REPORTS AND ACCOUNTS 2019

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Meeting of Delegates of 28 April 2020

REPORT ON OPERATIONS

1.1 MACROECONOMIC SCENARIO AND MARKETS

1.1.1 MACROECONOMIC SCENARIO

In 2019, the exacerbation of global trade tensions and the uncertainty this caused undermined business confidence worldwide, magnifying the cyclical and structural slowdowns already underway. The worsening of financial conditions in Argentina, geopolitical tensions in Iran and social unrest in Venezuela, Libya, Chile and Yemen completed an already difficult macroeconomic picture.
Businesses demonstrated greater caution in respect of decisions about future investments and consumer demand weakened, contributing to a deceleration in industrial output.
There were fears that the global economy was heading into recession, as many macroeconomic indicators continued to deteriorate. However, some signs of stabilisation began to emerge towards the end of the year. Central banks around the world took aggressive steps in the face of weakening economic activity, using every available tool to avoid a more severe downturn.
According to the latest estimates by the International Monetary Fund (IMF), world GDP grew by 2.9% in 2019, slowing compared with the 3.6% growth recorded in 2018.

In the **United States**, IMF projections point to growth of 2.3%, lower than the 2.9% achieved in 2018. Strong labour market and monetary stimulus measures offset weak external demand.

The IMF's growth forecast for **China** stood at 6.1%, less than the 6.6% recorded in the previous year. The main factors hampering growth were the slowdown in world trade, tariffs levied by the United States and government-imposed restrictions on access to credit aimed at reducing the very high level of debt of private companies in order to limit the risk of financial instability. Consumption continued to be the largest contributor to the economy.

In **developing economies**, the slowing of economic activity was attributable to the effects of customs barriers, uncertainty linked to domestic policies and China's structural slowdown. Forecasts for 2019 are for GDP to contract to 3.7% (4.5% in 2018).

In the **euro area**, growth is estimated to have reached 1.2% in 2019, slightly higher than expected. The weakness of international trade in the context of persistent global uncertainty continued to weigh on the manufacturing sector in this area and dampen investment growth. However, recent economic data, though generally weak, suggest that economic growth has stabilised.

In **Italy**, GDP growth was estimated at approximately 0.2% at the end of 2019, slowing compared to the 0.9% achieved in the previous year. Household and central government spending decreased, whereas there was an increase in investment, driven by favourable lending conditions. Employment reached historically high levels and the rate of unemployment stabilised at 9.7%. Inflation remained weak and below the European average. Year-on-year inflation, as measured by the harmonised index of consumer prices (HICP), rose by 0.5% in December 2019.

1.1.2 FINANCIAL MARKETS

In 2019 the financial markets were affected by the economic and political climate outlined in the introduction.

The turnaround by the main central banks, which suspended their normalisation plans and adopted new monetary stimulus measures instead, had a very positive effect on financial markets, across all asset classes.

In the United States, after a series of four consecutive rate hikes, the Federal Reserve's policy shifted. Responding to concerns about the global economic outlook and signs of a slowdown in domestic consumption, it changed tack, cutting rates three times and resuming its purchases of short-term assets.

In Europe, the European Central Bank merely adjusted its monetary policy in view of the economic climate, introducing a further 10 bps cut in the deposit rate and reviving its asset purchase programme. According to Christine Lagarde, the new president of the ECB, monetary policy will remain highly accommodative and this condition will be necessary for a long time.
Given this scenario, which points to moderate growth and uncertainty surrounding inflation expectations, any sharp rise in bond yields is unlikely at present.

In line with the ECB's monetary policy measures, short-term yields in Europe fell by around 10 bps and even those with a maturity of more than one year remained in negative territory. Euribor 6 months moved from -0.24% at the beginning of the year to -0.32% at the end of December 2019.

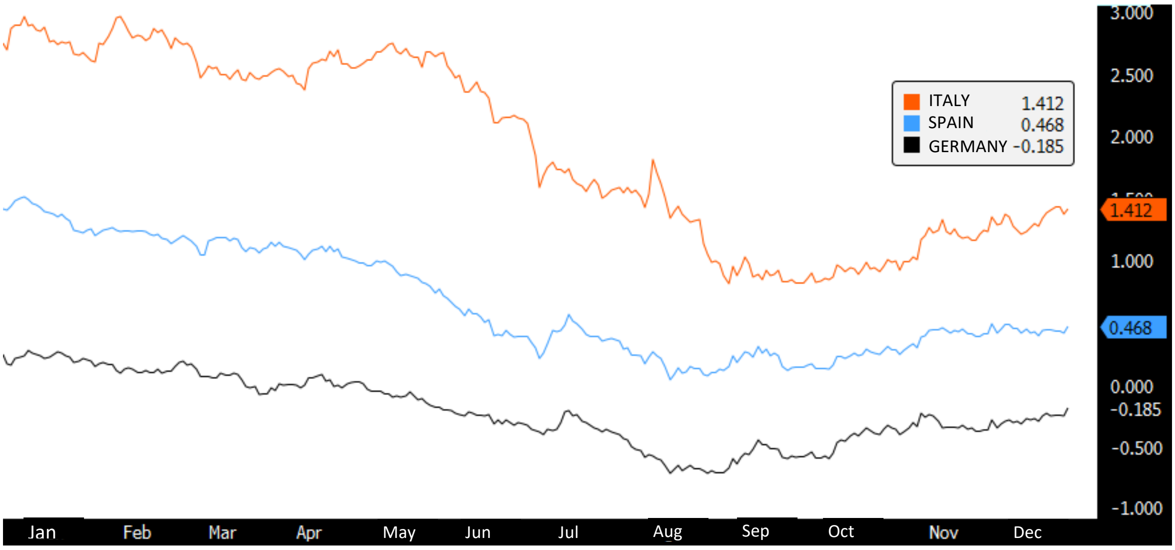
In Italy, following the sudden and unexpected collapse of the government in the summer, and its replacement with a new coalition, tensions both within the country and with Europe eased. This made it possible to establish a constructive dialogue which led to the introduction of the new 2020 budget law, and allowed spreads between Italian and German government bonds to stabilise.

Yields on ten-year Italian government bonds fell from 2.74% at the end of December 2018 to 1.41% at the end of December 2019, having dipped to a record low of 0.80% at the end of September 2019.
The spread over German ten-year bonds stood at 159 basis points at the end of 2019, a notable improvement on the 250 basis points of December 2018.

During the same period, the German ten-year bond yield dropped further, falling to -0.75% in mid-August. This trend reflected concerns over the increasing likelihood of a global recession, as well as low inflation expectations and, above all, continuing demand for the bund as a safe-haven investment. Towards the end of the year, improved growth prospects pushed the yield on German ten-year government bonds up to -0.19%, which was still below the 0.24% recorded at the end of December 2018.

2019 was also a very positive year for corporate bonds, which produced excellent returns as a consequence of the narrowing of spreads and the fall in yields in the long-term part of the curve. Spreads against government securities therefore narrowed, for both high-risk and investment grade corporate debt.

Yields on ten-year government bonds ITALY - GERMANY - SPAIN (Source: Bloomberg)



Equity markets produced extremely positive returns in 2019, buoyed by broad stimulus measures introduced by central banks and low valuations at the end of 2018.

In America, the Dow Jones appreciated by 22.34% (in dollars). The Euro Stoxx index recorded an excellent increase of 24.78% at the end of 2019. The German DAX moved up by 25.48% and the French CAC rose by 26.37%. In Spain, the Ibex increased by just 11.82%, hampered by political instability and the fourth general election in the country in just over a year. The Italian FTSEMIB index recovered the previous year's underperformance and, as political stability was restored, increased by 28.28%, one of the best performers in Europe. Chile's IGPA index, (in pesos) lost 9.85% as a consequence of social unrest in the country which led to an economic slowdown.

Prices on the Euro Stoxx index - 31/12/2018 - 31/12/2019

Concerns over global growth and monetary policy kept the euro relatively stable against the dollar, with both currencies either strengthening or weakening to reflect more or less favourable events. The EUR/USD exchange rate stood at 1.121 in December 2019, compared to 1.147 at the end of the previous year.

1.1.3 THE INSURANCE MARKET

According to the data provided by ANIA for 4Q 2019, in the **Italian insurance market** (Italian companies, representative offices of non-EU insurers, EU companies and companies operating under the freedom to provide services), premium income increased by 4.2% in relation to the previous year, reflecting performance in the Non-life and Life sectors (+2.8% and +4.7%, respectively).

According to figures for 4Q 2019, there was a 2.8% year-on-year increase in **Non-life business**.
There was a 0.4% increase in premium income in the Motor sector: premium income in the TPL land vehicles and TPL marine, lake and river craft businesses decreased by 0.6%, while there was a significant improvement in premium income generated by the Hulls land vehicles business, which rose by 4.5%. These lines accounted for 44.4% of total Non-life premiums (45.4% in 2018).
Premium income in the Non-motor sector increased by 4.8%: among the businesses with the highest premium volumes were Health (+10.6%), Accident (+3.3%), Fire and natural forces (+5.0%), Other property damage (+3.4%) and Assistance (+10.0%). The premium income generated by Non-motor classes accounted for 55.6% of total Non-life premium income (54.6% in 2018).

Figures for 4Q 2019 showed a 4.7% year-on-year increase in **Life business**.
In detail, premium income for class I products increased by 9.9%, for class VI products by 33.5% and for class IV products by 34.2%. Premium income for class III unit-linked products fell by 0.2% and for class V products by 32.9%.

1.2 REGULATORY DEVELOPMENTS

EUROPEAN REGULATORY FRAMEWORK

Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

This Regulation, which came into effect on 8 July 2019, modifies some aspects of the rules on calculating the SCR using the standard formula. It also introduces material changes to the regulatory classification of own funds and the publication of information.

Legislative Decree No. 147 of 13 December 2018 (amendments to Legislative Decree No. 252/2005) on the activities and supervision of institutions for occupational retirement.

Legislative Decree No. 147 of 13 December 2018 (published on 17 January 2019 in No. 14 of the Official Journal of the Italian Republic) came into effect on 1 February 2019, implementing Directive UE 2016/2341 of 14 December 2016 (“IORP 2” - Activities and supervision of institutions for occupational retirement).

This set of measures directly amend the provisions of Legislative Decree No. 252/2005, the reference legislation for supplementary pension schemes (these rules apply to the Company’s supplementary pension funds: the Teseo open pension fund and the individual pension plans “Cento Stelle Reale” and “Cento Stelle Tax Plan”).

REGULATORY FRAMEWORK IN ITALY

Regulations, orders and letters to the market issued by IVASS

IVASS Regulation No. 44 of 12 February 2019

Regulation No. 44 lays down provisions, implementing Legislative Decree No. 231 of 21/11/2007, as amended by Legislative Decree No. 90 of 25/05/2017 implementing Directive (EU) 2015/849, on aspects of organisation, procedures, internal controls and customer due diligence, and takes into account the Joint Guidelines of the European Supervisory Authorities on simplified and enhanced customer due diligence and the factors to be considered when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions.

The Regulation is based on two pillars:

- Governance and system of internal controls;
- Customer due diligence and risk profiling.

Order No. 90 of 5 November 2019 amending IVASS Regulation No. 39 of 2 August 2018, concerning the procedure for applying administrative sanctions and implementing provisions as per heading XVIII (sanctions and sanctioning proceedings) of Legislative Decree No. 209 of 7 September 2005, the Italian Code of Private Insurance.

The Board of IVASS approved a business reorganisation plan (effective from 16 September 2019) in order to perform the new tasks pursuant to Legislative Decree No. 68 of 21 May 2018 implementing the Insurance Distribution Directive. The reorganisation plan included changes to the structures involved in sanctioning proceedings and the respective skills; in detail, it established the Market Conduct Supervision Directorate to replace the Intermediaries Supervision Directorate and the Sanctions and Winding Up Directorate to replace the two separate Winding Up and Sanctions Directorates. It also gave the “new” Sanctions and Winding Up Directorate responsibility for the Guarantee Committee Secretariat Office and for sanctioning proceedings against intermediaries.

The Order introduces changes to the rules on sanctioning proceedings for breaches committed after 1 October 2018 (IVASS Regulation No. 39 of 2 August 2018) and on secondary legislation applicable to pecuniary administrative proceedings and disciplinary proceedings against intermediaries for breaches committed up to 30 September 2018 (IVASS Regulations No. 1 and No. 2 of 8 October 2013).

Order No. 92 of 19 November 2019: amendments and additions to IVASS Regulation No. 43 of 12 February 2019 implementing the provisions on the temporary derogation from the measurement criteria for capital losses on current securities introduced by Decree Law No. 119 of 23 October 2018 on urgent measures on tax and financial matters, converted into Law No. 136 of 17 December 2018.

This Order introduced amendments to IVASS Regulation No. 43/2019, implementing the provisions of the Decree of the Ministry of the Economy and Finance dated 15 July 2019, published on 4 October 2019 in No. 233 of the Official Journal of the Italian Republic, following the extension to financial 2019 of the provisions on the temporary derogation from the measurement criteria for capital losses on current securities, introduced by the previous Ministerial Decree (Decree Law No. 119 of 23 October 2018 on urgent measures on tax and financial matters, converted into Law No. 136 of 17 December 2018).

The new legislation provides for the possibility of temporarily derogating from the requirements laid down in the Italian Civil Code.

IVASS Letter to the Market dated 28 February 2019 on the "Results of the macroprudential analysis of own risk and solvency assessment (ORSA) reports".

IVASS uses a variety of tools to assess the adequacy of the internal risk management systems put in place by individual undertakings. These include an analysis of the Own Risk and Solvency Assessment (ORSA) report drawn up by each group or company. In addition to these microprudential analyses, which may also be followed by the exchange of supervisory information, IVASS also compares macroprudential policies to identify risk concentrations at market level, common exposures or the use of similar methodologies and processes. IVASS thus examined the ORSA Reports submitted in 2018 by a sample of insurance undertakings and groups representing about 75% of the insurance market in terms of premium income. The letter provided guidelines on the assessment factors to be considered by all insurance companies.

IVASS Letter to the Market dated 20 June 2019 on new protocols for the exchange of statistical information and personal details

IVASS has taken important steps to update its information systems. The projects undertaken pursued the following objectives: to make the work procedures used in its institutional activities more efficient and less exposed to operational risk, go further towards the integration of IT systems with those of Banca d'Italia as established by law, improve internal and external use of reported information, improve the security and structure of the systems used to exchange information between IVASS and insurance undertakings. They mainly regarded three areas: fraud-prevention, with the new integrated fraud-prevention database (AIA), the register of insurance undertakings and groups (RIGA) and the database of surveys on financial statements and institutional statistics.

Changes to tax regulations

Law No. 160/2019 (generally referred to as the "2020 Budget Law"), effective as from 1 January 2020 unless otherwise specified, introduced several important measures in the areas of remuneration, incentives, income taxes, VAT and criminal law.

Specifically, the main incentives include:

- tax credit for investments in capital goods;
- tax credit for research, development and innovation;
- renewal of and changes to the tax credit for "Industry 4.0" training activities.

The most relevant changes to income taxes include:

- revaluation of business assets;
- reinstatement of the notional interest deduction scheme (ACE);
- deductibility of write-downs and losses on receivables by banks and insurance undertakings;
- deductibility of expected losses on receivables in the case of first-time adoption of IFRS 9;
- company cars used by employees;
- meal vouchers;
- personal income tax (IRPEF) deduction - traceable payment methods.

Other important measures include the freezing of VAT rate increases for the whole of 2020. The standard VAT rate will increase to 25% from 1 January 2021 and then to 26.5% from 1 January 2022, whereas the reduced rate will rise to 12% from 1 January 2021, unless other measures are implemented that would guarantee equivalent positive effects on public spending.

1.3 SIGNIFICANT EVENTS DURING THE YEAR

Net Promoter Score

At 31 December 2019, the Company had 1,428,936 customers-members, an increase of 1.2% on the previous year, and a retention rate of 89.1%.

The **Net Promoter Score** (NPS) was calculated at the end of 2019, for the second year running, on a selected sample of customers. The NPS measures customer loyalty (on a scale from +100 to -100) and is therefore one of the most important tools for measuring customer experience. The NPS obtained at the end of 2019 was 46.03, slightly higher than the 45.88 achieved at the end of 2018. This is a very positive result, as it is not far off +50, which is generally regarded as excellent.

Measures to support people affected by recent natural disasters

Reale Group organised solidarity initiatives to support victims of severe natural disasters in Italy that occurred in the second half of 2019. These events affected much of Italy; the measures adopted regarded all the regions concerned, especially municipalities declared disaster areas.

The initiatives for members-insured parties of Reale Mutua and Italiana took the form of a reduction in the insurance premium:

- a 50% discount on the premium for Motor insurance products, on policies taken out to cover a new vehicle, if the damaged vehicle is deemed beyond repair and the existing cover did not include the aforesaid events and provided the registered owner of the vehicle lives in a municipality declared a disaster area;
- a 30% discount on the next payment due on products for businesses, if the guarantee does not already cover the aforesaid events and provided the business is located in a municipality declared a disaster area.

Reale Group has also drawn up plans to implement the following additional measures to support its members-insured parties:

- extension of the term for overdue payments on Motor policies to 30 days and extension of the term for overdue payments on Non-Motor Non-Life policies to 60 days (currently 30 days);
- loans with favourable rates (1.6%, compared with a market average of between 4.3% and 5.2%), granted by Banca Reale for use by companies to purchase or repair machinery, industrial buildings or storage facilities;
- dedicated toll-free number, through Blue Assistance;
- possibility of requesting a breakdown truck, through Blue Assistance, for all vehicles covered by the "Assistance" guarantee.

The resources made available for this initiative, for up to € 5 million, should be sufficient to meet all requests by the Group's members-insured parties.

Financial strength

On 18 November 2019, Fitch Ratings confirmed the Insurer Financial Strength (IFS) rating of Reale Mutua and Reale Seguros Generales as A-, and the "negative" outlook for both companies.

The A- rating, which is two notches above that of Italy (BBB), was assigned in June 2019 following the adoption of new calculation criteria defined by the rating agency.

It reflects the high level of capitalisation, the absence of financial leverage and the positive positioning of Reale Group both in Italy, also following its acquisition of the Uniqa companies, and internationally, through its presence in Spain and Chile. The combined ratio and ROE of Reale Group were also assessed positively. The latter, at 6% at the end of 2018, is in line with the average over the last five years and with the mutualistic nature of the Parent.

“Italy Protection Awards”

The sixth edition of the “Italy Protection Awards” was held in Milan on 26 March 2019. During the event, more than seventy prizes were awarded to companies and people for outstanding achievements in the Italian insurance protection market. The event was attended by around 450 people representing insurers and reinsurers, insurance brokers, banks, credit consultants and industry service companies. The winners were selected in an online voting process open to the entire market. The results were validated by an independent panel of industry experts, following a procedure designed to make the selection as fair and transparent as possible.

Our Group received several awards, including:

- “Best Insurance Undertaking in 2018”, awarded to Reale Mutua for its development of supplementary pension schemes;
- the Reale Mutua Agents - Welfare Committee Group won first prize in the area of business models and initiatives, for supporting the Company in the “Development of the Supply Model”.

Key aspects of the 2020-2022 plan

In addition to the routine business of approving mutuality benefits for 2020, the Meeting of Delegates of 9 December 2019 was presented with the new three-year Plan of Reale Mutua and the Group for 2020-2022. For the Board of Directors and Management, the Plan marks a change and is of great importance for the future of the Group. It envisages the launch of several strategic initiatives to accompany a profound transformation firmly focused on the founding principles of Mutuality, Independence and Sustainability: the underlying objective is to ensure the Group’s competitiveness and business continuity in all of its markets in an increasingly competitive context and with the entry of tough new players.

The aim of the new Plan, which has been named “**To the Future**”, is to face the huge changes taking place in the market such as the increasing importance of a customer-centric approach, digitalisation, advancements in technology and the growing need to diversify risk. It must guide the Group and help it move closer to customers by developing simpler, tailored service models, to digitalise operational procedures by enhancing the value of its human and professional resources, to increase the value generated by drawing on its technical excellence and to diversify risk through international expansion in new markets and also through growth in less developed areas of business, in order to optimise the overall allocation of capital from a risk-return perspective.

1.4 SUMMARY OF RESULTS

The Company's **operating results** for the year, with comparative figures for the previous year, are set out below:

(in € thousands)

	2019	2018	Change
Balance on the technical account for Non-life business	63,311	46,598	16,712
Balance on the technical account for Life business	69,593	-34,649	104,242
Total	**132,904**	**11,949**	**120,954**
Net income from investments in Non-life business	88,397	26,949	61,449
(minus allocated investment return transferred to the technical account)	-50,342	-15,838	-34,504
Allocated investment return transferred from the Life technical account	17,836	0	17,836
Balance of other income and charges	-4,121	-5,973	1,852
Income from ordinary operations	**184,674**	**17,087**	**167,587**
Balance of extraordinary income and charges	3,662	79,152	-75,490
Profit before taxes	**188,336**	**96,239**	**92,097**
Income taxes for the year	-44,171	10,606	-54,776
Net Profit for the year	**144,165**	**106,845**	**37,321**

The main **balance sheet data** with comparable data as at 31 December 2018 are set forth in the table below:

(in € thousands)

	31.12.2019	31.12.2018	Change (%)
Investments	8,491,631	8,142,767	4.3%
Technical provisions, net	7,059,083	6,840,368	3.2%
Shareholders' equity	2,228,341	2,084,176	6.9%

Further **indicators** are provided in the table below.

	2019	2018	Change
Combined operating ratio - Non-life	99.1%	97.9%	1.2
Operating result to volumes managed - Life	0.6%	0.0%	0.6
ROE (Return On Equity)	6.7%	5.3%	1.4
Solvency II solvency ratio	362.5%	370.7%	-8.2
Number of customers/members (*)	1,428,936	1,412,430	16,506
Net Promoter Score	46.03	45.88	0.15

(*) expressed in units

1.5 PROGRESS ACHIEVED

Financial 2019 closed with a **net profit** of € 144,165 thousand, an increase on the € 106,845 thousand of the previous year. Non-life business contributed with a profit of € 80,660 thousand and Life business with a profit of € 63,505 thousand.
The previous year's result had benefited from the positive net balance of extraordinary transactions related to the partial disposal of the stake in Sara Assicurazioni and to the setting up of the Solidarity Fund for employees within the scope of the Group's reorganisation plan; net of these components, the net profit would have amounted to € 24,729 thousand.

Gross premiums written in 2019 totalled € 2,408,271 thousand, increasing by 9.3% compared with the previous year, thanks to growth in both Life business (+24.2%) and, to a lesser extent, in Non-life business (+2.1%).
In the Non-life sector, the Motor business increased by +3.2%, driven by growth in the TPL land vehicles and Hulls land vehicles businesses, and the Non-motor business rose by +1.4%.
The significant growth in the Life sector was entirely concentrated in class I (+61.8%), whereas classes III and V decreased by -32.3% and -15.9%, respectively; class VI was substantially unchanged. The notable 41% increase in new products was spread across all sales channels.

A summary of production in 2019 is provided in the following table:

(in € thousands)

	2019	2018	Change (%)
Direct business - Non-Life	1,515,220	1,484,145	2.1%
Direct business - Life	891,050	717,332	24.2%
Total direct business	**2,406,270**	**2,201,477**	**9.3%**
Inward reinsurance	2,001	2,338	-14.4%
Grand total	**2,408,271**	**2,203,815**	**9.3%**
of which:			
Non-life business	1,517,081	1,486,318	2.1%
Life business	891,190	717,497	24.2%

Claims paid, including claim settlement costs, amounted to € 1,730,790 thousand, an increase of 11.3% in relation to 2018, of which € 1,044,039 thousand for Non-life business (+0.7%) and € 686,751 thousand referring to Life business (+32.5%).

Total Non-Life and Life **acquisition costs** (which include acquisition and collection commissions and other acquisition costs) amounted to € 412,948 thousand (€ 403,571 thousand in 2018), with a ratio to premiums earned of 17.1% (18.3% in 2018). In particular, the ratio for Non-life business was equal to 25.4%, in line with the previous year, while for Life business, it corresponded to 3.1% (compared with 3.7% in the previous year).

Other administrative expenses for Non-life and Life business amounted to € 106,927 thousand (€ 93,964 thousand in 2018), accounting for 4.4% of premiums written (4.3% in 2018). In particular, the ratio for Non-life business was equal to 5.8%, in relation to 5.1% in the previous year, while, for Life business, it corresponded to 2.2%, compared with 2.4% in 2018.

The **technical operating margin** for **Non-life business** was characterised by an increase in the combined operating ratio, to 99.1% (97.9% in 2018), reflecting the worsening of the loss ratio, which rose from 65.0% to 65.7%, and of the expenses ratio, which went up to 31.3% from the 30.9% recorded at 31 December 2018. The **balance on the technical account** was positive for € 63,311 thousand (€ 46,598 thousand in 2018).

The **balance on the Life insurance technical account** was positive for € 69,593 thousand, in relation to a loss of € 34,649 thousand in 2018; the improvement reflects higher technical margins on the portfolio, financial gains resulting from increased profits on the disposal of short-term investments and the positive balance of net value re-adjustments on investments.
The positive balance on the Life insurance technical account is reflected in the ratio of the operating result to funds managed, which went from -0.04% at 31 December 2018 to 0.57% at 31 December 2019.

Overall income on investment management amounted to € 278,683 thousand (€ 212,582 thousand in 2018); this trend was affected by positive value re-adjustments in the bond portfolio, which benefited from the reduction in interest rates, and in the equity portfolio which benefited from the upturn in market prices.

* * *

Investments reached € 8,491,631 thousand (a 4.3% increase with respect to 31 December 2018). These comprised investment property for € 50,932 thousand, equity investments in subsidiaries, associates and joint ventures for € 1,966,190 thousand, other financial investments for € 6,471,737 thousand and investments in deposits with ceding companies for € 2,772 thousand.

Net technical provisions amounted to € 7,059,083 thousand compared with € 6,840,368 thousand in the previous year (+3.2%).

Shareholders' equity amounted to € 2,228,341 thousand compared with € 2,084,176 thousand at the end of 2018 (+6.9%).

* * *

In 2019, members received **mutuality benefits** for € 9,294 thousand, of which € 7,194 thousand in the Non-life business and € 2,100 thousand in the Life business.

1.5.1 NON-LIFE INSURANCE OPERATIONS

Gross premiums written in the Non-life business amounted to € 1,515,220 thousand; the percentage changes for each class of business in relation to the previous year are shown in the table below:

(in € thousands)

	2019	Composition	2018	Composition	Change (%)
Accident	92,205	6.1%	89,451	6.0%	3.1%
Health	104,571	6.9%	93,462	6.3%	11.9%
Hulls land vehicles	123,517	8.2%	115,471	7.8%	7.0%
Hulls railway rolling stock	18	0.0%	9	0.0%	100.0%
Hulls aircraft	6	0.0%	6	0.0%	0.0%
Hulls marine, lake, river craft	2,861	0.2%	2,243	0.2%	27.6%
Goods transported	3,922	0.3%	15,552	1.0%	-74.8%
Fire and other natural forces	172,613	11.4%	173,695	11.7%	-0.6%
Other property damage	224,530	14.8%	220,962	14.9%	1.6%
TPL land vehicles	485,477	32.0%	474,878	32.0%	2.2%
TPL aircraft	77	0.0%	78	0.0%	-1.3%
TPL marine, river, lake craft	1,354	0.1%	1,277	0.1%	6.0%
Non-motor TPL	224,025	14.8%	221,474	14.9%	1.2%
Credit	1	0.0%	1	0.0%	0.0%
Surety	37,047	2.4%	35,713	2.4%	3.7%
Sundry pecuniary losses	4,554	0.3%	4,217	0.3%	8.0%
Legal fees	15,806	1.0%	14,853	1.0%	6.4%
Assistance	22,636	1.5%	20,803	1.4%	8.8%
Total direct business	**1,515,220**	**100.0%**	**1,484,145**	**100.0%**	**2.1%**
Inward reinsurance	1,861		2,173		-14.4%
Total Non-life business	**1,517,081**		**1,486,318**		**2.1%**

Direct premium income increased by 2.1% in relation to the previous year. This was below the average 2.8% growth rate achieved in the Italian market as a whole according for figures for 4Q 2019. In the Non-life sector, the Motor business increased by +3.2%, driven by growth in the TPL land vehicles (+2.2%) and Hulls land vehicles (+7.0%) businesses. The Non-motor business increased by +1.4%, primarily due to the 7.6% increase in the General health macro-sector and especially in Health insurance (+11.9%); there were also increases in the Property Insurance macro-sector, which includes the positive contribution of premium income in the Hail business (+7.6%) and in the Non-motor TPL business, where the increase was mainly in the corporate sector.

The rise in gross premiums written for 2019 regarded both the "contracted" channel, where there was a 3% increase and, to a lesser extent, the "subsidiary agency" channel, which rose by 1.9%.

Claims paid for direct business amounted to € 1,042,870 thousand, up 0.8% in relation to 31 December 2018.

A total of 586,253 claims were reported in 2019, an increase of 8.9% on the previous year.
In the TPL land vehicles business, the number of claims reported rose by 4.9%, reflecting an increase in claims reported under corporate policies, while the number of claims reported under individual policies remained stable. In businesses other than TPL land vehicles, there was a 9.7% increase, mainly in connection with natural disasters that occurred in 2019.

The combined operating ratio (inclusive of the reinsurance component and other technical items) stood at 99.1% (97.9% in 2018) as the result of:

- a slight worsening of the loss ratio for the current year, which was 73.2%, compared with 72.8% in 2018, attributable to the increase in claims in the Property Insurance macro-business (+4.3%) and in the Motor business (+2.4%). This ratio improved for the Non-motor TPL business (-1.6%) and "Other businesses" (-30.7%), with the latter benefiting from the improvement in the Goods transported business, characterised by some major claims in 2018;

- a positive run-off of reserves for prior year claims; the ratio for the Motor business worsened slightly with respect to the previous year whereas it improved further for the Non-motor compartment. The loss ratio for the year stood at 65.7%, increasing by +0.7% compared with that of the previous year;
- a slight increase in the expenses ratio, which stood at 31.3% (30.9% in 2018);
- substantially no change in the balance between the result of Reinsurance and Other technical items (2.1% in 2019 in relation to 2.0% in 2018).

Provisions for unearned premiums and provisions for outstanding claims in Non-life business, before the reinsurers' share, amounted, respectively, to € 690,178 thousand, with a y/y increase of 1.0%, and € 1,678,896 thousand, with a y/y decrease of 1.3%.

The ratio between technical provisions and premiums written moved from 160.4% in 2018 to 156.2% in 2019.

The result on the technical account was positive for € 63,311 thousand (€ 46,598 thousand in 2018). The allocated investment return transferred from the non-technical account was equal to € 50,342 thousand (€ 15,838 thousand in the previous year).

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Referring to direct business only, the **claims experience** in terms of sums paid, number of claims reported and the ratio of claims to premiums earned, for each class of business, is illustrated in the table below.

	Claims paid (€ thousands)			Claims reported (number) (*)			Loss ratio	
	2019	2018	Change (%)	2019	2018	Change (%)	2019	2018
Accident	44,256	48,115	-8.0%	13,342	13,558	-1.6%	51.8%	51.4%
Health	81,016	72,762	11.3%	209,093	180,170	16.1%	82.5%	84.4%
Hulls land vehicles	73,494	66,831	10.0%	49,056	44,572	10.1%	64.9%	61.7%
Hulls railway rolling stock	0	230	-100.0%	0	0	0.0%	0.0%	-146.5%
Hulls aircraft	22	45	-51.4%	0	1	-100.0%	-88.4%	311.1%
Hulls marine, lake, river craft	4,427	1,843	140.2%	282	294	-4.1%	108.8%	188.5%
Goods transported	16,615	16,459	0.9%	449	1,930	-76.7%	55.0%	185.1%
Fire and other natural forces	133,437	138,534	-3.7%	29,654	25,526	16.2%	80.1%	70.1%
Other property damage	173,455	164,116	5.7%	117,964	115,349	2.3%	75.6%	75.8%
TPL land vehicles	356,212	363,936	-2.1%	91,951	87,673	4.9%	76.8%	72.3%
TPL aircraft	0	0	0.0%	0	0	0.0%	0.0%	0.0%
TPL marine, lake, river craft	1,915	1,092	75.4%	173	171	1.2%	131.0%	164.7%
Non-motor TPL	129,223	124,926	3.4%	29,179	29,843	-2.2%	31.9%	35.0%
Credit	0	4	-100.0%	0	0	0.0%	n.a	410.8%
Surety	12,027	21,006	-42.7%	315	313	0.6%	23.4%	31.5%
Sundry pecuniary losses	1,300	905	43.6%	146	152	-3.9%	29.8%	22.2%
Legal fees	2,941	3,141	-6.4%	2,231	2,293	-2.7%	0.9%	5.5%
Assistance	12,529	10,637	17.8%	42,418	36,623	15.8%	55.8%	55.3%
Total	**1,042,870**	**1,034,584**	**0.8%**	**586,253**	**538,468**	**8.9%**	**65.7%**	**65.0%**

(*) late claims are included

For the main business lines, claim settlement times (by number) for claims generated in the current and previous years, net of claims without follow-up, are shown in the table below:

	Generated in current year		Generated in previous years (*)	
	2019	2018	2019	2018
Accident	48.5%	49.0%	71.4%	73.0%
Health	82.8%	82.3%	89.4%	91.1%
Hulls land vehicles	86.3%	90.0%	86.6%	88.4%
Fire and other natural forces	68.5%	64.9%	81.2%	79.3%
Other property damage	77.5%	77.1%	86.8%	86.2%
TPL land vehicles (**)	72.5%	72.3%	59.5%	61.1%
Non-motor TPL	57.4%	56.0%	43.4%	45.0%
Other business	80.8%	74.7%	53.9%	48.9%

(*) late claims are included in the claims generated in previous years

(**) claims as CDI agent/CARD manager are included and those as debtor are excluded

Claim settlement times improved by 0.2 of a percentage point in the TPL land vehicles business, and by 1.4 percentage points in the Non-motor TPL business. Settlement times remained substantially stable in non-TPL (direct insurance cover) lines of business despite an increase in the number of claims for natural disasters.

* * *

The main aspects of the underwriting performance of each business are discussed below:

Accident

Direct premium income amounted to € 92,205 thousand, with a y/y increase of +3.1%. The increase regarded both the corporate sector (+8.5%), despite lower premium income from the public authorities sector, and the retail area (+0.9%), where it was mainly due to growth in the Motor business.
The fall in the number of claims reported (-1.6%) was attributable to the retail sector (-3.3%) while there was a slight increase in the corporate area (+0.5%).
The loss ratio of the current year stood at 49.9%, unchanged in relation to the previous year, with attritional and major claims remaining substantially stable.
The ratio of claims to premiums earned corresponded to 51.8%, in relation to 51.4% in 2018.
The technical result, net of reinsurance, closed with a profit of € 8,943 thousand.

Health

In this business line, direct premium income increased by +11.9% to € 104,571 thousand. In detail, this result reflected a sizeable increase in the corporate area (+18.4%) thanks to the acquisition of major group contracts, and a slight reduction in the retail sector (-0.4%).
The overall number of claims reported rose considerably (+16.1%), especially in the corporate sector (+19.9%), whereas there was a significant drop in numbers in the retail sector (-20.5%).
The loss ratio for the current year, equal to 87.2%, worsened in relation to the previous year (85.2%). On the other hand, the ratio of claims to premiums earned, which stood at 82.5%, was an improvement on 2018 (84.4%) owing to a more positive run-off of reserves for prior year claims.
The technical result, net of reinsurance, was a loss of € 12,839 thousand.

Hulls land vehicles

This business line reported a 7.0% upswing in direct business income, which totalled € 123,517 thousand.

The increase was due to recovery in the automobile industry, which also led to greater demand for direct insurance cover in the Motor sector, and to growth in the fleet market.
There was a particularly marked increase in demand for breakdown, windscreen and theft insurance cover.
The ratio of claims to premiums earned corresponded to 64.9%, worsening in relation to 2018 (61.7%) as the result of claims in connection with particularly severe natural events.
The technical result, net of reinsurance, closed with a profit of € 12,870 thousand.

Goods transported

Direct premium income, equal to € 3,922 thousand, dropped by 74.8% in relation to 2018.
The ratio of claims to premiums earned corresponded to 55.0%, compared with 185.1% in 2018.
This result was greatly influenced by the non-renewal of a policy worth a very large amount, under which a particularly significant claim was made last year.
The technical result, net of reinsurance, was a loss of € 1,028 thousand.

Fire and other natural forces

Direct premium income amounted to € 172,613 thousand, with a y/y reduction of 0.6%. This result reflected growth in the retail area (+2.5%), but decreases in the corporate and public authorities sectors (-5.0% and -3.3%, respectively).
The number of claims reported increased by 16.2%.
The ratio of claims to premiums earned corresponded to 80.1%, significantly higher than in 2018 (70.1%). The increase was due to the presence of considerable losses as a consequence of numerous episodes of severe weather conditions, despite a notable improvement in the number of major claims.
The technical result, net of reinsurance, was a loss of € 17,953 thousand.

Other property damage

Total direct business income amounted to € 224,530 thousand, with a y/y increase of 1.6%.
The ratio of claims to premiums earned corresponded to 75.6%, compared with 75.8% in 2018.
The Hail business reported a ratio of claims to premiums earned of 105.5%, a clear worsening in relation to the previous year (81.4%).
The ratio of claims to premiums earned for the Theft portfolio, which corresponded to 36.9%, was an improvement on 2018 (41.8%).
Lastly, the ratio of claims to premiums earned for risks other than Theft and Hail was 79.3%, considerably lower than in the previous year (84.1%).
The technical result, net of reinsurance, was a loss of € 34,538 thousand.

TPL land vehicles

TPL land vehicles business posted total direct business income of € 485,477 thousand, with a y/y increase of 2.2%.
The market continued to be increasingly competitive despite hints of a trend reversal at least in terms of published rates; the technical and commercial initiatives undertaken by the Company limited the contraction in the average price of premiums although the risks covered increased in relation to the previous year.
According to management indicators, the frequency of claims in the respective sectors has stabilised over recent years. The average cost of attritional claims fell slightly (by around -0.5%) in relation to 2018. The number of large claims decreased but, owing to the increase in their average cost, the burden was 6% higher than in the previous year.
The current loss ratio stood at 78.9%, approximately 2 percentage points higher than in 2018. The ratio of claims to premiums earned corresponded to 76.8%, worsening by 4.6 percentage points in relation to 2018 (72.3%).
As regards litigation, at the end of 2019 there were 5,406 lawsuits pending, (5,284 in 2018), corresponding

to 11.2% of provisions for claims (12.3% in 2018). The number of summons received by the Company fell by 3.63%, from 6,231 to 6,005.
The technical result, net of reinsurance, closed with a profit of € 16,901 thousand.

Non-motor TPL

In financial 2019, total direct premium income amounted to € 224,025 thousand, with a y/y increase of 1.2%. This was a consequence of increases in both the corporate sector (+2.6%) and the retail area (+1.1%).
The ratio of claims to premiums earned, at 31.9%, was a further improvement with respect to 2018 (35.0%) with profit margins remaining high. An improvement in technical performance, essentially due to a decrease in the number of attritional claims while the average cost remained unchanged, was accompanied by the positive run-off of reserves for prior year claims.
The technical result, net of reinsurance, closed with a profit of € 80,752 thousand.

Surety

Premium income for 2018, equal to € 37,047 thousand, was up by 3.7% on the same period of the previous year.
The loss ratio of the current year improved in relation to the previous year, moving from 51.1% at 31 December 2018 to 43.4%.
The ratio of claims to premiums earned corresponded to 23.4%, a further improvement on 2018 (31.5%). This result reflected a greater reduction in reserves for prior year claims, largely generated by the run-off of a first tranche of reserves for claims under Law No. 488 and a number of significant recoveries.
The reserves still include a number of claims, for around € 10 million, in connection with the contributions under Law No. 488 on loans to business enterprises, most of which are the subject of an ongoing dispute between insurance companies and the Italian Ministry of Production Activities regarding the correct interpretation of policy conditions.
The technical result, net of reinsurance, was a loss of € 1,651 thousand.

Sundry pecuniary losses

This business line, which comprises covers such as damage caused by interruption of business, withdrawal of products and of driving licence, reported total direct business income of € 4,554 thousand, an 8.0% increase compared with 2018.
The ratio of claims to premiums earned stood at 29.8%, worsening in relation to the 22.2% of the previous year, although profit margins remained high.
The technical result, net of reinsurance, closed with a profit of € 1,031 thousand.

Legal fees

Direct premium income moved up 6.4% in relation to the same period of the previous year, to € 15,806 thousand. In detail, the Motor business posted a 9.5% increase and the Non-motor sector moved up by 5.0%.
The ratio of claims to premiums earned, at 0.9%, was a further improvement on the previous year (5.5%) and an indication of high profit margins.
The technical result, net of reinsurance, closed with a profit of € 6,018 thousand.

Assistance

Direct premium income increased by an appreciable +8.8%, to € 22,636 thousand, spread across the Non-motor sector (+24.6%) and the Motor sector (+6.7%).
The ratio of claims to premiums earned, at 59.4%, was slightly worse than in 2018 (55.3%).
The technical result, net of reinsurance, closed with a profit of € 1,499 thousand.

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Research and development - New products

As regards the **study and implementation of new products** and initiatives in 2019, two new **welfare** products were launched on the market:

- “Realmente Protetti”, an income protection insurance policy that protects against temporary or permanent loss of income due to illness or accident. This product replaces “Unica Reale” and was sold from 28 January.
- Whole-life health insurance products, providing cover for the individual policyholder and for the whole family, if they are insured. This offer draws on Reale Group’s incorporation of Uniqa Assicurazioni, a market leader in the line of whole-life health insurance. It consists of two whole-life products, “RealmenteInsalute Forever – Formula Rimborso spese mediche”, a medical expenses reimbursement plan and “RealmenteInsalute Forever – Formula Diaria”, a daily allowance insurance plan. To complete the product range, the “Formula Extraricovero” is an annual non-whole-life plan that provides insurance cover for specialist visits and diagnostic tests not directly linked to a stay in hospital. This product is only available in combination with the “RealmenteInsalute Forever” medical expenses reimbursement plan.

In the area of **Property** insurance, a new modular, multi-section product called “Pedala Protetto”, specifically designed for cyclists, was launched at the beginning of the year.

The following initiatives were launched at the end of November:

- sale of a new cyber risk insurance cover for the retail sector, called “Cyber Family Reale”;
- revamping of the “Tutela Ambientale” (environmental protection) product, to bring it in line with equivalent products marketed by our main competitors;
- review of the “Soggiorno Reale” product, in a drive to strengthen our positioning in the hotel and farm holiday sector, an area in which the Company traditionally holds a significant market share;
- revamping of the “Professionista Reale” product (general liability insurance for professional categories), which had already been reviewed in 2018, to keep abreast of continuing regulatory and product developments in the professional risk sector.

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Fraud prevention activities

As envisaged under art. 30(2) of Law No. 27 of 24 March 2012 and in accordance with the instructions issued by IVASS in its letter to the market dated 11 March 2014 concerning fraud prevention activities, the Company estimates that the cost of claims was reduced by around **€ 4.7 million** (€ 5.6 million at 31 December 2018) as a result of systematic monitoring and suppression. This estimation considers the savings achieved in respect of claims found to be the result of fraudulent activities that were closed without follow-up during the year by the Company’s Anti-Fraud and Special Investigations departments, with the support of the settlement network.

1.5.2 LIFE INSURANCE OPERATIONS

2019 gross premiums written in Life business are shown below, with 2018 comparables:

(in € thousands)

	2019	Composition	2018	Composition	Change (%)
I - Insurance on the duration of human life	657,944	73.8%	406,585	56.7%	61.8%
III - Insurance linked to investment funds	138,905	15.6%	205,106	28.6%	-32.3%
IV - Health insurance	922	0.1%	569	0.1%	62.0%
V - Operations of capital redemption	61,490	6.9%	73,104	10.2%	-15.9%
VI - Pension fund administration	31,789	3.6%	31,968	4.5%	-0.6%
Total direct business	**891,050**	**100.0%**	**717,332**	**100.0%**	**24.2%**
Inward reinsurance	140		165		-15.2%
Total Life business	**891,190**		**717,497**		**24.2%**

Gross premiums written for direct business at 31 December 2019 amounted to € 891,050 thousand and increased by 24.2% in relation to the same period of 2018.
Considering each class separately, there was a significant increase in **class I** (Insurance on the duration of human life): during the year, the Company concentrated new production on multi-risk policies and conventional products linked to separately managed accounts. This trend affected both the retail and so-called “Grandi Affari” (major deals) businesses.
The upswing in premiums written for 2019 mainly regarded the “subsidiary agency” channel, which rose by 58.9% in relation to the same period of the previous year. This upward trend was principally due to new business premiums for some private insurance products. Premiums written through the “contracted” and “special” channels increased by 16.2% and 9.2%, respectively.

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The breakdown of **sums paid** in 2019, referring to direct business only, is as follows:

(in € thousands)

	2019	2018	Change (%)
Claims	48,845	37,622	29.8%
Principle and annuities matured	140,487	163,209	-13.9%
Surrenders	496,084	315,854	57.1%
Claim settlement costs	1,135	1,056	7.5%
Total sums paid	**686,551**	**517,741**	**32.6%**
Change in the provisions for claims to be paid	1,137	-4,006	-128.4%
Total charges for claims	**687,688**	**513,735**	**33.9%**
of which:			
I - Insurance on the duration of human life	365,865	348,202	5.1%
III - Insurance linked to investment funds	108,168	62,310	73.6%
IV - Health insurance	46	303	-84.7%
V - Operations of capital redemption	196,935	92,463	113.0%
VI - Pension fund administration	16,673	10,457	59.4%

Total sums paid increased by 32.6% compared with the previous year.

Payments for principle and annuities decreased by -13.9% compared with the same period of 2018. On the other hand, surrenders increased by 57.1% compared with the previous year, with an absolute increase of € 180,230 thousand. A significant position exited the Company’s portfolio in July: net of this exit, sums paid for surrenders would have totalled € 382,044 thousand (+21.0% in relation to 31 December 2018). Surrenders paid, in relation to mathematical provisions at the beginning of the year, taking into account the volumes of funds managed (net of the surrender referred to above), were equal to 6.9%, higher than the ratio of 5.9% for the same period of the previous year. Claims amounted to € 48,845 thousand with an upswing of 29.8% in relation to the previous year. There were two particularly significant claims relating to revaluable policies linked to separately managed accounts. Net of these claims, sums paid for claims in 2019 increased by 12.6% in relation to the previous year.

The change in sums to be paid at 31 December 2019 was positive for € 1,137 thousand. At the end of the 2019, sums payable amounted to € 43,741 thousand.

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Technical provisions, before the reinsurers' share, amounted to € 6,058,698 thousand increasing by € 369,983 thousand, equal to 6.5%, in relation to the end of 2018.

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<u>Research and development - New products</u>

As regards the **study and implementation of new products**, in 2019 the Company focused on new multi-risk products and on enriching the catalogue with the recurrent-premium version. It also studied new separately managed investment solutions to meet the demand for medium and long-term capital protection.

In detail, the following new products were launched in 2019:
"Opportunità Reale Special", a new mixed single-premium product, sold in the first two months of the year, with benefits linked to returns on the "Reale Due" separately managed fund;
a new tariff was introduced for the Teseo open-ended pension fund on 2 January 2019, featuring a differentiation of management fees, which increase in proportion to the risk profile of the lines. From 10 May 2019, the new management fees were also applied to positions outstanding at 31 December 2018;
"Multipower Reale Energy", a new multi-risk product, was sold from 4 April until 30 June 2019. This product, for retail customers, allows the contracting party to invest 25% of the capital in the "Valuta Reale" separate fund and the remaining 75% in four different internal unit-linked funds;
"Dual Plus Reale Premi Ricorrenti", a recurrent single-premium multi-risk whole-life insurance investment product in which between 10% and 50% is invested in the "Reale Uno" separate fund and the remainder in two internal unit-linked funds;
"MultiPower Reale Premi Ricorrenti", a multi-risk product sold from 8 July until 20 September 2019, further enriched the Company's offering of recurrent premium solutions. This insurance investment product allows up to 40% of the premium to be invested in the "Reale" separately managed fund and the remainder in two different internal unit-linked funds;
"MultiPower Reale Plus", a new single premium multi-risk product for new investment and reinvestment of capital reaching maturity, was sold in the second half of the year. The underlying separately managed fund is the "Valuta Reale" fund, in which up to 50% of the premium can be invested;
"Opportunità Reale Limited" and "Opportunità Reale All Life" were sold from 14 October until 31 December 2019. The performance of these single premium investment solutions is linked to returns on the "Reale Uno" separately managed fund; the former, a mixed premium policy, guarantees the capital in the event of death and upon expiry, whereas the latter is a whole-life solution.

1.5.3 REINSURANCE

Outward reinsurance

At the meeting of 17 June 2019, the Board of Directors approved the new Policy on reinsurance and other risk mitigation techniques.
This Policy was drawn up in accordance with IVASS Regulation No. 38/2018, which requires separate policy documents to be drawn up for each company and for the Group.
The policy document replaces the outline resolution on outward reinsurance, which was previously approved by the Board of Directors in accordance with IVASS Circular 574/2005, abrogated by IVASS Regulation No. 38/2018.
In 2019, the reinsurance structure of Non-life business consisted of proportional forms of coverage (quota share, surplus share or a combination of the two) and non-proportional covers (excess of loss or stop loss) to protect the part retained or as single coverage.
The main proportional treaties regard the Fire, Technological risk, Suretyship, Legal fees and Hail business lines.
The main non-proportional treaties refer to the Fire and Technological risk (by risk/by event), Hulls land vehicles, TPL land vehicles, Non-motor TPL, Theft, Accident, Health, Transport, Suretyship and Aircraft business lines.
The Hail business retained portfolio is protected by a stop loss treaty.
The Group treaty called "Aggregate XL" has been renewed to protect the retained portfolio of ceding companies in the Fire/Technological risk and Hulls land vehicles businesses.

In the Property sector, a new Group "Umbrella" treaty was drawn up, to meet the increased capacity required by the EIOPA - Standard Formula / CAT template.

Life business reinsurance consists of proportional treaties for single risks, for group policies (agreements for "directors, executives, employees and groups") and for additional Accident guarantees. The Life business retained portfolio is protected by excess of loss catastrophic claims coverage.

As usual, recourse to facultative cessions was fairly limited; facultative reinsurance was mainly used to cover exclusions in obligatory treaties or preserve the equilibrium of these and, in some cases, to compensate for an inadequate reinsurance capacity, as well as within the framework of the I.N.I. (International Network of Insurance) of which the Company is a Full Member.

In 2019, reinsurance ceded generated total costs for € 12,263 thousand, distributed as follows: € 10,735 thousand in the Non-life business and € 1,528 thousand in the Life business.

Inward reinsurance

The Company's inward reinsurance business consists in the discretionary acceptance of ad hoc risks, participation in various schemes of the Italiana Assicurazioni subsidiary (proportional treaties covering art exhibitions and collections, technological risk and accidents relating to the production of an agency specialised in such sectors) and in market pools.

As regards inward reinsurance, risks retained generated revenues for € 667 thousand, distributed as follows: € 664 thousand in the Non-life business and € 3 thousand in the Life business.

1.5.4 FOREIGN OPERATIONS

In 2019, premium income from activities carried out abroad in a regime of freedom of service amounted to € 1,409 thousand, in relation to € 1,295 thousand in the previous year, an increase of 8.8%.

Activities were carried out in 25 member states of the European Economic Area.

1.6 INFORMATION ABOUT PRUDENTIAL SUPERVISION IN ACCORDANCE WITH SOLVENCY II

The methodologies used by the Company to assess its capital adequacy have been determined in accordance with Solvency II regulations, which came into effect on 1 January 2016.

The main applicable legal and regulatory references are as follows:

- Framework Directive 2009/138/EC ("Solvency II Directive"), transposed into Italian national law with Legislative Decree No. 74 of 12 May 2015, amending and supplementing Legislative Decree No. 209/2005 (Italian Code of Private Insurance);
- The Delegated Acts, issued by Delegated Regulation (EU) 2015/35, as amended ("Regulation"), supplementing the Solvency II Directive;
- EIOPA Guidelines, transposed by regulations issued by IVASS, with specific reference to the following:
    - IVASS Regulation No. 18 of 15 March 2016 concerning the application rules and methods for determining technical provisions;
    - IVASS Regulation No. 25 of 26 July 2016 on the identification, measurement and classification of core equity components;
    - IVASS Regulation No. 32 of 9 November 2016 on risk and solvency assessment;
    - IVASS Regulation No. 34 of 7 February 2017 containing implementing provisions on the measurement of assets and liabilities other than technical provisions for solvency supervisory purposes;
    - IVASS Regulation No. 35 of 7 February 2017 on the adjustment for the loss-absorbing capacity of technical provisions and deferred taxes in the determination of the solvency capital requirement.

1.6.1 SOLVENCY CAPITAL REQUIREMENTS AND CORRESPONDING COVERAGE RATIOS

At 31 December 2019, the Company had a ratio of eligible own funds to solvency capital requirement (SCR) of 362.5% and a ratio of eligible own funds to minimum capital requirement (MCR) of 805.6%. The amounts of eligible own funds to cover the SCR and to cover the MCR (with the breakdown by tier) and of the SCR and MCR are shown in the table below, with comparative figures for the end of 2018.

	31.12.2019	31.12.2018	Change
Eligible own funds to cover the solvency capital requirement (SCR)	**3,316,436**	**3,186,217**	**130,219**
of which TIER 1	*3,316,436*	*3,186,217*	*130,219*
of which TIER 2	*0*	*0*	*0*
of which TIER 3	*0*	*0*	*0*
Eligible own funds to cover the minimum capital requirement (MCR)	**3,316,436**	**3,186,217**	**130,219**
of which TIER 1	*3,316,436*	*3,186,217*	*130,219*
of which TIER 2	*0*	*0*	*0*
of which TIER 3	*0*	*0*	*0*
Solvency capital requirement (SCR)	**914,798**	**859,460**	**55,338**
Solvency II ratio (SCR)	**362.5%**	**370.7%**	**-8.2**
Minimum capital requirement (MCR)	**411,659**	**386,757**	**24,902**
Solvency II ratio (MCR)	**805.6%**	**823.8%**	**-18.2**

Solvency capital requirements are calculated using the partial internal model as this is deemed more capable of reflecting the company's actual risk profile than the standard formula. IVASS authorised the use of the partial internal model starting from 31 December 2017.

The annual figures will be sent to IVASS by 7 April 2020, which is the regulatory deadline. Such figures have not yet undergone the checks required by IVASS Regulation No. 42 of 2 August 2018.

1.6.2 PARTIAL INTERNAL MODEL

On 17 April 2018 IVASS authorised the use of the partial internal model for regulatory purposes, starting from 31 December 2017.

Reale Group's partial internal model (PIM), which is used by Reale Mutua, covers exposure to underwriting, financial and credit risks relating to Non-life business.

In detail, the company uses the PIM to assess the following risk modules:
- Non-life and Health similar to Non-life premium and reserve risk;
- Market risk arising from assets used to hedge Non-life and Health similar to Non-life liabilities;
- Credit risk arising from balance sheet items on account of third parties, in respect of Non-life and Health similar to Non-life business.

Given the low materiality of the risk linked to the redemption of Non-life contracts, this is not included in the scope of calculation of the PIM; nonetheless, the impact of this simplification is regularly monitored with a view to its possible inclusion.

Life business underwriting, financial and credit risks, Non-life operational, catastrophe and health risks are assessed using the standard formula.

The partial internal model is used to assess:
- premium risk, using a frequency-severity model that produces the distribution of the ultimate cost for the following twelve months;
- reserve risk, using a stochastic time series chain ladder (TSCL) model to produce the probability distribution of the cash flows of the company's liabilities.

For the **premium risk**, the ultimate cost is given by the sum of the cost of claims and of acquisition costs. Claims are classified, on the basis of a threshold, as attritional or large, and using different distribution models that best suit the nature of the claim.
The threshold between claims is defined on the basis of appropriate statistical methodologies and graphs.
Cost components are modelled using distribution assumptions. Attritional and large claims are modelled using a frequency-severity approach where the respective distributions are defined on the basis of historical data. Acquisition costs are modelled under the assumption of a lognormal distribution of expenses with mean and variance estimated from historical acquisition costs.
The ultimate cost distribution is available both before and after the risk mitigating effect of reinsurance treaties; the effect of reinsurance treaties is applied by accurately replicating the treaties in place.

Reserve risk is measured by means of stochastic simulation of reserves over a one-year period, as required under Solvency II rules.
The model is used to obtain the probability distribution of cash out-flows generated by claims reported in the years preceding the date of assessment.
The complete probability distribution (PDF - probability distribution forecast) is calculated using time series equations with bootstrap methodology with re-sampling of data so that the estimation error and process error are included in the variability of distribution. A conditional resampling approach is used and bootstrapping permits easy control using mean and variance values calculated empirically.
Although subject to the specificities of the internal model, Non-life underwriting risks present some LoB that are measured using the standard formula.

Market risk is calculated using different models and calibration techniques, according to the specific risk module.

Interest rate risk is calculated using the extended Two-Factor Hull and White model (also known as G2++), with the inclusion of a deterministic factor and stochastic mean-reverting process.

Spread risk is measured using the Duffie and Singleton framework.
The model is calibrated to historical credit spreads for the available maturities (determined as the difference between the yield curve and the risk-free curve) in relation to yields on sovereign bonds and yields on corporate bonds.

Equity, property and currency risks are calibrated using the Black-Scholes model, which permits calibration of changes in the price of the underlying security using a lognormal distribution.
For equity risk, the model parameters are calibrated starting from the historical series of securities in the portfolio. To reduce processing time, a set of time series benchmarks representative of the underlying securities are used for assets that have less weight.

For real estate risk, the evolution of asset value is calibrated by means of historical series of indices representing the Company's portfolio.
The computation of currency risk is calibrated based on time series of exchange rates representative of the securities subject to this risk in the portfolio.

The **default risk** relating to balance sheet items on account of third parties is calculated using the CreditRisk+ model; counterparties are distinguished on the basis of business sector and rating.
Loss probability distribution is computed considering exposure to counterparties, the mean and variance default rate of each individual counterparty.
The default rate and related volatility depend on each counterparty's rating.

Risk aggregation is based on a bottom-up hierarchical structure:
- Aggregation at sub-LoB level
- Aggregation at LoB level
- Aggregation at macro-LoB and market level
- Calculation of Non-life BSCR
- Integration of the standard formula
- SCR for operational risk and adjustments

Validation activities are governed by an internal model validation policy, which specifies the processes, methods, frequency and the remedial action to be taken if any problems are detected within the model.

Validation is a useful tool that can be used by management to understand the strengths and limitations of the model and to obtain an independent view of the results and their appropriateness.
As far as Life business underwriting, financial and credit risks are concerned, the Company has plans to include these within the scope of application of the internal model.
The Company also performs qualitative assessments on an annual basis to monitor the following risks:
- **operational risk (including cyber risk)**: the risk of sustaining losses owing to inefficiency of resources, processes and systems or as a consequence of external events;
- **risk of non-compliance with regulations (including the risk of money laundering and financing of terrorism)**: the risk of facing legal or administrative fines, suffering losses or damage to reputation as a result of failure to comply with laws, regulations and European standards or measures of the Supervisory Authorities or self-regulatory standards including bylaws, codes of conduct or governance codes, and the risk arising from unfavourable changes in the regulatory framework or national case law;
- **indirect/second-level risks:** these are not strictly linked to specific risk factors but may derive from the classes of risk described above. The Company mainly distinguishes and analyses two main sub-classes of risk:
    - **risk linked to belonging to the group**: this represents the risk of "contagion" meaning the risk that, when a company engages in dealings with other companies within the group to which it belongs, difficulties that arise in one member of the group could spread and negatively affect that company's own solvency situation;
    - **reputational risk**: this represents the risk of damage to the corporate image and increased conflict with policyholders, also due to the poor quality of services provided, the placement of inappropriate policies or to the behaviour of the sales, after-sales and settlement networks;

- **strategic risk**: this is defined as the current or future risk of an adverse impact on revenues or capital and on the sustainability of the business model, including the risk of not being able to generate adequate returns on capital in line with the risk appetite defined by the undertaking, as a consequence of changes in operational aspects or erroneous business decisions, inadequate implementation of decisions, incorrect management of the risk of belonging to the group, failure to respond to changes in competition;
- **emerging risks:** these refer to new sources of risk arising in connection with changes in the internal or external environment. This class of risk also includes the risk associated with environmental, social and governance (ESG) factors, in terms of financial losses or damage to the Company's reputation as a consequence of its environmental and social impact/exposure to environmental risk.

1.7 INVESTMENT MANAGEMENT

At the end of 2019, the carrying amount of **Class C investments on the Balance Sheet** amounted to € 8,491,631 thousand, of which € 8,440,699 thousand of equities and € 50,932 thousand of real estate.

The overall situation of these investments, with 2018 comparables, is summarised below.

(in € thousands)

	31.12.2019	Composition	31.12.2018	Composition	Change (%)
Real estate	50,932	0.6%	47,492	0.6%	7.2%
Bonds and other fixed-income securities	6,185,144	72.8%	5,761,334	70.8%	7.4%
Equity investments	1,966,190	23.2%	1,965,370	24.1%	0.0%
Shares and interests	56,867	0.7%	120,007	1.5%	-52.6%
Other financial investments	197,406	2.3%	213,673	2.6%	-7.6%
Loans and mortgages	31,500	0.4%	31,065	0.4%	1.4%
Deposits with credit institutions	820	0.0%	819	0.0%	0.1%
Active reinsurance deposits	2,772	0.0%	3,006	0.0%	-7.8%
Total class C investments	**8,491,631**	**100.0%**	**8,142,767**	**100.0%**	**4.3%**

As in the past, **real estate transactions** during the year mainly concerned the management of Reale Mutua's real estate assets consisting of instrumental buildings used as offices and to house accessory parts of the corporate structure, and of buildings in Paris rented to third parties.
The Company's new social and recreational club facility at the site in Via Sarpi/Corso Giovanni Agnelli in Turin was inaugurated on 26 September 2019. Some of the sports field coverings have yet to be completed and the facility will open for employees in 2020.
Renovation work on parts of the building in Via Corte d'Appello was completed in the last quarter.
At 31 December 2019, investments in real estate totalled € 50,932 thousand, against a market value of around € 122,431 thousand.

The Company managed its **investment activities** according to the usual criteria of prudence, adopting asset allocation strategies that succeeded in achieving gains while limiting financial risks and bearing up to the volatility of the markets.

In the **bonds compartment**, the Company pursued a strategy aimed at achieving a balance between the soundness of investments, portfolio profitability and adequate diversification of issuers. The portfolio risk level remained consistent with the Company's overall risk profile.
The percentage of Italian bonds in the portfolio stood at around 42%.
Exposure in corporate bonds amounted to approximately 30% of the bond portfolio.
The duration of the bond portfolio increased with respect to the previous year, from 5.8 to 6.1. In the Non-life segment, duration decreased from 3.2 to 3, in line with the risk profile of the liabilities held, while in the Life segment, where ALM techniques are used in order to match assets with commitments towards subscribers, duration stood at 7.1 (6.5 in 2018).
The credit rating of debt security investments was maintained at investment grade.

As far as **equities** are concerned, the portfolio size continued to be limited and strategies were adopted to take advantage of stock market opportunities.

The Company used **derivative and structured financial instruments** for hedging purposes, to limit the investment risk, and also to enhance its portfolio management and achieve its investment goals more quickly, more easily, more economically or more flexibly than would be possible using the underlying assets. The notional value of derivative instruments amounted to € 75,921 thousand (of which € 227 thousand in Class D investments) and structured financial instruments had a carrying value of € 29,081 thousand (no exposure for Class D investments).

All investment activities, also with regard to structured securities and derivatives, are regulated by specific resolutions of the Board of Directors in accordance with the strategic guidelines and the financial situation of the Company. The competent bodies verify these activities at regular intervals, on the basis of financial risk measurement parameters, and submit periodical reports on their findings to the Board.
Use of derivative and structured instruments did not generate any significant losses or potential risks in 2019.

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Class D investments on the Balance Sheet (investments for the benefit of Life policyholders who bear the risk and those deriving from the administration of pension funds) amounted to € 1,184,828 thousand and, in 2019, generated a positive balance of € 108,621 thousand.

1.7.1 INCOME AND EXPENSE ON INVESTMENTS

Results for **income on investments** are set out in the table below:

(in € thousands)

	2019	2018	Change
Net income	174,225	172,507	1,718
Net value re-adjustments	42,599	-78,861	121,460
Net gains on disposals	59,125	18,804	40,321
Total	**275,949**	**112,450**	**163,499**

Overall, in 2019, the bond portfolio, excluding Class D securities, generated average returns, in terms of flows of ordinary income, of 2.03% (2.04% in 2018). Also taking into account profits and losses on trading and write-backs and value re-adjustments, the portfolio generated returns of 3.29% (1.61% in 2018).

Net value re-adjustments on debt securities, for € 39,037 thousand, were due to fluctuations in prices. Gains on trading amounted to € 37,398 thousand.

As far as equities are concerned, the Company operated mainly on European markets, selecting securities with favourable earnings prospects and reduced volatility. Gains on trading amounted to € 9,740 thousand, while net value re-adjustments amounted to € 601 thousand.

Shares in common investment funds generated positive trading results for € 12,288 thousand, while net value re-adjustments amounted to € 3,683 thousand.

1.7.2 STRATEGIC INVESTMENTS

In 2019, strategic investment activities continued to be directed towards strengthening and expanding Reale Group in Italy and abroad.

The agreement transferring the IT business unit of Italiana Assicurazioni, created following the merger of the Uniqa companies through incorporation into Italiana, to Reale Ites Srl, was signed on 28 June 2019. The transfer complies and is consistent with the overall approach and is in line with the organisational structure of the IT systems department, in which all IT-related activities in Italy are performed centrally by Reale Ites Srl. The transfer took effect from 1 July 2019 and consisted of a € 1,708,133 increase in the capital of Reale Ites S.r.l. Following the transfer, Italiana Assicurazioni increased its shareholding in Reale Ites S.r.l. from 0.015% to 1.99%, with a proportional reduction in the interests of the other shareholders.

On 8 November 2019, Reale Mutua and Reale Seguros Generales subscribed and paid in proportion (5% and 95%, respectively) the capital increase of the Reale Vida Y Pensiones subsidiary, as resolved by the Meeting of Delegates on 30 September 2019, for a total of € 5,000,000. This was seen as an opportunity to support the growth of the Company's portfolio and improve the solvency ratio.

Development of the Chilean Non-life insurance company Reale Chile Seguros Generales SA continued in 2019. The company is wholly funded by the Spanish subsidiary Reale Seguros through capital payments to the holding company Reale Group Latam, for a total of € 55.2 million (41.6 Chilean pesos) made in previous years. The violent protests that broke out in Chile towards the end of 2019, with demands for greater social and economic equality, generated a climate of instability and uncertainty. The Company managed the challenges well and was able to mitigate the impact on its business. Premium income totalled € 79.2 million at the end of the year (€ 55.2 million at the end of 2018). Technical margins also improved, in relation to December 2018, also thanks to the presence of suitable reinsurance covers that mitigated the increase in claims, in the Non-motor sector, in connection with the aforesaid demonstrations.

1.7.3 POLICIES FOR MANAGING THE RISK ASSOCIATED WITH FINANCIAL ACTIVITIES

Policies for managing the risk associated with financial activities regard interest rate risk, equity risk, spread risk and liquidity risk, which are discussed below.

The Company's financial activities are managed according to a prudent approach based, as regards **interest rate risk**, on asset liability management techniques.
The total duration of the bond portfolio is around 7.1 years for Life business and 3.0 years for Non-life business.

With regard to **equity risk**, which refers to possible losses due to negative changes in fair value following changes in market prices, the equity investment component represents around 2.17% of the entire portfolio; the Company's exposure, net of strategic equity investments in Group companies, is mainly directed towards the "finance and banking" and "services" sectors. Average annual volatility of the equity component during 2019 was equal to 20.08%.
Investments in foreign currency amounted to around 0.43% of the entire portfolio. Exposure to the risk of exchange rate fluctuations is therefore marginal in view of the low percentage of investments in foreign currencies.

Restrictions and guidelines are applied to manage **spread risk**, meaning the risk of loss due to negative changes in fair value as a result of changes in the level of credit yield spreads. Checks are performed on an ongoing basis and the results are regularly brought to the attention of the Group Investment Commission.
The average rating of debt securities in the portfolio is BBB+, according to Fitch Ratings. Non-investment grade instruments account for around 0.99% of the entire portfolio.
Use of derivatives is limited and restricted to hedging transactions and operations to ensure efficient management; the counterparties in such transactions are those envisaged by IVASS Regulation No. 24/2016 and are appropriately diversified.
Investment management policies are summarised in the Investment policy, Liquidity risk management policy and Policy on integrated management of assets and liabilities, pursuant to IVASS Regulation No. 24.

Liquidity risk, which refers to the risk of an enterprise not having sufficient financial resources to fulfil its contractual obligations as they fall due, is constantly monitored using relevant indicators to assess the liquidity situation.
Thresholds are defined for each performance indicator and a scoring system is used to measure the level of risk. The indicators and their thresholds are calibrated on historical data, the type of undertaking and type of management; specific stress test/scenario analysis exercises are carried out at least once a year to monitor financial and/or technical liquidity risk factors.
Unrealised capital gains/losses are monitored at least once every three months.
This risk is also monitored by adopting an integrated asset liability management (ALM) model, the aim of which is to mitigate the risk of possible misalignment deriving from the diverse structure of flows generated by the Company’s assets and liabilities.

Debt financial instruments, according to maturity, are set forth in the table below.

(in € thousands)

Expiry	Government	Corporate	Total
≤ 1 year	942,236	117,790	1,060,026
> 1 ≤ 3 years	861,763	274,397	1,136,160
> 3 ≤ 5 years	586,906	362,745	949,651
> 5 ≤ 7 years	473,034	391,458	864,492
> 7 ≤ 10 years	482,470	353,944	836,414
>10 years	1,365,261	562,529	1,927,790
Total	**4,711,670**	**2,062,863**	**6,774,533**

1.8 OTHER INFORMATION

1.8.1 HUMAN RESOURCES

At 31 December 2019, the Company **workforce** consisted of 1,082 employees. The breakdown of the workforce according to qualification with 2018 comparables is provided in the table below:

	2019	2018
Top management	57	54
Middle management and Office staff	1,025	1,051
Total	**1,082**	**1,105**

People continue to be the Company's most important asset and, in line with the Group-wide strategy, they were the subject of a number of specific initiatives.

One of the most important of these was the agreement between the Company and the trade unions on the "smart working" scheme: this form of work can improve employees' productivity and satisfaction, give them a greater sense of responsibility and help them achieve a better work-life balance. In that respect, Reale Mutua was the winner of the 2019 Smart Working Award in the large corporations category of the competition organised by the Observatory of the School of Management of Politecnico di Milano.

New agreements also regarded top management and seconded employees and the company-level employment contract, which expired on 30 June 2019, is in the process of being renewed.

Like other Group companies, Reale Mutua is undergoing a process of change and technological innovation, in which it relies on the support of the Change Management function and specific training provided by Academy. Training activities have focused on the adoption of new methods of work, technology and, above all, on developing new technical skills to support the processes of reorganisation and integration within the Group.

The Company also took part in the Group-wide "Great place to work" initiative. This started with a survey to gather information about the climate at work and workers' perceptions of the workplace. The areas that emerge from the survey as requiring attention will be used as the basis for developing the relevant action plans.

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As regards the company-level **"Solidarity Fund"** defined in 2018, an agreement was reached on 9 May 2019 whereby, starting from 1 June 2019, the incentive for inclusion in the Fund will be recognised based on the number of months calculated in accordance with the rules in force prior to those introduced by the new Decree Law No. 4/2019 which reduces the length of benefit contribution in order to qualify for early retirement regardless of actual age. This will necessarily affect the content of the company-level "Solidarity Fund" agreement.

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Pursuant to **art. 2428 of the Italian Civil Code**, in 2019 there were no cases of death or serious injury at work among employees on the Company's payroll; the Company did not receive any claims in connection with occupational diseases among its employees or former employees or episodes of mobbing.

Every company within the Group is committed to pursuing improvements in occupational health and safety, and to making sure they provide all the necessary human and financial resources and instruments to protect all aspects of the health and safety of all those who work for them. In accordance with Legislative Decree No. 81/08 and subsequent amendments on occupational health and safety, in 2010 all Reale Group companies implemented an Occupational Health and Safety management system that meets the requirements of the BS OHSAS standard.

1.8.2 INFORMATION TECHNOLOGY

2019 marked the start of activities for the Technology strategic stream, closely integrated with the key Technology component of the Group's strategic plan; the year was characterised by numerous initiatives in the areas of business and regulatory provisions (over 20 projects).

The main **projects** that continued or were launched during the year regarded:

- **TOM project**: continuation of activities to merge portfolio and central register management functions on the Pass Mobile platform;
- **Best Price:** optimisation of the Motor TPL premium search process;
- **Telematics Claims**: comprising the Motor and Claims areas (with staggering of releases between November 2019 and March 2020);
- **Quote tools**: development of a simplified quote tool that comprises methods of interaction with standard quote tools. Release is scheduled for early 2020;
- Implementation of the new Group intranet (**Really**).

Activities in the **regulatory field** in 2019 included the replacement of the anti-money laundering management system to bring this in line with the requirements of the 4th AML Directive, the release of software components in accordance with IDD 2, the continuation of activities in connection with the GDPR, the launch of the ADP platform and the continuation of activities related to the IFRS 17 project.

In the area of **business intelligence**, projects started or completed in 2019 include:

- **Internal model project - CAT NAT**: ITES assisted with the definition of the internal CAT model for earthquakes. It also defined new *ad hoc* pre-transmission and post-processing data quality processes for external suppliers.
- **Internal model project - Stage II**: ITES assisted with the definition of the internal model - stage II (Life). The procedure to obtain approval by IVASS will be initiated in 2H 2020, while the dedicated cloud infrastructure is already in place. The IVASS-approved project is now scheduled for completion by the end of 1H 2022.
- **Fast Close Project:** work continued on the various aspects, with the development of leaner, more efficient processes that, combined with initiatives in the short and medium-to-long term, will enable faster closure of the quarterly processes defined in the strategic plan. The infrastructure has been migrated to cloud and is fully operational, improving data processing and accelerating the scalability of basic HW and SW architecture components.
- **Big Data Project:** In relation to the Data Driven Company, of which this project will become part, the cloud analytics platform is operational. This will enable huge volumes of data (Big Data) to be managed, using advanced analytics, machine learning and artificial intelligence to implement company initiatives. This platform offers all the functionality and technical capabilities required to support automation and scalability in a simple, flexible manner, optimising costs through standardisation and billing on a pay-as-you-go basis.

In terms of **infrastructure**, in 2019 the Company discontinued the use of VDI and distributed laptops and set up remote working tools. The upgrading of systems continued, including the Oracle database on Supercluster, the printing infrastructure, reporting (SAP Business Object) and Windows. Activities in this area also regarded the commissioning of a process to enable continuous patching on data centre servers and the installation of security system (Cisco Umbrella).

1.8.3 DIGITAL INNOVATION

For Reale Group, innovation is not just a core principle of its business culture; it underpins sustainable growth in order to increase competitiveness in the medium and long term and meet new needs.

Reale Group is focussing on five areas of innovation: Corporate Venturing, Data Science Centre of Excellence, Digital Factory, Ecosystems and Partnerships and Reale Lab 1828.

Reale Group Corporate Venturing is a division of the Group's Digital & Innovation area. Its purpose is to search for the best innovative start-ups in Italy and abroad, and invest in them with a view to creating business synergies with Group companies and assisting them in their process of growth and development. In an increasingly aggressive and fast-moving market, investing in start-ups is a powerful lever for supporting the growth and innovation of Reale Group.

The **Data Science Centre of Excellence** (DS CoE) is a division of the Digital & Innovation area. Its purpose is to support Reale Group on the journey to becoming a data-driven organisation: in a world where data and data science are fundamental tools for developing innovative business models, acquiring skills in the pervasive use of data through the application of advanced analytics and artificial intelligence is now an essential strategic goal in order to remain competitive. The DS CoE unit operates at Group level and is made up of colleagues seconded from the various Reale Group companies in Italy and Spain. Building a data-driven organisation is the subject of a strategic three-year project that is expected to have an impact on the operating results of Group companies, lead to the development of a scalable reference model and make data science a key competence of Reale Group.

The objective of the Reale Group **Digital Factory** is to accelerate digital transformation and innovation through the use of flexible, streamlined methodologies, to propel the Group's cultural transformation. In the Digital Factory all organisational divisions between corporate functions and technology are eliminated and a selected team will work, for as long as necessary, on a specific business objective in a common environment. The Digital Factory Room thus identifies a topic, the team and the actual space used for the purpose. Within the team, the Product Owner represents the business requirements. The team starts with a needs analysis and is responsible for implementing all aspects of the solution. It has a high level of autonomy in decision-making and in the use of the most appropriate resources, in terms of both budget and capacity. The solution is implemented gradually, in stages, each aimed at enabling some of the functions requested. When the solution is ready, it goes to Reale Ites for maintenance. The team is made up of colleagues from different areas and companies flanked, where necessary, by external coaches in methodology and system developers. A Digital Factory Room work cycle typically comprises a design thinking stage, prototyping and implementation of the business case of the solution and development of the agile, all within the scrum framework (an incremental, iterative agile methodology for developing products, applications and projects).

Ecosystems & Partnerships is the unit responsible for searching for strategic partnerships, in line with the guidelines of the business plan, so as to be well positioned to play a core role in emerging ecosystems, including those outside the current business boundaries, capable of generating value for Reale Group. The aim is to establish partnerships that can help to change our way of doing business and of managing relations with our members to adapt to future business models, either through initiatives pursuing economic goals or through projects in line with and to support strategic guidelines already in place.

Reale Lab 1828 is a unit entirely dedicated to exploring innovation strategies which are most relevant to the future of insurance and its related services. This innovation hub of Reale Group is the only project of its kind in Italy. With its international team of professionals from different business areas, it is a separate business unit with a dedicated budget. Characterised by fast, streamlined processes, this agile organisation is more like a start-up than part of an organisation established almost two hundred years ago. Reale Mutua set up Reale Lab 1828 to help it prepare for the future and manage ongoing changes in an active way by continuously looking for new ideas and projects to improve everyday life.

1.8.4 DISTRIBUTION NETWORK AND COMMERCIAL BUSINESS ACTIVITIES

Distribution channels

Reale Mutua has developed its distribution channels over the years to establish a network of agencies that, at 31 December 2019, included 354 agencies under contract and 565 insurance distribution agents/brokers. In addition, there are four subsidiary agencies and one agency for employees.
At 31 December 2019, the Company had 29 standing distribution agreements with banks, leasing firms and stock broking companies through its agencies under contract and subsidiary agencies, for the sale of both Life and Non-life policies.

COMMERCIAL ACTIVITIES/TRAINING

The Company continued to introduce important changes on the commercial front in 2019, guided by market trends.
2019 was a year of consolidation and growth for the **Multi-channel platform.** In addition to the www.realemutua.it website, this includes all the necessary infrastructure for managing distribution agreements with the Facile.it price comparison platform and with the NoiPA platform for public sector employees of the Italian Ministry of the Economy and Finance.
By making it possible to quote prices on different sites/portals, the Multi-channel platform results in the generation of more online policies or qualified leads, creating new sales opportunities for the agency channel. In 2019 there were 2,500,000 requests for quotations. These generated around 15,000 qualified leads for agencies and over 72,000 for online policies; policies generated through the Multi-channel platform accounted for 13% of all new Motor insurance policies.

The strategic segmentation model was developed in 2019, to identify groups of customers with similar “insurance needs”. This will also be helpful for the Customer Centricity project. The model was constructed on the Italian insurance market as a whole and then projected onto members in the Company’s portfolio.

Under the **Digit** project, agencies continued to receive assistance and support with the digitalisation process. A format called “Digital Days” was developed for agencies that do not yet fully appreciate how the routine use of digital tools can improve the efficiency of their operating processes.

The project addressed issues in several evolving areas:
- OTP: starting from April 2020, members will be able to sign contracts using a code sent to their mobile phone, eliminating the need to meet their agent in person;
- Extension of the range of products for which prices can be quoted on the Forza 10 platform: an innovative multi-policy/multi-cover quote tool, called BeToYou, has been developed in recent months that will enable our agents to customise the offering of welfare products extremely efficiently and effectively. Alongside this innovative product, a number of “vertical” quote tools have also been developed (“Realmente in Salute Forever”, “Globale Fabbricati”, “Valore Vita”, “Rc Professionisti”) covering more than 80% of the portfolio.
- Review of the tools and processes linked to the zero paper policy “Due copie outsourcing”: starting from 2020, this will offer agencies a reliable, secure system for “eliminating” their copy of the policy. At the reporting date, the proportion of e-policies was stable, at 26.7%.

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In 2019 the **Sales Training** unit pursued a twofold objective: to contribute to achieving the targets set out in the sales plan and develop the skills and professional expertise of intermediaries.

The training plan for 2019, issued in February and available for use via the “Università Reale” platform, focused on providing training courses through conventional channels (traditional classroom lessons, webinars, online). The path is based on three pillars: the sales plan, with its targets and content; changes in market trends and players; changes to the law (especially the impact of the IDD/POG rules and strengthening of the consultative approach to be adopted by intermediaries as required by the latest legislation).

In financial 2019, the unit provided the following training activities for the agencies of Reale Mutua:
- 60 traditional classroom courses, for a total of more than 443 editions (this number includes special projects involving specific training in addition to training provided by our external sales structure to each individual agency of reference). This channel plays a key role and is mainly used for advanced managerial and technical training courses.
- 40 virtual classroom courses, for a total of more than 300 editions. This channel is mainly used for courses on operational aspects of company processes, tools and to focus on certain products or the launch of sales initiatives/campaigns.
- Over 100 online courses, mainly concerned with training on products (this channel was used for the new 60-hour insurance mediation course which included important customisable features and covered the Reale Mutua product offering).

Set up in April 2019, the **Sales Initiatives and Trade Marketing** unit supported the agency network in three main areas:
- **Campaign Management**, overseeing the sales campaigns run by Reale Mutua's agency network, supporting, organising and managing the activities to be carried out under the Company's sales plan;
- **Trade Marketing**, concerned with managing and coordinating the exchange of information between the Company and its agencies via e-mail campaigns and through careful management and regular updating of the respective websites;
- **Management of Incentive Schemes** for the network (contests), ensuring compliance with the guidance provided in the sales plan, establishing the competition rules and managing all related activities, coordinating the company structures involved.

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In the area of **Welfare Distribution Development**, the strategies defined in 2018 were rolled out.
In detail:
- re-definition and strengthening of the role of sub-agents and co-workers of agents specialised in the field of welfare;
- signing of an agreement with the Previlavoro Italia health care fund, to provide health care insurance cover for the fund's subscribers;
- signing of an agreement with a leading provider of flexible benefit welfare plans (Eudaimon) to develop a proprietary platform under the Blue Assistance brand.

The aim is to become a leading player in the market, by redefining the distribution strategies and confirming the central role of agents in fostering expansion in the Welfare products sector.

Marketing and Communication

In the area of **digital** marketing, specific online advertising campaigns were launched during the year to support the multi-channel sales model by generating "qualified" leads (potential customers who qualified themselves) for the agencies and sales of policies online.
After a complete overhaul of the user experience, which was improved and adapted to enable all users to access the Company's website from any mobile device, there was a double-digit increase in mobile data traffic that led to a rise in all the main interactions (quotes, online purchases, accesses to the reserved area).

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Following the launch, in May, of the new Reale Group corporate campaign entitled "*Da sempre facciamo quadrato attorno a te*" (We have always stood foursquare behind you), in July Reale Mutua aired its new advertising campaign called "*Tutto questo per me*" (All this for me) on general and satellite TV channels.
This new campaign made increasing use of online channels, which are being used more and more by Reale Mutua's target audience: the online commercial was viewed more than 10 million times.

The "Reale Observatory" project, launched more than two years ago to sustain the Company's positioning in the Welfare sector, continued in 2019: created to research issues and provide evidence relevant to the sector, the project has resulted in the publication of more than 1,000 articles in Italy's main national newspapers.

Another initiative in the field of Welfare was the awarding of the prize for the 2018 edition of “Welfare Together”, which featured a call for innovative ideas for potential start-ups in this area. The prize for the winning idea was a € 20 thousand grant and three months of support to develop and market the idea. The Company chose the Wired Next Fest as the venue for the award ceremony for the 2018 edition. Held in Milan and Florence, this is the most important innovation festival in Italy. Reale Mutua has been a partner for several years.

In considering good health as the first form of insurance, the Company renewed its partnership with Slow Food, the famous association that promotes good, clean and fair food.

As part of its positioning strategy in the Agriculture sector, the Company continued to work on a number of projects with Confagricoltura, the Italian Confederation of Agriculture, including the important Vinitaly event in Verona, in April 2019.

Among its sports sponsorships, the Company renewed its long-standing partnerships with Dinamo Sassari, Reale Mutua Fenera Volley and the Reale Mutua Rotino 81 water polo team. It also signed an important partnership agreement under which Reale Mutua, as title sponsor, will have a key role in relaunching the Reale Mutua Basket Torino team, which plays in the Italian Serie A2.

* * *

In the area of **institutional relations**, Reale Mutua’s attentiveness to the community was mainly reflected in activities to support local cultural events to promote art and music.
The Company acted as sponsor for a number of cultural events and exhibitions promoted by organisations in the city of Turin (Pinacoteca dell’Accademia Albertina - Albertina Picture Gallery, Palazzo Madama, Polo del ‘900, etc.). As well as continuing to support Teatro Regio through its sponsorship of the performance of the “Rigoletto” opera, Reale Mutua sponsored the 32nd edition of the “Salone Internazionale del Libro di Torino” (Turin International Book Fair), the “Biennale Democrazia” (Democracy Biennial) and the first edition of the Piedmont Jazz Festival. It also confirmed its partnership with the "Fondazione Circolo dei Lettori" (Readers' Circle Foundation).

Within the scope of a broader project aimed at preserving and enhancing its historical heritage, Reale Mutua is a member of Museimpresa, the Italian association of museums and industrial archives that supports Italian companies committed to implementing communication strategies to promote their cultural heritage. The Company paid particular attention to making the rooms and exhibits more accessible, so that they can be fully appreciated by all visitors with different levels of physical or cognitive disability.
Furthermore, the Reale Mutua Museum and Historical Archives strengthened their presence amongst Turin’s museums and archives through their participation and involvement in several cultural events open to the public, including the “Archivissima” archives festival, the “F@mu National Family at the Museum Day” and the organisation of drawing and painting workshops in partnership with the Accademia Albertina Picture Gallery in Turin. The educational projects for primary and middle-school pupils were confirmed for the 2019-2020 school year, in addition to new courses specifically designed for secondary schools.

As regards **press** relations, the Company stepped up efforts to establish its credentials among leading journalists from newspapers and general and sector-specific magazines. This included increasing participation in interviews, conferences and workshops. The Company maintained constant relations with the mass media in order to guarantee the utmost efficiency in the dissemination of corporate news and enhance its visibility.
This was achieved by producing and publishing specific press releases and organising press conferences to illustrate the Company’s work to journalists from the main local and national newspapers and obtain media coverage.

1.8.5 LITIGATION

In addition to cases involving insurance issues, litigation is in course with former employees and co-workers of the Company and with the agency network. Provisions for risks and charges, which amounted to € 1,470 thousand at 31 December 2019, are sufficient to cover the liabilities deriving from the lawsuits in course.

As regards tax disputes, a number of pending lawsuits relating to VAT on coinsurance assignments for the tax periods from 2003 to 2012 were settled in May, in accordance with legislation governing the "special measure for concluding tax disputes (art. 6 of Legislative Decree No. 119/2018 in coordination with conversion law No. 136 of 17 December 2018 on urgent measures on tax and financial matters).
The matters in question merely regarded the interpretation of tax regulations governing the application of VAT to coinsurance assignments, on which there is ample case law supporting the approach applied by the insurance companies, as well as a few unfavourable rulings.
The application of this special measure to settle the dispute does not constitute any endorsement by the Company of the argument upheld by the Tax Office, but was based on an assessment of pure economic convenience. The costs sustained to settle the dispute in this way are indeed significantly lower than the original tax claim. These costs were covered by the provisions allocated at the end of 2018.
The only disputed matter that was not settled at that date, also relating to VAT on coinsurance assignments, regards the 2013 tax period.

The Company was the subject of a tax inspection by the Piedmont Regional Tax Office (Major Taxpayers Unit) in Turin during the year. The inspection regarded VAT on coinsurance assignments in the 2014 tax period and payments of the regional tax on production (IRAP) and VAT in the 2015 tax period.
The inspection referring to the 2014 tax year was completed on 26 September, when the inspectors issued their final report in which they raised just one point concerning VAT on coinsurance operations. The inspection referring to the 2015 tax year was completed on 27 November. In their official tax audit report, the inspectors raised two points concerning (i) VAT on coinsurance operations and (ii) the quantification of the provision for claims for the year with reference to the method used by the liquidators to determine/measure this amount. Specifically, the tax inspectors challenged the calculation of the pure compensation for eight claims.

On 29 November, the Company received a tax assessment notice in relation to inward coinsurance, and the notification of sanctions in relation to the outward portion for 2014, and initiated a tax assessment settlement procedure.
The costs in connection with the VAT disputes are covered by the provisions allocated at 31 December 2018.
For the dispute regarding corporate income tax (IRES) in relation to the provision for claims outstanding, the Company has prudently allocated the amount of € 388 thousand.

1.8.6 CONSOLIDATED NON-FINANCIAL STATEMENT

Pursuant to Legislative Decree No. 254 of 30 December 2016 implementing Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, as a public-interest entity and parent undertaking of a large group, Reale Mutua is required to **disclose non-financial and diversity information**.

Therefore, starting from 2017, the Parent is required to present a specific consolidated non-financial statement containing details about its subsidiaries and information relating to environmental, social and employee-related matters, respect for human rights, anti-corruption and bribery matters deemed relevant in view of the activities and characteristics of the Group.

The report also provides all the information necessary to understand the business model for the organisation and control of Group activities, including in relation to the management of the above matters, the policies pursued by the Group, including due diligence processes implemented, the outcome of those policies and the relevant non-financial key performance indicators, the principal risks, generated or sustained, related to those matters linked to the Group's activities, its products, services or business relationships, including supply and subcontracting chains.
The report must contain information relating to at least the following:

- the use of energy, specifying whether energy is from renewable and/or non-renewable sources, and water use;
- greenhouse gas emissions and air pollution;
- details of current and foreseeable impacts of any risk factors associated with the Group's operations on the environment and on health and safety or other relevant environmental or health risk factors;
- social and employee-related matters, including the actions taken to ensure gender equality, implementation of conventions of international and national organisations and procedures for establishing social dialogue;
- respect for human rights, measures put in place to prevent human rights abuse and actions taken to prevent discrimination;
- measures taken to prevent corruption and bribery, with details of the instruments in place to fight these.

In accordance with the provisions of article 5, paragraph 3(b) of Legislative Decree No. 254/2016, the Parent has prepared this consolidated report as a separate document called the **Reale Group Sustainability Report**. The report, prepared in accordance with “GRI Standards”, is available in the "Sustainability" section of the Group's website www.realegroup.eu/IT.

The report is accompanied by the attestation issued by the auditor pursuant to article 3(10) of Legislative Decree No. 254/2016.

1.8.7 REALE FOUNDATION

The Company contributes to the “Reale Foundation” established by the Group.
The Foundation is a cross-company instrument with an international reach that supports projects to raise donations capable of creating value over time. Embodying the principles of mutuality that have been guiding the actions of Reale Group companies for 190 years, its policy of sustainability and of serving the community, Reale Foundation supports initiatives in Italy, Spain and Chile, in line with the UN 2030 Agenda for sustainable development, with a specific focus on the following three areas: Health & Welfare, Social, Sustainable Environment and Communities.
During the year the Company made a contribution of € 872 thousand to the Foundation.

1.8.8 COMPLAINTS

As regards the **handling of complaints**, in accordance with ISVAP Regulation No. 24/2008 as subsequently amended, 1,872 complaints were filed with the Company in 2019, which is an 11% increase compared with the 1,687 filed in 2018. Of all complaints filed, 95% were resolved, in line with the previous year; the average response time was 20 days, slightly longer than in 2018 (18 days).

1.9 RELATIONSHIPS WITH SUBSIDIARY AND ASSOCIATED COMPANIES

The Company is the Parent of the Reale Mutua Group, registered under number 006 in the Register of insurance companies set up by ISVAP with Regulation No. 15 of 20 February 2008.

The Company is not subject to the management and coordination of third parties pursuant to article 2497 *et seq.* of the Italian Civil Code; it manages and coordinates its subsidiaries in accordance with the aforementioned provision.

* * *

A) Italian Subsidiaries

Activities and services common to the various Italian companies of Reale Group have been concentrated in accordance with a Group strategy based on synergy, coordination and control.

In particular, for the Italian subsidiaries, Reale Mutua has concentrated management of settlement activities, general services, services relating to administrative activities (such as general and financial accounting, preparation of the financial statements, payroll and contributions, legal, fiscal and labour law assistance and consulting), various commercial, organisational, training and recruitment services and certain technical services within its own departments. The Parent also manages Risk Management, Compliance and Anti-money laundering activities for the Italian subsidiaries.
During 2019, these services generated total revenues for the Company of € 36,129 thousand.

At the same time, Reale Mutua received services relating mainly to IT services, financial and asset management, real property and logistics, cost accounting and call centre activities for a total amount of € 126,338 thousand. Such services are furnished on an arm's length basis and do not have any substantial effects on the operating and financial situation of the Company.

As regards the furnishing of Group services and coordination, at 31 December 2019, 25 employees of Reale Mutua, including five senior managers, were seconded to subsidiary companies. At the same date, 319 employees of Group companies, including one senior manager, were seconded to the Company.

The main data for each Italian subsidiary at 31 December 2019 are set forth below.

Italiana Assicurazioni S.p.A. - Milan

At 31 December 2019 this Company reported premium income from direct business and inward reinsurance of € 1,935,275 thousand, in relation to € 1,899,004 thousand in 2018, with an increase of 1.9%, of which € 784,749 thousand for Non-life business, with a decrease of 0.4%, and € 1,150,526 thousand for Life business, with an increase of 3.5%.
The year closed with a net profit of € 69,741 thousand in relation to a loss of € 11,971 thousand in 2018. In particular, Non-life business recorded a profit of € 27,901 thousand, compared with € 2,630 thousand in 2018, and Life business recorded a profit of € 41,840 thousand, compared with a loss of € 14,600 thousand in 2018.

Banca Reale S.p.A. - Turin

In terms of the main balance sheet and income statement items, total customer deposits stood at € 17,738,454 thousand at 31 December 2019, an increase of 12.0% compared with the previous year. Direct deposits amounted to € 798,135 thousand and indirect deposits to € 16,940,319 thousand. Loans to customers amounted to € 446,309 thousand at the end of the year, an increase of 20.6% over 2018.
The income statement for 2019 closed with an intermediation margin of € 32,317 thousand (+15% in relation to 2018).
Profit from current operations, before taxes, amounted to € 4,524 thousand (+70.7% compared with 2018).
The year closed with a net profit of € 2,833 thousand compared with € 1,576 thousand in 2018.

Reale Immobili S.p.A. - Turin

In terms of economic results, at 31 December 2019 rents from real estate amounted to € 73,787 thousand, up € 4,847 thousand compared with 31 December 2018.
Gains arising from the sale of real estate amounted to € 17,142 thousand compared with € 13,896 thousand in the previous year.
The year closed with a profit of € 33,672 thousand compared with € 21,697 thousand in 2018.

Blue Assistance S.p.A. - Turin

Revenues generated by ordinary operations amounted to € 36,922 thousand, 12% up on 2018.
The year closed with a net profit of € 962 thousand compared with a profit of € 646 thousand in 2018.

Reale Ites S.r.l. - Turin

Revenues from services amounted to € 88,910 thousand and referred entirely to fees for IT services supplied to Group companies. At year-end, investments in hardware and software amounted to € 87,468 thousand.
The Company closed 2019 with a net profit of € 997 thousand.

Italnext S.r.l.

Italnext S.r.l. was established in 2015 and is a subsidiary of Italian Assicurazioni. Its purpose is to undertake insurance mediation and develop new distribution channels. Revenues from sales and services amounted to a total of € 2,489 thousand.
The Company reported a net profit of € 459 thousand.

Rem Intermediazioni S.r.l. (Formerly Uniqa Intermediazioni S.r.l.)

The Company is wholly owned by Italiana Assicurazioni.
Rem Intermediazioni, established in 2004, performs agency activities through an independent agent.
Revenues from sales and services amounted to a total of € 578 thousand.
The Company reported a net profit of € 327 thousand.

* * *

<u>B) Foreign Subsidiaries</u>

The main data concerning intra-group relations with each foreign subsidiary at 31 December 2019 are set forth below.
Reale Mutua manages services for the administration and control of financial and property investments, equity and finance services and risk management activities, in relation to the development and management of the internal model, on behalf of its Spanish subsidiary Reale Seguros Generales. It manages services for the administration and control of financial and property investments, equity and finance services and actuarial services for the Life business on behalf of the Spanish subsidiary Reale Seguros Generales. It manages services in connection with treasury activities and purchase management on behalf of the Reale Ites Esp. subsidiary.
During 2019, these services generated total revenues for the Company of € 606 thousand, and costs for € 107 thousand.
At 31 December 2019 eight employees from Reale Seguros Generales were partially or wholly seconded to Reale Mutua, two employees from Reale Mutua were seconded to Reale Chile Seguros and two to Reale Ites Esp.

Reale Seguros Generales S.A. – Madrid

In financial 2019, the Company reported a volume of premiums of € 901,056 thousand (€ 869,058 thousand in 2018), with a y/y increase of 3.7%. The Motor sector increased by 3.2% and the Non-motor sector by 4.4%. The combined operating ratio improved, from 96.2% to 95.4%, reflecting:

- a 2.5 percentage point reduction in the loss ratio (59.3% in relation to 61.8% in 2018);
- a slight increase in the expenses ratio, which stood at 34.1% (33.3% in 2018);
- a slight increase in the balance between the result of reinsurance and other technical items (2.0% in 2019 in relation to 1.0% in 2018).

The year closed with a net profit of € 38,588 thousand, compared with € 27,000 thousand in the previous year.

Reale Vida y Pensiones S.A. – Madrid

In 2019 the Company reported a volume of premiums of € 51,556 thousand (€ 41,329 thousand in 2018), with a y/y increase of 24.8%. This reflected an upswing in premium income from risk and savings policies (+14.3% and +30.2%, respectively).
The year closed with a net profit of € 1,720 thousand, compared with € 1,883 thousand in 2018.

Inmobiliaria Grupo Asegurador Reale S.A. – Madrid

The activities of this Company regarded the management and enhancement of the real estate assets transferred by Reale Seguros in 2018.
Revenues generated by ordinary operations amounted to € 6,663 thousand in 2019, compared with € 6,405 thousand in 2018, with a y/y increase of 4.0%.
The year closed with a net profit of € 1,168 thousand in relation to € 1,478 thousand in 2018.

Reale Ites Esp S.l.

Revenues from sales and services amounted to a total of € 23,596 thousand.
The Company reported a net profit of € 1,050 thousand.

Reale Group Latam S.p.A. – Santiago

This company is an insurance holding. It is wholly owned by Reale Seguros and in turn has a controlling interest of 99.52% in Reale Group Chile.
The Company reported a loss of € 23 thousand.

Reale Group Chile S.p.A. – Santiago

This company is an insurance holding. It is 99.52% owned by Reale Group Latam and in turn has a controlling interest of 99.99% in Reale Chile Seguros.
The Company reported a loss of € 221 thousand.

Reale Chile Seguros S.A. – Santiago

The Company reported a volume of premiums from direct business of € 79,233 thousand (€ 55,179 thousand in 2018), with a y/y increase of 43.6%. In detail, there was a 45.3% rise in premium income in the Motor business and a 47.4% increase in the Non-motor sector.
The combined operating ratio improved, from 324.5% to 103.5%, reflecting:

- a considerable 68.0 percentage point reduction in the loss ratio (81.6% in relation to 149.6% in 2018), also owing to the lower allocation to the provision for unexpired risks, as required by Chilean law;
- a marked decrease in the expenses ratio, which stood at 39.0% (149.5% in 2018);
- a decrease in the balance between the result of reinsurance and other technical items (-17.1% in 2019 in relation to 25.4% in 2018).

The social uprisings that began on 18 October and characterised the last quarter of 2019 led to a reduction in premium volumes which were 9% lower than forecast in the business plan: despite this, the Company managed to limit the impact on the technical balance and the net result at the end of the year was 5% lower than expected.
The year ended with a loss of € 398 thousand compared with a loss of € 22,806 thousand in 2018. It should be noted that the previous year’s result was significantly affected by the allocation of € 40 million to the provision for unexpired risks.
It is also important to point out that the volatility in the exchange rate of the euro against the Chilean peso, as a result of the wave of socio-political unrest in the country, greatly influenced the Company’s earnings expressed in euros.

* * *

C) Associated companies

The main data for each associated company at 31 December 2019 are set forth below.

Credemassicurazioni S.p.A. - Reggio Emilia

This Non-life company is owned on an equal basis by Reale Mutua and the Credem banking group.
In financial 2019 Credemassicurazioni garnered premium income for € 47,065 thousand, compared with € 40,393 thousand in 2018, an increase of 16.5% in relation to the previous year.
The year closed with a profit of € 9,080 thousand compared with € 7,036 thousand in the previous year.
The proposal submitted to the Meeting does not envisage the distribution of a dividend, but allocation of the entire amount to reserves.

1.10 MAIN EVENTS IN EARLY 2020

On 30 January 2020, the World Health Organisation (WHO) declared a public health emergency of international concern for a novel coronavirus responsible for a disease officially known as COVID-19. The virus, which was first reported at the end of December in the Chinese province of Hubei, spread to different parts of the world in January and February, causing considerable human suffering and severe economic disruption. On 11 March, given the alarming rate at which the virus was spreading and the severity of the outbreak, the WHO declared it a pandemic.

Italy has one of the highest infection and mortality rates in the world, second only to China. The Italian government has stepped up its efforts to tackle the epidemic and introduced a period of quarantine that will have huge effects on the entire national economy.

Right from the start, Reale Mutua responded to the emergency by activating crisis plans already in place, and took steps to protect public health (employees, agents, suppliers, etc.) while remaining fully operational. In the current situation, remote working is a key aspect of business continuity and 98% of employees are now working from home. The Group has adopted a crisis management model and set up specific boards at international and national level, in order to adopt a structured approach to address each aspect and impact of the emergency situation: internal organisational and operational issues, support for the agency networks and the impact on the Group's financial standing, operating results and solvency position, how the situation will influence communications and social development.

Pursuant to the provisions of OIC 29, this event occurred after the end of the financial year and does not require any adjustment to the amounts in the financial statements.
At the time of writing, based on analyses carried out after the end of the financial year, the impact of the coronavirus emergency on financial markets and on the macroeconomic context in general is not expected to influence the assets and liabilities, financial standing or solvency position of the Company such as to indicate that the going concern assumption is no longer appropriate.

* * *

No further events occurred after the closure of the accounts that could have a significant effect on the information provided in the balance sheet or income statement.

1.11 BUSINESS OUTLOOK

Following the Coronavirus emergency, **growth prospects** for 2020 have been revised down sharply and the main international institutions, led by the International Monetary Fund, have warned of the possibility of sharp slowdowns.

Financial market expectations have suddenly changed, amid a great deal of uncertainty linked to the severity and duration of the crisis.

The support of central banks might help financial markets in the short term, but longer-term recovery will only be possible when uncertainties over the spread of the virus and its impact on the economy have been resolved.

* * *

In the **insurance sector**, according to the most recent forecasts, issued prior to the outbreak of the coronavirus emergency, the Italian insurance market was expected to see growth of 4.7% in 2020 (with Life business set to expand by 5% and Non-life business by 3.6%).

These forecasts will be reviewed as soon as it is possible to have a clearer picture of how the emergency is evolving.

In this context and until the effects of the coronavirus can be fully understood, indications regarding the Company's **business activities** confirm the positive projections examined during the Meeting of Delegates of 9 December 2019.

The forecast is for a slight decrease in total premium income for 2020, but an improvement in Non-life premium income compared with that reported at the end of financial 2019, reflecting a moderate increase in Motor business premiums and faster growth in the Non-motor business, especially in the area of Welfare products.

The Life business, where growth was driven by the private segment in 2019, will aim to consolidate premium income from separate funds and focus on improving profitability by increasing volumes of products such as term life and long-term care policies.

In that context, the types and proportions of investment activities will be determined according to the usual prudent criteria. In 2020, investments will be chosen on the basis of the usual financial risk-return criteria, in addition to an analysis of factors related to environmental and social sustainability and governance.

1.12 AUDIT

Pursuant to article 102 of Legislative Decree No. 209 of 7 September 2005, and articles 14-16 of Legislative Decree No. 39 of 27 January 2010, the annual accounts at 31 December 2019 have been audited by EY S.p.A.

1.13 MOTIONS ON THE PROFIT FOR THE YEAR

To the Delegates,

We herewith submit for your approval the financial statements at 31 December 2019 and the report on operations. We propose that the net profit for the year of € 144,165,155.98, reflecting a profit of € 80,660,255.00 for Non-life business and of € 63,504,900.98 for Life business, be allocated as follows:

Allocation of 5% to the legal reserve for Non-life business	€ 4,033,012.75
Allocation to the ordinary reserve for Non-life business	€ 76,627,242.25
Allocation of 5% to the legal reserve for Life business	€ 3,175,245.05
Allocation to the ordinary reserve for Life business	€ 60,329,655.93

* * *

The Board of Directors wishes to thank the management, all members of staff and agents for their unfailing co-operation and commitment during the year.

THE BOARD OF DIRECTORS

BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET

ASSETS

Values of the year

A.	SUBSCRIBED CAPITAL UNPAID				1 0
	of which called-up capital		2 0		
B.	INTANGIBLE ASSETS				
	1. Deferred acquisition commissions				
	a) Life business	3 0			
	b) Non-life business	4 0	5 0		
	2. Other acquisition costs		6 0		
	3. Start-up and expansion costs		7 0		
	4. Goodwill		8 0		
	5. Other multi-year costs		9 519,807		10 519,807
C.	INVESTMENTS				
I	- Land and buildings				
	1. Property used in company operations		11 23,369,110		
	2. Property rented to third parties		12 27,563,283		
	3. Other properties		13 0		
	4. Other property rights		14 0		
	5. Construction in progress and advances		15 0	16 50,932,393	
II	- Investments in Group companies and other shareholdings				
	1. Shares and interests:				
	a) controlling companies	17 0			
	b) subsidiary companies	18 1,933,663,230			
	c) affiliated companies	19 0			
	d) associated companies	20 22,136,186			
	e) other companies	21 10,390,294	22 1,966,189,710		
	2. Bonds issued by:				
	a) controlling companies	23 0			
	b) subsidiary companies	24 0			
	c) affiliated companies	25 0			
	d) associated companies	26 0			
	e) other companies	27 0	28 0		
	3. Loans to:				
	a) controlling companies	29 0			
	b) subsidiary companies	30 0			
	c) affiliated companies	31 0			
	d) associated companies	32 0			
	e) other companies	33 0	34 0	35 1,966,189,710	
			to be carried forward		519,807

Values of the previous year

			181 0
	182 0		
183 0			
184 0	185 0		
	186 0		
	187 0		
	188 0		
	189 439,917		190 439,917
	191 17,046,667		
	192 27,241,790		
	193 0		
	194 0		
	195 3,203,713	196 47,492,170	
197 0			
198 1,933,413,250			
199 0			
200 22,136,186			
201 9,820,391	202 1,965,369,827		
203 0			
204 0			
205 0			
206 0			
207 0	208 0		
209 0			
210 0			
211 0			
212 0			
213 0	214 0	215 1,965,369,827	
	to be carried forward		439,917

BALANCE SHEET

ASSETS

Values of the year

			carried forward					519,807
C. INVESTMENTS (continued)								
III - Other financial investments								
1. Shares and interests								
a) Listed shares	36	39,905,718						
b) Unlisted shares	37	4,365,245						
c) Interests	38	12,595,677	39	56,866,640				
2. Shares in common investment funds			40	197,406,425				
3. Bonds and other fixed-income securities								
a) listed	41	6,165,997,239						
b) unlisted	42	19,146,950						
c) convertible debentures	43	0	44	6,185,144,189				
4. Loans								
a) loans secured by mortgage	45	29,354,162						
b) loans on policies	46	990,005						
c) other loans	47	1,155,428	48	31,499,595				
5. Participation in investment pools			49	0				
6. Deposits with credit institutions			50	820,357				
7. Other financial investments			51	0	52	6,471,737,206		
IV - Deposits with ceding undertakings					53	2,772,150	54	8,491,631,459
D. INVESTMENTS FOR THE BENEFIT OF LIFE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS								
I - Investments relating to contracts linked to investment funds and market indices					55	916,717,008		
II - Investments relating to the administration of pension funds					56	268,110,865	57	1,184,827,873
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS								
I - NON-LIFE BUSINESS								
1. Provision for unearned premiums			58	38,675,645				
2. Provision for claims outstanding			59	155,081,270				
3. Provisions for profit-sharing and premium refunds			60	0				
4. Other technical provisions			61	0	62	193,756,915		
II - LIFE BUSINESS								
1. Provisions for policy liabilities			63	2,778,254				
2. Unearned premium provision for supplementary coverage			64	0				
3. Provision for sums to be paid			65	434,168				
4. Provision for profit-sharing and premium refunds			66	0				
5. Other technical provisions			67	0				
6. Technical provisions for policies where the investment risk is borne by the policyholders and relating to the administration of pension funds			68	0	69	3,212,422	70	196,969,337
			to be carried forward					9,873,948,476

Values of the previous year

	carried forward		439,917
216 102,564,007			
217 4,847,701			
218 12,595,677	219 120,007,385		
	220 213,673,241		
221 5,729,537,710			
222 31,796,381			
223 0	224 5,761,334,091		
225 28,610,073			
226 1,264,995			
227 1,189,603	228 31,064,671		
	229 0		
	230 819,362		
	231 0	232 6,126,898,750	
		233 3,006,084	234 8,142,766,831
		235 804,440,962	
		236 234,968,111	237 1,039,409,073
	238 37,704,667		
	239 163,975,366		
	240 0		
	241 0	242 201,680,033	
	243 2,486,115		
	244 0		
	245 240,568		
	246 0		
	247 0		
	248 0	249 2,726,683	250 204,406,716
	to be carried forward		9,387,022,537

BALANCE SHEET

ASSETS

Values of the year

		carried forward			9,873,948,476
E.	RECEIVABLES				
I	- Receivables arising out of direct insurance operations:				
	1. Policyholders				
	a) for premiums current year	71 181,261,046			
	b) for premiums previous years	72 18,950,351	73 200,211,397		
	2. Insurance intermediaries		74 254,469,364		
	3. Current accounts with insurance companies		75 26,688,348		
	4. Policyholders and third parties for recoveries		76 59,995,201	77 541,364,310	
II	- Receivables arising out of reinsurance operations:				
	1. Insurance and reinsurance companies		78 68,574,133		
	2. Reinsurance intermediaries		79 6,851,716	80 75,425,849	
III	- Other receivables			81 291,324,246	82 908,114,405
F.	OTHER ASSETS				
I	- Tangible assets and inventories:				
	1. Furniture, office machines and internal transport vehicles		83 4,962,044		
	2. Vehicles listed in public registers		84 0		
	3. Machinery and equipment		85 5,911,402		
	4. Inventories and other goods		86 0	87 10,873,446	
II	- Cash at bank and in hand				
	1. Bank and postal accounts		88 64,881,340		
	2. Cheques and cash on hand		89 2,798	90 64,884,138	
III	- Own shares or equity interests			91 0	
IV	- Other				
	1. Deferred reinsurance items		92 2,027		
	2. Miscellaneous assets		93 178,053,397	94 178,055,424	95 253,813,008
G.	PREPAYMENTS AND ACCRUED INCOME				
	1. Accrued interest			96 48,080,130	
	2. Rents			97 0	
	3. Other prepayments and accrued income			98 483,536	99 48,563,666
	TOTAL ASSETS				100 11,084,439,555

Values of the previous year

	carried forward		9,387,022,537
251 182,803,000			
252 15,460,352	253 198,263,352		
	254 255,591,916		
	255 17,973,794		
	256 63,964,411	257 535,793,473	
	258 81,383,296		
	259 7,759,765	260 89,143,061	
		261 231,735,787	262 856,672,321
	263 4,351,356		
	264 0		
	265 4,856,746		
	266 0	267 9,208,102	
	268 48,822,459		
	269 2,416	270 48,824,875	
		271 0	
	272 2,027		
	273 162,326,991	274 162,329,018	275 220,361,995
		276 49,794,397	
		277 0	
		278 232,062	279 50,026,459
			280 10,514,083,312

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

Values of the year

A.	SHAREHOLDERS' EQUITY			
I	- Subscribed capital or equivalent fund		101 60,000,000	
II	- Share premium account		102 0	
III	- Revaluation reserves		103 136,222,768	
IV	- Legal reserve		104 223,966,216	
V	- Statutory reserves		105 0	
VI	- Reserves for own shares and shares of the controlling company		400 0	
VII	- Other reserves		107 1,663,986,767	
VIII	- Profit (loss) brought forward		108 0	
IX	- Net profit (loss) for the year		109 144,165,156	
X	Negative reserve for own shares held		401 0	110 2,228,340,907
B.	SUBORDINATED LIABILITIES			111 0
C.	TECHNICAL PROVISIONS			
I	- NON-LIFE BUSINESS			
	1. Provision for unearned premiums	112 690,177,609		
	2. Provision for claims outstanding	113 1,678,895,965		
	3. Provision for profit-sharing and premium refunds	114 0		
	4. Other technical provisions	115 2,007,666		
	5. Equalisation provision	116 11,615,604	117 2,382,696,844	
II	- LIFE INSURANCE BUSINESS			
	1. Provisions for policy liabilities	118 4,809,225,046		
	2. Unearned premium provision for supplementary coverage	119 169,148		
	3. Provision for sums to be paid	120 43,741,024		
	4. Provision for profit-sharing and premium refunds	121 0		
	5. Other technical provisions	122 20,219,967	123 4,873,355,185	124 7,256,052,029
D.	TECHNICAL PROVISIONS WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS			
I	- Provisions relating to contracts linked to investment funds and market indices		125 917,268,797	
II	- Provisions relating to the administration of pension funds		126 268,074,068	127 1,185,342,865
		to be carried forward		10,669,735,801

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

Values of the year

A.	SHAREHOLDERS' EQUITY					
	I - Subscribed capital or equivalent fund			101	60,000,000		
	II - Share premium account			102	0		
	III - Revaluation reserves			103	136,222,768		
	IV - Legal reserve			104	223,966,216		
	V - Statutory reserves			105	0		
	VI - Reserves for own shares and shares of the controlling company			400	0		
	VII - Other reserves			107	1,663,986,767		
	VIII - Profit (loss) brought forward			108	0		
	IX - Net profit (loss) for the year			109	144,165,156		
	X Negative reserve for own shares held			401	0	110	2,228,340,907
B.	SUBORDINATED LIABILITIES					111	0
C.	TECHNICAL PROVISIONS						
	I - NON-LIFE BUSINESS						
	1. Provision for unearned premiums	112	690,177,609				
	2. Provision for claims outstanding	113	1,678,895,965				
	3. Provision for profit-sharing and premium refunds	114	0				
	4. Other technical provisions	115	2,007,666				
	5. Equalisation provision	116	11,615,604	117	2,382,696,844		
	II - LIFE INSURANCE BUSINESS						
	1. Provisions for policy liabilities	118	4,809,225,046				
	2. Unearned premium provision for supplementary coverage	119	169,148				
	3. Provision for sums to be paid	120	43,741,024				
	4. Provision for profit-sharing and premium refunds	121	0				
	5. Other technical provisions	122	20,219,967	123	4,873,355,185	124	7,256,052,029
D.	TECHNICAL PROVISIONS WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS						
	I - Provisions relating to contracts linked to investment funds and market indices			125	917,268,797		
	II - Provisions relating to the administration of pension funds			126	268,074,068	127	1,185,342,865
	to be carried forward						10,669,735,801

Values of the previous year

	281 60,000,000	
	282 0	
	283 136,222,768	
	284 217,432,659	
	285 0	
	500 0	
	287 1,563,675,207	
	288 0	
	289 106,845,118	
	501 0	290 2,084,175,752
		291 0
292 683,024,044		
293 1,701,295,445		
294 0		
295 493,306		
296 11,344,973	297 2,396,157,768	
298 4,587,642,951		
299 170,570		
300 42,603,716		
301 0		
302 18,199,614	303 4,648,616,851	304 7,044,774,619
	305 805,139,032	
	306 234,958,927	307 1,040,097,959
to be carried forward		10,169,048,330

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

Values of the year

		carried forward							10,669,735,801
E.	PROVISIONS FOR RISKS AND CHARGES								
	1. Provisions for pensions and similar obligations				128	28,163,570			
	2. Provisions for taxation				129	6,772,548			
	3. Other provisions				130	58,718,485		131	93,654,603
F.	DEPOSITS RECEIVED FROM REINSURERS							132	3,667,809
G.	PAYABLES AND OTHER LIABILITIES								
	I - Payables arising out of direct insurance operations:								
	1. Insurance intermediaries		133	39,522,727					
	2. Current accounts with insurance companies		134	5,797,327					
	3. Premium deposits and premiums due to policyholders		135	14,460,596					
	4. Guarantee funds in favour of policyholders		136	1,091,034	137	60,871,684			
	II - Payables arising out of reinsurance operations:								
	1. Insurance and reinsurance companies		138	2,006,133					
	2. Reinsurance intermediaries		139	3,112,945	140	5,119,078			
	III - Debenture loans				141	0			
	IV - Amounts owed to banks and credit institutions				142	0			
	V - Loans guaranteed by mortgages				143	0			
	VI - Miscellaneous loans and other financial liabilities				144	0			
	VII - Provision for employee termination indemnities				145	7,763,230			
	VIII - Other payables								
	1. Premium taxes		146	29,653,776					
	2. Other tax liabilities		147	65,523,452					
	3. Social security		148	2,154,444					
	4. Miscellaneous payables		149	87,597,486	150	184,929,158			
	IX - Other liabilities								
	1. Deferred reinsurance items		151	0					
	2. Commissions for premiums in course of collection		152	50,840,927					
	3. Miscellaneous liabilities		153	6,392,076	154	57,233,003		155	315,916,153
		to be carried forward							11,082,974,366

Values of the previous year

carried forward		10,169,048,330
	308 28,145,018	
	309 7,577,404	
	310 53,292,954	311 89,015,376
		312 3,192,028
313 46,069,359		
314 208,211		
315 13,799,151		
316 298,431	317 60,375,152	
318 1,065,674		
319 1,571,202	320 2,636,876	
	321 0	
	322 0	
	323 0	
	324 0	
	325 7,995,448	
326 31,695,830		
327 14,865,154		
328 2,039,460		
329 83,604,794	330 132,205,238	
331 0		
332 44,994,769		
333 3,096,689	334 48,091,458	335 251,304,172
to be carried forward		10,512,559,906

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	Values of the year	
carried forward		11,082,974,366
H. ACCRUALS AND DEFERRED INCOME		
1. Accrued interest	156 814,386	
2. Rents	157 650,803	
3. Other accruals and deferred income	158 0	159 1,465,189
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		160 11,084,439,555

Values of the previous year

carried forward		10,512,559,906
	336 880,098	
	337 643,308	
	338 0	339 1,523,406
		340 10,514,083,312

INCOME STATEMENT

				Values of the year
	I. TECHNICAL ACCOUNT – NON-LIFE INSURANCE BUSINESS			
1.	PREMIUMS EARNED, NET OF REINSURANCE:			
	a) Gross premiums written		1 1,517,080,634	
	b) (-) Outward reinsurance premiums		2 142,014,890	
	c) Change in the gross provision for unearned premiums		3 7,153,565	
	d) Change in the provision for unearned premiums, reinsurers' share		4 1,083,161	5 1,368,995,340
2.	(+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (ITEM III. 6)			6 50,342,289
3.	OTHER TECHNICAL INCOME, NET OF REINSURANCE			7 20,047,710
4.	CLAIMS INCURRED, NET OF RECOVERIES AND REINSURANCE			
	a) Claims paid			
	aa) Gross amount	8 1,044,039,331		
	bb) (-) reinsurers' share	9 112,186,032	10 931,853,299	
	b) Change in recoveries, net of reinsurers' share			
	aa) Gross amount	11 30,128,048		
	bb) (-) reinsurers' share	12 0	13 30,128,048	
	c) Change in the provisions for outstanding claims			
	aa) Gross amount	14 -22,410,749		
	bb) (-) reinsurers' share	15 -5,972,300	16 -16,438,449	17 885,286,802
5.	CHANGE IN OTHER TECHNICAL PROVISIONS NET OF REINSURANCE			18 1,514,360
6.	PREMIUM REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE			19 0
7.	OPERATING EXPENSES:			
	a) Acquisition commissions		20 210,430,725	
	b) Other acquisition costs		21 80,859,234	
	c) Change in commissions and other acquisition costs to be amortised		22 0	
	d) Collecting commissions		23 94,046,480	
	e) Other administrative expenses		24 87,424,539	
	(-) Reinsurance commissions and profit-sharing		25 24,327,395	26 448,433,583
8.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE			27 40,569,067
9.	CHANGE IN THE EQUALISATION PROVISION			28 270,631
10.	BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE BUSINESS (Item III. 1)			29 63,310,896

Values of the previous year

		111	1,486,318,353		
		112	140,359,234		
		113	18,966,275		
		114	303,350	115	1,327,296,194
				116	15,837,693
				117	14,047,370
118	1,036,700,525				
119	128,965,674	120	907,734,851		
121	23,237,497				
122	0	123	23,237,497		
124	-60,057,578				
125	-9,841,159	126	-50,216,419	127	834,280,935
				128	-59,376
				129	0
		130	203,024,544		
		131	78,264,619		
		132	0		
		133	96,048,788		
		134	76,474,162		
		135	24,657,944	136	429,154,169
				137	45,999,415
				138	1,207,699
				139	46,598,415

INCOME STATEMENT

Values of the year

II. TECHNICAL ACCOUNT - LIFE INSURANCE BUSINESS

1. PREMIUMS EARNED, NET OF REINSURANCE:			
a) Gross premiums written		30 891,189,992	
b) (-) Outward reinsurance premiums		31 4,857,604	32 886,332,388
2. INVESTMENT INCOME:			
a) From shares and interests		33 13,663,419	
(of which: from Group companies and other shareholdings		34 8,802,948)	
b) From other investments:			
aa) income from land and buildings	35 0		
bb) income from other investments	36 122,849,820	37 122,849,820	
(of which: from Group companies and other shareholdings		38 0)	
c) Value re-adjustments on investments		39 42,039,212	
d) Gains on the disposal of investments		40 28,600,012	
(of which: from Group companies and other shareholdings		41 0)	42 207,152,463
3. INCOME AND UNREALISED GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS			43 138,921,978
4. OTHER TECHNICAL INCOME, NET OF REINSURANCE			44 13,103,920
5. CLAIMS INCURRED, NET OF REINSURANCE:			
a) Claims paid			
aa) Gross amount	45 686,750,942		
bb) (-) Reinsurers' share	46 1,678,182	47 685,072,760	
b) Change in the provisions for claims to be paid			
aa) Gross amount	48 1,137,308		
bb) (-) Reinsurers' share	49 142,714	50 994,594	51 686,067,354
6. CHANGE IN PROVISIONS FOR POLICY LIABILITIES AND IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE			
a) Provisions for policy liabilities:			
aa) Gross amount	52 220,990,055		
bb) (-) Reinsurers' share	53 292,408	54 220,697,647	
b) Unearned premium provision for supplementary coverage:			
aa) Gross amount	55 -1,422		
bb) (-) Reinsurers' share	56 0	57 -1,422	
c) Other technical provisions			
aa) Gross amount	58 2,020,353		
bb) (-) Reinsurers' share	59 0	60 2,020,353	
d) Provisions for policies where the investment risk is borne by the policyholders and relating to the administration of pension funds			
aa) Gross amount	61 145,244,906		
bb) (-) Reinsurers' share	62 0	63 145,244,906	64 367,961,484

Values of the previous year

			140	717,497,291		
			141	4,455,875	142	713,041,416
			143	15,228,185		
(of which: from Group companies and other shareholdings			144	9,314,996)		
	145	0				
	146	117,927,957	147	117,927,957		
(of which: from Group companies and other shareholdings			148	0)		
			149	1,746,314		
			150	16,049,362		
(of which: from Group companies and other shareholdings			151	0)	152	150,951,818
					153	38,789,698
					154	11,278,125
	155	518,255,390				
	156	1,948,876	157	516,306,514		
	158	-4,006,453				
	159	-870,913	160	-3,135,540	161	513,170,974
	162	117,439,125				
	163	162,900	164	117,276,225		
	165	-4,241				
	166	0	167	-4,241		
	168	1,678,619				
	169	0	170	1,678,619		
	171	116,169,374				
	172	0	173	116,169,374	174	235,119,977

INCOME STATEMENT

				Values of the year
7.	PREMIUM REFUNDS AND PROFIT-SHARING, NET OF REINSURANCE			65 0
8.	OPERATING EXPENSES:			
	a) Acquisition commissions		66 14,994,881	
	b) Other acquisition costs		67 11,474,076	
	c) Change in commissions and other acquisition costs to be amortised		68 0	
	d) Collecting commissions		69 1,143,039	
	e) Other administrative expenses		70 19,502,195	
	(-) Reinsurance commissions and profit-sharing		71 1,147,140	72 45,967,051
9.	INVESTMENT MANAGEMENT AND FINANCIAL CHARGES:			
	a) Investment management charges, including interest		73 15,645,189	
	b) Value adjustments on investments		74 3,588,753	
	c) Losses on the disposal of investments		75 366,885	76 19,600,827
10.	INVESTMENT MANAGEMENT AND FINANCIAL CHARGES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND INVESTMENTS DERIVING FROM THE ADMINISTRATION OF PENSION FUNDS			77 30,301,177
11.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE			78 8,184,088
12.	(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (Item III. 4)			79 17,836,161
13.	BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (Item III. 2)			80 69,592,607
	III. NON-TECHNICAL ACCOUNT			
1.	BALANCE ON THE TECHNICAL ACCOUNT FOR NON-LIFE BUSINESS (Item I.10)			81 63,310,896
2.	BALANCE ON THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (Item II. 13)			82 69,592,607
3.	NON-LIFE INVESTMENT INCOME:			
	a) From shares and interests		83 48,203,604	
	(of which: from Group companies and other shareholdings		84 41,995,551)	
	b) From other investments:			
	aa) income from land and buildings	85 3,060,251		
	bb) income from other investments	86 13,139,471	87 16,199,722	
	(of which: from Group companies and other shareholdings		88 214,181)	
	c) Value re-adjustments on investments		89 9,150,785	
	d) Gains on the disposal of investments		90 31,926,020	
	(of which: from Group companies and other shareholdings		91 0)	92 105,480,131

		Values of the previous year	
			175 0
		176 14,465,251	
		177 10,652,286	
		178 0	
		179 1,115,233	
		180 17,490,278	
		181 1,182,298	182 42,540,750
		183 16,987,716	
		184 44,856,016	
		185 3,607,194	186 65,450,926
			187 84,834,267
			188 7,593,149
			189 0
			190 -34,648,986
			191 46,598,415
			192 -34,648,986
		193 51,304,366	
(of which: from Group companies and other shareholdings		194 46,183,754)	
	195 3,296,277		
	196 11,859,859	197 15,156,136	
(of which: from Group companies and other shareholdings		198 602)	
		199 961,647	
		200 8,924,508	
(of which: from Group companies and other shareholdings		201 0)	202 76,346,657

INCOME STATEMENT

			Values of the year
4.	(+) ALLOCATED INVESTMENT RETURN TRANSFERRED FROM THE TECHNICAL ACCOUNT FOR LIFE BUSINESS (Item II. 12)		93 17,836,161
5.	INVESTMENT MANAGEMENT AND FINANCIAL CHARGES NON-LIFE BUSINESS:		
	a) Investment management charges, including interest	94 11,046,312	
	b) Value adjustments on investments	95 5,002,549	
	c) Losses on the disposal of investments	96 1,033,923	97 17,082,784
6.	(-) ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE NON-LIFE INSURANCE BUSINESS TECHNICAL ACCOUNT (Item I.2)		98 50,342,289
7.	OTHER INCOME		99 65,285,711
8.	OTHER CHARGES		100 69,406,493
9.	INCOME FROM ORDINARY OPERATIONS		101 184,673,940
10.	EXTRAORDINARY INCOME		102 7,804,673
11.	EXTRAORDINARY CHARGES		103 4,142,777
12.	EXTRAORDINARY PROFIT OR LOSS		104 3,661,896
13.	PROFIT BEFORE TAXES		105 188,335,836
14.	INCOME TAXES		106 44,170,680
15.	NET PROFIT (LOSS) FOR THE YEAR		107 144,165,156

Values of the previous year

		203	0
204	10,122,354		
205	36,713,252		
206	2,562,450	207	49,398,056
		208	15,837,693
		209	53,873,613
		210	59,846,713
		211	17,087,237
		212	101,919,902
		213	22,767,738
		214	79,152,164
		215	96,239,401
		216	-10,605,717
		217	106,845,118

NOTES TO THE FINANCIAL STATEMENTS

FOREWORD

These Financial Statements, accompanied by the Directors' report, comprise the schedules of the Balance Sheet and Income Statement, the Explanatory Notes and related Annexes, as well as the Statement of Cash Flows, prepared in accordance with the provisions of Legislative Decree No. 209 of 7 September 2005, as amended, ISVAP Regulation No. 22 of 4 April 2008 (as amended by ISVAP Orders No. 2771/2010 and No. 2845/2010, IVASS Order No. 53/2016 and IVASS Order No. 68/2018), Legislative Decree No. 173 of 26 May 1997. For any matters not specifically covered by the laws applicable to the insurance sector, reference should be made to the general rules on financial statements as set forth in the Italian Civil Code and to the accounting principles issued by the Italian Accounting Board (IOC).

The criteria adopted in preparing the 2019 financial statements are the same as those adopted in the previous year.

In compliance with article 95 of Legislative Decree No. 209/2005 (Code of Private Insurance), as amended, and article 19 of ISVAP Regulation No. 7 of 13 July 2007, as amended, the Company has prepared the consolidated Financial Statements at 31 December 2019 in compliance with the international accounting standards introduced by European Union Regulation No. 1606 of 19 July 2002.

The accounts have been prepared considering continuation of company business in the next twelve months, taking into account its high net worth, which amply exceeds the minimum solvency requirements established by current regulations, and its industrial plans that forecast positive results in the next few years.

The accounts have been prepared using the euro as presentation currency; all amounts stated in the schedules and in the related Notes are rounded to the nearest thousand.

Items denominated in a foreign currency have been translated into euros at the exchange rates prevailing at year-end. The effects of such transactions, and also of those carried out on the basis of the exchange rates prevailing on the dates of the individual transactions, are recognised directly in the income statement.

The Company chose not to exercise the option envisaged under IVASS Regulation No. 43/2019, as amended by Order No. 92 of 19 November 2019, concerning the temporary derogation from the measurement criteria for capital losses on securities in the short-term portfolio introduced by Decree Law No. 119 of 23 October on urgent measures on tax and financial matters, converted into Law No. 136 of 17 December 2018.

The financial statements have been audited by EY S.p.A., appointed as auditors for the period from 2012 until 2020.

PART A: VALUATION CRITERIA

The main valuation criteria adopted in preparing the financial statements are set out below.

Intangible assets

Other multi-year costs

These items are booked at purchase cost including any additional charges and are amortised systematically according to their remaining possibilities of use and in any case, in a maximum period of five years.

Investments

Land and buildings

These items are entered at purchase or construction cost plus any incidental and financial charges.

In particular, the buildings include expenses incurred for restructuring and improvements that have effectively increased their value; the book values also include revaluations made according to the law.

When the carrying amount of the assets as at the reporting date is permanently impaired with respect to the book value, the necessary write-downs are performed. These write-downs are maintained in subsequent financial years for as long as the reasons for the original write-down still exist.

Real estate rented to third parties is not depreciated in view of the Company's policy of attentive, continuous upkeep which maintains the value of the property in time.

Property used in business operations is valued using the depreciated cost model. Depreciation is charged on a straight-line basis over the estimated residual useful life of the property at a fixed rate of 3% per year and is only applicable to the building, not to the land.

Long-term financial investments

In accordance with article 15 of Legislative Decree No. 173/97 and IVASS Regulation No. 24 of 6 June 2016, and as resolved by the Board of Directors, this category includes securities with the following characteristics:

- strategic investments;
- shares in other listed or unlisted companies (including convertible debentures), in the case of investments useful to achieve or further Company purposes, regardless of the quota interest and/or which the Company intends to hold for the longer term in the case of written agreements or not;
- euro-denominated bonds, listed or unlisted, that will be held to maturity or which have been acquired for the purpose of long-term investment, consistently with the operating-financial performance of the undertaking, including securities purchased to cover specific insurance products;
- securities or property funds, including closed-end and reserved funds, acquired for the purpose of long-term investment or that will be held to maturity.

These items are booked at purchase cost, including any incidental charges, calculated according to the continuous weighted average method. For bonds, the purchase cost is adjusted by the difference between the cost of the securities and their redemption value, amortised according to the straight-line method in the period between the date of purchase and date of maturity. This value is written down in the case of permanent impairment of value. Any write-downs are reversed in subsequent years if the underlying assumptions are no longer correct.

Short-term investments

These items are carried at the lower of purchase cost, calculated according to the continuous weighted average method, and presumed realisable value according to market trends. The original cost is restored in subsequent years if the underlying reasons for the write-downs are no longer correct.

For bonds, the purchase cost is adjusted by the difference between the issue price and the redemption value, amortised according to the straight-line method in the period between the date of purchase and date of maturity.

The fair value of such investments coincides with the price recorded on the last day of trading of the year for instruments traded on an active market. In the absence of an active market, the fair value is represented by the price of recent transactions or of similar instruments or, alternatively, the values resulting from application of commonly used valuation models, that take into account the correlated risk factors and are based on market observables (e.g. cash flow discount).

Options on securities

Derivative contracts on hand at year-end are entered consistently with the underlying asset. In particular, premiums on options referring to securities not held as long-term investments are stated at the lower of purchase cost and the price that can be assumed according to market trends. Premiums collected or paid for options on securities of macro-class C are stated respectively under items G.VI "Miscellaneous loans and other financial liabilities" and C.III.7 "Miscellaneous financial investments". Gains or losses on trading in options are recognised in the income statement of the year in which the related sales contracts are performed.

Deposits with ceding undertakings

This item comprises deposits with ceding companies, in relation to risks assumed in reinsurance, which are stated at their nominal value.

Investments for the benefit of Life policyholders who bear the investment risk and relating to the administration of pension funds

These items are stated at fair value, which is equal to the price recorded on the last day of trading of the year for instruments traded on an active market. In the absence of an active market, the fair value is represented by the price of recent transactions or of similar instruments or, alternatively, the values resulting from application of commonly used valuation models, that take into account the correlated risk factors and are based on market observables (e.g. cash flow discount).

Receivables

These items are booked at presumed realisable value in accordance with article 16(9) of Legislative Decree No. 173 of 26 May 1997. This is determined by offsetting the nominal value against the write-downs calculated using analytical methods for receivables deriving from dealings with agents, reinsurance undertakings and other technical receivables and using the lump sum method for those deriving from dealings with policyholders, taking into account past experience and previous trends in collections of receivables.

Other assets

Tangible assets and inventories

Tangible assets, stated at purchase cost, are written down according to their remaining possibility of use.

For purchases during the year, the rates are reduced by half to take into account their coming on stream during the year.
Inventories are expensed during the year.

Cash at bank and in hand

This item comprises demand deposits, bank cheques and bank drafts, cash and revenue stamps, which are stated at face value.

Miscellaneous assets

This item comprises those assets not included in the items described above. It also includes the connection account between Life and Non-life business.

Technical provisions - Non-life business

Provision for unearned premiums

In the Italian direct insurance portfolio, the components of the provision for unearned premiums item are determined in accordance with the provisions and valued using the methods set forth in Annex 15 to ISVAP Regulation No. 22 of 4 April 2008.

The provision for unearned premiums comprises:

- The provision for premium instalments, calculated for all classes of business according to the *pro-rata temporis* method, based on gross premiums booked less acquisition commissions and other directly ascribable acquisition costs. For the risks of suretyship, hail, damages caused by natural disasters such as earthquakes, tsunamis, volcanic eruptions and related phenomena, as well as damages caused by atomic energy, the provision for premium instalments has been integrated according to the criteria defined by ISVAP Regulation No. 22 of 4 April 2008, as amended.
- In accordance with the clarification regarding the additional provision for insurance to cover damage caused by hail and other natural disasters issued by the Supervisory Authority on 21 February 2011, as from financial 2011 the Company only sets aside the additional provision with reference to Hail business products characterised by cover that does not expire on or before 31 December of that year.
- The provision for unexpired risks, to hedge risks arising after the end of the financial year, in order to provide for all claims in connection with insurance contracts that have originated the provision for premium instalments, to the extent that the amount exceeds that of the provision for premium instalments and the premiums that will be payable on the basis of such contracts. Such provision has been calculated according to the empirical method based on the projection of the forecast claims rate as established by Annex 15 to ISVAP Regulation No. 22 of 4 April 2008.

Provision for claims outstanding

The provision for outstanding claims is determined on the basis of a prudent estimation of loss based on objective and expected facts taking all foreseeable future charges into account but not correlated financial aspects. The provision is deemed adequate to cover payment of claims incurred and not yet reported at the end of the year and related claim settlement costs.

In accordance with article 27 of ISVAP Regulation No. 16 of 4 April 2008, the provision is calculated separately for each risk on an ultimate cost basis taking into account all foreseeable future charges over the established timeframe for the settlement of claims, also based on historical and reliable prospective data with reference to the specific characteristics of the claims and of the Company.

The analytical provision for claims outstanding, which is also taken as the basis for ultimate cost actuarial estimates, is determined by the Group Claims Handling departments referring to the investigation documents on hand at 31 December of the year, quantifying the presumable future cost of each claim through application of uniform criteria for assessment of the loss, including interest and revaluations accrued and legal expenses – in and out of court – and court-appointed technical consultants.

In addition to the analytical provisioning model, the value of claims generated is also calculated using statistical and actuarial models to determine the adequacy of the inventory provisions stated: projections using different actuarial techniques have been made considering claims experience historical data (amounts and numbers) for each class of business and year of occurrence. In particular, the conditions of applicability of these and compliance with hypotheses regarding the business context of the company were verified beforehand. The methods adopted are well-known and widely-used in actuarial practice: Chain Ladder Paid, Chain Ladder Incurred, Bornhuetter-Ferguson Paid, Bornhuetter-Ferguson Incurred and Average Paid.

When such estimates indicate a value greater than the inventory value, the inventory provisions are increased accordingly.

A provision has been made for claims incurred but not reported on the reporting date (IBNR) according to the claims experience of previous years, taking into account the frequency (measured by applying the Chain Ladder method to the number of claims) and the average costs of late claims and the average cost of claims reported during the year.

This provision reflects the ultimate cost component due to this particular type of claim.

Other technical provisions

These consist exclusively of the provision for increasing age set aside for multi-year or annual Health business contracts with the obligation of renewal on expiry, whose premiums are determined, for the entire period of coverage, according to the insured's age at the time of stipulating the contract. The provision for increasing age is determined analytically according to actuarial methods pursuant to Annex 15 to ISVAP Regulation No. 22 of 4 April 2008.

Equalisation provision

This provision includes amounts set aside to offset fluctuations in the rate of claims in future years or to cover specific risks such as credit risk, the risk of natural disasters and damages caused by atomic energy, in accordance with the provisions set forth in Annex 15 to ISVAP Regulation No. 22 of 4 April 2008.

Technical provisions - Life business

Technical provisions have been determined according to Annex 14 to ISVAP Regulation No. 22 of 4 April 2008.

Technical provisions for the Italian direct insurance business comprise:

- Mathematical provisions, which include the provision for premiums carried forward and the provision for health and professional additional premiums;
- The unearned premium provision for supplementary coverage;
- The provision for sums to be paid, set aside in a measure equal to the total amount of the sums necessary to pay principle and annuities matured, surrenders and claims to be paid at the end of the year;
- The provision for future charges.

The mathematical provision relating to direct Life insurance is calculated separately for each contract according to pure premiums, without deducting any policy acquisition costs and referring to the actuarial assumptions (technical interest rates, demographic assumptions of termination due to death or disability) used to calculate the premiums of existing contracts and comprises all revaluations pursuant to contractual clauses. This provision is never less than the surrender value.

The provision for policy liabilities includes the additional provision for mortality risk related to Class III and VI contracts, which guarantees cover in the event of death of the insured during the term of the contract, the additional provision for financial risk and the provision for demographic basis alignment calculated separately using the most recent technical bases and annuity preference coefficients available at the reporting date.

Technical provisions where the investment risk is borne by the policyholders and provisions relating to the administration of pension funds

As set forth in Annex 14 to ISVAP Regulation No. 22 of 4 April 2008, for unit-linked policies and for class VI contracts related to open-ended pension funds, mathematical reserves have been calculated according to the number and value of the shares of the respective investment lines in force on the valuation date, or to the market value of the corresponding hedge assets.

Inward reinsurance technical provisions

Technical provisions for inward reinsurance are determined on the basis of information provided by the ceding companies and appropriate assessments by the Company to meet the commitments assumed.

Provisions for risks and charges

Reserves for risks and charges are intended to cover losses or specific liabilities, the existence of which is certain or probable but the amount or date of occurrence of which could not be determined at the end of the year.

Deposits received from reinsurers

This item reflects amounts payable to reinsurers, recognised at face value, for deposits held against reinsurance treaties.

Payables and other liabilities

Payables

These items are booked at face value.

Employee termination indemnities

Employee termination indemnities are calculated in accordance with the provisions of article 2120 of the Italian Civil Code, Law No. 296 of 27 December 2006 and employment contracts.

The provision, net of advances paid, covers the Company's liability towards its employees accrued at the end of the year.

Accruals and deferrals

Accruals and deferrals are stated on an accruals basis to reflect the correct apportionment of cost and revenue transactions covering more than one accounting period.

Gross premiums written

Pursuant to article 45 of Legislative Decree No. 173/1997, this item includes amounts maturing during the year for insurance contracts, regardless of whether these amounts have been collected or refer entirely or in part to subsequent years. These are determined net of cancellations pursuant to the aforesaid law.

Portion of the investment return to be transferred

The allocated investment returns to be transferred to the Non-life technical account and to the Life technical account have been quantified in accordance with articles 22 and 23 of ISVAP Regulation No. 22/2008, as amended.

Other income statement items

Costs and revenues have been recognised according to the principles of accrual-based accounting. Specifically, for items typical of insurance business, reference has been made to the "rules applicable to the income statement" established by Legislative Decree No. 173/1997 and the instructions set forth in ISVAP Regulation No. 22/2008, as amended.

Taxes

Current taxes for the year are allocated on an accruals basis, in accordance with the law in force. Deferred tax assets and liabilities are stated on the temporary differences between the value attributed to assets or liabilities according to statutory criteria and the values attributed to the same assets and liabilities for tax purposes.

Advance tax assets have been recognised, in line with the principle of prudence, if there is a reasonable certainty of a taxable income, in the years in which the respective temporary differences will be carried over, that exceeds the amount of the differences that will be cancelled out.

Deferred tax liabilities have not been recorded when the related charge is unlikely to occur.

Allocation of common Non-life and Life costs and revenues

Economic items common to both segments mainly regard personnel costs, general expenses and contributions paid to intermediaries not ascribed to a specific section. In accordance with ISVAP Regulation No. 17 of 11 March 2008, these costs are initially posted to suspense accounts, referring to the entire company management, which identify the type of cost incurred; they are then attributed, in accordance with the terms of articles 8 and 9 of said Regulation, to the respective Life or Non-life operating expense items and the suspense accounts are reduced to zero. Costs common to the two types of business are allocated via the analytical accounting system which permits attribution of costs according to assets on the balance sheet and by individual type of Life or Non-life business.

Analytical accounting is based on associating each cost movement recorded in general accounting with a cost centre code indicating the entity that benefits from the expense and a “census” that records the activities carried out by such entity in relation to the Life and Non-life segments and to the destinations established by the insurance plan of accounts (settlement, acquisition, management of securities, management of real estate and other administrative expenses).

The costs are allocated to the two segments according to specific parameters for each asset on the balance sheet that reflect the measure to which each segment contributes to determining the various types of common cost and which can be summed up as follows:

- other acquisition costs: allocation based on the percentage ratio of premiums written in each class to total premiums written, by applying weighting to Life premiums;

- securities management: allocation based on the percentage ratio of technical provisions, Non-life and Life, to total technical provisions;
- other administrative costs: allocation based on the percentage ratio of premiums written in each class to total premiums written, by applying weighting to Life premiums;
- claim settlement costs: allocation based on the percentage ratio of premiums written, with allocation to the Non-life segment based on the number of claims reported and allocation to the Life segment based on claims settled.

Any revenues common to the two segments are allocated according to the relationship with assets that have generated these or with the correlated costs.

PART B: COMMENTARY ON THE BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET ASSETS

Section 1 – Intangible assets (Item B)

Intangible assets amounted to € 520 thousand and increased by € 80 thousand compared with 31 December 2018, due to purchases for € 209 thousand and accumulated amortisation for € 129 thousand.
This item consists of other multi-year costs, mainly referring to leasehold improvements for € 510 thousand. Changes in this item are reported in Annex 4.

Section 2 – Investments (Item C)

Land and buildings (Item C.I)

(in € thousands)

	31.12.2019	31.12.2018	Change
Real estate used in company operations	23,369	17,047	6,322
Property rented to third parties	27,563	27,242	321
Construction in progress and advances	0	3,203	-3,203
Total	**50,932**	**47,492**	**3,440**
Current value	122,431	118,020	4,411

Changes during the year are set forth in the table below:

(in € thousands)

	31.12.2019	31.12.2018
Gross initial balance (+)	61,756	58,417
Increases for purchases and upkeep expenses (+)	4,162	3,339
Gross final balance (a)	**65,918**	**61,756**
Accumulated depreciation:		
Initial balance (+)	14,264	13,588
Depreciation for the year (+)	722	676
Final balance of accumulated depreciation (b)	**14,986**	**14,264**
Carrying amount (a-b)	**50,932**	**47,492**

The gross increases mainly refer to extraordinary expenses on the HQ building in Via Corte d'Appello 11 in Turin, (€ 1,553 thousand) and on the new social and recreational club facility situated in Via Sarpi/Corso Giovanni Agnelli in Turin (€ 2,288 thousand), inaugurated in the autumn of 2019 and which will be opened to employees in 2020.
The current value of land and buildings, amounting to € 122,431 thousand (€ 118,020 thousand at 31 December 2018), was determined on the basis of appraisals by independent experts in accordance with the criteria defined by article 20 of IVASS Regulation No. 22. Further information is provided in Annex 4.

On 31 December 2019, the Company revised the value of its property only where internal or external factors had resulted in changes in relation to the previous year. Such changes regarded all of the Company's real estate assets except for the building located in Via Santa Chiara 16 in Turin, the value of which was unchanged from 31 December 2018.
The market value was calculated using the equity method, based on the intrinsic and extrinsic features of the assets and their profitability. Company-specific factors not economically relevant for the market are not taken into account.
Overall, the current value of the buildings is € 71,499 thousand higher than their carrying amount.

Investments in Group companies and other shareholdings (Item C.II)

Shares and interests in Group companies and other shareholdings, all referring to the long-term investment portfolio, amounted to € 1,966,189 thousand with a year-on-year increase of € 820 thousand.

The main movements during the year are set forth below:

- purchase of the equity investment in Moneymour S.r.l., for an equivalent value of € 100 thousand;
- subscription of the share capital increase of YAGO S.r.l., for the amount of € 20 thousand;
- purchase of the equity investment in Phamecure S.r.l., for an equivalent value of € 450 thousand;
- subscription of the share capital increase of the subsidiary company Reale Vida y Pensiones S.A., for the amount of € 250 thousand.

Annexes 5, 6 and 7 provide information regarding the investee companies and the analytical statement of changes, respectively.

The highlights of subsidiary and associated companies and other companies in which an interest is held are set forth below:

(in € thousands)

Type	Company name	Registered office	Shareholders' equity	of which profit (+) or loss (-) for the year	Direct interest %	Pro-quota shareholders' equity	Book value
subsid.	BANCA REALE SPA	TURIN	65,787	2,828	95.00	62,498	40,119
subsid.	BLUE ASSISTANCE SPA	TURIN	7,346	962	100.00	7,346	2,511
subsid.	IGAR S.A.	MADRID	90,091	1,168	46.81	42,172	31,555
subsid.	ITALIANA ASSICURAZIONI SPA	MILAN	657,949	69,741	99.92	657,423	594,895
subsid.	REALE IMMOBILI SPA	TURIN	905,128	33,672	85.92	777,686	934,590
subsid.	REALE ITES SRL	TURIN	87,595	997	88.13	77,197	76,390
subsid.	REALE SEGUROS GENERALES S.A.	MADRID	470,427	38,588	95.00	446,906	252,743
subsid.	REALE VIDA Y PENSIONES S.A.	MADRID	19,294	1,720	5.00	965	860
assoc.	CREDEMASSICURAZIONI SPA	REGGIO EMILIA	50,214	9,080	50.00	25,107	22,136
other	CEDACRI SPA	COLLECCHIO			1.34		1,301
other	EURAPCO AG	ZURICH			12.50		1,151
other	MONEYMOUR S.r.l.	MILAN			5.32		100
other	PHARMERCURE S.r.l.	TURIN			16.00		450
other	SARA ASSICURAZIONI SPA ORD.	ROME			11.16		4,940
other	SARA ASSICURAZIONI SPA PRIV.	ROME			3.49		2,248
other	Welfare Italia Servizi Srl	MILAN			2.22		0
other	YAGO S.r.l.	BOLOGNA			19.90		200
Total							**1,966,189**

Reale Mutua holds an 85.92% interest in Reale Immobili for a book value of € 935 million. The pro-quota shareholders' equity amounts to € 778 million and is thus about € 157 million lower than the book value of the shareholding. The difference mainly arose in 2007, the year in which Reale Immobili adopted international accounting standards (IAS/IFRS) for the first time to prepare its financial statements. The difference between the pro-quota shareholders' equity and the book value did not generate a reduction in the value of the shareholding in the financial statements of Reale Mutua because it was lower than the overall value of the latent gains in the values of the property owned by the subsidiary.

Other financial investments (Item C.III)

(in € thousands)

	31.12.2019	31.12.2018	Change
Shares and interests	56,867	120,007	-63,140
Shares in common investment funds	197,407	213,673	-16,266
Bonds and other fixed-income securities	6,185,143	5,761,332	423,811
Loans	31,500	31,065	435
Deposits with credit institutions	820	819	1
Total	**6,471,737**	**6,126,896**	**344,841**

The composition of other financial investments and also the breakdown into long-term and short-term investments are provided in Annex 8. Changes in the long-term portfolio are set forth in Annex 9.

Shares and interests: these amounted to € 56,867 thousand with a y/y decrease of € 63,140 thousand.
The detail of this item is as follows:

(in € thousands)

	31.12.2019	31.12.2018	Change
Listed shares	39,906	102,564	-62,658
Unlisted shares	4,365	4,847	-482
Interests	12,596	12,596	0
Total	**56,867**	**120,007**	**-63,140**
of which:			
Long-term portfolio	8,610	8,610	0
Short-term portfolio	48,257	111,397	-63,140
Total	**56,867**	**120,007**	**-63,140**

The change refers entirely to the short-term portfolio and comprises write-backs for € 1,576 thousand and value re-adjustments for € 974 thousand.
The current value at year-end was € 60,187 thousand.

Shares in common investment funds: these amounted to € 197,407 thousand with a y/y decrease of € 16,266 thousand, and comprised write-backs for € 4,841 thousand and value re-adjustments for € 1,158 thousand entirely due to transactions in the short-term portfolio.
The current value at year-end was € 201,957 thousand.

Bonds and other fixed-income securities: these amounted to € 6,185,143 thousand with an increase of € 423,811 thousand in relation to the previous year.

The item is summarised in the table below:

(in € thousands)

	31.12.2019	31.12.2018	Change
Listed	6,165,997	5,729,536	436,461
Unlisted	19,146	31,796	-12,650
Total	**6,185,143**	**5,761,332**	**423,811**
of which:			
Long-term portfolio	217,796	237,399	-19,603
Short-term portfolio	5,967,347	5,523,933	443,414
Total	**6,185,143**	**5,761,332**	**423,811**

Changes during the year are detailed in the table below:

(in € thousands)

	Long-term portfolio	Short-term portfolio	Total
Initial balance	**237,399**	**5,523,935**	**5,761,334**
Purchases and subscriptions	6,032	3,341,840	3,347,872
Sales	0	-2,299,908	-2,299,908
Repayments	-27,221	-634,999	-662,220
Reversals of write-downs	0	44,774	44,774
Value re-adjustments	0	-5,737	-5,737
Positive issue spreads	3,000	2,503	5,503
Negative issue spreads	-56	-4,540	-4,596
Positive trading differences	136	530	666
Negative trading differences	-1,494	-1,051	-2,545
Final balance	**217,796**	**5,967,347**	**6,185,143**
Current value	**287,249**	**6,439,343**	**6,726,592**

The most significant items according to issuer are as follows:

(in € thousands)

Issuing institute	31.12.2019
State - Italy	2,546,974
State - Spain	524,180
State - France	411,124
State - Germany	273,471
State - Ireland	91,607
State - Finland	75,966
State - Portugal	75,748
State - Belgium	74,954
State - China	53,785
BNP Paribas	50,415

Miscellaneous financial investments: for the breakdown and any changes in this item, reference should be made to the section entitled “Operations on derivatives and structured financial instruments”.

Loans: amounted to € 31,500 thousand and are detailed below.

(in € thousands)

	31.12.2019	31.12.2018	Change
Loans secured by mortgages	29,354	28,610	744
Loans on policies	990	1,265	-275
Other loans	1,156	1,190	-34
Total	**31,500**	**31,065**	**435**

Loans secured by mortgages reflect loans to employees for the purchase of housing, while the other loans mainly refer to loans to employees. The changes during the year are set forth in Annex 10.

Deposits with credit institutions: this item amounted to € 820 thousand and consists of a number of bank passbooks opened to settle claims awaiting legal definition.

<u>Deposits with ceding undertakings (Item C.IV)</u>

Deposits with ceding undertakings amounted to € 2,772 thousand with a y/y decrease of € 234 thousand.

Section 3 - Investments for the benefit of Life policyholders who bear the investment risk and relating to the administration of pension funds (Item D)

Investments for the benefit of Life policyholders who bear the investment risk amounted to € 916,717 thousand (€ 804,441 thousand at year-end 2018). The detail of the assets can be found in Annex 11, while Annexes 11/1, 11/2, 11/3 provide a breakdown of the assets by each type of product.

Investments relating to the administration of pension funds amounted to € 268,111 thousand (€ 234,968 thousand at 31 December 2018). Details of these assets can be found in Annex 12 while Annexes 12/1, 12/2, 12/3 and 12/4 refer to the individual pension lines.

The changes during the year according to category of assets as regards the investments of points D-I and D-II are provided in the tables below.

(in € thousands)

D-I		Shares in common investment funds	Shares	Bonds	Other financial inv.	Other assets/liabilities	Total
Initial balance		**436,042**	**76,664**	**243,800**	**7**	**47,928**	**804,441**
Increases during the year:		**563,979**	**61,860**	**278,449**	**43**	**2,124**	**906,455**
of which:	purchases	520,715	40,560	272,627	0	0	833,902
	write-backs	42,404	16,179	5,566	0	0	64,149
	other changes	860	5,121	256	43	2,124	8,404
Decreases during the year:		**483,392**	**41,909**	**268,833**	**45**	**0**	**794,179**
of which:	sales and reimb.	483,008	36,367	264,996	0	0	784,371
	write-downs	257	422	3,148	3	0	3,830
	other changes	127	5,120	689	42	0	5,978
Final balance		**516,629**	**96,615**	**253,416**	**5**	**50,052**	**916,717**

(in € thousands)

D-II		Shares	Bonds	Other financial inv.	Other assets/liabilities	Total
Initial balance		**64,748**	**156,805**	**0**	**13,415**	**234,968**
Increases during the year:		**68,471**	**145,597**	**22**	**0**	**214,090**
of which:	purchases	51,325	142,600	0	0	193,925
	write-backs	12,059	2,997	0	0	15,056
	other changes	5,087	0	22	0	5,109
Decreases during the year:		**54,708**	**123,742**	**22**	**2,475**	**180,946**
of which:	sales and reimb.	49,273	121,983	19	0	171,275
	write-downs	329	1,759	0	0	2,088
	other changes	5,106	0	3	2,475	7,584
Final balance		**78,511**	**178,660**	**0**	**10,940**	**268,111**

The assets resulting from the administration of pension funds by business line are listed in the table below:

(in € thousands)

TESEO Pension Fund	Business lines				
	Prudenziale etica	Bilanciata etica	Sviluppo etica	Garantita etica	Total
Shares and interests	0	27,227	51,284	0	78,511
Bonds and fixed-income securities	62,579	38,530	2,804	74,747	178,660
Other assets and liabilities	1,729	1,970	2,559	4,682	10,940
Total	**64,308**	**67,727**	**56,647**	**79,429**	**268,111**

Section 4 – Reinsurers' share of technical provisions (Item D *bis*)

(in € thousands)

	31.12.2019	31.12.2018	Change
Non-life business			
Provision for unearned premiums	38,676	37,705	971
Provision for claims outstanding	155,081	163,975	-8,894
Total	**193,757**	**201,680**	**-7,923**
Life business:			
Provisions for policy liabilities	2,778	2,486	292
Provision for sums to be paid	434	241	193
Total	**3,212**	**2,727**	**485**
Total technical provisions	**196,969**	**204,407**	**-7,438**

Section 5 – Receivables (Item E)

(in € thousands)

	31.12.2019	31.12.2018	Change
Receivables arising out of direct insurance	541,365	535,794	5,571
Receivables arising out of reinsurance operations	75,427	89,143	-13,716
Other receivables	291,322	231,732	59,590
Total	**908,114**	**856,669**	**51,445**

Receivables arising out of direct insurance operations (Item E.I).

(in € thousands)

	31.12.2019	31.12.2018	Change
Premiums receivable from policyholders	200,213	198,263	1,950
Insurance intermediaries	254,469	255,593	-1,124
C/a with companies	26,688	17,974	8,714
Policyholders and third parties for recoveries	59,995	63,964	-3,969
Total	**541,365**	**535,794**	**5,571**

Receivables from policyholders for premiums amounted to € 200,213 thousand (of which € 153,198 thousand relating to Non-life business and € 47,015 thousand to Life business). These items are shown net of the allowance for doubtful accounts of € 21,358 thousand (€ 21,162 thousand relating to Non-life business and € 196 thousand relating to Life operations). The write-down was determined according to the ratio of cancellations for non-collection recorded during the year to total receivables and represents estimated future losses for cancellations of receivables from policyholders.
The allowance for doubtful accounts mainly refers to Surety business for € 11,433 thousand, TPL land vehicles for € 3,028 thousand, Non-motor TPL for € 1,832 thousand, Fire for € 1,523 thousand, Other property damage for € 1,254 thousand and Accident for € 904 thousand.
Receivables collected in the first two months of the current year amounted to € 111,658 thousand.

The Insurance intermediaries item amounted to € 254,469 thousand, with a y/y decrease of € 1,124 thousand.

Current accounts with insurance companies, net of the allowance for doubtful accounts, amounted to € 26,688 thousand, with a y/y increase of € 8,714 thousand. This entry mainly comprises receivables linked to co-insurance contracts, positive entries relating to the CARD convention and invoices for amounts due for services rendered. The allowance for doubtful accounts amounted to € 1,729 thousand and is stated as adjusting receivables from companies in compulsory receivership deriving from co-insurance relationships.

Insured and third parties for recoveries amounted to € 59,995 thousand (referring entirely to Non-life business) compared with € 63,964 thousand in the previous year.

Receivables arising out of reinsurance operations (Item E.II)

(in € thousands)

	31.12.2019	31.12.2018	Change
Insurance and reinsurance companies	68,575	81,383	-12,808
Reinsurance intermediaries	6,852	7,760	-908
Total	**75,427**	**89,143**	**-13,716**

The gross value of receivables arising out of reinsurance operations, equal to € 75,499 thousand, has been adjusted by the amount of € 72 thousand, taken from the allowance for doubtful accounts to cover losses relating to certain reinsurers.

Other receivables (Item E.III)

The detail of other receivables is set forth in the table below:

(in € thousands)

	31.12.2019	31.12.2018	Change
Receivables from Tax Authorities	201,273	169,902	31,371
Receivables from claims paid in the name and on behalf	6,081	4,388	1,693
Receivables from personnel management	1,260	1,165	95
Subsidiaries	34,447	10,293	24,154
Miscellaneous receivables	48,261	45,984	2,277
Total	**291,322**	**231,732**	**59,590**

Receivables from Tax Authorities include receivables for withholding tax, advances paid on premium taxes in the Non-life business and tax credits for which reimbursement has been requested with the related interest. The increase in this item is mainly due to the increase in the advance payable on premium tax in Non-life business, which generated an increase of € 45,415 thousand, as established by the 2019 Budget Law (Law No. 145 of 30 December 2018).

Receivables from subsidiaries include receivables under the tax consolidation scheme for € 22,517 thousand, an increase of € 18,140 thousand in relation to the previous year.

Section 6 – Other assets (Item F)

(in € thousands)

	31.12.2019	31.12.2018	Change
Tangible assets and inventories	10,873	9,209	1,664
Cash and cash equivalents	64,884	48,824	16,060
Other assets	178,055	162,329	15,726
Total	**253,812**	**220,362**	**33,450**

Tangible assets and inventories (Item F.I)

This item amounted to € 10,873 thousand, net of the related accumulated depreciation. A breakdown of movements on this item is provided in the table below.

(in € thousands)

	Furniture, office machines and internal transport vehicles	Machinery and equipment	Total
Gross initial balance (+)	34,886	49,037	83,923
Increases during the year (+)	1,678	3,350	5,028
Decreases due to disposals (-)	214	0	214
Gross final balance (a)	**36,350**	**52,387**	**88,737**
Accumulated depreciation:			
Initial balance (+)	30,534	44,180	74,714
Depreciation for the year (+)	953	2,296	3,249
Decreases due to disposals (-)	99	0	99
Final balance of accumulated depreciation (b)	**31,388**	**46,476**	**77,864**
Carrying amount (a-b)	**4,962**	**5,911**	**10,873**

The increases for the year are attributable to work carried out on the HQ building and on the new social and recreational club facility, as explained in section 1.6 “Investment management” in the Report on Operations.

Cash and cash equivalents (Item F.II)

(in € thousands)

	31.12.2019	31.12.2018	Change
Bank and postal accounts	64,881	48,822	16,059
Cheques and cash on hand	3	2	1
Total	**64,884**	**48,824**	**16,060**

Bank and postal accounts of the Banca Reale subsidiary amounted to € 55,673 thousand.

Other assets (Item F.IV)

This item amounted to € 178,055 thousand and refers entirely to miscellaneous assets, the main items of which are shown in the table below:

(in € thousands)

	31.12.2019	31.12.2018	Change
Payment of premiums to be collected in subsequent years	84,642	64,734	19,908
Non-life/Life connection account	207	571	-364
Advance tax assets	74,646	80,451	-5,805
Other assets	18,560	16,573	1,987
Total	**178,055**	**162,329**	**15,726**

Advance tax assets are stated considering the reasonable certainty of future recovery.

Other assets comprise payments to the financial counterparty by way of guarantee on value variations on interest rate swap contracts with the latter for € 11,100 thousand and mandate discontinuation indemnities paid while awaiting debiting to incoming agents for € 6,480 thousand.

Section 7 – Prepayments and accrued income (Item G)

(in € thousands)

	31.12.2019	31.12.2018	Change
Accrued interest	48,080	49,794	-1,714
Other prepayments and accrued income	484	232	252
Total	**48,564**	**50,026**	**-1,462**

Accrued interest refers mainly to interest matured on the coupons of debt securities. The duration of all prepayments and accrued income is less than one year.

BALANCE SHEET – LIABILITIES AND SHAREHOLDERS' EQUITY

Section 8 – Shareholders' equity (Item A)

(in € thousands)

	31.12.2019	31.12.2018	Change
Share capital or Guarantee fund	60,000	60,000	0
Revaluation reserves	136,223	136,223	0
Legal reserve	223,966	217,433	6,533
Other reserves	1,663,987	1,563,675	100,312
Net profit (loss) for the year	144,165	106,845	37,320
Total	**2,228,341**	**2,084,176**	**144,165**

The schedule below illustrates the changes in shareholders' equity in the last two years:

(in € thousands)

	Guarantee fund	Revaluation reserves	Legal reserve	Other reserves	Net profit (loss) for the year	Total Shareholders' equity
Balances at 01/01/2018	**60,000**	**136,223**	**213,597**	**1,496,794**	**70,717**	**1,977,331**
Allocation of 2017 net profit as resolved by the Meeting of 27/04/2018	0	0	3,836	66,881	-70,717	0
Result for the year	0	0	0	0	106,845	106,845
Balances at 31/12/2018	**60,000**	**136,223**	**217,433**	**1,563,675**	**106,845**	**2,084,176**
Allocation of 2018 net profit as resolved by the Meeting of 17/04/2019	0	0	6,533	100,312	-106,845	0
Result for the year	0	0	0	0	144,165	144,165
Balances at 31/12/2019	**60,000**	**136,223**	**223,966**	**1,663,987**	**144,165**	**2,228,341**

Guarantee fund (Item A.I)

The guarantee fund amounted to € 60,000 thousand.

Revaluation reserves (Item A.III)

(in € thousands)

	31.12.2019	31.12.2018	Change
Revaluation reserve under Law No. 576 of 2 Dec. 1975	51,700	51,700	0
Revaluation reserve under Law No. 413 of 30 Dec. 1991	82,958	82,958	0
Integration Fund under art. 36 of Law No. 295 of 10 June 1978	1,565	1,565	0
Total	**136,223**	**136,223**	**0**

Other reserves (Item A.VII)

(in € thousands)

	31.12.2019	31.12.2018	Change
Ordinary reserve fund	1,655,342	1,555,030	100,312
Extraordinary reserve	1,931	1,931	0
Money accounts adjustment fund	6,714	6,714	0
Total	**1,663,987**	**1,563,675**	**100,312**

Schedule of availability and utilisation of shareholders' equity items pursuant to article 2427 of the Italian Civil Code

(in € thousands)

				Utilisations in the previous three years	
	31.12.2019	Possibility of utilisation	Available portion	to cover losses	for other reasons
Guarantee fund	60,000		0	0	0
Revaluation reserve	136,223	A,B	136,223	0	0
Legal reserve	223,966	B	0	0	0
Other reserves:					
- Ordinary reserve fund	1,655,342	A,B	1,655,342	29,820	0
- Extraordinary reserve	1,931	A,B	1,931	0	0
- Reserve fund for alignment of numeric values	6,714	A,B	6,714	0	0
Total other reserves	1,663,987		1,663,987		
Total	**2,084,176**		**1,800,210**		

LEGEND:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders

Section 9 – Subordinated liabilities (Item B)

No liabilities have been stated in this section.

risks of suretyship, hail, damages caused by natural disasters such as earthquakes, tsunamis, volcanic eruptions and related phenomena and damages caused by atomic energy.

As described in the valuation criteria, an assessment has been made of the need to accrue provisions for risks in course, comparing the aggregate consisting of the provision for premium instalments and premiums that will fall due on contracts stipulated before the end of the year and the expected charge for reimbursements and expenses arising on such contracts. In quantifying this liability, reference was made to the calculation model based on the ratio of claims to premiums earned for the year of current generation only, adjusted if necessary in the case of exceptional and therefore statistically distorting events, according to the general approach suggested by the Supervisory Authority.
According to the results of the model adjusted as above, the provision for claims outstanding has been integrated for a total amount of € 286 thousand, divided as follows: € 52 thousand for the Hulls marine, river, lake craft business and € 234 thousand for the TPL marine, river, lake craft business.
In the other sectors of Non-life business, the positive trend of current generation claims confirms the adequacy of the provision made with the pro-rata component only of the provision for unearned premiums.

The values for each class of business are set forth below:

(in € thousands)

	Forecast claims %*	Forecast claims amount	Provision for premium instalments + instalments due	Surplus / insufficiency of reserve
Accident	58.0%	25,024	43,116	18,092
Health	100.0%	55,998	55,998	0
Hulls land vehicles	76.7%	36,365	47,440	11,074
Hulls railway rolling stock	0.0%	0	7	7
Hulls aircraft	0.0%	0	2	2
Hulls marine, lake, river craft	104.8%	1,130	1,078	-52
Goods transported	49.2%	693	1,408	716
Fire and natural forces	98.9%	82,195	83,082	887
Other property damage	84.4%	87,406	103,507	16,101
TPL land vehicles	88.7%	149,156	168,231	19,075
TPL aircraft	0.0%	0	46,250	46,250
TPL marine, lake, river craft	140.8%	808	574	-234
Non-motor TPL	75.2%	68,752	91,430	22,678
Suretyship	46.9%	19,428	41,446	22,017
Sundry pecuniary losses	31.8%	2,010	6,316	4,306
Legal fees	33.3%	2,162	6,498	4,336
Assistance	73.0%	5,741	7,862	2,121
Total	**83.2%**	**536,868**	**704,245**	**167,377**

* equal to the ratio of claims to premiums of the current year calculated net of acquisition costs

In addition to the provision for reimbursements, the provision for outstanding claims also includes the provision for direct expenses, the provision for claim settlement costs and the IBNR provision.
With regard to the methods used to determine the provision for outstanding claims, reference should be made to the valuation criteria illustrated in Part A of these Notes.
A breakdown of the provision for unearned premiums and of the provision for outstanding claims and also of the changes in relation to 2018 is provided in Annex 13.

Other technical provisions amounted to € 2,008 thousand with a y/y increase of € 1,515 thousand. These include only the Health business provision for increasing age set up in accordance with Annex 15 to ISVAP Regulation No. 22 of 4 April 2008.

risks of suretyship, hail, damages caused by natural disasters such as earthquakes, tsunamis, volcanic eruptions and related phenomena and damages caused by atomic energy.

As described in the valuation criteria, an assessment has been made of the need to accrue provisions for risks in course, comparing the aggregate consisting of the provision for premium instalments and premiums that will fall due on contracts stipulated before the end of the year and the expected charge for reimbursements and expenses arising on such contracts. In quantifying this liability, reference was made to the calculation model based on the ratio of claims to premiums earned for the year of current generation only, adjusted if necessary in the case of exceptional and therefore statistically distorting events, according to the general approach suggested by the Supervisory Authority.
According to the results of the model adjusted as above, the provision for claims outstanding has been integrated for a total amount of € 286 thousand, divided as follows: € 52 thousand for the Hulls marine, river, lake craft business and € 234 thousand for the TPL marine, river, lake craft business.
In the other sectors of Non-life business, the positive trend of current generation claims confirms the adequacy of the provision made with the pro-rata component only of the provision for unearned premiums.

The values for each class of business are set forth below:

(in € thousands)

	Forecast claims %*	Forecast claims amount	Provision for premium instalments + instalments due	Surplus / insufficiency of reserve
Accident	58.0%	25,024	43,116	18,092
Health	100.0%	55,998	55,998	0
Hulls land vehicles	76.7%	36,365	47,440	11,074
Hulls railway rolling stock	0.0%	0	7	7
Hulls aircraft	0.0%	0	2	2
Hulls marine, lake, river craft	104.8%	1,130	1,078	-52
Goods transported	49.2%	693	1,408	716
Fire and natural forces	98.9%	82,195	83,082	887
Other property damage	84.4%	87,406	103,507	16,101
TPL land vehicles	88.7%	149,156	168,231	19,075
TPL aircraft	0.0%	0	46,250	46,250
TPL marine, lake, river craft	140.8%	808	574	-234
Non-motor TPL	75.2%	68,752	91,430	22,678
Suretyship	46.9%	19,428	41,446	22,017
Sundry pecuniary losses	31.8%	2,010	6,316	4,306
Legal fees	33.3%	2,162	6,498	4,336
Assistance	73.0%	5,741	7,862	2,121
Total	**83.2%**	**536,868**	**704,245**	**167,377**

* equal to the ratio of claims to premiums of the current year calculated net of acquisition costs

In addition to the provision for reimbursements, the provision for outstanding claims also includes the provision for direct expenses, the provision for claim settlement costs and the IBNR provision.
With regard to the methods used to determine the provision for outstanding claims, reference should be made to the valuation criteria illustrated in Part A of these Notes.
A breakdown of the provision for unearned premiums and of the provision for outstanding claims and also of the changes in relation to 2018 is provided in Annex 13.
Other technical provisions amounted to € 2,008 thousand with a y/y increase of € 1,515 thousand. These include only the Health business provision for increasing age set up in accordance with Annex 15 to ISVAP Regulation No. 22 of 4 April 2008.

Equalisation provisions amounted to € 11,616 thousand with a y/y increase of € 271 thousand. These have been determined as set forth in Annex 15 to ISVAP Regulation No. 22 of 4 April 2008; the table below provides the detail by type of business of the provisions and related allocations/utilisations.

(in € thousands)

	31.12.2019	31.12.2018	Change
Accident	1,172	1,108	64
Hulls land vehicles	3,493	3,203	290
Goods transported	18	0	18
Fire and natural forces	3,527	2,951	576
Other property damage	3,405	4,082	-677
Other business	1	1	0
Total	**11,616**	**11,345**	**271**

Life business (Item C.II)

Life business technical provisions amounted to € 4,873,355 thousand with a y/y increase of € 224,737 thousand.

Provisions for policy liabilities, in the amount of € 4,809,225 thousand, comprise the provision for pure premiums of € 4,739,275 thousand, the fractions of premiums relating to contracts with annual payment of the premiums for € 11,246 thousand, integration provisions for € 52,859 thousand and the additional provisions for mortality risk relating to index-linked or pension fund contracts of € 5,845 thousand. The integration provisions comprise provisions for demographic risk for € 21,876 thousand and additional provisions for financial risk for € 30,983 thousand. The latter comprise additional provisions for guaranteed interest rate risks for € 30,611 thousand, calculated in accordance with Annex 14.2 to ISVAP Regulation No. 22 of 4 April 2008 using Method B "Additional provision for single level of financial guarantee – offsetting between annual periods" described in the Annex. The breakdown and changes in this item are detailed in Annex 14.

The unearned premium provision for supplementary coverage amounted to € 169 thousand.

The Provision for sums to be paid amounted to € 43,741 thousand with a y/y increase of € 1,137 thousand.

Other technical provisions amounted to € 20,220 thousand with an increase in relation to 2018 of € 2,020 thousand. These consist entirely of the provision for future charges, determined according to Annex 14 to ISVAP Regulation No. 22 of 4 April, 2008.

The detail of other technical provisions by class is set forth in the table below:

(in € thousands)

	31.12.2019	31.12.2018	Change
Class I	13,416	11,453	1,963
Class III	2,082	1,765	317
Class IV	7	1	6
Class V	4,712	4,981	-269
Total	**20,220**	**18,200**	**2,020**

Section 11 – Technical provisions where the investment risk is borne by the policyholders and provisions relating to the administration of pension funds (Item D)

Provisions relating to contracts linked to investment funds and market indices (Item D.I)

(in € thousands)

Products	31.12.2019	31.12.2018	Change
Contracts linked to the value of shares of internal funds	916,683	804,409	112,275
Inward reinsurance	586	730	-144
Total	**917,269**	**805,139**	**112,131**

Provisions relating to the administration of pension funds (Item D.II)

This item amounted to € 268,074 thousand and refers to the Teseo open pension fund which comprises four investment lines.

(in € thousands)

Fund lines	31.12.2019	31.12.2018	Change
Prudenziale etica	64,300	57,269	7,030
Bilanciata etica	67,717	59,661	8,055
Sviluppo etica	56,633	48,452	8,182
Garantita etica	79,424	69,577	9,847
Total	**268,074**	**234,959**	**33,115**

With regard to the individual pension plans established pursuant to article 13(1)(a) and (b) of Legislative Decree No. 252 of 5 December 2005, no new products were created during the year.

Section 12 – Provisions for risks and charges (Item E)

(in € thousands)

	31.12.2019	31.12.2018	Change
Provisions for pensions and similar obligations	28,164	28,145	19
Provisions for taxation	6,773	7,577	-804
Other provisions	58,717	53,293	5,424
Total	**93,654**	**89,015**	**4,639**

Changes during the year are detailed in Annex 15.

The provision for pensions and similar obligations consisted for € 13,451 thousand of the Office Staff and Executives Company Supplementary Pension Fund and for € 14,713 thousand of the provision for payment of indemnities on discontinuation of the agency relationship and for the part not subject to recoveries.

Provisions for taxation comprise the provisions to cover ongoing tax disputes and are discussed in the Report on Operations.

Other provisions amounted to € 58,717 thousand. The changes reflected utilisations for € 19,329 thousand and allocations for € 24,753 thousand. The funds in question mainly refer to future costs for employees for € 44,359 thousand and costs in connection with prize competitions, for € 2,414 thousand. Costs relating to employees include costs for setting up the Company's Solidarity Fund, equal to € 14,442 thousand, which were discounted.

Deposits received from reinsurers (Item F)

These items amounted to € 3,668 thousand and represent liabilities for deposits held by the Company against outward reinsurance treaties. There was an increase in this item during the year of € 476 thousand.

Section 13 – Payables and other liabilities (Item G)

(in € thousands)

	31.12.2019	31.12.2018	Change
Payables arising out of direct insurance operations	60,870	60,374	496
Payables arising out of reinsurance operations	5,119	2,637	2,482
Provision for employee termination indemnities	7,763	7,995	-232
Other payables	184,928	132,205	52,723
Other liabilities	57,233	48,092	9,141
Total	**315,913**	**251,303**	**64,610**

Payables arising out of direct insurance operations (Item G.I).

(in € thousands)

	31.12.2019	31.12.2018	Change
Insurance intermediaries	39,521	46,069	-6,548
Current accounts with insurance companies	5,797	208	5,589
Premium deposits and premiums due to policyholders	14,461	13,799	662
Total	**60,870**	**60,374**	**496**

Payables arising out of reinsurance operations (Item G.II)

(in € thousands)

	31.12.2019	31.12.2018	Change
Insurance and reinsurance companies	2,006	1,066	940
Reinsurance intermediaries	3,113	1,571	1,542
Total	**5,119**	**2,637**	**2,482**

Provision for employee termination indemnities (Item G.VII)

This item amounted to € 7,763 thousand at 31 December 2019. Changes during the year are detailed in Annex 15.

Other payables (Item G.VIII)

(in € thousands)

	31.12.2019	31.12.2018	Change
Premium taxes	29,654	31,696	-2,042
Other tax liabilities	65,523	14,865	50,658
Social security	2,154	2,039	115
Miscellaneous payables	87,597	83,605	3,992
Total	**184,928**	**132,205**	**52,723**

Miscellaneous creditors amounted to € 87,597 thousand and comprise:

(in € thousands)

	31.12.2019	31.12.2018	Change
Payables to suppliers	19,604	16,818	2,786
Payables relating to personnel management	10,689	11,168	-479
Payables to subsidiaries	6,811	13,516	-6,705
VAT due to tax authorities	3,565	3,823	-258
Other payables	46,928	38,280	8,648
Total	**87,597**	**83,605**	**3,992**

The Subsidiaries item mainly reflects financial liabilities for intra-group services.

Other liabilities (Item G.IX)

	31.12.2019	31.12.2018	Change
Commissions for premiums in course of collection	50,841	44,995	5,846
Miscellaneous liabilities	6,185	2,526	3,659
Non-life/Life connection account	207	571	-364
Total	**57,233**	**48,092**	**9,141**

Miscellaneous liabilities include deferred tax liabilities for € 1,887 thousand.

Section 14 – Accruals and deferred income (Item H)

Accruals and deferred income amounted to € 1,465 thousand and mainly refer to cash flows on two interest rate swap contacts for a total amount of € 814 thousand and deferred income on lease fees.

Further details about interest rate swap contracts are provided in "Operations on derivative and structured financial instruments”.

Section 15 – Assets and liabilities relating to Group companies and other shareholdings

The main intra-group relationships, excluding equity investments, are set forth in the table below.
For more complete information, reference should be made to Annex 16 which illustrates assets and liabilities relating to Group companies and other shareholdings.

(in € thousands)

Assets	Subsidiaries	Associated companies	Other related parties	Total
Investments relating to contracts linked to investment funds and market indices	50,567	0	0	50,567
Receivables arising out of direct insurance operations	513	259	0	772
Other receivables	34,447	0	0	34,447
Bank and postal accounts	55,676	0	0	55,676
Total	**141,203**	**259**	**0**	**141,462**

Investments relating to contracts linked to investment funds and market indices mainly refer to current accounts at the Banca Reale subsidiary in Class D assets.

Other receivables, amounting to € 34,447 thousand, refer to receivables from Group companies for services and receivables under the tax consolidation scheme from the Italiana Assicurazioni subsidiary in connection with Non-life business (€ 13,007 thousand), from Reale Immobili (€ 8,595 thousand), from Banca Reale (€ 649 thousand) and from Blue Assistance (€ 266 thousand).

(in € thousands)

Liabilities	Subsidiaries	Associated companies	Other related parties	Total
Payables arising out of direct insurance operations	4,950	0	0	4,950
Payables arising out of reinsurance operations	153	0	0	153
Miscellaneous payables	6,811	0	1	6,812
Total	**11,914**	**0**	**1**	**11,915**

Miscellaneous payables, amounting to € 6,811 thousand, refer to payables under the tax consolidation scheme to Reale ITES (€ 53 thousand) and to Italnext (€ 4 thousand) and to payables to Group companies for services for € 6,754 thousand.

In 2019 there were no assets relating to other related parties. Liabilities relating to other related parties regarded fees payable to Directors and Statutory Auditors for € 1 thousand.

Section 16 – Payables and receivables

These items are stated under items C and E of assets and under items F and G of liabilities and fall due as follows:

(in € thousands)

	above 12 months	of which above 5 years
Loans and mortgages	27,991	18,202
Receivables	88,585	38,569
Payables and other liabilities	4,650	2,230
Total	**121,227**	**59,001**

Receivables mainly consist of claims towards agents and the interest-bearing loan deriving from the partial disposal of the stake in Sara Assicurazioni.

Payables and other liabilities mainly comprise liabilities for deferred taxes.

Section 17 - Guarantees, commitments and other memorandum accounts

(in € thousands)

	31.12.2019	31.12.2018	Change
Guarantees received:			
- guarantees secured by mortgages	29,354	28,610	744
- sureties given by third parties	20,159	20,542	-383
Guarantees issued by third parties in the interest of the Company:			0
- CARD/SISCO consortium and third party sureties	60,426	52,348	8,078
Commitments:			0
- derivative products	75,921	63,089	12,832
Securities deposited with third parties	7,633,578	7,130,904	502,674
Total	**7,819,438**	**7,295,493**	**523,945**

Guarantees received, for € 49,513 thousand, comprise bank guarantees given by agents and guarantees secured by mortgages on housing loans granted to employees.

Guarantees issued by third parties in the interest of the Company, for € 60,426 thousand, include bank guarantees issued to Consap and ANIA in relation to the interest of Reale Mutua in the CARD and SISCO Consortiums and bank guarantees issued to public authorities for participation in tenders.

Commitments, in the amount of € 75,921 thousand, refer to derivative contracts as discussed in more detail in the specific section on “Operations on derivatives and structured financial instruments”.

Company securities deposited with third parties totalled € 7,633,578 thousand compared with € 7,130,904 thousand in 2018, and are divided as follows according to the entity with which they are deposited:

(in € thousands)

	31.12.2019	31.12.2018	Change
Subsidiary credit institutions	7,079,249	6,626,321	452,928
Other credit institutions	438,915	402,333	36,582
Associated companies	29,324	29,324	0
Other companies	86,090	72,926	13,164
Total	**7,633,578**	**7,130,904**	**502,674**

As at the reporting date the Company had no contingent liabilities other than those disclosed in the Balance Sheet.

INCOME STATEMENT

Section 18 – Information relating to the technical account of Non-life insurance business (I)

Premiums earned, net of reinsurance (Item I.1)

(in € thousands)

	2019	2018	Change
Direct business income	1,515,220	1,484,145	31,075
Inward reinsurance income	1,861	2,173	-312
Gross premiums written	**1,517,081**	**1,486,318**	**30,763**
Premiums ceded and retroceded in reinsurance	-142,015	-140,359	-1,656
Change in the gross provision for unearned premiums	-7,154	-18,966	11,812
Change in the provision for unearned premiums, reinsurers' share	1,083	303	780
Total premiums earned	**1,368,995**	**1,327,296**	**41,699**

The detail of gross premiums written by class of business is provided in the Report on Operations.

Allocated investment return transferred from the non-technical account

The allocated investment return transferred from the non-technical account, in the amount of € 50,342 thousand, has been calculated according to the method determined by ISVAP with a specific measure.

Other technical income net of reinsurance (Item I.3)

Other technical income of € 20,048 thousand (€ 14,047 thousand in 2018) reflects commissions and discounts relating to prior year premiums cancelled during the year for € 4,983 thousand, utilisation of the allowance for doubtful accounts receivable from policyholders for € 10,232 thousand, positive items in connection with the card convention for € 4,119 thousand and miscellaneous technical items for € 714 thousand.

Claims incurred, net of recoveries and reinsurance (Item I.4)

(in € thousands)

	2019	2018	Change
Gross claims paid	1,044,039	1,036,701	7,338
Reinsurers' share	-112,187	-128,966	16,779
Change in recoveries: gross amount	-30,128	-23,237	-6,891
Change in the gross provision for outstanding claims	-22,411	-60,058	37,647
Reinsurers' share	5,973	9,841	-3,868
Total	**885,286**	**834,281**	**51,005**

Gross claims paid amounted to € 1,044,039 thousand and increased by 0.7%; the breakdown is shown in the table below:

(in € thousands)

	2019	2018	Change
Compensation	905,394	904,888	506
Direct expenses	18,888	19,907	-1,019
Claim settlement costs	108,202	100,959	7,243
Road Victims Fund	11,555	10,947	608
Total	**1,044,039**	**1,036,701**	**7,338**

The development of claims for previous years generated a positive balance of € 113,417 thousand, equal to around 6.7% of the initial reserves, as a result of the prudent quantification required by law. As regards performance of the individual classes of business, the Fire and Non-motor TPL lines posted a significant surplus, due to the particularly favourable run-off of technical reserves during the year, to be ascribed to good savings on payments.

Change in other technical provisions net of reinsurance (Item I.5)

The positive change for € 1,514 thousand refers entirely to the provision for increasing age set aside pursuant to ISVAP Regulation No. 22 of 4 April 2008, Annex 15.

Operating expenses - (Item I.7)

(in € thousands)

	2019	2018	Change
Acquisition costs net of commissions and of reinsurance commissions	361,009	352,681	8,328
Other administrative expenses	87,425	76,474	10,951
Total	**448,434**	**429,155**	**19,279**

Other technical charges net of reinsurance (Item I.8)

Other technical charges amounted to € 40,569 thousand (€ 45,999 thousand in 2018) and reflect cancellations of prior year premiums for € 25,233 thousand, accrual to the allowance for doubtful accounts receivable from policyholders for € 9,803 thousand, negative items in connection with the card convention for€ 4,011 thousand and miscellaneous technical items for € 1,522 thousand.

Change in equalisation provisions (Item I.9)

The positive change, for € 271 thousand (compared to the € 1,208 increase in 2018), reflects the provision established pursuant to Annex 15 to ISVAP Regulation No. 16 of 4 April 2008. The components per business line of these provisions are set forth in section 10.

For information on the Non-life business technical account, refer to Annexes 19, 25, 26 and 29.

Section 19 – Information regarding the technical account of Life insurance business (II)

Premium income, net of reinsurance (Item II.1)

(in € thousands)

	2019	2018	Change
Direct business income	891,050	717,332	173,718
Inward reinsurance income	140	165	-25
Gross premiums written	**891,190**	**717,497**	**173,693**
Premiums ceded and retroceded in reinsurance	-4,858	-4,456	-402
Total premiums for the year	**886,332**	**713,041**	**173,291**

The amount of gross premiums by class of business is indicated in the Report on Operations.
The composition of direct business and inward reinsurance premium income is detailed in Annex 20.

Investment income (Items II.2 and II.3)

(in € thousands)

		Ordinary income	Value re-adjustments	Gains on disposals	2019	2018	Change
Investments in Group companies and other shareholdings		8,803	0	0	8,803	9,315	-512
Other financial investments:							
of which:	shares and interests	4,860	0	215	5,075	5,942	-867
	fixed-income securities	122,760	38,339	22,046	183,145	134,093	49,052
	other financial investments	90	3,700	6,339	10,129	1,600	8,529
Class D investments		16,246	79,207	43,469	138,922	38,790	100,132
Total		**152,759**	**121,246**	**72,069**	**346,074**	**189,740**	**156,334**

Income from investments is detailed in Annexes 21 and 22.

Other technical income net of reinsurance (Item II.4)

Other technical income amounted to € 13,104 thousand compared with € 11,278 thousand in 2018 and consisted mainly of commissions on management of the assets of internal funds and management commissions retroceded by external fund management companies.

Claims incurred, net of recoveries and reinsurance (Item II.5)

(in € thousands)

	2019	2018	Change
Gross claims paid	686,751	518,255	168,496
Reinsurers' share	-1,678	-1,949	271
Gross change in the provision for claims to be paid	1,137	-4,006	5,143
Reinsurers' share	-143	871	-1,014
Total	**686,067**	**513,171**	**172,896**

Gross claims paid are detailed as follows:

(in € thousands)

	2019	2018	Change
Claims	48,845	37,622	11,223
Policies matured	137,699	160,694	-22,995
Surrenders	496,084	315,854	180,230
Perpetual annuities	2,988	3,029	-41
Claim settlement costs	1,135	1,056	79
Total	**686,751**	**518,255**	**168,496**

It should be noted that the difference between the amount of the provision for claims to be paid existing at the start of the year and sums paid to the beneficiaries of the contracts during the year for claims incurred in previous years, and also the amount of the related provisions at the end of the year is not significant.

Change in provisions for policy liabilities and in other technical provisions, net of reinsurance (Item II.6)

The positive change in Life business provisions amounted to € 367,961 thousand.
For details, refer to the commentary on the balance sheet.

Operating expenses - (Item II.8)

(in € thousands)

	2019	2018	Change
Acquisition costs net of commissions and of reinsurance commissions	26,465	25,050	1,415
Other administrative expenses	19,502	17,490	2,012
Total	**45,967**	**42,540**	**3,427**

Investment management and financial charges (Items II.9 and II.10)

(in € thousands)

		Management charges	Value re-adjustments	Losses on disposals	2019	2018	Change
Other financial investments:							
of which:	shares and interests	8	15	3	26	154	-128
	fixed-income securities	13,079	2,740	364	16,183	45,636	-29,453
	other financial investments	2,558	834	0	3,392	19,660	-16,268
Class D investments		18,406	5,920	5,976	30,302	84,834	-54,532
Total		**34,051**	**9,509**	**6,343**	**49,903**	**150,284**	**-100,381**

Annexes 23 and 24 provide the analytical schedule of investment management and financial charges.

Other technical charges net of reinsurance (Item II.11)

Other technical charges amounted to € 8,184 thousand compared with € 7,593 thousand in the previous year.
The item comprises maintenance commissions for € 6,632 thousand, fund management commissions for € 1,545 thousand and miscellaneous technical items for € 7 thousand.

Allocated investment return transferred to the non-technical account (Item II.12)

The allocated investment return to be transferred to the non-technical account, of € 17,836 thousand, has been calculated according to the method determined by the Supervisory Authority with a specific measure.

For information regarding the technical account of Life business lines, refer to Annexes 27 and 28.

Section 20 – Changes in technical items by business

Non-life and Life business

The Company has adopted the analytical accounting procedure to allocate operating expenses (costs of personnel and general expenses) to the specific items of the accounts. The application made it possible to allocate the costs, recorded and classified by the general accounting system, to the items of the accounts. The criteria adopted to post items common to several business lines to each individual business line used, as parameters, the number of claims handled, configured differently according to the type of cost to be allocated and the percentage composition of the premiums written.

All the information required by this section is set forth in Annexes 25, 26, 27, 28 and 29. As regards the commentary on the trends of the various business lines, reference should be made to the Report on Operations.

Section 21 – Information regarding the non-technical account (III)

Income from investments – Non-life business (Item III.3)

(in € thousands)

	Ordinary income	Value re-adjustments	Gains on disposals	2019	2018	Change
Land and buildings	3,060	0	0	3,060	3,296	-236
Investments in Group companies and other shareholdings	41,996	0	0	41,996	46,184	-4,188
Other financial investments:						
of which: shares and interests	6,208	1,576	10,166	17,950	8,783	9,167
fixed-income securities	12,803	6,434	15,896	35,133	14,599	20,534
other financial investments	336	1,141	5,864	7,341	3,486	3,855
Total	**64,403**	**9,151**	**31,926**	**105,480**	**76,348**	**29,132**

The analytical schedule of investment income is provided in Annex 21.

Investment management and financial charges – Non-life business (Item III.5)

(in € thousands)

	Management charges	Value re-adjustments	Losses on disposals	2019	2018	Change
Land and buildings	4,393	722	0	5,115	5,025	90
Other financial investments:						
of which: shares and interests	684	960	639	2,283	21,258	-18,975
fixed-income securities	5,767	2,997	180	8,944	18,395	-9,451
other financial investments	202	324	216	742	4,721	-3,979
Total	**11,046**	**5,003**	**1,035**	**17,084**	**49,399**	**-32,315**

The value re-adjustment relating to land and buildings refers to the depreciation charged for the premises that house the Company headquarters.
Annex 23 provides the analytical schedule of Investment management and financial charges of Non-life business.

Other income (Item III.7)

(in € thousands)

	2019	2018	Change
Recoveries from third parties of admin. expenses and charges	39,719	36,268	3,451
Other income and recoveries	3,054	1,898	1,156
Interest on receivables	1,709	1,456	253
Interest on bank deposits	6	7	-1
Utilisation of provisions for risks and charges	20,798	14,245	6,553
Total	**65,286**	**53,874**	**11,412**

For details of the utilisation of provisions for risks and charges, refer to the commentary in Section 12 of the Balance Sheet.

Other charges (Item III.8)

(in € thousands)

	2019	2018	Change
Administrative costs and expenses on behalf of third parties	39,719	36,268	3,451
Interest expense and bank expenses	1,021	1,030	-9
Accruals to provisions for risks and charges	27,989	21,719	6,270
Amortisation of intangible assets	129	114	15
Other charges	549	716	-167
Total	**69,407**	**59,847**	**9,560**

For details of provisions for risks and charges, refer to the commentary in Section 12 of the Balance Sheet.

Extraordinary income (Item III.9)

Extraordinary income amounted to € 7,805 thousand. The detail is as follows:

(in € thousands)

	2019	2018	Change
Taxes for previous years	1,410	183	1,227
Gains on trading of long-term investments	0	97,546	-97,546
Tax disputes	85	0	85
Out-of-period income and other extraordinary income	6,310	4,191	2,119
Total	**7,805**	**101,920**	**-94,115**

In 2018, gains on trading of long-term investments comprised gains on the partial sale of the interest in Sara Assicurazioni S.p.A.

Extraordinary charges (Item III.10)

Extraordinary charges amounted to € 4,143 thousand. The breakdown is as follows:

(in € thousands)

	2019	2018	Change
Taxes for previous years	1,861	551	1,310
Solidarity Fund costs	0	20,611	-20,611
Out-of-period expenses and other extraordinary charges	2,282	1,606	676
Total	**4,143**	**22,768**	**-18,625**

Income taxes for the year (Item III.14)

Income taxes for the year showed a positive balance of € 44,171 thousand and are the result of the following tax items:

(in € thousands)

	IRES	IRAP	Total
Taxes on the result of the period	28,374	9,992	38,366
Change in prepaid taxes	5,379	426	5,805
Total	**33,753**	**10,418**	**44,171**

Starting from the 2004 tax period, the Company has participated in the national consolidation scheme as consolidating entity for the purpose of IRES (Corporate Income Tax).

Taxes on the result for the period amounted to € 38,366 thousand. The breakdown is as follows:

- € 28,374 thousand for current IRES levied at the rate of 24%;
- € 9,992 thousand for current IRAP levied at the rate of 6.82%.

The change in prepaid IRES and IRAP reflects ordinary temporary differences between the value attributed according to statutory criteria and for tax purposes (mainly comprising changes in provisions and in the provision for outstanding claims).

Prepaid tax assets have been stated considering the reasonable certainty of future recovery.

The reconciliation between the theoretical tax charge and the actual tax charge for IRES and IRAP, with changes in relation to the previous year, is the following:

(in € thousands)

	2019	2018	Change
Profit before taxes	**188,336**	**96,239**	**92,097**
Theoretical IRES (24%)	**-45,201**	**-23,097**	**-22,104**
Tax effect of permanent differences:			
Increases:	**-3,931**	**-4,210**	**279**
- Dividend Washing	-673	-30	-643
- Non-recurring expenses	-559	-358	-201
- Taxes and other non-deductible costs	-1,131	-906	-225
- Charitable donations	-313	-276	-37
- Entertainment expenses	-83	-117	34
- Change in the provision for policy liabilities - Life business	-802	-428	-374
- Charges pertaining to disputes	-234	-1,818	1,584
- Other changes	-136	-277	141
Decreases:	**15,379**	**38,055**	**-22,676**
- Dividends excluded	12,611	13,641	-1,030
- PEX	0	22,241	-22,241
- ACE allowance	1,640	1,508	132
- Non-recurring income	386	59	327
- Other changes	742	606	136
IRES for the year	**-33,753**	**10,748**	**-44,501**
Technical balance	**132,386**	**12,152**	**120,234**
Theoretical IRAP (6.82%)	**-9,029**	**-828**	**-8,201**
Tax effect of permanent differences:			
- Personnel costs	-700	-505	-195
- Administrative expenses	-733	-644	-89
- Dividends	301	319	-18
- Deductible amortisation/depreciation	164	161	3
- Other changes	0	-51	51
IRAP advance tax adjustment	**-421**	**1,406**	**-1,827**
IRAP for the year	**-10,418**	**-142**	**-10,276**
Total income tax	**-44,171**	**10,606**	**-54,777**

Changes during the year were as follows:

(in € thousands)

	2018		Change		2019	
Prepaid taxes:	**taxable**	**tax**	**taxable**	**tax**	**taxable**	**tax**
IRES						
- Change in provisions for outstanding claims	74,573	17,897	-8,876	-2,130	65,697	15,767
- Write-down of equity investments	21,969	5,274	-19,214	-4,611	2,755	663
- Provisions to reserves for risks and charges	66,505	15,961	5,769	1,385	72,274	17,346
- Write-down of receivables from p/holders for premiums	99,675	23,922	0	0	99,675	23,922
- Write-down of other receivables	2,724	654	447	107	3,171	761
- Losses on receivables from p/holders for	44,892	10,774	0	0	44,892	10,774
- Other	1,205	290	-529	-129	676	161
Total IRES	**311,543**	**74,772**	**-22,403**	**-5,379**	**289,140**	**69,393**
IRAP						
- Losses on receivables from p/holders for premiums	44,892	3,062	0	0	44,892	3,062
- Write-down of receivables from p/holders for premiums	17,466	1,191	0	0	17,466	1,191
- Solidarity fund	20,612	1,406	-6,170	-421	14,442	985
- Amortisation of goodwill	296	20	-74	-5	222	15
Total IRAP	**83,266**	**5,679**	**-6,244**	**-426**	**77,022**	**5,253**
Total advance taxes	**394,809**	**80,451**	**-28,647**	**-5,805**	**366,162**	**74,646**
Deferred taxes:						
IRES						
- Depreciation of real estate	4,212	1,012	0	0	4,212	1,012
- Revaluations of equity investments	3,649	875	0	0	3,649	875
Total	**7,861**	**1,887**	**0**	**0**	**7,861**	**1,887**

Section 22 – Various information regarding the income statement

The detail of income and charges relating to Group companies and other shareholdings is provided in Annex 30.

A summary of the total amounts is provided below:

(in € thousands)

	Subsidiaries	Associated companies	Other	Other related	Total
Income	84,306	286	3,716	1,580	89,888
Charges	44,068	286	0	2,390	46,744

Income and charges relating to subsidiaries mainly refer to the costs charged by Reale Mutua to supply the services under the contracts in force and the chargeback of costs relating to seconded personnel for € 36,917 thousand.

They also include income for dividends on shares and interests for € 47,082 thousand, from land and buildings for € 214 thousand and charges for financial management services paid to Banca Reale for € 7,151 thousand.

Income from other related parties refers to collection of insurance premiums for € 1,580 thousand.
Charges relating to other related parties mainly refer to sums and compensation paid on policies for € 276 thousand and fees paid during the year to Directors and Auditors for € 1,964 thousand.

A summary of direct business premiums written is provided in Annex 31, while Annex 32 illustrates personnel costs, Directors' and Auditors' fees.

PART C: OTHER INFORMATION

This section provides the following additional information:

1. Transactions on derivative and structured financial instruments
2. Shareholders' equity
3. Disclosure regarding public funding
4. Fees for auditing and for services other than auditing
5. Cash flow statement

1. OPERATIONS ON DERIVATIVES AND STRUCTURED FINANCIAL INSTRUMENTS

Derivatives and structured financial instruments are acquired in accordance with the Company's strategic plan established with a Board resolution and IVASS Regulation No. 24 of 6 June 2016 and comply with the requirements established by the system of control of the securities portfolio.
Derivatives and structured financial instruments are used solely for the purpose of promoting balanced and prudent portfolio management, in order to hedge the investment risk or achieve investment goals more easily, more economically or more flexibly than would be possible using the underlying assets.

A) STRUCTURED FINANCIAL INSTRUMENTS

Open positions in structured debt securities at year-end were as follows:

in the **Non-life portfolio**, a total carrying amount of € 2,501 thousand;
in the **Life portfolio**, a total carrying amount of € 26,580 thousand, of which € 25,206 thousand included in the assets of separately managed accounts;

There were no open positions in structured debt securities in the **Life portfolio under art. 41 of Legislative Decree No. 209/05** or in the **portfolio of the Teseo open-ended pension fund**.

The table below provides a summary of the structured debt securities in the Company's securities portfolio within the perimeter defined by the Solvency II rules implemented by Delegated Resolution (EU) 2015/35, supplementing Directive 2009/138/EC:

(in € thousands)

	Carrying amount		Market Value		Income/Expense		
	2019	2018	2019	2018	Ordinary	Trading	Valuation
Non-life portfolio							
59-Other	2,501	2,501	2,628	2,775	175	0	0
TOTAL	**2,501**	**2,501**	**2,628**	**2,775**	**175**	**0**	**0**
Life portfolio							
52-Interest rate risk	26,580	54,020	51,004	81,244	8,848	0	346
TOTAL	**26,580**	**54,020**	**51,004**	**81,244**	**8,848**	**0**	**346**
Life portfolio under art. 41 of Leg. Dec. 209/05							
52-Interest rate risk	0	348	0	348	15	13	0
TOTAL	**0**	**348**	**0**	**348**	**15**	**13**	**0**

During the year transactions in the **Non-life portfolio** generated ordinary income for € 175 thousand.

Transactions in the **Life portfolio** generated ordinary income for € 8,848 thousand and valuation gains for € 346 thousand.

In the **Life portfolio under article 41 of Legislative Decree No. 209/05** transactions generated ordinary income for € 15 thousand and gains on trading for € 13 thousand.

There were no transactions in structured debt securities in the **portfolio of the Teseo open-ended pension fund**.

B) DERIVATIVES

The main derivatives on hand at the end of the year were as follows:

In the **Non-life portfolio**, with the relative notional value recorded in the memorandum accounts:

a contract stipulated with Credito Emiliano S.p.A. that, within the framework of the joint interest in Credemassicurazioni S.p.A., envisages granting of put options to Reale Mutua (notional value of € 25,801 thousand) and of call options to Credito Emiliano S.p.A. (notional value of € 25,801 thousand) on the entire interest held by Reale Mutua in Credemassicurazioni (1,366,000 shares, equal to 50% of the share capital) that can be exercised in specific contractually-defined cases.
In the **Life portfolio**, with the relative notional value recorded in the memorandum accounts:

four interest rate swap contracts: two with Royal Bank of Scotland Group Plc for a total notional value of € 5,340 thousand and two with Société Générale for a total notional value of € 4,500 thousand to improve management of cash flows generated by changes in interest rates.

In the **Life portfolio under article 41 of Legislative Decree No. 209/05**, with the relative notional value recorded in the memorandum accounts:

forward currency sale inserted in the "Real Mida 2" internal insurance fund, to hedge US dollar exchange rate risk on items in currency in the portfolio. The Company sold around 200 thousand USD at a EUR/USD strike rate of 1.11507 expiring on 31 January 2020 for a total notional value of approx. € 223 thousand.

There was also marginal exposure in rights and warrants on shares in the various portfolios for a carrying amount of € 4 thousand.

Operations and results for the year on transactions in derivatives are set forth below:

(in € thousands)

Category of contracts	Portfolio	Counterparty	Credit rating	Notional value	Fair value	Income / Charges
Operations closed:						
Rights and warrants on shares	Life	Various		0	0	8
Sale USD at term	Life	Banque Nationale de Paris		0	0	-20
Total operations closed				**0**	**0**	**-12**
Operations in course:						
Swap RBS(NW) - 01/09/2025	Life	Royal Bank of Scotland Group	adequate	5,340	-4,947	-1,312
Swap SG - 01/09/2025	Life	Société Générale	high	4,500	-4,367	-1,178
Put option on Credemassicurazioni S.p.A. shares	Non-life	Credito Emiliano	adequate	32,927	N.A.	0
Call option on Credemassicurazioni S.p.A. shares	Non-life	Credito Emiliano	adequate	32,927	N.A.	0
Sale of 3,170,000 USD at term -31/01/20	Life	Banque Nationale de Paris	adequate	223	1	0
Warrant on shares in Sit S.p.A.	Life	Sit S.p.A.	N.A.	4	4	-3
Total operations in course				**75,921**	**-9,309**	**-2,493**

In the **Life portfolio** the notional values of the interest rate swap contracts diminished during the year as envisaged by the instruments' amortisation plan.

In the **Life portfolio under article 41 of Legislative Decree No. 209/05** forward currency purchase/sale transactions were carried out during the year, in order to hedge the exchange rate risk in the "Real Mida 2" internal insurance fund.

In the **Non-life portfolio**, in October the Company subscribed call options on Pharmercure S.r.l. shares (notional value € 23.00) expiring on 30/10/2022 for which the purchase right can be exercised, as determined by Reale Mutua, for all or part of the shares that are the subject of the option.

In the portfolio of the **Teseo Open Pension Fund** no transactions were carried out on derivative instruments.

Lastly, please note that company assets included rights on operations on capital relating to equities in the portfolio; such instruments were exercised or not exercised or sold always by the expiry date of the operation.

2. SHAREHOLDERS' EQUITY

The breakdown of shareholders’ equity resulting from the proposed allocation of the result for the year is set forth in the tables below for Non-life and Life business respectively:

(in € thousands)

Shareholders’ equity for Non-life business	31.12.2019	Allocation proposed to Meeting	Updated shareholders’ equity
Share capital or Guarantee fund	45,000	0	45,000
Revaluation reserves	111,817	0	111,817
Legal reserve	176,693	4,033	180,726
Other reserves	1,282,628	76,627	1,359,255
Net profit (loss) for the year	80,660	-80,660	0
Total	**1,696,798**	**0**	**1,696,798**

(in € thousands)

Shareholders’ equity for Life business	31.12.2019	Allocation proposed to Meeting	Updated shareholders’ equity
Share capital or Guarantee fund	15,000	0	15,000
Revaluation reserves	24,406	0	24,406
Legal reserve	47,273	3,175	50,448
Other reserves	381,359	60,330	441,689
Net profit (loss) for the year	63,505	-63,505	0
Total	**531,543**	**0**	**531,543**

3. DISCLOSURE REGARDING PUBLIC FUNDING

Pursuant to art. 1.125 of Law No. 124/2017, as amended, on transparency of public funding, in 2019 the Company did not benefit from any grants, financial contributions, paid positions or economic aid such as to require disclosure in the financial statements in accordance with the aforesaid law.

4. AUDIT FEES AND FOR SERVICES OTHER THAN AUDITING

Disclosure of auditing fees and for services other than auditing
(article 149.12 of the CONSOB Issuers Regulation)

Type of service	Supplier of the service	Recipient	Fees (in € thousands)
Auditing	EY S.p.A.	Società Reale Mutua di Assicurazioni	**137**
Certification (**)	EY S.p.A.	Società Reale Mutua di Assicurazioni	**234**
Other services	EY ADVISORY S.p.A.	Società Reale Mutua di Assicurazioni	**1,253**

(*)NB: this item comprises fees for the following auditing services: expression of an opinion on the adequacy of technical provisions, verifications and signing of tax returns, limited audit of the non-financial statement of Reale Group, Separately Managed Accounts, Internal Insurance Funds, Pension Fund and the Audit, in accordance with IVASS Regulation No. 42, of sections D "Valuation for solvency purposes", E1 "Own funds" and E.2 "Solvency Capital Requirement and Minimum Capital Requirement" of the Solvency and Financial Condition Report and of the "Balance Sheet", "Own Funds" and "Solvency Capital Requirement for undertakings using the standard formula and the partial internal model" QRTs attached to said Report.

5. CASH FLOW STATEMENT

(in € thousands)

		2019		2018
I. CASH FLOW FROM BUSINESS OPERATIONS				
1. PRE-TAX PROFIT FOR THE YEAR	1	**188,336**	31	**96,239**
2. CHANGES IN NON-CASH ITEMS				
a) Change in technical provisions - Non-life business	2	-5,537	32	-31,790
b) Change in technical provisions - Life business	3	369,497	33	229,515
c) Change in accumulated depreciation	4	283	34	-433
d) Change in termination benefits and in provisions for pensions and similar obligations	5	-213	35	-1,671
e) Change in other provisions	6	4,621	36	26,667
f) Non-monetary income and expenses deriving from investments	7	-42,672	37	75,490
g) Gains and losses on disposal of investments	8	-132,145	38	11,716
Total	9	**193,834**	39	**309,494**
3. CHANGE IN RECEIVABLES AND PAYABLES GENERATED BY OPERATIONS				
a) Change in receivables and payables arising from direct operations	10	-5,072	40	-19,334
b) Change in receivables and payables arising from reinsurance operations	11	16,200	41	-27,871
c) Change in other receivables and payables	12	-45,948	42	-45,348
d) Change in other assets and liabilities	13	-15,761	43	-4,447
Total	14	**-50,581**	44	**-97,000**
4. TAX PAID	15	**5,964**	45	**-1,509**
5. TOTAL NET CASH FLOW ARISING FROM BUSINESS OPERATIONS	16	**337,553**	46	**307,224**
II. CASH FLOW FROM INVESTMENT ACTIVITIES				
1. NET CASH FLOW GENERATED/ABSORBED BY INVESTMENTS				
a) Land and buildings	17	-3,486	47	-2,682
b) Equity investments in subsidiaries, associates, other equity investments	18	-821	48	7,931
c) Bonds, shares and interests, shares of collective investment funds	19	-242,604	49	-196,471
d) Loans	20	-435	50	389
e) Other financial investments	21	233	51	3,492
f) Investments for the benefit of Life policyholders who bear the investment risk and relating to the administration of pension funds	22	-72,399	52	-146,989
Total	23	**-319,512**	53	**-334,330**
2. NET CASH FLOW GENERATED/ABSORBED BY OTHER ITEMS				
a) Intangible assets	24	-95	54	112
b) Tangible assets	25	-1,886	55	2,678
Total	26	**-1,981**	56	**2,790**
3. TOTAL NET CASH FLOW ARISING FROM INVESTMENT ACTIVITIES	27	**-321,493**	57	**-331,540**
III. CHANGE IN CASH AND CASH EQUIVALENTS				
1. Cash and cash equivalents at the beginning of the year	28	**48,824**	58	**73,140**
2. Cash and cash equivalents at the end of the year	29	**64,884**	59	**48,824**
3. CHANGE IN CASH AND CASH EQUIVALENTS IN THE YEAR	30	**16,060**	60	**-24,316**

ANNEXES TO THE NOTES

Company SOCIETA' REALE MUTUA DI ASS.NI

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS

ASSETS

			Values of the year	
A. SUBSCRIBED CAPITAL UNPAID				1 ... 0
of which called-up capital		2 ... 0		
B. INTANGIBLE ASSETS				
1. Deferred acquisition commissions		4 ... 0		
2. Other acquisition costs		6 ... 0		
3. Start-up and expansion costs		7 ... 0		
4. Goodwill		8 ... 0		
5. Other multi-year costs		9 ... 520		10 ... 520
C. INVESTMENTS				
I - Land and buildings				
1. Property used in company operations		11 ... 23,369		
2. Property rented to third parties		12 ... 27,563		
3. Other properties		13 ... 0		
4. Other property rights		14 ... 0		
5. Construction in progress and advances		15 ... 0	16 ... 50,932	
II - Investments in Group companies and other shareholdings				
1. Shares and interests:				
a) controlling companies	17 ... 0			
b) subsidiary companies	18 ... 1,620,700			
c) affiliated companies	19 ... 0			
d) associated companies	20 ... 22,136			
e) other companies	21 ... 10,390	22 ... 1,653,226		
2. Bonds issued by:				
a) controlling companies	23 ... 0			
b) subsidiary companies	24 ... 0			
c) affiliated companies	25 ... 0			
d) associated companies	26 ... 0			
e) other companies	27 ... 0	28 ... 0		
3. Loans to:				
a) controlling companies	29 ... 0			
b) subsidiary companies	30 ... 0			
c) affiliated companies	31 ... 0			
d) associated companies	32 ... 0			
e) other companies	33 ... 0	34 ... 0	35 ... 1,653,226	
		to be carried forward		520

Values of the previous year

			181 0
	182 0		
	184 0		
	186 0		
	187 0		
	188 0		
	189 440		190 440
	191 17,047		
	192 27,242		
	193 0		
	194 0		
	195 3,204	196 47,493	
197 0			
198 1,620,450			
199 0			
200 22,136			
201 9,820	202 1,652,406		
203 0			
204 0			
205 0			
206 0			
207 0	208 0		
209 0			
210 0			
211 0			
212 0			
213 0	214 0	215 1,652,406	
	to be carried forward		440

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS

ASSETS

			Values of the year	
carried forward				520
C. INVESTMENTS (continued)				
III - Other financial investments				
1. Shares and interests				
a) Listed shares	36 38,068			
b) Unlisted shares	37 4,365			
c) Interests	38 12,596	39 55,029		
2. Shares in common investment funds		40 106,831		
3. Bonds and other fixed-income securities				
a) listed	41 1,343,677			
b) unlisted	42 17,084			
c) convertible debentures	43 0	44 1,360,761		
4. Loans				
a) loans secured by mortgage	45 29,354			
b) loans on policies	46 0			
c) other loans	47 1,155	48 30,509		
5. Participation in investment pools		49 0		
6. Deposits with credit institutions		50 820		
7. Other financial investments		51 0	52 1,553,950	
IV - Deposits with ceding undertakings			53 164	54 3,258,272
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS				
I - NON-LIFE BUSINESS				
1. Provision for unearned premiums		58 38,676		
2. Provision for claims outstanding		59 155,081		
3. Provision for profit-sharing and premium refunds		60 0		
4. Other technical provisions		61 0		62 193,757
to be carried forward				3,452,549

Values of the previous year

	carried forward		440
216 101,579			
217 4,848			
218 12,596	219 119,023		
	220 97,312		
221 1,238,166			
222 29,439			
223 0	224 1,267,605		
225 28,610			
226 0			
227 1,190	228 29,800		
	229 0		
	230 819		
	231 0	232 1,514,559	
		233 197	234 3,214,655
	238 37,705		
	239 163,975		
	240 0		
	241 0		242 201,680
	to be carried forward		3,416,775

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS

ASSETS

			Values of the year	
carried forward				3,452,549
E. RECEIVABLES				
I - Receivables arising out of direct insurance operations:				
1. Policyholders				
a) for premiums current year	71 137,352			
b) for premiums previous years	72 15,845	73 153,197		
2. Insurance intermediaries		74 208,255		
3. Current accounts with insurance companies		75 26,688		
4. Policyholders and third parties for recoveries		76 59,995	77 448,135	
II - Receivables arising out of reinsurance operations:				
1. Insurance and reinsurance companies		78 66,103		
2. Reinsurance intermediaries		79 6,852	80 72,955	
III - Other receivables			81 220,455	82 741,545
F. OTHER ASSETS				
I - Tangible assets and inventories:				
1. Furniture, office machines and internal transport vehicles		83 4,949		
2. Vehicles listed in public registers		84 0		
3. Machinery and equipment		85 5,911		
4. Inventories and other goods		86 0	87 10,860	
II - Cash at bank and in hand				
1. Bank and Postal accounts		88 40,225		
2. Cheques and cash on hand		89 3	90 40,228	
IV - Other				
1. Deferred reinsurance items		92 2		
2. Miscellaneous assets		93 163,643	94 163,645	95 214,733
of which connection account with Life business		901 207		
G. PREPAYMENTS AND ACCRUED INCOME				
1. Accrued interest			96 4,381	
2. Rents			97 0	
3. Other prepayments and accrued income			98 484	99 4,865
TOTAL ASSETS				100 4,413,692

Values of the previous year

		carried forward					3,416,775
251	142,470						
252	13,171	253	155,641				
		254	198,542				
		255	17,974				
		256	63,964	257	436,121		
		258	79,717				
		259	7,760	260	87,477		
				261	161,806	262	685,404
		263	4,318				
		264	0				
		265	4,855				
		266	0	267	9,173		
		268	39,906				
		269	2	270	39,908		
		272	2				
		273	148,238	274	148,240	275	197,321
		903	571				
				276	4,658		
				277	0		
				278	232	279	4,890
						280	4,304,390

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS

LIABILITIES AND SHAREHOLDERS' EQUITY

				Values of the year	
A.	SHAREHOLDERS' EQUITY				
	I	- Subscribed capital or equivalent fund		101 45,000	
	II	- Share premium account		102 0	
	III	- Revaluation reserves		103 111,817	
	IV	- Legal reserve		104 176,693	
	V	- Statutory reserves		105 0	
	VI	- Reserves for own shares and shares of the controlling company		400 0	
	VII	- Other reserves		107 1,282,628	
	VIII	- Profit (loss) brought forward		108 0	
	IX	- Net profit (loss) for the year		109 80,660	
	X	Negative reserve for own shares held		401 0	110 1,696,798
B.	SUBORDINATED LIABILITIES				111 0
C.	TECHNICAL PROVISIONS				
	I	- NON-LIFE BUSINESS			
		1. Provision for unearned premiums	112 690,178		
		2. Provision for claims outstanding	113 1,678,896		
		3. Provision for profit-sharing and premium refunds	114 0		
		4. Other technical provisions	115 2,008		
		5. Equalisation provision	116 11,616		117 2,382,698
			to be carried forward		4,079,496

Values of the previous year

		281	45,000		
		282	0		
		283	111,817		
		284	170,159		
		285	0		
		500	0		
		287	1,158,490		
		288	0		
		289	130,671		
		501	0	290	1,616,137
				291	0
292	683,024				
293	1,701,295				
294	0				
295	493				
296	11,345			297	2,396,157
to be carried forward					4,012,294

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS

LIABILITIES AND SHAREHOLDERS' EQUITY

				Values of the year			
			carried forward				4,079,496
E.	PROVISIONS FOR RISKS AND CHARGES						
1.	Provisions for pensions and similar obligations			128	15,889		
2.	Provisions for taxation			129	6,380		
3.	Other provisions			130	55,989	131	78,258
F.	DEPOSITS RECEIVED FROM REINSURERS					132	1,420
G.	PAYABLES AND OTHER LIABILITIES						
I	- Payables arising out of direct insurance operations:						
	1. Insurance intermediaries	133	34,278				
	2. Current accounts with insurance companies	134	5,603				
	3. Premium deposits and premiums due to policyholders	135	4,684				
	4. Guarantee funds in favour of policyholders	136	1,091	137	45,656		
II	- Payables arising out of reinsurance operations:						
	1. Insurance and reinsurance companies	138	1,931				
	2. Reinsurance intermediaries	139	3,112	140	5,043		
III	- Debenture loans			141	0		
IV	- Amounts owed to banks and credit institutions			142	0		
V	- Loans guaranteed by mortgages			143	0		
VI	- Miscellaneous loans and other financial liabilities			144	0		
VII	- Provision for employee termination indemnities			145	6,598		
VIII	- Other payables						
	1. Premium taxes	146	29,512				
	2. Other tax liabilities	147	27,657				
	3. Social security	148	2,154				
	4. Miscellaneous payables	149	82,874	150	142,197		
IX	- Other liabilities						
	1. Deferred reinsurance items	151	0				
	2. Commissions for premiums in course of collection	152	48,188				
	3. Miscellaneous liabilities	153	6,185	154	54,373	155	253,867
	of which connection account with Life business	902	0				
			to be carried forward				4,413,041

Values of the previous year

carried forward						4,012,294
			308	15,928		
			309	7,196		
			310	50,297	311	73,421
					312	948
	313	40,629				
	314	208				
	315	4,411				
	316	298	317	45,546		
	318	1,058				
	319	1,566	320	2,624		
			321	0		
			322	0		
			323	0		
			324	0		
			325	6,824		
	326	31,549				
	327	13,361				
	328	2,039				
	329	70,056	330	117,005		
	331	0				
	332	42,559				
	333	2,526	334	45,085	335	217,084
	904	0				
to be carried forward						4,303,747

BALANCE SHEET – NON-LIFE INSURANCE BUSINESS

LIABILITIES AND SHAREHOLDERS' EQUITY

	Values of the year	
carried forward		4,413,041
H. ACCRUALS AND DEFERRED INCOME		
1. Accrued interest	156 0	
2. Rents	157 651	
3. Other accruals and deferred income	158 0	159 651
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		160 4,413,692

Values of the previous year

carried forward		4,303,747
	336 0	
	337 643	
	338 0	339 643
		340 4,304,390

Company SOCIETA' REALE MUTUA DI ASS.NI

BALANCE SHEET – LIFE INSURANCE BUSINESS

ASSETS

				Values of the year	
A.	SUBSCRIBED CAPITAL UNPAID				1 0
	of which called-up capital		2 0		
B.	INTANGIBLE ASSETS				
	1. Deferred acquisition commissions		3 0		
	2. Other acquisition costs		6 0		
	3. Start-up and expansion costs		7 0		
	4. Goodwill		8 0		
	5. Other multi-year costs		9 0		10 0
C.	INVESTMENTS				
I	- Land and buildings				
	1. Property used in company operations		11 0		
	2. Property rented to third parties		12 0		
	3. Other properties		13 0		
	4. Other property rights		14 0		
	5. Construction in progress and advances		15 0	16 0	
II	- Investments in Group companies and other shareholdings				
	1. Shares and interests:				
	a) controlling companies	17 0			
	b) subsidiary companies	18 312,963			
	c) affiliated companies	19 0			
	d) associated companies	20 0			
	e) other companies	21 0	22 312,963		
	2. Bonds issued by:				
	a) controlling companies	23 0			
	b) subsidiary companies	24 0			
	c) affiliated companies	25 0			
	d) associated companies	26 0			
	e) other companies	27 0	28 0		
	3. Loans to:				
	a) controlling companies	29 0			
	b) subsidiary companies	30 0			
	c) affiliated companies	31 0			
	d) associated companies	32 0			
	e) other companies	33 0	34 0	35 312,963	
			to be carried forward		0

Values of the previous year

			181 0
	182 0		
	183 0		
	186 0		
	187 0		
	188 0		
	189 0		190 0
	191 0		
	192 0		
	193 0		
	194 0		
	195 0	196 0	
197 0			
198 312,963			
199 0			
200 0			
201 0	202 312,963		
203 0			
204 0			
205 0			
206 0			
207 0	208 0		
209 0			
210 0			
211 0			
212 0			
213 0	214 0	215 312,963	
	to be carried forward		0

BALANCE SHEET – LIFE INSURANCE BUSINESS

ASSETS

			Values of the year	
		carried forward		0
C. INVESTMENTS (continued)				
III - Other financial investments				
1. Shares and interests				
a) Listed shares	36 1,838			
b) Unlisted shares	37 0			
c) Interests	38 0	39 1,838		
2. Shares in common investment funds		40 90,576		
3. Bonds and other fixed-income securities:				
a) listed	41 4,822,320			
b) unlisted	42 2,063			
c) convertible debentures	43 0	44 4,824,383		
4. Loans				
a) loans secured by mortgage	45 0			
b) loans on policies	46 990			
c) other loans	47 0	48 990		
5. Participation in investment pools		49 0		
6. Deposits with credit institutions		50 0		
7. Other financial investments		51 0	52 4,917,787	
IV - Deposits with ceding undertakings			53 2,608	54 5,233,358
D. INVESTMENTS FOR THE BENEFIT OF LIFE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS				
I - Investments relating to contracts linked to investment funds and market indices			55 916,717	
II - Investments relating to the administration of pension funds			56 268,111	57 1,184,828
D bis. REINSURERS' SHARE OF TECHNICAL PROVISIONS				
II - LIFE BUSINESS				
1. Provisions for policy liabilities		63 2,778		
2. Unearned premium provision for supplementary coverage		64 0		
3. Provision for sums to be paid		65 434		
4. Provision for profit-sharing and premium refunds		66 0		
5. Other technical provisions		67 0		
6. Technical provisions where the investment risk is borne by the policyholders and relating to the administration of pension funds		68 0		69 3,212
		to be carried forward		6,421,398

Values of the previous year

	carried forward		0
216 985			
217 0			
218 0	219 985		
	220 116,361		
221 4,491,372			
222 2,357			
223 0	224 4,493,729		
225 0			
226 1,265			
227 0	228 1,265		
	229 0		
	230 0		
	231 0	232 4,612,340	
		233 2,810	234 4,928,113
		235 804,441	
		236 234,968	237 1,039,409
	243 2,486		
	244 0		
	245 241		
	246 0		
	247 0		
	248 0		249 2,727
	to be carried forward		5,970,249

BALANCE SHEET – LIFE INSURANCE BUSINESS

ASSETS

				Values of the year	
	carried forward				6,421,398
E.	RECEIVABLES				
I	- Receivables arising out of direct insurance operations:				
	1. Policyholders				
	a) for premiums current year	71 43,909			
	b) for premiums previous years	72 3,106	73 47,015		
	2. Insurance intermediaries		74 46,215		
	3. Current accounts with insurance companies		75 0		
	4. Policyholders and third parties for recoveries		76 0	77 93,230	
II	- Receivables arising out of reinsurance operations:				
	1. Insurance and reinsurance companies		78 2,472		
	2. Reinsurance intermediaries		79 0	80 2,472	
III	- Other receivables			81 70,867	82 166,569
F.	OTHER ASSETS				
I	- Tangible assets and inventories:				
	1. Furniture, office machines and internal transport vehicles		83 13		
	2. Vehicles listed in public registers		84 0		
	3. Machinery and equipment		85 0		
	4. Inventories and other goods		86 0	87 13	
II	- Cash at bank and in hand				
	1. Bank and Postal accounts		88 24,656		
	2. Cheques and cash on hand		89 0	90 24,656	
IV	- Other				
	1. Deferred reinsurance items		92 0		
	2. Miscellaneous assets		93 14,410	94 14,410	95 39,079
	of which connection account with Non-life business		901 0		
G.	PREPAYMENTS AND ACCRUED INCOME				
	1. Accrued interest			96 43,699	
	2. Rents			97 0	
	3. Other prepayments and accrued income			98 0	99 43,699
	TOTAL ASSETS				100 6,670,745

Values of the previous year

	carried forward		5,970,249
251 40,333			
252 2,290	253 42,623		
	254 57,050		
	255 0		
	256 0	257 99,673	
	258 1,666		
	259 0	260 1,666	
		261 69,926	262 171,265
	263 34		
	264 0		
	265 2		
	266 0	267 36	
	268 8,916		
	269 0	270 8,916	
	272 0		
	273 14,089	274 14,089	275 23,041
	903 0		
		276 45,136	
		277 0	
		278 0	279 45,136
			280 6,209,691

BALANCE SHEET – LIFE INSURANCE BUSINESS

LIABILITIES AND SHAREHOLDERS' EQUITY

			Values of the year	
A. SHAREHOLDERS' EQUITY				
I - Subscribed capital or equivalent fund			101 15,000	
II - Share premium account			102 0	
III - Revaluation reserves			103 24,406	
IV - Legal reserve			104 47,273	
V - Statutory reserves			105 0	
VI - Reserves for own shares and shares of the controlling company			400 0	
VII - Other reserves			107 381,359	
VIII - Profit (loss) brought forward			108 0	
IX - Net profit (loss) for the year			109 63,505	
X - Negative reserve for own shares held			401 0	110 531,543
B. SUBORDINATED LIABILITIES				111 0
C. TECHNICAL PROVISIONS				
II - LIFE INSURANCE BUSINESS				
1. Provisions for policy liabilities	118	4,809,225		
2. Unearned premium provision for supplementary coverage	119	169		
3. Provision for sums to be paid	120	43,741		
4. Provision for profit-sharing and premium refunds	121	0		
5. Other technical provisions	122	20,220		123 4,873,355
D. TECHNICAL PROVISIONS WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RELATING TO THE ADMINISTRATION OF PENSION FUNDS				
I - Provisions relating to contracts linked to investment funds and market indices			125 917,269	
II - Provisions relating to the administration of pension funds			126 268,074	127 1,185,343
		to be carried forward		6,590,241

Values of the previous year

	281 15,000	
	282 0	
	283 24,406	
	284 47,273	
	285 0	
	500 0	
	287 405,185	
	288 0	
	289 -23,826	
	501 0	290 468,038
		291 0
298 4,587,643		
299 171		
300 42,604		
301 0		
302 18,200		303 4,648,618
	305 805,139	
	306 234,959	307 1,040,098
to be carried forward		6,156,754

BALANCE SHEET – LIFE INSURANCE BUSINESS

LIABILITIES AND SHAREHOLDERS' EQUITY

				Values of the year	
			carried forward		6,590,241
E.	PROVISIONS FOR RISKS AND CHARGES				
	1.	Provisions for pensions and similar obligations		128 12,275	
	2.	Provisions for taxation		129 392	
	3.	Other provisions		130 2,729	131 15,396
F.	DEPOSITS RECEIVED FROM REINSURERS				132 2,248
G.	PAYABLES AND OTHER LIABILITIES				
	I	- Payables arising out of direct insurance operations:			
		1. Insurance intermediaries	133 5,244		
		2. Current accounts with insurance companies	134 194		
		3. Premium deposits and premiums due to policyholders	135 9,776		
		4. Guarantee funds in favour of policyholders	136 0	137 15,214	
	II	- Payables arising out of reinsurance operations:			
		1. Insurance and reinsurance companies	138 75		
		2. Reinsurance intermediaries	139 1	140 76	
	III	- Debenture loans		141 0	
	IV	- Amounts owed to banks and credit institutions		142 0	
	V	- Loans guaranteed by mortgages		143 0	
	VI	- Miscellaneous loans and other financial liabilities		144 0	
	VII	- Provision for employee termination indemnities		145 1,165	
	VIII	- Other payables			
		1. Premium taxes	146 142		
		2. Other tax liabilities	147 37,866		
		3. Social security	148 0		
		4. Miscellaneous payables	149 4,723	150 42,731	
	IX	- Other liabilities			
		1. Deferred reinsurance items	151 0		
		2. Commissions for premiums in course of collection	152 2,653		
		3. Miscellaneous liabilities	153 207	154 2,860	155 62,046
		of which connection account with Non-life business	902 207		
			to be carried forward		6,669,931

Values of the previous year

carried forward		6,156,754
	308 12,217	
	309 381	
	310 2,996	311 15,594
		312 2,244
313 5,440		
314 0		
315 9,388		
316 0	317 14,828	
318 8		
319 5	320 13	
	321 0	
	322 0	
	323 0	
	324 0	
	325 1,171	
326 147		
327 1,504		
328 0		
329 13,549	330 15,200	
331 0		
332 2,436		
333 571	334 3,007	335 34,219
904 571		
to be carried forward		6,208,811

BALANCE SHEET – LIFE INSURANCE BUSINESS

LIABILITIES AND SHAREHOLDERS' EQUITY

	Values of the year	
carried forward		6,669,931
H. ACCRUALS AND DEFERRED INCOME		
1. Accrued interest	156 814	
2. Rents	157 0	
3. Other accruals and deferred income	158 0	159 814
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		160 6,670,745

Values of the previous year

carried forward		6,208,811
	336 880	
	337 0	
	338 0	339 880
		340 6,209,691

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Breakdown of the operating result between Non-life and Life business

		Non-life business		Life business		Total	
Result of the technical account		1	63,311	21	69,593	41	132,904
Investment income	+	2	105,480			42	105,480
Investment management and financial charges	-	3	17,083			43	17,083
Allocated investment return transferred from the technical account of Life business	+			24	17,836	44	17,836
Allocated investment return transferred to the technical account of Non-life business	-	5	50,342			45	50,342
Intermediate operating result		6	101,366	26	87,429	46	188,795
Other income	+	7	63,849	27	1,437	47	65,286
Other charges	-	8	67,545	28	1,862	48	69,407
Extraordinary income	+	9	6,641	29	1,164	49	7,805
Extraordinary charges	-	10	4,142	30	1	50	4,143
Profit before taxes		11	100,169	31	88,167	51	188,336
Income taxes for the year	-	12	19,509	32	24,662	52	44,171
Net Profit for the year		13	80,660	33	63,505	53	144,165

Notes to the Financial Statements – Annex 4

Financial 2019

Company SOCIETA' REALE MUTUA DI ASS.NI

Changes during the year in intangible assets (Item B) and land and buildings (Item C.I)

		Intangible assets B		Land and buildings C.I	
Gross initial balance	+	1	2,086	31	61,756
Increases during the year	+	2	209	32	4,162
for: purchases or additions		3	209	33	4,162
write-backs		4	0	34	0
revaluations		5	0	35	0
other changes		6	0	36	0
Decreases during the year	-	7	0	37	0
for: sales or decreases		8	0	38	0
long-term write-downs		9	0	39	0
other changes		10	0	40	0
Gross final balance (a)		11	2,295	41	65,918
Amortisation and depreciation:					
Initial balance	+	12	1,646	42	14,264
Increases during the year	+	13	129	43	722
for: amortisation and depreciation for the year		14	129	44	722
other changes		15	0	45	0
Decreases during the year	-	16	0	46	0
for: reductions following disposals		17	0	47	0
other changes		18	0	48	0
Final values of amortisation (b) (*)		19	1,775	49	14,986
Carrying amount (a – b)		20	520	50	50,932
Current value				51	122,431
Total revaluations		22	0	52	0
Total write-downs		23	0	53	0

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Assets – Changes during the year in investments in Group companies and other shareholdings: shares and interests (Item C.II.1), bonds (Item C.II.2) and loans (Item C.II.3)

		Shares and interests C.II.1		Bonds C.II.2		Loans C.II.3	
Initial balance	+	1	1,965,369	21	0	41	0
Increases during the year:	+	2	820	22	0	42	0
for: purchases, subscriptions or issues		3	550	23	0	43	0
write-backs		4	0	24	0	44	0
revaluations		5	0	25	0		
other changes		6	270	26	0	46	0
Decreases during the year:	-	7	0	27	0	47	0
for: sales or repayments		8	0	28	0	48	0
write-downs		9	0	29	0	49	0
other changes		10	0	30	0	50	0
Carrying amount		11	1,966,189	31	0	51	0
Current value		12	1,966,195	32	0	52	0
Total revaluations		13	13,128	33	0		
Total write-downs		14	174,580	34	0	54	0

Item C.II.2 includes:

Listed bonds	61	0
Unlisted bonds	62	0
Carrying amount	63	0
of which convertible debentures	64	0

Company SOCIETA' REALE MUTUA DI ASS.NI

Assets – Information regarding investee companies (*)

Ord. No. (**)	Type (1)	Listed or unlisted (2)	Business activity (3)	Name and registered offices	Currency
1	b	UL	3	BANCA REALE SPA - TURIN	EUR
2	b	UL	2	BLUE ASSISTANCE SPA - TURIN	EUR
3	b	UL	4	IGAR S.A. - MADRID	EUR
4	b	UL	1	ITALIANA ASSICURAZIONI SPA - MILAN	EUR
5	b	UL	4	REALE IMMOBILI SPA - TURIN	EUR
6	b	UL	9	REALE ITES S.R.L. RMA - TURIN	EUR
7	b	UL	1	REALE SEGUROS GENERALES S.A. - MADRID	EUR
8	b	UL	1	REALE VIDA Y PENSIONES S.A. - MADRID	EUR
9	d	UL	1	CREDEMASSICURAZIONI SPA - REGGIO EMILIA	EUR
10	e	UL	9	CEDACRI SPA - COLECCHIO	EUR
11	e	UL	9	EURAPCO AG - ZURICH	CHF
12	e	UL	9	MONEYMOUR S.R.L. - MILAN	EUR
13	e	UL	9	PHARMERCURE S.R.L. - TURIN	EUR
14	e	UL	1	SARA ASSICURAZIONI SPA ORD. - ROME	EUR
15	e	UL	1	SARA ASSICURAZIONI SPA PRIV. - ROME	EUR
16	e	UL	9	WELFARE ITALIA SERVIZI SRL - MILAN	EUR
17	e	UL	9	YAGO S.R.L. BOLOGNA	EUR

(*) Group companies and other companies in which a direct interest is held also through trust companies or through a third person must be listed.
(**) The order number must be higher than "0"

(1) Type
a = Controlling
b = Subsidiary
c = Affiliated
d = Associated
e = Others

(2) Indicate L for securities traded on regulated markets and UL for the others

(3) Business
1 = Insurance company
2 = Finance company
3 = Credit institution
4 = Real estate company
5 = Trust company
6 = Unit trust management or distribution company
7 = Consortium
8 = Industrial company
9 = Other company or body

(4) Amounts in original currency

(5) Indicate the total percentage ownership

Share capital		Shareholders' equity (***)	Net income or loss of the previous year (***)	Percentage interest		
Amount (4)	Number shares	(4)	(4)	Direct %	Indirect %	Total %
30,000	30,000,000	65,787	2,828	95.00	5.00	100.00
3,120	3,120,000	7,346	962	100.00	0	100.00
67,665	1,125,872	90,091	1,168	46.81	53.19	100.00
57,626	37,178,295	657,949	69,741	99.92	0	99.92
209,500	20,950,000	905,128	33,672	85.92	14.07	99.99
86,268	5	87,595	997	88.13	11.87	100.00
87,426	4,040,000	470,427	38,588	95.00	5.00	100.00
15,000	15,000	19,294	1,720	5.00	95.00	100.00
14,097	2,732,000	50,214	9,080	50.00	0	50.00
12,609	12,609			1.34	0	1.34
7,399	73,990			12.50	0	12.50
13	13,394			5.32	0	5.32
8	7,694			16.00	0	16.00
54,675	18,225,000			11.16	0	11.16
54,675	18,225,000			3.49	0	3.49
259	45			2.22	0	2.22
50	50,000			19.9	0	19.90

Company SOCIETA' REALE MUTUA DI ASS.NI

Assets – Detailed schedule of changes in investments in Group companies and other shareholdings: shares and interests

Ord. No. (1)	Type (2)	(3)	Company name	Increases during the year – For purchases – Quantity	Increases during the year – For purchases – Value	Other increases
1	B	D	BANCA REALE SPA	0		
2	B	D	BLUE ASSISTANCE SPA	0		
3	B	D	IGAR S.A.	0		
4	B	D	ITALIANA ASSICURAZIONI SPA	0		
4	B	V	ITALIANA ASSICURAZIONI SPA	0		
5	B	D	REALE IMMOBILI SPA	0		
5	B	V	REALE IMMOBILI SPA	0		
6	B	D	REALE ITES S.R.L. RMA	0		
7	B	D	REALE SEGUROS GENERALES S.A.	0		
8	B	D	REALE VIDA Y PENSIONES S.A.	250		250
9	D	D	CREDEMASSICURAZIONI SPA	0		
10	E	D	CEDACRI SPA	0		
11	E	D	EURAPCO AG	0		
12	E	D	MONEYMOUR S.R.L.	712	100	
13	E	D	PHARMERCURE S.R.L.	1,231	450	
14	E	D	SARA ASSICURAZIONI SPA ORD.	0		
15	E	D	SARA ASSICURAZIONI SPA PRIV.	0		
16	E	D	WELFARE ITALIA SERVIZI SRL	0		
17	E	D	YAGO S.R.L.	2,497		20
			Totals C.II.1		550	270
	a		Controlling companies		0	0
	b		Subsidiary companies		0	250
	c		Affiliated companies		0	0
	d		Associated companies		0	0
	e		Other		550	20
			Total D.I		0	0
			Total D.II		0	0

(1) Must match that indicated in Annex 6

(2) Type
- a = Controlling
- b = Subsidiary
- c = Affiliated
- d = Associated

(3) Indicate:
- D for investments assigned to Non-life business (Item C.II.1)
- V for investments assigned to Life business (Item C.II.1)
- V1 for investments assigned to Life business (Item D.1)
- V2 for investments assigned to Life business (Item D.2)
- The same number must be assigned to the shareholding even if split

Decreases during the year			Carrying amount (4)		Purchase cost	Currrent value
For sales		Other decreases	Quantity	Value		
Quantity	Value					
0			28,500,000	40,119	56,938	40,119
0			3,120,000	2,511	3,812	2,511
0			527,060	31,555	31,555	31,555
0			16,111,801	385,776	511,466	385,776
0			21,036,993	209,119	226,401	209,119
0			16,000,000	830,747	830,747	830,747
0			2,000,000	103,843	103,843	103,843
0			1	76,390	76,390	76,390
0			3,838,000	252,743	252,743	252,743
0			750	860	860	860
0			1,366,000	22,136	22,136	22,136
0			169	1,301	1,301	1,301
0			9,248	1,151	1,151	1,157
0			712	100	100	100
0			1,231	450	450	450
0			2,033,505	4,940	4,901	4,940
0			636,457	2,248	2,248	2,248
0			1	0	400	0
0			9,952	200	200	200
	0	0		1,966,189	2,127,642	1,966,195
	0	0		0	0	0
	0	0		1,933,663	2,094,755	1,933,663
	0	0		0	0	0
	0	0		22,136	22,136	22,136
	0	0		10,390	10,751	10,396
	0	0		0	0	0
	0	0		0	0	0

(4) Indicate whether valued by the equity method with an (*) (only for Type b and d)

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Breakdown of other financial investments according to use: shares and interests in companies, shares in common investment funds, bonds and other fixed-income securities, participation in investment pools and other financial investments (Items C.III.1, 2, 3, 5, 7)

I – Non-life business

	Long-term investment portfolio				Short-term financial assets portfolio				Total			
		Carrying amount		Current value		Carrying amount		Current value		Carrying amount		Current value
1. Shares and interests:	1	8,610	21	7,748	41	46,419	61	50,571	81	55,029	101	58,319
a) Listed shares	2	8,116	22	7,253	42	29,952	62	34,104	82	38,068	102	41,357
b) Unlisted shares	3	398	23	399	43	3,967	63	3,967	83	4,365	103	4,366
c) Interests	4	96	24	96	44	12,500	64	12,500	84	12,596	104	12,596
2. Shares in common investment funds	5	0	25	0	45	106,831	65	107,978	85	106,831	105	107,978
3. Bonds and other fixed-income securities	6	14,440	26	15,236	46	1,346,320	66	1,362,332	86	1,360,760	106	1,377,568
a1) listed Government securities	7	12,002	27	12,702	47	834,240	67	837,790	87	846,242	107	850,492
a2) other listed securities	8	0	28	0	48	497,435	68	509,774	88	497,435	108	509,774
b1) unlisted Government securities	9	2,438	29	2,534	49	7,653	69	7,653	89	10,091	109	10,187
b2) other unlisted securities	10	0	30	0	50	6,992	70	7,115	90	6,992	110	7,115
c) convertible debentures	11	0	31	0	51	0	71	0	91	0	111	0
5. Participation in investment pools	12	0	32	0	52	0	72	0	92	0	112	0
7. Other financial investments	13	0	33	0	53	0	73	0	93	0	113	0

II – Life business

	Long-term investment portfolio				Short-term financial assets portfolio				Total			
		Carrying amount		Current value		Carrying amount		Current value		Carrying amount		Current value
1. Shares and interests:	121	0	141	0	161	1,838	181	1,868	201	1,838	221	1,868
a) Listed shares	122	0	142	0	162	1,838	182	1,868	202	1,838	222	1,868
b) Unlisted shares	123	0	143	0	163	0	183	0	203	0	223	0
c) Interests	124	0	144	0	164	0	184	0	204	0	224	0
2. Shares in common investment funds	125	0	145	0	165	90,576	185	93,979	205	90,576	225	93,979
3. Bonds and other fixed-income securities	126	203,356	146	272,014	166	4,621,027	186	5,077,009	206	4,824,383	226	5,349,023
a1) listed Government securities	127	143,928	147	170,032	167	3,278,638	187	3,649,921	207	3,422,566	227	3,819,953
a2) other listed securities	128	59,381	148	101,934	168	1,340,373	188	1,424,852	208	1,399,754	228	1,526,786
b1) unlisted Government securities	129	0	149	0	169	0	189	0	209	0	229	0
b2) other unlisted securities	130	47	150	48	170	2,016	190	2,236	210	2,063	230	2,284
c) convertible debentures	131	0	151	0	171	0	191	0	211	0	231	0
5. Participation in investment pools	132	0	152	0	172	0	192	0	212	0	232	0
7. Other financial investments	133	0	153	0	173	0	193	0	213	0	233	0

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Assets – Changes during the year in other financial investments held as long-term investments: shares and interests, shares in common investment bonds and other fixed-income securities, participation in investment pools and other financial investments (Items C.III.1, 2, 3, 5, 7)

		Shares and interests C.III.1		Shares in common investment Investment C.III.2		Bonds and other fixed-income C.III.3		Participation in investment pools C.III.5		Other financial investments C.III.7	
Initial balance	+	1	8,610	21	0	41	237,399	81	0	101	0
Increases during the year:	+	2	0	22	0	42	9,168	82	0	102	0
for: purchases		3	0	23	0	43	6,032	83	0	103	0
write-backs		4	0	24	0	44	0	84	0	104	0
transfer from short-term portfolio		5	0	25	0	45	0	85	0	105	0
other changes		6	0	26	0	46	3,136	86	0	106	0
Decreases during the year:	-	7	0	27	0	47	28,771	87	0	107	0
for: sales		8	0	28	0	48	0	88	0	108	0
write-downs		9	0	29	0	49	0	89	0	109	0
transfer to short-term portfolio		10	0	30	0	50	0	90	0	110	0
other changes		11	0	31	0	51	28,771	91	0	111	0
Carrying amount		12	8,610	32	0	52	217,796	92	0	112	0
Current value		13	7,748	33	0	53	287,250	93	0	113	0

Financial 2019

Company SOCIETA' REALE MUTUA DI ASS.NI

Assets – Changes during the year in loans and deposits with credit institutions (Items C.III.4, 6)

		Loans C.III.4		Deposits with credit institutions C.III.6	
Initial balance	+	1	31,065	21	819
Increases during the year:	+	2	5,356	22	1,050
for: issues		3	5,356		
write-backs		4	0		
other changes		5	0		
Decreases during the year:	-	6	4,921	26	1,049
for: repayments		7	4,921		
write-downs		8	0		
other changes		9	0		
Carrying amount		10	31,500	30	820

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Assets – Schedule of assets relating to contracts linked to investment funds and market indices (Item D.I)

Fund code: 2 Description: CONTRACTS TIED TO THE VALUE OF SHARES OF INTERNAL FUNDS

		Current value				Purchase cost			
		Current year		Previous year		Current year		Previous year	
I.	Land and buildings	1	0	21	0	41	0	61	0
II.	Investments in Group companies and other shareholdings:								
	1. Shares and interests	2	0	22	0	42	0	62	0
	2. Bonds	3	0	23	0	43	0	63	0
	3. Loans	4	0	24	0	44	0	64	0
III.	Shares in common investment funds	5	516,629	25	436,042	45	480,728	65	451,239
IV.	Other financial investments:								
	1. Shares and interests	6	96,615	26	76,664	46	82,861	66	80,706
	2. Bonds and other fixed-income securities	7	253,416	27	243,800	47	251,969	67	244,584
	3. Deposits with credit institutions	8	0	28	0	48	0	68	0
	4. Other financial investments	9	5	29	7	49	5	69	7
V.	Other assets	10	2,842	30	3,249	50	2,842	70	3,249
VI.	Cash at bank and in hand	11	52,944	31	47,345	51	52,944	71	47,345
VII.	Other liabilities	12	-5,734	32	-2,666	52	-5,734	72	-2,666
	....	13		33		53		73	
Total		14	916,717	34	804,441	54	865,615	74	824,464

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Assets – Schedule of assets relating to contracts linked to investment funds and market indices (Item D.I)

Fund code: Description: TOTAL

		Current value				Purchase cost			
		Current year		Previous year		Current year		Previous year	
I.	Land and buildings	1	0	21	0	41	0	61	0
II.	Investments in Group companies and other shareholdings:								
	1. Shares and interests	2	0	22	0	42	0	62	0
	2. Bonds	3	0	23	0	43	0	63	0
	3. Loans	4	0	24	0	44	0	64	0
III.	Shares in common investment funds	5	516,629	25	436,042	45	480,728	65	451,239
IV.	Other financial investments:								
	1. Shares and interests	6	96,615	26	76,664	46	82,861	66	80,706
	2. Bonds and other fixed-income securities	7	253,416	27	243,800	47	251,969	67	244,584
	3. Deposits with credit institutions	8	0	28	0	48	0	68	0
	4. Other financial investments	9	5	29	7	49	5	69	7
V.	Other assets	10	2,842	30	3,249	50	2,842	70	3,249
VI.	Cash at bank and in hand	11	52,944	31	47,345	51	52,944	71	47,345
VII.	Other liabilities	12	-5,734	32	-2,666	52	-5,734	72	-2,666
		13		33		53		73	
Total		14	916,717	34	804,441	54	865,615	74	824,464

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Assets – Schedule of assets resulting from administration of pension funds (Item D.II)

Code: 1 Pension fund description: ETHICAL PRUDENTIAL LINE

		Current value		Purchase cost	
		Current year	Previous year	Current year	Previous year
I.	Investments in Group companies and other shareholdings:				
	1. Shares and interests	1 0	21 0	41	61 0
	2. Bonds	2 0	22 0	42	62 0
II.	Other financial investments:				
	1. Shares and interests	3 0	23 0	43 0	63 0
	2. Bonds and other fixed-income securities	4 62,579	24 54,384	44 61,735	64 54,351
	3. Shares in common investment funds	5 0	25 0	45 0	65 0
	4. Deposits with credit institutions	6 0	26 0	46	66 0
	5. Other financial investments	7 0	27 0	47 0	67 0
III.	Other assets	8 556	28 592	48 556	68 592
IV.	Cash at bank and in hand	9 1,659	29 2,395	49 1,659	69 2,395
VI.	Other liabilities	10 -486	30 -100	50 -486	70 -100
…		11	31	51	71
Total		12 64,308	32 57,271	52 63,464	72 57,238

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Assets – Schedule of assets resulting from administration of pension funds (Item D.II)

Code: 2 Pension fund description: LINEA BILANCIATA ETICA

		Current value		Purchase cost	
		Current year	Previous year	Current year	Previous year
I.	Investments in Group companies and other shareholdings:				
	1. Shares and interests	1 0	21 0	41	61 0
	2. Bonds	2 0	22 0	42	62 0
II.	Other financial investments:				
	1. Shares and interests	3 27,227	23 23,142	43 23,879	63 24,921
	2. Bonds and other fixed-income securities	4 38,530	24 33,601	44 37,968	64 33,676
	3. Shares in common investment funds	5 0	25 0	45 0	65 0
	4. Deposits with credit institutions	6 0	26 0	46	66 0
	5. Other financial investments	7 0	27 0	47 0	67 0
III.	Other assets	8 350	28 1,191	48 350	68 1,191
IV.	Cash at bank and in hand	9 2,356	29 1,826	49 2,356	69 1,826
VI.	Other liabilities	10 -736	30 -97	50 -736	70 -97
…		11	31	51	71
Total		12 67,727	32 59,663	52 63,817	72 61,517

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Assets – Schedule of assets resulting from administration of pension funds (Item D.II)

Code: 3 Pension fund description: LINEA SVILUPPO ETICA

		Current value		Purchase cost	
		Current year	Previous year	Current year	Previous year
I.	Investments in Group companies and other shareholdings:				
	1. Shares and interests	1 0	21 0	41	61 0
	2. Bonds	2 0	22 0	42	62 0
II.	Other financial investments:				
	1. Shares and interests	3 51,284	23 41,606	43 44,700	63 44,710
	2. Bonds and other fixed-income securities	4 2,804	24 2,495	44 2,796	64 2,485
	3. Shares in common investment funds	5 0	25 0	45 0	65 0
	4. Deposits with credit institutions	6 0	26 0	46	66 0
	5. Other financial investments	7 0	27 0	47 0	67 0
III.	Other assets	8 9	28 1,542	48 9	68 1,542
IV.	Cash at bank and in hand	9 3,319	29 2,891	49 3,319	69 2,891
VI.	Other liabilities	10 -769	30 -79	50 -769	70 -79
....		11	31	51	71
Total		12 56,647	32 48,455	52 50,055	72 51,549

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Assets – Schedule of assets resulting from administration of pension funds (Item D.II)

Code: 4 Pension fund description: LINEA GARANTITA ETICA

		Current value		Purchase cost	
		Current year	Previous year	Current year	Previous year
I.	Investments in Group companies and other shareholdings:				
	1. Shares and interests	1 0	21 0	41	61 0
	2. Bonds	2 0	22 0	42	62 0
II.	Other financial investments:				
	1. Shares and interests	3 0	23 0	43 0	63 0
	2. Bonds and other fixed-income securities	4 74,747	24 66,325	44 74,948	64 66,364
	3. Shares in common investment funds	5 0	25 0	45 0	65 0
	4. Deposits with credit institutions	6 0	26 0	46	66 0
	5. Other financial investments	7 0	27 0	47 0	67 0
III.	Other assets	8 569	28 425	48 569	68 425
IV.	Cash at bank and in hand	9 4,239	29 2,938	49 4,239	69 2,938
VI.	Other liabilities	10 -126	30 -109	50 -126	70 -109
....		11	31	51	71
Total		12 79,429	32 69,579	52 79,630	72 69,618

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Assets – Schedule of assets resulting from administration of pension funds (Item D.II)

Code: Pension fund description: TESEO OPEN-ENDED PENSION FUND

		Current value				Purchase cost			
			Current year		Previous year		Current year		Previous year
I.	Investments in Group companies and other shareholdings:								
	1. Shares and interests	1	0	21	0	41	0	61	0
	2. Bonds	2	0	22	0	42	0	62	0
II.	Other financial investments:								
	1. Shares and interests	3	78,511	23	64,748	43	68,579	63	69,631
	2. Bonds and other fixed-income securities	4	178,660	24	156,805	44	177,447	64	156,876
	3. Shares in common investment funds	5	0	25	0	45	0	65	0
	4. Deposits with credit institutions	6	0	26	0	46	0	66	0
	5. Other financial investments	7	0	27	0	47	0	67	0
III.	Other assets	8	1,484	28	3,750	48	1,484	68	3,750
IV.	Cash at bank and in hand	9	11,573	29	10,050	49	11,573	69	10,050
VI.	Other liabilities	10	-2,117	30	-385	50	-2,117	70	-385
....		11	0	31	0	51	0	71	0
Total		12	268,111	32	234,968	52	256,966	72	239,922

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Liabilities - Changes during the year in components of the reserve for unearned premiums (Item C.I.1) and the provision for outstanding claims (Item C.I.2) of the Non-life branches

Type		Current year		Previous year		Change
Provisions for unearned premiums:						
Provision for premium instalments	1	689,892	11	682,801	21	7,091
Provision for unexpired risks	2	286	12	223	22	63
Carrying amount	3	690,178	13	683,024	23	7,154
Provisions for claims outstanding:						
Provision for damages and direct expenses.	4	1,389,335	14	1,403,925	24	-14,590
Provision for claim settlement costs	5	66,054	15	65,626	25	428
Provision for claims incurred and not notified	6	223,507	16	231,744	26	-8,237
Carrying amount	7	1,678,896	17	1,701,295	27	-22,399

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Liabilities - Changes during the year in the components of the provisions for policy liabilities (item C.II.1) and in the provisions for profit-sharing and premium refunds (Item C.II.4)

Type		Current year		Previous year		Change
Actuarial reserve for pure premiums	1	4,739,275	11	4,505,967	21	233,308
Premiums carried forward	2	11,246	12	11,093	22	153
Provision for mortality risk	3	5,845	13	5,230	23	615
Integration provisions	4	52,859	14	65,353	24	-12,494
Carrying amount	5	4,809,225	15	4,587,643	25	221,582
Provision for profit-sharing and premium refunds	6	0	16	0	26	0

Company SOCIETA' REALE MUTUA DI ASS.NI   Financial 2019

Liabilities – Changes during the year in the provisions for other risks and charges (Item E) and in the provisions for employee termination indemnities (Item G.VII)

			Provisions for pensions and similar obligations		Provisions for taxation		Other provisions		Employee termination indemnities
Initial balance	+	1	28,145	11	7,577	21	53,293	31	7,995
Provisions for the year	+	2	1,762	12	974	22	24,754	32	910
Other increases	+	3	0	13	0	23	0	33	0
Utilisation during the year	-	4	1,743	14	1,778	24	19,329	34	1,099
Other decreases	-	5	0	15	0	25	0	35	43
Carrying amount		6	28,164	16	6,773	26	58,718	36	7,763

Company SOCIETA' REALE MUTUA DI ASS.NI　　　　Financial 2019

Detailed statement of assets and liabilities relating to Group companies and other shareholdings

I: Assets

	Controlling companies	Subsidiaries	Affiliated companies	Associated companies	Other	Total
Shares and interests	1 0	2 1,933,663	3 0	4 22,136	5 10,390	6 1,966,189
Bonds	7 0	8 0	9 0	10 0	11 0	12 0
Loans	13 0	14 0	15 0	16 0	17 0	18 0
Participation in investment pools	19 0	20 0	21 0	22 0	23 0	24 0
Deposits with credit institutions	25 0	26 0	27 0	28 0	29 0	30 0
Other financial investments	31 0	32 0	33 0	34 0	35 0	36 0
Deposits with ceding undertakings	37 0	38 0	39 0	40 0	41 0	42 0
Investments relating to contracts linked to investment funds and market indices	43 0	44 50,567	45 0	46 0	47 0	48 50,567
Investments relating to the administration of pension funds	49 0	50 0	51 0	52 0	53 0	54 0
Receivables arising out of direct insurance	55 0	56 513	57 0	58 259	59 0	60 772
Receivables arising out of reinsurance operations	61 0	62 0	63 0	64 0	65 0	66 0
Other receivables	67 0	68 34,447	69 0	70 0	71 0	72 34,447
Bank and postal accounts	73 0	74 55,676	75 0	76 0	77 0	78 55,676
Miscellaneous assets	79 0	80 0	81 0	82 0	83 0	84 0
Total	85 0	86 2,074,866	87 0	88 22,395	89 10,390	90 2,107,651
of which subordinated assets	91 0	92 0	93 0	94 0	95 0	96 0

Detailed statement of assets and liabilities relating to Group companies and other shareholdings

II: Liabilities

	Controlling companies	Subsidiaries	Affiliated companies	Associated companies	Other	Total
Subordinated liabilities	97 0	98 0	99 0	100 0	101 0	102 0
Deposits received from reinsurers	103 0	104 0	105 0	106 0	107 0	108 0
Accounts payable arising out of direct insurance	109 0	110 4,950	111 0	112 0	113 0	114 4,950
Accounts payable arising out of reinsurance operations	115 0	116 153	117 0	118 0	119 0	120 153
Amounts owed to banks and credit institutions	121 0	122 0	123 0	124 0	125 0	126 0
Loans guaranteed by mortgages	127 0	128 0	129 0	130 0	131 0	132 0
Miscellaneous loans and other financial liabilities	133 0	134 0	135 0	136 0	137 0	138 0
Miscellaneous payables	139 0	140 6,811	141 0	142 0	143 0	144 6,811
Miscellaneous liabilities	145 0	146 0	147 0	148 0	149 0	150 0
Total	151 0	152 11,914	153 0	154 0	155 0	156 11,914

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Detail of "Guarantees, commitments and other memorandum accounts"

			Current year		Previous year
I.	Guarantees given:				
a)	sureties and endorsements given in the interest of controlling, subsidiary and affiliated companies	1	0	31	0
b)	sureties and endorsements given in the interest of associated companies and other shareholdings	2	0	32	0
c)	sureties and endorsements given in the interest of third parties	3	0	33	0
d)	other personal guarantees given in the interest of controlling, subsidiary and affiliated companies	4	0	34	0
e)	other personal guarantees given in the interest of associated companies and other shareholdings	5	0	35	0
f)	other personal guarantees given in the interest of third parties	6	0	36	0
g)	guarantees secured by mortgages given for obligations of controlling, subsidiary and affiliated companies	7	0	37	0
h)	guarantees secured by mortgages given for obligations of associated companies and and other shareholdings	8	0	38	0
i)	guarantees secured by mortgages given for obligations of third parties	9	0	39	0
l)	guarantees given for obligations of the Company	10	0	40	0
m)	assets deposited for inward reinsurance	11	0	41	0
Total		12	0	42	0
II.	Guarantees received:				
a)	from Group companies, associates and other shareholdings	13	0	43	0
b)	from third parties	14	49,513	44	49,152
Total		15	49,513	45	49,152
III.	Guarantees issued by third parties in the interest of the Company:				
a)	from Group companies, associates and other shareholdings	16	0	46	0
b)	from third parties	17	60,426	47	52,348
Total		18	60,426	48	52,348
IV.	Commitments:				
a)	commitments for purchases with obligation of resale	19	0	49	0
b)	commitments for sales with obligation of repurchase	20	0	50	0
c)	other commitments	21	75,921	51	63,089
Total		22	75,921	52	63,089
V.	Assets relating to pension funds managed in the name and on behalf of third parties	23	0	53	0
VI.	Securities deposited with third parties	24	7,633,578	54	7,130,904
Total		25	7,633,578	55	7,130,904

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Schedule of commitments for transactions on derivatives

Derivatives		Current year				Previous year			
		Purchase		Sale		Purchase		Sale	
		(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
Futures:	on shares	1 0	101 0	21 0	121 0	41 0	141 0	61 0	161 0
	on bonds	2 0	102 0	22 0	122 0	42 0	142 0	62 0	162 0
	on currencies	3 0	103 0	23 0	123 0	43 0	143 0	63 0	163 0
	on rates	4 0	104 0	24 0	124 0	44 0	144 0	64 0	164 0
	other	5 0	105 0	25 0	125 0	45 0	145 0	65 0	165 0
Options:	on shares	6 32,931	106 4	26 32,927	126 0	46 25,808	146 7	66 25,801	166 0
	on bonds	7 0	107 0	27 0	127 0	47 0	147 0	67 0	167 0
	on currencies	8 0	108 0	28 0	128 0	48 0	148 0	68 0	168 0
	on rates	9 0	109 0	29 0	129 0	49 0	149 0	69 0	169 0
	other	10 0	110 0	30 0	130 0	50 0	150 0	70 0	170 0
Swaps:	on currencies	11 0	111 0	31 0	131 0	51 0	151 0	71 0	171 0
	on rates	12 9,840	112 -9,314	32 0	132 0	52 11,480	152 -9,947	72 0	172 0
	other	13 0	113 0	33 0	133 0	53 0	153 0	73 0	173 0
Other transactions		14 223	114 1	34 0	134 0	54 0	154 0	74 0	174 0
Total		15 42,994	115 -9,309	35 32,927	135 0	55 37,288	155 -9,940	75 25,801	175 0

Only transactions on derivatives existing at the date of the accounts that involve commitments for the Company must be stated. If the contract does not correspond precisely to the figures described or in the case in which it is characterised by elements of several types, it must be stated in the closest contractual category. Offsetting of items is not permitted except in relation to purchase/sale transactions relating to the same type of contract (same content, expiry, underlying assets, etc.).

Contracts that envisage swapping of two currencies must be indicated once only referring, by convention, to the currency to be purchased. Contracts that envisage interest rate and currency swaps must be indicated only under contracts on currency. Interest swap derivatives are classified conventionally as "purchases" or as "sales" according to whether they involve the purchase or sale of the fixed rate for the insurance company.

(1) For derivative contracts that involve or may involve the exchange of capital at term the settlement price of these must be indicated; in all other cases, the nominal value of the reference capital must be indicated.

(2) Indicate the fair value of derivative contracts;

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Summary information relating to the technical account of Non-life insurance business

	Gross written		Gross for the year		Gross charge for claims		Operating expenses		Reinsurance balance	
Direct business:										
Personal accident and Health (classes 1 and 2)	1	196,776	2	191,099	3	129,921	4	67,520	5	1,161
TPL land vehicles (class 10)	6	485,477	7	487,973	8	374,949	9	107,882	10	-1,364
Hulls land vehicles (class 3)................................	11	123,517	12	122,695	13	79,579	14	35,234	15	4,111
Marine, Aviation and Transport (classes 4, 5, 6, 7, 11 and 12)	16	8,238	17	8,813	18	7,130	19	3,024	20	-1,165
Fire and other property damage (classes 8 and 9).	21	397,143	22	395,337	23	306,610	24	145,460	25	244
Non-motor TPL (class 13)	26	224,025	27	225,473	28	71,822	29	84,289	30	-1,433
Credit and Suretyship (classes 14 and 15)...........	31	37,048	32	34,590	33	6,969	34	12,860	35	-8,440
Sundry Pecuniary Losses (class 16)	36	4,554	37	4,386	38	1,306	39	1,661	40	-392
Legal Fees (class 17)	41	15,806	42	15,481	43	135	44	6,074	45	-3,448
Assistance (class 18)...	46	22,636	47	22,153	48	12,356	49	8,333	50	-7
Total direct business	51	1,515,220	52	1,508,000	53	990,777	54	472,337	55	-10,733
Reinsurance business..	56	1,689	57	1,753	58	724	59	386	60	-115
Total Italian portfolio	61	1,516,909	62	1,509,753	63	991,501	64	472,723	65	-10,848
Foreign portfolio	66	173	67	173	68	3	69	36	70	0
Grand total..	71	1,517,082	72	1,509,926	73	991,504	74	472,759	75	-10,848

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Summary statement concerning life insurance business referring to premiums and the reinsurance balance

				Direct business		Inward reinsurance		Total
Gross premiums:			1	891,050	11	139	21	891,189
a)	1.	for individual policies	2	762,920	12	139	22	763,059
	2.	for group policies	3	128,130	13	0	23	128,130
b)	1.	periodic premiums	4	295,341	14	139	24	295,480
	2.	single premiums	5	595,709	15	0	25	595,709
c)	1.	for contracts without profit-sharing	6	752,145	16	139	26	752,284
	2.	for contracts with profit-sharing	7	0	17	0	27	0
	3.	for contracts when the investment risk is borne by the policyholders and for pension funds	8	138,905	18	0	28	138,905

Balance of reinsurance	9	-1,528	19	-68	29	-1,596

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Investment income (Items II.2 and III.3)

		Non-life business		Life business		Total
Income from shares and interests:						
Dividends and other income from shares and interests of Group companies and shareholdings	1	41,996	41	8,803	81	50,799
Dividends and other income from shares and interests in other companies	2	6,208	42	4,860	82	11,068
Total	3	48,204	43	13,663	83	61,867
Income from investments in land and buildings	4	3,060	44	0	84	3,060
Income from other investments:						
Income from bonds of Group companies and shareholdings	5	0	45	0	85	0
Interest on loans to Group companies and shareholdings	6	0	46	0	86	0
Income from shares in common investment funds	7	0	47	0	87	0
Income from bonds and other fixed-income securities	8	12,802	48	122,762	88	135,564
Interest on loans	9	223	49	0	89	223
Income from shares in investment pools	10	0	50	0	90	0
Interest on deposits with credit institutions	11	1	51	0	91	1
Income from other financial investments	12	110	52	22	92	132
Interest on deposits with ceding undertakings	13	3	53	67	93	70
Total	14	13,139	54	122,851	94	135,990
Value re-adjustments on investments in:						
Land and buildings	15	0	55	0	95	0
Shares and interests of Group companies and shareholdings	16	0	56	0	96	0
Bonds issued by Group companies and shareholdings	17	0	57	0	97	0
Other shares and interests	18	1,576	58	0	98	1,576
Other bonds	19	6,435	59	38,339	99	44,774
Other financial investments	20	1,141	60	3,700	100	4,841
Total	21	9,152	61	42,039	101	51,191
Income from the disposal of investments:						
Gains on disposal of land and buildings	22	0	62	0	102	0
Gains on shares and interests in Group companies and shareholdings	23	0	63	0	103	0
Income from bonds issued by Group companies and shareholdings	24	0	64	0	104	0
Gains on other shares and interests	25	10,167	65	215	105	10,382
Gains on other bonds	26	15,896	66	22,046	106	37,942
Gains on other financial investments	27	5,864	67	6,339	107	12,203
Total	28	31,927	68	28,600	108	60,527
GRAND TOTAL	29	105,482	69	207,153	109	312,635

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Income and unrealised gains on investments for the benefit of policyholders who bear the Investment risk and on investments relating to the administration of pension funds (Item II.3)

I. Investments relating to contracts linked to investment funds and market indices

				Amounts
Income from:				
Land and buildings			1	0
Investments in Group companies and shareholdings			2	0
Shares in common investment funds			3	241
Other financial investments			4	9,451
- of which income from bonds	5	6,560		
Other assets			6	133
Total			7	9,825
Gains on the disposal of investments				
Gains on disposal of land and buildings			8	0
Gains on investments in Group companies and shareholdings.			9	0
Gains on common investment funds			10	22,145
Gains on other financial investments			11	12,418
- of which bonds	12	7,824		
Other income			13	1,504
Total			14	36,067
Unrealised gains			15	64,150
GRAND TOTAL			16	110,042

II. Investments relating to the administration of pension funds

				Amounts
Income from:				
Investments in Group companies and shareholdings			21	0
Other financial investments			22	6,392
- of which income from bonds	23	3,894		
Other assets			24	29
Total			25	6,421
Gains on the disposal of investments				
Gains on investments in Group companies and shareholdings.			26	0
Gains on other financial investments			27	7,402
- of which bonds	28	3,168		
Other income			29	0
Total			30	7,402
Unrealised gains			31	15,057
GRAND TOTAL			32	28,880

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Investment management and financial charges (Items II.9 and III.5)

		Non-life business		Life business		Total
Investment management charges and other charges						
Charges relating to shares and interests	1	684	31	8	61	692
Charges relating to investments in land and buildings	2	4,393	32	0	62	4,393
Charges relating to bonds	3	5,767	33	13,079	63	18,846
Charges relating to common investment funds	4	138	34	13	64	151
Charges relating to participation in investment pools	5	0	35	0	65	0
Charges relating to miscellaneous financial investments	6	0	36	2,490	66	2,490
Interest on deposits received from reinsurers	7	64	37	56	67	120
Total	8	11,046	38	15,646	68	26,692
Value adjustments on investments referring to:						
Land and buildings	9	722	39	0	69	722
Shares and interests of Group companies and shareholdings	10	0	40	0	70	0
Bonds issued by Group companies and shareholdings	11	0	41	0	71	0
Other shares and interests	12	960	42	15	72	975
Other bonds	13	2,997	43	2,740	73	5,737
Other financial investments	14	324	44	834	74	1,158
Total	15	5,003	45	3,589	75	8,592
Capital losses on disposal of investments						
Losses on the sale of land and buildings	16	0	46	0	76	0
Losses on shares and interests	17	639	47	3	77	642
Losses on bonds	18	180	48	364	78	544
Losses from other financial investments	19	216	49	0	79	216
Total	20	1,035	50	367	80	1,402
GRAND TOTAL	21	17,084	51	19,602	81	36,686

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Investment management and financial charges and unrealised losses on investments
for the benefit of policyholders who bear the investment risk and on investments relating
to the administration of pension funds (Item II.10)

I. Investments relating to contracts linked to investment funds and market indices

		Amounts
Management charges resulting from:		
Land and buildings	1	0
Investments in Group companies and shareholdings	2	0
Shares in common investment funds	3	32
Other financial investments	4	831
Other assets	5	10,810
Total	6	11,673
Capital losses on disposal of investments		
Losses on disposal of land and buildings	7	0
Losses on investments in Group companies and shareholdings	8	0
Losses on common investment funds	9	309
Losses from other financial investments	10	3,589
Other charges	11	188
Total	12	4,086
Unrealised losses	13	3,831
GRAND TOTAL	14	19,590

II. Investments relating to the administration of pension funds

		Amounts
Operating expenses resulting from:		
Investments in Group companies and shareholdings	21	0
Other financial investments	22	391
Other assets	23	6,342
Total	24	6,733
Capital losses on disposal of investments		
Losses on investments in Group companies and shareholdings	25	0
Losses from other financial investments	26	1,889
Other charges	27	0
Total	28	1,889
Unrealised losses	29	2,089
GRAND TOTAL	30	10,711

Company SOCIETA' REALE MUTUA DI ASS.NI

Non-life business - Summary statement of the technical account by line of business - Italian portfolio

		Accounting class 01		Accounting class 02	
		Accident (name)		Health (name)	
Direct business gross of reinsurance					
Premiums written	+	1	92,205	1	104,571
Change in the provisions for unearned premiums (+ or -)	-	2	1,784	2	3,893
Charges relating to claims	-	3	46,841	3	83,083
Change in miscellaneous technical provisions (+ or -) (1)	-	4	0	4	1,514
Balance of other technical items (+ or -)	+	5	-1,391	5	-1,087
Operating expenses	-	6	36,479	6	31,041
Technical balance direct business (+ or -) **A**		7	5,710	7	-16,047
Result of outward reinsurance (+ or -) **B**		8	439	8	722
Net result of inward reinsurance (+ or -) **C**		9	65	9	69
Change in the equalisation provision (+ or -) **D**		10	65	10	0
Allocated investment return transferred from the non-technical account **E**		11	2,794	11	2,417
Result of the technical account (+ or -) (A + B + C - D + E)		12	8,943	12	-12,839

		Accounting class 07		Accounting class 08	
		Goods transported (name)		Fire and natural forces (name)	
Direct business gross of reinsurance					
Premiums written	+	1	3,922	1	172,613
Change in the provisions for unearned premiums (+ or -)	-	2	-851	2	1,778
Charges relating to claims	-	3	2,625	3	136,825
Change in miscellaneous technical provisions (+ or -) (1)	-	4	0	4	0
Balance of other technical items (+ or -)	+	5	-166	5	-3,759
Operating expenses	-	6	1,807	6	65,153
Technical balance direct business (+ or -) **A**		7	175	7	-34,902
Result of outward reinsurance (+ or -) **B**		8	-1,421	8	11,940
Net result of inward reinsurance (+ or -) **C**		9	110	9	12
Change in the equalisation provision (+ or -) **D**		10	18	10	576
Allocated investment return transferred from the non-technical account **E**		11	126	11	5,573
Result of the technical account (+ or -) (A + B + C - D + E)		12	-1,028	12	-17,953

		Accounting class 13		Accounting class 14	
		Non-motor TPL (name)		Credit (name)	
Direct business gross of reinsurance					
Premiums written	+	1	224,025	1	1
Change in the provisions for unearned premiums (+ or -)	-	2	-1,448	2	0
Charges relating to claims	-	3	71,822	3	-1,116
Change in miscellaneous technical provisions (+ or -) (1)	-	4	0	4	0
Balance of other technical items (+ or -)	+	5	-2,744	5	0
Operating expenses	-	6	84,289	6	0
Technical balance direct business (+ or -) **A**		7	66,618	7	1,117
Result of outward reinsurance (+ or -) **B**		8	-1,434	8	-28
Net result of inward reinsurance (+ or -) **C**		9	154	9	0
Change in the equalisation provision (+ or -) **D**		10	0	10	0
Allocated investment return transferred from the non-technical account **E**		11	15,413	11	0
Result of the technical account (+ or -) (A + B + C - D + E)		12	80,751	12	1,089

(1) In addition to the change in "Other technical provisions", this item also includes the change in the "Provisions for profit-sharing and premium refunds".

Financial 2019

	Accounting class 03 Hulls land vehicles (name)		Accounting class 04 Hulls railway rolling stock (name)		Accounting class 05 Hulls aircraft (name)		Accounting class 06 Hulls marine, lake, river craft (name)
1	123,517	1	18	1	6	1	2,861
2	822	2	-3	2	-6	2	44
3	79,578	3	0	3	-10	3	3,066
4	0	4	0	4	0	4	0
5	-402	5	0	5	0	5	-31
6	35,234	6	5	6	1	6	896
7	7,481	7	16	7	21	7	-1,176
8	4,112	8	0	8	-9	8	368
9	0	9	7	9	0	9	19
10	290	10	0	10	0	10	0
11	1,566	11	0	11	0	11	131
12	12,869	12	23	12	12	12	-658

	Accounting class 09 Other property damage (name)		Accounting class 10 TPL land vehicles (name)		Accounting class 11 TPL aircraft (name)		Accounting class 12 TPL Marine (name)
1	224,530	1	485,477	1	77	1	1,354
2	28	2	-2,496	2	-3	2	244
3	169,782	3	374,948	3	0	3	1,450
4	0	4	0	4	0	4	0
5	-2,074	5	-3,071	5	0	5	0
6	80,307	6	107,882	6	22	6	293
7	-27,661	7	2,072	7	58	7	-633
8	-11,696	8	-1,364	8	-95	8	-9
9	48	9	29	9	0	9	0
10	-678	10	0	10	0	10	0
11	4,093	11	16,164	11	0	11	86
12	-34,538	12	16,901	12	-37	12	-556

	Accounting class 15 Suretyship (name)		Accounting class 16 Sundry pecuniary losses (name)		Accounting class 17 Legal Fees (name)		Accounting class 18 Assistance (name)
1	37,047	1	4,554	1	15,806	1	22,636
2	2,458	2	168	2	325	2	483
3	8,084	3	1,307	3	136	3	12,356
4	0	4	0	4	0	4	0
5	-4,965	5	-44	5	-124	5	-205
6	12,860	6	1,661	6	6,074	6	8,333
7	8,680	7	1,374	7	9,147	7	1,259
8	-8,414	8	-391	8	-3,446	8	-7
9	45	9	-28	9	0	9	0
10	0	10	0	10	0	10	0
11	1,339	11	76	11	317	11	247
12	1,650	12	1,031	12	6,018	12	1,499

Company SOCIETA' REALE MUTUA DI ASS.NI | Financial 2019

Summary statement of the technical account of all the Non-life branches

Italian portfolio

		Risks of direct insurance		Risks of indirect insurance		Risks preserved
		Direct risks 1	Risks ceded 2	Risks assumed 3	Risks retroceded 4	Total 5 = 1 - 2 + 3 - 4
Premiums written	+	1 1,515,220	11 141,969	21 1,689	31 46	41 1,374,894
Change in the provisions for unearned premiums (+ or -)	-	2 7,220	12 1,094	22 -64	32 -11	42 6,073
Charges relating to claims	-	3 990,777	13 106,294	23 724	33 -80	43 885,287
Change in miscellaneous technical provisions (+ or -)	-	4 1,514	14 0	24 0	34 0	44 1,514
Balance of other technical items (+ or -)	+	5 -20,063	15 458	25 2	35 0	45 -20,519
Operating expenses	-	6 472,337	16 24,306	26 386	36 22	46 448,395
Technical balance (+ or -)		7 23,309	17 10,733	27 645	37 115	47 13,106
Change in the equalisation provision (+ or -)	-					48 271
Allocated investment return transferred from the non-technical account	+	9 50,238		29 104		49 50,342
Result of the technical account (+ or -)		10 73,547	20 10,733	30 749	40 115	50 63,177

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Life business – Summary statement of the technical accounts by individual branch – Italian portfolio

		Accounting class 01	Accounting class 02	Accounting class 03
		(name)	(name)	(name)
Direct business gross of reinsurance				
Premiums written	+	1 657,944	1 0	1 138,905
Charges relating to claims	-	2 365,864	2 0	2 108,168
Change in provisions for policy liabilities and in other technical provisions (+ or -)	-	3 353,134	3 0	3 113,446
Balance of other technical items (+ or -)	+	4 -3,791	4 0	4 7,377
Operating expenses	-	5 32,174	5 0	5 8,184
Income from investments net of the allocated investment return transferred to the non-technical account (*)	+	6 139,150	6 0	6 90,924
Result of direct business gross of reinsurance (+ or -) A		7 42,131	7 0	7 7,408
Result of outward reinsurance (+ or -) B		8 -1,435	8 0	8 0
Net result of inward reinsurance (+ or -) C		9 3	9 0	9 21
Result of the technical account (+ or -) (A + B + C)		10 40,699	10 0	10 7,429

		Accounting class 04	Accounting class 05	Accounting class 06
		(name)	(name)	(name)
Direct business gross of reinsurance				
Premiums written	+	1 922	1 61,490	1 31,789
Charges relating to claims	-	2 46	2 196,936	2 16,674
Change in provisions for policy liabilities and in other technical provisions (+ or -)	-	3 883	3 -131,944	3 32,877
Balance of other technical items (+ or -)	+	4 -1	4 -158	4 1,492
Operating expenses	-	5 180	5 4,784	5 1,781
Income from investments net of the allocated investment return transferred to the non-technical account (*)	+	6 34	6 29,938	6 18,270
Result of direct business gross of reinsurance (+ or -) A		7 -154	7 21,494	7 219
Result of outward reinsurance (+ or -) B		8 -93	8 0	8 0
Net result of inward reinsurance (+ or -) C		9 -1	9 0	9 0
Result of the technical account (+ or -) (A + B + C)		10 -248	10 21,494	10 219

(*) Algebraic sum of items referring to the class and to the Italian portfolio included in items II.2, II.3, II.9, II.10 and II.12 of the Income Statement

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Summary statement of the technical account of all Life business

Italian portfolio

		Risks of direct insurance		Risks of indirect insurance		Risks preserved
		Direct risks 1	Risks ceded 2	Risks assumed 3	Risks retroceded 4	Total 5 = 1 - 2 + 3 - 4
Premiums written	+	1 891,050	11 4,734	21 139	31 123	41 886,332
Charges relating to claims	-	2 687,688	12 1,721	22 200	32 100	42 686,067
Change in provisions for policy liabilities and other technical (+ or -)	-	3 368,396	13 348	23 -143	33 -55	43 367,960
Balance of other technical items (+ or -)	+	4 4,919	14 0	24 0	34 0	44 4,919
Operating expenses	-	5 47,103	15 1,137	25 11	35 10	45 45,967
Income from investments net of the allocated investment return non-technical account (*)	+	6 278,316		26 20		46 278,336
Result of the technical account (+ or -)		7 71,098	17 1,528	27 91	37 68	47 69,593

(*) Algebraic sum of items referring to the Italian portfolio included in items II.2, II.3, II.9, II.10 and II.12 of the Income Statement

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Summary schedule relating to the Non-life and Life technical accounts – Foreign portfolio

Section I: Non-life business

			Total classes
Direct business gross of reinsurance			
Premiums written	+		1 0
Change in the provisions for unearned premiums (+ or -)	-		2 0
Charges relating to claims	-		3 0
Change in miscellaneous technical provisions (+ or -)	-		4 0
Balance of other technical items (+ or -)	+		5 0
Operating expenses	-		6 0
Technical balance direct business (+ or -)		**A**	7 0
Result of outward reinsurance (+ or -)		**B**	8 0
Net result of inward reinsurance (+ or -)		**C**	9 134
Change in the equalisation provision (+ or -)		**D**	10 0
Allocated investment return transferred from the non-technical account		**E**	11 2
Result of the technical account (+ or -) (A + B + C - D + E)			12 136

Section II: Life business

			Total classes
Direct business gross of reinsurance			
Premiums written	+		1 0
Charges relating to claims	-		2 0
Change in provisions for policy liabilities and in other technical provisions (+ or -)	-		3 0
Balance of other technical items (+ or -)	+		4 0
Operating expenses	-		5 0
Income from investments net of the allocated investment return transferred to the non-technical account (1)	+		6 0
Result of direct business gross of reinsurance (+ or -)		**A**	7 0
Result of outward reinsurance (+ or -)		**B**	8 0
Net result of inward reinsurance (+ or -)		**C**	9 0
Result of the technical account (+ or -) (A + B + C)			10 0

(1) Algebraic sum of items referring to the foreign portfolio included in items II.2, II.3, II.9, II.10 and II.12 of the Income Statement

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Relationship with Group companies and other shareholdings

I: Income

	Controlling companies	Subsidiaries	Affiliated companies	Associated companies	Other	Total
Investment income						
Income from land and buildings	1 0	2 214	3 0	4 0	5 0	6 214
Dividends and other income from shares and interests	7 0	8 47,082	9 0	10 0	11 3,716	12 50,798
Income from bonds	13 0	14 0	15 0	16 0	17 0	18 0
Interest on loans	19 0	20 0	21 0	22 0	23 0	24 0
Income from other financial investments	25 0	26 0	27 0	28 0	29 0	30 0
Interest on deposits with ceding undertakings	31 0	32 0	33 0	34 0	35 0	36 0
Total	37 0	38 47,296	39 0	40 0	41 3,716	42 51,012
Income and unrealised gains on investments for the benefit of policyholders who bear the investment risk and relating to the administration of pension funds	43 0	44 0	45 0	46 0	47 0	48 0
Other income						
Interest on receivables	49 0	50 0	51 0	52 0	53 0	54 0
Refunds of administrative expenses and charges	55 0	56 36,917	57 0	58 286	59 0	60 37,203
Other income and recoveries	61 0	62 0	63 0	64 0	65 0	66 0
Total	67 0	68 36,917	69 0	70 286	71 0	72 37,203
Income from the disposal of investments (*)	73 0	74 0	75 0	76 0	77 0	78 0
Extraordinary income	79 0	80 93	81 0	82 0	83 0	84 93
GRAND TOTAL	85 0	86 84,306	87 0	88 286	89 3,716	90 88,308

Relationship with Group companies and other shareholdings

II: Charges

	Controlling companies	Subsidiaries	Affiliated companies	Associated companies	Other	Total
Investment management charges and interest expense:						
Charges relating to investment pools	91 0	92 7,151	94 0	93 0	95 0	96 7,151
Interest on subordinated liabilities	97 0	98 0	100 0	99 0	101 0	102 0
Interest on deposits received from reinsurers	103 0	104 0	106 0	105 0	107 0	108 0
Interest on liabilities arising out of direct insurance	109 0	110 0	112 0	111 0	113 0	114 0
Interest on liabilities arising out of reinsurance operations	115 0	116 0	118 0	117 0	119 0	120 0
Amounts owed to banks and credit institutions	121 0	122 0	124 0	123 0	125 0	126 0
Interest on loans guaranteed by mortgages	127 0	128 0	130 0	129 0	131 0	132 0
Interest on other loans	133 0	134 0	136 0	135 0	137 0	138 0
Losses on receivables	139 0	140 0	142 0	141 0	143 0	144 0
Administrative costs and expenses on behalf of third	145 0	146 36,917	148 0	147 286	149 0	150 37,203
Other charges	151 0	152 0	154 0	153 0	155 0	156 0
Total	157 0	158 44,068	160 0	159 286	161 0	162 44,354
Expenses and unrealised losses on investments for the benefit of policyholders who bear the investment risk and relating to the of pension funds	163 0	164 0	166 0	165 0	167 0	168 0
Losses on the disposal of investments (*)	169 0	170 0	172 0	171 0	173 0	174 0
Extraordinary charges	175 0	176 0	178 0	177 0	179 0	180 0
GRAND TOTAL	181 0	182 44,068	184 0	183 286	185 0	186 44,354

(*) With reference to the other party in the operation

Company SOCIETA' REALE MUTUA DI ASS.NI Financial 2019

Summary statement of premiums written for direct business

	Non-life business		Life business		Total	
	Establishment	F.P.S.	Establishment	F.P.S.	Establishment	F.P.S.
Premiums written:						
in Italy	1 1,514,167	5 0	11 890,697	15 0	21 2,404,864	25 0
in other EU countries	2 0	6 924	12 0	16 347	22 0	26 1,271
in non-EU Countries	3 0	7 130	13 0	17 8	23 0	27 138
Total	4 1,514,167	8 1,054	14 890,697	18 355	24 2,404,864	28 1,409

Company SOCIETA' REALE MUTUA DI ASS.NI   Financial 2019

Statement of costs relating to personnel, directors and statutory auditors

I: Expenses for personnel

	Non-life business		Life business		Total	
Personnel costs:						
Italian portfolio:						
- Wages and salaries	1	63,767	31	6,730	61	70,497
- Social security contributions	2	17,711	32	1,869	62	19,580
- Allocation to the provision for employee termination indemnities and similar obligations	3	4,131	33	436	63	4,567
- Sundry personnel expenses	4	21,422	34	2,261	64	23,683
Total	5	107,031	35	11,296	65	118,327
Foreign portfolio:						
- Wages and salaries	6	0	36	0	66	0
- Social security contributions	7	0	37	0	67	0
- Sundry personnel expenses	8	0	38	0	68	0
Total	9	0	39	0	69	0
Grand total	10	107,031	40	11,296	70	118,327
Costs of self-employed personnel:						
Italian portfolio	11	50,712	41	0	71	50,712
Foreign portfolio	12	0	42	0	72	0
Total	13	50,712	43	0	73	50,712
Total expenses for personnel	14	157,743	44	11,296	74	169,039

II: Description of items entered

	Non-life business		Life business		Total	
Investment management charges	15	591	45	761	75	1,352
Charges relating to claims	16	67,384	46	153	76	67,537
Other acquisition costs	17	31,118	47	4,481	77	35,599
Other administrative expenses	18	32,393	48	5,901	78	38,294
Administrative costs and expenses on behalf of third parties	19	26,257	49	0	79	26,257
	20	0	50	0	80	0
Total	21	157,743	51	11,296	81	169,039

III: Average number of staff during the year

	Number	
Top management	91	56
Office staff	92	1,035
Blue collar	93	0
Other	94	1
Total	95	1,092

IV: Directors and statutory auditors

	Number		Fees	
Directors	96	13	98	1,689
Statutory Auditors	97	3	99	275

OTHER ANNEXES

STATEMENT PURSUANT TO LAW No. 72 OF 19 MARCH 1983

This statement discloses assets still held by the Company to which monetary revaluation has been applied or for which valuation criteria have been waived according to Article 2425(3) of the previously valid Civil Code

(amounts in € thousands)

		MONETARY REVALUATION					
	Acquisition costs	**Incremental**	**Law No. 576 02/12/1975**	**Law No. 72 19/03/1983**	**Law No. 413 30/12/1991**	**Other revaluations**	**Carrying amounts**
REAL ESTATE							
Used in business operations	21,976	1,065	234	754	2,810	0	26,839
Rented to third parties	10,204	261	259	1,106	857	0	12,687
EQUITY INVESTMENTS IN ITALIAN COMPANIES AND INSTITUTIONS							
In listed companies	581,868	0	0	1,666	0	11,362	594,896
In unlisted companies	4,901	0	12	28	0	0	4,941

Class C.II, C.III, D.I, D.II: list of long-term investments in shares, bonds, common investment funds
Pursuant to Art. 15, Section 1 of Law No. 173/1997

Financial 2019

Class	Category of assets	Type (1)	(2)	Company name	Currency	Nom. value in currency/quantity	Carrying amount in thousands of euros
C.II	P	b	D	BANCA REALE SPA	EUR	28,500,000	40,119
C.II	P	b	D	BLUE ASSISTANCE SPA	EUR	3,120,000	2,511
C.II	P	e	D	CEDACRI SPA	EUR	169	1,301
C.II	P	d	D	CREDEMASSICURAZIONI SPA	EUR	1,366,000	22,136
C.II	P	e	D	EURAPCO AG	CHF	9,248	1,151
C.II	P	b	D	IGAR S.A.	EUR	527,060	31,555
C.II	P	b	D	ITALIANA ASSICURAZIONI SPA	EUR	16,111,801	385,776
C.II	P	b	V	ITALIANA ASSICURAZIONI SPA	EUR	21,036,993	209,119
C.II	P	e	D	MONEYMOUR S.r.l.	EUR	712	100
C.II	P	e	D	PHARMERCURE S.r.l.	EUR	1,231	450
C.II	P	b	V	REALE IMMOBILI SPA	EUR	2,000,000	103,843
C.II	P	b	D	REALE IMMOBILI SPA	EUR	16,000,000	830,747
C.II	P	b	D	REALE ITES S.r.l. RMA	EUR	1	76,390
C.II	P	b	D	REALE SEGUROS GENERALES S.A.	EUR	3,838,000	252,743
C.II	P	b	D	REALE VIDA Y PENSIONES S.A.	EUR	750	860
C.II	P	e	D	SARA ASSICURAZIONI SPA ORD.	EUR	2,033,505	4,940
C.II	P	e	D	SARA ASSICURAZIONI SPA PRIV.	EUR	636,457	2,248
C.II	P	e	D	YAGO S.r.l.	EUR	9,952	200
C.III	P	f	D	BANCA D'ALBA SCRL	EUR	17,974	46
C.III	P	f	D	CQOP SOA SPA	EUR	1,082	243
C.III	P	f	D	CREDITO EMILIANO	EUR	1,397,500	8,117
C.III	P	f	D	DEVELOPMENT CAPITAL 1 S.C.A.	EUR	12,183	155
C.III	P	f	D	UFF.CENTR.ITALIANO S.CONS.A R.L.	EUR	25,241	49
C.III	O	f	V	BEI ZC 11/96 - 05/11/26	EUR	10,624,645	6,891
C.III	O	f	V	BELGIUM 03/14-22/06/34 TF 3%	EUR	1,000,000	1,039
C.III	O	f	V	BTP 01/15-01/09/46 TF 3.25%	EUR	5,000,000	4,894
C.III	O	f	V	BTP 03/17-01/03/48 TF 3.45%	EUR	1,000,000	998
C.III	O	f	V	BTP 05/13-01/09/44 TF 4.75%	EUR	8,700,000	10,821
C.III	O	f	V	BTP 10/05-01/02/37 TF 4%	EUR	4,200,000	4,631
C.III	O	f	V	BTP 10/07-01/08/39 TF 5%	EUR	5,000,000	5,991
C.III	O	f	V	BTP 11/93-01/11/23 TF 9%	EUR	25,000,000	27,433
C.III	O	f	V	BTP 9/16/21 TF 2.45%	EUR	12,000,000	10,483
C.III	O	f	V	BTP NV 01 98/29 5.25	EUR	18,000,000	17,996
C.III	O	f	V	BTPS 09/14 - 01/12/24 TF 2.5%	EUR	48,500,000	50,752
C.III	O	f	V	COMMERZBANK 96/26 ZC	LIT	94,860,000,000	29,794
C.III	O	f	V	CREDIOP 2,1% 99/25 OPT FLOOR PREMIUM 4,2 RESTRUC	EUR	23,970,000	23,832
C.III	O	f	D	ENEL 00/20 TV XL TR. IMP.ASS.	LIT	1,578,000,000	815
C.III	O	f	D	ENEL 00/21 TV XLI TR. IMP.ASS.	LIT	1,578,000,000	815
C.III	O	f	D	ENEL 99/20 TV XXXIX TR. IMP.ASS.	LIT	1,565,000,000	807
C.III	O	f	V	FINLAND 09/17-15/09/27 TF 0.50%	EUR	2,000,000	2,000
C.III	O	f	D	FINLAND 09/17-15/09/27 TF 0.50%	EUR	4,000,000	3,999
C.III	O	f	V	FOND.7% ANIA 7^EM. CARIPLO	LIT	9,212,480	5
C.III	O	f	V	FOND.7% ANIA 7^EM. ISP	LIT	9,212,467	5
C.III	O	f	V	FOND.7% ANIA 8^EM. CARIPLO	LIT	9,212,804	5
C.III	O	f	V	FOND.7% ANIA 8^EM. ISP	LIT	9,212,790	5
C.III	O	f	V	FOND.7% ANIA 9^EM. CARIPLO	LIT	27,444,056	14
C.III	O	f	V	FOND.7% ANIA 9^EM. ISP	LIT	27,444,012	14
C.III	O	f	D	FRANCE 06/18-25/11/28 TF 0.75%	EUR	8,000,000	8,002
C.III	O	f	V	LOMB MC 98/28 ZC	EUR	9,267,680	5,755

Class C.II, C.III, D.I, D.II: list of long-term investments in shares, bonds, common investment funds Financial 2019
Pursuant to Art. 15, Section 1 of Law No. 173/1997

Class	Category of assets	Type (1)	(2)	Company name	Currency	Nom. value in currency/quantity	Carrying amount in thousands of euros
C.II				**Totals C.II**			**1,966,189**
	O			**Bonds and other securities**			**0**
	P			**Shares and interests**			**1,966,189**
	Q			**Shares in common investment funds**			**0**
C.III				**Totals C.III**			**226,406**
	O			**Bonds and other securities**			**217,796**
	P			**Shares and interests**			**8,610**
	Q			**Shares in common investment funds**			**0**
D.I				**Totals D.I**			**0**
	O			**Bonds and other securities**			**0**
	P			**Shares and interests**			**0**
	Q			**Shares in common investment funds**			**0**
D.II				**Totals D.II**			**0**
	O			**Bonds and other securities**			**0**
	P			**Shares and interests**			**0**
	Q			**Shares in common investment funds**			**0**
				Grand total			**2,192,595**
	O			**Bonds and other securities**			**217,796**
	P			**Shares and interests**			**1,974,799**
	Q			**Shares in common investment funds**			**0**

(1) Type
a = Controlling
b = Subsidiary
c = Affiliated
d = Associated
e = Other shareholdings
f = Other

(2) :
D for investments assigned to Non-life business
V for investments assigned to Life business
D1 for investments assigned to Life business (D.I)
D2 for investments assigned to Life business (D.II)

REALE GROUP

TOGETHERMORE

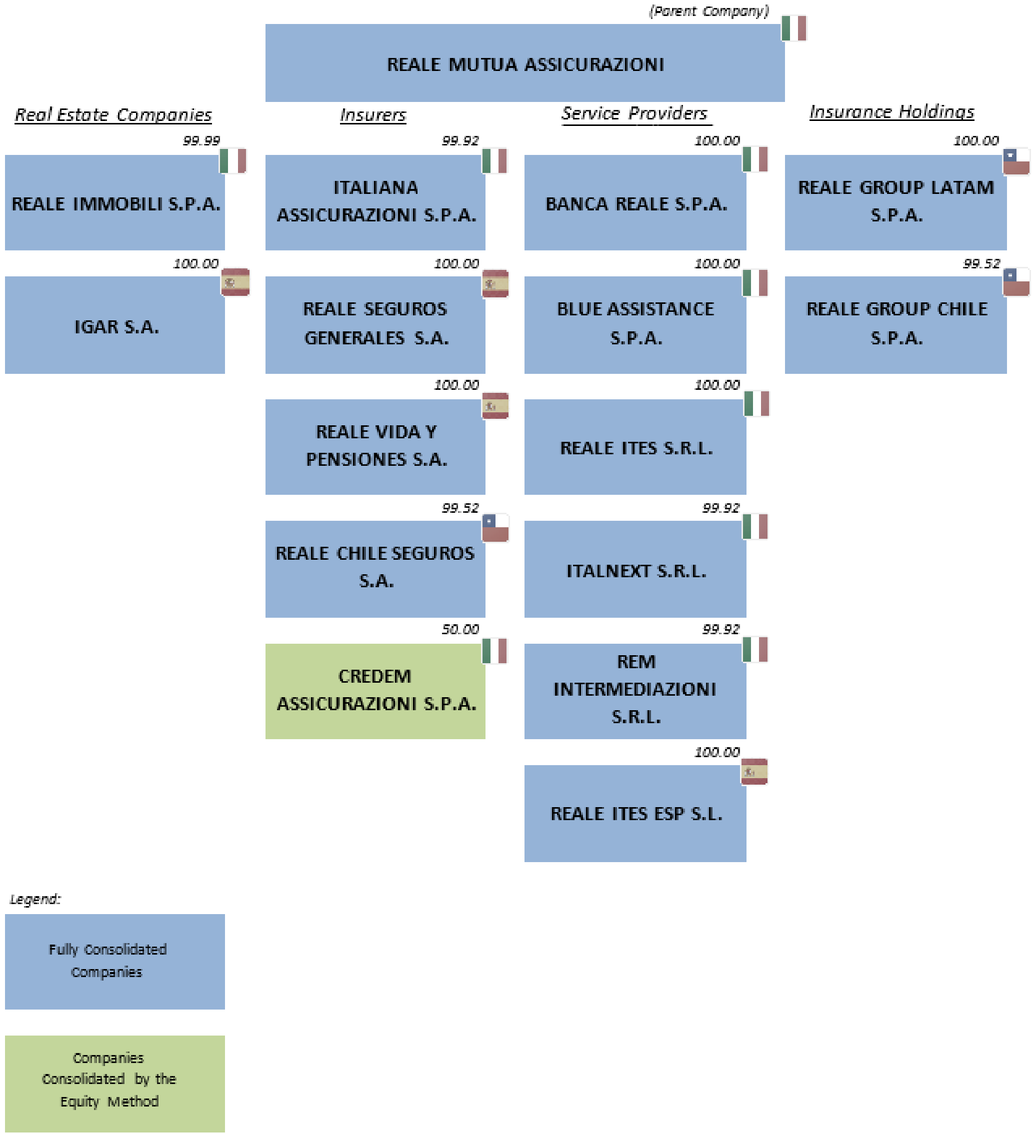
2019 CONSOLIDATED FINANCIAL STATEMENTS

Meeting of Delegates of 28 April 2020

THE GROUP

REALE GROUP at 31 December 2019

(% of interest)



REPORT ON OPERATIONS

1.1 MACROECONOMIC SCENARIO AND MARKETS

1.1.1 THE MACROECONOMIC SCENARIO

In 2019, the exacerbation of global trade tensions and the uncertainty this caused undermined business confidence worldwide, magnifying the cyclical and structural slowdowns already underway.
The worsening of financial conditions in Argentina, geopolitical tensions in Iran and social unrest in Venezuela, Libya, Chile and Yemen completed an already difficult macroeconomic picture.
Businesses demonstrated greater caution in respect of decisions about future investments and consumer demand weakened, contributing to a deceleration in industrial output.
There were fears that the global economy was heading into recession, as many macroeconomic indicators continued to deteriorate. However, some signs of stabilisation began to emerge towards the end of the year.
Central banks around the world took aggressive steps in the face of weakening economic activity, using every available tool to avoid a more severe downturn.
According to the latest estimates by the International Monetary Fund (IMF), world GDP grew by 2.9% in 2019, slowing compared with the 3.6% growth recorded in 2018.

In the **United States**, IMF projections point to growth of 2.3%, lower than the 2.9% achieved in 2018. Strong labour market and monetary stimulus measures offset weak external demand.

The IMF’s growth forecast for **China** stood at 6.1%, less than the 6.6% recorded in the previous year. The main factors hampering growth were the slowdown in world trade, tariffs levied by the United States and government-imposed restrictions on access to credit aimed at reducing the very high level of debt of private companies in order to limit the risk of financial instability. Consumption continued to be the largest contributor to the economy.

In **developing economies**, the slowing of economic activity was attributable to the effects of customs barriers, uncertainty linked to domestic policies and China’s structural slowdown. GDP growth was estimated at 3.7% for 2019, with a loss of momentum compared with the 4.5% achieved in the previous year.

In the **euro area,** growth is estimated to have reached 1,2% in 2019, slightly higher than expected. The weakness of international trade in the context of persistent global uncertainty continued to weigh on the manufacturing sector in this area and dampen investment growth. However, recent economic data, though generally weak, suggest that economic growth has stabilised.

In **Italy**, GDP growth was estimated at approximately 0.2% at the end of 2019, slowing compared to the 0.9% achieved in the previous year. Household and central government spending decreased, whereas there was an increase in investment, driven by favourable lending conditions. Employment reached historically high levels and the rate of unemployment stabilised at 9.7%. Inflation remained weak and below the European average. Year-on-year inflation, as measured by the harmonised index of consumer prices (HICP), rose by 0.5% in December 2019.

Spain saw a slowdown in macroeconomic performance with domestic demand and consumption continuing to be the main drivers of growth, albeit at a more moderate pace. According to estimates by the IMF, GDP growth is expected to be 2% in 2019. The labour market improved, even if only marginally, and the unemployment rate fell to 13.9%. Inflation remained weak and stood at 0.8% in December 2019 as measured by the harmonised index of consumer prices (HICP), well below the ECB’s target.

In Chile, social unrest led to a rapid decline in GDP in month-on-month terms. Economic growth estimates for 2019 therefore had to be revised downwards to 2% and the situation will continue to have a major impact on growth in 2020. The government responded by announcing a sizeable package of fiscal stimulus measures although any further expansion of monetary policy (benchmark rates currently stand at 1.75%) would be hindered by inflation expectations and the weakness of the peso.

1.1.2 FINANCIAL MARKETS

In 2019 the financial markets were affected by the economic and political climate outlined in the introduction.

The turnaround by the main central banks, which suspended their normalisation plans and adopted new monetary stimulus measures instead, had a very positive effect on financial markets, across all asset classes.

In the United States, after a series of four consecutive rate hikes, the Federal Reserve's policy shifted. Responding to concerns about the global economic outlook and signs of a slowdown in domestic consumption, it changed tack, cutting rates three times and resuming its purchases of short-term assets.

In Europe, the European Central Bank merely adjusted its monetary policy in view of the economic climate, introducing a further 10 basis-point cut in the deposit rate and reviving its asset purchase programme. According to Christine Lagarde, the new president of the ECB, monetary policy will remain highly accommodative and this condition will be necessary for a long time.

Given this scenario, which points to moderate growth and uncertainty surrounding inflation expectations, any sharp rise in bond yields is unlikely at present.

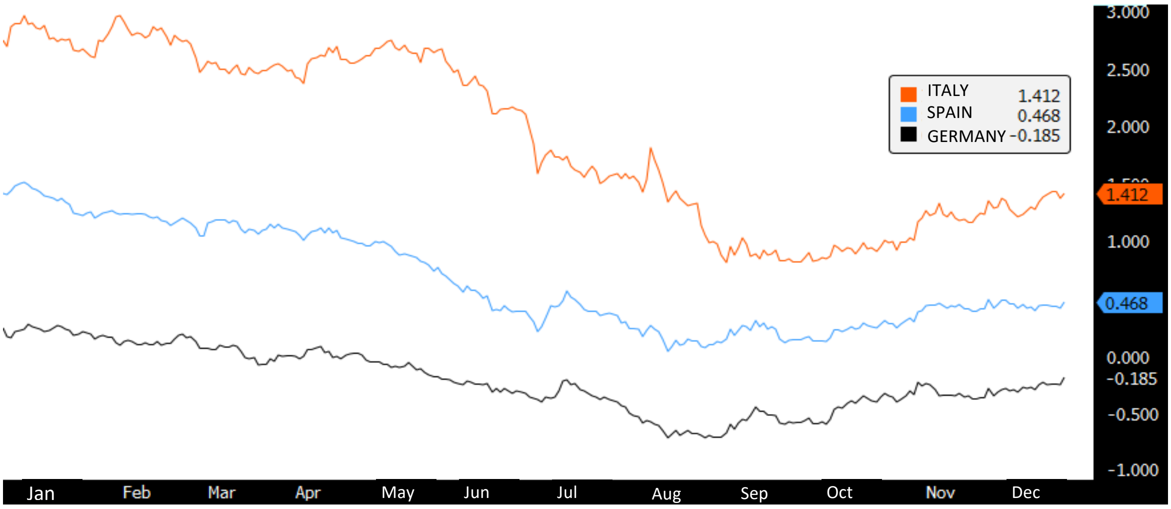
In line with the ECB's monetary policy measures, short-term yields in Europe fell by around 10 basis points and even those with a maturity of more than one year remained in negative territory. Euribor 6 months moved from -0.237% at the beginning of the year to -0.324% at the end of December 2019.

In Italy, following the sudden and unexpected collapse of the government in the summer, and its replacement with a new coalition, tensions both within the country and with Europe eased. This made it possible to establish a constructive dialogue which led to the introduction of the new 2020 budget law, and allowed spreads between Italian and German government bonds to stabilise.
Yields on ten-year Italian government bonds fell from 2.74% at the end of December 2018 to 1.41% at the end of December 2019, having dipped to a record low of 0.80% at the end of September 2019.
The spread over German ten-year bonds stood at 159 basis points at the end of 2019, a notable improvement on the 250 basis points of December 2018.

During the same period, the German ten-year bond yield dropped further, falling to -0.75% in mid-August. This trend reflected concerns over the increasing likelihood of a global recession, as well as low inflation expectations and, above all, continuing demand for the bund as a safe-haven investment. Towards the end of the year, improved growth prospects pushed the yield on German ten-year government bonds up to -0.19%, which was still below the 0.24% recorded at the end of December 2018. Like other main European government securities, yields on Spain's ten-year government bonds also fell, from 1.41% at the end of 2018 to 0.47% at the end of 2019.

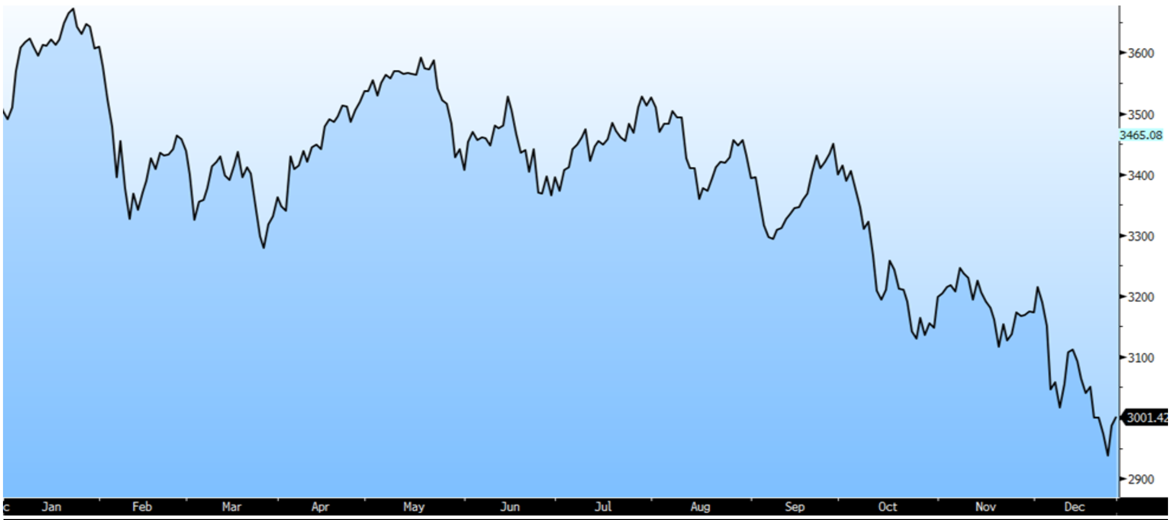
2019 was also a very positive year for corporate bonds as a consequence of the narrowing of spreads and the fall in yields in the long-term part of the curve. Spreads against government securities therefore narrowed, for both high-risk and investment grade corporate debt.

Ten-year government bond yields ITALY - SPAIN - GERMANY (source: Bloomberg)



Equity markets produced extremely positive returns in 2019, buoyed by broad stimulus measures introduced by central banks and low valuations at the end of 2018.
In the US, the Dow Jones appreciated by 22.34%. The Euro Stoxx index recorded an excellent increase of 24.78% at the end of 2019. The German DAX moved up by 25.48% and the French CAC rose by 26.37%. In Spain, the Ibex increased by just 11.82%, hampered by political instability and the fourth general election in the country in just over a year. The Italian FTSEMIB index recovered the previous year's underperformance and, as political stability was restored, increased by 28.28%, one of the best performers in Europe.
Chile's IGPA index lost 9.85% as a consequence of social unrest in the country which led to an economic slowdown.

Prices on the Euro Stoxx index - 31/12/2018 - 31/12/2019



Concerns over global growth and monetary policy kept the euro relatively stable against the dollar, with both currencies either strengthening or weakening to reflect more or less favourable events. The EUR/USD exchange rate stood at 1.121 in December 2019, compared to 1.147 at the end of the previous year.

1.1.3 THE INSURANCE MARKET

According to the data provided by ANIA for 4Q 2019, in the **Italian insurance market** (Italian companies, representative offices of non-EU insurers, EU companies and companies operating under the freedom to provide services), premium income increased by 4.2% in relation to the previous year, reflecting performance in the Non-life and Life sectors (+2.8% and +4.7%, respectively).
According to figures for 4Q 2019, there was a 2.8% year-on-year increase in **Non-life business**.
There was a 0.4% increase in premium income in the **Motor** sector: premium income in the TPL land vehicles and TPL marine, lake and river craft businesses decreased by 0.6%, while there was a significant improvement in premium income generated by the Hulls land vehicles business, which rose by 4.5%. These lines accounted for 44.4% of total Non-life premiums (45.4% in 2018).
Premium income in the **Non-motor** sector increased by 4.8%: among the businesses with the highest premium volumes were Health (+10.6%), Accident (+3.3%), Fire and natural forces (+5.0%), Other property damage (+3.4%) and Assistance (+10.0%). The premium income generated by Non-motor classes accounted for 55.6% of total Non-life premium income (54.6% in 2018).
Figures for 4Q 2019 showed a 4.7% year-on-year increase in **Life business**.
In detail, premium income for class I products increased by 9.9%, for class VI products by 33.5% and for class IV products by 34.2%. Premium income for class III unit-linked products fell by 0.2% and for class V products by 32.9%.

The **Spanish insurance market** contracted by 0.4% in 4Q 2019 in relation to the same period of the previous year, with total premiums amounting to € 64,155 million (€ 64,425 million in 2018). In particular, Non-life business increased by 3.4% and Life business by 5.1%.
According to the latest data for 4Q 2019 published by ICEA, there was a 3.4% year-on-year increase in **Non-life business**, which accounted for 57.1% of overall premium income (55.0% in 2018).
There was a 1.5% increase in premium income in the **Motor** sector: specifically, premium income in the TPL land vehicles business increased by 0.4%, while the other businesses grew by 2.8%. These lines accounted for 30.9% of total Non-life premiums (31.4% in 2018).
Premium income in the **Non-motor** sector increased by 4.2%; among the businesses with the highest premium income were Non-motor TPL (+4.3%), Health (+4.8%) and Multi-risk (+4.0%) These lines accounted for 69.1% of total Non-life premiums (68.6% in 2018).
In the **Life** business, premium income decreased by 5.1% and accounted for 42.9% of overall premium income (45.0% in 2018).

In the **Chilean insurance market**, there was a 4.1% increase in overall premium income in 1H 2019, according to the report published by Asociacion De Aseguradores De Chile A.G.
There was a 7.2% year-on-year overall increase in **Non-life business**. Considering the main areas, the Motor sector increased by 4.8% and Fire and Additional risks by 8.3%. Total Non-life premium income accounted for 29.9% of total premiums (29.1% in 2018).

1.1.4 REAL ESTATE SECTOR

The **Italian property sector** continued its recovery in 2019, albeit at a slower pace than in the previous two years.

There are grounds for optimism on the **rental market**. Recovery in this sector is mainly being driven by demand for short-term and temporary rentals by workers on assignments and by young people studying or working away from home. The number of families who rent because they cannot afford to buy their own home and who represent a large component of this market, also increased. Demand for the purchase and rental of offices and commercial property continued to fall.

As regards **property sales**, forecasts for 2019 point to growth in relation to 2018: there were approximately 592,000 sales in the residential property market (+2.3% in relation to the 580,000 recorded in the previous year). Compared to 2006, the last year of growth in this sector, the market has contracted by 30%.

Although the number of sales gradually rose, prices continued to fall. The discrepancy between the two indicators reflects factors such as weak income levels that affect demand and a constant excess in supply, which continue to hold prices down.

The same applies to rents: the only segment in which these increased, even though only slightly, was that of residential property.

The rental market has been more dynamic than the sales market over the long term: the effects of the crisis have been felt to a lesser extent in the housing rental market, as borne out by the cumulative variation in prices since the beginning of the crisis (approximately -20% for rentals against about -25% for sales).

Recent developments in liquidity indicators, namely average selling and rental times and the discounts applied to the asking price, are also evidence that the market is slowly improving. While these indicators point to a recovery of the ground lost during the crisis, this is taking place very gradually and transactions are still below pre-crisis levels.

* * *

In **Spain** the property market continued to expand. The slowdown towards the end of the year was essentially due to the political context, the international situation and the new mortgage law that came into force in June.
The office rental market continued to thrive: considering Madrid and Barcelona together, more than 785,000 square metres of office space were rented in 2019.
The volume of available space therefore decreased in both cities: by around 8,8% in Madrid and by approximately 4.8% in Barcelona.
The average rent rose in 2019, especially in prime areas where supply is fairly scarce. The average rent is about € 36 per square metre in Madrid and about € 27 per square metre in Barcelona. Growth in this sector is expected to slow slightly in 2020.

1.1.5 BANKING SECTOR

Bank deposits in Italy amounted to € 1,815 billion in 2019, an increase of € 97 billion (+5.6%) compared with 2018; a breakdown of the various components continues to reveal a clear preponderance of short-term deposits in relation to those held for the medium and long term.

Lending by banks remained broadly stable as at December 2019: according to preliminary estimates, loans to customers (in the private sector and to general government) amounted to € 1,681 billion, rising by 0.4%. In the business sector, loans to non-financial companies decreased (-1.9%). Loans to households continued to expand, driven by both mortgage loans for house purchases (+2.5% on an annual basis) and consumer credit. Overall, loans to households grew by 2.3% in relation to 2018.

Non-performing loans net of write-downs and accruals made by banks using their own funds, totalled € 27.5 billion at December 2019, less than at the end of the previous year, when they amounted at € 31.9 billion. The ratio of net non-performing loans to total loans stood at 1.61% (1.85% at December 2018).

In terms of **bank interest rates**, there was a slight reduction in the average rate on customer bank deposits (which include returns on deposits, bonds and repos in euros held by households and non-financial undertakings), which moved from 0.61% at the end of 2018 to 0.58% at year-end 2019. The average rate on euro bank deposits for households and non-financial undertakings was 0.37%, substantially unchanged from 2018. Returns on bank bonds decreased again over the year, from 2.39% to 2.15%.

At the end of 2019, the spread between average lending and deposit rates for households and non-financial undertakings stood at 190 basis points, in line with the previous year.

1.2 REGULATORY DEVELOPMENTS

EUROPEAN REGULATORY FRAMEWORK

Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

This Regulation, which came into effect on 8 July 2019, modifies some aspects of the rules on calculating the SCR using the standard formula. It also introduces material changes to the regulatory classification of own funds and the publication of information.

Legislative Decree No. 147 of 13 December 2018 (amendments to Legislative Decree No. 252/2005) on the activities and supervision of institutions for occupational retirement.

Legislative Decree No. 147 of 13 December 2018 (published on 17 January 2019 in No. 14 of the Official Journal of the Italian Republic) came into effect on 1 February 2019, implementing Directive UE 2016/2341 of 14 December 2016 (“IORP 2” - Activities and supervision of institutions for occupational retirement).

This set of measures directly amend the provisions of Legislative Decree No. 252/2005, the reference legislation for supplementary pension schemes.

REGULATORY FRAMEWORK IN ITALY

Regulations, orders and letters to the market issued by IVASS

IVASS Regulation No. 44 of 12 February 2019

Regulation No. 44 lays down provisions, implementing Legislative Decree No. 231 of 21 November 2007, as amended by Legislative Decree No. 90 of 25 May 2017 implementing Directive EU 2015/849, on aspects of organisation, procedures, internal controls and customer due diligence, and takes into account the Joint Guidelines of the European Supervisory Authorities on simplified and enhanced customer due diligence and the factors to be considered when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions.

The Regulation is based on two pillars:

Governance and system of internal controls;

Customer due diligence and risk profiling.

Order No. 90 of 5 November 2019 amending IVASS Regulation No. 39 of 2 August 2018, concerning the procedure for applying administrative sanctions and implementing provisions as per heading XVIII (sanctions and sanctioning proceedings) of Legislative Decree No. 209 of 7 September 2005, the Italian Code of Private Insurance.

The Board of IVASS approved a business reorganisation plan (effective from 16 September 2019) in order to perform the new tasks pursuant to Legislative Decree No. 68 of 21 May 2018 implementing the Insurance Distribution Directive. The reorganisation plan included changes to the structures involved in sanctioning proceedings and the respective skills; in detail, it established the Market Conduct Supervision Directorate to replace the Intermediaries Supervision Directorate and the Sanctions and Winding Up Directorate to replace the two separate Winding Up and Sanctions Directorates. It also gave the “new” Sanctions and Winding Up Directorate responsibility for the Guarantee Committee Secretariat Office and for sanctioning proceedings against intermediaries.

The Order introduces changes to the rules on sanctioning proceedings for breaches committed after 1 October 2018 (IVASS Regulation No. 39 of 2 August 2018) and on secondary legislation applicable to pecuniary administrative proceedings and disciplinary proceedings against intermediaries for breaches committed up to 30 September 2018 (IVASS Regulations No. 1 and No. 2 of 8 October 2013).

Order No. 92 of 19 November 2019: amendments and additions to IVASS Regulation No. 43 of 12 February 2019 implementing the provisions on the temporary derogation from the measurement criteria for capital losses on current securities introduced by Decree Law No. 119 of 23 October 2018 on urgent measures on tax and financial matters, converted into Law No. 136 of 17 December 2018.

This Order introduced amendments to IVASS Regulation No. 43/2019, implementing the provisions of the Decree of the Ministry of the Economy and Finance dated 15 July 2019, published on 4 October 2019 in No. 233 of the Official Journal of the Italian Republic, following the extension to financial 2019 of the provisions on the temporary derogation from the measurement criteria for capital losses on current securities, introduced by the previous Ministerial Decree (Decree Law No. 119 of 23 October 2018 on urgent measures on tax and financial matters, converted into Law No. 136 of 17 December 2018).

The new legislation provides for the possibility of temporarily derogating from the requirements laid down in the Italian Civil Code.

IVASS Letter to the Market dated 28 February 2019 on the "Results of the macroprudential analysis of own risk and solvency assessment (ORSA) reports".

IVASS uses a variety of tools to assess the adequacy of the internal risk management systems put in place by individual undertakings. These include an analysis of the Own Risk and Solvency Assessment (ORSA) report drawn up by each group or company. In addition to these microprudential analyses, which may also be followed by the exchange of supervisory information, IVASS also compares macroprudential policies to identify risk concentrations at market level, common exposures or the use of similar methodologies and processes. IVASS thus examined the ORSA Reports submitted in 2018 by a sample of undertakings and groups representing about 75% of the insurance market in terms of premium income. The Letter provided guidelines on the assessment factors to be considered by all insurance companies.

IVASS Letter to the Market dated 20 June 2019 on new protocols for the exchange of statistical information and personal details

IVASS has taken important steps to update its information systems. The projects undertaken pursued the following objectives: to make the work procedures used in its institutional activities more efficient and less exposed to operational risk, go further towards the integration of IT systems with those of Banca d'Italia as established by law, improve internal and external use of reported information, improve the security and structure of the systems used to exchange information between IVASS and insurance undertakings. They mainly regarded three areas: fraud-prevention, with the new integrated fraud-prevention database (AIA), the register of insurance undertakings and groups (RIGA) and the database of surveys on financial statements and institutional statistics.

Changes to tax regulations

Law No. 160/2019 (generally referred to as the "2020 Budget Law"), effective as from 1 January 2020 unless otherwise specified, introduced several important measures in the areas of remuneration, incentives, income taxes, VAT and criminal law.

Specifically, the main incentives include:

- tax credit for investments in capital goods;
- tax credit for research, development and innovation;
- renewal of and changes to the tax credit for "Industry 4.0" training activities.

The most relevant changes to income taxes include:

- revaluation of business assets;
- reinstatement of the notional interest deduction scheme (ACE);
- deductibility of write-downs and losses on receivables by banks and insurance undertakings;
- deductibility of expected losses on receivables in the case of first-time adoption of IFRS 9;
- company cars used by employees;
- meal vouchers;
- personal income tax (IRPEF) deduction - traceable payment methods.

Other important measures include the freezing of VAT rate increases for the whole of 2020. The standard VAT rate will increase to 25% from 1 January 2021 and then to 26.5% from 1 January 2022, whereas the reduced rate will rise to 12% from 1 January 2021, unless other measures are implemented that would guarantee equivalent positive effects on public spending.

1.3 SIGNIFICANT EVENTS DURING THE YEAR

Net Promoter Score

At 31 December 2019, Reale Group had more than 4.5 million members-insured parties, an increase of 1.9% on the previous year. 57% of these were in Italy, 42% were in Spain and the other 1% in Chile. The breakdown by Company and the comparison with 31 December 2018 are shown in the table below.

(Number of members-policyholders in thousands)

Company	31.12.2019	31.12.2018	Change (%)
Reale Mutua	1,428.9	1,412.4	1.2%
Italiana Assicurazioni	1,179.0	1,199.3	-1.7%
Reale Seguros	1,874.0	1,809.6	3.6%
Reale Vida	66.0	57.4	15.0%
Reale Chile Seguros	38.5	22.1	74.2%
Total	**4,586.4**	**4,500.8**	**1.9%**

The **Net Promoter Score** (NPS) was calculated for the Group’s insurance undertakings for the first time at the end of last year. The NPS measures customer loyalty (on a scale from +100 to -100) and is therefore one of the most important tools for measuring customer experience. For Reale Mutua, the NPS obtained at the end of 2018 was 45.88, while that achieved at the end of 2019 was slightly higher, at 46.03. Italiana Assicurazioni had an NPS of 48.96 in 2018, and this result was practically unchanged in 2019 (48.73). Reale Seguros obtained an NPS of 40.29 in 2019, an improvement on the 37.96 achieved in 2018. These are very positive results, as they are not far off +50, which is generally regarded as excellent. No NPS score is available for Reale Chile Seguros as the survey was not deemed appropriate considering the climate of socio-political uncertainty that characterised the last quarter of 2019.

Measures to support people affected by recent natural disasters

Reale Group organised solidarity initiatives to support victims of severe natural disasters in Italy that occurred in the second half of 2019. These events affected much of Italy; the measures adopted regarded all the regions concerned, especially municipalities declared disaster areas.

The initiatives for members-insured parties of Reale Mutua and Italiana took the form of a reduction in the insurance premium:

a 50% discount on the premium for Motor insurance products, on policies taken out to cover a new vehicle, if the damaged vehicle is deemed beyond repair and the existing cover did not include the aforesaid events and provided the registered owner of the vehicle lives in a municipality declared a disaster area;

a 30% discount on the next payment due on products for businesses, if the guarantee does not already cover the aforesaid events and provided the business is located in a municipality declared a disaster area.

Reale Group has also drawn up plans to implement the following additional measures to support its members-insured parties:

extension of the term for overdue payments on Motor policies to 30 days and extension of the term for overdue payments on Non-Motor Non-Life policies to 60 days (currently 30 days);

loans with favourable rates (1.6%, compared with a market average of between 4.3% and 5.2%), granted by Banca Reale for use by companies to purchase or repair machinery, industrial buildings or storage facilities;

dedicated toll-free number, through Blue Assistance;

possibility of requesting a breakdown truck through Blue Assistance for all vehicles covered by the “Assistance” guarantee.

The resources made available for this initiative, for up to € 5 million, should be sufficient to meet all requests by the Group’s members-insured parties.

Financial strength

On 18 November 2019, Fitch Ratings confirmed the Insurer Financial Strength (IFS) rating of Reale Mutua and Reale Seguros as A-, and the "negative" outlook for both companies.

The A- rating, which is two notches above that of Italy (BBB), was assigned in June 2019 following the adoption of new calculation criteria defined by the rating agency.

It reflects the high level of capitalisation, the absence of financial leverage and the positive positioning of Reale Group both in Italy and internationally, through its presence in Spain and Chile. The combined ratio and ROE of Reale Group were also assessed positively. The latter, at 5.8% at the end of 2018, is in line with the average over the last five years and with the mutualistic nature of the Parent.

In June 2019, Fitch Ratings confirmed its rating of A- for Reale Chile Seguros and improved the outlook from "stable" to "positive", based on the Company's prospects and the importance of the operation for the Parent. In August 2019, Feller Rate confirmed the rating of "A" with stable outlook, which reflects the Company's capacity to meet its obligations.

"Italy Protection Awards"

The sixth edition of the "Italy Protection Awards" was held in Milan on 26 March 2019. During the event, more than seventy prizes were awarded to companies and people for outstanding achievements in the Italian insurance protection market. The event was attended by around 450 people representing insurers and reinsurers, insurance brokers, banks, credit consultants and industry service companies. The winners were selected in an online voting process open to the entire market. The results were validated by an independent panel of industry experts, following a procedure designed to make the selection as fair and transparent as possible.

Reale Group companies received several awards:

"Best Insurance Undertaking in 2018", awarded to Reale Mutua for its development of supplementary pension schemes;

the Reale Mutua Agents - Welfare Committee Group won first prize in the area of business models and initiatives, for supporting the Company in the "Development of the Supply Model";

Italiana Assicurazioni received two prizes: for "Innovation of the product offering", with its Family box, and "Person of the year 2018" for the former chairman of the Insurance Agents' Group, Alfonso Coltro;

Blue Assistance won the prize for the Quality and Excellence of Services as TPA (third-party administrator) to partner companies.

Key aspects of the 2020-2022 Plan

In addition to the routine business of approving mutuality benefits for 2020, the Meeting of Delegates of 9 December 2019 was presented with the new three-year Plan of Reale Mutua and the Group for 2020-2022. For the Board of Directors and Management, the plan marks a change and is of great importance for the future of the Group. It envisages the launch of several strategic initiatives to accompany a profound transformation firmly focused on the founding principles of Mutuality, Independence and Sustainability: the underlying objective is to ensure the Group's competitiveness and business continuity in all of its markets in an increasingly competitive context and with the entry of tough new players.

The aim of the new Plan, which has been named "**To the Future**", is to face the huge changes taking place in the market such as the increasing importance of a customer-centric approach, digitalisation, advancements in technology and the growing need to diversify risk. It must guide the Group and help it move closer to customers by developing simpler, tailored service models, to digitalise operational procedures by enhancing the value of its human and professional resources, to increase the value generated by drawing on its technical excellence and to diversify risk through international expansion in new markets and also through growth in less developed areas of business, in order to optimise the overall allocation of capital from a risk-return perspective.

1.4 SUMMARY OF RESULTS

The main **operating results** in the 2019 consolidated financial statements, with 2018 comparables, are set forth in the table below.

(in € millions)

	2019	2018	Change
Net premiums	4,885.4	4,573.3	312.1
Commissions receivable	36.6	30.4	6.2
Income and expense on financial instrum. measured at FVTPL	155.4	-61.0	216.4
Income on equity investments in subsidiaries, associates and j.v.	4.3	68.4	-64.1
Income on other financial instruments and investment property	473.6	422.1	51.5
Other revenues	139.1	109.0	30.1
TOTAL REVENUES AND INCOME	**5,694.4**	**5,142.2**	**552.2**
Net charges for claims	-4,075.7	-3,605.6	-470.1
Commissions payable	-16.5	-14.1	-2.4
Charges on equity investments in subsidiaries, associates and j.v.	0	0	0
Charges on other financial instruments and investment property	-86.0	-61.1	-24.9
Operating expenses	-1,056.5	-1,012.7	-43.8
Other costs	-239.0	-254.9	15.9
TOTAL COSTS AND CHARGES	**-5,473.7**	**-4,948.4**	**-525.3**
PROFIT (LOSS) BEFORE TAXES	**220.7**	**193.8**	**26.9**
TAXES	**-69.1**	**-45.8**	**-23.3**
CONSOLIDATED PROFIT (LOSS)	**151.6**	**148.0**	**3.6**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	**199.4**	**26.4**	**173.0**

Some **balance sheet data** in the consolidated financial statements, with 2018 comparables, are set forth in the table below.

(in € millions)

	31.12.2019	31.12.2018	Change
Investments	19,736.4	17,948.4	1,788.0
Technical provisions, net	17,295.0	15,735.3	1,559.7
Consolidated shareholders' equity	2,780.0	2,568.0	212.0

Further **information** is provided in the table below.

	2019	2018	Change
Combined operating ratio - Non-life	97.6%	97.9%	-0.3
Operating result over funds managed - Life	0.30%	0.18%	0.1
ROE (Return On Equity)	5.7%	5.8%	-0.1
Solvency II solvency ratio	279.1%	281.4%	-2.3
Number of members--policyholders (*)	4,586.4	4,500.8	85.6

(*) expressed in thousands

1.5 PROGRESS ACHIEVED

The consolidated result of Reale Group was again extremely positive, at € 151.6 million (€ 148.0 million in 2018).

The 2018 net profit included extraordinary income items for € 36.2 million (the net balance of gains on the sale of part of the investment in Sara Assicurazioni and the cost of provisions to the Solidarity Fund). Net of extraordinary items, the Group's net profit for 2018 would have stood at € 111.8 million.

The main aspects are outlined below:

- there was a significant increase in **net premiums**, which amounted to € 4,885.4 million, up 6.8% on the same period of the previous year. € 2,937.4 million refer to Non-life business and € 1,948.0 million to Life business. In detail, direct **premium income** reached € 5,258.3 million (€ 4,980.3 million in 2018), an increase of 5.6% compared with the previous year. 80.4% of premium income was generated in Italy, 18.1% in Spain and 1.5% in Chile. More specifically, this result reflected a 2.6% increase in Non-life business premiums, which amounted to € 3,280.0 million, and a notable upswing (+10.9%) in Life business premiums, which amounted to € 1,978.3 million. Non-life business premium income rose in all three countries in which Reale Group operates: Italian companies reported a 1.2% increase, the Spanish company 3.7% and the Chilean company 43.5%. Similar growth was also achieved by the Life business, with the Italian companies reporting an increase of 10.5% and the Spanish company of 24.9%.
- **Net charges for claims**, in the amount of € 4,075.7 million, increased by 13.0%. These refer for € 1,884.2 million to Non-life business (+4.4% compared with 2018) and for € 2,191.5 million to Life business (+21.7% compared with 2018).
- **Operating expenses** amounted to € 1,056.5 million compared with € 1,012.7 million in the previous year, increasing by 4.3%. These reflect commissions and other acquisition costs of € 835.2 million (+4.1%), investment management expenses of € 52.1 million (+0.5%) and other administrative expenses for € 169.3 million (+5.3%).
- The **combined operating ratio** for Non-life business improved to stand at 97.6% (97.9% in 2018).
- The ratio of the operating result to volumes managed for Life business improved to stand at 0.30% (0.18% in 2018).
- **Investment income and charges generated a positive balance** of € 547.3 million (€ 368.3 million in the previous year). The increase of € 179.0 million mainly reflects the € 16.6 million increase in net interest on available-for-sale financial assets, the € 216.4 million increase in net income on financial instruments measured at fair value through profit or loss (inclusive of investments for the benefit of Life policyholders who bear the risk and relating to the administration of pension funds), principally due to the increase in net valuation gains, the € 7.1 million increase in net income on investment property and the € 64.1 million decrease in net income on equity investments in subsidiaries, associates and joint ventures (the result for the previous year had benefited from the effects of the partial disposal of the investment in Sara Assicurazioni).

The above items generated a **gross consolidated profit before taxes** in the amount of € 220.7 million, compared with € 193.8 million in 2018.

After **taxes**, for € 69.1 million, the consolidated profit stood at € 151.6 million and included a minority interest in the net profit for € 24 thousand.

This result, adjusted by profit or loss taken directly to equity, in accordance with the provisions of international accounting standards (IFRS 1), determined a total **comprehensive consolidated income** showing a profit of € 199.4 million, compared with a profit of € 26.4 million in 2018.

Group **investments** reached € 19,736.4 million (+10.0% in relation to 31 December 2018) and comprised € 1,046.2 million of investment property, € 26.6 million of equity investments in subsidiaries, associates and joint ventures, € 27.4 million of investments held to maturity, € 657.2 million of loans and receivables, € 15,941.4 million of AFS financial assets and € 2,037.6 million of financial assets measured at fair value through profit or loss in the income statement.

Net technical provisions amounted to € 17,295.0 million compared with € 15,735.3 million in the previous year, an increase of 9.9%.

Shareholders' equity amounted to € 2,780.0 million compared with € 2,568.0 million at year-end 2018. Group interest in shareholders' equity amounted to € 2,779.1 million, and minority interest was equal to € 0.9 million.

ROE (Return on Equity) for the Group was substantially unchanged, at 5.7% (5.8% in 2018).

* * *

Regarding the Pillar III disclosure requirements of the Solvency II Directive, during the year the Group submitted the required quarterly quantitative data to IVASS within the time limits specified.

The report on the year-end solvency position will be submitted to IVASS by 19 May 2020, which is the regulatory deadline.

As of the date of approval of these financial statements, the Group did not have information about the **solvency capital requirement** (SCR) or **eligible own funds** that could be considered as definitive.

The disclosure requirements pursuant to IVASS Regulation No. 7 of 13 July 2007, as amended by IVASS Order No. 53 of 6 December 2016, have therefore been met, by applying the transitional rules set forth in the aforesaid Order, with the disclosure of a solvency position based on currently available preliminary data; in detail, the position, determined using the partial internal model for Non-life business risks and the standard formula for Life business risks, is as follows:

- solvency capital requirement (SCR): € 1,215.8 million;
- eligible own funds: € 3,393.3 million, all Tier 1 - unrestricted;
- Solvency Ratio: 279.1%

* * *

The main **operating results** in the 2019 consolidated financial statements, broken down by sector and with 2018 comparables, are set forth in the table below.

(in € millions)

	Insurance sector		Real estate and services sector		Banking sector		Trans-sectoral adjustments		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net premiums	4,885.4	4,573.3	0	0	0	0	0	0	4,885.4	4,573.3
Commissions receivable	27.6	22.4	0	0	27.5	24.9	-18.5	-16.9	36.6	30.4
Inc./expense on fin. inst. measured at FVTPL	155.3	-61.4	0	0.1	0.1	0.2	0	0	155.4	-61.0
Inc. on eq. inv. in sub., ass. and j.v.	0	64.3	0	0.2	0	0	4.3	3.9	4.3	68.4
Inc. on other fin. inst and inv. prop.	353.0	319.2	100.0	90.9	21.7	12.8	-1.1	-0.8	473.6	422.1
Other revenues	113.2	94.2	172.3	161.0	4.3	4.1	-150.7	-150.3	139.1	109.0
TOTAL REVENUES AND INCOME	**5,534.5**	**5,012.0**	**272.3**	**252.2**	**53.6**	**42.1**	**-166.0**	**-164.1**	**5,694.4**	**5,142.2**
Net charges for claims	-4,081.5	-3,611.7	0	0	0	0	5.8	6.2	-4,075.7	-3,605.6
Commissions payable	-10.4	-8.5	0	0	-6.1	-5.7	0	0	-16.5	-14.1
Charges on eq. inv. in sub., ass. and j.v.	0	0	0	0	0	0	0	0	0	0
Charges on other fin. inst and inv. prop.	-48.0	-33.2	-22.3	-19.8	-15.7	-8.1	0	0	-86.0	-61.1
Operating expenses	-1,057.8	-1,013.2	-28.3	-28.8	-23.3	-22.6	52.9	51.9	-1,056.5	-1,012.7
Other costs	-182.3	-194.4	-164.5	-162.8	-3.9	-2.9	111.7	105.2	-239.0	-254.9
TOTAL COSTS AND CHARGES	-	-	**-215.1**	**-211.4**	**-49.0**	**-39.3**	**170.4**	**163.4**	-	-
PROFIT (LOSS) BEFORE TAXES	**154.5**	**151.0**	**57.2**	**40.7**	**4.6**	**2.9**	**4.4**	**-0.7**	**220.7**	**193.8**
TAXES									**-69.1**	**-45.8**
CONSOLIDATED PROFIT (LOSS)									**151.6**	**148.0**

With regard to fully-consolidated Group companies, the performance during the year of each single sector of business is discussed below.

1.5.1 INSURANCE BUSINESS

The main operating results of the Insurance sector, with the breakdown for Non-life and Life lines of business, are provided below.

(in € millions)

	Non-life business			Life business			Insurance business		
	2019	2018	Change	2019	2018	Change	2019	2018	Change
Net premiums	2,937.4	2,824.9	112.5	1,948.0	1,748.4	199.6	4,885.4	4,573.3	312.1
Commissions receivable	0	0	0	27.6	22.4	5.2	27.6	22.4	5.2
Inc./expense on fin. inst. measured at FVTPL	-1.3	0	-1.3	156.6	-61.4	218.0	155.3	-61.4	216.7
Inc. on eq. inv. in sub., ass. and j.v.	0	64.3	-64.3	0	0	0	0	64.3	-64.3
Inc. on other fin. inst and inv. prop.	89.0	67.2	21.8	264.0	252.0	12.0	353.0	319.2	33.8
Other revenues	106.3	81.8	24.5	6.9	12.4	-5.5	113.2	94.2	19.0
TOTAL REVENUES AND INCOME	**3,131.4**	**3,038.2**	**93.2**	**2,403.1**	**1,973.8**	**429.3**	**5,534.5**	**5,012.0**	**522.5**
Net charges for claims	-1,890.0	-1,810.5	-79.5	-2,191.5	-1,801.2	-390.3	-4,081.5	-3,611.7	-469.8
Commissions payable	0	0	0	-10.4	-8.5	-1.9	-10.4	-8.5	-1.9
Charges on eq. inv. in sub., ass. and j.v.	0	0	0	0	0	0	0	0	0
Charges on other fin. inst and inv. prop.	-31.6	-15.1	-16.5	-16.4	-18.1	1.7	-48.0	-33.2	-14.8
Operating expenses	-944.2	-912.4	-31.8	-113.6	-100.8	-12.8	-1,057.8	-1,013.2	-44.6
Other costs	-153.8	-165.0	11.2	-28.5	-29.4	0.9	-182.3	-194.4	12.1
TOTAL COSTS AND CHARGES	**-3,019.6**	**-2,903.0**	**-116.6**	**-2,360.4**	**-1,958.0**	**-402.4**	**-5,380.0**	**-4,861.0**	**-519.0**
PROFIT (LOSS) BEFORE TAXES	**111.8**	**135.2**	**-23.4**	**42.7**	**15.8**	**26.9**	**154.5**	**151.0**	**3.5**

Overall, at the level of the Group, insurance business generated a **profit** before taxes of € 154.5 million (€ 151.0 million in 2018), of which € 111.8 million relating to Non-life business (€ 135.2 million in 2018) and € 42.7 million relating to Life business (€ 15.8 million in 2018).

Total premium income (direct business, inward reinsurance and investment products) amounted to € 5,374.6 million at 31 December 2019 (€ 5,067.0 million at 31 December 2018, +6.1%). Non-life premium income amounted to € 3,281.3 million (€ 3,196.8 million at 31 December 2018, +2.6%) and Life premium income amounted to € 2,093.3 million (€ 1,870.2 million at 31 December 2018, +11.9%).

All premiums written by the Non-life segment of Group companies are classified as insurance premiums, as required by IFRS 4 (presence of significant insurance risk). As regards Life premiums, investment products, amounting to € 114.9 million at 31 December 2019, refer entirely to class III policies.

The above information is summarised in the table that follows:

(in € millions)

	2019	2018	Change (%)
Total premium income	**5,374.6**	**5,067.0**	**6.1%**
of which:			
Gross premiums written	**5,259.7**	**4,981.5**	**5.6%**
Direct business - Non-Life	*3,280.0*	*3,195.8*	*2.6%*
Direct business - Life	*1,978.3*	*1,784.6*	*10.9%*
Indirect business - Non-Life	*1.3*	*1.0*	*30.0%*
Indirect business - Life	*0.1*	*0.1*	*0.0%*
Investment contracts	**114.9**	**85.5**	**34.4%**

Premiums ceded by the Group amounted to € 368.0 million (€ 357.2 million in 2018, +3%), of which € 337.7 million relating to Non-life business (€ 321.1 million in 2018, +4.9%) and € 30.3 million relating to Life business (€ 36.2 million in 2018, -19.5%).

NON-LIFE BUSINESS

Within Reale Group, the Non-life insurance companies (Reale Mutua, Italiana Assicurazioni, Reale Seguros and Reale Chile Seguros), reported total **gross premiums written** for € 3,281.3 million in relation to € 3,196.8 million in 2018, with an increase of 2.6%.

Considering **direct business** only, Reale Group reported an overall increase of 2.6% in Non-life premium income, spread across all businesses (Motor +2.7%, Non-motor +2.5%).

On the Italian market, the Group reported an increase in both the Motor and Non-motor businesses (+1.1% and +1.3%, respectively). The increase in the Motor business was attributable to mandatory TPL land vehicle cover (+0.5%) and to accessory covers for Hulls land vehicles (+3.9%). In the Non-motor segment, the biggest increases were reported for Accident and Health, Fire, Other property damage and Assistance covers.

On the Spanish market, Reale Seguros reported an increase in premium income for both the Motor business (+3.3%) and the Non-motor sector (+4.1%), primarily owing to expansion of the portfolio in the Fire, Other property damage and Marine, Aviation and Transport business lines with the addition of new products and a rise in renewals.

On the Chilean market, Reale Chile Seguros reported a year-on-year increase in sales both in the Motor business (+42.0%) and in the Non-motor sector (+45.9%) as the company experienced a period of strong growth.

The detail of Non-life business gross premiums written according to class of business is set forth in the table below.

(in € millions)

				Composition	
Non-life business	**2019**	**2018**	**Change (%)**	**2019**	**2018**
Personal accident and Health	344.3	329.8	4.4%	10.5%	10.3%
TPL land vehicles	1,079.5	1,067.0	1.2%	32.9%	33.4%
Motor, other branches	417.3	389.9	7.0%	12.7%	12.2%
Marine, aviation and transport	27.2	34.5	-21.2%	0.8%	1.1%
Fire and other property damage	884.3	862.8	2.5%	27.0%	27.0%
Non-motor TPL	338.0	333.0	1.5%	10.3%	10.4%
Credit and suretyship	53.4	50.8	5.1%	1.6%	1.6%
Sundry pecuniary losses	9.5	8.7	9.2%	0.3%	0.3%
Legal fees	26.1	24.6	6.1%	0.8%	0.8%
Assistance	100.4	94.7	6.0%	3.1%	3.0%
Total direct business	**3,280.0**	**3,195.8**	**2.6%**	**100.0%**	**100.0%**
Total inward reinsurance	1.3	1.0	30.0%	0.0%	0.0%
Total Non-life premium income	**3,281.3**	**3,196.8**	**2.6%**	**100.0%**	**100.0%**

The Group's **combined ratio for the year** for Non-life insurance business (i.e. the ratio of claims for the year and operating expenses to premiums for the year) was equal to 95.8%, improving in relation to the previous year (96.3%), reflecting performance in both the claims and expenses components.

The **combined operating ratio**, which includes the result of reinsurance and other technical items, also improved by 0.3 percentage points in relation to the previous year (97.6% compared with 97.9%).

As shown in the table below, **claims paid** in 2019 amounted to € 2,232.1 million in relation to € 2,175.7 million in 2018, with an increase of 2.6%. The number of claims reported in 2019 increased by 3%.

Non-life business	Number of claims reported 2019	2018	Change (%)	Claims paid (*) 2019	2018	Change (%)
Personal accident and Health	268,707	249,391	7.8%	192.1	191.0	0.6%
TPL land vehicles	351,206	354,223	-0.9%	853.4	817.7	4.4%
Motor, other branches	259,992	232,941	11.6%	239.3	216.1	10.7%
Marine, aviation and transport	3,730	4,659	-19.9%	36.5	30.7	18.9%
Fire and other property damage	537,001	539,888	-0.5%	621.2	636.9	-2.5%
Non-motor TPL	44,903	45,928	-2.2%	194.2	185.8	4.5%
Credit and suretyship	498	513	-2.9%	18.3	25.9	-29.3%
Sundry pecuniary losses	718	742	-3.2%	1.8	1.4	28.6%
Legal fees	3,421	3,472	-1.5%	4.6	5.1	-9.8%
Assistance	106,301	98,729	7.7%	70.7	65.1	8.6%
Total	**1,576,477**	**1,530,486**	**3.0%**	**2,232.1**	**2,175.7**	**2.6%**

(*) amounts in € millions

The **loss ratio for the period** corresponded to 65.0%, compared with 65.3% in 2018. This was positively affected by the improvement in the Non-motor business, which moved down from 61.1% in 2018 to 59.4% at the end of 2019, primarily reflecting less unfavourable claims rates in the Non-motor TPL and Goods transported sectors. The Group's Motor business loss ratio increased by 1.2 percentage points (from 70.4% to 71.6%), attributable to a downturn in technical performance of the TPL land vehicles business (+2.5%).

The **expenses ratio for the year** was equal to 30.8%, slightly lower than in 2018 (31.0%).

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The main **results** of the Non-life insurance companies in 2019 are set forth below.

Società Reale Mutua di Assicurazioni - Turin

The Parent posted direct business premium income related to Non-life operations of € 1,515.2 million at 31 December 2019, in relation to € 1,484.1 million in 2018, with an increase of 2.1%. The sector reported growth in both the Motor and Non-motor businesses (+3.2% and +1.4%, respectively).

The combined operating ratio stood at 99.1% (97.9% in 2018) as the result of:

- a slight worsening of the loss ratio for the year, which increased by 0.7 percentage points in relation to 2018, to reach 65.7%;
- a slight increase in the expenses ratio, which stood at 31.3% (30.9% in 2018);
- substantially no change in the balance between the result of reinsurance and other technical items (2.1% in 2019 in relation to 2.0% in 2018).

The result on the technical account was positive for € 63,3 million (€ 46,6 million in 2018).

Non-life business closed the year with a net profit of € 80.7 million, in relation to € 130.7 million in the previous year (when the gains resulting from the partial sale of the interest in Sara Assicurazioni and the allocation of the cost for setting up the Solidarity Fund had a significant impact).

Italiana Assicurazioni S.p.A. - Milan

The Company posted direct business premium income related to Non-life operations of € 784.5 million at 31 December 2019, in relation to € 787.4 million in 2018, with a slight decline of 0.4%. In detail, premium income in the Motor sector decreased by 2.1%, to € 375.1 million, while the Non-motor sector recorded premiums for € 409.4 million, an increase of 1.3%.

The combined operating ratio increased, moving from 97.1% to 98.4%, as the result of:

- a worsening of the loss ratio for the year, which rose from 62.3% in 2018 to 64.0%;
- a slight increase in the expenses ratio, which stood at 31.1% (30.8% in 2018);
- a reduction in the balance between the result of reinsurance and other technical items (3.3% in 2019 in relation to 4.0% in 2018).

The result on the technical account was positive for € 36.0 million (€ 23.2 million in 2018). Non-life business closed the year with a net profit of € 27.9 million, in relation to € 2.6 million in 2018. The result for the previous year was significantly affected by provisioning for the total costs required to set up the Solidarity Fund.

Reale Seguros Generales S.A. – Madrid

In financial 2019, the Company reported a volume of premiums of € 901.1 million (€ 869.1 million in 2018), with a y/y increase of 3.7%. The Motor sector increased by 3.2% and the Non-motor sector by 4.4%.

The combined operating ratio improved, from 96.2% to 95.4%, reflecting:

- a 2.5 percentage point reduction in the loss ratio (59.3% in relation to 61.8% in 2018);
- a slight increase in the expenses ratio, which stood at 34.1% (33.3% in 2018);
- a slight increase in the balance between the result of reinsurance and other technical items (2.0% in 2019 in relation to 1.0% in 2018).

The year closed with a net profit of € 38.6 million, compared with € 27.0 million in the previous year.

Reale Chile Seguros S.A. – Santiago

The Company reported a volume of premiums from direct business of € 79,2 million (€ 55.2 million in 2018), with a y/y increase of 43.6%. In detail, there was a 45.3% rise in premium income in the Motor business and a 47.4% increase in the Non-motor sector.

The combined operating ratio improved, from 324.5% to 103.5%, reflecting:

- a considerable 68.0 percentage point reduction in the loss ratio (81.6% in relation to 149.6% in 2018), also owing to the lower allocation to the provision for unexpired risks, as required by Chilean law;
- a marked decrease in the expenses ratio, which stood at 39.0% (149.5% in 2018);
- a decrease in the balance between the result of reinsurance and other technical items (-17.1% in 2019 in relation to 25.4% in 2018).

The social uprisings that began on 18 October and characterised the last quarter of 2019 led to a reduction in premium volumes which were 9% lower than forecast in the business plan: despite this, the Company managed to limit the impact on the technical balance and the net result at the end of the year was 5% lower than expected.

The year ended with a loss of € 0.4 million, in relation to a loss of € 22,8 million in 2018. It should be noted that the previous year's result was significantly affected by the allocation of € 40 million to the provision for unexpired risks.

It is also important to point out that the volatility in the exchange rate of the euro against the Chilean peso, as a result of the wave of socio-political unrest in the country, greatly influenced the Company's earnings expressed in euros.

* * *

<u>Research and development - New products</u>

Società Reale Mutua di Assicurazioni

Two new **Welfare** products were launched on the market:

- "Realmente Protetti", an income protection insurance policy that protects against temporary or permanent loss of income due to illness or accident;
- Whole-life health insurance products, providing cover for the individual policyholder and for the whole family, if they are insured. This offer draws on Reale Group's incorporation of Uniqa Assicurazioni, a market leader in the line of whole-life health insurance. It consists of two whole-life products: "RealmenteInsalute Forever – Formula Rimborso spese mediche", a medical expenses reimbursement plan and "RealmenteInsalute Forever – Formula Diaria", a daily allowance insurance plan. To complete the product range, the "Formula Extraricovero" is an annual non-whole-life plan that provides insurance cover for specialist visits and diagnostic tests not directly linked to a stay in hospital. This product is only available in combination with the "RealmenteInsalute Forever" medical expenses reimbursement plan.

In the area of **Property** insurance, a new modular, multi-section product called "Pedala Protetto", specifically designed for cyclists, was launched at the beginning of the year.

In addition, a new cyber risk insurance cover for the retail sector, called "Cyber Family Reale" was also placed on the market at the end of November.

Italiana Assicurazioni S.p.A.

In the **Assets and Property** area, the "Eventi Catastrofali" product was revised in 2019, in accordance with tax legislation regarding the insurance of residential buildings to cover natural disasters.
Changes were made to the "RC Diversi" general liability policy to meet new regulatory requirements, with the inclusion of new risk items and the relative quote tool for use by the network. Changes were also made to the General Terms and Conditions of Insurance for the "Globale Fabbricati" (comprehensive buildings) policy, in accordance with IVASS guidelines for "clear and simple contracts". Lastly, the "RC Professionisti" (professional liability) policy tariff was overhauled for products in the Healthcare, Technical and Legal and Administrative areas.

In the **Welfare** sector, the new whole-life health insurance policy "Salute & Senzatempo" was launched, to protect the health and physical well-being of insured parties. This new policy, which replaces the product in the catalogue for intermediaries operating through the former Uniqa distribution channel, is available in two different versions, a medical expenses reimbursement plan and a daily allowance plan.

Products in the **Motor** sector were overhauled in January 2019, also with a view to attracting customers from the former Uniqa distribution channel. The main changes, introduced on a Group-wide basis, included a review of the recovery system for Motor TPL insurance, in line with the best market standards, and the implementation of the guidelines for "clear and simple contracts" set out by IVASS in its Letter to the market dated 18 March 2018.

Reale Seguros Generales S.A.

The company developed the following products in 2019:
- "Nuevo Reale D&O Optimum", a product for businesses with a turnover of at least € 30 million;
- "Reale Patinetes y Bicicletas Eléctricos", a new insurance product for people who cycle on a regular basis.

Reale Chile Seguros S.A.

In the **Non-motor** sector, business initiatives in 2019 focused on reducing underwriting times and improving the product offering. The main actions undertaken regarded:
- a new product for homeowners (theft, fire, earthquake) and for individuals (personal accident and personal liability);
- a new product for small and medium-sized businesses with cover for personal injury.

The Company is also developing a marine cargo insurance policy.
In the **Motor** sector, no new products were launched but those already in the catalogue were revamped.

LIFE BUSINESS

The Life insurance companies of Reale Group (Reale Mutua, Italiana Assicurazioni and Reale Vida) posted **gross premium income** of € 1,978.4 million, in relation to € 1,784.7 million in 2018, with an increase of 10.9%.

Class I products generated 79.1% of all premium income, significantly more than in the previous year (+17.9% in Italy and +24.9% in Spain). Class III policies accounted for 15.3% of the total, 2.8% less than in the previous year. Class V and class VI products made a limited contribution, representing just 4.0% and 1.6%, respectively, of the entire portfolio.

The Italian market continued to generate the greatest proportion of total premium income (97.4%).

The detail of Life business gross premiums written according to class of business is set forth in the table below.

(in € millions)

Life business	2019	2018	Change (%)	Composition 2019	2018
I Insur. on the duration of human life	1,565.0	1,324.6	18.2%	79.1%	74.2%
III Insur. linked to investment funds	301.8	310.6	-2.8%	15.3%	17.4%
IV Health insurance	1.1	0.7	57.1%	0.1%	0.0%
V Oper. of capital redemption	78.6	116.7	-32.7%	4.0%	6.5%
VI Oper. of group pension funds	31.8	32.0	-0.6%	1.6%	1.8%
Total direct business	**1,978.3**	**1,784.6**	**10.9%**	**100.0%**	**100.0%**
Total inward reinsurance	0.1	0.1	0.0%	0.0%	0.0%
Total premiums written - Life business	**1,978.4**	**1,784.7**	**10.9%**	**100.0%**	**100.0%**

Sums paid in 2019, referring to direct business only, amounted to € 1,412.7 million, increasing by 11.9% in relation to the previous year.

Technical provisions, before the reinsurers' share, amounted to € 13,593.0 million, increasing by 13.1% in relation to the previous year.

The **expenses ratio** for the year was equal to 5.3%, unchanged in relation to 2018.

The ratio between **Life business operating income** and **volumes managed** stood at 0.30%, an increase in relation to the previous year (0.18%).

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The main **results** of the Life insurance companies in 2019 are set forth below.

Società Reale Mutua di Assicurazioni - Turin

The Parent posted direct business premium income related to Life operations of € 891.1 million at 31 December 2019, in relation to € 717.3 million in 2018, with an increase of 24.2%. Considering each class separately, there was a significant increase in class I (Insurance on the duration of human life): during the year, the Company concentrated new production on multi-risk policies and conventional products linked to separately managed accounts. This trend affected both the retail and so-called "Grandi Affari" (special deals) businesses.

The upswing in premiums written for 2019 mainly regarded the "subsidiary agency" channel, which rose by 58.9% in relation to the same period of the previous year. This upward trend was principally due to new business premiums for some private insurance products. Premiums written through the "contracted" and "special" channels increased by 16.2% and 9.2%, respectively.

The Life business closed the year with a net profit of € 63.5 million, in relation to a loss of € 23.8 million in 2018. The result for the year reflects value re-adjustments on investments in securities for a net amount of € 38.5 million (in 2018 value re-adjustments amounted to € 43.1 million).

Italiana Assicurazioni S.p.A. - Milan

The Company posted direct business premium income related to Life operations of € 1,150.5 million at 31 December 2019, in relation to € 1,111.4 million in 2018. In line with its business strategy, the Company rebalanced its product mix so that unit-linked products increased from 17.2% in 2018 to 24.2% in 2019 and traditional products fell from 82.8% to 75.8%. Premium income from class III policies (insurance linked to investment funds) increased by 45.5%, to € 277.9 million. This was primarily linked to the sale of multi-risk products, mainly through the Banks and Financial Networks distribution channels. Premium income from class I policies (insurance on the duration of human life) amounted to € 855.4 million, falling by 2.4% in relation to the previous year (€ 876.7 million). Premium income from class V policies (operations of capital redemption) amounted to € 17.1 million, a decrease of 60.8% in relation to 2018 (€ 43.6 million). The decrease reflected the lower volume of business with corporate customers.

The Life business closed the year with a net profit of € 41.8 million, in relation to a loss of € 14.6 million in 2018.

Reale Vida y Pensiones S.A. – Madrid

In 2019 the Company reported a volume of premiums of € 51.6 million (€ 41.3 million in 2018), with a y/y increase of 24.8%. This reflected an upswing in premium income from risk and savings policies (+14.3% and +30.2%, respectively).

The year closed with a net profit of € 1.7 million, compared with € 1.9 million in 2018.

* * *

Research and development - New products

During 2019, Group companies issued the following **new products**.

Società Reale Mutua di Assicurazioni

The following new and specially developed products were launched in 2019:

- “Opportunità Reale Special”, a new, specially developed mixed single-premium product, with benefits linked to returns on the “Reale Due” separately managed fund;
- a new tariff was introduced for the Teseo open-ended pension fund on 2 January 2019, featuring a differentiation of management fees, which increase in proportion to the risk profile of the lines. From 10 May 2019, the new management fees were also applied to positions outstanding at 31 December 2018;
- “Multipower Reale Energy”, a new multi-risk product, was sold from 4 April until 30 June 2019. This product, for retail customers, allows the contracting party to invest 25% of the capital in the “Valuta Reale” separate fund and the remaining 75% in four different internal unit-linked funds;
- "Dual Plus Reale Premi Ricorrenti", a recurrent single-premium multi-risk whole-life insurance investment product in which between 10% and 50% is invested in the “Reale Uno” separate fund and the remainder in two internal unit-linked funds;
- “MultiPower Reale Premi Ricorrenti”, a multi-risk product sold from 8 July until 20 September 2019, further enriched the Company’s offering of recurrent premium solutions. This insurance investment product allows up to 40% of the premium to be invested in the “Reale” separately managed fund and the remainder in two different internal unit-linked funds;
- “MultiPower Reale Plus”, a new single premium multi-risk product for new investment and reinvestment of capital reaching maturity, was sold in the second half of the year. The underlying separately managed fund is the “Valuta Reale” fund, in which up to 50% of the premium can be invested;
- "Opportunità Reale Limited" and "Opportunità Reale All Life” were sold from 14 October until 31 December 2019. The performance of these single premium investment solutions is linked to returns on the “Reale Uno” separately managed fund; the former, a mixed premium policy, guarantees the capital in the event of death and upon expiry, whereas the latter is a whole-life solution.

Italiana Assicurazioni S.p.A.

In the area of savings/investment products marketed through the agency channel, changes were made to the "Contopolizza Hybrid" product, with the addition of options offering special discounts for new customers. Lastly, in class IV, the new "Domani - per la vita" LTC policy was developed, as the new version of a solution previously marketed by the former Uniqa Previdenza Company.

In 2019, greater emphasis was placed on the creation of new products marketed through banks and financial networks, primarily via on-demand distribution channels, with the focus on unit-linked and multi-risk products. In detail, three new products were launched in the first quarter: two single-premium multi-risk products called "Forza Futuro" and "Forza Valore" and a recurrent premium unit-linked policy called "Forza Più".

In terms of traditional class I products, the Company launched "Contopolizza Protetto Light", a single-premium whole-life policy linked to the "Prefin Top" separately managed fund.

In the high entry-level savings and investment segment, a multi-risk product called "Multiasset for Institutional" was created, together with a new line of the "Finanza e Previdenza Allocation" fund and a class I policy called "Contopolizza Private Solution Top" linked to the "Prefin Top" separately managed fund.

Two single-premium multi-risk products ("Eclettica" and "Eclettica Welcome") were created in the second half of the year, featuring innovative optional mechanisms for automatically managing the contract, and a recurrent premium unit-linked product called "Multiplano".

Reale Vida y Pensiones S.A.

No new products were introduced in 2019 but some of those already in the catalogue were revised to adapt to ongoing changes in the market.

1.5.2 REINSURANCE

The reinsurance policy of Reale Group companies is applied seeking to obtain the best possible combination between proportional (quota share, surplus share or a combination of the two) and non-proportional covers (excess of loss or stop loss, to protect the part retained or as single coverage). In view of the differences on international reinsurance markets and the presence of representative offices of foreign reinsurers who specifically operate on the different markets, cessions are made separately by Group companies but under the coordination of the Parent, which ensures operational synergy and shared strategies for placing treaties in the reinsurance market.

Relationships between Reale Group and the reinsurance market are based on the principle of obtaining congruous coverage of risks, with particular attention to the long-term relationship between the ceding company and reinsurer, acknowledging a fair margin of profit to the latter and avoiding any short-term speculative goals. During financial 2019, the reinsurers selected by Reale Group companies achieved satisfactory underwriting results, confirming a high level of economic and financial solidity.

The main amounts for reinsurance ceded are listed in the table below:

(in € millions)

	2019	2018	Change
Premiums ceded Non-life business	337.7	321.1	16.6
Premiums ceded Life business	30.3	36.2	-5.9
Total premiums ceded	**368.0**	**357.2**	**10.8**
Result of reinsurance ceded Non-life business	-20.0	1.6	-21.6
Result of reinsurance ceded Life business	-4.5	-2.0	-2.5
Total result reinsurance ceded	**-24.5**	**-0.4**	**-24.1**

ITALIAN COMPANIES

As the Parent and according to its activity of guidance, governance and control, Reale Mutua negotiates all compulsory cessions of Group companies in Italy jointly on the reinsurance market in order to secure the best economic and contractual conditions for each company, pursing an attentive strategy of curtailing risks and of balancing the portfolio.

Recourse to facultative cessions is limited and the Parent intervenes to indicate the channels that can be adopted for this type of business.

This approach has been adopted in order to promote more efficient risk management in accordance with current legislation and also to optimise reinsurance structures and simplify management and administrative aspects.

In 2019, reinsurance treaties were again assessed, adopting deterministic and stochastic modelling tools. Prospective quantitative analyses were carried out to measure the adequacy of reinsurance structures, also in the event of an adverse rate of claims (frequency and severity), taking into account both particularly significant individual claims and the all-round claims rate. Particular attention was dedicated to earthquake and flood risks, evaluating geographic and seismic concentration. For Fire business, an analysis has been made of the catastrophe exposure (earthquake and floods) of Group companies, based on more updated information regarding the single portfolios, and an assessment of the forecast claims rate using the main market models.

As regards Non-life insurance, proportional treaties are mainly adopted for Fire, Health, Suretyship, Technological Risks, Legal Fees and Hail business. The retained portfolio of Group companies (net of transfers to existing proportional treaties) is protected by suitable forms of non-proportional coverage, also taking into account guarantee extensions to catastrophe risks.

The excess of loss treaties of Hulls land vehicles, TPL land vehicles, Aggregate, Umbrella and Aviation business lines are Group covers.

The Life reinsurance structures envisage a combination of proportional (quota and excess) and non-proportional (excess of catastrophic risk, to protect risks retained by Group companies) treaties.

SPANISH COMPANIES

Reinsurance policy is based on an analysis of historical data concerning profitability, claims rates and exposure to the various risk categories underwritten. The reinsurers selected guarantee the actual transfer of the risk and reduce counterparty and legal risks to a minimum, in order to achieve a balance between the actual protection of the portfolio and the cost of that protection.

A comprehensive study is carried out every three years to verify the adequacy of reinsurance covers in the various business lines. Exposure to catastrophe risks is not assessed since this cover is provided by the Consorcio de Compensación de Seguros.

Reale Seguros has stipulated proportional contacts for Other property damage. It has stipulated proportional and non-proportional contracts for Fire, Transport and Multi-risk business.

A quota and excess contract is used for the Technological Risks business line; non-proportional treaties are adopted as single reinsurance cover for TPL land vehicles, Non-life TPL and Accident businesses.

Owing to uncertainties stemming from the new TPL land vehicles compensation table that came into effect in 2016, the "Subtramo XL Autos" reinsurance contract was maintained throughout 2019 to safeguard earnings in that business.

REALE CHILE SEGUROS S.A.

The Company has a reinsurance strategy and policy aimed at maximising the capital structure, ensuring business continuity, achieving greater stability in terms of results and improving the cover and products available for policyholders.

The renewal of reinsurance contracts became difficult in 4Q 2019, owing to recent political events in Chile: despite this, the treaty was successfully negotiated. The Company managed to keep the general terms and conditions of the contract unchanged, except for an increase in the commission for residential property risks and a slight reduction in that for other property risks.

Proportional quota share and surplus share reinsurance treaties are adopted for Non-motor business lines. Excess loss (XL) treaties are adopted for Motor business lines.

The Company’s strategy does not envisage the use of facultative reinsurance as the basis for doing business: this type of reinsurance will only be used in specific circumstances to offer insured parties and/or brokers a complete solution.

Under its current reinsurance policy, the Company has adequate control of counterparty and legal risks as its reinsurers are diversified and have a high credit risk rating (A- or higher). This structure also guarantees the financial stability of the Company in the event of major claims and catastrophic events.

1.5.3 REAL ESTATE AND SERVICES SECTOR

The Real Estate and Services sector comprises the following companies: Reale Immobili and Igar in the Real Estate sector, Reale Ites and Reale Ites Esp in the IT Services sector and Blue Assistance, Italnext and Rem Intermediazioni in the Services sector.
The main operating results of this sector are shown below:

(in € millions)

	Real Estate and Services sector		
	2019	**2018**	**Change**
Net premiums	0	0	0
Commissions receivable	0	0	0
Income and expense on financial instrum. measured at FVTPL	0	0.1	-0.1
Income on equity investments in subsidiaries, associates and j.v.	0	0.2	-0.2
Income on other financial instruments and investment property	100.0	90.9	9.1
Other revenues	172.3	161.0	11.3
TOTAL REVENUES AND INCOME	**272.3**	**252.2**	**20.1**
Net charges for claims	0	0	0
Commissions payable	0	0	0
Charges on equity investments in subsidiaries, associates and j.v.	0	0	0
Charges on other financial instruments and investment property	-22.3	-19.8	-2.5
Operating expenses	-28.3	-28.8	0.5
Other costs	-164.5	-162.8	-1.7
TOTAL COSTS AND CHARGES	**-215.1**	**-211.4**	**-3.7**
PROFIT (LOSS) BEFORE TAXES	**57.2**	**40.7**	**16.5**

The **result before tax** at 31 December 2019 was positive for € 57.2 million (€ 40.7 million at 31 December 2018): this amount reflects gains on investment property for € 17.5 million (+26.1% in relation to 2018) and recognition, by the Reale Immobili subsidiary, of tax credits for reimbursement of prior year IMU and TASI (municipal property taxes) for € 5.7 million.

Investments and liquid funds of the Real Estate and Services sector (including property used for business purposes) amounted to € 1,351.6 million at 31 December 2019 (€ 1,291.2 million at 31 December 2018), and mainly consist of investment property and property used in company operations for € 1,117.6 million (€ 1,103.5 million at 31 December 2018).

As in the past, **real estate transactions** were mainly directed towards management of Reale Group's real estate assets, consisting of instrumental buildings used as offices and to house accessory parts of the corporate structure, and of buildings rented to third parties.
Maintenance was carried out during the year both to guarantee routine upkeep of the buildings and also to maintain suitable quality levels of the assets.

Other service companies continued their activities in their respective areas of business in order to enable Group companies to pursue normal business activities and to implement projects aimed at achieving the Group’s objectives.

The most significant activities undertaken by the Group's real estate and service companies and their main results in 2019 are summarised below.

Reale Immobili S.p.A.

In 2019 the Company continued to focus on enhancing the value of its real estate assets and, in particular, on developing the “Collezione Prestige” product line, a business offer launched in 2017, to compete in the luxury property rental market. The “Collezione” features prestigious residential properties with an extensive range of ancillary services for leaseholders. The Company has chosen three exclusive locations for the first stage of the project: Piazza Castello in Turin (only apartments in the Torre Littoria building), Piazza Sant’Ambrogio 4 in Milan and Via del Babuino 114 in Rome.

The main activities are described below:

- Milan, Piazza Sant'Ambrogio 4 and Rome, Via del Babuino 114: inauguration of the two properties included in the "Collezione" project;
- Milan, Via Zuretti 34: completion of works to refurbish the common areas of the building, re-arrange the functional layout of work spaces and create multi-purpose co-working areas;
- Milan, Via Brisa 5: completion of works related to the renovation of the building; works on the elevation continued and will be delivered by the end of March 2020;
- Milan, Piazzetta Pattari 2: continuation of works to renovate the hotel building; in September the Company and the future leaseholder signed an update to the agreement, which envisages further works and postponement of the completion date to September 2020;
- Rome, Via Torino 3/Piazza Esquilino 1: continuation of construction work to convert the entire building complex into a hotel. The completion date for this project, which started in August 2018, has been postponed to February 2020 owing to delays in obtaining building permits, structural problems that emerged during the course of the works and customisations requested by the leaseholder;
- Rome, Via Sistina 69: in May the property was delivered to the leaseholder, Rocco Forte Group; the hotel was inaugurated on 1 October 2019.

The main activities involving property sales with a view to providing financial support for investments and rationalising the portfolio, in accordance with the guidelines set out in the Company's strategic plan, are described below:

- Milan, Piazza Duca d'Aosta 4/6: the entire hotel building was sold on 16 December 2019;
- Milan, Piazzale Nigra 1: continuation of the sale by lots of the property units in the portions of the building owned by the Group;
- Milan, Via De Amicis 39 and Milan, Via Soderini 54: completion of the sale by lots of the property units;
- Turin, Via Nota 3: the sale by lots of the property units in the portion of the building owned by the Group is nearing completion.

The Company also continued to advise Group companies on matters concerning the management and development of their real estate assets.

In terms of operating results, at 31 December 2019, rents from real estate amounted to € 73.8 million, up € 4.8 million compared with 31 December 2018.
Gains arising from the sale of real estate amounted to € 17.1 million compared with € 13.9 million in the previous year.
The year closed with a profit of € 33.7 million compared with € 21.7 million in 2018.

Immobiliaria Grupo Asegurador Reale S.A. (Igar)

The Company's business involved the management and development of its own real estate assets and those transferred by Reale Seguros in 2018. In 2019, renovation work began on the building units located in Reus Raval de Santa Anna 40, in Madrid, and on the property in Paseo de la Castellana 9-11, also in Madrid.
In terms of operating results for 2019, rental income from leases and other revenues from investment property amounted to € 6.7 million, in relation to € 6.4 million in 2018, an increase of 4.0%. Gains arising from the sale of real estate amounted to € 0.3 million and refer to the properties in Aravaca (Madrid) and in Saragozza.
The year closed with a net profit of € 1.2 million, in relation to € 1.5 million in 2018.

Reale Ites S.r.l. - Reale Ites Esp S.l.

The role of Reale Ites and Reale Ites Esp within Reale Group is to guarantee seamless operation by providing IT services and gearing to changes in business requirements and those in connection with the design of new insurance products. They plan activities aimed at optimising and stabilising the IT system as a whole, in order to significantly improve the service provided while keeping costs down. 2019 marked the start of activities for the Technology strategic stream, closely integrated with the key Technology component of the Group’s strategic plan.

The main **projects** that continued or were launched during the year regarded:

- **TOM project**: continuation of activities to merge portfolio and central register management functions on the Pass Mobile platform;
- **Best Price**: optimisation of the Motor TPL premium search process;
- **Telematics Claims**: comprising the Motor and Claims areas (with staggering of releases between November 2019 and March 2020);
- **Quote tools**: development of a simplified quote tool that comprises methods of interaction with standard quote tools. Release is scheduled for early 2020;
- Implementation of the new Group intranet (**Really**).
- Development of the **Non-life policy management platform** (Reale Seguros);
- **New accounting platform** (Spanish companies): migration to the Group’s SAP platform for general accounting and to the Group’s Piteco platform for managing treasury functions.

Activities in the **regulatory field** in 2019 included the replacement of the anti-money laundering management system to bring this in line with the requirements of the 4th AML Directive, the release of software components in accordance with IDD 2, the launch of the ADP platform, the continuation of activities in connection with the GDPR and of those related to the IFRS 17 project. The latter two projects also regarded the Spanish companies.

In the area of **business intelligence**, projects started or completed in 2019 include:

- **Internal model project - CAT NAT**: Reale Ites assisted with the definition of the internal CAT model for earthquakes. It also developed new *ad hoc* data quality processes;
- **Internal model project - Stage II**: Reale Ites assisted with the definition of the internal model - stage II (Life). The procedure to obtain approval by IVASS will be initiated in 2H 2020, while the dedicated cloud infrastructure is already in place. The IVASS-approved project is now scheduled for completion by the end of 1H 2022;
- **Fast Close Project:** in Italy and Spain, work continued on the various aspects, with the development of leaner, more efficient processes that, combined with initiatives in the short and medium-to-long term, will enable faster closure of the quarterly processes defined in the strategic plan. The infrastructure has been migrated to cloud and is fully operational, improving data processing and accelerating the scalability of basic HW and SW architecture components;
- **Big Data Project:** In relation to the Data Driven Company, of which this project will become part, the cloud analytics platform is operational. This will enable huge volumes of data (Big Data) to be managed, using advanced analytics, machine learning and artificial intelligence to implement company initiatives. This platform, used by all of the Italian and Spanish companies, offers all the functionality and technical capabilities required to support automation and scalability in a simple, flexible manner, optimising costs through standardisation and billing on a pay-as-you-go basis.

In terms of **infrastructure**, in 2019 Group companies in Italy and Spain discontinued the use of VDI and distributed laptops and set up remote working tools. The upgrading of systems continued, including the Oracle database on Supercluster and Windows and, in Italy only, the printing and reporting infrastructure (SAP Business Object). In the field of security, activities regarded the commissioning of a process to enable continuous patching on data centre servers and installation of a security system (Cisco Umbrella).

In terms of economic results, Reale Ites reported revenues from services for € 88.9 million, referring entirely to fees for IT services supplied to Group companies in Italy. At year-end, investments in hardware and software amounted to € 87.5 million.
The Company closed 2019 with a net profit of € 1 million.

Reale Ites Esp reported revenues from sales and services for € 23.6 million.
The Company closed the year with a net profit of € 1.0 million.

Blue Assistance S.p.A.

The Company continued its activities in traditional areas of business and in the various complementary fields, combining and intensifying activities in connection with new projects launched in the previous year.

Revenues generated by ordinary operations amounted to € 36.9 million, 12% up on 2018.
The year closed with a net profit of € 1.0 million compared with a profit of € 0.6 million in 2018.

Italnext S.r.l.

Italnext S.r.l. was established in 2015 and is a subsidiary of Italian Assicurazioni. Its purpose is to undertake insurance mediation and develop new distribution channels.
Revenues from sales and services amounted to a total of € 2.5 million.
The Company reported a net profit of € 0.5 million.

Rem Intermediazioni S.r.l.

Rem Intermediazioni is the new name of Uniqa Intermediazioni, a company that was established in 2004 and performs agency activities.
It is wholly owned by Italiana Assicurazioni.
Revenues from sales and services amounted to a total of € 0.6 million.
The Company reported a net profit of € 0.3 million.

1.5.4 BANKING SECTOR

The main operating results of the Banking sector, in which the Banca Reale subsidiary operates, are provided below.

(in € millions)

	Banking sector		
	2019	**2018**	**Change**
Net premiums	0	0	0
Commissions receivable	27.5	24.9	2.6
Income and expense on financial instrum. measured at FVTPL	0.1	0.2	-0.1
Income on equity investments in subsidiaries, associates and j.v.	0	0	0
Income on other financial instruments and investment property	21.7	12.8	8.9
Other revenues	4.3	4.1	0.2
TOTAL REVENUES AND INCOME	**53.6**	**42.1**	**11.5**
Net charges for claims	0	0	0
Commissions payable	-6.1	-5.7	-0.4
Charges on equity investments in subsidiaries, associates and j.v.	0	0	0
Charges on other financial instruments and investment property	-15.7	-8.1	-7.6
Operating expenses	-23.3	-22.6	-0.7
Other costs	-3.9	-2.9	-1.0
TOTAL COSTS AND CHARGES	**-49.0**	**-39.3**	**-9.7**
PROFIT (LOSS) BEFORE TAXES	**4.6**	**2.9**	**1.7**

In 2019, **Banca Reale** pursued its medium and long-term goals in accordance with the 2019-2021 three-year plan, with specific reference to the following aspects:

- continual development of lending activities, also by gradually opening more branches in Italy, placing the focus on precautionary measures and giving priority to the quality of relations with customers rather than mere quantitative objectives;
- consolidation of direct deposits, to guarantee balanced support to lending activities;
- integration of the distribution network, by setting up new insurance agencies under an extended mandate following the incorporation of the former Uniqa companies by Italiana Assicurazioni, and with the inclusion of new networks of financial advisers from these companies;
- continuation of initiatives that are part of Reale Group's strategic plan, with the main objective of fostering the growth of the insurance business by helping to optimise the Group's overall profitability;
- stabilisation of operating expenses, by enhancing the efficiency of processes to support growth in terms of size;
- maintenance of an adequate solvency margin.

The distribution network comprises nine local branches (in addition to the head office), Turin - Re Umberto, Turin - Corte d'Appello, Borgosesia (VC), Milan, Legnano (MI), Parma, Verona, Bologna and Udine. Together, these cover most of Reale Group's agency network in northern Italy (from east to west).

The Bank continued to open new "Banca Reale" areas in a number of Reale Group insurance agencies. These are manned by qualified financial advisers who are assisted by financial managers from the Bank's branches. Seven new "Banca Reale" areas were opened in 2019, bringing the total to twenty.

Projects aimed at integrating the offering of products and services to foster the growth of business for Reale Group companies included the expansion of policy loan services for insurance agency customers: loans were granted for a total of € 34.6 million in 2019, compared with € 29.3 million in 2018.

In terms of the main balance sheet and income statement items, total customer deposits stood at € 17,738.4 million at 31 December 2019, an increase of 12.0% compared with the previous year. Direct deposits amounted to € 798.1 million and indirect deposits to € 16,940.3 million. Loans to customers amounted to € 446 million at the end of the year, an increase of 20.6% over 2018.

The income statement for 2019 closed with an intermediation margin of € 32.3 million (+15% in relation to 2018).
Profit from current operations, before taxes, amounted to € 4.5 million (+70.7% compared with 2018).
The year closed with a net profit of € 2.8 million, compared with € 1.6 million in 2018.

1.6 INVESTMENT MANAGEMENT

Group **investments**, by individual item, are set forth in the table below:

(in € millions)

	31.12.2019	Composition	31.12.2018	Composition	Change (%)
Investment property	1,046.2	5.3%	1,037.4	5.8%	0.8%
Equity investments in sub., ass. and j.v.	26.6	0.1%	20.9	0.1%	27.3%
Investments held to maturity	27.4	0.1%	23.5	0.1%	16.6%
Loans and receivables	657.2	3.3%	610.1	3.4%	7.7%
AFS financial assets	15,941.4	80.8%	14,597.5	81.3%	9.2%
Financial assets measured at FVTPL	2,037.6	10.3%	1,659.0	9.2%	22.8%
Total	**19,736.4**	**100.0%**	**17,948.4**	**100.0%**	**10.0%**

Group companies managed their **investment activities** according to the usual criteria of prudence, adopting an approach that succeeded in achieving gains while limiting financial risks and bearing up to the volatility of the markets.

In the **bonds compartment**, they pursued a strategy aimed at achieving a balance between the soundness of investments and portfolio profitability, by ensuring adequate diversification of issuers. The level of portfolio risk remained consistent with the Group's overall risk profile.
Debt securities totalled € 15,817.0 million at 31 December 2019, an increase of 10.6% compared with the same period of the previous year.
Changes in duration in the Non-life segment were consistent with the risk profile of the liabilities held, while in the Life segment asset liability management techniques were used to match assets with commitments towards policyholders.

Some indices relating to the bonds portfolio at 31 December 2019 are set forth in the table below for the main Group companies.

	Reale Mutua Assicurazioni	Italiana Assicurazioni	Reale Seguros	Reale Vida	Reale Chile Seguros
Total duration	6.30	6.70	-	-	-
Duration Non-life	3.00	2.90	3.00	-	0.40
Duration Life	7.10	7.20	-	6.70	-
Average rating	BAA1	A3	BAA1	BAA1	A1

As far as **equities** are concerned, the portfolio size continued to be limited while adopting strategies to take advantage of stock market opportunities.
Capital securities and shares of UCITs totalled € 2,185.9 million at 31 December 2019, an increase of 10.2% compared with the same period of the previous year.

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In carrying out their business activities, Group companies use **derivative and structured financial instruments** for hedging purposes, to limit the investment risk, and also to enhance portfolio management and achieve their investment goals more quickly, more easily, more economically or more flexibly than would be possible using the underlying assets.

All investment activities, also with regard to structured securities and derivatives, are regulated by specific resolutions of the Boards of Directors in accordance with their strategic guidelines and the financial situation of each company. The competent company structures verify these activities at regular intervals, on the basis of financial risk measurement parameters, and submit periodical reports on their findings to the Boards of Directors.

Use of derivative and structured instruments did not generate any significant losses or potential risks in 2019.

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Details of **income** and **charges** on Group investments, divided by single item, are set forth in the table below.

(in € millions)

	2019	2018	Change
Net income on financial instruments measured at FVTPL	155.4	-61.0	216.4
Income on equity investments in subsidiaries, associates and j.v.	4.3	68.4	-64.1
Income on other financial instruments and investment property:	**473.6**	**422.0**	**51.6**
Interest income	263.3	244.4	18.9
Other income	105.8	98.7	7.1
Realised gains	93.5	75.5	18.0
Valuation gains	11.0	3.4	7.6
Total	**633.3**	**429.4**	**203.9**
Charges on equity investments in subsidiaries, associates and j.v.	0	0	0
Charges on other financial instruments and property investments:	**86.0**	**61.1**	**24.9**
Interest expense	6.5	7.3	-0.8
Other charges	16.8	18.4	-1.6
Realised losses	33.1	18.2	14.9
Valuation losses	29.6	17.2	12.4
Total charges	**86.0**	**61.1**	**24.9**
Total net income	**547.3**	**368.3**	**179.0**

1.7 OTHER INFORMATION

1.7.1 HUMAN RESOURCES

At 31 December 2019 the Group had a **workforce** of 3,694 employees, practically unchanged in relation to the previous year.

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People continue to be the Group's most important asset and, in line with its strategy, they were the subject of a number of specific initiatives.

One of the most important of these was the agreement between the Group and the trade unions on the "smart working" scheme: this form of work can improve employees' productivity and satisfaction, give them a greater sense of responsibility and help them achieve a better work-life balance. In that respect, the Parent, Reale Mutua, was the winner of the 2019 Smart Working Award in the large corporations category of the competition organised by the Observatory of the School of Management of Politecnico di Milano.

All Group companies are undergoing a process of change and technological innovation, in which they rely on the support of the Change Management function and specific training provided by Academy. Training activities have focused on the adoption of new methods of work, technology and, above all, on developing new technical skills to support the processes of reorganisation and integration within the Group.

The Group also launched the "Great place to work" initiative. This started with a survey to gather information about the climate at work and workers' perceptions of the workplace. The areas that emerge from the survey as requiring attention will be used as the basis for developing the relevant action plans.

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As regards the company-level **"Solidarity Fund"** defined in 2018, an agreement was reached on 9 May 2019 whereby, starting from 1 June 2019, the incentive for inclusion in the Fund will be recognised based on the number of months calculated in accordance with the rules in force prior to those introduced by the new Decree Law No. 4/2019 which reduces the length of benefit contribution in order to qualify for early retirement regardless of actual age. This will necessarily affect the content of the company-level "Solidarity Fund" agreement.

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Reale Group considers occupational health and safety as an integral aspect of its business and a strategic commitment with respect to the more general purposes of each company.

Every company within the Group is committed to pursuing improvements in occupational health and safety, and to making sure they provide all the necessary human and financial resources and instruments to protect all aspects of the **health and safety** of all those who work for them. In accordance with Legislative Decree No. 81/08 and subsequent amendments on occupational health and safety, in 2010 all Reale Group companies implemented an Occupational Health and Safety management system that meets the requirements of the BS OHSAS standard.

1.7.2 DIGITAL INNOVATION

For Reale Group, innovation is not just a core principle of its business culture; it underpins sustainable growth in order to increase competitiveness in the medium and long term and meet new needs.

Reale Group is focussing on five areas of innovation: Corporate Venturing, Data Science Centre of Excellence, Digital Factory, Ecosystems and Partnerships and Reale Lab 1828.

Reale Group Corporate Venturing is a division of the Group's Digital & Innovation area. Its purpose is to search for the best innovative start-ups in Italy and abroad, and invest in them with a view to creating business synergies with Group companies and assisting them in their process of growth and development. In an increasingly aggressive and fast-moving market, investing in start-ups is a powerful lever for supporting the growth and innovation of Reale Group.

The **Data Science Centre of Excellence** (DS CoE) is a division of the Digital & Innovation area. Its purpose is to support Reale Group on the journey to becoming a data-driven organisation: in a world where data and data science are fundamental tools for developing innovative business models, acquiring skills in the pervasive use of data through the application of advanced analytics and artificial intelligence is now an essential strategic goal in order to remain competitive. The DS CoE unit operates at Group level and is made up of colleagues seconded from the various Reale Group companies in Italy and Spain. Building a data-driven organisation is the subject of a strategic three-year project that is expected to have an impact on the operating results of Group companies, lead to the development of a scalable reference model and make data science a key competence of Reale Group.

The objective of the Reale Group **Digital Factory** is to accelerate digital transformation and innovation through the use of flexible, streamlined methodologies, to propel the Group's cultural transformation. In the Digital Factory all organisational divisions between corporate functions and technology are eliminated and a selected team will work, for as long as necessary, on a specific business objective in a common environment. The Digital Factory Room thus identifies a topic, the team and the actual space used for the purpose. Within the team, the Product Owner represents the business requirements. The team starts with a needs analysis and is responsible for implementing all aspects of the solution. It has a high level of autonomy in decision-making and in the use of the most appropriate resources, in terms of both budget and capacity. The solution is implemented gradually, in stages, each aimed at enabling some of the functions requested. When the solution is ready, it goes to Reale Ites for maintenance. The team is made up of colleagues from different areas and companies flanked, where necessary, by external coaches in methodology and system developers. A Digital Factory Room work cycle typically comprises a design thinking stage, prototyping and implementation of the business case of the solution and development of the agile, all within the scrum framework (an incremental, iterative agile methodology for developing products, applications and projects).

Ecosystems & Partnerships is the unit responsible for searching for strategic partnerships, in line with the guidelines of the business plan, so as to be well positioned to play a core role in emerging ecosystems, including those outside the current business boundaries, capable of generating value for Reale Group. The aim is to establish partnerships that can help to change our way of doing business and of managing relations with our members to adapt to future business models, either through initiatives pursuing economic goals or through projects in line with and to support strategic guidelines already in place.

Reale Lab 1828 is a unit entirely dedicated to exploring innovation strategies which are most relevant to the future of insurance and its related services. This innovation hub of Reale Group is the only project of its kind in Italy. With its international team of professionals from different business areas, it is a separate business unit with a dedicated budget. Characterised by fast, streamlined processes, this agile organisation is more like a start-up than part of an organisation established almost two hundred years ago. Reale Mutua set up Reale Lab 1828 to help it prepare for the future and manage ongoing changes in an active way by continuously looking for new ideas and projects to improve everyday life.

1.7.3 DISTRIBUTION NETWORK

The composition of the distribution network of Reale Group insurance undertakings at 31 December 2019 is shown below.

Reale Mutua has developed its distribution channels over the years to establish a network of agencies that, at 31 December 2019, included 354 agencies under contract and 565 insurance distribution agents/brokers. In addition to these, there are four subsidiary agencies and one agency for employees.
At 31 December 2019, the Parent had 29 standing distribution agreements with banks, leasing firms and stock broking companies through its agencies under contract and subsidiary agencies, for the sale of both Life and Non-life policies.

Italiana Assicurazioni adopts a physical and multi-channel distribution model which, at 31 December 2019, comprised 1,199 intermediaries: 978 agencies, 195 brokers, 25 banks and one stock broking company.
As in previous years, the Company continued to reorganise its sales network in 2019, to achieve improvements in quality and quantity. To achieve this, it undertook a total of 171 operations. These included 21 closures (19 agencies and two brokers), 47 changes of management, seven portfolio liberalisations and 21 new openings (of which 11 traditional agencies, six next agencies, two brokers, one bank and one financial intermediary - category D).
As far as agencies using services provided by the Italnext subsidiary are concerned, at 31 December 2019, there were a total of 31 next agencies and sub-agencies, and 12 associated agencies.

Reale Seguros and **Reale Vida** distribute their products in Spain through a nationwide network of 448 agencies, 3,102 brokers and 55 branch offices.

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The agreement between Reale Seguros and the **Spanish bank BBVA** for the exclusive sale of insurance products through the bank channel, which came into effect in 2013, is still in place. The partnership concerns the sale of two "Commercio" (commerce) and "Globale Fabbricati" (comprehensive buildings) products through an online platform designed to meet the requirements of the bank. The results are extremely positive, in terms of both turnover and the claims rate.

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In accordance with its business plan, the Chilean company **Reale Chile Seguros** worked on strengthening its presence in 2019, by opening new branches outside the metropolitan district of Santiago de Chile. In detail, the distribution network consists of six agencies spread across the country, in addition to the head office in Santiago de Chile. At present, Reale Chile Seguros sells its products through insurance intermediaries and, at the end of 2019, it had a sales network of around 715 brokers.

1.7.4 LITIGATION

In addition to cases involving insurance issues, litigation is in course with former employees and co-workers of the Group and with the agency network. Provisions for risks and charges at 31 December 2019 are sufficient to cover the liabilities deriving from lawsuits in course.

A number of pending lawsuits relating to VAT on coinsurance assignments for the tax periods from 2003 to 2012 were settled in May, in accordance with legislation governing the "special measure for concluding tax disputes (art. 6 of Legislative Decree No. 119/2018 in coordination with conversion law No. 136 of 17 December 2018 on urgent measures on tax and financial matters).

The matters in question merely regarded the interpretation of tax regulations governing the application of VAT to coinsurance assignments, on which there is ample case law supporting the approach applied by the insurance companies, as well as a few unfavourable rulings.

A number of disputes involving the former Uniqa companies and regarding VAT treatment pertaining to the secondment of staff were also settled.

The application of this special measure to settle the disputes does not constitute any endorsement by the Group companies of the argument upheld by the Tax Office, but was based on an assessment of pure economic convenience. The costs sustained to settle the dispute in this way are indeed significantly lower than the original tax claim. These costs were covered by the provisions allocated in previous years.

Disputes relating to the VAT issues referred to above for the 2013 tax period have yet to be settled.

Other disputes pending regard:

- litigation involving the Reale Immobili subsidiary in connection with the re-calculation of the pro-rata deductibility of VAT. The appeal is pending following the negative first instance ruling;
- litigation involving the incorporated company Uniqa Assicurazioni related to corporate income tax (IRES) and the regional tax on production (IRAP) for the 2014 tax period, in connection with the alleged excess of quota shares ceded to Uniqa RE AG, a Swiss reinsurer that is part of the Austrian Uniqa group;
- litigation involving the incorporated company Uniqa Life related to corporate income tax (IRES) and regional tax on production (IRAP) for the 2015 tax period, in connection with the deductibility of costs for issue and trading discounts on debt securities.

Group companies were the subject of three tax inspections in 2019:

- the Parent was the subject of a tax inspection by the Piedmont Regional Tax Office (Major Taxpayers Unit) in Turin. The inspection regarded VAT for the 2014 tax period and payments of the regional tax on production (IRAP) and VAT for the 2015 tax period. Following the inspection, the Company received a tax assessment notice for 2014 in relation to VAT on coinsurance assignments. For the 2015 tax period, the Company received an official tax audit report on two issues: VAT on coinsurance operations and quantification of the provision for claims for the year with reference to the method used by the liquidators to determine/measure this amount. Specifically, the tax inspectors challenged the calculation of pure compensation for eight claims.
- the Italiana Assicurazioni subsidiary was the subject of a tax inspection by the Lombardy Regional Tax Office (Major Taxpayers Unit) in Milan. The inspection related to the 2014 and 2015 tax periods and specifically to VAT. Following this inspection, the Company received an official tax audit report and then two tax assessment notices in which the only issue that was raised regards the applicability of VAT to coinsurance agreements.
- the Reale Immobili subsidiary was the subject of a tax inspection by the Regional Tax Office in Turin related to VAT for the tax periods from 2014 to 2017. Following this inspection, the Company received an official tax audit report challenging the calculation of pro-rata deductibility for VAT purposes. The Company has already received the respective tax assessment notice for the 2014 and 2015 tax periods.

In accordance with Spanish tax laws, the Spanish subsidiaries are subject to inspections by the tax authorities for all tax periods relating to the last four years.

On 16 July 2019, Reale Seguros and Reale Vida were notified by the Spanish tax authorities of the commencement of tax inspections related to the tax periods from 2014 to 2017.

1.7.5 CONSOLIDATED NON-FINANCIAL STATEMENT

Pursuant to Legislative Decree No. 254 of 30 December 2016 implementing Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, as a public-interest entity and parent undertaking of a large group, Reale Mutua is required to **disclose non-financial and diversity information**.

Therefore, starting from 2017, the Parent is required to present a specific consolidated non-financial statement containing details about its subsidiaries and information relating to environmental, social and employee-related matters, respect for human rights, anti-corruption and bribery matters deemed relevant in view of the activities and characteristics of the Group.

The report also provides all the information necessary to understand the business model for the organisation and control of Group activities, including in relation to the management of the above matters, the policies pursued by the Group, including due diligence processes implemented, the outcome of those policies and the relevant non-financial key performance indicators, the principal risks, generated or sustained, related to those matters linked to the Group's activities, its products, services or business relationships, including supply and subcontracting chains.

The report must contain information relating to at least the following:

the use of energy, specifying whether energy is from renewable and/or non-renewable sources, and water use;
greenhouse gas emissions and air pollution;
details of current and foreseeable impacts of any risk factors associated with the Group's operations on the environment and on health and safety or other relevant environmental or health risk factors;
social and employee-related matters, including the actions taken to ensure gender equality, implementation of conventions of international and national organisations and procedures for establishing social dialogue;
respect for human rights, measures put in place to prevent human rights abuse and actions taken to prevent discrimination;
measures taken to prevent corruption and bribery, with details of the instruments in place to fight these.
In accordance with the provisions of article 5, paragraph 3(b) of Legislative Decree No. 254/2016, the Parent has prepared this consolidated report as a separate document called the **Reale Group Sustainability Report**. The report, prepared in accordance with "GRI Standards", is available in the "Sustainability" section of the Group's website www.realegroup.eu/IT.

The report is accompanied by the attestation issued by the auditor pursuant to article 3(10) of Legislative Decree No. 254/2016.

1.7.6 REALE FOUNDATION

Group companies contribute to the "**Reale Foundation**".
Established by the Group, the Foundation is a cross-company instrument with an international reach that supports projects to raise donations capable of creating value over time. Embodying the principles of mutuality that have been guiding the actions of Reale Group companies for 190 years, its policy of sustainability and of serving the community, Reale Foundation supports initiatives in Italy, Spain and Chile, in line with the UN 2030 Agenda for sustainable development, with a specific focus on the following three areas: Health & Welfare, Social, Sustainable Environment and Communities.
During the year, Group companies made a contribution of € 1.5 million to the Foundation.

1.8 MAIN EVENTS IN EARLY 2020

On 30 January 2020, the World Health Organisation (WHO) declared a public health emergency of international concern for a novel coronavirus responsible for a disease officially known as COVID-19. The virus, which was first reported at the end of December in the Chinese province of Hubei, spread to different parts of the world in January and February, causing considerable human suffering and severe economic disruption. On 11 March, given the alarming rate at which the virus was spreading and the severity of the outbreak, the WHO declared it a pandemic.

Italy has one of the highest infection and mortality rates in the world, second only to China. The Italian government has stepped up its efforts to tackle the epidemic and introduced a period of quarantine that will have huge effects on the entire national economy. A similar approach is now being adopted in Spain and gradually also in the main countries around the world.

Right from the start, Reale Group responded to the emergency by activating crisis plans already in place, and took steps to protect public health (employees, agents, suppliers, etc.) while remaining fully operational. In the current situation, remote working is a key aspect of business continuity. In Italy 98% of the Group's employees are now working from home and steps are being taken in this direction in the other countries in which Group companies are based. The Group has adopted a crisis management model and set up specific boards at international and national level, in order to adopt a structured approach to address each aspect and impact of the emergency situation: internal organisational and operational issues, support for the agency networks and the impact on the Group's financial standing, operating results and solvency position, how the situation will influence communications and social development.

Pursuant to the provisions of IAS 10, this event occurred after the end of the financial year and does not require any adjustment to the amounts in the financial statements. At the time of writing, based on analyses carried out after the end of the financial year, the impact of the coronavirus emergency on financial markets and on the macroeconomic context in general is not expected to influence the assets and liabilities, financial standing or solvency position of the Group such as to indicate that the going concern assumption is no longer appropriate.

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No further significant events have occurred after the closure of the accounts that could have a significant effect on the information provided in the balance sheet or income statement.

1.9 BUSINESS OUTLOOK

Following the coronavirus emergency, growth prospects for 2020 have been revised down sharply and the main international institutions, led by the International Monetary Fund, have warned of the possibility of sharp slowdowns.

Financial market expectations have suddenly changed, amid a great deal of uncertainty linked to the severity and duration of the crisis.

The support of central banks might help financial markets in the short term, but longer-term recovery will only be possible when uncertainties over the spread of the virus and its impact on the economy have been resolved.

In the **Italian insurance sector**, according to the most recent forecasts, issued prior to the outbreak of the coronavirus emergency, the market was expected to see growth of 4.7% in 2020 (with Life business set to expand by 5% and Non-life business by 3.6%).

On the **Spanish market,** the Motor sector was forecast to expand while growth in the Non-motor sector was expected to stabilise. The growth rate for Life business was expected to slow down.

On the **Chilean insurance market**, growth in the Motor business was forecast to exceed average growth in the Non-life sector.

These forecasts will be reviewed as soon as it is possible to have a clearer picture of how the emergency is evolving.

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In this context and until the effects of the coronavirus can be fully understood, indications regarding the **business activities** of Reale Group confirm the projections examined during the Meeting of Delegates of the Parent held on 9 December 2019.

Projections point to an increase in the Group’s total premium income in 2020, with an improvement in Non-life premium income compared with that reported at the end of financial 2019, driven by an upswing in both the Motor and Non-motor businesses.

The Life business will aim to consolidate premium income from separate funds and focus on improving profitability by increasing volumes of products such as term life and long-term care policies. The above strategy will result in a reduction in premium income in 2020, but will increase returns.

In that context, the types and proportions of investment activities will be determined according to the usual prudent criteria. In 2020, investments will be chosen on the basis of the usual financial risk-return criteria, in addition to an analysis of factors related to environmental and social sustainability and governance.

In the real estate sector, the Group plans to take appropriate steps to optimise its assets and will continue to carry out improvements to ensure their financial viability. Some properties will be sold in order to support investments. The assets to be sold will be selected with a view to restructuring the portfolio in terms of asset class, risk and profitability, in line with foreseeable market trends and the Group’s objectives.

Reale Group has confirmed the instrumental role of Banca Reale in supporting the Group’s insurance business. The envisaged initiatives focus on expansion of the distribution networks, development of operational processes and harnessing technology, of importance given the increasing integration of the banking, financial and insurance services provided to the Group’s customers.

1.10 AUDIT

Pursuant to article 25 of ISVAP Regulation No. 7 of 13 July 2007 as amended, the consolidated annual accounts at 31 December 2019 have been audited by EY S.p.A..

THE BOARD OF DIRECTORS

CONSOLIDATED ACCOUNTING SCHEDULES

Company: SOCIETA' REALE MUTUA DI ASS.NI

BALANCE SHEET - Assets

(in € thousands)

		FINANCIAL 2019	FINANCIAL 2018
1	**INTANGIBLE ASSETS**	**386,112**	**389,364**
1.1	Goodwill	256,712	256,712
1.2	Other intangible assets	129,400	132,652
2	**PROPERTY, PLANT AND EQUIPMENT**	**299,404**	**268,764**
2.1	Real property	253,495	237,201
2.2	Other property, plant and equipment	45,909	31,563
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**674,048**	**720,822**
4	**INVESTMENTS**	**19,736,378**	**17,948,363**
4.1	Investment property	1,046,247	1,037,474
4.2	Equity investments in subsidiaries, associates and joint ventures	26,621	20,871
4.3	Investments held to maturity	27,418	23,514
4.4	Loans and receivables	657,151	610,056
4.5	AFS financial assets	15,941,374	14,597,478
4.6	Financial assets at FVTPL	2,037,567	1,658,970
5	**MISCELLANEOUS RECEIVABLES**	**1,355,946**	**1,201,789**
5.1	Receivables arising out of direct insurance operations	887,485	826,649
5.2	Receivables arising out of reinsurance operations	144,712	137,634
5.3	Other receivables	323,749	237,506
6	**OTHER ASSETS**	**696,539**	**562,498**
6.1	Non-current assets or of a disposal group HFS	3,006	2,119
6.2	Deferred acquisition costs	0	0
6.3	Deferred tax assets	355,668	247,642
6.4	Current tax assets	177,215	186,184
6.5	Other assets	160,650	126,553
7	**CASH AT BANK AND IN HAND AND CASH EQUIVALENTS**	**241,245**	**153,698**
	TOTAL ASSETS	**23,389,672**	**21,245,298**

BALANCE SHEET – Liabilities and Shareholders’ equity

(in € thousands)

		FINANCIAL 2019	FINANCIAL 2018
1	**SHAREHOLDERS' EQUITY**	**2,780,050**	**2,568,036**
1.1	**of which Group interest**	**2,779,071**	**2,567,056**
1.1.1	Capital	60,000	60,000
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	0	0
1.1.4	Retained earnings and other equity reserves	2,527,152	2,366,516
1.1.5	(Treasury stock)	0	0
1.1.6	Reserve for net exchange differences	-13,282	-6,861
1.1.7	Gains or losses on AFS financial assets	76,789	18,783
1.1.8	Other gains or losses recognised directly in equity	-23,172	-19,428
1.1.9	Group interest in net income (loss) for the year	151,584	148,046
1.2	**minority interest**	**979**	**980**
1.2.1	Minority interest in capital and reserves	981	1,077
1.2.2	Profit or losses recognised directly in equity	-26	-2
1.2.3	Minority interest in net income (loss) for the year	24	-95
2	**PROVISIONS**	**130,607**	**128,371**
3	**TECHNICAL PROVISIONS**	**17,969,048**	**16,456,151**
4	**FINANCIAL LIABILITIES**	**1,207,948**	**1,077,828**
4.1	Financial liabilities at FVTPL	366,162	291,272
4.2	Other financial liabilities	841,786	786,556
5	**PAYABLES**	**575,620**	**513,049**
5.1	Payables arising out of direct insurance operations	200,676	190,818
5.2	Payables arising out of reinsurance operations	17,400	14,742
5.3	Other payables	357,544	307,489
6	**OTHER LIABILITIES**	**726,399**	**501,863**
6.1	Liability of a disposal group HFS	0	0
6.2	Deferred tax liabilities	452,692	345,055
6.3	Current tax liabilities	66,602	11,840
6.4	Other liabilities	207,105	144,968
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**23,389,672**	**21,245,298**

Company: SOCIETA' REALE MUTUA DI ASS.NI

INCOME STATEMENT

(in € thousands)

		FINANCIAL 2019	FINANCIAL 2018
1.1	Net premiums	4,885,380	4,573,353
1.1.1	*Gross premiums earned*	*5,244,209*	*4,900,272*
1.1.2	*Premiums earned ceded in reinsurance*	*-358,829*	*-326,919*
1.2	Commissions receivable	36,583	30,425
1.3	Income and expense on financial instruments measured at FVTPL	155,435	-61,008
1.4	Income on equity investments in subsidiaries, associates and j.v.	4,266	68,369
1.5	Income on other financial instruments and investment property	473,630	422,050
1.5.1	*Interest income*	*263,267*	*244,475*
1.5.2	*Other income*	*105,838*	*98,714*
1.5.3	*Realised gains*	*93,509*	*75,483*
1.5.4	*Valuation gains*	*11,016*	*3,378*
1.6	Other revenues	139,076	109,040
1	**TOTAL REVENUES AND INCOME**	**5,694,370**	**5,142,229**
2.1	Net charges for claims	-4,075,665	-3,605,577
2.1.1	*Amounts paid and change in technical provisions*	*-4,333,644*	*-3,861,189*
2.1.2	*Reinsurers' share*	*257,979*	*255,612*
2.2	Commissions payable	-16,498	-14,108
2.3	Charges on equity investments in subsidiaries, associates and j.v.	0	0
2.4	Charges on other financial instruments and investment property	-86,038	-61,134
2.4.1	*Interest expense*	*-6,540*	*-7,344*
2.4.2	*Other charges*	*-16,775*	*-18,430*
2.4.3	*Realised losses*	*-33,149*	*-18,192*
2.4.4	*Valuation losses*	*-29,574*	*-17,168*
2.5	Operating expenses	-1,056,537	-1,012,706
2.5.1	*Commissions and other acquisition costs*	*-835,158*	*-800,503*
2.5.2	*Investment management expenses*	*-52,090*	*-51,834*
2.5.3	*Other administrative expenses*	*-169,289*	*-160,369*
2.6	Other costs	-238,969	-254,909
2	**TOTAL COSTS AND CHARGES**	**-5,473,707**	**-4,948,434**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	**220,663**	**193,795**
3	Taxes	-69,055	-45,844
	PROFIT (LOSS) FOR THE YEAR NET OF TAXES	**151,608**	**147,951**
4	**PROFIT (LOSS) ON DISCONTINUED OPERATIONS**	**0**	**0**
	CONSOLIDATED PROFIT (LOSS)	**151,608**	**147,951**
	of which Group interest	**151,584**	**148,046**
	of which minority interest	**24**	**-95**

Company: SOCIETA' REALE MUTUA DI ASS.NI

STATEMENT OF COMPREHENSIVE INCOME

(in € thousands)

	FINANCIAL 2019	FINANCIAL 2018
CONSOLIDATED PROFIT (LOSS)	**151,608**	**147,951**
Other income items net of taxes not reclassified to the income statement	**-5,241**	**2,488**
Change in the shareholders' equity of subsidiaries	0	0
Change in the intangible assets revaluation reserve	0	0
Change in the tangible assets revaluation reserve	0	0
Income and charges relating to non-current assets or of a disposal group HFS	0	0
Actuarial gains and losses and adjustments relating to defined benefit plans	-5,241	2,488
Other items	0	0
Other income items net of taxes with reclassification in the income statement	**53,058**	**-124,054**
Change in the reserve for net exchange differences	-6,438	-6,503
Gains or losses on AFS financial assets	58,001	-105,730
Gains or losses on cash flow hedges	0	0
Gains or losses on hedges of net investments in foreign entities	0	0
Change in the shareholders' equity of subsidiaries	1,495	-11,821
Income and charges relating to non-current assets or of a disposal group HFS	0	0
Other items	0	0
TOTAL OTHER COMPREHENSIVE INCOME	**47,817**	**-121,566**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME	**199,425**	**26,385**
of which Group interest	**199,425**	**29,229**
of which minority interest	**0**	**-2,844**

Statement of changes in equity

Changes in the last two years in the individual items of shareholders' equity are set forth in the schedule below.

Company: SOCIETA' REALE MUTUA DI ASS.NI

(in € thousands)

		Balance at 01-01-2018	Change in closing balances	Allocations	Adjustments for reclassification in the income statement	Transfers	Changes in ownership interest	Balance at 31-12-2018
Group interest in Shareholders' equity	Capital	60,000	0	0		0		60,000
	Other equity instruments	0	0	0		0		0
	Capital reserves	0	0	0		0		0
	Retained earnings and other equity reserves	2,248,143	0	118,373		0	0	2,366,516
	(Treasury stock)	0	0	0		0		0
	Net profit (loss) for the year	147,511	0	535		0		148,046
	Other items in the statement of comprehensive income	111,310	0	-76,327	-42,489	0	0	-7,506
	Total of which Group interest	**2,566,964**	**0**	**42,581**	**-42,489**	**0**	**0**	**2,567,056**
Minority interest in shareholders' equity	Minority interest in capital and reserves	8,884	0	-7,807		0	0	1,077
	Net profit (loss) for the year	619	0	-714		0		-95
	Other comprehensive income	2,748	0	-2,750	0	0	0	-2
	Total of which minority interest	**12,251**	**0**	**-11,271**	**0**	**0**	**0**	**980**
Total		**2,579,215**	**0**	**31,310**	**-42,489**	**0**	**0**	**2,568,036**

		Balance at 31-12-2018	Change in closing balances	Allocations	Adjustments for reclassification in the income statement	Transfers	Changes in ownership interest	Balance at 31-12-2019
Group interest in Shareholders' equity	Capital	60,000	0	0		0		60,000
	Other equity instruments	0	0	0		0		0
	Capital reserves	0	0	0		0		0
	Retained earnings and other equity reserves	2,366,516	0	160,636		0	0	2,527,152
	(Treasury stock)	0	0	0		0		0
	Net profit (loss) for the year	148,046	0	3,538		0		151,584
	Other comprehensive income	-7,506	0	29,804	18,037	0	0	40,335
	Total of which Group interest	**2,567,056**	**0**	**193,978**	**18,037**	**0**	**0**	**2,779,071**
Minority interest in shareholders' equity	Minority interest in capital and reserves	1,077	0	-96		0	0	981
	Net profit (loss) for the year	-95	0	119		0		24
	Other comprehensive income	-2	0	-24	0	0	0	-26
	Total of which minority interest	**980**	**0**	**-1**	**0**	**0**	**0**	**979**
Total		**2,568,036**	**0**	**193,977**	**18,037**	**0**	**0**	**2,780,050**

CASH FLOW STATEMENT (indirect method)

Company: SOCIETA' REALE MUTUA DI ASS.NI

(in € thousands)

	FINANCIAL 2019	FINANCIAL 2018
Profit (loss) for the year before taxes	**220,663**	**193,795**
Change in non-monetary items	**1,497,604**	**507,036**
Change in the non-life provisions for unearned premiums	9,307	11,567
Change in the provisions for outstanding claims and in other non-life technical provisions	-46,539	-16,851
Change in provisions for policy liabilities and other life technical provisions	1,596,903	343,577
Change in deferred acquisition costs	0	0
Change in provisions	2,236	45,077
Non-monetary income and expenses deriving from financial instruments, real property investments and equity investments	-114,176	73,003
Other changes	49,873	50,663
Change in receivables and payables generated by operating activities	**-38,143**	**-77,533**
Change in receivables and payables deriving from direct and reinsurance operations	-55,399	-49,967
Change in other receivables and payables	17,256	-27,566
Taxes paid	**-26,903**	**-39,002**
Net liquidity generated/absorbed by monetary items relating to investments and financial activities	**-219,767**	**-172,151**
Liabilities arising on financial contracts issued by insurance companies	74,889	-43,319
Amounts owed to bank and interbank customers	26,602	126,475
Loans and receivables from bank and interbank customers	-75,388	-57,535
Other financial instruments measured at FVTPL	-245,870	-197,772
TOTAL NET CASH FLOW ARISING FROM OPERATING ACTIVITIES	**1,433,454**	**412,145**
Net cash flow generated/absorbed by real estate investments	-18,168	-51,698
Net cash flow generated/absorbed by investments in subsidiaries, associates and joint ventures	-5,750	178,287
Net cash flow generated/absorbed by loans and receivables	25,001	33,083
Net cash flow generated/absorbed by HTM investments	0	0
Net cash flow generated/absorbed by AFS financial assets	-1,287,771	-496,707
Net cash flow generated/absorbed by plant, property and equipment and intangible assets	-56,347	-57,196
Other net cash flow generated/absorbed by investment activities	-887	6,709
TOTAL NET CASH FLOW FROM INVESTMENT ACTIVITIES	**-1,343,922**	**-387,522**
Net cash flow generated/absorbed by capital instruments pertaining to the Group	0	0
Net cash flow generated/absorbed by own shares	0	0
Distribution of dividends pertaining to the Group	0	0
Net cash flow generated/absorbed by minority interest in capital and reserves	0	0
Net cash flow generated/absorbed by subordinated liabilities and equity financial instruments	0	0
Net cash flow generated/absorbed by sundry financial liabilities	-1,985	-49,259
TOTAL NET CASH FLOW DERIVING FROM FINANCING ACTIVITIES	**-1,985**	**-49,259**
Effect of exchange rate differences on cash and cash equivalents	0	0
Cash at bank and in hand and cash equivalents at start of year	153,698	178,334
Increase (decrease) in cash at bank and in hand and cash equivalents	87,547	-24,636
Cash at bank and in hand and cash equivalents at end of year	241,245	153,698

Changes in liabilities arising from financing activities are shown in the table below, in accordance with IAS 7 "Statement of cash flows".

(in € thousands)

	31.12.2018	Cash flows (*)	Non-cash flows				31.12.2019
			Changes in cons. area	Exchange differences	Changes in fair value	Other changes	
Deposits received from reinsurers	197,603	-15,381	0	0	0	0	182,222
Debt securities issued	70,457	-13,418	0	0	0	0	57,039
Loans received	280	34,955	0	0	0	0	35,235
Other financial liab.	0	-8,141	0	0	0	30,613	22,471
Total	**268,340**	**-1,985**	**0**	**0**	**0**	**30,613**	**296,967**

(*) Flows included in the Statement of Cash Flows

NOTES TO THE FINANCIAL STATEMENTS

GENERAL ACCOUNTING PRINCIPLES

Statement of compliance with International Accounting Standards

The Consolidated Financial Statements of Reale Group have been prepared in accordance with international accounting standards. Legislative Decree No. 38 of 28 February 2005, exercising the options envisaged by EC Regulation No. 1606/2002 regarding the adoption of international accounting standards, extended the obligation of preparing the consolidated financial statements in accordance with international accounting standards starting from the year closed or in course at 31 December 2005 to all listed and unlisted insurance companies.

The schedules of the Balance Sheet, Income Statement, Changes in Shareholders' Equity, Cash Flow Statement and the annexes to the Notes to the Consolidated Financial Statements comply with the formats defined by the Supervisory Authority with Regulation No. 7 of 13 July 2007 as subsequently amended and have been compiled according to the instructions set forth in the above Regulation.

The Consolidated Financial Statements for the year ended at 31 December 2019 were approved by the Board of Directors on 23 March 2020.

Basis of preparation

The Financial Statements have been prepared according to the principle of going concern. For the reasons set forth in the Report on Operations to which reference should be made, no uncertainty exists regarding the Group's ability to continue to operate as a functioning entity.

Accounting standards, amendments and IFRS interpretations applied from 1 January 2019

IFRS 16 – Leases

IFRS 16, issued by the IASB in January 2016 and endorsed by the European Commission through Regulation No. 1986/2017, took effect on 1 January 2019, replacing IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating leases - Incentives" and SIC 27 "Evaluating the substance of transactions in the legal form of a lease".

The new standard, which provides guidance on the accounting of leases, introduces the criterion of the right of use of an asset to distinguish leases from service agreements, stating the following as discriminating factors:

identification of the asset;
the right to replace it;
the right to essentially obtain all economic benefits deriving from use of the asset;
the right to direct the use of the asset underlying the contract.
The new rules apply to rental, hire, lease and loan arrangements.

The lessor is not required to recognise assets and liabilities for leases of low-value assets (contracts where the underlying assets are worth less than € 5,000, when new) and leases of less than 12 months.

IFRS 16 introduces significant changes in how the lessee/user accounts for leases. The main difference is the elimination of the distinction made by IAS 17 between operating and finance leases: all leases must be accounted for in the same way, with companies recognising both an asset and a liability. Under the new rules, the leased asset (right of use) must be recognised in the balance sheet with a balancing entry under financial liabilities, for the current amount of future lease payments. This liability is subsequently adjusted over the lease term to reflect interest on lease liabilities and payment of the principal portion. The right-of-use of the leased asset is amortised over the term of the lease.

For the lessee, the application of IFRS 16 from 1 January 2019 will result in an increase in reported assets (leased assets) and liabilities (lease liabilities), a reduction in service costs (lease payments) and an increase in amortisation/depreciation (for the right-of-use of the leased assets) and financial charges, with no impact on net profit and cash flows.

On the other hand, the standard does not substantially change how lessors account for leases.

The Group elected to adopt the modified retrospective approach to recognise the effects of first-time adoption of IFRS 16. This allows the cumulative impact of applying the standard to be recognised at the date of initial application without requiring restatement of comparative periods. As a result, the figures for 2019 are not comparable in terms of the measurement of right-of-use assets and the corresponding lease liability.

The types of lease falling within the scope of application of the new standard particularly concern those related to real estate, office furniture, cars and hardware; in accordance with the requirements of IFRS 16 and the clarifications of IFRIC ("Cloud computing arrangements" of September 2018), software is excluded.

Property lease contracts have a lease term of more than 12 months and generally include renewal or cancellation options that can be exercised by the lessee or lessor in accordance with the law or under specific provisions of the contract. Such contracts do not include a purchase option at the end of the lease term or the obligation of the lessee to incur costs to restore the asset prior to returning it.

Car leases refer to the long-term renting contracts for the Group's vehicle fleet used by employees (for business and personal use) or by the organisational structure of the lessee companies. These are multi-year leases, without a renewal option, and do not usually envisage a purchase option.

Hardware leases have a term of more than 12 months and do not include a purchase option at the end of the lease term.

Reale Group has elected not to apply the new standard to contracts with a term of less than or equal to 12 months or related to low-value assets. In that case, lease payments will continue to be recognised as an expense.

In defining the lease term, the Group has decided to consider, as at the transition date and on the starting date of each new contract entered into after 1 January 2019, facts or circumstances existing on that specific date that affect the reasonable certainty of the renewal/cancellation options included in the lease agreements being exercised.

With the adoption of the modified retrospective approach, the adjustment to the opening balance determined an increase in assets upon recognition of the new right-of-use assets and a matching increase in financial liabilities. The adoption of IFRS 16 resulted in an increase in assets, due to recognition of right-of-use assets, for € 27,692 thousand, of which € 18,128 thousand referring to leases for company cars and other assets, and € 9,564 thousand relating to property leases.

To set the discount rate, the Group's Italian and Spanish companies used a European market yield curve for financial counterparties with a rating of A-. The Chilean companies used the market rate of reference for contracts with a term similar to that of the lease contract.

IFRIC 23 – Uncertainty over income tax treatments

Commission Regulation (EU) 2018/1595, published in the Official Journal of the European Union on 23 October 2018, adopted IFRIC Interpretation 23 "Uncertainty over income tax treatments", issued on 8 June 2017, which specifies how to reflect uncertainty in accounting for income taxes. The interpretation requires **uncertain tax treatments** to be considered **separately or together**, always assuming that the tax authority will have full knowledge of all relevant information when examining the entity's position. If the entity concludes that the tax authority is unlikely to accept the tax treatment, such uncertainty must be reflected in its measurement of current and deferred income tax assets and liabilities. IFRIC 23 does not introduce any new disclosure requirements, but reminds companies that when there is uncertainty over income tax treatments, they must establish whether there is a requirement to disclose information about the assumptions and estimates made by management, in accordance with IAS 1.

The adoption of this amendment did not affect the financial statements of the Group since the method used to calculate provisions for taxation considers any uncertainty over the application of legislation, on the basis of a methodology consistent with the guidelines of the aforesaid interpretation.

Accounting standards, amendments and IFRS and IFRIC interpretations endorsed by the European Union, but not yet universally applicable and not adopted in advance by the Group at 31 December 2019.

IFRS 9 "Financial instruments" was adopted by Commission Regulation (EU) 2016/2067 of 22 November 2016, published in the Official Journal of the European Union on 29 November 2016. The new standard officially came into effect on 1 January 2018. Insurance undertakings will be allowed to defer adoption of the new standard, to bring the first application date in line with that of IFRS 17 so that they can plan the adoption of the two standards together. On 12 September 2016, the IASB published the amendment "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", adopted with Regulation (EU) 2017/1988 published in the Official Journal of the European Union on 9 November 2017. This gives insurance undertakings the option of postponing application of the standard (known as the deferral approach) or of removing from profit or loss much of the volatility resulting from the implementation of the new standard (overlay approach).
The overlay approach allows insurers to present the amount equal to the difference between the amount reported in the income statement for financial assets measured under IFRS 9 and the amount that would have been reported in the income statement for those assets if the insurer had applied IAS 39.
The deferral approach allows insurers that predominantly undertake insurance activities to apply a temporary exemption from IFRS 9. The IASB has clarified that, for consolidated financial statements, the exercise or non-exercise of this option, with subsequent adoption of IFRS 9, must be standardised across all the entities that are consolidated on a line-by-line basis and hold financial instruments.
Reale Group, which meets the conditions laid down in the amendment, has opted for the deferral approach, confirming that the Group's activities are predominantly connected with insurance, and will thus continue to apply IAS 39.
In particular, the percentage of liabilities connected to insurance in relation to total liabilities is greater than 90% (predominance ratio). These include:

- liabilities related to insurance contracts within the scope of application of IFRS 4;
- liabilities related to financial contracts measured at fair value through profit or loss within the scope of application of IAS 39;
- liabilities deriving from defined benefit plans for Group Life or Non-life insurance companies;

tax liabilities connected with insurance activities.
Reference should be made to the "Other information" section for the quantitative information to be provided by companies that opt for the deferral approach.

CONSOLIDATION PRINCIPLES

Financial statements used for consolidation

The Consolidated Financial Statements have been prepared using, for the consolidated companies, the reporting package drawn up according to the instructions of the Parent.

Date of the Consolidated Financial Statements

The reference date is 31 December, the date on which all consolidated companies close their accounts.

Presentation currency

The accounts are presented in euros, the Group's functional currency; all amounts stated in the schedules and in the related Notes are rounded to the nearest thousand, unless otherwise specified.

According to IAS 21, the following procedures must be used to prepare consolidated accounts that include foreign currency items:

balance sheet items (except shareholders' equity) must be translated into euros using the closing rate of exchange;
share capital must be translated into euros at the rate of exchange in force at the date of the transaction and retained earnings at the exchange rate at the time of generation of each net profit included in the item;
income statement items must be translated into euros using the average rate of exchange for the year.

Exchange differences arising from such translations are posted to a specific equity reserve. These are only recognised in the income statement upon disposal of the investment.

VALUATION CRITERIA

The main valuation criteria adopted in preparing the Consolidated Financial Statements are set out below.

Consolidation criteria

The Consolidated Financial Statements of Reale Group reflect line-by-line integration of the accounts of the Reale Mutua Parent with those of all the companies controlled both directly and indirectly thereby.

IFRS 10 envisages line-by-line consolidation also of subsidiaries that perform dissimilar activities to those of the Parent.
The Group controls an investee if, and only if:

- it has power over the investee (meaning it has existing rights that give it the ability to direct the relevant activities of the investee);
- it is exposed to or has the rights to variable returns from its involvement with the investee;
- it has the ability to use its power over the investee to affect the return from the involvement in the investee.

Control is generally presumed to mean having the majority of voting rights.
The Group reviews whether or not it controls an investee whenever the facts or circumstances indicate that there have been relevant changes to one or more of the three key elements for defining control. Consolidation of an investee starts from the date the Group acquires control of that investee and ceases when the Group loses such control. The assets, liabilities, income and expenses of the investee acquired or disposed of during the year are included in the consolidated financial statements from the date the Group acquires control up until the Group no longer exercises control over that company.

The profit (loss) for the year and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. If necessary, appropriate adjustments are made to the subsidiaries' financial statements, in order to guarantee conformity with Group accounting policies. All intragroup assets and liabilities, net equity, income, expenses and cash flows resulting from intragroup transactions are eliminated in full in the process of consolidation.

Any changes in ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

If the Group loses control of a subsidiary, it must derecognise the assets (including any goodwill) and liabilities of the subsidiary, any non-controlling interests and other equity components, and recognise any gain or loss through the income statement. Any investment retained in the former subsidiary must be recognised at fair value.

Associated companies are consolidated by the equity method.
The Group does not have joint arrangements for which IFRS 11 envisages adoption of the proportional integration method.

Business combinations - Goodwill

Business combinations are valued according to the purchase method. The purchase cost is determined as the sum of the acquisition-date fair value of the consideration transferred, and the amount of the non-controlling interest in the acquiree. For each business combination, the Group defines whether to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are charged to income during the year they are incurred and recognised as administrative expenses. Therefore, the assets, liabilities and any identifiable potential liabilities of the acquiree that meet the conditions for disclosure according to IFRS 3 are recognised at their current value on the acquisition date, except for non-current assets which are designated as held for sale as prescribed by IFRS 5 and which are recognised and measured at current values minus transaction costs.

Goodwill represents the excess of the acquisition cost over the fair value of the identifiable assets, liabilities and potential liabilities of the acquiree. Goodwill is recognised under assets and is tested for impairment at least once a year. Impairments of value are recognised in the income statement and are not reinstated subsequently.

Other intangible assets

This item comprises intangible assets identifiable and controllable by the company from which future economic benefits are expected to flow to the enterprise, as established by IAS 38.
Intangible assets with a definite useful life are recognised at cost net of amortisation, according to their residual useful life, and tested periodically for impairment.
Intangible assets with an indefinite useful life are not amortised but are tested for impairment.
Intangible assets are derecognised at the time of disposal (i.e. on the date when the acquirer obtains control) or when no future benefits are expected to be generated through their use or disposal. The gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

Property, plant and equipment

This item comprises property used in company operations, construction in progress, furniture, fittings, plant, equipment, office machines and also movable property listed in public registers, as established by IAS 16.

It also includes right-of-use assets acquired under lease agreements and relating to the use of a tangible asset, in accordance with IFRS 16.

Such assets, governed by IAS 16, are recognised at cost which, in addition to the purchase price, includes any accessory charges directly attributable to the purchase and start-up of the asset.
Subsequently they are stated using the amortised cost method and net of any permanent impairments of value. Depreciation is calculated on a straight-line basis over the estimated residual useful life of the assets. Land, which has an indefinite useful life, is not depreciated.
At each reporting date, if there is evidence that an asset is impaired, the asset's carrying amount is compared with its recoverable amount, equal to the higher of fair value, net of any sale costs, and the relative value of the asset in use, meaning the current value of future cash flows deriving from the asset. Any adjustments are recorded in the income statement. If the reasons for the impairment no longer exist, the value is adjusted upwards by an amount that must not exceed the value of the asset, net of depreciation, had it not been previously impaired.
Costs for improvements and maintenance that result in a significant and tangible increase in production capacity or safety or that extend the future useful life of the asset, are capitalised and added to the value of the relative asset. Ordinary maintenance costs are recognised in the income statement as incurred.
The carrying amount of an item of property, plant and equipment and each significant component initially recognised is derecognised at the time of disposal (i.e. on the date when the acquirer obtains control) or when no future economic advantage is expected to be generated through their use or disposal. The gain/loss arising at the time of derecognition of the asset (calculated as the difference between the net carrying amount of the asset and the consideration received) is recognised in the income statement when the element is derecognised.
Residual amounts, useful life and methods for depreciation of property, plant and equipment are reviewed at the end of each financial year and, where appropriate, adjusted prospectively.

Leases, governed by IFRS 16, are accounted for based on the right-of-use model according to which, at the commencement date, the lessee has a financial obligation to make lease payments to the lessor for the right to use the underlying asset during the least term. When the asset is made available for use by the lessee (commencement date), the lessee recognises both the lease liability and the right-of-use asset.

Reinsurers’ share of technical provisions

These are calculated according to the contractual conditions of reinsurance treaties in that this method is deemed to represent the specific economic results of the sector most correctly.

Investment property

Investments intended to earn rentals or for capital appreciation are classified under this item; property held for instrumental use or available for purchase/sale is not included.

This item also includes right-of-use assets acquired under lease arrangements relating to the use of furniture and equipment linked to investment property, in accordance with IFRS 16.

Investment property is initially recognised at historical cost, including trading costs. Only at the time of the initial application of IAS/IFRS principles, investment property was recognised according to a deemed cost basis (corresponding to the values of expert appraisals of the property at 1 January 2004) established by IFRS 1.

Items of significant value, for which the useful life differs, are recognised separately.

These items are subsequently recognised at cost, in accordance with IAS 16 to which IAS 40 refers, net of depreciation and any permanent impairment of value. Depreciation is calculated on a straight-line basis over the estimated residual useful life of the assets. Land, which has an indefinite useful life, is not depreciated. The estimated residual life varies according to the category of the property (high, medium, low), also on the basis of appraisals by qualified external consultants.

The following depreciation rates are used:

high-range properties	1.00%
mid-range properties	2.00%
low-range properties and individual units	3.00%

At each reporting date, if there is evidence that an asset is impaired, the asset's carrying amount is compared with its recoverable amount, equal to the higher of fair value, net of any sale costs, and the relative value of the asset in use, meaning the current value of future cash flows deriving from the asset. Any adjustments are recorded in the income statement. If the reasons for the impairment no longer exist, the value is adjusted upwards by an amount that must not exceed the value of the asset, net of depreciation, had it not been previously impaired.

Costs for improvements and maintenance that result in a significant and tangible increase in production capacity or safety or that extend the future useful life of the asset, are capitalised and added to the value of the relative asset. Ordinary maintenance costs are recognised in the income statement as incurred.

Investment property is derecognised upon disposal (i.e. the date when the acquirer obtains control) or when the investment becomes permanently unusable and no future economic benefits are expected from its disposal. The amount of the consideration to be included in calculating the gain or loss arising on the derecognition of investment property is determined in accordance with the requirements for defining the transaction price in IFRS 15.

Residual amounts, useful life and methods for depreciation of investment property are reviewed at the end of each financial year and, where appropriate, adjusted prospectively.

Leases, instead, are accounted for based on the right-of-use model according to which, at the commencement date, the lessee has a financial obligation to make lease payments to the lessor for the right to use the underlying asset during the least term. When the asset is made available for use by the lessee (commencement date), the lessee recognises both the lease liability and the right-of-use asset.

Equity investments in associates and joint ventures

This item includes equity investments in associates and joint ventures not consolidated line by line that are measured by the equity method.
With the equity method, investments in associates or joint ventures are initially recognised at cost. The carrying amount of the investment is adjusted up or down for the post-acquisition change in the investor's share of the profit or loss of the investee. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested separately for impairment.

Profit/(loss) for the year reflects the Group's share of the operating result of the associate or joint venture. Any changes in other comprehensive income components relating to such associates are presented as part of the Group's comprehensive income statement. If an associate or joint venture allocates a change directly to equity, the Group recognises its interest, where applicable, in the statement of changes in shareholders' equity. Unrealised gains and losses resulting from transactions between the Group and associates or joint ventures are derecognised in proportion to the investment in the associates or joint ventures.

After applying the equity method, the Group examines the need to recognise an impairment of its investment in the associate or joint venture. At each reporting date, the Group considers whether there is objective evidence of impairment of the investment in the associate or joint venture. If that is the case, the Group calculates the amount of the loss as the difference between the recoverable amount of the associate or joint venture and the book value in its financial statements, and records such difference in the statement of profit/(loss) for the year under "share of the operating result of associates and joint ventures".

When significant influence over an associate or joint venture is lost, the Group measures and recognises the residual investment at fair value. The difference between the carrying amount of the investment on the date significant influence is lost and the fair value of the remaining investment plus the consideration received is recognised in profit or loss.

Financial assets

At the time of initial recognition, financial assets may be classified as financial assets measured at fair value through profit or loss, loans and receivables, financial assets held to maturity, financial assets available for sale or among derivatives as hedging instruments, when hedging is effective. All financial assets are initially measured at fair value, plus transaction costs directly attributable to the acquisition, except in the case of financial assets at fair value through profit or loss.

For subsequent measurements, financial assets are classified according to four categories:

- Investments held to maturity;
- Loans and receivables;
- AFS financial assets.
- Financial assets at fair value through profit or loss.

- **Investments held to maturity**
  This category includes non-derivative long-term financial assets with fixed maturity and fixed or determinable payments, that Group companies have the intention and ability to hold to maturity.
  Investments are measured at amortised cost net of any impairment losses, using the effective interest rate. The amortisation charge calculated in this way is recognised through the income statement.
  At each reporting date, the Group verifies the existence of any objective evidence of impairment. In accordance with IAS 39, if the reasons for the loss cease to exist, value re-adjustments can be made, up to the amount of the previous impairment. In the case of sale before maturity or transfer to another category of a significant amount and not justified by particular events, the entire category is reclassified as assets available for sale.

- **Loans and receivables**
  This category includes loans, receivables and financial instruments that are not traded, with fixed or measurable incoming cash flows.
  These assets are initially recognised on the date of signing of the contract, which coincides with the date of payment or, in the case of debt securities, the settlement date, based on fair value, equal to the amount paid, or subscription price, inclusive of directly attributable transaction costs.
  Subsequently, these items are recognised at amortised cost calculated using the effective yield rate. The effective interest rate is determined by calculating the rate that exactly discounts the current value of estimated future cash payments on the loan, both capital and interest, to the amount of the loan including costs/income attributable to the loan.
  These assets are tested for impairment at each annual or interim reporting date: impairments of value are stated in the income statement. If the reason for the impairment ceases to exist, the carrying amount is reinstated in subsequent years; increases in value are stated in the income statement and must not result in a value of the asset in excess of what the amortised cost would have been if the write-down for impairment had not been made.

- **AFS financial assets**
  This category comprises all financial assets not covered by the other IAS 39 classifications. This section therefore includes equity securities, except for those included in subsidiary, associate and joint venture equity investments, listed debt securities, structured securities with embedded derivatives and mutual funds and unlisted debt securities not included in the previous categories.
  After initial recognition, the assets classified in this category are recognised at amortised cost using the effective yield method and measured at fair value. The fair value coincides with the closing price on the last day of trading of the year for instruments traded in an active market. In the absence of an active market, the fair value is represented by the price of recent transactions or of similar instruments or, alternatively, the values resulting from application of commonly used valuation models, that take into account the correlated risk factors and are based on market observables (e.g. cash flow discount).

Differences in relation to the carrying amount must be recognised in equity in a specific reserve for retained earnings or unrealised losses that will be utilised in the case of disposal.
At the time of sale or redemption, any losses or gains in relation to the value stated under assets are recognised in the income statement together with reversal of cumulative gains or losses and recorded in the corresponding item of shareholders' equity.
These assets are tested for impairment at each annual or interim reporting date. Impairments of value are stated as reducing the cost with offsetting item in the income statement through reversal of the portions of cumulative gains or losses and recorded in the specific equity item. If the reasons for the impairment no longer exist, the carrying amount is reinstated and recognised in the income statement in the case of debt securities and posted to equity in the case of equity securities. The increase in value of debt securities must not result in a value of the asset in excess of what the amortised cost would have been if the write-down for impairment had not been made.
The financial asset is derecognised when the contractual rights to receive the cash flows from the asset and the underlying risks are transferred.

- **Financial assets at fair value through profit or loss**
  This category comprises financial instruments held for trading in the near term, derivatives and securities designated by the enterprise as measured at fair value through profit or loss. Designated securities include structured financial instruments for which the embedded derivative must be valued separately if not closely related to the host contract, assets hedging the pension fund, unit- and index-linked policies and any excesses intended to be disposed of.
  These items are recognised initially on the settlement date and at cost deemed to be the fair value of the financial instrument; transaction costs and proceeds directly attributable to the purchase/sale of the instrument are not considered on initial recognition and are recognised directly in the income statement.
  Subsequently, the liability is measured at fair value and the difference between the fair value and the carrying amount is recognised in the income statement. The fair value coincides with the closing price on the last day of trading of the year for instruments traded in an active market. In the absence of an active market, the fair value is represented by the price of recent transactions or of similar instruments or, alternatively, the values resulting from application of commonly used valuation models, that take into account the correlated risk factors and are based on market observables (e.g. cash flow discount).
  A financial asset measured at fair value through profit or loss in the income statement is derecognised when the contractual rights to receive the cash flows from the asset and the underlying risks are transferred.

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised (for example, removed from the Group's statement of financial position) when:

- the rights to receive cash flows from the assets have expired, or
- the Group has transferred the right to receive cash flows from the asset or has a contractual obligation to pay them in full and without delay to a third party and (a) has transferred substantially all risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Hedging derivatives (Hedge Accounting)

Where appropriate, financial risks are covered using hedging derivatives in the form of cash flow hedges. A necessary condition for use of these hedges is the drafting of documentation that precisely identifies the strategy and objectives of the hedge and also the hedge derivative, the asset hedged and the correlation between these. With regard to strategies and declared objectives, hedging operations are monitored through periodic tests intended to demonstrate their effectiveness.

As regards cash flow hedges, changes in fair value of the derivative are recognised in equity for the effective portion of the hedge and in the income statement for the ineffective portion. Amounts stated under equity will be recorded in the income statement when the cash flows hedged are realised. If the test does not confirm the effectiveness of the hedge, recognition of this is interrupted and the derivative is reclassified under non-hedge derivatives.

With regard to fair value hedges, the derivatives hedge fluctuations in the value of certain liabilities and are disclosed and recognised at fair value.

In the case of effective hedge, the change in fair value of the item hedged is offset by the change in fair value of the hedging derivative. Such offsetting is disclosed through recognition in the income statement of the changes in value of both the item hedged and the hedging derivative. Any difference, which represents the ineffective portion of the hedge, therefore represents its net economic effect.

Measurement of the fair value of financial assets

General principles

The fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date. An active market is the market for which quoted prices are readily and regularly available or systematically quoted on "alternative" trading systems from official circuits, whose prices are considered "significant" and also those observable from contributors who operate as primary traders on the various markets, where the prices proposed are representative of potential transactions and effective market transactions carried out in an orderly manner in normal trading conditions. The fair value determined is not the amount that would be received or paid in a forced transaction but the value at which a transaction could be carried out on the reporting date for such instruments in the most advantageous market to which the entity has access.

Fair value hierarchy

Assets and liabilities measured at fair value are classified according to the hierarchy established by IFRS 13. This classification defines a fair value hierarchy according to the level of discretion used. It gives the highest priority to quoted prices in active markets that represent the assumptions that market participants would use when pricing the asset or liability.

The classification is based on the approach used to measure the fair value (Mark to Market, Mark to Model, Counterparty) and on whether the inputs are observable, if the Mark to Model approach is used.

The fair value hierarchy defined and adopted as of 31 December 2018 is illustrated below:

Effective market quotes (Level 1): market price according to quoted prices in active markets. The existence of unadjusted quoted prices in an active market represents the best evidence of fair value; such prices are therefore those to which priority must be given for the valuation of financial assets.

In the absence of an active market, valuation techniques must be adopted to determine an appropriate fair value. Such techniques include:

Valuation techniques - (Level 2): this approach refers to market values connected directly or indirectly to the instrument to be valued and referring to products with similar risk characteristics.

It is based on approximate valuations furnished by reliable providers or on prices determined using appropriate calculation methods and market observables. This method of calculation does not include discretionary parameters - i.e. parameters whose value cannot be derived from the prices of financial instruments traded in active markets or cannot be determined at levels such as to replicate prices not present on active markets – such as to have a decisive influence on the final valuation price.

Valuation techniques - (Level 3): measurements are based on observable and unobservable inputs and therefore involve estimates and assumptions when making the valuation.

The above methods must be applied in hierarchical order: if a price is available at level 2, one of the other valuation approaches based on assumptions formulated by the valuer must not be used (level 3).

Valuation process

In order to guarantee continuity and consistency of portfolio valuation and also comparison with the previous year, no modifications were made during the year as regards the determination of the fair value.

For debt securities, the fair value is determined as follows:

- for financial instruments quoted in active markets: the official prices on the last day of the reference year as these provide the best evidence of fair value and must be used when available (level 1);
- for financial instruments not quoted in active markets: the value furnished by contributors or financial intermediaries on the reference date. In a limited number of cases in which a value was not available, an estimate of fair value, made by the Group's banking company according to market observables (level 2), was used.

For a number of instruments belonging to the loans and receivables category, where the price furnished is not available, the following valuation technique based on market observables was adopted: discounting of future cash flows (coupons and repayments) according to the risk-free discount rate increased by a valuation spread of the security (discounted cash flows, in level 2).

The fair value of capital instruments has been determined as follows:

- for financial instruments quoted in active markets: the official prices of the last day of the reference year (level 1);
- for financial instruments whose fair value cannot be reliably determined: valuation at cost. The fair value is not reliable if the variability in the range of reasonable estimates of fair value is significant and the probability of the various estimates within the range is not reasonably ascertained. This type of valuation is applied to equity investments of a not significant amount, both at individual level and with regard to all Group financial assets (level 3).

For shares of common investment funds, the fair value is equal to the Net Asset Value provided by the asset management companies (level 3 for closed or speculative funds, adjusted for illiquidity if necessary, level 1 for all others).

For derivative financial instruments, fair value is determined according to the values furnished by financial counterparties who use a standard method complying with those adopted on the market. This method adopts multiple parameters and indices which are in turn determined according to market observables derived from primary sources recorded on the valuation date (level 2).

The fair value of other receivables, which is required for information only, is mainly based on the use of unobservable internal parameters and is equal to the carrying amount (level 3).

The fair value of real estate investments, which is required for information only, is equal to the appraisal value as calculated by independent experts (level 3).

Permanent impairment of financial assets

At the end of each reporting period, the Group tests financial assets or groups of financial assets for impairment. A financial asset or group of financial assets, excluding those recognised at fair value in the income statement, is impaired in the case of objective evidence of an impairment of value following one or more loss events that occur following the initial recognition of the asset, such as to generate a reduction in reliably estimated future cash flows relating to the financial assets.
Possible indicators (qualitative factors) of impairment include: significant financial difficulties of the issuer, high probability of bankruptcy or admission to insolvency proceedings, disappearance of an active market due to financial difficulties, significant negative changes in the technological, market, economic or regulatory context in which the issuer operates, substantial downgrading of the issuer’s credit rating, the announcement or application of debt restructuring plans and the presence of impairments already disclosed in the accounts of previous years. In particular, further parameters can be distinguished according to type of financial assets; for example, for debt securities, effective breach of contract (such as default or failure to pay interest or principal).

For financial assets recognised at amortised cost, the amount of any identified impairment is calculated as the difference between the carrying amount of the asset and the present value of estimated future cash flows (excluding expected future losses on receivables that have not yet occurred). The present value of cash flows is discounted at the financial asset’s effective original interest rate.
The carrying amount of the asset is reduced by accounting for an allowance for doubtful debts and the amount of the loss is recorded in the statement of profit/(loss) for the year.

For Group and unlisted investments and also for capital instruments held for strategic purposes, in addition to the above aspects, consideration must also be given to significant, prolonged impairments with consequent erosion of shareholders’ equity or significant differences between costs and pro-quota shareholders’ equity, always in relation to the general capital and financial situation of the company and its development prospects.

For listed capital instruments or shares in common investment funds, a significant or prolonged impairment of fair value in relation to the carrying amount of the security is objective evidence of impairment of value. The Group considers the following quantitative parameters:

- the price of the security is continuously below its initial recognition value for a period of more than 24 months (prolonged impairment);
- the price of the security on the reporting date is more than 40% lower than the initial value (significant impairment).

In the case of objective evidence of impairment, this is determined as the difference between the amortised cost and the fair value or the current value of the prudent estimate of their probable recovery value at the time of valuation and is taken to the income statement.
If, in subsequent periods, there is evidence that this no longer exists, the carrying amount of the assets is restored, in the income statement for debt securities (up to the limit of the previous impairment) and in equity for capital securities; otherwise further reductions of value, even if only slight with respect to the carrying amount of the investment, are automatically taken to the income statement.

Miscellaneous receivables

This item mainly reflects receivables from policyholders for premiums being collected, from agents and other intermediaries and from insurance and reinsurance companies. Receivables are recognised at amortised cost calculated using the effective yield method. Such method is not adopted for receivables of such short duration as to make the effects of discounting negligible; such receivables are carried at historical cost which corresponds to their face value, and are tested for impairment.

Non-current HFS assets

Non-current HFS assets are measured at the lower of their carrying amount and market value net of sales costs.
Non-current assets are designated as held for sale when the carrying amount will be recovered principally through a sale transaction rather than through continuing use in the operations of the company. This condition is met only when sale is highly probable and the asset can be sold immediately in its initial conditions.

Cash and cash equivalents

This category comprises cash on hand and sight deposits. These items are stated at face value and in the case of foreign currencies at the year-end exchange rate.

Group interest in shareholders' equity

This heading reflects capital instruments and Group interest in shareholders' equity.
In particular, the Capital item reflects the amount of the Parent's guarantee fund.
Retained earnings and other capital reserves include, amongst others, gains or losses deriving from first-time application of international accounting standards, catastrophe and equalisation provisions as set forth in IFRS 4.14(a) and consolidation reserves.
Gains or losses on AFS assets reflect gains and losses deriving from valuation of AFS financial assets, net of any deferred taxes and of the part attributable to policyholders and posted to insurance liabilities (so-called shadow accounting).
The Reserve for net exchange differences includes exchange differences recognised in equity, according to IAS 21, which derive from the translation of financial statements presented in foreign currencies into the presentation currency of the consolidated accounts.

Minority interest in shareholders' equity

This heading comprises minority interest in capital instruments and related equity reserves.

Provisions

This item comprises the allocations pursuant to IAS 37 for present obligations (legal or implicit) deriving from a past event with which the company will probably be required to comply and the amount of which can be reliably estimated.
Provisions represent the best possible estimate based on the data available on the reporting date and are discounted when the effect is significant.

Non-life business premiums and technical provisions

Gross premiums written include amounts maturing during the year on insurance contracts, as defined by IFRS 4. Any revenues related to policies with an insignificant insurance risk component are not included under this item but treated according to the requirements of IAS 39 and IFRS 15.

Insurance contracts within the scope of application of IFRS 4 are recognised according to the principles applicable to the statutory financial statements and, in particular, in accordance with the provisions of ISVAP Regulations No. 16 and No. 22. Therefore, such principles and provisions constitute the general rules applied for the recognition and measurement of technical provisions. In particular, the principle whereby the amount of the provisions must always be sufficient to guarantee fulfilment by the companies, as far as reasonably possible, of commitments assumed towards insured parties has been complied with. The provisions are therefore calculated according to the criteria of the individual financial statements and technical provisions have not been re-measured according to IFRS 4.

The provision for unearned premiums comprises two components, namely the provision for premium instalments and the provision for unexpired risks. The provision for premium instalments has been calculated according to the pro-rata method based on gross premiums written, minus acquisition costs.

The provision for claims outstanding is estimated analytically according to a prudent evaluation based on objective data, adopting an ultimate cost approach, in the measure necessary to match commitments for the payment of the claims and the related direct and indirect claim settlement costs. The provision includes the estimate of claims for the year not yet reported. Actuarial statistical methods are used to verify the adequacy of the provisions in relation to ultimate cost.

At each reporting date, the company is required to carry out a Liability Adequacy Test on the provisions, as established by IFRS 4. The test consists in estimating future cash flows relating to existing contracts and on the basis of current assumptions. Any inadequacy of technical provisions in relation to estimated future cash flows must be recognised entirely in the income statement.

With regard to the foregoing, it is considered that the requirements established by Italian insurance regulations are consistent and comply with the requirements of IFRS 4.

In particular, it is considered that the unexpired risks component of the provision for unearned premiums, accrued in the case in which, for each class of business, the expected charge for claims exceeds the revenues of subsequent years, constitutes a reasonable approximation of the Liability Adequacy Test.
Also in the case of the provision for claims outstanding, it is considered that measurement of such provisions on an ultimate cost basis comprises the main non-discounted future cash flows and can, therefore, be considered as exceeding the amount resulting from application of the LAT according to IFRS 4.

Recognition of catastrophe and equalisation provisions is not permitted in that IFRS 4 does not envisage recording of any prudent provision for future claims; therefore the related provisions stated in the individual financial statements are reversed on consolidation.

The provision for increasing age is calculated analytically on the basis of actuarial methods.

Life business premiums and technical provisions

The Life portfolio has been classified interpreting the concept of significant insurance risk envisaged by IFRS 4 as equivalent to a ratio of risk capital to the total mathematical provision of at least 10%.

The contracts in the portfolio have been classified at individual policy level.

Briefly, the breakdown of the portfolio is as follows:

Insurance contracts:

- Revaluable policies tied to the duration of human life (except for deferred capital, mixed and whole life and zero technical return rate);
- Non-revaluable policies (term life insurance);
- Deferred and immediate annuity policies;

Financial instruments containing a discretionary participating feature:

- Revaluable capitalisation policies (without guaranteed annuity coefficients);
- Revaluable policies tied to the duration of human life (deferred capital, mixed and whole life and zero technical return rate).

Financial instruments without discretionary participating feature:

Non-revaluable policies (deferred capital, capitalisations);
Indexed policies;
Unit-linked and index-linked policies with death benefit at market value.

Insurance contracts and financial instruments with discretionary participation feature are recognised and measured according to current Italian legislation and the adequacy of provisions is tested according to IFRS 4. This test verifies the adequacy of “net technical provisions” through comparison with the “realistic provision" determined according to the current value of future cash flows.
Contracts classified as financial instruments without discretionary participation are recognised according to IAS 39. For index-linked contracts with death benefit at market value, the service component, recognised according to IFRS 15, has been extrapolated:

- revenues and costs relating to the same transaction must be recognised simultaneously;
- revenues and costs from rendering of services must be recognised according to stage of completion of the transaction.

Stage of completion can be measured using various methods, also including the constant rate method unless it is evident that other methods would represent stage of completion more effectively. Therefore, the portion to be amortised of costs incurred on financial contacts (DAC) and, conversely, the portion not yet matured of revenues linked to such contracts (DIR) have been determined on a linear basis.
The financial component of the liabilities has been measured at fair value consistently with the underlying assets.

Shadow Accounting

Section 30 of IFRS 4 permits shadow accounting in order to match the value of the provision for policy liabilities relating to contracts inserted in Life separately managed accounts with the value of the financial assets inserted in separately managed accounts, determined according to IAS 39.
Financial assets assigned to separately managed accounts are included in the AFS financial assets and financial assets measured at FVTPL categories, both measured at fair value. According to this accounting practice, shareholders’ equity or the result for the period has been adjusted for a value equal to the difference between the fair value and the carrying amount of assets inserted in separately managed accounts, taking into account the average retrocession rate established in Life contracts and in compliance with guaranteed minimum rates.
In other words, the difference between the mathematical provision measured according to international accounting standards, and that measured according to Italian GAAP reflects the year’s portion of unrealised gains and unrealised losses relating to securities inserted in separately managed accounts that will be paid to policyholders only at the time of sale of the assets.

Financial liabilities measured at fair value through profit or loss

This category comprises financial liabilities held for trading in the near term, derivative financial instruments and liabilities designated by the enterprise as measured at fair value through profit or loss. This category comprises all Life business financial policies.
These items are recognised initially on the date of settlement at the fair value of the liability; direct transaction costs and proceeds are not considered at the time of initial recognition and are recognised directly in the income statement.
Subsequently, the liability is measured at fair value and the difference between the fair value and the carrying amount is recognised in the income statement.
A financial liability measured at fair value through profit or loss is derecognised in the balance sheet when the underlying obligation is settled, cancelled or fulfilled.

Other financial liabilities

This category comprises financial liabilities not held for trading. It reflects loans and mortgages received and reinsurers' deposits.
These items are recognised initially on the date of payment at fair value, increased by direct transaction costs.
Subsequently, these liabilities are recognised at amortised cost according to effective yield.
This item also includes lease liabilities. These are initially recognised based on the discounting of future payments and the decrease reflects payment of the principal portion and interest on lease liabilities.

A financial liability is derecognised when the underlying obligation is settled, cancelled or fulfilled.

Payables

This item reflects trade payables. In detail, it includes payables arising out of direct insurance operations and reinsurance operations and also employee termination benefits.

Employee benefits

The provision for employee termination indemnities is regarded as a defined benefit plan.

Payables and the cost of the benefits disbursed in the year, recognised in the income statement, are determined using the Projected Unit Credit Method, which envisages the estimation of future outflows according to statistical and demographic assumptions and the financial discounting of such flows based on a market interest rate. Actuarial gains and losses from the re-measurement of liabilities and assets at the reporting date are accounted for under equity through other comprehensive income.

Following the reform of supplementary pension schemes introduced by Law No. 296/06, a distinction must be made between:

- Termination indemnities, accrued at 31 December 2006: these are qualified as defined-benefit plans as they have not been modified by the aforementioned reform.
- Termination benefits accrued after 31 December 2006: as decided by each employee, termination benefits accruing are allocated to supplementary pension funds or transferred to the Treasury Fund set up at INPS. In both cases, termination benefits are classed as defined-benefit plans and the company recognises the quotas of contributions to supplementary pension funds and to the INPS Fund for the provision of work by employees in the income statement.

The healthcare policy for retired managers and the seniority bonuses for employees under the collective national employment contract, are classified as defined-benefit plans.

Tax assets and liabilities

Income taxes are determined according to the forecast tax liability calculated on the income of the Group based on the tax rate in force on the reporting date. The Parent and the Italian subsidiaries have exercised the option to participate in the national tax consolidation scheme. Current tax assets relating to items recognised directly in equity are also recognised in equity and not in the income statement. The Group regularly assesses its tax return position when interpretations of tax rules are issued and, when appropriate, makes the necessary provisions. Advance and deferred taxes have been calculated on the total amount of temporary differences between the values relevant for fiscal purposes and the carrying amounts, and on all adjustments made in accordance with IAS/IFRS guidance. In particular, deferred tax liabilities are recognised on all taxable temporary differences, except when the deferred tax liabilities arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the operating result nor the tax result.
Furthermore, prepaid taxes are recognised against all deductible temporary differences, tax credits and unused tax losses carried forward, to the extent that it is probable that sufficient future taxable income will be available to permit the use of the deductible temporary differences and of the tax credits and tax losses carried forward, except in cases where:

- the deferred tax asset related to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the operating result nor the tax result;
- in the case of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that they will reverse in the foreseeable future and that there will be sufficient taxable income to allow recovery of these temporary differences.

The carrying amount of prepaid taxes is reviewed on each reporting date and reduced to the extent that it is no longer likely that sufficient future taxable income will be available to allow all or part of the use of such credit. Prepaid taxes not recognised are reviewed on each reporting date and are recognised to the extent that it becomes likely that taxable income will be sufficient to allow recovery of these deferred tax assets.

Deferred taxes have been calculated at the rate of taxation that is expected to apply at the time of realisation of the asset or cancellation of the liability. Deferred tax assets are recognised in the income statement, except for those relating to items recognised directly in equity, in which case the respective deferred taxes are also recognised under equity.

Commissions receivable and payable

These items comprise commissions relating to investment contracts not within the sphere of application of IFRS 4. In particular, they reflect the year's portion of explicit and implicit loadings and of management commissions, as regards commissions receivable, and acquisition costs as regards commissions payable. The items also reflect commissions accrued by companies operating in the banking sector.

In particular, the Group accrues commission income for services supplied to its customers. Commissions receivable are recognised for an amount that reflects the consideration the Group expects to receive in exchange for the supply of services. Performance obligations and the respective deadlines are identified and determined at the start of the contract. The Group does not generally enter into contracts that envisage multiple performance obligations. When the Group supplies a service to its customers, consideration is invoiced and generally due immediately when the service is provided at a given time or at the end of the contract period when the service is provided over a period of time.

Income and charges on investments

- **Net income on financial instruments measured at fair value through profit or loss**

  This item comprises realised gains and losses and positive and negative changes of value of assets and liabilities included in the FVTPL category. The changes of value are measured according to the difference between fair value and carrying amount of the financial instruments recorded in this category.

- **Income/charges on investments in subsidiaries, associates and joint ventures**

  This item comprises income/charges deriving from investments in Group associated companies and joint ventures. In particular, it reflects Group interest in the result for the period of such associates.

- **Income on other financial instruments and investment property**

  The item includes:

  - income/charges and realised gains/losses on AFS investments;
  - income and charges on loans and receivables and other financial liabilities;
  - income and charges on real estate investments.

Other revenues

The item includes, in particular:

- revenues on the sale of goods, the rendering of services other than those of a financial nature and the use, by third parties, of property, plant and equipment and intangible assets and of other business assets;
- other technical income not linked to insurance contracts;
- exchange differences recognised in the income statement according to IAS 21;
- realised gains and any readjustments of value on intangible assets and property, plant and equipment.

Net charges for claims

This heading reflects claims paid, net of refunds, the change in the provisions for outstanding claims and other Non-life technical provisions, the change in the mathematical provision and other Life technical provisions, the change in technical provisions relating to contracts where the investment risk is borne by the policyholders relating to insurance contracts and financial instruments within the scope of application of IFRS 4. The amounts are disclosed before claim settlement costs and net of portions ceded in reinsurance.

Other costs

The item includes, in particular:

- costs relating to the sale of assets and supply of services other than of a financial nature;
- other net technical charges linked to insurance contracts;
- provisions made during the year;
- exchange differences recognised in the income statement according to IAS 21;
- realised losses, any permanent impairments of value and provisions relating to property, plant and equipment when not allocated to specific items - and intangible assets

UNCERTAINTIES CONCERNING THE USE OF ESTIMATES

The information required in accordance with section 125 of IAS 1 is provided below.

The Consolidated Financial Statements for 2019 have been presented clearly and provide a true and fair view of the assets and liabilities, financial position and operating results. Information about decisions made and the criteria used for estimations and valuations as required in accordance with international accounting standards is suitably illustrated in the explanatory notes.
The use of estimates and assumptions by the Directors may however affect the amounts written in terms of assets and liabilities, costs and revenues.
It is important to note that the estimates and hypotheses used, formulated on the basis of past experience and other reasonable assumptions, are subject to possible variations that could significantly affect the determination of the assets, liabilities, costs and revenues as reported in these accounts.
The following in particular are based on the use of subjective judgements:

- the estimated recoverability of goodwill stated in assets arising on company acquisitions;
- the determination of the fair value of financial assets and liabilities when not observable on active markets. Such measurements are subjective in that they use inputs that are not directly or indirectly based on market observables and therefore involve estimates and assumptions when making the valuation;
- the estimated recoverability of deferred tax assets;
- the quantification of provisions for other risks and charges and employee benefit funds, given the impossibility of ascertaining the amount or date of occurrence and applicable actuarial methods;
- the estimation of Non-life technical provisions.

CONSOLIDATION AREA

List of Group equity investments

As at 31 December 2019, Reale Group was made up of sixteen companies, of which six insurers, two real estate companies, a bank, five service providers and two insurance holdings. Fifteen companies, of which five insurance undertakings, have been fully consolidated, while one insurance undertaking has been valued by the equity method insofar as it is a joint venture.

In January 2019, Uniqa Intermediazioni S.r.l. was renamed REM Intermediazioni S.r.l.

The schedules that follow illustrate, respectively, fully-consolidated equity investments and those consolidated by the equity method.

Fully consolidated companies

Company	Sector	% direct	Company and % indirect		Group interest
SOCIETA' REALE MUTUA DI ASSICURAZIONI					
Turin	insurance	-	-	-	-
Guarantee fund € 60,000,000	Non-life and Life				
ITALIANA ASSICURAZIONI S.p.A.					
Milan	insurance	99.92	-	-	99.92
Share Capital € 57,626,358	Non-life and Life				
REALE SEGUROS GENERALES S.A.					
Madrid	insurance	95.00	Italiana Assicurazioni S.p.A.	5.00	100.00
Share Capital € 87,425,600	Non-life				
REALE VIDA Y PENSIONES S.A.					
Madrid	insurance	5.00	Reale Seguros S.A.	95.00	100.00
Share Capital € 15,000,000	Life				
REALE CHILE SEGUROS GENERALES S.A.					
Santiago	insurance	-	Reale Group Chile S.p.A.	99.99	99.52
Share Capital € 49,367,770	Non-life	-	Reale Group Latam S.p.A.	0.01	
REALE IMMOBILI S.p.A.					
Turin	real estate	85.92	Italiana Assicurazioni S.p.A.	14.08	99.99
Share Capital € 209,500,000					
BANCA REALE S.p.A.					
Turin	banking	95.00	Italiana Assicurazioni S.p.A.	5.00	100.00
Share Capital € 30,000,000					
REALE ITES S.r.l.					
Turin	services	88.13	Italiana Assicurazioni S.p.A.	2.00	100.00
Share Capital € 86,268,168			Reale Seguros S.A.	9.85	
			Reale Vida S.A.	0.01	
			Banca Reale S.p.A.	0.01	
REALE ITES Esp S.l.					
Madrid	services	-	Reale Seguros S.A.	50.50	100.00
Share Capital € 17,503,000			Reale Ites S.r.l.	49.50	
BLUE ASSISTANCE S.p.A.					
Turin	services	100.00	-	-	100.00
Share Capital € 3,120,000					
IGAR S.A.					
Madrid	real estate	46.81	Reale Seguros S.A.	53.19	100.00
Share Capital € 67,664,907					
REALE GROUP LATAM S.p.A.					
Santiago	holding	-	Reale Seguros S.A.	100.00	100.00
Share Capital € 55,190,276	insurance				
REALE GROUP CHILE S.p.A.					
Santiago	holding	-	Reale Group Latam S.p.A.	99.52	99.52
Share Capital € 55,624,472	insurance				
ITALNEXT S.r.l.					
Milan	services	-	Italiana Assicurazioni S.p.A.	100.00	99.92
Share Capital € 50,000					
REM INTERMEDIAZIONI S.r.l.					
Milan	services	-	Italiana Assicurazioni S.p.A.	100.00	99.92
Share Capital € 10,000					

Companies valued by the equity method

Company	Sector	% direct	Company and % indirect		Group interest
CREDEMASSICURAZIONI S.p.A.					
Reggio Emilia	insurance	50.00	-	-	50.00
Share Capital € 14,097,120	Non-life				

INFORMATION REGARDING THE CONSOLIDATED BALANCE SHEET

1. INTANGIBLE ASSETS

(in € thousands)

	31.12.2019	31.12.2018	Change
Goodwill	256,712	256,712	0
Other intangible assets	129,400	132,652	-3,252
Total	**386,112**	**389,364**	**-3,252**

Goodwill

The movement on this item is detailed in the table below:

(in € thousands)

	31.12.2019	31.12.2018
Gross value at the start of the year	264,033	274,567
Permanent impairments of value recorded in previous years	-7,321	-7,321
Sub-total	**256,712**	**267,246**
Increase for the year	0	0
Reductions due to transfers and reclassifications	0	-10,534
Impairments of value recorded in the year	0	0
Other changes	0	0
Total	**256,712**	**256,712**

Goodwill amounted to € 256,712 thousand and stemmed from the following operations:

- Reale Seguros: incorporation of Imperio Vida y Diversos, Union Aseguradora and Mutual Flequera:	182,175
- Consolidation difference on CredemAssicurazioni:	18,939
- Consolidation difference on Uniqa companies:	55,598
of which: Uniqa Assicurazioni CGU	*9,377*
of which: Uniqa Previdenza CGU	*38,716*
of which: Uniqa Life CGU	*7,505*

The goodwill arising on incorporation of Imperio Vida y Diversos S.A., Union Aseguradora S.A. and Mutual Flequera S.A. by Reale Seguros in 2003, 2005 and 2007, respectively, reflects the residual value of the positive difference between the purchase cost and the carrying amounts of the assets and liabilities acquired by the Group.
The goodwill arising on consolidation of the investment in CredemAssicurazioni by the Parent, carried out in 2012, reflects the positive difference between the purchase cost and the fair value of the assets and liabilities acquired.

The goodwill arising on consolidation of the investments in Uniqa Assicurazioni, Uniqa Previdenza and Uniqa Life, in 2017, reflects the positive difference between the price paid by Reale Mutua to acquire the Uniqa Italia Group and the fair value of the assets and liabilities acquired, net of the portion of goodwill allocated to customer relationships within twelve months after the acquisition.

Allocation of goodwill

Goodwill, regardless of its origin, is allocated to the CGUs - Cash Generating Units – that are expected to benefit from the synergies of the business combination, as prescribed by IAS 36.80.

Reale Group adopts the general rule that the CGU is identified as the company acquired, at least for as long as it represents the level at which goodwill is monitored for the purposes of internal management.

In the case of operations that resulted in incorporation of a company or business unit by the Reale Seguros subsidiary in previous years, starting from financial 2012 the Group has identified the CGU as the merging company.

Following the merger of the Uniqa companies with Italiana Assicurazioni, in 2018, the consolidation difference arising on the acquisition of the Uniqa companies has been attributed, from this year, to the merging company, Italiana Assicurazioni. Specifically, the consolidation difference arising on the acquisition of the Non-life insurance company Uniqa Assicurazioni has been attributed to the Italiana Assicurazioni Non-life CGU, and the consolidation differences arising on the acquisition of the Life insurance companies Uniqa Previdenza and Uniqa Life have been attributed to the Italiana Assicurazioni Life CGU. It was in fact noted that, with reference to the merged companies, there is no longer a clear-cut distinction between the divisions or brands or the technical and insurance management activities either in terms of products or in terms of claims handling and management of the network with respect to the merging company Italiana Assicurazioni

The decision to consider Reale Seguros and Italiana Assicurazioni (Non-life and Life businesses) as the entities upon which to conduct the impairment test is entirely in line with the definition of CGU as set forth in IAS 36.

The goodwill allocated during first-time adoption on the date of transition to IFRS/IAS (1 January 2004) was equal to the total amount of the goodwill “inherited” as such on 31 December 2003, insofar as business combinations that occurred prior to such date have not been redetermined, as permitted by IFRS 1.

Impairment Tests

The Group carries out impairment tests on goodwill allocated to CGUs when preparing the annual accounts. In fact, according to IAS 36 “Impairment of Assets”, IAS 38 “Intangible Assets” and IFRS 3 “Business combinations”, insofar as goodwill has an indefinite useful life, it is not systematically amortised but must be tested for impairment.

The carrying amount of the CGU corresponds to the aggregate consisting of assets, liabilities and shareholders’ equity of the legal entity and related goodwill (so-called equity side), equivalent to the contribution of the CGU to consolidated shareholders’ equity.
The recoverable amount of the CGU is determined only according to the value in use model as it is not possible to determine the fair value net of costs to sell. Practically speaking, value in use is determined for Non-life CGUs by estimating forecast incoming and outgoing cash flows that will be generated or absorbed by the CGU, discounted at a pre-established rate (Discounted Cash Flow - DCF), and for Non-life CGUs using the Appraisal Value method.

The main parameters and results of the impairment tests on **Non-life CGUs** (Reale Seguros, CredemAssicurazioni and Italiana Assicurazioni - Non-life business) are shown below.
For the Discounted Cash Flow method, the plans approved by the respective Boards of Directors were used, all of which cover a three-year period except for that of Reale Seguros (7 years).
Forecast cash flows also comprise premiums and charges relating to the management of insurance policies and income and charges relating to financial assets in the portfolio insofar as closely linked to the nature of insurance business. Consequently, cash flows tend to coincide with the net result of the CGU.
The discount rate adopted is the cost of equity, determined as the sum of the risk-free rate of return and a premium for risk that, in turn, depends on the systematic risk profile of the company to which the valuation refers, measured via a ß coefficient.

The methods used to calculate the discount rate adopted for the Non-life CGUs are shown below:

	Risk-free rate	ß	Risk premium	Cost of capital
Reale Seguros Non-life CGU	0.35%	0.64	5.20%	**3.70%**
Italiana Ass.ni and CredemAssicurazioni Non-life CGU	1.14%	0.64	5.20%	**4.49%**

For the Spanish CGU, the risk-free rate was taken as being equal to the yield on ten-year Spanish government bonds, and for the Italian CGUs as being equal to the yield on ten-year Italian BTPs on the valuation date (average of the previous 3 months, thus corresponding to the period from 30 September 2019 to 31 December 2019). The ß coefficient was determined as the average of the variations in securities (Non-life segment) issued by European insurers with respect to changes on the market. The Market Risk Premium represents the compensation for an investment where the risk is higher than that of a risk-free asset.
Value in use of Non-life CGUs comprises the respective terminal value, determined through capitalisation of cash flows generated after the explicit forecast period adopting perpetual annuity formulas. In particular, the last cash flow has been discounted assuming a perpetual growth rate of 1%.
A summary of the results of the impairment test is provided in the table below:

(in € thousands)

	Reale Seguros CGU	CredemAssicurazioni CGU	Italiana Assicurazioni Non-life CGU
Carrying amount	624,285	45,559	368,024
Recoverable value	1,452,532	167,429	893,230

A sensitivity analysis was carried out on the valuations made with the DCF method, assuming fluctuations of the discount rate of +/- 1% correlated to changes in the growth rate adopted to calculate terminal value in a range of between 0.5% and 1.5%.

A summary of the results of the analysis is set forth in the table below:

REALE SEGUROS
Change in the recoverable amount of the CGU

	Terminal Value growth rate		
Discount rate	**0.50%**	**1.00%**	**1.50%**
2.70%	1,829,450	2,299,749	3,161,962
3.70%	1,260,646	**1,452,532**	1,731,586
4.70%	963,832	1,064,650	1,196,973

CREDEMASSICURAZIONI
Change in the recoverable amount of the CGU

	Terminal Value growth rate		
Discount rate	**0.50%**	**1.00%**	**1.50%**
3.49%	196,724	233,410	288,532
4.49%	148,188	**167,429**	193,105
5.49%	119,113	130,846	145,519

ITALIANA ASSICURAZIONI - NON-LIFE Change in the recoverable amount of the CGU			
	Terminal Value growth rate		
Discount rate	**0.50%**	**1.00%**	**1.50%**
3.49%	1,047,957	1,241,621	1,532,605
4.49%	791,659	**893,230**	1,028,771
5.49%	638,091	700,028	777,488

Likewise, the assumptions, parameters and results of the impairment tests on the **Life CGU** (Italiana Assicurazioni - Life) are detailed below.

Value in use was estimated as the sum of the following components:

Adjusted Net Asset Value ("ANAV"- Net equity adjusted to current values);
Value of In-Force business ("VIF" – Present value of future earnings on contracts in force on the valuation date, net of reinsurance, taxes, the relative operating expenses and imputed costs for maintaining the capital levels required by the insurance supervisory authority);
New Business Value ("NBV" – Value of future net earnings considering cash flows generated by new products, net of reinsurance, cost of the risk margin and taxes).
The sum of ANAV and VIF is the Market Consistent Embedded Value ("MCEV").
The ANAV was calculated based on the shareholders' equity of the CGU at 31 December 2019, to which the adjustments were made for the difference between the fair value of certain balance sheet items and the respective carrying amounts.

The VIF is equal to the sum of the Present Value of Future Profit ("PVFP"), including the Term Value of Options and Guarantees (TVOG), calculated using an appropriately adjusted risk-neutral approach (for example, derecognition of provisions for guaranteed interest rate risk, demographic risk, future charges).

Each NBV was determined by adopting an "open portfolio" approach, i.e., by increasing the portfolio in force with the portfolio of new products.

The results of the impairment test were positive in that the recoverable amount was equal to € 476,979 thousand, against a carrying amount of € 407,766 thousand.

Sensitivity analyses were carried out on the above amounts, using the two different scenarios:
Financial sensitivity, considering a set of scenarios where the average return for each tenor coincided with the curve provided by EIOPA without volatility adjustment (VA), at 31 December 2019;
Technical sensitivity, considering a 50% increase in the redemption rate.

A summary of the results of the analysis is provided below:

ITALIANA ASSICURAZIONI - LIFE business Change in the recoverable amount of the CGU		
Financial sensitivity	**Baseline scenario**	**Technical sensitivity**
EIOPA curve without VA		**+50% redemption rate**
453,019	476,979	481,836

Impairment tests carried out as described above revealed no impairment of goodwill as at 31 December 2019.

Other intangible assets

(in € thousands)

	Other intangible assets		Total
	Software	Other	
Gross initial balance	**479,695**	**38,011**	**517,706**
Purchases	37,745	460	38,205
Decreases following sale or reclassification	-28,852	-1,951	-30,803
Increases deriving from business combinations	0	0	0
Impairments of value	0	0	0
Reversals of write-downs	0	0	0
Other changes	404	-482	-78
Gross final balance	**488,992**	**36,038**	**525,030**
Initial accumulated depreciation	**-379,825**	**-5,229**	**-385,054**
Depreciation for the period	-38,687	-2,566	-41,253
Other changes	28,245	2,432	30,677
Final accumulated depreciation	**-390,267**	**-5,363**	**-395,630**
Carrying amount at year-end	**98,725**	**30,675**	**129,400**

Other intangible assets reflect the costs of software for long-term use and other assets.

Software assets have a definite useful life and are amortised at rates of between 20% and 33%.

The main items stated under purchases refer to the Reale Ites subsidiary and are linked to the development of strategic projects. These included, in particular, the total or partial start-up of the TOM, Uniqa, Internal Model, IDD2 and VAT Group/Electronic invoicing strategic projects.

Software licences and IT programs, with the respective accumulated depreciation, were disposed of during the year. The effect on decreases following sale or reclassification amounted to € 28,852 thousand, and the effect on other changes in accumulated depreciation amounted to € 28,708 thousand.

Other intangible assets primarily comprise the following items:

- Customer relationships for € 15,226 thousand. This intangible asset reflects the value of customer relationships of the former Uniqa Assicurazioni companies. In particular, the duration of the Company's previous contractual relationships was analysed using a Lifting Curve Analysis, considering the churn rate observed between 2008 and 2017. This intangible asset has a limited useful life (6.75 years) and is thus subject to amortisation. The carrying amount of this asset, net of accumulated depreciation, was € 10,151 thousand and it was not impaired during the year as there are no indicators of a reduction in value;
- the exclusive sale of insurance products through the bank channel under the agreement between the Reale Seguros subsidiary and the Spanish bank BBVA signed in 2013, recorded for € 20,000 thousand. This was classified as an intangible asset with an indefinite useful life and thus tested for impairment. The carrying amount corresponds to the price paid, equal to € 20,000 thousand. The recoverable amount was determined according to the value in use model as it was not possible to determine the fair value net of sale costs. Practically speaking, value in use is determined by estimating forecast cash flows, discounted at a pre-established rate (Discounted Cash Flow). The parameters used (discount rate and growth rate) are those used for the impairment test on the goodwill of Reale Seguros. The results of the impairment test were positive in that the recoverable amount was equal to € 122,977 thousand, against a carrying amount of € 20,000 thousand. A sensitivity analysis was carried out on the valuations made with the DCF method, assuming fluctuations of the discount rate of +/- 1% correlated to changes in the growth rate adopted to calculate terminal value in a range of between 0.5% and 1.5%. A summary of the results of the analysis is provided below:

SALES AGREEMENT WITH BBVA Change in the recoverable amount of the CGU			
	Terminal Value growth rate		
Discount rate	**0.50%**	**1.00%**	**1.50%**
2.70%	152,361	194,486	271,715
3.70%	105,224	**122,977**	148,860
4.70%	80,540	90,219	102,923

2. PROPERTY, PLANT AND EQUIPMENT

(in € thousands)

	31.12.2019	31.12.2018	Change
Real property			
Real estate used in company operations:			
Land	120,446	116,000	4,446
Buildings	174,419	164,354	10,065
Accumulated depreciation	-48,526	-43,153	-5,373
Net value	**246,339**	**237,201**	**9,138**
Rights-of-use under lease contracts:			
Rights-of-use	8,313	0	8,313
Accumulated depreciation	-1,157	0	-1,157
Net value	**7,156**	**0**	**7,156**
Total net value of buildings	**253,495**	**237,201**	**16,294**
Other property, plant and equipment			
Other property, plant and equipment:			
Gross value	207,531	221,288	-13,757
Accumulated depreciation	-175,380	-189,725	14,345
Net value	**32,151**	**31,563**	**588**
Rights-of-use under lease contracts:			
Rights-of-use	30,034	0	30,034
Accumulated depreciation	-16,276	0	-16,276
Net value	**13,758**	**0**	**13,758**
Total net value of other property, plant and equipment	**45,909**	**31,563**	**14,346**
Total	**299,404**	**268,764**	**30,640**

Real property

Real estate stated under property, plant and equipment includes that used in company business. These items are recognised at cost and, after unbundling of the land, are depreciated on a straight-line basis over their useful life. The depreciation rate used was generally 3%. The land was unbundled on the basis of appraisals made in 2005 which provided a reliable benchmark for measuring the values on the date of transition (1 January 2004).
The value of Group real estate is tested regularly. In particular, insurance companies are required to comply with the provisions of the Supervisory Authority regarding determination of the market value of real estate used in company operations.

The Group carried out a complete assessment of its real estate assets on 31 December 2018. In financial 2019, the value of its property assets was only revised where internal or external factors had resulted in changes in relation to the previous year; when the value of properties was unchanged, the value recorded at 31 December 2018 was confirmed.

The market value was calculated using the equity method, based on the intrinsic and extrinsic features of the assets and their profitability. Company-specific factors not economically relevant for the market are not taken into account.
The carrying amount of real estate used in company operations is € 80 million lower than the market value determined by the appraisals.

The movement on this item is set out in the table below:

(in € thousands)

	Land	Buildings	Leased assets	Total
Gross initial balance	**116,000**	**164,354**	**0**	**280,354**
Purchases and costs for improvements	1,976	10,136	0	12,112
Decreases following sale or reclassification	0	-742	0	-742
Increases deriving from business combinations	0	0	0	0
Impairments of value	0	-3,426	0	-3,426
Reversals of write-downs	0	758	0	758
Other changes	2,470	3,339	8,313	14,122
Gross final balance	**120,446**	**174,419**	**8,313**	**303,178**
Initial accumulated depreciation		**-43,153**	**0**	**-43,153**
Depreciation for the period		-4,464	-1,157	-5,621
Other changes		-909	0	-909
Final accumulated depreciation		**-48,526**	**-1,157**	**-49,683**
Carrying amount at year-end	**120,446**	**125,893**	**7,156**	**253,495**

Purchases and costs for improvements for the year mainly refer to the Reale Immobili subsidiary for € 5,402 thousand for reconstruction and renovation work on buildings, and to the Parent for € 3,461 thousand for work carried out on the HQ building and on the new social and recreational club facility.

Right-of-use assets acquired under lease contracts mainly refer, for € 3,455 thousand, to the Parent for the lease of buildings used to house claims settlement offices, for € 2,652 thousand to the Banca Reale subsidiary for the lease of buildings used to house branches of the bank and for € 1,745 thousand to the Chilean subsidiary Reale Group Chile for the lease of buildings used to house agencies.

The permanent impairments recorded during the year refer to real estate for which the carrying amount exceeds the market value as determined by specific appraisals; the difference between the carrying amount and the value that emerged from the appraisal was therefore considered to represent a permanent impairment. Write-downs refer to building units owned by the subsidiaries Reale Seguros, for € 2,386 thousand, Reale Immobili for € 922 thousand, and Igar for € 118 thousand.

The other changes in the land and buildings items mainly derive from the correct allocation of buildings owned by Italiana Assicurazioni and Reale Immobili under property used in business operations and investment property.

Other property, plant and equipment

(in € thousands)

	Office furniture and machines	Plant	Other property, plant and equipment	Leased assets	Total
Gross initial balance	**119,808**	**91,235**	**333**	**9,912**	**221,288**
Purchases and costs for improvements	4,824	4,611	56	0	9,491
Decreases following sale or reclassification	-12,794	-490	0	0	-13,284
Increases deriving from business combinations	0	0	0	0	0
Impairments of value	0	0	0	0	0
Reversals of write-downs	0	0	0	0	0
Other changes	-35	-16	0	20,121	20,070
Gross final balance	**111,803**	**95,340**	**389**	**30,033**	**237,565**
Initial accumulated depreciation	**-107,754**	**-71,809**	**-250**	**-9,912**	**-189,725**
Depreciation for the period	-3,924	-4,823	-45	-6,363	-15,155
Other changes	12,731	493	0	0	13,224
Final accumulated depreciation	**-98,947**	**-76,139**	**-295**	**-16,275**	**-191,656**
Carrying amount at year-end	**12,856**	**19,201**	**94**	**13,758**	**45,909**

Other property, plant and equipment mainly include instrumental assets used by Group companies to carry out their business, such as furniture, hardware, machinery and equipment.

Purchases, for € 9,491 thousand, were made by the Parent for the HQ building and for the new social and recreational club facility, and by Reale Ites to purchase electronic equipment.

Right-of-use assets acquired under lease contracts refer to the rental of data centre hardware and company cars.

Decreases mainly refer to the disposal of plant and machinery and electronic equipment by the Italiana Assicurazioni subsidiary.

3. REINSURERS' SHARE OF TECHNICAL PROVISIONS

This item amounted to a total of € 674.048 thousand and refers to direct business for € 671,247 thousand and to inward reinsurance for € 2,801 thousand. The detail is as follows:

(in € thousands)

	31.12.2019	31.12.2018	Change
Non-life provisions for unearned premiums	127,917	119,093	8,824
Non-life provisions for claims outstanding	344,167	376,290	-32,123
Other Non-life provisions	0	0	0
Provision for sums to be paid	18,051	20,278	-2,227
Provisions for policy liabilities	175,115	196,963	-21,848
Technical provisions where the investment risk is borne by the policyholders and relating to the administration of pension funds	6,768	6,454	314
Other Life provisions	2,030	1,744	286
Total	**674,048**	**720,822**	**-46,774**

The breakdown of such provisions between ceded and retroceded is set forth in the IVASS annex "Breakdown of reinsurers' share of technical provisions".

4. INVESTMENTS

(in € thousands)

	31.12.2019	31.12.2018	Change
Investment property	1,046,247	1,037,474	8,773
Equity investments in subsidiaries, associates and j.v.	26,621	20,871	5,750
Investments held to maturity	27,418	23,514	3,904
Loans and receivables	657,151	610,056	47,095
AFS financial assets	15,941,374	14,597,478	1,343,896
Financial assets measured at FVTPL	2,037,567	1,658,970	378,597
Total	**19,736,378**	**17,948,363**	**1,788,015**

Investment property

Real estate stated under investment property is intended for rental to third parties.
These items are recognised at cost, in accordance with IAS 16, to which IAS 40 refers in the case of adoption of the cost model and, after unbundling of the land, are depreciated on a straight-line basis according to their useful life.
For the Italian companies, the value of the land has been unbundled from that of the building according to appraisals made in 2005, which provide a reliable benchmark for measuring the values on the date of transition (1 April 2004). With regard to the Spanish companies, the value of the land is already unbundled from that of the buildings in the statutory accounts according to Spanish GAAP.
A depreciation rate of between 1% and 3% was applied.
The value of Group real estate is tested regularly. In particular, insurance companies are required to comply with the provisions of the Supervisory Authority regarding determination of the market value of their investment property.

The Group carried out a complete assessment of its real estate assets on 31 December 2018. In financial 2019, the value of its property assets was only revised where internal or external factors had resulted in changes in relation to the previous year; when the value of properties was unchanged, the value recorded at 31 December 2018 was confirmed.
The market value was calculated using the equity method, based on the intrinsic and extrinsic features of the assets and their profitability. Company-specific factors not economically relevant for the market are not taken into account.
The carrying amount of investment property is € 683 million lower than the market value determined by the appraisals.

The movement on this item is set out in the table below.

(in € thousands)

	Land	Buildings	Leased assets	Total
Gross initial balance	**411,744**	**784,268**	**0**	**1,196,012**
Purchases and costs for improvements	0	77,186	0	77,186
Decreases following sale or reclassification	-9,203	-52,662	0	-61,865
Increases deriving from business combinations	0	0	0	0
Impairments of value	0	-817	0	-817
Reversals of write-downs	0	1,816	0	1,816
Other changes	-2,470	-2,178	1,564	-3,084
Gross final balance	**400,071**	**807,613**	**1,564**	**1,209,248**
Initial accumulated depreciation		**-158,538**	**0**	**-158,538**
Depreciation for the period		-11,875	-84	-11,959
Other changes		7,496	0	7,496
Final accumulated depreciation		**-162,917**	**-84**	**-163,001**
Carrying amount at year-end	**400,071**	**644,696**	**1,480**	**1,046,247**

Purchases and costs for improvements mainly refer to reconstruction and renovation work by the Reale Immobili subsidiary.

Decreases following sale or reclassification include the value of property sold during the year and the reclassification of units owned by the Reale Immobili subsidiary previously stated under investment property, as property used in business operations or held for sale.

Equity investments in subsidiaries, associates and joint ventures

The Reale Mutua Parent fully consolidates all subsidiaries including those that carry out dissimilar activities. This item therefore includes the interest in CredemAssicurazioni, a joint venture, valued by the equity method, amounting to € 26,621 thousand.

Investments held to maturity

This item, totalling € 27,418 thousand, comprises the financial instruments, consisting entirely of Italian government securities, in the portfolio of the Banca Reale subsidiary and held as a stable investment of liquidity, to benefit from the cash flows generated over the entire life of those instruments.

Loans and receivables

(in € thousands)

	31.12.2019	31.12.2018	Change
Debt securities	16,580	30,844	-14,264
Loans and receivables from bank customers	446,280	369,652	76,628
Interbank loans	14,281	15,521	-1,240
Deposits with ceding undertakings	2,861	3,095	-234
Other loans and receivables	177,149	190,944	-13,795
Total	**657,151**	**610,056**	**47,095**

Debt securities, with a fair value of € 16.6 million, comprise bonds not listed on an active market. The decrease in this item, for € 14.3 million, refers to substantial repayments of two ENEL bonds in the portfolio. No impairments of value were recorded on debt securities belonging to this category held in the portfolio at 31 December 2019.

Interbank loans reflect receivables by the consolidated Banca Reale from other credit institutes for active deposits.

Other loans and receivables include, as established by IVASS Regulation No. 7, receivables from incoming agents for refund of severance allowances paid to discontinued agents for € 100 million (net of write-downs for € 3 million), loans to employees and agents for € 44.8 million (net of the respective adjustment provisions for € 823 thousand), the interest-bearing loan held by the Parent deriving from the partial disposal of the stake in Sara Assicurazioni for € 26.9 million, non-sight deposits and repo agreements for around € 1 million and loans on Life policies for approximately € 4 million.

AFS financial assets

(in € thousands)

	31.12.2019	31.12.2018	Change
Capital securities	178,096	258,613	-80,517
Debt securities	15,203,354	13,692,732	1,510,622
Shares of UCIs	559,924	646,133	-86,209
Total	**15,941,374**	**14,597,478**	**1,343,896**

The entire portfolio of AFS financial assets is recognised at fair value, except for some unlisted shares, valued at cost, for an amount of around € 19 million for which the fair value cannot be determined in a reliable manner.

The debt securities mainly comprise bonds issued by governments or supranational entities as specified in the section “Information on risks (Liquidity risk)”.

Shares of UCIs include shares in the GRIES property investment fund, all held by the Reale Immobili subsidiary, the value of which amounted to € 6,587 thousand.
In accordance with the disclosure requirements of IFRS 12, information about the aforesaid interest as at 31 December 2019 is provided below:

- the total value of the investment property held by the fund is equal to € 6,232 thousand;
- no dividends were paid to shareholders during the year;
- the appraisal of the overall value of the real estate by independent experts generated a valuation loss of € 653 thousand;
- the loan granted to the GREIS fund by the Banca Reale subsidiary was fully repaid in 2019. During the year the loan generated interest income for € 21 thousand.

The AFS capital reserve, before taxes and shadow accounting items, amounted to approximately € 1,150 million and comprised latent gains for around € 1,167 million and latent losses of around € 17 million.

With regard to impairments of value recognised in the income statement in the period, a summary of the related amounts according to each type of financial asset is provided below:

(in € thousands)

	31.12.2019	31.12.2018
Debt securities	-3	-49
Capital securities	-2,168	-802
Shares of UCIs	-2,135	-484
Total	**-4,306**	**-1,335**

The application of the rules for impairment testing as at 31 December 2019, in accordance with the Group's accounting policy, determined reductions in value for € 4,306 thousand, of which € 1,664 thousand relating to securities that had already been written down in previous years.

Financial assets at fair value through profit or loss

(in € thousands)

		31.12.2019	31.12.2018	Change
Financial assets held for trading	Debt securities	8,229	10,165	-1,936
	Capital securities	0	0	0
	Shares of UCIs	0	272	-272
	Other financial investments	835	772	63
Total		**9,064**	**11,209**	**-2,145**
Financial assets designated at FVTPL	Debt securities	588,881	568,742	20,139
	Capital securities	207,549	166,989	40,560
	Shares of UCIs	1,240,304	911,409	328,895
	Other financial investments	-8,231	621	-8,852
Total		**2,028,503**	**1,647,761**	**380,742**
Total financial assets at FVTPL		**2,037,567**	**1,658,970**	**378,597**

Financial assets designated at fair value through profit or loss comprise investments where the risk is borne by Life policyholders and relating to the administration of pension funds for € 2,075 million.
Financial assets held for trading reflect net valuation gains for a total of around € 0.5 million, while financial assets designated at fair value through profit or loss include net valuation gains for a total of around € 133 million.

* * *

It should be noted that, during the year, no reclassifications were made between the above categories of assets.

5. MISCELLANEOUS RECEIVABLES

(in € thousands)

	31.12.2019	31.12.2018	Change
Receivables arising out of direct insurance operations	887,485	826,649	60,836
Receivables arising out of reinsurance operations	144,712	137,634	7,078
Other receivables	323,749	237,506	86,243
Total	**1,355,946**	**1,201,789**	**154,157**

The carrying amount of trade and other receivables is considered to be aligned with their fair value. Trade receivables do not produce interest and fall due in the short term.

With reference to receivables from insured parties, agents and insurance and reinsurance companies, the Group is not affected by any particular concentrations of credit risk insofar as exposure is spread across a large number of counter parties.

Receivables arising out of direct insurance operations

(in € thousands)

	31.12.2019	31.12.2018	Change
Receivables from policyholders	483,269	443,223	40,046
Receivables from agents	268,472	259,769	8,703
Receivables from companies c/a	53,109	36,692	16,417
Sums to be recovered	82,635	86,965	-4,330
Total	**887,485**	**826,649**	**60,836**

Receivables from policyholders are stated net of the write-downs of € 38,077 thousand. The allowance for doubtful debts is mainly allocated to the Surety, TPL land vehicles, Non-motor TPL, Fire, Other property damage and Personal accident businesses.

The allowance for doubtful debts allocated to receivables from agents amounted to € 12,299 thousand and current accounts with insurance companies are written net of the allowance for doubtful debts for € 2,827 thousand.

Receivables arising out of reinsurance operations

(in € thousands)

	31.12.2019	31.12.2018	Change
Receivables from reinsurance companies	134,367	127,413	6,954
Receivables from reinsurance intermediaries	10,345	10,221	124
Total	**144,712**	**137,634**	**7,078**

This item is stated net of the related allowance for doubtful accounts of € 106 thousand.

Other receivables

(in € thousands)

	31.12.2019	31.12.2018	Change
Receivables from tenants	17,334	18,081	-747
Receivables from Tax Authorities	220,594	147,904	72,690
Miscellaneous receivables	85,821	71,521	14,300
Total	**323,749**	**237,506**	**86,243**

Other receivables are shown net of the allowance for doubtful debts for a total of € 12,575 thousand, of which € 11,722 thousand refer to receivables from tenants.

Receivables from the tax authorities include receivables other than those for income taxes for the year. In particular, they include receivables for VAT and also advances paid on the tax on insurance premiums. The increase in this item is mainly due to the increase in the advance payable on premium tax in Non-life business, as established by the 2019 Budget Law (Law No. 145 of 30 December 2018).

Miscellaneous receivables comprise, among other items, negative variation margins on interest rate swaps of the Parent for € 11,100 thousand, Parent receivables from Consap for management of the Road Victims Fund for € 6,081 thousand and receivables under VAT grouping rules for € 6,578 thousand.
It also includes receivables, for € 24,772 thousand, accrued by Uniqa Previdenza payable by Veneto Banca, by way of adjustment of the fee paid by the former to purchase 90% of the shares in Uniqa Life. When Veneto Banca was placed into liquidation (25 June 2017), the latter accrued receivables for the "price adjustment" of the interest in Uniqa Life, as envisaged by the contract of sale between Uniqa Previdenza and Veneto Banca, signed on 22 June 2009. This amount receivable, though payable by a company placed into forced liquidation, has a presumed realisable value that is equal to its nominal value in that it is guaranteed under the settlement agreement between Reale Mutua and Uniqa Austria on 13 October 2017, in favour of Uniqa Previdenza (now Italiana Assicurazioni). In accordance with this agreement, Uniqa Austria made a payment of € 25,000 thousand to Italiana Assicurazioni, as reported in the section on other payables in these notes.

6. OTHER ASSETS

(in € thousands)

	31.12.2019	31.12.2018	Change
Non-current assets or of a disposal group HFS	3,006	2,119	887
Deferred acquisition costs	0	0	0
Deferred tax assets	355,668	247,642	108,026
Current tax assets	177,215	186,184	-8,969
Other assets	160,650	126,553	34,097
Total	**696,539**	**562,498**	**134,041**

Non-current assets or of a disposal group HFS

This item, amounting to € 3,006 thousand, refers to the value of the properties owned entirely by the Reale Immobili subsidiary for which the preliminary contract of sale had already been entered into as at 31 December 2019.

Deferred tax assets

Deferred tax assets are calculated on the total amount of temporary differences between the carrying amount of the assets and liabilities recognised in the balance sheet and the respective fiscal value as established by IAS 12 and considering the possibility of recovery at a later date.
The temporary differences stem mainly from value re-adjustments on financial assets for around € 176 million, write-downs of receivables from policyholders and other receivables for around € 72 million, provisions for future risks and charges for approximately € 35 million, changes in provisions for outstanding claims for about € 25 million, adjustments to deferred acquisition costs as a consequence of application of Group accounting standards for about € 13 million and the adjustment of the value of assets for around € 11 million.

Current tax assets

Current tax assets reflect receivables from the tax authorities for withholdings and receivables for income taxes. In accordance with ISVAP Regulation No. 7, they also include amounts deriving from recognition of taxes on mathematical provisions pursuant to article 1(2) of Legislative Decree No. 209/02 as converted by Law No. 265/2002 as amended.

Other assets

(in € thousands)

	31.12.2019	31.12.2018	Change
Premium payments	90,912	70,696	20,216
Indemnities discontinuous agents pending reimbursement	10,976	6,321	4,655
Deferred commissions payable on investment contracts (DAC)	21,125	16,931	4,194
Miscellaneous assets	37,637	32,605	5,032
Total	**160,650**	**126,553**	**34,097**

Deferred commissions payable, equal to € 21,125 thousand, refer to costs on investment contracts without discretionary participation feature not within the scope of IFRS 4. Such amounts, consistently with the requirements of IFRS 15, have been deferred and amortised according to the average residual term of the contracts.

7. CASH AT BANK AND IN HAND AND CASH EQUIVALENTS

At year-end, this item amounted to € 241,245 thousand compared with € 153,698 thousand at 31 December 2018.
It includes Group bank current accounts and short-term deposits. The carrying amount of such assets is aligned with their fair value.

1. SHAREHOLDERS' EQUITY

Group interest in shareholders' equity amounted to € 2,779,071 thousand, while minority interest amounted to € 979 thousand for a total of € 2,780,050 thousand. The changes in the individual items are set forth in the schedule of changes in shareholders' equity.

(in € thousands)

	31.12.2019	31.12.2018	Change
Group interest in shareholders' equity			
Capital	60,000	60,000	0
Other equity instruments	0	0	0
Capital reserves	0	0	0
Retained earnings and other equity reserves	2,527,152	2,366,516	160,636
(Treasury stock)	0	0	0
Reserve for net exchange differences	-13,282	-6,861	-6,421
Gains or losses on AFS financial assets	76,789	18,783	58,006
Other gains or losses recognised directly in equity	-23,172	-19,428	-3,744
Net profit (loss) for the year	151,584	148,046	3,538
Total of which Group interest	**2,779,071**	**2,567,056**	**212,015**
Minority interest in shareholders' equity			
Minority interest in capital and reserves	981	1,077	-96
Profit or losses recognised directly in equity	-26	-2	-24
Minority interest in the net income (loss) for the year	24	-95	119
Total of which minority interest	**979**	**980**	**-1**
Total shareholders' equity	**2,780,050**	**2,568,036**	**212,014**

The breakdown of retained earnings and other equity reserves is as follows:

(in € thousands)

	31.12.2019	31.12.2018	Change
Legal reserve	223,966	217,433	6,533
Ordinary reserve fund	1,655,342	1,555,031	100,311
Extraordinary reserve	1,931	1,931	0
Other equity reserves	418,343	274,869	143,474
Consolidation and IAS/IFRS first-time application reserves	227,570	317,252	-89,682
Total	**2,527,152**	**2,366,516**	**160,636**

The reserve for net exchange differences item, which showed a negative balance of € 13,282 thousand, refers to the Chilean subsidiaries Reale Group Latam, Reale Group Chile and Reale Chile Seguros, whose accounts at 31 December 2019 have been translated into euros, the functional currency of Reale Group.
With regard to gains or losses on AFS financial assets, the balance of which at the end of the previous year was equal to € 18,783 thousand, € 18,037 thousand were transferred to the income statement during the year, as a consequence of disposal of the underlying financial assets and permanent losses of value as revealed by impairment tests.
Other gains or losses recognised directly in equity, which posted a negative balance for € 23,172 thousand, include the positive AFS reserve referring to the joint venture with CredemAssicurazioni for € 1,022 thousand and actuarial losses in relation to liabilities deriving from defined benefit plans for employees, for € 24,194 thousand.

With regard to disclosure of the information required by IAS 1.124A, the Parent pursues objectives, policies and capital management processes strictly tied to its mutual insurance business. By virtue of this legal standing, capital management is directed towards maximising the continuing financial solidity of the Group in accordance with commitments assumed towards members-insured parties.

With the entry into force of Solvency II, as from 1 January 2016, Reale Group must calculate its solvency capital requirement (SCR) and eligible own funds as at the end of the financial year, in order to meet the new European requirements.
Information about the capital managed and minimum capital requirements is provided in the "Progress Achieved" section of the Report on Operations.

RECONCILIATION BETWEEN THE STATUTORY FINANCIAL STATEMENTS OF THE PARENT COMPANY AND THE IAS/IFRS CONSOLIDATED FINANCIAL STATEMENTS

(in € thousands)

	Result for the year		Shareholders' equity	
	2019	2018	31.12.2019	31.12.2018
Parent Company financial statements (local GAAP)	**144,165**	**106,845**	**2,228,341**	**2,084,176**
Re-measurement of value of property (IAS 16 - IAS 40)	-418	-411	-2,094	-1,676
Adjustments to provisions (IAS 36)	0	0	-929	-929
Actuarial gains/losses (IAS 19) affecting the income statement	4,111	106	16,147	12,036
Actuarial gains/losses (IAS 19) affecting equity	0	0	-14,617	-11,573
Adjustments on AFS securities net of deferred liabilities towards policyholders (IAS 39)	0	0	28,639	-13,389
Adjustments on financial assets (IAS 39) affecting the income statement	-90,695	151,578	104,557	195,252
Reduction to zero of provisions for catastrophic risks, equalisation, others (IFRS 4)	4,974	5,934	80,214	75,240
Deferred liabilities towards policyholders through profit or loss (IFRS 4)	2,479	3,950	-14,244	-16,723
Allocation to LAT reserve	-4,316	-302	-4,618	-302
Other minor adjustments	164	4,289	7,542	1,389
Fiscal effect on items reconciled	24,828	-20,005	-24,007	-48,835
Parent Company IAS/IFRS financial statement	**85,292**	**251,984**	**2,404,931**	**2,274,666**
Effect deriving from consolidation of controlling interests	114,893	71,658	335,542	265,043
Effect deriving from consolidation/deconsolidation of interests measured by the equity method	4,266	-122,895	20,420	16,154
AFS reserve subsidiaries	0	0	48,150	32,171
AFS reserve associates	0	11,310	1,022	-473
Actuarial gains/losses (IAS 19) subsidiaries	0	0	-9,575	-7,391
Actuarial gains/losses (IAS 19) associates	0	-2,055	-1	11
Reserve for net exchange differences	0	0	-13,282	-6,862
Elimination of the effects of intra-group transactions	-1,873	-3,741	-8,136	-6,263
Elimination of intra-group dividends of companies:				
- fully consolidated	-50,994	-50,558	0	0
- consolidated by the equity method	0	-7,657	0	0
IAS/IFRS consolidated financial statements	**151,584**	**148,046**	**2,779,071**	**2,567,056**
Minority interests	24	-95	979	980
Total	**151,608**	**147,951**	**2,780,050**	**2,568,036**

2. PROVISIONS

(in € thousands)

	31.12.2019	31.12.2018	Change
Provisions for taxes	11,234	11,386	-152
Other provisions:	119,373	116,985	2,388
Non-fiscal litigation	8,995	9,374	-379
Personnel expenses	49,024	57,126	-8,102
Non-recoverable refunds from agents	20,142	19,455	687
Other charges	41,212	31,030	10,182
Total	**130,607**	**128,371**	**2,236**

Provisions refer to liabilities as the consequence of past events, the occurrence of which is likely and the amount of which can be reliably estimated.
For information about provisions for taxes, reference should be made to the section on litigation in the Report on Operations.
The movement on other provisions during the year is set out below:

(in € thousands)

	Non-fiscal litigation	Personnel expenses	Non-recoverable refunds from agents	Other charges	Total
Initial balance	**9,374**	**57,126**	**19,455**	**31,030**	**116,985**
Provisions	1,855	18,210	615	19,251	39,931
Utilisations	-2,234	-26,213	-416	-8,253	-37,116
Increases deriving from business combinations	0	0	0	0	0
Other changes	0	-99	488	-816	-427
Final balance	**8,995**	**49,024**	**20,142**	**41,212**	**119,373**

Personnel expenses mainly include provisioning for the costs of the corporate incentive scheme and the remaining portion, for € 26,900 thousand, of the Solidarity Fund set up in 2018, the amount of which has been estimated taking into consideration the time horizon (until the end of 2025) over which the fund in question will be utilised in full.

As regards the other provisions, none were discounted except for the provision referring to non-recoverable refunds, which was calculated on the basis of the discounted estimate of the economic effects deriving from future payments of agent severance allowances.

3. TECHNICAL PROVISIONS

(in € thousands)

	31.12.2019	31.12.2018	Change
Non-life business:			
Provision for unearned premiums	1,328,891	1,310,759	18,132
Provision for claims outstanding	2,966,501	3,045,622	-79,121
Other reserves	80,627	80,167	460
Total Non-life business	**4,376,019**	**4,436,548**	**-60,529**
Life business:			
Provisions for policy liabilities	10,626,376	10,157,042	469,334
Provision for sums to be paid	127,456	110,270	17,186
Technical provisions where the investment risk is borne by the policyholders and relating to the administration of pension funds	1,720,344	1,395,163	325,181
Other reserves	1,118,853	357,128	761,725
Total Life business	**13,593,029**	**12,019,603**	**1,573,426**
Total technical provisions	**17,969,048**	**16,456,151**	**1,512,897**

Non-life business

The negative change in the provision for claims outstanding, for € 79,121 thousand, was mainly attributable to the reduction of this provision by Italiana Assicurazioni.

As regards provisions for claims outstanding, the provision for claims incurred but not reported (IBNR) amounted to € 365,886 thousand.

Other reserves include the ageing reserve in compliance with article 47 of ISVAP Regulation No. 16/2008 for € 44,966 thousand, and also the reserve formed following the adequacy test on the provisions for unearned premiums. In particular, a provision has been made for unexpired risks, equal to € 35,661 thousand (of which € 32,968 thousand accrued by the Reale Chile Seguros subsidiary), determined to comply with the requirements of IFRS 4 regarding the adequacy test on provisions for unearned premiums.

Life business

Provisions for policy liabilities on financial contracts with discretionary participation features amounted to € 8,630,531 thousand.

A Liability Adequacy Test (LAT) has been carried out on contracts classified as "insurance contracts" and those classified as "financial instruments with discretionary participation feature", as prescribed by article 15 of IFRS 4; this consists in verifying the adequacy of “net technical provisions” through comparison with the “realistic reserve”, determined on the basis of the present value of cash flows. The results of the test, described in part F “Information on risks”, highlighted the adequacy of the provisions accrued for each similar group analysed, except for three separately managed funds, which required technical provisions to be increased for a total of € 16,822 thousand.
Other reserves include, besides the LAT reserve referred to above, the provision for deferred liabilities towards policyholders, accrued in application of shadow accounting criteria and equal to € 1,035,887 thousand, the provision for future charges (article 31 of ISVAP Regulation No. 21/2008) for € 65,577 thousand and the provision for complementary insurance premiums for € 567 thousand.

4. FINANCIAL LIABILITIES

(in € thousands)

	31.12.2019	31.12.2018	Change
Financial liabilities at FVTPL			
- held for trading	10,128	10,827	-699
- designated at FVTPL	356,034	280,445	75,589
Other financial liabilities	841,786	786,556	55,230
Total	**1,207,948**	**1,077,828**	**130,120**

Financial liabilities held for trading

Financial liabilities held for trading, which amounted to € 10,128 thousand, refer to swap contracts entered into by the Parent for a total notional value of € 9,840, (for further details reference should be made to part F “Information on risks – derivatives”). During the year, interest rate swap contracts were closed for a notional value of € 1,640 thousand, generating gains recognised in the income statement for € 1,421 thousand. The item includes net valuation losses for a total of around € 788 thousand.

Financial liabilities designated at FVTPL

This item amounted to € 356,034 thousand and refers to financial contracts not within the scope of application of IFRS 4 and booked according to the deposit accounting method.

Other financial liabilities

This item amounted to € 841,786 thousand at year-end, compared with € 786,556 thousand at 31 December 2018. Such liabilities mainly consist of payables to bank customers for € 476,336 thousand, deposits received from reinsurers for € 182,222 thousand, debenture loans issued by the Banca Reale subsidiary and distributed to its own customers for € 57,039 thousand, interbank payables for € 68,483 thousand, the loan granted to the Reale Immobili subsidiary by Credem Banca for € 35,235 thousand and recognition of financial liabilities for future lease payments accounted for in accordance with IFRS 16, for € 22,471 thousand.
The fair value of these items is aligned with their respective carrying amounts.

5. PAYABLES

(in € thousands)

	31.12.2019	31.12.2018	Change
Payables arising out of direct insurance operations	200,676	190,818	9,858
Payables arising out of reinsurance operations	17,400	14,742	2,658
Other payables	357,544	307,489	50,055
Total	**575,620**	**513,049**	**62,571**

Payables arising out of direct insurance operations:

(in € thousands)

	31.12.2019	31.12.2018	Change
Payable to agents	175,880	169,628	6,252
Payable to policyholders	21,678	20,126	1,552
Guarantee funds	1,172	456	716
Payable to companies c/a	1,946	608	1,338
Total	**200,676**	**190,818**	**9,858**

Payables arising out of reinsurance operations:

(in € thousands)

	31.12.2019	31.12.2018	Change
Payable to reinsurance companies	14,287	13,064	1,223
Payable to reinsurance intermediaries	3,113	1,678	1,435
Total	**17,400**	**14,742**	**2,658**

Other payables:

(in € thousands)

	31.12.2019	31.12.2018	Change
Employee termination indemnities	13,956	14,513	-557
Payables for taxes on behalf of policyholders	81,106	80,249	857
Payables for miscellaneous taxes	22,448	19,347	3,101
Contributions to welfare and social security institutes	8,490	8,211	279
Payables to suppliers	100,466	99,324	1,142
Tenants' caution money	10,738	9,000	1,738
Personnel management	27,829	25,023	2,806
Miscellaneous payables	92,511	51,822	40,689
Total	**357,544**	**307,489**	**50,055**

With regard to employee termination indemnities, in accordance with Law No. 296 of 27 December 2006, enterprises with at least 50 employees are required to pay, on a monthly basis and as selected by each employee, the amount of such liability accrued after 1 January 2007 to the supplementary pension funds established by Legislative Decree No. 252/05 or to a specific Fund for payment to private sector employees of termination benefits under article 2120 of the Italian Civil Code (hereinafter Treasury Fund) established at INPS.

Miscellaneous payables include the amount of € 25,000 thousand as collateral for the loan granted to the Group by Veneto Banca, recognised under assets in the balance sheet. The sum was paid, in December 2019, by Uniqa Austria to Italiana Assicurazioni, under the terms of the settlement agreement between Reale Mutua and Uniqa Austria signed on 13 October 2017.

6. OTHER LIABILITIES

(in € thousands)

	31.12.2019	31.12.2018	Change
Liability of a disposal group HFS	0	0	0
Deferred tax liabilities	452,692	345,055	107,637
Current tax liabilities	66,602	11,840	54,762
Other liabilities	207,105	144,968	62,137
Total	**726,399**	**501,863**	**224,536**

Deferred tax liabilities, equal to € 452,692 thousand, reflect the fiscal effect of all temporary differences of a financial or economic nature that are expected to reverse in future years.
This item includes around € 210 million referring to adjustments to the value of financial assets as a consequence of application of IAS/IFRS, around € 151 million referring to the differences between the carrying and fiscal amounts of investment property, approximately € 62 million referring to the cancellation of the amounts of provisions for catastrophic risks, equalisation and other special provisions due to application of IFRS 4, approximately € 16 million for adjustments related to the "fondo de comercio" (goodwill) of the Reale Seguros subsidiary and about € 9 million related to the deferred recognition in the income statement of the DAC and DIR.

Other liabilities:

(in € thousands)

	31.12.2019	31.12.2018	Change
Liabilities for employee benefits	43,845	38,484	5,361
Commissions on premium payments	15,175	10,749	4,426
Deferred commissions receivable on invest. cont. (DIR)	5,710	4,966	744
Miscellaneous liabilities	142,375	90,769	51,606
Total	**207,105**	**144,968**	**62,137**

In accordance with IVASS Regulation No. 7, liabilities relating to defined benefits and other long-term employee benefits, other than termination benefits, have been stated under Other liabilities. As detailed in the table, these refer in particular to health coverage for retired directors, seniority bonuses paid to employees according to the national collective bargaining agreement, and also the additional Company Pension Fund set up at the Parent Company.

(in € thousands)

	31.12.2019	31.12.2018	Change
Coverage of managers' medical expenses	16,428	12,414	4,014
Long-service bonuses	13,966	12,638	1,328
Parent Company pension fund	13,451	13,432	19
Total	**43,845**	**38,484**	**5,361**

With regard to the additional pension fund of the Parent, specific assets hedging the pension plan for an amount equal to the liability stated are recognised under AFS financial assets.

Deferred commissions receivable, for € 5,710 thousand, reflects deferred income on non-participating investment contracts not within the scope of IFRS 4 and accounted for in accordance with IFRS 15.

INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

1.1 NET PREMIUMS

Consolidated net premiums written amounted to € 4,885,380 thousand compared with € 4,573,353 thousand in the previous year. Gross premiums written by the Group amounted to € 5,259,753 thousand with an upswing of 5.6% compared with 2018. The component of premiums ceded in reinsurance amounted to € 368,141 thousand compared with € 357,439 thousand in the previous year.

(in € thousands)

	2019	2018	Change
Gross premiums Life business	1,978,393	1,784,727	193,666
Gross premiums Non-life business	3,281,360	3,196,826	84,534
Total gross premiums written	**5,259,753**	**4,981,553**	**278,200**
(-) Change in the gross provision for unearned premiums	15,544	81,281	-65,737
Gross premiums earned	**5,244,209**	**4,900,272**	**343,937**
Premiums ceded and retroceded Life business	30,385	36,298	-5,913
Premiums ceded and retroceded Non-life business	337,756	321,141	16,615
Total premiums ceded	**368,141**	**357,439**	**10,702**
(-) Change in the provision for unearned premiums, reinsurers' share	9,312	30,520	-21,208
Premiums earned ceded in reinsurance	**358,829**	**326,919**	**31,910**
Net premiums	**4,885,380**	**4,573,353**	**312,027**

It should be noted that adoption of IFRS 4 regarding insurance contracts did not reveal the existence of non-insurance contracts in the Group Non-life business portfolio. In the Life business, premiums written relating to insurance contracts amounted to € 593,518 thousand, those relating to financial contracts with discretionary participation features amounted to € 1,384,875 thousand. Premiums written relating to financial contracts without discretionary participation features amounted to € 114,879 thousand.

The breakdown of premiums by company is set forth below:

(in € thousands)

Company	Non-life		Life business		Total	Total	Change (%)
	direct	indirect	direct	indirect	2019	2018	
Italy:							
Reale Mutua	1,515,220	1,861	891,050	140	2,408,271	2,202,239	9.4%
Italiana Assicurazioni	784,538	-867	1,035,647	0	1,819,318	1,813,503	0.3%
Total	**2,299,758**	**994**	**1,926,697**	**140**	**4,227,589**	**4,015,742**	**5.3%**
Spain:							
Reale Seguros	901,055	320	0	0	901,375	869,303	3.7%
Reale Vida	0	0	51,556	0	51,556	41,329	24.7%
Total	**901,055**	**320**	**51,556**	**0**	**952,931**	**910,632**	**4.6%**
Chile:							
Reale Chile Seguros	79,233	0	0	0	79,233	55,179	43.6%
Total	**79,233**	**0**	**0**	**0**	**79,233**	**55,179**	**43.6%**
Carrying amount	**3,280,046**	**1,314**	**1,978,253**	**140**	**5,259,753**	**4,981,553**	**5.6%**

1.2 COMMISSIONS RECEIVABLE

Commissions receivable amounted to € 36,583 thousand compared with € 30,425 thousand in the previous year. They comprise commissions on unit and index-linked products for € 21,636 thousand, bank commissions for € 8,972 thousand, fees on financial contracts for € 4,735 thousand and gains on redemption of financial contracts for € 1,240 thousand.

1.3 NET INCOME ON FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The table below shows the composition of income and expense on financial assets and liabilities at fair value through profit or loss.

(in € thousands)

	Net interest	Other net income	Net realised gains	Net valuation gains	2019	2018	Change
Arising on:							
Financial assets held for trading	0	0	252	479	731	-295	1,026
Fin. assets designated at FVTPL	27,618	-24,317	61,765	133,036	198,102	-75,915	274,017
Financial liabilities held for trading	0	-2,490	1,421	-788	-1,857	-1,353	-504
Fin. liabilities designated at FVTPL	0	-41,541	0	0	-41,541	16,555	-58,096
Total	**27,618**	**-68,348**	**63,438**	**132,727**	**155,435**	**-61,008**	**216,443**

1.4-1.5 FINANCIAL INCOME AND EXPENSE ON EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, ON OTHER FINANCIAL INSTRUMENTS AND ON INVESTMENT PROPERTY

(in € thousands)

	Net interest	Other net income	Net realised gains	Net valuation gains	2019	2018	Change
Arising on:							
Investment property	0	77,335	17,505	-10,959	83,881	76,824	7,057
Equity investments in sub., ass. and j.v.	0	4,266	0	0	4,266	68,368	-64,102
Investments held to maturity	699	0	0	0	699	40	659
Loans and receivables	14,436	-10	-390	-3,293	10,743	5,711	5,032
AFS financial assets	247,517	11,732	43,564	-4,306	298,507	285,295	13,212
Miscellaneous receivables	306	7	0	0	313	361	-48
Cash and cash equivalents	309	0	0	0	309	423	-114
Other financial liabilities	-2,918	0	-319	0	-3,237	-2,894	-343
Miscellaneous payables	-3,622	-1	0	0	-3,623	-4,843	1,220
Total	**256,727**	**93,329**	**60,360**	**-18,558**	**391,858**	**429,285**	**-37,427**

1.6 OTHER REVENUES

This item totalled € 139,076 thousand in relation to € 109,040 thousand in the previous year. The breakdown is as follows:

(in € thousands)

	2019	2018	Change
Other technical income	8,642	3,033	5,609
Commissions cancelled	8,640	7,335	1,305
Withdrawals from funds	61,644	46,316	15,328
Recovery of administrative expenses and costs	4,051	3,532	519
Realised gains/write-ups of property, plant and equipment	761	514	247
Positive exchange differences	4,022	5,357	-1,335
Other income and recoveries	39,070	27,065	12,005
Other out-of-period income	12,246	15,888	-3,642
Total	**139,076**	**109,040**	**30,036**

The amount stated under withdrawals from funds includes the utilisation of the Solidarity Fund, set up in 2018, for the amount of € 10,708 thousand, which is equal to the portion of the costs recorded in the year.

2.1 COST OF CLAIMS

Net cost of claims totalled € 4,075,665 thousand in relation to € 3,605,577 thousand in the previous year.

The total of claims paid and the change in technical provisions, relating to direct business and inward reinsurance, amounted to € 4,333,644 thousand in relation to € 3,861,189 thousand in the previous year. The detail is as follows:

(in € thousands)

	2019	2018	Change
Non-life business:			
Amounts paid	2,232,410	2,176,365	56,045
Change in the provision for outstanding claims	-77,373	-118,869	41,496
Change in recoveries	39,842	29,449	10,393
Change in other technical provisions	6,072	4,229	1,843
Total Non-life	**2,121,267**	**2,032,276**	**88,991**
Life business:			
Amounts paid	1,412,884	1,262,781	150,103
Change in the provision for sums to be paid	17,167	-8,435	25,602
Change in the mathematical provision	468,740	397,034	71,706
Change in technical provisions where the investment risk is borne by the policyholders and relating to the administration of pension funds	307,698	180,449	127,249
Change in other technical provisions	5,888	-2,916	8,804
Total Life	**2,212,377**	**1,828,913**	**383,464**
Total amounts paid and change in technical provisions	**4,333,644**	**3,861,189**	**472,455**

The reinsurers' share amounted to a total of € 257,979 thousand in relation to € 255,612 thousand in the previous year and is detailed as follows:

(in € thousands)

	2019	2018	Change
Non-life business:			
Amounts paid	262,228	295,130	-32,902
Change in the provision for outstanding claims	-25,099	-66,623	41,524
Change in recoveries	0	-588	588
Total Non-life	**237,129**	**227,919**	**9,210**
Life business:			
Amounts paid	45,004	50,843	-5,839
Change in the provision for sums to be paid	-2,029	-3,169	1,140
Change in the mathematical provision	-21,848	-20,022	-1,826
Change in technical provisions where the investment risk is borne by the policyholders and relating to the administration of pension funds	-562	-262	-300
Change in other technical provisions	285	303	-18
Total Life	**20,850**	**27,693**	**-6,843**
Total reinsurers' share	**257,979**	**255,612**	**2,367**

2.2 COMMISSIONS PAYABLE

Commissions payable amounted to € 16,498 thousand compared with € 14,108 thousand in the previous year. They comprise commissions on unit and index-linked products for € 6,402 thousand, bank commissions for € 6,145 thousand and acquisition commissions on financial contracts for € 3,951 thousand.

2.5 OPERATING EXPENSES

The composition of operating expenses, divided into Life and Non-life, is set forth in the table below.

(in € thousands)

	2019	2018	Change
Non-life business:			
Gross commissions and other acquisition costs:	843,774	810,267	33,507
Acquisition commissions	477,305	457,512	19,793
Other acquisition costs	231,901	216,162	15,739
Change in deferred acquisition costs	0	0	0
Collection commissions	134,567	136,593	-2,026
(-) Reinsurance commissions and profit-sharing	71,152	63,847	7,305
Total Non-life	**772,622**	**746,420**	**26,202**
Life business:			
Gross commissions and other acquisition costs:	67,451	60,589	6,862
Acquisition commissions	32,529	29,882	2,647
Other acquisition costs	31,275	25,726	5,549
Change in deferred acquisition costs	0	0	0
Collection commissions	3,647	4,981	-1,334
(-) Reinsurance commissions and profit-sharing	4,915	6,506	-1,591
Total Life	**62,536**	**54,083**	**8,453**
Investment management expenses	52,090	51,834	256
Other administrative expenses	169,289	160,369	8,920
Total operating expenses	**1,056,537**	**1,012,706**	**43,831**

2.6 OTHER COSTS

This item amounted to € 238,969 thousand compared with € 254,909 thousand in the previous year. The item is detailed in the table below:

(in € thousands)

	2019	2018	Change
Other technical charges	29,516	27,361	2,155
Cancellation of receivables from policyholders for premiums	44,403	39,335	5,068
Provisions to reserves	63,323	92,283	-28,960
Administrative costs and expenses on behalf of third parties	4,051	3,532	519
Depreciation of tangible assets	16,136	9,958	6,178
Amortisation of intangible assets	41,258	40,706	552
Realised losses/value reductions on prop., plant and equip.	3,510	756	2,754
Realised losses/value reductions on intangible assets	144	0	144
Negative exchange differences	1,789	1,641	148
Sundry taxes	6,231	3,351	2,880
Real estate and service company costs	11,646	13,514	-1,868
Other charges	7,194	4,977	2,217
Other out-of-period expense	9,768	17,495	-7,727
Total	**238,969**	**254,909**	**-15,940**

The increase in depreciation of tangible assets compared with the previous year was in part due to the effect of depreciation of right-of-use assets following the application of IFRS 16.

3. TAXES

(in € thousands)

	2019	2018	Change
Costs for current taxes	96,310	26,632	69,678
Change in prepaid taxes	8,817	-16,449	25,266
Change in deferred taxes	-36,072	35,661	-71,733
Total	**69,055**	**45,844**	**23,211**

Taxes for the year amounted to € 69,055 thousand and comprise current taxes of € 96,310 thousand and a negative change in deferred tax assets and liabilities for € 27,255 thousand.
Current Italian taxes and the taxes of foreign subsidiaries were determined applying the nominal rates in force at the balance sheet date to the respective tax bases.
Deferred tax assets and liabilities have been calculated applying the rates that will presumably be in force on the date when these will reverse.

The change in prepaid taxes reflects a positive net balance of € 8,817 thousand. These are stated if the correlated temporary differences are likely to be reversed in subsequent years. They mainly reflect reversal to subsequent years of the change in the claims provision for a positive balance of around € 5 million, the impact of provisions for future risks and charges for a negative balance of around € 2 million, adjustments related to the "fondo de comercio" (goodwill) of the Reale Seguros subsidiary for approximately € 2 million and adjustments to the value of financial assets for a positive balance of around € 1 million.

Changes in deferred taxes produced a negative net balance of € 36,072 thousand. These mainly refer to adjustments to the carrying amount of financial assets, pursuant to IAS 39, for a negative balance of about € 33 million, the reduction to zero of special provisions for around € 9 million, the utilisation of deferred taxes recorded on the revaluation of the property included in the business division transferred by Reale Mutua to the Reale Immobili subsidiary, for a negative balance of some € 5 million, differences between the carrying and fiscal amounts of investment property for a positive balance of about € 2 million and deferred recognition in the income statement of the DAC and DIR, for around € 1 million.

The reconciliation between the tax charges recorded in the financial statements and the theoretical tax charge, calculated on the basis of IRES charged at the nominal rate of 24% in force for 2019 is the following:

(in € thousands)

	2019	
	Amount	**Tax Rate**
Pre-tax result for the year	220,663	
Theoretical income taxes (excluding IRAP)	52,959	24.00%
Tax effect of permanent differences	3,372	1.53%
Tax effect of foreign tax rates	-655	-0.30%
Tax effect of consolidated companies on Shareholders' equity	-1,024	-0.46%
Tax effect of other changes	2,134	0.97%
IRES income tax (excluding IRAP)	**56,786**	**25.73%**
IRAP income tax	12,269	5.56%
Total income tax recognised in the financial statements	**69,055**	**31.29%**

Since the IRAP tax has a taxable basis that is different from income before taxes, it generates distortions between one year and another. Accordingly, in order to render the reconciliation between income taxes recognised and theoretical income taxes more meaningful, IRAP tax is not taken into consideration.

SEGMENT REPORTING

The items of the balance sheet and income statement according to sector of business are detailed in the tables below.

Company: SOCIETA' REALE MUTUA DI ASS.NI

Balance Sheet by business sector

		Non-life business		Life business	
		Total Year n	Total Year n-1	Total Year n	Total Year n-1
1	**INTANGIBLE FIXED ASSETS**	**202,292,033**	**205,130,333**	**872,777**	**2,058,278**
2	**PROPERTY, PLANT AND EQUIPMENT**	**179,027,307**	**170,752,800**	**213,332**	**10,096,352**
3	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	***472,084,219***	***495,381,946***	***201,963,630***	***225,439,564***
4	**INVESTMENTS**	**5,636,503,857**	**5,569,219,246**	**14,430,004,387**	**12,751,853,708**
4.1	Investment property	32,714,618	23,231,234	0	0
4.2	Equity investments in subsidiaries, associates and joint ventures	1,889,458,547	1,882,720,307	387,241,292	387,241,300
4.3	Investments held to maturity	0	0	0	0
4.4	Loans and receivables	169,331,190	194,336,290	20,917,548	23,934,491
4.5	AFS financial assets	3,542,932,959	3,465,495,039	11,986,344,718	10,685,144,213
4.6	Financial assets at FVTPL	2,066,543	3,436,376	2,035,500,829	1,655,533,704
5	**MISCELLANEOUS RECEIVABLES**	***1,101,779,320***	***965,227,202***	***236,829,450***	***217,617,514***
6	**OTHER ASSETS**	**276,306,163**	**278,818,445**	**404,600,753**	**262,387,306**
6.1	Deferred acquisition costs	0	0	0	0
6.2	Other assets	276,306,163	278,818,445	404,600,753	262,387,306
7	**CASH AT BANK AND IN HAND AND CASH EQUIVALENTS**	**143,948,547**	**136,187,732**	**159,402,511**	**125,113,696**
	TOTAL ASSETS	**8,011,941,446**	**7,820,717,704**	**15,433,886,840**	**13,594,566,418**
1	**SHAREHOLDERS' EQUITY**				
2	**PROVISIONS**	**99,411,045**	**95,458,043**	**25,014,334**	**26,078,540**
3	**TECHNICAL PROVISIONS**	**4,376,018,771**	**4,436,548,284**	**13,593,029,393**	**12,019,602,797**
4	**FINANCIAL LIABILITIES**	**38,592,930**	**31,031,740**	**515,473,234**	**457,843,797**
4.1	Financial liabilities at FVTPL	0	0	366,161,617	291,272,325
4.2	Other financial liabilities	38,592,930	31,031,740	149,311,617	166,571,472
5	**PAYABLES**	**400,889,404**	**376,192,677**	**81,572,537**	**49,181,869**
6	**OTHER LIABILITIES**	**261,498,540**	**204,838,049**	**277,351,688**	**126,161,214**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				

Company: SOCIETA' REALE MUTUA DI ASS.NI

Income Statement by business sector

		Non-life business		Life business	
		Total Year n	Total Year n-1	Total Year n	Total Year n-1
1.1	Net premiums	2,937,371,902	2,824,923,561	1,948,008,036	1,748,429,576
1.1.1	*Gross premiums earned*	3,265,816,089	3,115,544,921	1,978,392,824	1,784,727,327
1.1.2	*Premiums earned ceded in reinsurance*	-328,444,187	-290,621,360	-30,384,788	-36,297,751
1.2	Commissions receivable	0	0	27,611,077	22,369,919
1.3	Income and expense on financial instruments at FVTPL	-1,218,242	-45,440	156,560,561	-61,354,215
1.4	Income on equity investments in subsidiaries, associates and joint ventures	0	182,123,577	0	0
1.5	Income on other financial instruments and investment property	89,029,599	67,249,949	263,987,603	251,953,272
1.6	Other revenues	106,324,598	81,843,568	6,935,823	12,380,139
1	**TOTAL REVENUES AND INCOME**	**3,131,507,857**	**3,156,095,215**	**2,403,103,100**	**1,973,778,691**
2.1	Net charges for claims	-1,890,027,294	-1,810,538,418	-2,191,535,269	-1,801,218,176
2.1.2	*Amounts paid and change in technical provisions*	-2,127,155,801	-2,038,456,955	-2,212,385,536	-1,828,912,037
2.1.3	*Reinsurers' share*	237,128,507	227,918,537	20,850,267	27,693,861
2.2	Commissions payable	0	0	-10,352,375	-8,451,135
2.3	Expense on equity investments in subsidiaries, associates and joint ventures	0	0	0	0
2.4	Charges on other financial instruments and investment property	-31,720,161	-15,057,219	-16,393,852	-18,104,061
2.5	Operating expenses	-944,163,311	-912,397,724	-113,618,040	-100,817,938
2.6	Other costs	-153,813,208	-165,044,521	-28,467,105	-29,446,032
2	**TOTAL COSTS AND CHARGES**	**-3,019,723,974**	**-2,903,037,882**	**-2,360,366,641**	**-1,958,037,342**
	PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	**111,783,883**	**253,057,333**	**42,736,459**	**15,741,349**

Financial: 2019

(Amounts in euros)

Real estate and services sector		Banking sector		Trans-sectoral adjustments		Total	
Total Year n	Total Year n-1	Total Year n	Total Year n-1	Total Year n	Total Year n-1	Total Year n	Total Year n-1
96,716,815	95,936,059	80,028	88,905	86,150,947	86,150,947	386,112,600	389,364,522
115,811,461	86,906,944	5,012,845	1,680,695	-660,953	-672,136	299,403,992	268,764,655
0	0	0	0	0	0	674,047,849	720,821,510
1,136,501,531	1,156,610,479	892,851,229	832,862,671	-2,359,482,828	-2,362,181,808	19,736,378,176	17,948,364,296
1,018,774,821	1,019,485,275	0	0	-5,242,287	-5,242,287	1,046,247,152	1,037,474,222
104,148,904	107,836,473	12,500	12,500	-2,354,240,541	-2,356,939,521	26,620,702	20,871,059
0	0	27,418,241	23,514,349	0	0	27,418,241	23,514,349
6,340,290	6,612,074	460,561,695	385,173,440	0	0	657,150,723	610,056,295
7,237,516	22,676,657	404,858,793	424,162,382	0	0	15,941,373,986	14,597,478,291
0	0	0	0	0	0	2,037,567,372	1,658,970,080
51,359,661	32,617,664	6,241,128	4,436,326	-40,263,091	-18,109,371	1,355,946,468	1,201,789,335
19,867,430	17,913,250	6,482,499	14,618,554	-10,718,392	-11,240,995	696,538,453	562,496,560
0	0	0	0	0	0	0	0
19,867,430	17,913,250	6,482,499	14,618,554	-10,718,392	-11,240,995	696,538,453	562,496,560
114,765,158	50,567,768	67,815,751	36,951,024	-244,687,258	-195,122,693	241,244,709	153,697,527
1,535,022,056	1,440,552,164	978,483,480	890,638,175	-2,569,661,575	-2,501,176,056	23,389,672,247	21,245,298,405
						2,780,049,065	2,568,036,096
5,677,595	5,344,540	503,831	1,489,390	0	0	130,606,805	128,370,513
0	0	0	0	0	0	17,969,048,164	16,456,151,081
48,606,624	0	849,962,001	784,075,975	-244,687,258	-195,122,693	1,207,947,531	1,077,828,819
0	0	0	0	0	0	366,161,617	291,272,325
48,606,624	0	849,962,001	784,075,975	-244,687,258	-195,122,693	841,785,914	786,556,494
99,224,727	77,890,792	34,201,583	27,896,243	-40,266,091	-18,112,371	575,622,160	513,049,210
169,386,555	163,441,443	27,743,148	17,537,174	-9,581,409	-10,115,194	726,398,522	501,862,686
						23,389,672,247	21,245,298,405

Financial: 2019

(Amounts in euros)

Real estate and services sector		Banking sector		Trans-sectoral adjustments		Total	
Total Year n	Total Year n-1	Total Year n	Total Year n-1	Total Year n	Total Year n-1	Total Year n	Total Year n-1
0	0	0	0	0	0	4,885,379,938	4,573,353,137
0	0	0	0	0	0	5,244,208,913	4,900,272,248
0	0	0	0	0	0	-358,828,975	-326,919,111
0	0	27,548,348	24,921,048	-18,576,118	-16,865,481	36,583,307	30,425,486
0	141,729	92,350	249,744	0	0	155,434,669	-61,008,182
0	190,766	0	0	4,265,914	-113,945,582	4,265,914	68,368,761
99,959,005	90,869,882	21,724,568	12,814,288	-1,070,976	-837,319	473,629,799	422,050,072
172,306,062	160,985,776	4,251,936	4,148,551	-150,742,212	-150,318,462	139,076,207	109,039,572
272,265,067	252,188,153	53,617,202	42,133,631	-166,123,392	-281,966,844	5,694,369,834	5,142,228,846
0	0	0	0	5,897,526	6,180,001	-4,075,665,037	-3,605,576,593
0	0	0	0	5,897,526	6,180,001	-4,333,643,811	-3,861,188,991
0	0	0	0	0	0	257,978,774	255,612,398
0	0	-6,145,234	-5,657,025	0	0	-16,497,609	-14,108,160
0	0	0	0	0	0	0	0
-22,255,010	-19,845,031	-15,669,719	-8,145,425	0	17,457	-86,038,742	-61,134,279
-28,271,384	-28,815,720	-23,286,175	-22,605,305	52,802,470	51,931,603	-1,056,536,440	-1,012,705,084
-164,502,595	-162,787,127	-3,875,573	-2,865,657	111,689,310	105,234,334	-238,969,171	-254,909,003
-215,028,989	-211,447,878	-48,976,701	-39,273,412	170,389,306	163,363,395	-5,473,706,999	-4,948,433,119
57,236,078	40,740,275	4,640,501	2,860,219	4,265,914	-118,603,449	220,662,835	193,795,727

INFORMATION REGARDING RISKS

1 Reale Group risk management[1]

Foreword

Reale Group's risk management policy is closely linked to the mutualistic nature of the Parent. Accordingly, and also with the aim of maintaining full autonomy and independence from external centres of control and capitalisation, constant upgrading of the risk management system, essential in promoting continuing development and continuity of each Group company, is a pivotal aspect of Group strategy.

1.1. The risk management organisational model

Reale Group has defined an organisational model for its risk management system that applies to all Group companies. The model is based on a clear definition of roles and responsibilities, as set out below.

In managing and coordinating the Group, the Parent defines the general guidelines for the risk management system, which are then implemented by the Subsidiaries.

- The Board of Directors of the Parent is responsible for defining risk management directives (the suite of strategies and policies for underwriting, measuring and managing the most significant risks), for defining risk appetite and tolerance and for checking correct application of the risk management system by Top Management, in order to guarantee the safeguarding of company assets, including in the medium and long term.
- The Boards of Directors of the Subsidiaries, in accordance with the guidelines issued by the Parent and considering the specific nature of each individual Company, are responsible for defining risk management directives, for defining risk appetite and tolerance and for checking correct application of the risk management system by Top Management, in order to guarantee the safeguarding of company assets, including in the medium and long term. They approve the policies, criteria, limits and procedures to be followed in order to assess risks and solvency, subject to approval by the Board of Directors of the Parent and taking into account the specific nature of each Company.
- The Group Control and Risk Committee offers advice and puts forward proposals. It supports the Board of Directors with regard to the system of internal controls and risk management.
- The Group Investment Commission offers advice and puts forward proposals. It carries out assessments and submits proposals concerning financial and property investments which are examined by the Boards of Directors of Group companies prior to passing resolutions.
- The "Comisiones de Auditoria", set up at Reale Seguros and Reale Vida, are responsible for aspects of the system of internal controls and risk management regulated by specific Spanish legislation.
- Top Management is responsible for risk management system application, maintenance and monitoring.
- The Chief Risk Officer (CRO), a function set up at the Parent, guarantees the soundness of overall risk management by Reale Mutua and, ultimately, the Group as a whole, within the framework of the system of internal controls. The CRO is accountable for the centralised governance and coordination of all issues related to the monitoring of business risks and for ensuring consistency in the implementation of the related guidelines defined by the Board.
- The Risk Management functions at the level of the Group, the Parent and the Subsidiaries assist the Board of Directors and Top Management in defining assessment methodologies and drawing up analyses for risk evaluation, measurement and control and also for coordinating risk monitoring activities and for monitoring the implementation of the risk management policy.

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[1]The definition of Group and related scope of analysis has been determined in accordance with IVASS Regulation No. 22/2016.

- The Actuarial functions at the Parent and Subsidiaries are responsible for assessing the adequacy of technical provisions, issuing opinions on underwriting policies and reinsurance agreements and contributing towards effective implementation of the risk management system. The Actuarial function at Reale Mutua defines the guidelines for all Group companies.
- The Compliance functions at the Parent and Subsidiaries are responsible for assessing the adequacy of corporate organisation and procedures in order to prevent the risk of incurring judicial or administrative sanctions, of incurring capital losses or reputational damage deriving from infringement of laws, regulations or orders of the Supervisory Authorities or self-regulation norms, such as bylaws, codes of conduct or codes of ethics, and in order to prevent the risks deriving from unfavourable changes in the regulatory framework or national case law. These functions also support the Board of Directors and Top Management with regard to the risk of non-compliance. The Compliance function at Reale Mutua defines the guidelines at Group level.
- The Anti-money laundering function, managed centrally by the Parent for Reale Mutua and Italiana Assicurazioni, and the Anti-money laundering functions at the Subsidiaries, are responsible for preventing and countering money laundering and funding of terrorist activities by performing tests and analyses to assess the adequacy of corporate procedures, efficacy of processes and specific controls, also with regard to their application to the sales network.
- The Internal Audit functions at the Parent and Subsidiaries are responsible for verifying and assessing risk management system effectiveness and efficiency.

Each function is responsible for operational risk management according to their area of responsibility in the processes controlled. They must inform the Risk Management, Actuarial, Compliance, Anti-money laundering and Internal Audit functions of any facts of relevance for the evaluation of risks, within their areas of competence.

Top Management at each Company makes use of joint teams (committees), set up at Group level, that investigate and analyse specific aspects.

1.2. Risk management policies

The “Risk management policy” sets out the criteria for the identification, measurement, management and control of each type of risk to which the companies are exposed.
This document sets forth guidelines for management of internal and external risks inherent in the business of Group companies, defining strategies and objectives, analysis, control and measurement methods, roles and responsibilities of the functions involved. More generally, the document is also intended to promote deployment of a culture of control throughout Reale Group.
Compliance with and application of the guidelines set out in the document are guaranteed by the system of internal controls which comprises a set of rules, procedures, control techniques and organisational structures intended to ensure correct functioning and performance of the Group.

1.3. Risk measurement and reporting

Risks are constantly monitored by the Risk Management function and by the individual competent functions; risk trends are notified to the Board of Directors, to Top Management and to the competent operating structures.

2 Risk Analysis

2.1. Market risk[2]

Market risk refers to the risk of any losses arising from the volatility of market prices of financial instruments and property that could affect the value of the assets and liabilities in the balance sheet. The concentration of investments in the portfolio is also a source of risk.

Market risk management policies envisage the following mitigation actions:

limits on investments according to type, with particular attention to risk/yield trade-off;
limits on investments in foreign currency;
integrated asset-liability management strategies (ALM) combined with cash flow matching valuations, in particular for securities to hedge separately managed funds;
guidelines and limits on the use of derivatives;
guidelines regarding investment property;
guidelines and restrictions for control of the credit risk of financial investments.

The limits on investments are constantly verified by the competent corporate functions, and the findings of these assessments are reported periodically to the Group Investment Commission.

Market risk does not only affect financial assets, but also liabilities, especially those in the Life portfolio, in respect of the minimum yields set in the respective contracts. Therefore, the assessment of market risk in terms of the Life business must include consolidated measurements of assets and liabilities.
The quantitative assessment of the impact of adverse risk factor trends is determined on a potential maximum loss basis using the metrics defined by Solvency II, with specific reference to the Solvency Capital Requirement (SCR) model. The calculation of the Group SCR takes into account effects deriving from diversification at the level of each individual Company.
Exposure to market risk by the Non-life business is determined using the Group's partial internal model, while exposure to this risk by the Life business is measured using the standard formula.

As far as **equity risk** is concerned, exposure accounts for 1.11% of the entire portfolio and amounts to approximately € 178 million. The main exposures relate to Sara Assicurazioni for € 91.7 million and Banca d'Italia for € 12.5 million.
Overall, during the year, the equity portfolio reflected an annual volatility of 20.11%, with investments in equities mainly steered towards the financial and banking sectors, as indicated in the table below:

Market sector	Composition (%)
Finance and Banking	71.3%
Services	7.4%
Industry	6.2%
Consumer goods	5.3%
Energy	3.5%
Technological	3.2%
Telecommunications	2.8%
Real estate	0.3%
Total	**100.0%**

[2]The unlisted investment in CredemAssicurazioni is not included in the analysis of market risk. Reale Immobili and Igar are included in the real estate compartment.

Exposure to **interest rate risk** is monitored through the integrated management of the assets and liabilities in the portfolio, for both the Non-life and Life businesses.
Integrated asset-liability management (ALM) is specifically aimed at mitigating the risk of any possible misalignment deriving from the diverse structure of future cash flows generated by the undertaking's assets and liabilities.
The ALM model is based on the use of quantitative indicators; all metrics are calculated in accordance with criteria established by Solvency II.
Where applicable, volatility adjustment is used to compute the reference interest rate structure (EIOPA curve).
Companies monitor cash flow projections every three months and take all the necessary action in order to maintain a sound financial and equity position and the equilibrium of assets and liabilities.
The overall duration of the portfolio is around 6.16 years. Financial management has determined an effective average yield to maturity of the bonds portfolio of approximately 0.39%.
Exposure to the **risk of exchange rate fluctuation** was limited, with investments in foreign currency only amounting to around 0.52% of the entire portfolio, distributed as follows:

(in € thousands)

Currency	Composition (%)	Market value
NOK	0.16%	25,001
CLP	0.15%	23,384
USD	0.08%	12,566
CAD	0.07%	11,339
SEK	0.06%	10,330
CHF	0.01%	1,156
Total	**0.52%**	**83,776**

As far as **spread risk** is concerned, the corporate bonds in the portfolio have an average rating of BBB+ as measured by Fitch. Positions with a non-investment grade rating account for 0.80% of the portfolio.

The breakdown of the bonds portfolio by rating class is set forth below:

Level	Rating class (*)	Composition (%)
Prime/High Grade	AAA	6.53%
	AA+ / AA / AA-	13.85%
Medium Grade	A+ / A / A-	24.79%
	BBB+ / BBB / BBB-	54.03%
Speculative	BB+ / BB / BB-	0.03%
	B+ / B / B-	0.00%
Extremely Speculative	CCC+ / CCC / CCC-	0.00%
	CC	0.00%
	D	0.00%
	NR	0.77%
Total		**100.00%**

(*) on the Fitch rating scale

2.2. Default risk

Default risk refers to the risk of loss due to the unexpected default of counterparties that owe amounts or a worsening of their credit ratings.
As far as reinsurance counterparties are concerned, the Group has defined guidelines and limits for the management and control of this risk.
Exposure to reinsurance counterparties rated A or higher by Fitch Ratings is equal to 99.45%.

2.3. Liquidity risk

Liquidity risk, which refers to the risk of an enterprise not having sufficient financial resources to fulfil its contractual obligations as they fall due, is constantly monitored using relevant indicators to assess the liquidity situation of Group companies.

Thresholds are defined for each performance indicator and a scoring system is used to measure the level of risk. The indicators and the respective thresholds are calibrated on the basis of historical data, the type of company and the type of business. Specific stress test/scenario analysis exercises are carried out at least once a year to monitor financial and/or technical liquidity risk factors.

Unrealised capital gains/losses are monitored at least once every three months.

This risk is also monitored by adopting an integrated asset liability management (ALM) model, the aim of which is to mitigate the risk of any possible misalignment of the diverse structure of cash flows generated by the assets and liabilities of Group companies.

Bonds, according to maturity and with reference to the Non-life and Life businesses, are set forth in the table below.

(in € thousands)

Debt securities by expiry	Government	Corporate	Total
≤ 1 year	2,052,252	374,284	2,426,536
> 1 ≤ 3 years	1,962,700	862,877	2,825,577
> 3 ≤ 5 years	1,160,508	905,817	2,066,325
> 5 ≤ 7 years	1,016,395	759,949	1,776,344
> 7 ≤ 10 years	1,199,519	686,459	1,885,978
>10 years	3,322,593	1,008,822	4,331,415
Total	**10,713,967**	**4,598,208**	**15,312,175**

Information regarding reserve flows according to contractual expiry referring to run-off of the entire Life portfolio is provided in the table below.

(in € thousands)

Year	Reserve by expiry
2020	466,362
2021	199,894
2022	332,211
2023	347,241
2024	344,561
2025	277,638
2026	250,535
2027	209,788
2028	196,257
2029	242,496
2030 and later	9,711,359
Total	**12,578,342**

The expected run-off coefficients of TPL land vehicles and Non-motor TPL provisions are set forth in the table below.

Year	Motor TPL	Non-motor TPL
2020	48.0%	25.2%
2021	19.9%	18.2%
2022	10.9%	14.2%
2023	7.0%	11.3%
2024	5.1%	9.0%
2025	3.4%	7.5%
2026	2.5%	6.1%
2027 and later	3.2%	8.5%
Total	**100.0%**	**100.0%**

2.4. Underwriting risk

2.4.1. Life

Life business underwriting risk is mainly tied to demographic factors such as mortality and longevity, surrender trends and costs.
Risk mitigation measures, with reference to demographic factors, involve the regular monitoring of mortality statistics, while the evolution of other risk factors is reviewed on a continuous basis, also through benchmarking with the corresponding market data. Catastrophe and mortality risks are also covered by specific non-proportional reinsurance treaties.
Underwriting guidelines in respect of health and financial requirements are adopted as part of the underwriting process for products with a biometric risk component.
Total technical provisions amounted to € 12,766,717 thousand, with a fair value equal to € 13,380,459 thousand.
The composition of the Life portfolio is detailed below.

Class	Insurance contracts	Financial instruments with DPF	Financial instruments without DPF	Total
Not revaluable	1.2%	0.0%	0.0%	1.2%
Revaluable	13.5%	68.8%	0.0%	82.3%
Unit linked*	13.7%	0.0%	2.7%	16.4%
Index linked	0.0%	0.0%	0.1%	0.1%
Total	**28.4%**	**68.8%**	**2.8%**	**100.0%**

* Including individual pension schemes and pension funds

The quantitative assessment of the impact of adverse risk factor trends is determined on a potential maximum loss basis using the methods envisaged by Solvency II, with specific reference to the Solvency Capital Requirement (SCR) model.

2.4.2. Non-life

Non-life underwriting risk refers to the risk of loss owing to inadequate underwriting policies, reserve assumptions and to catastrophic events. To address premium risk, Reale Group has drawn up an Underwriting Rules Manual which provides technical guidance regarding underwriting policy, with particular reference to non-standard products.

For fire catastrophe covers, for earthquake risk, the RMS, EQECAT and AIR models have been used in order to simulate the various possible scenarios and to quantify the necessary catastrophe provisions necessary to withstand an event, considering a time horizon of at least 200 years. Reinsurance covers have been acquired, giving preference to the approach of the RMS model, currently more prudent and conservative.
Information regarding trends in the Motor TPL and Non-motor TPL businesses over the last 8 years, with reference to the provisions of IFRS 4, is set forth in the tables that follow.
Each diagonal of the triangle represents the accounting data at 31 December of the year of observation of the total cost of claims per individual year of occurrence. In detail, the following are indicated for each year of occurrence and for each claim duration:

incremental payments;
cumulative payments;
total provision inclusive of claims open and late claims;
the final cost, consisting of the sum of the cumulative amount paid and the amount of the provision.

It has been considered advisable to represent the evolution of claims of only TPL business lines in view of their significance and “long tail” characteristics.

These businesses are characterised by a longer run-off due to delays that drag out over the years, especially for Non-motor TPL.
Development of the ultimate cost is therefore more liable to changes, thereby undermining the stability of the estimate in time.
For both businesses the trend in reserves at ultimate cost generated a positive result, determined by the positive trend in the reserve for inventories.

Motor TPL business

(in € thousands)

Group	Class 10	Claim duration							
Occurrence		0	1	2	3	4	5	6	7
2012	amount paid	404,591	272,374	85,586	36,722	21,744	16,280	7,378	6,949
	cumulative	404,591	676,965	762,551	799,273	821,017	837,297	844,675	851,624
	reserved	561,046	234,623	128,802	87,861	59,576	41,070	30,705	19,510
	total	965,637	911,588	891,353	887,134	880,593	878,367	875,380	871,134
2013	amount paid	390,613	263,758	76,575	30,352	17,419	14,396	7,654	
	cumulative	390,613	654,372	730,946	761,298	778,717	793,113	800,766	
	reserved	539,810	229,999	123,446	79,731	55,246	37,482	25,306	
	total	930,423	884,371	854,392	841,029	833,963	830,595	826,072	
2014	amount paid	398,572	255,280	79,889	30,914	19,204	15,963		
	cumulative	398,572	653,851	733,741	764,654	783,858	799,821		
	reserved	505,809	220,342	112,714	75,917	54,106	37,430		
	total	904,381	874,193	846,455	840,571	837,964	837,251		
2015	amount paid	433,387	280,361	88,077	36,794	22,279			
	cumulative	433,387	713,748	801,825	838,619	860,899			
	reserved	540,061	222,247	117,916	76,226	55,670			
	total	973,448	935,995	919,741	914,845	916,569			
2016	amount paid	422,229	273,370	86,459	47,115				
	cumulative	422,229	695,598	782,058	829,173				
	reserved	544,876	230,379	128,254	71,937				
	total	967,105	925,977	910,312	901,110				
2017	amount paid	428,328	270,711	89,840					
	cumulative	428,328	699,039	788,879					
	reserved	530,955	230,929	123,766					
	total	959,283	929,968	912,645					
2018	amount paid	445,607	276,132						
	cumulative	445,607	721,740						
	reserved	503,943	220,545						
	total	949,550	942,285						
2019	amount paid	454,551							
	cumulative	454,551							
	reserved	537,690							
	total	992,241							

Non-motor TPL business

(in € thousands)

Group	Class 13	Claim duration							
Occurrence		0	1	2	3	4	5	6	7
2012	amount paid	30,724	43,694	20,435	13,083	11,705	8,743	8,337	7,237
	cumulative	30,724	74,418	94,853	107,936	119,641	128,384	136,721	143,958
	reserved	178,408	140,297	109,246	93,723	72,168	51,880	39,193	27,231
	total	209,132	214,715	204,099	201,659	191,809	180,264	175,914	171,189
2013	amount paid	28,762	38,935	18,028	13,011	11,037	9,105	9,533	
	cumulative	28,762	67,696	85,724	98,736	109,773	118,878	128,411	
	reserved	193,800	137,156	121,095	99,079	79,423	58,880	37,186	
	total	222,562	204,852	206,819	197,815	189,196	177,758	165,597	
2014	amount paid	29,380	37,100	20,169	16,103	11,584	9,676		
	cumulative	29,380	66,480	86,649	102,753	114,337	124,013		
	reserved	172,276	145,855	119,362	90,367	70,674	51,472		
	total	201,656	212,335	206,011	193,120	185,011	175,485		
2015	amount paid	29,341	38,098	15,959	15,444	11,925			
	cumulative	29,341	67,439	83,398	98,841	110,766			
	reserved	173,074	127,147	104,141	80,719	61,234			
	total	202,415	194,586	187,539	179,560	172,000			
2016	amount paid	30,030	36,564	22,884	18,711				
	cumulative	30,030	66,594	89,478	108,189				
	reserved	180,222	137,347	105,364	77,755				
	total	210,252	203,941	194,842	185,944				
2017	amount paid	29,853	44,691	27,130					
	cumulative	29,853	74,544	101,674					
	reserved	215,913	156,836	120,314					
	total	245,766	231,380	221,988					
2018	amount paid	31,791	40,581						
	cumulative	31,791	72,372						
	reserved	180,179	130,798						
	total	211,970	203,170						
2019	amount paid	32,200							
	cumulative	32,200							
	reserved	179,687							
	total	211,887							

The results of the inflation sensitivity analysis are shown in the table below; in particular, the percentage variation in the estimate of the claims provision relating to increases in the inflation rate is indicated.

Inflation rate	Motor TPL	Non-motor TPL
2.00%	4.6%	5.9%
4.00%	9.5%	12.4%
6.00%	14.7%	19.4%

2.5. Operational risk, legal and regulatory risk, reputational risk and Group membership risk

The Group also performs qualitative assessments on an annual basis to monitor the following risks:

- **operational risk (including cyber risk)**: the risk of Group companies sustaining losses owing to inefficiency of resources, processes and systems or as a consequence of external events;
- **risk of non-compliance with regulations (including the risk of money laundering and financing of terrorism)**: the risk of facing legal or administrative fines, suffering losses or damage to reputation as a result of failure to comply with laws, regulations and European standards or measures of the Supervisory Authorities or self-regulatory standards including bylaws, codes of conduct or governance codes, and the risk arising from unfavourable changes in the regulatory framework or national case law;
- **indirect/second-level risks:** these are not strictly linked to specific risk factors but may derive from the classes of risk described above. The Group mainly distinguishes and analyses two main sub-classes of risk:
  - **risk linked to belonging to the Group**: this represents the risk of "contagion" meaning the risk that, when a company engages in dealings with other companies within the Group, difficulties that arise in one member of the Group could spread and negatively affect that company's own solvency situation;
  - **reputational risk**: this represents the risk of damage to the corporate image and increased conflict with policyholders, also due to the poor quality of services provided, the placement of inappropriate policies or to the behaviour of the sales, after-sales and settlement networks;
- **strategic risk**: this is defined as the current or future risk of an adverse impact on revenues or capital and on the sustainability of the business model, including the risk of not being able to generate adequate returns on capital in line with the risk appetite defined by the undertaking, as a consequence of changes in operational aspects or erroneous business decisions, inadequate implementation of decisions, incorrect management of the risk of belonging to the group, failure to respond to changes in competition;
- **emerging risks:** these refer to new sources of risk arising in connection with changes in the internal or external environment. This class of risk also includes the risk associated with environmental, social and governance (ESG) factors, in terms of financial losses or damage to the Company's reputation as a consequence of its environmental and social impact/exposure to environmental risk.

Reale Mutua has drawn up a Contingency Plan to safeguard persons and assets and guarantee continuity of business; the plan, which is subject to approval by the Group Management Committee and by the Board of Directors, includes a Disaster Recovery Plan designed to minimise loss of information and recovery times in particularly critical situations. The Company has also drawn up a procedure for controlling the exchange of information and monitoring intra-group transactions as required by IVASS Regulations No. 38 and No. 30, as well as the relative policy and report.

2.6. Risk mitigation instruments

The Group adopts risk mitigation instruments in order to reduce its exposure to the risks underwritten, through recourse to reinsurance, and adopting hedge derivatives to restrict possible impairments of assets.

2.6.1. Reinsurance

Analyses have been conducted in order to optimise reinsurance solutions in accordance with the guidelines defined by the Board of Directors. Expected claims rate distribution curves have been defined by examining the historical series of each class of business (in terms of earnings, claims and exposure) and of the objectives defined in the strategic plans of the Companies. Such valuations have been made separately for basic and peak claims, assessing catastrophe exposure, and specific analyses have been made for business lines with not statistically significant historical series. The latter, performed using quantitative models for valuation of risk capital (VaR and T-VaR), generated alternative scenarios according to which the optimal reinsurance solutions for each Italian company of the Group have been identified.

2.6.2. Derivatives

Reale Group makes limited use of derivatives; these instruments are used for the purposes that comply with the Group's strategic plan as defined by each company's Board of Directors, with IVASS Regulation No. 24 of 6 June 2016 and with the requirements of the financial instrument portfolio control system.
Derivatives and structured financial instruments are used solely for the purpose of promoting balanced and prudent portfolio management, in order to hedge the investment risk or achieve investment goals more easily, more economically or more flexibly than would be possible using the underlying assets. For each Reale Group company, details of the derivatives held, for which each company bears the risk, are provided below.

Derivatives held by **Reale Mutua**:

- four interest rate swap contracts taken out to improve management of cash flows generated by changes in interest rates: two with NatWest Markets Plc for a total notional value of € 5,340 thousand (the fair value, inclusive of accrued interest, was negative and equal to approx. € 5,377 thousand at the end of 2019); two with Société Générale for a total notional value of € 4,500 thousand (with a fair value, inclusive of accrued interest, that was negative and equal to approximately € 4,751 thousand at the end of the year). Estimated cash flows according to maturity commitments are provided below, based on information available at 31 December 2019:

(in € thousands)

Net flows	Up to 1 year	Up to 3 years	Up to 5 years	Due after 5 years
Swap SOGEN - 01/09/2025 (OS4044968)	-176	-460	-673	-721
Swap SOGEN - 01/09/2025 (0S4044887)	-880	-2,298	-3,366	-3,605
Swap RBS - 01/09/2025 (OSRAM18066)	-317	-832	-1,231	-1,323
Swap RBS - 01/09/2025 (OSRAM17514)	-863	-2,262	-3,331	-3,575
Total	**-2,236**	**-5,852**	**-8,601**	**-9,224**

The four interest swap contracts envisage swapping of interest accrued, proportionally to the notional value stipulated, on the XS0104009617 Crediop 2.1% 99/25 bond. This bond is carried in the Parent's securities portfolio for a total nominal value exceeding the notional value of the interest swap and currently envisages a high annual optional coupon determined with a floor option and leverage tied to a defined amortisation plan: the commitments entered into have therefore been covered.

Derivatives held by **Italiana Assicurazioni** deriving from the surplus on the Life portfolio pursuant to article 41 of Legislative Decree No. 209/05:

- 74,850 IE00B9XQQG53 covered warrants (notional value approximately € 4,930 thousand; fair value approximately € 394 thousand), issued by IRIS SPV PLC with pay-off at maturity as the maximum difference between 2% and 43% in the FTSE100 index between 15 March 2013 and 24 January 2020. These instruments are covered by a basket of bonds issued or guaranteed by the Italian government or any other Eurozone country with a long-term rating of Prime/High grade;
- 2,441 NL0010408571 covered warrants (notional value approximately € 99 thousand; fair value approximately € 442 thousand), issued by BNP Paribas Arbitrage Issuance with pay-off at maturity as the maximum difference between 3% and 40% in the CAC40 index between 13 December 2013 and 24 July 2020. These instruments are covered by a pool of bonds issued or guaranteed by each G7 or Eurozone member state with a long-term rating of Prime/High grade, provided the exposure of a single country does not exceed 50%.

Internal model

On 17 April 2018 IVASS granted permission to use the partial internal model for regulatory purposes to determine the solvency capital requirement, starting from 31 December 2017.
The Group's partial internal model covers exposure by the Non-life portfolio to underwriting, financial and credit risks.
The standard formula is used to determine risk exposure by the Life business, operational risk, health similar to life risk and catastrophe risk.
Given the low materiality of risks linked to redemption of Non-life contracts, these are not included in the scope of calculation of the Group's internal model. Nonetheless, the impact of this simplification is regularly monitored with a view to their possible inclusion.

Banca Reale

Banca Reale, which is not included in the insurance group perimeter according to the definition of IVASS Regulation No. 22/2016, but subject to the supervision of Banca d'Italia, is a member of Reale Group.
In accordance with its size and the specific characteristics of its business and the type and scope of its risk exposure, Banca Reale has adopted a risk management policy that involves all levels of the company and is implemented through a system of internal controls structured on three levels:

- Line controls, intended to guarantee correct management of all activities and performed by the operational divisions or incorporated into IT supporting procedures. Line controls cover all of the Bank's activities and include tests, reports and monitoring performed by those responsible for the respective business units.
- Control of risks and compliance, the aims of which include ensuring the correct implementation of risk management processes, observance of operational limits by the various functions and legal compliance of corporate procedures, including self-regulatory measures. The functions responsible for these controls operate separately from those involved in production; they contribute to the definition of risk governance policies and risk management processes. The Risk Management function is involved in establishing acceptable levels of risk, developing risk management policies and in the various stages of the risk management process, as well as defining operational autonomy as regards the various types of risks. This function continually verifies the adequacy of such policies, processes and limits, monitors changes in the risks to which the company is exposed and compliance with operating limits when taking the different types of risks.
- The Compliance and Anti-money laundering function adopts a risk-based approach to manage the risk of non-compliance (risk of incurring judicial or administrative sanctions, substantial capital losses and damage to reputation deriving from infringement of mandatory regulations or self-regulatory norms) and the risk of money laundering (the process of converting funds received from illegal activities into ostensibly clean money to disguise their illegal origin). This risk is managed across all company activities,

by ensuring the adequacy of internal procedures to prevent it.

- Internal audits, performed by the Internal Audit function. This function is responsible, on the one hand, for third level controls, including on-site inspections, to verify the correctness of operational procedures and risk trends and, on the other, for assessing the completeness, adequacy, functionality and reliability of the organisational structure and the other components of the system of internal controls, informing the corporate bodies of any needs for improvement.

Banca Reale controls and monitors its overall current and projected capital adequacy, as part of the ICAAP (Internal Capital Adequacy Assessment Process), according to the applicable supervisory provisions.
This process is subject to routine controls by the Risk Management function with regard to methodological aspects, by the Compliance function with regard to compliance with the law and by the Internal Audit function, with the support of the operational functions within their specific sphere of competence, with regard to procedural aspects. The process is also subject to extraordinary controls whenever the bank is potentially exposed to significant new risks to be assessed (e.g. upon entering new markets/areas of operation) and/or when previously identified risks have new characteristics that alter the bank's risk exposure.
The risks to which the latter is exposed are credit risk, market risk and operational risk (first pillar), concentration risk, interest rate risk of the banking portfolio, liquidity risk, risk of excessive leverage, residual risk, strategic risk, reputation, outsourcing, compliance, country, relocation and basis risk (second pillar).

LAT – Liability Adequacy Test

In carrying out the Liability Adequacy Test (LAT), the "realistic reserve" has been calculated as forecast present value on the reporting date of future cash flows generated by contracts (premiums and benefits). The method of flow projection used is of the deterministic type with revaluation of these equal to the guaranteed minimum. Cash flows have been discounted using the risk-free rates curve. The flows of the contracts were determined considering demographic, surrender and lapse hypotheses based on company experience. The test also took into account projected flows relating to premium loadings and future expenses.
The adequacy of "net technical provisions" was also verified on the basis of a comparison with the "realistic reserve". The valuation was made considering that "net technical provisions" comprise not only technical provisions stated according to Italian GAAP but also "shadow liabilities".
The adequacy of provisions has been verified for each Group company. The results of the test highlighted the adequacy of the provisions accrued for each similar group analysed, except for the separately managed funds "Prefin" (for € 7,857 thousand), "Serie Speciale ex IST" (for € 1,564 thousand), Univita (for € 491 thousand) and Prefin Life Futuro (for € 2,292 thousand) held by Italiana Assicurazioni and for the separately managed fund "Capital Reale" (for € 444 thousand) and the fund in coinsurance with Eurizon (for € 4,174 thousand) held by the Parent.

LAT results are set forth in the table below.

(in € thousands)

Company	Technical provisions, net	Realistic provisions (basic assumption)
Reale Mutua	5,326,063	4,652,454
Italiana Assicurazioni	6,253,264	5,621,719
Total	**11,579,327**	**10,274,173**

INFORMATION REGARDING BUSINESS WITH RELATED PARTIES

Transactions between the Parent and its subsidiaries are eliminated in the consolidated financial statements according to the principle of elision of intra-group relations and are therefore not discussed below. Such relations mainly reflect reinsurance transactions and the exchange of services between Group companies.

The balances of insurance, commercial and financial transactions between Group companies, including the Parent, and related parties are set forth below:

(in € thousands)

Counterparty	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Associates and joint ventures	259	0	247	0
Other related parties	980	5,754	881	5,287
Total	**1,239**	**5,754**	**1,128**	**5,287**

(in € thousands)

Counterparty	2019		2018	
	Income	Charges	Income	Charges
Associates and joint ventures	286	286	259	259
Other related parties	2,128	6,623	2,174	7,673
Total	**2,414**	**6,909**	**2,433**	**7,932**

The underlying transactions were all concluded on an arm's length basis.

During the year, no allowance was made to cover possible losses on receivables from related parties.

Transactions with associated companies and joint ventures mainly refer to receivables arising out of direct insurance operations under agreements entered into by the Parent with CredemAssicurazioni.
Assets due from other related parties mainly refer to loans granted by the Banca Reale subsidiary for € 838 thousand; liabilities mainly comprise current accounts at Banca Reale for € 3,834 thousand and bonds issued by the latter for € 1,759 thousand.

Income and charges relating to associated companies and joint ventures refer to the chargeback by the Parent to CredemAssicurazioni of costs sustained to supply the services under the contracts in force and of costs relating to seconded personnel.
Income from other related parties chiefly refers to insurance premiums collected for € 1,699 thousand and rental on investment property for € 116 thousand.
Payables to other related parties mainly refer to the remuneration of directors and statutory auditors for € 5,816 thousand, claims paid on policies for € 358 thousand and interest on bonds issued by Banca Reale for € 82 thousand.
Fees paid during the year to directors and statutory auditors of the Parent who also carry out the same functions at other Group companies amounted to € 3,721 thousand, compared with € 3,566 thousand in 2018.

OTHER INFORMATION

Additional information on the temporary exemption from IFRS 9

IFRS 9 – Financial instruments, issued by the IASB in July 2014 and endorsed by the European Commission through Regulation No. 2067/2016, sets out requirements for classification, measurement, derecognition and impairment of financial assets and liabilities, and hedge accounting.
IFRS 9 defines the following categories for classification and measurement of financial assets: (I) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (FVTOCI); (iii) financial assets measured at fair value through profit or loss (FVTPL).
Financial assets may be recognised in the first two categories and, thus, measured at amortised cost or fair value with the effects booked under equity only if it can be proved that such assets give rise to cash flows that are solely payments of principal and interest (SPPI test). Capital instruments are always classified in the third category and measured at fair value through profit or loss unless, for instruments not held for trading, the company elects (irrevocably, upon initial recognition) to recognise any changes in value in a shareholders' equity reserve that will never be transferred to the income statement, even in the event of disposal of the financial instrument (Financial assets measured at FVTOCI without recycling). The new standard does not introduce any substantial changes to the requirements for classification and measurement of financial liabilities with respect to IAS 39: the only difference regards the recognition of own credit risk.

In adopting the deferral approach to prepare its consolidated financial statements (reference should be made to the General Accounting Principles section in the Notes), and as required by paragraph 39B(b) of IRFS 4, the Group must disclose information to enable users of financial statements to compare insurers applying the temporary exemption with entities applying IFRS 9.

For that purpose, in accordance with paragraph 39E of IFRS 4, it must disclose the fair value at the end of the reporting period and the amount of change in the fair value during that period for the following two groups of financial assets:

- Group 1, which includes bonds in the portfolio, classified pursuant to IAS 39 as AFS (available for sale), L&R (loans and receivables) and HTM (held to maturity) that pass the SPPI test and, also based on the business model, are classified according to IFRS 9 as FVOCI (fair value through OCI);
- Group 2, which includes:
  - bonds in the portfolio classified pursuant to IAS 39 as AFS (available for sale), L&R (loans and receivables) and HTM (held to maturity) that do not pass the SPPI test;
  - bonds classified as FVTPLD (fair value through profit or loss - designated) and FVTLN (fair value through profit or loss - negotiated);
  - capital instruments (equities and UCIs) and derivatives that, by definition, do not pass the SPPI test.

The above is illustrated in the tables that follow.

(in € thousands)

Group 1	Fair value 31/12/2019	Change in fair value 2019
Debt securities (previously AFS)	14,740,558	736,343
Debt securities (previously L&R)	3,339	328
Debt securities (previously HTM)	30,411	2,993
Total	**14,774,308**	**739,664**

(in € thousands)

Group 2	Fair value 31/12/2019	Change in fair value 2019
Debt securities (previously AFS)	354,080	18,349
Debt securities (previously L&R)	13,690	-303
Debt securities (previously FVTPLN)	8,229	43
Debt securities (previously FVTPLD)	50,323	319
Equity investments including shares of UCIs (previously AFS)	737,626	42,943
Derivatives	835	436
Total	**1,164,783**	**61,787**

It should be noted that:

amounts of investments in unit-linked and index-linked products and pension funds are not shown in the tables as the classification of these, according to IAS 39 and IFRS 9, does not determine any change in value;

financial assets are mainly held within the held to collect and sell business model, since at the date of preparing the financial statements, they were mainly held with a view to collecting contractual cash flows and, where necessary, to achieve yield targets and to be traded.

Moreover, as set forth in paragraph 39G of IFRS 4, for Group 1 assets the Group must disclose information about credit risk exposure, including significant credit risk concentrations. Therefore, the carrying amounts applying IAS 39 and the fair value of the aforesaid assets, by credit rating grades, are stated in the table below.

(in € thousands)

Risk grade (Second Best - Fitch Ratings' Scale)		Amortised cost	Fair value 31/12/2019
Prime/High Grade	AAA	908,310	969,272
	AA+ AA AA-	1,975,578	2,101,233
Medium Grade	A+ A A-	3,491,432	3,683,553
	BBB+ BBB BBB-	7,269,672	7,986,324
Speculative	BB+ BB BB-	4,397	4,224
	B+ B B-	0	0
Extremely speculative	CCC+ CCC CCC-	0	0
	CC C	0	0
	D	0	0
Not rated	NR	25,423	29,702
Total		**13,674,812**	**14,774,308**

Additional disclosure required under IAS 39

The reclassifications under level 2 instead of level 1 of the fair value hierarchy, made after 31 December 2018, amounted to around € 862 million and were attributable to the lack of an active market.
The reclassifications under level 1 instead of level 2, with a value of approximately € 25 million, were attributable to the presence of an active market that did not exist at the end of the previous year.
There was also an increase in exposure of level 3 financial instruments for around € 26 million. This was mainly due to the increase in the investment in alternative investment funds during the financial year.
For further details, reference should be made to the related annexes.

With regard to sovereign bonds, a summary of the relative impacts on shareholders' equity and on the result according to issuer is provided below:

(in € thousands)

Country	Market value 31.12.2019	AFS reserve	Impairment and write-backs (AFS)	FVTPL
Saudi Arabia	14,281	625	0	0
Austria	162,317	15,398	0	344
Belgium	350,938	30,696	0	824
Canada	58,302	1,637	0	0
Chile	20,930	204	0	0
China	24,526	-201	0	0
Philippines	10,233	145	0	0
Finland	158,329	7,179	0	78
France	936,214	39,940	0	-1,593
Germany	663,539	7,203	0	-1,624
Indonesia	23,057	769	0	0
Ireland	290,281	26,193	0	205
Israel	16,598	1,838	0	0
Italy	6,133,321	595,680	0	3,329
Luxembourg	33,671	2,434	0	0
Mexico	66,938	4,333	0	0
New Zealand	7,739	214	0	0
Netherlands	85,854	11,655	0	219
Poland	92,668	7,290	0	0
Portugal	186,422	21,748	0	373
Romania	5,236	19	0	0
Slovakia	23,900	773	0	0
Slovenia	21,416	1,549	0	0
Supranational	329,393	49,181	0	-1
Spain	1,472,522	82,978	0	809
USA	2,705	28	0	0
Venezuela	12,551	29	0	0
Total	**11,203,881**	**909,537**	**0**	**2,963**

Additional disclosure required under IAS 19

The actuarial assessment of the part of termination benefits accrued at 31 December 2006 is based on demographic and economic-financial assumptions.

The main hypotheses are illustrated below:

Main actuarial hypotheses		31.12.2019
Probability of termination		1.15%
Life table		ISTAT 2018
Frequency of termination benefit paid in advance	Reale Mutua	3.50%
	Italiana Assicurazioni	1.70%
	Blue Assistance	1.20%
	Reale Immobili	1.40%
	Banca Reale	1.00%
	Reale Ites	2.00%
Percentage of termination benefit paid in advance		70.00%
Discount rate	Euro Composite AA curve as at 31 December 2019	
Rate of inflation		1.50%

It should also be noted that with the entry into effect of the new IAS 19 as from 1 January 2013, actuarial gains and losses in relation to liabilities deriving from defined benefit plans for employees are now taken directly to equity.

The changes in such liabilities in the last two years are summed up as follows:

(in € thousands)

	31.12.2019	31.12.2018	Change
Carrying amount at start of period	**14,513**	**16,574**	**-2,061**
Increases deriving from business combinations	0	0	0
Provisions for the year	10	40	-30
Interest expense	-25	-22	-3
Actuarial (gains)/losses	1,019	-287	1,306
Benefits paid	-1,561	-1,792	231
Carrying amount at end of period	**13,956**	**14,513**	**-557**

The following information is provided in accordance with the new provisions of IAS 19:

classification of actuarial (gains)/losses for amendments due to demographic hypotheses and financial hypotheses:

(in € thousands)

Breakdown of actuarial (gains)/losses	
(a) Actuarial (gains)/losses due to changes in financial hypotheses	932
(a) Actuarial (gains)/losses due to changes in demographic hypotheses	0
(c) Actuarial (gains)/losses due to past experience (deviation of hypotheses from reality)	87
Total	**1,019**

- average duration of the financial obligation for each Group company:

Duration of termination benefit fund at 31.12.2018	
Reale Mutua	7.11
Italiana Assicurazioni	7.90
Blue Assistance	13.56
Reale Immobili	6.60
Banca Reale	13.08
Reale Ites	9.14

indication of future cash flows:

Termination benefit pro rated cash flows	
1 year	1,278
2 years	934
3 years	976
4 years	1,039
more than 4 years	10,283

- sensitivity analysis for each relevant actuarial hypothesis at the end of the year stating the effects in the case of variations in the actuarial hypotheses that would have been reasonably possible at that date, in absolute terms (with respect to a carrying amount of liabilities equal to € 13,956 thousand):

(in € thousands)

Discount rate	0.5% increase in rate	0.5% decrease in rate
	13,371	**14,455**
Rate of inflation	0.5% increase in rate	0.5% decrease in rate
	14,233	**13,569**
Probability of termination of employment contract	+50% prob. term.	-50% prob. term.
	13,835	**13,960**
Percentage of termination benefit paid in advance	+50% in advance	-50% in advance
	13,836	**13,959**

The amount of health cover for retired directors and seniority bonuses paid to employees in accordance with the national collective bargaining agreement is also determined according to actuarial methods. In particular, the economic-financial hypotheses adopted in determining seniority bonuses comply fully with those adopted for the disclosure of termination benefits, while as regards health coverage of retired directors, the hypotheses adopted as regards inflation and discount rates remaining unchanged, the growth rate of future reimbursements has been assumed, analysing the historical data of the Parent and breaking down the increase into inflation adjustments and increases due to ageing of the population.

It should also be noted that with the entry into effect of the new IAS 19 as from 1 January 2013, actuarial gains and losses in relation to liabilities deriving from defined benefit plans for employees are now taken directly to equity.

In accordance with the new provisions of IAS 19, the results of sensitivity analysis considering a change of +/- 50 basis points in the discount rate with regard to health cover for managers are provided below (against a carrying amount of € 16,428 thousand):

(in € thousands)

Discount rate	0.5% increase in rate	0.5% decrease in rate
	13,997	**20,053**

Human resources

At 31 December 2019 the Group workforce included 3,694 persons, an increase of two compared with the previous year; the breakdown is shown in the table below:

(persons)

	31.12.2019	31.12.2018
Top management	125	120
Middle managers and Office staff	3,569	3,576
Total	**3,694**	**3,696**

Disclosure regarding public funding

Pursuant to art. 1.125 of Law No. 124/2017 on transparency of public funding, as amended, in 2019 the Group benefited, through the Italiana Assicurazioni subsidiary, from grants in the amount of € 152 thousand paid by the Banks and Insurance Company Fund.

Disclosure of auditing fees and for services other than auditing

(article 149.12 of the CONSOB Issuers Regulation)

(in € thousands)

Type of service	Supplier of the service	Recipient	Fees
Auditing			**671**
Auditing	EY S.p.A.	Società Reale Mutua di Assicurazioni	137
Auditing	EY S.p.A.	Italian subsidiaries	317
Auditing	EY S.p.A.	Foreign subsidiaries	217
Certification (**)	EY S.p.A.	Società Reale Mutua di Assicurazioni and Italian and foreign subsidiaries	**671**
Other services	EY ADVISORY S.p.A.	Società Reale Mutua di Assicurazioni and Italian and foreign subsidiaries	**1,989**

(*)This item comprises fees for the following auditing services: expression of an opinion on the adequacy of technical provisions, verifications and signing of tax returns, limited audit of the non-financial statement of Reale Group, Separately Managed Accounts, Internal Insurance Funds, Pension Fund, the National Guarantee Fund and the Audit, in accordance with IVASS Regulation No. 42, of sections D “Valuation for solvency purposes”, E1 “Own funds” and E.2 “Solvency Capital Requirement and Minimum Capital Requirement” of the Solvency and Financial Condition Report and of the “Balance Sheet”, “Own Funds” and “Solvency Capital Requirement for undertakings using the standard formula and the partial internal model” QRTs attached to said Report.

ANNEXES TO THE FINANCIAL STATEMENTS

Company: SOCIETA' REALE MUTUA DI ASS.NI

Consolidation area

Company name	Country registered office	Country operational centre (5)	Method (1)
REALE MUTUA DI ASSICURAZIONI	086		G
ITALIANA ASSICURAZIONI S.p.A.	086		G
REALE SEGUROS GENERALES S.A.	067		G
REALE VIDA Y PENSIONES S.A.	067		G
IGAR S.A.	067		G
REALE IMMOBILI S.p.A.	086		G
BANCA REALE S.p.A.	086		G
REALE ITES S.r.l.	086		G
BLUE ASSISTANCE S.p.A.	086		G
ITALNEXT S.r.l.	086		G
REALE GROUP LATAM S.p.A.	015		G
REALE GROUP CHILE S.p.A.	015		G
REALE CHILE SEGUROS S.A.	015		G
REM INTERMEDIAZIONI S.r.l.	086		G
REALE ITES ESP S.l.	067		G

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of non-consolidated interests

Company name	Country registered office	Country operational centre (5)	Activity (1)
CREDEMASSICURAZIONI S.p.A.	086		1

Financial: 2019

Activity (2)	% Direct interest	% Total interest (3)	% Voting rights at general meeting (4)	% consolidation
1	0	0	0	0
1	99.92	99.92	0	100.00
2	95.00	100.00	0	100.00
2	5.00	100.00	0	100.00
10	46.81	100.00	0	100.00
10	85.92	99.99	0	100.00
7	95.00	100.00	0	100.00
11	88.13	100.00	0	100.00
11	100.00	100.00	0	100.00
11	0	99.92	0	100.00
4	0	100.00	0	100.00
4	0	99.52	0	100.00
3	0	99.52	0	100.00
11	0	99.92	0	100.00
11	0	100.00	0	100.00

Financial: 2019

(Amounts in euros)

Type (2)	% Direct interest	% total interest (3)	% Voting rights at general meeting (4)	Carrying amount
C	50.00	50	0	26,620,702

Company: SOCIETA' REALE MUTUA DI ASS.NI **Financial: 2019**

Detail of property, plant and equipment and intangible assets

(Amounts in euros)

	At cost	At remeasured or fair value	Total carrying amount
Investment property	1,046,247,152	0	1,046,247,152
Other properties	253,494,567	0	253,494,567
Other property, plant and equipment	45,909,425	0	45,909,425
Other intangible assets	129,400,499	0	129,400,499

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of financial assets

	Investments held to maturity		Loans and receivables	
	Year n	Year n-1	Year n	Year n-1
Equity securities and derivatives valued at cost	0	0	0	0
Equity securities at fair value	0	0	0	0
of which listed securities	0	0	0	0
Debt securities	27,418,241	23,514,349	16,579,514	30,844,137
of which listed securities	27,418,241	23,514,349	0	0
Shares of UCIs	0	0	0	0
Loans and receivables from bank customers	0	0	446,281,069	369,652,940
Interbank loans and receivables	0	0	14,280,626	15,520,500
Deposits with ceding enterprises	0	0	2,860,919	3,094,852
Active financial components of insurance contracts	0	0	0	0
Other loans and receivables	0	0	177,148,595	190,943,866
Non-hedge derivatives	0	0	0	0
Hedge derivatives	0	0	0	0
Other financial investments	0	0	0	0
Total	**27,418,241**	**23,514,349**	**657,150,723**	**610,056,295**

Financial: 2019

(Amounts in euros)

AFS financial assets		Financial assets at FVTPL				Total carrying amount	
		Financial assets held for trading		Financial assets designated at FVTPL			
Year n	Year n-1	Year n	Year n-1	Year n	Year n-1	Year n	Year n-1
111,349,587	110,742,302	0	0	0	0	111,349,587	110,742,302
66,746,261	147,870,223	0	0	207,548,814	166,988,738	274,295,075	314,858,961
59,799,338	139,471,367	0	0	207,548,814	166,988,738	267,348,152	306,460,105
15,203,353,677	13,692,732,484	8,228,990	10,165,206	588,881,537	568,742,020	15,844,461,959	14,325,998,196
15,120,480,957	13,629,339,347	0	0	575,388,085	568,742,020	15,723,287,283	14,221,595,716
559,924,461	646,133,282	0	272,166	1,240,303,287	911,408,916	1,800,227,748	1,557,814,364
0	0	0	0	0	0	446,281,069	369,652,940
0	0	0	0	0	0	14,280,626	15,520,500
0	0	0	0	0	0	2,860,919	3,094,852
0	0	0	0	0	0	0	0
0	0	0	0	-9,300,070	-1,153,161	167,848,525	189,790,705
0	0	835,494	772,142	1,069,320	1,774,053	1,904,814	2,546,195
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
15,941,373,986	**14,597,478,291**	**9,064,484**	**11,209,514**	**2,028,502,888**	**1,647,760,566**	**18,663,510,322**	**16,890,019,015**

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of assets and liabilities relating to contracts written by insurance companies where the investment risk is borne by the customer and related to the administration of pension funds

	Operations linked to investment funds and market indices	
	Year n	**Year n - 1**
Assets on the balance sheet	1,807,279,684	1,440,028,601
Infra-group assets*	0	0
Total assets	**1,807,279,684**	**1,440,028,601**
Fin. liabilities on the balance sheet	355,506,809	280,445,552
Technical provisions on the balance sheet	1,452,270,358	1,160,204,127
Infra-group liabilities*	0	0
Total Liabilities	**1,807,777,167**	**1,440,649,679**

* Assets and liabilities eliminated in the consolidation process

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of reinsurers' share of technical provisions

	Direct business	
	Year n	**Year n-1**
Non-life provisions	***471,254,642***	***494,450,793***
Provision for unearned premiums	127,838,123	119,002,836
Provisions for claims outstanding	343,416,519	375,447,957
Other reserves	0	0
Life provisions	***199,991,973***	***223,412,364***
Provision for sums to be paid	18,051,275	20,277,964
Provisions for policy liabilities	173,143,263	194,935,584
Provisions for policies where the investments risk is borne by the policyholders and relating to the administration of pension funds	6,767,924	6,454,423
Other reserves	2,029,511	1,744,393
Total Reinsurers' share of technical provisions	***671,246,615***	***717,863,157***

Financial: 2019

(Amounts in euros)

Operations connected with the management of pension funds		Total	
Year n	Year n - 1	Year n	Year n - 1
268,110,865	234,968,111	2,075,390,549	1,674,996,712
0	0	0	0
268,110,865	**234,968,111**	**2,075,390,549**	**1,674,996,712**
0	0	355,506,809	280,445,552
268,074,068	234,958,927	1,720,344,426	1,395,163,054
0	0	0	0
268,074,068	**234,958,927**	**2,075,851,235**	**1,675,608,606**

Financial: 2019

(Amounts in euros)

Inward reinsurance		Total carrying amount	
Year n	Year n-1	Year n	Year n-1
829,577	***931,153***	***472,084,219***	***495,381,946***
78,741	89,595	127,916,864	119,092,431
750,836	841,558	344,167,355	376,289,515
0	0	0	0
1,971,657	***2,027,200***	***201,963,630***	***225,439,564***
0	0	18,051,275	20,277,964
1,971,657	2,027,200	175,114,920	196,962,784
0	0	6,767,924	6,454,423
0	0	2,029,511	1,744,393
2,801,234	***2,958,353***	***674,047,849***	***720,821,510***

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of technical provisions

	Direct business	
	Year n	Year n-1
Non-life provisions	***4,372,499,055***	***4,432,963,954***
Provision for unearned premiums	1,328,667,113	1,310,528,855
Provisions for claims outstanding	2,963,204,975	3,042,311,221
Other reserves	80,626,967	80,123,878
of which provisions stated following liability adequacy test	35,661,018	41,304,735
Life provisions	***13,590,421,545***	***12,016,793,237***
Provision for sums to be paid	127,456,478	110,269,973
Provisions for policy liabilities	10,624,352,811	10,154,962,861
Provisions for policies where the investments risk is borne by the policyholders and relating to the administration of pension funds	1,719,758,791	1,394,432,672
Other reserves	1,118,853,465	357,127,731
of which provisions stated following liability adequacy test	16,822,408	4,541,948
of which deferred liabilities towards policyholders	1,035,886,337	285,974,166
Total technical provisions	***17,962,920,600***	***16,449,757,191***

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of financial liabilities

	Financial liabilities at FVTPL			
	Financial liabilities held for trading		Financial liabilities designated at FVTPL	
	Year n	Year n-1	Year n	Year n-1
Financial liabilities with discretionary participation feature	0	0	0	0
Subordinated liabilities	0	0	0	0
Liabilities on financial contracts written by insurance companies deriving from:	0	0	356,033,186	280,445,552
contracts where the investment risk is borne by the policyholders	0	0	355,506,809	280,445,552
management of pension funds	0	0	0	0
other contracts	0	0	526,377	0
Deposits received from reinsurers	0	0	0	0
Financial liability components of insurance contracts	0	0	0	0
Debt securities issued	0	0	0	0
Payables to bank customers	0	0	0	0
Interbank payables	0	0	0	0
Other loans received	0	0	0	0
Non-hedge derivatives	10,128,431	10,826,773	0	0
Hedge derivatives	0	0	0	0
Other financial liabilities	0	0	0	0
Total	**10,128,431**	**10,826,773**	**356,033,186**	**280,445,552**

Financial: 2019

(Amounts in euros)

Indirect business		Total carrying amount	
Year n	Year n-1	Year n	Year n-1
3,519,716	***3,584,330***	***4,376,018,771***	***4,436,548,284***
223,756	230,389	*1,328,890,869*	*1,310,759,244*
3,295,960	3,311,241	*2,966,500,935*	*3,045,622,462*
0	42,700	*80,626,967*	*80,166,578*
0	42,700	*35,661,018*	*41,347,435*
2,607,848	***2,809,560***	***13,593,029,393***	***12,019,602,797***
0	0	*127,456,478*	*110,269,973*
2,022,213	2,079,178	*10,626,375,024*	*10,157,042,039*
585,635	730,382	*1,720,344,426*	*1,395,163,054*
0	0	*1,118,853,465*	*357,127,731*
0	0	*16,822,408*	*4,541,948*
0	0	*1,035,886,337*	*285,974,166*
6,127,564	***6,393,890***	***17,969,048,164***	***16,456,151,081***

Financial: 2019

(Amounts in euros)

Other financial liabilities		Total carrying amount	
Year n	Year n-1	Year n	Year n-1
0	0	0	0
0	0	0	0
0	0	356,033,186	280,445,552
0	0	355,506,809	280,445,552
0	0	0	0
0	0	526,377	0
182,221,839	197,603,212	182,221,839	197,603,212
0	0	0	0
57,039,138	70,457,486	57,039,138	70,457,486
476,335,331	393,678,691	476,335,331	393,678,691
68,483,250	124,537,502	68,483,250	124,537,502
35,235,049	279,603	35,235,049	279,603
0	0	10,128,431	10,826,773
0	0	0	0
22,471,307	0	22,471,307	0
841,785,914	**786,556,494**	**1,207,947,531**	**1,077,828,819**

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of other comprehensive income

	Allocations		Adjustments for reclassification to the income statement	
	Total Year n	Total Year n-1	Total Year n	Total Year n-1
Other comprehensive income without reclassification to the income statement	**-5,240,514**	**2,487,986**		
Reserve arising from changes in shareholders' equity of investees	0	0		
Intangible assets revaluation reserve	0	0		
Tangible assets revaluation reserve	0	0		
Income and charges relating to non-current assets or of a disposal group HFS	0	0		
Actuarial gains and losses and adjustments relating to defined benefit plans	-5,240,514	2,487,986		
Other elements	0	0		
Other income components with reclassification to the income statement	**35,020,731**	**-81,564,867**	**18,037,044**	**-42,488,798**
Reserve for net exchange differences	-6,438,211	-6,502,751	0	0
Gains or losses on AFS financial assets	39,963,941	-63,240,788	18,037,044	-42,488,798
Gains or losses on cash flow hedges		0	0	0
Gains or losses on hedges of net investments in foreign entities		0	0	0
Reserve arising from changes in shareholders' equity of investees	1,495,001	-11,821,328	0	0
Income and charges relating to non-current assets or of a disposal group held for sale	0	0	0	0
Other elements	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	**29,780,217**	**-79,076,881**	**18,037,044**	**-42,488,798**

Company: SOCIETA' REALE MUTUA DI ASS.NI

Assets and liabilities measured at fair value on a recurrent and non-recurrent basis: breakdown by levels of fair value

		Level 1	
		Year n	Year n-1
Assets and liabilities measured at fair value on a recurrent basis			
AFS financial assets		14,101,507,992	13,917,112,926
Financial assets at FVTPL	Financial assets held for trading	0	272,167
	Financial assets designated at FVTPL	1,922,201,693	1,552,158,547
Investment property		0	0
Property, plant and equipment		0	0
Intangible assets		0	0
Total assets measured at fair value on a recurrent basis		**16,023,709,685**	**15,469,543,640**
Financial liabilities at FVTPL	Financial liabilities held for trading	0	0
	Financial liabilities designated at FVTPL	356,033,186	280,445,552
Total liabilities measured at fair value on a recurrent basis		**356,033,186**	**280,445,552**
Assets and liabilities measured at fair value on a non-recurrent basis			
Non-current assets or of a disposal group HFS		0	0
Liability of a disposal group HFS		0	0

Financial: 2019

(Amounts in euros)

Other changes		Total change		Taxes		Balance	
Total Year n	Total Year n-1	Total Year n	Total Year n-1	Total Year n	Total Year n-1	at 31-12-(n)	at 31-12-(n-1)
0	**0**	**-5,240,514**	**2,487,986**	**0**	**0**	**-24,200,402**	**-18,959,888**
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	-5,240,514	2,487,986	0	0	-24,200,402	-18,959,888
0	0	0	0	0	0	0	0
0	**0**	**53,057,775**	**-124,053,665**	**0**	**0**	**64,509,399**	**11,451,624**
0	0	-6,438,211	-6,502,751	0	0	-13,318,792	-6,880,581
0	0	58,000,985	-105,729,586	0	0	76,806,421	18,805,436
0	0	0	0	0	0		0
0	0	0	0	0	0		0
0	0	1,495,001	-11,821,328	0	0	1,021,770	-473,231
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	**0**	**47,817,261**	**-121,565,679**	**0**	**0**	**40,308,997**	**-7,508,264**

Financial: 2019

(Amounts in euros)

Level 2		Level 3		Total	
Year n	Year n-1	Year n	Year n-1	Year n	Year n-1
1,601,043,340	469,063,647	238,822,654	211,301,718	15,941,373,986	14,597,478,291
9,064,483	10,937,347	0	0	9,064,483	11,209,514
106,301,077	94,410,719	119	1,191,300	2,028,502,889	1,647,760,566
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,716,408,900	**574,411,713**	**238,822,773**	**212,493,018**	**17,978,941,358**	**16,256,448,371**
10,128,431	10,826,773	0	0	10,128,431	10,826,773
0	0	0	0	356,033,186	280,445,552
10,128,431	**10,826,773**	**0**	**0**	**366,161,617**	**291,272,325**
0	0	0	0	0	0
0	0	0	0	0	0

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of changes in level 3 financial assets and liabilities measured at fair value on a recurrent basis

	AFS financial assets
Opening balance	**211,301,718**
Purchases/Issues	46,562,279
Sales/Repurchases	-4,260,928
Repayments	-11,435,222
Gain (loss) through profit or loss	-3,609,811
- of which valuation gains/losses	-3,689,523
Gains or losses through other comprehensive income	264,618
Transfers to level 3	0
Transfers to other levels	0
Other changes	0
Closing balance	**238,822,654**

Company: SOCIETA' REALE MUTUA DI ASS.NI

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

	Carrying amount	
	Year n	Year n-1
Assets		
Investments held to maturity	27,418,241	23,514,349
Loans and receivables	657,150,723	610,056,295
Equity investments in subsidiaries, associates and joint ventures	26,620,702	20,871,059
Investment property	1,046,247,152	1,037,474,222
Property, plant and equipment	299,403,992	268,764,655
Total assets	**2,056,840,810**	**1,960,680,580**
Liabilities		
Other financial liabilities	841,785,914	786,556,494

Financial: 2019

(Amounts in euros)

Financial assets at FVTPL		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at FVTPL	
Financial assets held for trading	Financial assets designated at FVTPL				Financial liabilities held for trading	Financial liabilities designated at FVTPL
0	**1,191,300**	**0**	**0**	**0**	**0**	**0**
0		0	0	0	0	0
0		0	0	0	0	0
0	0	0	0	0	0	0
0	-1,191,181	0	0	0	0	0
0	-1,191,181	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	**119**	**0**	**0**	**0**	**0**	**0**

Financial: 2019

(Amounts in euros)

Fair value							
Level 1		Level 2		Level 3		Total	
Year n	Year n-1	Year n	Year n-1	Year n	Year n-1	Year n	Year n-1
30,411,000	24,069,000	0	0		0	30,411,000	24,069,000
0	0	16,579,514	30,844,137	640,571,209	579,212,158	657,150,723	610,056,295
0	0	0	0	33,473,050	27,452,456	33,473,050	27,452,456
0	0	0	0	1,729,597,566	1,707,676,222	1,729,597,566	1,707,676,222
0	0	0	0	379,634,253	351,663,655	379,634,253	351,663,655
30,411,000	**24,069,000**	**16,579,514**	**30,844,137**	**2,783,276,078**	**2,666,004,491**	**2,830,266,592**	**2,720,917,628**
0	0	0	0	841,785,914	786,556,494	841,785,914	786,556,494

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of insurance technical items

		Year n		
		Gross amount	**Reinsurers' share**	**Net amount**
Non-life business				
NET PREMIUMS		**3,265,816,089**	**-328,444,187**	**2,937,371,902**
a	Premiums written	3,281,360,460	-337,755,731	2,943,604,729
b	Change in the provision for unearned premiums	-15,544,371	9,311,544	-6,232,827
COST OF CLAIMS		**-2,127,155,801**	**237,128,507**	**-1,890,027,294**
a	Amounts paid	-2,238,298,211	262,227,196	-1,976,071,015
b	Change in the provision for outstanding claims	77,372,512	-25,098,689	52,273,823
c	Change in recoveries	39,841,862	0	39,841,862
d	Change in other technical provisions	-6,071,964	0	-6,071,964
Life business				
NET PREMIUMS		**1,978,392,824**	**-30,384,788**	**1,948,008,036**
COST OF CLAIMS		**-2,212,385,536**	**20,850,267**	**-2,191,535,269**
a	Amounts paid	-1,412,892,320	45,003,915	-1,367,888,405
b	Change in the provision for sums to be paid	-17,167,369	-2,028,982	-19,196,351
c	Change in the mathematical provision	-468,739,773	-21,848,041	-490,587,814
d	Change in technical provisions where the investment risk is borne by the policyholders and relating to the administration of pension funds	-307,697,641	-561,742	-308,259,383
e	Change in other technical provisions	-5,888,433	285,117	-5,603,316

Company: SOCIETA' REALE MUTUA DI ASS.NI

Financial and investment income and expense

		Interest	**Other income**	**Other expense**	**Realised gains**	**Realised losses**
Results of investments		**290,269,955**	**113,135,498**	**-44,129,907**	**168,330,470**	**-45,635,198**
a	Deriving from investment property	0	86,877,466	-9,542,112	17,533,210	-28,428
b	Deriving from equity investments in subsidiaries, associates and joint ventures	0	4,265,914	0	0	0
c	Deriving from HTM investments	699,069	0	0	0	0
d	Deriving from loans and receivables	14,436,202	0	-10,234	0	-390,453
e	Deriving from AFS financial assets	247,516,861	18,954,083	-7,222,128	75,975,433	-32,411,053
f	Deriving from financial assets held for trading	0	0	0	281,507	-30,046
g	Deriving from financial assets designated at FVTPL	27,617,823	3,038,035	-27,355,433	74,540,320	-12,775,218
Result of miscellaneous receivables		**305,743**	**6,676**	**0**	**0**	**0**
Result of cash and cash equivalents		**308,823**	**0**	**0**	**0**	**0**
Result of financial liabilities		**-2,918,097**	**0**	**-44,030,900**	**1,420,963**	**-319,497**
a	Deriving from financial liabilities held for trading	0	0	-2,489,781	1,420,963	0
b	Deriving from financial liabilities designated at FVTPL	0	0	-41,541,119	0	0
c	Deriving from other financial liabilities	-2,918,097	0	0	0	-319,497
Result of payables		**-3,622,046**	**0**	**-526**	**0**	**0**
Total		**284,344,378**	**113,142,174**	**-88,161,333**	**169,751,433**	**-45,954,695**

Financial: 2019

(Amounts in euros)

Year n-1		
Gross amount	Reinsurers' share	Net amount
3,115,544,921	**-290,621,360**	**2,824,923,561**
3,196,825,817	-321,141,557	2,875,684,260
-81,280,896	30,520,197	-50,760,699
-2,038,456,955	**227,918,537**	**-1,810,538,418**
-2,182,545,125	295,129,439	-1,887,415,686
118,868,978	-66,622,923	52,246,055
29,448,567	587,979	28,860,588
-4,229,375	0	-4,229,375
1,784,727,327	**-36,297,751**	**1,748,429,576**
-1,828,912,037	**27,693,861**	**-1,801,218,176**
-1,262,781,145	50,843,397	-1,211,937,748
8,435,578	-3,168,748	5,266,830
-397,033,879	-20,021,996	-417,055,875
-180,448,996	-262,058	-180,711,054
2,916,405	303,266	3,219,671

Financial: 2019

(Amounts in euros)

Total gains and losses realised	Valuation gains		Valuation losses		Total gains and losses not realised	Total gains and losses Year n	Total gains and losses Year n-1
	Valuation gains	Reversals of write-downs	Valuation losses	Reduction in value			
481,970,818	**142,324,021**	**11,016,233**	**-8,808,139**	**-29,574,168**	**114,957,947**	**596,928,765**	**360,028,088**
94,840,136	0	1,816,387	0	-12,775,529	**-10,959,142**	**83,880,994**	**76,824,541**
4,265,914	0	0	0	0	**0**	**4,265,914**	**68,368,761**
699,069	0	0	0	0	**0**	**699,069**	**39,517**
14,035,515	0	9,199,846	0	-12,492,861	**-3,293,015**	**10,742,500**	**5,711,599**
302,813,196	0	0	0	-4,305,778	**-4,305,778**	**298,507,418**	**285,294,075**
251,461	478,705	0	0	0	**478,705**	**730,166**	**-295,066**
65,065,527	141,845,316	0	-8,808,139	0	**133,037,177**	**198,102,704**	**-75,915,339**
312,419	**0**	**0**	**0**	**0**	**0**	**312,419**	**359,497**
308,823	**0**	**0**	**0**	**0**	**0**	**308,823**	**423,283**
-45,847,531	**0**	**0**	**-788,264**	**0**	**-788,264**	**-46,635,795**	**12,308,510**
-1,068,818	0	0	-788,264	0	**-788,264**	**-1,857,082**	**-1,353,205**
-41,541,119	0	0	0	0	**0**	**-41,541,119**	**16,555,428**
-3,237,594	0	0	0	0	**0**	**-3,237,594**	**-2,893,713**
-3,622,572	**0**	**0**	**0**	**0**	**0**	**-3,622,572**	**-4,843,006**
433,121,957	**142,324,021**	**11,016,233**	**-9,596,403**	**-29,574,168**	**114,169,683**	**547,291,640**	**368,276,372**

Company: SOCIETA' REALE MUTUA DI ASS.NI

Detail of insurance operating expenses

		Non-life business	
		Year n	**Year n-1**
Gross commissions and other acquisition costs		-860,677,346	-826,971,513
a	Acquisition commissions	-477,304,937	-457,511,953
b	Other acquisition costs	-248,805,323	-232,866,741
c	Change in deferred acquisition costs	0	0
d	Collection commissions	-134,567,086	-136,592,819
Reinsurance commissions and profit-sharing		71,151,937	63,847,596
Investment management expenses		-10,240,994	-9,961,452
Other administrative expenses		-144,396,908	-139,312,355
Total		**-944,163,311**	**-912,397,724**

Company: SOCIETA' REALE MUTUA DI ASS.NI

Interests in unconsolidated structured entities

Name of the structured entity	Revenues from the structured entity received during the period of reference	Carrying amount (on the transfer date) of the assets transferred to the structured entity during the period of reference	Carrying amount of the assets recognised in the financial statements and relating to the structured entity
GRIES FUND			6,586,571

Financial: 2019

(Amounts in euros)

Life business	
Year n	**Year n-1**
-67,508,278	-60,589,165
-32,528,544	-29,881,870
-31,332,692	-25,725,841
0	0
-3,647,042	-4,981,454
4,914,606	6,505,649
-13,930,518	-13,177,855
-37,093,850	-33,556,567
-113,618,040	**-100,817,938**

Financial: 2019

(Amounts in euros)

Corresponding assets item of the balance sheet	Carrying amount of the liabilities recognised in the financial statements and relating to the structured entity	Corresponding liabilities item of the balance sheet	Maximum exposure to the risk of loss
45			6,586,571

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