



Vittoria Assicurazioni

SOCIETÀ PER AZIONI
REGISTERED OFFICES: VIA IGNAZIO GARDELLA, 2 - 20149 MILAN - ITALY
SHARE CAPITAL: EURO 67,378,924 FULLY PAID-UP
FISCAL CODE AND MILAN COMPANIES REGISTER
NO. 01329510158 - REA NO. 54871
COMPANY REGISTERED TO REGISTER OF INSURANCE AND REINSURANCE COMPANIES –
SECTION I NO.1.00014
COMPANY BEING PART OF VITTORIA ASSICURAZIONI GROUP REGISTERED TO REGISTER OF
INSURANCE GROUPS NO.008
SUBJECT TO THE DIRECTION AND COORDINATION EXERCISED BY THE PARENT COMPANY
YAFA S.P.A.

99th year of business

Consolidated
financial report
as at 31 December 2020

Board of Directors' meeting
of 24 February 2021

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Board of Directors

Carlo ACUTIS	Chairman Emeritus
Andrea ACUTIS	Chairman
Adriana ACUTIS	Deputy Chairman
Cesare CALDARELLI	Managing Director
Massimo ANTONARELLI	Independent Director
Luciano GOBBI	Independent Director
Giorgio MARSIAJ	Independent Director
Maria Antonella MASSARI	Independent Director
Urs MINDER	Independent Director
Marzia MORENA	Independent Director
Luca PAVERI FONTANA	Non-executive Director
Giuseppe SPADAFORA	Non-executive Director
David MONTI	Secretary

Board of Statutory Auditors

Giuseppe CERATI	Chairman
Giovanni MARITANO	Standing statutory auditor
Francesca SANGIANI	Standing statutory auditor
Luca LAURINI	Substitute statutory auditor
Antonio SALVI	Substitute statutory auditor

GENERAL MANAGEMENT

Matteo CAMPANER	Joint General Manager
Luca ARENSI	Deputy General Manager
Paolo NOVATI	Deputy General Manager

INDEPENDENT AUDITOR

Deloitte & Touche S.p.A.

**APPOINTMENTS AND REMUNERATION
COMMITTEE**

Maria Antonella MASSARI	Independent non-executive chairman
Luciano GOBBI Luca PAVERI FONTANA	Independent non-executive member Non-executive member

INTERNAL CONTROL COMMITTEE

Massimo ANTONARELLI	Independent non-executive chairman
Luciano GOBBI Maria Antonella MASSARI	Independent non-executive member Independent non-executive member

FINANCE COMMITTEE

Andrea ACUTIS	Non-executive chairman
Adriana ACUTIS Carlo ACUTIS Cesare CALDARELLI Luciano GOBBI Luca PAVERI FONTANA Giuseppe SPADAFORA	Non-executive member Non-executive member Executive member Independent non-executive member Non-executive member Non-executive member

REAL ESTATE COMMITTEE

Andrea ACUTIS	Non-executive chairman
Adriana ACUTIS Carlo ACUTIS Cesare CALDARELLI Marzia MORENA Luca PAVERI FONTANA Giuseppe SPADAFORA	Non-executive member Non-executive member Executive member Independent non-executive member Non-executive member Non-executive member

RELATED-PARTY COMMITTEE

Maria Antonella MASSARI	Independent non-executive chairman
Luciano GOBBI	Independent non-executive member

STRATEGY COMMITTEE

Andrea ACUTIS	Non-executive chairman
Carlo ACUTIS Adriana ACUTIS Cesare CALDARELLI Luciano GOBBI Luca PAVERI FONTANA Giuseppe SPADAFORA	Non-executive member Non-executive member Executive member Independent non-executive member Non-executive member Non-executive member

Note on Vittoria Assicurazioni Group

Vittoria Assicurazioni is part of the Vittoria Assicurazioni Group, registered in the Register of Insurance Groups envisaged in Article 85 of the Italian Code of Private Insurance Companies (with registration number 008) and it is subject to the management and coordination of the Parent Company Yafa S.p.A..

Yafa SpA, controls Vittoria Assicurazioni through the investment chain established by Yafa Holding S.p.A..

The areas under management and coordination of the Parent Company Yafa S.p.A. are set out in the Group Regulations, which governs the obligations of subsidiaries with reference to the activities required by the Parent Company to carry out the tasks provided by the current group solvency rules, control of intragroup transactions and risk concentration management. The Regulation also aims to leave the Vittoria Assicurazioni's Board of Directors' duties and responsibilities unmistakable with regard to the strategic guidelines of their competence, particularly for business strategy decisions, in accordance with the subjects provided by the Parent Company.

The Regulation provides a differentiated management of the scope of application of intergroup coordination by delegating to Vittoria Assicurazioni the management and coordination of its subsidiaries and of all its supervisory and risk management bodies currently implemented as set out in Regulation 20, while to Yafa S.p.A., the direct direction and direct coordination of the other subsidiaries.

This Report refers to the consolidated data of Vittoria Assicurazioni S.p.A., whose scope of consolidation is illustrated in the paragraph "Note on general nature". Therefore, from now on in this report, the Group definition refers to Vittoria Assicurazioni S.p.A. and to companies consolidated by it.

Form and contents of report

As required by Article 3 of Italian Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements have been prepared in compliance with the international financial reporting standards (IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union (EC regulation no.1606/2002). IFRSs include all revised international accounting standards (IASs), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly called the Standing Interpretations Committee (SIC).

The present set of year-end financial statements is also presented in compliance with the formats defined by ISVAP Regulation no. 7 of 13 2007 July (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows, and accounting schedules), and includes additional detailed tables as necessary to complete disclosure as required by IFRSs or useful for better understanding of the year-end financial statements.

The accounting schedules required by the IVASS in terms of minimum disclosure content are shown in the specific chapter "Appendices to Consolidated Financial Statements," which is an integral part of the present set of year-end financial statements.

The disclosures presented take into account the specific items contained in Italian Legislative Decree no. 209 of 7 September 2005 (Private Insurance Code), as modified and integrated by Italian Legislative Decree no. 74 of 12 May 2015.

All the technical insurance data, shown in the various statements of the Directors' report, refer to Vittoria Assicurazioni S.p.A., the Group's only insurance company.

Where it was deemed necessary, in the event of a change in accounting principles, evaluation or reclassification criteria, the comparative data is reworked and reclassified to provide homogeneous and consistent information.

The accounting and classification policies used to prepare year-end financial statements are detailed in the explanatory notes to accounts.

All amounts in this document are shown in thousand euro unless otherwise indicated.

Directors' report

Economic and insurance scenario

According to the latest World Economic Outlook published by the International Monetary Fund, global growth should reach 5.5% in 2021 and 4.2% in 2022. The latest global estimates for 2021 were revised upwards of 0.3% in comparison with those made during the third quarter in light of the progresses made regarding vaccinations at the end of the year and further tax and monetary expansive policies in some of the main world economies. Of the different economic indicators, private consumption recorded the most significant progress, whilst investments had more difficulty in activating their recovery (with the exemption of China). Balancing out the positive news was the increase in Covid-19 cases particularly in Europe in the last part of the year, with the subsequent return of lockdowns and the uncertainty surrounding future developments. There are still multiple uncertainties to consider from an economic and healthcare perspective in order to limit the effects of the economic shock in 2020.

With regard to the most advanced economies (EU, USA, UK and Japan), uneven growth in the GDP is expected and should have an overall value of 3.1% and 4.3% for 2021 and 2022, respectively.

The eurozone should go from a negative growth rate of 7.2% in 2020 to a growth rate equal to 4.2% in 2021 and 3.6% in 2022. With regard to the United States, in comparison with 2020 (-3.4%), a recovery of around 5.1% for 2021 and 2.5% for 2022 is expected. For the United Kingdom, the expectation is a recovery in economic growth which should represent 4.5% in 2021, reaching 5.0% in 2022. The Japanese economy should expand at a rhythm of 3.1% in 2021 and 2.4% in 2022. With regard to Italy, the expectation is an economic expansion equal to 3.0% in 2021 and 3.6% in 2022. Such a rhythm of estimated growth is the lowest in Europe. Unemployment is still high at around 10.4% according to estimates by the ECB, which will decrease gradually from 2022 onwards. Political uncertainty and doubts regarding the use of resources from the Recovery Fund are currently having an impact on Italy. The cost of debt for the country is still low despite 2020 having led to a further decline in the debt/GDP ratio (from 134.6% in 2019 to 157.5% in 2020).

The strength of economic recovery will be high variable amongst the different countries, depending on the access to healthcare services, exposure to the pandemic and the efficiency of the economic measures adopted. Economic recovery will therefore be particularly stimulated by the availability of the vaccine and the adaptation of behaviours by people and companies to the pandemic containment measures that have been in force for some time.

Potential disappointment due to the distribution of the vaccine (delays in administration or lower efficacy than expected) could lead to a downwards review of the economic growth expectations. In this case, a period of volatility would be likely, together with central banks and governments relaunching stimulus programmes. At this point, investors, replicating the 2020 approach, will start to seek out returns in risk activities as the only alternative within a context of low bond rates for an extended period.

On the other hand, a stronger economic growth than expected would be desirable and, in the earlier stages, positive for risk activities along with a combination of upwards government rates. At a certain point, however, the rise of long-dated rates would be perceived as a hindrance to economic recovery by creating a strong increase in volatility, as has been the case in the past. The subsequent fall in rates would act as an automatic stabiliser allowing financial markets to recover. Both scenarios, where there is disappointment or abundance, could equate to a source of volatility, but not to an extent that it would break the macro-financial cycle.

In the USA and Europe where the pandemic is still spreading, attention will initially be focused on the efficacy of the vaccines, whilst the risk of overheating the economy could potentially lay further ahead. In China, on the other hand, the real unexpected surprise would be a further rise in infections. More realistically here than anywhere else, the debate will begin on the opportunity of reducing the tax and monetary stimuli in order to avoid overheating the economy.

The major central banks should maintain their current interest rate structures until the end of 2022. With regard to the cost of raw materials, forecasts point to a potential increase in prices in 2021, with oil possibly growing by 20% in comparison with the 2020 levels, but which is still well below the 2019 levels. Other raw materials aside from oil could see a significant increase, particularly concerning metals.

In line with the economic recovery, a growth equal to 8% for 2021 and 6% for 2022 is also expected for commercial trading. Due to the global presence of a negative output gap (the difference between the actual gross domestic product and potential) and in line with this, it is expected that the level of inflation will stay low, reaching around 1.5% in the advanced economies. In emerging countries, the rate of inflation should be lower than 4%, under the corresponding historical average.

The trend from the ECB should still be expansionary in 2021, even if for now further measures in that sense seem to be left out. Many analysts expect an increase in “pandemic” purchases of around 400-500 billion, in addition to the 1,350 billion determined up until now, and this should be extended until the end of December 2021.

With regard to the performance of the financial markets after the March correction, the main equity indexes closed 2020 with big progress, especially in the local currency. Particularly, the US Technology Index (+43.5%), S&P Index (+15.5%) as well as Dow Jones (+6.5%), Nikkei (+16.1%) and CSI 300 (+27.2%) showed optimum results, whilst the EuroStoxx 50 Index limited its losses closing at -5.14%. With regard to the Italian market, the FTSE Mib closed 2020 with a 5.2% reduction in capitalisation, contrary to the market trend for the Star segment, which grew by 13.7%.

During 2020, government rates recorded a general reduction in Europe, favoured by both acquisitions from the Central Bank which were extended until at least June 2022, and by the announcement of new monetary policy measures mainly in favour of credit institutions with new TLTROs scheduled for 2021. The Italian curve recorded the biggest drop in returns on average equal to 60 bps on due dates of up to 10 years and 100 bps on longer ones.

Even the performance of European corporate equities recorded a significant decrease both on short/mid-term maturities (around 50 bps) and in the long term (100/150 bps). Performance is now negative until the 5-year maturity.

The dollar saw a significant drop against the euro (-8% annual). The consensus data does not show a recovery of the currency in the next few months, but rather a decrease in value of around 1.25. The price of oil experienced a slight recovery at the end of the year with WTI at 47.93 and Brent at 51.1. Gold increased by around 1890 dollars, with the ounce being far from maximum its maximum values (2060.6 as of 8 June 2020) but is still quite high.

With regard to the Italian insurance market, it should be noted that the premiums (based on Italian accounting principles) as at 30 September 2020 (Ania Trends statistics) show a decrease in Life insurance business of 7.0% compared to the same period of the previous year and a decrease in Non-Life insurance business of 2.7% (5.6% in third-party motor vehicle insurance).

The comparison with Vittoria Assicurazioni data is as follows:

Line of business	Change	
	Market 30/09/20 - 30/09/19	Vittoria Assicurazioni 31/12/20 - 31/12/19
Life business (*)	-7.0%	-10.9%
Non-Life business	-2.7%	-0.04%
Of which: Motor TPL	-5.6%	-1.8%

(*) The data referring to Life insurance include the collection of premiums from Unit Linked contracts and those relating to the Open Pension Fund (Classes III and VI), not considered as premiums by the international accounting standards.

REAL ESTATE SECTOR

2020 recorded a decrease in investments on the Italian Real Estate market equal to 8.8 billion euro (12 billion euro in 2019), which was impacted by the drop in investments from pan-European investors due to their reduced activity beyond their domestic confinements and the climate of uncertainty caused by the Covid-19 pandemic.

Particularly, the Italy Real Estate Market Outlook by CBRE, reveals that 2020 was a record year for logistics (investment volume equal to 1.4 billion euro which is 3% higher than 2019), encouraged by the growth of e-commerce, which during the course of the pandemic has highlighted the lack of available spaces and the subsequent increase in lease fees. During 2021, it is expected that there will be even greater interest from foreign and domestic investors to develop more customisable and automated warehouses, as requested by those working in the sector.

In 2020, similarly to what was recorded in 2019, the highest concentration of interest from investors tended to be directed towards office spaces, with investments of around 3.7 billion euro, albeit to a slightly lesser extent (-26%) than in the previous year, these investments almost exclusively concerned the markets in Milan and Rome.

The prime lease fees were confirmed at the end of 2020 as €600/sqm/year in Milan in central areas, and in Rome they reached around €450/sqm/year in the city centre and €350/sqm/year in the EUR area. In 2021, demand from companies will be mainly focussed upon property with flexible spaces, not only in terms of rental availability, but also in the design of internal layouts, increasing collaborative areas to the detriment of individual ones, and increasing their technological component.

The European residential market is still attracting a lot of attention, dragging the Italian market along with it (investments for 0.6 billion euro), where, however, the lack of product tends to push investments towards new developments, particularly inside big urban re-qualification areas.

The Covid-19 pandemic has had a significant impact on the reduction in volume of sales in comparison with the previous year, especially during the first lockdown, but then experienced a recovery in the third quarter of the year.

In view of the research published by Italian National Statistics Institute (ISTAT), the prices of dwellings in Italy in the first three quarters of 2020 in comparison with the same period in 2019 increased on average by 2.0%; 2.2% for new dwellings and 2% for pre-existing dwellings, which account for more than 80% of the aggregated index.

The rental market was not immune to the effects of the pandemic either. Particularly, a contraction in the demand for short-term lets was recorded, especially in the tourism sector and the ever-more widespread popularity of working from home has contributed to more properties being released onto the market with the subsequent slowdown in the growth of rental fees. In 2021 it is also expected that the new working methods will drive the demand towards properties with heightened living comforts and multi-functional co-working spaces such as relaxation areas and spaces for the children to promote integration and the balance between work and family.

With regard to the performance of the retail sector, transactions were recorded in 2020 for 1.4 billion euro (-26% compared to 2019), which was almost exclusively sustained by investments in large-scale retail, particularly in supermarket chains which were resilient to the effects of the pandemic; this is a trend that is expected to stay the same until the healthcare crisis comes to an end.

There were also negative performances in 2020 for hotels with 1 billion euro in investments (a drop of 70% on the previous year); this is a sector that was severely hit by the pandemic, not only due to the contraction in demand in the tourism sector, but also due to the drastic reduction in business travel which was replaced by the spread of new smart working methods. In 2021 it is also expected that both investors and lending banks will welcome high-risk investments in the sector, thus determining a reduction in prices.

Strategic objectives

Vittoria Assicurazioni operates in all the insurance sectors and bases its activity on a long experience in the insurance field, gained from 1921 to today, for the protection of people, family and companies.

The main objective is to comply with the contractual commitments towards the Insured in a timely fashion and in the correct manner, obtaining an adequate profit margin.

This objective is supported by the achievement of technical profitability, by a policy focused on the consolidation of the acquired portfolio, by the loyalty of existing customers, but also by the increase in market share in the Non-Life Classes and by the acquisition of new production in the Life Class.

In carrying out its activities, the Company pays attention to the management of its risk profile mainly through:

- accurate risk pricing, achieved through segmentation of the portfolio into customer clusters, geographical area and belonging to specific interest groups,
- support to the sales network (which is the first filter in portfolio selection) through continuous training, constant technological support and a company interface characterised by strong technicality and decision-making streamlining,
- a stable and technically prepared management that guarantees guidelines consistent over time both in terms of underwriting and settlement,
- a low-risk investment policy (mainly to support the technical business) driven by the profile of insurance liabilities, without neglecting the search for adequate returns through portfolio diversification, also with investment property focusing on corporate sector, quality property and economically profitable areas,
- the protection of the Company's financial solidity and a balanced trade-off between profitability and solvency requirements in the long run,
- a structured and effective governance.

Summary of key performance indicators of the Group

€/million

SPECIFIC SEGMENT RESULTS			
	31/12/2020	31/12/2019	Δ
Non Life business			
Gross Premiums written - direct Non Life business	1,221.3	1,220.9	0.04%
Non Life business pre-tax result	140.9	102.7	37.2%
(1) Loss Ratio - retained	58.0%	65.1%	(7.1)
(2) Combined Ratio - retained	84.3%	89.7%	(5.4)
(3) Expense Ratio - retained	26.3%	24.4%	1.7
Life business			
Gross Premiums written - direct Life business	194.1	229.3	(15.4)%
Life business pre-tax result	21.0	12	75.5%
(4) Annual Premium Equivalent (APE)	29.5	34.9	(15.5)%
Segregated funds portfolios	1,477.3	1,383.1	6.8%
Index/Unit - linked and Pension funds portfolios	114.6	92.1	24.4%
Segregated fund performance: Rendimento Mensile	2.92%	2.98%	(0.06)
Segregated fund performance: Obiettivo Crescita	3.11%	3.02%	0.09
Segregated fund performance: Valore Crescente	4.03%	4.07%	(0.04)
Total Agencies	472	471	1
Real Estate business			
Sales	34.6	57.1	(39.4)%
Trading and development margin	3.5	(0.9)	n.s.
Operating result	0.4	4.7	n.s.
Non-operating items	(2.0)	(8.0)	(74.7)%
Business net result	(1.6)	(3.4)	(52.9)%
CONSOLIDATED RESULTS			
	31/12/2020	31/12/2019	Δ
Total investments	4,529.0	4,143.3	9.3%
Net gains on investments	51.1	44.6	14.7%
Pre-tax result	158.1	111.6	41.6%
Consolidated profit (loss)	107.6	79.2	35.9%
Consolidated ROE	17.2%	0.1	120.0%
Group profit (loss)	110.9	79.2	40.0%
Equity attributable to the shareholders of the parent	765.7	659.6	16.1%
Equity attributable to the shareholders of the parent net of unrealised capital gains	694.7	598.2	16.1%
Average of employees	551	553	(2)

Legend

- 1) Loss Ratio – retained business: is the ratio of current year claims to current year earned premiums;
- 2) Combined Ratio – retained business: is the ratio of (current year claims + operating costs + intangible assets amortization + technical charges) to current year earned premiums;
- 3) Expense Ratio – retained business: is the ratio of (operating costs + intangible assets amortization + net technical charges) to current year gross premiums written;
- 4) APE: Annual Premium Equivalent, is a measure of the new business volume which includes 100% of sales of regular recurring premium business and 10% of sales of single premium business.

Technical data are determined in accordance with Italian accounting principles.

Group Performance

The 2020 financial year closed with a Group net profit equal to 110,883 million euro, up by 40.0% on FY2019 (79,201 million euro).

2020 was characterised by the Covid-19 pandemic, a disaster on a huge scale, which the Group immediately reacted to with a series of measures for its personnel, customers and agent network, continuing to pay close attention to the handling of the emergency still under way.

In relation to the **company personnel**, the smart working method was quickly put in place in order to ensure continuity within the core processes without having an impact on company productivity regarding the collection of premiums. Subsequent to the lockdown period, all the necessary facilities were put in place to ensure employees were able to progressively return to work at the company offices in complete safety.

For **all the insurance customers**, the possibility of gaining free access was granted in order to streamline premium payments using monthly instalments without the application of any interest, the suspension of all judicial actions for recovering premiums, deductibles and actions for compensation, proceeding to pay the premium online via the Private Area/App. For the **car customers**, the possibility was given to suspend and reactivate their third party car insurance policy for free with an increase to the permitted delay payment period for the payment of the premium of 15 days.

For the **real estate sector customers**, extended terms were granted regarding the payment of rental fees.

For the **distribution network**, support actions were put in place to face the difficulties arising from the pandemic, in terms of security devices and one-off financial aid for both the primary and secondary network in order to ensure service continuity for customers.

Besides suspending the takings from the compensation payments and the non-insurance items from March 2020 and the whole 2020, in March 2020, an immediate 90% anticipation of the liquidation of the matured incentives was provided for, in addition to the concession of further one-off support provisions, particularly (but not exclusively) for the production of property insurance.

The Group sustained around 7 million euro in charges for such initiatives during the 2020 financial year.

All the aforementioned actions have emphasised Vittoria Assicurazioni's ability to react, in that it has been able to face the crisis in no time whatsoever, providing immediate support to all its business areas. This ability has allowed it to record a substantially unchanged volume of damage insurance premiums in comparison with the previous financial year (1,221,405 million euro, against 1,220,946 million euro as of 31 December 2019), together with a premium claims ratio and a combined ratio (Italian account principles) of retained business equal to 58.0% and 84.3% respectively (65.1% and 89.7% in the previous financial year).

Life insurance has also contributed to the optimum year-end result, showing an improved underwriting result on the previous year. Furthermore, the overall result for life insurance benefits from a sale on Italian state bonds which has determined a realised income of 11,900 million euro overall. The life insurance premiums showed a 15.4% decrease in comparison with 2019, where single premium contracts were taken out for large amounts.

The real estate industry recorded operating earnings equal to 403 million euro (4,677 million euro as of 31 December 2019), which is lower than the previous year due to the contraction in sales volumes owing to the progressive exhaustion of properties intended for sale.

The result takes into account margins on finalised sales for 3,487 million euro, revenue from rentals for 5,308 million euro and operating costs and financial fees equal to 8,392 euros (respectively 8,357 million euro, 4,626 million euro and 8,306 million euro as of 31 December 2019). Also taking into

account the non-operative entries, the result is equal to a loss of 1,630 million euro (a loss of 3,361 million euro as of 31 December 2019).

These results are accompanied by solvency indicators that confirm the Group's solidity, which was quick to follow-up the requests from the IVASS concerning further information regarding its solvency. The constant asset strengthening in recent years and the continuous investments in technological solutions allow us to confirm that there are no elements that question **business continuity**, the logic of which this report is based on. The Group is solid, solvent, present and alert to what is happening in our country and invests as much as possible to safeguard and support its collaborators, distribution network and customers.

The result of the Group's income statement as of 31 December 2020 is equal to 120,403 million euro, which is less than the 124,880 million euro recorded as of 31 December 2019. The main contributors to the income statement are the variations in unrealised capital gains arising mainly from the equities belonging to the bond portfolio and the investments in units of UCIs.

Overall investments recorded a 9.3% increase compared with the situation as of 31 December 2019, reaching 4,528,995 million euro, with 114,614 million euro (24.4%) relating to investments with risk borne by the insured parties and 4,414,381 million euro (9.0%) relating to investments with risk borne by the Group.

The Group's net equity is equal to 765,743 million euro, up by 16.1% on the 659,638 million euro net equity as of 31 December 2019.

The following table shows the contributions of the Group's various businesses to net profit.

Reclassified Profit and Loss by business segment		(€/000)	
	31/12/20	31/12/19	Δ
Non life business - Gross Result (excluding investments result)	148,156	108,888	+36.1%
Non life business - Gross Investments Result	(7,254)	(6,165)	+17.7%
Life business - Gross Result	20,999	11,964	+75.5%
Gross Insurance business Result	161,901	114,687	+41.2%
Elimination from consolidation	2,891	6,381	-54.7%
Insurance business: taxes	(52,013)	(38,488)	+35.1%
Insurance business net contribution to Profit attributable to parent company shareholders	112,779	82,580	+36.6%
Gains on property trading	3,487	8,357	-58.3%
Real estate service revenues	5,308	4,626	+14.7%
Real estate business net costs	(8,392)	(8,306)	+1.0%
Operation Result Real estate business	403	4,677	-91.4%
Depreciation and other extraordinary items	(3,495)	(11,442)	n.s.
Taxes and minority interests	1,462	3,404	-57.1%
Real estate business net contribution to Profit attributable to parent company shareholders	(1,630)	(3,361)	-51.5%
Service business net contribution to Profit attributable to parent company shareholders	(266)	(18)	n.s.
Net Profit attributable to parent company shareholders	110,883	79,201	+40.0%
Other Comprehensive Income (Loss) net of tax	9,520	45,679	-79.2%
Comprehensive Income attributable to parent company shareholders	120,403	124,880	-3.6%

As at 31 December 2020 Vittoria Assicurazioni registered net profit – based on Italian GAAPs – of 108,624 thousand euro (74,370 thousand euro as at 31 December 2019).

Reconciliation between the data in the unconsolidated and consolidated statements is illustrated in note 15 of this report.

The companies that make up the Group are listed in the chapter “Explanatory notes” – Consolidation scope.

Insurance business

Profit for the insurance business, before taxes and intersegment eliminations, amounted to 161,901 thousand euro (+41,2% according to 114,687 thousand euro as at 31 December 2019). The key operating items contributing to the period's result are described below.

Total insurance premiums in 2020 amounted to 1,443,891 thousand euro (-1,8% according to 1,470,710 thousand euro in 2019), of which 1,415,498 thousand euro for insurance premiums written and 28,393 thousand euro for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Direct Life insurance premiums amounted to 194,039 thousand euro featuring a decrease of 15,4% vs. premiums in 2019.

Direct Non-Life premiums changed as follows compared to the previous year:

- Motor premiums: -0.7%;
- Non-marine premiums: +1.7%;
- Specialty categories [i.e. marine & transport, aviation, credit & suretyship] premiums: +13.2%.

Overhead costs as a percentage of total direct insurance premiums is equal to 8.5%, increasing compared to the last year.

Non-Life business combined ratio and loss ratio retained at 31 December 2020, amounted respectively to 84.3% and 58.0% (Italian GAAP). The corresponding ratio at 31 December 2019 were respectively 89.7% and 65.1

The Non-Life line of businesses technical performance showed an improvement compared to the previous year, influenced by the lock-down effects described above. Please refer to the comment on technical performance reported on page 21.

Life Businesses show a positive result, increased compared to the previous year, partly due to the capital gains realised on the sale of Italian government bonds described above.

Real Estate Business

In May 2020 Vittoria Assicurazioni finalised the purchase of 50.98% of the shares of Fondo Immobiliare Pegasus for a total of 53,262 thousand euro and the sale of 51% of Immobiliare Bilancia Prima S.r.l. to third parties.

In October 2020, the merger of the companies Valsalaria and V.Z. Real Estate into Acacia 2000.

The real estate segment recorded an operating result of 403 thousand euro (4,677 thousand euro as at 31 December 2019), down on the previous year due to the contraction in sales volumes as properties held for sale gradually sold out.

The real estate segment's result for the year before taxes and intersegment eliminations, as reported in the income statement by business segment, shows a loss of 6,529 thousand euro (loss of 1,159 thousand euro at 31 December 2019). The main income components, gross of eliminations for intercompany transactions, include:

- revenues from notarial deeds of 34,643 thousand euro (-39.4% compared to 57,141 thousand euro at 31 December 2019), of which 16,312 thousand euro related to intercompany sales;
- margins on trading properties of 3,487 thousand euro (8,357 thousand euro as at 31 December 2019) arising from margins on notarial deeds;
- rental income and other income of 5,308 thousand euro (4,626 thousand euro as at 31 December 2019);
- financial expenses of EUR 1,820 thousand (financial income of EUR 169 thousand as at 31 December 2019);
- operating expenses of 8,057 thousand euro (4,244 thousand euro as at 31 December 2019);
- depreciation, amortisation and other extraordinary items of 5,447 thousand euro (10,067 thousand euro as at 31 December 2019 which included impairments on trading properties of 9,299 thousand euro).

The segment's net financial position had a negative balance of 71,627 thousand euro (positive balance of 39,289 thousand euro at 31 December 2019). The negative change from the previous year is due to the consolidation of the Pegasus Fund, which recorded a mortgage loan of 101,262 thousand euro under liabilities. Considering only the 50.98% share held in this fund, the net financial position of the real estate sector would have a negative balance of 21,988 thousand euro.

Service Business

This segment reported a loss, before tax and minority interests, of 344 thousand euro, compared with a loss of 104 thousand euro as at 31 December 2019.

The services and the fees received by the Group companies, gross of intercompany services, amounted to 4,469 thousand euro (3,495 thousand euro as at 31 December 2019).

These revenues include 4,426 thousand euro for commissions and services rendered to Vittoria Assicurazioni (3,375 thousand euro as at 31 December 2019).

Equity and dividend policy

Group shareholders' equity amounted 765,743 thousand euro (+16.1%) and minority interests amounted to 46,687 thousand euro, 659,638 and 60 thousand euro respectively as at 31 December 2019. The Group does not directly or indirectly hold shares in parent companies.

Proposed dividend per share

The board of directors of Vittoria Assicurazioni submits the following allocation of the year's earnings, equal to 108,623,860 euro, as follows:

To Legal Reserve	euro	175,173
To Available Reserve	euro	78,031,479
To Shareholder	euro	30,417,208

corresponding to a dividend of euro 0.47 for each of the 64,717,464 shares constituting the share capital (dividend of 12,943,493 euro in the previous year).

After approval by the shareholder, dividend distribution will be recognised in the 2021 statutory accounts.

Insurance business

Review of operations

Premiums as up to 31 December 2020 amounted to 1,415,498 thousand euro (1,450,292 thousand euro as at 31 December 2019). Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN 2020 AND 2019 DIRECT AND INDIRECT BUSINESS

	(€/000)				
	31/12/2020	31/12/2019	YoY change %	% of total book	
				2020	2019
<u>Domestic direct business</u>					
Life business					
I Whole- and term life	192,763	228,129	-15.5	13.7	15.7
IV Health (long-term care)	1,241	1,042	19.1	0.1	0.1
V Capitalisation	89	175	-49.1	0.0	-
Total Life business	194,093	229,346	-15.4	13.8	15.8
Non-Life business					
Total non-marine lines (exc. specialty and motor)	336,330	330,714	1.7	23.7	22.9
Total specialty lines	7,623	6,733	13.2	0.5	0.5
Total motor lines	877,357	883,410	-0.7	62.0	60.8
Total Non-Life business	1,221,310	1,220,857	0.0	86.2	84.2
Total direct business	1,415,403	1,450,203	-2.4	100.0	100.0
<u>Domestic indirect business</u>					
Non-Life business					
	95	89	6.7	0.0	0.0
Total indirect business	95	89	6.7	0.0	0.0
Grand Total	1,415,498	1,450,292	-2.4	100.0	100.0

Revenues not qualified as premiums as defined by IFRS 4 (Unit Linked contracts and those relating to the Vittoria Formula Lavoro open-ended pension fund) amounted to 28,393 thousand euro (20,418 thousand euro in 2019).

Life business

Insurance and investment contracts in the Life business

The range of products currently distributed by Vittoria Assicurazioni covers all insurance line of businesses.

Vittoria Assicurazioni distributes products ranging from savings (“revaluable” policies relating to segregated funds), protection (policies covering risks of death, disability and non-self-sufficiency – long-term care) and supplementary pension plans (individual pension schemes and open-ended pension fund). In the range offered there are also unit linked policies. The tariff types applied are mixed, fixed term, entire life and temporary, both in the form of annual premium and in the single premium, as well as group rates for the case of death and / or disability. The commercialized segments include also policies that provide for the possibility of converting the accrued benefit into annuity: the conversion takes place at the conditions in force when the option is exercised. The contractual conditions are constantly updated and are in line with those commodity offered by the market.

Premiums

Direct insurance business premiums in 2020 amounted 194,093 thousand euro (229,346 thousand euro in 2019) divided follows:

	(€/000)				
	31/12/2020	31/12/2019	YoY change %	% of total book	
				2020	2019
Recurring premiums	67,976	67,697	0.4	35.0	29.5
Annual premiums	126,117	161,649	-22.0	65.0	70.5
Total Life business	194,093	229,346	-15.4	100.0	100.0

In 2020 the funds relating to segregated funds achieved the following returns:

	(€/000)			
	Rate of return 2020	Total Assets 2020	Rate of return 2019	Total Assets 2019
Vittoria Rendimento Mensile *	2.92%	748,094	2.98%	798,576
Vittoria Valore Crescente *	4.03%	76,554	4.07%	75,721
Vittoria Obiettivo Crescita *	3.11%	448,122	3.02%	373,842
Vittoria Previdenza **	3.02%	161,477	3.85%	134,948
Vittoria Obiettivo Rendimento *	2.59%	43,104	0.00%	-

* Observation period: 01/01/2020 - 31/12/2020

** Observation period: 01/10/2019 - 30/09/2020

Claims, accrued capital sums & annuities, and surrenders

The following table summarises data for direct business relating to claims, accrued capital sums and annuities and surrenders (net of liquidation expenses), compared with data of previous year.

			(€/000)
	31/12/2020	31/12/2019	YoY change %
Claims	14,873	16,656	(10.7)
Accrued capital sums & annuities	44,397	38,598	15.0
Surrenders	54,457	51,274	6.2
Total	113,726	106,527	6.8

Non-life Business

Premiums

Direct premiums issued amounted 1,221,310 thousand euro (1,220,857 thousand euro as at 31 December 2019) and showed an increase of 0.04%.

Technical performance

The performance of the technical management shows an improved result compared to the previous year, thanks to an increase in the profitability of the Line of businesses other than the TPL Line of business.

The following sets out the considerations for the different lines of business:

NON-MARINE BUSINESSES

Premiums of non-marine line of business increased by 1.7%. It should be noted that in the 2020 FY, it was decided not to develop any production in the Hail business, given the forecasts of a negative trend, in contrast to the 2019 FY in which there were premiums collected of approximately 16 million euro. On a like-for-like basis the increase in premiums would have been 6.8%.

The number of policies in the portfolio of the Lob was increased by 3.1% compared to the previous year.

The technical result is positive, down compared to the previous FY due to a higher incidence of claims linked to atmospheric phenomena affecting Italy.

More specifically, each line of business featured the following technical results:

Accident: premiums recorded an increase of 3.6%.

The technical result is positive, but decreasing compared to the previous year, also due to a higher incidence of serious claims.

Disease: premiums shows an increase of 6.3%, with a positive technical result that improved compared to the previous year, partly due to a lower incidence of serious claims.

Fire and natural events: this line of business shows an increase in premiums of 14.9%.

The negative technical result is due to a greater incidence of claims from atmospheric phenomena and claims of significant amount that affected entities that had been insured for a long time and had not recorded previous claims.

Miscellaneous damages: premiums, including the risk of theft, hail and damage to electronic and technological equipment, recorded a decrease of 21.6% compared to previous year also due to the lack of premium income from the Hail business in the current year. The negative technical result was affected by the updating of the assessment of damages from previous years, partly related to the exceptional weather events of the previous year.

General Third-Party Liability: premiums increased by 4.9%, with a positive technical result that improved compared to the previous year thanks to the effects of the constant portfolio reform actions and the lower incidence of serious claims.

Miscellaneous financial losses: premiums written showed an increase of 3.9%. The line maintains a positive technical result.

Legal protection: premiums grew by 8.1%, with a positive technical result.

SPECIALTY BUSINESSES

Premiums increased by 13.2% thanks to the positive contribution of Cargo Insurance and Marine Hulls lines.

The technical result is positive.

In particular:

Watercraft (sea, lake, and river) hulls and railway rolling stock: premiums increased by 39.9% thanks also to the development of the channel through brokers specialised in the sector. The technical result is negative, mainly due to a higher incidence of serious claims.

Cargo (goods in transit): premiums written increased by 28.0% thanks to the development of actions on transport companies that were already customers for the Motor Lob. The technical result is positive.

Credit: the Lob includes exclusively the risks relating to the Salary-Backed Loans which continues the management of the ongoing portfolio, with no activity of developing the Lob.

The premium volume suffered the strict repayment rules in case of early repayment of the financing underlying the insurance coverage.

The technical result maintained positive.

Surety: premiums written showed a decrease compared to the previous year (-8.2%), due to the continuation of the rigorous underwriting policy and market uncertainties in the world of procurement. The technical result maintained positive.

MOTOR BUSINESSES

The ongoing Covid-19 pandemic strongly influenced the dynamics of the Motor business. The positive technical result, a significant improvement on the previous year, is largely due to the reduction in claims frequencies resulting from the almost total stop in circulation during the period of total lock-down (March and April), which was followed by a recovery in circulation to a lesser extent than in the previous year. Finally, the subsequent partial lock-downs in the last three months of the financial year contributed to this.

Premiums fell by 0.7%, partly as a result of the significant reduction in new registrations throughout the year and partly due to the increase in requests from customers to suspend contracts during periods of

total or partial road block, as well as the postponement of policy renewal premium collections caused by legislation concerning the extension of the period of arrears for the payment of insurance premiums.

In particular:

Land motor vehicle hulls: premiums reported a growth on the previous year (4.3%), linked to the dynamics of the Motor TPL Lob, with a clearly improved technical result strongly influenced by the reductions in traffic during the various lock-down periods.

Third-party liability for land motor vehicles and for watercraft (sea, lake, and river): premiums decreased by 1.8% and the technical result improved significantly for the reasons explained above.

Assistance: premiums increased by 3.9% and the technical result is positive moderately improving.

Claims

Reported claims

The following chart, concerning reported numbers of claims for direct business, has been prepared using data from positions opened during the year; data are compared with those for 2019:

	Nuner of Reported claims		YoY Change %	Nuner of Reported claims without consequences		YoY Change %	Nuner of Reported claims closed		YoY Change %
	31/12/2020	31/12/2019		31/12/2020	31/12/2019		31/12/2020	31/12/2019	
Total non-marine lines	55,890	58,113	-3.83%	10,570	11,593	-8.83%	36,031	36,662	-1.72%
Total specialty lines	650	749	-13.28%	104	143	-27.28%	215	232	-7.58%
Total motor lines	222,923	286,916	-22.30%	18,282	24,183	-24.40%	168,416	210,967	-20.17%
Total Non-Life businesses	279,463	345,778	-19.18%	28,956	35,919	-19.39%	204,662	247,861	-17.43%

As regards Motor TPL reported claims, has received n. 78,613 reports of claim events to be managed as originator (-29.45% compared to 2019) and the total cost, net of the recovery of the lump-sum paid by the debtor companies, amounted to 54,791 thousand euro (-12.32% compared to 2019).

Claims paid

The following table shows claims paid for direct business and the amount charged to reinsurers, with the data broken down by the period to which claims refer:

	Claims paid 31/12/2020			Claims recovered from reinsurers	Claims paid 31/12/2019			Claims recovered from reinsurers	Change gross claims %	Change claims recovered from reinsurers %
	Current year	Previous years	Total		Current year	Previous years				
						years	Total			
Total non-marine businesses	65,147	66,211	131,358	11,707	85,834	51,769	137,603	26,301	(4.5)	(55.5)
Total Special businesses	1,182	2,379	3,561	960	833	2,690	3,523	439	1.1	118.7
Total motor businesses	243,186	314,483	557,669	20,705	301,191	327,654	628,845	20,397	(11.3)	1.5
Total Non-Life businesses	309,515	383,073	692,588	33,372	387,858	382,113	769,971	47,137	(10.1)	(29.2)

The additional cost borne in 2020 for the road-accident victim guarantee fund was 16,702 thousand euro vs. 17,070 thousand euro in the previous year.

Claims settlement speed

The following table illustrates how quickly reported claims (by number) were paid net of claims eliminated without consequences, broken down by current generation and previous generation in reference to the principal lines of business:

	(percentages)			
	current generation		previous generations	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Accident insurance	60.26	61.46	63.55	66.52
Health insurance	81.95	84.28	60.09	79.30
Motor vehicle hulls	84.91	80.59	84.94	76.03
Fire and natural events	82.73	79.14	80.74	80.26
Miscellaneous damages - theft	88.92	89.63	87.98	88.82
Third-party motor liability	77.96	77.63	68.71	69.15
Third-party general liability	70.83	71.62	35.79	39.41

Anti-fraud activities

Claims which are presumed to be possible cases of fraud are handled with anti-fraud criteria established by the company's guidelines.

Savings for the year in relation to the Motor TPL business, quantified in accordance with Law 27/2012 implemented by Regulation ISVAP no. 44, amounted to 6.8 million euro (6.4 million as at 31 December 2019).

As a result of the deepening in relation to fraud risk, savings of 5.9 million euro were achieved for claims that have been defined without result (5.8 million as at 31 December 2019) and 0.8 million euro for claims definitively settled (0.6 million as at 31 December 2019), compared to the assessed value posted to technical provisions.

Reinsurance

LIFE BUSINESS

Outward reinsurance

In the Life business, with respect to Lob "I", there is an excess of loss treaty per head and catastrophe, to protect the portfolio.

Ceded premiums in FY20 amounted to 1,590 thousand euro (1,380 thousand euro as at 31 December 2019).

Inward reinsurance

The Life business inward reinsurance is recorded on the accrual basis and refers to a traditional pure-premium treaty no longer fed with new business, which records changes occurring in the related portfolio and a commercial premium treaty that refers to a portfolio of policies that have revaluable annual premiums.

NON-LIFE BUSINESS

Outward reinsurance

As far as outward reinsurance is concerned, the corporate policy is based on selective underwriting of risks and on book development and entity in relation to the risks covered. It aims to balance net retention. Transactions are undertaken internationally with players in the reinsurance markets featuring high ratings.

The main treaties in place are the following:

Excess claims: Accident, Motor vehicle Hulls, Marine Hulls, Cargo (goods in transit), Fire and natural events, Motor TPL and General TPL.

Pure premium: Suretyship, Legal protection, Assistance and Miscellaneous damage in relation to Hail, Engineering risks and ten year guarantees and Fire concerning the catastrophe events Earthquake, Flood and Flash Flood.

Ceded premiums in FY20 amounted to 36,331 thousand euro (57,109 as at 31 December 2019).

Inward reinsurance

Acceptance of risks relating to the indirect business mainly arises from participation in syndicates and from acceptance of shares in Italian businesses, which are entered into voluntarily.

As regards credit risk, we highlight the fact that Vittoria Assicurazioni makes use of top-level reinsurers. The following table shows the balance sheet transactions in place as at 31 December 2020, by rating:

(€/000)

Rating	Current and Deposit accounts	Reinsurers' share of technical reserves	Total net balance sheet items	% of breakdown
AA+	183	94	277	0.5
AA	-165	300	135	0.2
AA-	-9,589	40,782	31,193	55.0
A+	-290	12,020	11,730	20.7
A	1,941	3,606	5,547	9.8
A2	-1,046	3,583	2,537	4.5
A-	3	2,301	2,304	4.1
Not rated	-692	3,690	2,998	5.3
Total	-9,655	66,376	56,721	100.0

Claims cost trend

As required in IFRS 4, paragraph 39, we present some information concerning the Non-Life claims trend.

The table below shows estimated costs of claims in the year when they were generated, from 2011 to 2020, and updates recorded in subsequent years following adjustment of claims and alignment of reserves based on the greater information received on the claims concerned and updating of observable historical series.

Each figure present on the triangle is the estimated generation cost at 31 December of the year observed. The total cost is the sum of the following components:

- Cumulative claim amounts paid from the year of the claim event up to 31 December of the year of observation
- Accrued provisions for open claims, as at 31 December of the year of observation
- Estimate of IBNR (incurred but not reported) claims of the event year as at 31 December of the year of observation

Cumulative claim amounts paid excludes the cost of the contribution to the road-accident victim guarantee fund.

This table shows the gross data; therefore, it does not report the amounts recovered and to be recovered from policyholders and third parties for recoupment, deductibles and, only in the Land Vehicle TPL line, claims settlements.

Year of event	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Totale
(€000)											
Cumulative claims cost											
At the end of year of event	520,561	567,376	614,689	651,383	684,774	700,163	762,916	800,473	828,441	699,257	6,830,033
1 year later	514,147	540,079	601,168	621,301	685,978	710,568	775,010	794,257	838,169		
2 years later	514,219	540,970	593,557	610,631	688,626	714,305	783,811	787,134			
3 years later	516,766	547,735	587,801	596,334	684,783	702,307	781,500				
4 years later	524,147	547,207	580,632	590,762	682,583	697,471					
5 years later	523,861	542,932	573,288	589,811	679,649						
6 years later	519,388	541,166	571,523	590,724							
7 years later	519,711	542,007	570,964								
8 years later	519,343	545,637									
9 years later	521,604										
Cumulative claims cost at 31/12/2020	521,604	545,637	570,964	590,724	679,649	697,471	781,500	787,134	838,169	699,257	6,712,109
Total cumulative claims paid in 2020	504,726	517,034	533,268	537,085	606,297	610,901	656,600	637,002	611,763	294,538	5,509,214
Claims paid in 2020	3,656	7,062	6,230	8,849	15,825	15,666	29,779	58,033	239,131	294,538	678,768
Claims reserve at 31 December 2020	16,878	28,603	37,695	53,639	73,352	86,570	124,900	150,132	226,407	404,718	1,202,895

From the comparison between what was posted in the first year of occurrence of claims - in the decade highlighted - amounting to 6,830,033 thousand euro and the evolution of the same at the date of the 2020 financial statements, amounting to 6,712,109 thousand euro, emerges a deviation equal to - 1.73%.

For information purposes, we point out that the range of 1.0% in Loss Ratio, would lead to a result in profit and loss statement of approximately 11.7 million euro, before tax.

Commercial organisation

The development activity has resulted in the opening of 8 new agencies and the reorganization of other 29 and the closure of 7 agencies; as at 31 December 2020 Vittoria Assicurazioni was nationally present with 472 General Agencies (471 as at 31 December 2019) and 1,139 Sub-Agencies Professional (1,102 as at 31 December 2019).

The planned training activity continues for the primary sales network (General Agents), for “second level” sales agents (producers and sub-agents) and for agency employees in line with 2019.

In particular, in 2020, the focus of training was, in view of the profound changes in sociality following the COVID-19 pandemic, on developing skills in remote customer relationship management, including increasing digital network knowledge. The effort of Network Training also focused on transforming the classroom training, foreseen in the plan, into synchronous webinars: the result was achieved by converting 82% of the classroom training into virtual classrooms. Since March 2020, all training has applied distance learning methodologies. In 2020, the project dedicated to the professional training of future Vittoria agents, Vittoria#InVetta, was also completed, with the provision of 448 hours of distance learning.

During 2020, training was provided by external trainers, assisted by training specialists and technicians within the Directorate, selected on the basis of the requirements of Reg. 40/2018 art. 96.

The strong push towards digitalisation led, also in the training area, to an acceleration of the development of the UniV APP, in order to capillary and simply transmit all training content to the network. At the same time, the software and contents of all the online modules in the professional development pathway were updated: a total of 84 titles.

Products - Research and development

During the year, the review continued for technical interventions and adjustments to the sector regulations (IVASS, COVIP, CONSOB) of the products of the Non-life and Life business.

The Non-Marine Businesses include the marketing of the new product called "Vittoria Protezione Cani & Gatti", aimed at owners of dogs and cats, with assistance services and refund of veterinary expenses in case of injury or illness of the animal with the possibility of covering civil liability in case of damage to third parties caused by the animal.

In the Life business, the marketing of the following new products was launched:

- The product "Vittoria Tutela Futuro Classic New", which replaces temporary death case policy "Vittoria Tutela Futuro Classic". This product introduces the concept of "Preferred Profile". On the basis of a careful portfolio analysis and specific studies on the topic, those individuals were identified who, in relation to objective and subjective characteristics, can be considered preferred risks. The qualification of preferred subject gives the Policyholder the possibility to benefit from a premium discount valid for the entire duration of the contract.
- The Lob I product "Vittoria InvestiMeglio - Valore GS" with a fixed term of 10 years. This product allows you to invest a single premium, which will be revalued annually based on the performance of the segregated fund "Vittoria Obiettivo Rendimento".
- The product "Vittoria InvestiMeglio - DoppiaEvoluzione Valore" is a whole life multi-branch single-premium policy, with the possibility of additional payments. It allows you to invest simultaneously in the segregated fund "Vittoria Obiettivo Rendimento" and in the internal insurance fund "Vittoria Azionario".
- Vittoria InvestiMeglio MultiValore Open" is a whole-life multi-branch policy. The benefits provided by the contract are linked both to the performance of the segregated fund "Vittoria Obiettivo Rendimento" and to the performance of the value of assets held in Undertakings for Collective Investment (UCITS).

Overhead costs – direct business

The total amount of insurance overhead costs (Non-Life and Life business) – consisting of personnel costs, various general expenses, plus depreciation of tangible assets and amortisation of intangible assets – amounted 122,391 thousand euro, substantially unchanged with the results of the previous year, equal to 111,750 thousand euro. Besides current operating expenses, these costs also include depreciation & amortisation costs for investments made in IT facilities and processes. These investments are intended to limit, in future years, the operating costs burdening corporate departments and the agency network, whilst at the same time improving services to policyholders as regards insurance coverage and claims settlement. Their breakdown is shown in the following table, where "Other costs" consist mainly of office running costs, IT costs, legal and legal-entity expenses, mandatory contributions, and association membership dues. Lastly, the Depreciation item also includes the amortization portions of the rights of use recorded under assets relating to leased assets regulated by IFRS 16, as described in the chapter "Accounting standards".

(€/000)			
ANALYSIS OF COSTS	31/12/2020	31/12/2019	Change
Personnel expenses	59,820	59,310	0.9%
Other costs	52,201	45,682	14.3%
Amortisation/Depreciation	10,370	6,758	53.5%
Total cost by nature	122,391	111,750	9.5%

Overhead costs as a percentage of total direct insurance premiums (direct business) is equal to 8.5%, 7.6% in 2019.

The increase in the item "Other costs" is mainly due to the costs incurred during the year for the implementation of the Business and Management application systems. The increase in the item "Amortisation/Depreciation" compared to the previous year is due to the revision of the residual useful life of the above-mentioned application systems, which led to a 2.984 thousand euro increase in depreciation.

Operating costs

The following table shows the total amount of insurance operating costs (Non-Life and Life business), as shown in the income statement, by activity.

(€/000)			
	31/12/2020	31/12/2019	Change
Gross commissions and other acquisition costs	266,727	257,524	3.6%
Profit participation and other commissions received from reinsurers	-5,350	-7,669	-30.2%
Investment management costs	1,856	2,080	-10.8%
Other administrative costs	55,025	43,594	26.2%
Total	318,258	295,529	7.7%

Operating expenses recorded incidence of premium retained by 20.4% (18.4% in the previous year).

Real estate business

The rationalisation of the corporate structure continued with the merger of the companies Valsalaria and V.Z. Real Estate into Acacia 2000 and selling 51% of Immobiliare Bilancia Prima S.r.l. to third parties. In addition, 50.98% of Fondo Pegasus was acquired.

To date, the Group's real estate activities are carried out in the trading and rental of commercial and residential buildings.

The most significant operating data of the investee companies are shown below.

Vittoria Immobiliare SpA – Milan

100% direct equity interest

The Company operates in the field of real estate development and trading; revenues for the year for the sale of properties amounted to 70 thousand euro (1,461 thousand euro at December 31, 2019). Closing inventory amounted to 13,323 thousand euro (13,400 thousand euro at December 31, 2019). The Company also holds leased properties of 7,429 thousand euro (3,790 thousand euro at December 31, 2019). The carrying amount of property classified as investment property was 7,429 thousand euro.

Immobiliare Bilancia Srl - Milan

100% direct equity interest

This company is active in real-estate trading of properties in San Donato Milanese, Rome, Genoa and Florence.

During the year, it achieved revenues from the sale of properties equal to 2,251 thousand euro (2,922 thousand euro at December 31, 2019) and has closing inventories of 19,056 thousand euro (20,353 thousand euro at December 31, 2019). The carrying amount of property classified as investment property was 313 thousand euro.

Acacia 2000 Srl – Milan

100% direct equity interest

The Company owns a residential property complex in the area located in the Portello area of Milan, called "Residenze Parco Vittoria", and in Peschiera Borromeo. Marketing and leasing activities continue regularly, with the aim of pursuing returns over time that make their purchase attractive, in particular by institutional investors.

Following the above-mentioned demerger transactions, the Company owns residential units for sale in Rome and Milan.

Revenues from the sale of properties during the year amounted to 15,999 thousand euro (48,276 thousand euro at December 31, 2019).

Closing inventory amounted to 150,918 thousand euro (159,368 thousand euro at December 31, 2019). The Company also holds leased properties of 1,416 thousand euro (217 thousand euro at December 31, 2019). The carrying amount of property classified as investment property is 1,416 thousand euro.

VRG Domus Srl. - Turin

100% direct equity interest

The Company amounted a inventories of 373 thousand euro (16,503 thousand euro at 31 December 2019). The Company owns a property located in Monza (Elvezia Business Park), classified as investment property with a carrying amount of 29,388 thousand euro. Revenues earned during the year for the sale of real estate amounted to 16,322 thousand euro relating to an intercompany sale (10 thousand euro at December 2019).

Vaimm Sviluppo Srl – Milan

100% direct equity interest

The company owns building units located in Genoa Piazza De Ferrari, Via Orefici and Via Conservatori del Mare. Closing inventories amounted to 37,441 thousand euro (37,431 thousand euro at December

31, 2019). Closing inventories of properties classified as "Investment property" amount to 9,313 thousand euro (9,569 thousand euro at December 31, 2019).

Vittoria Properties S.r.l. - Milan

100% direct equity interest

The Company mainly owns a building located in Turin, whose book value is 14,401 thousand euro.

Pegasus Fund - Milan

50.98% direct equity interest

On 14 May 2020, Vittoria Assicurazioni completed the purchase of 50.98% of the units in the Pegasus Real Estate Fund for a total of 53,262 thousand euro. Further information on the fund's assets is provided on page 32.

The Pegasus fund owns Palazzo V in San Donato Milanese, which is leased to the ENI S.p.A. group.

Overhead costs

Overhead costs for the real estate business, before elimination of infra-group services, are as shown in the table below:

	(€/000)		
ANALYSIS OF COSTS	31/12/2020	31/12/2019	Change
Other costs	8,692	9,285	-6.4%
Amortisation/Depreciation	211	611	-65.5%
Total cost by nature	8,903	9,896	-10.0%

Personnel and Other costs are allocated to Operating Costs (specifically to “Other administrative costs”). Depreciation and amortisation costs are allocated to the “Other costs” caption in the income statement.

Service business

This sector shows a loss for the period, before taxes and minority interests, of 344 thousand euro (profit of 104 thousand euro at December 31, 2019).

The services and commissions received by Group companies in this segment, gross of intra-group services, amounted to 4,469 thousand euro (3,495 thousand euro at 31 December 2019); these revenues include 4,426 thousand euro for commissions and services rendered to Vittoria Assicurazioni (3,375 thousand euro at December 31, 2019).

Overhead costs

The following table shows overhead costs for the service business, before intersegment eliminations:

	(€/000)		
ANALYSIS OF COSTS	31/12/2020	31/12/2019	Change
Personnel expenses	400	420	-4.8%
Other costs	1,421	1,029	38.1%
Amortisation/Depreciation	147	97	51.6%
Total cost by nature	1,968	1,546	27.3%

Personnel and Other costs are allocated to Operating Costs (specifically to “Other administrative costs”). Depreciation and amortisation costs are allocated to the “Other costs” caption in the income statement.

The change in the item "Other costs" is due to the start-up of Vittoria Hub.

Investments – Cash & cash equivalents - Property

Investments, cash and cash equivalents reached 4,528,995 thousand euro with an increase of 9.3% compared to 31 December 2019. The detailed breakdown is shown in the following table:

(€/000)				
INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY		31/12/2020	31/12/2019	Change
A	Investments in subsidiaries and associates and interests in joint venture	37,941	20,436	85.7%
	- Investments in associates	37,941	20,436	
B	Held to maturity investments	11,565	11,750	-1.6%
C	Loans and receivables	272,226	301,274	-9.6%
	- Other loans and receivables	272,226	301,274	
D	Financial assets available for sale	3,419,339	3,167,228	8.0%
	- Equity investments	92,236	87,145	
	- OEIC units	743,474	625,101	
	- Bonds and other fixed-interest securities	2,583,629	2,454,982	
E	Financial assets at fair value through profit or loss	114,622	92,156	24.4%
	Financial assets held for trading	8	9	-11.1%
	- Bonds and other fixed-interest securities held for trading	8	9	
	Financial assets at fair value through profit or loss	114,614	92,147	24.4%
	- Investments where policyholders bear the risk	114,614	92,147	
	Cash and cash equivalents	9,901	12,296	-19.5%
F	Total Property	663,401	538,188	23.3%
	Investment property	347,413	103,158	n.s.
	Property	315,988	435,030	-27.4%
	Property under construction	-	42,338	
	Property held for trading	221,658	280,538	
	Owner-occupied property	94,330	112,154	
	TOTAL INVESTMENTS	4,528,995	4,143,328	9.3%
	of which			
	investments where the Group bears the risk	4,414,381	4,051,181	9.0%
	investments where policyholders bear the risk	114,614	92,147	24.4%

Vittoria Assicurazioni continued the action aimed at diversification by asset classes of the investment portfolio during the year. Given the market conditions and the rates of return recognized on bonds, in order to guarantee an adequate return on the portfolio and a limited volatility, the share invested in UCITS units has increased.

In October, Vittoria Assicurazioni concluded a forward sale transaction with the aim of hedging against both interest rate risk and credit risk, which concerned part of the Italian government bonds allocated to the Life portfolio for a nominal value of 307,750 thousand euro.

The following table, shows a breakdown of investments, cash & cash equivalents and property by business type:

(€'000)

Investments - Cash and cash equivalents - Property	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Investment property	87,999	87,795	259,414	15,363	-	-	-	-	347,413	103,158
Investments in subsidiaries	386,090	417,714	-	-	-	-	-396,090	-417,714	-	-
Investments in associates	36,312	18,978	869	766	760	692	-	-	37,941	20,436
Held to maturity investments	11,565	11,750	-	-	-	-	-	-	11,565	11,750
Reinsurance deposits	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	240,520	269,505	31,706	42,369	-	-	-	-10,600	272,226	301,274
Financial assets available for sale										
Equity investments	91,643	86,548	-	4	1,718	1,718	-1,125	-1,125	92,236	87,145
OEIC units	743,474	625,101	-	-	-	-	-	-	743,474	625,101
Bonds and other fixed-interest securities	2,583,629	2,454,982	-	-	-	-	-	-	2,583,629	2,454,982
Financial assets at fair value through profit or loss:										
Investments where policyholders bear the risk	114,614	92,147	-	-	-	-	-	-	114,614	92,147
Financial assets held for trading: Bonds and other fixed-interest securities	8	9	-	-	-	-	-	-	8	9
Cash and cash equivalents	1,484	5,940	5,836	4,989	2,581	1,367	-	-	9,901	12,296
Property under construction	-	-	-	42,338	-	-	-	-	-	42,338
Property held for trading	-	-	218,013	276,547	-	-	3,645	3,991	221,658	280,538
Owner-occupied property	91,831	94,535	1,865	16,904	634	715	-	-	94,330	112,154
Total	4,399,169	4,165,004	517,703	399,280	5,693	4,492	-393,570	-425,448	4,528,995	4,143,328

Investments with risk borne by Group

The investment risk is borne by the Group amounted to 4,414,381 thousand euro (4,051,181 thousand euro at December 31, 2019).

The following transactions took place during the 2020:

A) Investments in subsidiaries, associates and joint ventures:

The Group's main associated companies include:

- the direct participation of 28.56% in Yarpa S.p.A., a company which carries out the role of the holding company, holding stable investment in portfolio and also provides financial advisory services. The company controls Yarpa Investimenti SGR S.p.A., an asset management company active in management of securities and real estate closed-end funds, as well as YLF S.p.A., created to manage in joint venture with LBO France private equity investments in the Italian market and targeting small and medium-sized companies. At December 31, 2020, the Company recognized Group equity of 41,828 thousand euro (41,555 thousand euro at December 31, 2019);
- the direct participation of 49% in Immobiliare Bilancia Prima S.r.l.. At December 31, 2020, the Company recognized Group equity of 35,248 thousand euro.

B) Held-to-maturity investments:

The main transaction during the period involved the redemption of bonds for 224 thousand euro.

D) Financial assets available for sale:

The main transactions during the period were as follows:

- reimbursement of bonds for 448,650 thousand euro with a net capital gain of 7 thousand euro;
- purchases of bonds from governmental issuers for 646,915 thousand euro and sales for 172,764 thousand euro realizing net capital gains for 11,894 thousand euro;
- purchases of bonds from corporate issuers for 68,876 thousand euro;
- received 23,000 thousand euro as redemption from an equity fund with a long-short strategy;
- invested 48,939 thousand euro in funds specialized in debt infrastructure and received 5,729 thousand euro for repayments, recording 172 thousand euro of losses;
- invested 9,200 thousand euro in funds specialized in private debt and loans;
- invested 5,914 thousand euro in funds specialized in Direct Lending and received 1,961 thousand euro for repayments, recording 11 thousand euro of losses;
- invested 20,000 thousand euro in funds specialized in Residential Mortgage;
- invested 19,515 thousand euro in funds specialized in Private Equity and received 9,420 thousand euro, recording 8 thousand euro of gains;
- invested 20,505 thousand euro in funds specialized in Infrastructure Equity and received 103 thousand euro for repayments;
- invested 22,521 thousand euro in equity ETFs in Europe;
- Camfin Industrial S.p.A.: sold the participation for 2,490 thousand euro, recording a capital loss of 59 thousand euro;
- invested 5,000 thousand euro in the subsidiary Consultinvest S.p.A..

E) Financial assets at fair value through profit or loss:

There were no significant changes in the financial year for financial assets classified as held for trading.

The financial assets designated at fair value through profit or loss mainly refer to the Investments benefiting Life policyholders who bear related risk and relating to pension fund management. At 31 December 2020 these investments amounted to 114,622 thousand euro (92,147 thousand euro at 31 December 2019).

The balance is reported for 19,802 thousand euro to Unit-Linked policies linked to Funds outside the Company, for 67,061 thousand euro to Unit-Linked policies linked to the Company's internal Funds and for 27,114 thousand euro to the Vittoria Formula Lavoro open-ended pension fund. Total incomes have a positive net balance of 996 thousand euro (net negative balance of 8,367 thousand euro at 31 December 2019).

F) Property

Real estate assets at 31 December 2020 amounted to 663,401 thousand euro, down 7.4% (538,188 thousand euro at 31 December 2019). The table below shows a breakdown of these properties and the changes for the period.

	Investment Property	Property under construction	Property held for trading	Owner- occupied property	Total
(€/000)					
Balance as at 31/12/2019	103,158	29,815	293,062	112,153	538,188
Purchase and capitalised interests paid					
- ROME - Guattani Str. (via Immobiliare Bilancia S.r.l.)			1,012		1,012
- MASSA COZZILE - Via I Maggio (via Immobiliare Bilancia Prima S.r.l.)	684				684
- PESCHIERA BORROMEO (MI) - (via Acacia 2000 S.r.l.)			4		4
- FLORENCE - Michelangelo Str. (via Immobiliare Bilancia S.r.l.)	24		(318)		(294)
- TURIN - Via Maria Vittoria (via Vittoria Properties)	1,467				1,467
- SAN DONATO MILANESE (MI) - Palazzo Eni (via Fondo Pegasus)	199,853				199,853
- MILAN Via Gardella (Vittoria Sede)(via Vittoria Assicurazioni S.p.A.)	3,453			279	3,732
- MONZA - Elvezia Business Park (via VRG Domus S.r.l.)	29,605				29,605
- MILAN - Bosco Verticale Confalonieri (via Vittoria Immobiliare S.p.A.)	2,415				2,415
- Miscellaneous			(265)	27	(238)
Total purchase and capitalised interests paid	237,505	-	929	306	238,740
Sales:					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)			(14,871)		(14,871)
- PESCHIERA BORROMEO (MI) - (via Acacia 2000 S.r.l. da scissione Vp Sviluppo)			(410)		(410)
- ROMA - Via Pieve a nievole (via Acacia 2000 S.r.l.)			(555)		(555)
- ROME - Via della Vignaccia (via VRG Domus S.r.l.)			(16,312)		(16,312)
- MILANO - Via Gattamelata (via Vittoria Immobiliare S.p.A.)	(332)				(332)
- MILANO - via Don Gnocchi (via Vittoria Immobiliare S.p.A.)			(188)		(188)
- MILANO - Via Gattamelata (via Acacia 2000 S.r.l.)	(15)				(15)
- MILAN - San Donato Milanese (via Immobiliare Bilancia S.r.l.)			(192)		(192)
- MILAN - San Donato Milanese (via Vittoria Immobiliare S.p.A.)			(45)		(45)
- FLORENCE - Michelangelo Str. (via Immobiliare Bilancia S.r.l.)			(2,060)		(2,060)
- MILANO - Via Gattamelata (tramite Vittoria Properties)	(291)				(291)
- Miscellaneous			(10)	(10)	(20)
Total sales	(638)	-	(34,643)	(10)	(35,291)
Changes in consolidation area		(29,815)	(41,141)		(70,956)
Depreciations	(7,602)		(36)	(1,564)	(9,202)
Leased assets IFRS 16				(1,566)	(1,566)
Reclassifications	14,990			(14,990)	-
Recognised gains			3,487		3,487
Balance as at 31/12/2020	347,413	-	221,658	94,330	663,401

The item "Investment property" mainly includes the properties held by Vittoria Assicurazioni and leased, the Palazzo V in San Donato Milanese leased to the ENI S.p.A. group held through the Pegasus Fund, and various properties held by Vittoria Immobiliare, V.R.G. Domus and Vittoria Properties.

The leased assets classified as an operating property refers to rights of use, net of accumulated depreciation, resulting from the application of IFRS 16. Please refer to the section on "Accounting Standards."

Securities portfolio breakdown

The following table shows the carrying value of the securities portfolio with risk borne by the Group, without considering investments in associates and joint venture, broken down by investment type (debt securities, equity securities and OEIC units). It also provides indications concerning financial risk exposure and uncertainties of flows.

NON-LIFE BUSINESS PORTFOLIO

(€/000)				
Investment nature	Amount 31/12/2020	% of breakdown	Amount 31/12/2019	% of breakdown
DEBT SECURITIES	1,230,291	63.9%	1,206,148	65.3%
Listed treasury bonds:	732,561	41.6%	661,089	40.2%
Fixed-interest rate	732,561	41.6%	661,089	40.2%
Listed corporate bonds:	284,381	16.2%	316,043	19.2%
Fixed-interest rate	252,585	14.4%	287,333	17.5%
Variable interest rate	31,796	1.8%	28,710	1.7%
Unlisted corporate bonds:	703	0.0%	664	0.0%
Fixed-interest rate	101	0.0%	101	0.0%
of which				
Total fixed-interest securities	1,192,892	97.0%	1,134,760	94.1%
Total variable-interest securities	37,399	3.0%	71,388	5.9%
Total debt securities	1,230,291	100.0%	1,206,148	100.0%
of which				
Total listed securities	1,229,588	99.9%	1,205,484	99.9%
Total unlisted securities	703	0.1%	664	0.1%
Total debt securities	1,230,291	100.0%	1,206,148	100.0%
EQUITY INSTRUMENTS	84,736	4.8%	84,645	5.1%
listed shares	9,239	0.5%	12,026	0.7%
unlisted equity instruments	75,497	4.3%	72,619	4.4%
OEIC UNITS	443,983	31.3%	355,338	29.6%
TOTAL	1,759,010	100.0%	1,646,132	100.0%

The fixed-income securities portfolio of Non-Life business has a duration of 1.8 years.

LIFE BUSINESS PORTFOLIO

(€/000)

Investment nature	Amount 31/12/2020	% of breakdown	Amount 31/12/2019	% of breakdown
DEBT SECURITIES	1,364,911	79.1%	1,260,593	80.2%
Listed treasury bonds:	930,462	55.7%	902,466	58.9%
Fixed-interest rate	930,454	55.7%	902,457	58.9%
Listed corporate bonds:	355,979	21.3%	299,531	19.6%
Fixed-interest rate	169,954	10.2%	151,144	9.9%
Variable interest rate	186,025	11.1%	148,387	9.7%
Unlisted corporate bonds:	110	0.0%	329	0.0%
of which				
Total fixed-interest securities	1,173,585	86.0%	1,106,618	87.8%
Total variable-interest securities	191,326	14.0%	153,976	12.2%
Total debt securities	1,364,911	100.0%	1,260,593	100.0%
of which				
Total listed securities	1,364,801	100.0%	1,260,265	100.0%
Total unlisted securities	110	0.0%	329	0.0%
Total debt securities	1,364,911	100.0%	1,260,593	100.0%
EQUITY INSTRUMENTS	7,500	0.4%	2,500	0.2%
unlisted equity instruments	7,500	0.4%	2,500	0.2%
OEIC UNITS	299,491	20.5%	269,763	19.6%
TOTAL	1,671,901	100.0%	1,532,856	100.0%

The fixed-income securities portfolio of Life business has a duration of 6.7 years.

The following tables show the carrying value of fixed-rate securities by maturity and the carrying value of floating-rate securities by type of interest rate, indicated separately in the Non-Life business portfolio and in the Life business portfolio.

NON-LIFE BUSINESS PORTFOLIO

Fixed - interest securities (€000)

Maturity	Amount	% of breakdown
< 1 year	598,669	50.2%
1<X<5	532,190	44.6%
5<X<10	62,033	5.2%
Total	1,192,892	100.0%

Variable - interest securities (€000)

Type of rate	Indexation	Amount	% of breakdown
Fixed to floater	3 months Euribor	14,180	37.9%
Fixed to floater	Euroswap 5Y	5,367	14.4%
variabile	3 months treasury bonds	10,719	28.7%
Variable	other	7,133	19.0%
Total		37,399	100.0%

LIFE BUSINESS PORTFOLIO

Fixed - interest securities (€000)

Maturity	Amount	% of breakdown
< 1 year	149,209	12.9%
1<X<5	378,083	32.2%
5<X<10	390,029	33.1%
more	256,263	21.8%
Total	1,173,585	100.0%

Variable - interest securities (€000)

Type of rate	Indexation	Amount	% of breakdown
Fixed to CMS	Euroswap 1Y	2,719	1.2%
Fixed to CMS	Euroswap 5Y	23,331	12.0%
Fixed to CMS	Euroswap 10Y	4,609	2.4%
Fixed to floater	Euribor 3 months	117,682	61.9%
Fixed to floater	Euroswap 5Y	31,197	16.4%
Fixed to floater	Euroswap 10Y	3,663	1.9%
Variabile	Euroswap 5Y	1,334	0.7%
Variabile	Euroswap 1Y	227	0.1%
Variabile	Euribor 6 months	6,564	3.4%
Total		191,326	100.0%

In implementing its investment policy, the Group limits its credit risk by choosing issuers with a high credit rating.

As can be seen from the table below, as at 31 December 2020, the nearly all corporate bonds held by the group were rated as investment grade.

(€'000)		
Rating	Amounts	% of breakdown
AAA	518,123	20.0%
AA+ / AA-	453,494	17.5%
A+ / A-	294,812	11.4%
BBB+ / BBB-	1,291,619	49.8%
Total investment grade	<u>2,558,048</u>	<u>98.6%</u>
Non investment grade	34,501	1.3%
Not rated	703	0.0%
Total	2,593,252	100.0%

of which 778,313 relating to Italian government bonds

Income and charges from investments

The following table shows the breakdown as at 31 December 2020 of net gains from investments.

(€/000)

Gains and losses on investments, Cash & cash equivalents and Prope	Realised gains/ (losses)	Unrealised gains/ (losses)	31/12/2020 total net gains/(losses)	31/12/2019 total net gains/(losses)
Investments	69,037	-3,919	65,118	64,979
From:				
a investment property	3,541	-7,556	-4,015	-2,175
b investments in subsidiaries and associates and interests in joint ventures	605	-1,107	-502	-341
c held to maturity investments	473	-	473	828
d loans and receivables	294	-	294	246
e financial assets available for sale	66,136	1,738	67,874	58,052
f financial assets held for trading	-	-	-	2
g financial assets at fair value through profit or loss	-2,012	3,006	994	8,367
Other receivables	183	-	183	729
Cash and cash equivalents	54	-	54	84
Financial liabilities	-17,118	-4,224	-21,342	-23,963
From:				
b financial liabilities at fair value through profit or loss	-	-3,857	-3,857	-8,367
c other financial liabilities	-17,118	-367	-17,485	-15,596
Total gains and losses on financial instruments	52,154	-8,142	44,012	41,829
Real estate business				
From:				
a Gains on property trading	3,487	-	3,487	-942
b Rent income on owner-occupied property and property held for trading	3,587	-	3,587	3,664
Total real estate business	7,074	-	7,074	2,722
Total gains and losses on investments	59,230	-8,143	51,087	44,551

Net income with risk borne by the Group increased from 44,550 thousand euro to 51,087 thousand euro, +14.7%.

The weighted average return of the "bonds and other fixed-income securities" went from 1.9% at 31 December 2019 to 2.26% at 31 December 2020.

The charges of the other financial liabilities refer mainly to the interest expense relating to the subordinated loan described in the following paragraph "Financial liabilities".

The margins on properties for trading and development, amounting to 3,487 thousand euro (-942 thousand euro at 31 December 2019 which included write-downs on real estate for 9,299 thousand euro), resulting mainly from the margins on sales mainly related to the buildings of the residential complex "Parco Vittoria Residenza" located in the Portello area in Milan.

Income and expenses arising from "financial liabilities designated at fair value through profit or loss" included losses of 2,863 thousand euro arising from the valuation of derivative financial instruments (bond forwards), against income from positive changes in the fair value of government bonds classified as available-for-sale financial assets in the Life portfolio.

The following table shows the breakdown of investment gains and losses by business segment.

(€/000)

Net income on investments	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-2,863	2	-	-	-	-	-	-	-2,863	2
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	-4,688	-7,366	99	4,890	68	53	4,019	2,082	-502	-341
Gains or losses on other financial instruments and investment property	54,001	44,381	-5,481	-1,064	-17	-24	-1,125	-1,125	47,378	42,168
Gains on property trading	-	-	3,487	-942	-	-	-	-	3,487	-942
Rent income on owner-occupied property and property held for trading	110	85	3,713	3,909	-	-	-238	-330	3,585	3,664
Total	46,560	37,102	1,818	6,793	51	29	2,656	627	51,085	44,551

Requested information regarding temporary exemption from IFRS 9

It should be noted that, from the analyzes carried out so far, the held to maturity investments (fair value at 31 December 2020 equal to 11,566 thousand euro against a fair value of 11,571 thousand euro at 31 December 2019), bonds and other fixed income securities available for sale shown in the table on page 33, are part of the financial assets with contractual terms which provide, on certain dates, for cash flows represented solely by payments of principal and interest on the amount of principal to be returned. This category does not include assets classified under loans and receivables, shares, quotas and units of collective investment undertakings and assets at fair value through profit or loss.

With reference to the investments held to maturity and to the bonds and other fixed income securities available for sale at 31 December 2020, almost all of them were classified as investment grade relates to subordinated securities whose issuers are rated investment grade.

Financial liabilities

The following table shows the breakdown of financial liabilities by business segment.

(€/000)

Financial liabilities	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	87,500	66,296	-	-	-	-	-	-	87,500	66,296
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	27,114	25,851	-	-	-	-	-	-	27,114	25,851
Hedging derivatives	2,863	-	-	-	-	-	-	-	2,863	-
Reinsurance deposits	6,389	6,190	-	-	-	-	-	-	6,389	6,190
Payables to banks	7,697	7,119	101,262	-	-	-	-	-	108,959	7,119
Other financial payables	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	201,346	227,937	-	-	702	768	-	-	202,048	228,705
Non-hedging derivatives	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	253,179	252,452	-	-	-	-	-	-	253,179	252,452
Total	586,088	585,845	101,262	-	702	768	-	-	688,052	586,613

The item "Financial liabilities designated at fair value through profit or loss" include the item "hedging derivative" that refers to the forward sale transaction with the objective of hedging against both interest rate and credit risk, which concerned part of the Italian government securities allocated to the Life portfolio for a nominal value of 307,750 thousand euro.

The item "Payables to banks" in the real estate sector, amounting to 101,262 thousand euros, refers to a mortgage loan related to the Pegasus Fund.

The item "Other financial liabilities" is mainly attributable to the item "Subordinated liabilities", referring to the subordinated bond loan issued in a single tranche on 11 July 2018 by Vittoria Assicurazioni. The Bond is a non-convertible subordinated bond loan with a fixed rate of 5.75% per annum for a total amount of Euro 250,000,000, composed of n. 2,500 bonds with a unitary nominal value of Euro 100,000 each and destined for institutional investors.

The duration of the loan is 10 years from the issue date and the expiry is expected in July 2028, except in the case of early repayment. The Bond Issue was issued at 100% and is listed on the regulated market of the Irish Stock Exchange.

The item "Other financial liabilities" includes liabilities of 17,405 thousand euro deriving from the application of the accounting principle IFRS 16 relating to the residual debt of the lease payments provided for in the contract.

Reference should be made to the Explanatory Notes for greater detail on the various items' breakdown.

The following table shows financial liabilities by maturity:

(€/000)

	31/12/20	31/12/19
< 1 year	33,546	87,792
1 < X < 3	71,788	48,596
3 < X < 5	154,140	44,187
5 < X < 10	310,328	313,505
more	118,251	92,533
Total	688,052	586,613

Risk report

The Risk Report is intended to provide all the information required by IFRS 7 regarding risks arising from financial instruments and insurance products to which the Group is exposed, as well information on the objectives, processes and capital management policies, according to the general principles of Solvency II regulations.

System of Internal Control and Risk Management

The corporate governance system of the Company is founded on the awareness of the strong bond among these elements:

- the objectives that the Company aims to achieve with related corporate strategies,
- the risk management system, i.e. events that may negatively impact the achievement of the objectives, assessed in terms of likelihood and impact,
- the internal control system, i.e. the measures to be implemented to ensure compliance with rules and regulations, the efficacy and effectiveness of corporate operations, as well as the availability and reliability of financial and non-financial information.

Therefore, the internal control and risk management system plays an essential role in the Company's corporate governance. It is founded on the shared activity of the different stakeholders involved, in particular the Board of Directors, its Committees, the Board of Statutory Auditors, the Supervisory Body, the Control Functions and the Risk Owners, and is based on the following elements:

- the code of Ethics approved by the Board of Directors,
- an extensive system of guidance policies approved by the Board of Directors,
- an organized system consistent with the company strategy and policies, which is formalized in the drawing up of the Company's organizational chart and functions chart, periodically updated, that outline tasks and responsibilities assigned to each business unit, as well as in the systems of delegations,
- the assignment of the following responsibility to all corporate Functions:
- identifying the risks connected to their activity and assessing their impact, by monitoring the performance on a continuous basis,
- ensuring a proper level of reporting to the relevant functions,
- where necessary, activating all the required corrective actions,
- the existence of second level control functions (Risk Management, Compliance, Actuarial Function) overseeing the process of identification, assessment and mitigation of risks while ensuring consistency with company targets and meeting the independence criteria,
- the existence of a third level function (Internal Audit) which provides independent assessment on the design and functioning of the internal control system and risk management system, by giving assurance to the Board of Directors and Senior Management in relation to their effectiveness,
- a system of corporate rules, consisting of a set of provisions (macro-processes, processes, procedures, organizational arrangements and circulars), aimed at ensuring the achievement of the company targets. These provisions, that are subject to constant monitoring and adjustment, are the instrument through which the corporate processes are defined, and roles, responsibilities, operating and control procedures are identified, as well as the levels of segregation of tasks and responsibilities are guaranteed, both among different organizational units and within the units themselves. Provisions are formalized and spread to all corporate departments,
- an ongoing activity of training and refresher, destined for all employees and members of corporate bodies, on issues that are technical and insurance-related but also on the principles set forth by the Code of Ethics, as well as on the evolution of the primary and secondary regulation.

Roles and responsibilities

The following are the main roles and responsibilities within the framework of Vittoria Assicurazioni's risk management system.

Government bodies

The company has adopted a traditional model of administration and control, where the Board of Directors is the central body of the system of corporate governance and the Board of Auditors performs control functions.

The Board is supported by specific committees created within it.

Board of Directors

The Board of Directors has the responsibility to define strategies and guidelines on internal control and risk management and to ensure the adequacy and maintenance over time, in terms of completeness, functionality and efficiency.

To this end, it determines the system of risk targets, by defining, also on the basis of the Own Risk and Solvency Assessment, the risk appetite of the Company in line with the solvency requirements. It identifies the types of risk that intends to take, by consistently setting the related tolerance limitations, which it reviews once a year, in order to ensure their efficiency over time.

It adopts suitable guidance policies on internal control and risk management, including the environmental and social risks, generated and borne, in order to ensure the efficiency of the system and, hence, the proper functioning of the company mechanisms, the compliance with the law and the reliability of all information. These Policies include the specific elements of the internal control and risk management system, including the contingency plan, aimed at ensuring the business regularity and continuity-

Hence, the Board of Directors ensures that the corporate governance system is suitable to pursue the following objectives:

- efficiency and effectiveness of corporate processes,
- identification, current and forward-looking assessment, the management and the adequate risk control, consistent with the strategic guidelines and the risk appetite of the company even in the medium-long term,
- a timely reporting system of corporate information,
- reliable and accurate accounting and operational information,
- the safeguard of company assets in the medium-long term,
- compliance of the corporate business with existing rules and regulations, directives and corporate procedures.

Audit and Risk Committee

The Audit and Risk Committee supports the Board of Directors in determining the guidelines of the internal control and risk management system, in regularly checking its adequacy and effectiveness and in identifying and managing the main corporate risks. It also performs fact-finding surveys.

Finance Committee

The Finance Committee supports the Board of Directors, through fact-finding and proposal-making, in the definition of the investment policies and strategies, and in the supervision of their implementation, and the risk appetite and capital management.

Strategy Committee

The Strategy Committee supports the Board and senior management in setting goals and business strategies.

Real Estate Committee

The Real Estate Committee defines the strategies for the development of the real-estate sector, assesses the proposals of investment in the real-estate sector that are submitted by operating managers and oversees the performance of the Group's real-estate investments.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee supports the Board of Directors in the resolutions concerning the appointments of top managers and in the definition of the remuneration policies. As for the appointments, the Committee has advisory and fact-finding functions for the establishment and functioning of the Board of Directors and for the appointments concerning top managers.

Related-party Committee

The Committee examines beforehand the related-party transactions that are proposed by the relevant corporate structures and expresses opinions on their execution, while checking formal and substantial adequacy.

Senior Management

Pursuant to current regulation, Senior Management means the Managing Director, the General Manager, as well as the top managers in charge of the decision-making and strategy-implementing process.

In Vittoria Assicurazioni S.p.A., the roles of Managing Director, General Manager, Co-General Manager, Deputy General Manager and Central Manager for Administration, Finance, Planning and Control are included in this category.

These persons participate in the discussion of the fundamental choices of the company, that are subject to the Board of Directors and ensure implementation of the guidelines and policies through the operational functions, whilst ensuring an adequate segregation of duties both among individuals and functions, aimed at having them work closely and avoiding any conflicts of interest.

Senior Management is vested with the broadest executive powers, consistent with the model of powers and delegations adopted.

Risk Management Committee

Vittoria Assicurazioni has set up a Risk Management Committee in order to ensure the implementation and monitoring of a system of risk assumption, evaluation and management, consistent with the operations carried out by individual departments. In addition, the Committee ensures the implementation, maintenance and monitoring of the data quality management system. The members of the Committee are members of the Senior Management and Holders of the Control Functions.

Anti-money Laundering Committee

The Anti-Money Laundering Committee evaluates the operations reported as unexpected by the application system or by the operational departments (Management and distribution network functions), in order to support the Head of Anti-Money Laundering department in the decision to dismiss the report or to proceed with sending it to the Financial Intelligence Unit (FIU).

The following are the roles and responsibilities of the control functions, of the main non-Board Committees and of line functions within the company risk management system.

Line Functions

The Line Functions perform direct control activities (so-called "first-level control"), each one within their pursuit, aimed at:

- applying the guidelines approved by the Board of Directors, with respect to risks and controls management,
- identifying the risks related to its operations,
- assessing their impact,
- monitoring their progress on an ongoing basis,

- disclosing information to the relevant departments,
- implementing, where necessary, all the required corrective actions.

Anti-money Laundering Department

The Anti-Money Laundering department monitors the laundering risk and prevents and contrasts money-laundering operations and the financing of terrorism, ensuring compliance with anti-money laundering laws.

Anti-fraud department

The Anti-Fraud department prevents and acts against, directly and indirectly, insurance fraud, also in cost containment perspective. In the end, the Anti-fraud department helps to define guidelines, rules and measures to prevent fraud against the company, carrying out specific activities with the aim of identifying potential frauds.

Primary Functions

The Primary Functions perform second- and third-level control activities.

Risk Management

The Risk Management deals with the implementation and monitoring of the risk management system, based on a thorough view of all risks which the Company and its subsidiaries are or may be exposed to. Supports the top management in the identification, implementation and monitoring of a system of assumption, assessment and management of business risks in line with the strategies, policies and risk appetite defined by the Board of Directors.

Compliance

The Compliance ensures the proper management of compliance risks which the corporate organization is exposed to, by means of ex-ante and ex-post controls and coordinates the process for drafting and updating the guidance lines.

Actuary

The Actuarial department coordinates the calculation of both Non-Life and Life technical reserves according to Solvency II principles, assesses the adequacy of both Non-Life and Life technical reserves calculated for the purposes of preparation of the Statutory Financial Statements and Solvency II and certifies the correctness of the procedures followed. The Function checks also the appropriateness of the data used to support the assumptions and the adequacy of methods, models and assumptions used, and assesses the underwriting policies and reinsurance agreements, even taking into account the risk appetite, by providing specific opinions.

Internal Audit

The Internal Audit Function monitors and assesses the efficiency and effectiveness of the internal control system and further components of the corporate governance system, and monitors and assesses any adjustment needs, even by providing support and consultancy to the other corporate functions.

Classification of risks

Significant risks of the company, whose consequences can undermine the solvency of the Company or constitute a serious obstacle to the achievement of business objectives, are set periodically by the Board of Directors, even with the support of the assessments performed by the Primary Functions.

Risk cases applicable to the Company and portfolios managed are connected to the features of the insurance business, relating to both Non-Life and Life segments, to the structure of the distribution network, to the activities performed, to specific regulations which the Company is subject to, and to the complex development strategies.

Hence, they are mainly related to insurance risks, market risks, credit risks, liquidity risk, concentration risk, risks of regulatory non-compliance, reputational risks, operational risks and risks arising from belonging to the Group and environmental and social risks.

The **Strategic Risk** is the current or forward-looking risk of decrease in profits or capital and sustainability of the business model. It also includes the risk of not managing an adequate return on capital arising from change in the operating context or from incorrect business decisions, inadequate implementation of decisions, improper management of the risk of belonging to the group or poor responsiveness to changes in the relevant competitive sector.

In line with the Solvency II principles, this potential risk emerges mainly from the incompatibility of the following elements:

- the strategic objectives of the company,
- the business strategies developed,
- the resources used to achieve strategic objectives,
- the economic situation of the market in which the Company and its subsidiaries operate.

Major **Insurance Risks** included in the risk management process are related to the underwriting criteria, pricing models, the quantification of reserves and risk transfer techniques. The main risks to which the company is exposed are referred to:

a. Underwriting risk (underwriting and pricing): it reflects the risk that premiums are not sufficient to cover claims plus expenses and is derived from the selection of risks and the covered events (including catastrophe) as well as by results in the actual loss experience compared to that estimated.

b. Reservation Risk: derives from the quantification and runoff of technical provisions and considers the possibility that the asset will not be appropriate in respect of commitments to policyholders and injured parties.

c. Pricing risk of the Motor business: it is associated to the processes followed for the definition of the tariff to be applied to Motor policies, with particular reference to the TPL guarantee.

d. Risk of Reinsurance Retention: it derives from the definition and implementation of an inadequate reinsurance policy that may result in a less than optimal level of retention and an inefficient mitigation of exposure to risks.

The main **Market Risks** included in the risk management process are outlined below.

The **Interest Rate Risk**: arises from adverse changes and volatility of the interest rates. The Company is exposed to the interest rate risk with regard to the bond portfolio and insurance currency liabilities assessed with the Best Estimate method.

The debt securities, fixed and floating rate, exposed to interest rate risk on market value are shown separately for Non-life and Life business, with an indication of the duration, in the paragraph entitled

"Investment, Cash & Cash Equivalents, and Property - Securities portfolio breakdown", previously reported, together with the layering of the portfolio by maturity.

The fair value sensitivity related to fixed rate debt securities is shown in the table below:

(€'000)		
Non – Life portfolio	+100BP	-100BP
Fixed-rate debt securities	(20,162)	21,244
Life portfolio		
Floating-rate debt securities	(73,174)	83,344

The fair value sensitivity related to floating rate debt securities is shown in the table below:

Non – Life portfolio	+100BP	-100BP
Fixed-rate debt securities	(156)	499
Life portfolio		
Floating-rate debt securities	(3,607)	5,856

Life insurance contracts provide a guaranteed minimum interest rate and have a direct link between investment income and benefits to be paid to policyholders, governed by the aforementioned assets/liabilities integrated management model.

In particular, the Group manages the risk of interest rate by matching the cash flows of assets and liabilities as well as keeping a balance between the duration of liabilities and that of the investment portfolio directly related to them.

Duration is an indicator of the sensitivity of the assets and liabilities market value to changes in interest rates.

The **Equity risk** reflects the possible adverse changes in the level and volatility of the market value of financial instruments and equities. The Group is exposed to equity risk with reference to shares and interests in listed and unlisted companies and units in investment funds and mutual funds. If the listed shares classified as "Financial assets available for sale", reported in the previous paragraph "Investments, Cash & cash equivalents and Property - Securities portfolio breakdown" recorded at 31 December 2020 a loss of 10%, the Group's equity, gross of tax effect, would decrease by 924 thousand euro.

The **Real estate risk** reflects the possible adverse changes in the level and volatility of market prices of real estate. The Group is exposed to real estate risk in reference to land, buildings, rights on property and the direct or indirect investments in real estate companies. The estate properties for own use of Vittoria Assicurazioni are included in this type of risk.

The **Spread risk** is the possible adverse change in the level and volatility of credit spreads. Vittoria Assicurazioni is exposed to the spread risk in reference to bonds, to finance, to mutual debt funds, non-residential mortgages and loans. The loans to associated companies and subsidiaries are included in this type of risk. This risk can be mitigated by hedging instruments, such as forward sales of securities held in October 2020.

The **Currency Risk** derives from adverse changes in the level and volatility of currency exchange rates. Vittoria Assicurazioni is marginally exposed to currency risk in relation to financial instruments and bank accounts denominated in foreign currencies.

The **Maturity mismatch risk** arises from the possibility that the company is unable to generate cash inflows that have a time frame aligned with the cash outflows and its risk/return objectives.

The **Government risk** is defined as the risk arising from the possibility that the issuers of Government securities are not able to efficiently fulfill their commitments, and the risk arising from a change in the implied spread.

The **credit or default Risk** reflects potential losses generated by an unexpected default, or deterioration in the credit standing, of the counterparties and debtors of the Group. The Group exposure to credit risk, which are not included in the spread risk, mainly refer to: reinsurance agreements (see table above in the section on reinsurance), receivables from other companies, cash at bank or at post office, receivables from intermediaries (e.g. receivables from agents) and customers (e.g. for premiums, for deductibles) and loans (residential mortgage).

The **liquidity risk** reflects possible losses arising from the difficulty of honoring the cash commitments, expected or unexpected, owed to counterparties. The risk arises mainly from the "Liquidity Mismatch Risk " i.e. the mismatch between cash inflows and cash outflows or an inadequate treasury management and from the "Market Liquidity Risk", i.e. the sale of assets (such as less liquid assets) in unfair economic and timing conditions, accordingly influencing the Net Asset Value of Vittoria Assicurazioni.

As at 31 December 2019, as noted in the tables in the previous section "Investments, Cash and Properties - Securities portfolio breakdown", more than 95% of financial assets held was listed on a regulated market.

The breakdown of financial liabilities by maturity is given in the relevant section.

The **Concentration Risk** is represented by all risk exposures with a potential loss, enough to threaten the solvency or the financial position of the Group.

The **risk of non-compliance with standards** is defined as the risk of incurring legal or administrative sanctions, significant financial losses or reputational damage as a result of violations of mandatory rules (laws, regulations), of self-regulatory standards (e.g. statutes, codes of conduct, self-regulatory codes, etc.) or the risk arising from adverse changes in the law or legal guidelines.

The **reputational risk** is defined as the risk of decrease in profits or capital arising from a negative perception of the Group by its main stakeholders (customers, shareholder, investors, lenders, regulatory authorities, employees, partners, distribution network, suppliers, general public, etc.). It includes the potential deterioration of perception of credibility and reliability and the increase in conflict with policyholders. The appreciation judgment is usually tied to the organization's quality, the characteristics and behaviors that derive from experience, from hearsay or from the observation of past actions of the organization.

The **Operational Risk** is the risk of losses arising from the inadequacy or dysfunction of internal procedures, human resources or systems or from exogenous events, including events which imply the breach - even potential - of rules and corporate practices on safety, such as computer frauds, cyber-attacks, malfunctions and disservices.

The **Group-related Risks** are referred to the spill-over risk, i.e. the spill-over effects that may, as a result of difficult situations arising in one entity of the Group, impact the solvency of the company itself, and to the risk of conflict of interests arising from a counterparty's interest in the infra-group operations.

The **Environmental and Social Risks** are associated to the use of the energy resources (renewable and non-renewable sources), greenhouse gas emissions, waste production and disposal, as well as the consumption of raw materials used for the business (paper and toners) and related relational aspects with customers and, more generally, with the local community towards which the Company promotes

an economic and social development. Thanks to a rigorous and intact conduct driven by sustainability principles, the Company ensures an economic stability and profitability in the short and long runs.

Risk Management Process

The risk management process of Vittoria Assicurazioni allows to detect, measure, monitor and possibly mitigate risk and consists of the following stages:

- Risk identification,
- Assessment of exposure to risks,
- Risk monitoring,
- Risk treatment,
- Reporting.

Risk identification

The process of identification consists of identifying and mapping the risks to which the Company is or may be exposed, in addition to the emerging risks.

Risks are identified by the different company functions through:

- structured analyses of environment, both external (i.e. regulatory framework) and internal (i.e. strategic planning, capital allocation, launch of new products, entering new markets, investment process, etc.),
- analyses of activities underlying macro-processes and processes within relevant purview, which is defined by the corporate organizational chart.

The analyses are directly carried out or overseen by the functions of Risk Management, Actuary, Compliance, each one in relation to the specific area of competence.

Risk assessment

The assessment phase is aimed at measuring risks through quantitative methods, where it is possible, and/or qualitative methods. The quantitative measurement of risks is performed using several procedures, which are used to determine both the present situation both the medium to long-term situation.

Furthermore, in order to assess its vulnerability to extreme but plausible events, the Group makes use of specific quantitative techniques. In particular the stress tests allow to assess the effects on economic and financial conditions arising from specific events or from changes in a set of economic, financial and insurance variables in the event of adverse scenarios.

The quantitative techniques adopted determine the risk profile or the risk measure actually taken and detected at a given time instant. Any deviation from the level of risk appetite is monitored, as described in the following paragraph.

In addition, the company determines through quantitative measurement techniques the Solvency Capital, being the amount of equity that the company must hold, for regulatory and capital strength, to cover risks arising from the business.

This includes the ORSA process.

The Own Risk and Solvency Assessment is the assessment of the current and forward-looking risk profile of the Company and avails itself of methods, processes and techniques, commensurate to the nature, scope and complexity of risks associated to the business. The results achieved allow the company to take decisions in key areas such as capital management and allocation, strategic planning, product development and design and corporate risk management. The ORSA, representing the projection of the overall solvency needs over a period coinciding with that of the strategic plan of the company, reflects the risk profile, the risk appetite and business strategy.

Risk Monitoring

The monitoring is based on controlling, on an ongoing basis, exposure to different types of risk and is performed by verifying:

- compliance with the principles / guidelines defined in the policies adopted by the Company,
- compliance with risk and operational limits for specific risk categories,
- trend indicators such as those of capital value and liquidity.

Limits and indicators allow to measure the level of achievement of objectives in terms of business and risk. In particular, in checking the alignment between the profile detected and the risk appetite, also any tolerance thresholds are taken into account (maximum deviation from risk appetite).

The risk monitoring process is structured into three phases:

- production of a risk measurement report: the risk owner prepares reporting defined for the risk monitoring with the frequency and the operating procedures defined in the reference policy,
- analysis of the measured risk and proposal of mitigation plan: the risk owner examines data on the risk measurement report of its competence and prepares a report aimed at sharing its findings, at explaining certain phenomena encountered and possibly at proposing a plan of action to deal with the risk. The report and the reports are submitted to the Risk Management,
- approval of a reaction and risk mitigation plan: the Risk Manager analyses information set out in reports, completes the exam with additional analysis deemed appropriate and makes the resulting evaluations. During the first meeting of the Risk Management Committee or, if deemed necessary, in a special session, mitigating/reacting plans, proposed by the line manager and approved by the Risk Management, are submitted for discussion and approval.

Risk treatment

The risk treatment consists in evaluating the possible options regarding the reaction to risk and then implement the one that is considered more appropriate. The choice, which also depends on the type and severity of the risk, is made between the following options: acceptance, avoidance, or attenuation and mitigation.

The acceptance option can result in the revision of risk targets, while avoidance can lead to review of the objectives and business strategies.

Some attenuation/mitigation¹ measures are referred to Reinsurance, to reliance on real guarantees (deposits, mortgages, etc.) and to sureties, as well as to the implementation of management action (namely measures such as recomposition of the structure of assets and/or liabilities managed or the transfer of assets and/or liabilities).

Any deviation from the risk appetite, violation of operating limits or tolerances are managed through the process of definition of recovery actions. In particular the escalation process distinguishes stages and responsibilities depending on the severity of the violation:

- In cases of violation within the tolerance thresholds, the Managing Director promptly notifies the Risk and Control Committee, and with the support of the Risk Management Function and the Senior Management, defines a recovery plan.
- In cases of violation beyond the tolerance thresholds, the Managing Director promptly notifies the Board of Directors.

Reporting

The Board of Directors shall ensure that the risk management system and internal controls reflect the risk appetite and that appropriate measures are taken to ensure that there is a constant reporting activity to the Board.

The internal reporting system of the Group, designed for the purpose of communicating the information needed to make timely and effective decisions even in critical situations, follows the aim of promoting,

at the appropriate hierarchical levels, all assumable, undertaken and future risks in the various business segments highlighting, in an integrated logic, the correlations of the risks and interrelations with the external environment. The Company ensures also appropriate information to the Parent Company.

Information flows are one of the instruments to implement the coordination among the different entities on which the Company's governance system is based and ensure that the Board is fully aware of significant corporate issues.

Information flows provide for:

- Top down flows: resolutions and Policies approved by the Board of Directors and submitted to the Senior Management for their definition in the ordinary company operations and their application.
- Bottom up flows: information flows that are produced by the operating Functions, the Senior Management and the Primary Functions and submitted to the Board Committees, or directly to the Board of Directors, so that these bodies can fulfil the duties associated to assessment, approval, decision-making and control.
- Horizontal flows: flows that enable the exchange of information among the Primary Functions, the Committees and between the latter ones and the corporate bodies.

The frequency for reporting each flow depends on its content and the purposes for which the flow has been designed. This frequency can be on an ad-hoc, monthly, quarterly, half-yearly basis.

Report on corporate governance and ownership structure

pursuant to Art. 123-*bis* of Legislative Decree 58/1998 (TUF)

As a result of the listing of the subordinated bond loan issued by Vittoria Assicurazioni on the regulated market of the Irish Stock Exchange, below are the main features of existing risk management and internal control systems in relation to financial reporting, as required by Article 123-bis, paragraph 5 of Legislative Decree 58/1998 (TUF).

Introduction

The internal control and risk management system relating to the financial reporting process is a component of the broader internal control and risk management system adopted by the Company.

The specific purpose of the system is to ensure the reliability, accuracy and timeliness of financial reporting and addresses the issues of internal control and risk management in a global perspective, in order to identify, evaluate and control the risks relating to the financial reporting process (financial reporting risk).

The Company has implemented a set of procedures in order to guarantee the reliability of the system relating to the production of financial information.

The responsibility for the implementation of the system, in the Company and in its subsidiaries, is assigned to the various company departments as better described in the following paragraphs.

This is the context of the Head of Administration in charge of preparing the accounting and corporate documents, to whom the Company has assigned the responsibilities of ensuring the preparation and effective implementation of the procedures for the preparation of the separate and consolidated financial statements and any other financial information.

To this end, the Head of Administration is assigned the task of designing, implementing and updating the internal control system in order to guarantee:

- the adequacy of the accounting system used,
- the formalisation of the relevant procedures and processes and their maintenance,
- the constant attention of administrative staff to the provisions of procedures and processes.

Description of the main features of the existing risk management and internal control system in relation to the financial reporting process

The main features of the financial reporting process adopted, with particular reference to its structure, the operating methods that characterise its operation and the roles and functions involved, may be described by illustrating:

- a) the risk management and internal control process,
- b) the corporate functions involved (with the related roles and responsibilities).

Risk management and internal control process

The system requires that:

- The processes and procedures regarding financial reporting are updated at least annually.
- All the administrative staff is constantly made aware of the updating and compliance with this documentation.

As regards the financial information process of Vittoria Assicurazioni Group, the methodology and the results are similar to those of the Company.

Corporate functions involved

The responsibility for the actual implementation of the internal control system, in terms of the operation and specific implementation of devices, mechanisms, procedures, is widespread and integrated in the corporate structures.

In order to guarantee the correct functioning of the Internal Control System, in addition to the general monitoring function entrusted to the Board of Directors, the functions and roles attributed to the Control and Risk Committee, the Head of Administration and the second and third level control functions are essential. The details of the tasks/activities assigned to the functions are reported in the following paragraphs.

Control and Risk Committee

It has the following functions:

- Assessing, along with the Head of Administration, and after hearing the statutory auditor and the Board of Statutory Auditors, the proper usage of the accounting principles and, in case of groups, their homogeneity for the purposes of drawing up the consolidated financial statements.
- Examining the plans of annual activities and report of the Primary Functions, by validating the contents.
- Monitoring the effectiveness of the audit process.
- Acting as a liaison between the Board of Directors and the Supervisory Body for issues concerning the application of Legislative Decree 231/2001.

The Control and Risk Committee reports to the Board of Directors on the activities performed and on the adequacy of the Internal Control System.

Second and third level control functions

The activities of the second level control functions, Risk Management, Compliance and Actuarial Function, as well as the third level control function, Internal Audit, are also performed in the risk management and control system related to the financial reporting process.

The Risk Management Function deals with the implementation of the risk management system, which includes the strategies, processes and reporting procedures necessary to identify, measure, manage and report the risks to which the Company is or could be exposed.

The Compliance Function identifies the relevant regulations as well as the controls with reference to regulatory compliance.

The Actuarial Function coordinates the calculation of Non-Life and Life Technical Reserves, assesses their sufficiency, certifying the correctness of the procedures followed, verifying the appropriateness of the data used to support the hypotheses and the adequacy of the methods, models and hypotheses used.

As regards the responsibilities attributed to the Financial Reporting Manager, please refer to the previous paragraph.

The Internal Audit Function deals with the adequate planning of the internal control system, assessing the design aspects and monitoring its effectiveness and efficiency.

Information flows and information exchanges are also envisaged in periodic meetings involving the Risk and Control Committee, the Head of Administration, the Board of Statutory Auditors, the Heads of the Internal Audit, Compliance, Risk Management and Organisation and the Supervisory Body established pursuant to Legislative Decree 231/2001.

Relations with the Supervisory Authority

During 2020, due to the marked worsening of the financial markets and the macroeconomic situation related to the Covid-19 pandemic, IVASS has asked the Companies and the Italian Groups (including the Parent Company Yafa S.p.A.) an extraordinary update first weekly (from March to June) and then monthly (until the end of the year, and still ongoing) of the solvency position.

For the Companies only, a monthly monitoring of the liquidity situation has also been introduced, with a request for an illustration of the stocks and flows expected in the following month and quarter.

Moreover, due to the worsening of the markets and the macroeconomic context related to the pandemic, IVASS asked Vittoria Assicurazioni for clarifications on variable remuneration and dividends to be paid during the year, to which the Company promptly replied.

Solvency Capital Requirements

(pursuant to ISVAP Regulation n. 7/2007 amended and supplemented by IVASS Regulatory order n. 53/2016)

As required by the Supervisory regulations, the solvency situation is reported as at 31 December 2020. It is specified that the following data refer to Vittoria Assicurazioni S.p.A. .:

<u>Volatility Adjustment Evaluations</u>	<u>amounts in millions of euro</u>
Solvency Capital Requirement	523
Minimum Capital Requirement	236
Solvency II Own Funds (net of dividend to be distributed in 2021)	1,010

Company's own funds belong to Tier 1 for 749 million euro and to Tier 2 for 261 million euro.

Own funds covering MCR belong to Tier 1 for 749 million euro and to Tier 2 for 47 million euro for a total of 796 million euro.

The solvency ratio (ratio between Own Funds and S.C.R.) is 193.0%.

The Minimum Capital Ratio (ration between Own Funds and MCR) is 337.8%.

The data shown were calculated using the Standard Formula with USP.

The Undertaking Specific Parameters (USP) are a subset of parameters of the Standard Formula represented by Company-specific values that replace, subject to authorisation by the Supervisory Authority, the values determined by EIOPA at European level. These parameters refer to the assessment of the Solvency Capital Requirement.

Consolidated Non-Financial Statement for 2020 financial year

(pursuant to articles 3 and 4 of Legislative Decree No. 254 of 2016)

Consolidated Non-Financial Statement, envisaged by Legislative Decree No. 254 of 2016, is published in the Investor Relations \ Sustainability Report section of the Company's website www.vittoriaassicurazioni.com.

Infragroup and related-party transactions

The transactions carried out with Group companies are referred to normal business management with the use of specific professional skills at market costs and do not include atypical or unusual transactions.

The Company has not carried out any transaction, either in its own name or through fiduciary companies or third parties, referring to its own shares and those of the Parent Company

This chapter shows the financial and economic relations that took place during the year with Group companies, excluding those which are subject to line-by-line consolidation.

The following table summarises the most significant economic-financial relations with Group companies not included in the consolidation area and with the administrative and control bodies:

(€/000)

Related parties	Other receivables	Loans	Other payables	Revenues	Costs	Dividends
Parents	-	-	-	69	243	10,306
Associates	20,810	12,026	456	204	11,211	-
<u>Fees:</u>	-	-	-	-	-	-
Directors	-	-	1,002	-	4,980	-
Statutory auditors	-	-	170	-	322	-
Total	20,810	12,026	1,628	273	16,756	10,306

Relations and transactions with parent companies

During the period, Vittoria Assicurazioni S.p.A. distributed dividends for 10,306 thousand euro to the direct parent Yafa Holding S.p.A.

Service contracts are in place between the Parent Company Yafa S.p.A. and Vittoria Assicurazioni S.p.A., aimed at obtaining operational synergies at Group level.

Relations and transactions with associates

Mosaico S.p.A. – Turin

45.00% equity interest via Vittoria Immobiliare S.p.A.

The subsidiary Vittoria Immobiliare S.p.A. granted the associate an interest bearing shareholder loan, which has a balance of 747 thousand euro (819 thousand euro as at 31 December 2019).

Pama & Partners S.r.l. – Genoa

25.00% equity interest via Vittoria Immobiliare S.p.A.

The subsidiary Vittoria Immobiliare S.p.A. granted the associate a non-interest bearing shareholder loan, which has a balance of 501 thousand euro (501 thousand euro as at 31 December 2019).

Fiori di S. Bovio S.r.l. – Milan

40.00% equity interest via Vittoria Immobiliare S.p.A.

The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of 1,857 thousand euro (1,947 thousand euro as at 31 December 2019).

Aspevi Roma S.r.l. – Rome

49.00% equity interest via Interbilancia S.r.l.

The services rendered during the year by the company to Vittoria Assicurazioni for commissions totalled 4,885 thousand euro (4,852 thousand euro as at 31 December 2019). Payable to Vittoria Assicurazioni amounts to 3,127 thousand euro (1,435 thousand euro as at 31 December 2019).

Aspevi Milano S.r.l. – Milan

49.00% equity interest via Interbilancia S.r.l.

The associated company has a non-interest bearing shareholder loan with the parent company Vittoria Assicurazioni which has a balance of 920 thousand euro (590 thousand euro as at 31 December 2019). The services rendered during the year by the company to Vittoria Assicurazioni for commissions amount to 6,270 thousand euro (5,453 thousand euro as at 31 December 2019). The debt to Vittoria Assicurazioni amounts to 9,888 thousand euro.

Immobiliare Bilancia Prima S.r.l.- Milan

49.00% equity interest

The Company owns a building area in the municipality of Parma, residential buildings in Rome and Peschiera Borromeo (MI).

Revenues earned during the year from the sale of properties amounted to 514 thousand euro (830 thousand euro as at 31 December 2019) and closing inventories amounted to 89,691 thousand euro (70,955 thousand euro as at 31 December 2019).

Human resources

As stated in the Company's Code of Ethics, Vittoria Assicurazioni is aware that the value of people, regardless of the level at which they operate, is a fundamental factor of success. Therefore, it recognizes the centrality of human resources and pursues the objective of their valorisation, encouraging the continuous development of skills and competences in the context of a work culture based on merit and on the ability to generate and maintain relationships focused on fairness, professionalism and respect for people.

The protection and enhancement of human resources that Vittoria Assicurazioni uses, guaranteeing respect for moral and professional dignity, are pursued through:

- careful evaluation of the applications, aimed at verifying the correspondence between the company needs and the professional profiles to be selected: the resources are identified primarily through internal selection processes, so as to promote their professional growth. Where it is not identifiable in the company applications consistent with the profile required, selection processes are activated aimed at the market to select particularly qualified candidates for academic career and / or professional experience gained in the sector.
- the commitment to training in line with the role played by each one, respecting the objectives and strategies of the Company: Vittoria Assicurazioni believes that resources play a fundamental role in the process of value creation and therefore pays particular attention to the planning of training and training.
- encouraging forms of flexibility in the organization of work, respecting individual / family and company needs.
- the prevention of all forms of discrimination.
- the adoption of a reward system that includes:
 - the constant professional development of resources, implemented through the performance evaluation system and the identification of growth paths,
 - the careful supervision of the remuneration system, which was implemented both through a careful remuneration policy and through an incentive system that assigns corporate, team and individual objectives, which the Company is progressively extending to the entire corporate population.
- the constant commitment to the preparation of workplaces not only compliant with the safety standards required by law, to protect the health of those who use them, but also pleasant to live.

During 2020, a year that severely tested the emotional stability of each of us, the Group recognised and paid great attention to people: due to the health emergency, all the Group's employees and collaborators were able to work remotely very quickly, guaranteeing continuity and supervision of all company functions, as well as work stability.

Performance in early months of FY2021 and business outlook

In 2021, the Group will continue to closely monitor developments in the ongoing health emergency.

The Group's performance in the first months of 2021 is positive and in line with the approved plan objectives.

It should also be noted that, on 23 February 2021, Vittoria Assicurazioni sold to AC Milan the real estate complex located in Milan known as "Casa Milan" for a countervalue of 41,915 thousand euro.

The Board of Directors

Milan, 24 February 2021

Consolidated financial Statements as at 31 December 2020

Balance Sheet

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€000)

BALANCE SHEET - ASSETS		Note	31/12/2020	31/12/2019
1	INTANGIBLE ASSETS		3,226	7,648
1.1	Goodwill	1	0	0
1.2	Other intangible assets	2	3,226	7,648
2	PROPERTY, PLANT AND EQUIPMENT		323,082	442,706
2.1	Property	2	315,988	435,030
2.2	Other items of property, plant and equipment	2	7,094	7,676
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	67,214	77,947
4	INVESTMENTS		4,203,106	3,696,002
4.1	Investment property	4	347,413	103,158
4.2	Investments in subsidiaries and associates and interests in joint ventures	5	37,941	20,436
4.3	Held to maturity investments	6	11,565	11,750
4.4	Loans and receivables	6	272,226	301,274
4.5	Financial assets available for sale	6	3,419,339	3,167,228
4.6	Financial assets at fair value through profit or loss	6	114,622	92,156
5	OTHER RECEIVABLES		291,807	248,587
5.1	Receivables relating to direct insurance	7	203,643	182,088
5.2	Receivables relating to reinsurance business	8	7,908	10,613
5.3	Other receivables	9	80,256	55,886
6	OTHER ASSETS		146,618	129,367
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	10	7,049	6,673
6.3	Deferred tax assets	11	106,618	95,673
6.4	Current tax assets	12	15,923	16,009
6.5	Other assets	13	17,028	11,012
7	CASH AND CASH EQUIVALENTS	14	9,901	12,296
	TOTAL ASSETS		5,044,954	4,614,553

Vittoria Assicurazioni S.p.A.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

BALANCE SHEET - EQUITY AND LIABILITIES		Note	31/12/2020	31/12/2019
1	EQUITY		812,430	659,698
1.1	attributable to the shareholders of the parent		765,743	659,638
1.1.1	Share capital	15	67,379	67,379
1.1.2	Other equity instruments	15	0	0
1.1.3	Equity-related reserves	15	13,938	13,938
1.1.4	Income-related and other reserves	15	502,591	437,688
1.1.5	(Treasury shares)	15	0	0
1.1.6	Translation reserve	15	0	0
1.1.7	Fair value reserve	15	71,029	61,450
1.1.8	Other gains or losses recognised directly in equity	15	-77	-18
1.1.9	Profit for the year attributable to the shareholders of the parent		110,883	79,201
1.2	attributable to minority interests	15	46,687	60
1.2.1	Share capital and reserves attributable to minority interests		49,966	76
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		-3,279	-16
2	PROVISIONS	16	51,102	24,901
3	TECHNICAL RESERVES	17	3,291,966	3,160,913
4	FINANCIAL LIABILITIES		688,052	586,613
4.1	Financial liabilities at fair value through profit or loss	18	117,477	92,147
4.2	Other financial liabilities	18	570,575	494,466
5	PAYABLES		94,216	86,673
5.1	Payables arising from direct insurance business	19	10,803	11,383
5.2	Payables arising from reinsurance business	20	11,170	11,185
5.3	Other sums payable	21	72,243	64,105
6	OTHER LIABILITIES		107,188	95,755
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	22	52,488	46,654
6.3	Current tax liabilities	23	17,039	10,528
6.4	Other liabilities	24	37,661	38,573
	TOTAL EQUITY AND LIABILITIES		5,044,954	4,614,553

Income Statement

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2020

SEPARATE INCOME STATEMENT

		(€/000)		
	Income Statement	Note	31/12/2020	31/12/2019
1.1	Net premiums		1,370,288	1,381,410
1.1.1	<i>Gross premiums</i>	25	1,407,889	1,441,339
1.1.2	<i>Ceded premiums</i>	25	37,601	59,929
1.2	Commission income	26	1,596	1,968
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	27	-2,863	2
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	27	608	593
1.5	Gains on other financial instruments and investment property	27	78,613	71,091
1.5.1	<i>Interest income</i>		35,696	35,293
1.5.2	<i>Other income</i>		28,076	29,991
1.5.3	<i>Realised gains</i>		11,978	5,807
1.5.4	<i>Unrealised gains</i>		2,863	0
1.6	Other income	28	18,630	26,412
1	TOTAL REVENUE		1,466,872	1,481,476
2.1	Net charges relating to claims		890,695	998,785
2.1.1	<i>Amounts paid and change in technical reserves</i>	25	913,244	1,064,720
2.1.2	<i>Reinsurers' share</i>	25	-22,549	-65,935
2.2	Commission expense	29	1,064	733
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	27	1,110	934
2.4	Losses on other financial instruments and investment property	27	31,235	28,923
2.4.1	<i>Interest expense</i>		17,118	15,596
2.4.2	<i>Other expense</i>		4,757	4,188
2.4.3	<i>Realised losses</i>		311	139
2.4.4	<i>Unrealised losses</i>		9,049	9,000
2.5	Operating costs		325,207	302,339
2.5.1	<i>Commissions and other acquisition costs</i>	30	258,109	246,374
2.5.2	<i>Investment management costs</i>	30	1,857	2,081
2.5.3	<i>Other administrative costs</i>	30	65,241	53,884
2.6	Other costs	31	59,434	38,113
2	TOTAL COSTS		1,308,745	1,369,827
	PROFIT FOR THE YEAR BEFORE TAXATION		158,127	111,649
3	Income taxes	32	50,523	32,464
	PROFIT FOR THE YEAR		107,604	79,185
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		0	-
	CONSOLIDATED PROFIT (LOSS)		107,604	79,185
	of which attributable to the shareholders of the parent		110,883	79,201
	of which attributable to minority interests	15	-3,279	-16
	Basic EARNINGS per share		1.65	1.18
	Diluted EARNINGS per share		1.65	1.18

Statement of other comprehensive income

Vittoria Assicurazioni S.p.A.

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(€/000)

COMPREHENSIVE INCOME (LOSS)	31/12/2020	31/12/2019
CONSOLIDATED PROFIT (LOSS)	107,604	79,185
Other comprehensive income, net of taxes without reclassification to profit or loss	- 59	-67
Changes in the equity of investees	-	-
Changes in intangible asset revaluation reserve	-	-
Changes in tangible asset revaluation reserve	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-
Actuarial gains and losses and adjustments related to defined benefit plans	- 59	-67
Other items	-	-
Other comprehensive income, net of taxes with reclassification to profit or loss	9,579	45,746
Change in translation reserve	-	-
Gains or losses on available for sale investments	9,579	45,746
Gains or losses on hedging instruments	-	-
Gains or losses on hedging instruments of net investment in foreign operations	-	-
Changes in the equity of investees	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-
Other items	-	-
TOTAL OTHER COMPREHENSIVE INCOME	9,520	45,679
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (LOSS)	117,124	124,864
of which attributable to the shareholders of the parent	120,403	124,880
of which attributable to minority interests	-3,279	-16

Statement of changes in equity

Vitoria Assicurazioni S.p.A.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Balance at 31/12/2018	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Reclassifications	Changes in ownership interests	Balance at 31/12/2019
Share capital	67,379	0	0		0		67,379
Other equity instruments	0	0	0		0		0
Equity-related reserves	33,874	0	-19,936		0		13,938
Income-related and other reserves	633,026	0	-175,652		(19,415)	-271	437,688
(Treasury shares)	0	0	0		0		0
Profit/(Loss) for the year	100,433	0	-21,232		0		79,201
Other comprehensive income	15,753	0	48,303	-2,624	0	0	61,432
Total attributable to the shareholders of the parent	850,465	0	-168,517	-2,624	-19,415	-271	659,638
Share capital and reserves attributable to minority interests	75	0	1		0	0	76
Gains or losses recognised directly in equity	1	0	(17)		0		-16
Other comprehensive income	0	0	0	0	0	0	0
Total attributable to minority interests	76	0	-16	0	0	0	60
Total	850,541	0	-168,533	-2,624	-19,415	-271	659,698

Vitoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Balance at 31/12/2019	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Reclassifications	Changes in ownership interests	Balance at 31/12/2020
Share capital	67,379	0	0		0		67,379
Other equity instruments	0	0	0		0		0
Equity-related reserves	13,938	0	0		0		13,938
Income-related and other reserves	437,688	0	77,846		-12,943	0	502,591
(Treasury shares)	0	0	0		0		0
Profit/(Loss) for the year	79,201	0	31,682		0		110,883
Other comprehensive income	61,432	0	19,338	-9,818	0	0	70,952
Total attributable to the shareholders of the parent	659,638	0	128,866	-9,818	-12,943	0	765,743
Share capital and reserves attributable to minority interests	76	0	49,890		0	0	49,966
Gains or losses recognised directly in equity	-16	0	-3,263		0		-3,279
Other comprehensive income	0	0	0	0	0	0	0
Total attributable to minority interests	60	0	46,627	-9,818	-12,943	0	46,687
Total	659,698	0	175,493	-9,818	-12,943	0	812,430

(€/000)

Reference should be made to Notes to the consolidated financial statement for further information.

Cash flow statement

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

CONSOLIDATED STATEMENTS OF CASH FLOW - INDIRECT METHOD

	(€/000)	
	31/12/2020	31/12/2019
Profit for the year before taxation	158,127	111,649
Change in non-monetary items	161,649	242,214
Change in non-life premium reserve	7,289	10,393
Change in claims reserve and other non-life technical reserves	17,974	30,795
Change in mathematical reserves and other life technical reserves	116,523	189,589
Change in deferred acquisition costs	-376	-449
Change in provisions	26,201	142
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-520	-3,251
Other changes	-5,442	14,995
Change in receivables and payables arising from operating activities	-35,677	-33,480
Change in receivables and payables relating to direct insurance and reinsurance	-19,445	-23,426
Change in other receivables and payables	-16,232	-10,054
Taxes paid	-50,523	-32,464
Net cash flow generated by/used for monetary items from investing and financing activities	2,863	-2
Liabilities from financial contracts issued by insurance companies	25,329	23,497
Payables to bank and interbank customers	0	0
Loans and receivables from bank and interbank customers	0	0
Other financial instruments at fair value through profit or loss	-22,466	-23,499
NET CASH FLOW FROM OPERATING ACTIVITIES	236,439	287,917
Net cash flow generated by/used for investment property	-244,255	4,563
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	-18,169	1,224
Net cash flow generated by/used for loans and receivables	29,048	-58,868
Net cash flow generated by/used for held to maturity investments	185	25,842
Net cash flow generated by/used for financial assets available for sale	-241,407	-532,290
Net cash flow generated by/used for property, plant and equipment	124,046	31,162
Other net cash flows generated by/used for investing activities	0	31
NET CASH FLOW FROM INVESTING ACTIVITIES	-350,552	-528,336
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	0	-302
Net cash flow generated by/used for treasury shares	0	0
Dividends distributed to the shareholders of the parent	-12,943	-19,415
Net cash flow generated by/used for share capital and reserves attributable to minority interests	48,552	0
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	76,109	27,876
NET CASH FLOW FROM FINANCING ACTIVITIES	111,718	8,159
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12,296	244,556
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-2,395	-232,260
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9,901	12,296

Accounting policies principles

General valuation criteria

Statement of IFRS compliance

The consolidated financial statements have been prepared in compliance with the international accounting and financial reporting standards (IASs/IFRSs) issued by the IASB and endorsed by the European Union as per EU regulation 1606 of 19 July 2002 and Italian Legislative Decrees 38/2005, 32/2007 and 209/2005.

The Group has not applied IFRSs before the year when they actually came into force. New IFRSs applicable starting from next year are not expected to have any significant impact on Group's accounts.

The Group prepared its first set of IFRS-compliant year-end financial statements in FY2005. As permitted by IFRS 1 ("First-Time Adoption of International Financial Reporting Standards"), for preparation of the opening balance sheet as at 1 January 2004, the Group elected to apply a number of optional exemptions. For information on exemptions, reference should be made to the "Accounting Policies" section of the Consolidated Annual Report & Accounts for the year ending on 31 December 2005.

Basis of accounting

The basic criteria are the historical cost and fair-value measurement for available-for-sale financial assets and of financial assets or liabilities recognised at fair value in the income statement.

The financial report is exposed in a comparative format, stating the previous year figures. Where it was deemed necessary, in case of changes in accounting policies, accounting policies or reclassifications, the comparative figures are restated and reclassified to provide uniform and consistent disclosures.

Taking into account the Solvency II ratio, the profitability of the Group and its careful management of risks, the consolidated financial statements have been prepared on a going concern basis.

IFRS accounting standards, amendments and interpretations effective from 1 January 2020

The following accounting standards, amendments and IFRS interpretations, applicable for the first time by the Group from 1 January 2020, did not have any impact on the Group's consolidated financial statements:

- **"Definition of Material (Amendments to IAS 1 and IAS 8)":** this amendment aims to make the definition of "material" more specific and introduced the concept of "obscured information" alongside the concepts of omitted or incorrect information already present in the two standards being amended.
- **"References to the Conceptual Framework in IFRS Standards":** this document helps to ensure that the Standards are conceptually consistent and that similar transactions are treated in the same way, so as to provide useful information to investors, lenders and other creditors.
- **"Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform":** the amendment modifies some of the requirements for the application of hedge accounting, providing temporary exceptions to them, in order to mitigate the impact of the uncertainty of the IBOR

reform on future cash flows in the period prior to its completion. The amendment also requires companies to provide additional disclosures in the financial statements about their hedging relationships that are directly affected by the uncertainties generated by the reform and to which they apply the above exemptions.

- **"Definition of a Business (Amendments to IFRS 3)":** the document provides some clarifications on the definition of a business for the purposes of the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces an output, the presence of an output is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets.

New accounting principles that are not yet effective

IFRS 9 Financial Instruments (replacement of IAS 39). On 24 July 2014, the International Accounting Standards Board (IASB) published the International Financial Reporting Standards (IFRS) 9 - Financial Instruments. The principle aims to emphasize on certain aspects:

- fair value for all instruments not only the ones remunerate the credit risk;
- logic of credit risk monitoring (including financial instruments consist of bonds), which enable the early detection and proper assessment of signs of impairment for evaluation purposes;
- adoption of predictive indicators (forward looking) and more stringent presumptions with respect to the practice;
- greater correlation between returns on financial instruments and risk (relative risk approach).

The application is mandatory as of 1st January 2018 following the approval of 29 November 2016. In September 2016, the amendment "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Amendments to IFRS 4" which allows insurance companies to postpone the entry into force of IFRS 9 (so-called "temporary exemption") to a maximum of 2022 or allows to suspend the greater volatility introduced by the new principle on individual securities (so-called "overlay approach").

Vittoria Assicurazioni, based on preliminary analysis, believes that it meets the requirements of paragraph 20B of IFRS 4, which allow temporary exemption from IFRS 9 (*c.d. temporary exemption*). In fact, the Group's activities are mainly linked to insurance business.

The Group's liabilities connected with the insurance business mainly include:

- liabilities falling within the IFRS 4 scope;
- financial liabilities measured at fair value through profit and loss on the basis of IAS 39, relating to contracts issued for which the investment risk is supported by policyholders;
- tax liabilities related to insurance business.

During the next year the necessary study phases will continue in order to verify the correct classification of the existing portfolio and the related impacts.

IFRS 17 Insurance contracts. On 28 May 2017, the IASB published the Standard on Insurance Contracts, IFRS 17. The objective of the new principle is to ensure that an entity provides other relevant entities that faithfully represent the rights and matters arising from the insurance contracts issued. The IASB has developed the standard for eliminating inconsistencies and weaknesses in existing accounting policies by providing a single principle based framework to take account of all types of insurance contracts, including reinsurance contracts held by an insurer.

The standard valuation methodology is based on three accounting models that allow the estimation of insurance contracts at current values:

- "Building Block Approach" based on the expected future cash flows, weighted and corrected for a risk factor that includes the expected contractual service margin ("Contractual Service Margin") at the time of the subscription of the contract;
- Premium Allocation Approach, an alternative and simplified model with respect to the general accounting model applicable to insurance contracts with a contractual coverage of less than one year;

- Variable Fee Approach, an alternative model to the general accounting model applicable to the direct participations contracts accounting to take into account the commissions for managing the underlying assets recognized by the Company.

The entry into force is set for the 1st January 2023, leaving the possibility of an early application (if IFRS 9 and IFRS 15 are applied). Vittoria Assicurazioni, during the previous year, undertook the necessary stages of study and analysis of the issues, still in progress. The Directors expect that the application of IFRS 17 may have a significant impact on the recognition of insurance contracts and the related disclosures reported in the consolidated financial statements of the Group. However, it is not possible to provide a reasonable estimate of the effects until the Group has completed a detailed analysis of insurance contracts.

Use of estimates

Application of IFRSs for the preparation of consolidated financial statements and related explanatory notes requires the Group to make estimates that affect the amounts of balance-sheet assets and liabilities and disclosure relating to contingent assets and liabilities as at balance sheet date. Actual results may differ from such estimates. Estimates are used to recognise provisions for insurance liabilities, doubtful debts, depreciation & amortisation, measurements of assets, employee benefits, taxes, and other provisions, funds and fair value informative.

The technical reserves evaluation is performed by the Company's actuaries support and it is subjected to an examination by external actuaries.

More specifically, for items estimated (technical reserves, risk provision and activities and liabilities allocated to level 3 of fair value hierarchy) and whose carrying value is significantly affected by the assumptions, information is given in the detailed notes on the item concerned about the nature of such assumptions or any other uncertainties.

If significant, and in any case when required by IFRSs, indications are given of the sensitivity of carrying amounts to the fundamental methods, assumptions and estimates used to calculate them, together with the reasons for such sensitivity.

The estimates are reviewed regularly. The effects of each and any change are immediately recognised in the income statement or, in the case of financial assets available for sale and actuarial gains or losses, in equity.

Scope of consolidation

Subsidiaries

According to IFRS 10, are defined subsidiaries, those companies over which the Group is exposed to variable returns, or has rights of those returns, arising from their relationship with the same and at the same time has the ability to affect those returns exercising its power over its subsidiaries. In particular, in order to assess whether Vittoria Assicurazioni controls a company in which it invests, must be observed if the following conditions are met:

- a) power over the undertaking is when there is the actual right to manage its core activities, i.e. activities that materially affect the results of the subsidiary;
- b) the risk exposure or the rights arising from variable returns linked to his involvement;
- c) the ability to influence the undertaking, so as to affect the results (positive or negative) to the investor.

The power arises from the rights. In some cases, the verification of the existence of power is immediate, such as when the power comes directly from the voting rights attached to the possession of capital securities. In other cases, the verification of the existence of power is more complex and

therefore the analysis must take into account several factors such as when the power comes from contractual agreements.

Generally, the power exists when the other party has a majority of the voting rights, but in some circumstances may exist when the investor owns less than a majority of the voting rights. In this case, Vittoria Assicurazioni assesses whether this power can result from a wide range of rights, including voting rights or potential voting rights, the right to appoint or remove the key figures of the investee, including the right of veto in the facts of management and contractual rights. In addition, consider the practical ability to exercise that right; the presence of barriers for example, could jeopardize the existence of control (for example: existence of penalty, inability to obtain necessary information to exercise power, operational barriers such as lack of expertise for the replacement of management, regulatory barriers, etc.).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is assumed until the date such control ceases. Are also included in the consolidated subsidiaries that carry out diverse activities than Vittoria Assicurazioni.

Associates and Joint Ventures

Under IAS 28, associated companies are not subjected to control by the Group, but the Group has significant influence on financial and operating policies of these companies. Significant influence is presumed when the investor holds, directly or indirectly through subsidiaries, at least 20% of the voting power. The consolidated financial statements include the Group's share of associates' gains and losses on an equity-accounted basis as from the date when significant influence commences until the date when the said significant influence ceases. When the Group's share of the associate's losses exceeds the carrying value of the investment, the latter is written down to zero and no share of any further losses is recognised, except to the extent that the Group has the obligation to answer for such losses.

The same accounting treatment is applied to the Joint Ventures, jointly controlled entities. In particular, IFRS 11 distinguishes between joint operations and joint ventures: a joint operation is an agreement in which both parties have rights to the assets and obligations for the liabilities resulting from the agreement. For accounting assets and liabilities being parties to the agreement are reflected in the financial statements using the relevant accounting standard. A joint venture is an agreement in which the parties are entitled to a share of the equity of the companies covered by the agreement. For accounting purposes, the joint venture is consolidated using the equity method; is no longer expected the proportional method as optional in the previously existing IAS 31.

Business combinations

Business combinations are the union of separate entities or businesses in a single entity which is required to prepare financial statements.

The acquirer therefore recognises the acquiree's identifiable assets, liabilities and contingent liabilities at their respective fair value as at acquisition date. The acquiree also recognises goodwill which is regularly tested for impairment.

Consolidation method

- 1) The financial statements of all consolidated companies are prepared as at 31 December of the financial year concerned.
- 2) Figures shown in consolidated financial statements have been taken from individual companies' financial statements, duly restated to assure consistency of presentation and modified solely to align investee companies' accounting policies with those of Vittoria Assicurazioni.
- 3) Minority interests in subsidiaries are included in the specific liability and income statement captions of the consolidated financial statements.
- 4) The accounting currency used to prepare consolidated financial statements is the euro.
- 5) Acquisitions of subsidiaries are recognised using the purchase method whereby the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value as at acquisition date, which is the date on which consideration is paid.

Consolidated companies' adjusted equities are eliminated against the related equity investments recorded in holder companies' financial statements.

The fair value initially set on the assets and liabilities acquired may be adjusted within twelve months after acquisition date, if it was originally measured on a provisional basis.

In this case, any goodwill or profit recognised in the financial year when the acquisition took place is adjusted accordingly, recalculating comparative data presented in the previous set of accounts.

- 6) Any positive difference between the cost and the Group's interest in the fair value of the assets and liabilities acquired is classified as goodwill and recognised in accounts as an intangible asset. Any negative difference (negative goodwill) is instead recognised as revenue at the time of acquisition. Minority interests are measured according to the fair value of the assets and liabilities of the interest acquired.

Goodwill is tested for impairment annually or more frequently if specific events or changes in circumstances make it necessary, in accordance with IAS 36 ("Impairment of Assets"). After initial recognition, goodwill is measured at cost net of any cumulative impairment losses.

- 7) Intragroup balances and transactions, including revenues, costs, and dividends, are entirely eliminated. Gains or losses stemming from intragroup transactions and included in the carrying amount of assets, such as inventory, or non-current assets are also entirely eliminated. Any intercompany losses are eliminated if they do not reflect enduring impairment of the intrinsic value of the assets transferred.
- 8) Differences arising from the measurement of investments in associates using the equity method are recognised in the value of equity investments shown among balance sheet investment assets and, as a balancing entry, in the equity account called "Earnings reserves and other financial reserves" as valuation adjustments to unconsolidated equity investments. The Group's share of associates' profit or loss is recognised under the income-statement caption "Gains (losses) on investments in subsidiaries and associates and interests in joint ventures". If the group's share of losses equals or exceeds the carrying value of the investment in that associate, Vittoria Assicurazioni stops recognising its share of any further losses. After writing the investment in the associate down to zero, further losses are provisioned and recognised as liabilities only to the extent that Vittoria Assicurazioni has incurred legal or constructive obligations or made payments on behalf of the associate. In case the associate subsequently makes a profit, the Company resumes recognition of its share of profits only after such a share has covered all previously unrecognised shares of losses.

After it has recognised the associate's losses, Vittoria Assicurazioni applies the rule of IAS 39 to see whether it is necessary to recognise further losses due to impairment of the net interest (and net investment) in the associate.

Segment reporting

Primary segment reporting (business segments)

The income statement and balance sheet items relating to insurance contracts (as defined by IFRS 4), are allocated to the Life insurance business segment (which, very briefly, includes all contracts envisaging payment of a premium against the payment of benefits if the policyholder dies or survives) or to the Non-life business segment (which includes all other insurance contracts).

The Life insurance segment also includes all income statement and balance sheet items relating to investment contracts.

The Real Estate segment includes all income statement and balance sheet items relating to trading, development, and related services.

The Services segment includes the income statement balance sheet items relating to services rendered, mainly to Vittoria Assicurazioni.

The share of investments and profits or losses of associates that operate in more than one segment is classified in the segment where the investment in the associate is held.

The assets, liabilities, costs, and revenues attributed to each business segment are shown in the tables provided in the section "Appendices to Consolidated Financial Statements", prepared as per the formats recommended in IVASS ordinance no. 7 of 13 July 2007 and subsequent modifications.

Secondary segment reporting (geographical segments)

For the purposes of secondary segment reporting, we highlight the fact that:

- The main revenues (premiums and profits on real estate trading, development, and services) by geographical customer segment, as well as figures on deferred costs are mainly aggregated by Italian macro-region (i.e. North, Centre and South);
- Allocation of assets by geographical segment, i.e. based on assets' geographical location, has led to identification of three areas: Italy, Rest of Europe and Rest of World. This presentation permits an effective representation of the diversification of investments in securities.

Industry-specific accounting policies

Foreword

Insurance contracts and investment contracts – definition and accounting treatment
Based on the definition given IFRS 4, insurance contracts provide for the transfer of a significant insurance risk, other than a financial risk, by the policyholder to the contract issuer and compensation for the policyholder for damage arising from a specified uncertain future event. A threshold of 3% has been set for the identification of these contracts.

Subsequently, IFRS 4 has introduced limited improvements to the recognition and measurement of items relating to insurance contracts, substantially providing for continued application of most of the local GAAPs currently in force.

Based on analysis of the insurance policies in our portfolio, all non-life contracts are covered by IFRS 4. As regards the life business:

Insurance contracts

For contracts for which the insurance risk is rated as significant, current Italian accounting standards are applied (Italian GAAPs). In the case of insurance contracts with discretionary profit participation features, insurance liabilities are supplemented based on shadow accounting.

Financial contracts with discretionary profit participation features

Contracts of a financial nature that, although not having a significant insurance risk, envisage discretionary profit participation (policies linked to separately managed businesses), as allowed by IFRS 4, have been measured and recognised applying the same criteria as those envisaged for the insurance contracts mentioned above, with consistent recognition of the reserve based on shadow accounting. Capital-redemptions, for example, come into this category.

Investment contracts

Contracts of a financial nature that have neither a significant insurance risk nor discretionary profit participation features are accounted for according to the rules of IAS 39 (Financial instruments: recognition and measurement) and IAS 18 (Revenue).

Life contracts of the Class III type (index- and unit-linked) and Class VI type (pension funds) come within the scope of this treatment and are therefore accounted for as summarised below:

- Financial assets and liabilities relating to such contracts are measured at fair value through profit or loss;
- Revenue for fixed contract-issue costs incurred by the policyholder is recognised in full in profit in the year when the contract is acquired;
- Up-front loading and acquisition commissions paid to brokers and agents as at contract acquisition date are recognised respectively as other liabilities and other assets, as they relate to deferred income and prepaid costs concerning long-term services charged to profit or loss in line with the costs incurred over policies' actual or estimated term;
- Estimation of policies' term takes into account policyholders' propensity to require settlement based on the company's historical experience and, for new products, assessments made during new-product development work;
- Profit or loss items that occur annually, such as management fee income and commissions paid, together with portfolio management costs, are directly expensed in the year when they are generated.

Balance Sheet

ASSETS

1 Intangible assets

1.1 Goodwill

Initial recognition of goodwill is described in the Consolidation Method section.

Goodwill arising from purchase of line of business is subject to impairment test, as follows:

- i) Goodwill is allocated to the CGU (Cash Generating Unit) represented by the new business generated by the sales network acquired;
- ii) Goodwill carrying amount is compared with its recoverable amount that, in absence of a specific fair value estimate, is equal to its value in use.
- iii) Value in use is determined on the following assumptions:
 - iii.1* new business assumptions (volumes and profitability) taken in consideration in the budget and in the 4/5 years strategic plan;
 - iii.2* projection of the expected cash inflows and outflows related to this new business (collection of premiums, payments for settlements, acquisition costs and handling expenses);
 - iii.3* discounting of the above cash flows based on a rate, gross of taxes, that reflects an adequate risk premium.

1.2 Other intangible assets

Other intangible assets are recognised in balance sheet assets, as per IAS 38, when:

- It is likely that their use will generate future economic benefits;
- The Group has control or has the power to obtain these benefits;
- Assets' cost can be measured reliably.

Assets are measured at cost net of amortisation and cumulative impairment losses. Amortisation is calculated on a straight-line basis over the assets' estimated useful lives.

As required by IFRSs, they are tested for impairment at least annually with recognition as a loss of the excess of carrying value vs. recoverable value. A check is also performed of their residual useful lives.

The group's assets have finite useful lives.

Other intangible assets recognised after acquisition of a company are recognised separately from goodwill if their fair value can be measured reliably.

Vif (Value In Force) is amortized on the effective life basis of the acquired contracts, given that Life business portfolio's end.

2 Property, plant, and equipment

This item includes properties used in the ordinary business and other tangible assets.

2.1 Property

▪ Owner-occupied property

As required by IAS 16, property for own use is stated at cost less depreciation and cumulative impairment losses.

This includes costs directly attributable to bringing the asset to the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are directly expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and if they increase the future economic benefits of the assets to which they refer. All other costs are expensed.

Depreciation is applied on a straight-line basis over the property's estimated useful life of between 30 and 50 years.

As land has an indefinite useful life, it is not depreciated. Given this, land and buildings are recognised separately even when they are acquired together.

As required by IAS 36, buildings are tested for impairment at least annually with recognition of any excess of their carrying value over their recoverable value as a loss.

In accordance with IFRS 16, leased properties are recorded in this category net of the related depreciation fund. For this type of property, the principle provides that an asset must be recognized, which represents the right of use of the leased asset.

▪ Property held for trading - Property under construction

The item includes property under construction and that acquired for trading purposes by group companies.

The profit arising from property sales, purchases and promotion (which in real estate companies' statutory financial statements is the balance between sales revenue, purchases, improvement costs and changes in inventory) is reclassified to "Other income".

Until completion of buildings' construction, the Group's real estate companies capitalise all directly allocable improvement costs, including interest expense connected with financing of the initiative.

Property held for trading or with specific features defined by the constructor

Those properties held for trading are recognised at the lowest between cost and net realisable value based on market trends. This lower value is not maintained in subsequent years if the reasons for write-down cease to exist. As required by IAS 23, the financial charges directly attributable to the construction of the buildings are capitalized until the date of completion of the works. The amount of the write-down of inventory to net realisable value is recognised as a cost in the year as is its possible adjustment.

The market value of the properties is estimated by means of appraisals drawn up by independent experts, based on financial variables, such as the discount rate used, (which incorporates the most recent market data, as well as the cost of capital) and non-financial nature, such as rents, realizable expectations and the relative timing, and through any offers received from market operators..

2.2 Other items of property, plant, and equipment

Plant and equipment, publicly registered movable assets, furniture and fittings, and office machinery are stated at purchase or purchase cost less depreciation and cumulative impairment losses.

Cost includes costs directly attributable borne to bring the asset to the location and the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and increase the future economic benefits of the assets to which they refer. All other costs are expensed.

Leasehold improvements are classified as an item of property, plant and equipment. If they can be separated from the asset to which they relate, they are recognised in the relevant category depending on the nature of the cost incurred. Otherwise, they are classified in a stand-alone category. The depreciation period is equal to the shortest between the item's remaining useful life and the residual term of the lease contract.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life.

Assets are tested for any impairment at least annually with the recognition of any excess of their carrying value over their recoverable value as a loss. A check is also performed of the consistency of their residual useful life.

In accordance with IFRS 16, this category includes tangible assets (cars, equipment) under leasing, net of the related depreciation fund. For this type of asset, the principle provides that an asset must be recognized, which represents the right of use of the leased asset.

3 Reinsurers' share of technical reserves

Reinsurers' obligations arising from reinsurance treaties governed by IFRS 4 are recognised in this item.

Reinsurers' share of technical reserves is recognised consistently with the criteria applicable to the underlying direct insurance contracts. It is adjusted to expected recoverable value at each financial reporting date.

4 Investments

Initial recognition and subsequent measurement

All financial assets are initially recognised at fair value.

Transaction costs are expensed for financial assets measured at fair value through profit or loss or included in initial recognition if related to other financial assets.

After initial recognition, financial instruments designated as available for sale and those designated at fair value through profit or loss are measured at fair value. Financial instruments held to maturity and loans and receivables are instead measured at amortised cost.

For securities traded in regulated markets, fair value is calculated based on the closing stock exchange price as at balance sheet date.

If a market valuation is not available for the investment, its fair value is measured on the basis of the current market value of other substantially similar financial instruments or by using appropriate valuation techniques. Such techniques include use of recent transactions, discounted cash flow analysis or models able to provide reliable estimates of prices practised in current market deals. If fair value cannot be measured reliably, the financial asset is measured at cost, adjusted for any impairment losses.

For CIUs (collective investment undertakings), fair value is the published unit value.

The fair value of non-interest bearing loans and of those featuring interest at other than market rates is estimated as the present value of all discounted inflows using the prevalent market rate for a similar instrument.

Recognition date

Purchases and sales of financial assets are recognised on transaction date.

Impairment

At each reporting date financial assets designated as available for sale, those designated as held to maturity and loans and receivables are subject to an impairment test based on the provisions of IAS 39. Financial instruments designated as held for trading and those designated at fair value through profit or loss are not subject to such a test, as their changes in fair value are already charged to profit and loss.

Impairment indicators

Depending on investment in equities or bonds, the following factors are assessed when determining an impairment of a financial asset:

1. Bonds

1.1. Government Bonds

State of default, breach of contract (failure to pay interests or capital), significant deterioration in their rating.

1.2. Corporate Bonds

State of default, breach of contract (failure to pay interests or capital), significant deterioration in their rating or significant financial troubles.

In addition, it is pointed out that our impairment procedure establishes that downgraded debt securities are not subjected to impairment if they are accompanied by guarantees or protective mechanisms instituted by supranational entities, by other sovereign countries or by other issuers with

high credit ratings, such as to have a positive effect on the ability to repay at maturity, thus making the change of rating less significant.

2. Equities and strategic investments and mutual funds

Investments are to be impaired in case of a prolonged or significant decline, *i.e.*:

- 2.1. a decline for a continuative period of 36 months, or;
- 2.2. a decline in the value of an investment higher than 40% at the reporting date.

Apart from the above indicators, the need of an impairment is assessed when signals indicating a permanent loss occur.

Fair value definition

IFRS 13 defines fair value as the price that you would receive for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date.

Information on the fair value hierarchy

The allocation to one of three levels of fair value under IFRS 13 follows the following criteria:

- Level 1: financial instruments listed in an active market;
- Level 2: financial instruments whose fair value was determined based on valuation techniques based on observable market inputs other than quoted prices of the financial instrument;
- Level 3: financial instruments whose fair value was determined based on valuation techniques based on non-observable on the market.

In the fair value definition are privileged observable market variables and assumptions, and are used other valuation methods only in the absence of such input.

Investments are classified as follows:

4.1 Real estate investments

As required by IAS 40, the item includes property held to earn rentals and / or for achieving objectives of capital appreciation. Real estate investments are valued using the cost model in IAS 40, adopts the depreciation criteria of IAS 16.

The properties used or selling ordinary course of business are classified as tangible assets. The presence of any loss in value is established by expert reports drawn up by independent experts, based on financial variables, such as the discount rate used, (which incorporates the most recent market data, as well as the cost of capital) and of a non-financial nature, as rents, realizable expectations and the relative timing, and through any offers received from market operators.

4.2 Investments in subsidiaries, associates, and joint ventures

In determining the investment relationship, have been used definitions of control, significant influence and joint control as required by IFRS 10, 11 and IAS 28.

This item includes equity investments that are not consolidated on a line-by-line basis, measured using the equity method or at cost.

Immaterial investments in subsidiaries or associates are measured at cost, adjusted for any impairment losses.

Investments in subsidiaries are eliminated during the consolidation process.

Investments in subsidiaries, associates and joint ventures are derecognised when, following disposal or other events, missing the requirements of IFRS 10 and 11 for their detection.

Vittoria Assicurazioni does not hold a joint holding company, for which IAS 28 provides the equity method.

Impairment test for goodwill recorded in the financial statements in relation to the excess of the cost paid for the acquisition of subsidiaries over the share attributable to the equity method is performed by making a comparison between the carrying amount of the investment and the greater of fair value and value in use. In assessing value in use refers to recent plans approved and market variables.

4.3 Held-to-maturity investments

The assets classified as held-to-maturity are cash instruments (i.e. not derivatives) with fixed or determinable payments and fixed maturity that the Group effectively intends and is able to hold until maturity.

They do not include assets:

- Designated upon initial recognition as being at fair value going through profit or loss;
- Designated as available for sale;
- That qualify as loans and receivables.

These assets are measured at amortised cost using the effective interest method.

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

Gains and losses relating to amortisation and any difference between the carrying amount and consideration received at the time of derecognition are taken to profit or loss.

In case of significant sales before maturity or the change of intent and / or ability to hold, the so called "*tainting rule*" triggers (penalty clause), which requires the reclassification of the entire portfolio outside the HTM class and prevents reuse this portfolio category for the following two years.

4.4 Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not listed in an active market.

Assets held for trading, designated at fair value through profit or loss or as available for sale, are not classified in this category.

These assets are measured at amortised cost using the effective interest method.

This category includes mortgage loans, loans on life insurance policies, loans granted to employees and agents by Vittoria Assicurazioni, and inward reinsurance deposits over 15 days (term deposit).

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

4.5 Financial assets available for sale

This category comprises assets designated as available for sale or however not classified as:

- Financial assets at fair value going through profit or loss;
- Held-to-maturity investments;
- Loans and receivable.

These assets are measured at their fair value.

Unrealised gains and losses are recognised directly in equity, with the exception of impairment losses and foreign exchange gains and losses. At the time of sale or impairment of the financial asset, the cumulative gains or losses, including those previously recognised in equity, are taken to profit or loss. Any subsequent recovery of value, up to the value before recording the loss, are recorded respectively in the income statement in the case of debt instruments, in equity in the case of equity securities.

Interest pertaining to the year is recognised directly in profit or loss using the effective interest method. Dividends are recognised when the shareholders' right to payment arises.

4.6 Financial assets at fair value through profit or loss

This category includes assets held for trading, strategic possession of which aims to obtain a profit in the short term, or that are designated upon initial recognition at fair value through profit or loss.

More specifically, the Group classifies in this category its the financial assets hedging:

- over-the-counter (OTC) forward purchase and sale contracts having as underlying a defined financial asset;
- investment contracts for which the investment risk is borne by policyholders and related to the management of pension funds.

These assets are measured at their fair value.

Any gains or losses are directly recognised in profit or loss.

5 Other receivables

This category consists of:

5.1 Receivables relating to direct insurance

These are receivables due from policyholders for unpaid premiums and from agents, insurance brokers and co-insurance companies. The item also includes amounts to be recovered from policyholders and third parties for claims payments on policies with “no claims bonus” clauses, and for deductibles and subrogations.

They are stated at nominal value and are adjusted on each financial reporting date to their presumed realisable value, calculated on the basis of historic trends of collections by individual business line.

5.2 Receivables relating to reinsurance

These are receivables due from reinsurers or insurers for reinsurance transactions. They are recognised at nominal value and thereafter are measured at presumed realisable value on each financial reporting date.

5.3 Sundry receivables

These are receivables relating neither to insurance nor tax. They include down payments to third parties. They are recognised at nominal value and thereafter measured at presumed realisable value on each financial reporting date.

6 Other assets

This category consists of:

6.1 Activities of a disposal group held for sale

In accordance with IFRS 5 are recorded under this item non-current assets or disposal groups classified as held for sale. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, the completion of which should be expected within one year from the date of classification. The assets are stated at the lower of carrying value and fair value, net of selling costs. The gain or loss resulting, net of taxes, are shown separately in the statement of comprehensive income.

6.2 Deferred acquisition costs

In compliance with IFRS 4, this item includes acquisition costs paid in advance upon signature of long-term contracts and amortised over contract duration.

As required by IFRS 4, such costs are accounted for in accordance with local GAAPs.

Non-life business: acquisition costs on long-term contracts, with specific reference to acquisition commissions, are capitalised and amortised in three years from the year when they occurred. Based on contract duration and regulations governing the applicability of commission charges, this amortisation period can be considered to be economically consistent.

Life business: acquisition costs relating to new contracts, for the part not outwardly reinsured, is capitalised within the limits of related loading and amortised on a straight-line basis over the term of the underlying contracts within the 10-year limit. The amortisation period is deemed to be economically consistent.

Residual commissions on policies cancelled during the amortisation period are expensed in the year when such policies are eliminated from the portfolio.

6.3 and 6.4 Current and deferred tax assets

These items include current and deferred tax assets, as defined and governed by IAS 12, including deferred tax assets relating to prepaid taxes on the life business mathematical reserves pursuant to Article 1, point 2, of Italian Decree Law no. 209/2002 as definitively enacted by Article 1 of Law no. 265/2002 and subsequent amendments.

These assets are recognised in line with current tax legislation on an accruals basis.

For items recognised as deferred tax assets, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation. Reference should be made to the accounting policy referring to “Current and deferred taxation” in the Income Statement section.

6.5 Other assets

This item includes reinsurance suspense accounts, deferred commission expense on investment contracts, and accrued income and prepayments relating respectively to sundry income and general & administrative expenses.

Reference should be made to what has already been indicated in the earlier section “Insurance and Investment Contracts – definition and accounting treatment”.

7 Cash and cash equivalents

Cash and cash equivalents include items that meet the requirements of availability on demand or in the extremely short term and the absence of collection expenses. They are recognised at their nominal value.

LIABILITIES

1 Equity

1.1 Equity attributable to the shareholders of the Group

1.1.1 Share capital

Ordinary shares are recognised as share capital (subscribed and paid in) at their par value.

1.1.2 Other equity instruments

This item includes instruments representing capital – but not included in share capital – consisting of special share categories and the equity portion of complex financial instruments. More specifically, it includes the equity portion stemming from valuation of the conversion option relating to the convertible subordinated loans issued by Vittoria Assicurazioni.

1.1.3 Equity reserves

This item comprises the share premium reserve.

1.1.4 Earnings-related and other reserves

This item specifically includes:

- Retained earnings or losses carried forward, including the legal reserve;
- The reserve for gains or losses on IFRS first-time adoption;
- Consolidation reserves;
- Reserves for the reclassification of the catastrophe and equalisation reserves recognised under previous accounting standards (i.e. Italian GAAPs), which can no longer be recognised as technical liabilities under IFRS 4;
- Reserves – including the property revaluation reserve - recognised in compliance with the Italian Civil Code or specific Italian laws before adoption of IFRSs;
- Reserves for share-based payment transactions, settled using the company's own equity instruments (IFRS 2).

It also includes any gains or losses due to material errors or to changes in accounting policies or estimates (IAS 8).

1.1.6 Currency reserve

The item includes foreign exchange differences to be allocated to equity pursuant to IAS 21, arising both from foreign currency transactions and from translation into financial statements' presentation currency.

1.1.7 Fair value reserve

This item includes the unrealised gains or losses on investments classified as “Financial assets available for sale”. Reference should be made to the relevant balance sheet item for details on the nature and accounting treatment of this type of assets.

Amounts are stated net of the portion attributable to policyholders and allocated to insurance liabilities, as better described in the “Shadow Accounting” section, and of related deferred taxation.

1.1.8 Other gains or losses recognised directly in equity

This item includes the gains or losses recognised directly in equity, with specific reference to the reserve for changes in investees’ equity not recognised in their income statements as profit or loss.

It also includes any revaluation reserves for property, plant and equipment and intangible assets, as well as the gains or losses relating to defined benefit plans.

1.2 Minority interest

This caption includes the equity instruments and items and related equity reserves attributable to third-party shareholders, collectively defined as Minority Interest.

Any minority interest in the “fair value reserve” is also included.

2 Provisions

In accordance with IAS 37, the Group recognises provisions or funds for risks and charges when:

- The Group has a constructive or legal obligation vis-à-vis third parties;
- It is likely that the Group resources will have to be used to meet the obligation;
- The amount of the obligation can be reliably estimated.

Changes in estimates are taken to profit or loss in the period in which the change occurs.

Provisions for charges to be borne made by the real estate companies include the costs of completion for apartments for which a notarial deed has already been signed, based on the principle of cost/revenue matching.

3 Technical reserves

This item comprises commitments stemming from insurance and inward reinsurance contracts gross of outward reinsurance. Commitments refer both to insurance products and to financial products with discretionary profit participation features.

▪ Premium reserve (Non-Life business)

The non-life premium reserve is calculated on a pro-rata temporis basis for each single contract, based on recognised premiums net of direct acquisition costs and of the fraction of premium pertaining to the period after 31 December of the financial year in question.

Where so required by the technical result, the premium reserve is also supplemented by the unexpired risk reserve, which is set up to cover risks incumbent upon the company after the balance sheet date. It is a technical provision, mandatorily required by Italian Legislative Decree of 7 September 2005 no. 209, article 37, which is made if, and to the extent that, the total amount of the presumed cost of expected claims for in-force policies is estimated to be higher than the unearned premiums reserve plus instalments outstanding net of acquisition costs, for instalment-premium policies.

▪ Claims reserve (Non-Life business)

The claims reserve reflects the prudent valuation of estimated indemnities and adjustment costs for claims relating to direct business that have been incurred and not yet paid, either totally or in part, as at balance sheet date. This valuation is performed considering the specific features of each line, based on all components forming the requirement for coverage of the claim's ultimate cost. "Ultimate cost" means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame and related inflation rates).

Assessment of each claim is performed according to the following phases:

- preparation of inventory estimates for each open position by non-life claims settlement inspectors through session during the year;
- analysis and checking of data through sessions during the year and review of documentation concerning major claims by corporate management together with the liquidators and with the support of external trustees;
- possible integration / update of the reserve initially allocated on the basis of the principle of "reserve continuously".

Activities performed as part of claims assessment procedures are based on the following general criteria:

- Accurate and complete basic year-end inventory of all claims partly or totally not settled, highlighting claims that are the subject of disputes
- Analysis of claims featuring several positions in order to ascertain that proper evidence exists supporting each individual position;
- Separate indication of the quantification of bodily injury and property damage;
- Inclusion of estimated direct and settlement costs in the claims reserve. Settlement costs include both amounts paid to professionals taking part in claims handling and internal company costs relating to the claims handling department;
- Assessment of claims relating to credit and suretyship insurance in compliance with the criteria laid down in paragraphs n. 32-33-34 Annex n. 15 of ISVAP Regulation no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016.

As regards current-generation claims, case documentation is examined at least quarterly to check the claim's progress and see whether the previous assessment was correct. In addition, the "continuous reserve" operating procedure is applied, which means that, when each partial payment is made or whenever new information is gathered, the claim is reviewed.

In support of the local settlement network, a technical review structure is in place, which checks the merits and the method for the correct application of the rules issued by the Management.

The claims reserve includes the estimate for IBNR claims, i.e. claims pertaining to the year that have been incurred but not yet reported by year-end but pertaining to the year. Amounts are calculated considering the average cost of the current generation.

For all line of business they are used actuarial statistical methods popular on the market for estimating the number and the amounts of late claims. For TPL line estimate in question is conducted separately for each type of risk. The TPL claims reserves are subject to verification by the Actuarial Function pursuant to ISVAP Regulation no. 22/2008 amended and supplemented by the IVASS Order n. 53/2016. In any case, the managerial structures perform quarterly back testing relative to the amount made in the previous budget.

The claims reserves thus calculated that relate to mass risks, insofar as they refer to positions settled in the medium-long term, are subjected to statistical and actuarial checks to assess their consistency with ultimate cost and, when necessary, are topped up.

The process for determining the claims reserve of the TPL Lob (including the Third-party liability for watercraft - sea, lake, and river) is based on a complex estimation activity that includes numerous variables. The main assumptions used in the control based on statistical-actuarial methodologies concern the technical variables, including the time interval for deferring payments, the elimination of

claims without follow-up, the re-opening and the evolution of the cost of claims connected to seniority of payment as well as the prospective evaluation of the economic scenario, supplemented where necessary by the expert judgment which is also based on the analysis of the portfolio management events.

The claims reserve for Card and No Card of TPL line comply with the requirements by paragraphs no. 30 of Annex 15 ISVAP Regulation no. 22/2008, in the case of the company would be “managing” and paragraph 2 in the case of the company would be “indebted”.

The total amount of claims reserve has been calculated in compliance with paragraph no. 31 of the above regulation.

- Reserves for payable amounts (Life business)

The item comprises Company's obligations to policyholders for settlement of claims, surrenders and, with respect to policies that have matured, for accrued principal and annuities. Consequently, the above amounts are not included in mathematical reserves.

- Mathematical reserves (Life business)

The life business technical reserves are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date when contracts were signed, insofar as they are still valid. Calculation of technical reserves is based on the rate of return determined on the basis of the related investments for respective “revaluable” benefits and on the mortality rate used to calculate pure premiums. In accordance with current regulations, the premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis.

The mathematical reserve is never lower than surrender value.

In compliance with the requirements of paragraph. 36 of Annex n. 14 of ISVAP regulation no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016 IVASS, the reserve for capital contracts relating to sums insured with a contractually guaranteed annuity conversion factor and to deferred and beneficial life annuities has been adjusted to reflect updated demographic survival assumptions.

Mathematical reserves are adjusted, when deemed necessary, to factor in the decrease in financial rates of return on assets covering such reserves.

In compliance with paragraphs n. 24-32 Annex n. 14 to ISVAP regulation no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016, an ALM (Asset-Liability Management) procedure has been implemented for joint analysis of the asset and liability portfolios in order to calculate the forecast returns for each segregated life account.

- Other reserves (Non-Life and Life businesses)

The item includes the following reserves:

- Ageing reserve for health insurance (Non-Life business) as required by Article 37 of Italian Legislative Decree no. 209 of 7 September 2005. Calculations include all the products that, in setting premiums, do not take into account changes in the policyholder's age and contain clauses that limit the Group's ability to withdraw, as outlined in paragraphs 42-43-44 Annex n. 15 to Regulation ISVAP no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016.

The estimate is based on a comparison between estimated cash inflows (all premiums expected to be collected in future years on the contracts held in portfolio at December 2019) and estimated cash outflows (all losses expected to be paid for the contracts held in portfolio at December 2019). For consistency and as a comparison, the reserve was calculated on a lump-sum basis by setting aside 10% of gross premiums written, as envisaged by article 3 of paragraph 44 Annex n. 15 to Regulation ISVAP no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016.

- Profit participation and reversal reserve (Non-Life and Life businesses)

Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or reduce future premiums, as long as they constitute distribution of technical profits arising from non-life and life insurance activities, after deduction of amounts accrued in previous years' that are no longer necessary.

Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.

- Reserve for deferred liabilities to policyholders (Life business)

This reserve shows the share of unrealised gains or losses attributable to policyholders, as described in the specific section on "Shadow Accounting".

- Reserve for management expenses (Life business)

This reserve is calculated based on loading for management expenses and on the other technical bases of the insurance pricing applied.

- Complementary insurance premium reserve (Life business)

The premium reserve for complementary accident insurance is calculated analytically by applying the premiums-brought-forward criterion to the related pure premiums.

- LAT (Liability Adequacy Test) reserve (Non-Life and Life business)

This reserve includes any accruals made following the LAT, as better described in the "Liability Adequacy Test" section.

4 Financial liabilities

4.1 Financial liabilities at fair value through profit or loss

The item includes financial liabilities held for trading or designated at fair value through profit or loss. They include liabilities related to investment contracts covered by IAS 39, i.e. financial liabilities related to investment contracts where the investment risk is borne by policyholders and related to pension fund management, as well as negative positions in derivative contracts held for both trading and hedging purposes.

Gains and losses are recognised directly in profit or loss.

4.2 Other financial liabilities

This item includes the financial liabilities defined and governed by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss", including deposits received from reinsurers, debt securities issued, bank borrowings and other financial liabilities other than trade payables.

Other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Specifically, in the case of bonds convertible into the issuer's shares (compound financial instruments), the instrument's amount is split into the following two components:

- Conversion option, classified as an equity instrument;
- Debt component, classified as a financial liability among subordinated liabilities.

Initial measurement

When the bond loan is issued, the financial liability component is recognised at fair value, discounting expected future cash flows, considering any existing options, at the market rate applicable to a similar financial liability not associated with an equity component (conversion option).

The equity component is calculated as the difference between the fair value of the entire financial instrument (nominal amount of the subordinated bond loan) and the amount calculated separately for the financial liability component.

The costs incurred to issue the convertible bond loan are split proportionally between the two components and are offset against them.

Subsequent measurement

Non-conversion

The financial liability component is recognised at amortised cost using the effective interest method. The equity component is not subject to changes in its original carrying amount.

Conversion

The financial liability component is reversed and charged to equity. The initially recognised equity reserve is transferred to the share premium reserve.

Reimbursement or call-up

At the time of reimbursement or call-up, the consideration paid and costs related to the transaction are split between the financial liability component and the equity component using criteria similar to those used for the original allocation.

Any related gain or loss is treated according to the accounting standards and policies applicable to the related component, as follows:

- The amount of the gain or loss relating to the liability component is recognised in profit or loss;
- The amount of the consideration relating to the equity component is recognised in equity.

In accordance with IFRS 16, leasing liabilities corresponding to the present value of payments due for leasing contracts not paid at the balance sheet date are entered in this category. The resulting lease payments are discounted using the marginal lending rate calculated by the Company as described above.

5 Payables

This category consists of:

5.1 Payables arising from direct insurance transactions

The item includes balances not yet settled, indemnities to be paid upon termination of agency contracts, payables arising from the current accounts into which the balances of co-insurance technical results go, guarantee deposits on insurance sureties paid by policyholders and the amount payable to CONSAP (the state-owned public insurance services concessionaire) for the contribution to the guarantee fund for road accident victims.

These payables are recognised at nominal value.

5.2 Payables arising from reinsurance transactions

This item includes payables arising from current accounts into which the reinsurance technical result goes, plus reinsurers' share of amounts to be recovered.

These payables are recognised at nominal value.

5.3 Other payables

Other payables include accruals made for employee post-employment benefit obligations.

They also include trade payables, including payments on account collected by the real estate companies on signature of preliminary sales agreements, which are recognised at nominal value.

6 Other liabilities

6.1 Liabilities of a disposal group held for sale

In accordance with IFRS 5 are recorded in this item liabilities related to a disposal group held for sale.

6.2 and 6.3 Current and deferred tax liabilities

These items include current and deferred tax liabilities, as defined and governed by IAS 12.

These liabilities are recognised in accordance with current tax legislation on an accruals basis.

For deferred tax liabilities recognised in accounts, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation.

Reference should also be made to the accounting policy concerning "Current and deferred taxation" in the Income Statement section.

6.4 Sundry liabilities

This item includes reinsurance suspense accounts, deferred commission income on investment contracts, accrued liabilities and liabilities relating to defined benefit plans and other long-term employee benefits (medical services and seniority bonuses). Reference should be made to the section on "Employee benefits" for details on the approach to measurement of these items.

Income Statement

1 REVENUES

Revenue recognition

Revenues are recognised to the extent it is probable that the group will receive economic benefits and their amount can be measured reliably. Revenue is recognised net of discounts, allowances and return sales.

Revenues from services are recognised when the services have been rendered or according to service completion status.

Revenues from construction work in progress are recognised based on progress status (percentage of completion method).

1.1 Net premiums

Premiums recognised include the amounts accruing during the year for insurance contracts, as defined by IFRS 4 ("Insurance Contracts).

Premiums, together with ancillary charges, gross of ceded premiums, are recognised as revenue upon maturity, regardless of the date of recording of documents and of actual collection.

With reference to the non-life business, cancellations of individual policies due to events of a technical nature are directly deducted from premiums as long as they were issued in the same year. With respect to the life business, the item includes all cancellations, except for those relating to first yearly instalments issued in previous years.

Recognition of premiums on an accruals basis is implemented for the non-life business via posting to the premiums reserve (see relevant accounting policy), whilst for the life business it is implicit in the calculation of mathematical reserves, complementary insurance premium reserve and other technical reserves.

Ceded and retroceded reinsurance premiums are accounted for as per contractual agreements with reinsurers.

1.2 Commission income

This item includes commission income for financial services provided not included in the calculation of a financial instrument's effective interest.

It includes commission income relating to investment contracts not covered by IFRS 4, such as loading (explicit and implicit) and, for those contracts that provide for investment in an internal fund, management fee income and other similar items.

1.3 Net gains on financial instruments measured at fair value through profit or loss

This item includes realised gains and losses, interest, dividends, charges and increases or decreases in the fair value of financial assets and liabilities measured at fair value through profit or loss, which include assets and liabilities relating to index-linked and unit-linked investments and to pension fund management.

1.4 Income from investments in subsidiaries, associates, and joint ventures

The item comprises income coming from investments in subsidiaries, associates and joint ventures entered in the corresponding asset item. More specifically, it includes the share of profits of the Group's equity-accounted companies.

1.5 Income from other financial instruments and investment property

This item includes income from investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly includes interest income on financial instruments measured using the effective interest method, and other investment income - comprising dividends and revenue from third-party use of investment property, gains made on the disposal of financial assets or liabilities or investment property, and increases arising from reversals of impairment losses, and from subsequent measurement of investment property measured at fair value and of financial assets and liabilities.

1.6 Other revenue

This item includes:

- Trading profits and revenue for completion status of construction work in progress of the real estate trading and promotion companies, recognised at the time of signature of the notarial deed and using the percentage of completion method, respectively;
- Revenues for the sale of goods and rendering of services other than those of a financial nature and for third-party use of items of property, plant and equipment, intangible assets or other Group assets, as established by IAS 18. In this respect, the real estate brokerage companies recognise commission income upon signature of the preliminary sale agreements;
- Other net technical income relating to insurance contracts;
- Realised profits on and write-backs of property, plant and equipment and intangible assets;
- Foreign exchange gains to be recognised in profit or loss under IAS 21;
- Capital gains on non-current assets or on disposal groups classified as held for sale other than discontinued operations as established by IFRS 5.

More specifically, other technical income relating to insurance contracts includes commissions relating to cancelled premiums included in other technical charges for the non-life and life businesses and income arising from management of the knock-for-knock (i.e. direct settlement) agreement and from ANIA incentives for scrapping damaged vehicles in the non-life business.

2 COSTS

2.1 Claims costs

The overall category comprises – inclusive of settlement costs and excluding recoveries and outward reinsurance – the sums paid during the year for claims, maturities, surrenders and accrued annuities, as well as the amount relating to changes in technical reserves for contracts coming within the scope of IFRS 4 application.

It also includes the portion charged to the income statement of the change in deferred liabilities to policyholders (shadow accounting) as well as any change in the LAT reserve.

Specifically, Non-Life claims costs include damage compensation paid and direct expenses, plus settlement expenses and charges for contribution to the guarantee fund for road accident victims.

Direct expenses are those incurred to avoid or minimise claim damage, including litigation costs as per Article 1917, paragraph 3, of the Italian Civil Code, rescue costs in transport and aviation insurance, and fire-fighting costs in Fire and Natural events line of business.

Adjustment expenses include amounts paid to professionals involved, plus personnel expenses, logistics costs, and costs for services and goods of the company departments involved in claims settlement and handling.

The reinsurers' share is calculated in accordance with the provisions of treaties currently in force.

2.2 Commission expense

This item includes commission expense on financial services received not included in the calculation of a financial instrument's effective interest. Specifically, it includes commission expense relating to investment contracts not coming within the scope of IFRS 4 application.

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

The item includes losses on investments in subsidiaries, associates and joint ventures recognised in the corresponding asset item. Specifically, it includes the share of loss for the year of the Group's equity-accounted companies.

2.4 Losses on other financial instruments and investment property

This item includes losses and charges on investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly comprises interest expense on financial instruments measured using the effective interest method and interest expense deriving from the application of accounting standard IFRS 16; other losses on investments and expenses on investment property, such as condominium expenses and maintenance and repair costs that have to be expensed. It also includes capital losses on disposal of financial assets or liabilities or investment property, depreciation charges, impairment losses and losses on the subsequent measurement of investment property measured at fair value and financial assets and liabilities.

2.5 Operating costs

This category comprises:

- Commissions and other acquisition costs, including acquisition costs, net of outward reinsurance, relating to insurance contracts.

In particular, the item includes:

- Commissions paid on acquisition and renewal, including tacit renewal, of contracts;

- Extra commissions and commission bonuses;
- Personnel expenses, logistics costs, costs for services and purchase of goods of the management departments involved in the assessment, issue and management of insurance contracts;
- Medical check-up costs;
- Amortisation charge, for the year, of acquisition commissions and other acquisition costs;
- Commissions paid on the collection of premiums related to long-term contracts.

Profit participation and other contractual commissions paid to reinsurers for premiums ceded and retroceded are accounted for on the basis of the relevant contractual agreements.

- Investment management costs, including G&A costs and personnel expenses allocated to management of financial instruments, investment property and equity investments. They also comprise custody and administration costs.
- Other administrative costs, including G&A costs and personnel expenses that are not allocated to claims costs, insurance contract acquisition costs or investment management costs. Specifically, the item includes G&A costs and personnel expenses incurred for the acquisition and administration of investment contracts as well as G&A costs and personnel expenses relating to non-insurance companies performing financial activities. It also includes charges incurred in connection with the termination of agency agreements for the part not subject to compensation.

Commissions paid by real estate trading and promotion companies to brokers and agents when the preliminary sales agreements are signed are accounted for as prepayments and recognised in profit or loss when the notarial deeds are signed or according to contracts' completion status, in accordance with the cost/revenue matching principle.

2.6 Other costs

This category includes:

- Costs for the sale of goods and rendering of services other than of a financial nature and the third-party use of items of property, plant and equipment, intangible assets or other group assets, as required by IAS 18;
- Other net technical costs relating to insurance contracts;
- Additional provisions made during the year;
- Foreign exchange losses to be recognised in profit or loss as per IAS 21;
- Realised losses, impairment losses, depreciation charges relating to items of property, plant and equipment not allocated to other account items and amortisation of intangible assets;
- Losses on non-current assets or disposal groups classified as held for sale other than discontinued operations.

More specifically, other technical costs relating to insurance contracts comprise:

- Premiums cancelled, due to events of a technical nature, relating to single policies issued in previous years (non-life business);
- Cancellation of first yearly premium instalments issued in previous years (life business);
- Uncollectable premiums in amounts receivable from policyholders (non-life and life business);
- Costs relating to goods and services purchased to complement non-life insurance covers;
- Costs arising from the management of the knock for knock (i.e. direct settlement) agreement.

3 Income taxes

Income taxes include all taxes calculated on the basis of the estimated taxable income of each financial year and stated on an accruals basis in compliance with current relations.

Income taxes are taken to profit or loss except for those relating to items that are directly debited or credited to equity, in which case the tax effect is also recognised directly in equity.

Deferred taxes are calculated - except in the cases expressly envisaged by paragraphs 15 and 24 of IAS 12 - on all temporary differences that arise between the taxable base of an asset or liability and its carrying value in consolidated accounts, to the extent that it is probable that in future sufficient taxable income will be achieved against which to use them.

Deferred tax assets on tax losses and unused tax credits that can be carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered.

Deferred tax assets and liabilities are calculated applying the tax rates expected to be applicable - based on the tax rates and tax regulations in force as balance sheet date - in the financial years when the temporary differences will be realised or reversed.

Current and deferred tax assets and liabilities are offset when income taxes are applied by the same tax authority and when a legal right to offset them exists.

4 Gain/(Loss) on discontinued operations

In accordance with IFRS 5 are recorded in this account the costs and revenues net of tax, related to discontinued operations.

Additional information

Inward insurance

The effects of inward life reinsurance are recorded on an accruals basis.

If there are no specific negative indications, the effects of non-life inward reinsurance are accounted for one year later than the year to which they refer, as the necessary information is not available at balance sheet date. Related financial and balance sheet movements are recorded in the balance sheet under Other assets – Other liabilities in the reinsurance suspense accounts.

Treaties concerning aircraft hulls represent an exception to the above accounting treatment as the space risk business is accounted for on a strict accruals basis.

Indirect business claims reserves generally reflect those reported by the ceding insurer and the Company supplements them when they are deemed inadequate with respect to the commitments underwritten.

Retrocession

Retroceded business mainly relates to treaties concerning aircraft hulls (i.e. property).

Items relating retrocession are measured according to the same policies as those applied to inward reinsurance.

Shadow accounting

Paragraph 30 of IFRS 4 allows modification of accounting policies in such a way that an unrealised capital gain or loss on an asset affects measurement of insurance liabilities, related deferred acquisition costs, and of related intangible assets in the same way that a realised capital gain or loss does.

The related adjustment of insurance liabilities (or deferred acquisition costs or intangible assets) is recognised in equity if, and only if, the unrealised gains or losses are recognised directly in equity.

Similarly, unrealised capital gains or losses on assets, recognised in profit or loss (including impairment losses), lead to a corresponding adjustment through profit or loss of the insurance liability or of other insurance balance sheet items recognised in profit or loss.

The procedure envisages the following steps:

- 1) Net unrecognised gains as at balance sheet date on the assets measured at fair value are calculated for separately managed businesses;
- 2) Actual retrocession rates due to policyholders are calculated by splitting the entire portfolio into groups of like policies;
- 3) The amount of unrecognised net gain pertaining to policyholders is calculated by applying the retrocession rates indicated in point 2) to the unrecognised net gains measured in point 1);
- 4) If the assets allocated to separately managed businesses partly belong to the “fair value through profit or loss” category and partly to the “available for sale” category, the offsetting amount of the increase/decrease in insurance liabilities is split equally between the costs charged to profit or loss and equity reserves.

Furthermore, for the purposes of preparation of consolidated financial statements, the effect of the allocation to separately managed businesses of the investments in the subsidiaries Vittoria Immobiliare SpA and Immobiliare Bilancia Srl has been assessed.

Since dividends paid by such subsidiaries to Vittoria Assicurazioni SpA (or any capital gains recognised in the eventuality of sale of the equity investments) are retroceded to life policyholders in accordance with the relevant insurance contracts, an amount equal to the portion attributable to life policyholders of the subsidiaries' profits recorded in the consolidated financial statements, net of profits already paid to policyholders in the form of dividends, is added to Vittoria Assicurazioni's reserves calculated on an actuarial basis.

This accrual is not necessary in individual statutory financial statements because financial income relating to dividends arises at the same time as related costs, in terms of benefits accorded to policyholders.

Liability Adequacy Test (LAT)

As required by IFRS 4, the Group tests its insurance liabilities for adequacy using current estimates of future cash flows deriving from its insurance contracts. If this assessment shows that the carrying value of its insurance liabilities is inadequate, the entire deficit is recognised in the income statement.

If balance sheet liabilities have already undergone liability adequacy testing that meets local GAAPs consistent with IFRSs, IFRS 4 does not require any further checks. If they have not, current estimates of future cash flows must be calculated as envisaged by IAS 37.

Life business

Liability adequacy was tested by comparing technical reserves, less deferred acquisition costs, with the present value of the future cash flows obtained by projecting the expected cash flows generated by the portfolio in force as at assessment date and taking into account assumptions on mortality, surrenders, and expense trends.

Non-life business

Under Italian GAAPs, the claims reserve is measured at ultimate cost. This approach, which forbids the discounting process, means that provisioning is intrinsically higher than the current estimate of expected cash flows.

Based on Italian GAAPs, the premiums reserve is supplemented by the reserve for unexpired risks, if any. This treatment is compliant with paragraph 16 of IFRS 4.

Employee benefits

Actuarial valuation of termination benefits, seniority bonuses and healthcare benefits

Valuation was performed in accordance with IAS 19. Employee benefits and healthcare benefits can be assimilated with “post-employment benefits” of the “defined benefit plan” type, whilst the seniority bonuses can be assimilated with “other long-term benefits” once again of the “defined benefit plan” type.

For these benefits an assessment is made of the amounts that the company has undertaken to pay when certain events occur relating to the employee’s working life and also, in special cases provided for by national collective labour contracts, his or her retirement period. These amounts are discounted using the projected unit credit method to calculate the interval of time that will elapse before actual payment takes place.

As far as post-employment benefits are concerned (currently known as “employee severance indemnities” in Italy), the calculation considers the amount already accruing as at the valuation date and takes future forecast provisions into account. Conversely, in the case of seniority bonuses and healthcare benefits only the future forecast provisions are included in the calculation.

Actuarial valuation of the provision for post-employment benefits, seniority bonuses and healthcare benefits during retirement was performed using the projected unit credit method - also known as the accrued benefit method pro-rated on service. This method requires “the entity to attribute the benefit to the current period (in order to determine current service cost) and to the current and prior periods (in order to determine the present value of defined benefit obligations). The entity attributes the benefit to the periods when the obligation to provide post-employment benefits arises”.

Actuarial valuation was based on assumptions concerning length of service (i.e. exit from the Group) and also economic and financial assumptions. The latter relate to the theoretical lines of remuneration by contractual grade, the interest rate used to discount future employee service costs and the inflation rate based on which provision for post-employment benefits is revalued.

Where possible, the assumptions are based on Vittoria Assicurazioni’s historical series, supplemented by and projected on the basis of market experience and relevant best practice.

The valuation component arising from actuarial results is charged to “Other comprehensive income”.

Accrued, deferred, and prepaid items

Accrued income and liabilities recognise revenues and costs pertaining to periods after 31 December of the year being reported and are included in the specific balance sheet item to which they refer.

Prepayments and deferred income reallocate costs and income occurring before 31 December to the financial year to which they pertain. They are respectively posted among Other assets and Other liabilities.

Financial expense

Financial expenses directly attributable to the acquisition, construction or production of an asset that qualifies for capitalisation are capitalised as part of the cost of the asset in question when it is probable that they will generate future economic benefits and if they can be reliably measured.

All other financial expenses are expensed when they are incurred.

Conversion into euro

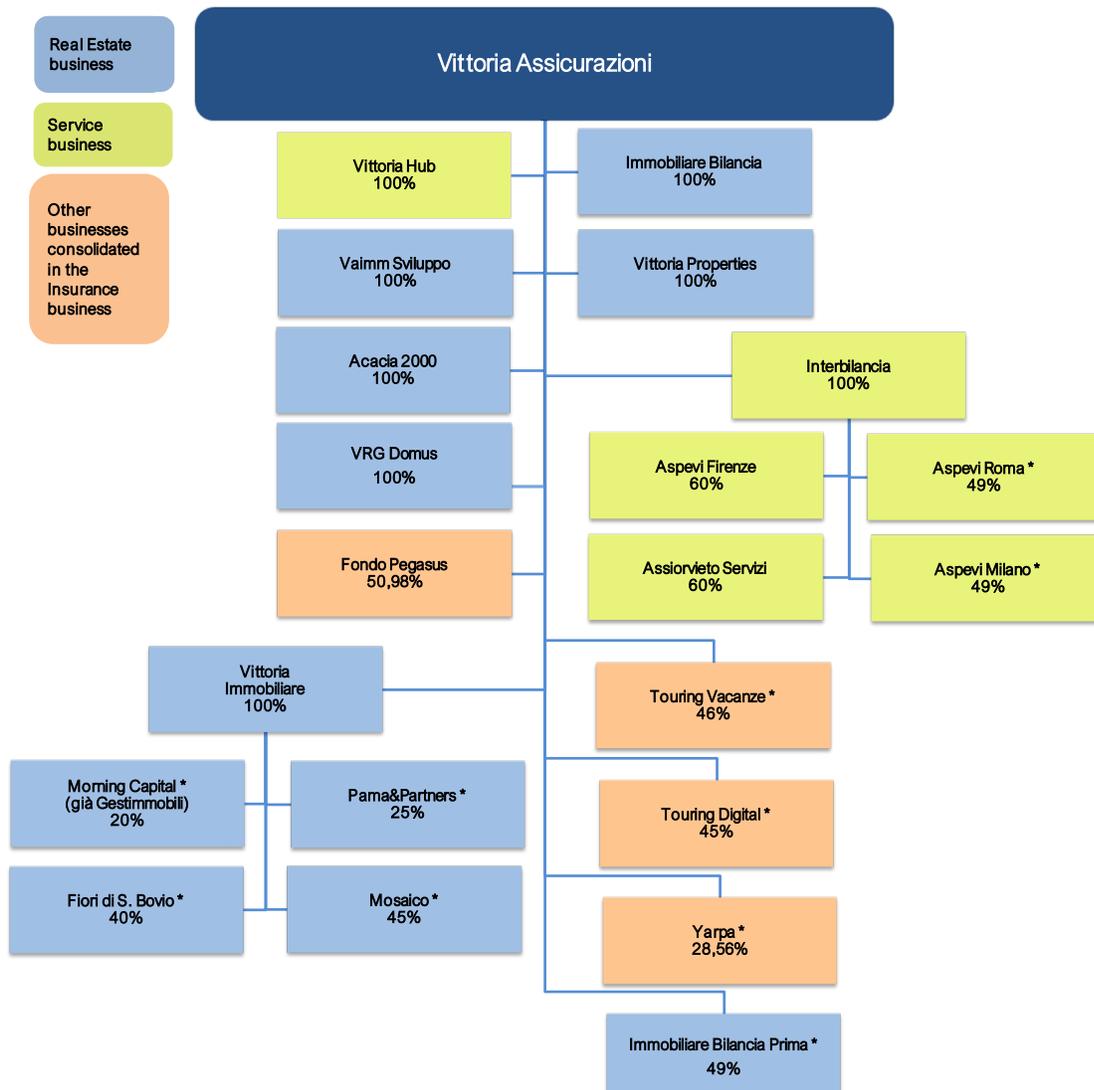
Items expressed in foreign currencies are converted into euro at spot rates. Balance sheet items still existing at year-end are converted at the exchange rate of the last working day of the financial year.

Notes of a general nature to the consolidated financial statements

The notes to the consolidated interim financial statements comprise:

- tables and notes of a general nature listed below in alphabetic order;
- tables and notes of a specific nature on the individual balance sheet, income statement, equity and cash flow statement captions, listed below in numerical order.

Consolidation scope



* Companies consolidated by the equity method

The table below lists the companies included in the consolidated financial statements with the full consolidation method under IFRS 10.

A) Consolidated investments

Name	Registered offices	Share Capital Euro	% Ownership		Via
			Direct	Indirect	
Vittoria Assicurazioni S.p.A.	Milan	67,378,924			
Vittoria Immobiliare S.p.A.	Milan	42,418,835	100.00		
Immobiliare Bilancia S.r.l.	Milan	6,650,000	100.00		
Vittoria Properties S.r.l.	Milan	8,000,000	100.00		
Interbilancia S.r.l.	Milan	80,000	100.00		
Vaimm Sviluppo S.r.l.	Milan	3,000,000	100.00		
Vittoria Hub S.r.l.	Milan	10,000	100.00		
Acacia 2000 S.r.l.	Milan	369,718	100.00	0.00	
V.R.G. Domus S.r.l.	Milan	800,000	100.00	0.00	
Pegasus Fund	Milan	65,499,151	50.98	0.00	
Assiorvieto Servizi S.r.l.	Orvieto	12,500		60.00	} Interbilancia S.r.l.
Aspevi Firenze S.r.l.	Florence	25,000		60.00	

Main changes in ownership percentages and other changes during the year

V.R.G. Domus S.r.l.

On 24 February 2020 Vittoria Assicurazioni paid of 20,500 thousand euro on account of share capital to VRG Domus S.r.l.. In furthermore, on 31 March 2020, the sole shareholder Vittoria Assicurazioni waived repayment of the loan for a total of 4,500 thousand euro by converting it into a capital contribution.

Vittoria Hub S.r.l.

In 2020, Vittoria Assicurazioni strengthened the Company's capital by making capital contributions of 575 thousand euro.

Fondo Pegasus

On 14 May 2020, Vittoria Assicurazioni completed the purchase of 50.98% of the shares of Fondo Immobiliare Pegasus for a total of 53,262 thousand euro.

VZ Real Estate S.r.l.

In October, the total demerger of the company in favour of Acacia 2000 S.r.l. was finalised, resulting in the extinction of the demerged company.

Valsalaria S.r.l.

In October, the total demerger of the company in favour of Acacia 2000 S.r.l. was finalised, resulting in the extinction of the demerged company.

With reference to the internal insurance funds "Unit Linked", Vittoria Assicurazioni does not control these funds inasmuch the conditions for control under IFRS 10 are not met.

In particular, it is not considered to be exposed significantly to variable returns of the entity making the investment, because the gains and losses related to the valuation of the assets included in the unit-linked funds are fully credited to policyholders through the change of the mathematical reserve.

The information required by IFRS 12, about companies with significant minority investments are reported in the "Consolidated Financial Statements Annexes".

The table below lists the companies included in the consolidated financial statements accounted for using the equity method in accordance with IAS 28.

B) Consolidated investments valued with the net equity method

Name	Registered offices	Share Capital Euro	% Ownership		Via
			Direct	Indirect	
Yarpa S.p.A.	Genoa	30,000,000	28.56		
Touring Vacanze S.r.l.	Milan	12,900,000	46.00		
Touring Digital S.r.l.	Milan	300,000	45.00		
Immobiliare Bilancia Prima S.r.l.	Milan	31,045,830	49.00		
Aspevi Milano S.r.l.	Milan	100,000		49.00	Interbilancia S.r.l.
Aspevi Roma S.r.l.	Rome	50,000		49.00	
Mosaico S.p.A.	Turin	500,000		45.00	Vittoria Immobiliare S.p.A.
Pama & Partners S.r.l.	Genoa	1,200,000		25.00	
Fiori di S. Bovio S.r.l.	Milan	30,000		40.00	
Morning Capital S.r.l.	Milan	104,000		20.00	

Main changes in ownership percentages and other changes during the period

Immobiliare Bilancia Prima S.r.l.

On 5 March 2020, the capital increase of Immobiliare Bilancia Prima S.r.l. was completed, involving the issue of two classes of shares, ordinary and preference, and the subsequent sale of 100% of the ordinary shares to third parties on 14 May.

Vittoria Assicurazioni retains ownership of the preference shares, amounting to 49% of the company's shareholders' equity, now consolidated using the equity method.

Valsalaria A11 S.r.l. in liquidazione

On 17 December 2020, the shareholders' meeting of Valsalaria A11 S.r.l. resolved to put the company into liquidation and, consequently, the shareholding was reduced to zero.

C) Geographical segment reporting (secondary segment)

As regards primary segment reporting, the relevant balance sheet and income statement tables by business segment – compliant with the formats established by the IVASS ordinance already mentioned earlier – are shown in the specific section “Annexes to Consolidated financial statements”.

The following tables show the geographical split of total balance sheet assets, deferred costs, and of the main items of revenue.

Segment reporting by geographical area

(€'000)

Assets	Italy		Europe		Rest of the World		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Debt instruments	858,936	944,528	1,634,641	1,430,099	101,625	92,114	2,595,202	2,466,742
Equity instruments and OEIC units	92,785	92,091	742,924	620,155	-	-	835,710	712,246
Property	663,401	538,188	-	-	-	-	663,401	538,188
Other assets	950,641	897,377	-	-	-	-	950,641	897,377
Total	2,565,764	2,472,184	2,377,565	2,050,254	101,625	92,114	5,044,954	4,614,553

(€'000)

Deferred costs	North		Italy Centre		South and Islands		Total external deferred costs	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Other property, plant and equipment	7,094	7,676	-	-	-	-	7,094	7,676
Other intangible assets	3,226	7,648	-	-	-	-	3,226	7,648
Owner-occupied property	87,767	105,412	6,563	6,742	-	-	94,330	112,154
Total	98,087	120,736	6,563	6,742	-	-	104,650	127,478

(€'000)

Revenue (gross of intersegment eliminations)	North		Italy Centre		South and Islands		Europe		Total	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Insurance premiums - direct business	725,680	742,248	449,505	455,089	240,091	252,733	127	133	1,415,403	1,450,203
Trading and construction profits	3,241	-1,289	246	347	-	-	-	-	3,487	-942
Services and rent income	4,730	5,798	93	28	-	-	-	-	4,823	5,826
Rentals on Investments properties	5,986	5,958	130	84	-	-	-	-	6,116	6,042
Total	739,637	752,715	449,974	455,548	240,091	252,733	127	133	1,429,829	1,461,129

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/12/2020	31/12/2019	Change
Goodwill	-	-	-

Note 2	31/12/2020	31/12/2019	Change
Other intangible assets	3,226	7,648	-4,422
Other items of property, plant and equipment	7,094	7,676	-582
Property	315,988	435,030	-119,042

Other intangible assets

The following table shows the breakdown of this item and changes occurred in the year.

	Software	Software under development	Other intangible assets	TOTAL OTHER INTANGIBLE ASSETS
	(€000)			
Gross carrying amount at 31/12/2019	105,875	2,432	8,288	116,595
Acquisitions	1,024	1,264	-	2,288
Disposals	- 2,229	-	-	- 2,229
Reclassification	2,285	- 2,285	-	-
Gross carrying amount at 31/12/2020	106,955	1,411	8,288	116,654
Accumulated Depreciation at 31/12/2019	100,659	-	8,288	108,947
Depreciation	4,481	-	-	4,481
Accumulated Depreciation at 31/12/2020	105,140	-	8,288	113,428
Net value as at 31/12/2019	5,216	2,432	-	7,648
Net value as at 31/12/2020	1,815	1,411	-	3,226

The assets recognised in Group accounts have a finite useful life and depreciation & amortisation is applied on a straight-line basis during estimated useful life.

Specifically, the estimated useful life of each type intangible assets can be summarised as follows:

- Software: between 5 to 10 years;
- Other intangible assets: between 2 to 5 years;

Amortisation of intangible assets is recognised in the income statement under “Other costs”.

Other items of property, plant, and equipment

The following table shows the breakdown of this item and changes occurred in the year.

	(€/000)				
	Renovations	Furniture, fittings, plant and equipment	Ordinary and electronic office machines	Cars	TOTAL OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT
Gross carrying amount at 31/12/2019	4,699	21,693	8,673	1,548	36,613
Acquisitions	-	1,265	417	1	1,683
Disposals	-	(43)	-	-	(43)
Reclassification	-	-	-	264	264
Assets IFRS 16	-	-	-	8	8
Gross carrying amount at 31/12/2020	4,699	22,915	9,090	1,821	38,525
Accumulated Depreciation at 31/12/2019	4,699	16,825	6,901	512	28,937
Depreciation	-	1,314	475	89	1,878
Decrease due to disposals	-	(4)	-	-	(4)
Assets IFRS 16	-	-	264	356	620
Accumulated Depreciation at 31/12/2020	4,699	18,135	7,640	957	31,431
Net value as at 31/12/2019	-	4,868	1,772	1,036	7,676
Net value as at 31/12/2020	-	4,780	1,450	864	7,094

The estimated useful life of each type of property, plant and equipment can be summarised as follows:

- Furniture, fittings, plant and equipment: between 5 to 10 years;
- Ordinary and electronic office machines: between 3 to 5 years;
- Cars: between 4 to 5 years.

Property

The following table shows the breakdown of this item:

	(€'000)		
	31/12/2020	31/12/2019	Change
Owner-occupied property*	94,330	112,154	-17,824
Property held for trading	221,658	293,062	-71,404
Property under construction	-	29,814	-29,814
Total	315,988	435,030	-119,042

** of which 16,048 thousand euro leased assets IFRS 16

▪ Owner-occupied property (by nature)

The book value of real estate assets at 31 December 2020 refers for 1,442 thousand euro to property of the subsidiary Vittoria Properties S.r.l., for 422 thousand euro to property of Vittoria Immobiliare S.p.A. and for 76,418 thousand euro to Vittoria Assicurazioni properties, of which 70,100 thousand euro are made up of the registered office. The following table shows the movement that took place during the year:

	(€'000)						
Owner-occupied property	31/12/2019	Acquisitions	Leased property IFRS 16	Sales	Other Movements	Amortization	31/12/2020
Gross carrying amount	149,350	306	498	-10	-18,210	-	131,934
Accumulated depreciation	37,196	-	2,064	0	-3,220	1,564	37,604
Carrying amount	112,154	306	-1,566	-10	-14,990	-1,564	94,330

Depreciation is applied on a straight-line basis during property's estimated useful life of between 30 and 50 years.

All of this property has been appraised by independent experts except those purchased recently or in an irrelevant amount. The owner-occupied property fair value, allocated to level 3 of the fair value hierarchy, as at 31 December 2020 is equal to 132,833 thousand euro and it has been determined using the comparative method and the income method of direct capitalization; no significant issues emerged from these analysis.

▪ Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during 2020:

	(€'000)		
Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2019	293,062	29,814	322,876
Acquisitions, net of capitalised financial charges	893	-	893
Change in consolidation scope	(41,141)	(29,814)	(70,955)
Sales	(34,643)	-	(34,643)
Recognised gains (losses) - write off included	3,487	-	3,487
Carrying amount as at 31/12/2020	221,658	0	221,658

Please refer to the Report on Operations for details on the principal real estate activities carried out during the year. During the year, sales continued for the properties belonging to the residential complex "Parco Vittoria Residenze" located in the Portello area in Milan.

As at 31 December 2020, the current value allocated to level 3 of the fair value hierarchy, is equal to 234,599 thousand euro and it has been determined using the comparative method, the income method of direct capitalization and the income methods of transformation and discounted cash flow.

In particular, the discount rate is the weighted average cost of capital (c.d. WACC), which takes account of a leverage ratio of 60%, prospective inflation assumptions and the return on government bonds. For this category of real estate, in order to assess any discrepancies between the value recognized in the balance sheet, it has been performed a sensitivity analysis concerning the change in the discount rate and the range of expected cash valued by the independent expert; from these analysis no significant issues has been reported.

Note 3	31/12/2020	31/12/2019	Change
Reinsurers' share of technical reserves	67,214	77,947	-10,733

The following table shows – separately for the Non-Life and Life insurance business – reinsurers' share of technical reserves:

(€000)						
	Direct business		Ceded business		Total carrying amount	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Non-life reserves	63,352	72,891	303	331	63,655	73,222
Premium reserve	12,151	11,832	-	-	12,151	11,832
Claims reserve	51,201	61,059	303	331	51,504	61,390
Life reserves	3,559	4,725	-	-	3,559	4,725
Reserve for payable amounts	13	1,706	-	-	13	1,706
Mathematical reserves	3,497	2,977	-	-	3,497	2,977
Other reserves	49	42	-	-	49	42
Total reinsurers' share of technical reserves	66,911	77,616	303	331	67,214	77,947

Note 4	31/12/2020	31/12/2019	Change
Investments properties	347,413	103,158	244,255

The item includes property which comes within the scope of IAS 40, i.e. which is held to earn rentals. This item mainly includes property held by Vittoria Assicurazioni and leased, Palazzo V in San Donato Milanese leased to the ENI S.p.A. group, held through the Pegasus Fund, and various properties held by Vittoria Immobiliare, V.R.G. Domus and Vittoria Properties.

Real estate investments current value as at 31 December 2020, allocated to level 3 of the fair value hierarchy, is equal to 386,500 thousand euro and it is determined using the methods of direct income capitalization.

Note 5	31/12/2020	31/12/2019	Change
Investments in subsidiaries and associates and interests in joint-ventures	37,941	20,436	17,505

The breakdown of this item was as follows:

	(€'000)	
Investments in associates	31/12/2020	31/12/2019
Morning Capital S.r.l.	142	26
Yarpa. S.p.A.	11,946	11,866
Touring Digital S.r.l.	-	90
Mosaico S.p.A.	199	199
Pama & Partners S.r.l.	528	528
Aspevi Roma S.r.l.	653	612
Aspevi Milano S.r.l.	106	80
Fiori di S. Bovio S.r.l.	-	-
Valsalaria A.11 S.r.l. in liquidazione	-	14
Touring Vacanze S.r.l.	7,112	7,021
Immobiliare Bilancia Prima S.r.l.	17,255	-
Total carrying amount	37,941	20,436

The change of 17,505 thousand euro compared with the previous year mainly relates to the reclassification of Immobiliare Bilancia Prima S.r.l. from a subsidiary to an associated company, as well as the Group's share of the change in the equity of associated companies accounted for using the equity method, as shown in the following table:

	(€'000)
Carrying amount as at 31/12/2019	20,436
Reclassifications from investments in subsidiaries to investments in associates	18,258
Immobiliare Bilancia Prima S.r.l.	18,258
Change due to equity method measurement	608
Morning Capital S.r.l.	116
Yarpa. S.p.A.	337
Aspevi Roma S.r.l.	41
Aspevi Milano S.r.l.	26
Immobiliare Bilanci Prima S.r.l.	-3
Touring Vacanze S.r.l.	91
Elimination of dividends	-257
Impairment	-1,104
Carrying amount as at 31/12/2020	37,941

The following table shows the latest financial and economic data available of the major associated companies:

Denomination	Main financial-economic data							
	Total asset	Cash and cash equivalents	Total equity and liabilities	Equity	Profit (loss) for the year	Dividends paid out	Costs	Revenues
Yarpa Group S.p.A.	53,616	9,477	1,522	52,094	1,105	900	1,436	2,907
Touring Vacanze S.r.l.	16,708	9	1,242	15,466	111	-	395	506

Note 6	31/12/2020	31/12/2019	Change
Held to maturity investments	11,565	11,750	-185
Loans and receivables	272,226	301,274	-29,048
Financial assets available for sale	3,419,339	3,167,228	252,111
Financial assets at fair value through profit or loss	114,622	92,156	22,466

To complete the information disclosed below, reference should be made to the information already given in great detail in the Directors' Report in the sections "Investments – Cash & cash equivalents – Property" and "Risk Report".

The table detailing the breakdown of financial assets is shown in the specific section "Annexes to Consolidated interim financial statements".

Investments held to maturity – Financial assets available for sale – Financial assets at fair value through profit or loss

The following table shows changes in financial assets – for which risk is borne by Group companies – referring to shares and quotas, bonds and other fixed-income securities, units in UCITS (Undertakings for Collective Investment in Italian Transferable Securities) and units in AIF (Alternative Investment Funds).

In addition, changes in assets for which risk is borne by policyholder and those relating to pension-fund management are shown separately.

	Held to maturity investments	Financial assets available for sale				Financial assets at fair value through profit or loss	Financial assets held for trading	Total
		Equity investments	UCITS AIF units	Bonds and other fixed-interest securities	Total	Assets where the risk is borne by policyholders and related to pension funds	Bonds and other fixed-interest securities	
Carrying amount at 31/12/2019	11,750	87,145	625,101	2,454,982	3,167,228	92,147	9	3,271,134
Acquisitions and subscriptions		5,195	146,398	735,941	887,534	35,155		922,689
Sales and repayments	-224	-2,491	-17,236	-621,414	-641,141	-14,016		-655,381
Other changes:								
- effective interest adjustments	40			-22,516	-22,516			-22,476
- fair value adjustments		-1,125			-1,125	1,026	-1	-100
- charged to P&L		3,515	-10,789	37,891	30,617			30,617
- rate changes	-1			-1,255	-1,255			-1,256
- other changes		-3			-3	302		299
Carrying amount at 31/12/2020	11,565	92,236	743,474	2,583,629	3,419,339	114,614	8	3,545,526

Loans and receivables

At 31 December 2020, loans and receivables amounted to 272,226 thousand euro (301,274 thousand euro at 31 December 2019).

The item is principally comprised of the following:

- loans granted by Vittoria Immobiliare S.p.A. to the indirect associates Mosaico S.p.A., Fiori di San Bovio S.r.l., Pama & Partners S.r.l. and Valsalaria A11 S.r.l. for a total of 7,906 thousand euro;
- loans granted by Vittoria Assicurazioni to third parties and secured by mortgages for a total of 12,945 thousand euro;
- 370 thousand euro in loans against life insurance policies;
- loans and receivables from agents, the latter comprising recoveries of compensation paid to terminated agents, and loans granted to employees for a total of 34,930 thousand euro;
- 920 thousand euro in loans granted to the associated company Aspevi Milano S.p.A.;
- the corresponding entry for Vittoria Assicurazioni's commitments for payments to finance investments in private equity, private debt and infrastructure funds amounted to 184,643 thousand euro (209,645 thousand euro at 31 December 2019). The related commitments are recorded under "Other financial liabilities" in note 18;
- term deposit at the bank "Banca del Gran Sasso d'Italia" for a total amount of 3,000 thousand euro on behalf of Vittoria Assicurazioni and for 23,800 thousand euro at the BCC Bank of Carate Brianza in favor of the subsidiaries of the real estate sector.

The amount of 184,288 thousand euro is collectible after 12 months.

Disclosure concerning fair value

The following table indicates the fair value of investments discussed in the present note.

	(€'000)	
Financial assets	Carrying amount	Fair Value
Held to maturity investments	11,565	11,565
Loans and receivables	272,226	272,226
Financial assets available for sale	3,419,339	3,419,339
Financial assets held for trading	8	8
Financial assets at fair value through profit or loss	114,614	114,614
Total	3,817,752	3,817,752

For further information concerning to the "fair value hierarchy", please refer to the "Annexes to Consolidated financial statements". Investments allocated to "level 2" were assessed based on the latest transactions which are observed in the secondary market.

Investments allocated to "level 3", mainly referred to investments in Yam Invest N.V. (fair value at 31 December 2020 of 59,750 thousand euro) were also assessed using technical expertise edited by external leading appraisal firms. The main evaluation methods applied are:

- the Simple Capital Method based essentially on the principle of the expression, at current values, of the individual assets that make up the company's capital and the updating of passive elements;
 - the method Sum of Parts ("SOP"), based essentially on the principle of the expression at fair value of activity that make up the capital of the company and deducting related liabilities and holding costs.
- The main assumptions used in the methodologies are related to the holding costs, the liquidity discounting rates, discounting rates and stock exchange multiples. Sensitivity analysis of some input (rate of liquidity discount) has also been carried out; from these analysis no significant issues has been reported.

For loans and receivables, the carrying amount is a reasonable approximation of fair value.

Note 7	31/12/2020	31/12/2019	Change
Receivables relating to direct insurance	203,643	182,088	21,555

The breakdown of this item was as follows:

	(€000)	
Receivables relating to direct insurance	31/12/2020	31/12/2019
Premiums due from policyholders	69,015	63,802
Receivables due from brokers and agents	98,591	74,744
Receivables due from insurance companies - current accounts	9,488	12,851
Amounts to be recovered from policyholders and third parties	26,549	30,691
Total	203,643	182,088

These receivables are stated net of related bad-debt provisions. Specifically, provision relating to receivables for premiums due from policyholders takes into account historical trends of cancellation of premiums written but not collected.

Note 8	31/12/2020	31/12/2019	Change
Receivables relating to reinsurance business	7,908	10,613	-2,705

The item relates to receivables due from insurers and reinsurers. It includes receivables arising from the current accounts showing the technical result of reinsurance treaties.

Note 9	31/12/2020	31/12/2019	Change
Other receivables	80,526	55,886	24,370

The most significant sub-item as up to 31 December 2020 consisted of receivables for advance taxes for non-life policyholders for an amount of 61,820 thousand euro and other receivables mainly from clients and third parties paid by the real estate companies for 11,948 thousand euro.

Note 10	31/12/2020	31/12/2019	Change
Deferred acquisition costs	7,049	6,673	376

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts of Life business.

Note 11	31/12/2020	31/12/2019	Change
Deferred tax assets	106,618	95,673	10,945

The item included deferred tax assets pertaining to Vittoria Assicurazioni for 93,869 thousand euro, to the real estate segment and to the service segment for 9,397 thousand euro, plus those relating to consolidation adjustments for 3,111 thousand euro.

The following table reports the breakdown of the item:

	(€/000)
Deferred tax assets	31/12/2020
Provision for bad debts	13,989
Change in Non-life technical reserves	29,069
Provisions charges	15,650
Shadow Accounting	25,584
Tangible assets depreciation	2,566
Tax benefit appropriation of property revaluation	5,200
Tax benefits on Group's losses	2,511
Prepaid commissions	318
Remunerations of Directors	462
Write-off on real estate	6,323
Employee benefits	1,432
Goodwill	417
Other	3,097
Total	106,618

Note 12	31/12/2020	31/12/2019	Change
Current tax assets	15,923	16,009	-86

The item mainly includes tax receivables of Vittoria Assicurazioni of 15,044 thousand euro (including tax credits relating to taxes prepaid on the Life business mathematical reserves).

Note 13	31/12/2020	31/12/2019	Change
Other assets	17,028	11,012	6,016

The item mainly includes deferred commission expense related to investment contracts for 1,887 thousand euro, prepaid expenses referring mainly to general expenses for 7,559 thousand euro and other various assets referring mainly to unavailable sums on current accounts following foreclosures exercised by third parties for pending cases amounting to 1,860 thousand euro and sums relating to the margins provided as security on the basis of forward sales contracts for government securities entered into with certain counterparties under the International Swaps and Derivatives Association Agreement, amounting to 4,449 thousand euro.

Note 14	31/12/2020	31/12/2019	Change
Cash and cash equivalents	9,901	12,296	-2,395

The balance decreases as a result of management aimed at greater liquidity efficiency.

Note 15	31/12/2020	31/12/2019	Change
Equity attributable to shareholders of the parent	765,743	659,638	106,105
Equity attributable to minority interests	46,687	60	46,627

The initial note on the Reverse Merger reports the impact on the change in consolidated shareholders' equity. The other changes are shown in the "Statement of changes in equity".

The following table details the breakdown of equity:

(€/000)			
BREAKDOWN OF EQUITY	31/12/2020	31/12/2019	Change
Total equity attributable to the shareholders of the parent	765,743	659,638	16.1%
Share capital	67,379	67,379	0.0%
Equity-related reserves	13,938	13,938	0.0%
Income-related and other reserves	502,591	437,688	14.8%
Fair value reserve	71,029	61,450	15.6%
Other gains or losses recognised directly in equity	-77	-18	n.v
Group profit for the year	110,883	79,201	40.0%
Total equity attributable to minority interests	46,687	60	n.v
Share capital and reserves attributable to minority interests	49,966	76	n.v
Minority interests' profit for the year	-3,279	-16	n.v
Total consolidated equity	812,430	659,698	23.2%

At 31 December 2020 the Company's share capital consists of 64,717,464 ordinary shares with no expressed par value.

The Group does not hold either directly or indirectly any shares of its parent companies.

Dividends paid out by the Company, shown in the column "Transfers" in the statement of changes in equity, totalled 19,415,239 Euro for FY 2019 and to 12,943,493 Euro for FY 2020.

Other gains or losses recognised directly in equity refer to actuarial results on Employee Benefits that will not be reclassified subsequently to profit or (loss).

Fair value reserve could be reclassified subsequently to profit or loss.

With regard to the effects on shareholders' equity deriving from the reverse merger, please refer to the specific chapter reported in the Management Report.

More specifically, changes in the “Fair value reserve” (i.e. gains or losses on available-for-sale financial assets”) are detailed in the following table:

(€/000)			
A) Net unrealised gains	Gross amount	Tax impact	Net amount
31/12/2019	134,763	-29,384	105,379
Decrease due to sales	-13,041	3,223	-9,818
Decrease due to fair value changes	40,796	-8,680	32,116
Total change for the period/year	27,755	-5,457	22,298
31/12/2020	162,518	-34,841	127,677
(€/000)			
B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2019	63,499	-19,570	43,929
Change in shadow accounting reserve	18,386	-5,667	12,719
31/12/2020	81,885	-25,237	56,648
(€/000)			
Gains or losses on financial assets AFS			
(€/000)			
Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2019	71,264	-9,814	61,450
Decrease due to sales	-13,041	3,223	-9,818
Decrease due to fair value changes	40,796	-8,680	32,116
Change in shadow accounting reserve	-18,386	5,667	-12,719
Total change for the period/year	9,369	210	9,579
31/12/2020	80,633	-9,604	71,029

The following table, which refers to 31 December 2020, shows the reconciliation of profit and equity shown in Vittoria Assicurazioni's individual financial statements with the same items shown in consolidated financial statements. The IFRS adjustments made to Vittoria Assicurazioni's financial statements – prepared, as envisaged by current regulations, in compliance with Italian GAAPs – are specifically indicated.

(€/000)				
	Equity attributable to the shareholders of the parent		Equity attributable to minority interest	
	Equity gross of profit of the year	2020 profit	Equity gross of profit of the year	2020 profit
Vittoria Assicurazioni's financial statements compliant with Italian GA	556,261	108,624		
<u>IFRS adjustments (net of related tax effects)</u>	127,290	953	-	-
Vittoria Assicurazioni's financial statements based on IFRSs	683,551	109,577	-	-
Consolidated companies' equity	431,168	(6,237)	57	39
Allocation of consolidation differences and eliminations	3,057	4,531		
Consolidated companies' carrying value	(396,090)	-		
Minority interest	(49,909)	3,318	49,909	(3,318)
Profits not yet attributed to Life policyholders	(898)	119		
Deferred taxes on profits not yet attributed to Life policyholders	400	(53)		
Deferred taxes on consolidated companies' results	2,276	858		
Other items	(18,295)	(1,283)		
IFRS-compliant consolidated financial statements	654,860	110,883	49,966	(3,279)

Note 16	31/12/2020	31/12/2019	Change
Provisions	51,102	24,901	26,201

The change in this item compared with the previous year is mainly due to provisions to cover risks linked to the indirect effects of the Covid 19 pandemic, for which recourse had to be made to an estimation process. This category includes prudential provisions against possible initiatives following the pandemic crisis.

The allowance for risks and charges also includes provisions for lawsuits in progress or other commitments for commercial policies aimed at providing increasingly better customer service.

The table below shows the changes in the item:

(€/000)				
Provisions	31/12/2019	Accruals of the year	Utilisations of the year	31/12/2020
Provision for costs to be incurred	1	-	-	1
Other provisions	24,900	28,612	-2,411	51,101
Total	24,901	28,612	-2,411	51,102

Note 17	31/12/2020	31/12/2019	Change
Technical reserves	3,291,966	3,160,913	131,053

The following table shows the breakdown of technical reserves.

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Non-life reserves	1,671,378	1,655,644	838	875	1,672,216	1,656,519
Premium reserve	420,823	413,216	32	31	420,855	413,247
Claims reserve	1,250,146	1,242,019	806	844	1,250,952	1,242,863
Other reserves	409	409	-	-	409	409
Life reserves	1,619,750	1,504,394	-	-	1,619,750	1,504,394
Reserve for payable amounts	21,052	19,351	-	-	21,052	19,351
Mathematical reserves	1,509,106	1,413,998	-	-	1,509,106	1,413,998
Other reserves	89,592	71,045	-	-	89,592	71,045
Total technical reserves	3,291,128	3,160,038	838	875	3,291,966	3,160,913

The Non-Life "Other reserves" item consists of the ageing reserve of the Health line.

The Life "Other reserves" item mainly consisted of:

- 6,532 thousand euro = reserve of management expenses;
- 83,011 thousand euro = reserve for deferred liabilities to policyholders (of which 81,885 thousand euro stemming from fair value measurement of available-for-sale financial assets and 1,126 thousand euro from reserving against subsidiaries' profits allocated to segregated funds).

The mathematical reserves comprise an additional reserve for longevity risk relating to annuity agreements and capital agreements with a contractually guaranteed coefficient of conversion to an annuity (paragraph n. 36 to the Annex n. 14 of ISVAP Regulation no. 22/2008) amounting to 1,665 thousand euro (1,681 thousand euro in the previous year); in the case of capital agreements, account is taken of the propensity to convert to an annuity when it is calculated.

The mathematical reserves also include additional reserves for the guaranteed interest rate risk (paragraph n. 22 to the Annex n. 14 of ISVAP Regulation no. 22/2008) amounting to 572 thousand euro (505 thousand euro in the previous year), obtained by joint analysis of the asset and liability portfolios of the segregated internal funds "Vittoria Rendimento Mensile", "Vittoria Valore Crescente", "Vittoria Obiettivo Crescita", "Vittoria Obiettivo Rendimento" and "Vittoria Previdenza". The average rates of return on segregated funds were used to assess the additional reserve for the portfolio of non-revaluable policies.

The mathematical reserves also include the additional provisions for time lag (paragraph 23 of ISVAP Regulation No. 22/2008) amounting to 1,954 thousand euro (8 thousand euro in the previous year). The higher amount compared to the previous year is due to the recognition in the returns of the Separate Account "Rendimento Mensile" of the accrual of the capital gains that will be realised upon maturity of the forward sales on securities. Consequently, a reserve provision has been made to take

account of the effect that this capital gain will have on the revaluation of benefits in the months of recurrence between January 2021 and December 2021.

Liability Adequacy Test (LAT)

Testing confirmed the adequacy of the book value of the technical reserves shown in accounts. The key variable factors reviewed in terms of historical trends (where applicable) and estimated on a forecast basis in order to quantify insurance liabilities were as follows:

Mathematical reserves	- technical bases used (actuarial assumptions) - minimum guaranteed returns
Shadow accounting reserve	- average retrocession rate - proportion of unrealised gains on securities allocated to separately-managed business
LAT reserve	- market interest rate - return on separately-managed business - frequency of elimination (per claim or surrender), suspension of premiums, deferral, propensity or conversion to annuity - management expenses - implicit options

Non-Life business

The following table indicates the causes of changes in the claims reserve.

(€/000)	
Claims Reserve	Carrying amount
Carrying amount at 31/12/2019	1,242,863
Change for the year	8,089
Carrying amount at 31/12/2020	1,250,952

Starting from the 2020 financial statements, the Company carried out the adequacy assessment of the claims reserves using the new Prophet Professional reserving tool with which the valuations of the claims reserves (both Local and Solvency II) and the Solvency II premium reserves are carried out. The methodologies used are similar to those used in previous years and described below, but have been implemented within the new tool. The selection of the projection parameters was made compatibly with their traceability within the instrument starting from the analysis of the claims portfolio trends.

Mass Risks:

The total claims reserve relating to the Motor Vehicle Third-party Liability class (including Marine, Lake and River Vehicle Third-party Liability) totals 908.2 million euro.

In accordance with the previous years, in order to estimate the last cost most in line with the operating situation, which includes multiple cases with significant differences in the parameters used to assess the extent of the claims, the Company has decided to analyse separately the claims managed outside the Card agreement (established since 2007) and post Card claims, in turn divided by type of management. For this purpose, a preliminary methodological work was carried out to identify actuarial methods that would allow for an accurate assessment of reserves at ultimate cost with the appropriate level of detail.

Different deterministic valuation methods have been identified, which are of a different nature in order to have a more precise monitoring of the evolution dynamics of the claims:

- Chain Ladder Paid: this method estimates the amount of future payments, up to run off of claims generated, building with the available historical series the triangles of the cumulative paid amounts (organised by claim) and calculating the observed development coefficients based on them. These coefficients are applied to the cumulative data up to the current budget year to evaluate future payments.
- Chain Ladder Incurred: this method is similar to the previous one, with the difference that the development coefficients for each accident year are calculated on the total amounts of claims (payments already observed + reserves) in the different balance sheet years. The coefficients are applied to the cumulative data up to the current year to assess the total value of claims in the future.
- Fisher Lange: the method is based on the projection of the number of claims to be paid and on the estimated average cost. This method provides for the estimation by claim duration regarding how fast claims are settled, the rate of claims with follow-up, the average cost of claims and the trend of future inflation. These quantities are evaluated by analysing the run-off triangles of the number of claims paid, reserved, without follow-up and reopened, and the average costs recorded for each generation/duration.
- Bornhuetter Ferguson - Paid/Incurred: this method allows to arrive at an estimate based on the results obtained from the Chain Ladder methods described above and those of the method of the Expected Claims Technique. The latter provides for the estimate of the total cost of the claims starting from the identification of an *a priori* Loss Ratio determined on the basis of the expert judgement of Vittoria Assicurazioni.

In order to obtain a more stable estimate, or less influenced by any changes in the timing of information exchange through the Clearing House, the methods allow a joint assessment of the Ultimate Cost and the IBNR reserve being applied to data that also includes information on late claims observed (the IBNR reserve was however directly calculated using the method described below and then separated from the overall value).

For all management operations, on the basis of having sufficient historical depth, the development coefficients of the areas have been estimated separately for each component analysed in order to represent the different outlooks.

Other risks:

For the General TPL Lob, a verification is carried out on the adequacy of the claims reserve (including the IBNR) using the deterministic actuarial methods similar to that described for the MV TPL class. For the valuation of the reserves of the other classes (with the exception of Credit, Deposits and Monetary Losses) the Chain Ladder Paid and Incurred actuarial models described for the MV TPL lob were used, analysing the data with the details of the Business Solvency II Line.

IBNR claims:

Calculation of the reserve for IBNR (incurred but not reported) claims requires estimation for each business of both the number and average cost of late claims. The estimate was made using as its source the balance-sheet input forms for the years 2008-2020 taking in consideration possible gaps between prior year allocation and the final amount.

For the Motor TPL class, the estimate in question is conducted separately for each type of management.

Life business

The following table indicates the causes of changes in the mathematical reserves.

(€/000)	
Mathematical Reserves	Carrying amount
Carrying amount at 31/12/2019	1,413,998
Portfolio transfers	912
Change for the year	94,196
Carrying amount at 31/12/2020	1,509,106

Key actuarial assumptions concerning Life technical reserves are detailed below:

Risk category	Capital sums, annuities	Technical reserves	Year of issue	Technical basis	
				financial	demographic
Temporary	4,575,320	27,386	1990 - 1997	4%	SIM 81
			1998 - 2001	3% - 4%	SIM 91
			2001 - 2007	3%	SIM 91 al 70%
			2008 - 2011	3%	SI 91 al 50% e 70%
			2012 - 2014	3%	SIM 2001 al 90%- 65%
		since 2015	2%	SIM 2001 al 90%- 65%	
Adjustable	1	7	1969 - 1979	3%*	SIM 51
Indexed	4	43	1980 - 1988	3%*	SIM 51
Other types	259	91			
Revaluable	1,458,364	1,482,211	1988 - 1989	3%*	SIM 71
			1990 - 1996	4%*	SIM 81
			1997 - 1999	3%*	SIM 91
			2000 - 2011	1,5% - 2%*	SIM 81-91
			2012 - 2014	2%	SIM 2001 al 80%
			2014 - 2015	1.25%	SIM 2001 al 70%
		since 2015	0.00%	SIM 2001 al 70%	
L.T.C.	49,495	4,791	2001 - 2004	2.5%	(1)
			2004 - 2011	2.5%	(2)
			since 2012	2.5%	(3)
Pension fund	26,950	27,165	since 1999	---	---
Unit Linked	86,418	87,098	1998 - 2014	0%	SIM 91
			since 2015	0%	SIM 2001
Total business lines	6,196,812	1,628,793			
AIL Rivalutabile	911	914	1986 - 1998	4%*	SIM 51
			1999 - 2004	3%*	SIM 81
Total business lines	6,197,723	1,629,708			

* Due to the effect of the contractually guaranteed revaluation, technical rates have increased to:

for indexed policies: 3.0%

for adjustable policies: 3.0%

for revaluable policies:

Vittoria Valore Crescente 3.91%; Vittoria Rendimento Mensile 2.24%; Vittoria Previdenza 1.82%; Vittoria Obiettivo Crescita 1.93%; Vittoria Obiettivo Rendimento 1.60%.

- (1) SIM 91 reduced to 62%; SIF 91 reduced to 53%; mortality rates and LTC (long term care) rates taken from insurers' studies
- (2) SIM 91 reduced to 60%; mortality rates and LTC rates taken from insurers' studies
- (3) SIU 2001 indistinct; mortality rates and incidence rates LTC derived from reinsurers' studies

Note 18	31/12/2020	31/12/2019	Change
Financial liabilities at fair value through profit or loss	117,477	92,147	25,330
Other financial liabilities	570,575	494,466	76,109

The breakdown of the composition of financial liabilities, in accordance with the layout defined by the aforementioned ISVAP Regulation, is shown in the specific section dedicated to the "Annexes to the Consolidated Financial Statements".

Financial liabilities at fair value through profit or loss

The item "Financial liabilities at fair value through profit or loss" refers to financial liabilities relating to investment contracts for which policyholders bear the investment risk and those relating to pension-fund management, as well as negative positions in derivative contracts held for trading and hedging purposes.

The following table shows the cumulative change as at 31 December 2020:

	(€/000)		
	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2019	66,295	25,852	92,147
Investment of net fund assets	26,024	1,679	27,703
Profits attributable to policyholders	775	221	996
Amounts paid	-5,595	-637	-6,232
Carrying amount at 31/12/2020	87,499	27,115	114,614

Other financial liabilities

The item includes:

- Reinsurance deposits of 6,389 thousand euro;
- Bank credit lines for 7,697 thousand euro;
- Vittoria Assicurazioni's commitment for payment of 184,643 thousand euro (209,645 thousand euro as at 31 December 2019) to companies active in private equity, private debt industry and infrastructure funds, against which the rights to receive the related financial instruments are posted in the "Loans & receivables" item;
- Non-convertible subordinated bond loan at a fixed rate of 5.75% per annum for a total amount of 250,000 thousand euro, composed of n. 2,500 bonds with a unitary nominal value of Euro 100,000 each and destined for institutional investors;
- Mortgage loan of 101,262 thousand euro held by the Pegasus Fund.

As already described in the Directs' report, Vittoria Assicurazioni continued the action aimed at diversification by asset classes of the investment portfolio during the year. This transaction therefore led to an increase in exposure mainly in UCIs in asset classes belonging to the private equity, private debt sectors and infrastructure funds.

Lastly, the item includes leasing liabilities totaling 17,405 thousand euro which represent the residual debt of the fees provided for in the contract.

Payables due beyond 12 months totalled 654,506 thousand euro.

Disclosure concerning fair value

The listing price at December 31, 2020 of the non-convertible subordinated bond loan issued by the Company is equal to 107.08 euro. The book value referred to the remaining financial liabilities represents a good approximation of the fair value.

Note 19	31/12/2020	31/12/2019	Change
Payables arising from direct insurance business	10,803	11,383	-580

The breakdown of the item was as follows:

	(€/000)	
Payables arising from direct insurance business	31/12/2020	31/12/2019
Payables to insurance brokers and agents	3,436	6,316
Payables to insurance companies - current accounts	5,585	2,204
Guarantee deposits paid by policyholders	1,782	1,540
Payables to guarantee funds in favour of policyholders	-	1,323
Total	10,803	11,383

Note 20	31/12/2020	31/12/2019	Change
Payables arising from reinsurance business	11,170	11,185	-15

The item refers to amounts payable to insurers and reinsurers and reflects payables arising from the current accounts showing the technical results of reinsurance treaties.

Note 21	31/12/2020	31/12/2019	Change
Other sums payable	72,243	64,105	8,138

The breakdown of the item was as follows:

	(€/000)	
Other sums payable	31/12/2020	31/12/2019
Payments on accounts received by real estate companies for preliminary sales agreements	183	1,086
Trade payables	19,113	14,710
Payables to employees	3,246	3,366
Employee benefits - provisions for termination benefits	2,584	2,910
Policyholders' tax due	27,355	25,921
Sundry tax liabilities (withholdings)	2,672	3,395
Social security charges payable	3,945	3,760
Payables to associate companies	246	485
Sundry payables	12,899	8,471
Total	72,243	64,104

The other liabilities for employee benefits, particularly health benefits (P.S.) and seniority bonuses (P.A.) are classified in the account "Other liabilities" (note 24).

It is expected that the amount of the reserve for termination benefits (T.F.R.) will be collectible more than 12 months hence.

For the purpose of a better presentation clarity, the following table highlights the overall amount and movements of liabilities relating both to post-employment benefits ("supplementary" pension as described above and healthcare benefits) and to other long-term benefits (seniority bonuses).

(€/000)

Changes in defined benefit plans	Post-employment benefits		Other long-term benefits	Total
	Healthcare services	Termination benefits	Seniority bonuses	
Charge				
Carrying amount at 31/12/2019	1,764	2,911	2,357	7,033
Accruals	114	10	123	247
Utilizations	(56)	55	-	(1)
Other changes (exchange rate gains or losses, acquisitions)	50	(391)	-	(341)
Carrying amount at 31/12/2020	1,872	2,585	2,480	6,938

The following table, which refers to the increases in liabilities shown in the previous table, details the costs recognised in the income statement.

(€/000)

Charge	Healthcare services	Termination benefits	Seniority bonuses	Total
Current service cost	114	10	123	247
Interest	14	-	-	14
Net actuarial gains	36	(391)	-	(355)
Total charges	164	(381)	123	(94)

The main assumptions adopted for actuarial assessments were the following:

Demographic assumptions

- probability of death: assumptions determined by the General Accounting Office of Italy and identified as RG48, for males and females;
- probability of disability: separate assumptions by sex adopted by INPS (Italian social security institute) for projections in 2010;
- retiring age: for the generic active individual, the first opportunity as per the mandatory state national insurance conditions was assumed;
- probability of abandoning active work for causes other than death: annual frequency of 2.50%;
- probability of anticipation: 3.50% year after year.

Economic and financial assumptions

- Inflation: 1.00%
- Annual technical actualization rate (for the purpose of termination benefits) -0.02%
- Annual technical actualization rate (for the purpose of Healthcare services and Seniority bonuses) 0.34%
- Annual rate of severance payment increment 2.25%
- Annual rate of growth of remuneration (for the purpose of calculating seniority premiums) 2.00%
- Annual rate of growth of the average reimbursement (for the purpose of calculating health services) 1.00%

Sensitivity analysis of some input has been carried out (discounting rate, inflation rate and turnover rate); from these analysis no significant issues has been reported.

Note 22	31/12/2020	31/12/2019	Change
Deferred tax liabilities	52,488	46,654	5,834

The item includes deferred tax liabilities allocated to the insurance business for 51,050 thousand euro, the real estate and services business for 99 thousand euro, and elimination entries 1,339 thousand euro, mainly in regard to fair value adjustment of the assets owned by associates and subsidiaries acquired over the past few years.

The breakdown of the item was as follows:

	(€000)
Deferred tax liabilities	31/12/2020
Alignment with fair value of assets held by investee companies acquired	3,332
Deferral of gains on the sale of financial instruments	1,900
Financial assets available for sale	40,576
Derecognition of the catastrophe reserves	6,229
Future dividends	-7
Other	458
Total	52,488

Note 23	31/12/2020	31/12/2019	Change
Current tax liabilities	17,039	10,528	6,511

This account refers to period income taxes net of tax prepayments. This payable reflects the options adopted by Vittoria Assicurazioni as part of the National Tax Consolidation Programme.

Note 24	31/12/2020	31/12/2019	Change
Other liabilities	37,661	38,573	-912

This account consists mainly of commissions to be paid on the bonuses being collected at the end of the period and provisions for agency awards totalling 13,393 thousand euro, the deferred commission income of 794 thousand euro connected with investment contracts, invoices and notes to be received from suppliers totalling 4,958 thousand euro, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits) for 4,353 thousand euro.

Consolidated Income Statement

Note 25	31/12/2020	31/12/2019	Change
Gross premiums	1,407,889	1,441,339	-33,450
Ceded premiums for reinsurance	37,601	59,929	-22,328
Amounts paid and change in technical reserves	913,244	1,064,720	-151,476
Reinsurers' share	-22,549	-65,935	43,386

The following table provides information on the split between direct business, indirect business, outward reinsurance, and retrocession:

	31/12/2020				31/12/2019			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	1,177,785	192,503	-	1,370,288	1,153,444	227,966	-	1,381,410
Gross premiums	1,213,796	194,093	-	1,407,889	1,211,993	229,346	-	1,441,339
Gross premiums written	1,221,405	194,093	-	1,415,498	1,220,946	229,346	-	1,450,292
a Direct business	1,221,310	194,093	-	1,415,403	1,220,857	229,346	-	1,450,203
b Indirect business	95	-	-	95	89	-	-	89
Change in premium reserve	-7,609	-	-	-7,609	-8,953	-	-	-8,953
a Direct business	-7,607	-	-	-7,607	-8,957	-	-	-8,957
b Indirect business	-2	-	-	-2	4	-	-	4
Ceded premiums	36,011	1,590	-	37,601	58,549	1,380	-	59,929
Gross premiums ceded	36,331	1,590	-	37,921	57,109	1,380	-	58,489
a Outward reinsurance	36,331	1,590	-	37,921	57,109	1,380	-	58,489
Change in premium reserve	-320	-	-	-320	1,440	-	-	1,440
a Outward reinsurance	-320	-	-	-320	1,440	-	-	1,440
NET CHARGES RELATING TO CLAIMS	681,867	209,000	-172	890,695	749,484	246,478	2,823	998,785
Amounts paid and change in technical reserves	704,889	208,527	-172	913,244	814,903	246,994	2,823	1,064,720
Direct business	704,898	208,527	-	913,425	814,874	246,994	-	1,061,868
Indirect business	-9	-	-	-9	29	-	-	29
Shadow accounting of investee companies' profits	-	-	-172	-172	-	-	2,823	2,823
Reinsurers' share	23,022	-473	-	22,549	65,419	516	-	65,935
Outward reinsurance	23,022	-473	-	22,549	65,419	516	-	65,935

Net charges relating to claims (claims costs) – Non-Life segment

The item "Amounts paid and change in technical reserves" refers to:

- Amounts paid: definitive or partial indemnities for claims and related direct expenses and settlement costs;
- Change in claims reserve: estimated indemnities, direct expenses, and settlement costs that are forecast to be paid in future financial years for claims occurring in the current year, plus any adjustment of claims reserves made for claims occurring in previous years that were still outstanding as at 31 December;
- Change in other technical reserves: this refers to change in the ageing reserve for the Health Lob.

Net charges relating to claims (claims costs) – Life segment

The item “Amounts paid and change in technical reserves” refers to:

- Amounts paid: the amounts paid for claims, accrued capital, surrenders, and annuities;
- Change in the reserve for amounts to be paid: This refers to the change in amounts necessary to pay accrued capital sums and annuities, surrenders and claims to be settled;
- Change in mathematical reserves: this is the change in technical reserves, the content of which is illustrated in the Accounting Policies section;
- Change in other technical reserves: this comprises the change in the Reserve for profit participation and reversals, the Reserve for management expenses, and the Premiums reserve for complementary insurance, In addition, when consolidating accounts, “Intersegment eliminations” take in policyholders’ share in the profits (net of dividends already distributed) of investee companies, the investment in which is allocated to segregated accounts.

For the geographical split of premiums, reference should be made to the table shown in the section “Geographical segment reporting (secondary segment)”.

<u>Note 26</u>	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>Change</u>
Commission income	1,596	1,968	-372

The item refers to commission income for the period for investment contracts classified as financial liabilities (unit-linked contracts and pension funds).

Note 27	31/12/2020	31/12/2019	Change
Gains or losses on financial instruments at fair value through profit or loss	-2,863	2	-2,865
Gains on investments in subsidiaries and associates and interests in joint ventures	608	593	15
Gains or losses on other financial instruments and investment property	78,613	71,091	7,522
Losses on investments in subsidiaries and associates and interests in joint ventures	1,110	934	176
Losses on other financial instruments and investment property	31,235	28,923	2,312

To complete the information disclosed below, we point out that the table detailing the breakdown of financial and investment income and charges/losses is shown in the specific section called "Annexes to Consolidated financial statements".

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

These are income and losses on financial assets held for trading; specifically, stemming from unrealised losses.

As regards financial assets designated at fair value through profit or loss – i.e. referring to investment contracts of the unit-linked and pension-fund type – income recognised in FY20 amounted to 996 thousand euro, set against losses of the same amount, due to the change in related financial liabilities designated at fair value through profit or loss.

The item includes the negative change in fair value, amounting to 2,863 thousand euro, of the "hedging derivative" that refers to the forward sale transaction with the objective of hedging against both interest rate risk and credit risk.

Gains and losses on investments in subsidiaries, associates, and joint ventures

These items referred entirely to the results of equity-accounted Group companies. Reference should be made to Note 5 for further details,

Gains and losses on other financial instruments and investment property

The following table summarises the investments and financial assets and liabilities originating the gains and losses indicated above:

	(€/000)			
	Gains	Gains	Losses	Losses
	31/12/20	31/12/19	31/12/20	31/12/19
Investment property	8,298	7,241	12,313	9,416
Held to maturity investments	473	828	-	-
Loans and receivables	294	246	-	-
Financial assets available for sale	69,311	61,963	1,437	3,911
Other receivables	183	729	-	-
Cash and cash equivalents	54	84	-	-
Other financial liabilities	-	-	17,485	15,596
Total	78,613	71,091	31,235	28,923

Note 28	31/12/2020	31/12/2019	Change
Other income	18,630	26,412	-7,782

The following table details the breakdown of this item:

	(€/000)	
Other income	31/12/20	31/12/19
Trading profits	3,487	8,357
Revenue from services: insurance commission income with third parties	1,200	14
Revenue from services: other revenue from services	1,000	1,833
Rent income	3,587	3,664
Technical income on insurance contracts	6,388	8,456
Gains on the sale of property, plant and equipment	-	166
Exchange rate gains	50	12
Incidental non-operating income	307	1,715
Other income	2,611	2,195
Total	18,630	26,412

Technical income on insurance contracts refer for 943 thousand euro (1,080 thousand euro at 31/12/2019) to reversal of commissions on cancelled premiums and for 4,837 thousand euro (6,210 thousand euro at 31/12/2019) to other technical items, mainly consisting of recovers on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events.

Note 29	31/12/2020	31/12/2019	Change
Commission expense	1,064	733	331

The item includes commission expense, i.e, acquisition and maintenance costs incurred for investment contracts classified as financial liabilities (unit-linked and pension funds).

Note 30	31/12/2020	31/12/2019	Change
Commissions and other acquisition costs	258,109	246,374	11,735
Investment management costs	1,857	2,081	-224
Other administrative costs	65,241	53,884	11,357

To complete the information disclosed below, we point out that the table detailing insurance operating costs is shown in the specific section called "Annexes to Consolidated financial statements".

The following table details the breakdown of "Commissions and other acquisition costs".

(€/000)		
Gross commissions and other acquisition costs net of profit participation and other commissions	31/12/2020	31/12/2019
Acquisition commissions	194,023	189,631
Other acquisition costs	57,974	53,458
Change in deferred acquisition costs	-376	-448
Premium collection commissions	11,837	11,402
Profit participation and other commissions received from reinsurers	-5,349	-7,669
Total	258,109	246,374

Note 31	31/12/2020	31/12/2019	Change
Other costs	59,434	38,113	21,321

The breakdown of this item was as shown below:

(€/000)		
Other costs	31/12/2020	31/12/2019
Technical costs on insurance contracts	10,674	9,224
Accruals to the provision for bad debts	4,552	1,562
Foreign-exchange losses	77	28
Negative margins from property depreciation	-	9,299
Incidental non-operating costs	3,512	590
Annual depreciation & amortisation	8,924	7,466
Losses on non insurance receivables	2	39
Accruals to the provision for risks and charges	28,796	6,816
Commissions from services sector	2,897	2,083
Other costs	-	1,006
Total	59,434	38,113

Technical costs on insurance contracts refer to technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning for 9,266 thousand euro (7,810 thousand euro as at 31/12/2019) and to services supporting insurance covers and costs for premiums under litigation for 1,414 thousand euro (1,414 thousand euro as at 31/12/2019).

The provision for risks and charges of 28,796 thousand euro is mainly due to provisions to cover risks related to the indirect effects of the Covid 19 pandemic, for which it was necessary to use an estimation process. This category includes prudential provisions against possible initiatives following the pandemic crisis.

Note 32	31/12/2020	31/12/2019	Change
Income taxes	50,523	32,464	18,059

Of this item 56,436 thousand euro related to current taxes and -5,913 thousand euro to deferred taxes. Income taxes are recognised in profit or loss, with the exception of those relating to items directly charged or credited to equity, in which case the tax effect is recognised directly in equity.

	(€/000)			
	Taxable base		Tax	
	IRES	actual	theoretical	tax rate
IRES				
Profit before taxation	158,128		37,951	24.00%
Temporary differences deductible in sunsequent years (ne	93,156	22,357		14.14%
Revaluation of associates under the equity method	-285	-68		-0.04%
Participating interest impairment	4	1		0.00%
Dividends received	-7,286	-1,749		-1.11%
Interests, expenses and other taxes indeductible	11,039	2,649		1.68%
Other captions	1,044	251		0.16%
Total Change	97,672	23,441	37,951	14.83%
Current ordinary taxable base	255,800	61,392		38.82%
IRES total current	255,800	61,392		38.82%

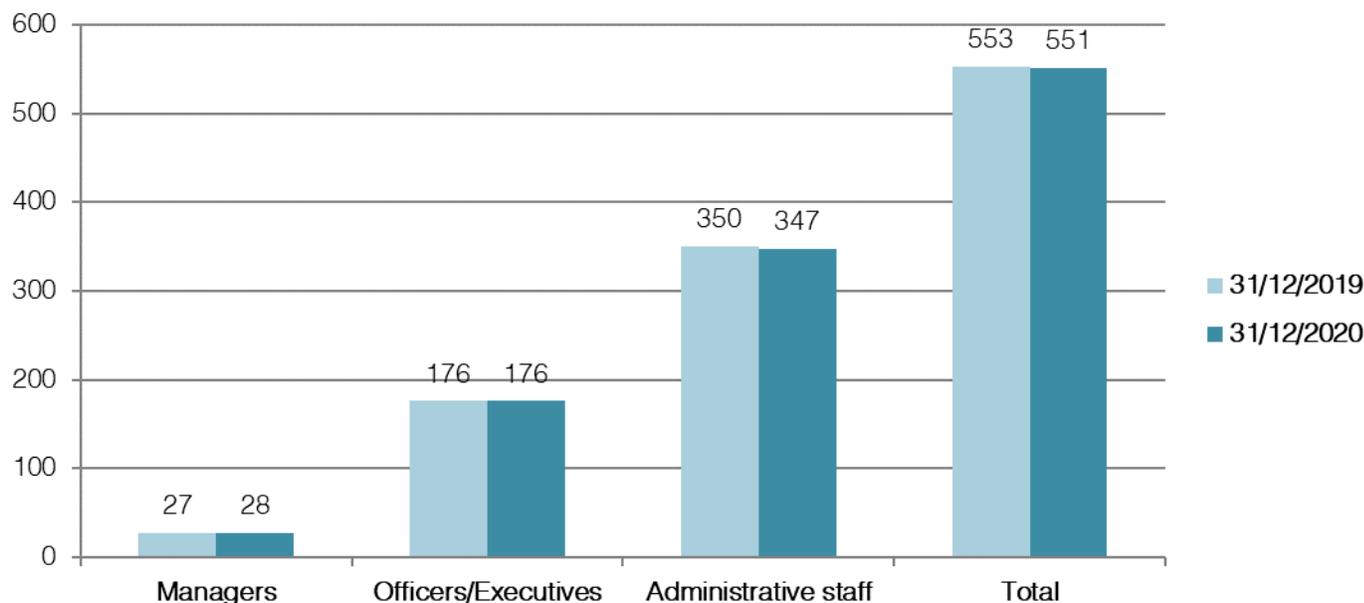
Note 33	31/12/2020	31/12/2019	Change
Gain (loss) on discontinued operations	0	0	0

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 557 at 31 December 2020 vs. 555 present as at 31 December 2019.

The average number of in-force employees on the payroll, split by contractual grade, was as follows:



Key data of the Parent Company

Pursuant to Article 2497 bis of the Italian Civil Code, as amended by the corporate law reform, the essential data of the last approved financial statements of Yafa S.p.A., the parent company that exercises management and coordination activities on Vittoria Assicurazioni, are summarized as follows:

Denomination	Registered office	Share Capital	Sector	Key figures for the last financial report approved as of 31 December 2019 (€000)							
				Total Assets	Fixed assets	Current assets	Liabilities	Equity	Profit (loss) for the year	Costs	Revenues
Yafa S.p.A.	Turin - Corso vittorio Emanuele II n. 72	15,000	Insurance	93,487	87,816	5,666	28,421	65,059	683	3,529	4,212

Information on the various economic advantages received by Public Administrations and similar bodies

Pursuant to Article 1, paragraphs 125 to 129, Law 124/2017, it should be noted that the contributions received from the Public Administration for the 2019 financial year amounted to 299 thousand euro related to the Company's staff training.

Hedge accounting

In October, Vittoria Assicurazioni concluded a forward sale transaction with the aim of hedging against both interest rate risk and credit risk, which concerned part of the Italian government bonds allocated to the life portfolio for a nominal value of 307,750 thousand euro.

The fair value of the derivative at 31 December 2020 was negative 2,863 thousand euro, with an equal change in fair value from the effective date of the hedging relationships currently in place. The change in the fair value of the hedged bonds classified as Available-for-sale assets, recognised during the period of validity of the hedge, was a positive 2,863 thousand euro.

The hedge at 31 December 2020 is effective as the ratios between the respective fair value changes remain within the 80%-125% range.

The economic effects pertaining to the 2020 financial year are positive for 2,863 thousand euro as regards the change in fair value of the underlying assets and negative for 2,863 thousand euro as regards the change in fair value of the derivative.

Tax status

For the year 2020 the Company has:

- confirmed the option for the National Tax Consolidation regime (art. 117 and following of Presidential Decree no. 917 of 22 December 1986) with the subsidiaries Immobiliare Bilancia Srl, Acacia 2000 Srl, VAIMM Sviluppo Srl, Vittoria Properties Srl, Vittoria Immobiliare SpA, Interbilancia Srl, VRG Domus Srl, Valsalaria Srl and VZ RE S.r.l. (the latter merged during the year - with accounting and fiscal effects from 01.01.2020 - into Acacia 2000 S.r.l.);
- discontinued (for loss of the control requirement) the option for the aforementioned regime with the former subsidiaries Immobiliare Bilancia Prima S.r.l.;
- opted for the aforementioned regime with the subsidiary Vittoria Hub S.r.l..

With reference to the year 2019, Vittoria Assicurazioni exercised the option for VAT payment at the group level under D.M. 12.13.1979, together with its subsidiaries Vittoria Immobiliare S.p.A., Acacia 2000 S.r.l., VRG Domus S.r.l., Vittoria Properties S.r.l., Immobiliare Bilancia Prima S.r.l. (until the month in which it lost control), Immobiliare Bilancia S.r.l., Vaimm Sviluppo S.r.l., VZ RE S.r.l. and Valsalaria S.r.l. With the exception of these last two subsidiaries (merged in 2020 into Acacia 2000 S.r.l.), the option is confirmed with the same structure also for the year 2021.

The Board of Directors

Milan, 24 February 2021

Annexes to Consolidated 2020 financial statements

Consolidation scope

	Country	Country operational headquarters (5)	Method (1)	Business (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	% of consolidation
Vittoria Assicurazioni S.p.A.	Italy		G	1				
Vittoria Immobiliare S.p.A.	Italy		G	10	100.00	100.00	100.00	100.00
Immobiliare Bilancia S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Vittoria Properties S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Interbilancia S.r.l.	Italy		G	9	100.00	100.00	100.00	100.00
Vaimm Sviluppo S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Acacia 2000 S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Vittoria Hub S.r.l.	Italy		G	11	100.00	100.00	100.00	100.00
V.R.G. Domus S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Assiorviato Servizi S.r.l.	Italy		G	11	-	60.00	60.00	100.00
Aspevi Firenze S.r.l.	Italy		G	11	-	60.00	60.00	100.00
Fondo Pegasus	Italy		G	11	50.98	50.98	50.98	50.98

(1) Consolidation method: Line-by-line=L, Proportionate=P, Proportionate by common management=C

(2) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

(5) this disclosure is requested only when the country of operational headquarters is different from the country of legal and administrative headquarters.

List of unconsolidated investments

	Country	Country operational headquarters (5)	Business (1)	Type (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	Carrying amount
Yarpa S.p.A.	Italy		9	b	28.56	28.56	28.56	11,945
Touring Vacanze S.r.l.	Italy		10	b	46.00	46.00	46.00	7,112
Touring Digital S.r.l.	Italy		10	b	45.00	45.00	45.00	0
Mosaico S.p.A.	Italy		10	b	-	45.00	45.00	199
Pama & Partners S.r.l.	Italy		10	b	-	25.00	25.00	528
Fiori di S. Bovio S.r.l.	Italy		10	b	-	40.00	40.00	-
Aspevi Milano S.r.l.	Italy		11	b	-	49.00	49.00	106
Aspevi Roma S.r.l.	Italy		11	b	-	49.00	49.00	653
Valsalaria A.11 S.r.l. in liquidazione	Italy		10	b	-	40.00	40.00	0
Morning Capital S.r.l.	Italy		11	b	-	20.00	20.00	142
Immobiliare Bilancia Prima S.r.l.	Italy		10	b	49.00	49.00	49.00	17,255

(1) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=*joint ventures* (IAS 31); indicate with an asterisk (*) companies classified as held for sale in compliance with IFRS 5 and show the key at the foot of the table.

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

(5) this disclosure is requested only when the country of operational headquarters is different from the country of legal and administrative headquarters.

(€'000)

	Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
	1 INTANGIBLE ASSETS	2,823	6,772	302	737	101	139	0	0	0	0	3,226
2 PROPERTY, PLANT AND EQUIPMENT	82,155	85,093	16,299	16,575	220,295	336,278	688	769	3,645	3,991	323,082	442,706
3 REINSURERS' SHARE OF TECHNICAL RESERVES	63,655	73,222	3,559	4,725	0	0	0	0	0	0	67,214	77,947
4 INVESTMENTS	2,469,817	2,387,687	1,852,161	1,691,841	291,989	58,502	2,479	2,411	-413,340	-444,439	4,203,106	3,696,002
4.1 Investment property	54,637	53,458	33,362	34,337	259,414	15,363	0	0	0	0	347,413	103,158
4.2 Investments in subsidiaries and associates and interests in joint	402,488	406,600	29,914	30,092	869	766	760	692	-396,090	-417,714	37,941	20,436
4.3 Held to maturity investments	0	6	11,565	11,744	0	0	0	0	0	0	11,565	11,750
4.4 Loans and receivables	238,150	267,096	2,370	2,409	31,706	42,369	0	0	0	-10,600	272,226	301,274
4.5 Financial assets available for sale	1,774,542	1,660,527	1,660,328	1,521,103	0	4	1,719	1,719	-17,250	-16,125	3,419,339	3,167,228
4.6 Financial assets at fair value through profit or loss	0	0	114,622	92,156	0	0	0	0	0	0	114,622	92,156
5 OTHER RECEIVABLES	272,151	231,610	20,962	16,909	2,567	5,399	1,573	1,175	-5,446	-6,506	291,807	248,587
6 OTHER ASSETS	75,085	68,951	58,397	46,287	9,982	12,381	1,046	1,226	2,108	522	146,618	129,367
6.1 Deferred acquisition costs	0	0	7,049	6,673	0	0	0	0	0	0	7,049	6,673
6.2 Other assets	75,085	68,951	51,348	39,614	9,982	12,381	1,046	1,226	2,108	522	139,569	122,694
7 CASH AND CASH EQUIVALENTS	841	2,956	643	2,984	5,836	4,989	2,581	1,367	0	0	9,901	12,296
TOTAL ASSETS	2,966,527	2,856,291	1,952,323	1,780,058	530,770	417,688	8,367	6,948	-413,033	-446,432	5,044,954	4,614,553
1 EQUITY											812,430	659,698
2 PROVISIONS	46,349	20,991	3,835	2,835	664	836	254	239	0	0	51,102	24,901
3 TECHNICAL RESERVES	1,672,215	1,656,518	1,618,625	1,503,097	0	0	0	0	1,126	1,298	3,291,966	3,160,913
4 FINANCIAL LIABILITIES	464,585	490,678	121,503	95,167	101,262	0	702	768	0	0	688,052	586,613
4.1 Financial liabilities at fair value through profit or loss	0	0	117,477	92,147	0	0	0	0	0	0	117,477	92,147
4.2 Other financial liabilities	464,585	490,678	4,026	3,020	101,262	0	702	768	0	0	570,575	494,466
5 PAYABLES	83,728	81,144	7,868	4,129	4,182	15,683	3,883	2,821	-5,445	-17,104	94,216	86,673
6 OTHER LIABILITIES	66,140	57,075	37,698	33,768	1,774	2,722	236	133	1,340	2,057	107,188	95,755
TOTAL EQUITY AND LIABILITIES											5,044,954	4,614,553

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2020
Income statement by business and business line

Income statement by business and business line	Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Net gains and costs/losses	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Net premiums	1,177,785	1,153,444	192,503	227,966	-	-	-	-	-	-	1,370,288	1,381,410
Gross premiums	1,213,796	1,211,993	194,093	229,346	-	-	-	-	-	-	1,407,889	1,441,339
Ceded premiums	36,011	58,549	1,590	1,380	-	-	-	-	-	-	37,601	59,929
Commission income	-	-	1,596	1,968	-	-	-	-	-	-	1,596	1,968
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-	-	2,863	2	-	-	-	-	-	-	2,863	2
Gains on investments in subsidiaries and associates and interests in joint ventures	6,655	1,885	-	-	116	5,531	68	53	-6,231	-6,876	608	593
Gains on other financial instruments and investment property	16,664	23,429	59,720	46,504	2,256	1,304	12	8	-39	-154	78,613	71,091
Other income	8,768	11,164	866	1,040	8,058	14,548	4,469	3,495	-3,531	-3,835	18,630	26,412
TOTAL REVENUE	1,209,872	1,189,922	251,822	277,480	10,430	21,383	4,549	3,556	-9,801	-10,865	1,466,872	1,481,476
Net charges relating to claims	681,866	749,483	209,001	246,479	-	-	-	-	-172	2,823	890,695	998,785
Amounts paid and change in technical reserves	704,889	814,903	208,527	246,994	-	-	-	-	-172	2,823	913,244	1,064,720
Reinsurers' share	-23,023	-65,420	474	-515	-	-	-	-	-	-	-22,549	-65,935
Commission expense	-	-	1,064	733	-	-	-	-	-	-	1,064	733
Losses on investments in subsidiaries and associates and interests in joint ventures	10,590	9,251	753	-	17	641	-	-	10,250	8,958	1,110	934
Losses on other financial instruments and investment property	19,983	22,228	2,400	3,324	7,737	2,368	29	32	1,086	971	31,235	28,923
Operating costs	302,909	281,243	15,350	14,287	8,692	9,287	1,821	1,448	-3,565	-3,926	325,207	302,339
Other costs	53,622	24,994	2,256	693	513	10,246	3,043	2,180	-	-	59,434	38,113
TOTAL COSTS	1,068,970	1,087,199	230,824	265,516	16,959	22,542	4,893	3,660	-12,901	-9,090	1,308,745	1,369,827
PROFIT FOR THE YEAR BEFORE TAXATION	140,902	102,723	20,998	11,964	-6,529	-1,159	-344	-104	3,100	-1,775	158,127	111,649

(€'000)

Breakdown of other comprehensive income

(€/000)

	Allocation		Reclassification to profit or loss		Other Changes		Total Changes		Taxes		Balance	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Other comprehensive income, net of taxes without reclassification to profit or loss	-59	-67			0	0	-59	-67	-26	-30	-77	-18
Changes in the equity of investees	0	0			0	0	0	0	0	0	0	0
Changes in intangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Changes in tangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0			0	0	0	0	0	0	0	0
Actuarial gains and losses and adjustments related to defined benefit plans	-59	-67			0	0	-59	-67	-26	-30	-77	-18
Other items	0	0			0	0	0	0	0	0	0	0
Other comprehensive income, net of taxes with reclassification to profit or loss	19,397	48,370	-9,818	-2,624	0	0	9,579	45,746	-209	8,403	71,029	61,450
Change in transition reserve	0	0			0	0	0	0	0	0	0	0
Gains or losses on available for sale investments	19,397	48,370	-9,818	-2,624	0	0	9,579	45,746	-209	8,403	71,029	61,450
Gains or losses on hedging instruments	0	0			0	0	0	0	0	0	0	0
Gains or losses on hedging instruments of net investment in foreign operations	0	0			0	0	0	0	0	0	0	0
Changes in the equity of investees	0	0			0	0	0	0	0	0	0	0
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0			0	0	0	0	0	0	0	0
Other items	0	0			0	0	0	0	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	19,338	48,303	-9,818	-2,624	0	0	9,520	45,679	-235	8,373	70,952	61,432

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2020
Breakdown of financial assets

(€'000)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19		
Equity and derivative instruments measured at cost	0	0	0	0	18,533	13,342	0	0	0	0	18,533	13,342
Equity instruments at fair value of which listed	0	0	0	0	73,703	73,803	0	0	2,689	2,406	76,392	76,209
Debt securities	0	0	0	0	9,239	12,026	0	0	2,689	2,406	11,928	14,432
of which listed	11,565	11,750	0	0	2,583,629	2,454,982	8	9	140	148	2,595,342	2,466,889
OEIC units	11,454	11,416	0	0	2,582,926	2,454,318	9	9	140	148	2,594,529	2,465,891
Loans and receivables from bank customers	0	0	0	0	743,474	625,101	0	0	107,471	86,054	850,945	711,155
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	0	0	0	0	0	0	0	0	0	0
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	83,464	91,038	0	0	0	0	0	0	83,464	91,038
Non-hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	188,762	210,236	0	0	0	0	4,314	3,539	193,076	213,775
Total	11,565	11,750	272,226	301,274	3,419,339	3,167,228	8	9	114,614	92,147	3,817,752	3,572,408

Vitória Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

Financial and investment gains and losses/costs

(€/000)

	Interest	Other net income	Other costs	Realised gains	Realised losses	Net realised gains and losses	Valuation gains		Valuation losses		Net unrealised gains and losses	Net gains and costs/losses 31/12/2020	Net gains and costs/losses 31/12/2019
							Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments	35,564	29,229	6,443	12,672	1,985	69,037	7,791	9,478	2,232	-3,919	65,118	64,979	
a Investment property	0	8,298	4,757	0	0	3,541	0	7,556	0	-7,556	-4,015	-2,175	
Investments in subsidiaries and associates and interests in joint ventures	0	608	3	0	0	605	0	0	1,107	-1,107	-502	-341	
b Held to maturity investments	473	0	0	0	0	473	0	0	0	0	473	828	
c Loans and receivables	294	0	0	0	0	294	0	0	0	0	294	246	
d Financial assets available for sale	34,691	19,779	0	11,977	311	66,136	2,863	0	1,125	1,738	67,874	58,062	
e Financial assets held for trading	0	0	0	0	0	0	0	0	0	0	0	2	
f Financial assets at fair value through profit or loss	106	544	1,683	695	1,674	-2,012	4,928	1,922	0	3,006	994	8,367	
g Other receivables	183	0	0	0	0	183	0	0	0	0	183	729	
Cash and cash equivalents	54	0	0	0	0	54	0	0	0	0	54	84	
Financial liabilities	-17,118	0	0	0	0	-17,118	0	4,224	0	-4,224	-21,342	-23,963	
a Financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	
b Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	3,857	0	-3,857	-3,857	-8,367	
c Other financial liabilities	-17,118	0	0	0	0	-17,118	0	367	0	-367	-17,485	-15,596	
Payables	0	0	0	0	0	0	0	0	0	0	0	0	
Total	18,683	29,229	6,443	12,672	1,985	52,156	7,791	13,702	2,232	-8,143	44,013	41,829	

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

Breakdown of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Non-life reserves	1,671,376	1,655,643	838	875	1,672,214	1,656,518
Premium reserve	420,823	413,216	32	31	420,855	413,247
Claims reserve	1,250,144	1,242,019	806	844	1,250,950	1,242,863
Other reserves	409	408	0	0	409	408
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	1,619,752	1,504,395	0	0	1,619,752	1,504,395
Reserve for payable amounts	21,052	19,351	0	0	21,052	19,351
Mathematical reserves	1,509,107	1,413,999	0	0	1,509,107	1,413,999
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	89,593	71,045	0	0	89,593	71,045
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	83,011	64,797	0	0	83,011	64,797
Total technical reserves	3,291,128	3,160,038	838	875	3,291,966	3,160,913

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

Breakdown of reinsurers' share of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Non-life reserves	63,353	72,892	303	331	63,656	73,223
Premium reserve	12,151	11,832	0	0	12,151	11,832
Claims reserve	51,202	61,060	303	331	51,505	61,391
Other reserves	0	0	0	0	0	0
Life reserves	3,558	4,724	0	0	3,558	4,724
Reserves for payable amounts	13	1,705	0	0	13	1,705
Mathematical reserves	3,496	2,977	0	0	3,496	2,977
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	49	42	0	0	49	42
Total reinsurers' share of technical reserves	66,911	77,616	303	331	67,214	77,947

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

Breakdown of financial liabilities

(€'000)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss					
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	253,179	252,452	253,179	252,452
Liabilities from financial contracts issued by insurers arising from:	0	0	114,614	92,147	0	0	114,614	92,147
Contracts where policyholders bear investment risk	0	0	87,500	66,296	0	0	87,500	66,296
Pension-fund management	0	0	27,114	25,851	0	0	27,114	25,851
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	6,389	6,190	6,389	6,190
Negative financial components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities on issue	0	0	0	0	0	0	0	0
Bank customer deposits	0	0	0	0	0	0	0	0
Interbank liabilities	0	0	0	0	0	0	0	0
Other loans received	0	0	0	0	108,959	7,119	108,959	7,119
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	2,863	0	0	0	2,863	0
Other financial liabilities	0	0	0	0	202,048	228,705	202,048	228,705
Total	0	0	117,477	92,147	570,575	494,466	688,052	586,613

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

Detail of assets and liabilities relating to insurance contracts with risk borne by policyholders or relating to pension-fund management

(€000)

	Unit- and index-linked benefits		Benefits relating to pension-fund management		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
On-balance sheet assets	87,500	66,296	27,114	25,851	114,614	92,147
Infragroup assets *	0	0	0	0	0	0
Total assets	87,500	66,296	27,114	25,851	114,614	92,147
On-balance sheet liabilities	87,499	66,295	27,115	25,852	114,614	92,147
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	87,499	66,295	27,115	25,852	114,614	92,147

* Assets and liabilities eliminated in consolidation process

Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

(€'000)

	Level 1		Level 2		Level 3		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
Assets and liabilities measured at fair value on a recurring basis								
Financial assets Available for sale	3,333,689	3,091,446	12,143	9,932	73,507	65,850	3,419,339	3,167,228
Financial assets at fair value through profit or loss	8	9	-	-	-	-	8	9
Financial assets at fair value through profit or loss	114,614	92,147	-	-	-	-	114,614	92,147
Investment Property	-	-	-	-	-	-	-	-
Tangible assets	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total assets measured at fair value on a recurring basis	3,448,311	3,183,602	12,143	9,932	73,507	65,850	3,533,961	3,259,384
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	113,796	91,366	3,681	781	-	-	117,477	92,147
Total liabilities measured at fair value on a recurring basis	113,796	91,366	3,681	781	-	-	117,477	92,147
Assets and liabilities measured at fair value on a non recurring basis								
Non-current assets or assets of a disposal group classified as held for sale	-	-	-	-	-	-	-	-
Liabilities of a disposal group classified as held for sale	-	-	-	-	-	-	-	-

Vitória Assicurazioni S.p.A.
 Consolidated financial statements as at 31 December 2020

Detail of changes in financial assets and liabilities allocated to Level 3 measured at fair value on a recurring basis

(€/000)

	Financial assets				Financial liabilities at fair value through profit or loss	
	Financial assets Available for sale	Financial assets at fair value through profit or loss		Financial liabilities at fair value through profit or loss		
		Financial assets held for trading	Financial assets at fair value through profit or loss	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	
Opening balance	65,850					
Purchases/ Issues	5,195					
Sales/Repurchases	-2,491					
Redemptions	0					
Gains or losses charged to profit and loss	0					
- of which unrealised gains/losses	0					
Gains or losses charged to other comprehensive income	-1,125					
Moves to Level 3	0					
Moves to other Levels	0					
Other changes	6,078					
Closing balance	73,507					

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2020
Detail of insurance technical items

(€'000)

	31/12/2020			31/12/2019		
	Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business						
NET PREMIUMS						
a Premiums written	1,213,796	36,011	1,177,785	1,211,993	58,549	1,153,444
b Change in premiums reserve	1,221,405	36,330	1,185,075	1,220,946	57,109	1,163,837
	7,609	319	7,290	8,953	-1,440	10,393
NET CLAIMS COSTS						
a Amounts paid	704,889	23,023	681,866	814,903	65,420	749,483
b Change in claims reserves	707,864	33,397	674,467	785,373	47,137	738,236
c Change in recoveries	8,118	-9,858	17,976	49,535	18,738	30,797
d Change in other technical reserves	11,093	516	10,577	20,005	455	19,550
	-	-	-	-	-	-
Life business						
NET PREMIUMS						
	194,093	1,590	192,503	229,346	1,380	227,966
NET CLAIMS COSTS						
a Amounts paid	208,527	-474	209,001	246,994	515	246,479
b Change in reserve for amounts to be paid	112,569	692	111,877	108,026	307	107,719
c Change in mathematical reserves	1,701	1,692	3,393	-897	174	-723
d Change in technical reserves when investment risk is borne by policyholders and in reserves arising from pension fund management	93,923	520	93,403	139,737	374	139,363
e Change in other technical reserves	334	6	328	128	8	120

Vittoria Assicurazioni S.p.A.
 Consolidated financial statements as at 31 December 2020

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/12/20	31/12/19	31/12/20	31/12/19
Gross commissions and other acquisition costs		256,517	246,500	10,210	11,026
a	Acquisition commissions	191,112	187,055	6,181	6,059
b	Other acquisition costs	54,204	48,771	3,769	4,687
c	Change in deferred acquisition costs	0	0	-376	-448
d	Premium collection commissions	11,201	10,674	636	728
Profit participation and other commissions received from reinsurers		-5,031	-7,429	-319	-240
Investment management costs		1,789	2,017	67	63
Other administrative costs		49,634	40,155	5,392	3,438
Total		302,909	281,243	15,350	14,287

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

Breakdown of property, plant and equipment and intangible assets

(€/000)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	347,413	-	347,413
Other property	315,988	-	315,988
Other items of property, plant and equipment	7,094	-	7,094
Other intangible assets	3,226	-	3,226

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2020

Detail of assets and liabilities relating to insurance contracts with risk borne by policyholders or relating to pension-fund management

(€/000)

	Unit- and index-linked benefits		Benefits relating to pension-fund management		Total	
	31/12/20	31/12/19	31/12/20	31/12/19	31/12/20	31/12/19
On-balance sheet assets	87,500	66,296	27,114	25,851	114,614	92,147
Infragroup assets *	0	0	0	0	0	0
Total assets	87,500	66,296	27,114	25,851	114,614	92,147
On-balance sheet liabilities	87,499	66,295	27,115	25,852	114,614	92,147
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	87,499	66,295	27,115	25,852	114,614	92,147

* Assets and liabilities eliminated in consolidation process

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

(€000)

	Valore di bilancio		Fair value						Totale
			Livello 1		Livello 2		Livello 3		
	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019	
Assets									
Held to maturity investments	11,565	11,750	11,455	11,416	-	-	110	335	11,565
Loans and receivables	272,226	301,274	-	-	-	-	272,226	301,274	272,226
Investments in subsidiaries and associates and interests in joint ventures	37,941	20,436	-	-	-	-	-	20,436	37,941
Investment property	347,413	103,158	-	-	-	-	369,632	129,767	369,632
Tangible assets	315,988	435,030	-	-	-	-	380,389	484,535	380,389
Total assets	985,133	871,648	11,455	11,416	-	-	1,060,298	936,347	1,071,753
Liabilities									
Other financial liabilities	570,575	494,466	274,530	267,984	-	-	317,395	237,652	591,925
									505,636

Vittoria Assicurazioni S.p.A.
 Consolidated financial statements as at 31 December 2020
Interests in unconsolidated structured entities

(€'000)

Structured entity name	Revenues from structured entity during the year	Book value (at the date of the transfer) of assets transferred to the structured entity during the year	Book value of assets recognised in own financial statement and related to the structured entity	Balance sheet asset item	Book value of liabilities recognised in own financial statement and related to the structured entity	Balance sheet liabilities item	Maximum loss risk exposure

Note: this table is also requested for the purposes of financial statement reporting IAS/IFRS (note 2) and half-yearly reporting (note 4) when IFRS 12.6 conditions are met.

Independent Auditors's Report

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010, ARTICLE 10 OF THE EU REGULATION N. 537/2014 AND ARTICLE 102 OF LEGISLATIVE DECREE No.209 OF SEPTEMBER 7, 2005

To the Shareholders of
Vittoria Assicurazioni S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Vittoria Assicurazioni S.p.A. (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2020, the income statement, the statement of other comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended and the explanatory notes.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the Regulation issued pursuant to art. 90 of Legislative Decree no.209 of September 7, 2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the company in accordance with the regulations and standards on ethics and independence applicable to the audit of the financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of properties

Description of the key audit matter

The consolidated financial statements for the year ended at December 31, 2020 include "Property" for 316 million euro and "Investment property" for an amount equal to 347.4 million euro (referred to jointly as "Property").

As mentioned by the Directors in the section of the notes entitled "Industry-specific accounting policies" the buildings included in the sub-items "Property, plant, and equipment - Owner-occupied property" and "Real estate investments" are subject to impairment testing. The Directors also explain that the buildings included in the sub-item "Property, plant, and equipment - Property held for trading - Property under construction" are valued at the lower of cost and net realizable value. In order to identify any impairment losses and the realizable value of the property assets, the Directors appointed an Independent Expert to carry out these appraisals.

The main valuation assumptions and parameters used by the Independent Expert include financial variables, such as the discount rate used, and non-financial variables, mainly relating to the determination of expected rentals and the estimated timing and cash flows from the expected sale of the properties. As pointed out by the Directors in the notes to the section "Part A – Valuation criteria", for the year ended December 31, 2020, the process of estimating the market value of real estate assets is particularly complex also in consideration of the exceptional macroeconomic situation resulting from the Covid-19 health emergency. If available, the market value was also derived from offers received from market operators.

Considering the subjective nature of the various estimation elements in the valuation models used to determine the value of the property, the high degree of uncertainty in assessing the assumptions and parameters used, also considering the complexity of the current macroeconomic context resulting from the pandemic emergency, and the materiality of the property assets recorded in the consolidated financial statements, we are of the view that the valuation of property is a key matter in the audit of the Group's consolidated financial statements for the year ended December 31, 2020.

Audit procedures as a response to key audit aspects

The audit procedures that we performed where appropriate also with the support of specialists belonging to the Deloitte network, included the following, among others:

- understanding the process adopted to identify the impairment losses and market value of property assets;
- understanding the valuation models, assumptions and parameters used by the Independent Expert to determine the value of the property, also with regard to the actual macroeconomic scenario deriving from the current health emergency;

- critical analysis, for a sample of property considered representative of a significant portion of the property assets, of the valuation reports prepared by the Independent Expert, also by comparison with the most recent market data and historical information available;
- obtaining information, through discussion and meetings with Management, regarding the commercial negotiations in progress;
- examination of the determination and recognition of eventual permanent losses in value;
- examination of the completeness and compliance of the information provided by the Directors in the financial statements in accordance with the relevant regulatory framework.

Valuation of the claims reserve of Motor third party liability

Description of the key audit matter

In the consolidated financial statements for the year ended at December 31, 2020, the claims reserve for Motor Vehicle Third-party liability, including Marine, Lake and River Vehicle Third-party liability (“claims reserve of MTPL”) is included in the "Technical provisions" shown in the statement of financial position for an amount of 908.2 million euro.

As indicated by the Directors in the section of the notes entitled "Industry-specific accounting policies" "Claims reserve (Non-life business)" the claims reserve reflects a prudent estimate of indemnities and adjustment costs for claims that have been incurred and not yet paid, either totally or in part.

This estimate is performed considering all of the elements needed for coverage of the claim’s ultimate cost. In particular, with reference to mass risks such as MTPL, characterized by high numerousness and slow liquidation processes, the Directors submit the related claims reserve to statistical and actuarial control process to assess their consistency with the ultimate cost and, when necessary, are integrated.

As pointed out by the Directors, the process for determining the claims reserve of MTPL is based on a complex process of estimation that includes numerous subjective variables. The main assumptions used in the control process based on statistical-actuarial methodologies concern the technical variables, including the time interval for deferring payments, the elimination of claims without payments, the re-opening and the evolution of the cost of claims connected to timeline of payment, as well as the prospective assessment of the economic scenario. For the year ended December 31, 2020, as regards statistical-actuarial methodologies, the Directors considered the impacts deriving from the government measures in order to containing the pandemic in progress.

The section entitled "Industry-specific accounting policies" "Claims reserve (Non-life business)" and note 17 "Technical reserves - Non-life business" explain the accounting policies used in estimating the claims reserve of the MTPL and the statistical-actuarial methodologies applied to assess their consistency with the ultimate cost, which are based on a projection of historical data, considering the effects on the technical variables used for the models, deriving from the particular pandemic context.

Considering the relevance and the subjectivity of the various elements used in estimating the claims reserve of the MTPL, the increased uncertainty in assessing the variables and parameters used in developing the valuation methods for the statistical-actuarial control process, considering the actual pandemic context and the high amount of the claims reserve of the MTPL in the consolidated financial statements, we are of the view that the valuation of the claims reserve of MTPL is a key matter in the audit of the Group's consolidated financial statements for the year ended December 31, 2020.

Audit procedures as a response to key audit aspects

The audit procedures that we performed, where appropriate also with the support of experts belonging to the Deloitte network, included the following, among others:

- understanding of the process of formation of the claims reserve which included the knowledge of management, settlement and any possible changes in the legal and regulatory framework of the sector;
- recognition and verification of the significant controls performed on the process of estimating the claims reserve of MTPL;
- performing verification procedures on the completeness and appropriateness of the portfolios taken as reference and the key data contained therein;
- reading and analyzing the Actuarial Function report;
- performing comparative analyses through the recalculation of the relevant index observed in the historical series and an examination of their correlation with other significant indicators. In particular, we analyzed relevant technical indicators comparing them with comparable data and information relating to previous periods and to available sector data;
- comparison between the estimate of the claims reserve performed in the previous periods and what subsequently took place, with an analysis of the nature of the run off;

- verification, on a selection of claims, of the consistency of the estimate of the reserve to management and documentary evidence and results of written confirmations obtained from external lawyers;
- analysis of the reasonableness of the methodologies and of the main technical and evolutionary assumptions used to estimate the claims reserve of MTPL, also by checking their consistency with those used in previous years, considering the provisions of applicable legislation and in consideration of the pandemic effect on the technical variables concerning the development of the estimation methodologies;
- identification of a range of reasonable outcomes and verification that the estimated claims reserve of the MTPL fell into that range;
- examination of the completeness and compliance of the information provided by the Company in the notes to the consolidated financial statements in accordance with the applicable legislation.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 90 of Legislative Decree no. 209 of September 7, 2005 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Parent Company Vittoria Assicurazioni or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or 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 these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Vittoria Assicurazioni S.p.A. has appointed us on April 20, 2012 as auditors of the Company for the years from December 31, 2012 to December 31, 2020.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Vittoria Assicurazioni S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structures as at December 31, 2020, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Group as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Group as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree no. 254 of December 30, 2016,

The Directors of Vittoria Assicurazioni S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree no. 254 of December 30, 2016.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milano, Italy
April 2, 2021

This report has been translated into the English language solely for the convenience of international readers.