2019
Draft Annual Report

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UnipolGruppo

Annual Report

2019

Translation from the Italian original soleley 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 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.

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Company bodies

BOARD OF DIRECTORS	CHAIRMAN	Pierluigi Stefanini	
	VICE CHAIRMAN	Ernesto Dalle Rive	
	CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER	Carlo Cimbri	
	DIRECTORS	Paolo Alemagna	Antonietta Mundo
		Gianmaria Balducci	Milo Pacchioni
		Roberta Datteri	Maria Antonietta Pasquariello
		Patrizia De Luise	Annamaria Trovò
		Massimo Desiderio	Adriano Turrini
		Daniele Ferrè	Rossana Zambelli
		Giuseppina Gualtieri	Carlo Zini
		Pier Luigi Morara	
	SECRETARY OF THE BOARD OF DIRECTORS	Fulvia Pirini	
BOARD OF STATUTORY AUDITORS	CHAIRMAN	Mario Civetta	
	STATUTORY AUDITORS	Silvia Bocci	
		Roberto Chiusoli	
	ALTERNATE AUDITORS	Massimo Gatto	
		Rossella Porfido	
MANAGER IN CHARGE OF FINANCIAL REPORTING		Maurizio Castellina	
INDEPENDENT AUDITORS		PricewaterhouseCoopers SpA	

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 recurred 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%). 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 24 half-year periods. 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

National accounting standards OIC

Note that on 28 January 2019, the Italian Accounting Standards Setter (OIC) gave its final approval of the wording of amendments that regard the following accounting standards, applicable as of 1 January 2018:

- OIC 7 "Green Certificates": abrogation of the standard as it refers to cases that no longer exist since 2018;
- OIC 28 "Shareholders' equity": a disclosure on the fair value of the warrants issued is now required to be included in the financial statements, by virtue of the need of investors to understand the potential dilutive effect of the future exercise of said *warrants*;

- OIC 32 "Financial derivatives": the OIC has clarified how so-called "simple" hedging derivatives should be recognised in the accounts, specifying, in particular, the cases in which the cash flow hedge reserve should be released, in the event in which the company does not envisage recovering the entire loss or part of the reserve in one or more future years. The body also indicated a different Income Statement item (B13 "*Other provisions*") for the recognition of the cost of the contract.

Relevant primary 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 phases.
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 (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.

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MANAGEMENT
REPORT

Share performance

Information on share performance

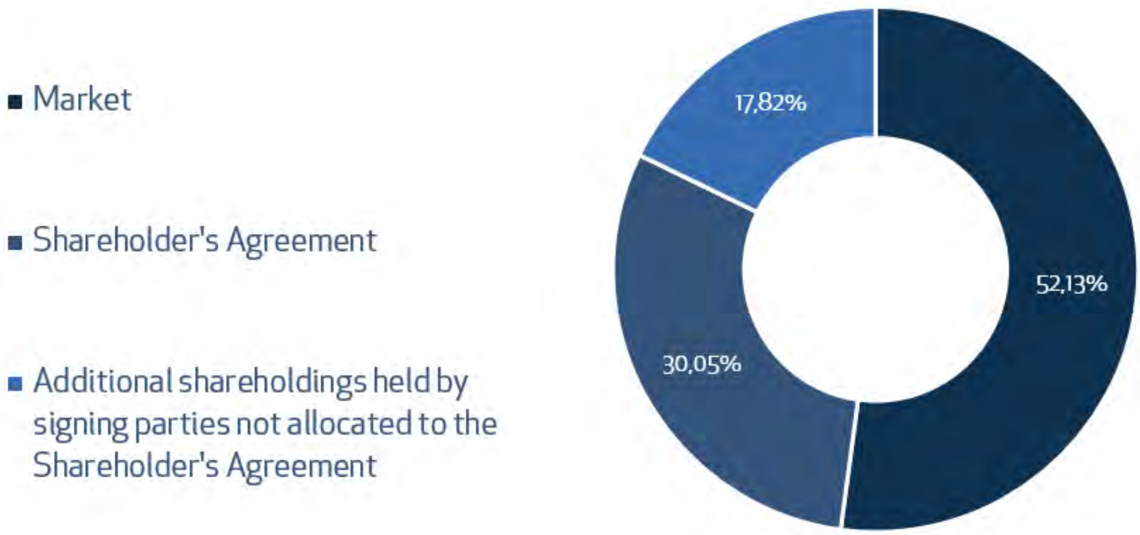
At the end of December 2019 the official price of the Unipol share was €5.11, in the last 12 months recording growth of 45.3% against an increase in the FTSE Italia All-share index of 27.2%.

Capitalisation values

Total capitalisation was €3,668m at the end of December 2019 (€2,524m at 31/12/2018).

Shareholding structure

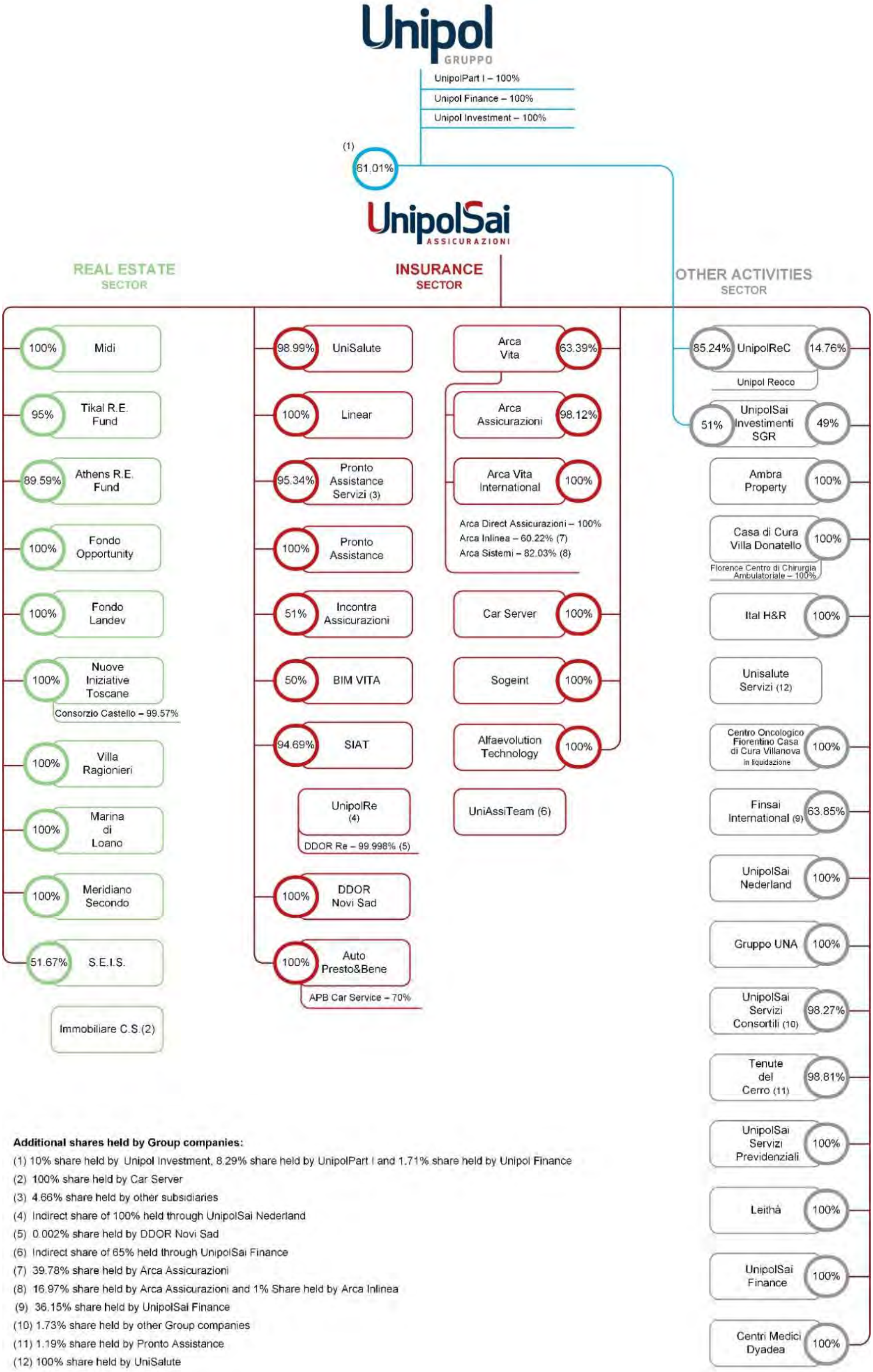
The shareholding structure as at 31 December 2019 is shown in the chart below:



As then rendered public according to current legislation, 16 beneficiary companies signed a shareholders' agreement relating to Unipol Gruppo. That agreement, which entered into force on 15 December 2017, regarded 215,621,214 ordinary shares, representing 30.05% of the share capital of Unipol Gruppo.

Group structure at 31 December 2019

(direct holding out of total share capital)



Additional shares held by Group companies:

(1) 10% share held by Unipol Investment, 8.29% share held by UnipolPart I and 1.71% share held by Unipol Finance
(2) 100% share held by Car Server
(3) 4.66% share held by other subsidiaries
(4) Indirect share of 100% held through UnipolSai Nederland
(5) 0.002% share held by DDOR Novi Sad
(6) Indirect share of 65% held through UnipolSai Finance
(7) 39.78% share held by Arca Assicurazioni
(8) 16.97% share held by Arca Assicurazioni and 1% Share held by Arca Inlinea
(9) 36.15% share held by UnipolSai Finance
(10) 1.73% share held by other Group companies
(11) 1.19% share held by Pronto Assistance
(12) 100% share held by UniSalute

Management Report

Significant events during the year

Exercise by UnipolSai of the put option on Unipol Banca and UnipolReC and agreement about the granting of a loan by UnipolSai

On 7 February 2019, the Board of Directors of UnipolSai Assicurazioni S.p.A. ("**UnipolSai**") resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca S.p.A. ("**Unipol Banca**") and UnipolReC S.p.A. ("**UnipolReC**"), held by the holding company Unipol Gruppo S.p.A. ("**Unipol**") by virtue of the option contract signed on 31 December 2013 between Unipol and the former Fondiaria-SAI S.p.A.
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 Unipol in Unipol Banca and in UnipolReC stood at 85.24% of the respective share capital. As UnipolSai maintained ownership of the remaining shares of UnipolReC (14.76% of the share capital), the overall equity investment (direct and indirect) in that company was unchanged during the year (100% of the share capital). As concerns Unipol Banca, please refer to the next paragraph.
UnipolSai also granted to Unipol, within the scope of the afore-mentioned 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 Unipol, the aforementioned loan is targeted at maintaining a high level of financial flexibility with an important available liquidity *buffer*.

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 registered with the competent Offices of the Register 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 the Unipol Banca S.p.A. accounts.

MISSION EVOLVE – *Always one step ahead*: the new 2019-2021 Strategic Plan

On 9 May 2019, the Board of Directors of Unipol S.p.A. approved the 2019-2021 Strategic Plan "MISSION EVOLVE – Always one step ahead". The Strategic Plan aims to reinforce the leadership of UnipolSai over the next three years, laying the foundations to confirm its primacy even beyond the horizon of the Plan.
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 distinctive assets, the "MISSION EVOLVE – *Always one step ahead*" is structured based on five strategic guidelines:
- <u>development of technical excellence</u>, 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;
- <u>development of distribution excellence</u>, with the objective of reaching in 2021 premiums at a consolidated level of €8.7bn in the Non-Life business and €5bn 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;
- <u>beyond insurance</u>, 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;
- <u>people and technology</u>, 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;
- <u>shared value and sustainable development</u>, by contributing to reaching the sustainable development goals of the UN 2030 Agenda.

Acquisition of a qualified investment in BPER Banca

In the second quarter of 2019, based on the authorisations obtained in the previous year from the European Central Bank and the competent national Supervisory Authorities, Unipol Gruppo acquired BPER Banca ordinary shares on the market, representing roughly 4.9% of the share capital of the Bank, so it now holds, directly and indirectly through UnipolSai, a qualified investment in BPER equal to 19.97% of its share capital. As a result, also taking into account the relevant transactions already performed and in place between the Unipol Group and the BPER Group, starting in June Unipol Gruppo qualified its interest held in BPER as an interest with significant influence.
Later, in August 2019, following the finalisation of certain transactions with the effect of increasing the share capital of BPER, Unipol and UnipolSai acquired further BPER shares on the market in order to restore the previously held interest. After the acquisitions made, at the end of 2019 Unipol held a direct and indirect equity investment consisting of 102,695,155 BPER shares (of which 51,935,323 shares held directly and 50,759,832 indirectly through UnipolSai), representing a total share of 19.73% (9.98% directly and 9.75% indirectly), a percentage thus reduced due to additional capital transactions by the bank performed in December 2019.

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.

Acquisition of Car Server

On 1 August 2019, UnipolSai finalised the acquisition of 100% of the share capital of Car Server S.p.A. ("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.

Mergers and spin-offs within the Group

In June 2019, as part of a project for streamlining and simplifying the structure of the Unipol Group, the Boards of Directors of the Group companies concerned, insofar as they were respectively responsible, approved the following mergers and spin-offs:

- project for the merger by incorporation of Pronto Assistance S.p.A. into UnipolSai;
- project for the full spin-off of Ambra Property S.r.l. in favour of UnipolSai, UNA S.p.A. Group and Midi S.r.l.;
- project for the partial spin-off of Casa di Cura Villa Donatello S.p.A. in favour of UnipolSai, as well as the full spin-off of Villa Ragionieri S.r.l. in favour of the Company itself and Casa di Cura Villa Donatello S.p.A.;
- project for the proportional partial spin-off of UniSalute Servizi, with transfer to a new company of the business consisting of the provision of specialist medical-healthcare services.

The proportional partial spin-off of UniSalute Servizi became effective on 1 October 2019, with the simultaneous establishment of "Centri Medici Dyadea".
The merger and the remaining spin-offs became legally effective as of 1 February 2020. They became effective for accounting and tax purposes as of 1 January 2020, with the exception of the partial spin-off of Casa di Cura Villa Donatello.

Other events

"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.

Operating performance

The Financial Statements of Unipol for the year ended 31 December 2019, hereby submitted for your review and approval, closed with **net profit of €283.5m** (€66.2m in 2018), to which dividends received from Group companies totalling €344m (€330m in 2018) made a particular contribution.

As regards Group performance in the various segments, at 31 December 2019, **direct insurance premiums**, gross of reinsurance, totalled €14,014m, a considerable increase on 2018 on a like-for-like basis[1] (€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, +2.7%). The MV business amounted to €4,178m (-0.1%) while in the Non-MV business, the premiums reached €3,989m, up by 5.8%, 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% at 31 December 2018 (94.4% 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) and the expense ratio at 27.9% of premiums earned (27.4% at 31/12/2018), 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).

In the **Life segment**, on a like-for-like basis the Unipol 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 (+33% 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 €493m (€397m at 31/12/2018 on a like-for-like basis, +24.2%), of which €401m contributed by traditional companies and €91m by bancassurance companies.

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 3.65% (3.79% in 2018), of which 3.29% 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, and UnipolReC, which recorded a significant net profit of roughly €12m.

[1] The figure on a like-for-like basis was calculated by excluding the amounts contributed by Popolare Vita and the subsidiary Lawrence Life DAC for the year 2018.

As regards the **Group's solvency ratio**, calculated in application of the Partial Internal Model, at 31 December 2019 the ratio of own funds to capital required was 187%, up compared to 163% at 31 December 2018, also in relation to the positive performance of the financial markets during the year and taking into account the suspension of the proposed distribution of the dividend from the profit for the 2019 F.Y. of the parent company, approved by the Board of Directors on 2 April 2020, as appropriately described in the section Significant events in 2019 and after 31 December 2019.

The Financial Statements of Unipol are audited by the independent auditors PricewaterhouseCoopers SpA (PwC), which has been appointed to audit the financial statements for the 2012-2020 period.

Salient aspects of business operations

The economic figures that best summarise the operating performance of the Company are the following:

- Gains on investments: these were €349.8m (€452.1m in 2018, inclusive of the gain of €115.8m realised from the sale to UnipolSai of the equity investment in the company Arca Vita S.p.A.) and mainly represent dividends approved and collected during the year from subsidiaries (€344m) and from other investees (€5.4m).
- Value of production: amounted to €20.7m (€18.8m in 2018), primarily attributable for €15.1m to the recovery of costs for personnel seconded to Group companies (€15.8m at 31/12/2018), for €2.3m to remuneration paid to Company executives holding corporate offices in other Group companies (€2.2m at 31/12/2018) and for €0.8m to services provided to other companies.
- Costs of production: these were €92m (€57.4m in 2018) and included operating costs relating to ordinary operations of the holding. The increase was linked to expenses of €11.1m relating to commitments undertaken in the contract for the sale to BPER of the entire investment held in Unipol Banca and provisions for €28m related to any loyalty bonuses due to key managers as defined in the Remuneration Policies of the Unipol Group.
- Other financial income/expense: these came to -€20.4m (-€78.5m at 31/12/2018). This item included primarily interest expense and other expenses on bonds issued for €70.1m (€70.2m at 31/12/2018), income on long-term securities for €53.1m (€2.6m at 31/12/2018), interest expense due to subsidiaries for €14.7m (€15.1m at 31/12/2018) and income from securities recognised under current assets for €10.2m (€5m at 31/12/2018).
- Value adjustments to financial assets: these were positive in the amount of €2.8m (-€290m at 31/12/2018). At 31 December 2018, this item included €195.9m relating to the write-down of the investment directly held in the subsidiary Unipol Banca, in addition to €87.3m in adjustments due to the measurement of the put option on Unipol Banca and UnipolReC shares granted to UnipolSai.
- Pre-tax profit: €261.5m (€45.1m at 31/12/2018).
- Income tax: this had a positive impact on the income statement for €22m (€21.1m at 31/12/2018) relating to the benefits resulting from the remuneration of the tax losses encompassed in the tax consolidation scheme.
- 2019 profit for the year: €283.5m (€66.2m at 31/12/2018).

Shareholders' Equity of the Company at 31 December 2019, including profit for the year, was €5,666.9m (€5,511.6m at 31/12/2018). The change results from a €129.1m decrease in distributed dividends and a €283.5m increase in profits for the year, as well as a reduction in treasury shares held.

Asset and financial management

Property, plant and equipment and intangible assets

In 2019, the balance of property, plant and equipment and intangible assets, net of depreciation/amortisation, went from €3.1m to €2.2m, with a €0.9m decrease with respect to the previous year, due mainly to the depreciation/amortisation for the year.
The breakdown of property, plant and equipment and intangible assets and the changes on the previous year is provided in the table below.

Amounts in €m

			Changes	
	31/12/2019	31/12/2018	*value*	%
Property, plant and equipment				
- Plant and equipment	0.0	0.0	(0.0)	(58.0)
- Other assets	0.6	0.7	(0.1)	(15.4)
Total	**0.6**	**0.8**	**(0.1)**	**(17.3)**
Intangible assets				
- Concessions, licences, trademarks and similar rights	1.5	2.3	(0.8)	(33.2)
Total	**1.5**	**2.3**	**(0.8)**	**(33.2)**
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**2.2**	**3.1**	**(0.9)**	**(29.3)**

For details of fixed assets, reference should be made to Annexes 4 and 5 of the Notes to the Financial Statements.

Financial fixed assets

The breakdown of financial fixed assets, with changes on the previous year, is provided in the following table.

Amounts in €m

	31/12/2019	31/12/2018	Changes value	%
Financial fixed assets				
-Investments				
-Subsidiares	7,014.4	6,193.8	820.6	13.2
-Associates	223.3		223.3	(100.0)
-Other companies		119.2	(119.2)	
Total	**7,237.7**	**6,313.0**	**924.7**	**14.6**
-Receivables				
- Subsidiaries	133.3	144.8	(11.5)	(7.9)
-Other companies	0.0	0.2	(0.2)	(91.3)
Total	**133.3**	**145.0**	**(11.7)**	**(8.0)**
Other securities	4.9	550.6	(545.8)	(99.1)
TOTAL FINANCIAL FIXED ASSETS	**7,375.9**	**7,008.6**	**367.3**	**5.2**

For details of the investments, reference should be made to the table in the Notes to the Financial Statements (Annex 6).

The breakdown of investments by business segment and changes compared to the previous year was as follows:

Amounts in €m

	2019	Changes compared to 2018
Insurance	5,169.3	641.6
Banks and financial services	593.8	283.2
Other investments	1,474.6	(0.0)
	7,237.7	**924.7**

Investment in Banks and financial services were represented at 31 December 2019 by the investment in the associate BPER Banca and in the subsidiaries UnipolReC and UnipolSai Investimenti SGR. Other investments included Unipol Finance S.r.l., Unipol Investment S.p.A. and UnipolPart I S.p.A.

Over the year, the investments held were subject to the changes summarised below. With regard to the equity investments in Unipol Banca S.p.A. (now merged in BPER Banca), UnipolReC S.p.A. and BPER Banca S.p.A.: please also refer to the information provided above in the "Significant events during the year" section.

UnipolReC S.p.A.

On 1 March 2019, following the exercise by UnipolSai of the put option granted to it with a contract signed on 31 December 2013, Unipol acquired from UnipolSai shares of UnipolReC representing 27.49% of the share capital of the investee, for a value, determined on the basis of the option agreement, of €207.9m. The provision for risks from the put option, existing in the financial statements at 31 December 2018, was requalified as an adjustment provision on the equity investment in UnipolReC for the share referring to it, amounting to €115.8m. Based on the exercise of the put option, the direct investment held by Unipol Gruppo in UnipolReC stood at 85.24%.
On 30 July 2019, Unipol Gruppo made a payment, for the share under its responsibility, for a capital increase of €87m, in order to provide the subsidiary with the financial resources required to acquire two portfolios of bad and doubtful loans, in execution of the agreements entered into with the BPER Group on 7 February 2019.
At 31 December 2019, the equity investment in UnipolReC is recognised in the financial statements for a net value of €359.8m.

BPER Banca S.p.A.
During the year, Unipol Gruppo acquired, in multiple tranches, 26,935,323 BPER Banca ordinary shares for a total value of €104.2m. At 31 December 2019, Unipol held a direct holding of 9.98% of the share capital of BPER Banca as well as an indirect holding through UnipolSai of 9.76%.
As regards the overall increase in the share capital held, in June 2019, also taking into consideration the significant transactions already carried out and in progress between the Unipol Group and BPER, Unipol has qualified its overall investment in BPER as an interest with significant influence.

UnipolSai Assicurazioni S.p.A.
On 27 May 2019, Unipol Gruppo acquired the entire equity investment in UnipolSai held by the subsidiary Unipol Finance at market value. After the close of trading, the Company acquired over the counter from Unipol Finance S.r.l. 282,743,682 UnipolSai shares at the price of €2.269 each, equal to the price posted at the close of trading on 27 May, for a total of €641.5m.

UnipolSai Servizi Consortili S.c.r.l.
The value of the investment in the subsidiary UnipolSai Servizi Consortili at 31 December 2019 was aligned with the value of the shareholders' equity of the subsidiary. Therefore, the equity investment was written down by €0.8k and its carrying amount at 31 December 2019 was equal to €6k.

Receivables from subsidiaries recognised under fixed assets

This item includes the shareholder loan in place with the subsidiary UnipolReC S.p.A. This loan was disbursed to Unipol Banca on 31 January 2018 and subsequently, as set forth in the Spin-Off Plan, included in the Complex involved in the division transferred to UnipolReC. The shareholder loan accrues annual interest of 3.25%. On 12 November 2018, an "Amendment Agreement" was signed which envisages, without prejudice to the maturity of 16 January 2028, the right for UnipolReC to be able to request, at any moment, the early repayment of the amount due pursuant to the agreement, all or in part, along with interest accrued on the amount repaid, after obtaining the consent of the Lending Shareholder. At 31 December 2019, the loan, gross of interest accrued, amounted to €92m due to the early repayment of a total of €56m in two tranches of equal amounts on 31 July and 31 December 2019.

Receivables from subsidiaries recognised under fixed assets also included the amount inclusive of interest of the first tranche disbursed on the loan granted to Car Server S.p.A. on 8 November 2019. The maximum amount of this loan to be disbursed to Car Server S.p.A. is €150m, the loan matures on 8 November 2023 and it accrues interest at a rate of 2.216% on the average amount used. On 28 November 2019, the first disbursement was made for €41.2m. At 31 December 2019 the receivable due from the subsidiary company Car Server, inclusive of interest accrued, was €41.3m.

Treasury shares and shares of the holding company

At 31 December 2019, 336,332 treasury shares were held, for a value of €1.2m. These shares were purchased to serve the compensation plans based on financial instruments (*performance share* type) intended for Managers. As part of these plans:
- 762,000 treasury shares were acquired, for a value of €3.2m;
- in April the first tranche of shares was allocated in implementation of the compensation plan for the period 2016-2018; and
- in July the last tranche of shares was allocated in relating to the compensation plan for the period 2013-2015.

At 31 December 2019, Unipol Gruppo also indirectly held a total of 617,081 treasury shares through:
- UnipolSai Assicurazioni: 540,221 Unipol shares;
- UniSalute: 2,816 Unipol shares;
- Linear Assicurazioni: 14,743 Unipol shares;
- Arca Vita: 1,853 Unipol shares;
- Arca Assicurazioni: 18,566 Unipol shares;
- SIAT: 12,566 Unipol shares;
- UnipolSai Servizi Consortili: 5,490 Unipol shares;
- Alfaevolution Technology: 1,736 Unipol shares;
- Gruppo UNA: 18,454 Unipol shares;
- Leithà: 636 Unipol shares.

With regard to treasury shares, the Shareholders' Meeting of 18 April 2019 approved, pursuant to Articles 2357 and 2357-*bis* of the Civil Code, the renewal for 18 months of the authorisation to purchase and use treasury shares within the limits set with a maximum expenditure limit of €200m.

Current financial assets

They amounted to €435.4m, up by €285.4m compared to the previous year, caused on one hand by the sale of the equity investment in Unipol Banca (€127m at 31/12/2018) and on the other hand by the purchase of foreign government bonds during the year.

With reference to Unipol Banca, on 1 March 2019, following the exercise by UnipolSai of the put option granted to it with a contract signed on 31 December 2013, Unipol acquired from UnipolSai Unipol Banca shares representing 27.49% of the share capital of the investee, for a value, determined on the basis of the option agreement, of €371.2m. The provision for risks from the put option, existing in the financial statements at 31 December 2018, was requalified as an adjustment provision on the equity investment in Unipol Banca for the share referring to it, amounting to €310.7m. Following the exercise of the put option, Unipol held a direct investment in Unipol Banca, corresponding to 85.24% of the share capital of the investee, for a net carrying amount of €187.5m.
On 31 July 2019, the entire equity investment held by Unipol Gruppo in Unipol Banca was transferred to BPER Banca, in implementation of the agreements entered into by the parties on 7 February 2019, for a value aligned with the net carrying amount due to the write-downs recognised at 31 December 2018.

The breakdown of the item was as follows:
- foreign government bonds (Netherlands) for €400.6m (not held at 31/12/2018);
- listed corporate bonds for €33m (€20.7m at 31/12/2018);
- listed shares of UnipolSai for €1.4m (€1.5m at 31/12/2018);
- unlisted shares (private equity fund units) for €0.4m (€0.8m at 31/12/2018).

The list of shares and securities recognised as current assets at 31 December 2019 is provided in Annex 7 of the Notes to the Financial Statements.

Financial operations

Financial operations (relating to financial investments other than equity investments or loans to subsidiaries or associates) in 2019 were consistent with the Investment Policy guidelines adopted by the Company and with recommendations of the Group Investments Committee and Financial Investments Committee.
The criteria of high liquidity of investments and prudence were the guidelines of the investment policy, which applied the criteria of optimising the portfolio's risk-return profile.
Management activities mainly focused on the bond sector, where the exposure to high-rating government bonds in euros was reduced as well as that to industrial and financial corporate issuers.
The exposure to the equities segment was basically unchanged.
There was also a marginal decrease in exposure to alternative investments.
Operating activities were characterised by maintaining a strong level of liquidity at the end of the year.
The volatility of share and bond prices throughout 2019 offered trading opportunities; these activities aimed to achieve the profitability objectives.
At 31 December 2019, the duration of the portfolio was equal to 0.32 years, down compared to the end of 2018 (1.48 years) following the disposals performed during the year, within the limits set by the Investment Policy.

Cash and cash equivalents

At 31 December 2019, bank deposits and cash were €258.2m, with a decrease of €834.6m with respect to the balance at 31 December 2018.
On 1 July a cash pooling agreement was activated with several Group companies to improve corporate cash management and allow the Parent to constantly monitor Group company liquidity, with resulting optimisation of the relative costs and returns. According to this contract, the balance of cash and cash equivalents of the subsidiaries is zeroed out every day, thus resulting in a receivable/payable to the holding company in an equal amount; on the other hand, Unipol activated a current account dedicated to the liquidity received from the companies and, as a contra-item, records a payable to/receivable from the subsidiaries.
At 31 December 2019, Unipol had total payables for cash pooling of €394.9m, broken down as follows:
- €188.6m to Unipol Finance S.r.l.;

- €124.5m to UnipolSai Finance S.p.A.;
- €30.3m to UnipolReC S.p.A.;
- €26.4m to Unipol Investment S.p.A.;
- €24.7m to UnipolPart I S.p.A.;
- €0.4m to Unipol Reoco S.p.A.

Share capital

No transactions were carried out on the share capital in 2019. At 31 December 2019, the breakdown of the share capital, subscribed and fully paid-up, was as follows:

	Share capital at 31/12/2019		Share capital at 31/12/2018	
	No. of shares	Euro	No. of shares	Euro
Ordinary shares	717,473,508	3,365,292,408.03	717,473,508	3,365,292,408.03
Total	**717,473,508**	**3,365,292,408.03**	**717,473,508**	**3,365,292,408.03**

Debt

At 31 December 2019, the bonds issued by Unipol were €1,819.7m (€1,811m at 31/12/2018) and represent three *senior unsecured* bond loans, listed on the Luxembourg Stock Exchange:

- €1,000m nominal value, 3% interest rate, 2025 maturity (same amount at 31/12/2018);
- €317.4m nominal value, 4.375% interest rate, 2021 maturity (same amount at 31/12/2018);
- €500m nominal value, 3.5% interest rate, 2027 maturity (same amount at 31/12/2018).

The issues described above were implemented as part of the Euro Medium Term Notes (EMTN Programme), with a maximum total nominal amount of €2bn, established in December 2009 with the latest renewal in November 2017.
Current financial payables included the payable to the subsidiary UnipolSai Assicurazioni S.p.A. for €267.8m (the same as in 2018), all or part of which repayable on demand at the request of UnipolSai Assicurazioni S.p.A., with an interest rate equal to 3M Euribor rate plus 100 b.p. and the above-mentioned payable for cash pooling of €394.9m.
On the other hand, during the year the entire payable due to Unipol Banca for the deferred payment of the amount due following the early termination of the credit indemnity agreement in 2017, which at 31 December 2018 amounted to €455.2m, was repaid.
Other non-current financial payables included the €300m loan granted by UnipolSai to Unipol Gruppo on 1 March 2019 as part of the exercise of the put option relating to 27.49% of the share capital of Unipol Banca S.p.A. and UnipolReC S.p.A. This loan is interest bearing, unsecured, matures on 1 March 2024 and accrues interest at the 3M Euribor plus a spread of 2.60%.
Also taking account of the decrease in liquidity (€694.5m at 31 December 2019 compared with €1,245.2m at 31 December 2018), net debt (summarised in Annex 9 to the Notes to the Financial Statements) rose from €1,331.8m in the previous year to €2,122.7m at the end of 2019.

Risk management policies (Art. 2428 of the Civil Code)

Financial risk is managed through the regular monitoring of the main indicators of exposure to interest rate risk, credit risk, equity risk, and liquidity risk.

Interest rate risk

The duration of the investment portfolio, an indicator of the Company's interest rate risk exposure, was 0.32 years at 31 December 2019. With specific reference to the bond portfolio, the duration was 0.51 years.
The table shows the *sensitivity* of the bond portfolio to a parallel shift in the yield curve of reference for the financial instruments.

Amounts in €

Risk Sector	Breakdown	Duration	10 bps increase	50 bps increase
Government	91.06%	0.21	(83,667)	(418,337)
Financial	7.79%	3.78	(129,611)	(648,056)
Corporate	1.15%	2.58	(13,095)	(65,473)
Bonds	**100%**	**0.51**	**(226,373)**	**(1,131,867)**

Credit risk

With specific reference to the bond portfolio alone, as shown in the table below, the investments in the bond portfolio include *investment grade* securities for 92.19% of the portfolio. Specifically, 91.06% of bonds had a AAA rating and 1.13% a BBB rating.

Credit risk is monitored by measuring the portfolio's *sensitivity* to changes in benchmark credit spreads. The following table shows the *sensitivity* at 31 December 2019:

Amounts in €

Rating	Breakdown	1 bps increase	10 bps increase	50 bps increase
AAA	91.06%	(8,366)	(83,661)	(418,306)
BBB	1.13%	(2,512)	(25,120)	(125,598)
Non Investment Grade	7.81%	(14,386)	(143,863)	(719,314)
Bonds	**100.00%**	**(25,264)**	**(252,644)**	**(1,263,218)**

Equity risk

Equity risk is monitored by analysing the equity portfolio's *sensitivity* to changes in the reference markets represented by sector indices.
The following table shows the *sensitivity* at 31 December 2019:

Amounts in €

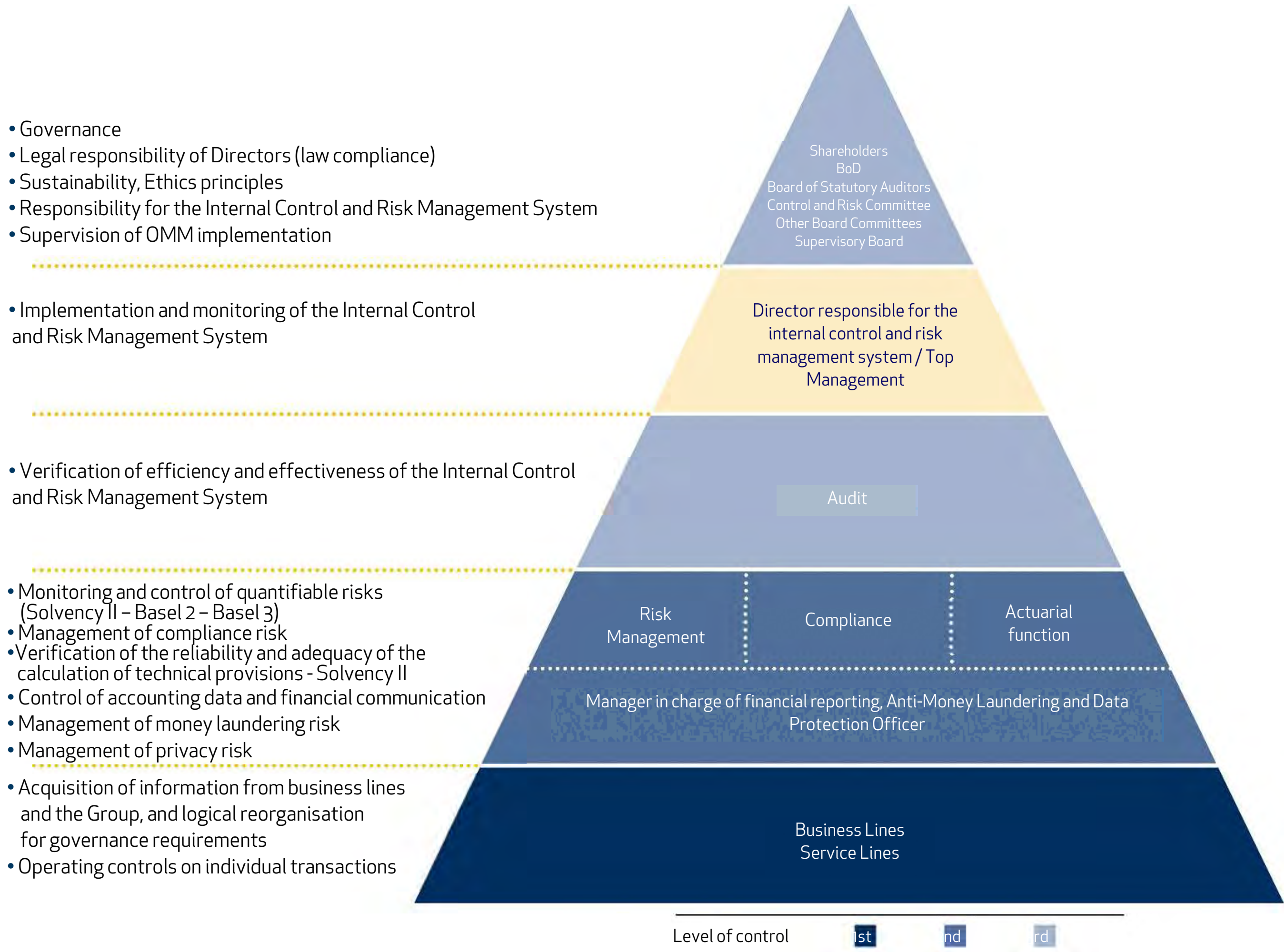
Sector	Breakdown	Beta coefficient	Shock -10%
Funds	100%	1.00	(43,895)
Equity	100%	1.00	(43,895)

Liquidity risk

In the construction of the investment portfolio, priority is given to financial instruments that can be quickly transformed into cash and quantitative limits are specified for the purchases of securities that do not guarantee a rapid sale and/or a sale at fair conditions, because of their type or specific terms.

Internal Control and Risk Management System of the Unipol Group

The internal control and risk management system (the "System") is a key element in the overall corporate governance system. It consists of a set of rules, procedures and organisational structures aimed to ensure constant oversight for the identification, governance and control of risks connected to the activities performed and allow for the sound and prudent management of the Group[2].
The following scheme shows, in simplified form, the Group's Risk and Control Governance Model.



Through the Internal Control and Risk Management System and through the adoption of corporate policies and guidelines, the Group measures and manages the risks to which it is exposed, also as a result of its own strategic decisions, taking into account the various business areas and the different applicable regulations.
In particular, the "**Risk Management Policy**" indicates the risk management strategies and objectives of the Group and the companies in scope. In addition, the risk management process is defined with reference to the identification, assessment, control and mitigation of risks, as are the roles and responsibilities of the company's bodies and structures involved in the process.
The identification, evaluation and monitoring of the risks are carried out on ongoing basis to take into account the changes occurred both in the nature and size of the business and in the market context, and whether new risks arise or the existing ones change.

[2] The guidelines for the definition of the Unipol Group's internal control and risk management system are set forth in the Group Directives on the corporate governance system defined by the Unipol Board of Directors, which are periodically updated.

The entire organisation is called upon to actively contribute to the effectiveness of the Internal Control and Risk Management System. The Company Bodies and top management of the Group companies promote the dissemination of a culture of control which, at all levels, makes staff aware of their role, also in reference to the control activities, and encourages the involvement of all company departments in pursuing the business objectives and creating value.

The monitoring of social, environmental and governance risks ("ESG risks")

The control of ESG risks is ensured at general level by the Group's corporate governance system described above, with a first level of organisational and operational oversight mechanisms adopted to implement the internal regulatory system, in addition to the second-level controls performed by Compliance and Anti-Money Laundering, Risk Management and the Actuarial Function, and the third-level controls performed by Audit, each for its own area of responsibility.

Specifically, in the course of 2019 the work performed to identify and control ESG risks reached an additional level of maturity and detail with respect to previous years.
Indeed, with the 2019-2021 Strategic Plan, the Group has undertaken to take further steps forward in the integration of environmental, social and governance factors within company strategies and processes, in terms of the development of opportunities as well as risk management. With reference to the commitments made in the Plan with regard to the management of ESG risks, they have been included, in the first place, in the Risk management system adopted by the Group.
As part of its most recent update in June 2019, the **Risk Management Policy** was integrated with the inclusion of such risks in the taxonomy of those shared by the entire Group and with the identification of the **seven most important ESG risk areas**: climate change, the increase in social polarisation, socio-demographic change, the technological evolution of society, the violation of human and workers' rights, environmental damage and negative impacts on the environment and conduct in violation of business integrity.
In addition, in the Risk management policy, the Group expects to integrate **ESG risk control** within the management of the individual risk categories, in such a way as to ensure management at all stages of the value creation process and mitigate the emergence of any associated reputational risks.
In light of this, ESG risks and the relative control methods have been integrated within the Specific risk management policies which govern the performance of the Group's activities in fundamental areas. Underlying this integration model is the **classification of risks in the various economic sectors**, performed on the basis of a proprietary methodology founded on the analysis and application of a large variety of sources; this classification contains general indications on the exposure of each economic sector to the various categories of ESG risk and, in this manner, supports the assessment of risk connected to relationships with the various parties operating in the relative sectors.

For the application of the Policies, an assessment process specifically regarding the monitoring of ESG risks has been defined, which, for the management of critical or doubtful cases, involves multiple players within the company (the Sustainability Function, the Operational Reputation Management Team) and envisages the possibility of calling the **ESG Task Force (the "Task Force").** The latter, established in 2019, began operating in the early months of 2020, and consists of key functions[3] for understanding ESG impacts within business decisions. The Task Force will have the duty, in particularly relevant cases due to their potential impact or the size of the potential agreement/investment, to understand and evaluate the concrete implications of ESG factors in underwriting and investment activities and to define decisions consistent with the company's vision with respect to the cases presented.
In parallel and in line with the integration of ESG risks in the Group's Policies, the **ESG Risks Interfunctional Working Group**[4] has defined new, detailed mapping of these risks and the relative oversight mechanisms (the "map") updated and streamlined to guarantee integration with the overall system, which includes risks linked to environmental, social and governance factors, broken down into seven risk areas.
To facilitate reading, the risks suffered and the risks generated are highlighted differently on the map.
The risks suffered consist of events that represent a risk for the Group, which has no levers to influence their occurrence, but can only act to oversee them, preventing or mitigating their consequences, or to transform them into opportunities; the risks generated instead represent events the triggering causes of which are directly connected to Group operations, with respect to which the Group has levers to prevent their occurrence or mitigate their consequences should they occur.

[3] Non-Life and Claims Technical Division, Welfare and Life Division, Finance Department, Chief Risk Officer, Chief Innovation Officer, Sustainability.
[4] Body consisting of the Audit, Compliance and Anti-Money Laundering, Risk Management and Sustainability Functions, whose objective is to identify the potential social, environmental and governance risks to which the Group is exposed, map the controls targeted at managing these risks and suggest possible improvement actions.

Protection of personal data

The Unipol Group holds a significant amount of personal information of its customers, relating to various aspects of their lives, and such data is destined to increase as a result of the growing spread of new connected devices; their protection is a fundamental commitment to protect the rights and freedoms of the natural persons to which such data refer.
To this end, within the Unipol Group a detailed system has been defined consisting of policies, procedures and technological infrastructure which, *inter alia*, establishes security, technical and organisational techniques to guarantee the protection of personal data from the risks threatening them, such as those of data loss, theft, destruction or alteration, abusive access or unauthorised disclosure, and to ensure the prompt restoration of data availability and access in the case of incidents.

The **Policy on the protection of personal data** defines the general guidelines of the Unipol Group on the protection of natural persons with regard to the processing of personal data, specifying the organisational model (organisation and roles, people, culture and responsibilities), the operating model (processes, rules and documentation) and the architectural model (technologies and tools) structured for that purpose.
Through this system, the Group implements Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "GDPR"), which introduced significant new elements in the protection of personal data, calling for, *inter alia*, the verification of activities according to risk assessment parameters and the effectiveness of the measures adopted in this regard.
In the course of 2019, Unipol, with the support of the Group's Data Protection Officer ("DPO") – who performs the activities under his responsibility for the Parent and for its subsidiaries with registered office in Italy – evaluated the effectiveness and efficiency of the oversight mechanisms, processes and organisational system implemented following the amendments introduced by the GDPR, in order to guarantee that it personal data management complies with regulations in force and is transparent with respect to data subjects. This also took place through audit activities intended to evaluate, with specific analyses, the compliance of processes and procedures with regulatory provisions, paying particular attention to the preliminary assessments performed in the case of processing entailing high risk for the rights and freedoms of data subjects.

The **Information security policy** defines the guidelines on cyber security, calling for the adoption of suitable physical, logical and procedural security measures aiming to guarantee appropriate and consistent protection to the information processed in the IT systems throughout the entire life cycle.
To control cyber risk, access control and antimalware and antispam solutions are used on central systems and user and mobile workstations, in addition to data backup/restoration and disaster recovery procedures, prevention and intrusion detection systems. The constant monitoring of systems, access and operations makes it possible to track and promptly manage incidents according to various levels of severity.
The IT infrastructure and web applications are periodically subject to *penetration testing/vulnerability assessments*.
UnipolSai is certified according to the ISO27001 international standard[5] for the advanced electronic signature service.

The system for monitoring risks connected to the management and use of data is complemented by the **Data governance policy**, which defines guidelines for the effective governance of data throughout its lifecycle within the Unipol Group. *Data Governance* is the set of processes, methodologies, roles and technologies which on one hand allows for the formal management of data informational assets, establishing clear responsibility for them, and on the other offers opportunities to employ the intrinsic value of the company's informational assets to support business strategies and objectives.

The Organisation and Management Model pursuant to Italian Legislative Decree 231/2001

Unipol Gruppo's OMM, updated in 2018, is composed of a General Part as well as 12 Special Parts, each dedicated to a category of crime that could theoretically take place within the Company.
In the Special Parts of the OMM, the specific principles of conduct and principles of control for preventing the commission of each type of crime previously indicated are laid out in detail.
The OMMs of the Unipol Group companies call for the same oversight mechanisms and control tools.

[5] The ISO/IEC 27001 standard is an international standard that defines the requirements to set up and manage the information security management system, and includes aspects relating to logical, physical and organisational security.

The Model is disseminated to employees through the company intranet; subsequent updates of the Model are disclosed to all employees through a company communication sent via email.

Following the approval of the *Whistleblowing* Procedure, the Group activated an IT platform through which personnel (employees and those who operate on the basis of a relationship, even in a form other than employment, which determines their inclusion within the company organisation) may report relevant unlawful conduct pursuant to Decree 231/01, deeds or facts which could constitute violations of the OMM, as well as violations of other precisely defined regulations[6], with methods that guarantee the full confidentiality of the reporting party's identity and, in general, the content of the report[7].

The duty of supervising the functioning and observance of the OMM and handling its updating is entrusted to the Supervisory Board (SB) consisting of three members of the Control and Risk Committee, independent non-executive directors, and a further two members represented by members of the company's Top Management responsible for the Compliance Function and the Auditing Function.

Internal Control and Risk Management System

The Unipol Group's Risk Management structure and process are part of the wider internal control and risk management system already illustrated in the Annual Integrated Report, to which reference is made.

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.

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 adopted by the Group 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, i.e. the Risk Appetite.
In quantitative terms, the Group's 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.

The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Group and/or individual company intends to assume or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

[6] Reference is made to (i) Regulation (EU) no. 596/2014 relating to market abuse ("MAR"), (ii) Italian Legislative Decree no. 231 of 21 November 2007 on preventing the use of the financial system for money laundering and terrorist financing, (iii) Italian Legislative Decree no. 209 of 7 September 2005 ("Private Insurance Code"), (iv) Italian Legislative Decree no. 58 of 24 February 1998 ("Consolidated Law on Finance").
[7] The IT platform adopted by the Group makes it possible to (i) manage reports in pseudonymised form and (ii) keep track of the relative information in encrypted form. Access to the latter is limited to identified members of the company structures responsible for receiving, reviewing and evaluating whistleblowing reports.

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.

The Group RAF takes into account the specific operations and related risk profiles of each company in the Group, in such a way as to be integrated and consistent.

The ORSA process

Under their own risk management systems Unipol and the companies that fall within the scope of the internal current and forward-looking risk and solvency assessment policy use the ORSA to assess the effectiveness of the risk management system in terms of capital adequacy and liquidity management governance.

The ORSA process allows the analysis of the current and prospective risk profile analysis of the Group and the insurance companies in the Group, based on strategy, market scenarios and business development.

Capital management policy

The capital management strategies and objectives of the 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.

Measurement of risks for the insurance sector

Partial Internal Model
The Unipol Group and the subsidiaries UnipolSai Assicurazioni and Arca Vita are authorised by IVASS to use the Partial Internal Model to calculate the 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 earthquake catastrophe component;
- 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 S.p.A., UnipolSai Assicurazioni S.p.A. and Arca Vita S.p.A. 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.

Market Wide Standard Formula
For Group companies other than UnipolSai Assicurazioni and Arca Vita, risk is measured using the Market Wide Standard Formula.

Report on corporate governance and ownership structures pursuant to Art. 123-bis of 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, approved by the Board of Directors and published together with the Management Report.
The Annual Report on Corporate Governance is available in the "Governance" section of the Company's website (**www.unipol.it**).

Performance of directly controlled companies

The key figures of directly controlled companies are provided below. Reference should be made to their respective financial statements for details of companies under their direct control.

The financial statements of (direct and indirect) subsidiaries and associates were filed pursuant to Art. 2429 of the Civil Code.

UnipolSai Assicurazioni S.p.A.

Registered office: Bologna
Share capital: €2,031,456k
Carrying amount: fixed assets €5,169,262k; current assets €1,361k
% holding: 81.01% - Direct holding of 61.01% and an indirect holding of 20% in the share capital

The company is authorised to operate as insurer and reinsurer in the Non-Life, Life and Capitalisation sectors. It may also set up and manage open pension funds.

UnipolSai closed 2019 with a net profit €701.2m (€412.8m at 31/12/2018). The aspects best characterising the operating performance in the year ended at 31 December 2019 were the following:

- Premiums in direct business up 10.4%. At the end of 2019, premiums were €11,080.8m, of which €11,069.8m in direct business, with breakdown as follows:

Amounts in €m

Premiums	Non-Life	Life	Total 2019	Total 2018	% var.	Variation on 2018
Direct business	6,990.0	4,079.8	11,069.8	10,026.6	10.4	1,043.2
Indirect business	10.9	0.1	11.0	11.1	(0.3)	
	7,000.9	**4,079.9**	**11,080.8**	**10,037.7**	**10.4**	**1,043.1**
Premiums ceded	414.4	6.0	420.4	434.0	(3.1)	(13.6)
Premiums retained	**6,586.5**	**4,073.9**	**10,660.4**	**9,603.7**	**11.0**	**1,056.7**
% breakdown	61.8	38.2	100.0			

  The net retention of acquired premiums was 96.2%, in line with the previous year (95.7%).
- The loss ratio for direct business (including the balance of the other technical items) was equal to 66.2% against 66.8% at 31 December 2018.
- The result from technical insurance management, which also includes operating expenses and allocation of the share of gains on investments, was overall positive for €808.5m (€516.6m in 2018) of which €264.9m for the Life business and €543.6m for the Non-Life business.
- Total operating expenses (including acquisition and collection commissions and other acquisition and administrative expenses) came to €2,125.5m (+3.6%), with an incidence on (Life and Non-Life) premiums of 19.4% (20.7% in 2018). Net of reinsurers' commissions, total operating expenses were equal to €1,997.2m (+3.6%).
- Total technical provisions for the Life and Non-Life sectors reached €44,029.9m at the end of 2019 (+1.2%). Net of the reinsurers' share, they came to €43,389.9m (+1.2%). The technical provisions-premiums ratio was 191.6% in the Non-Life business (199.5% in 2018) and 750.5% in the Life business (950.4% in 2018).

The shareholders' equity of UnipolSai, including the profit for the year, was €6,057.8m (€5,765.9m at 31/12/2018).

Unipol Investment S.p.A.

Registered office: Bologna
Share capital: €5,180k
Carrying amount: €528,577k
% holding: 100% held directly

The company's purpose is to acquire interests and investments in other companies, not from the public, as well as the trading of financial instruments in general, for investment purposes.
The Shareholders' Meeting of Unipol Investment, which met on 6 June 2019, approved changing the end date of the financial year to 30 June of each year. As a result, the company drafted its Financial Statements for the year at 30 June 2019 for a six-month period, from 1 January 2019 to 30 June 2019.

At 30 June 2019 the company recorded profit for the year of €40.5m (€42.3m at 31/12/2018), particularly due to dividends received from the associate UnipolSai Assicurazioni S.p.A., a subsidiary of Unipol Gruppo. The aspects best characterising the operating performance in the year ended at 30 June 2019 were the following:

- Gains on investments of €41m (unchanged compared to 31/12/2018).
- Costs of production of €0.1m (unchanged compared to 31/12/2018).
- Financial fixed assets of €534.1m (unchanged compared to 31/12/2018), relating to the 9.99% investment in the associate UnipolSai Assicurazioni.

At 30 June 2019, the shareholders' equity of the company, including profit (loss) for the year, was €570m (€571.9m at 31/12/2018).
In the course of 2019, the company paid the holding company Unipol Gruppo dividends of €52.3m of which €42.3m relating to the profit for the year ended at 31 December 2018 and €10m from the profit for the 6-month year ending on 30 June 2019.

Unipol Finance S.r.l.

Registered office: Bologna
Share capital: €5,000k
Carrying amount: €482,800k
% holding: 100% held directly

The company's corporate purpose is to acquire interests and investments in other companies, not from the public, and increase their value for long-term investment purposes, rather than for placement or brokerage with the public.
The Shareholders' Meeting of Unipol Finance, which met on 6 June 2019, approved changing the end date of the financial year to 30 June of each year. As a result, the company drafted its Financial Statements for the year at 30 June 2019 for a six-month period, from 1 January 2019 to 30 June 2019.

At 30 June 2019, the company recorded a profit of €198.5m (€41m at 31/12/2018). This result was caused in particular by the gain obtained from the sale of the entire equity investment in UnipolSai Assicurazioni S.p.A. and the dividends distributed by the associate UnipolSai on a date prior to the disposal of the Equity Investment. As noted above, on 27 May 2019, Unipol Finance indeed sold to the holding company Unipol Gruppo 282,743,682 UnipolSai shares, realising a gain of €160m.
The aspects best characterising the operating performance in the year ended at 30 June 2019 were the following:

- Gains on investments of €201m (€41m at 31/12/2018).
- Costs of production of €0.1m (unchanged compared to 31/12/2018).
- Financial fixed assets amounted to zero due to the sale of the equity investment in UnipolSai to the holding company Unipol Gruppo (€481.6m at 31/12/2018).

At 30 June 2019, the shareholders' equity of the company, including profit (loss) for the year, was €645.7m (€487.8m at 31/12/2018).
In the course of 2019, the company paid the holding company Unipol Gruppo dividends of €70.6m of which €40.6m relating to the profit for the year ended at 31 December 2018 and €30m from the profit for the 6-month year ending on 30 June 2019.

In the second half of 2019, Unipol Finance continued its acquisition of equity investments and indeed acquired, in October and November, 48,500,000 shares of the affiliate UnipolSai Assicurazioni S.p.A., equal to 1.71% of the share capital, from the affiliates UnipolSai Finance S.p.A. and UnipolSai Nederland for a value of €126.9m. The acquisitions were made over the counter at market prices.
At 31 December 2019, the company also acquired and recognised in current assets €226.5m in listed shares and €71m in units of foreign funds. The presence of securities and equity investments in the portfolio generated net financial income and charges of €1m, and negative value adjustments of €2.5m, in the period from 1 July to 31 December 2019.

UnipolSai Investimenti SGR S.p.A.

Registered office: Turin
Share capital: €3,914k
Carrying amount: €10,710k
% holding: 100% - Direct holding of 51% and an indirect holding of 49% in the capital

UnipolSai Investimenti SGR manages the real estate investment funds Tikal, Athens, Fondo Opportunity and the Landev fund.

The company's performance recorded profit for the year of €3.9m, compared to profit of €3.7m at 31 December 2018.
The aspects best characterising the operating performance in the year ended at 31 December 2019 were the following:

- €8.1m commission income for fees received (€7.6m at 31/12/2018), of which €7.7m for the management of closed real estate investment funds Tikal, Athens, Opportunity and Landev and €0.4m from the associate Meridiano Secondo for the activity performed in relation to a preliminary sale agreement on a property.
- €2.6m costs for services and miscellaneous (€2.3m at 31/12/2018), of which €2m due to UnipolSai Assicurazioni S.p.A. for seconded staff and miscellaneous services.
- €8.3m gross operating income (€7.7m at 31/12/2018, +6.89%).
- €5.7m net operating income (€5.3m at 31/12/2018).

The shareholders' equity of the company, including profit (loss) for the year, was €18.9m (€18.1m at 31/12/2018).

UnipolPart I S.p.A.

Registered office: Bologna
Share capital: €4,100k
Carrying amount: €463,198k
% holding: 100% held directly

The purpose of the company, established on 14 June 2018, is to acquire interests and investments in other companies, not from the public, as well as the trading of financial instruments in general, for investment purposes.
The Shareholders' Meeting of UnipolPart I, which met on 6 June 2019, approved changing the end date of the financial year to 30 June of each year. As a result, the company drafted its Financial Statements for the year at 30 June 2019 for a six-month period, from 1 January 2019 to 30 June 2019.

At 30 June 2019, the company recorded a profit of €33.5m (€10k at 31/12/2018). This result was caused in particular by the dividends distributed by the associate UnipolSai Assicurazioni S.p.A.
The aspects best characterising the operating performance in the year ended at 30 June 2019 were the following:

- Gains on investments of €34m (none at 31/12/2018).
- Costs of production of €0.1m (unchanged compared to 31/12/2018).
- Financial fixed assets of €462.4m (unchanged compared to 31/12/2018), relating to the 8.29% investment in the associate UnipolSai Assicurazioni.

At 30 June 2019, the shareholders' equity of the company, including profit (loss) for the year, was €496.7m (€463.2m at 31/12/2018).
In the course of 2019, the company paid the holding company Unipol Gruppo dividends of €10m from the profit for the 6-month year ending on 30 June 2019.

UnipolReC S.p.A.

Registered office: Bologna
Share capital: €290,123k
Carrying amount: €359,819k
% holding: 100% of ordinary share capital - 85.24% direct holding and 14.76% indirect holding

UnipolReC S.p.A., a credit recovery company established on 1 February 2018 as part of the proportional partial spin-off of Unipol Banca, already operating pursuant to Article 115 of Italian Royal Decree 773 of 18 June 1931 (TULPS), was enrolled in the register of financial intermediaries pursuant to ex Art. 106 of the Consolidated Law on Banking on 2 July 2019. Since its establishment, UnipolReC has managed the portfolio of non-performing loans transferred to it from the divided company.
As described previously, on 31 July 2019, in the context of the transfer of Unipol Banca to BPER, UnipolReC 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. In order to provide the company with the capital and financial resources necessary for the purchase, Unipol and UnipolSai made pro-rata share capital increase payments for a total of value of €102m.

At 31 December 2019, the company recorded a profit of €12m (€6.9m at 31/12/2018). The aspects best characterising the operating performance in the year ended at 31 December 2019 were the following:

- €34.3m gross operating income (€22.6m at 31/12/2018);
- €25.3m net financial income (€23.5m at 31/12/2018);
- €15.3m operating expenses (€13.6m at 31/12/2018);
- €110m collections from non-performing loan portfolios, with a recovery ratio of 30%;
- Non-performing loans managed, recognised in the financial statements under Financial assets measured at amortised cost, for a net value of €516m (€490m at 31/12/2018), with a coverage ratio of 85% (81% at 31/12/2018) compared to the relative gross value of €3,465m (€2,590 at 31/12/2018);
- Financial liabilities measured at amortised cost of €160.3m (€259m at 31/12/2018) relating primarily to a shareholder loan granted by the holding company Unipol (€92m) and by the associate UnipolSai (€67.3m).

The shareholders' equity of the company, including profit (loss) for the year, was €434.1m (€320.1m at 31/12/2018).

Transactions with Group companies and transactions with related parties

As the investment and services holding company and Parent of the Unipol Insurance Group (registration no. 046 in the Insurance Groups Register), Unipol carries out management and coordination activities pursuant to Art. 2497 et seq. of the Civil Code.

It should be noted that none of the shareholders of Unipol carries out management and coordination activities in accordance with Art. 2497 et seq. of the Civil Code.

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 Unipol'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 Related Parties Procedure with the principles indicated in the Consob Regulation.

The Related Parties Procedure - published on Unipol's web site (www.unipol.it) 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 executed by Unipol, either directly or through its subsidiaries.

With regard to related party transactions, note that on 1 March 2019, Unipol:

- acquired the investments held in Unipol Banca S.p.A. ("**Unipol Banca**") and in UnipolReC S.p.A. ("**UnipolReC**"), equal to 27.49% of the respective share capitals, following a resolution adopted by the Board of Directors of UnipolSai Assicurazioni S.p.A. ("**UnipolSai**" or the "**Company**") regarding its exercise of the put option for the same investments, in compliance with a put/call option agreement signed by Unipol and the former Fondiaria-Sai S.p.A. on 31 December 2013;
- within the scope of the aforementioned put option, signed a loan agreement with the subsidiary UnipolSai, approved by the Board of Directors of the Company, on 7 February 2019, which provides for the granting, by the Company, of an unsecured loan amounting to €300m, at an interest rate equal to the 3-month Euribor plus 260 basis points. The signing of the loan agreement falls under the scope of exemptions from the application of procedural rules dictated by the Consob Regulation, pursuant to the Related Parties Procedure, since this was a transaction carried out with a subsidiary.

The exercise of the put option and the granting of the loan have been, in turn, approved by the Board of Directors of UnipolSai on 7 February 2019, with a previous reasoned favourable opinion issued by the Company's Related Party Transactions Committee. For additional information on this matter, see the Information Document concerning Transactions of Major Significance with Related Parties, drawn up by UnipolSai pursuant to Art. 5 of the Consob Regulation and posted on 14 February 2019 on the website www.unipolsai.com, in the *Governance/Related Party Transactions* section.

Furthermore, on 27 May 2019, Unipol acquired 282,743,682 UnipolSai shares from the subsidiary Unipol Finance S.r.l., at the price of €2.269 each, equal to the price posted at the close of trading on 27 May, for a total of €641.5m ("**Purchase of** UnipolSai shares"). The Purchase of UnipolSai shares falls under the scope of exemptions from the application of procedural rules dictated by the Consob Regulation, pursuant to the Related Parties Procedure, since it was a transaction carried out by Unipol with a subsidiary.

Lastly, as part of the Unipol Group's banking sector restructuring mentioned herein, on 31 July 2019 Unipol made the early full repayment in favour of the subsidiary Unipol Banca S.p.A. of the residual debt originating from the early termination of the indemnity agreement relating to a specific portfolio of non-performing loans of the Bank itself in the context of the spin-off of the latter taking place in 2017, for a total amount, inclusive of interest accrued, of €462,375k.

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In addition, for the sake of complete disclosure, it should be emphasised that the reorganisation of the banking sector of the Unipol Group, illustrated previously, involved (i) the sale to BPER Banca S.p.A. ("BPER") by Unipol and, to the extent of its responsibility, by UnipolSai, of the investments held in Unipol Banca and, indirectly, in Finitalia S.p.A. and (ii) the purchase by UnipolReC of two separate portfolios of bad and doubtful loans, one owned by BPER and one by its subsidiary Banco di Sardegna S.p.A., to which the procedural and decision-making processes, established for transactions of "Major Significance" in internal procedures on related party transactions, were voluntarily applied. The Transaction was therefore submitted for the review to the Unipol Committee, which, on 6 February 2019, issued its reasoned opinion in favour.
UnipolSai and UnipolReC have also, on a voluntary basis and within their areas of competence, submitted the transaction for approval to, respectively, the Related Party Transactions Committee and the Committee for the management of transactions with associated parties, in both cases applying the procedures for transactions of "Minor Significance". The aforementioned Committees issued their opinions in favour on 6 February 2019.

The types of intragroup services provided in 2019 and the providing company are summarised below.

Unipol Gruppo provided the following services:
- Governance (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism.

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 several Group companies, innovative services with high technological value and 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 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 supply and service 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.

Both the Parent Unipol and its subsidiaries, including UnipolSai, Arca Vita and Arca Assicurazioni, second their staff to other Group companies to optimise the synergies within the Group.

Tax regime for taxation of group income (so-called "tax consolidation")

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.

Exercise of the option for the establishment of the Unipol VAT Group

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 information required by Consob Communication DEM/6064293/2006 is contained in the paragraph on transactions with related parties in the Notes to the financial statements.

Research and development activities

In response to a market scenario undergoing constant technological evolution, the Unipol Group makes investments to develop and accelerate innovation and meet the new needs of customers.
In 2019, investments in data and telematics generated concrete returns in the business, such as: the improvement of the capacity to identify fraud, through the automatic and "predictive" flagging of suspicious claims; a reduction in the cost of claims; the expansion of knowledge of real customer needs, the creation of new services and products offered to customers in a range of segments. These effects are presented below, as regards the settlement area, as well as in the subsequent sections.

The process of "**electronic settlement**" continued in 2019, which innovatively uses the information provided by the black box for the claims of the MV Classes, in particular, by strengthening the system's capacity to verify the consistency between the statements rendered and the actual dynamics of the event. The new Real Time 2.0 process was also launched, 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.

Several of the Group's internal structures and companies make a particularly impactful contribution to innovation processes, including:

- the **Innovation Division**, which has the company mission of identifying and proposing new operating solutions, startups and/or emerging technologies to the various business areas and Group companies. These opportunities are identified through continuous research and monitoring, by relying on scouting activities as well as the close collaboration with the main international players in the sector, both in Italy and worldwide. The Division also supports the business areas/companies in defining and implementing business cases for the validation of the opportunities identified;
- the **Telematics and Insurance Services Division** which, through its constant commitment to scouting (including internationally), identifies new insurance and other business ideas, to pinpoint interesting services for the Company which are useful to support customers in their daily lives, with a particular focus on event prevention; the

experimentation and, if applicable, industrialisation phases are activated with the involvement of other innovation players in the Group;
- the **IT Services Division**, which ensures digital innovation to enable the Group to create new technological and process solutions to support new business models, by identifying and trying out IT technologies, architectures and solutions, defining Group guidelines and coordinating the evolution and management of IT solutions for the Group companies and the Agency network, guaranteeing their reliability, support and proper functioning (ICT Governance);
- **Alfaevolution Technology**, which provides and manages the black boxes linked to MV TPL Policies, the telematic kits connected to property insurance policies, the telematic devices associated with pet protection insurance policies; it also develops and manages the new mobile payment services;
- **Leithà**, a factory that develops applications and components of data-intensive applications in agile mode with the goal of protecting, leveraging and enhancing the Group's informational assets, to support the evolution of the business.

The Group frequently involved and leveraged the contribution of innovative start-ups, universities and research networks in the innovation processes.

Privacy obligations (Italian Legislative Decree 196/2003)

Regulation (EU) 2016/679 on the protection of personal data (the "GDPR"), which became directly applicable in all European Union Member States as of 25 May 2018, introduced significant new elements in the protection of personal data, requiring continuous training on the topic and strong substantial accountability of the company, which must be capable of demonstrating its compliance with the GDPR provisions.
To that end, in the course of 2019, the Company, with the support of the Group's Data Protection Officer ("DPO") – who performs the activities under his responsibility for the Parent and for its subsidiaries with registered office in Italy – provided training to the employees who work for it through 6 classroom courses and 3 e-learning courses, in addition to evaluating the effectiveness and efficiency of the oversight mechanisms, processes and organisational system implemented in order to guarantee that its personal data management complies with regulations in force and is transparent with respect to data subjects, through:
- monitoring of the record of processing activities required under Art. 30 of the GDPR;
- updating of service agreements between Group companies and between them and external suppliers;
- updating of company communication documents to outline guidelines and procedures for the proper management of personal data and to ensure the regulatory compliance of processing;
- assessment on the compliance of processes and procedures with regulatory provisions;
- impact assessments on data protection, in keeping with the privacy by design and by default principles.

Human resources

The Company's workforce at 31 December 2019 numbered 17 employees (20 at 31/12/2018). Even if calculated as full time equivalent (FTE), that is, considering the number of hours actually worked, the number of employees would still be 17.

	31/12/2019			31/12/2018		
	Average	Final	FTE	Average	Final	FTE
Permanent	19	17	17	20	20	20
Total	**19**	**17**	**17**	**20**	**20**	**20**

Training

To support the achievement of its strategic objectives, the Unipol Group makes use of a number of tools regarding human capital, ranging from training to organisational model simplification, from development plans to contractual harmonisation.
The reinforcement of internal skills is a key element to reach strategic objectives.
UNICA, the Unipol Group's Corporate Academy, is focused on **professional training** for all Group structures in Italy, with the goal of increasing knowledge over an extensive area and sharing the corporate culture and a common managerial model.

Investment in training in 2019 totalled €12.1m (-13.8% compared to 2018 on a like-for-like basis): direct investments for employees and agents came to €5.3m, while indirect investments (i.e., the opportunity cost of employees who participate in training in lieu of performing their usual work activities) amounted to €6.8m. Training activities dedicated to all Unipol Group companies reached more than **one million training hours, 82%** provided to the agency network and **18%** to employees, involving **28,702 agents and secondary network co-operators and 9,937 employees,** up compared to the previous year.
A total of **1,152 courses** were created and held, using various instructional methods, many of which common to employees and network intermediaries.

Share-based compensation plans

The Unipol Group pays additional benefits (long-term incentives) to the Chief Executive Officer and Key Managers and other senior executives under closed three-year, 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 and consolidated targets, are achieved.

The performance share type compensation plan based on financial instruments for the period 2016-2018 ended on 31 December 2018. The first tranche, for 1,056,628 shares, was paid to those entitled in April 2019.

The performance share type compensation plan based on financial instruments for the period 2019-2021 was approved by the Shareholders' Meeting on 18 April 2019. If the prerequisites are met, this plan envisages the assignment of UnipolSai and Unipol shares over three years (or 5 years for bonuses of high amounts) with effect from January 2023.

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.

IT services

The 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:

- 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
- 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.

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**.

The main activities carried out over the course of the year regarding **new technologies and services** may be grouped according to the following action areas:

- Digitalisation, Process Optimisation and Development of Core Systems;
- Multichanneling, Mobility, Telematics and Payments;
- New IT Architectures & Solutions;
- Cybersecurity Data Governance & Data Strategy.

Internet

www.unipol.it is the Unipol website via which users can access the websites of the various Group companies and obtain information about Unipol itself.

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 global economy mainly generated by the spread of the COVID-19 (Coronavirus) epidemic worldwide. The Coronavirus infection, recently classified as a "pandemic" by the World Health Organization, has in fact led to precautionary measures taken in China and then extended to several other countries, including Italy, to counter the spread of the epidemic. The size of the pandemic, in terms of duration and extent, is currently difficult to estimate, as well as the quantifications of the negative effects that it may have on the world economic cycle, which are difficult to predict.
In Italy, GDP figures below expectations 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 of the health emergency from the end of February on, led many observers to a considerable downwards review of the 2020 growth forecasts, previously expected to be around +0.5% and now estimated by many in 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 pandemic, 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 might affect our financial investments and the financial management, which continues to be aimed at the consistency of assets and liabilities, as well as at a risk-return profile of the portfolio, pursuing selectively an adequate diversification of the risks.

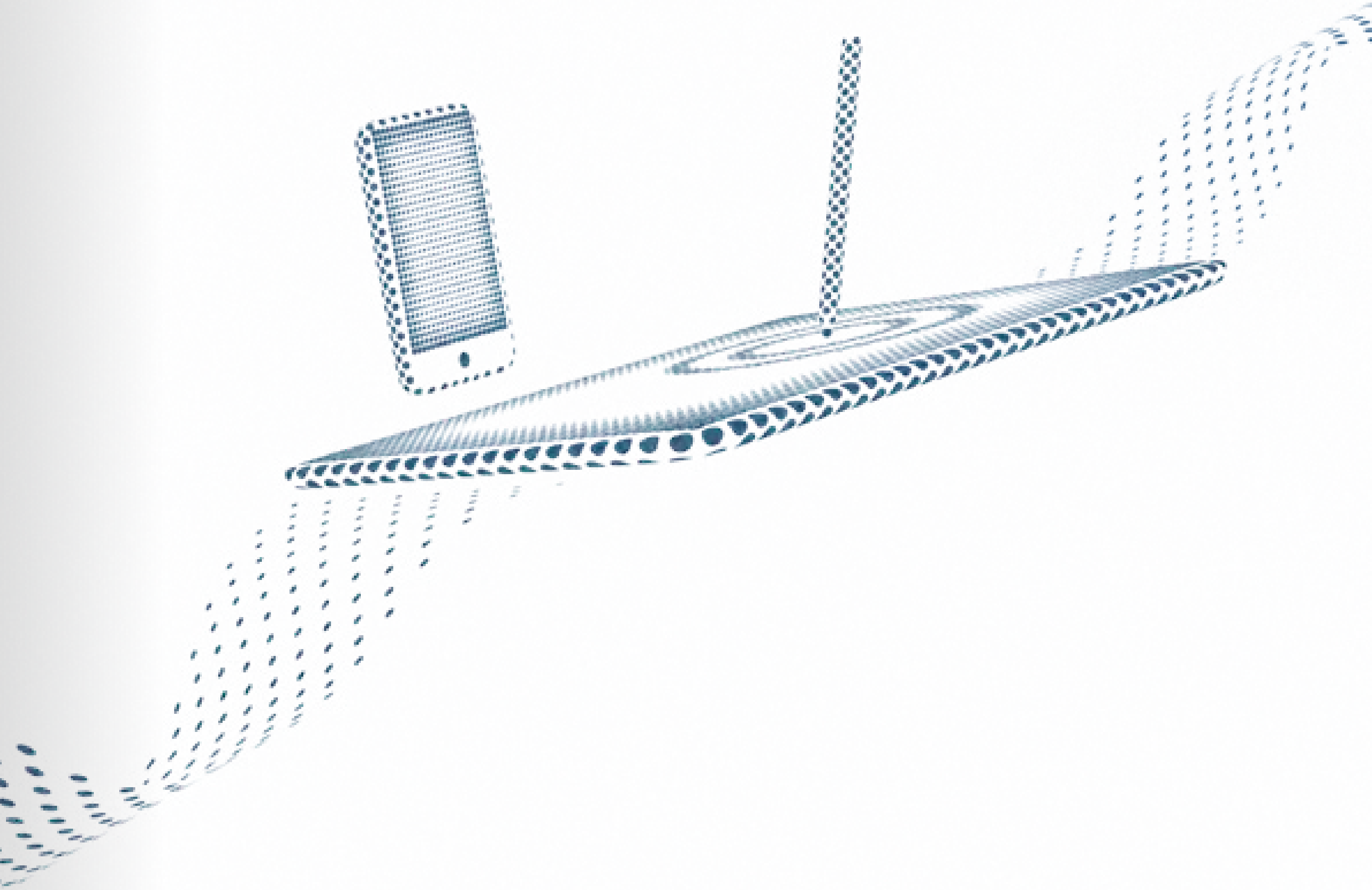
With regard to the the performance of the insurance business, starting from the last week of February, as a result of the increasingly stringent government provisions concerning the mobility of people, there was a reduction in the underwriting of policies and, with reference to the Non-Life business, also a reduction in claims.
As to the Hotel business, it is believed that this socio-health emergency may have a more sensitive impact, even though it will depend on its uforseeable duration.

The Group has, however, taken specific actions to support its customers and its Agents residing in the areas hardest hit by the ongoing epidemic, and to protect its employees throughout Italy.

The operating result for the current year, excluding unforeseeable events and lasting and significant effects of the current health emergency on the economic cycle and financial markets, is expected to remain positive, in line with the objectives defined by the Business Plan.

Bologna, 19 March and 2 April 2020

The Board of Directors



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FINANCIAL STATEMENTS FOR THE YEAR 2019

Unipol Gruppo S.p.A.
Statement of Financial Position

Amounts in €

ASSETS	31.12.2019		31.12.2018	
A) SUBSCRIBED CAPITAL, UNPAID				
- of which called				
B) FIXED ASSETS				
I Intangible assets				
4) Concessions, licences, trademarks and similar rights	1,543,651		2,310,987	
Total		**1,543,651**		**2,310,987**
II Property, plant and equipment				
2) Plant and equipment	14,023		33,351	
4) Other assets	615,553		727,566	
Total		**629,576**		**760,917**
III Financial fixed assets				
1) Investments in:				
a) subsidiaries	7,014,371,939		6,193,813,086	
b) associates	223,311,650			
d-bis) other companies			119,159,639	
Total investments		**7,237,683,589**		**6,312,972,725**
2) Receivables:				
a) from subsidiaries		133,307,218		149,560,685
- of which payable within 12 months	*50,779,831*			
d-bis) from others		19,751		226,615
- of which payable within 12 months	*19,751*		*50,783*	
Total receivables		**133,326,969**		**149,787,300**
3) Other securities		4,875,891		550,625,973
Total		**7,375,886,449**		**7,013,385,999**
TOTAL FIXED ASSETS		**7,378,059,676**		**7,016,457,903**

Unipol Gruppo S.p.A.
Statement of Financial Position

Amounts in €

ASSETS		31.12.2019		31.12.2018
C) CURRENT ASSETS				
II Receivables				
1) from customers		368.021		21.630
2) from subsidiaries		91.354.941		11.636.710
3) from associates		142.356		
5 - bis) tax receivables		31.068.920		79.153.535
- of which payable after 12 months	*4.872.419*		*78.600.872*	
5 - ter) deferred tax assets		363.785.634		455.224.765
- of which payable after 12 months	*363.785.634*		*455.224.765*	
5) quater) from others		617.396		898.095
- of which payable after 12 months	*72.538*			
Total		**487.337.268**		**546.934.735**
III Current financial assets				
1) Investments in subsidiaries		1.360.592		128.565.357
6) Other securities		434.082.501		21.487.127
Total		**435.443.093**		**150.052.484**
IV Cash and cash equivalents				
1) Bank and post office deposits		258.141.960		1.092.700.544
- of which from associates	*258.128.721*			
- of which from subsidiaries			*1.092.646.122*	
3) Cash at bank and in hand		14.350		13.948
Total		**258.156.310**		**1.092.714.492**
TOTAL CURRENT ASSETS		**1.180.936.671**		**1.789.701.711**
D) ACCRUALS AND DEFERRALS				
1) Accruals		890.254		2.473.906
2) Deferrals		605.813		424.328
TOTAL ACCRUALS AND DEFERRALS		**1.496.068**		**2.898.234**
TOTAL ASSETS		**8.560.492.415**		**8.809.057.848**

Unipol Gruppo S.p.A.
Statement of Financial Position

Amounts in €

LIABILITIES			31.12.2019		31.12.2018
A)	SHAREHOLDERS' EQUITY				
I	Share capital		3,365,292,408		3,365,292,408
II	Share premium reserve		1,345,677,187		1,435,734,955
IV	Legal reserve		673,058,482		583,000,714
VI	Other reserves		518,350		63,367,158
	- Extraordinary reserve	518,350		63,367,158	
IX	Profit (loss) for the year		283,535,905		66,223,514
X	Negative reserve for treasury shares		(1,175,650)		(2,026,637)
TOTAL SHAREHOLDERS' EQUITY			**5,666,906,682**		**5,511,592,112**
B)	PROVISIONS FOR RISKS AND CHARGES				
3)	Financial derivative liabilities				426,537,876
4)	Other		36,692,813		7,162,796
TOTAL PROVISIONS FOR RISKS AND CHARGES			**36,692,813**		**433,700,672**
C)	POST-EMPLOYMENT BENEFITS		**37,790**		**37,304**
D)	PAYABLES				
1)	Bonds		1,819,700,445		1,811,029,198
	- of which payable after 12 months	*1,819,700,445*		*1,811,029,198*	
5)	Payables to other lenders		515,186		515,186
7)	Trade payables		2,855,931		6,116,136
9)	Payables to subsidiaries		974,352,623		1,027,911,424
	- of which payable after 12 months	*300,550,750*			
10)	Payables to associates		6,589,720		
12)	Tax payables		31,353,903		738,069
13)	Social security charges payable		474,935		543,616
14)	Other payables		21,012,387		16,874,132
TOTAL PAYABLES			**2,856,855,130**		**2,863,727,759**
TOTAL LIABILITIES			**8,560,492,415**		**8,809,057,848**

Unipol Gruppo S.p.A.
Income Statement

Amounts in €

	31.12.2019		31.12.2018	
A) VALUE OF PRODUCTION				
1) Revenue from sales and services		749,135		
5) Other revenue and income				
b) sundries	20,661,659		18,806,981	
Total other revenue and income		20,661,659		18,806,981
TOTAL VALUE OF PRODUCTION		**21,410,794**		**18,806,981**
B) COSTS OF PRODUCTION				
6) Raw materials, consumables and goods for resale		174,729		201,011
7) Services		15,679,288		18,892,119
8) Use of third party assets		1,311,259		1,275,574
9) Personnel:				
a) wages and salaries	22,801,836		21,207,754	
b) social security expenses	4,016,563		3,564,254	
c) post-employment benefits	594,475		623,701	
e) other costs	2,243,015		1,731,806	
Total personnel		29,655,889		27,127,515
10) Amortisation, depreciation and write-downs:				
a) amortisation of intangible assets	781,659		950,307	
b) depreciation of property, plant and equipment	131,341		215,652	
Total amortisation, depreciation and write-downs		913,000		1,165,959
12) Provisions for risks		743,613		2,344,883
14) Sundry operating expenses		43,538,250		6,374,909
TOTAL COSTS OF PRODUCTION		**92,016,027**		**57,381,970**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)		**(70,605,233)**		**(38,574,990)**
C) FINANCIAL INCOME AND CHARGES				
15) Gains on investments:				
a) in subsidiaries	344,032,307		447,342,286	
d) in other companies	5,745,277		4,733,294	
Total gains on investments		349,777,583		452,075,580
16) Other financial income:				
a) from receivables recognised under fixed assets		4,304,337		5,102,791
1) from subsidiaries	4,304,172		5,102,529	
4) from others	166		262	
b) from securities held as fixed assets		53,131,742		2,592,900
c) from securities recognised under current assets		10,245,281		4,955,771
d) other income		169,336		95,802
1) from subsidiaries			12,034	
4) from others	169,336		83,768	
Total other financial income		67,850,696		12,747,264
17) Interest and other financial charges:				
a) subsidiaries	14,746,255		15,139,156	
b) associates	56,246			
d) others	73,489,427		76,073,341	
Total interest and other financial charges		88,291,928		91,212,497
17-bis) Exchange gains (losses)		4,618		12,047
TOTAL FINANCIAL INCOME AND CHARGES		**329,340,969**		**373,622,394**

Unipol Gruppo S.p.A.
Income Statement

Amounts in €

	31.12.2019		31.12.2018	
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS				
18) Write-ups:				
c) of securities recognised under current assets	3,155,660			
Total write-ups		3,155,660		
19) Write-downs:				
a) of investments	861		195,872,370	
c) of securities recognised under current assets	353,739		6,802,838	
d) of financial derivative instruments			87,289,491	
Total write-downs		354,600		289,964,699
TOTAL ADJUSTMENTS		**2,801,060**		**(289,964,699)**
PRE-TAX PROFIT (LOSS)		**261,536,797**		**45,082,705**
20) Income tax for the year: current and deferred				
a) Current taxes	(5,770,613)		(21,373,535)	
b) Taxes related to prior years	(7,763,018)		18,761	
c - bis) Deferred tax assets	(8,465,478)		213,965	
Total income tax for the year		(21,999,109)		(21,140,810)
PROFIT (LOSS) FOR THE YEAR		**283,535,905**		**66,223,514**

Unipol Gruppo S.p.A.
Statement of cash flows

Amounts in €

	31.12.2019	31.12.2018
A. Cash flows arising from income management (indirect method)		
Profit (loss) for the year	**283,535,905**	**66,223,514**
Income tax	(21,999,109)	(21,140,810)
Interest expense/(interest income)	61,283,999	61,384,150
(Dividends)	(349,440,307)	(329,965,836)
(Capital gains)/losses arising from disposal of assets	(53,877,550)	(119,495,524)
1.Pre-tax profit (loss) for the year, interests, dividends and capital gains/losses on disposals	**(80,497,061)**	**(342,994,505)**
Adjustments for non-monetary items with no impact on net current assets		
Allocation to provisions	30,986,062	3,949,877
Depreciation of fixed assets	913,000	1,165,955
Write-downs for impairment losses	861	195,872,370
Value adjustments to financial assets and liabilities relating to financial derivatives, not involving monetary transactions		87,289,491
Other adjustments to non-monetary items	35,953,200	38,666,339
Total adjustments to non-monetary items	*67,853,123*	*326,944,032*
2. Cash flows before adjustments to net current assets	**(12,643,938)**	**(16,050,472)**
Change in net current assets		
Decrease (increase) in trade payables	(3,260,206)	1,846,788
Decrease (increase) in prepayments and accrued income	1,402,166	(2,170,813)
Decrease (increase) in receivables from subsidiaries	(79,718,231)	117,814,947
Other changes in net current assets	127,032,026	85,926,983
Total changes in net current assets	*45,455,756*	*203,417,905*
3. Cash flows after adjustments to net current assets	**32,811,818**	**187,367,433**
Other adjustments		
Interest amounts collected (paid)	(61,283,999)	(61,384,150)
Dividends received	349,440,307	329,965,836
(Use of provisions)	(1,456,046)	(146,064)
Total other adjustments	*286,700,262*	*268,435,622*
Cash flows arising from income management (A)	**319,512,080**	**455,803,055**

Unipol Gruppo S.p.A.
Statement of cash flows

Amounts in €

	31.12.2019	31.12.2018
B. Cash flows arising from investing activity		
Intangible assets		
(Investments)	(14,323)	(62,502)
Financial fixed assets		
(Investments)	(1,081,755,413)	(1,297,437,224)
Disposals - realisation values	649,446,155	503,049,896
Financial current assets		
(Investments)	(786,614,408)	
Disposals - realisation values	193,940,050	139,010,514
Cash flows arising from investing activity (B)	**(1,024,997,939)**	**(655,439,316)**
C. Cash flows arising from financing activity		
Equity		
(Dividends and interim dividends distributed)	(129,072,323)	(128,649,608)
Cash flows arising from financing activity (C)	**(129,072,323)**	**(128,649,608)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	**(834,558,181)**	**(328,285,868)**
Cash and cash equivalents at 1 January	**1,092,714,492**	**1,421,000,359**
of which:		
Bank and post office deposits	1,092,700,544	1,420,987,323
Cash at bank and in hand	13,948	13,036
Cash and cash equivalents at 31 December	**258,156,310**	**1,092,714,492**
of which:		
Bank and post office deposits	258,141,960	1,092,700,544
Cash at bank and in hand	14,350	13,948

3

NOTES
TO THE FINANCIAL STATEMENTS

Structure and contents of the Financial Statements

Unipol 2019 financial statements were prepared in compliance with the provisions of the Civil Code and the national accounting standards approved by the OIC (Italian Accounting Standards Setter). In fact, since it qualifies as the Parent of an insurance group, Unipol is required to prepare consolidated financial statements in compliance with international accounting standards according to Art. 95, paragraph 2-*bis* of Italian Legislative Decree 209/2005 (Code of Private Insurance Company), but cannot apply these international accounting standards to the company's separate financial statements pursuant to Art. 4 of Italian Legislative Decree 38/2005.
The financial statements include the Statement of Financial Position, the Income Statement, the Statement of Cash Flows and these Notes. They are also accompanied by the Management Report.

As stated in Art. 2423, paragraph 6 of the Civil Code, the amounts in the Financial Statements are expressed in Euro, without decimals, whilst amounts indicated in the Notes to the Financial Statements are expressed in €k, unless otherwise indicated, as permitted by the provisions of the Civil Code.
The measurement criteria were adopted on the basis of going concern assumptions, in application of the principles of accrual, materiality and significance of the transactions or contracts, pursuant to Articles 2423 and 2423-*bis* of the Civil Code.

The nature and effect on the Statement of Financial Position, Income Statement and Statement of Cash Flows of the main significant events after year end, also as regards, where applicable, the valuations of these annual financial statements, are reported in a special chapter of these Notes.

In order to integrate disclosures provided in the aforementioned mandatory statements, the Income Statement figures were restated in the attached reclassification statement and were accompanied by the Statement of Changes in Shareholders' Equity and the Statement of Cash Flows.

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 restated and reclassified in order to provide homogeneous and consistent information.

Unipol administrative bodies and the manager in charge of financial reporting have provided the Statement on the financial statements in accordance with Art. 81-*ter*, Consob Regulation 11971 of 14 May 1999, with later amendments and integrations.

These financial statements were audited by PricewaterhouseCoopers SpA, appointed independent auditors by the Shareholders' Meeting for the years 2012-2020.

Measurement criteria

Intangible assets

Intangible assets are recognised at historical acquisition or production cost, including accessory charges, and are amortised over their residual useful lives (3-5-10 years). For projects under development, amortisation is suspended until the year in which they are first used.

Start-up and expansion costs are amortised on a straight-line basis over five years from the effective date of the related transaction, taking into account their future usefulness and their estimated useful life.

Other long-term costs are amortised over their estimated useful lives. If the intangible assets are no longer believed to have future usefulness, the assets are written off and charged to the Income Statement.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and adjusted for the corresponding accumulated depreciation. The carrying amount takes into consideration any accessory charges and direct/indirect costs in the portion reasonably attributable to the asset.

Depreciation is calculated according to the useful life of the asset:

- plant and equipment: useful life of 3 to 7 years;
- movable assets entered in public registers: useful life of 4 years;
- office furniture and machines: useful life of 3 to 8 years;
- data processing centre machines: useful life of 2 to 5 years;
- assets up to €516: fully depreciated over 1 year.

Financial fixed assets

These are mainly represented by controlling interests.

The investments concerned are recognised at purchase or subscription cost or at a value below cost if, on the basis of the financial position of the companies invested in, the investments show evidence of impairment.

The bonds held as investments in the Company's equity are measured at amortised cost, applying the internal effective rate of return (effective interest criterion). The value is adjusted for any impairment losses.

If the reasons for recognition of the value adjustment no longer apply, the value of the security is restored to the extent of the amortised cost, calculated as if the previous adjustments had not been recognised.

Transfers of investments

In the event of a change in strategy decided by the management body regarding the destination of an investment to remain for a longer or shorter length of time in the company's assets, said investment is reclassified among fixed assets (fixed financial assets) and among current assets (current financial assets).

The transfer is recognised on the basis of the value resulting from the application - at the time of said transfer - of the valuation criteria of the original portfolio. Therefore:

a) the transfer of fixed investments to current assets is recognised on the basis of the cost, adjusted if necessary to reflect any impairment losses;

b) the transfer of current investments to financial fixed investments is recognised on the basis of the lesser value between the cost and the sale value based on market performance.

Receivables

Receivables are measured at amortised cost, applying the internal effective rate of return (effective interest criterion), taking into account the time factor, except for current receivables (due in less than 12 months).

Current financial assets

Shares classified as current assets and mutual investment fund units are recognised at the lower of average purchase cost and market value, which for listed securities is the average price recorded in the last month of the year and for unlisted securities a prudent estimated realisable value.

Furthermore, for listed securities, if the December average is not representative of the market value, the average believed to be more representative is used as a prudent measure.

Bonds classed as current are recognised at the lower of the purchase cost and the realisable value estimated from market trends, for listed securities based on the arithmetic mean of prices recorded in December and for unlisted securities on the estimated realisable value at 31 December, calculated on basis of the current value of securities traded on regulated markets and with similar characteristics. Write-downs in previous years are not maintained if the reasons giving rise to such write-downs should no longer apply.

Financial derivatives

Financial derivatives are recognised and measured at *fair value*. Changes in *fair value* are recognised in the income statement, or if the derivative hedges against the risk of changes in the expected cash flows of another financial instrument, directly in a positive or negative reserve in shareholders' equity. This reserve is recorded in the income statement to the extent and timing corresponding to cash flows occurring or changing from the hedged instrument or if the transaction hedged is performed.
Financial derivatives are used only for hedging purposes, to reduce the risk profile of the assets/liabilities hedged, i.e. to optimise their risk/return profile. Derivative contracts in place at the end of the year are measured in a manner consistent with the assets/liabilities hedged.
The current value of derivative contracts is calculated with the replacement cost method, using prices and rates at the end of the year for the same maturity and comparing these with contractual prices and rates.

Premiums collected or paid for options on securities, shares, currencies or interest rates in place at the end of the year are recognised in items C.III.5) "Financial derivative receivables" and B.3) "Provisions for risks and charges - Financial derivative payables", respectively.
On expiry of the option:

- if exercised, the premium is recorded as an adjustment to the purchase or sale price of the underlying asset;
- otherwise, the premium is recognised under item C) "Financial income and charges".

Income and charges deriving from derivative measurement are recognised in section D. "Value adjustments to financial assets and liabilities".

Accruals and deferrals

Accruals and deferrals are calculated on an accrual basis.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of certain or probable existence, but for which the amount or contingency date cannot be reliably determined at the end of the year. The measurement of these provisions complies with general prudent and accrual criteria and the amounts allocated reflect the best possible estimate based on available information.

Post-employment benefits

Post-employment benefits reflect the liability accrued to employees at year end, net of amounts devolved to supplementary pension funds and to the INPS Treasury Fund in accordance with current regulations.

Payables

Payables recognised in the financial statements according to the amortised cost criterion, applying the internal effective rate of return (effective interest criterion) and taking into account the time factor. The amortised cost criterion does not apply to current payables (i.e. due in less than 12 months).

Dividends

Dividends are recognised at the moment in which, following a resolution of the Shareholders' Meeting of the investee to distribute profit or possibly reserves, the investor's entitlement to their collection arises.

Recognition of costs and revenues

Revenues and costs are recognised according to prudent and accrual principles.

Income tax for the year

Income tax for the year is calculated according to current tax regulations and recognised among costs for the year. These comprise charges/income for:

- current tax for the year;
- tax from previous years, the amount of which has changed at the initiative of the taxpayer or the Tax Administration, or due to the closure of disputes;

- deferred tax assets and liabilities arising during the year and usable in future years;
- the portion for the year of deferred tax assets and liabilities generated in previous years.

Pursuant to Art. 117 et seq. of Presidential Decree 917/1986 and Ministerial Decree of 9 June 2004, the Company has renewed the option, as consolidating company, for the IRES tax consolidation regime, with 35 companies, among which UnipolSai, taking part as consolidated companies. Unipol has signed an agreement with these companies regulating the economic and financial aspects governing the regime in question, recognising in its financial position the effects of the transfer of the IRES taxable income of the consolidated companies, calculated pursuant to the law, keeping into account the applicable consolidation adjustments and the tax credits accrued.
In application of Accounting Principle no. 25 of the Italian Accounting Standards Setter, deferred tax assets and liabilities are calculated on the temporary differences between profit (loss) for the year and taxable income. Deferred tax assets are recognised only if it is reasonably certain that they will be recovered in future years.
Deferred tax liabilities are calculated on the basis of the tax rates set by current tax regulations and applicable to the future years in which all or part of the temporary differences that produce them are expected to be reabsorbed.
The disclosure pursuant to Art. 2427, par. 1, no. 14 of the Civil Code, together with the statement of reconciliation between theoretical and effective tax charges, is provided in the section "Income Statement - Income tax for the year: current and deferred".

Translation of balances in foreign currencies

Items expressed in foreign currencies are treated in accordance with the principles of multicurrency accounting.
In compliance with Art. 2426, par. 8-*bis* of the Civil Code, property, plant and equipment, intangible assets and financial assets (held as investments) in foreign currencies are recognised at the spot rate at the time of purchase. Other items expressed in a foreign currency are recognised at the year-end rates. All translation differences are recognised in the Income Statement.

Exchange rates used

The main exchange rates used for the translation into euros are as follows:

Currencies	31/12/2019	28/12/2018
US Dollar	1,1234	1,1450
Pound Sterling	0,8508	0,8945
Swiss Franc	1,0854	1,1269
Yen	121,9400	125,8500

Exceptions pursuant to Art. 2423, paragraph 5 of the Civil Code

No exceptions pursuant to Art. 2423, paragraph 5 of the Civil Code were applied.

Uncertainty in the 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.
As regards the 2019 financial statements, 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. The relevant paragraphs of the Notes to the Financial Statements provide full details of the reasons underlying the decisions made and the measurements performed. 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.

In particular, a greater use of subjective assessments by company management is required in the following cases:

- calculation of impairment losses on equity investments;
- calculation of the current value of financial assets and liabilities where this cannot be directly observed on active markets. In this case, the subjective elements lie in the choice of measurement models or input parameters that cannot be directly observed on the market;

- definition of parameters used in the analytical assessment of securities investments to verify any impairment. In particular, reference is made to the choice of measurement models and the main assumptions and parameters used;
- assessment of the recoverability of deferred tax assets;
- quantification of provisions for risks and charges where there is uncertainty about the amount required and the contingency periods.

In such cases an explanation is provided with the aim of providing investors with a better understanding of the main causes of uncertainty, but in no way is meant to suggest that alternative assumptions might be appropriate or more valid. In addition, the financial statements measurements are made on the basis of going concern assumptions, as no risks have been identified that could compromise orderly business operations.

Information on the Statement of Financial Position and Income Statement

The items in the Statement of Financial Position and the changes in corresponding balances with respect to the previous year are commented on below, with additional information as required by current regulations.

Statement of Financial Position - Assets

B. Fixed assets

B) I – Intangible assets

Intangible assets totalled €1,544k at 31 December 2019, down by €767k compared to the previous year's balance, almost exclusively due to amortisation for the year.
This item is almost entirely comprised of Concessions, licences, trademarks and similar rights (€2,311k at 31/12/2018), referring to software user licences and accessory costs for related customisation.

The above amounts were recognised as assets with the consent of the Board of Statutory Auditors, where necessary.

B) II - Property, plant and equipment

The item Property, plant and equipment was at 31 December 2019 €630k (€761k at 31/12/2018) and referred to 616k of furnishings, hardware and works of art (€728k at 31/12/2018) and €14k in plant and equipment (€33k at 31/12/2018).

The changes in intangible asset items, property, plant and equipment items and the related accumulated amortisation/depreciation are described in Annexes 4 and 5 to these Notes to the Financial Statements.

B) III - Financial fixed assets

1) Investments

The total value of investments at 31 December 2019 was €7,237,684k, compared to €6,312,973k at the end of the previous year, recording an increase of €924,711k (+14.6%).
Details are provided in the table below:

Amounts in €k

Company	Business activities	Share capital	% holding direct	% holding indirect	Carrying amount
Investments in subsidiaries:					
UnipolSai Assicurazioni S.p.A.	Insurance and reinsurance	2,031,456	60.98	20.00	5,169,262
Unipol Investment S.p.A.	Investment holding	5,180	100.00		528,577
Unipol Finance S.r.l.	Investment holding	5,000	100.00		482,800
UnipolPart I S.p.A.	Investment holding	4,100	100.00		463,198
UnipolReC S.p.A.	Financial intermediary	290,123	85.24	14.76	359,819
UnipolSai Investimenti SGR S.p.A.	Asset Management	3,914	51.00	49.00	10,710
UnipolSai Servizi Consortili S.c.r.l.	Other	5,200	0.02	99.98	6
Total					**7,014,372**
Investments in associates:					
BPER Banca	Bank	1,561,884	9.98	9.76	223,312
Total					**223,312**
TOTAL					**7,237,684**

At 31 December 2019, Unipol also held 674,125 UnipolSai shares, classified among current financial assets. If these shares are also considered, the direct investment in UnipolSai is 61.01%.
The details of changes in item B.III1) "Investments" are provided in Annex 6 to these Notes to the Financial Statements.

The change in the balance is due to the following transactions carried out in 2019:

Purchases/subscriptions:

- UnipolSai Assicurazioni (€641,553k);
- UnipolReC (€179,006k);
- BPER Banca (€104,152k).

Write-downs

- UnipolSai ServiziConsortili (€1k).

The following table lists the subsidiaries and associates, indicating the carrying amount and related percentage of shareholders' equity calculated on the basis of the last draft financial statements approved by the subsidiary's Board of Directors.

Any recognised value of the investment in excess of the corresponding portion of the carrying amount of shareholders' equity, refers to the equity, economic and strategic value of the company together with its future profitability.

Amounts in €k

Company	Carrying amount	% holding	Shareholders' equity at 31/12/2019		Portion of shareholders' equity attributable
Investments in subsidiaries:					
UnipolSai Assicurazioni S.p.A.	5,169,262	60.98	6,057,810		3,694,053
Unipol Investment S.p.A.	528,577	100.00	560,026	(*)	560,026
Unipol Finance S.r.l.	482,800	100.00	615,678	(*)	615,678
UnipolPart I S.p.A.	463,198	100.00	486,742	(*)	486,742
UnipolReC S.p.A.	359,819	85.24	434,108		370,051
UnipolSai Investimenti SGR S.p.A.	10,710	51.00	18,868		9,622
UnipolSai Servizi Consortili S.c.r.l.	6	0.02	32,008		6
Total	**7,014,372**		**8,205,240**		**5,736,179**
Investments in associates:					
BPER Banca	223,312	9.98	4,996,781	(**)	498,679
Total	**223,312**		**4,996,781**		**498,679**
TOTAL	**7,237,684**				**6,234,857**

(*) The reference shareholders' equity is that of the most recent financial statements approved at 30 June 2019, net of dividends paid to the holding company in November 2019.
(**) The reference shareholders' equity is that of the draft financial statements at 31 December 2019.

In particular, we note that:

- for UnipolSai Assicurazioni, an Sum of Parts ("SoP") methodology was adopted, estimating separately the value assigned to assets in the Non-Life and Life businesses, using:
  - an excess capital version of a Dividend Discount Model (DDM) in relation to UnipolSai Assicurazioni – Non-Life;
  - an Appraisal Value methodology for UnipolSai Assicurazioni - Life.

The investment in **UnipolSai Investimenti SGR** shows a recognised value in excess of the corresponding portion of shareholders' equity, representing goodwill recognised at the time of the acquisition and justified by the profitability expected from that investment.

2) Receivables

Receivables recognised as fixed assets were €133,327k, against €149,787k at 31 December 2018. The following primarily impacted the changes in this balance:

- on the plus side, the loan granted to Car Server S.p.A. on 8 November 2019, amounting to €41,319k at 31 December 2019, inclusive of interest accrued of €83k. The loan agreement, which calls for disbursing a maximum amount of €150m, expires on 8 November 2023 and accrues interest at a rate of 2.216% on the average amount used;
- on the minus side, the early partial repayment of a total of €56,018k on the shareholder loan in place with the subsidiary UnipolReC S.p.A., made in two tranches on 31 July and 31 December 2019. The above loan was

recognised under "Receivables from subsidiaries" at the end of 2019 in the amount of €91,988k (the interest portion of which is €2,765k).

The item "Receivables from others" of €20k (€227k at 31/12/2018), includes:
- €9k for loans granted to employees guaranteed by Life policies (€32k at 31/12/2018);
- €10k for utility guarantee deposits (unchanged compared to 31/12/2018).

The amounts due after 31 December 2020 were equal to €82,527k, of which none due after 31 December 2024.

3) Other securities

The item Other securities amounted to €4,876k (€550,626k at 31/12/2018) and included exclusively listed bonds. The decrease on 31 December 2018 is attributable mainly to the sales of all government bonds in the portfolio during the year.

C. Current assets

C) II – Receivables

The balance of this item at 31 December 2019 came to €487,337k, a decrease of €59,597k compared to 31 December 2018. The breakdown for this item and the comparison with the previous year are shown in the following table:

Amounts in €k

	31/12/2019	31/12/2018
1) Receivables from customers	368	22
2) Receivables from subsidiaries	91,355	11,637
3) Receivables from associates	142	
5 bis) Tax receivables	31,069	79,154
5 ter) Deferred tax assets	363,786	455,225
5 quater) Receivables from others	617	898
Total	**487,337**	**546,935**

The amounts due after 31 December 2020 are equal to €368,731k, of which €222,322k due after 31 December 2024.

"Receivables from subsidiaries" amounted to €91,355k (€11,637k at 31/12/2018), and mainly consisted of:
- receivables pertaining to the group tax consolidation, totalling €88,181k (€3,585k at 31/12/2018), due from the subsidiaries that individually have an IRES tax debt, net of advances paid;
- receivables relating to the chargeback of costs for personnel seconded to Group companies;
- receivables from Group companies that participate in the Group consolidated VAT scheme.

The item "Receivables from associates", totalling €142k (not present at 31/12/2018), consisted of receivables for the chargeback of costs for personnel seconded to Unipol Banca, which was merged into BPER Banca in November 2019.

"Tax receivables" amounted to €31,069k (€79,154k at 31/12/2018), and mainly consisted of:
- €23,308k for tax receivables for the IRES balance deriving from the 2019 Tax Consolidation (€72,191k at 31/12/2018). The total receivable can be used to offset taxes within the limits set out by regulations in force;
- €1,616k for other tax receivables, relating mainly to taxes paid in previous years pending cases in dispute, which are expected to have favourable outcomes.

The balance of the deferred tax assets at 31 December 2019, equal to €363,786k, shows net decrease of €91,439k with respect to 31 December 2018. The changes during the year are summarised in the following table.

Amounts in €k

Opening balance at 1/1/2019	**455,225**
Increases in the year	21,265
Uses in the year	(112,704)
Closing balance at 31/12/2019	**363,786**

With regard to the statement of temporary differences which led to the recognition of deferred tax assets and liabilities (Art. 2427, paragraph 1, no. 14 of the Civil Code), as well as the movements during the period, reference should be made to Annex 8 to the Notes to the Financial Statements.

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies, taking into account the effects of the tax consolidation and current regulations both on unlimited carry-forward of tax losses to future years, and the transformation into tax receivables of deferred tax assets in cases of statutory loss and/or tax loss in the presence of amortisation of taxable goodwill.

The item "Receivables from others" under Current Assets went from €898k at 31 December 2018 to €617k at 31 December 2019.
This item includes:

- €109k sundry receivables from current and former employees (€143k at 31/12/2018);
- €63k receivables for utility guarantee deposits (€67k at 31/12/2018);
- receivables due from owners of properties for advances for €43k (€51k at 31/12/2018).

This item is recognised net of the related write-down provisions.

C) III - Current financial assets

The breakdown of this item, equal to €435,443k at 31 December 2019, is as follows:

Amounts in €k

	31/12/2019	31/12/2018
Investments in subsidiaries	1,361	128,565
Other securities	434,083	21,487
Total	**435,443**	**150,052**

"Investments in subsidiaries" consisted entirely of shares of the subsidiary company UnipolSai to serve the executive incentive plans (€1,518k at 31/12/2018).
The decline was due to the sale of Unipol Banca shares following the disposal to BPER Banca in July 2019. Indeed, at 31 December 2018, that equity investment was classified under current financial assets for the amount of €127,047k due to the sale agreements entered into with BPER.

"Other securities" refer to:

- listed foreign government bonds for €400,620k (not held at 31/12/2018);
- listed bonds for €33,024k (€20,656k at 31/12/2018);
- foreign funds for €439k (€831k at 31/12/2018).

Details of the shares and securities recognised as current assets are provided in Annex 7 to the Notes to the Financial Statements.

C) IV - Cash and cash equivalents

Cash and cash equivalents, which at 31 December 2019 were €258,156k (€1,092,714k at 31/12/2018), consisted almost entirely of bank and post office deposits, equal to €258,142k, of which €258,129k deposited with the associate BPER Banca S.p.A. (€1,092,701k at 31/12/2018, of which €1,092,646k deposited with the subsidiary Unipol Banca S.p.A.).

D. Accruals and deferrals

The Item "Accruals and deferrals" at 31 December 2019 was €1,496k (€2,898k at 31/12/2018), and consisted of the following:

Amounts in €k

	31/12/2019	31/12/2018
Accruals	890	2,474
Deferrals	606	424
Total	**1,496**	**2,898**

The accruals related entirely to interest on securities.

Statement of Financial Position - Liabilities

A. Shareholders' equity

Movements in shareholders' equity recognised during the year with respect to the previous year are set out in the attached Statement of Changes in Shareholders' Equity (Annex 2).

A statement of use and availability of equity reserves has also been prepared, as required by Art. 2427, par. 1, letter 7-bis of the Civil Code (Annex 3).

The share capital and equity reserves at 31 December 2019 (excluding the results for the year), totalled €5,383,371k (€5,445,369k at 31/12/2018). The decrease of €61,998k was due to the following effects:
- the drawdown from the extraordinary reserve of €62,849k in order to distribute, as a supplement to the profit for the year 2018 and in implementation of the Shareholders' Meeting resolution of 18 April 2019, a unit dividend of €0.18 for every share entitled, taking into account the treasury shares held at the distribution date. The entire profit for the year 2018 was distributed, after making the allocation to the legal reserve until reaching one-fifth of the share capital, by drawing funds from the share premium reserve;
- reduction of the negative reserve for treasury shares in portfolio by €851k following the:
  - acquisition of 762,000 treasury shares for a value of €3,246k;
  - assignment of 1,173,467 shares for a value of €4,097k to those entitled as part of the performance share type long term incentive (LTI) plans based on financial instruments.

At 31 December 2019 the share capital was €3,365,292k (unchanged with respect to 31/12/2018), subscribed and fully paid-up, and consisted of 717,473,508 shares, all ordinary shares.

The breakdown of equity reserves, €2,018,078k at 31 December 2019, is provided in the following table together with the previous year's values:

Amounts in €k

		31/12/2019	31/12/2018
A.II	Share premium reserve	1,345,677	1,435,735
A.IV	Legal reserve	673,058	583,001
A.VI	Extraordinary reserve	518	63,367
A.X	Negative reserve for treasury shares	(1,176)	(2,027)
Total		**2,018,078**	**2,080,076**

B. Provisions for risks and charges

The following table summarises the changes during the year in "Provisions for risks and charges", which at 31 December 2019 were equal to €36,693k, (€433,701k at 31/12/2018).

Amounts in €k

	31/12/2018	Increases Provisions	Decreases Uses	Decreases Other	31/12/2019
3) Financial derivative liabilities					
Option on Unipol Banca shares	426,538		(426,538)		
4) Other					
Provision for sundry risks and charges	3,623	32,965	(35)	(1,979)	34,574
Provision for taxes from previous years	3,540		(1,421)		2,119
	433,701	**32,965**	**(427,994)**	**(1,979)**	**36,693**

At 31 December 2018, the item "Financial derivative liabilities" included provisions recorded in connection with the put option contract on the Unipol Banca and UnipolReC shares held by UnipolSai, determined based on a valuation of the shares underlying the option, consistent with the measurement of the investments held. At 31 December 2019, that

item had been zeroed out following the exercise of the put option by UnipolSai with respect to Unipol in February 2019 (a transaction described in detail in the management report).

The increase of the "Provision for sundry risks and charges" is mainly due to:

- provisions for €28,000k related to any loyalty bonuses due to key managers as defined in the Remuneration Policies of the Unipol Group;
- expenses of €4,222k for commitments undertaken, within the contract for the sale to BPER of the entire equity investment held in Unipol Banca, in relation to the Losses from Dispute Counterclaims, as described in more detail in the section on Commitments deriving from the sale of Unipol Banca.

Decreases other than uses were caused by provision surpluses released in the course of the year, due to the elimination of all or part of the relative risks.

The "Provision for taxes from previous years", amounting to €2,119k at 31 December 2019, was used in the course of the year for €1,421k, primarily following the use by the Company of the option regulated by Art. 6 of Decree Law 119/2018, converted by Law 136 of 18 December 2018, to settle pending tax disputes.

Relations with the Tax Authorities

The IRES and IRAP dispute for the tax periods between 2005 and 2007 of the former Aurora Assicurazioni, merged by incorporation into Unipol in 2007, pertaining mostly to findings relating to specific insurance provisions, is still pending for 2005 and 2006 before the Court of Cassation. For 2007, however, proceedings were settled in application of Art. 6 of Decree Law 119/2018. On the basis of the same rule, the Company settled nearly all of the pending disputes until 2012 on VAT in relation to co-insurance relationships relating to the merged former companies Aurora and Navale.
Note that with regard to the Report on Findings notified to the company on 13 February 2019 by the Italian Tax Police of Bologna, in relation to costs deriving from indemnity agreements signed with Unipol Banca in 2011, and submitted to Bologna Provincial Tax Department 1, a request has been filed to dismiss the case.

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 €4,952k. Unipol Gruppo allocated provisions for its own portion (85.24%), equal to €4,222k, considered adequate based on information available regarding each outstanding dispute.

C. Post-employment benefits

The balance of Post-employment benefits at 31 December 2019, was equal to €38k, more or less unchanged with respect to the previous year.
The breakdown of the changes over the year is provided in the following table:

Amounts in €k

Balance at 1/1/2019		**37**
Increases in the year		
	Provisions in the year	594
	Other increases	
Decrases in the year		
	Transfer to pension fund	(384)
	Transfers to INPS treasury fund	(138)
	Other decreases	(73)
Closing balance at 31/12/2019		**38**

D. Payables

The balance of Payables at 31 December 2019 was equal to €2,856,855k (€2,863,728k at 31/12/2018). The breakdown and related comparison with the previous year are provided in the following table:

Amounts in €k

	31/12/2019	31/12/2018
Bonds	1,819,700	1,811,029
Payables to other lenders	515	515
Trade payables	2,856	6,116
Payables to subsidiaries	974,353	1,027,911
Payables to associates	6,590	
Tax payables	31,354	738
Social security charges payable	475	544
Other payables	21,012	16,874
Total	**2,856,855**	**2,863,728**

The amounts due after 31 December 2020 are equal to €2,120,251k, of which €1,494,553k due after 31 December 2024.

The item "Bonds" was €1,819,700k (€1,811,029k at 31/12/2018), and consists of the following:

- for a total of €325,148k (€322,104k at 31/12/2018) of the *senior* bond loan (nominal value of €317,352k), listed on the Luxembourg Stock Exchange, with a seven-year duration (March 2021 maturity) and 4.375% fixed interest rate;
- for a total of €995,569k (€990,259k at 31/12/2018) of the *senior* bond loan (nominal value of €1,000,000k), listed on the Luxembourg Stock Exchange, with a ten-year duration (March 2025 maturity) and 3% fixed interest rate;
- for a total of €498,984k (€498,666k at 31/12/2018) of a non-convertible, non-subordinate and non-guaranteed *senior* bond loan (nominal value of €500,000k), listed on the Luxembourg Stock Exchange, with a ten-year duration (November 2027 maturity) and 3.5% fixed interest rate.

The issues described above were implemented as part of the *Euro Medium Term Notes (EMTN Programme)*, with a maximum total nominal amount of €2bn, established in December 2009 with the latest renewal in November 2017. Total interest payments for the year were €61,284k (€61,384k at 31/12/2018).

The item "Trade payables" went from €6,116k at 31 December 2018 to €2,856k at 31 December 2019.

The balance of the item "Payables to subsidiaries" was €974,353k at 31 December 2019 (€1,027,911k at 31/12/2018), and consisted mainly of:

- €267,830k (unchanged against 31/12/2018), for two outstanding loans with the subsidiary UnipolSai Assicurazioni S.p.A. granted at the time it took over the role of issuer of the bond loans originally issued by Unipol. The loans, repayable on demand either in full or in part at the request of UnipolSai Assicurazioni S.p.A. and in any event at least three days before the repayment date of the aforementioned bond loans, bear interest at the 3M Euribor rate plus 100 b.p. spread. In 2019 interest expense of €1,782k accrued;
- €300,551k relating to an unsecured loan granted by UnipolSai Assicurazioni S.p.A. on 1 March 2019 as part of the exercise of the put option relating to 27.49% of the share capital of Unipol Banca S.p.A. and UnipolReC S.p.A. This loan is indexed to the 3M Euribor plus a spread of 260 basis points, with bullet repayment at 5 years (with the possibility of full or partial early repayment), and the payment of interest on a quarterly deferred basis. In 2019 interest expense of €5,702k accrued;
- €394,935k in relation to Group companies participating in the cash pooling agreement activated in July 2019 (as described in more detail in the Management Report);
- €8,321k due to subsidiaries for the current tax consolidation (€300,116k at 31/12/2018).

The payable to Unipol Banca, which arose in 2017 for the payment extension agreed as part of the early termination of the credit indemnity agreement, recognised in the financial statements at 31 December 2018 for a residual value of €455,187k, was repaid in full in July 2019.

At 31 December 2019, the item "Payables to associates" totalled €6,590k (zero at 31/12/2018) and referred to the payable to BPER Banca deriving from a commitment undertaken within the agreement for the disposal of the equity investment in Unipol Banca, relating to the repayment of expenses for the early termination of long-term outsourcing agreements in place between Unipol Banca and third parties at the disposal date.

The balance of "Tax payables" at 31 December 2019 was €31,354k, an increase of €30,616k compared to the previous year, mainly attributable to the payable for the IRES balance of the tax consolidation.

The balance of the "Social security charges payable" at 31 December 2019 was €475k (€544k at 31/12/2018). This item represents outstanding payments due at the end of the year to welfare institutions for contributions payable by the Company and borne by employees on December salaries.

The balance of the "Other payables" at 31 December 2019 was €21,012k, up with respect to the previous year by €4,138k. The balance mainly refers to liabilities to employees of €20,513k (€16,344k at 31/12/2018).

Guarantees, commitments and other contingent liabilities

The guarantees, commitments and other contingent liabilities, not recorded in the Statement of Financial Position, are illustrated (at their contractual value) in the following table:

Amounts in €k

	31/12/2019	31/12/2018
Guarantees		
Sureties given in the interest of subsidiaries	25,435	25,435
Sureties and endorsements given in the interest of third parties	8	8
Other personal guarantees given in the interest of subsidiaries	561,689	561,689
Guarantees given by third parties in the interest of the company	1,666	1,666
Guarantees given by subsidiaries in the interest of the company	15	15
Total	**588,812**	**588,812**
Commitments		
Other commitments	108,864	1,158,247
Total	**108,864**	**1,158,247**
Grand total	**697,676**	**1,747,059**

"Other personal guarantees given in the interest of subsidiaries" include guarantees given for the subsidiary UnipolSai Assicurazioni S.p.A. in connection with the subordinated bond loans originally issued by Unipol, which UnipolSai Assicurazioni S.p.A. took over as issuer in 2009: UGF 7% 2021 maturity (for €300,000k) and UGF 5.66% 2023 maturity (for €261,689k).

The item "Other commitments" refers in its entirety to the share not yet disbursed to the company Car Server relating to the loan granted to the company on 8 November 2019 for a maximum amount of €150,000k. At 31 December 2019 €41,236k had been disbursed.
The decline compared to the previous year was caused by the exercise by UnipolSai with respect to Unipol of the put option on the Unipol Banca and UnipolReC shares, approved in February 2019 and described in more detail in the Management Report. At 31 December 2018, the amount recognised under "Other commitments" totalled €1,158,147k.

With reference to the commitments undertaken with respect to the agreements for the disposal of Unipol Banca to BPER, please refer to what is described above in section B: Provisions for risks and charges of these notes to the financial statements.

At 31 December 2019 the Company did not hold financial derivative contracts.

Income Statement

The Income Statement is structured in accordance with the provisions of Art. 2425 of the Civil Code. Costs and revenues are recognised separately without netting.

A. Value of production

The total value of production at 31 December 2019 was €21,411k, against €18,807k at 31 December 2018.

A.1 Revenue from sales and services

Revenue from sales and services, relating to services rendered, amounted to €749k at 31 December 2019 (zero at 31/12/2018).

A.5 Other revenue and income

"Other revenue and income" rose from €18,807k at 31 December 2018 to €20,662k at 31 December 2019.
The items included in the balance referred mainly to:

- recovery of costs for services of Unipol personnel seconded to Group companies, for €15,062k (€15,824k at 31/12/2018);
- remuneration charged back to the Company for Director duties performed by executives at other companies, for €2,253k (€2,230k at 31/12/2018);
- surpluses in provisions for risks and charges of €1,979k due to the elimination of all or part of the relative risks.

B. Costs of production

The total value of the costs of production at 31 December 2019 was €92,016k against €57,382k at 31 December 2018.

B.6 Raw materials, consumables and goods for resale

The item, equal to €175k (€201k at 31/12/2018) consists of purchase costs of printed materials and stationery for the offices.

B.7 Costs for services

The item was equal to €15,679k at 31 December 2019 (€18,892k at 31/12/2018), broken down as follows:

Amounts in €k

	31/12/2019	31/12/2018
Subsidiary services	5,351	5,412
Corporate bodies	3,948	3,717
Technical, legal and administrative consulting	3,686	7,001
Advertising	791	865
Fees for auditing and other certification services	285	289
Corporate and Shareholders' Meeting costs	260	280
Software maintenance, repairs and upgrades	218	235
Costs for IT services	203	180
Electricity, heating and cleaning	181	252
Post and telephone	102	118
Seconded personnel services	84	96
Conventions, meetings and corporate events	43	71
Other overheads	528	374
Total	**15,679**	**18,892**

The decrease in costs for services was caused primarily by the reduction in legal expenses. Compared to the previous year, this type of expense was impacted by costs for consultancy received in relation to the Banking sector restructuring plan and other extraordinary transactions carried out during the year.

B.8 Costs for use of third party assets
The item, equal to €1,311k at 31 December 2019 (€1,276k at 31/12/2018), mainly refers to rents due on properties used by the Company (€802k). The item also includes €221k for car rental contracts of cars allocated to executives, entered into with the company Car Server, which became a Unipol subsidiary on 1 August 2019 following its acquisition by UnipolSai.

B.9 Personnel costs
The cost of labour at 31 December 2019 amounted to €29,656k, compared to €27,128k in the previous year.

The Company workforce went from 20 at 31 December 2018 to 17 at 31 December 2019, with changes as follows:

	31/12/2018	Recruitments	Terminations	31/12/2019
Personnel - Permanent	20		(3)	17
Total	**20**		**(3)**	**17**

The average workforce is specified below:

Average employees broken down by category	2019	2018
Executives	18	19
Employees	1	1
Average employees	**19**	**20**

B.10 Amortisation, depreciation and write-downs
The balance of this item, which at 31 December 2019 was €913k (€1,166k at 31/12/2018), can be broken down as follows:
- amortisation of intangible assets for €782k;
- depreciation of property, plant and equipment for €131k.

Details of changes in intangible assets and property, plant and equipment are provided in Annexes 4 and 5 to these Notes.

B.12 Provisions for risks
The item went from €2,345k at 31 December 2018 to €744k at 31 December 2019.

B.14 Sundry operating expenses
The item amounted to €43,538k at 31 December 2019 (€6,375k at 31/12/2018).
The increase compared to the prior year was due to:
- expenses of €10,812k linked to commitments undertaken within the contract for the disposal to BPER Banca of the entire equity investment held in Unipol Banca, described previously, of which €6,590k in relation to the reimbursement for expenses incurred for the early termination of outsourcing agreements and €4,222k estimated and allocated to provisions for risks due to the indemnity commitment relating to Losses from Dispute Counterclaims;
- provisions for €28,000k related to any loyalty bonuses due to key managers as defined in the Remuneration Policies of the Unipol Group.

The other items included in the balance referred mainly to:
- contributions paid to supervisory authorities and other associations, for €1,391k (€1,234k at 31/12/2018);
- donations for €750k (unchanged with respect to 31/12/2018);
- corporate and shareholders' meeting costs for €476k (€437k at 31/12/2018);
- taxes on financial transactions of €112k (€413k at 31/12/2018).

At 31 December 2019 there were €147k in extraordinary gains, relating mainly to expenses on rented real estate.

C. Financial income and charges

C.15 Gains on investments
This item amounted to €349,778k at 31 December 2019 (€452,076k at 31/12/2018), of which €344,032k referring to equity investments in subsidiaries (€447,342k at 31/12/2018 inclusive of the gain of €115,842k deriving from the disposal of the equity investment in Arca Vita to UnipolSai Assicurazioni), consisting in full of dividends approved and

distributed during the year by the subsidiaries UnipolSai, Unipol Finance, Unipol Investment, UnipolSai Investimenti SGR and UnipolPart I.

C.16 Other financial income

The composition of this item, with a total amount equal to €67,851k (€12,747k at 31/12/2018), is summarised in the following table:

Amounts in €k

	31/12/2019	31/12/2018
A) Receivables recognised under fixed assets		
1. Subsidiaries	4,304	5,103
4. Others		
Total	**4,304**	**5,103**
B) Securities held as fixed assets	**53,132**	**2,593**
C) Securities recognised under current assets	**10,245**	**4,956**
D) Other income		
1. Subsidiaries		12
4. Others	169	84
Total	**169**	**96**
Grand total	**67,851**	**12,747**

Financial income from receivables recorded under fixed assets is almost entirely represented by the interest on the loan granted to the subsidiary UnipolReC S.p.A. (€4,222k).

Income from securities recognised under non-current assets, equal to €53,132k (€2,593k at 31/12/2018), included capital gains on the trading of long-term bonds for €47,472k (not present at 31/12/2018) and interest on long-term securities for €5,660k (€2,593k at 31/12/2018).

Income from securities recognised under current assets, equal to €10,245k, included mainly gains on bond trading for €6,075k (€2,157k at 31/12/2018) and interest from bonds for €2,067k (€1,724k at 31/12/2018).

C.17 Interest and other financial charges - C.17.bis Exchange gains (losses)

Interest and other financial charges for €88,292k were recognised at 31 December 2019 (€91,212k at 31/12/2018); the item Exchange gains (losses) was positive for €5k (positive for €12k at 31/12/2018).

Amounts in €k

	31/12/2019	31/12/2018
Interest and other financial charges:		
a. Subsidiaries	(14,746)	(15,139)
b. Associates	(56)	
d. Others	(73,489)	(76,073)
Total	**(88,292)**	**(91,212)**
Exchange gains (losses)	5	12
Grand total	**(88,287)**	**(91,200)**

Interest and financial charges due to subsidiaries, equal to €14,746k (€15,139k at 31/12/2018), includes interest, commissions and charges due to Group banks and companies. This item mainly refers to:

- interest expense of €7,484k (€1,833k at 31/12/2018), accrued during the year on loans granted by UnipolSai;
- interest expense of €7,188k (€13,174k at 31/12/2018) accrued during the year on the payable due to Unipol Banca, which arose in 2017 following the early termination of the credit indemnity agreement, extinguished in July 2019.

Interest and financial charges due to associates, totalling €56k (zero at 31/12/2018), included bank charges and commissions to BPER Banca.

Interest and other financial charges due to others totalled €73,489k (€76,073k at 31/12/2018) and mainly referred to:

- interest expense on bond loans for €61,284k (€61,384k at 31/12/2018);

- charges arising from the issue of bond loans for €8,771k (unchanged compared to 31/12/2018);
- expenses for the value adjustment on liabilities to employees in relation to executive compensation plans based on financial instruments (Long Term Incentive and Short Term Incentive) for €3,048k (€24k at 31/12/2018).

D. Value adjustments to financial assets

At 31 December 2019 the item had a positive balance for €2,801k (negative for €289,965k at 31/12/2018), mainly due to the write-backs on bonds. The balance for the previous year included the write-down on the equity investment in the subsidiary Unipol Banca S.p.A. for €195,872k and the provision relating to the valuation of the put/call option on Unipol Banca and UnipolReC shares for €87,289k.

Income tax for the year: current and deferred

Taxes for the year recorded total income of €21,999k (income of €21,141k at 31/12/2018) relating to the valuation of the tax loss for €5,771k, to taxes relating to previous years for €7,763k and the net balance of deferred tax assets and liabilities for €8,465k, as shown in the following table:

Amounts in €k

	IRES	Total 2019	IRES	Total 2018
Current taxes	**5,771**	**5,771**	**21,374**	**21,374**
Taxes pertaining to prior years	**7,763**	**7,763**	**(19)**	**(19)**
Deferred tax assets and liabilities:				
- use of deferred tax assets	(5,870)	(5,870)	(5,076)	(5,076)
- recognition of deferred tax assets	14,336	14,336	4,862	4,862
Balance of deferred tax assets/liabilities	**8,465**	**8,465**	**(214)**	**(214)**
Total	**21,999**	**21,999**	**21,141**	**21,141**

No income or charges were recognised for IRAP tax, since the taxable income for IRAP purposes was negative and regulations do not allow IRAP losses to be carried forward.

The statement of reconciliation between theoretical and effective IRES tax charges is provided below.

Amounts in €k

	2019		2018	
Pre-tax profit (loss)		**261,771**		**45,083**
Taxes pertaining to prior years		7,529		(19)
Theoretical IRES - Income/(Expenses)		(62,825)		(10,820)
Increases:		(2,961)		(69,881)
- Provisions for tax liabilities			(21,729)	
- Interest expense	(744)		(691)	
- PEX investments - write-downs	(1,582)		(47,009)	
- Other changes	(635)		(451)	
Decreases:		80,022		101,861
- Use of provisions for tax liabilities	341			
- Dividends excluded	79,672		75,443	
- PEX investments - gains exempt			26,412	
- Other changes	9		5	
IRES pertaining to the year - Income/(Expenses)		**14,236**		**21,160**
Profit (loss) after taxes		**283,536**		**66,224**

With regard to the statement of temporary differences which led to the recognition of deferred tax assets and liabilities (Art. 2427, paragraph 1, no. 14 of the Civil Code), reference should be made to Annex 8 to the Notes to the Financial Statements.

Other information

Consolidated Financial Statements

Unipol Gruppo, Parent of the Unipol Insurance Group (registered in the Insurance Groups Register with reg. no. 046), prepares the Consolidated Financial Statements 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. A copy of the Consolidated Financial Statements at 31 December 2019 is available from the company's registered office and on the company's website (www.unipol.it).

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.

Fees for legally-required audit and non-audit services

Pursuant to Art. 149-*duodecies* of the Consob Issuer's Regulation, the following table shows the fees paid by Unipol Gruppo to the independent auditors, or a member of their network, for the provision of auditing and other services, by type or category.

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	148
Other professional services	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	108
Total Unipol Gruppo			**257**

(*) Fees do not include non-deductible VAT, if any, and recharged expenses

Transactions with related parties

Exercise by UnipolSai of the put option on Unipol Banca and UnipolReC shares

The Board of Directors of UnipolSai, in the meeting of 7 February 2019, resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca and UnipolReC, held by the holding company Unipol by virtue of the option agreement signed on 31 December 2013 by the former Fondiaria-SAI S.p.A. and Unipol Gruppo. 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 €579,073k, calculated on the basis of the option contract. Based on the outcome of the put option, the direct investment held by Unipol in Unipol Banca and in UnipolReC stood at 85.24% of the respective share capital. UnipolSai has maintained ownership of the remaining shares of these companies (14.76% of the respective share capital).

Sale of Unipol Banca to BPER

On 7 February 2019, the Board of Directors of Unipol Gruppo authorised the sale to BPER Banca S.p.A. of the entire investment held by Unipol, also through UnipolSai, in Unipol Banca S.p.A., corresponding to its entire share capital. In particular, Unipol Gruppo sold 764,955,603 Unipol Banca ordinary shares (share of 85.24%) to BPER for consideration of €187,534k, while UnipolSai sold 132,428,578 Unipol Banca ordinary shares (share of 14.76%) to BPER for consideration of €32,466k.

Loan to UnipolReC S.p.A.

On 31 January 2018, as part of the restructuring plan of the banking sector, Unipol and UnipolSai granted a shareholder loan to Unipol Banca, of €173,250k and €126,750k respectively, for a total of €300,000k which, as envisaged in the Spin-Off Plan, was included in the Complex involved in the division transferred to the newly-established company UnipolReC S.p.A. The shareholder loan accrues annual interest of 3.25%. On 28 November 2018, an "Amendment Agreement" was signed which envisages, without prejudice to the maturity of 16 January 2028, the right for UnipolReC to be able to request, at any moment, the early repayment of the amount due pursuant to the agreement, all or in part, along with interest accrued on the amount repaid, after obtaining the consent of the Lending Shareholders.

On 31 July and 31 December 2019, UnipolReC paid Unipol a total of €56,018k in two tranches to reduce the abovementioned shareholder loan transferred by Unipol Banca to UnipolReC.

Loan to Car Server

On 8 November 2019, a loan agreement was entered into between Unipol Gruppo and the company Car Server for a maximum amount of €150,000k, which may be called up until 31 July 2020 in tranches for a minimum of €5,000k at the rate of 2.216%. The due date for repayment of the loan is 8 November 2023. At 31 December 2019, the balance amounted to €41,319k, inclusive of interest accrued of €83k.

UnipolSai Assicurazioni S.p.A. loans payable

Two loan agreements are in place, arranged in 2009, for €267,785k (unchanged with respect to the previous year). Interest paid to UnipolSai Assicurazioni S.p.A. in 2019 was equal to €1,782k.
On 1 March 2019, following the Board of Directors resolution of 7 February 2019, UnipolSai disbursed a five-year unsecured €300,000k loan as part of the exercise of the put option relating to 27.49% of the share capital of Unipol Banca S.p.A. and UnipolReC S.p.A. This loan is indexed to the 3M Euribor plus a spread of 260 basis points, has bullet repayment at 5 years, with the possibility of full or partial early repayment, and the payment of interest on a quarterly deferred basis. Interest paid to UnipolSai Assicurazioni S.p.A. in 2019 was equal to €5,702k.

In addition to the information provided in previous paragraphs of these Notes to the Financial Statements, the following table shows the transactions with related parties (subsidiaries, associates and others) relating to the 2019 financial year, as required by current legislation, integrated by the Consob communication no. DEM / 6064293/2006. Please note that the scope of application of the Procedure for related party transactions, adopted pursuant to Consob Regulation n. 17221 of 12 March 2010 and subsequent amendments, also includes some counterparties included, on a voluntary basis, pursuant to art. 4 of the same Regulation (shown in the table below under "Other"). This case incudes, in addition to CIU, in which the Company or a related party holds more than 20% of the capital rights, the company Coop Alleanza 3.0 Società Cooperativa.

Amounts in €k

	Subsidiaries	Associates	Others	Total	% impact			
Fixed shares and holdings	7,014,372	223,312		7,237,684	84.5	(1)	2,265.2	(3)
Other receivables	224,662	142	275	225,079	2.6	(1)	70.4	(3)
Bank deposits		258,129		258,129	3.0	(1)	80.8	(3)
Current shares and quotas	1,361			1,361	0.0	(1)	0.4	(3)
TOTAL ASSETS	**7,240,395**	**481,583**	**275**	**7,722,252**	**90.2**	**(1)**	**2,416.9**	**(3)**
Sundry payables	974,353	6,590		980,942	11.5	(1)	307.0	(3)
TOTAL LIABILITIES	**974,353**	**6,590**		**980,942**	**11.5**	**(1)**	**307.0**	**(3)**
Dividends and other income from shares and holdings	344,032		5,408	349,440	133.6	(2)	109.4	(3)
Other financial income	4,304			4,304	1.6	(2)	1.3	(3)
Other revenue and income	17,268		675	17,943	6.9	(2)	5.6	(3)
TOTAL INCOME	**365,604**		**6,083**	**371,687**	**142.1**	**(2)**	**116.3**	**(3)**
Interest and financial charges	14,746	56		14,803	5.7	(2)	4.6	(3)
Costs for services	5,506	136	99	5,742	2.2	(2)	1.8	(3)
Costs for use of third party assets	867			867	0.3	(2)	0.3	(3)
Sundry operating expenses	750	6,590		7,340	2.8	(2)	2.3	(3)
TOTAL EXPENSES	**21,870**	**6,782**	**99**	**28,752**	**11.0**	**(2)**	**9.0**	**(3)**

(1) Percentage of total assets in the statement of financial position
(2) Percentage of pre-tax profit (loss)
(3) Percentage of total sources of funds in the statement of cash flows

Remuneration paid to members of the Administration and Control Bodies, the General Manager and Key Managers

Remuneration for 2019 due to Directors, Statutory Auditors and Key Managers of the Parent, for carrying out their duties in Unipol, was €16,784k, with breakdown as follows:

Amounts in €k	
Directors and General Manager	8,270
Statutory Auditors	242
Other Key Managers	8.272 (*)

(*) mainly includes compensation of employees.

The remuneration of the General Manager and the other 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.
At 31 December 2019 under the item "Provisions for Risks and Charges" provisions for €28m, related to any loyalty bonuses due to key managers as defined in the Remuneration Policies of the Unipol Group, are included.

In 2019 the Group companies paid Unipol the sum of €1,808k as remuneration for the activities carried out by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers of those companies.

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 Company collected through UnipolSai, in its capacity as the party submitting the relative petition, contributions from the Banks and Insurance Fund in relation to the training activities provided to its employees for €10k. 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.

Non-recurring significant transactions during the year

The non-recurring significant transactions carried out during 2019, extensively illustrated in the Management Report, to which reference should be made, are summarised below.
- exercise by UnipolSai of the put option on Unipol Banca and UnipolReC shares in February 2019;
- agreement about the granting of a loan by UnipolSai as part of the exercise of the option referred to above;
- disposal of the equity investment in Unipol Banca to BPER Banca on 31 July 2019.

Atypical and/or unusual transactions during the year

No atypical and/or unusual transactions were carried out in the year ending 31 December 2019.

Significant events after the reporting period

Mergers/spin-offs of subsidiaries

On 21 January 2020, after concluding the required corporate procedures, both the deed of merger, and the deeds relating to the spin-offs approved by the Boards of Directors of UnipolSai and the subsidiaries concerned in the course of June 2019 were signed. Such transactions became legally effective as of 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 Casa di Cura Villa Donatello.

Intesa Sanpaolo Public Exchange Offer on UBI Banca shares

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

- to the promotion by Intesa Sanpaolo of a surprise voluntary public exchange offer on all shares of UBI Banca S.p.A. (the "PEO");
- to the acquisition by BPER Banca S.p.A. ("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 S.p.A., Lombarda Vita S.p.A. and Aviva Vita S.p.A.), 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.

Establishment of UNICA LAB S.r.l.

On 26 February 2020, the sole member company UNICA LAB S.r.l. a socio unico (100% UnipolSai Assicurazioni S.p.A.) 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.

Resolutions of the Board of Directors on the distribution of dividends

The Board of Directors of Unipol Group, which met on 19 March 2020, approved the Company's draft financial statements for 2019, which closed with a profit for the period of €283,535,905.14, and resolved to propose at the Shareholders' Meeting the distribution of a dividend (the "Proposed Dividend"), based on the result for the year 2019, of an amount equal to €0.28 for each entitled ordinary share, for a total value of €200,490,409.28 (in consideration of the shares outstanding at the date of the board meeting), allocating the portion of the residual profit, equal to €83,045,495.86 to the extraordinary reserve. The Solvency Ratio of the Unipol Group, subject to disclosure both in the financial statements and in the consolidated financial statements, calculated taking into account the Proposed Dividend, was equal to 182% (with an excess of capital of approximately €3.5 billion).
The proposed Dividend and the consequent level of the consolidated Solvency ratio were disclosed also to the market with a press release dated 20 March 2020.

Later, on 30 March 2020, IVASS (Institute for Insurance Supervision) issued a communication regarding closure of the FY 2019 accounts (the "IVASS Communication") in which IVASS, in view of the emergency situation linked to the Covid-

19 epidemic, asked all Italian insurance companies and groups to use "*...extreme prudence in the distribution of dividends or other assets, and in the payment of the variable remuneration component to company representatives*", specifying that compliance with said instructions would be strictly monitored by IVASS "*who, in accordance with how the situation develops, reserves the right to take any action to protect the solidity of the insurance system and protect insured parties and those with the right to insurance protection*".

The Board of Directors of Unipol Group, convening on 2 April 2020, acknowledged the content of the IVASS communication and, while noting that all the prerequisites to proceed with the distribution of the Proposed Dividend continue to be met, including the financial strength ratios - on that date, as well as on March 19 2020 - decided to strictly abide by the requests made by IVASS, therefore removing the proposal to distribute said dividend from the agenda of the Shareholders' Meeting called for 30 April 2020 and consequently, proposing to the Shareholders' Meeting that it be allocated to the profit reserve for FY 2019.

As a result of the modified proposal for the allocation of the result for the 2019 financial year, the consolidated Solvency ratio as at 31 December 2019 is equal to 187% (with an excess of capital, compared to the Solvency capital requirement, of approximately € 3.7 billion.

The Board of Directors then mandated the Chairman and the Chief Executive Officer, also severally, to update the financial statements and consolidated financial statements of Unipol Group as at 31 December 2019, reporting the proposal for the allocation of the result for the year 2019 as amended in the board meeting of 2 April 2020 and the consolidated Solvency Ratio consequently recalculated. Therefore, these financial statements and the related management report contain updated information.
In any case, the Board of Directors reserved the right - once the conditions are met following the conclusion of the current emergency situation that the entire country finds itself in - to call a Shareholders' Meeting to implement the distribution of profit reserves by FY 2020 so that the Shareholders can benefit from the creation of value generated by the Unipol Group.

Proposals to the Ordinary Shareholders' Meeting

Dear Shareholders,

We submit the following resolution proposal for your approval:

"The Ordinary Shareholders' Meeting of Unipol Gruppo S.p.A. ("Unipol", or the "Company"),

- having examined the draft financial statements at 31 December 2019;
- having examined the results of said draft financial statements, which close with a profit for the year totalling €283,535,905.14;
- having acknowledged that the legal reserve existing in the financial statements at 31 December 2019 and unchanged at the current date, has already reached the limit of 20% of the share capital,
- having viewed the report of the Board of Directors on operating performance at 31 December 2019;
- having accepted the Board of Statutory Auditors Report and the report prepared by the company PricewaterhouseCoopers S.p.A. appointed to serve as the independent auditor;
- taking into account the requests made by IVASS (Institute for Insurance Supervision) with letter dated 30 March 2020, addressed to all Italian insurance companies and groups,

hereby resolves

- to approve the financial statements of Unipol at 31 December 2019, accompanied by the Management Report, recording a profit for the year of €283,535,905.14 (the "Profit for the Year");
- to approve the proposed full allocation of the Profit for the year at 31 December 2019, in compliance with Art. 19 of the By-Laws, to the Extraordinary Reserve."

Bologna, 19 March and 2 April 2020

The Board of Directors

4

TABLES APPENDED TO THE NOTES TO THE FINANCIAL STATEMENTS

1. Reclassified Income Statement

2. Statement of changes in shareholders' equity

3. Statement of use and availability of equity reserves at 31 December 2019

4. Statement of changes in intangible assets

5. Statement of changes in property, plant and equipment

6. Statement of changes in fixed investments

7. List of shares and securities included in current assets at 31 December 2019

8. Statement of temporary differences that involved the recognition of deferred tax assets and liabilities

9. Information on debt at 31 December 2019

Annex 1

Reclassified Income Statement

Amounts in €k

		31.12.2019		31.12.2018	
1)	Gains on investments:				
	in subsidiaries	344,032		447,342	
	in other companies	5,745		4,733	
	Total gains on investments		**349,778**		**452,076**
2)	Other financial income:				
	a) from receivables recognised under fixed assets		4,304		5,103
	from subsidiaries	4,304		5,103	
	b) from securities held as fixed assets		53,132		2,593
	c) from securities recognised under current assets		10,245		4,956
	d) income other than above		169		96
	from subsidiaries			12	
	from others	169		84	
	Total other financial income		**67,851**		**12,747**
3)	Interest expense and other financial charges:				
	subsidiaries	(14,746)		(15,139)	
	associates	(56)			
	other	(73,489)		(76,073)	
	Total interest expense and other financial charges		**(88,292)**		**(91,212)**
	Exchange gains (losses)		5		12
TOTAL FINANCIAL INCOME AND CHARGES			**329,341**		**373,622**
4)	Write-ups:				
	c) of securities recognised under current assets	3,156			
	Total write-ups		**3,156**		
5)	Write-downs:				
	a) of investments	(1)		(195,872)	
	c) of securities recognised under current assets	(354)		(6,803)	
	d) of financial derivative instruments			(87,289)	
	Total write-downs		**(355)**		**(289,965)**
TOTAL ADJUSTMENTS			**2,801**		**(289,965)**
6)	Other operating income	21,411		18,807	
TOTAL OTHER OPERATING INCOME			**21,411**		**18,807**
7)	Costs for non-financial services	(15,854)		(19,093)	
8)	Costs for use of third party assets	(1,311)		(1,276)	
9)	Personnel costs	(29,656)		(27,128)	
10)	Amortisation, depreciation and write-downs	(913)		(1,166)	
11)	Provisions for risks	(744)		(2,345)	
13)	Sundry operating expenses	(43,538)		(6,375)	
TOTAL OTHER OPERATING COSTS			**(92,016)**		**(57,382)**
PRE-TAX PROFIT (LOSS)			**261,537**		**45,083**
16)	Income tax for the year	21,999		21,141	
17)	**PROFIT (LOSS) FOR THE YEAR**		**283,536**		**66,224**

Statement of changes in shareholders' equity

Amounts in €k

					Equity reserves
	Share capital	Share premium reserve	Revaluation reserves	Legal reserve	Reserve for treasury/holding company shares
BALANCES AT 31 DECEMBER 2017	**3,365,292**	**1,435,735**		**561,666**	
Shareholders' Meeting resolutions of 24 April 2018					
Allocation of 2017 profit					
- legal reserve				21,335	
- extraordinary reserve					
- dividend to shareholders					
Allocation of treasury shares to third parties					
Profit (loss) for the year 2018					
BALANCES AT 31 DECEMBER 2018	**3,365,292**	**1,435,735**		**583,001**	
Shareholders' Meeting resolutions of 18 April 2019					
Allocation of 2018 profit					
- legal reserve		(90,058)		90,058	
- extraordinary reserve					
- dividend to shareholders					
Allocation of treasury shares to third parties					
Profit (loss) for the year 2019					
BALANCES AT 31 DECEMBER 2019	**3,365,292**	**1,345,677**		**673,058**	

Annex 2

and unallocated profit

Reserve for treasury shares in portfolio	Extraordinary reserve	Other reserves	Retained Profit (loss)	Profit (loss) for the year	Negative reserve for treasury shares	TOTAL
				213,352	**(8,758)**	**5,567,287**
				(21,335)		
	63,367			(63,367)		
				(128,650)		(128,650)
					6,731	6,731
				66,224		66,224
	63,367			**66,224**	**(2,027)**	**5,511,592**
	(62,849)			62,849		
				(129,072)		(129,072)
					4,097	4,097
				283,536		283,536
	518			**283,536**	**(1,175)**	**5,666,907**

Annex 3

Statement of use and availability of equity reserves at 31/12/2019

Amounts in €k

Nature/Description	Amount	Possibility of use (*)	Available portion	Summary of uses made in the last three years: to cover losses	Summary of uses made in the last three years: for other reasons
Share capital	**3,365,292**				
Capital reserves					
Share premium reserve	1,345,677	A, B, C	1,345,677		
Legal reserve	455,556 (a)	B			
Extraordinary reserve				22,620[1]	
Provision for purchase of treasury shares				77,379[1]	
Provision for purchase of holding company shares				19,274[1]	
Revaluation reserve pursuant to Law 413/91				14,762[1]	
Property revaluation reserve				5,939[1]	
Share swap reserve (formerly revaluation Law 413/91)				18,315[1]	
Income-related reserves					
Legal reserve	217,502	B			
Extraordinary reserve	518	A, B, C	518	161,122[1]	
Provision for purchase of treasury shares				21,090[1]	
Negative reserve for treasury shares in portfolio	(1,175)		(1,175)		
Total	**5,383,371**		**1,345,020**		
Non-distributable portion					
Distributable portion			**1,345,020**		

(*) A: for share capital increase
B: to cover losses
C: for distribution to shareholders

(a) For transfer from share premium reserve

(1) Cover of losses carried forward 2016

Statement of changes in intangible assets

Amounts in €k

	OPENING POSITION		
	Historical cost	Amortisation	Net amount at 31/12/2018
Start-up and expansion costs	73,835	(73,835)	
Research, development and advertising costs	9,259	(9,259)	
Concessions, licences, trademarks and similar rights	9,745	(7,434)	2,311
Other	3,373	(3,373)	
TOTAL	**96,274**	**(94,832)**	**1,442**

Statement of changes in property, plant and equipment

Amounts in €k

	OPENING POSITION		
	Historical cost	Accumulated depreciation	Net amount at 31/12/2018
Plant and equipment	618	(585)	33
Other assets	3,073	(2,345)	728
TOTAL	**3,691**	**(2,930)**	**761**

Annex 4

MOVEMENTS DURING THE PERIOD					CLOSING POSITION		
HISTORICAL COST			AMORTISATION				
Increases	Decreases		Increases	Decreases			
Purchases	Sales	Reversals	Pro-rata current portion	Sales	Historical cost	Amortisation	Net amount at 31/12/2019
					73,835	(73,835)	-
					9,259	(9,259)	-
14			(782)		9,759	(8,216)	1,544
					3,373	(3,373)	
14			**(782)**		**96,226**	**(94,682)**	**1,544**

Annex 5

MOVEMENTS DURING THE PERIOD				CLOSING POSITION		
HISTORICAL COST		ACCUMULATED DEPRECIATION				
Increases	Decreases	Increases	Decreases			
Purchases	Sales	Current portion	Sales	Historical cost	Accumulated depreciation	Net amount at 31/12/2019
		(19)		618	(604)	14
		(112)		3,073	(2,457)	616
		(131)		**3,691**	**(3,062)**	**630**

Statement of changes in fixed investments

Amounts in €k

	CARRYNG AMOUNT AT 31/12/2018	
Name	No. of shares/ holdings	Value
UnipolSai Assicurazioni S.p.A.	1,442,912,800	4,527,708
UnipolSai Investimenti SGR S.p.A.	1,995,930	10,710
Unipol Investment S.p.A.	3,430,535	528,577
UnipolReC S.p.A.	167,545,868	180,813
Unipol Finance S.r.l.	1	482,800
UnipolPart I S.p.A.	4,100,000	463,198
UnipolSai Servizi Consortili S.c.a.r.l.	2,000	7
Total subsidiaries	**1,619,987,134**	**6,193,813**
BPER Banca S.p.A.		
Total associates		
BPER Banca S.p.A.	25,000,000	119,160
Total other companies	**25,000,000**	**119,160**
TOTAL B.III.1)	**1,644,987,134**	**6,312,973**

Annex 6

INCREASES IN THE YEAR				DECREASES IN THE YEAR				**CARRYNG AMOUNT AT 31/12/2019**	
FOR PURCHASES/SUBSCRIPTIONS		OTHER		FOR SALES		OTHER			
No. of shares/ holdings	Value	No. of shares/ holdings	Value	No. of shares/ holdings	Value	No. of shares/ holdings	Value	**No. of shares/ holdings**	**Value**
282,743,682	641,553							1,725,656,482	5,169,262
								1,995,930	10,710
								3,430,535	528,577
		79,766,325	179,006					247,312,193	359,819
								1	482,800
								4,100,000	463,198
							(1)	2,000	6
282,743,682	**641,553**	**79,766,325**	**179,006**				**(1)**	**1,982,497,141**	**7,014,372**
26,935,323	104,152	25,000,000	119,160					51,935,323	223,312
26,935,323	**104,152**	**25,000,000**	**119,160**					**51,935,323**	**223,312**
						(25,000,000)	(119,160)		
						(25,000,000)	**(119,160)**		
309,679,005	**745,705**	**104,766,325**	**298,166**			**(25,000,000)**	**(119,160)**	**2,034,432,464**	**7,237,684**

Annex 7

List of shares and securities included in current assets at 31/12/2019

Amounts in €k

ISIN Code	Security description	No. of shares/holdings at 31/12/2019	Carrying amount at 31/12/2019	Current value at 31/12/2019	Write-downs	Type
IT0004827447	UnipolSai Ord.	674,125	1,361	1,763		Listed Italian shares
	Total listed shares	**674,125**	**1,361**	**1,763**		
unipwcs9215	Banca di Rimini Credito Cooperativo Scrl	1				Unlisted foreign shares
EQUINOXA	Equinox Two S.C.A. A shares	28,652	10	10	(5)	Unlisted foreign shares
EQUINOX	Equinox Two S.C.A. R shares	4,970,950	429	429	(349)	Unlisted foreign shares
	Total unlisted shares	**4,999,603**	**439**	**439**	**(354)**	

ISIN Code	Security description	Nominal value at 31/12/2019 (in €)	Carrying amount at 31/12/2019	Current value at 31/12/2019	Write-downs	Type
XS1577952440	Altice Finco 4,75% 15/01/2028	5,000,000	4,700	5,034		Other listed bonds
XS1686880599	Banco BPM 4,375% 21/09/2027 CBLE SUB	3,000,000	2,994	3,118		Other listed bonds
XS1752894292	MPS 5,375% 18/01/2028 CBLE SUB	10,000,000	7,760	7,760		Other listed bonds
XS1756703275	Raiffeisen BK 4,5% 15/06/2025-49 PRP/CBLE SUB	5,200,000	4,998	4,998		Other listed bonds
XS1619015719	Unicredit 6,625% 03/06/2023-PERP CBLE SUB	5,000,000	5,000	5,413		Other listed bonds
XS2026295126	UBI Banca 4,375% 12/07/2024-29 CBLE SUB	7,500,000	7,571	7,815		Other listed bonds
	Total listed bonds	**35,700,000**	**33,024**	**34,139**		
NL0013908767	Netherlands Govt. ZC 28/02/2020 Semi-Annual	100,000,000	100,111	100,141		Listed government bonds
NL0014120164	Netherlands Govt. ZC 29/05/2020 Semi-Annual	150,000,000	150,415	150,437		Listed government bonds
NL0013688955	Netherlands Govt. ZC 31/01/2020 Semi-Annual	150,000,000	150,094	150,134		Listed government bonds
	Total listed government bonds	**400,000,000**	**400,620**	**400,711**		
TOTAL SHARES AND SECURITIES INCLUDED IN CURRENT ASSETS			**435,443**	**437,051**	**(354)**	

Annex 8

Statement of temporary differences that involved the recognition of deferred tax assets and liabilities

Amounts in €k

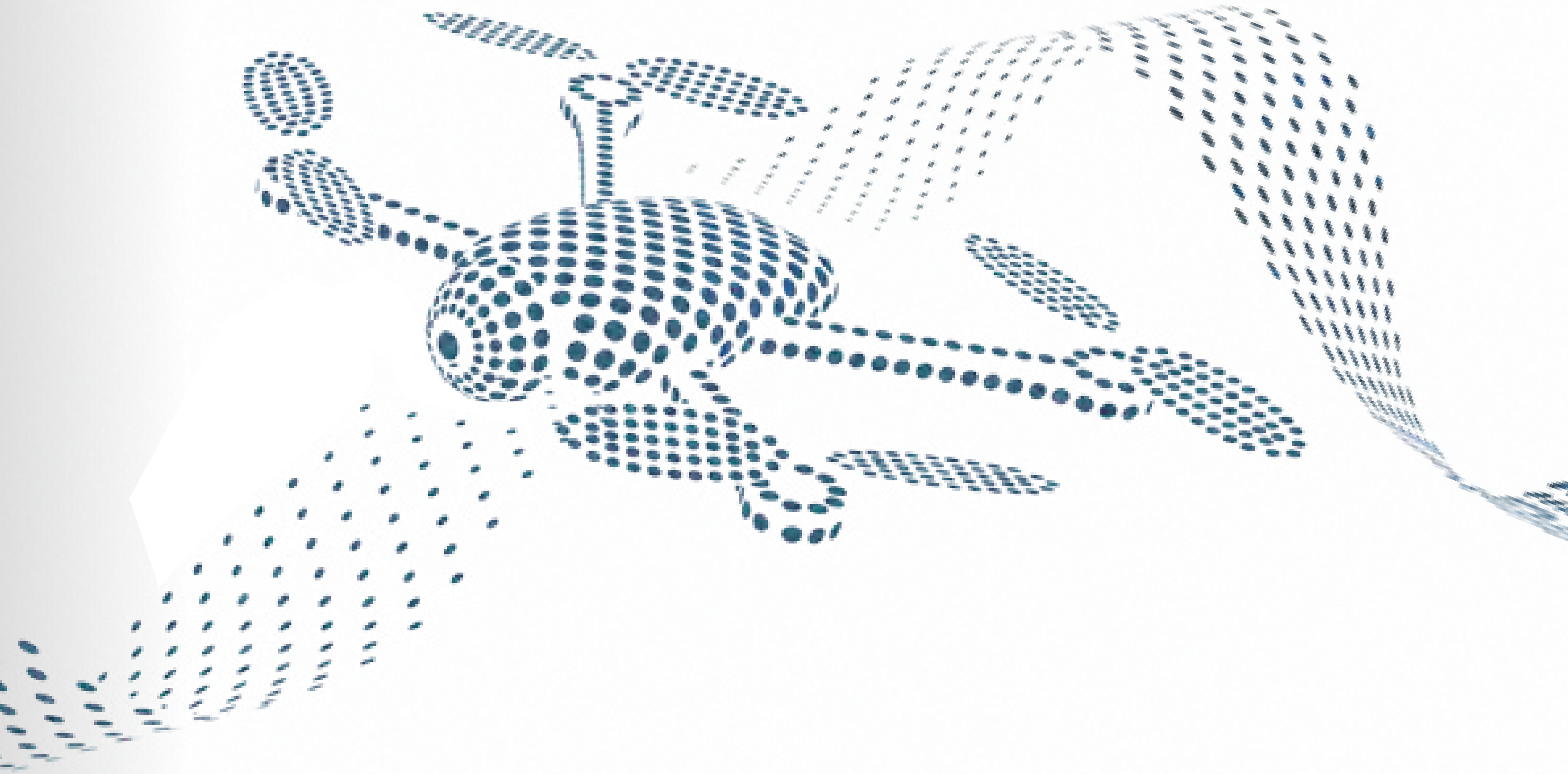
DEFERRED TAX ASSETS	2018		INCREASES		DECREASES		2019	
	Taxable amount	Tax effect	Taxable amount	Tax effect	Taxable amount	Tax effect	Taxable amount	Tax effect
Excess amortisation/depreciation	38	9	7	2			45	11
Provisions for personnel expenses	15,542	3,730	26,828	6,439	22,512	5,403	19,857	4,766
Bad debt provision	13	3					13	3
Provision for future charges	5,610	1,346	32,898	7,896	1,948	467	36,561	8,774
Past tax losses	428,161	102,760	28,871	6,929	445,140	106,834	11,892	2,855
Realigned goodwill	1,447,406	347,377					1,447,406	347,377
TOTAL	**1,896,770**	**455,225**	**88,604**	**21,265**	**469,600**	**112,704**	**1,515,774**	**363,786**

Annex 9

Information on debt at 31 December 2019

Amounts in €k

		31/12/2019		31/12/2018	
A	Cash				
B	Other cash and cash equivalents		258,142		1,092,701
	- of which associates	258,129			
	- of which subsidiaries			1,092,646	
	- of which others	13		54	
C	Securities held for trading		436,333		152,526
D	**Cash and cash equivalents (A) + (B) + (C)**		**694,475**		**1,245,227**
E	Current financial receivables				
F	Current bank payables				
G	Current portion of non-current debt		(36,555)		(36,655)
H	Other current financial payables		(662,765)		(723,023)
I	**Current financial debt (F) + (G) + (H)**		**(699,320)**		**(759,678)**
J	**Net current financial debt (I) - (E) - (D)**		**(4,844)**		**485,549**
K	Non-current bank payables				
L	Bonds issued		(1,817,352)		(1,817,352)
M	Other non-current payables		(300,551)		
N	**Non-current financial debt (K) + (L) + (M)**		**(2,117,903)**		**(1,817,352)**
O	**Net financial debt (J) + (N)**		**(2,122,747)**		**(1,331,803)**



5

STATEMENT ON THE FINANCIAL STATEMENTS

In accordance with art. 81-Ter of CONSOB Regulation no.11971/1999

STATEMENT ON THE 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 Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of Unipol Gruppo 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 **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 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 financial statements at 31 December 2019:

   – were prepared in compliance with provisions of the Civil Code and the national accounting principles approved by the OIC (Italian Accounting Standards Setter);

   – 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;

   3.2 the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Bologna, 19 March – 2 April 2020

The Manager in charge of financial reporting Maurizio Castellina	The Chief Executive Officer Carlo Cimbri

(signed on the original)

6

BOARD OF STATUTORY AUDITORS' REPORT

Board of Statutory Auditors' Report to the Shareholders' Meeting of Unipol Gruppo S.p.A.

Dear Shareholders,

In the year ended 31 December 2019, the Board of Statutory Auditors carried out the activities for which it is responsible, also as Internal Control and Auditing Committee, laid out in the applicable legislative and regulatory provisions, taking into account the principles of conduct recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants), the recommendations issued by CONSOB (in particular communications no. DAC/RM 97001574 of 20 February 1997 and no. DEM/1025564 of 6 April 2001 as amended), as well as the instructions laid out in the Corporate Governance Code for listed companies (the "**Corporate Governance Code**").

In this respect, note that on 18 April 2019 the Shareholders' Meeting renewed the Board of Statutory Auditors on conclusion of its three-year term, for 2019-2021 appointing the same statutory auditors as previously.
In compliance with the provisions of Art. 153 of Legislative Decree 58/1998 ("**Consolidated Law on Finance**" or "**TUF**") and Art. 2429, paragraph 2 of the Civil Code, the Board of Statutory Auditors therefore reports on the supervisory activities carried out.

1. Preliminary evidence regarding the legal provisions governing the preparation of the Financial Statements of Unipol Gruppo S.p.A. at 31 December 2019

The draft financial statements (the "**Financial Statements**") presented to you show the management activity carried out during the year and the equity, financial and economic position of Unipol Gruppo S.p.A. (also "**Unipol**" or the "**Company**") at 31 December 2019.
The Financial Statements at 31 December 2019 were prepared in compliance with provisions of the Civil Code and the accounting standards approved by the Organismo Italiano di Contabilità (Italian Accounting Standards Setter).
Unipol which, at the date of this Report, qualifies as an issuer of financial instruments listed on regulated markets and as Parent of the Unipol Insurance Group, is required to prepare the consolidated financial statements (the "**Consolidated Financial Statements**") in compliance with International Accounting Standards, but does not apply those standards to the company's Separate Financial Statements subject to your approval, in accordance with Art. 4 of Legislative Decree 38 of 28 February 2005.
The measurement criteria were adopted on the basis of going concern assumptions, in application of the principles of accrual, materiality and significance of the accounting data and of the transactions or contracts, pursuant to Articles 2423 and 2423-bis of the Civil Code.
No significant events occurred after year end that could affect the financial statement results.

2. Activities of the Board of Statutory Auditors in the year ended 31 December 2019

During 2019, the Board carried out its supervisory activities, holding 20 meetings with an average duration of around one hour and twenty minutes.
The Board of Statutory Auditors also took part in:

- 9 meetings of the Board of Directors;
- 9 meetings of the Control and Risk Committee;
- 6 meetings of the Committee for transactions with related parties ("**Related Party Transactions Committee**");
- 3 meetings of the Remuneration Committee,

and was informed of the matters addressed in the 3 meetings of the Appointments and Corporate Governance Committee and the 4 meetings of the Sustainability Committee.

As part of its duties and for the mutual exchange of information between the bodies and departments involved in the internal control and company risks management system, the Board of Statutory Auditors also met with:

- The respective Head of the Audit Department, Compliance and Anti-Money Laundering Department, Risk Management (jointly the "**Control Functions**"), and the Head of the Actuarial Department (jointly with the Control Functions, the "**Key Functions**"), the Manager in charge of financial reporting (the "**Manager in charge of financial**

reporting") and the Heads and/or representatives of the company departments affected from time to time by the supervisory activity of the control body;
- the Supervisory Board established pursuant to Legislative Decree 231 of 8 June 2001 ("Legislative Decree 231/2001"), Art. 6, paragraph 1, letter b);
- the representatives of the company charged to audit the accounts, PricewaterhouseCoopers S.p.A., (hereinafter also "**PWC**"), within the framework of relationships between the control body and the auditor required by regulations in force.
- Pursuant to Art. 151 of the Consolidated Law on Finance, the Control Body also held meetings and exchanged information with the boards of statutory auditors of the subsidiaries.

3. Transactions of greatest economic, financial and equity significance. Other notable events

3.1 Activity performed by the Board

In observance of the legal and regulatory provisions mentioned above, the Board acknowledges the outcome of its supervisory activities and verifications and therefore acknowledges that it has:
- monitored observance of the law and the by-laws and compliance with the principles of proper administration, particularly with reference to the transactions mentioned herein of greatest economic, financial and equity significance;
- obtained information from the Directors - including by participating in the meetings of the Board of Directors and the Board Committees - on the activity carried out and on the transactions of greatest economic, financial and equity significance performed by the Company, including through direct or indirect subsidiaries. On the basis of the information made available, the Board of Statutory Auditors can reasonably assert that the actions and operations resolved and implemented conform to the law, the by-laws and the principles of proper administration and do not appear to be manifestly imprudent, hazardous, or in contrast with the resolutions adopted by the Shareholders' Meeting, or such to compromise the integrity of the company's assets. In addition, the transactions that involve a potential conflict of interests were resolved in compliance with the law, regulations and the codes of conduct adopted.

3.2 Main significant events

With reference to the main events and transactions of greatest economic, financial and equity significance performed by the Company in 2019, the Board of Statutory Auditors reports as follows:
<u>Exercise by the subsidiary UnipolSai Assicurazioni S.p.A. ("**UnipolSai**" or the "**Company**") towards the holding company Unipol of the put option on Unipol Banca S.p.A. ("**Unipol Banca**") and UnipolReC S.p.A. ("**UnipolReC**") shares and agreement for granting a loan by the Company to Unipol itself.</u> On 7 February 2019, the Board of Directors of UnipolSai Assicurazioni S.p.A. ("**UnipolSai**") resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca S.p.A. ("**Unipol Banca**") and UnipolReC S.p.A. ("**UnipolReC**"), held by the holding company Unipol by virtue of the option contract signed on 31 December 2013 between Unipol and the former Fondiaria-Sai S.p.A.
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. Following the exercise of the put option, Unipol holds a direct investment in Unipol Banca and in UnipolReC, corresponding to 85.24% of the respective share capital, while the remaining shares of these companies are held by UnipolSai.
Whitin the scope of the afore-mentioned exercise of put option, the Company also granted to Unipol – as a tool for the latter for maintaining a high level of financial flexibility with an important available liquidity buffer - 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.

<u>Sale of Unipol Banca to BPER Banca S.p.A. and acquisition of NPL portfolios by UnipolReC.</u> On 31 July 2019 - with all conditions precedent set forth in the contract being met and with the necessary authorisations having been received from the competent Supervisory Authorities - the extraordinary transaction relating to the Group's banking sector, in execution of the agreements entered into on 7 February 2019 between Unipol, 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, was completed within a single context. 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 total carrying amount of around €1.2bn, against a final price of €102m, determined taking 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. The scale of operations of UnipolReC also increased, which became a financial intermediary registered pursuant to Art. 106, Legislative Decree no. 385 of 1 September 1993 (the "**Consolidated Law on Banking**").
On 15 November 2019, following the authorisation granted by the competent Supervisory Authority, BPER signed the deed of merger for incorporation, entered into effect on 25 November 2019, with continuity as part of the same BPER of all Unipol Banca accounts existing prior to the merger.

Approval of the 2019-2021 Strategic Plan. On 9 May 2019, the Board of Directors of Unipol approved the 2019-2021 Strategic Plan, named "MISSION EVOLVE – Always one step ahead". The Strategic Plan aims to reinforce the leadership of Unipol Group over the next three years, laying the foundations to confirm its primacy even beyond the horizon of the Plan. 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, Unipol Group 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.

Acquisition of a qualified investment in BPER. In the second quarter of 2019, based on the authorisations obtained in the previous year from the European Central Bank and the competent national Supervisory Authorities, Unipol acquired BPER ordinary shares on the market, representing roughly 4.9% of its share capital, so it now holds, directly and indirectly through UnipolSai, a qualified investment equal to 19.97% of BPER share capital. As a result, also taking into account the relevant transactions already performed and in place between the Unipol Group and the BPER Group, starting in June Unipol qualified its interest held in BPER as an interest with significant influence. Later, in August 2019, following the finalisation of certain transactions with the effect of increasing the share capital of BPER, Unipol and UnipolSai acquired further BPER shares on the market in order to restore the previously held interest. After the acquisitions made, at the end of 2019 Unipol held a direct and indirect equity investment consisting of 102,695,155 BPER shares (of which 51,935,323 shares held directly and 50,759,832 indirectly through UnipolSai), representing a total share of 19.73% (9.98% directly and 9.75% indirectly), a percentage thus reduced due to additional capital transactions by the bank performed in December 2019.

Trade Union agreement regarding Personnel. As part of the implementation of the 2019-2021 Strategic Plan, on 18 July 2019 a trade union agreement was signed regarding voluntary pre-retirement arrangements for UnipolSai 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. The agreement also provides for active employment policies concerning the development of human resources and the hiring of about 300 resources with new skills, which will contribute to the development and evolution of the Group.

Acquisition of Car Server. On 1 August 2019, UnipolSai finalised the acquisition of 100% of the share capital of Car Server S.p.A. ("**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 actions as regards the mobility ecosystem.

Mergers and spin-offs within the Unipol Group. In June 2019, as part of a new project for streamlining and simplifying the structure of the Unipol Group, the Boards of Directors of the Group companies concerned, insofar as they were respectively responsible, approved the following transactions:
- merger by incorporation of Pronto Assistance S.p.A. into UnipolSai;
- full spin-off of Ambra Property S.r.l. ("**Ambra Property**") in favour of UnipolSai, UNA S.p.A. Group and Midi S.r.l.;

- partial spin-off of Casa di Cura Villa Donatello S.p.A. ("**Casa di Cura Villa Donatello**") in favour of UnipolSai, as well as the full spin-off of Villa Ragionieri S.r.l. ("**Villa Ragionieri**") in favour of UnipolSai itself and Casa di Cura Villa Donatello;
- proportional partial spin-off of UniSalute Servizi S.r.l. ("**UniSalute Servizi**"), with transfer to a new company of the business consisting of the provision of specialist medical-healthcare services.

The proportional partial spin-off of UniSalute Servizi became effective on 1 October 2019, with the simultaneous establishment of Centri Medici Dyadea S.r.l.
The merger and the remaining spin-offs became legally effective as of 1 February 2020. They became effective for accounting and tax purposes as of 1 January 2020, with the exception of the partial spin-off of Casa di Cura Villa Donatello (see below).
More information in relation to the aforementioned transactions and additional events are reported in the Management Report and in the Notes to the Financial Statements.

3.3 Main significant events after the reporting period

With reference to the significant events after the reporting period, the Board of Statutory Auditors reports as follows:
Mergers/spin-offs of subsidiaries. On 21 January 2020, following the release of the prescribed authorisations by IVASS and after concluding the required corporate procedures, both the deed of merger, and the deeds relating to the spin-offs approved by the Boards of Directors of UnipolSai and the subsidiaries concerned, as described in the previous paragraph, were signed. As indicated above, these transactions became legally effective from 1 February 2020, whilst the related accounting and tax effects began 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 Casa di Cura Villa Donatello.

Intesa Sanpaolo S.p.A. Public Exchange Offer on UBI Banca S.p.A. shares. On 17 February 2020, in relation:
- to the promotion by Intesa Sanpaolo S.p.A. ("**Intesa**") of a surprise voluntary public exchange offer (the "**PEO**") on all shares of UBI Banca S.p.A. **("UBI Banca**");
- to the acquisition by BPER, having positively concluded the PEO, of a business unit consisting of bank branches and the assets, liabilities and legal relationships connected to them (the "**Banking Business**"),

Unipol and UnipolSai jointly notified the market that the latter 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, consisting of Life insurance policies taken out by customers in the Banking Business and the relative assets, liabilities and legal relationships (the "**Insurance Businesses**").
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 and UnipolSai, 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.

COVID-19 (Coronavirus) epidemic. As mentioned in the paragraph on outlook in the Management Report, the first part of 2020 was characterised by negative repercussions on growth of the global economy generated for the most part by the global extension of the COVID-19 (Coronavirus) epidemic, classed as a pandemic by the World Health Organisation.

Resolutions of the Board of Directors on the distribution of dividends. The Board of Directors, which met on 19 March 2019, approved the Company's draft financial statements for 2019, which closed with a profit for the period of €283,535,905.14, and resolved to propose at the Shareholders' Meeting the distribution of a dividend (the "**Proposed Dividend**"), based on the result for the year 2019, of an amount equal to €0.28 for each entitled ordinary share, for a total value of €200,490,409.28 (in consideration of the shares outstanding at the date of the board meeting), allocating the portion of the residual profit, equal to €83,045,495.86 to the extraordinary reserve. The Solvency Ratio of the Unipol Group, calculated taking into account the Proposed Dividend, was equal to 182% (with an excess of capital of approximately €3.5 bn).
Later, on 30 March 2020, IVASS (Institute for Insurance Supervision) issued a communication regarding closure of the FY 2019 accounts (the "**IVASS Communication**") where, in view of the emergency situation linked to the Covid-19 epidemic, it asked all Italian insurance companies and groups to use "...extreme prudence in the distribution of dividends or other assets, and in the payment of the variable remuneration component to company representatives", specifying that compliance with said instructions would be strictly monitored by IVASS, "who, in accordance with how the situation

develops, reserves the right to take any action to protect the solidity of the insurance system and protect insured parties and those with the right to insurance protection".
The Board of Directors of Unipol Group, convening on 2 April 2019, acknowledged the content of the IVASS communication and, while noting that all the prerequisites, including the financial strength ratios, to proceed with the distribution of the Proposed Dividend continue to be met - on that date, as well as on 19 March 2020 - decided to strictly abide by the requests made by IVASS, therefore removing the proposal to distribute said dividend from the agenda of the Shareholders' Meeting called for 30 April 2020 and consequently, proposing to the Shareholders' Meeting that it be allocated to the profit reserve for FY 2019. As a result of the modified proposal for the allocation of the result for F.Y. 2019, if approved, the consolidated Solvency ratio as at 31 December 2019 would be equal to 187% (with an excess of capital, compared to the Solvency capital requirement, of approximately € 3.7 bn.
In any case, the Board of Directors reserved the right - once the conditions are met following the conclusion of the current emergency situation that the entire country finds itself in - to call a Shareholders' Meeting to implement the distribution of profit reserves by FY 2020 so that the Shareholders can benefit from the creation of value generated by the Unipol Group.

3.4 Dispute proceedings

With reference to the disputes which concerned the Company and the Group during 2019, the Board of Statutory Auditors was informed and kept up to date in relation to the sanction and legal proceedings underway, described in the Notes to the Financial Statements, to which reference is made.

3.5 Transactions with related parties, associated parties and intercompany counterparties. Atypical and/or unusual transactions

In compliance with the provisions of the Regulation containing provisions governing transactions with related parties, adopted by CONSOB by means of resolution no. 17221 of 12 March 2010 (the "**Consob Regulation**") and subsequent amendments, the company has adopted a procedure for the performance of transactions with related parties (the "**RPT Procedure**"), last updated on 7 November 2019, and an operating guide for its application. The Board of Statutory Auditors expressed its opinion on the compliance of the RPT Procedure with the principles indicated in the aforementioned Consob Regulation.

With regard to the rules on transactions with Associated Parties of the Unipol Banking Group, as defined in Title V, Chapter 5 of Bank of Italy Circular no. 263 of 27 December 2006 - 9th update (the "**Bank of Italy Circular**"), note that:

- on 31 July 2019 - following the sale of the direct and indirect investments in Unipol Banca - the following no longer applied: (i) the legal and regulatory provisions for classifying Unipol as the parent of the Unipol Banking Group and (ii) the duties and functions assigned to the Related Party Transactions Committee by the Procedure for the management of transactions with Associated Parties of the Unipol Banking Group adopted by the Company (the "**Associated Party Transactions Procedure**") as Parent of the Banking Group, pursuant to the Bank of Italy Circular;
- the Associated Party Transactions Procedure, in force up to that date, integrated the procedural and organisational controls already in place within the Unipol Group for operations with related parties and for conflict of interest management, formalising the principles and rules applying to operations with Associated Parties in terms of investigation methods, decision-making, reporting and disclosure responsibilities valid for all the Banking Group companies;
- likewise, the internal policy governing controls on risk activities and conflicts of interests regarding Associated Parties, adopted pursuant to the Bank of Italy Circular, remained in force until 31 July 2019. This policy defined the risk appetite levels in line with the strategic profile and organisational characteristics of the Banking Group, and identified the organisational processes for recording Associated Parties and the related transactions, as well as the controls required to ensure correct measurement and management of risks undertaken with such parties.

Taking the above into consideration, the Board of Statutory Auditors monitored the transactions with related parties and/or - until 31 July 2019 - associated parties to ensure these met the substantive and procedural correctness criteria, pursuant to the aforementioned reference legislation and the internal procedures adopted, and to ensure that they were not in conflict with the Company's interest. The Board of Statutory Auditors spent time in particular on the most significant transactions, especially those included in the requalification process for the Company's banking sector strategy, verifying the fairness of the preliminary analysis and decision-making process adopted, including on a voluntary basis, as well as compliance with regulations in force and internal regulations, by analysing available documentation as well as participating in meetings of the Related Parties Committee and the Board of Directors. These transactions, reported under the main significant events of this Report, were adequately described in the Management Report and in the Notes to the Financial Statements.

The Board of Statutory Auditors also examined the transactions exempt from the application of the above-mentioned internal procedures.

The Management Report and the Notes to the Financial Statements outline the financial and equity impact of transactions with related parties as well a description of the most significant relations. Further information is also provided in the Management Report and the Notes to the Consolidated Financial Statements.

With reference to the provision issued by IVASS on 26 October 2016 by means of Regulation no. 30 regarding intercompany transactions and concentrations of risks, the Board verified the compliance with the same of the Policy adopted by the company governing intercompany transactions ("**Intercompany Policy**"), also taking into account the related annual update, as well as of the operating guide for its application. The supervisory activities carried out by the Board also highlighted that the transactions concluded with intercompany counterparties were entered into in compliance with the provisions of the Intercompany Policy and regulated under market conditions.

Furthermore, taking into account that Unipol, in compliance with the organisational model selected for the Group, outsourced most of the company operating activities to the subsidiary UnipolSai, the Board of Statutory Auditors verified the methods of determination of the relevant fees, calculated mainly on the basis of the breakdown of costs incurred, except with regard to financing activities, which are remunerated by applying a fee on managed volumes. Certain additional services instead envisage annual fees calculated at a fixed rate. Il should also be specified that Unipol and some subsidiaries second their staff to other Group companies to optimise the synergies within the Group for the management of its resources.
As regard the relations established between Unipol and the Group companies as well as with other related parties, the control body evaluates the disclosure provided in the Management Report and in the Notes to the Financial Statements as adequate.
In relation to the overall context of the intercompany transactions, transactions with related parties and/or associated parties carried out in 2019, the Board ascertained the absence of atypical or unusual transactions, which may give rise to doubts relating to the accuracy and completeness of the information, conflicts of interest and the safeguarding of the company's assets.

4. Organisational structure of the Company and of the Group

The Board of Statutory Auditors acknowledged that:
- Unipol is classified as the "ultimate Italian holding company", pursuant to the provisions of the Private Insurance Code and the associated implementing provisions, as well as having the role of Parent of the Unipol Insurance Group. As mentioned above, during 2019 - following the sale of the direct and indirect investments in Unipol Banca - the legal and regulatory provisions for classifying Unipol as the Parent of the Unipol Banking Group no longer applied;
- pursuant to Art. 2497-bis of the Civil Code, the subsidiaries of Unipol declared the latter as the entity that exercises management and coordination over them;
- the review of the shareholding structures of the Unipol Group continued. The mergers and/or spin-offs reported under the main significant events during the year were planned and implemented in this context;
- the Group's requalification process of its banking sector strategy, as reported under the main significant events during the year, was finalised.

In fact, as outlined in the Annual report on corporate governance and ownership structures for the 2019 F.Y. (the "**Governance Report**"):
- Unipol chose to adopt a "traditional" type administration and control system, which provides for the presence of a Board of Directors (that operates with the support of the Internal board committees, with preliminary advisory and proposal-making functions) and a Board of Statutory Auditors with control functions, both appointed by the shareholders' meeting;
- the legally-required audit is assigned to PWC for the 2012-2020 nine-year term;
- a few internal company committees have been established by the Board of Directors, or by the Chief Executive Officer or Group CEO, mainly consisting of the Top Management of Unipol, with functions of support to the Chief Executive Officer or Group CEO in the implementation and supervision of the policies of direction, coordination and operational strategy specified by the administrative body and rolled out by the Top Management;
- the role and powers of the above bodies are illustrated in detail in the aforementioned Governance Report,

the Board of Statutory Auditors acknowledged the organisational structure adopted and acquired knowledge of the changes that took place from time to time to the company's internal organisational structure, monitoring its adequacy, as regards matters within its competence. In particular, based on the information acquired, the Board considers the size, structure and positioning of the Company Key Functions to be adequate for the purpose of guaranteeing the effective functioning of the risk control and management system as a whole.

The Board of Statutory Auditors also acknowledged the instructions handed down to its subsidiaries, pursuant to Art. 114, paragraph 2 of the Consolidated Law on Finance, in order to promptly obtain the information required to fulfil the obligations laid out in paragraph 1 of the same article, also through meetings with the managers of the competent company departments as well as with the Independent Auditors. No particular elements worth reporting emerged from these activities.
The Control Body exchanged information with the Boards of Statutory Auditors of the subsidiaries, pursuant to Art. 151 of the Consolidated Law on Finance, being informed about the checks that were carried out by the same while exercising their supervisory activities. In this regard, no situations worthy of mention in this Report emerged.

5. Internal control and risk management system, administrative-accounting system and financial disclosure process

5.1 Internal Control and Risk Management System

The internal control and risk management system is a key element in the overall corporate governance system. It consists of a set of rules, procedures and organisational structures aimed to ensure:
- effectiveness and efficiency of corporate processes;
- suitable limits on current and future risks;
- prevention of the company's involvement, even involuntary, in illegal activities, particularly those associated with money laundering, usury and terrorist financing;
- prevention and correct management of the potential conflicts of interest with related parties and/or intercompany counterparties, as identified by legal and regulatory provisions of reference;
- verification that corporate strategies and policies are implemented;
- safeguarding of company asset values, also in the medium to long term, and sound management of the assets held on behalf of customers;
- reliability and integrity of information provided to corporate bodies and the market and of IT procedures;
- adequacy and promptness of the corporate data reporting system;
- compliance of business activities and transactions executed on behalf of customers with the law, supervisory regulations, corporate governance regulations and the company's internal measures.

The internal control and risk management system is defined in the Group Directives on the corporate governance system (the "**Directives**"), approved by the UnipolSai Board of Directors in June 2019 and updated at the Board of Directors meeting of December 2019, which, *inter alia*, set out the role and responsibilities of the individuals involved in the aforementioned internal control and risk management system. The Directives are completed by the Key Function Policies - approved at the Board of Directors meeting of June 2019. The coordination methods and information flows between parties involved in the internal control and risk management system are represented in the aforementioned Key Function Policies and in the board committee regulations.

The principles and processes of the risk management 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". Also an integral part of the risk management system are the policies that outline the principles and guidelines on: (i) management of specific risk factors (e.g. the Group Investment Policy for market risk and Credit Policy for credit risk), (ii) management of a risk within a specific process, and (iii) mitigation of a risk and (iv) management of risk measurement models.

The risk management system is the set of processes and tools used in support of the risk management strategy of the Unipol Group; it provides adequate understanding of the nature and significance of risks to which the Group and individual companies are exposed. The risk management system allows the Group to have a single point of view and a holistic approach to risk management, and is an integral part of the management of the business.

The risk management process is structured into the following phases:

- identification of risks, consisting in the identification of risks believed to be significant i.e. those whose consequences can endanger the solvency or reputation of Unipol or be a serious obstacle to the achievement of strategic objectives;
- current and forward-looking assessment of risk exposure; 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. With regard to the forward-looking assessment, the Own Risk and Solvency Assessment (ORSA) is used to support the strategic decisions of the Company;
- monitoring of the risk exposure and reporting, a system implemented – on the basis of the principles of completeness, timeliness and effectiveness of the disclosure – to ensure timely and constant monitoring of the evolution of the Risk Profile and the compliance with the specified Risk Appetite. This system guarantees that the quality and quantity of information provided is commensurate with the needs of the different 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;
- mitigation of risks, which consists in identifying and proposing actions and initiatives required and/or useful in mitigating existing or prospective levels of risk not in line with the related objectives defined at corporate level.

The identification, evaluation and monitoring of the risks are carried out on ongoing basis to take into account the changes occurred both in the nature and size of the business and in the market context, and whether new risks arise or the existing ones change.

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, using as reference the provisions of Art. 210 and Art. 210-ter, paragraphs 2 and 3 of the Private Insurance Code. This is without prejudice to the principle of proportionality, based on the nature, scope and complexity of the risks regarding the company activities carried out by the different Group companies.

The Internal Control and Risk Management System also includes an internal system for the reporting by personnel of acts or events which may constitute a violation of the rules governing the activity performed, which guarantees a specific and confidential information channel, as well as the anonymity of the reporting entity. This system is formalised in the Whistleblowing Procedure approved by the Board of Directors at the meeting on 9 August 2018.

For more details on the main features of the internal control and risk management system adopted by the Company, please refer to the Governance Report.

In said context, the Board of Statutory Auditors constantly monitored - using (i) the information collected from the managers of the respective departments, (ii) the examination of the company documents, (iii) the analysis of the work plans and the results of the work carried out by the Independent Auditors and the bodies and departments responsible for internal control - the adequacy of the internal control system and the administrative-accounting system, and the latter's reliability in correctly representing operating events.

In addition - through direct verification of the activities carried out by the Key Functions and by the Manager in charge of financial reporting, and by taking part in the meetings of the Control and Risk Committee - the activities performed by the aforementioned key functions were examined to verify their adequacy and to obtain an evaluation of the actual functioning of the overall internal control and risk management system. Based on the checks carried out in fulfilment of the monitoring obligations imposed, the control body highlights no elements to be reported in this regard. The Board of Statutory Auditors also believes that the Key Functions, just like the Manager in charge of financial reporting, are able to ensure significant coverage to guarantee a suitable control of the internal control and risk management system.

Until 31 July 2019, the date of the sale of the investment in Unipol Banca, after which the legal and regulatory requirements for the classification of Unipol as the parent of the Unipol Banking Group no longer applied, the Board also monitored the activities implemented by Unipol as part of its role as Parent of the aforementioned Banking Group.

The Board of Statutory Auditors also verified the activities carried out by the Company as regards the adjustment into line with Regulation no. 2016/679 of 27 April 2016 regarding personal data protection, which involved a substantial revision of the privacy architecture adopted, assessing the compliance of the organisational controls adopted with the regulation governing personal data protection.

5.2 Administrative-accounting system and financial disclosure process

The Governance Report describes the main characteristics of the control model adopted in support of the Manager in charge of financial reporting for verifying the adequacy and actual application of the administrative procedures relating to accounting and financial disclosures.

In particular, the "financial reporting risk model" adopted is based on a process inspired by the CoSo Framework (Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission), recognised as the standard of reference for the implementation and evaluation of internal control systems.

With reference to the elements of internal control on financial information set out in the CoSo Report, the Company has adopted the following guidelines:
- control environment: governs the integrity and ethics values, philosophy and behavioural style of the divisions, adequacy of the organisational structure, assignment of roles, powers and responsibilities, personnel management policies and related skills development;
- risk identification, assessment and management: allows the identification and analysis of business risks and those relating to financial reporting that could jeopardise the achievement of corporate objectives;
- control activities: identifies, documents and assesses the activities for proper management and mitigation of risks described earlier;
- information and communication: governs the proper management of information flows between the different departments of the Company and the Top Management in order to ensure that all parties belonging to the structure properly execute the tasks attributed to them;
- monitoring: identifies and resolves any deficits, and guarantees continuous improvement of the system.

The risk management and internal control process for financial reporting implemented by Unipol is divided into the following steps, in compliance with the guidelines described above:
- Step 1 - Definition of the scope of analysis: this activity is carried out annually, after approval of the financial statements, and involves: identification of the material subsidiaries; identification of the material items/accounts; matching of material items/accounts with the processes;
- Step 2 - Control environment assessment: the documentation on Entity Level Control (ELC) is updated annually and the monitoring level of control objectives is assessed;
- Step 3 - Risk assessment and design of the process-level controls: periodically, in the event of review of the processes by the corporate structures as a result of organisational changes, the risks documentation and controls relating to the financial reporting process are updated;
- Step 4 - Verification of actual application of the process-level controls: this step, carried out twice a year at the time of the annual financial statements and the condensed consolidated half-yearly financial statements, aims to monitor the effectiveness of the internal control system over time and therefore assess its reliability;
- Step 5 - Process for the issue of certifications envisaged in Art. 154-bis of the Consolidated Law on Finance.

Based on the Report on the internal control and risk management system required by the applicable legislation (the **"262 Report"**), which reflects the characteristics of the control system implemented and the results of the data control and monitoring activities carried out by the competent company departments, the Chief Executive Officer and Group CEO and the Manager in charge of financial reporting, signed the certifications set forth in Art. 154-bis of the Consolidated Law on Finance.

The Board of Statutory Auditors examined the contents of 262 Report and, through meetings with the Manager in charge of financial reporting and the Independent Auditors, monitored the process of developing and distributing financial disclosures. In particular, the Additional Report (the **"Additional Report"**) drafted by PWC pursuant to Art. 11 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("**Regulation (EU) no. 537/2014**"), did not bring to light any significant gaps as such to negatively impact the opinion on the adequacy and effective application of the administrative-accounting procedures for the purpose of providing an accurate economic, equity and financial representation of operating events in compliance with the applicable accounting standards.

The Board also monitored, for matters within its competence, the observance of the legal provisions as regards the process of preparing the Financial Statements and the contents of the Management Report, which are believed to be exhaustive. Taking into account that - pursuant to Art. 14 of Legislative Decree 39 of 27 January 2010, as amended by Legislative Decree 135 of 17 July 2016 ("**Legislative Decree 39/2010**") - the Independent Auditors provide in their report, *inter alia*, a judgment of consistency of the Management Report with the Financial Statements and its compliance with legal standards, the Board of Statutory Auditors verified that there are no findings in this respect in the report issued by PWC.

Lastly, the Board gave its consent to the recognition - in Intangible Assets, under the Assets account of the Statement of Financial Position - of start-up and expansion costs and development costs with long-term benefit.

5.3 Consolidated Non-Financial Statement

The Board of Statutory Auditors points out that the Company is required to draft and publish a Consolidated Non-Financial Statement (the "**CNFS**") in compliance with the provisions contained in Legislative Decree 254 of 30 December 2016 ("**Legislative Decree 254/2016**") and in the relevant implementing Regulation issued by CONSOB by means of Resolution no. 20267 of 18 January 2018. Pursuant to Art. 4 of Legislative Decree 254/2016, this statement provides the non-financial information relating to the Company and its subsidiaries "*to the extent necessary to ensure understanding of the Group's activities, performance, results and the impact it generates*".

The Board of Statutory Auditors acknowledged that the Company decided to include the Consolidated Non-Financial Statement in the Annual Integrated Report of the Group, reporting within the aforementioned document information pertaining to environmental and social matters as well as topics relating to personnel, respect for human rights and the fight against corruption, and monitored, for matters within its competence, also through meetings with the Manager in charge of financial reporting and the Independent Auditors, the adequacy of the process of developing reporting on the issue and on compliance with the laws on the matter. The control body also carried out suitable further studies on this matter, in agreement with the Sustainability Manager.

The Board also acknowledged that the Independent Auditors issued the compliance report required by Art. 3, paragraph 10 of Legislative Decree 254/2016 on 7 April 2020. In said report, PWC certified that, based on the work performed, no elements came to its attention that lead it to believe that the Consolidated Non-Financial Statement has not been drafted, as regards all its significant aspects, in compliance with the requirements of Articles 3 and 4 of Legislative Decree 254/2016 and the reporting standard used by the Group to prepare the CNFS.

The Board of Statutory Auditors notes that, as part of the controls performed and cited above, no elements came to its attention regarding non-compliance of the CNFS with the regulatory provisions that govern its preparation and publication.

6. Additional activities carried out by the Board of Statutory Auditors

Taking into account that the Company complies with the Corporate Governance Code, the Board of Statutory Auditors evaluated, for matters within its competence, the contents of the Governance Report, and has no observations to make in this regard. Referencing what is laid out pursuant to Art. 123-bis of the Consolidated Law on Finance in relation to the judgment of consistency that the Independent Auditors must express with regard to certain information included in the above-mentioned Governance Report, the Board of Statutory Auditors highlights that the Audit Report to the Financial Statements for the year ended 31 December 2019 ("**Audit Report**"), issued by PWC, has no findings in this regard.

The Board of Statutory Auditors also acknowledged that the Board of Directors evaluated its functioning, size and composition, also in relation to the internal board committees established, relying on the support of a major consulting firm.

The control body also acknowledges that the Board of Directors adopted, pursuant to Art. 123-bis of the Consolidated Law on Finance and the recommendations contained in the Corporate Governance Code in this regard, the "Diversity policy with regards to the composition of the Board of Directors and the Board of Statutory Auditors of Unipol S.p.A".

The Board of Statutory Auditors also checked the proper application of the criteria and procedures carried out by the Board of Directors to assess the independence of non-executive directors, in compliance with the provisions established in the Corporate Governance Code, and in accordance with Art. 147-ter, paragraph 4 of the Consolidated Law on Finance.

The Board checked that the independence requirements of the members of the Board of Statutory Auditors itself were met, pursuant to the provisions of Art. 8 of the Corporate Governance Code, acknowledging the checks carried out by the Board of Directors pursuant to Art. 144-novies of the Issuer's Regulation adopted by CONSOB by means of resolution no. 11971 of 14 May 1999 (the "**Issuer's Regulation**") in relation to the fulfilment of the independence requirements laid out in Art. 148, paragraph 3, of the Consolidated Law on Finance by the members of the Board of Statutory Auditors. In particular, with regard to the Statutory Auditor Roberto Chiusoli who, having held office as Unipol Statutory Auditor for more than nine out of the last twelve years, the Board of Statutory Auditors was asked to make all assessments relating to his satisfaction of the independence requirements. The Board of Statutory Auditors stated that he satisfied the independence requirements pursuant to the Code, considering in this case the provision of criterion 3.C.1 of the Code to be immaterial in the part which envisages - among the situations for which a Director does not normally appear to be independent - having held office with the same issuer for more than nine out of the last twelve years, in the absence of other circumstances that could jeopardise or influence the Statutory Auditor's capacity to assess and judge independently, without prejudice to the fact that Mr. Chiusoli has no material relations or relations of a commercial, financial, asset-based or professional nature with Unipol or with other Unipol Group companies.

The Board also verified, by taking part in the meetings of the Remuneration Committee, the company processes that led to the definition of the remuneration policies adopted, without making any observations in relation to their consistency with the recommendations of the Corporate Governance Code and compliance with the industry regulatory provisions in force.

In addition to the above, the Board of Statutory Auditors, also through participation in the meetings of the Control and Risk Committee, conducted additional specific checks regarding the consistency with the legal and regulatory provisions in force for the Company and Group business sectors.

7. Organisation and management model pursuant to Legislative Decree no. 231/2001

The Board of Statutory Auditors viewed and examined the evaluations conducted by the Supervisory Board with respect to any update of the Organisational, Management and Control Model prepared pursuant to Legislative Decree 231/2001, Art. 6, paragraph 1, letter a), taking into account the entry into the scope of the above-mentioned decree of new types of offence or changes therein.

The Board of Statutory Auditors also acquired the required information on the organisational and procedural activities carried out in compliance with the aforementioned Decree, by meeting with the Supervisory Board in relation to the audit and control activities respectively performed. No facts and/or circumstances worth noting emerged from the disclosure provided by the Supervisory Board, including through its Annual Report.

8. Audit of the accounts

Pursuant to Art. 19 of Legislative Decree 39/2010, the Board of Statutory Auditors, as the Internal Control and Auditing Committee, is tasked with:

- informing the administrative body of the entity subject to audit of the outcome of the audit and sending to said body the Additional Report pursuant to Art. 11 of Regulation (EU) no. 537/2014, accompanied by any observations;
- monitoring the process of financial reporting and submitting recommendations or proposals aimed at ensuring its integrity;
- monitoring the effectiveness of the company internal quality control and risk management systems and, if applicable, of the internal audit, with regard to the financial reporting of the entity subject to audit, without breaching its independence;
- monitoring the audit of the financial statements and of the consolidated financial statements, also taking into account any results and conclusions of the quality controls performed by CONSOB pursuant to Art. 26, paragraph 6, of Regulation (EU) no. 537/2014, where available;
- verifying and monitoring the independence of the auditors or the independent audit firm pursuant to articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010 and Art. 6 of Regulation (EU) no. 537/2014, in particular as regards the adequacy of the provision of non-audit services, in compliance with Art. 5 of said Regulation.

In addition, pursuant to Art. 16, Regulation (EU) 537/2014, the control body is required to adopt the role of manager of the procedure to select the independent auditor and, consequently, express a recommendation on the auditing firm to be appointed. The Board of Statutory Auditors therefore took part in the preparation of the procedure for the assignment of the Group audit engagement, drawn up in accordance with Regulation (EU) no. 537/2014 and Legislative Decree 39/2010 (the "**Procedure**"), which aims to govern the process for the assignment of the legally-required or voluntary audit engagement (the "**Engagement**") by Unipol and its subsidiaries falling within the scope of application of said procedure. The aforementioned procedure was approved by the Unipol Board of Directors, based on the prior issue of a favourable opinion by the Board of Statutory Auditors.

Taking into account that, as envisaged in the aforementioned Procedure, the Engagement is assigned on the basis of a selection procedure conducted based on agreement between Unipol and UnipolSai, in its role as the main Group subsidiary and listed company, whose results are presented to the competent company bodies of the other companies within the scope of the Group for the purposes of the decisions within their respective competence, the Board of Statutory Auditors, as the Internal Control and Auditing Committee, also carried out the activities within its competence in the selection procedure for the main independent auditor of the Group to be engaged for the years 2021 to 2029. Thereafter, in compliance with the applicable legislation and according to the objectives of the same, as well as in compliance with the specific procedure adopted by the Company, it prepared its justified recommendation for the assignment of said Engagement (the "**Recommendation**").

In particular, and in compliance with the provisions of Art. 16, Regulation (EU) 537/2014, in the Recommendation the Board of Statutory Auditors indicated two appointment alternatives and expressed its duly justified preference for one of the two candidates. In the Recommendation, the Board of Statutory Auditors fully illustrated the steps of the selection process, the criteria applied and the outcomes of assessments made by the Company, agreed by the Board of Statutory Auditors. The Recommendation was then made available to Unipol Shareholders in view of the Shareholders' Meeting to approve the financial statements at 31 December 2018, also called upon to decide the appointment of the audit Engagement.

The selection procedure for the Group's main auditor for the period 2021-2029 therefore concluded with the decision of the Company's Shareholders' Meeting, held on 18 April 2019, subject to prior examination of the proposal of the Board of Directors and the Recommendation of the Board of Statutory Auditors, to assign the audit of accounts for 2021-2029 to EY S.p.A.

In addition, the Board of Statutory Auditors held periodic meetings with representatives of PWC, the independent auditors, pursuant to Art. 150, paragraph 3 of the Consolidated Law on Finance and - in relation to the Financial Statements for the year ended 31 December 2019 - no significant data or information worth reporting came to light.

The Board of Statutory Auditors was also informed by the independent auditors on the regular updating of the company accounts and the proper recognition of operating events in the accounting entries.
The Audit Report, prepared in accordance with the instructions pursuant to Art. 10 of Regulation (EU) no. 537/2014, as well as Art. 14 of Legislative Decree 39/2010, contains no remarks or information requests. In addition, it does not bring to light any significant errors with reference to the Management Report, or significant uncertainties relating to facts and circumstances that could give rise to significant doubts as to the Company's capacity to continue to operate on a going concern basis.

The Board also examined, as the Internal Control and Auditing Committee, the Additional Report, which brings to light no information worth reporting.

The Board also evaluated, along with the Independent Auditors, the proper use of the accounting standards and the uniformity of their use for the purpose of preparing the consolidated financial statements.

Taking into account that - pursuant to Art. 14 of Legislative Decree 39/2010 and Art. 41 of Legislative Decree 127 of 9 April 1991 - the Independent Auditors provide an opinion on coherence between the Management Report and the Consolidated Financial Statements, as well as its compliance with legal standards, the Board of Statutory Auditors - in performing its monitoring activities - exchanged information with the independent auditors regarding the outcomes of the work performed in relation to the Consolidated Financial Statements; it did not register any anomalies worthy of mention in this Report.

The Audit Report issued by PWC on the Consolidated Financial Statements for the year ended 31 December 2019 does not contain any remarks or information requests. In addition, it does not bring to light any significant errors with reference to the Management Report, or significant uncertainties relating to facts and circumstances that could give rise to significant doubts as to the Company's capacity to continue to operate on a going concern basis.

Based on the provision contained in Art. 19, paragraph 1 of Legislative Decree 39/2010, the Board verified and monitored the independence of the company charged with the audit of the accounts. In particular, the Board of Statutory Auditors examined and approved the additional engagement assigned in the course of 2019 to PricewaterhouseCoopers S.p.A., relating to sign-off of the VAT Return for the year ending 31 December 2018 for VAT receivable offsetting purposes, the consideration for which is reported in the Notes to the Financial Statements, to which reference is made.

From an examination of the annual declaration confirming its independence, provided by PWC, as well as detailed analyses conducted with the collaboration of the competent corporate structures and the independent auditors, taking into account the nature of the engagements assigned to the latter and/or the companies in its network, no evidence or situations emerged such so as to lead one to believe that there are any risks for the independence of the company responsible for auditing the accounts or grounds for incompatibility pursuant to applicable regulations.

9. Opinions issued by the Board of Statutory Auditors during the year

During the year, the Board of Statutory Auditors issued the opinions, observations and/or certifications required by law and/or by regulations in force and the internal procedures.

10. Complaints, reports in accordance with Art. 2408 of the Civil Code. Any omissions, censurable events or irregularities identified

In 2019, the Board of Statutory Auditors received no complaints in accordance with Art. 2408 of the Civil Code or reports from third parties.
During the course of the supervisory activity performed by the Board of Statutory Auditors and based on the information obtained from the Independent Auditors, no omissions and/or censurable events and/or irregularities were recorded or, in any case, any significant events occurred that needed to be mentioned in this Report.

11. Obligation to draft the Consolidated Financial Statements and report of the control body

The Board of Statutory Auditors - highlighting that Unipol, an issuer of financial instruments listed on regulated markets, and the Parent of the Unipol Insurance Group, draws up, pursuant to Art. 154-ter of the Consolidated Law on Finance and IVASS Regulation no. 7 of 13 July 2007 ("**IVASS Regulation 7/2007**"), as amended, the Consolidated Financial Statements - reports that it verified fulfilment of the obligation to draft the Consolidated Financial Statements by the Board of Directors on 19 March 2020.
The Consolidated Financial Statements - composed 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, as well as the annexes to the notes to the financial statements - 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 EC Regulation 1606/2002 in force on the closing date of the financial statements.
The layout conforms to the provisions of Part III, IVASS Regulation no. 7/2007 relating to the layout of the Consolidated Financial Statements of insurance and reinsurance companies required to 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.
With regard to the consolidation scope, the Unipol Group's Consolidated Financial Statements at 31 December 2019 have been drawn up by combining the figures of the Parent Unipol and those for the 57 direct and indirect subsidiaries (pursuant to the international accounting standard IFRS 10). Subsidiaries deemed to be too small to be of relevance are excluded from the line-by-line consolidation. The Consolidated Financial Statements report changes in the consolidation scope during the year.

12. Conclusions and indications of any proposals to be presented to the shareholders' meeting

Based on the information acquired through its monitoring activities conducted during the year, the Board of Statutory Auditors did not become aware of operations not based on compliance with the principles of proper administration, decided and implemented in conflict with the law and/or the by-laws, that did not fulfil the interests of the Company, conflicted with the resolutions passed by the Shareholders' Meeting, manifestly imprudent or hazardous, lacking the necessary information in the case of interests of Directors or which could compromise the integrity of the company capital.

Taking account of the information set out above, the Board of Statutory Auditors, having acknowledged the content of the Audit Reports and the certifications issued by the Chief Executive Officer and Group CEO and the Manager in charge of financial reporting, does not note any reasons preventing, for matters within its competence, approval of the financial statements for the year ended 31 December 2019, as presented by the Board of Directors, and has no observations to make regarding the proposed allocation of profit and the distribution of the dividend put forward by the same Board of Directors.

With reference to the allocation of the profit for the year, taking into account that the Board of Directors of Unipol Group, on 19 March 2019, had resolved to submit to the Shareholders' Meeting convened for 30 April 2020 the distribution of a dividend for F.Y. 2019 equal to Euro 0.28 per share:

i) Considering the content of the IVASS communication regarding the closure of the FY 2019 accounts where, in view of the emergency situation linked to the Covid-19 epidemic, it asked all Italian insurance companies and groups to use "...*extreme prudence in the distribution of dividends or other assets, and in the payment of the variable remuneration component to company representatives*", specifying that compliance with said instructions would be strictly monitored by IVASS, "*who, in accordance with how the situation develops, reserves the right to take any action to protect the solidity of the insurance system and protect insured parties and those with the right to insurance protection*" .
ii) acknowledged that the Board of Directors of the Company, on 2 April 2019, while noting that all the prerequisites, including the financial strength ratios, to proceed with the distribution of the Dividend for F.Y. 2019 (equal to €0.28 per share) continue to be met, decided to strictly abide by the requests made by IVASS, therefore removing the proposal to distribute said dividend from the agenda of the Shareholders' Meeting called for 30 April 2020 and consequently, proposing to the Shareholders' Meeting that it be allocated to the profit reserve for FY 2019.

The Board of Statutory Auditors does not deem necessary to comment this latest proposal approved by the administrative body.

Bologna, 7 April 2020

On behalf of the Board of Statutory Auditors

Chairman Mario Civetta

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INDEPENDENT AUDITORS' REPORTS

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Independent auditor's report
in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n 537/2014

To the Shareholders of
Unipol Gruppo SpA

Report on the Audit of the Financial Statements as of 31 December 2019

Opinion

We have audited the financial statements of Unipol Gruppo SpA (the "Company"), which comprise the balance sheet as of 31 December 2019, the income statement, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

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 Financial Statements* section of this report. We are independent of 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

There are no key audit matters to communicate in this auditor's report.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, management uses the going concern basis of accounting unless management either intends to liquidate the Company 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 Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 28 April 2011, the Shareholders of Unipol Gruppo SpA in general meeting engaged us to perform the statutory audit of the Company and the consolidated financial statements audit for the years ending 31 December 2012 to 31 December 2020.

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 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.

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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 Unipol Gruppo SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Unipol Gruppo SpA as of 31 December 2019, including their consistency with the relevant 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 financial statements of Unipol Gruppo SpA as of 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 financial statements of Unipol Gruppo SpA as of 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.

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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