1.1.1	*Gross premiums earned*	*8,261.2*	*7,943.6*	*5,454.6*	*3,468.6*
1.1.2	*Earned premiums ceded to reinsurers*	*(438.9)*	*(400.2)*	*(14.4)*	*(6.6)*
1.2	Commission income	4.6	6.8	29.6	23.2
1.3	Gains and losses on financial instruments at fair value through profit or loss	(232.9)	(49.5)	126.6	(108.0)
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	3.5	13.6	2.2	308.8
1.5	Gains on other financial instruments and investment property	931.7	663.7	1,349.8	1,353.8
1.6	Other revenue	551.6	399.9	53.2	60.1
	TOTAL REVENUE AND INCOME	9,080.8	8,577.9	7,001.6	5,099.8
2.1	Net charges relating to claims	(5,069.7)	(4,946.7)	(6,280.2)	(4,033.4)
2.1.1	*Amounts paid and changes in technical provisions*	*(5,371.5)*	*(5,256.6)*	*(6,286.8)*	*(4,032.3)*
2.1.2	*Reinsurers' share*	*301.8*	*309.9*	*6.6*	*(1.1)*
2.2	Commission expenses	(6.8)	(7.6)	(14.0)	(8.8)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(0.0)	(0.3)	(0.3)	(0.2)
2.4	Losses on other financial instruments and investment property	(254.6)	(188.3)	(94.9)	(125.8)
2.5	Operating expenses	(2,254.2)	(2,129.3)	(244.3)	(220.8)
2.6	Other costs	(797.8)	(629.9)	(140.1)	(117.4)
2	TOTAL COSTS AND EXPENSES	(8,383.1)	(7,902.1)	(6,773.8)	(4,506.4)
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	697.7	675.8	227.8	593.4

Other businesses		Real Estate		Intersegment eliminations		Total	
31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
						13,262.5	11,005.4
						13,715.8	*11,412.2*
						(453.3)	*(406.9)*
				(0.1)	(0.0)	34.0	30.0
0.0	(0.0)			0.0		(106.3)	(157.5)
4.5	(0.0)					10.2	322.4
2.0	0.6	25.5	25.7	(12.3)	(10.7)	2,296.8	2,033.2
224.3	201.2	34.7	37.3	(60.1)	(63.4)	803.7	635.1
230.8	**201.8**	**60.2**	**63.0**	**(72.5)**	**(74.1)**	**16,300.9**	**13,868.4**
						(11,349.9)	(8,980.1)
						(11,658.4)	*(9,288.9)*
						308.5	*308.8*
(0.1)	(0.1)	(0.0)	(0.0)			(21.0)	(16.6)
(0.0)			(0.4)			(0.3)	(0.9)
(3.2)	(1.7)	(59.0)	(65.6)	0.2	1.1	(411.4)	(380.2)
(124.8)	(67.2)	(22.1)	(22.1)	10.4	10.9	(2,634.9)	(2,428.4)
(106.1)	(137.3)	(28.1)	(36.3)	61.9	62.1	(1,010.1)	(858.8)
(234.2)	**(206.2)**	**(109.2)**	**(124.4)**	**72.5**	**74.1**	**(15,427.7)**	**(12,665.1)**
(3.4)	**(4.4)**	**(48.9)**	**(61.4)**			**873.2**	**1,203.4**

Details of property, plant and equipment and intangible assets

Amounts in €m	At cost	At restated value or at fair value	Total carrying amount
Investment property	2,063.2		2,063.2
Other property	1,561.1		1,561.1
Other tangible assets	850.4		850.4
Other intangible assets	385.2		385.2

Details of financial assets

	Held to maturity Investments		Loans and receivables		Available-for-sale financial assets	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Equity instruments and derivatives at cost					4.8	8.8
Equity instruments at fair value					941.7	786.2
of which listed securities					*744.4*	*589.6*
Debt securities	454.6	459.6	3,471.4	3,409.9	44,996.6	40,062.2
of which listed securities	*422.6*	*427.6*			*44,589.3*	*39,594.9*
UCITS units					2,911.4	2,588.8
Loans and receivables from bank customers						
Interbank loans and receivables						
Deposits with ceding companies			62.9	32.7		
Financial receivables on insurance contracts						
Other loans and receivables			1,232.5	870.5		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments						
Total	454.6	459.6	4,766.7	4,313.1	48,854.5	43,446.0

Financial assets at fair value through profit or loss				Total carrying amount	
Held-for-trading financial assets		Financial assets at fair value through profit or loss			
31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
				4.8	8.8
3.0	4.3	164.6	179.6	1,109.2	970.1
3.0	*4.3*	*164.6*	*179.6*	*912.0*	*773.5*
94.1	118.1	4,376.7	3,495.7	53,393.4	47,545.5
90.6	*93.4*	*4,374.4*	*3,494.4*	*49,477.0*	*43,610.3*
6.1	9.4	2,576.4	2,195.7	5,493.9	4,793.8
				62.9	32.7
		347.9	334.5	347.9	334.5
				1,232.5	870.5
63.4	135.4			63.4	135.4
120.3	25.1			120.3	25.1
286.8	292.2	7,465.6	6,205.5	61,828.3	54,716.5

Details of assets and liabilities relating to insurance contracts where the investment risk is borne by policyholders and arising from pension fund management

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Recognised assets	2,463.7	2,136.1	5,001.3	4,074.5	7,465.1	6,210.5
Intragroup assets *						
Total assets	2,463.7	2,136.1	5,001.3	4,074.5	7,465.1	6,210.5
Recognised financial liabilities	2,178.2	1,813.0	471.6	435.5	2,649.7	2,248.5
Recognised technical provisions	286.7	323.1	4,530.5	3,640.2	4,817.2	3,963.3
Intragroup liabilities *						
Total liabilities	2,464.9	2,136.1	5,002.0	4,075.7	7,466.9	6,211.8

* Assets and liabilities eliminated on consolidation.

Details of technical provisions – reinsurers' share

Amounts in €m	Direct business 31/12/2019	Direct business 31/12/2018	Non Direct business 31/12/2019	Non Direct business 31/12/2018	Total carrying amount 31/12/2019	Total carrying amount 31/12/2018
Non-Life provisions	929.3	897.1	20.7	35.8	950.0	932.9
Premium provisions	225.2	216.8	2.2	2.8	227.4	219.5
Claims provision	704.1	680.4	18.5	33.0	722.6	713.4
Other provisions						
Life provisions	36.5	45.0	3.1	4.1	39.7	49.1
Provision for amounts payable	4.8	3.5	0.2	0.3	5.0	3.8
Mathematical provisions	31.8	41.6	2.9	3.8	34.6	45.3
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management						
Other provisions						
Total technical provisions - reinsurers' share	965.8	942.2	23.8	39.9	989.6	982.0

Details of technical provisions

Amounts in €m	Direct business 31/12/2019	Direct business 31/12/2018	Non Direct business 31/12/2019	Non Direct business 31/12/2018	Total carrying amount 31/12/2019	Total carrying amount 31/12/2018
Non-Life provisions	14,536.2	14,861.7	531.0	350.1	15,067.2	15,211.8
Premium provision	3,245.1	3,070.8	91.4	71.4	3,336.5	3,142.2
Claims provision	11,263.9	11,754.7	439.6	278.5	11,703.4	12,033.2
Other provisions	27.2	36.2		0.2	27.2	36.4
including provisions allocated as a result of the liabilityadequacy test						
Life provisions	42,494.2	38,003.6	6.0	7.8	42,500.2	38,011.5
Provision for amounts payable	412.0	405.5	1.4	2.0	413.4	407.6
Mathematical provisions	33,107.0	32,087.0	4.5	5.8	33,111.5	32,092.8
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	4,817.2	3,963.3			4,817.2	3,963.3
Other provisions	4,158.0	1,547.8			4,158.0	1,547.8
including provisions allocated as a result of the liability adequacy test						
including deferred liabilities to policyholders	*4,017.2*	*1,412.8*			*4,017.2*	*1,412.8*
Total technical provisions	57,030.4	52,865.4	537.0	357.9	57,567.3	53,223.3

Details of financial liabilities

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Held-for-trading financial liabilities		Financial liabilities at fair value through profit or loss					
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Equity instruments								
Subordinated liabilities					2,167.6	2,247.2	2,167.6	2,247.2
Liabilities from financial contracts issued by insurance companies			2,661.8	2,261.0	0.0	0.0	2,661.8	2,261.1
Arising from contracts where the investment risk is borne by policyholders			*2,190.2*	*1,825.5*			*2,190.2*	*1,825.5*
Arising from pension fund management			*471.6*	*435.5*			*471.6*	*435.5*
Arising from other contracts					*0.0*	*0.0*	*0.0*	*0.0*
Deposits received from reinsurers					150.4	166.2	150.4	166.2
Financial items payable on insurance contracts								
Debt securities issued								
Payables to bank customers								
Interbank payables								
Other loans obtained					559.7	299.8	559.7	299.8
Non-hedging derivatives	11.3	67.7					11.3	67.7
Hedging derivatives	241.2	210.5					241.2	210.5
Sundry financial liabilities					208.3		208.3	
Total	252.6	278.3	2,661.8	2,261.0	3,086.1	2,713.3	6,000.4	5,252.6

Details of technical insurance items

		31/12/2019			31/12/2018	
Amounts in €m	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business						
NET PREMIUMS	8,261.2	(438.9)	7,822.3	7,943.6	(400.2)	7,543.4
a Written premiums	8,451.1	(448.5)	8,002.7	8,101.5	(397.7)	7,703.8
b Change in premium provision	(189.9)	9.6	(180.4)	(157.9)	(2.5)	(160.4)
NET CHARGES RELATING TO CLAIMS	(5,371.5)	301.8	(5,069.7)	(5,256.6)	309.9	(4,946.7)
a Amounts paid	(5,885.5)	299.2	(5,586.3)	(5,774.5)	201.9	(5,572.6)
b Change in claims provision	340.2	11.9	352.1	389.8	122.0	511.8
c Change in recoveries	175.9	(9.3)	166.5	128.9	(13.9)	115.0
d Change in other technical provisions	(2.0)		(2.0)	(0.8)		(0.8)
Life business						
NET PREMIUMS	5,454.6	(14.4)	5,440.2	3,468.6	(6.6)	3,462.0
NET CHARGES RELATING TO CLAIMS	(6,286.8)	6.6	(6,280.2)	(4,032.3)	(1.1)	(4,033.4)
a Amounts paid	(4,299.8)	14.2	(4,285.6)	(3,330.5)	13.9	(3,316.6)
b Change in provision for amounts payable	(6.0)	1.2	(4.7)	(52.6)	(1.4)	(54.0)
c Change in mathematical provisions	(1,008.3)	(8.8)	(1,017.2)	(596.7)	(13.2)	(609.9)
d Change in technical provisions where the investment risk is borne by policyholders and arising from pension fund management	(936.7)		(936.7)	52.1		52.1
e Change in other technical provisions	(36.1)	(0.0)	(36.1)	(104.6)	(0.4)	(105.0)

Investment income and charges

Amounts in €m	Interest	Other income	Other charges	Realised gains	Realised losses
Balance on investments	1,537.5	329.6	(214.1)	673.6	(431.4)
a Arising from investment property		59.8	(26.3)	6.5	(1.2)
b Arising from investments in subsidiaries, associates and interests in joint ventures		4.5	(0.3)		(0.0)
c Arising from held to maturity investments	18.7		(0.0)		
d Arising from loans and receivables	110.0		(0.0)	9.0	(4.4)
e Arising from available-for-sale financial assets	1,335.0	153.9	(3.2)	531.9	(104.2)
f Arising from held-for-trading financial assets	5.1	95.8	(105.0)	9.4	(313.7)
g Arising from financial assets at fair value through profit or loss	68.7	15.5	(79.3)	116.9	(7.9)
Balance on sundry receivables	2.8		(0.0)		
Balance on cash and cash equivalents	1.0		(0.0)		
Balance on financial liabilities	(98.4)	0.3	(157.3)		(0.6)
a Arising from held-for-trading financial liabilities					(0.6)
b Arising from financial liabilities at fair value through profit or loss		0.3	(155.8)		
c Arising from financial liabilities	(98.4)		(1.5)		
Balance on payables	(2.6)		(0.1)		
Total	1,440.3	329.9	(371.5)	673.6	(432.0)

Total realised gains and losses	Unrealised gains: Unrealised capital gains	Unrealised gains: Write-backs	Unrealised losses: Unrealised capital losses	Unrealised losses: Impairment	Total unrealised gains and losses	Total gains and losses 31/12/2019	Total gains and losses 31/12/2018
1,895.2	512.1	35.5	(226.6)	(68.1)	253.0	2,148.2	1,788.2
38.8		29.8	(34.3)	(47.4)	(51.9)	(13.1)	(33.2)
4.2		5.7		0.0	5.7	9.9	321.5
18.7						18.7	21.0
114.6			(0.0)		(0.0)	114.5	142.7
1,913.4	36.7	0.0	(61.8)	(20.6)	(45.7)	1,867.6	1,614.8
(308.3)	116.6		(96.9)		19.7	(288.6)	(50.7)
113.9	358.9		(33.6)		325.3	439.2	(228.0)
2.8						2.8	3.3
1.0						1.0	0.8
(256.0)	1.7		(106.1)		(104.4)	(360.4)	26.7
(0.6)			(0.2)		(0.2)	(0.8)	
(155.5)			(100.6)		(100.6)	(256.1)	121.1
(99.9)	1.7		(5.2)		(3.6)	(103.5)	(94.4)
(2.7)						(2.7)	(2.0)
1,640.3	513.8	35.5	(332.6)	(68.1)	148.6	1,788.9	1,817.0

Details of insurance business expenses

	Non-Life business		Life business	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Gross commissions and other acquisition costs	(1,885.3)	(1,797.8)	(116.5)	(105.4)
a Acquisition commissions	(1,350.5)	(1,275.0)	(69.1)	(58.0)
b Other acquisition costs	(375.1)	(370.0)	(44.1)	(40.5)
c Change in deferred acquisition costs	(0.9)	3.0	3.6	0.3
d Collection commissions	(158.7)	(155.7)	(7.0)	(7.1)
Commissions and profit-sharing received from reinsurers	133.8	120.1	3.5	2.8
Investment management expenses	(70.8)	(66.9)	(42.8)	(40.5)
Other administrative expenses	(431.9)	(384.8)	(88.4)	(77.8)
Total	(2,254.2)	(2,129.3)	(244.3)	(220.8)

Details of other consolidated comprehensive income

	Amounts allocated		Adjustments from reclassification to profit or loss	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Other income items not reclassified to profit or loss	6.0	(11.4)		
Reserve deriving from changes in the shareholders' equity of the investees	10.8	(10.7)		
Revaluation reserve for intangible assets				
Revaluation reserve for property, plant and equipment				
Gains or losses on non-current assets or disposal groups held for sale				
Actuarial gains and losses and adjustments relating to defined benefit plans	(6.1)	(0.7)		
Other items	1.3	(0.0)		
Other income items reclassified to profit or loss	1,127.2	(286.8)	(40.2)	(562.5)
Reserve for foreign currency translation differences	0.2	0.1		
Gains or losses on available-for-sale financial assets	1,117.1	(297.0)	(40.2)	(562.5)
Gains or losses on cash flow hedges	9.9	10.1		
Gains or losses on hedges of a net investment in foreign operations				
Reserve deriving from changes in the shareholders' equity of investees				
Gains or losses on non-current assets or disposal groups held for sale				
Other items				
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	1,133.1	(298.3)	(40.2)	(562.5)

Other changes		Total changes		Income tax		Balance	
31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
(0.0)	2.7	6.0	(8.7)	2.5	0.3	(3.4)	(9.3)
	2.7	10.8	(7.9)			21.2	10.4
(0.0)		(6.1)	(0.7)	2.5	0.3	(25.9)	(19.8)
		1.3	(0.0)			1.3	
	(0.0)	1,087.0	(849.3)	(481.0)	378.2	1,174.4	87.4
		0.2	0.1			5.1	4.9
	(0.0)	1,076.9	(859.5)	(476.6)	382.7	1,157.4	80.6
		9.9	10.1	(4.4)	(4.5)	11.8	1.9
(0.0)	2.7	1,092.9	(858.0)	(478.5)	378.6	1,171.0	78.1

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

		Level 1		Level 2		Level 3		Total	
Amounts in €m		31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		46,947.6	41,788.1	338.5	377.3	1,568.3	1,280.6	48,854.5	43,446.0
Financial assets at fair value through profit or loss	Held for trading financial assets	114.5	113.0	157.7	164.0	14.7	15.2	286.8	292.2
	Financial assets at fair value through profit or loss	7,465.0	6,203.5		0.7	0.6	1.3	7,465.6	6,205.5
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*54,527.1*	*48,104.6*	*496.2*	*542.0*	*1,583.6*	*1,297.1*	*56,606.9*	*49,943.8*
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	20.7	14.9	220.6	241.5	11.3	21.9	252.6	278.3
	Financial liabilities at fair value through profit or loss					2,661.8	2,261.0	2,661.8	2,261.0
Total liabilities measured at fair value on a recurring basis		*20.7*	*14.9*	*220.6*	*241.5*	*2,673.0*	*2,282.9*	*2,914.4*	*2,539.3*
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of disposal groups held for sale									
Liabilities associated with disposal groups									

Details of changes in level 3 assets and liabilities at fair value on a recurring basis

Amounts in €m	Available-for-sale financial assets	Financial assets at fair value through profit or loss		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
		held for trading financial assets	Financial assets at fair value through profit or loss				held for trading financial liabilities	Financial liabilities at fair value through profit or loss
Opening balance	1,280.6	15.2	1.3				21.9	2,261.0
Acquisitions/Issues	320.9	0.1					(3.4)	
Sales/Repurchases	(42.9)							
Repayments	(2.4)							
Gains or losses recognised through profit or loss		(3.5)	(0.7)					
- of which unrealised gains/losses		(3.5)	(0.7)					
Gains or losses recognised in the statement of other comprehensive income	5.2							
Transfers to level 3	1.0							
Transfers to other levels								
Other changes	5.9	2.9	(0.0)				(7.2)	400.7
Closing balance	1,568.3	14.7	0.6				11.3	2,661.8

Assets and liabilities not measured at fair value: breakdown by fair value level

	Carrying amount		*Fair value*							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Assets										
Held-to-maturity investments	454.6	459.6	543.2	497.3	37.9	34.5	2.2		583.2	531.7
Loans and receivables	4,766.7	4,313.1			2,839.9	2,650.3	2,084.2	1,571.6	4,924.1	4,221.9
Investments in subsidiaries, associates and interests in joint ventures	169.2	341.0					169.2	341.0	169.2	341.0
Investment property	2,063.2	2,071.1					2,239.9	2,202.8	2,239.9	2,202.8
Property, plant and equipment	2,411.5	1,813.6					2,551.8	1,976.8	2,551.8	1,976.8
Total assets	**9,865.2**	**8,998.4**	**543.2**	**497.3**	**2,877.8**	**2,684.8**	**7,047.2**	**6,092.2**	**10,468.2**	**9,274.3**
Liabilities										
Other financial liabilities	3,086.1	2,713.3	1,937.8	1,632.8			1,243.5	854.3	3,181.3	2,487.1

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STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with art. 81-Ter of CONSOB Regulation no.11971/1999

UnipolSai ASSICURAZIONI

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-ter, CONSOB REGULATION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned, Carlo Cimbri, as designated Chairman, and Maurizio Castellina, as Manager in charge of financial reporting of UnipolSai Assicurazioni S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the administrative and accounting procedures for the preparation of the **consolidated financial statements** for the period 1 January 2019-31 December 2019.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2019 is based on a process defined by Unipol Gruppo S.p.A., inspired by the COSO Framework (Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission), internationally recognised as the reference standards for the implementation and evaluation of internal control systems.

3. It is also certified that:

   3.1. the consolidated financial statements at 31 December 2019:

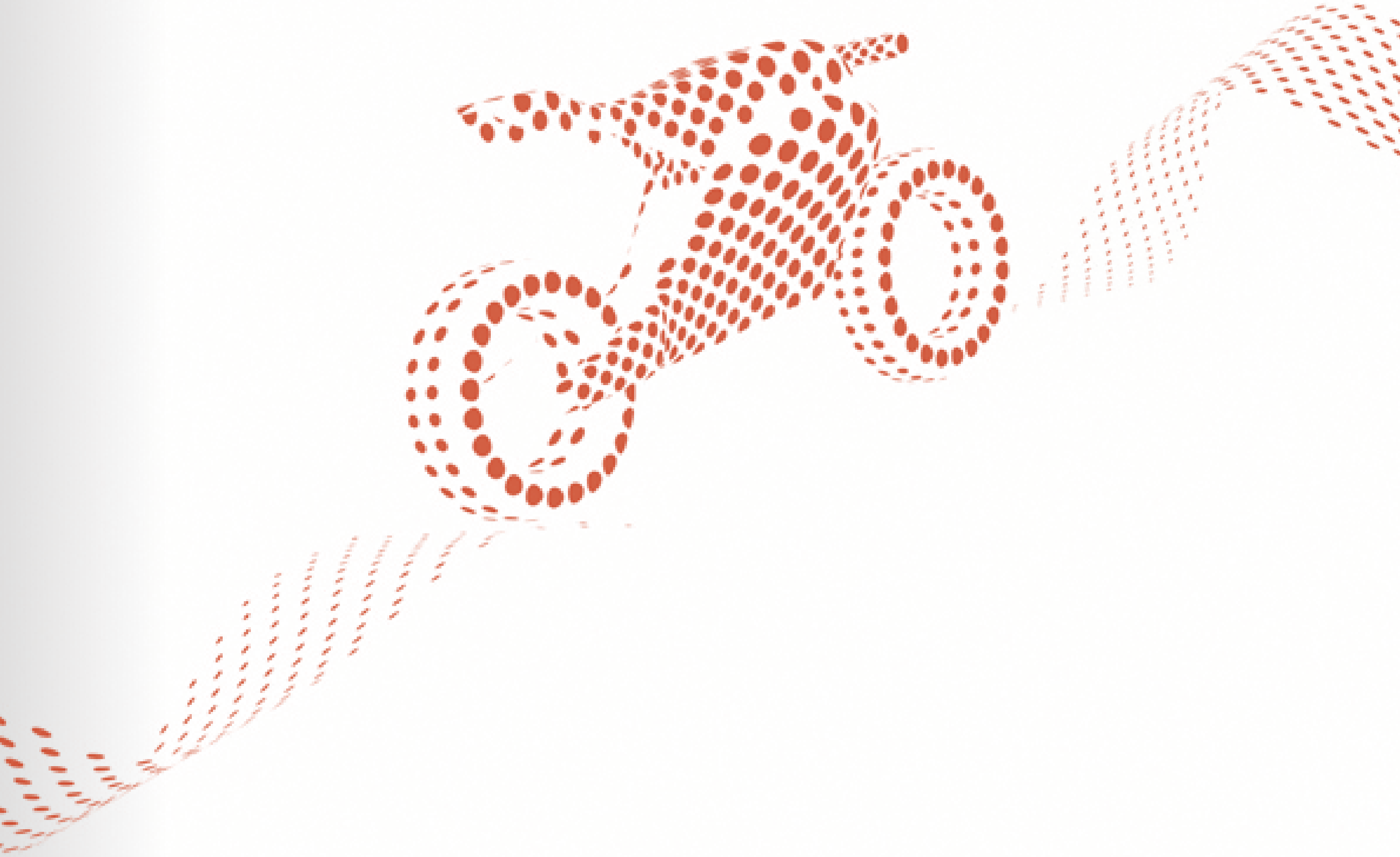
   - were prepared in compliance with the International Accounting Standards recognised in the European Community in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, Legislative Decree 38/2005, Legislative Decree 209/2005 and applicable IVASS measures, regulations and circulars;
   - correspond to the book results and accounting records;
   - are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer and of the consolidated companies;

   3.2. the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer and of the consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Bologna, 19 March 2020

The Manager in charge of financial reporting	The Chairman
Maurizio Castellina	*Carlo Cimbri*

(signed on the original)



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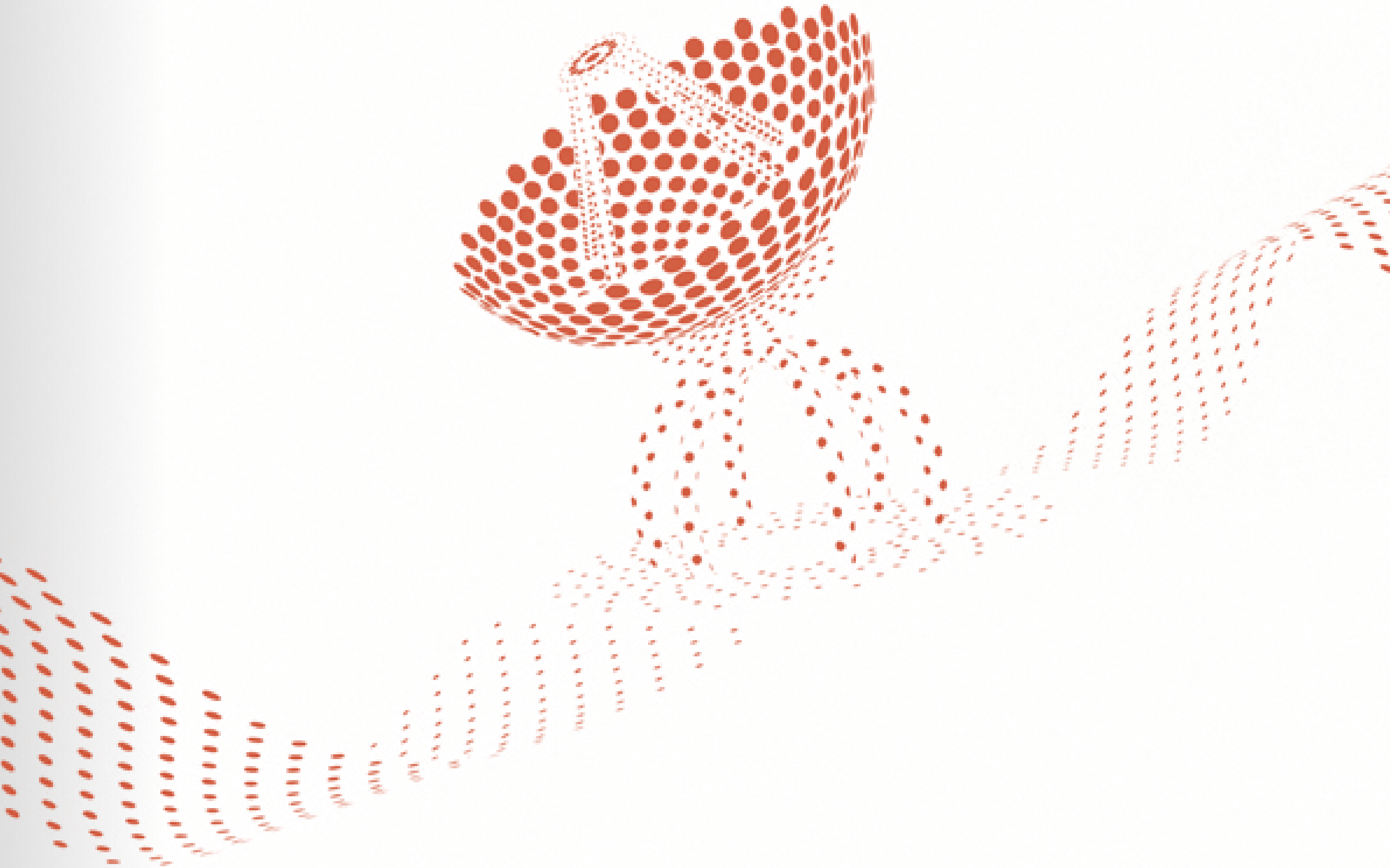
SUMMARY OF FEES FOR THE YEAR FOR SERVICES PROVIDED BY THE INDEPENDENT AUDITORS

Summary of fees for the year for services provided by the Independent Auditors (Art. 149-duodecies of Issuer's Regulation)

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	1,971
Attestation services	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	507
Other professional services	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	375
Other professional services	PricewaterhouseCoopers Actuarial Services S.r.l.	UnipolSai S.p.A.	433
Total UnipolSai			**3,287**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	665
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	130
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	77
Attestation services	PricewaterhouseCoopers SpA	Subsidiaries	3
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	53
Other professional services	PricewaterhouseCoopers Dublin	Subsidiaries	30
Total subsidiaries			**958**
Grand total			**4,245**

(*) fees do not include any non-deductible VAT nor charged back expenses



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INDEPENDENT AUDITORS' REPORT

7 Independent Auditors' Report

Independent auditor's report

in accordance with article 14 of Legislative Decree n°39 of 27 January 2010, article 10 of Regulation (EU) n°537/2014 and article 102 of Legislative Decree n°209 of 7 September 2005

To the Shareholders of
UnipolSai Assicurazioni SpA

Report on the Audit of the Consolidated Financial Statements as of 31 December 2019

Opinion

We have audited the consolidated financial statements of UnipolSai Assicurazioni SpA and its subsidiaries ("UnipolSai Group"), which comprise the statement of financial position as of 31 December 2019, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the UnipolSai Group as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 90 of Legislative Decree n° 209/2005.

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 this report. We are independent of UnipolSai Assicurazioni SpA (the "Company") pursuant to the regulations and standards on ethics and independence applicable to audits of 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 judgement, 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.

PricewaterhouseCoopers SpA

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Actuarial estimates of Non-Life claims provisions	
Notes to the Financial Statements, paragraph 2 Main accounting standards *Notes to the Financial Statements, paragraph "Liabilities" 3 – Technical provisions and paragraph 5.14 Notes on Non-life business* Technical provisions include Euro 11,703 million of Non-Life claims provisions representing the 16 per cent of "Total Liabilities and Shareholders' Equity". Non-Life claims provisions is posted to face the amounts incurred by UnipolSai Group to settle the claims incurred in the current and in previous years and not yet defined at year end. Granted that the valuation of outstanding claims relies on the quality of the underlying data, a range of methods, underlying a number of implicit or explicit assumptions relating to the expected settlement amount and number of claims, may be used to determine these provisions. Change in these assumptions can modify the estimate of the final provisions. The valuation of Non-Life claims provisions involves the use of significant estimates and relies on a significant professional judgement based on the actuarial assumption adopted. Professional judgement is involved, for instance, in estimating the period over which claims are expected to settle.	In order to challenge the quality of the data utilized to valuate the Non-Life claims provisions, we understood and tested the governance process in place to determine the insurance contract liabilities and validated, on a sample basis, the controls in place. In addition we verified the accuracy and completeness of the data base testing a sample of claims and matching the information included in the IT system with those of the related dossiers. Our audit procedures applied to verify the actuarial valuation include the following: - analysis of the methodologies, hypothesis and assumptions adopted by management; - challenge these methodologies and assumptions by comparing them with those used in the industry and in prior periods; - performed a risk based assessment to determine the more relevant classes of business. For these classes, assisted by our own actuarial experts, we performed a sensitivity analysis on assumptions and estimates utilized by UnipolSai Group and performed our own independent actuarial projections and compared the results with management's estimates.

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Valuation and classification of financial instruments structured securities portfolio	
Management Report, paragraph Asset Financial Management" *Notes to the financial statements, paragraph 3, Notes to the statement of financial position, Assets, section 4, Investments* Structured securities amount to some Euro 721 million representing 1 per cent of total assets. The complexity of the valuation and classification process is not uniform for all financial instruments types and it is harder for illiquid structured securities because quoted prices are not readily available. The adherence of the classification made by the Directors to IAS 39 rules determines both valuation criteria and the accounting treatment for the consolidated financial statements. Given the implicit complexity of structured securities, the classification adopted by the Directors on the basis of the provisions reported in the Term Sheet requires significant judgement in applying such provisions and the proper accounting treatment. The valuation of financial instruments held at fair value is based on a wide range of inputs, many of which not observable in the market. Where observable market data is not available, for example when determining the valuation of certain complex structures, fair value estimates are influenced by input data utilized in the internal valuation models and is consequently subject to a higher level of judgement. Valuation of financial structures securities is therefore complex and subject to judgement, especially when observable market data are not available.	Our audit procedures concerning valuation and classification of structured securities include an understanding and an assessment of the classification and valuation process along with the effectiveness of key controls on a sample basis. With reference to classification of structured securities, our audit procedures included the following: - we analised along with UnipolSai Group's Directors the methodology applied and the provisions reported in the Term Sheet; - we challenged these methodologies and assumptions by comparing them with those used in the industry and in prior periods; - we verified, on a sample basis, the classification of some structured securities. With reference to valuation of structured securities, our audit procedures included the following: - we analysed along with UnipolSai Group's Directors the methodologies and assumptions utilized; - we challenged these methodologies and assumptions by comparing them with those used in the industry and in prior periods; - we verified, on a sample basis, input data readily observable in the market; - we performed on a sample basis, with the support of our valuation experts, an independent valuation on some structured securities.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is 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, as well as with the regulations issued to implement article 90 of Legislative Decree n° 209/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the UnipolSai Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate UnipolSai Assicurazioni SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed 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 error, and to issue an auditors' 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 error 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 the consolidated financial statements.
As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained 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 UnipolSai Group's internal control;

- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded 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 UnipolSai 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 UnipolSai Group to cease to continue as a going concern;
- we evaluated 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;
- we obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the UnipolSai 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 on the consolidated financial statements.

We communicated 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 identified during our audit.

We also provided those charged with *governance* with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated 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 determined 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 described these matters in our auditor's report.

Additional Disclosures required by article 10 of Regulation (EU) n° 537/2014

On 30 July 2013, the Shareholders of UnipolSai Assicurazioni SpA in general meeting engaged us to perform the statutory audit of the Company's and the consolidated financial statements for the years ending 31 December 2013 to 31 December 2021. On 4 April 2019 we communicated to the Company, as requested by it, the availability for the early termination of the contract with effect from the approval date of the financial statements as at 31 December 2020. We also provided specific communication to Consob.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree n° 39/2010 and article 123-bis, paragraph 4, of Legislative Decree n° 58/1998

Management of UnipolSai Assicurazioni SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the UnipolSai Group as at 31 December 2019, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure, available in Unipol Gruppo SpA website section "*Governance*", referred to in article 123-bis, paragraph 4, of Legislative Decree n° 58/1998, with the consolidated financial statements of the UnipolSai Group as at 31 December 2019 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of UnipolSai Gruppo SpA as at 31 December 2019 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Exemption from the preparation of the non –financial disclosure

Management of UnipolSai Assicurazioni SpA decided to take advance of the exemption to preparation of the non-financial disclosure referred to in article 6, paragraph 2, of Legislative Decree n° 254/2016.

Milan, 7 April 2020

PricewaterhouseCoopers SpA

Signed by

Antonio Dogliotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian and in accordance with Italian law, solely for the convenience of international readers.

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Parent company of the Unipol Insurance Group
entered in the Register of the parent companies
at No. 046

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