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.

98th year of business

Consolidated financial report as at 31 December 2019

Board of Directors' meeting of 7 April 2020

(Translation from the Italian original which remains the definitive version)

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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
Laura MILANO	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
Adriano CHIOETTO	Central Manager
Maurizio MONTICELLI	Central Manager
Giuseppe TRAVERSO	Central Manager
Enzo VIGHI	Central Manager

INDEPENDENT AUDITOR

Deloitte & Touche S.p.A.

APPOINTMENTS AND REMUNERATION COMMITTEE	
Maria Antonella MASSARI	Independent non-executive chairman
Luciano GOBBI	Independent non-executive member
Luca PAVERI FONTANA	Non-executive member

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

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

REAL ESTATE COMMITTEE	
Andrea ACUTIS	Non-executive chairman
Adriana ACUTIS	Non-executive member
Carlo ACUTIS	Non-executive member
Cesare CALDARELLI	Executive member
Marzia MORENA	Independent non-executive member
Luca PAVERI FONTANA	Non-executive member
Giuseppe SPADAFORA	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	Non-executive member
Adriana ACUTIS	Non-executive member
Cesare CALDARELLI	Executive member
Luciano GOBBI	Independent non-executive member
Luca PAVERI FONTANA	Non-executive member
Giuseppe SPADAFORA	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 co-ordination 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.

Note on the reverse Merger

In line with contents of the takeover bid published on 21 July 2018, relating to the public tender and exchange offer promoted by Vittoria Capital S.p.A., pursuant to Article 102 (1) TUF, on the total ordinary shares of Vittoria Assicurazioni S.p.A., on 1 October 2018, the Boards of Directors of Vittoria Assicurazioni S.p.A. and Vittoria Capital S.p.A. approved the Merger Plan relating to the reverse merger by incorporation of Vittoria Capital into Vittoria Assicurazioni.

On 13 February 2019, the Supervisory Authority authorised the merger by incorporation of Vittoria Capital S.p.A. into Vittoria Assicurazioni S.p.A. and approved the related amendments to be made to the Bylaws of the incorporating company.

This merger became effective on 28 June 2019 and the accounting effective date was 1 January 2019. Accounting effects of the merger were as follows:

- elimination of the infra-group's interest-bearing loan of 300,000 thousand euro and the related interest share,
- reduction of equity of Vittoria Assicurazioni as at 1 January 2019 (local-GAAP values), decreasing from 810,271 thousand euro to 514,250 thousand euro.

The following table shows the equity reconciliation after the merger:

	(€/000)
Total equity attributable to the shareholders of the parent as at 31/12/2018 (A)	850,465
Elimination of Vittoria Assicurazioni book value in Vittoria Capital (B)	-625,192
Vittoria Capital Local GAAP Total equity 31/12/2018 (C)	329,171
(D) Total equity attributable to the shareholders of the parent post reverse merger (A+B+C)	554,444
Dividend pay-out 2018 (E)	-19,415
Group profit for the year (F)	79,201
Other gains or losses recognised directly in equity (G)	45,408
Total equity attributable to the shareholders of the parent as at 31/12/2019 (D+E+F+G)	**659,638**

Given the non-materiality of the number of items impacted by the operation, 2018 figures have not been restated, but 2019 pro-forma financial statements with re-stated 2018 figures are submitted.

Directors’ report

Economic and insurance scenario

According to the latest World Economic Outlook, published by the International Monetary Fund in January 2020, global growth is expected to reach 3.3% in 2020 and 3.4% in 2021. The estimates for 2020 and 2021 have been revised downward, in the last quarter, of 0.1% and 0.2% respectively. Uncertainties related to the growth of several emerging economies caused this revision. These economies, after a sharp slowdown, are expected to return to normalized levels even if advanced economies and China continue to gradually slow down towards their potential growth rates. The beneficial effects of the accommodative monetary policies implemented by the main Central Banks are expected to continue. The growth recorded in 2019 and the projections for 2020 are estimated to have been 0.5 percentage points lower without these forms of monetary stimulus. Global growth should be accompanied by a recovery in trade (although more modest than the October forecasts), driven by the recovery in domestic demand and investments. These results depend largely on the evolution of some issues: escalation of US-China trade tensions, economic damage resulting from the extension of the coronavirus, geopolitical tensions and Brexit. As for the more advanced economies (EU, USA, UK and Japan), growth is expected, in the stabilization phase, in the 1.6% area for both 2020 and 2021. The moderation of the growth rate reflects the reduction in benefits related to fiscal stimuli and a neutral tax approach. The Euro Area is expected to move from a 1.2% growth rate in 2019 to a 1.4% growth rate in 2021 thanks to a recovery in external demand. During October, the estimates for Italy and France remained unchanged, while they were revised downwards on Germany and Spain, where manufacturing activity and domestic demand should slow down respectively. As for the United States, compared to 2019 which saw growth of 2.3%, a slowdown in area 2% is expected for 2020 and 1.7% in 2021. For the United Kingdom, expectations are for a stabilization of economic growth which should reach 1.4% in 2020 to 1.5% in 2021. The estimates reported are based on a possible positive development of trade agreements between the EU and the rest of the world. The Japanese economy, as regards 2020, should expand at a rate of 0.7% benefiting from the stimulus measures introduced by the central bank during 2019 which, in 2021, should run out bringing the economy back to a growth rate of 0.5 %.

Finally, as regards Italy, expectations are for an expansion of the economy of 0.5% in 2020 and 0.6% and 0.7% in the two years to follow. This growth rate remains the lowest in Europe. The average per capita income remains 7% lower than the pre-crisis levels of 2007 and continues to lose ground compared to that of other European countries. Despite improvements on the employment front, unemployment remains high and in the area 10%. Tax reforms implemented in 2019 are delivering better-than-expected results by improving market sentiment. This, together with a more constructive approach towards European institutions and a lower cost of debt, should be reflected in a slight but constant decrease in public debt in line with what was agreed at European level. However, the country continues to need structural reforms capable of promoting investment and employment. The financial sector could act as a driving force, which in 2019 stabilized thanks to the strengthening of the governance, capital requirements and the reduction in the portfolio of non-performing loans.

With regard to ECB policies, the overall orientation of fiscal policies is expected to remain moderately expansive in 2020, thus supporting economic activity.

The orientation should remain expansive in 2021 and stabilize in 2022, mainly due to the effect of a decreasing but still positive primary balance. The main interest rates are expected to remain at current levels, or lower, until inflation expectations converge towards a level close enough, but below 2%. Since 1 November 2019, the ECB has resumed net purchases under the Quantitative Easing (QE) program at a monthly rate of 20 billion euros. The purchases will last for as long as necessary to strengthen the accommodative impact of the reference rates and will end, according to the expectations of the Governing Council, shortly before the ECB will begin to increase the main interest rates. At the same time, the ECB will continue to fully reinvest the proceeds of maturing securities purchased under QE for a long period of time after the start of the rise in the reference interest rates, and in any case for the time necessary to maintain conditions. favorable liquidity and a large degree of monetary accommodation.

With regard to the Italian insurance market, it should be noted that the premiums (based on Italian accounting principles) as at 30 September 2019 (Ania Trends statistics) show a decrease in Life insurance business of 0.8% compared to the same period of the previous year and an increase in Non-Life insurance business of 3.6% (0.6% in third-party motor vehicle insurance).

The comparison with Vittoria Assicurazioni data is as follows:

	Change	
Line of business	Market 30/09/19 - 30/09/18	Vittoria Assicurazioni 31/12/19 - 31/12/18
Life business (*)	-0.8%	+9.4%
Non-Life business	+3.6%	+2.1%
Of which: Motor TPL	-0.6%	+1.3%

(*) 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

2019 was a particularly performing year with over 12 billion euro invested in Italy (9 billion euro in 2018).

In particular, Italy Real Estate Market Outlook CBRE reveals that the greatest concentration occurs in the office sector with investments of about 5 billion euro (+ 47% yoy), almost exclusively referring to Milan (3.6 billion) and Rome (0.9 billion), which according to forecasts will continue to play a leading role in 2020. The limited supply of products with a high quality standard and the growing demand is reflected in the return on investments, which during 2019 fell to 3.3% for the prime locations of the city of Milan and to 3.7% for the city of Rome followed by 5% for the secondary locations, with further decrease possibilities for 2020 .
The consistent demand was also the factor that, in 2019, contributed to an increase in the average rent which reached 600 euros / m2 / year for the city of Milan and 450 euros / m2 / year for the city of Rome, in potential increase also for 2020.

The residential market in 2019 shows an increase in the demand for rents, satisfying the new job needs of mobility and young people (students or first-time workers), which will make the asset class increasingly attractive to investors. According to an analysis conducted by the Tecnocasa study office, in the first half of 2019 an increase in rental rates was observed (+ 2.3% for the studios, + 1.8% for the two-room and three-room apartments); Italian residential rental market driven by the cities of Bologna and Milan. The demand for flexibility coming from both the owners and the tenants continues to contribute to the spread of short-term rentals in metropolitan cities, in central areas characterized by high accessibility both to local public transport, and to the network of airport infrastructures and to high speed.
With regard to residential sales, 2019 is the fifth consecutive year in which there is an increase in the number of transactions (+ 5.7% compared to 2018). House prices in Italy according to Istat's preliminary estimates for the third quarter of 2019, on average, compared to the same period of 2018, suffered a slight decrease (-0.2%). The decrease recorded stems from the balance between a negative trend in the Center and the South and a positive trend in the North driven by the transactions that took place in the city of Milan.

Between 2019 and 2018, the performance of the Retail sector is stable, recording transactions for almost 2 billion euro. Despite the spread of e-commerce, in Italy still modest compared to the rest of Europe, the performance of Italian shopping centers has not recorded tangible deteriorations. 2020 expectations for investments in the segment are therefore positive.

Positive performances in 2019 also for hotels with 3.3 billion euro of investments (+ 141% compared to the previous year) and for logistics with 1.3 billion euro of investments (+ 20% compared to the previous year).

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	31/12/2019	31/12/2018	Δ
Non Life business			
Gross Premiums written - direct Non Life business	1,220.9	1,195.8	2.1%
Non Life business pre-tax result	102.7	133.1	(22.8)%
(1) Loss Ratio - retained	65.1%	67.6%	(2.5)
(2) Combined Ratio - retained	89.7%	92.5%	(2.8)
(3) Expense Ratio - retained	24.4%	24.7%	(0.3)
Life business			
Gross Premiums written - direct Life business	229.3	203.9	12.5%
Life business pre-tax result	12.0	5.7	109.3%
(4) Annual Premium Equivalent (APE)	34.9	31.2	(10.6)%
Segregated funds portfolios	1,383.1	1,243.6	11.2%
Index/Unit - linked and Pension funds portfolios	92.1	68.7	34.2%
Segregated fund performance: Rendimento Mensile	2.98%	2.90%	0.08
Segregated fund performance: Obiettivo Crescita	3.02%	3.06%	(0.04)
Segregated fund performance: Valore Crescente	4.07%	4.29%	(0.22)
Total Agencies	471	455	16
Real Estate business			
Sales	57.1	37.8	51.1%
Trading and development margin	-0.9	1.0	n.s.
Real Estate business net result	(3.4)	(6.1)	(44.3)%

CONSOLIDATED RESULTS	31/12/2019	31/12/2018	Δ
Total investments	4,143.3	4,073.9	1.7%
Net gains on investments	44.6	92	(51.6)%
Pre-tax result	111.6	126.5	(11.7)%
Consolidated profit (loss)	79.2	100.4	(21.2)%
Consolidated ROE	13.9%	12.7%	1.2
Group profit (loss)	79.2	100.4	(21.1)%
Equity attributable to the shareholders of the parent	659.6	850.5	-22.4%
Equity attributable to the shareholders of the parent net of unrealised capital gains	598.2	834.8	-28.3%
Average of employees	553	599	(46)

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.

Performance of the Group

As at 31 December 2019, Group’s net profit was 79,201 thousand euro, down 21.1% compared to the result of the 2018 financial year (100,433 thousand euro), which included extraordinary income of 44,757 thousand euro (before tax effect) deriving from the sale of the investment in Camfin SpA (formerly Nuove Partecipazioni S.p.A.).

Excluding these extraordinary capital gains, the Group profit increased by 40.9% compared to the previous year, with a change equal to 23,005 thousand euro.

Thanks to the continuous actions aimed at the consolidation and development of the existing portfolio, insurance written premiums recorded a total increase of 3.6%.

Total insurance written premiums in 2019 amounted to 1,450,292 thousand euro (1,399,782 thousand euro in 2018), with an increase of 2.1% in Non-Life business and an increase of 12.5% in Life business. Insurance sector trend is improving: the combined ratio (retained business) went to 92.5% to 89.7%

The real estate sector, although still negative, shows an improvement compared to the previous year, with a negative net result of 3,361 thousand euro (negative net result of 6,089 thousand euro as at 31 December 2018). The result takes into account margins on deferred sales for 8,357 thousand euro and write-downs on properties for 9,299 thousand euro (5,804 thousand euro and 4,836 thousand euro respectively at 31 December 2018.

Group’s comprehensive income statement as at 31 December 2019 amounted to 124,880 thousand euro, increasing compared to the result of 39,212 thousand euro as at 31 December 2018. The changes in unrealized capital gains mainly arising from the securities belonging to the bond portfolio and investments in UCI units mainly contribute to the comprehensive income statement.

Total investments recorded an increase of 1.7% compared to 31 December 2018, reaching the amount of 4,143,181 thousand euro, referring for 92,147 thousand euro (+34,2%) to investments with risk borne by policyholders and for 4,051,181 thousand euro (+1,1%) to investments with risk borne by the Group. The change in total investments compared to the situation at 31 December 2018 after the reverse merger, thus excluding the loan granted to the parent company Vittoria Capital of 300,000 thousand euro, would be +9.5%.

Group shareholders' equity amounted to 659,638 thousand euro. The change compared to the previous year has already been illustrated in the note on the reverse merger, which reported the effects of the same on shareholders' equity.

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

Reclassified Profit and Loss by business segment			(€/000)
	31/12/19	31/12/18	Δ
Non life business - Gross Result (excluding investments result)	108,888	78,519	+38.7%
Non life business - Gross Investments Result	(6,165)	54,613	n.s.
Life business - Gross Result	11,964	5,716	n.s.
Gross Insurance business Result	**114,687**	**138,848**	**-17.4%**
Elimination from consolidation	6,381	(3,161)	n.s.
Insurance business: taxes	(38,488)	(29,490)	+30.5%
Insurance business net contribution to Profit attributable to parent company shareholders	**82,580**	**106,197**	**-18.2%**
Gains on property trading	8,357	5,804	+44.0%
Written-down Value on real estate	(10,277)	(4,836)	+112.5%
Real estate service revenues	1,694	2,580	-34.3%
Real estate business net costs	(932)	(8,699)	-89.3%
Gross Real estate business Result	**(1,159)**	**(5,151)**	**-62.3%**
Elimination from consolidation	(5,408)	(835)	n.s.
Taxes and minority interests	5,158	2,246	n.s.
Net Real estate business Result	**(1,409)**	**(3,740)**	**-44.8%**
Net profit attributable to Life business Policyholders	(1,952)	(2,349)	-16.9%
Real estate business net contribution to Profit attributable to parent company shareholders	**(3,361)**	**(6,089)**	**n.s.**
Service business net contribution to Profit attributable to parent company shareholders	**(18)**	**294**	**n.s.**
Gain (Loss) on discontinued operations	**0**	**31**	**n.s.**
Net Profit attributable to parent company shareholders	**79,201**	**100,433**	**-16.8%**
Other Comprehensive Income (Loss) net of tax	**45,679**	**(61,221)**	**n.s.**
Comprehensive Income attributable to parent company shareholders	**124,880**	**39,212**	**+267.6%**

As at 31 December 2019 Vittoria Assicurazioni registered net profit – based on Italian GAAPs – of 74,370 thousand euro (99,607 thousand euro as at 31 December 2018).

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 114,687 thousand euro (-17,4% according to 138,848 thousand euro as at 31 December 2018). The key operating items contributing to the period's result are described below.

Total insurance premiums in 2018 amounted to 1,470,710 thousand euro (+3,3% according to 1,424,160 thousand euro in 2018), of which 1,450,292 thousand euro for insurance premiums written and 20,418 thousand euro for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Direct Life insurance premiums amounted to 229,346 thousand euro featuring an increase of 12,5% vs. premiums in 2018.

Direct Non-Life premiums increased by 2.1%. Specifically:

- Motor premiums: +1.8%;
- Non-marine premiums: +3.0%;
- Specialty categories [i.e. marine & transport, aviation, credit & suretyship] premiums: -2.2%.

Overhead costs as a percentage of total direct insurance premiums is equal to 7.6%, decreasing compared to the last year (8.1%).

Non-Life business combined ratio and loss ratio retained at 31 December 2019, amounted respectively to 89.7% and 65.1% (Italian GAAP). The corresponding ratio at 31 December 2018 were respectively 92.5% and 67.6%.

The Non-Life line of businesses technical performance showed an improvement compared to the previous year. The overall technical balance showed an increase of 30.2% compared to the previous year. Please refer to the comment on technical performance reported on page 21.

Life Businesses show a positive result, increased compared to the previous year.

Real Estate Business

During 2019 Vittoria Assicurazioni launched an important reorganization of the real estate sector, also through a simplification of the corporate structure.
In April 2019 Vittoria Immobiliare sold 80% of its stake in Gestimmobili, a company that over the years has dealt with the administrative and technical management of the Group's real estate assets. In November 2019 Vittoria Assicurazioni sold 100% of its stake in Interimmobili, a company active in the real estate brokerage sector, to third parties. The sale of these investments is part of a larger reorganization project aimed at achieving greater efficiency in the management and brokerage of real estate assets.

The loss in the real estate business, before taxes and inter-segment eliminations, amounted to 1,159 thousand euro (loss of 5,151 thousand euro as at 31 December 2018) and featured contributions to the income statement that, before inter-segment eliminations, included:

- revenues from notarial deeds for 57,141 thousand euro (50.9% compared to 37,844 thousand euro as at 31 December 2018);
- margins on properties from trading and development activities amounted to -1,921 thousand euro (968 thousand euro as at 31 December 2018) arising from notorial deeds for 8,357 thousand euro and from write-downs on real estate investments for 9,299 thousand euro;
- real estate administrative, contractual and technical service revenues of 1,694 thousand euro and rental income of 5,107 thousand euro for a total of 6,801 thousand euro (6,409 thousand euro as at 31 December 2018);
- interest expenses of 169 thousand euro (388 thousand euro as at 31 December 2017).

Capital redemption operations of the Companies in the real estate business, initiated over the past years, allowed the extinction of almost all mortgage loans outstanding, bringing the net financial exposure of the real estate business to a positive balance of 39,289 thousand euro (positive balance of 31,204 thousand euro as at 31 December 2018).

Service Business

This segment reported a loss, before tax and minority interests, of 104 thousand euro, compared with a profit of 189 thousand euro as at 31 December 2018.
The services and the fees received by the Group companies, gross of intercompany services, amounted to 3,495 thousand euro (2,828 thousand euro as at 31 December 2018).
These revenues include 3,375 thousand euro for commissions and services rendered to Vittoria Assicurazioni (2,813 thousand euro as at 31 December 2018).

Equity and dividend policy

Group shareholders' equity amounted 659,638 thousand euro (+19.0%) and minority interests amounted to 60 thousand euro (-21.1%), 554,444 and 76 thousand euro respectively as at 31 December 2018 restated (850,465 thousand euro and 76 thousand euro as at 31 December 2018). 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 74,369,775 euro, as follows:

To Legal Reserve	euro	362,322
To Available Reserve	euro	54,592,214
To Shareholder	euro	12,943,493

corresponding to a dividend of euro 0.20 for each of the 64,717,464 shares constituting the share capital (dividend of 19,415,239 euro in the previous year).

After approval by the shareholder, dividend distribution will be recognised in the 2020 statutory accounts.

Insurance business

Review of operations

Premiums as up to 31 December 2019 amounted to 1,450,292 thousand euro (1,399,782 thousand euro as at 31 December 2018). Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN 2019 AND 2018
DIRECT AND INDIRECT BUSINESS

(€/000)

	31/12/2019	31/12/2018	YoY change %	% of total book 2019	% of total book 2018
Domestic direct business					
Life business					
I Whole- and term life	228,129	198,745	14.8	15.6	14.2
IV Health (long-term care)	1,042	847	23.0	0.1	0.1
V Capitalisation	175	4,283	-95.9	0.0	0.3
Total Life business	**229,346**	**203,875**	**12.5**	**15.7**	**14.6**
Non-Life business					
Total non-marine lines (exc. specialty and motor)	330,714	321,018	3.0	22.9	22.8
Total specialty lines	6,733	6,884	-2.2	0.5	0.5
Total motor lines	883,410	867,890	1.8	60.9	62.1
Total Non-Life business	**1,220,857**	**1,195,792**	**2.1**	**84.3**	**85.4**
Total direct business	**1,450,203**	**1,399,667**	**3.6**	**100.0**	**100.0**
Domestic indirect business					
Non-Life business	89	115	-22.6	0.0	0.0
Total indirect business	**89**	**115**	**-22.6**	**0.0**	**0.0**
Grand Total	**1,450,292**	**1,399,782**	**3.6**	**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 20,418 thousand euro (24,378 thousand euro in 2018).

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 2019 amounted 229,346 thousand euro (203,875 thousand euro in 2018) divided follows:

(€/000)

	31/12/2019	31/12/2018	YoY change %	% of total book 2019	% of total book 2018
Recurring premiums	67,697	61,370	10.3	29.5	30.1
Annual premiums	161,649	142,505	13.4	70.5	69.9
Total Life business	**229,346**	**203,875**	**12.5**	**100.0**	**100.0**

In 2019 the funds relating to segregated funds achieved the following returns:

(€/000)

	Rate of return 2019	Total Assets 2019	Rate of return 2018	Total Assets 2018
Vittoria Rendimento Mensile *	2.98%	798,576	2.90%	827,266
Vittoria Valore Crescente *	4.07%	75,721	4.29%	80,030
Vittoria Obiettivo Crescita *	3.02%	373,842	3.06%	225,363
Vittoria Previdenza **	3.85%	134,948	3.31%	110,894

* Observation period: 01/01/2019 - 31/12/2019

** Observation period: 01/10/2018 - 30/09/2019

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)

	31/12/2019	31/12/2018	YoY change %
Claims	16,656	14,684	13.4
Accrued capital sums & annuities	38,598	34,881	10.7
Surrenders	51,274	44,959	14.0
Total	**106,527**	**94,523**	**12.7**

Non-life Business

Premiums

Direct premiums issued amounted 1,220,857 thousand euro (1,195,792 thousand euro as at 31 December 2018) and showed an increase of 2.1%.

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 3%. The increase is partly due to a more precise allocation to line of businesses pertaining to the premiums concerning complementary guarantees sold in packets within the Motor TPL, previously allocated exclusively to the Pecuniary Losses line of business. On a like-for-like basis the increase in premiums would have been 3.8%.

The number of policies in the portfolio of the Lob was increased by 6.8% compared to the previous year; insurance coverages of portfolio customers are being developed with the motor insurance policy.

The technical result is positive, down compared to the previous FY due to a higher incidence of claims linked to atmospheric phenomena affecting Italy and of significant claims mainly affecting the fire guarantee and relating to already in portfolio risks.

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

Accident: premiums recorded an increase of 1.6%, thanks also to the development of the sale of the collateral injuries of the driver in combination with the motor policies.
The technical result is positive, and improving compared to the previous year, also due to a lower incidence of serious claims.

Disease: premiums shows an increase of 7.6%, with a positive technical result.

Fire and natural events: this line of business shows an increase in premiums of 11.9%.

The negative technical result is solely 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 an increase of 4.5% compared to previous year. Though negative as a result of the higher incidence of accidents from atmospheric phenomena, the technical result is improving compared to the previous FY.

General Third-Party Liability: premiums increased by 7.9%, partly due to a more precise allocation to the ministerial lob of guarantees sold in a complementary manner to Motor TPL guarantees (on a like-for-like basis growth would have been 6.7%). The technical balance is up compared to the previous year, thanks to the effects of the constant portfolio reform actions also with reference to the TPL professional and the lower incidence of serious claims.

Miscellaneous financial losses: various pecuniary losses: premiums written showed a decrease of 37.5%, due to a more precise allocation to line of business of guarantees related to cars. As a result, though positive, this Lob was down compared to the previous FY.
On a like-for-like basis, premium growth would have been 5.8%.

Legal protection: premiums grew by 10.3%, with a positive technical result, improving compared to the previous year.

SPECIALTY BUSINESSES

The businesses showed a positive technical result, decreasing compared with compared to the one recorded in the previous year.
Premiums were slightly down by 2.2% mainly due to the Suretyship.

In particular:

Watercraft (sea, lake, and river) hulls and railway rolling stock: premiums decrease by 18.7% with a slightly negative technical balance, down compared to the previous year, mainly due to a higher incidence of serious claims.

Cargo (goods in transit): premiums written increased by 6.0% thanks to the development of actions on transport companies that were already customers for the Motor Lob and to the development of the channel through specialized brokers in the industry. The technical result is positive, in significant improvement compared to the previous year.

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 balance maintained positive.

Surety: premiums written showed a decrease compared to the previous year (-1.2%), the result of a thorough review of the underwriting policy that led to the acquisition of smaller risks in terms of exposure and the consequent lower average pricing. The technical result is positive, in significant improvement compared to the previous year.

MOTOR BUSINESSES

The businesses showed a positive technical result, down compared to the previous year.

Premiums written grew by 1.8%; the percentage incidence of motor Line of businesses showed a reduction compared to the overall volume of the premiums collection.

In particular:

Land motor vehicle hulls: premiums reported a growth on the previous year (3.7%); the development policy of customers already acquired in the Motor TPL Lob continues.
The technical result maintained positive, down compared to the previous year, due to the greater incidence of claims arising from atmospheric phenomena.

Third-party liability for land motor vehicles and for watercraft (sea, lake, and river): premiums reported a growth of 1.3%, also due to a more accurate allocation to the ministerial line of business of guarantees sold complementary to the car guarantees, previously attributed exclusively to the Pecuniary loss Line on business. On a like-for-like basis, premium growth would have been of 0.9%.
The technical result, significantly improving compared to the previous year, despite a greater incidence of serious claims, is positive.
The constant portfolio selection actions, the pricing and underwriting policies have allowed to improve the profitability and to keep frequency of claims stable despite the presence of signs of deterioration deriving from the changed general conditions of the circulation traffic market.

Assistance: premiums increased by 4.9% and the technical result is positive.

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 2018:

	Numer of Reported claims		YoY Change %	Numer of Reported claims without consequences		YoY Change %	Numer of Reported claims closed		YoY Change %
	31/12/2019	31/12/2018		**31/12/2019**	31/12/2018		**31/12/2019**	31/12/2018	
Total non-marine lines	58,113	56,478	2.89%	11,593	12,279	-5.59%	36,662	34,562	6.07%
Total specialty lines	749	832	-10.02%	143	160	-10.67%	232	189	22.62%
Total motor lines	286,916	283,690	1.14%	24,183	22,871	5.74%	210,967	210,148	0.39%
Total Non-Life businesses	**345,779**	**340,999**	**1.40%**	**35,919**	**35,309**	**1.72%**	**247,861**	**244,900**	**1.21%**

As regards Motor TPL reported claims, has received n. 111,426 reports of claim events to be managed as originator (-3,26% compared to 2018) and the total cost, net of the recovery of the lump-sum paid by the debtor companies, amounted to 62,487 thousand euro (+10.8% compared to 2018).

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:

(€/000)

	Claims paid **31/12/2019**			Claims recovered from reinsurers	Claims paid 31/12/2018			Claims recovered from reinsurers	Change gross claims %	Change claims recovered from reinsurers %
	Current year	Previous years	Total		Current year	Previous years	Total			
Total non-marine businesses	85,834	51,769	137,603	26,300	72,858	59,657	132,515	16,899	3.8	55.6
Total Special businesses	833	2,690	3,523	439	1,382	5,803	7,185	1,878	-51.0	-76.6
Total motor businesses	301,191	327,654	628,845	20,397	299,310	322,346	621,656	15,104	1.2	35.0
Total Non-Life businesses	**387,858**	**382,113**	**769,971**	**47,137**	**373,550**	**387,806**	**761,356**	**33,882**	**1.1**	**39.1**

The additional cost borne in 2019 for the road-accident victim guarantee fund was 17,070 thousand euro vs. 16,868 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	
	31/12/2019	31/12/2018	**31/12/2019**	31/12/2018
Accident insurance	61.46	59.06	66.52	55.72
Health insurance	84.28	85.61	79.30	71.15
Motor vehicle hulls	80.59	86.27	76.03	78.33
Fire and natural events	79.14	79.63	80.26	71.22
Miscellaneous damages - theft	89.63	89.39	88.82	81.00
Third-party motor liability	77.63	76.67	69.15	68.53
Third-party general liability	71.62	72.58	39.41	33.01

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 6.4 million euro (6.0 million as at 31 December 2018).
As a result of the deepening in relation to fraud risk, savings of 5.8 million euro were achieved for claims that have been defined without result (5.3 million as at 31 December 2018) and 0.6 million euro for claims definitively settled (0.7 million as at 31 December 2018), compared to the assessed value posted to technical provisions.

Reinsurance

LIFE BUSINESS

<u>Outward reinsurance</u>
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 FY19 amounted to 1,380 thousand euro (1,325 thousand euro as at 31 December 2018).

<u>Inward reinsurance</u>
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

<u>Outward reinsurance</u>
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 FY19 amounted to 57,109 thousand euro (45,872 as at 31 December 2018).

<u>Inward reinsurance</u>
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 2018, by rating:

(€/000)

Rating	Current and Deposit accounts	Reinsurers' share of technical reserves	**Total net balance sheet items**	**% of breakdown**
AA+	-43	723	680	1.0
AA	-149	299	150	0.2
AA-	-11,580	59,082	47,502	67.6
A+	-1,056	7,737	6,681	9.5
A	645	2,790	3,435	4.9
A-	600	3,388	3,988	5.7
Not rated	4,820	3,053	7,873	11.2
Total	**-6,763**	**77,072**	**70,309**	**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 2010 to 2019, 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.

(€/000)

Year of event	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Totale
Cumulative claims cost											
At the end of year of event	440,586	520,561	567,376	614,689	651,383	684,774	700,163	762,916	800,473	828,441	6,571,362
1 year later	445,632	514,147	540,079	601,168	621,301	685,978	710,568	775,010	794,257		
2 years later	444,079	514,219	540,970	593,557	610,631	688,626	714,305	782,811			
3 years later	450,679	516,766	547,735	587,801	596,334	684,783	701,307				
4 years later	449,862	524,147	547,207	580,632	590,762	682,583					
5 years later	452,698	523,861	542,932	573,288	588,811						
6 years later	453,778	519,388	541,166	571,523							
7 years later	455,941	519,711	542,007								
8 years later	458,599	519,343									
9 years later	459,775										
Cumulative claims cost at 31/12/2016	459,775	519,343	542,007	571,523	588,811	682,583	701,307	782,811	794,257	828,441	6,470,858
Total cumulative claims paid in 2016	445,692	501,071	509,972	527,039	528,235	590,472	595,235	626,821	578,969	372,632	5,276,138
Claims paid in 2016	**3,275**	**8,475**	**9,104**	**9,775**	**11,666**	**22,855**	**26,907**	**68,671**	**220,378**	**372,632**	**753,738**
Claims reserve at 31 December 2016	**14,082**	**18,272**	**32,035**	**44,485**	**60,576**	**92,111**	**106,071**	**155,990**	**215,289**	**455,809**	**1,194,720**

From the comparison between what was posted in the first year of occurrence of claims - in the decade highlighted - amounting to 6,571,362 thousand euro and the evolution of the same at the date of the 2019 financial statements, amounting to 6,470,858 thousand euro, emerges a deviation equal to -1,5%.

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 11.5 million euro, before tax.

Commercial organisation

The development activity has resulted in the opening of 16 new agencies and the reorganization of other 48; as at 31 December 2019 Vittoria Assicurazioni was nationally present with 471 General Agencies (455 as at 31 December 2018) and 1,099 Sub-Agencies Professional (1,102 as at 31 December 2018).
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 2018.
In particular, in 2019 the focus of the training was aimed at acquiring skills related to technical and business processes and tools for all levels of the network, as these are essential to provide an efficient Customer Experience. As part of the professional update, 69 classroom-courses were delivered to the agency network, the increase in the number of courses is due to a new training project that started in the year dedicated to the training of the future Vittoria Agents.

During 2019, training was provided by internal trainers, assisted for some courses and for a selected number of Agencies, by external suppliers, selected on the basis of the requirements under Regulation 40/2018 Article 96.
The 2019 training plan was completed with the release of the update of the regulatory module relating to Compliance 231 and the new modules relating to Vittoria products and the Cyber-Security module.

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 Cyber Risk Protection” aimed at professionals and small and medium enterprises, providing insurance coverage of risks from cyber-attacks.

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

- the Lob 1 product called “Vittoria MonoAsset GS”, a single premium mixed insurance contract whose performance is directly connected to the segregated fund “Vittoria Obiettivo Crescita”,
- the composite product called "Vittoria InvestiMeglio - Multiperformance", a single premium mixed insurance contract and additional payments with subscription bonus, which invests the premiums in the internal funds "Vittoria Flessibile Globale" and "Vittoria Rendita" and in the segregated fund "Vittoria Obiettivo Crescita",
- the composite product called "Vittoria MultiAsset Bonus", a single premium mixed insurance contract and additional payments with subscription bonus of 2.5%, which invests the premiums in the internal funds "Vittoria Rendita Classe B", "Vittoria Flessibile Globale Classe B", "Vittoria Equilibrato Classe B" and "Vittoria Dinamico Classe B" and in the segregated fund "Vittoria Obiettivo Crescita",
- the composite product called "Vittoria MultiAsset", a single premium mixed insurance contract and additional payments, which invests the premiums in the internal funds “Vittoria Rendita Classe B”, "Vittoria Flessibile Globale Classe B", "Vittoria Equilibrato Classe B" and "Vittoria Dinamico Classe B" and in the segregated fund "Vittoria Obiettivo Crescita",
- the composite product called "Vittoria MultiAsset Free", a single premium mixed insurance contract and additional payments, which invests the premiums in the internal funds “Vittoria Rendita Classe B”, "Vittoria Flessibile Globale Classe B", "Vittoria Equilibrato Classe B” and "Vittoria Dinamico Classe B" and in the segregated fund "Vittoria Obiettivo Crescita".

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 111,750 thousand euro, substantially unchanged with the results of the previous year, equal to 115,598 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	31/12/2019	31/12/2018	Change
Personnel expenses	59,310	56,503	5.0%
Other costs	45,682	46,789	-2.4%
Amortisation/Depreciation	6,758	12,306	-45.1%
Total cost by nature	**111,750**	**115,598**	**-3.3%**

Overhead costs as a percentage of total direct insurance premiums (direct business) is equal to 7.6%, 8.1% in 2018.
The reduction in depreciation is justified by the review of the residual useful life of the Management application systems applied in 2018 which led to higher 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)

	31/12/2019	31/12/2018	Change
Gross commissions and other acquisition costs	257,524	249,962	3.0%
Profit participation and other commissions received from reinsurers	-7,669	-6,645	15.4%
Investment management costs	2,080	1,813	14.7%
Other administrative costs	43,594	46,494	-6.2%
Total	**295,529**	**291,624**	**1.3%**

Operating expenses recorded incidence of premium retained by 18.4% (11.7% in the previous year).

Real estate business

As previously mentioned, in 2019 the Group initiated a restructuring operation in the real estate sector, rationalizing its corporate structure and transferring 80% of Gestimmobili S.r.l. to third parties. (now Morning Capital S.r.l.) and 100% of Interimmobili S.r.l., companies which, respectively, carry out property management and brokerage activities.
As part of this reorganization, Vittoria Immobiliare sold its shareholdings in Acacia 2000, V.Z. Real Estate, Valsalaria and VRG Domus to the parent company Vittoria Assicurazioni; subsequently VP Sviluppo was demerged with the transfer of its assets to the companies Acacia 2000 and Immobiliare Bilancia Prima. Subsequently, Vittoria Immobiliare S.p.A. it proceeded to decrease its capital and repay 70,000 thousand euro to Vittoria Assicurazioni.

To date, the Group carries out its real estate business in the trading, development and rental of properties for commercial and residential use.

Below we highlight the most important operating data of the various subsidiaries.

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 1,461 thousand euro (1,192 thousand euro at December 31, 2018). Closing inventory amounted to 13,400 thousand euro (15,216 thousand euro at December 31, 2018). The Company also holds leased properties of 3,790 thousand euro (3,898 thousand euro at December 31, 2018).

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 2,922 thousand euro (2,612 thousand euro at December 31, 2018) and has closing inventories of 20,353 thousand euro (22,523 thousand euro at December 31, 2018).

Immobiliare Bilancia Prima Srl – Milan
100% direct equity interest
The Company holds a building area in the municipality of Parma, residential buildings in Rome and Peschiera Borromeo (MI).
Revenues from the sale of properties during the year amounted to 830 thousand euro (1,165 thousand euro at December 31, 2018) and closing inventories amounted to 70,955 thousand euro (56,929 thousand euro at December 31, 2018).

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". 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 aforementioned demerger operations, the Company holds housing units for sale located in Peschiera Borromeo (MI), Rome and Turin.
Revenues from the sale of properties during the year amounted to 48,276 thousand euro (30,566 thousand euro at December 31, 2018).
Closing inventory amounted to 159,368 thousand euro (168,899 thousand euro at December 31, 2018). The Company also holds leased properties of 217 thousand euro (224 thousand euro at December 31, 2018).

VRG Domus Srl. - Turin
100% direct equity interest
The company, amounted a closing inventory of 16,503 thousand euro (15,278 thousand euro in 2018), related to the real estate operation named “Spina 1” in Turin and to a non-residential property in Rome, Via della Vignaccia. Revenues for the sale of property during the year amounted to 10 thousand euro (225 thousand euro at December 31, 2018).

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 37,431 thousand euro (46,177 thousand euro at December 31, 2018). Closing inventories of properties classified as "Investment property" amount to 9,569 thousand euro (10,826 thousand euro at December 31, 2018). The revenues achieved during the year for the sale of properties amounted to 320 thousand euro (288 thousand euro at December 31, 2018).

Valsalaria Srl – Rome
100% direct equity interest
Revenues from the sale of properties during the year amounted to 607 thousand euro and closing inventories amounted to 607 thousand euro (1,203 thousand euro at December 31, 2018).

VZ Real Estate Srl – Turin
100% direct equity interest
The company owns a real estate complex located in Milan, Via Don Gnocchi. Revenues for the year for the sale of properties amounted to 2,704 thousand euro and the closing inventories amounted to 4,258 thousand euro (6,200 thousand euro at December 31, 2018).

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	31/12/2019	31/12/2018	Change
Personnel expenses	-	3,254	n.v
Other costs	9,285	9,434	-1.6%
Amortisation/Depreciation	611	716	-14.7%
Total cost by nature	**9,896**	**13,404**	**-26.2%**

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 zeroing of labor costs in the real estate sector reflects the deconsolidation of the Gestimmobili.

Service business

This sector shows a loss for the period, before taxes and minority interests, of 104 thousand euro (profit of 189 thousand euro at December 31, 2018).
The services and commissions received by Group companies in this segment, gross of intra-group services, amounted to 3,495 thousand euro (2,828 thousand euro at 31 December 2018); these revenues include 3,375 thousand euro for commissions and services rendered to Vittoria Assicurazioni (2,813 thousand euro at December 31, 2018).

Overhead costs

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

(€/000)

ANALYSIS OF COSTS	31/12/2019	31/12/2018	Change
Personnel expenses	420	399	5.3%
Other costs	1,029	969	6.2%
Amortisation/Depreciation	97	33	193.9%
Total cost by nature	**1,546**	**1,401**	**10.4%**

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.

Investments – Cash & cash equivalents - Property

Investments, cash and cash equivalents reached 4,143,328 thousand euro with an increase of 1.7% compared to 31 December 2018. The detailed breakdown is shown in the following table:

(€/000)

	INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2019	31/12/2018	Change
A	**Investments in subsidiaries and associates and interests in joint venture**	**20,436**	**22,248**	**-8.1%**
	- Investments in associates	20,436	22,248	
B	**Held to maturity investments**	**11,750**	**37,592**	**-68.7%**
C	**Loans and receivables**	**301,274**	**542,406**	**-44.5%**
	- Other loans and receivables	301,274	542,406	
D	**Financial assets available for sale**	**3,167,228**	**2,585,420**	**22.5%**
	- Equity investments	87,145	79,441	
	- OEIC units	625,101	512,695	
	- Bonds and other fixed-interest securities	2,454,982	1,993,284	
E	**Financial assets at fair value through profit or loss**	**92,156**	**68,657**	**34.2%**
	Financial assets held for trading	**9**	**7**	**28.6%**
	- Bonds and other fixed-interest securities held for trading	9	7	
	Financial assets at fair value through profit or loss	**92,147**	**68,650**	**34.2%**
	- Investments where policyholders bear the risk	92,147	68,650	
	Cash and cash equivalents	**12,296**	**236,129**	**-94.8%**
F	**Total Property**	**538,188**	**581,427**	**-7.4%**
	Investment property	**103,158**	**107,721**	**-4.2%**
	Property	**435,030**	**473,706**	**-8.2%**
	Property under construction	29,814	54,488	
	Property held for trading	293,062	324,634	
	Owner-occupied property	112,154	94,584	
	TOTAL INVESTMENTS	**4,143,328**	**4,073,879**	**1.7%**
	of which			
	investments where the Group bears the risk	**4,051,181**	**4,005,229**	**1.1%**
	investments where policyholders bear the risk	**92,147**	**68,650**	**34.2%**

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.

The Owner-occupied property item shows an increase as a result of the application of the accounting standard IFRS 16, which led to the registration of greater assets of 17,615 thousand euro. Please refer to the corresponding items in the Explanatory Notes.

The change in total investments compared to the situation at 31 December 2018 after the reverse merger, thus excluding the loan granted to the parent company Vittoria Capital of 300,000 thousand euro, is equal to +9.5% (+9.1% for investments with risk paid by the Group).

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**	
	31/12/2019	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Investment property	87,795	90,939	15,363	16,782	-	-	-	-	103,158	107,721
Investments in subsidiaries	417,714	464,225	-	-	-	-	-417,714	-464,225	-	-
Investments in associates	18,978	20,650	766	47,945	692	671	-	-47,018	20,436	22,248
Held to maturity investments	11,750	37,592	-	-	-	-	-	-	11,750	37,592
Reinsurance deposits	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	269,505	544,020	42,369	8,386	-	-	-10,600	-10,000	301,274	542,406
Financial assets available for sale										
Equity investments	86,548	78,114	4	4	1,718	1,323	-1,125	-	87,145	79,441
OEIC units	625,101	512,695	-	-	-	-	-	-	625,101	512,695
Bonds and other fixed-interest securities	2,454,982	1,993,284	-	-	-	-	-	-	2,454,982	1,993,284
Financial assets at fair value through profit or loss:										
Investments where policyholders bear the risk	92,147	68,650	-	-	-	-	-	-	92,147	68,650
Financial assets held for trading: Bonds and other fixed-interest securities	9	7	-	-	-	-	-	-	9	7
Cash and cash equivalents	5,940	193,844	4,989	40,882	1,367	1,403	-	-	12,296	236,129
Property under construction	-	-	29,814	54,488	-	-	-	-	29,814	54,488
Property held for trading	-	-	289,071	315,541	-	-	3,991	9,093	293,062	324,634
Owner-occupied property	94,535	78,543	16,904	16,041	715	-	-	-	112,154	94,584
Total	**4,165,004**	**4,082,563**	**399,280**	**500,069**	**4,492**	**3,397**	**-425,448**	**-512,150**	**4,143,328**	**4,073,879**

Investments with risk borne by Group

The investment risk is borne by the Group amounted to 4,051,181 thousand euro (4,005,229 thousand euro at December 31, 2018).

The following transactions took place during the 2019:

A) Investments in subsidiaries, associates and joint ventures:

Among the Group's principal associated companies we report 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, 2019, the Company recognized Group equity of 41,555 thousand euro (46,980 thousand euro at December 31, 2018).

B) Held-to-maturity investments:

The main transaction during the period involved the redemption of bonds for 25,224 thousand euro.

D) Financial assets available for sale:

The main transactions during the period were as follows:

- reimbursement of bonds for 76,821 thousand euro;
- purchases of bonds from governmental issuers for 481,617 thousand euro and sales for 170,725 thousand euro realizing net capital gains for 4,247 thousand euro;
- purchases of bonds from corporate issuers for 174,523 thousand euro and sales for 8,684 thousand euro, realizing net gains for 10 thousand euro;
- invested 4,910 thousand euro in funds specialized in debt infrastructure and received 542 thousand euro for repayments, recording 2 thousand euro of losses;
- invested 16,000 thousand euro in funds specialized in private debt and loans;
- invested 6,166 thousand euro in funds specialized in Direct Lending and received 6,731 thousand euro for repayments, recording 22 thousand euro of losses;
- invested 30,000 thousand euro in funds specialized in Residential Mortgage;
- invested 26,027 thousand euro in funds specialized in Private Equity and received 15,195 thousand euro;
- invested 15,451 thousand euro in funds specialized in Infrastructure Equity;
- invested 22,724 thousand euro in equity ETFs in Europe;
- purchase of equity funds with a long / short strategy for 3,000 thousand euro;
- Camfin Industrial S.p.A.: impairment for 2,058 thousand euro due to adjustment to the fair value.

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 2019 these investments amounted to 92,147 thousand euro (68,650 thousand euro at 31 December 2018).

The balance is reported for 16,343 thousand euro to Unit-Linked policies linked to Funds outside the Company, for 49,238 thousand euro to Unit-Linked policies linked to the Company's internal Funds and for 25,784 thousand euro to the Vittoria Formula Lavoro open-ended pension fund. Total incomes have a positive net balance of 8,367 thousand euro (net negative balance of 4,846 thousand euro at 31 December 2018).

F) <u>Property</u>

Real estate assets at 31 December 2019 amounted to 538,188 thousand euro, down 7.4% (581,427 thousand euro at 31 December 2018).The table below shows a breakdown of these properties and the changes for the period.

(€/000)

	Investment Property	Property under construction	Property held for trading	Owner-occupied property	Total
Balance as at 31/12/2018	**107,721**	**54,488**	**324,634**	**94,584**	**581,427**
Purchase and capitalised interests paid					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)			160		160
- MILAN - Portello Area (via Vittoria Assicurazioni S.p.A.)	581				581
- ROME - Via Lima (via Vittoria Assicurazioni S.p.A.)	103				103
- ROME - Guattani Str. (via Immobiliare Bilancia S.r.l.)			904		904
- MILAN - Adamello Str. (via Immobiliare Bilancia Prima S.r.l.)			2,666		2,666
- PESCHIERA BORROMEO (MI) - (via Immobiliare Bilancia I S.r.l.)			94		94
- ROME - Meliconi Str. (via Immobiliare Bilancia Prima S.r.l.)			218		218
- ROME - Della Vignaccia Str. (via VRG Domus S.r.l.)		1,226			1,226
- MILANO Gattamelata Str. (via Vittoria Properties)				1,476	1,476
- MILANO Gardella Str. (Vittoria Sede)(via Vittoria Assicurazioni S.p.A.)				501	501
- MILANO Don Gnocchi Str. (via VZ Real Estate)			269		269
- Miscellaneous		163	26	67	256
Total purchase and capitalised interests paid	684	1,389	4,337	2,044	8,454
Sales:					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)			(36,648)		(36,648)
- PESCHIERA BORROMEO (MI) - (via Acacia 2000 S.r.l. demerger Vp Sviluppo)			(480)		(480)
- MILANO - Via Adamello (via Acacia 2000 S.r.l.)			(11,148)		(11,148)
- MILANO - Via Jannozzi 1 (via Immobiliare Bilancia S.r.l.)			(1,262)		(1,262)
- GENOA - Conservatori del Mare Str. (via Vaimm Sviluppo S.r.l.)			(320)		(320)
- MILAN - San Donato Milanese - (via Vittoria Immobiliare S.p.A.)			(1,327)		(1,327)
- TURIN - Barbaroux Str. (via Vittoria Immobiliare S.p.A.)			(2,704)		(2,704)
- TORINO - Cairoli Str. (via Immobiliare Bilancia I S.r.l.)			(830)		(830)
- GENOVA - Venezia Str. (via Immobiliare Bilancia S.r.l.)			(196)		(196)
- TORINO - "Spina 1" (via V.R.G. Domus S.r.l.)			(10)		(10)
- PAVIA - Gambolò Str. - (via Vittoria Immobiliare S.p.A.)			(108)		(108)
- PESCHIERA BORROMEO (MI) - (via Vittoria Immobiliare)			(26)		(26)
- FLORENCE - Michelangelo Str. (via Immobiliare Bilancia S.r.l.)			(1,475)		(1,475)
- Miscellaneous			(607)	(238)	(845)
Total sales	-	-	(57,141)	(238)	(57,379)
Changes in consolidation area		-	3,888		(3,888)
Depreciations	(4,269)			(1,850)	(6,119)
Leased goods IFRS 16				17,614	17,614
Miscellaneous		(26,062)	26,062		
Impairment	(978)		(9,299)		(10,277)
Recognised gains			8,357		8,357
Balance as at 31/12/2019	**103,158**	**29,815**	**293,062**	**112,153**	**538,188**

The item "Investment property" mainly includes the properties held by Vittoria Assicurazioni and leased, such as those for tertiary destination in the Portello area in Milan.
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 31/12/2019	% of breakdown	Amount 31/12/2017	% of breakdown
DEBT SECURITIES	**1,206,148**	**65.3%**	**1,014,734**	**76.8%**
Listed treasury bonds:	**661,089**	**40.2%**	**733,354**	**66.7%**
Fixed-interest rate	661,089	40.2%	733,354	66.7%
Listed corporate bonds:	**316,043**	**19.2%**	**281,264**	**10.1%**
Fixed-interest rate	287,333	17.5%	271,702	9.8%
Variable interest rate	28,710	1.7%	9,561	0.3%
Unlisted corporate bonds:	**664**	**0.0%**	**116**	**0.0%**
Fixed-interest rate	101	0.0%	116	0.0%
Variable interest rate	563	0.0%	-	0.0%
Bonds of supranational issuers:	**228,352**	**5.9%**	**-**	**0.0%**
Fixed-interest rate	186,237	5.9%	-	0.0%
Variable interest rate	42,115	1.3%	-	0.0%
of which				
Total fixed-interest securities	1,134,760	94.1%	1,005,173	99.6%
Total variable-interest securities	71,388	5.9%	9,561	0.4%
Total debt securities	**1,206,148**	**100.0%**	**1,014,734**	**100.0%**
of which				
Total listed securities	1,205,484	99.9%	1,014,618	100.0%
Total unlisted securities	664	0.1%	116	0.0%
Total debt securities	**1,206,148**	**100.0%**	**1,014,734**	**100.0%**
EQUITY INSTRUMENTS	**84,645**	**5.1%**	**76,942**	**9.2%**
listed shares	12,026	0.7%	9,038	0.8%
unlisted equity instruments	72,619	4.4%	67,903	8.4%
OEIC UNITS	**355,338**	**29.6%**	**283,884**	**14.0%**
TOTAL	**1,646,132**	**100.0%**	**1,375,559**	**100.0%**

The fixed-income securities portfolio of Non-Life business has a duration of 2.1 years.

LIFE BUSINESS PORTFOLIO

(€/000)

Investment nature	Amount 31/12/2019	% of breakdown	Amount 31/12/2017	% of breakdown
DEBT SECURITIES	**1,260,593**	**80.2%**	**1,016,148**	**83.0%**
Listed treasury bonds:	**902,466**	**58.9%**	**857,205**	**74.3%**
Fixed-interest rate	902,457	58.9%	852,439	74.1%
Listed corporate bonds:	**299,531**	**19.6%**	**158,397**	**8.7%**
Fixed-interest rate	151,144	9.9%	109,589	5.6%
Variable interest rate	148,387	9.7%	48,809	3.1%
Unlisted corporate bonds:	**329**	**0.0%**	**546**	**0.0%**
Variable interest rate	329	0.0%	546	0.0%
Bonds of supranational issuers:	**58,268**	**1.7%**	**-**	**0.0%**
Fixed-interest rate	53,017	1.7%	-	0.0%
Variable interest rate	5,251	0.2%	-	0.0%
of which				
Total fixed-interest securities	1,106,618	87.8%	962,027	96.0%
Total variable-interest securities	153,976	12.2%	54,121	4.0%
Total debt securities	**1,260,593**	**100.0%**	**1,016,148**	**100.0%**
of which				
Total listed securities	1,260,265	100.0%	1,015,602	99.9%
Total unlisted securities	329	0.0%	546	0.1%
Total debt securities	**1,260,593**	**100.0%**	**1,016,148**	**100.0%**
EQUITY INSTRUMENTS	**2,500**	**0.2%**	**2,500**	**0.0%**
unlisted equity instruments	2,500	0.2%	2,500	0.0%
OEIC UNITS	**269,763**	**19.6%**	**228,811**	**16.9%**
TOTAL	**1,532,856**	**100.0%**	**1,247,460**	**100.0%**

The fixed-income securities portfolio of Life business has a duration of 6.8 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	391,076	34.4%
1<X<5	699,830	61.7%
5<X<10	43,854	3.9%
Total	**1,134,760**	**100.0%**

Variable - interest securities (€/000)

Tipe of rate	Indexation	Amount	% of breakdown
Fixed to floater	Euroswap 5Y	12,135	17.0%
Fixed to floater	Euroswap 5Y	7,500	10.5%
variabile	3 months Euribor	46,157	64.7%
Variable	other	5,596	7.8%
Total		**71,388**	**100.0%**

LIFE BUSINESS PORTFOLIO

Fixed - interest securities (€/000)

Maturity	Amount	% of breakdown
< 1 year	73,406	6.7%
1<X<5	377,893	34.1%
5<X<10	348,677	31.5%
more	306,642	27.7%
Total	**1,106,618**	**100.0%**

Variable - interest securities (€/000)

Tipe of rate	Indexation	Amount	% of breakdown
Fixed to CMS	Euroswap 5Y	7,861	4.9%
Fixed to CMS	Euroswap 10Y	4,632	3.0%
Fixed to floater	Euribor 3 months	104,281	67.7%
Fixed to floater	Euribor 3 mesi	104,281	67.7%
Fixed to floater	Euroswap 5Y	13,342	8.8%
Fixed to floater	Euroswap 10Y	3,639	2.4%
Variabile	Euribor 3 mesi	10,427	6.8%
Variabile	Euroswap 5Y	5,319	3.5%
Variabile	Euribor 3 mesi	2,800	1.8%
Variabile	Euribor 6 months	1,674	1.1%
Total		**153,976**	**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 2019, the nearly all corporate bonds held by the group were rated as investment grade.

(€/000)

Rating		Amounts	% of breakdown
AAA		317,020	12.9%
AA+ / AA-		383,425	15.5%
A+ / A-		360,915	14.6%
BBB+ / BBB- (*)		1,383,442	56.1%
	Total investment grade	2,444,802	99.1%
Non investment grade		21,276	0.9%
Not rated		664	0.0%
Total		**2,466,742**	**100.0%**

(*) of which 882,528 relating to Italian government bonds.

Income and charges from investments

The following table shows the breakdown as at 31 December 2019 of net gains from investments.

(€/000)

Gains and losses on investments, Cash & cash equivalents and Propei	Realised gains/ (losses)	Unrealised gains/ (losses)	31/12/2019 total net gains/(losses)	31/12/2018 total net gains/(losses)
Investments	**66,881**	**-1,902**	**64,979**	**90,645**
From:				
a investment property	3,053	-5,228	-2,175	-381
b investments in subsidiaries and associates and interests in joint ventures	521	-862	-341	1,914
c held to maturity investments	828	-	828	1,500
d loans and receivables	246	-	246	74
e financial assets available for sale	61,824	-3,772	58,052	92,390
f financial assets held for trading	-	2	2	-6
g financial assets at fair value through profit or loss	409	7,958	8,367	-4,846
Other receivables	729	-	**729**	**509**
Cash and cash equivalents	84	-	**84**	**59**
Financial liabilities	-15,596	-8,367	**-23,963**	**-2,503**
From:				
b financial liabilities at fair value through profit or loss	-	-8,367	-8,367	4,846
c other financial liabilities	-15,596	-	-15,596	-7,349
Total gains and losses on financial instruments	**52,096**	**-10,268**	**41,828**	**88,710**
Real estate business				
From:				
a Gains on property trading	-942	-	-942	968
b Rent income on owner-occupied property and property held for trading	3,664	-	3,664	2,345
Total real estate business	**2,722**	**-**	**2,722**	**3,313**
Total gains and losses on investments	**54,818**	**-10,268**	**44,550**	**92,023**

Net income with risk borne by the Group decreased from 92,023 thousand euro to 44,550 thousand euro, -51.6%. This decreased is mainly attributed extraordinary income of 44,757 thousand euro (before the tax effect) generated from the sale of the equity interest in Camfin S.p.A. (Former Nuove Partecipazioni S.p.A.) occured in the previous year.

The weighted average return of the “bonds and other fixed-income securities” went from 1.7% at 31 December 2018 to 1.9% at 31 December 2019.

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 -942 thousand euro (968 thousand euro at 31 December 2018), resulting mainly from the margins on sales for 8,357 thousand euro (mainly related to the buildings of the residential complex "Parco Vittoria Residenze" located in the Portello area in Milan) and write-downs on real estate for 9,299 thousand euro.

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	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	2	-6	-	-	-	-	-	-	2	-6
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	-7,366	-9,712	4,890	588	53	283	2,082	10,755	-341	1,914
Gains or losses on other financial instruments and investment property	44,381	101,559	-1,064	63	-24	-11	-1,125	-14,809	42,168	86,802
Gains on property trading	-	-	-942	968	-	-	-	-	-942	968
Revenue from work in progress (percentage of completion)	-	-	-	-	-	-	-	-	-	-
Rent income on owner-occupied property and property held for trading	85	135	3,909	2,644	-	-	-330	-434	3,664	2,345
Total	**37,102**	**91,976**	**6,793**	**4,263**	**29**	**272**	**627**	**-4,488**	**44,551**	**92,023**

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 2019 equal to 11,751 thousand euro against a fair value of 38,929 thousand euro at 31 December 2018), bonds and other fixed income securities available for sale shown in the table on page 34, 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, as can be seen from the table on page 41, at 31 December 2019, almost all of them were classified as 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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	66,296	44,830	-	-	-	-	-	-	66,296	44,830
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	25,851	23,820	-	-	-	-	-	-	25,851	23,820
Reinsurance deposits	6,190	6,340	-	-	-	-	-	-	6,190	6,340
Payables to banks	-	-	-	9,679	7,119	-	-	-	7,119	9,679
Other financial payables	-	-	-	-	-	-	-	-	-	-
Other financial liabilities	227,937	198,119	-	-	768	-	-	-	228,705	198,119
Subordinated liabilities	252,452	252,452	-	-	-	-	-	-	252,452	252,452
Total	**578,726**	**525,561**	**-**	**9,679**	**7,887**	**-**	**-**	**-**	**586,613**	**535,240**

The increase in 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 19,059 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)

	31/12/19	31/12/18
< 1 year	87,792	87,150
1 < X < 3	48,596	114,141
3 < X < 5	44,187	11,593
5 < X < 10	313,505	253,628
more	92,533	68,728
Total	**586,613**	**535,240**

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	(23,885)	22,947
Life portfolio		
Floating-rate debt securities	(68,138)	77,395

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	(230)	423
Life portfolio		
Floating-rate debt securities	(2,392)	3,470

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 2019 a loss of 10%, the Group's equity, gross of tax effect, would decrease by 1,203 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.

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 Rsk** 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 of is to evaluate 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 2019, IVASS asked Italian Companies and Groups (including the Parent Company Yafa S.p.A.) information on the implementation of the provisions applicable to the information and communication technology (ICT), as required by IVASS Regulation no. 38.
EIOPA required the European Companies, through the national Regulators, to provide a set of data for the impact analysis of the 2020 update of Solvency II framework.

During 2019, the Company received an inspection visit from IVASS, concerning the technical provisions of Motor Vehicle TPL Class and the Best Estimate for Solvency II purposes. The inspection ended with some recommendations on governance and processes that the Company has promptly implemented.

In May 2019, the Inspection activity by Covip was completed. As a result of the remarks by the Regulator, an adjustment plan for the management processes of the Open-Ended Pension Fund was initiated. The complete execution of this plan, which will end during the first 2020 quarter, is today in line with the provisions.

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 2019. It is specified that the following data refer to Vittoria Assicurazioni S.p.A .:

Volatility Adjustment Evaluations	amounts in millions of euro
Solvency Capital Requirement	483
Minimum Capital Requirement	217
Solvency II Own Funds (net of dividend to be distributed in 2020)	932

Company’s own funds belong to Tier 1 for 690 million euro and to Tier 2 for 242 million euro.

Own funds covering MCR belong to Tier 1 for 690 million euro and to Tier 2 for 44 million euro for a total of 734 million euro.

The solvency ratio (ratio between Own Funds and S.C.R.) is 193.1%.
The Minimum Capital Ratio (ration between Own Funds and MCR) is 338.0%.

Consolidated Non-Financial Statement for 2019 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	-	-	-	67	187	15,459
Associates	10,214	8,658	658	405	10,226	1,885
Fees:	-					
Directors	-	-	769	-	4,526	-
Statutory auditors	-	-	57	-	324	-
Total	**10,214**	**8,658**	**1,484**	**474**	**15,260**	**17,344**

Relations and transactions with parent companies

During the period, Vittoria Assicurazioni S.p.A. distributed dividends for 15,459 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 819 thousand euro (1,032 thousand euro as at 31 December 2018).

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, (502 thousand euro as at 31 December 2018).

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 1,947 thousand euro (2,050 thousand euro as at 31 December 2018).

Valsalaria A11 S.r.l. – Rome
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing loan, which has a balance of 4,801 thousand euro, unchanged with respect to 31 December 2018).

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 4,852 thousand euro (4,847 thousand euro as at 31 December 2018). Payable to Vittoria Assicurazioni amounts to 1,435 thousand euro (1,574 thousand euro as at 31 December 2018).

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 590 thousand euros, unchanged compared to the previous year.
The services rendered during the year by the company to Vittoria Assicurazioni for commissions amount to 5,453 thousand euro (4,779 thousand euro at 31 December 2018). The debt to Vittoria Assicurazioni amounts to 8,676 thousand euro.

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. Thefore, 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.

Performance in early months of FY2020 and business outlook

The Vittoria Group immediately reacted to the health emergency following the spread of Coronavirus through a series of interventions in favor of staff, customers and the agency network.
In relation to company staff, the agile work method was promptly activated, in order to guarantee continuity in the core processes, without impacting company productivity in relation to the collection of premiums.
The actions in favor of customers can be summarized as follows:

- suspension of the actions to recover premiums, deductibles and redemptions at least until the end of September 2020;
- incentive for renewal with monthly interest-free installments of premiums and access to the payment of the first installment also by bank transfer;
- possibility to pay the expiring premiums via the App starting from the 5th day before the policy expiry date;
- possibility of renewal with extension to 14 months with monthly interest-free splitting up for operators of tourism sector;
- possible extension of the default period to 60 days if confirmed by ANIA;

- coverage of the "epidemic" case for health insurance policies for reimbursement of health and hospitalization expenses;
- two months of free insurance coverage for operators belonging to the tourism, hotel and restaurant sector.

As for the Agencies, these are the main measures:
- suspension of the revovery installments until December 2020;
- suspension of the collection of non-insurance items at least until September 2020;
- immediate advance of 90% of the liquidation of the accrued incentives;
- passing the 2020 economic protocol and granting further concessions to support the production of the Non-Motor lines of business.

Furthermore, in consideration of the high volatility of the financial markets, the Company has decided to allow its Agents to propose solutions with a high capital protection content. For example, for the Vittoria InvestiMeglio DoppiaEvoluzione multi-branch product, intermediaries may waive the distribution of the premium, reaching up to 90% of Segregated Funds. In case of particular and motivated situations, they may also issue contracts using 100% revaluable rates in Segregated Funds.
The Company promptly followed up IVASS's requests regarding further information on solvency. The constant capital strengthening carried out by Vittoria in the last years and the continuous investments in technological solutions allow us to confirm that there are no elements that compromise the business continuity, on the logic of which this Report is based. The Company is solid, liquid, present and attentive to what is happening in our country and invests as much as possible to protect and support collaborators, the distribution network and customers.
As requested by the Supervisory Institute with the communication "EXTENSION OF TERMS AND OTHER TEMPORARY MEASURES TO MITIGATE THE IMPACT OF THE COVID-19 EPIDEMIC ON THE ITALIAN INSURANCE SYSTEM", it should be noted that the Coronavirus pandemic will have an immediate impact on Own Funds and Solvency Requirement, following changes in the value of investments and discount curves of insurance liabilities, as well as a further impact, more diluted over time and which as of today it is still not possible to fully evaluate, relating to the technical components: premium income, claims and costs. It should be noted that the Company made use of the extensions allowed by the aforementioned communication only in reference to the ORSA.
The following are the Solvency II Ratio values at 31 December 2019, recalculated following the changed market conditions measured on a weekly basis:

- at March 13, 2020: 169.2%
- at March 20, 2020: 177.7%
- at March 27, 2020: 178.2%
- at March 31, 2020 176.7%.

The Board of Directors

Milan, 7 April 2020

Consolidated financial Statements as at 31 December 2019

Balance Sheet

(€/000)

	BALANCE SHEET - ASSETS	Note	31/12/2019	31/12/2018
1	**INTANGIBLE ASSETS**		**7,648**	**1,425**
1.1	Goodwill	1	0	0
1.2	Other intangible assets	2	7,648	1,425
2	**PROPERTY, PLANT AND EQUIPMENT**		**442,706**	**480,091**
2.1	Property	2	435,030	473,706
2.2	Other items of property, plant and equipment	2	7,676	6,385
3	**REINSURERS' SHARE OF TECHNICAL RESERVES**	3	**77,947**	**60,435**
4	**INVESTMENTS**		**3,696,002**	**3,364,044**
4.1	Investment property	4	103,158	107,721
4.2	Investments in subsidiaries and associates and interests in joint ventures	5	20,436	22,248
4.3	Held to maturity investments	6	11,750	37,592
4.4	Loans and receivables	6	301,274	542,406
4.5	Financial assets available for sale	6	3,167,228	2,585,420
4.6	Financial assets at fair value through profit or loss	6	92,156	68,657
5	**OTHER RECEIVABLES**		**248,587**	**216,641**
5.1	Receivables relating to direct insurance	7	182,088	165,396
5.2	Receivables relating to reinsurance business	8	10,613	1,778
5.3	Other receivables	9	55,886	49,467
6	**OTHER ASSETS**		**129,367**	**116,537**
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	10	6,673	6,224
6.3	Deferred tax assets	11	95,673	80,208
6.4	Current tax assets	12	16,009	16,455
6.5	Other assets	13	11,012	13,650
7	**CASH AND CASH EQUIVALENTS**	14	**12,296**	**236,129**
	TOTAL ASSETS		**4,614,553**	**4,475,302**

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

BALANCE SHEET - EQUITY AND LIABILITIES		Note	31/12/2019	31/12/2018
1	**EQUITY**		**659,698**	**850,541**
1.1	**attributable to the shareholders of the parent**		**659,638**	**850,465**
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	33,874
1.1.4	Income-related and other reserves	15	437,688	633,026
1.1.5	(Treasury shares)	15	0	0
1.1.6	Translation reserve	15	0	0
1.1.7	Fair value reserve	15	61,450	15,704
1.1.8	Other gains or losses recognised directly in equity	15	-18	49
1.1.9	Profit for the year attributable to the shareholders of the parent		79,201	100,433
1.2	**attributable to minority interests**	15	**60**	**76**
1.2.1	Share capital and reserves attributable to minority interests		76	75
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		-16	1
2	**PROVISIONS**	16	**24,901**	**21,343**
3	**TECHNICAL RESERVES**	17	**3,160,913**	**2,912,624**
4	**FINANCIAL LIABILITIES**		**586,613**	**535,240**
4.1	Financial liabilities at fair value through profit or loss	18	92,147	68,650
4.2	Other financial liabilities	18	494,466	466,590
5	**PAYABLES**		**86,673**	**87,495**
5.1	Payables arising from direct insurance business	19	11,383	12,400
5.2	Payables arising from reinsurance business	20	11,185	8,067
5.3	Other sums payable	21	64,105	67,028
6	**OTHER LIABILITIES**		**95,755**	**68,059**
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	22	46,654	27,535
6.3	Current tax liabilities	23	10,528	3,550
6.4	Other liabilities	24	38,573	36,974
	TOTAL EQUITY AND LIABILITIES		**4,614,553**	**4,475,302**

Income Statement

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019
SEPARATE INCOME STATEMENT

(€/000)

	Income Statement	Note	31/12/2019	31/12/2018
1.1	Net premiums		1,381,410	1,346,311
1.1.1	*Gross premiums*	25	1,441,339	1,393,639
1.1.2	*Ceded premiums*	25	59,929	47,328
1.2	Commission income	26	1,968	1,249
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	27	2	-6
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	27	593	2,461
1.5	Gains on other financial instruments and investment property	27	71,091	118,730
1.5.1	*Interest income*		35,293	33,472
1.5.2	*Other income*		29,991	44,972
1.5.3	*Realised gains*		5,807	40,286
1.5.4	*Unrealised gains*		-	0
1.6	Other income	28	26,412	21,865
1	**TOTAL REVENUE**		**1,481,476**	**1,490,610**
2.1	Net charges relating to claims		998,785	989,705
2.1.1	*Amounts paid and change in technical reserves*	25	1,064,720	1,022,980
2.1.2	*Reinsurers' share*	25	-65,935	-33,275
2.2	Commission expense	29	733	470
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	27	934	547
2.4	Losses on other financial instruments and investment property	27	28,923	31,928
2.4.1	*Interest expense*		15,596	7,349
2.4.2	*Other expense*		4,188	3,178
2.4.3	*Realised losses*		139	1,659
2.4.4	*Unrealised losses*		9,000	19,742
2.5	Operating costs		302,339	299,639
2.5.1	*Commissions and other acquisition costs*	30	246,374	240,504
2.5.2	*Investment management costs*	30	2,081	1,814
2.5.3	*Other administrative costs*	30	53,884	57,321
2.6	Other costs	31	38,113	41,819
2	**TOTAL COSTS**		**1,369,827**	**1,364,108**
	PROFIT FOR THE YEAR BEFORE TAXATION		**111,649**	**126,502**
3	Income taxes	32	32,464	26,099
	PROFIT FOR THE YEAR		**79,185**	**100,403**
4	**GAIN (LOSS) ON DISCONTINUED OPERATIONS**		**0**	**31**
	CONSOLIDATED PROFIT (LOSS)		**79,185**	**100,434**
	of which attributable to the shareholders of the parent		**79,201**	**100,433**
	of which attibutable to minority interests	15	**-16**	**1**

Basic EARNINGS per share		1.18	1.49
Diluted EARNINGS per share		1.18	1.49

Statement of other comprehensive income

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2019

(€/000)

COMPREHENSIVE INCOME (LOSS)	**31/12/2019**	**31/12/2018**
CONSOLIDATED PROFIT (LOSS)	**79,185**	**100,434**
Other comprehensive income, net of taxes without reclassification to profit or loss	**- 67**	**60**
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	- 67	60
Other items	-	-
Other comprehensive income, net of taxes with reclassification to profit or loss	**45,746**	**-61,281**
Change in translation reserve	-	-
Gains or losses on available for sale investments	45,746	-61,281
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	**45,679**	**-61,221**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (LOSS)	**124,864**	**39,213**
of which attributable to the shareholders of the parent	**124,880**	**39,212**
of which attibutable to minority interests	**-16**	**1**

Statement of changes in equity

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Balance at 31/12/2017	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Reclassifications	Changes in ownership interests	Balance at 30/06/2018
Equity attributable to the shareholders of the parent	Share capital	67,379	0	0		0		67,379
	Other equity instruments	0	0	0		0		0
	Equity-related reserves	33,874	0	0		0		33,874
	Income-related and other reserves	572,926	0	77,483		(18,867)	1,484	633,026
	(Treasury shares)	0	0	0		0		0
	Profit /(Loss) for the year	77,483	0	22,950		0		100,433
	Other comprehensive income	76,974	0	-20,905	-40,316	0	0	15,753
	Total attributable to the shareholders of the parent	**828,636**	**0**	**79,528**	**-40,316**	**-18,867**	**1,484**	**850,465**
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	194	0	-3		0	-116	75
	Gains or losses recognised directly in equity	-3	0	4		0		1
	Other comprehensive income	0	0	0	0	0	0	0
	Total attributable to minority interests	**191**	**0**	**1**	**0**	**0**	**-116**	**76**
Total		**828,827**	**0**	**79,529**	**-40,316**	**-18,867**	**1,368**	**850,541**

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€/000)

		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
Equity attributable to the shareholders of the parent	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**
Equity attributable to minority interests	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**

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 2019
CONSOLIDATED STATEMENSTS OF CASH FLOW - INDIRECT METHOD

(€/000)

	31/12/2019	31/12/2018
Profif for the year before taxation	**111,649**	**126,502**
Change in non-monetary items	**242,214**	**143,885**
Change in non-life premium reserve	10,393	6,274
Change in claims reserve and other non-life technical reserves	30,795	47,501
Change in mathematical reserves and other life technical reserves	189,589	88,507
Change in deferred acquisition costs	-449	12
Change in provisions	142	4,794
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-3,251	-12,882
Other changes	14,995	9,679
Change in receivables and payables arising from operating activities	**-33,480**	**-21,607**
Change in receivables and payables relating to direct insurance and reinsurance	-23,426	-6,229
Change in other receivables and payables	-10,054	-15,378
Taxes paid	**-32,464**	**-26,099**
Net cash flow generated by/used for monetary items from investing and financing activities	**-2**	**6**
Liabilities from financial contracts issued by insurance companies	23,497	-7,926
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	-23,499	7,932
NET CASH FLOW FROM OPERATING ACTIVITIES	**287,917**	**222,687**
Net cash flow generated by/used for investment property	4,563	3,519
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	1,224	-4,949
Net cash flow generated by/used for loans and receivables	-58,868	-350,280
Net cash flow generated by/used for held to maturity investments	25,842	6,459
Net cash flow generated by/used for financial assets available for sale	-532,290	-75,302
Net cash flow generated by/used for property, plant and equipment	31,162	32,524
Other net cash flows generated by/used for investing activities	31	31
NET CASH FLOW FROM INVESTING ACTIVITIES	**-528,336**	**-387,998**
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	-302	1,483
Net cash flow generated by/used for treasury shares	0	0
Dividends distributed to the shareholders of the parent	-19,415	-18,866
Net cash flow generated by/used for share capital and reserves attributable to minority interests	0	-116
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	27,876	305,289
NET CASH FLOW FROM FINANCING ACTIVITIES	**8,159**	**287,790**
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	244,556	113,650
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-232,260	122,479
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12,296	236,129

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.

New accounting standards applied from 1st January 2019

IFRS 16 Leases (replacement of IAS 17). IFRS 16 Leases, applicable from 1 January 2019, and subject to approval by the European Union on 31 October 2017, modifies the current set of international accounting standards and interpretations on leasing and, in particular, IAS17.
The IFRS 16 accounting standard establishes a new definition of leasing, introducing significant changes to the accounting of these operations in the balance sheet of the lessee/user; on the contrary, the new standard does not provide for significant changes for lessors.
With reference to the accounting model to be applied by the lessee, IFRS 16 provides that, for all types of leases, an asset must be recognised, which represents the right of use of the leased asset and, at the same time, the debt related to the fees provided by the contract; in the 2019 income statement, amortisation (in relation to the new rights of use recorded in the assets) and financial charges (for payment of the recorded debt) will be recorded instead of operating costs related to the fees.
In this context, the Group is finalising the activities necessary to guarantee full compliance with the new accounting standard; the main methodological choices made for the transition to IFRS 16 are summarised below and information is provided on the estimate of the impacts deriving from the application.
The Group applies the new accounting rules starting from the financial statements starting on 1 January 2019 (initial application date), choosing to apply the modified retrospective method which does not provide for the recalculation of comparative information and which envisages placing the value of the right to use equal to that of the lease liability (adjusted for the amount of any deferred income or accrued income).
In adopting the new Standard, the Group has decided:

a) not to apply IFRS 16 for contracts containing a lease that have an intangible asset as the underlying asset;
b) to use the exemptions relating to short-term leases and lease contracts for which the underlying asset is a low-value asset;
c) to exclude the initial direct costs from the measurement of the user fee as of 1 January 2019;
d) to use the experience gained for the determination of the lease term, with particular reference to the exercise of early repayment and renewal options (for buildings, the lease term includes contract renewal);
e) use a marginal rate of financing deriving from the application of a single rate curve for the discounting of all types of leasing (properties / cars / other); this curve contains the risk free and an estimate of the Group's credit risk (different rate at the residual maturity with a 10-year cap).

With respect to the minimum payments due for leases pursuant to IAS 17, the liabilities that will be recorded in the first IFRS 16 financial statements will substantially include, in addition to the discounting effect, the greater liabilities deriving from the fees relating to the periods covered by the option to terminate the lease in which the Group, as lessee, has the reasonable certainty of not exercising the option, and those deriving from the fees relating to the additional renewal period, in which the Group has the reasonable certainty of exercising the option.

As of 31 December 2019, the application of the principle resulted in the registration of:

- total assets of 18,794 thousand euro which represent the right to use the asset net of the related depreciation fund;
- liabilities of 19,059 thousand euro which represents the residual debt of the fees provided for in the contract;
- depreciation of 2,593 thousand euro in relation to the rights of use recorded in the assets;
- financial charges of 682 thousand euro which represent the remuneration of the debt entered in the liabilities.

Vittoria Assicurazioni has established to include the assets consisting of the right of use in the same item in which the corresponding underlying assets would be exposed if they were owned and the liabilities of the lease within the item "Other financial liabilities". Interest expense on leasing liabilities represents a component of financial charges and is shown separately from the depreciation charge on the asset consisting of the usage right.

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, in 2018, 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 subject 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) Infragroup balances and transactions, including revenue, costs, and dividends, are entirely eliminated. Gains or losses stemming from infragroup 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 Vitttoria Assicurazioni has incurred legal or constructive obligations or made payments on behalf of the associate. In case the associate

subsequently make 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:

<u>Insurance contracts</u>

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.

<u>Financial contracts with discretionary profit participation features</u>

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.

<u>Investment contracts</u>

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.

<u>Property held for trading or with specific features defined by the constructor</u>

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 financial assets hedging investment contracts where the investment risk is borne by the policyholders and those relating to pension fund management.

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.

<u>Non-life business</u>: 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.

<u>Life business:</u> 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 2018) and estimated cash outflows (all losses expected to be paid for the contracts held in portfolio at December 2018).
  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 governed by IAS 39, the fair value of which is calculated according to the asset's fair value of the asset plus the fair value of any guarantees and options existing in the contract (i.e., the financial liabilities relating to investment contracts where the investment risk is borne by policyholders and those relating to pension fund management).
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 items 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

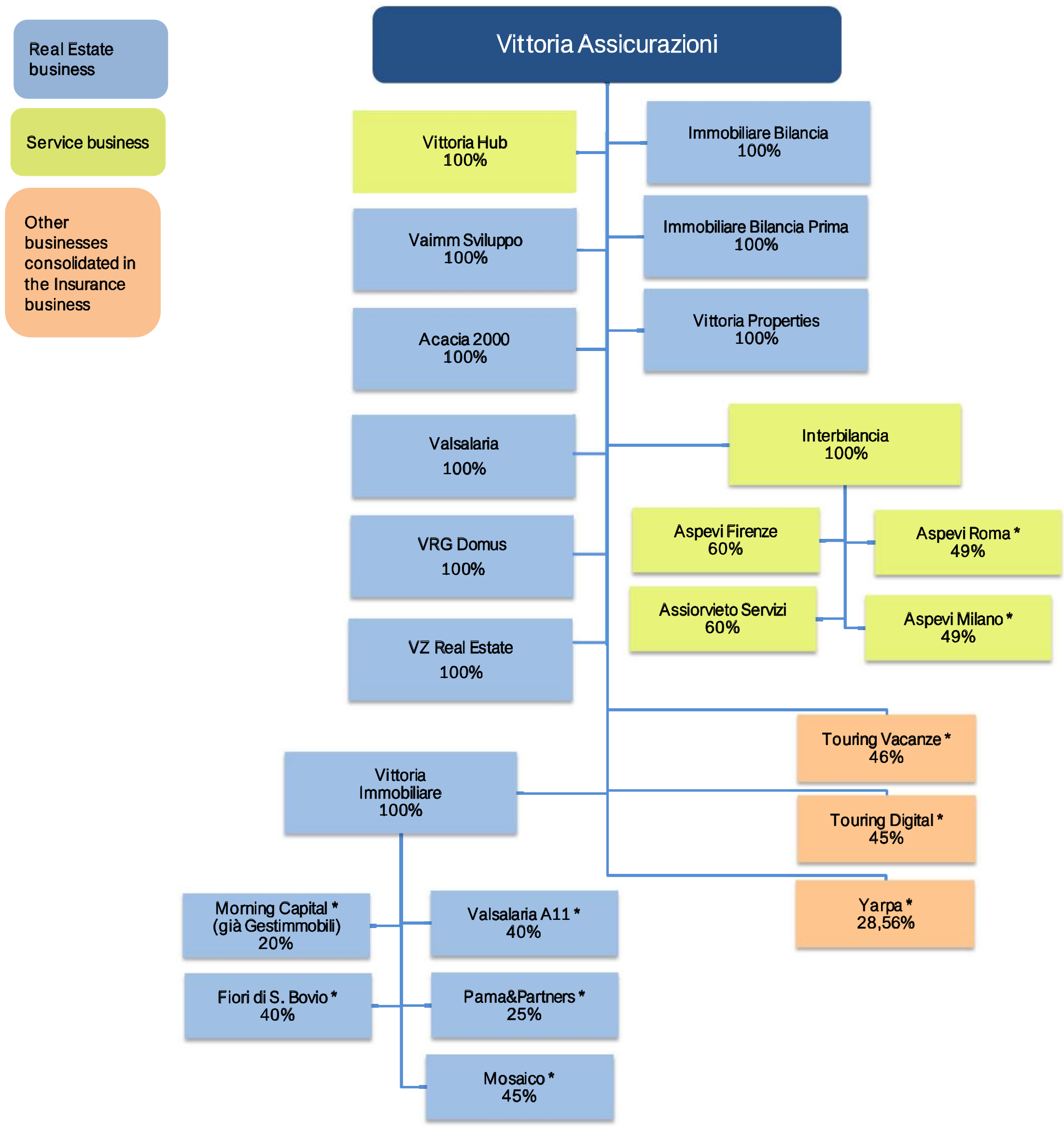
Items expressed in foreign currencies are converted into euro at spot rates. Balance sheet items still existing at year-end are converted at the exchange rate of the last working day of the financial year.

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 Direct	Indirect	Via
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		
Immobiliare Bilancia Prima S.r.l.	Milan	3,000,000	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	Turin	800,000	100.00	0.00	
VZ Real Estate S.r.l.	Turin	100,000	100.00	0.00	
Valsalaria S.r.l.	Rome	30,600	100.00	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	Interbilancia S.r.l.

Main changes in ownership percentages and other changes during the year

Vittoria Immobiliare S.p.A.
During the month of October, the company's Board of Directors resolved a voluntary reduction of the share capital for a total of 70,000 thousand euro to be implemented by reimbursement of the same amount in favor of the single shareholder Vittoria Assicurazioni. At 31 December 2019, the company's share capital amounted to 42,419 thousand euro (112,419 thousand euro at 31 December 2018).
During the year Vittoria Assicurazioni acquired equity investments from Vittoria Immobiliare as indicated below:

- Acacia 2000 S.r.l.: purchase of the remaining 28.4% of shares with an outlay of 50,264 thousand euro; subsequently received 40,000 thousand euro as partial capital repayment;
- V.R.G. Domus S.r.l.: purchase of 100% of the shares with an outlay of 15,935 thousand euro;
- Valsalaria S.r.l .: purchase of 100% of the shares with an outlay of 178 thousand euro.

Subsequently Vittoria Immobiliare S.p.A. proceeded to decrease its capital and repay 70,000 thousand euro to Vittoria Assicurazioni.

Vittoria HUB S.r.l.
The company was formed in November. It should be noted that at 31 December 2019 the company is not active.

VZ Real Estate S.r.l.
In the month of July 2019 Vittoria Immobiliare approved the sale in Vittoria Assicurazioni of 100% stake at a price of 6,664 thousand euro.

Gestimmobili S.r.l.
In April Vittoria Immobiliare sold to third parties 80% of the company at a price of 132 thousand euro. At 31 December 2019 Vittoria Immobiliare holds 20% of the share capital of the company, which subsequently changed its corporate name to Morning Capital S.r.l..

Interimmobili S.r.l.
During the month of November, the sole shareholder Vittoria Assicurazioni resolved the total disposal of the investment to third parties at a price of 70 thousand euro.

VP Sviluppo 2015 S.r.l.
During the month of July, the Board of Directors approved the total spin-off of the company in favor of Acacia 2000 S.r.l. and Immobiliare Bilancia Prima S.r.l., an operation that led to 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 Direct	% Ownership Indirect	Via
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	800,000	45.00		
Aspevi Milano S.r.l.	Milan	100,000		49.00	Interbilancia S.r.l.
Aspevi Roma S.r.l.	Rome	50,000		49.00	Interbilancia S.r.l.
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	Vittoria Immobiliare S.p.A.
Fiori di S. Bovio S.r.l.	Milan	30,000		40.00	Vittoria Immobiliare S.p.A.
Valsalaria A.11 S.r.l.	Rome	33,715		40.00	Vittoria Immobiliare S.p.A.
Morning Capital S.r.l. (già Gestimmobili S.r.l.)	Milan	104,000		20.00	Vittoria Immobiliare S.p.A.

Main changes in ownership percentages and other changes during the period

Morning Capital S.r.l. (formerly Gestimmobili S.r.l.)
In April Vittoria Immobiliare sold 80% of the company to third parties at a price of 132 thousand euros. As of 31 December 2019, Vittoria Immobiliare holds 20% of the company's share capital.

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	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Debt instruments	944,528	852,187	1,430,099	921,339	92,114	83,110	2,466,742	1,856,636
Equity instruments and OEIC units	92,091	109,997	620,155	506,484	-	-	712,246	616,481
Property	538,188	581,427	-	-	-	-	538,188	581,427
Other assets	897,377	1,420,758	-	-	-	-	897,377	1,420,758
Total	**2,472,184**	**2,964,369**	**2,050,254**	**1,427,823**	**92,114**	**83,110**	**4,614,553**	**4,475,302**

(€/000)

Deferred costs	Italy						Total external deferred costs	
	North		Centre		South and Islands			
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Other property, plant and equipment	7,676	6,385	-	-	-	-	7,676	6,385
Other intangible assets	7,648	1,425	-	-	-	-	7,648	1,425
Owner-occupied property	105,412	93,635	6,742	949	-	-	112,154	94,584
Total	**120,736**	**101,445**	**6,742**	**949**	**-**	**-**	**127,478**	**102,394**

(€/000)

Revenue (gross of intersegment eliminations)	Italy						Europe		Total	
	North		Centre		South and Islands					
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Insurance premiums - direct business	742,248	712,777	455,089	446,165	252,733	240,618	133	107	1,450,203	1,399,667
Trading and construction profits	-1,289	1,865	347	-897	-	-	-	-	-942	968
Services and rent income	5,798	5,513	28	261	-	-	-	-	5,826	5,774
Rentals on Investments properties	5,958	5,834	84	9	-	-	-	-	6,042	5,843
Total	**752,715**	**725,989**	**455,548**	**445,538**	**252,733**	**240,618**	**133**	**107**	**1,461,129**	**1,412,252**

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/12/2019	31/12/2018	Change
Goodwill	-	-	-

Note 2	31/12/2019	31/12/2018	Change
Other intangible assets	7,648	1,425	6,223
Other items of property, plant and equipment	7,676	6,385	1,291
Property	435,030	473,706	-38,676

Other intangible assets

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

(€/000)

	Software	Software under development	Other intangible assets	TOTAL OTHER INTANGIBLE ASSETS
Gross carrying amount at 31/12/2018	101,227	-	8,288	**109,515**
Acquisitions	4,649	2,432	-	7,081
Gross carrying amount at 31/12/2019	105,876	2,432	8,288	**116,596**
Accumulated Depreciation at 31/12/2018	99,802	-	8,288	**108,090**
Depreciation	858	-	-	858
Accumulated Depreciation at 31/12/2019	100,660	-	8,288	**108,948**
Net value as at 31/12/2018	**1,425**	**-**	**-**	**1,425**
Net value as at 31/12/2019	**5,216**	**2,432**	**-**	**7,648**

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 31/12/2018	4,699	20,661	7,402	407	**33,169**
Acquisitions	-	1,263	609	238	2,110
Disposals	-	- 231	-	- 182	- 413
Reclassification of assets under development	-	-	662	1,037	1,699
Others	-	-	-	49	49
Gross carrying amount at 31/12/2019	4,699	21,693	8,673	1,549	**36,614**
Accumulated Depreciation at 31/12/2018	4,699	15,473	6,333	279	**26,784**
Depreciation	-	1,576	304	85	1,965
Decrease due to disposals	-	- 224.0	-	- 156.0	- 380
Others	-	-	264	305	569
Accumulated Depreciation at 31/12/2019	4,699	16,825	6,901	513	**28,938**
Net value as at 31/12/2018	**-**	**5,188**	**1,069**	**128**	**6,385**
Net value as at 31/12/2019	**-**	**4,868**	**1,772**	**1,036**	**7,676**

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)

	31/12/2019	31/12/2018	Change
Owner-occupied property	112,154	94,584	17,570
Property held for trading	293,062	324,634	-31,572
Property under construction	29,814	54,488	-24,674
Total	**435,030**	**473,706**	**-38,676**

- Owner-occupied property (by nature)

The book value of real estate assets at 31 December 2019 refers for 15,369 thousand euro to property of the subsidiary Vittoria Properties S.r.l., for 1,535 thousand euro to property of Vittoria Immobiliare S.p.A. and for 94,534 thousand euro to Vittoria Assicurazioni properties, of which 71,147 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	31/12/2018	Acquisitions	Immobili in leasing IFRS 16	Sales	Amortization	31/12/2019
Gross carrying amount	127,905	2,044	19,639	-238	-	149,350
Accumulated depreciation	33,321	-	2,025	0	1,850	37,196
Carrying amount	**94,584**	**2,044**	**17,614**	**-238**	**-1,850**	**112,154**

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 2019 is equal to 147,963 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 2019:

(€/000)

Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2018	**324,634**	**54,488**	**379,122**
Acquisitions, net of capitalised financial charges	4,337	1,389	5,726
Change in consolidation scope	-3,888	-	-3,888
Sales	-57,141	-	-57,141
Recognised gains (losses) - write off included	-942	-	-942
Reclassification	26,062	- 26,063.00	-1
Carrying amount as at 31/12/2019	**293,062**	**29,814**	**322,876**

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 2019, the current value allocated to level 3 of the fair value hierarchy, is equal to 336,572 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	31/12/2019	31/12/2018	Change
Reinsurers' share of technical reserves	77,947	60,435	17,512

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	
	31/12/2019	31/12/2018	**31/12/2019**	31/12/2018	**31/12/2019**	31/12/2018
Non-life reserves	**72,891**	**55,593**	**331**	**325**	**73,222**	**55,918**
Premium reserve	11,832	13,272	-	-	11,832	13,272
Claims reserve	61,059	42,321	331	325	61,390	42,646
Life reserves	**4,725**	**4,517**	**-**	**-**	**4,725**	**4,517**
Reserve for payable amounts	1,706	1,879	-	-	1,706	1,879
Mathematical reserves	2,977	2,603	-	-	2,977	2,603
Other reserves	42	35	-	-	42	35
Total reinsurers' share of technical reserves	**77,616**	**60,110**	**331**	**325**	**77,947**	**60,435**

Note 4	31/12/2019	31/12/2018	Change
Investments properties	103,158	107,721	-4,563

The item includes property which comes within the scope of IAS 40, i.e. which is held to earn rentals.
This item includes properties owned by Vittoria Assicurazioni in the Portello area in Milan for tertiary destination.
Real estate investments current value as at 31 December 2019, allocated to level 3 of the fair value hierarchy, is equal to 129,767 thousand euro and it is determined using the methods of direct income capitalization.

Note 5	31/12/2019	31/12/2018	Change
Investments in subsidiaries and associates and interests in joint-ventures	20,436	22,248	-1,812

The breakdown of this item was as follows:

(€/000)

	31/12/2019	31/12/2018
Morning Capital (già Gestimmobili)	26	-
Yarpa. S.p.A.	11,866	13,415
Touring Digital S.r.l.	90	312
Mosaico S.p.A.	199	80
Pama & Partners S.r.l.	528	844
Aspevi Roma S.r.l.	612	596
Aspevi Milano S.r.l.	80	75
Fiori di S. Bovio S.r.l.	-	-
Valsalaria A.11 S.r.l.	14	2
Touring Vacanze S.r.l.	7,021	6,924
Totale valore di bilancio	20,436	22,248

The Group interest of results of associates corresponds to a negative net balance of 1,812 thousand euro (482 thousand euro write-ups, write-downs of 738 thousand euro, ellimination of dividends amounting to 1,901 thousand euro and other movements amounting to 345 thousand euro).

Due to the negative results, we confirmed to zero the investments in the associate company Fiori di S. Bovio S.r.l..

The decrease in the balance sheet item, equal to 1,812 thousand euro, reflects all investments and divestments made during the period and shown in the Directors' report, as well as the Group's interest in the change of equity of the associates carried at equity, as illustrated in the following table:

	(€/000)
Carrying amount as at 31/12/2018	**22,248**
Change due to equity method measurement	**482**
Yarpa. S.p.A.	336
Aspevi Roma S.r.l.	16
Aspevi Milano S.r.l.	21
Valsalaria A.11 S.r.l.	12
Touring Vacanze S.r.l.	97
Elimination of dividends	**-1,901**
Impairment	**-738**
Other changes	**345**
Carrying amount as at 31/12/2019	**20,436**

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

(€/000)

	Main financial-economic data							
Denomination	Total asset	Cash and chash equvalents	Total equity and liabilities	Equity	Profit (loss) for the year	Dividends paid out	Costs	Revenues
Yarpa Group S.p.A.	50,961	12,540	872	50,089	1,180	6,600	1,473	2,634
Touring Vacanze S.r.l.	16,692	2	1,337	15,355	245	-	485	730

Note 6	31/12/2019	31/12/2018	Change
Held to maturity investments	11,750	37,592	-25,842
Loans and receivables	301,274	542,406	-241,132
Financial assets available for sale	3,167,228	2,585,420	581,808
Financial assets at fair value through profit or loss	92,156	68,657	23,499

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".

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

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.

(€/000)

	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 31/12/2018	**37,592**	**79,441**	**512,695**	**1,993,284**	**2,585,420**	**68,650**	**7**	**2,691,669**
Acquisitions and subscriptions		2,314	127,385	656,719	786,418	22,127		808,545
Sales and repayments	-25,224	-58	-22,410	-256,231	-278,699	-7,702		-311,625
Other changes:								
- effective interest adjustments	40			-24,595	-24,595			-24,555
- fair value adjustments		5,053	9,492	84,453	98,998	1,622	2	100,622
- charged to P&L			-2,061	-1,618	-3,679			-3,679
- rate changes	-658			2,970	2,970			2,312
- other changes		395			395	7,450		7,845
Carrying amount at 31/12/2019	**11,750**	**87,145**	**625,101**	**2,454,982**	**3,167,228**	**92,147**	**9**	**3,271,134**

Loans and receivables

At 31 December 2019, loans and receivables amounted to 301,274 thousand euro (542,406 thousand euro at 31 December 2018 and 242,406 thousand euro at 31 December 2018 pro-forma). 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 8,068 thousand euro;
- loans granted by Vittoria Assicurazioni to third parties and secured by mortgages for a total of 12,705 thousand euro;
- 388 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 32,000 thousand euro;
- 590 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 209,645 thousand euro (198,119 thousand euro at 31 December 2018). 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 34,300 thousand euro at the BCC Bank of Carate Brianza in favor of the subsidiaries of the real estate sector.

The amount of 150,872 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	11,750	11,751
Loans and receivables	301,274	301,274
Financial assets available for sale	3,167,228	3,167,228
Financial assets held for trading	9	9
Financial assets at fair value through profit or loss	92,147	92,147
Total	**3,572,408**	**3,572,409**

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 2019 of 54,793 thousand euro) were also assessed using technical expertise edited by external leading appraisal firms. The main evaluation methods applied are:
- the market multiples method is based on the analysis of stock prices referring to a selected sample of companies operating in the reference sector (comparable listed companies) and on the subsequent application of multiples to the corresponding size of the company being valued;
- 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	31/12/2019	31/12/2018	Change
Receivables relating to direct insurance	182,088	165,396	16,692

The breakdown of this item was as follows:

(€/000)

Receivables relating to direct insurance	31/12/2019	31/12/2018
Premiums due from policyholders	63,802	61,338
Receivables due from brokers and agents	74,744	71,168
Receivables due from insurance companies - current accounts	12,851	6,831
Amounts to be recovered from policyholders and third parties	30,691	26,059
Total	**182,088**	**165,396**

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	31/12/2019	31/12/2018	Change
Receivables relating to reinsurance business	10,613	1,778	8,835

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	31/12/2019	31/12/2018	Change
Other receivables	55,886	49,467	6,419

The most significant sub-item as up to 31 December 2019 consisted of receivables for advance taxes for non-life policyholders for an amount of 38,759 thousands of euro and other receivables mainly from clients and third parties paid by the real estate companies for 12,766 thousand euro.

Note 10	31/12/2019	31/12/2018	Change
Deferred acquisition costs	6,673	6,224	449

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts of Life business.

Note 11	31/12/2019	31/12/2018	Change
Deferred tax assets	95,673	80,208	15,465

The item included deferred tax assets pertaining to Vittoria Assicurazioni for 82,942 thousand euro, to the real estate segment and to the service segment for 11,171 thousand euro, plus those relating to consolidation adjustments for 1,559 thousand euro.

The following table reports the breakdown of the item:

(€/000)

Deferred tax assets	31/12/2019
Provision for bad debts	12,948
Change in Non-life technical reserves	34,304
Provisions charges	10,163
Shadow Accounting	19,970
Tangible assets depreciation	1,010
Tax benefit appropriation of property revaluation	5,564
Tax benefits on Group's losses	1,404
Prepaid commissions	371
Remunerations of Directors	357
Write-off on real estate	7,572
Employee benefits	1,351
Goodwill	486
Other	173
Total	**95,673**

Note 12	31/12/2019	31/12/2018	Change
Current tax assets	16,009	16,455	-446

The item mainly includes tax receivables of Vittoria Assicurazioni of 13,801 thousand euro (including tax credits relating to taxes prepaid on the Life business mathematical reserves) and VAT receivables totalling 315 thousand euro of the real estate companies arising from the purchase of buildable areas and property.

Note 13	31/12/2019	31/12/2018	Change
Other assets	11,012	13,650	-2,638

The item mainly includes deferred commission expense related to investment contracts for 1,477 thousand euro, prepaid expenses referring mainly to general expenses for 4,787 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 1,751 thousand euro.

Note 14	31/12/2019	31/12/2018	Change
Cash and cash equivalents	12,296	236,129	-223,833

The balance decreases as a result of management aimed at greater liquidity efficiency.

Note 15	31/12/2019	31/12/2018	Change
Equity attributable to shareholders of the parent	659,638	850,465	-190,827
Equity attributable to minority interests	60	76	-16

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	31/12/2019	31/12/2018	Change
Total equity attributable to the shareholders of the parent	**659,638**	**850,465**	**-22.4%**
Share capital	67,379	67,379	0.0%
Equity-related reserves	13,938	33,874	-58.9%
Income-related and other reserves	437,688	633,026	-30.9%
Fair value reserve	61,450	15,704	291.3%
Other gains or losses recognised directly in equity	-18	49	-136.7%
Group profit for the year	79,201	100,433	-21.1%
Total equity attributable to minority interests	**60**	**76**	**-21.1%**
Share capital and reserves attributable to minority interests	76	75	1.3%
Minority interests' profit for the year	-16	1	-1700%
Total consolidated equity	**659,698**	**850,541**	**-22.4%**

At 31 December 2019 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 18,866,099 Euro for FY 2018 and to 19,415,239 Euro for FY 2019.

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
31/12/2018	**35,278**	**-7,009**	**28,269**
Decrease due to sales	-3,679	1,055	**-2,624**
Decrease due to fair value changes	103,164	-23,430	**79,734**
Total change for the period/year	**99,485**	**-22,375**	**77,110**
31/12/2019	**134,763**	**-29,384**	**105,379**

(€/000)

B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2018	**18,163**	**-5,598**	**12,565**
Change in shadow accounting reserve	45,336	-13,972	**31,364**
31/12/2019	**63,499**	**-19,570**	**43,929**

Gains or losses on financial assets AFS (€/000)

Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2018	**17,115**	**-1,411**	**15,704**
Decrease due to sales	-3,679	1,055	-2,624
Decrease due to fair value changes	103,164	-23,430	79,734
Change in shadow accounting reserve	-45,336	13,972	-31,364
Total change for the period/year	**54,149**	**-8,403**	**45,746**
31/12/2019	**71,264**	**-9,814**	**61,450**

The following table, which refers to 31 December 2019, 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	2019 profit	Equity gross of profit of the year	2019 profit
Vittoria Assicurazioni's financial statements compliant with Italian GAAI	494,834	74,370		
IFRS adjustments (net of related tax effects)	116,108	1,663	-	-
Vittoria Assicurazioni's financial statements based on IFRSs	610,942	76,033	-	-
Consolidated companies' equity	394,414	5,302	74	(16)
Allocation of consolidation differences and eliminations	3,520	3,114		
Consolidated companies' carrying value	(417,714)	-		
Minority interest	(2)	-	2	0
Profits not yet attributed to Life policyholders	1,054	(1,953)		
Deferred taxes on profits not yet attributed to Life policyholders	(470)	870		
Deferred taxes on consolidated companies' results	3,601	(1,476)		
Other items	(15,378)	(1,819)		
IFRS-compliant consolidated financial statements	**580,437**	**79,201**	**76**	**(16)**

Note 16	31/12/2019	31/12/2018	Change
Provisions	24,901	21,343	3,558

The item mainly includes the accruals to provisions for risks made by Vittoria Assicurazioni to deal mainly with charges deriving from potential revocatory actions, sanctions and lawsuits in progress, attributable to normal business operations for a total of 7,808 thousand euro, for customer loyalty for competition to premiums of 7,092 thousand euro, accruals relating to life dormant policies for 2,751 thousand euro and miscellaneous allocations relating to the reorganization of the group for 7,250 thousand euro.

The table below shows the changes in the item:

(€/000)

Provisions	**31/12/2018**	**Accruals of the year**	**Utilisations of the year**	**31/12/2019**
Provision for costs to be incurred	1	-	-	**1**
Other provisions	21,342	11,187	-7,629	**24,900**
Total	**21,343**	**11,187**	**-7,629**	**24,901**

Note 17	31/12/2019	31/12/2018	Change
Technical reserves	3,160,913	2,912,624	248,289

The following table shows the breakdown of technical reserves.

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Non-life reserves	1,655,644	1,597,153	875	872	1,656,519	1,598,025
Premium reserve	413,216	404,259	31	35	413,247	404,294
Claims reserve	1,242,019	1,192,485	844	837	1,242,863	1,193,322
Other reserves	409	409	-	-	409	409
Life reserves	1,504,394	1,314,599	-	-	1,504,394	1,314,599
Reserve for payable amounts	19,351	20,247	-	-	19,351	20,247
Mathematical reserves	1,413,998	1,271,593	-	-	1,413,998	1,271,593
Other reserves	71,045	22,759	-	-	71,045	22,759
Total technical reserves	3,160,038	2,911,752	875	872	3,160,913	2,912,624

The Non-Life “Other reserves” item consists of the ageing reserve of the Health line.

The Life “Other reserves” item mainly consisted of:

- 6,192 thousand euro = reserve of management expenses;
- 64,797 thousand euro = reserve for deferred liabilities to policyholders (of which 63,499 thousand euro stemming from fair value measurement of available-for-sale financial assets and 1,298 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 1,681 thousand euro (1,709 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 505 thousand euro (204 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”, “Obiettivo Crescita” 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.

Lastly, the mathematical reserves include the additional provisions for time lag (paragraph 23 of Annex 14 to ISVAP Regulation No. 22/2008) of 2 thousand euro (19 thousand euro in the previous year).

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:

Claims reserve	- average costs - settlement rate - cancellations without pay-out - reopened claims - incurred but not reported
Unexpired risk premium reserve	- projected loss ratio
Mathematical reserves	- technical bases used (actuarial assumptions) - minimum guaranteed returns - annuity or surrender probability
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

Non-Life business

The following table indicates the causes of changes in the claims reserve.

Claims Reserve	Carrying amount
Carrying amount at 31/12/2018	**1,193,322**
Carrying amount at 31/12/2018	49,541
Carrying amount at 31/12/2019	**1,242,863**

Starting from the 2019 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 910 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 2007-2019 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.

Mathematical Reserves	Carrying amount
Carrying amount at 31/12/2018	**1,271,593**
Portfolio transfers	1,346
Change for the year	141,059
Carrying amount at 31/12/2019	**1,413,998**

Key actuarial assumptions concerning Life technical reserves are detailed below:

(€/000)

Risk category	Capital sums, annuities	Technical reserves	Year of issue	Technical basis	
				financial	demographic
Temporary	4,329,104.01	27,174.54	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%
			dal 2015	2%	SIM 2001 al 90%- 65%
Adjustable	1.15	7.35	1969 - 1979	3%*	SIM 51
Indexed	-	44.90	1980 - 1988	3%*	SIM 51
Other types	172.83	6.02			
Revaluable	889,130.40	1,387,794.36	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%
			dal 2015	0.00%	SIM 2001 al 70%
L.T.C.	42,365.34	4,102.82	2001 - 2004	2.5%	(1)
			2004 - 2011	2.5%	(2)
	-	-	dal 2012	2.5%	(3)
Pension fund	25,784.26	25,785.74	dal 1999	---	---
Unit Linked	45,478.50	65,751.60	1998 - 2014	0%	SIM 91
			dal 2015	0%	SIM 2001
AIL Rivalutabile	942.06	945.49	1986 - 1998	4%*	SIM 51
			1999 - 2004	3%*	SIM 81
Total business lines	**5,332,978.55**	**1,511,612.84**			

* 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 3.47%; Vittoria Rendimento Mensile 2.46%; Vittoria Previdenza 2.29%; Vittoria Obiettivo Crescita 2.63%.

(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	31/12/2019	31/12/2018	Change
Financial liabilities at fair value through profit or loss	92,147	68,650	23,497
Other financial liabilities	494,466	466,590	27,876

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.

The following table shows the cumulative change as at 31 December 2019:

(€/000)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2018	**44,830**	**23,820**	**68,650**
Investment of net fund assets	17,653	613	18,266
Profits attributable to policyholders	5,950	2,417	8,367
Amounts paid	-2,138	-998	-3,135
Carrying amount at 31/12/2019	**66,295**	**25,852**	**92,147**

Other financial liabilities

The item includes:

- ***Reinsurance deposits of 6,190 thousand euro;***
- Bank credit lines for 7,119 thousand euro;
- Vittoria Assicurazioni's commitment for payment of 209,645 thousand euro (198,119 thousand euro as at 31 December 2018) 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.

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 19,059 thousand euro which represent the residual debt of the fees provided for in the contract.
Payables due beyond 12 months totalled 150,872 thousand euro.

Disclosure concerning fair value

The listing price at December 31, 2019 of the non-convertible subordinated bond loan issued by the Company is equal to 104.47 euros. The book value referred to the remaining financial liabilities represents a good approximation of the fair value.

Note 19	31/12/2019	31/12/2018	Change
Payables arising from direct insurance business	11,383	12,400	-1,017

The breakdown of the item was as follows:

(€/000)

Payables arising from direct insurance business	31/12/2019	31/12/2018
Payables to insurance brokers and agents	6,316	6,398
Payables to insurace companies - current accounts	2,204	3,050
Guarantee deposits paid by policyholders	1,540	1,338
Payables to guarantee funds in favour of policyholders	1,323	1,614
Total	**11,383**	**12,400**

Note 20	31/12/2019	31/12/2018	Change
Payables arising from reinsurance business	11,185	8,067	3,118

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	31/12/2019	31/12/2018	Change
Other sums payable	64,105	67,028	-2,923

The breakdown of the item was as follows:

(€/000)

Other sums payable	31/12/2019	31/12/2018
Payments on accounts received by real estate companies for preliminary sales agreements	1,086	2,636
Trade payables	14,711	17,746
Payables to employees	3,366	3,295
Employee benefits - provisions for termination benefits	2,910	4,202
Policyholders' tax due	25,921	24,207
Sundry tax liabilities (withholdings)	3,395	2,586
Social security charges payable	3,760	3,108
Payables to associate companies	485	493
Sundry payables	8,471	8,755
Total	**64,105**	**67,028**

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 benefic plans	Post-employment benefits		Other long-term benefits	Total
Charge	Healthcare services	Termination benefits	Seniority bonuses	
Carrying amount at 31/12/2018	1,647	4,202	2,161	**8,011**
Accruals	120	32	196	**348**
Utilizations	(56)	(990)	-	**(1,046)**
Other changes (exchange rate gains or losses, acquisitions)	53	(333)	-	**(280)**
Carrying amount at 31/12/2019	1,764	2,911	2,357	**7,033**

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	120	32	196	**348**
Interest	26	-	-	**26**
Net actuarial gains	27	(333)	-	**(306)**
Total charges	173	(301)	196	**68**

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 0.37%
  (for the purpose of termination benefits)
- Annual technical actualization rate 0.77%
  (for the purpose of Healthcare services and Seniority bonuses)
- 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	31/12/2019	31/12/2018	Change
Deferred tax liabilities	**46,654**	**27,535**	**19,119**

The item includes deferred tax liabilities allocated to the insurance business for 44,294 thousand euro, the real estate and services business for 302 thousand euro, and to reversals totalling 2,057 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	**31/12/2019**
Alignment with fair value of assets held by investee companies acquired	3,551
Deferral of gains on the sale of financial instruments	2,980
Financial assets available for sale	34,368
Derecognition of the catastrophe reserves	5,542
Other	386
Total	**46,654**

Note 23	31/12/2019	31/12/2018	Change
Current tax liabilities	10,528	3,550	6,978

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	31/12/2019	31/12/2018	Change
Other liabilities	38,573	36,974	1,599

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 15,421 thousand euro, the deferred commission income of 491 thousand euro connected with investment contracts, invoices and notes to be received from suppliers totalling 7,008 thousand euro, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits) for 4,121 thousand euro.

Consolidated Income Statement

Note 25	31/12/2019	31/12/2018	Change
Gross premiums	1,441,339	1,393,639	47,700
Ceded premiums for reinsurance	59,929	47,328	12,601
Amounts paid and change in technical reserves	1,064,720	1,022,980	41,740
Reinsurers' share	-65,935	33,275	-32,660

The following table provides information on the split between direct business, indirect business, outward reinsurance, and retrocession:

(€/000)

	31/12/2019				31/12/2018			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	**1,153,444**	**227,966**	**-**	**1,381,410**	**1,143,761**	**202,550**	**-**	**1,346,311**
Gross premiums	**1,211,993**	**229,346**	**-**	**1,441,339**	**1,189,764**	**203,875**	**-**	**1,393,639**
Gross premiums written	1,220,946	229,346	-	1,450,292	1,195,907	203,875	-	1,399,782
a Direct business	1,220,857	229,346	-	1,450,203	1,195,792	203,875	-	1,399,667
b Indirect business	89	-	-	89	115	-	-	115
Change in premium reserve	-8,953	-	-	-8,953	-6,143	-	-	-6,143
a Direct business	-8,957	-	-	-8,957	-6,151	-	-	-6,151
b Indirect business	4	-	-	4	8	-	-	8
Ceded premiums	**58,549**	**1,380**	**-**	**59,929**	**46,003**	**1,325**	**-**	**47,328**
Gross premiums ceded	57,109	1,380	-	58,489	45,872	1,325	-	47,197
a Outward reinsusrance	57,109	1,380	-	58,489	45,872	1,325	-	47,197
Change in premium reserve	1,440	-	-	1,440	131	-	-	131
a Outward reinsusrance	1,440	-	-	1,440	131	-	-	131
NET CHARGES RELATING TO CLAIMS	**749,484**	**246,478**	**2,823**	**998,785**	**772,596**	**213,711**	**3,398**	**989,705**
Amounts paid and change in technical reserves	**814,903**	**246,994**	**2,823**	**1,064,720**	**805,071**	**214,511**	**3,398**	**1,022,980**
Direct business	814,874	246,994	-	1,061,868	805,038	214,472	-	1,019,510
Indirect business	29	-	-	29	33	39	-	72
Shadow accounting of investee companies' profits	-	-	2,823	2,823	-	-	3,398	3,398
Reinsurers' share	**65,419**	**516**	**-**	**65,935**	**32,475**	**800**	**-**	**33,275**
Outward reinsurance	65,419	516	-	65,935	32,475	800	-	33,275

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)”.

Note 26	31/12/2019	31/12/2018	Change
Commission income	1,968	1,249	719

The item refers to commission income for the period for investment contracts classified as financial liabilities (unit-linked contracts and pension funds).

Note 27	31/12/2019	31/12/2018	Change
Gains or losses on financial instruments at fair value through profit or loss	2	-6	8
Gains on investments in subsidiaries and associates and interests in joint ventures	593	2,461	-1,868
Gains or losses on other financial instruments and investment property	71,091	118,730	-47,639
Losses on investments in subsidiaries and associates and interests in joint ventures	934	547	387
Losses on other financial instruments and investment property	28,923	31,928	-3,005

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 FY18 amounted to 8,367 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.

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 31/12/19	Gains 31/12/18	Losses 31/12/19	Losses 31/12/18
Investment property	7,241	7,029	9,416	7,410
Held to maturity investments	828	1,500	-	-
Loans and receivables	246	584	-	510
Financial assets available for sale	61,963	109,049	3,911	16,659
Other receivables	729	509	-	-
Cash and cash equivalents	84	59	-	-
Other financial liabilities	-	-	15,596	7,349
Total	**71,091**	**118,730**	**28,923**	**31,928**

Note 28	31/12/2019	31/12/2018	Change
Other income	26,412	21,865	4,547

The following table details the breakdown of this item:

(€/000)

Other income	31/12/19	31/12/18
Trading profits	8,357	5,804
Revenue from owner-occupied property	-	430
Revenue from services: real estate brokerage	-	187
Revenue from services: real estate management	-	37
Revenue from services: administration, real estate appraisals and other income	-	1
Revenue from services: insurance commission income with third parties	14	15
Revenue from services: other revenue from services	1,833	2,110
Rent income	3,664	2,345
Technical income on insurance contracts	8,456	8,725
Gains on the sale of property, plant and equipment	166	2
Exchange rate gains	12	15
Incidental non-operating income	1,715	1,190
Other income	2,195	1,004
Total	**26,412**	**21,865**

Technical income on insurance contracts refer for 1,080 thousand euro (1,183 thousand euro at 31/12/2019) to reversal of commissions on cancelled premiums and for 6,210 thousand euro (5,256 thousand euro at 31/12/2018) 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	31/12/2019	31/12/2018	Change
Commission expense	733	470	263

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	31/12/2019	31/12/2018	Change
Commissions and other acquisition costs	246,374	240,504	5,870
Investment management costs	2,081	1,814	267
Other administrative costs	53,884	57,321	-3,437

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	31/12/2019	31/12/2018
Acquisition commissions	189,631	183,369
Other acquisition costs	53,458	52,251
Change in deferred acquisition costs	-448	12
Premium collection commissions	11,402	11,519
Profit participation and other commissions received from reinsurers	-7,669	-6,647
Total	**246,374**	**240,504**

Note 31	31/12/2019	31/12/2018	Change
Other costs	38,113	41,819	-3,706

The breakdown of this item was as shown below:

(€/000)

Other costs	31/12/2019	31/12/2018
Technical costs on insurance contracts	9,224	11,165
Accruals to the provision for bad debts	1,562	1,663
Foreign-exchange losses	28	36
Negative margins from property depreciation	9,299	4,836
Incidental non-operating costs	590	450
Annual depreciation & amortisation	7,466	13,055
Losses on non insurance receivables	39	114
Accruals to the provision for risks and charges	6,816	8,961
Commissions from services sector	2,083	1,510
Other costs	1,006	29
Total	**38,113**	**41,819**

Technical costs on insurance contracts refer to technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning for 7,810 thousand euro (9,208 thousand euro as at 31/12/2018) and to services supporting insurance covers and costs for premiums under litigation for 1,414 thousand euro (1,957 thousand euro as at 31/12/2018).

Note 32	31/12/2019	31/12/2018	Change
Income taxes	32,464	26,099	6,365

Of this item 37,163 thousand euro related to current taxes and -4,699 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)

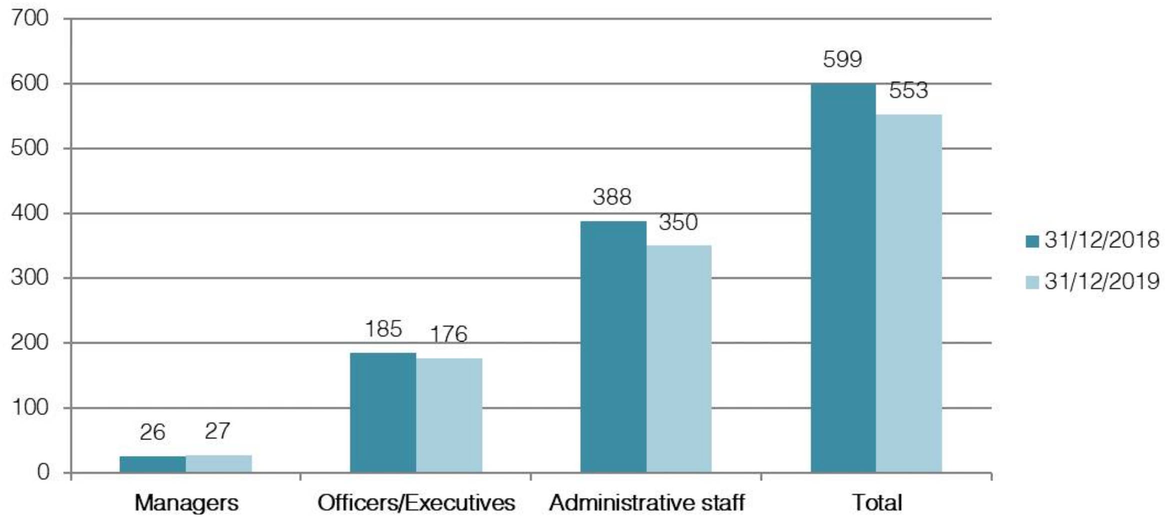
	Taxable base	Tax		
	IRES	actual	theoretical	tax rate
IRES				
Profit before taxation	111,649		26,796	24.00%
Temporary differences deductible in sunsequent years (ne	75,519	18,125		16.23%
Revaluation of associates under the equity method	6,517	1,564		1.40%
Participating interest impairment	600	144		0.13%
Dividends received	-4,812	-1,155		-1.03%
Interests, expenses and other taxes indeductible	5,778	1,387		1.24%
Other captions	133	32		0.03%
Total Change	83,735	20,097	26,796	18.00%
Current ordinary taxable base	195,384	46,893		42.00%
IRES total current	195,384	46,893		42.00%

Note 33	31/12/2019	31/12/2018	Change
Gain (loss) on discontinued operations	0	31	-31

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 555 at 31 December 2019 vs. 599 present as at 31 December 2018.
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:

(€/000)

				Key figures for the last financial report approved as of 31 December 2018							
Denomination	Registered office	Share Capital	Sector	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	92,641	87,106	5,531	28,265	64,376	878	1,698	2,208

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.

Tax status

For the year 2019 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, Immobiliare Bilancia Prima Srl, Acacia 2000 Srl, VAIMM Sviluppo Srl, Vittoria Properties Srl, Vittoria Immobiliare SpA, Interbilancia Srl, VRG Domus Srl, Valsalaria Srl and VP Sviluppo 2015 S.r.l.;
- discontinued (for loss of the control requirement) the option for the aforementioned regime with the former subsidiaries Gestimmobili S.r.l. and Interimmobili S.r.l.;
- opted for the aforementioned regime with the subsidiary VZ Real Estate S.r.l..

In the year 2018, Vittoria Assicurazioni confirmed the option for the National Tax Consolidation Regime (art. 117 and following of Presidential Decree 22 December 1986, n. 917) with the subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Acacia 2000 S.r.l., Vaimm Sviluppo S.r.l., Vittoria Properties S.r.l., Vittoria Immobiliare S.p.A., Interbilancia S.r.l., VRG Domus S.r.l., Valsalaria S.r.l. and VP Sviluppo 2015 S.r.l..The scope of this consolidation in 2019 will also include the subsidiary VZ Real Estate 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., Immobiliare Bilancia S.r.l., Vaimm Sviluppo S.r.l., Valsalaria S.r.l and VP Sviluppo 2015 S.r.l..
During the year, this option ceased (due to loss of the control requirement) against the subsidiaries Gestimmobili S.r.l. and Interimmobili S.r.l..

In 2009, Vittoria Assicurazioni was subject to a tax inspection by the Italian Tax Authorities for fiscal years 2004, 2005 and 2006, from which disputes related to IRES, IRAP and VAT have ensued.
Between 2009 and 2011 higher assessments for all three years under inspection were notified with details of higher IRES and IRAP, fines and interest for an overall amount of 101 thousand euro; regarding VAT, the higher tax rate, the fines and interest amount to 387 thousand euro.
Vittoria Assicurazioni has settled its tax obligations related to IRES and IRAP for all three years, while regarding VAT, has appealed against the assessments for the three years.
The Company obtained a favourable judgement in the first and second instance in relation to the three years (2004, 2005 and 2006), and pending the appeals of the Financial Administration before the Court of Cassation, in 2019 it benefited from the so-called "Closure of pending disputes", thus settling disputes, in light of the flat-rate payment content required in this case for the completion of this procedure.

During the year 2019, the Company was subject to a tax audit by the Inland Revenue on 2014 and 2015 tax years, which ended with VAT disputes. At the closing date of this document, the Inland Revenue notified the notice of assessment and the act of contesting sanctions only for the year 2014 and the Company contested both measures with appeal to the C.T.P. from Milan. The Company has set up a specific provision to cover the risks deriving from this assessment and litigation procedure, for a total amount, for both audited years, of 925 thousand euro.

The Board of Directors

Milan, 7 April 2020

Consolidated financial Statements - restated as at 31 December 2019

Balance Sheet

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

	BALANCE SHEET - ASSETS	Note	31/12/2019	31/12/2018	31/12/2018 restated
1	**INTANGIBLE ASSETS**		**7,648**	**1,425**	**1,425**
1.1	Goodwill	1	0	0	0
1.2	Other intangible assets	2	7,648	1,425	1,425
2	**PROPERTY, PLANT AND EQUIPMENT**		**442,706**	**480,091**	**480,091**
2.1	Property	2	435,030	473,706	473,706
2.2	Other items of property, plant and equipment	2	7,676	6,385	6,385
3	**REINSURERS' SHARE OF TECHNICAL RESERVES**	3	**77,947**	**60,435**	**60,435**
4	**INVESTMENTS**		**3,696,002**	**3,364,044**	**3,064,044**
4.1	Investment property	4	103,158	107,721	107,721
4.2	Investments in subsidiaries and associates and interests in joint ventures	5	20,436	22,248	22,248
4.3	Held to maturity investments	6	11,750	37,592	37,592
4.4	Loans and receivables	6	301,274	542,406	242,406
4.5	Financial assets available for sale	6	3,167,228	2,585,420	2,585,420
4.6	Financial assets at fair value through profit or loss	6	92,156	68,657	68,657
5	**OTHER RECEIVABLES**		**248,587**	**216,641**	**216,317**
5.1	Receivables relating to direct insurance	7	182,088	165,396	165,396
5.2	Receivables relating to reinsurance business	8	10,613	1,778	1,778
5.3	Other receivables	9	55,886	49,467	49,143
6	**OTHER ASSETS**		**129,367**	**116,537**	**116,537**
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0	0
6.2	Deferred acquisition costs	10	6,673	6,224	6,224
6.3	Deferred tax assets	11	95,673	80,208	80,208
6.4	Current tax assets	12	16,009	16,455	16,455
6.5	Other assets	13	11,012	13,650	13,650
7	**CASH AND CASH EQUIVALENTS**	14	**12,296**	**236,129**	**244,556**
	TOTAL ASSETS		**4,614,553**	**4,475,302**	**4,183,405**

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

BALANCE SHEET - EQUITY AND LIABILITIES		Note	31/12/2019	31/12/2018	31/12/2018 restated
1	**EQUITY**		**659,698**	**850,541**	**554,520**
1.1	**attributable to the shareholders of the parent**		**659,638**	**850,465**	**554,444**
1.1.1	Share capital	15	67,379	67,379	67,379
1.1.2	Other equity instruments	15	0	0	0
1.1.3	Equity-related reserves	15	13,938	33,874	13,938
1.1.4	Income-related and other reserves	15	437,688	633,026	362,183
1.1.5	(Treasury shares)	15	0	0	0
1.1.6	Translation reserve	15	0	0	0
1.1.7	Fair value reserve	15	61,450	15,704	15,704
1.1.8	Other gains or losses recognised directly in equity	15	-18	49	49
1.1.9	Profit for the year attributable to the shareholders of the parent		79,201	100,433	95,191
1.2	**attributable to minority interests**	15	**60**	**76**	**76**
1.2.1	Share capital and reserves attributable to minority interests		76	75	75
1.2.2	Gains or losses recognised directly in equity		0	0	0
1.2.3	Profit for the year attributable to minority interests		-16	1	1
2	**PROVISIONS**	16	**24,901**	**21,343**	**24,759**
3	**TECHNICAL RESERVES**	17	**3,160,913**	**2,912,624**	**2,912,624**
4	**FINANCIAL LIABILITIES**		**586,613**	**535,240**	**535,240**
4.1	Financial liabilities at fair value through profit or loss	18	92,147	68,650	68,650
4.2	Other financial liabilities	18	494,466	466,590	466,590
5	**PAYABLES**		**86,673**	**87,495**	**87,883**
5.1	Payables arising from direct insurance business	19	11,383	12,400	12,400
5.2	Payables arising from reinsurance business	20	11,185	8,067	8,067
5.3	Other sums payable	21	64,105	67,028	67,416
6	**OTHER LIABILITIES**		**95,755**	**68,059**	**68,379**
6.1	Liabilities of a disposal group held for sale		0	0	0
6.2	Deferred tax liabilities	22	46,654	27,535	27,535
6.3	Current tax liabilities	23	10,528	3,550	3,550
6.4	Other liabilities	24	38,573	36,974	37,294
	TOTAL EQUITY AND LIABILITIES		**4,614,553**	**4,475,302**	**4,183,405**

Income Statement

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019
SEPARATE INCOME STATEMENT

(€/000)

	Income Statement	Note	31/12/2019	31/12/2018	31/12/2018 restated
1.1	Net premiums		1,381,410	1,346,311	1,346,311
1.1.1	*Gross premiums*	25	1,441,339	1,393,639	1,393,639
1.1.2	*Ceded premiums*	25	59,929	47,328	47,328
1.2	Commission income	26	1,968	1,249	1,249
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	27	2	-6	-6
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	27	593	2,461	2,467
1.5	Gains on other financial instruments and investment property	27	71,091	118,730	118,730
1.5.1	*Interest income*		35,293	33,472	33,472
1.5.2	*Other income*		29,991	44,972	44,972
1.5.3	*Realised gains*		5,807	40,286	40,286
1.5.4	*Unrealised gains*		-	0	0
1.6	Other income	28	26,412	21,865	21,902
1	**TOTAL REVENUE**		**1,481,476**	**1,490,610**	**1,490,653**
2.1	Net charges relating to claims		998,785	989,705	989,705
2.1.1	*Amounts paid and change in technical reserves*	25	1,064,720	1,022,980	1,022,980
2.1.2	*Reinsurers' share*	25	-65,935	-33,275	-33,275
2.2	Commission expense	29	733	470	470
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	27	934	547	547
2.4	Losses on other financial instruments and investment property	27	28,923	31,928	33,222
2.4.1	*Interest expense*		15,596	7,349	8,643
2.4.2	*Other expense*		4,188	3,178	3,178
2.4.3	*Realised losses*		139	1,659	1,659
2.4.4	*Unrealised losses*		9,000	19,742	19,742
2.5	Operating costs		302,339	299,639	299,639
2.5.1	*Commissions and other acquisition costs*	30	246,374	240,504	240,504
2.5.2	*Investment management costs*	30	2,081	1,814	1,814
2.5.3	*Other administrative costs*	30	53,884	57,321	57,321
2.6	Other costs	31	38,113	41,819	45,810
2	**TOTAL COSTS**		**1,369,827**	**1,364,108**	**1,369,393**
	PROFIT FOR THE YEAR BEFORE TAXATION		**111,649**	**126,502**	**121,260**
3	Income taxes	32	32,464	26,099	26,099
	PROFIT FOR THE YEAR		**79,185**	**100,403**	**95,161**
4	**GAIN (LOSS) ON DISCONTINUED OPERATIONS**		**0**	**31**	**31**
	CONSOLIDATED PROFIT (LOSS)		**79,185**	**100,434**	**95,192**
	of which attributable to the shareholders of the parent		**79,201**	**100,433**	**95,191**
	of which attibutable to minority interests	15	**-16**	**1**	

Basic EARNINGS per share		1.18	1.49	1.41
Diluted EARNINGS per share		1.18	1.49	1.41

Annexes to Consolidated 2019 financial statements

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019

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
Immobiliare Bilancia Prima 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
VZ Real Estate S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Valsalaria S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Assiorvieto 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

(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.

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019
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	11,866
Touring Vacanze S.r.l.	Italy		10	b	46.00	46.00	46.00	7,021
Touring Digital S.r.l.	Italy		10	b	45.00	45.00	45.00	90
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	80
Aspevi Roma S.r.l.	Italy		11	b	-	49.00	49.00	612
Valsalaria A.11 S.r.l.	Italy		10	b	-	40.00	40.00	14
Morning Capital S.r.l. (Gestimmobili S.r.l.)	Italy		11	b	-	20.00	20.00	26

(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.

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019

Balance sheet by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
1	**INTANGIBLE ASSETS**	**6,772**	**1,246**	**737**	**0**	**139**	**179**	**0**	**0**	**0**	**0**	**7,648**	**1,425**
2	**PROPERTY, PLANT AND EQUIPMENT**	**85,093**	**67,532**	**16,575**	**16,867**	**336,278**	**386,580**	**769**	**19**	**3,991**	**9,093**	**442,706**	**480,091**
3	**REINSURERS' SHARE OF TECHNICAL RESERVES**	**73,222**	**55,918**	**4,725**	**4,517**	**0**	**0**	**0**	**0**	**0**	**0**	**77,947**	**60,435**
4	**INVESTMENTS**	**2,372,687**	**2,423,159**	**1,691,841**	**1,402,017**	**58,502**	**73,117**	**2,411**	**1,995**	**-429,439**	**-536,244**	**3,696,002**	**3,364,044**
4.1	Investment property	53,458	55,220	34,337	35,719	15,363	16,782	0	0	0	0	103,158	107,721
4.2	Investments in subsidiaries and associates and interests in joint	406,600	437,228	30,092	47,648	766	47,945	692	671	-417,714	-511,244	20,436	22,248
4.3	Held to maturity investments	6	15	11,744	37,577	0	0	0	0	0	0	11,750	37,592
4.4	Loans and receivables	267,096	541,480	2,409	2,540	42,369	8,386	0	0	-10,600	-10,000	301,274	542,406
4.5	Financial assets available for sale	1,645,527	1,389,216	1,521,103	1,209,876	4	4	1,719	1,324	-1,125	-15,000	3,167,228	2,585,420
4.6	Financial assets at fair value through profit or loss	0	0	92,156	68,657	0	0	0	0	0	0	92,156	68,657
5	**OTHER RECEIVABLES**	**231,610**	**195,561**	**16,909**	**21,425**	**5,399**	**8,234**	**1,175**	**880**	**-6,506**	**-9,459**	**248,587**	**216,641**
6	**OTHER ASSETS**	**68,951**	**79,253**	**46,287**	**29,108**	**12,381**	**8,448**	**1,226**	**1,308**	**522**	**-1,580**	**129,367**	**116,537**
6.1	Deferred acquisition costs	0	0	6,673	6,224	0	0	0	0	0	0	6,673	6,224
6.2	Other assets	68,951	79,253	39,614	22,884	12,381	8,448	1,226	1,308	522	-1,580	122,694	110,313
7	**CASH AND CASH EQUIVALENTS**	**2,956**	**153,985**	**2,984**	**39,859**	**4,989**	**40,882**	**1,367**	**1,403**	**0**	**0**	**12,296**	**236,129**
	TOTAL ASSETS	**2,841,291**	**2,976,654**	**1,780,058**	**1,513,793**	**417,688**	**517,440**	**6,948**	**5,605**	**-431,432**	**-538,190**	**4,614,553**	**4,475,302**
1	**EQUITY**											**659,698**	**850,541**
2	**PROVISIONS**	**20,991**	**17,171**	**2,835**	**2,847**	**836**	**1,101**	**239**	**224**	**0**	**0**	**24,901**	**21,343**
3	**TECHNICAL RESERVES**	**1,656,518**	**1,598,024**	**1,503,097**	**1,316,125**	**0**	**0**	**0**	**0**	**1,298**	**-1,525**	**3,160,913**	**2,912,624**
4	**FINANCIAL LIABILITIES**	**490,678**	**454,274**	**95,167**	**71,288**	**0**	**9,678**	**768**	**0**	**0**	**0**	**586,613**	**535,240**
4.1	Financial liabilities at fair value through profit or loss	0	0	92,147	68,650	0	0	0	0	0	0	92,147	68,650
4.2	Other financial liabilities	490,678	454,274	3,020	2,638	0	9,678	768	0	0	0	494,466	466,590
5	**PAYABLES**	**81,144**	**77,446**	**4,129**	**6,018**	**15,683**	**20,874**	**2,821**	**2,616**	**-17,104**	**-19,459**	**86,673**	**87,495**
6	**OTHER LIABILITIES**	**57,075**	**49,242**	**33,768**	**12,425**	**2,722**	**4,409**	**133**	**65**	**2,057**	**1,918**	**95,755**	**68,059**
	TOTAL EQUITY AND LIABILITIES											**4,614,553**	**4,475,302**

(€/000)

Income statement by business and business line	Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Net gains and costs/losses	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Net premiums	1,153,444	1,143,761	227,966	202,550	-	-	-	-	-	-	1,381,410	1,346,311
Gross premiums	1,211,993	1,189,764	229,346	203,875	-	-	-	-	-	-	1,441,339	1,393,639
Ceded premiums	58,549	46,003	1,380	1,325	-	-	-	-	-	-	59,929	47,328
Commission income	-	-	1,968	1,249	-	-	-	-	-	-	1,968	1,249
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-	-	2	-6	-	-	-	-	-	-	2	-6
Gains on investments in subsidiaries and associates and interests in joint ventures	1,885	2,553	-	-	5,531	930	53	283	-6,876	-1,305	593	2,461
Gains on other financial instruments and investment property	23,429	76,212	46,504	41,253	1,304	1,263	8	2	-154	0	71,091	118,730
Other income	11,164	11,780	1,040	236	14,548	11,029	3,495	2,828	-3,835	-4,008	26,412	21,865
TOTAL REVENUE	**1,189,922**	**1,234,306**	**277,480**	**245,282**	**21,383**	**13,222**	**3,556**	**3,113**	**-10,865**	**-5,313**	**1,481,476**	**1,490,610**
Net charges relating to claims	749,483	772,597	246,479	213,710	-	-	-	-	2,823	3,398	998,785	989,705
Amounts paid and change in technical reserves	814,903	805,072	246,994	214,510	-	-	-	-	2,823	3,398	1,064,720	1,022,980
Reinsurers' share	-65,420	-32,475	-515	-800	-	-	-	-	-	-	-65,935	-33,275
Commission expense	-	-	733	470	-	-	-	-	-	-	733	470
Losses on investments in subsidiaries and associates and interests in joint ventures	9,251	11,261	-	1,004	641	342	-	-	- 8,958	- 12,060	934	547
Losses on other financial instruments and investment property	22,228	12,891	3,324	3,015	2,368	1,200	32	13	971	14,809	28,923	31,928
Operating costs	281,243	276,025	14,287	15,599	9,287	10,751	1,448	1,368	-3,926	-4,104	302,339	299,639
Other costs	24,994	28,400	693	5,768	10,246	6,080	2,180	1,543	-	28	38,113	41,819
TOTAL COSTS	**1,087,199**	**1,101,174**	**265,516**	**239,566**	**22,542**	**18,373**	**3,660**	**2,924**	**-9,090**	**2,071**	**1,369,827**	**1,364,108**
PROFIT FOR THE YEAR BEFORE TAXATION	**102,723**	**133,132**	**11,964**	**5,716**	**-1,159**	**-5,151**	**-104**	**189**	**-1,775**	**-7,384**	**111,649**	**126,502**

Breakdown of other comprehensive income

(€/000)

	Allocation		Reclassification to profit or loss		Other Changes		Total Changes		Taxes		Balance	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Other comprehensive income, net of taxes without reclassification to profit or loss	**-67**	**60**			**0**	**0**	**-67**	**60**	**-30**	**27**	**-18**	**49**
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	-67	60			0	0	-67	60	-30	27	-18	49
Other items	0	0			0	0	0	0	0	0	0	0
Other comprehensive income, net of taxes with reclassification to profit or loss	**48,370**	**-20,965**	**-2,624**	**-40,316**	**0**	**0**	**45,746**	**-61,281**	**8,403**	**-4,790**	**61,450**	**15,704**
Change in translation reserve	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on available for sale investments	48,370	-20,965	-2,624	-40,316	0	0	45,746	-61,281	8,403	-4,790	61,450	15,704
Gains or losses on hedging instruments	0	0	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	0	0
Changes in the equity of investees	0	0	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	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	**48,303**	**-20,905**	**-2,624**	**-40,316**	**0**	**0**	**45,679**	**-61,221**	**8,373**	**-4,763**	**61,432**	**15,753**

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			
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Equity and derivative instruments measured at cost	0	0	0	0	13,342	17,193	0	0	0	0	13,342	17,193
Equity instruments at fair value	0	0	0	0	73,803	62,248	0	0	2,406	81	76,209	62,329
of which listed	0	0	0	0	12,026	9,038	0	0	2,406	81	14,432	9,119
Debt securities	11,750	37,592	0	0	2,454,982	1,993,284	9	7	148	2,223	2,466,889	2,033,106
of which listed	11,416	37,031	0	0	2,454,318	1,993,182	9	7	148	2,223	2,465,891	2,032,443
OEIC units	0	0	0	0	625,101	512,695	0	0	86,054	61,392	711,155	574,087
Loans and receivables from bank customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	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	91,038	343,696	0	0	0	0	0	0	91,038	343,696
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	210,236	198,710	0	0	0	0	3,539	4,954	213,775	203,664
Total	**11,750**	**37,592**	**301,274**	**542,406**	**3,167,228**	**2,585,420**	**9**	**7**	**92,147**	**68,650**	**3,572,408**	**3,234,075**

Vittoria Assicurazioni S.p.A.
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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 31/12/2017	Net gains and costs/losses 31/12/2016
								Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments		**34,562**	**31,183**	**6,023**	**7,407**	**248**	**66,881**	**8,216**	**0**	**5,484**	**4,634**	**-1,902**	**64,979**	**90,645**
a	Investment property	0	7,241	4,188	0	0	3,053	0	0	5,228	0	-5,228	-2,175	-381
b	Investments in subsidiaries and associates and interests in joint ventures	0	593	0	0	72	521	0	0	0	862	-862	-341	1,914
c	Held to maturity investments	828	0	0	0	0	828	0	0	0	0	0	828	1,500
d	Loans and receivables	246	0	0	0	0	246	0	0	0	0	0	246	74
e	Financial assets available for sale	33,407	22,749	0	5,807	139	61,824	0	0	0	3,772	-3,772	58,052	92,390
f	Financial assets held for trading	0	0	0	0	0	0	2	0	0	0	2	2	-6
g	Financial assets at fair value through profit or loss	81	600	1,835	1,600	37	409	8,214	0	256	0	7,958	8,367	-4,846
Other receivables		**729**	**0**	**0**	**0**	**0**	**729**	**0**	**0**	**0**	**0**	**0**	**729**	**509**
Cash and cash equivalents		**84**	**0**	**0**	**0**	**0**	**84**	**0**	**0**	**0**	**0**	**0**	**84**	**59**
Financial liabilities		**-15,596**	**0**	**0**	**0**	**0**	**-15,596**	**0**	**0**	**8,367**	**0**	**-8,367**	**-23,963**	**-2,503**
a	Financial liabilities held for trading	0	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	0	8,367	0	-8,367	-8,367	4,846
c	Other financial liabilities	-15,596	0	0	0	0	-15,596	0	0	0	0	0	-15,596	-7,349
Payables		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**19,779**	**31,183**	**6,023**	**7,407**	**248**	**52,098**	**8,216**	**0**	**13,851**	**4,634**	**-10,269**	**41,829**	**88,710**

Vittoria Assicurazioni S.p.A.
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Breakdown of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Non-life reserves	**1,655,643**	**1,597,153**	**875**	**872**	**1,656,518**	**1,598,025**
Premium reserve	413,216	404,259	31	35	413,247	404,294
Claims reserve	1,242,019	1,192,485	844	837	1,242,863	1,193,322
Other reserves	408	409	0	0	408	409
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	**1,504,395**	**1,314,599**	**0**	**0**	**1,504,395**	**1,314,599**
Reserve for payable amounts	19,351	20,247	0	0	19,351	20,247
Mathematical reserves	1,413,999	1,271,593	0	0	1,413,999	1,271,593
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	71,045	22,759	0	0	71,045	22,759
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	64,797	16,639	0	0	64,797	16,639
Total technical reserves	**3,160,038**	**2,911,752**	**875**	**872**	**3,160,913**	**2,912,624**

Breakdown of reinsurers' share of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Non-life reserves	**72,892**	**55,593**	**331**	**325**	**73,223**	**55,918**
Premium reserve	11,832	13,272	0	0	11,832	13,272
Claims reserve	61,060	42,321	331	325	61,391	42,646
Other reserves	0	0	0	0	0	0
Life reserves	**4,724**	**4,517**	**0**	**0**	**4,724**	**4,517**
Reserves for payable amounts	1,705	1,879	0	0	1,705	1879
Mathematical reserves	2,977	2,603	0	0	2,977	2,603
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	42	35	0	0	42	35
Total reinsurers' share of technical reserves	**77,616**	**60,110**	**331**	**325**	**77,947**	**60,435**

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019

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					
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	252,452	252,452	252,452	252,452
Liabilities from financial contracts issued by insurers arising from:	0	0	92,147	68,650	0	0	92,147	68,650
Contracts where policyholders bear investment risk	0	0	66,296	44,830	0	0	66,296	44,830
Pension-fund management	0	0	25,851	23,820	0	0	25,851	23,820
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	6,190	6,340	6,190	6,340
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	7,119	9,679	7,119	9,679
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	228,705	198,119	228,705	198,119
Total	0	0	92,147	68,650	494,466	466,590	586,613	535,240

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	
		31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Assets and liabilities measured at fair value on a recurring basis									
Financial assets Available for sale		3,091,446	2,514,915	9,932	9,342	65,850	61,162	3,167,228	2,585,419
Financial assets at fair value through profit or loss	Financial assets held for trading	9	7	-	-	-	-	9	7
	Financial assets at fair value through profit or loss	92,147	68,650	-	-	-	-	92,147	68,650
Investment Property		-	-	-	-	-	-	-	-
Tangible assets		-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-
Total assets measured at fair value on a recurring basis		**3,183,602**	**2,583,572**	**9,932**	**9,342**	**65,850**	**61,162**	**3,259,384**	**2,654,076**
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-	-	-
	Financial liabilities at fair value through profit or loss	91,366	68,401	781	249	-	-	92,147	68,650
Total liabilities measured at fair value on a recurring basis		**91,366**	**68,401**	**781**	**249**	**-**	**-**	**92,147**	**68,650**
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		-	-	-	-	-	-	-	-

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 at fair value through profit or loss			
	Financial assets Available for sale	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	**61,162**				
Purchases/ Issues	2,255				
Sales/Repurchases	0				
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	-1,663				
Moves to Level 3	0				
Moves to other Levels	0				
Other changes	4,096				
Closing balance	**65,850**				

Detail of insurance technical items

(€/000)

		31/12/2019			31/12/2018		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		**1,211,993**	**58,549**	**1,153,444**	**1,189,764**	**46,003**	**1,143,761**
a	Premiums written	1,220,946	57,109	1,163,837	1,195,907	45,872	1,150,035
b	Change in premiums reserve	8,953	-1,440	10,393	6,143	-131	6,274
NET CLAIMS COSTS		**814,903**	**65,420**	**749,483**	**805,072**	**32,475**	**772,597**
a	Amounts paid	785,373	47,137	738,236	775,035	33,882	741,153
b	Change in claims reserves	49,535	18,738	30,797	45,589	-1,912	47,501
c	Change in recoveries	20,005	455	19,550	15,552	-505	16,057
d	Change in other technical reserves	-	-	-	-	-	-
Life business							
NET PREMIUMS		**229,346**	**1,380**	**227,966**	**203,875**	**1,325**	**202,550**
NET CLAIMS COSTS		**246,994**	**515**	**246,479**	**214,510**	**800**	**213,710**
a	Amounts paid	108,026	307	107,719	98,825	1,600	97,225
b	Change in reserve for amounts to be paid	-897	- 174	-723	-3,744	- 1,157	-2,587
c	Change in mathermatical reserves	139,737	374	139,363	119,297	353	118,944
d	Change in technical reserves when investment risk is borne by policyholders and in reserves arising from pension fund management	-	-	-	-	-	-
e	Change in other technical reserves	128	8	120	132	4	128

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/12/19	31/12/18	31/12/19	31/12/18
Gross commissions and other acquisition costs		**246,500**	**239,739**	**11,026**	**10,225**
a	Acquisition commissions	187,055	181,160	6,059	5,023
b	Other acquisition costs	48,771	47,771	4,687	4,479
c	Change in deferred acquisition costs	0	0	-448	12
d	Premium collection commissions	10,674	10,808	728	711
Profit participation and other commissions received from reinsurers		**-7,429**	**-6,409**	**-240**	**-238**
Investment management costs		**2,017**	**1,704**	**63**	**109**
Other administrative costs		**40,155**	**40,991**	**3,438**	**5,503**
Total		**281,243**	**276,025**	**14,287**	**15,599**

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2019

Breakdown of property, plant and equipment and intangible assets

(€/000)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	103,159	-	**103,159**
Other property	435,030	-	**435,030**
Other items of property, plant a	7,676	-	**7,676**
Other intangible assets	7,648	-	**7,648**

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	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
On-balance sheet assets	66,296	44,830	25,851	23,820	92,147	68,650
Infragroup assets *	0	0	0	0	0	0
Total assets	**66,296**	**44,830**	**25,851**	**23,820**	**92,147**	**68,650**
On-balance sheet liabilities	66,295	44,830	25,852	23,820	92,147	68,650
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	**66,295**	**44,830**	**25,852**	**23,820**	**92,147**	**68,650**

* Assets and liabilities eliminated in consolidation process

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019
Detail of reclassified financial assets and impacts on profit and loss and on other comprehensive income

(€/000)

Reclassified Financial assets categories		Activity class	Amount of Financial assets reclassified during the year at the reclassification date	Carrying amount at 31/12/2018 of reclassified assets		Fair Value at 31/12/2018 of reclassified assets		Reclassified Assets during 2018		Reclassified Assets up to 31/12/2018		Reclassified Assets during 2018		Reclassified Assets up to 31/12/2018	
				Reclassified Assets during 2018	Reclassified Assets up to 31/12/2018	Reclassified Assets during 2018	Reclassified Assets up to 31/12/2018	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification
from	to														
Total			0	0	0	0	0	0	0	0	0	0	0	0	0

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

(€/000)

	Valore di bilancio		*Fair value*							
			Livello 1		Livello 2		Livello 3		Totale	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Assets										
Held to maturity investments	11,750	37,592	11,416	38,368	-	-	335	561	11,751	38,929
Loans and receivables	301,274	242,406	-	-	-	-	301,274	542,406	301,274	542,406
Investments in subsidiaries and associates and interests in joint ventures	20,436	22,248	-	-	-	-	20,436	22,248	20,436	22,248
Investment property	103,158	107,721	-	-	-	-	129,767	125,902	129,767	125,902
Tangible assets	435,030	473,706	-	-	-	-	484,535	541,851	484,535	541,851
Total assets	871,648	883,673	11,416	38,368	-	-	936,347	1,232,968	947,763	1,271,336
Liabilities										
Other financial liabilities	494,466	466,590	-	-	-	-	494,466	466,590	494,466	466,590

Consolitation scope: interests in subsidiaries with significant minority interests

(€/000)

					Main financial-economic datas							
Name	% minority interests	% of voting rights in ordinary meetings by minority interests	Consolidated profit (loss) attributable to minority interests	Equity attributable to minority interests	Total assets	Investments	Technical provisions	Financial liabilities	Equity	Profit (loss) for the year	Dividends paid out to minority interests	Gross written premium
			-	-	-	-	-	-	-	-	-	-

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2019
Interests in unconsolidated structured entities

(€/000)

Structured entity name	Revenues from structured entity during the year	Book value (at the date of the trasfer) of assets trasferred 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 porpuses 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

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010, ARTICLE 10 OF THE EU REGULATION N. 537/2014 AND ARTICLE 102 OF LEGISLATIVE DECREE No.209 OF SEPTEMBER 7, 2005

To the Shareholders of
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, 2019, 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, 2019, 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, 2019 include "Property" for 435 million euro and "Investment property" for an amount equal to 103.2 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. 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 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, 2019.
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; • 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 approved financial statements of the real estate companies to check that there is no indication of impairment losses;

- 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, 2019, 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 909.9 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. 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 relevance of the various elements used in estimating the claims reserve of the MTPL, the high degree of uncertainty in assessing the variables and parameters used in developing the valuation methods for the statistical-actuarial control process 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, 2019.

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 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;
- 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, 2019, 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, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 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 10, 2020

This report has been translated into the English language solely for the convenience of international readers.