EUROVITA

Valore alle tue prospettive

FINANCIAL STATEMENTS 2019

Eurovita S.p.A.

Registered Address and Headquarters:
20141 Milan, Italy
Via Pampuri 13

Fully paid-in share capital € 90,498,908

Company authorized to provide life insurance
under Ministerial Decree dated 6 April 1992
(Italian OJ No. 85 of 10 April 1992)

Company under management and coordination
of Eurovita Holding S.p.A.

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COMPOSITION OF CORPORATE BODIES

BOARD OF DIRECTORS

Chairman	**Davide CROFF**
Chief Executive Officer	**Erik STATTIN**
Directors	**Heinz-Peter ROSS**
	Caspar BERENDSEN
	Eugenio PREVE
	Andrea BERTOLINI
	Mario CUCCIA

BOARD OF STATUTORY AUDITORS

Chairman	**Claudio MAUGERI**
Standing auditors	**Marcello ROMANO**
	Antonio Carlo DOGLIOTTI

INDEPENDENT AUDITOR

KPMG S.p.A.

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The composition of the Board of Directors was that in place at the date of presentation of this document.

EUROVITA

REPORT ON OPERATIONS

Shareholders,

The financial statements of Eurovita S.p.A. for the year ended at 31 December 2019, which we submit for your approval, show a net profit of €31.7 million.

Eurovita S.p.A. was established on 31 December 2017 from the merger of three companies acquired by Cinven in 2016 and 2017. Following the above merger and the simultaneous choice to favor accounting principles suitable for ensuring the continuity of values with the consolidated financial statements, thus reflecting their impacts also in stand-alone financial statements, the Income Statement of Eurovita S.p.A., in addition to the contribution of the two merged companies, the former companies OMWI and EVA, also reflects the purchase price allocation (PPA below).

The foregoing produced significant impacts such as the amortization of the merged companies' VIF (a gain of approximately €7.0 million), the negative impact arising from the different cost amortized and different gains / losses realized on the securities portfolio, partially offset by the shadow accounting effect (a gain of €14.4 million). Adjusted of the related tax effect, the overall economic impact of PPA was a loss of €5.1 million.

On 18 December 2019, Eurovita S.p.A., with the aim of continuing on its path of creation and consolidation of a leading and independent company in the Italian market, acquired the entire equity stake of Pramerica Life S.p.A. The latter is a small company operating in the life market, with technical provisions of around €1.2 billion and premium income of €142 million.

The most significant data that emerge from the end of financial year 2019, including the PPA effect, are highlighted in the following table in comparison with 2018:

(amounts in Euro million)

	31 December 2019	31 December 2018	Change	Change in %
Gross earned premiums	2.003,7	1.252,2	751,5	60,0%
Acquisition costs and admin. exp.	60,7	67,8	-7,2	-10,5%
Impact on premiums	3,0%	5,4%	-2,4%	
Net insurance benefits and claims	2.065,2	1.245,9	819,4	65,8%
Total financial income	274,6	177,4	97,2	54,8%
Total financial charges	52,4	70,2	-17,8	-25,4%
Investments	17.828,7	16.273,3	1.555,4	9,6%
Capital and reserves	536,6	317,5		
Net profit	0,35	0,34		
Number of employees	226	213		
Average number of employees	220	252		

1. Overview of the Economic Situation

The risks to global growth remain tilted to the downside. International trade has returned to growth and there have been signs that the tariff disputes between the United States and China have eased, but the outlook remains uncertain and geopolitical tensions are on the increase. Less pessimistic growth expectations, buoyed by the accommodative stance of the central banks, have nonetheless driven up share prices and have facilitated a moderate recovery in long-term yields.

Economic activity in the euro area has been held back by the weakness of the manufacturing sector; particularly so in Germany despite a better-than-expected performance there in November. While growth in the service sector has been stronger up until now, there is the risk that it could also be affected. Developments in the economy have an impact on inflation, which according to Eurosystem projections is being sustained by monetary stimulus but is expected to remain below 2 per cent over the next three years. The ECB Governing Council has reaffirmed the need to maintain its current accommodative stance.

The latest available data suggest that the economic activity in Italy, which expanded slightly in the third quarter of last year, remained more or less unchanged in the fourth quarter and continued to be affected above all by the weakness of the manufacturing sector. In the surveys conducted by I.S.T.A.T. (Italian national statistics institute) and the Bank of Italy, firms have expressed slightly more favorable assessments of orders and foreign demand but continue to view uncertainty and trade tensions as factors hindering their activity. Firms are planning to increase investment in 2020, albeit to a lesser extent than in the previous year.

In recent months, there has been substantial net foreign investment in Italian public securities (€90 billion between January and November 2019). The Bank of Italy's negative balance on the TARGET2 European payment system has improved significantly, owing in part to the effect of the increase in net funding for Italian banks from abroad on the repo markets, facilitated by the introduction of the new remuneration system for banks' reserves held with the Eurosystem. In 2019, the current account surplus remained large. Italy's net international investment position is close to balance.

In the third quarter, the number of people in employment rose slightly, especially in the service sector; the data available point to an expansion in recent months as well. Contractual wage growth is positive (0.7 per cent year-on-year), although it is diminishing, reflecting the fact that significant sectors of the economy are still waiting for the renewal of collective bargaining agreements.

Inflation is low (0.5 per cent in December). The service sector is the biggest contributor to price growth, while growth in the prices of industrial goods remains modest. Core inflation strengthened slightly in the autumn, rising to 0.7 per cent. The latest business surveys registered a slight reduction in inflation expectations.

Italian government bond yields and Italian share prices have been rising since mid-October, reflecting a similar trend in other euro-area countries, as well as the publication of some better-than-expected economic data for the euro area. Average yields on bonds issued by Italian non-financial corporations and banks remained substantially unchanged at more than 70 basis points below the average levels recorded in the first half of 2019.

The cost of credit has fallen, considerably so for households, for whom growth in lending remains solid, while it is negative for firms. Based on the surveys, this mainly reflects weak demand for loans. According to the banks, the measures adopted in September by the ECB Governing Council will help bring about an improvement in credit conditions.

The preliminary data available for 2019 indicate a slight reduction in the ratio of general government net borrowing to GDP and an increase in the debt-to-GDP ratio. The budgetary provisions for the three years 2020-22, approved by Parliament last December, increase net borrowing by 0.7 percentage points of GDP on average per year compared with its current-legislation levels. After stabilizing in 2020, the Government's plans indicate that net borrowing and debt will decline in 2021 and 2022 as a percentage of GDP.

This Bulletin includes the macroeconomic projections for the Italian economy in the three years 2020-22, which update those prepared in December as part of the Eurosystem staff macroeconomic projection exercise.

The projections assume: modest growth in world trade, although a gradual recovery is expected; accommodative monetary conditions, in line with the stance confirmed by the ECB Governing Council; and orderly developments in Italian financial markets, which translate into low credit costs for firms.

Based on these assumptions, the central projection indicates an increase of 0.5 per cent in GDP this year, of 0.9 per cent in 2021 and of 1.1 per cent in 2022. Economic activity is expected to be supported both by the gradual upturn in world trade and by moderate growth in domestic demand. Despite being affected by persistent uncertainty, investment is likely to be boosted by the gradual improvement in the outlook for global demand and by expansionary financing conditions; the decline in sovereign spreads observed since the beginning of last June is expected to support investment by about 3.5 percentage points overall in the three years 2020-22. Inflation will rise gradually, by 0.7 per cent in the current year to 1.3 per cent in 2022, above all thanks to a recovery in wages and profit margins, which are expected to benefit from the improved cyclical situation.

Compared with last July's projections, growth is predicted to be lower this year and essentially unchanged for 2021. The effects of the more pronounced weakness of the global economy are largely offset by those of the greater monetary stimulus and of lower risk premiums on Italian sovereign debt.

Growth is still exposed to considerable risks, linked to increasing geopolitical uncertainty, trade conflicts that have only been partly resolved and the weak economic performance of our main European partners. Any delay in implementing the large increases in planned public investment, which have been incorporated in the forecasting scenario, or a renewal of tensions on the financial markets, could lead to growth being lower than projected.

(*Source: Bank of Italy Economic Bulletin No. 1/2020*).

2. Situation of the Italian Life Insurance Market

In 2019, new business of individual and collective life policies of Italian and non-EU companies, including additional single premiums, reached €90.1 billion in premiums, a further 5.4% growth compared to the previous year, when the increase was 3.8%. New premiums for individual policies alone amounted to €86.3 billion, 96% of total new business, a growth (up 4.8%) for the second consecutive year 3.5% compared to the previous financial year.

Considering new life premiums of the sample of EU companies, equal to €13.9 billion, a growth (up 1.2%) compared to 2018, new life business amounted in total to €104 billion, i.e. 4.8% more than the previous year.

With regard to Italian and non-EU companies, analyzing the trend by Class type, it should be noted that Class I maintained the leading role in the life segment in 2019, with an impact on total new business that rose to 69%, i.e. 4 percentage points more than in 2018.

Against a premium amount of €62.6 billion, Class I reported an increase of 12.5% compared to the previous financial year, when growth had been 8.4%. However, this result was partly offset by lower funding in Class III, especially for individual policies in the first eight months of the year, reporting a drop of 11.3%, for a volume of new premiums of €23.7 billion. The impact of Class III on the entire new premium income fell to 26%, from 31% in 2018. With regard to Class V, in 2019 there was an increase (up 3.0% compared to 2018) in new premium income (€2.2 billion), due solely to the growth of individual policies, which offset the decline reported by collective policies. New business relating to the management of pension funds (Class VI) amounted to €1.5 billion in 2019, i.e. 70.5% higher than in 2018.

With regard to new life business by distribution channel, in relation to the activities of Italian and non-EU companies, two-thirds thereof was brokered through bank and post office branches, with a premium volume of €59.9 billion and an increase of 3.6% compared to 2018, due to the good performance of individual policies. On the other hand, the income performance of new policies through the channel of qualified financial advisers was negative. Against a premium amount of €12.2 billion, there was another contraction of 2.4% compared to 2018 and a market share that dropped by one point and stood at 14% of overall new business. The volume of new business distributed by the agents' channel in 2019 was €10.9 billion (12% of total new business), i.e. an increase of 18.9% compared to previous year, while the channel of directly operated agencies reported an annual increase of 27.1%, despite a more limited amount of new premiums of €6.0 billion (7% of the total).

Adding individual and collective policies of subsequent years, in relation to policies subscribed in previous years, to new business premiums, it is estimated that total life premiums (gross amounts) should reach approximately €106 billion in 2019, i.e. an increase of 4% compared to 2018.

This result is, as already noted for new business in the current year, due to the increase (10%) of premium income relating to Class I, i.e. €73 billion (68% of total life premiums), only in part offset by the drop in Class III policies (unit-linked), which in 2019 should reach €28 billion (26% of total income), i.e. a drop of 6% compared to 2018.

New annual business by distribution channel

Italian and non-EU enterprises (Euro million)

(individual and collective)	2017		2018		2019	
DISTRIBUTION CHANNEL	**Premiums**	**17/16 (%) change**	**Premiums**	**18/17 (%) change**	**Premiums**	**19/18 (%) change**
Bank and post office branches	55.516	-7,5%	57.790	4,1%	**59.878**	**3,6%**
Agents	9.229	-3,8%	9.133	-1,0%	**10.856**	**18,9%**
Directly Operated Agencies	4.072	5,9%	4.702	15,5%	**5.976**	**27,1%**
Qualified Financial Advisers	12.848	1,4%	12.535	-2,4%	**12.235**	**-2,4%**
Other forms (including Brokers)	637	-6,3%	1.303	104,7%	**1.163**	**-10,7%**
Italian and non-EU enterprises	**82.302**	**-5,2%**	**85.462**	**3,8%**	**90.108**	**5,4%**

N.B.: Percentage changes are calculated with reference to figures in Euro thousand.
(*) This figure includes premiums earned in Italy by a sample group of representation in EU enterprises under freedom of establishment and freedom to provide services.

Breakdown of premiums by type and distribution channel

(individual and collective)		BREAKDOWN OF PREMIUMS BY CHANNEL					
TYPE OF PREMIUMS	**No. of policies /adhesions**	**Bank and post office branches**	**Agents**	**Directly operated agencies**	**Qualified Financial Advisers**	**Other forms (including Brokers)**	**Total**
Annual	16,2%	0,3%	2,1%	1,7%	0,2%	0,9%	0,5%
Single	63,8%	95,1%	87,7%	87,6%	98,8%	82,1%	94,3%
Recurring	20,0%	4,6%	10,2%	10,7%	1,0%	17,0%	5,1%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

(Source: ANIA – Trends - February 2020)

3. The Company's Performance

The financial statements of Eurovita S.p.A. at 31 December 2019 show a net profit of €31.7 million, compared to a profit of €30.9 million earned at the end of financial year 2018.

The most significant data that emerge from the end of financial year 2019 can be summarized as follows:

- Premium income, in relation to products classified as insurance contracts or as investment contracts with profit sharing, was €2,003.7 million;

  New business, amounting to €1,843.1 million, showed an increase of 74.6% compared to the previous financial year, originating from the growth of single premiums, which amounted to €809.9, partially offset by a reduction in annual premiums, which amounted to a loss of €22.5 million;

- Premium income of financial products, classified under IAS 39 in compliance with the IAS / IFRS standards, was €485.6 million, against €640.8 million in 2018, a decrease of over €155.2 million;

- During 2019, indirect business, concentrated on run-off treaties with Spanish and Belgian companies of the ERGO group, resulted in premium income of €5.2 million, against €5.9 million earned in the previous financial year, i.e. a decrease of 11%;

- Premiums ceded decreased by 44.4% due to the effect of the decrease in premiums for the subsequent years ceded under treaties relating to pre-2001 business arising for the network of the former company Ergo Previdenza (premiums ceded of €29.6 million compared to €53.2 million in the previous financial year);
- Investment income, net of related charges (net of interest expense on reinsurers' deposits) stood at €238.9 million, compared to a 2018 result of €267.2 million (gross of the PPA effect). It should be recalled that the volatility of the investment portfolio caused by the adoption of the IAS / IFRS measurement criteria, (even if it appears in a limited manner in the Income Statement given the prevailing classification of securities portfolio as Available for Sale) did not have similar results in returns of the Separate Management funds. Separate Management funds, and therefore the associated products and related provisions, were valued by only taking into account the realized capital gains or losses and consequently were not directly influenced by the performance of the market rates but by the realized return of the assets that constitute them. The Company is however aware of the uncertainty of net contingent capital gains in its investment portfolio and monitors the performance of financial markets. It is believed that the intrinsic volatility in the measurement of assets at fair value does not currently require the Company to carry out any other market operations and hedges as further specified below.

Gross technical provisions, also considering the recognition of provisions calculated by using the shadow accounting method, increased, going from €9,795 million to €10,873 million. It should also be noted that, due to the merger transaction in 2017, technical provisions include a Value in Force of €170.1 million relating to the former company Eurovita Assicurazioni. This value was amortized in line with the underlying portfolio maturity by separate management fund.

Operating expenses decreased by 8.8%, going from €79.6 million at the end of 2018 to €72.6 million at the end of the current financial year. Overhead costs, including amortization of intangible assets, decreased with respect to the same period in the previous financial year. This decrease is mainly due to lower personnel costs by €9.6 million, linked to the smaller number of resources employed, lower IT costs by €0.5 million and lower rental costs by €0.9 million (linked to the termination of the rental contract for the premises in Rome).

A total of €1.7 million in redundancy incentives and solidarity contributions, fully covered by specific provisions for risks, were paid out during the year.

Acquisition Commissions and Other Acquisition Costs (which include Purchase Commissions, Collection Commissions, Rappels and other Incentives to the sales network), net of the acquisition commissions received from Reinsurers (equal to €6.9 million) and Portfolio Maintenance Fees (equal to €112.6 million), amounted to €37.1 million, against €41.6 million reported in 2018 (down 10.9%). This decrease, against improved new business, is related both to a different mix of new products marketed (greater focus on single premiums sold by the banking channel with lower acquisition commissions) and to a reduction in premiums of subsequent years with a resulting reduction in collection commissions.

The change in Commissions to be amortized amounted to €1.5 million and shows a decrease of €5.0 million compared to the previous financial year (€6.5 million in 2018). This decrease is also related to the different mix of products marketed.

Profit before taxes, equal to €46.2 million, was higher than that of the previous financial year (€43.1 million), by a total of €3.1 million. Taxes were calculated in accordance with local tax laws and regulations and increased from €12.2 million to €14.5 million.

Following the inspection reports served by I.V.A.S.S. (Italian insurance supervisory authority) on 20 February 2019, which contained the findings of the audit conducted by the Authority in respect of the companies Eurovita S.p.A. and Eurovita Holding in the period between 1 October and 21 December 2018, with reference to risk measurement and the role of internal control departments as part of the implementation of Directive

2009/138 (referred to as Solvency II), on 30 November 2019, the company sent a letter to I.V.A.S.S. informing the Supervisory Authority that the Remedy Plan had been fully executed. The same had been filed on 21 April 2019 and contained the identification of the actions necessary to adapt the methodological approach for calculating the enterprise's solvency to the best market practices. Pointing out that many adjustments had already been made in the Solvency II Annual 2018 calculation, we point out that, in the Solvency II Annual 2019 calculation, the observations received will be fully implemented and managed by implementing the measures set out in the aforementioned Remedy Plan.

Moreover, the Company, as per its Capital Plan, in order to strengthen its Solvency position, blocked the distribution of dividends, received a transfer of €27.4 million in own funds from Eurovita Holding S.p.A. and issued a subordinated Tier-2 loan of €65 million on 28 June 2019 and subsequently added an additional €50 million to such amount on 21 February 2020.

Furthermore, on 16 December 2019, the Company received additional own funds of €30.3 million from the parent company Eurovita Holding S.p.A. to be used for the acquisition of Pramerica Life S.p.A., which took place on 18 December 2019, as detailed hereunder.

With reference to the penalty proceedings, currently in respect to Eurovita S.p.A. only, on 10 January 2020 by Measure No. 5356/20, I.V.A.S.S. sent a final proposal for the preliminary investigation phase, imposing a penalty of €50 thousand for irregularities relating to the calculation of the Best Estimate Liabilities and a penalty of €50 thousand for irregularities relating to the methodological deficiencies of the Solvency II process. Both penalties were reduced by one-third to take into account the corrective measures adopted, and therefore the overall penalty amounted to €67 thousand.

With regard to the risks to which the Company is exposed, please refer to the appropriate section in the Explanatory Notes.

Based on the requirements of I.S.V.A.P. regulation No. 7/2007, the following is the mandatory information on compliance with Solvency Capital Requirements, in particular the amount of the Solvency Capital Requirement and the Minimum Capital Requirement, as well as the eligible amount of own funds to cover the aforementioned requirements classified by levels:

(amounts in Euro thousand)

Own funds available and eligible to cover SCR	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	573.415	-	573.415
Tier 1 restricted		-	-
Tier 2	114.524	-	114.524
Tier 3	-	-	-
Total OF	**687.940**	**-**	**687.940**
Total SCR			**518.581**
Surplus (shortage)			**169.358**

(amounts in Euro thousand)

Own funds available and eligible to cover MCR	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	573.415	-	573.415
Tier 1 restricted	-	-	-
Tier 2	114.524	67.852	46.672
Tier 3	-	-	-
Total OF	**687.940**	**67.852**	**620.088**
Total MCR			**233.362**
Surplus (shortage)			**386.726**

According to the provisions of Article 62 - Transitional provisions of I.V.A.S.S. Measure No. 53/2017 -, it should be noted that the data relating to the Solvency Capital Requirement and Minimum Capital Requirement set out above should be understood as estimates. The corresponding final data will be communicated to the supervisory authority and included in the Solvency and Financial Condition Report (SFCR) within the timeframe established by I.V.A.S.S. regulations on Solvency II.

4. Sales Networks

During the year 2019, the Company used various distribution channels for the performance of insurance brokerage activities:

- Agents' channel;
- Advisory Network channel;
- Bancassurance channel.

Agents' Channel

Support for this network focuses on assistance, coaching, commercial support, development, and coordination of training activities for Agencies.

At 31 December 2019, the channel was made up as follows:

92 Traditional Agencies (including the leads of the HQ agency)
15 Brokerage Firms

Reorganization activities started at the beginning of the year and led to the closure of 12 traditional agencies and the opening and/or reorganization of 6 Agencies. Closure operations, in almost all cases, involved non-profitable agencies with small portfolios scarcely oriented towards the acquisition of new customers.

The situation of the network of intermediaries examined globally is as follows:

	Northern Italy	Central Italy	Southern Italy and major islands	Total
Situation at 31.12.2018	42	38	18	98
Open agencies	5	1	0	6
Closed agencies	9	0	3	12
Situation at 31.12.2019	38	39	15	92

At 31 December 2019, the new business amounted to approximately €115 million. This positive result was also achieved thanks to the results obtained during the financial year in marketing campaigns focused on the recovery of customers with capital expiring in the year.

As usual, the training plan for the brokers' professional updating continued. The updating of the on-line training platform is on an ongoing basis.

Lastly, the ongoing verification of the regularity of all brokers registered in the Italian Register of Intermediaries continued, in compliance with the statutory provisions governed by I.S.V.A.P. Regulation No. 5, concerning insurance brokerage activities, with the consequent cancellation of the approval for all brokers not in compliance with the law.

Bancassurance Channel

During the year 2019, insurance brokerage took place mainly through banking partners, sometimes organized through territorial federations or reference Agencies.

In 2020, no new distribution agreements were activated and the network of banking partners changed exclusively due to events external to the Company such as, for example, mergers or contract transfers through the reference Agencies (e.g. Assicura for the Cassa Centrale Banca group).

In line with the business plan, the Company set strategic objectives aimed at consolidating partnerships with the distribution network and the updating of the product catalog continued.

Training activities continued, emphasizing technical, regulatory and economic training courses following a consultative approach to address the customers' insurance needs and demands.

Thanks to the introduction of the *myAcademy* platform, both the Company (through a specific organizational unit) and individual brokers, through representatives, were able to accurately monitor the training courses.

Advisory Network Channel

After an initial phase with some inefficiencies linked to the migration of the portfolio system, the commercial path was re-established. The same, also due to the present market dynamics, witnessed a strong interest and a prevailing concentration of income on Class I and Multi-class products, at the expense of Unit-Linked products.

During the year, some of the main financial consultancy companies expanded their range of products, historically limited to Unit-Linked products, with separately managed, multi-class and temporary protection products in the event of death.
Fineco is a clear example of this. Also thanks to this evolution in supply, Fineco strengthened the partnership with Eurovita after a few years of decline.
In terms of agreements, there were no new distribution partnerships were started.

5. Production (New Business)

In financial year 2019, new business, including accessory products, stood at the following levels (policies in units and premiums in Euro million):

(amounts in Euro million)

	2019		2018	
Insurance Products / Financial and Insurance products with DPF	**Individual policies**	**Collective policies**	**Individual policies**	**Collective policies**
Annual premiums	109,3	1,0	131,5	1,3
Single premiums	1.727,3	5,9	916,4	6,8
	1.836,6	**6,9**	**1.048,0**	**8,1**
Financial Products	**Individual policies**	**Collective policies**	**Individual policies**	**Collective policies**
Annual premiums	4,0	-	0,9	-
Single premiums	471,8	-	623,6	-
	475,8	**-**	**624,5**	**-**
Policy number	**39.407**	**4.395**	**31.036**	**9.481**

The comparison with the results of the previous financial year shows a marked growth in new business linked to insurance products, to the detriment of financial products.

In detail, fewer Annual Premiums, relating to Insurance products, were issued by €22.6 million compared to the previous financial year, while Single Premiums show an increase of €810 million. While for financial products, the contraction of Single Premiums stood at a value of €151.8 million.

6. Premiums Issued

The premiums issued relating to direct business alone amounted to €1,998.5 million for financial year 2019.

The following is a summary, on a like-for-like basis, of premiums issued for direct business by geographical area (amounts in Euro million):

(amounts in Euro million)

	2019	2018	Change in %
- Northern Italy	**1.134,5**	653,0	73,7%
- Central Italy	**412,7**	259,1	59,3%
- Southern Italy and major islands	**451,3**	334,3	35,0%
- Foreign countries	**0,0**	0,0	
Total	**1.998,5**	**1.246,3**	**60,3%**

Overall, the Company's distribution activity is spread throughout the country, with a prevalence in northern Italy. The breakdown by geographical area is influenced by sales networks distributed throughout the market.

The total amount of premiums issued, including accessories and values relating to indirect business, is given in detail in the following table (amounts in Euro million):

(amounts in Euro million)

	2019	2018	Change in %
Direct business			
Annual premiums			
- new business	**110,3**	132,8	-17,0%
- business from prior years	**155,4**	190,2	-18,3%
Total annual premiums	**265,7**	**323,1**	**-17,7%**
Total single premiums	**1.732,8**	923,3	87,7%
Total direct business premiums issued	**1.998,5**	**1.246,3**	**60,3%**
Indirect business	**5,2**	5,9	-11,1%
Total direct and indirect business	**2.003,7**	**1.252,2**	**60,0%**

Financial year 2019 recorded a decrease of 17% in new business with annual premiums, going from a premium volume of €132.8 in financial year 2018 to a volume of €110.3 in 2019. While, the component linked to settlements reported an 18% drop compared to the previous financial year, going from €190.2 million to €155.43.

Income linked to single-premium products reported an increase of 88%, going from €923.3 million in 2018 to €1,732.8 million in financial year 2019.

Premiums for indirect business recorded a decrease of 11%, due to the fact that, as of 1 January 2009, the Company no longer reinsured new business issued by ERGO Insurance N.V. België (formerly Hamburg-Mannheimer), as the treaty remained in place only for annual renewals.

Moreover, it should be noted that income for financial products (classified as such in compliance with the IAS / IFRS standards and not presented according to the same rules among premiums issued as they are considered deposits) amounted to €485.7 million in 2019 (including €475.8 million in new business), a decrease compared to 2018, when new business had been €624.5 million.

7. Trends in Claims and Redemptions

The following table summarizes the overall data regarding the amount of the Company's claims settlements at year end, broken down by type, compared with data for 2018 (amounts in Euro million):

(amounts in Euro million)

	Value at 31/12/2019	Value at 31/12/2018	Change	Change in %
Claims paid	**134,0**	124,3	9,7	7,8%
Redemptions paid	**437,2**	432,7	4,5	1,0%
Maturities liquidated	**965,3**	763,3	202,0	26,5%
Change in reserves for amounts to be paid	**53,9**	49,0	4,9	10,0%
Total gross	***1.590,4***	***1.369,3***	***221,1***	***16,1%***
Claims paid	**-11,1**	-9,2	-1,9	20,7%
Redemptions paid	**-14,7**	-26,9	12,2	-45,4%
Maturities liquidated	**-476,3**	-333,8	-142,5	42,7%
Change in reserves for amounts to be paid	**-28,2**	-49,6	21,4	-43,1%
Total portion borne by reinsurers	***-530,3***	***-419,4***	***-110,8***	***26,4%***
Total including reinsurance	**1.060,1**	**949,8**	**110,3**	**11,6%**

In detail, compared to the previous financial year, the charges for settlements, net of the reinsurance effect, show an increase in maturities linked to the natural trend of the forfeiture of the portfolio of the former company Ergo Previdenza and substantially steady trend in claims and redemptions paid.

8. Technical Provisions and Financial Liabilities to Policyholders for Commitment on Investment Contracts

Gross technical provisions at 31 December 2019, including amounts to be paid, amounted to a total of €10,872.8 million, an increase compared to provisions at the end of 2018, equal to €9,988.06 million. Actuarial provisions reported a marked increase compared to the previous financial year, both in terms of the positive cash flow contribution and in terms of shadow accounting provision linked to unrealized capital gains on separate management funds.

The shadow accounting provision amounted to €720.6 million, against €226.9 million in the previous financial year, while Value in Force (a negative VIF recorded among provisions following the merger transaction on 31.12.2017) was €170.1 million and reflects the forfeiture of the portfolio of the former company EVA (€171.9 million at 2018). Actuarial provisions relating to policies with a revaluation clause linked to separate management funds amounted to €9,363.9 million against €8,810.6 million in the previous financial year. Actuarial provisions relating to revaluable policies take into account attributable returns under specific contractual conditions.

Other technical provisions, amounting to €320.9 million (€289.7 million in 2018), these include provisions for future management expenses of €29.9 million, and provisions for amounts to be paid of €290.9 million.

The amount of provisions is broken down as follows (amounts in Euro million):

(amounts in Euro million)

	31/12/2019 Total	31/12/2018 Total	Change
Provisions for policies "Fondo EUROVITA 2000"	**11,39**	461,90	-450,50
Provisions for policies "Fondo EUROVITA Nuovo Secolo"	**3.099,32**	2.532,97	566,34
Provisions for policies "Fondo EUROVITA Nuovo PPB"	**418,69**	423,73	-5,04
Provisions for policies "Fondo EUROVITA Euroriv"	**3.800,60**	3.362,30	438,30
Provisions for policies "Fondo EUROVITA Futuriv"	**14,61**	13,40	1,21
Provisions for policies "Fondo EUROVITA Primariv"	**1.975,59**	1.976,22	-0,63
Provisions for policies "Fondo EUROVITA Smart"	**40,91**	37,51	3,40
Provisions for policies "Fondo EUROVITA Previdenza"	**2,78**	2,61	0,17
Total insurance provisions of segregated funds	**9.363,89**	**8.810,64**	**553,25**
Provisions for pure risk policies	**76,89**	103,05	-26,16
Supplementary provisions	**13,99**	10,42	3,58
Technical provisions for indirect business	**76,00**	78,35	-2,35
Total pure actuarial reserves	**9.530,78**	**9.002,45**	**528,33**
Provisions for Unit Linked policies	**125,27**	95,10	30,17
Provisions for supplementary policies	**5,18**	8,52	-3,35
Other technical provisions	**320,87**	289,71	31,16
Shadow Reserves	**720,62**	226,94	493,69
VIF	**170,07**	171,88	-1,81
TOTAL INSURANCE PROVISIONS	**10.872,80**	**9.794,61**	**1.078,19**

Financial liabilities on investments contracts, recognized according to I.V.A.S.S. Regulation 7 among the financial liabilities measured at fair value through profit or loss, amounted to €6,740.1 million, against €6,605.2 million at 31.12.2018, and represent the commitments to policyholders for Unit Linked contracts without significant insurance risk. The decrease is attributable to a negative net cash flow contribution in line with market trends.

9. Transactions with Reinsurers

The Company implements insurance risk mitigation through a reinsurance policy focused on hedging death risk on TCM and PPI products, implemented under surplus share treaties (full €100,000 preservation of the former EP network and full €70,000 preservation of the former EVA network) for TCMs and quota share treaties for PPIs.

As mentioned above, the Company was established on 31 December 2017 from the merger of the former companies EP, EVA and OMWI.

Accordingly, the current situation represents the set of reinsurance policies of the three merged companies.

In the portfolio collected by the former EP agency network, the presence of commercial treaties relating to revaluable policies is predominant, with approximately 77% of the premiums ceded, to which surplus share risk-premium treaties hedging the death risk of TCM policies, quota share treaties hedging the death risk of CQS / CQP policies, as well as an LTC guarantee treaty, were added over time. The new company also inherited indirect business from the former company EP, essentially taken from ERGO Belgium, within the Munich Re Group of which the former company EP was a member, and retroceded business relating to both revaluable contracts and to TCM contracts.

The portfolio collected from financial advisers of the former OMWI network is protected by a risk-premium treaty aimed at hedging the optional death event of Unit-Linked products.

The portfolio collected through the former EVA banks is reinsured either under commercial treaties on revaluable policies or under treaties hedging the death risk for TCM and PPI policies. The provisions of the ceded business with respect to the provisions of direct business have a 16% weight on the provisions of revaluable policies, with a rate of 10% on risk-death provisions (TCM and PPI) and at the rate of 50% for LTC risk.

There are no alternative risk transfer tools.

The overall result of 2019 consisted in a loss of €7 million for the Company. The table below summarizes the position of Commercial Reinsurance and Risk in comparison with the previous financial year on a like-for-like basis.

(amounts in Euro thousand)

	2019		2018	
	Comm. Reins.	**Risk Reins.**	**Comm. Reins.**	**Risk Reins.**
Premiums Ceded	**-26.900,0**	**-2.674,0**	-50.185,8	-3.014,4
Claims	**10.184,4**	**930,0**	8.101,5	1.028,6
Redemptions	**14.718,4**	**0,0**	26.878,9	0,0
Maturities	**476.256,4**	**0,0**	333.865,8	0,0
Change in reserve	**-456.662,2**	**-175,3**	-295.045,3	-353,6
Commissions	**3.874,8**	**186,1**	6.645,6	160,4
Other technical income and charges	**2.064,8**	**673,4**	3.429,3	850,7
Technical sub total	**23.536,6**	**-1.059,7**	33.690,1	*-1.328,4*
Interest on deposits	**-29.440,1**	**-4,1**	-45.334,0	-4,9
Total	**-5.903,5**	**-1.063,8**	-11.643,9	**-1.333,2**
GRAND TOTAL	**-6.967,3**		**-12.977,1**	

With regard to outward reinsurance, there are still treaties in place with Ergo Vida and FIATC, companies operating on the Spanish market, although they only regulate annual renewals of the portfolio ceded up to 2004. Starting from 2006, the Company entered into an outward reinsurance treaty covering a 20% quota of new business of the company ERGO Insurance N.V. België (formerly Hamburg Mannheimer Belgium), a member of the ERGO Group; as of January 2009, as previously mentioned, the treaty was not renewed and the reinsurance only concerns the management of annual renewals related to contracts concluded previously.

The business result recorded a decrease of €0.4 million, going from €2.6 million in 2018 to €2.2 million in 2019.

(amounts in Euro thousand)

Commercial Outward Reinsurance Result of indirect business	2019	2018
Premiums borne	**5.225,4**	5.880,3
Claims	**-6.908,0**	-5.046,3
Redemptions	**0,0**	0,0
Maturities	**0,0**	0,0
Change in reserve	**2.345,3**	186,6
Commissions	**-282,7**	-220,1
Change in DAC	**0,0**	0,0
Interest	**1.837,6**	1.834,1
Other net technical income	**0,0**	0,0
Total indirect business	**2.217,6**	**2.634,6**

10. Research & Development and New Products

During 2019, Eurovita carried out a product package analysis and review process, which had already started in 2018, as inherited from the three former companies (Eurovita Assicurazioni, Old Mutual Wealth Italy and Ergo Previdenza), adding over 20 products to its catalog, in addition to or as a replacement for existing ones. The main stages of this process were:

- signature of new agreements with Cassa di Risparmio di Bolzano (on an exclusive basis) and Cassa di Risparmio di Volterra for the distribution of insurance products;
- updating of the product catalog for the network of financial advisors, specifically Fineco and Credem;
- restyling of the product range in the catalog.

Under the new exclusive agreement with Cassa di Risparmio di Bolzano, Eurovita prepared and launched a product package during the first half of the year, consisting of:

- three new Class I products called "***Eurovita Stability***" (in the *Target, Plus* and *Private* versions);
- a new Multi-class product called "***Eurovita Saving***";
- three new Unit-linked products called "***Eurovita Growth***" (in the *ESG*, *Vola* and *Private* versions).

With regard to Cassa di Risparmio di Volterra, Eurovita created a Class I product called "***Eurovita Orizzonti Private***", to be sold on an exclusive basis in conjunction with the Class I policy "***Eurovita Visione Target***", a retail product already available for other banks. The Company also completed the start-up of the placement of a new product called "***CPI Prestito Protetto***", dedicated to covering loans in the event of the Insured's death.

With regard to the updating of the Fineco Bank catalog, Eurovita created and launched the Class I "***Eurovita Focus Gestione***" products (in the *Retail* and *Private* versions), later supplemented by the creation of a version that can be placed within the framework of the consultancy service "*Fineco Advice*" of the same network ("***Eurovita Focus Gestione Advice"***), together with the launch of a new Multi-class product called "***Eurovita Focus Multiramo***".
For the Credem network, Eurovita created a Multi-class product, "***Eurovita Equilibrium",*** in September 2019.

The streamlining and restyling of the product catalog materialized in the creation of new Class I / Multi-class products according to the type of distributor involved.

For the Banking channel, Eurovita decided to replace some "historical" products that had been created before the merger of the three companies, renovating its Class I range with "***Eurovita Visione***" products (**in**

the *Target*, *Plus* and *Private* versions); in the same way, the Company took action by redefining its Multi-class range by launching "***Eurovita Bi-Line***" and "***Eurovita Flexible***" to replace the Multi-class products previously sold.
For Banca Consulia, Eurovita defined a global restyling of its two Multi-class products in an exclusive placement ("***Eurovita Synchro***" and "***Eurovita Butterfly***"), which led to the creation of a new version of two products, "***Eurovita Synchro Serie II***" and "***Eurovita Butterfly Serie II***", characterized by the expansion of the range of open-ended External Funds, as well as by the possibility to use Optional Services, to date provided only for Unit-linked products (*Omnibus Switch*, *Fund Monitor* Program on External Funds, Regular Investment Plan).
The Company was in parallel engaged in the **updating of the contractual material** according to the provisions of the applicable I.V.A.S.S. and C.O.V.I.P. regulations, preparing the disclosure sets of all the products marketed since January according to ANIA Guidelines "Simple and Clear Contracts", and then proceeded with the adaptation of the entire range in the catalog by 31 December. Eurovita also filed the updated versions of the contractual documentation of the PIP currently being placed (*Eurovita Pensione Domani*), together with that of other PIPs with active positions in the portfolio.

11. Personnel and Specific Training

During 2019, targeted recruiting activities from the market of highly qualified professional profiles were carried out for the purpose of covering needs that had originated in specialist areas and some managerial positions. On the other hand, some fixed-term employment contracts were entered into to cover more operational needs.

At 31 December 2019, the Company's workforce included 226 employees (213 employees at 31 December 2018, with an increase of 13 resources.

The breakdown of the Company's workforce at the reporting date is as follows:

Company Number of employees	31.12.19	31.12.18
Managers	**8**	8
Middle-managers and office workers	**218**	205
Total	**226**	**213**

During the first half of 2019, Eurovita completed the business plan financed by Fondo Banche Assicurazioni (FBA, banking and insurance fund), approved in 2018, which included the delivery of training courses in the period between October 2018 and June 2019. In particular, technical training on insurance, development of managerial skills, improvement of the communication style and development of IT / digital skills, was delivered.

In the month of July 2019, Eurovita presented a corporate training plan funded and approved by Fondo Banche Assicurazioni in September, which will end in July 2020. The maximum amount that can be financed is €200,000.00.

The plan was prepared consistently with the demand analysis that emerged during interviews with first-level managers. The plan's objectives include the strengthening of managerial skills; improvement of communication style through special training sessions on writing techniques and presentation skills; growth of industry expertise in technical insurance and improvement of the corporate climate through team-building activities aimed at creating integration between the various companies of origin; development of an innovative and digitized outlook in regard of insurance business processes, improving those in place.

In 2019, Business English courses were set up again for senior management and all those positions who needed to improve their English-language communication skills for their day-to-day work demands.

12. Pending Litigation and Provisions for Risks

The amount of the risk provision, equal to €19.2 million (€22.1 million in the previous financial year), is sufficiently large and includes future disbursements for disputes or risks to which the Company is exposed. Among the most significant, attention should be given to the retirement allowance to cover severance indemnities of the Company's agents, net of their actual recoverability by way of recourse, commitments undertaken with employed personnel in relation to charges relating to staff retention and costs of employed personnel redundancies through the Solidarity fund, and probable disbursements for tax disputes and other disputes still pending with former agents, with policyholders also against indexes with defaulted issuers and with third parties.

Furthermore, given the particular attention paid to the search for the beneficiaries of dormant policies, supported by the Regulator, a risk fund was set aside to deal with any future payments of TCM policies that are no longer reckoned in actuarial provisions.

The following table is a summary of changes in risk provisions from 31 December 2018 to 31 December 2019, showing provision charges and uses, broken down by type of risk:

(amounts in Euro thousand)

	Amount at 31/12/2018	Increase	Decrease	Amount at 31/12/2019
Tax litigation	**2.508**	**65**	**-1.349**	**1.224**
Provisions for defaulted index-linked policies	**3.005**	**0**	**-245**	**2.760**
Sundry disputes with third parties	**3.092**	**1.000**	**0**	**4.092**
of which, former EVA	1.000	0	0	**1.000**
of which, former OMWI	2.092	1.000	0	**3.092**
Agency network provisions	**7.458**	**73**	**-289**	**7.243**
of which, former EP - Agents' pension scheme	5.094	73	-32	**5.135**
of which, former EP - Agency network restructuring	2.364	0	-256	**2.108**
Litigation with agency network	**874**	**350**	**-158**	**1.066**
Sundry disputes with customers	**1.686**	**0**	**-587**	**1.099**
Other personnel provisions	**3.499**	**0**	**-1.747**	**1.752**
Total Provisions	**22.122**	**1.488**	**-4.374**	**19.236**

13. Equity and Financial Management

Risks to the global economy outlook stemming from the protracted international trade tensions, Brexit and the slowdown in economic activities in China, caused a slowdown in global growth, with the IMF estimating global growth at 3.3% in 2019 against 3.6% last year (World Economic Outlook, January 2020).
The slowdown in global growth and the concurrent conditions of the labor market, characterized by unquestionably modest wage increases in the main advanced economies, with still contained underlying inflationary pressure, were coped with by the main central banks by adopting expansionary monetary policies. The Federal Reserve (FED) and the European Central Bank (ECB) in fact interrupted the normalization processes of monetary policies, evaluating the intensity and effects of the global slowdown. During 2019, the

FED reduced the rates three times (for a total of 75bps), while the ECB kept the reference rates and budget unchanged, repurchasing all the maturing securities, and launched a new refinancing plan for the banking system (TLTRO III).

The return to an expansionary orientation of monetary policies has produced a certain volatility in the prices of European government securities, the main asset class in which the company has invested, with the ten-year Bund going from a positive yield at the beginning of the year (about 0.2%) to the all-time lows of August (going below a negative 0.7%), and then undergoing a progressive increase in yields in the latter part of the year (reaching just above a negative 0.2%).

The Italian political uncertainties due to its populist government had initially contributed to maintaining high the spread of Italian government bonds with German government bonds in the first part of the year (with the ten-year yield above 2.70% at the beginning of the year). The formation of a new and more pro-European government caused the spread to narrow, particularly in the period August / September (with the ten-year yield falling below 0.85% in the first half of September). In the latter part of the year, however, Italian government bonds were also affected by the rise in interest rates, progressively compounded by increasing political uncertainties (closing the year with the ten-year yield above 1.40%).

The investment strategy adopted by the Company combines a top-down approach, i.e. starting from the definition of its capital management strategy (strategic asset allocation) based on the study of macroeconomic variables and risk diversification, to arrive at the precise definition of investments by analyzing fundamental data, current and forward-looking, of individual investments (bottom-up approach).

As part of the bottom-up management of portfolios, the Company implements a broad diversification of investments by:

- geographical exposure, focused on core and peripheral European states;
- credit risk, favoring the highest levels according to a prudent assessment;
- issuer, in relation to the instruments of financial and corporate issuers.

Furthermore, some investment restrictions were defined in order to reduce risks in the investment strategy (no currency and equity market exposure).

To achieve the maximization and stabilization of returns in the medium-long term and the containment of risks, the Company “structured” its financial management as follows:

- investments in “traditional” asset classes (mainly government securities and bonds of financial issuers and corporate investment grade) are made under management mandates with financial managers with a high international standing (BNP Paribas AM - Goldman Sachs AM);
- investments in other liquid financial instruments (mainly bonds of Emerging Countries and High Yield bonds of European and American issuers) are made by investing in multi-asset fixed-income funds, which enable flexible, diversified (between and within the different asset classes) and global (geographically) management. Management is entrusted to a highly specialized global manager (Goldman Sachs AM);
- investments in “innovative and illiquid” financial instruments (mainly bonds and loans to medium-sized companies) are made through funds of the main international managers characterized by a long and solid track record. The investment in Private Debt funds, in addition to the corporate sector, makes it possible to invest in infrastructural and real estate initiatives, thereby enabling the diversification of investments and to “seize” the opportunities offered by illiquid premiums typical of these asset classes, consistent with the stability characteristics of insurance portfolios. For the selection, analysis and, in part, management of this type of investments, the Company uses the support of StepStone Group, which is one of the world’s leading operators in this strategy.

In summary, financial management, through a "solid" investment process, aims to seize all the opportunities offered by the global financial markets in a professional and flexible way.

The net result of investments amounted to €222.2 million, i.e. an increase over the previous financial year (up 107.4% compared to €107.2 million in 2018). In particular, there was an increase of €31.0 million in investment income, due to the lower interest expense accrued on reinsurance deposits taking into account the forfeiture of the former company Ergo Previdenza portfolio for €13.6 million, in addition to higher ordinary income of €17.4 million. The contribution from realizations was up by €6.0 million (€36.9 million in 2019 compared to €30.9 million in the previous financial year) as was the contribution from valuations, also up by €1.9 million (down €6.1 million in 2019, against a loss of €8.0 million in the previous financial year). Net income from financial instruments at fair value through profit or loss brought a positive contribution for a total of €76.1 million (up €4.1 million in 2019, against a loss of €62.0 million in 2018), thanks to the positive market performance, which Unit-Linked External Funds and Internal Funds are associated with.

In detail: the net realization gain (gain of €36.9 million in 2019 against a gain of €30.9 million in 2018) was the result of a plurality of strategies, such as the optimization of the ALM structure of some portfolios, which led to extending the duration of assets or partial consolidations of accumulated income.

The valuation result had a negative impact of €6 million due to definitive write-downs highlighted by the impairment test, recorded on equity investments of some product placement banks and on units of Alternative Investment Funds (AIF).

Valuation of Investment Portfolio

The Company's total investment portfolio at book value amounted to €17,829 million at 31 December 2019 (€16,273 million at 31 December 2018).

The duration of its portfolio's direct bond component (8.9 years) significantly increased compared to the previous financial year (5.3 years at the end of 2018) as new purchases were mainly concentrated in the medium-long part of the curve, in line with the maturities of commitments in view of ALM. In fact, there was an increase in the duration of liabilities due to a natural replacement of the assets in the portfolio of the former company Ergo reaching maturity and as a specific event resulting from the change in operating assumptions in 2018 Annual Solvency II after the inspection by I.V.A.S.S.

The portfolio "Loans and receivables", amounting to €732.6 million (€446.7 million in 2018), representing 4.1% of the total portfolio, highlighting unrealized net revaluation gains of €3.8 million, i.e. a decrease compared to the same figure in 2018 (€19.4 million), with an average duration of 8.7 years, i.e. an increase compared to the previous financial year (4.2 years in 2018). The increase in the item at 31 December 2019 is mainly due to the purchase of fixed rate bonds in various tranches with underlying inflation-linked long-term Italian government bonds which provide for a swap according to which the issuer will exchange long-term Italian government bonds coupons with fixed-rate coupons.

The portfolio of "Available-for-sale (AFS) financial assets", equal to €10,193.2 million (€9,140.7 million in 2018), represents 57.2% of the total portfolio and shows an equity reserve of €816.1 million, an increase of €66.6 million compared to the value recorded in the previous financial year. The performance of the Equity Reserve benefited from a significant decrease in interest rates in 2019 and from a significant improvement in the spread of Italian government securities (with German securities).

The "Financial assets measured at fair value through profit or loss", equal to €6,874.0 million (€6,685.8 million in 2018), represent 38.6% of the total portfolio and essentially consist in securities underlying Unit-Linked products. The item benefits from the good performance of the financial markets, which the portfolios are linked to both in terms of performance of the stock markets and in terms of interest rates for the bond component.

Further Information

In 2019, the direct bond investment portfolio front-office was again entrusted almost in its entirety to BNP Asset Management Paris and Goldman Sachs Asset Management London under specific Management Mandates. The investment strategy, as well as the risk control measures, was in accordance with the guidelines issued by the Board of Directors, under the strict supervision of the Investment Committee, and carried out in coordination with the Strategic Asset Allocation policy approved by the Board of Directors.

14. Trends in Overhead Expenses and Acquisition Costs

Overhead expenses, gross of transfers to other acquisition, claims, investment management costs and inclusive of amortization of intangible assets, amounted to €56.5 million, down compared to the same period in the previous financial year (€68.4 million in 2018). This decrease is mainly due to lower personnel expenses of €9.6 million (of which €8.3 million for extraordinary personnel redundancy costs incurred in 2018, and €1.3 million related to the smaller number of resources), lower IT costs of €0.5 million and lower rental costs of €0.9 million (related to the termination of the rental contract for the premises in Rome). Moreover, the recovery of costs of €0.8 million for IT services and rent fees under the contract with Darag ceased in 2019.

The Company incurred costs of €1.4 million related to personnel expenses charged back by Eurovita Holding S.p.A.; it also charged back a total of €0.5 million to other Group companies, of which €0.3 million for personnel expenses and €0.2 million for IT services and other miscellaneous services.

Acquisition Commissions and Other Acquisition Costs (which include Acquisition Commissions, Collection Commissions, Rappels and other Incentives to the sales network), net of the acquisition commissions received from Reinsurers (equal to €6.9 million) and Portfolio Maintenance Fees (equal to €112.6 million), amounted to €37.1 million, against €41.6 million reported in 2018 (down 10.9%). This decrease, against a marked improvement in new business, is related both to a different mix of new products marketed: a greater focus on single premiums sold by the banking channel with a lower acquisition commission. The change in Commissions to be amortized amounted to €1.5 million and shows a decrease of €5.0 million compared to the previous financial year (€6.5 million in 2018). This decrease is also related to a different mix of products marketed.

15. Information Systems, Organization, and Significant Projects

During 2019, consistent with the corporate strategic plan, the Company continued the development plan of its information systems and operating processes in order to achieve the full integration of Eurovita with the three companies merged at 31 December 2017, as well as to be fully compliant with the new regulations and seize new market opportunities.

In particular, the first phase of the integration of portfolio systems was completed with the migration of the portfolio of the former company OMWI to the target system, and the second phase, relating to the migration of the portfolio of the former company Ergo Previdenza S.p.A. was started. Developments were also carried out on the target portfolio system to support the product catalog innovation and restyling process.

The implementation of the target operating model was completed, including by adopting new IT solutions for the areas concerning network training, treasury management and customer assistance, while platforms supporting assistance processes for the Distribution Networks, the internal ticketing system and the workflow tools for document management are currently being implemented. These actions will be completed during 2020.

In the organizational area, according to the defined plan, the definition and formalization of internal company regulations continued and was made available to all employees on the company Intranet.

The following activities were also carried out for the purpose of improving operational effectiveness and efficiency and regulatory compliance:

- Implementation of IT controls as set out in the GDPR regulation adaptation plan;
- Adaptation to MIFID and IDD regulations;
- Improvement of Solvency controls;
- Improvement of controls on anti-money laundering processes;
- Adaptation to I.V.A.S.S. Regulation No. 44 of 12 February 2019 on Anti-Money Laundering;
- Adaptation to I.V.A.S.S. Regulations No. 40/41 of 3 August 2018 with regard to 2019.

16. Management and Coordination

The Company is subject to the management and coordination of the Parent Company Eurovita Holding S.p.A. Eurovita Holding S.p.A. continues - among others – to satisfy the characteristics required by Article 5 of I.V.A.S.S. Regulation No. 22/2017 to be qualified as parent company of the insurance Group. The Company is in fact the ultimate Italian holding company pursuant to Article 210, paragraph 2, of Legislative Decree No. 209/2005.

A greater analysis of transactions with the entity carrying on coordination and control activities is set out in detail in paragraph 17 below.

17. Transactions with Group Companies and with Related Parties

The transactions with the entity carrying on coordination and control activities and with all the Group companies are detailed below.

Eurovita Holding S.p.A.: in 2019, services amounting to €0.4 million were billed and personnel expenses of €1.4 million were charged back.

It should be noted that during financial year 2019 the following significant transactions with related parties were detected pursuant to applicable legislation:

- On 27 March 2019, the Parent Company Eurovita Holding S.p.A. made a capital payment of €27.4 million to the subsidiary Eurovita S.p.A. This transaction was carried out to allow the subsidiary to achieve a Solvency Ratio in line with the Risk Appetite Framework;

- On 20 September 2019, the Boards of Directors of the Company and of the subsidiary Eurovita S.p.A. approved the conclusion of an intercompany cash-pooling agreement. After temporarily blocking dividend pay-outs, as specified in the Capital Policy, the Company was unable to receive liquidity, in terms of dividends, to meet overhead costs. Therefore, this transaction ensured the availability of cash to the Holding company, if necessary and when necessary. In addition, this transaction made it possible to optimize each Group entity's liquidity management and to reduce banking costs in relation to the counterparty's larger size;

- On 16 December 2019, Eurovita Holding S.p.A. made a capital payment of €30.3 million to the subsidiary Eurovita S.p.A. This transaction was part of the acquisition by Eurovita S.p.A. of the entire share capital of the insurance company Pramerica Life S.p.A. following the release of the relevant authorization by I.V.A.S.S.

All of the above transactions were carried at market value.

Agenzia Eurovita S.r.l. maintains regular agency relationships and holds a significant portion of the PPB client portfolio, assigned to it by Eurovita S.p.A. In relation to such transactions, Agenzia Eurovita pays the Company's compensation to Agents by installments, in accordance with the National Bargaining Agreement for Agents. At the end of 2019, Agenzia Eurovita accrued commissions of €1.4 million from Eurovita S.p.A.

and recoveries of €100 thousand were made. The commission rates paid by Eurovita were reduced starting from the second half of 2012 to take into account the fact that part of the collection activities were being carried out directly by the Company, while the reimbursement of portfolio recoveries that the Company charged at the end of the financial year is governed by the National Bargaining Agreement for Agents. All the contractual relationships described above were settled at market conditions, unless specifically noted.

Pramerica Life S.p.A.: on 18 December 2019, Eurovita S.p.A., for a total cost of €28.8 million, acquired all the shares of Pramerica Life S.p.A. and its subsidiary Pramerica Marketing S.r.l., the Italian life-business company of the Prudential Financial group, a niche player in the Italian insurance market with specific expertise especially in the segment of life insurance policies to cover premature death and longevity risks and a range of interesting products that will help further accelerate the growth of Eurovita, strengthening the Group's ability to create tailor-made solutions for its customers. At the same time as the acquisition, Eurovita S.p.A. subscribed a bond loan of €11.4 million issued by Pramerica Life with a 7-year duration and a 7% interest rate for the purpose of strengthening the subsidiary's equity structure. This loan, which was in place before the acquisition, was irredeemable, i.e. Tier-1, and had been subscribed by Prudential International Insurance Holdings LTD. Post acquisition, it was converted into Tier 2.

Pramerica Marketing S.r.l.: this company, wholly owned by Pramerica Life, plays a brokering role for the sale of insurance products on the market. On 29 January 2020, the Board of Directors resolved the dissolution of the Company by liquidation. Eurovita S.p.A. has no transactions with Pramerica Marketing S.r.l.

At the end of financial year 2019, Eurovita S.p.A. held no shares of the holding company or of associated companies in its investment portfolio.

With regard to other related parties not included in the list, the Company maintained normal transactions for the payment of social security contributions with ***Fondo Pensione dei dipendenti e dirigenti del Gruppo Eurovita*** (Pension Fund for employees and managers of the Eurovita Group). It should be noted that on 5-12-2019 the extraordinary General Meetings of the members of the Pension Fund for employees and managers of the Eurovita Group and of the Pension Fund for employees and managers of Eurovita Assicurazioni approved the merger of the two pension funds. The merger will have effect as of 1 January 2020.

18. Exposure to Risk

Please refer to section 5.C of the Explanatory Notes.

19. Business Outlook

The current developments concerning the Coronavirus outbreak is causing equally significant repercussions on the world and Italian financial markets. This will presumably affect the Company both in terms of premium income, expenses, financial income and in terms of bottom-line.

For its part, the Group, which promptly implemented the necessary measures to deal with this contingency (online and remote working for almost all of its employees) will continue to develop and work to streamline internal processes with a view to containing costs and creating a solid and independent company, the leader in the Italian life products market by harmonizing and integrating its processes with the newly acquired company Pramerica Life S.p.A.

20. Significant Events after the End of the Financial Year

As discussed in the Explanatory Notes, these financial statements were prepared on a going-concern assumption because, in the Directors' opinion, the uncertainties described below in relation to the contagion from Covid-19 are currently not such as to raise doubts regarding the above assumption, whether considered individually or as a whole.

In the first months of the current year, the economy was heavily influenced by the negative effects of Covid-19. To cope with the moment of crisis, governments have put in place measures to support household and business incomes, credit and liquidity on the markets.

The European Commission has activated the general safeguard clause provided for by the Stability and Growth Pact, which allows temporary deviations from the medium-term budgetary objective or from the path towards it. The European institutions have also prepared a substantial expansion of the tools available to deal with the effects of the pandemic.

In Italy, as far as is known to date, industrial production fell by 15% in March and by around 6% on average in the first quarter; in the first three months of 2020, GDP recorded a drop today estimated at around five percentage points.

The continuation of the measures to contain the epidemic is likely to lead to a contraction in GDP also in the second quarter, which should be followed by a recovery in the second half of the year, even if the range of analysts' assessments is however very wide. The spread of the contagion is translating into an arrest of international tourist flows, which contribute almost a third to Italy's high current account surplus.

As in other European countries, share prices recorded losses and the yield spread of government securities compared to German securities widened, in a situation of sharp increase in risk aversion and deterioration in market liquidity.

At the Company level, all this may have effects on the decisions relating to financial investments and on the operations of financial management with the aim of maintaining a correct risk / return profile of the portfolio and with the inalienable objective of managing the performance of the Solvency ratio in compliance with the Company and Group Capital policy

As regards the performance of the insurance business of the Company, a slowdown in the signing of new contracts can be observed, which will lead to a premium income below expectations. At the end of the year, a contraction in the result is expected, compared to the original budget, essentially linked to the reduction of the class III assets to which the management fees retained by the company are correlated and to the lower collection that brings with it less loadings.

We note that the Solvency II index for the first quarter of 2020 is substantially in line with the values at the end of the year, including the benefit deriving from the issue of an additional 50 million subordinated loan that took place in February 2020. In the first quarter 2020, specifically, a decrease in own funds compared to 2019 has been recorded, despite the aforementioned issue of a second tranche of subordinated Tier 2 loan.

This reduction in own funds was only partially offset by the decrease in the SCR. The decrease in the SCR is related to the lower exposures on UL products and to the assets portfolio de-risking, as well as to a lower operational risk due to the decrease in premiums of class I.

The trend at 31 March 2020 of the OFs is mainly generated by a negative impact of the market related to the expansion of the credit risk of both Italian and peripheral government bonds but also of corporate bonds; it is also benefited, as described above, from the issue on February 21, 2020, of an additional 50 million Euros of subordinated loan, with an interest rate of 6.75% and a duration of 10 years, classified as Tier 2.

As for the whole insurance market, during the month of April the further worsening of the level of spreads, that is of the rate differential between Italian government bonds, peripheral countries and corporate bonds with respect to the German Bund, had a negative impact on the company's solvency levels.

In this context, and in light of the continuous monitoring of the situation put in place by the Directors and the Board of Statutory Auditors, also following the requests made by the Supervisory Authority to companies residing on the Italian market, the company and the Group are putting in place a series of actions aimed at recovering higher solvency levels and in any case in line with company and Group policies.

Specifically, the main actions are aimed at streamlining the cost structure and optimizing the volume and mix of products sold, based on a renewed profitability analysis of the products and sales networks in the current market context, with the aim of identifying the correct mix of New Business, paying particular attention to the collection of class I. The company is also assessing whether margins exist for a different asset allocation.

In addition, the company intends to proceed with the application to IVASS (the Italian insuranche market regulator) for the so-called "transitional measures" relating to the determination of technical provisions (BEL), which could give very significant benefits on the solvency levels. The potential impact of the other measures under study, however, is still being defined.

Finally, it should be noted that the directors, 3 of whom belong to the structure of the reference shareholder, are convinced that, in the event that the measures briefly described above were, for any reason, insufficient to raise the solvency above the established levels by the relevant corporate policies, also described in the ORSA report, the company and the reference shareholder are available to support and implement all the necessary measures over time to guarantee the restoration of solvency levels consistent with the company and the group’s risk appetite, in order to maintain business continuity and protect the interests of policyholders.

Please be informed that on 28 January 2020 the subsidiary Pramerica Life S.p.A. started discussions with the trade unions, as set forth in Articles 15 and 16 of the collective bargaining agreement governing relations between companies and non-executive employees, during which it highlighted that some staff was redundant.

Following negotiations, the Parties reached an agreement under which tools were defined to facilitate the voluntary layoff of some of the Company’s workers.
The employment relationships will be terminated starting from 31 May 2020.

Shareholders,

We hereby propose to approve these financial statements comprising the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, and the Explanatory Notes, and accompanied by the Report on Operations.

The profit for financial year 2019 amounted to €31,727,143.14.

We hereby propose to set aside the entire profit for the year as retained earnings.

Concluding this report, we would like to thank the Shareholders and the Policyholders for the trust given to the Company.

We would also like to thank our Sales Networks, their Collaborators, and our Employees, who, through their activity and commitment, made it possible to achieve the results described herein.

Milan, 29 May 2020

FOR THE BOARD OF DIRECTORS
Erik Stattin
Chief Executive Officer

EUROVITA

FINANCIAL STATEMENTS AND DISCLOSURE

BALANCE SHEET - ASSETS

(amounts in Euro)

		31/12/19	31/12/18
1	**INTANGIBLE ASSETS**	**92.792.083**	**107.040.669**
1.1	Goodwill	**22.050.297**	22.050.297
1.2	Other intangible assets	**70.741.785**	84.990.371
2	**TANGIBLE ASSETS**	**20.357.810**	**466.029**
2.1	Land and buildings (self used)	**19.798.141**	-
2.2	Other tangible assets	**559.668**	466.029
3	**AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**770.748.399**	**1.227.589.188**
4	**INVESTMENTS**	**17.828.702.860**	**16.273.258.546**
4.1	Land and buildings (investment properties)	**-**	-
4.2	Investments in subsidiaries, associated companies and joint ventures	**28.842.158**	-
4.3	Held to maturity investments	**-**	-
4.4	Loans and receivables	**732.586.434**	446.709.252
4.5	Available for sale financial assets	**10.193.224.998**	9.140.733.746
4.6	Financial assets at fair value through profit or loss	**6.874.049.270**	6.685.815.548
5	**RECEIVABLES**	**105.888.818**	**89.304.541**
5.1	Receivables arising out of direct insurance operations	**43.563.481**	58.407.078
5.2	Receivables arising out of reinsurance operations	**3.576.045**	5.192.097
5.3	Other receivables	**58.749.293**	25.705.366
6	**OTHER ASSETS**	**441.559.409**	**425.043.769**
6.1	Non-current assets or disposal groups classified as held for sale	**-**	-
6.2	Deferred acquisition costs	**41.658.683**	35.637.357
6.3	Deferred tax assets	**-**	-
6.4	Tax receivables	**298.127.757**	306.728.818
6.5	Other assets	**101.772.970**	82.677.594
7	**CASH AND CASH EQUIVALENTS**	**54.743.626**	**60.821.469**
TOTAL ASSETS		**19.314.793.005**	**18.183.524.211**

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

(amounts in Euro)

		31/12/19	31/12/18
1	**SHAREHOLDERS' EQUITY**	**568.345.573**	**348.424.999**
1.1	Share capital	**90.498.908**	90.498.908
1.2	Other equity instruments	**0**	0
1.3	Capital reserves	**276.793.364**	219.093.364
1.4	Revenue reserves and other reserves	**53.556.843**	22.671.365
1.5	(Own shares)	**0**	-520
1.6	Reserve for currency translation differences	**0**	0
1.7	Reserve for unrealized gains and losses on available for sales financial assets	**124.878.349**	-18.093.760
1.8	Reserve for other unrealized gains and losses through equity	**-9.109.034**	3.370.163
1.9	Result of the period	**31.727.143**	30.885.478
2	**OTHER PROVISIONS**	**19.236.173**	**22.122.215**
3	**INSURANCE PROVISIONS**	**10.872.802.812**	**9.794.612.958**
4	**FINANCIAL LIABILITIES**	**7.544.073.519**	**7.774.376.890**
4.1	Financial liabilities at fair value through profit or loss	**6.808.155.866**	6.608.308.209
4.2	Other financial liabilities	**735.917.653**	1.166.068.681
5	**PAYABLES**	**152.803.690**	**134.280.121**
5.1	Payables arising out of direct insurance operations	**28.281.577**	26.196.509
5.2	Payables arising out of reinsurance operations	**75.769.969**	64.735.497
5.3	Other payables	**48.752.145**	43.348.116
6	**OTHER LIABILITIES**	**157.531.239**	**109.707.027**
6.1	Liabilities directly associated with non-current assets and disposal groups classified as held for sale	**0**	0
6.2	Deferred tax liabilities	**65.113.712**	1.958.947
6.3	Tax payables	**43.049.097**	53.690.017
6.4	Other liabilities	**49.368.429**	54.058.063
TOTAL EQUITY AND LIABILITIES		**19.314.793.005**	**18.183.524.211**

INCOME STATEMENT

(amounts in Euro)

		31/12/19	31/12/18
1.1	**Net earned premiums**	**1.974.144.946**	**1.199.021.452**
1.1.1	*Gross earned premiums*	**2.003.718.893**	*1.252.222.023*
1.1.2	*Earned premiums ceded*	**-29.573.947**	*-53.200.571*
1.2	Fee and commission income and income from financial service activities	**99.842.690**	174.502.063
1.3	Net income from financial instruments at fair value through profit or loss	**14.117.727**	-62.029.607
1.4	Income from subsidiaries, associated companies and joint ventures	**0**	0
1.5	Income from other financial instruments and land and buildings (investment properties)	**260.435.180**	239.376.423
1.5.1	*Interest income*	**173.072.004**	*163.386.123*
1.5.2	*Other income*	**38.603.411**	*30.852.954*
1.5.3	*Realized gains*	**48.759.765**	*45.137.346*
1.5.4	*Unrealized gains and reversal of impairment losses*	**0**	*0*
1.6	Other income	**63.557.309**	61.045.558
1	**TOTAL INCOME**	**2.412.097.853**	**1.611.915.889**
2.1	Net insurance benefits and claims	**2.065.243.534**	**1.245.875.947**
2.1.1	*Claims paid and change in insurance provisions*	**2.110.438.761**	*1.320.334.111*
2.1.2	*Reinsurers' share*	**-45.195.227**	*-74.458.164*
2.2	Fee and commission expenses and expenses from financial service activities	**99.989.652**	137.998.480
2.3	Expenses from subsidiaries, associated companies and joint ventures	**0**	0
2.4	Expenses from other financial instruments and land and buildings (investment properties)	**52.362.905**	70.188.319
2.4.1	*Interest expenses*	**34.429.012**	*47.983.470*
2.4.2	*Other expenses*	**0**	*0*
2.4.3	*Realized losses*	**11.858.693**	*14.248.056*
2.4.4	*Unrealized losses and impairment losses*	**6.075.200**	*7.956.793*
2.5	*Acquisition and administration costs*	**72.642.639**	*79.641.544*
2.5.1	*Commissions and other acquisition costs*	**38.383.467**	*37.076.285*
2.5.2	*Investment management expenses*	**11.959.978**	*11.811.099*
2.5.3	*Other administration costs*	**22.299.194**	*30.754.160*
2.6	Other expenses	**75.609.756**	35.117.827
2	**TOTAL EXPENSES**	**2.365.848.486**	**1.568.822.118**
	EARNINGS BEFORE TAXES	**46.249.367**	**43.093.771**
3	**Taxation**	**14.522.224**	**12.208.293**
	EARNINGS AFTER TAXES	**31.727.143**	**30.885.478**
4	**RESULT OF DISCONTINUED OPERATIONS**	**0**	**0**
	RESULT OF THE PERIOD	**31.727.143**	**30.885.478**

STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro)

	31/12/19	31/12/18
RESULT OF THE PERIOD	**31.727.143**	**30.885.478**
Items that may not be reclassified to profit and loss in future periods	**-55.629**	**22.727**
Share of other comprehensive income of associates	**0**	0
Reserve for revaluation model on intangible assets	**0**	0
Reserve for revaluation model on tangible assets	**0**	0
Result of discontinued operations	**0**	0
Actuarial gains or losses arising from defined benefit plans	**-55.629**	22.727
Other	**0**	0
Items that may be reclassified to profit and loss in future periods	**130.548.540**	**-27.790.518**
Foreign currency translation differences	**0**	0
Net unrealized gains and losses on investments available for sale	**142.972.108**	-40.159.595
Net unrealized gains and losses on cash flows hedging derivatives	**-12.423.569**	12.369.076
Net unrealized gains and losses on hedge of a net investment in foreign operations	**0**	0
Share of other comprehensive income of associates	**0**	0
Result of discontinued operations	**0**	0
Other	**0**	0
OTHER COMPREHENSIVE INCOME	**130.492.911**	**-27.767.791**
TOTAL COMPREHENSIVE INCOME	**162.220.054**	**3.117.687**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in Euro)

	Amount as at 31.12.2017	Change in amounts	Allocation	Transfer to profit or loss account	Other transfer	Amount as at 31.12.2018
Share capital		0	0		0	90.498.908
Other equity instruments	0	0	0		0	0
Capital reserves	242.388.321	0	-4.055.127		-19.239.831	219.093.363
Revenue reserves and other reserves	80.283.491	0	4.154.909		-61.767.034	22.671.366
(Own shares)	0	0	-520		0	-520
Result of the period	19.092.916	0	30.785.697		-18.993.135	30.885.478
Other comprehensive income	13.066.922	0	-19.300.493	-8.490.026	0	-14.723.597
Total	**445.330.559**	**0**	**11.584.466**	**-8.490.026**	**-100.000.000**	**348.424.999**

(amounts in Euro)

	Amount as at 31.12.2018	Change in amounts	Allocation	Transfer to profit or loss account	Other transfer	Amount as at 31.12.2019
Share capital	90.498.908	0	0		0	90.498.908
Other equity instruments	0	0	0		0	0
Capital reserves	219.093.363	0	57.700.000		0	276.793.363
Revenue reserves and other reserves	22.671.366	0	0		30.885.478	53.556.844
(Own shares)	-520	0	0		520	0
Result of the period	30.885.478	0	31.727.143		-30.885.478	31.727.143
Other comprehensive income	-14.723.597	0	145.947.285	-15.454.375	0	155.769.313
Total	**348.424.999**	**0**	**235.374.429**	**-15.454.375**	**520**	**568.345.573**

CASH FLOW STATEMENT (indirect method)

(amounts in Euro)

	31/12/19	31/12/18
Earnings before taxes	**46.249.367**	**43.093.771**
Changes in non-cash items	**1.565.235.576**	**186.949.672**
Change in the provisions for unearned premiums and for unexpired risks for non-life segment	0	0
Change in the provisions for outstanding claims and other insurance provisions for non-life segment	0	0
Change in the mathematical provisions and other insurance provisions for life segment	1.535.030.643	101.957.227
Change in deferred acquisition costs	-6.021.326	-6.715.377
Change in other provisions	-2.886.043	-62.589
Other non-cash expenses and revenues arising out of financial instruments, investment properties and investments in subsidiaries, associated companies and joint ventures	62.897.311	70.859.618
Other changes	-23.785.009	20.910.794
Change in receivables and payables from operating activities	**58.779.777**	**25.338.061**
Change in receivables and payables arising out of direct insurance and reinsurance operations	29.579.190	25.826.776
Change in other receivables and payables	29.200.587	-488.715
Income taxes paid	**-10.247.802**	**-12.208.293**
Net cash flows from cash items related to investing or financing activities	**199.847.657**	**-1.185.591.774**
Financial liabilities related to investment contracts	199.847.657	-1.185.591.774
Payables to banking and inter-banking customers	0	0
Loans and receivables from bank and interbank customers	0	0
Other financial instruments at fair value through profit or loss	0	0
NET CASH FLOWS FROM OPERATING ACTIVITIES	**1.859.864.575**	**-942.418.562**
Net cash flows from investment properties	0	0
Net cash flows from investment in subsidiaries, associated companies and joint ventures	-28.842.158	0
Net cash flows from loans and receivables	-290.656.485	67.085.587
Net cash flows from held to maturity investments	0	0
Net cash flows from available for sale financial assets	-980.116.349	103.793.596
Net cash flows from tangible and intangible assets	-5.643.195	19.303.651
Net cash flows from other investing activities	-188.233.722	1.155.953.673
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-1.493.491.909**	**1.346.136.506**
Net cash flow from equity instruments	57.700.000	-100.000.000
Net cash flow from own shares	520	-520
Dividends payment	0	0
Net cash flow from equity instruments third party	0	0
Net cash flow from subordinate liabilities and from participation financial instruments	0	0
Net cash flow from other financial liabilities	-430.151.028	-337.312.924
CASH FLOW FROM FINANCING ACTIVITIES	**-372.450.508**	**-437.313.444**
Effect of exchange rate changes on cash and cash equivalents	**0**	**0**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	60.821.469	94.416.969
CHANGE IN CASH AND CASH EQUIVALENTS	-6.077.842	-33.595.500
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**54.743.626**	**60.821.469**

5.A Basis of Preparation

The stand-alone Financial Statements at 31 December 2019 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union. International Financial Reporting Standards (IFRS) refers to all international accounting standards called “International Financial Reporting Standards” (IFRS) and “International Accounting Standards” (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standard Interpretations Committee (SIC).

With regard to the entry into force of new accounting standards, it should be noted that the new accounting standard IFRS 9, issued by IASB in July 2014 and approved by the European Commission under Regulation No. 2067/2017, as of 1 January 2019, replaced IAS 39, which currently regulates the classification and measurement of financial instruments. IFRS 17, i.e. the new standard relating to the measurement of Insurance Contracts, not yet ratified at 31 December 2019, will instead be applicable as of 1 January 2022. The initial entry into force on 1 January 2021 has been postponed by the IASB to 1 January 2022.

During the month of September 2016, the International Accounting Standards Board (IASB) published an amendment to IFRS 4, which provides for two options for insurance groups: Temporary Exemption and Overlay Approach:

- Temporary Exemption allows for a complete departure from IFRS 9, maintaining the adoption of IAS 39 up to the reporting date as of which the new IFRS 17 comes into force;
- Overlay Approach makes it possible to remove any volatility from the Income Statement by suspending it as OCI, which could arise before the implementation of IFRS17 from some financial instruments that, following the adoption of IFRS 9, no longer meet the requirements for cost or FVOCI.

The two provisions were introduced in order to avoid the volatility of results deriving from a misalignment between the date of entry into force of the new accounting standard IFRS17 regarding insurance liabilities, in place of the current IFRS 4, and the new standard IFRS 9.

The Company opted for the adoption of the Temporary Exemption, so as to provide for its joint implementation for the insurance segment together with IFRS 17.

The Company verified that it meets the requirements for applicability of the Temporary Exemption. The calculation should be carried out taking as a reference the closing figures of financial year 2015, but given the extraordinary transactions as a result of which Eurovita S.p.A. was established during 2016 and 2017, the Group deemed it appropriate to make a reassessment of such accounting as at 31.12.2017. In particular, the percentage of book value of liabilities linked to insurance activities on the book value of the entity’s total liabilities was higher than 90% at such date (predominance ratio).

As established by the law, a quantitative disclosure is provided below for entities that will apply the principle in arrears at 1 January 2022.

Loans and receivables	Fair value 31/12/2019	Fair Value change	Other changes	Fair value 31/12/2018
of which:				
Financial assets with contractual terms that provide for specific cash flows on specific dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	586.229.985	-14.284.668	298.385.842	302.128.811
Other financial assets	29.248.005	-	-9.744.006	38.992.011
	615.477.990	**-14.284.668**	**288.641.836**	**341.120.822**
Financial assets other than those with contractual terms that provide for specific cash flows on certain dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	14.969.100	439.302	218.748	15.189.654
Other financial assets	-	-	-	-
	14.969.100	**439.302**	**218.748**	**15.189.654**

Available for sale financial assets	Fair value 31/12/2019	Fair Value change	Other changes	Fair value 31/12/2018
of which:				
Financial assets with contractual terms that provide for specific cash flows on specific dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	8.718.541.974	702.292.224	277.162.744	7.739.087.006
	8.718.541.974	**702.292.224**	**277.162.744**	**7.739.087.006**
Financial assets other than those with contractual terms that provide for specific cash flows on certain dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	135.252.580	5.076.339	-171.003.880	301.180.122
Fund shares	1.318.429.277	50.992.297	193.598.778	1.073.838.201
Derivatives	-35.503.051	48.516.626	2.208.707	10.804.868
	1.418.178.807	**7.552.011**	**24.803.605**	**1.385.823.191**
Other financial assets which provide no test				
Stock shares	21.001.167	5.517.084	-110.166	26.628.417
	21.001.167	**5.517.084**	**-110.166**	**26.628.417**

Financial assets at fair value through profit or loss	Fair value 31/12/2019	Fair Value change	Other changes	Fair value 31/12/2018
of which:				
Financial assets with contractual terms that provide for specific cash flows on specific dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	5.051.692	474.139	1	4.577.554
Derivatives	-	-	2.301.900	2.301.900
	5.051.692	**474.139**	**2.301.899**	**2.275.654**
Financial assets other than those with contractual terms that provide for specific cash flows on certain dates represented solely by payments of principal and interest on the amount of the principal to be returned				
Bonds	4.856.444	207.500	738.261	5.387.205
Fund shares	-	-	-	-
Derivatives	5.559.050	-1.430.250	5.512.500	1.476.800
	10.415.494	**-1.222.750**	**4.774.239**	**6.864.005**

With regard to credit risk, the data relating to risk exposure for securities that have passed the SPPI test are shown below:

RATING

Financial assets with contractual terms that provide specific cash flows on specific dates represented solely by payments of principal and interest on the amount of the principal to be	Book Value 31/12/2019	Market Value 31/12/2019	Book Value 31/12/2018
of which:			
Investment grade			
Bonds	8.633.935.209	7.885.021.397	8.681.566.638
Other financial assets	29.029.991	38.992.011	81.131.773
Non Investment grade			
Bonds	569.163.273	555.970.639	159.918.975

Furthermore, as of 1 January 2019 the new accounting standard IFRS 16 “Leases” came into force replacing the previous standard IAS 17 “Leases”, IFRIC 4, SIC 15 and SIC 27. The new standard requires finding whether a contract is (or contains) a finance lease, based on the concept of control over the use of an asset for a period of time; it follows that lease, rental, renting or free loan contracts, previously not assimilated to finance lease, may now fall within the scope of this Standard.

The Company applied IFRS 16 using the modified retrospective adoption method. Therefore, the comparative information relating to 2018 in the financial statements was not restated - that is, it was presented, as previously, according to IAS 17 and related interpretations. Further information on changes in accounting standards is provided below. Furthermore, in general, the disclosure obligations set out in IFRS 16 were not applied to comparative information.

A. Definition of Lease

Previously, at the beginning of the contract the Company established whether the same was, or contained, a lease according to IFRIC 4 – Determining Whether an Arrangement Contains a Lease.

The Company now assesses whether the contract is a lease or contains it on the basis of the new definition of lease.

At the date of first adoption of IFRS 16, the Company decided to adopt a practical expedient that allows companies not to re-examine which operations constitute a lease. IFRS 16 was only applied to contracts that had previously been identified as leases. Contracts that had not been identified as leases by applying IAS 17 and IFRIC 4 were not newly evaluated in order to determine whether they were a lease or not. Therefore, the definition of lease contained in IFRS 16 was only applied to contracts signed or amended at 1 January 2019 or later.

B. Lessee Accounting Model

In the capacity of lessee, the Company holds many assets under lease, such as buildings, IT equipment and cars supplied and used in service. Previously, the Company classified leases either as operating or finance leases, assessing whether the lease essentially transferred all the risks and benefits associated with ownership of the underlying asset. According to IFRS 16, the Company will now recognize right-of-use assets and lease liabilities for the majority of leases in its statement of financial position.

At the beginning of the contract or at the time of a contract amendment that contains a lease component, the Company attributes the contract fee to each lease component according to its own separate price.

i. Leases classified as operating leases according to IAS 17

Previously, the Company recognized real property leases as operating leases in accordance with IAS 17. At the date of first adoption, for these leases, lease liabilities were determined at the present value of residual lease payments due, discounted using the Group's rate for marginal lending facilities at 1 January 2019 (see paragraph C below). Right-of-use assets were valued at an amount equal to the lease liability, adjusted by the amount of any deferred or accrued liabilities relating to the lease. The Company adopted this approach for all leases.

The impairment test conducted on right-of-use assets at the date of first adoption found no evidence that these assets had suffered a reduction in value.

The Company used the following practical expedients to apply IFRS 16 to leases previously classified as operating leases according to IAS 17. Namely, the Group:

- applied the exemption from the recognition of right-of-use assets and lease liabilities to leases with a duration of less than 12 months;
- did not recognize right-of-use assets and lease liabilities for leases of low-value assets (e.g. IT equipment);
- excluded the initial direct costs from the measurement of right-of-use assets at the date of first adoption; and
- used its past experience in setting the duration of the lease.

ii. Leases classified as finance leases according to IAS 17

The Company holds no equipment under leases classified as finance leases according to IAS 17.

C. Effects on the Financial Statements

i. Effects of the first adoption

Upon first adoption, i.e. on 1 January 2019, the Company recognized the following values for right-of-use assets and lease liabilities not already recognized in the financial statements according to IAS 17.

(amounts in Euro thousand)

	01 Jan 19
Right of Use Land and Buildings	21.036
Right of Use Other Assets	264
Liabilities for leases	21.299
Impact on Equity at 01/01/2019	-

When measuring lease liabilities classified as operating leases, the Company discounted the payments due under the lease using the rate for marginal lending facilities at 1 January 2019. The weighted average of the rate applied was 2.43 %.

(amounts in Euro thousand)

	01 Jan 19
Obligations arising from operative leasing at 31.12.2018 according to IAS 17	26.020
Discounting effect using the marginal financing rate on 01.01.2019	-4.721
Liabilities on Financial Leases booked at 31.12.2018	-
Exemption to recognition for short-term or modest value lease	115
Liabilities on leases booked at 1 January 2019	21.299

Even after delisting from *Mercato Telematico Azionario*, which took place on 9 April 2009, the former company ERGO Previdenza continued to use the International Financial Reporting Standards as part of the current regulatory provisions (Legislative Decree No. 38/2005).

With regard to the technical forms of preparation, the Financial Statements were prepared in compliance with I.S.V.A.P. Regulation no. 7/2007, as amended.

The financial statements were prepared in accordance with the following tables set out in I.S.V.A.P. Regulation No. 7/2007:

- Balance Sheet;
- Income Statement;
- Statement of Comprehensive Income;
- Statement of Changes in Shareholders' Equity;
- Cash Flow Statement;
- Explanatory Notes;
- Annexes;

and are accompanied by the Directors' Report on Operations drawn up in compliance with Article 100 of Legislative Decree No. 209/05 and Article 2428 of the Italian Civil Code.

The reporting date is 31 December 2019.

The Financial Statements were prepared in Euros; the amounts in the Explanatory Notes, unless otherwise specified, are shown in Euro thousand.

The Financial Statements were prepared in a comparative form specifying the corresponding values of the previous financial year.

The measurement criteria were adopted on a going concern assumption, using the accrual methods, and the principles of relevance and significance of accounting information.

After the end of the financial year, no significant events occurred that could affect the data presented in the Financial Statements, within the limits of the contents of the following paragraph relating to subsequent events.

5.B Accounting Standards and Measurement Criteria

ACCOUNTING STANDARDS

The Board of Directors reasonably expects the Company to continue with its operational existence in the foreseeable future and prepared the Financial Statements on a going concern assumption. It is believed that the current market situation will not lead to significant uncertainties regarding events or conditions that may generate doubts about the Company's going concern. However, please refer to the description contained in the following paragraph on subsequent events.

The Financial Statements at 31 December 2019 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union. International Financial Reporting Standards (IFRS) refer to all international accounting standards called "International Financial Reporting Standards" (IFRS) and "International Accounting Standards" (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC).

BALANCE SHEET

Intangible Assets

Goodwill

Intangible assets include goodwill (also provisionally calculated on the basis of the provisions of IFRS 3) paid in corporate acquisitions / integrations. Since such goodwill is with an indefinite useful life, it is not amortized, but is valued at least once a year, or in any case whenever there are indicators of potential permanent loss in value, by means of an impairment test; if the loss in value is confirmed as permanent, it is recognized in the Income Statement and will not be recovered in subsequent financial years.

Other Intangible Assets

In accordance with IAS 38, an intangible asset should only be recognized if it is identifiable and controllable by the company, if future business benefits are expected from its use and its cost can be determined and/or is reasonably determinable.

These assets are valued at purchase or production cost net of amortization and accumulated impairment losses. Amortization on a straight-line basis is calculated according to the estimated expected useful life and begins when the asset is available for use.

Other intangible assets include goodwill paid for the acquisition of Life portfolios (value in force, or VIF): the value of the contracts acquired is determined by estimating the present value of future cash flows of existing contracts. VIF is amortized on the basis of the actual life of the contracts acquired. This assessment is reviewed every year.

Tangible Assets

Other Tangible Assets

In compliance with IAS 16, these should be recognized at purchase cost including ancillary charges and are shown net of depreciation and any accumulated impairment losses. They are depreciated on a straight-line basis using rates considered fair in relation to the technical and business evaluation as to the residual possibility of use of the assets.

The value of other tangible assets and their residual life are reviewed at the end of each financial year.

The depreciation rates used during the financial year, unchanged with respect to the previous period, are as follows:

	Furniture	Ordinary office machines	Electronic office machines	Plants and equipment
Depreciation rate	12%	20%	20%	10%

Ordinary maintenance and repair costs are expensed in the financial year in which they are incurred.

As of 1 January 2019, this item also includes the right to use any assets held pursuant to the new accounting standard IFRS 16 "Leases". This new standard, which replaces IAS 17 "Leases", introduced new requirements for recognition and presentation of leases in the financial statements and disclosures thereon.

The Company applied IFRS 16 using the modified retrospective adoption method. Therefore, no comparative information was restated and continued to be presented in accordance with IAS 17 and IFRIC 4. The information on the accounting standards set forth in IAS 17 and IFRIC 4 were presented separately.

Standard applicable as of 1 January 2019

At the beginning of the contract, the Company assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if, in exchange for a fee, it transfers the right to control the use of an identified asset for a period of time. To assess whether a contract grants the right to control the use of an identified asset, the Company uses the definition of lease contained in IFRS 16.

This standard applies to contracts coming into force as of 1 January 2019 or later.

i. Lessee Accounting Model

At the beginning of the contract or at the time of an amendment to a contract that contains a lease component, the Company allocates the contract fee to each lease component according to the relevant stand-alone price. However, in the case of building leases, the Company decided not to separate non-lease components from lease components and to recognize lease and non-lease components as a single component.

At the effective date of the lease, the Company recognizes right-of-use assets and lease liabilities. Right-of-use assets are initially measured at cost, including the amount of the initial measurement of the lease liability, adjusted for any lease payments made on or before the effective date, increased by the initial direct costs incurred and by an estimate of the costs that the lessee will have to bear for dismantling and removing the underlying asset or restoring the underlying asset or site where it is located, after any lease incentives received.

Thereafter, the right-of-use asset is amortized on a straight-line basis from the effective date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company at the end of the lease term or it is expected that the Company will exercise the purchase option in consideration of the cost of the right-of-use asset. In this case, the right-of-use asset will be amortized over the useful life of the underlying asset, calculated in the same way as for real property and machinery. Moreover, the right-of-use asset is regularly decreased by any losses due to impairment and adjusted to reflect any changes deriving from subsequent measurements of the lease liability.

The Company assesses the lease liability at the present value of any lease payments due but not paid at the effective date, discounting them by using the interest rate implicit in the lease. Should it be impossible to determine such rate easily, the Company uses the rate for marginal lending facilities. Generally, the Company uses the rate for marginal lending facilities as a discounting rate.

The Company's rate for marginal lending facilities is calculated using the interest rates obtained from various external financing sources by making some adjustments that reflect the terms and conditions of the leases and the type of leased asset.

- fixed payments (including payments that are substantially fixed payments);
- variable payments due under the lease according to an index or rate, initially measured by using an index or rate at the effective date;
- amounts that are expected to be paid as a guarantee on the residual value; and
- exercise price of a purchase option which the Company has a reasonable certainty of exercising, lease payments due in an optional renewal period if the Company has a reasonable certainty of exercising the renewal option, and penalty of early termination of the lease, unless the Company has a reasonable certainty of not terminating the lease in advance.

Lease liabilities are measured at amortized cost using the effective interest method and will be newly measured in case of modification of any future lease payments due deriving from a change in the index or rate, in case of modification of the amount that the Company expects to pay as a guarantee on the residual value or when the Company changes its measurement with reference to the exercise or otherwise of a purchase, extension or termination option or in the event that substantially fixed lease payments due are reviewed.

When the lease liability is newly measured, the lessee makes a corresponding adjustment to the right-of-use asset. If the book value of the right-of-use asset is reduced to zero, the lessee will recognize the change in profit (loss) for the year.

In the statement of financial position, the Company presents any right-of-use assets that do not meet the definition of real estate investments in a specific item "Right-of-use assets" and any lease liabilities under the item "Right-of-use liabilities".

Short-term leases and leases of low-value assets

The Company decided not to recognize right-of-use assets and lease liabilities relating to low-value assets and short-term leases, including IT equipment. The Group recognizes the related lease payments due as a cost on a straight-line basis over the lease term.

ii. Lessor Accounting Model

At the beginning of the contract or at the time of amendments to a contract that contains a lease component, the Company allocates the contract fee to each lease component according to the relevant stand-alone price.

At the beginning of the lease, the Company, in its capacity as lessor, classifies each of its leases either as a finance lease or as an operating lease.

For this purpose, the Company generally assesses whether the lease substantially transfers all the risks and benefits associated with ownership of the underlying asset or otherwise. In the former case, the lease is classified as a finance lease, in the latter case as an operating lease. As part of this assessment, the Company, among the various indicators, considers whether the lease term covers most of the economic life of the underlying asset.

Applying IFRS 16, the Company adopted the simplified accounting treatment for short-term leases (residual term of less than 12 months) and for leases whose underlying asset is of low value (under €5,000), which allows lessees not to recognize any amount of assets and liabilities in their financial statements but only to recognize any lease payments due as a cost.

Technical Provisions Borne by Reinsurers

This macro-item includes the commitments of reinsurers that derive from reinsurance contracts governed by IFRS 4. They should be calculated and recognized according to the contractual conditions provided for in the reinsurance treaties, unless otherwise assessed in regard to the recoverability of the loan.

Investments

In calculating the fair value of financial instruments, three different input levels were identified:

- level 1: inputs represented by (unmodified) listed prices in active markets for identical assets or liabilities that can be accessed on the valuation date;
- level 2: inputs other than listed prices included in Level 1 that are, directly or indirectly, observable for the assets or liabilities to be valued;
- level 3: unobservable inputs for the asset or liability for which estimates and assumptions made by the appraiser are used.

The choice between the aforementioned methods is not optional, as they must be applied in such order. Please refer to the attachments to the Explanatory Notes to the Financial Statements for details regarding the breakdown of financial instruments by fair value level.

Loans and Receivables

This item includes loans on policies, mortgages, loans to employees, deposits with ceding entities (reinsurers), repurchase agreements, time deposits, receivables for claims against agents, unlisted debt securities not available for sale that the Company intends to hold in the foreseeable future, and the existing collateral under any forward contracts signed.

This category also includes unlisted debt securities, possibly comprising a bond component separated from structured products.

For loans and receivables of a non-insurance nature, initial recognition is made at fair value (amount disbursed including transaction costs and directly attributable commissions). The subsequent valuations are carried out at amortized cost, using the effective interest method, including any write-downs.

Loans and receivables of an insurance nature should be recognized and valued according to the criteria established by the Italian standards, in accordance with the provisions of IFRS 4, i.e. they are recognized at their nominal value and subsequently valued at their presumed realizable value.

Financial Assets Available for Sale

This category includes debt securities, equity securities, UCI units, and equity investments deemed strategic (shares of less than 20% of the share capital, of strategic importance from a commercial or corporate standpoint).

UCI units should be allocated in their respective asset classes on the basis of the prevailing underlying. Therefore, fixed-income were allocated to capital instruments items.

This category is defined in residual terms by IAS 39 and includes non-derivative financial assets designated as available for sale or that have not been otherwise classified.

At the time of initial recognition, the financial instrument is measured at cost (including directly attributable transaction costs), as an expression of fair value at that date, in accordance with IAS 39; financial assets are recognized in the Balance Sheet when the Company becomes a party to the contractual clauses of the instrument. In case of initial recognition deriving from a restatement of the instrument from a different class, fair value at the time of transfer is used.

Any subsequent measurements are carried out at fair value, represented by the listing at that date or, in the event of non-listing on an active market, it will be calculated by using valuation techniques generally recognized by the financial markets.

For the purpose of the listing, a market is considered active when it can set a price at which a transaction could occur. The existence of official prices in a regulated market is an optimal, but not required, condition for setting a fair value; however, in the event that the prices on regulated markets do not represent a condition of sufficient liquidity, markets capable of representing effective trading, even if not regulated, are preferred by favoring the principle of substance over that of form.

The Income Statement includes charges and income capitalized on the basis of the amortized cost according to the effective return rate method. Unrealized gains and losses are instead recorded in a specific shareholders' equity reserve (including taxation).

In the event of sale or loss in value caused as a result of an impairment test, any unrealized gains or losses accumulated up to that moment in shareholders' equity are transferred to the Income Statement.

A financial asset available for sale is canceled from the Balance Sheet if, following its natural maturity, disposal, or other event, the contractual rights on the cash flows, as well as the risks and benefits associated with the same, expire or are transferred. Simultaneously with the cancellation of the asset, the amount corresponding to the gains and losses accumulated in the equity reserve is recognized in the Income Statement.

Assets are recorded at the settlement date.

Impairment policy for financial assets

In light of the merger that characterized financial year 2018, in order to make the impairment policy more consistent with the new investment portfolio and market practices, the Company's management decided to modify the impairment test triggers, as explained below.

At each reporting date, if there is reasonable evidence of the existence of a permanent loss, the value of the instrument is adjusted accordingly (impairment), recognizing the cost in the Income Statement.

IAS 39 requires that, at each reporting date, companies must check whether there is any objective evidence that a financial asset, or group of financial assets, has suffered impairment.

The units of mutual funds are considered as equity securities for the purposes of the impairment test.

For the purposes of the impairment test, the Company analyzed the following situations for equity securities:

a) the market price was always lower than the initial recognition value in the past 12 months;

b) the decrease in value at the reference date was 30% higher than the initial recognition value.

It should be noted that particular cases, such as FIAs in a start-up phase (where the initial loss in value is natural), will be analyzed in detail in order to verify the actual and objective loss in value.

For the aforementioned securities, if evidence of impairment is confirmed, the overall change in fair value is recognized in the Income Statement with a write-off of the reserve on assets available for sale.

With regard to fixed-return financial instruments, in order to verify the possible need to proceed with impairment, the Company examines objective factors or concrete information that calls into question the payment of benefits (payment of coupons or repayment at maturity); losses in value of more than 20% of the amortized cost of the investment or decreases in the fair value below 70% of the nominal value constitute further indications and grounds for assessment. It should be specified that the 70% threshold is not valid for the zero coupon securities component.

The recognition of impairment over previous periods is considered a condition for further impairment if the security was still producing a loss at the measurement date.

If a capital security has suffered impairment, any subsequent value recoveries will be recorded in the specific shareholders' equity reserve, reversal of impairment being prohibited. The recovery of value adjustments up to the corresponding amortized cost value is permitted for debt securities, provided that the reasons underlying the permanent loss have ceased to be effective on the basis of objective evidence. This value recovery is recorded in the Income Statement.

Financial Assets measured at fair value through profit or loss

This category includes assets held for trading in the short term (in line with the definitions of IAS 39, supplemented with the provisions of European Commission Regulation No. 1864 of 15 November 2005) and assets designated at fair value through profit or loss.

The following assets are assigned to the latter category:

- structured instruments, in which there is an embedded derivative not strictly connected to the primary contract, for which IAS 39 (paragraph 12) provides for the separate accounting of the two components and which the Company has decided not to account for separately;
- derivative components, separated from the primary contracts according to IAS 39 (paragraph 11), in turn accounted for among other categories (Loans and receivables - Assets available for sale);
- derivative contracts excluding hedging contracts.

The assets designated at fair value through profit or loss also include assets hedging the Company's commitments for insurance and/or investment contracts with investment risk borne by policyholders, as well as derivative financial instruments that do not meet the conditions qualifying an effective hedging, according to the definition provided by the IFRS, between the derivative instrument and the hedged item.

In accordance with IAS 39, financial assets should be recognized in the Balance Sheet when the Company becomes a party to the contractual clauses of the instrument.

Initial recognition is carried out at cost, as an expression of fair value at that date. The subsequent valuations are carried out at fair value, represented by the pricing at that date or, in the event of non-listing on an active market, calculated by using valuation techniques generally recognized by the financial markets.

For the purpose of the calculation, a market is considered active when it can set a price at which a transaction could occur. The existence of official prices in a regulated market is an optimal, but not required, condition for setting a fair value; however, in the event that the prices on regulated markets do not represent a condition of sufficient liquidity, markets capable of representing effective trading, even if not regulated, are preferred by favoring the principle of substance over that of form.

Unrealized gains and losses were recorded in the Income Statement.

Assets were recorded at the settlement date.

Sundry Receivables

Receivables Arising from Direct Insurance Transactions and Receivables Arising from Reinsurance Transactions

In accordance with IAS 39, these items include receivables from policyholders, insurance and reinsurance brokers, and insurance and reinsurance companies.

They are recognized at nominal value and subsequently measured at their presumed realizable value. Since these are short-term receivables, discounting methods are not used.

Other Receivables

In compliance with IAS 39, this item includes non-insurance receivables.

They are recognized at nominal value and subsequently valued at their presumed realizable value. Since these are short-term receivables, discounting methods are not used.

Other Asset Components

Deferred Acquisition Costs

Starting from the end of financial year 2003, the Company amortized commissions in prepaid form relating to policies with annual premiums with regular payment of the premium, within the limits of the charge included in the portion of the commissionable premium, with the exception of:

- commissions relating to individual forms of insurance, including guarantees associated with the same - temporary insurance in the event of death and disability, and optional temporary insurance in the event of death;
- commissions relating to unit-linked policies;
- commissions relating to supplementary guarantees.

Rappels were excluded from the acquisition costs to be amortized.

The above charges, to be calculated on each individual policy, are amortizable for a maximum period of 10 years, and are in any case amortized within the limit of the contractual duration and premium charges.

At each closing, the deferred acquisition costs relating to contracts issued during the reference period (also for partial redemption), are expensed by charging the residual commission through profit or loss. In case of partial redemption, commissions are expensed pro-quota (in proportion to the provisions released).

Current Tax Assets and Deferred Tax Assets

Income taxes are calculated in compliance with current tax legislation, Presidential Decree No. 917/1986, as amended by Legislative Decree No. 38/2005, also taking into account the amendments brought by Law No. 244/2007 (2008 Finance Law), the provisions of Law No. 208 of 28 December 2015 (2017 Stability Law), the prevailing interpretations provided by legal theory and official instructions by the (Italian) Financial Administration.

I.R.A.P. (regional tax on productive activities) is calculated in compliance with the provisions of Legislative Decree No. 446/1997, as amended by the aforementioned Law No. 244/2007.

The tax burden is represented by the total amount of current and deferred taxation included in the calculation of profit or loss for the period. Income taxes are recorded in the Income Statement with the exception of those relating to items debited or credited directly to shareholders' equity. The Company records the effects related to current and prepaid taxes applying tax rates in force.

Provisions for income taxes are calculated on the basis of a prudent forecast of the current, prepaid, and deferred tax burden.

Prepaid and deferred taxes are calculated on the basis of the temporary differences between the value attributed to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes, without any time limit.

Temporary differences can be:

- taxable, i.e. they will result in taxable amounts when computing the taxable income of future financial years when the book value of the asset or liability has been realized or eliminated;
- deductible, i.e. they will be translated into amounts that are deductible when computing the taxable income of future financial years when the book value of the asset or liability has been realized or eliminated.

Deferred tax assets represent income taxes recoverable in future financial years attributable to:

- deductible temporary differences;
- carry-forward of unused tax losses.

Deferred tax assets are recognized in the Financial Statements to the extent that they are likely to be recovered, which is also assessed on the basis of the Company's and the Group's ability, as a result of opting for the "tax consolidation", to generate positive taxable income on an ongoing basis.

Deferred tax liabilities represent taxes due in future financial years attributable to temporary taxable differences.

All deferred tax liabilities are recognized in the Financial Statements.

Deferred tax assets and liabilities being recognized are regularly measured to take into account any changes in tax rules or tax rates.

Starting in financial year 2008, the new formulation of the standard IAS 12.74 was implemented. It provides for the obligation to offset deferred tax assets and liabilities relating to income taxes of the same type and attributable to the same taxable person or different taxable persons who intend to settle such items on a net basis, or to realize the assets and settle the liabilities simultaneously, in each subsequent financial year.

Other Assets

The item mainly includes deferred acquisition costs (DAC) on insurance and reinsurance contracts classified as Investment Contracts in accordance with the provisions of IFRS 4 and treated in compliance with the provisions of IFRS 15.

These costs refer to costs incurred for the financial management service to be provided over the duration of the contract. The acquisition costs also include any “welcome bonus” attributed to the customer.

For single-premium contracts, amortization is carried out over a period of 10 years. For annual premium contracts, the duration of amortization is based on the duration of the contract (with a maximum limit of 10 years). At each closing, it should be noted that deferred acquisition costs relating to contracts issued during the reference period (including for partial redemption), are expensed by charging the residual costs through profit or loss.

Cash and Cash Equivalents

This item includes cash, sight deposits, and bank deposits with the central bank, recognized at their nominal value.

Shareholders' Equity

Capital Reserves

This item comprises the share premium.

Profit Reserves and Other Equity Reserves

This item, as required by IFRS 1, includes the reserve comprising any gains and losses arising from the first adoption of the IFRS standards. Other profit reserves are also included and gains and losses arising from material misstatements and changes in accounting policies or estimates adopted may also be included, as required by IAS 8.

Gains or Losses on Financial Assets Available for Sale

The item includes any gains or losses arising from the measurement of financial assets available for sale (IAS 39.55 (b)) directly entered in Shareholders’ Equity, net of the component relating to the deferral of profits or losses to be attributed to policyholders (Shadow Accounting) and net of the related tax effects.

Other Gains or Losses Recognized Directly in Equity

This item includes any gains or losses arising from direct recognition in Shareholders' Equity, including gains or losses on hedging instruments of a financial flow.

Dividends

Dividends payable are shown as changes in shareholders' equity for the year in which they were approved by the General Meeting of shareholders.

Provisions

This macro-item includes provisions recognized in accordance with IAS 37, i.e. if there is a current (legal or implicit) obligation as a result of a past event, the use of resources to fulfill such obligation is probable and necessary and the amount thereof may be estimated reliably.

Technical Provisions

This macro-item includes any commitments that arise from contracts falling within the scope of IFRS 4, or contracts that, following the classification process described in the appropriate paragraph, have been classified among insurance contracts, with or without discretionary participation feature (DPF), or among investment contracts with DPF.

In life insurance, these are:

- actuarial reserves for pure, supplementary, and additional premiums, of premium reserves and technical provisions of supplementary insurance and expense reserves;
- provisions for sums to be paid, set aside for any exit from the portfolio due to claims, redemption, annuity, or maturity which, at year end, had not yet given rise to the corresponding payment;
- profit sharing and retrocession provisions.

Supplementary insurance in particular concerns:

- Premium reserve (pro-rata basis and for pending risks);
- Claims reserve (including the estimate of claims for the period).

Within technical provisions relating to investment contracts with DPF, a special capital reserve was set aside to limit volatility due to the presence of unrealized gains / losses on assets (referred to as shadow accounting).

At the end of the period, in order to verify the fairness of the technical provisions and in compliance with the provisions of IFRS 4, an adequacy test is carried out based on the expected future cash flow values generated by the portfolio in place at the valuation date. Any inadequacy found will give rise to a supplementary provision pursuant to IFRS 4.15 (Liability Adequacy Test, or LAT).

Any negative goodwill paid for the acquisition of Life portfolios (value in force, or VIF) is also included in the technical provisions: the value of contracts purchased is calculated by estimating the present value of future cash flows of contracts in place. VIF is amortized on the basis of the effective life of the contracts acquired. This estimate is reviewed every year.

Shadow Accounting Provisions

The shadow accounting technique, set forth in IFRS 4, makes it possible to account for unrealized losses and/or gains among technical provisions of insurance or investment contracts with discretionary participation feature, as if they had been realized.

The shadow accounting provision is determined as a Balance Sheet adjustment to actuarial provisions and is equal to the difference between the actuarial provision set aside and the actuarial provision that would have been set aside if all the (unrealized) valuation gains and losses had been implemented with a so-called “going concern” approach. It follows that shadow accounting is applicable to contracts for which the realization of net valuation gains and losses has an effect on actuarial provisions. Generally, for Italian products, this occurs for valuable tariffs, linked to separate management funds.

The shadow accounting going-concern approach allows to obtain:

- Greater stability of the results for the period and changes in the Company’s shareholders’ equity;
- A faithful representation of the economic reality of business: the assumption of instant realization of valuation gains and losses is in general not consistent with the Company’s discretion regarding the time and amount of the realization of investments of separate management funds;
- Consistency with value measurements though profit or loss that take into account portfolio development;
- Truthful and correct calculation of capital and results for IAS / IFRS purposes in scenarios of significant capital losses: the assumption of instant realization of capital losses could result in an unjustified capital reduction even if there is a current business performance well above guaranteed minimums;
- Adherence to the ‘going-concern’ principle (included in the framework of IAS / IFRS standards), according to which the Financial Statements should be prepared on the assumption of the company’s future going concern. In particular, in view of the commitments for maturities / redemptions, the Company can count on future cash flows deriving from the collection of premiums and/or from the collection of coupons / dividends, and from the repayment of bonds at maturity;
- Consistency with the valuation system of Article 36 of Regulation 21 of 28 March 2008. The assumption of instant realization could penalize capital due to a possible ‘double counting’ of capital losses already considered in the supplementary provisions recognized according to the aforementioned Regulation No. 21/2008.

The “going-concern approach” is an approach that, in short, considers the following elements:

- the balance of potential gains and losses at the reference date for the period that are realized prospectively over a period of several years, consistent with the Company’s management policies. The analysis is performed at the level of single separate management fund;
- the reference yield on which to measure the impact of the realization of capital gains/losses is the “prospective natural return” of the individual separate management fund. The natural rate

is defined as the rate of return before any possible realization and, from a theoretical standpoint, consists of income from equity investments, income from real estate investments, coupon flows, and issuing and trading discounts for bonds, and from the return on liquidity; the percentage of participation in gains / losses by policyholders taking into account the minimum guaranteed contractual rate, the minimum commission withheld by the Company for the management of contracts, and the average percentage of retrocession on returns if any. The analysis is carried out for each separate management fund and within the same by brackets of minimum guaranteed return.

Liability adequacy test (LAT)

In accordance with the provisions of IFRS 4, in order to verify the fairness of provisions, a Liability Adequacy Test (LAT) was carried out. This test was conducted in order to verify whether the technical provisions, including deferred liabilities to policyholders, are adequate to cover the fair value of future cash flows relating to insurance contracts.

The adequacy test is therefore performed by comparing the IAS / IFRS provision (which includes the portion deriving from the adoption of shadow accounting and the VIF) net of any deferred acquisition costs or intangible assets linked to the contracts in question, with the fair value of future cash flows relating to insurance contracts. Any eventual inadequacy is immediately charged through profit or loss.

Financial liabilities

Financial Liabilities measured at fair value through profit or loss

The financial liabilities in this category are divided into two further sub-items:

- financial liabilities held for trading, where negative positions on derivative contracts are classified;
- financial liabilities designated at fair value through profit or loss, where financial liabilities relating to contracts issued by insurance companies whose investment risk is borne by policyholders are classified, in the presence of insignificant insurance risk, and without discretionary participation feature. The item refers to the financial liabilities governed by IAS 39 (IAS 39.9,47 (a)) and therefore includes the financial liabilities constituted by the deposit component of investment contracts (within the meaning of IFRS 4.IG2) issued by the Company, comprising technical provisions relating to unit-linked, index-linked products.

With regard to the criteria applied in the estimation of the time when to account for a financial liability, when to derecognize it, in the initial and subsequent valuations, as well as the methods for recognizing any related charges, please refer to the paragraph relating to financial assets measured at fair value through profit or loss.

Other Financial Liabilities

The items of an insurance nature mainly refer to deposits received from reinsurers recognized at nominal value, and subordinated liabilities measured at amortized cost.

Payables

Payables Arising from Direct Insurance Transactions and Payables Arising from Reinsurance Transactions

In accordance with IAS 39, this item includes trade payables arising from direct and indirect insurance transactions. These payables are recognized at nominal value.

Other Payables

Among other items, this item includes provisions for amounts due to employees for Severance Indemnities, measured, as required by IAS 19, according to demographic, economic, and financial actuarial assumptions (for a detailed description of the method used to measure this liability, please refer to the paragraph "Employee Benefits") and liabilities linked to rental contracts within the scope of accounting standard IFRS 16. The residual part of payables is recognized at their nominal value, in accordance with IAS 39.

Other Liability Components

Current Tax Liabilities and Deferred Tax Liabilities

The item Current tax liabilities include payables to the (Italian) Tax Authorities for current taxes.

Deferred tax liabilities are recognized for all taxable temporary differences between the book value of assets and liabilities and the corresponding value recognized for tax purposes, except for the cases provided for by IAS 12.

Deferred tax liabilities are calculated by applying the tax rate according to the regulations in force at the end of the financial year.

Please refer to the paragraph on Tax Assets for further details.

Other Liabilities

This item includes deferred commission income related to insurance and reinsurance contracts that do not fall within the scope of IFRS 4, as required by IFRS 15.

These are up-front charges, i.e. acquisition charges relating to the financial management service provided, recorded and deferred over the duration of the contract. For contracts classified as Investment, the premium charges, generally on single premiums, intended to cover commissions, recurring expenses, and additional hedges, as well as to generate profits for the Company, are deferred on a straight-line basis over the duration of the contract, through the creation of a special reserve called DIR (Deferred Income Reserve), which includes reserves for future expenses, calculated with the Level 1 bases. The portion of premium charges to be deferred is that which is obtained from the gross premium, after excluding the part of the deposit (treated according to IAS39) relating to the invested premium, and removing the insurance component relating to additional hedges (when not financed entirely by recurring commissions).

For single-premium contracts, amortization is carried out over a period of 10 years. For annual premium contracts, the duration of amortization is based on the duration of the contract (without any limit). Deferred commissions relating to contracts issued during the reference period (including by partial redemption), are charged through profit or loss for the residual portion.

The item also includes provisions for amounts due to employees for other long-term social security payments and remuneration. For a detailed description of the method used to measure this liability, please refer to the paragraph "Employee Benefits".

The item includes existing collateral under forward contracts according to the financial sign. The remaining part of liabilities is recognized at nominal value.

INCOME STATEMENT

Net Premiums

This item includes premiums for the period relating to contracts pursuant to IFRS 4.2.

Premiums are accounted for with reference to their maturity irrespective of the date on which their actual cash collection takes place and net of taxes to be paid by policyholders. Premiums ceded to reinsurers include the amounts due to reinsurers under contractual reinsurance treaties. During the financial year, with a view to harmonizing the criteria of the two merged companies, the insurance contracts identified were contracts underwriting insurance risk equal to or greater than 5%, obviously including the contracts under which the Company underwrites a significant insurance risk linked to longevity, mortality, or other biometric risks.

Commission Income

This item includes the accounting of revenues connected with financial services provided, as required by IFRS 17.

This item therefore includes the operating commission income and other technical revenues relating to investment contracts, which do not fall within the scope of IFRS 4.

It also includes the amortization in the Income Statement of deferred income in connection with insurance and reinsurance contracts having a non-significant insurance risk and therefore valued according to IAS 39. This in particular refers to the positive margins deferred through the Deferred Income Reserve (DIR), as well as the Deferred Acquisition Costs (DAC) relating to commissions received under reinsurance treaties governed by IAS 39.

Income and Charges Arising from Financial Instruments Measured at Fair Value through Profit or Loss

This macro-item includes realized gains and losses and increases and decreases in the value of financial assets and liabilities measured at fair value in the Income Statement.

Income Arising from Other Financial Instruments

This macro-item includes income arising from financial instruments not valued measured at fair value through profit or loss, as set forth in IAS 39. Namely: interest income (calculated using the effective interest method), other income from investments (dividends and other), realized gains, and valuation gains (value recovery, reversal of impairment).

Other Revenues

This macro-item, among other things, includes other technical income in connection with insurance contracts falling under IFRS 4, exchange differences accounted for in accordance with the provisions of IAS 21, as well as gains realized and recoveries relating to tangible and intangible assets, as required by IAS 16 and IAS 38, as well as other income items arising from the sale of goods, provision of services other than insurance and financial services and services arising from investments defined and governed by IFRS 15.

Charges Relating to Claims

With reference to insurance contracts under IFRS 4.2, this macro-item includes the amounts paid, change in claims reserves, change in the reserve for amounts to be paid, the actuarial provisions, the technical provisions when the investment risk is borne by the policyholders if related to insurance contracts, and other technical provisions of the life classes.

Recognition is carried out gross of settlement costs, net of recoveries and reinsurance.

Commission Expense

This item includes the recognition of costs connected to financial services received, as required by IFRS 17. This item therefore includes other technical charges relating to investment contracts that do not fall within the scope of IFRS 4.

It also includes the amortization in the Income Statement of deferred charges in connection with insurance and reinsurance contracts with non-significant insurance risk and therefore valued in accordance with IAS 39. This in particular refers to commission expense deferred through the Deferred Acquisition Costs (DAC) relating to contracts governed by IAS 39.

Charges Arising from Other Financial Instruments

This macro-item includes charges arising from financial instruments not measured at fair value through profit or loss, as required by IAS 39. In detail: interest expense (calculated using the effective interest method), other investment charges, realized losses, and valuation losses (impairment).

Operating expenses

Commissions and Other Acquisition Costs

This item includes the fees due to the sales network in relation to the acquisition of insurance contracts pursuant to IFRS 4.2. This also includes overhead expenses allocated to acquisitions charges.

Investment Management Fees

This item includes overheads and personnel expenses related to the management of financial instruments.

Other Administration Expenses

This item includes overheads and personnel expenses not attributed to charges relating to the acquisition of contracts, settlement of claims, and management of investments. In particular, this item also includes overheads and personnel expenses associated with the administration of investment contracts that do not fall within the scope of IFRS 4.

Other Costs

This macro-item, among other things, includes other technical charges related to insurance contracts falling within the scope of IFRS 4, exchange differences, supplementary provisions made during the financial year, as well as the losses realized, and permanent loss in value relating to intangible assets and relating to tangible assets for the portion not otherwise allocated to other cost items.

Current Taxes and Deferred Taxes

These items include charges relating to current taxes, calculated according to the tax legislation in force, as well as changes in deferred taxes, as defined and regulated by IAS 12.

OTHER INFORMATION

Defined Benefits after Termination of Employment and Other Long-Term Benefits

Defined benefits should be set apart from defined contribution benefits due to the fact that, unlike the latter, not all actuarial and investment risks are borne by the party entitled to the same.

Defined benefits refer to pension plans (including severance indemnities) and healthcare assistance that the Company grants to its employees after termination of employment. The benefits due are based on the remuneration received by employees during a predetermined period of service, as well as on the working life of such employees. These benefits are assessed using actuarial criteria; the gains and losses arising from this valuation are recorded in the statement of comprehensive income of the vesting period, using the projected unit credit method.

Following the supplementary pension reform referred to in Legislative Decree No. 262 of 5 December 2005, the portions of employees' severance indemnities accrued up to 31/12/06 remained within the Company, while the portions of employees' severance indemnities accrued starting from 1 January 2007 were, at the employee's choice (by 30 June 2007), allocated to a supplemental pension scheme or to the I.N.P.S. Treasury Fund.

Any employees' severance indemnities accrued up to 31/12/2006 (or up to the date between 01/01/2007 and 30/06/2007 chosen by the employee in case of allocation of his/her severance indemnities to a supplemental pension scheme) will continue to be "Defined benefits" and therefore subject to actuarial valuation, albeit with a simplification in the actuarial assumptions, which will no longer take into account the forecast on future salary increases.

Any portions accrued from 1/07/2007 (or up to the date between 01/01/2007 and 30/06/2007 chosen by the employee in case of allocation of his/her severance indemnities to a supplemental pension scheme) were considered as a "Defined contribution" plan (since the Company's obligation ceases when the accrued severance indemnities are paid into the pension scheme chosen by the employee) and therefore the relevant cost for the period is equal to the amounts paid into the supplemental pension scheme or into the I.N.P.S. Treasury Fund.

Derecognition of Financial Instruments from Assets and Liabilities

A financial instrument will be derecognized from the Balance Sheet if, following its natural expiry, disposal, or other event, the contractual rights on the cash flows, as well as the risks and benefits associated with it, expire or are transferred.

Use of Estimates

The preparation of the Financial Statements and related notes in adoption of IFRS entails making estimates and assumptions that produce effects on the values relating to assets, liabilities, costs, and revenues, as well as on the presentation of contingent assets and liabilities at the reporting date. Such estimates and measurements are regularly reviewed by the Company's management on the basis of past experience and other factors deemed reasonable in such circumstances. Actual results may differ from such estimates due to different operating conditions and different assumptions. Any changes in estimates are recognized in the Income Statement in the financial year in which they actually occur.

The following information regards assumptions on and uncertainties in estimates at 31 December 2019 having a significant risk of causing material changes in the book value of assets and liabilities to be recognized in the financial statements of the following financial year:

- acquisition of a subsidiary: fair value of fee transferred (including potential fee) and fair value of the assets acquired and liabilities assumed, measured provisionally.
- impairment test on goodwill, positive VIF and deferred acquisition costs: main assumptions for the computation of recoverable values;
- recognition and measurement of provisions and contingent liabilities: main assumptions on the probability and extent of an outflow of resources;
- assessment of the allowance for doubtful accounts deriving from direct insurance transactions: main assumptions in computing the percentage of weighted average loss;
- recognition of deferred tax assets: availability of future taxable gains to be offset by deductible temporary differences and tax losses carried forward.

Insurance Contracts

IFRS 4 lays down the obligation to temporarily continue using the national accounting standards used until 2004 to account for insurance contracts, defined as contracts with a significant insurance risk, while life contracts with a high financial content and with no guaranteed return, or that do not provide for the discretionary participation feature are considered financial instruments falling within the scope of IAS 39, without prejudice to their representation in the life segment of the Financial Statements.

5.C Risk Analysis

Introduction

The Company is equipped a risk management model, integrated into business, aimed at optimizing its risk-return profile by increasing profitability and maintaining an adequate level of economic / regulatory capital, thereby guaranteeing the expectations of shareholders and policyholders in terms of value creation and safeguard of the Company's assets.

The Company assumes risks prudentially by pursuing the following objectives:

- only bear risks pertaining to its core business, developing and offering products for which it is able to guarantee consolidated and high-level skills;
- only bear risks for the management of which the Company has suitable expertise and resources;
- ensure satisfactory and lasting results to shareholders through risk management, safeguarding the expectations of the contracting parties and policyholders and maintaining a capital surplus even in the face of extreme events;
- adopt prudent investment policies that aim to achieve efficient risk-return combinations;
- promote ethical values and a risk culture at all company levels;
- ensure the integration of risk management in the business through:
    - current and forward-looking risk assessment process, aligned and integrated with the main decision-making processes (e.g. definition of business plan);
    - assessment of the Company's Risk Appetite and control mechanisms over consistency between the latter and the actual risk profile;
    - explicit consideration of the impacts of the Company's business initiatives on the risk profile;
    - continuous monitoring of the Solvency Position by means of a sensitivity analysis.

The internal risk control and management system, proportional to the Company's size and operational characteristics, is structured according to three "Defense Lines", organized as follows:

- the First Line consists of persons - essentially belonging to "business" and "staff" Organizational Units - responsible for risk assumption and for monitoring risks in terms of initial identification, assessment, control / monitoring, management, and reporting thereof;
- the Second Line consists in the "second level" Control Functions, i.e. Risk Management, Compliance, and Actuarial Departments. In particular, the Risk Management department has the task of monitoring and maintaining the entire Risk Management System, which contributes to ensuring it effectiveness including by supporting the Company's Board of Directors and Senior Management in relation to the definition and implementation of the same. The Actuarial Department contributes to effectively applying the risk management system, with particular regard to technical and capital aspects, making sure that the assumptions used in the calculation of technical provisions are consistent with the business, criteria, and methods used by the Company to calculate own funds and the current and prospective solvency capital requirement. Finally, the Compliance Department, in addition to identifying the regulations applicable to the Company on an ongoing basis by evaluating the impact thereof on processes and procedures, also has specific tasks in regard of non-compliance risk prevention;
- the Third Line consists in the Internal Audit Department, with respect to its role to provide independent "assurance".

The main elements of the risk management System are represented by:

- a process for defining the risk strategy, which will constitute the link between the Company's business strategy and risk management and will determine the general risk appetite framework by defining a set of risk management limits and requirements (Risk Appetite Framework);
- a process for identifying risks aimed at detecting the internal and external risk factors relevant to the Company and any changes that can have a significant impact on its business strategy and objectives on a continuous and ad hoc basis;
- a risk measurement and assessment process, aimed at quantifying the economic impact (with qualitative / quantitative methods) in terms of expected average loss in a complete and systematic way for each risk category through the use of the Standard Formula;
- a risk monitoring process, based on feedback inherent in the risk management process and on verification of the identified operational limits;
- a risk reporting process governing specific information flows between all the departments involved;
- dissemination of a risk management culture, aimed at increasing value creation, minimizing possible negative impacts.

The System aims to guarantee risk-based decision-making processes in accordance with the relevant national and European regulations and applies both to risks in place and to risks that can arise in existing businesses or in new businesses.

The Board of Directors is ultimately responsible for the internal control and risk management system, of which it ensures the continual completeness, functionality, and effectiveness, including in relation to outsourced activities. The governing body ensures that the risk management system enables the identification, evaluation also on a forward-looking basis, and risk control, including risks deriving from non-compliance with the rules, guaranteeing the goal of safeguarding assets, including in the medium-long term.

Senior Management is responsible for the implementation, maintenance, and monitoring of the internal control and risk management System, including risks deriving from non-compliance with the rules, in line with the directives of the Governing Body.

The Board of Statutory Auditors, as a body having control functions, verifies the adequacy of the organizational, administrative, and accounting structure adopted by the Company and its concrete operation.

The Supervisory Body, pursuant to Legislative Decree No. 231/2001, has supervisory and control functions on the operation, effectiveness, adequacy, and compliance of the Organization and Management Model adopted by the Company and is responsible for its updating.

In order to illustrate the corporate governance and internal control safeguards within the Company, it is also considered useful to note that committees have been established within the Board of the parent company Eurovita Holding S.p.A.:

- Audit, Internal Control, and Risk Committee;
- Appointments and Remuneration Committee;
- Board Group Investment Committee.

These committees report to the parent company's Board, which has approved their respective Operating Regulations.

Finally, the organizational area coordinated by the Chief Risk Officer includes the Anti-Money Laundering function, which aims to:

- ensure the suitability of the internal control system and corporate procedures with regard to the risk of money laundering and terrorist financing;
- prevent and combat the violation of laws, regulations, and codes of conduct on the matter.

The widespread risk management policy applied within the Company, reviewed and updated on an annual basis, defines the risk governance, the taxonomy, measurement, control, and management of risks, and the risk reporting system.

Mechanisms for sharing and exchanging information between the corporate bodies, the Supervisory Body, Senior Management, as well as the aforementioned Board Committees of the parent company, have been defined in order to make the activities of departments responsible for risk monitoring and control fully effective.

The rules and operational procedures followed for the management and monitoring of risks to which the Company is exposed have been defined in the risk management Policy of the Eurovita Group, which in particular require the review of risks on an ongoing basis and at least quarterly and that the findings regarding the underlying risk profile be reported to the Board of Directors using the appropriate forms.

Based on the findings of the risk detection and assessment processes, a system of limits and triggers has been established by the Board of Directors setting risk tolerance limits on the risk bearing capacity.

Risks are being currently detected and managed on the basis of the provisions of the risk management Policy and in compliance with the provisions of Article 19 of I.V.A.S.S. Regulation No. 38/2018. Including in consideration of the Solvency II framework, such risks have been classified in the following risk categories:

- Financial risk;
- Life technical risk;
- Risk of Counterparty Default;
- Other risks.

1 Financial Risk

The variables with the greatest impact on the financial portfolios were monitored during the financial year. Therefore, the effects of market changes on the portfolio were assessed as part of risk management, both in qualitative and quantitative terms, with a view, on the one hand, to ensuring the availability of assets and, on the other, defining an investment management strategy related to the structure of commitments to policyholders, in order to improve its profitability. The financial management of the Company's Separate Management Funds has been delegated to external companies (Goldman Sachs Asset Management, BNP Paribas Asset Management).

The most relevant risk factors for the "Class C portfolio", given the nature of investments, are risks relating to interest rate, credit, concentration and depreciation of equity assets and real estate securities, as well as the unfavorable trend in currency exchange rates and liquidity risk.

With a view to diversifying the portfolio and reducing interest rate risk (spread), the Company has increased the weight of indirect investments in credit and alternative funds and has stipulated (long and short) forward derivative contracts on government bonds in the Euro area.

With regard to investments in the "Class D portfolio", the Company is indirectly exposed to a market risk transmitted by the policyholders' assets, since management fees are withdrawn in proportion to the market value of the customers' funds, rather than in proportion to their initial investment. This is an accepted risk of the Company's business model, which pursues the objective of making the proposal more attractive to customers.

The Company maintains a continuous monitoring of financial risks in order to implement any corrective measures and minimize the effects of adverse market changes that could lead to a depreciation of the value of investments, influence the behavior of policyholders, and increase the cost of yield guarantees embedded in the liability portfolio. Through an integrated analysis of assets and liabilities by individual Separate Management Funds, the sustainability of the guaranteed minimum amounts is evaluated with respect to the prospective macroeconomic scenario and the matching between assets and liabilities is analyzed in terms of net cash flows and duration. Targeted asset and return optimization actions have been carried out both in terms of ALM and for the purpose of a prospective reduction of the Solvency II capital requirement.

The Company, as also required by I.V.A.S.S. Regulation No. 24/2017, has arranged for and drafted the Framework Resolution on Financial Investments aimed at measuring and containing exposure to the market risk of portfolios. Moreover, it has established a Management Investment Committee, meeting monthly, in which corporate business and control bodies are invited to participate. This Committee works in support of the Board Group Investment Committee, at least quarterly, in which the Chief Risk Officer is invited to participate and whose purpose is to monitor the results achieved and verify the adequacy of the strategies and management tactics adopted in relation to the continuous evolution of the markets.

For a correct management of the Company's exposure to the financial markets, the management team has adopted the appropriate strategies developed with a view to defining the most consistent risk / return combination with the Company's objectives.

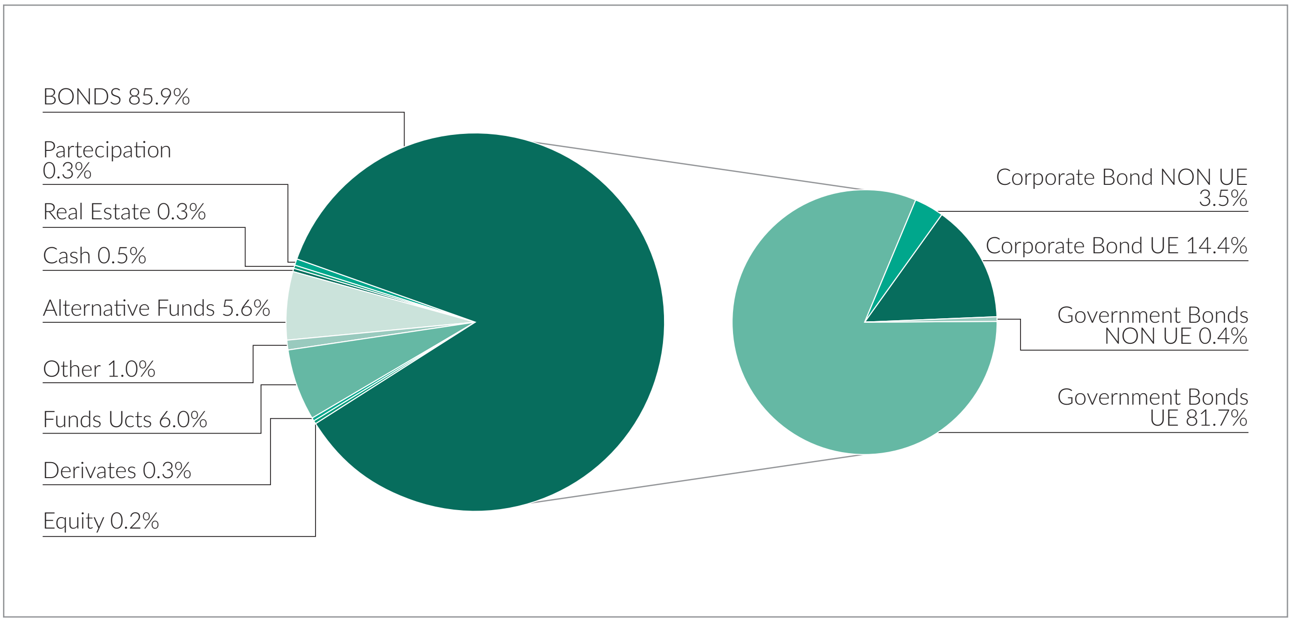
Interest rate risk is managed through a policy to optimize the investment performance and by constantly monitoring the match between assets and liabilities broken down by separate management fund.

The Company manages *concentration risk* by defining specific limits by asset class, reviewed annually by the Board of Directors upon approval of the Framework Resolution on Investments.

The Risk Management Department regularly monitors compliance with the above limits.

The Company's "Class C" portfolio, which at 31 December 2019 amounted to €10,835 million, mainly comprised bond instruments (approximately 86%), UCI funds (approximately 6%) and alternative funds (approximately 5.0%).

The bond portfolio mainly includes securities issued in the Euro zone and comprises government securities (approximately 82%), covered bonds, and corporate bonds (approximately 18%).



Market risk is assessed using Standard Formula. Considering the composition of the Company's portfolio, the assessment findings show a consistent exposure mainly to spread risk.

Liquidity risk arises when the Company, in order to meet the liquidity needs of Separate Management Funds, has no available funds and is unable to promptly liquidate the investment in securities without suffering significant losses in value. The Company constantly carries out a careful analysis of its cash flows and, during the year, set specific investment thresholds in order to mitigate this risk by limiting exposure to illiquid and structured products. Periodically, monitoring of the risk is performed in the short, medium and long term, as required by the "Policy on liquidity risk management" set out under the Framework Resolution on Investments (pursuant to I.V.A.S.S. Reg. No. 24/2016): the Risk Management department is in particular in charge of medium-term monitoring (12 months) and verifying whether the value of the Liquidity Coverage Ratio (LCR), i.e. the ratio of liquid assets to portfolio inflows / outflows, is not less than the appetite and tolerance thresholds set in the Risk Appetite Framework.

2 Life Technical Risk

The Company's portfolio is represented by a balanced mix of hedging products with a main savings content, unit-linked products without guarantees, and pure risk hedging products for a residual portion. In relation to the nature of the business and composition of the portfolio, it was found that the main underwriting risks to which the Company is exposed are as follows:

- lapse risk, determined by changes in the level or volatility of the rates for early repayments due to partial redemptions, total redemptions, reductions (termination of premium payments), and other reasons;
- expense risk, linked to the possibility that the income generated by the business may not cover all the related costs incurred;
- biometric risk, with particular reference to the risks of mortality, disability, and morbidity, which is also mitigated through reinsurance.

Longevity risk is negligible by virtue of the low number of annuity contracts. Guaranteed option ratios are not provided for in the products in the portfolio.

For risks associated with with-profit policies with minimum yield guarantees, in addition to integrating appropriate criteria that take into account the situation of the financial markets and the existing regulatory restrictions, the holding of the corresponding financial investments is measured over time using ALM techniques.

With regard to purely technical insurance risks, the Company pays particular attention to risks associated with the launch of new products and their assessment through profit testing to verify the sustainability of the coverage being offered, the riskiness, and the margins generated for the Company. The pricing is based on statistical analyzes of the actuarial type, including on a forward-looking basis, to ensure an adequate assumption of risks in setting the premium and margins, including in relation to contract placement and management / maintenance costs. There is also a continuous comparison and monitoring of market trends and foreseeable scenarios, a capital requirement calculation using the Solvency II "standard formula", and a careful assessment of exposure to insurance risk within the limits of risk tolerance in terms of quantity and type of new business during the annual planning phase.

Product pricing follows the same risk measurement standards (assumptions, flow modeling, etc.) as those included in the overall risk management framework. To this end, the Company favors recourse to verified historical data (assumptions concerning redemption rates, mortality cases), used in a discriminate manner, i.e. paying attention to their overall solidity (historical series depth, correctness of the surveys, presence of anomalous data, suitability of historical data for use as predictive tools, etc.).

With regard to mortality risk, i.e. relating to insurance contracts in the "event of death", the mortality tables used for pricing are prudential and risk exposure is monitored through a comparison between actual mortality and theoretical mortality deduced from the tables themselves.

Among risk mitigation factors, reinsurance is critical, especially for mortality risk.

The risk management policies adopted in association with life insurance contracts require the adoption, in the contract acquisition phase, of appropriate prudential rules aimed at achieving a careful selection of risks.

With regard to contracts that provide for payment of capital in the event of death, the underwriting policy provides for the acquisition of suitable health documentation, which should be the more detailed the higher the capital to be insured and the insured's age. The analysis and evaluation of the documentation received will then determine the decision to request further documentation, underwrite or reject the risk, or apply appropriate extra premiums (in relation to the insured's health condition, linked to certain professions and/or sports activities).

The risk is assessed using the Standard Formula; the Company's exposure to underwriting risk is mainly due to the risks of early repayment and expenses.

The table below shows the concentration of direct gross premiums by business line.

(amounts in Euro thousand)

Direct gross premium by business line IAS Classification	Premiums in the first year	Premiums in subsequent years	Total
Rider	59	6.090	6.149
Indirect Business	5.225	-	5.225
Insurance	36.999	89.792	126.791
Investment_DPF	1.806.001	59.553	1.865.554
Investment	476.222	9.426	485.648
Total	**2.324.506**	**164.861**	**2.489.367**

The table below shows the concentration of technical provisions of direct gross business in the life segment by level of guarantee offered.

(amounts in Euro million)

Life segment insurance provisions by yield guarantee	Direct Business December 2019
Reserves with interest rate guarantees	9.363,90
from >= 0% to <=1%	**5.445,61**
from >1% to <=2%	**2.744,10**
from >2% to <=3%	**413,87**
from >3% to <=4%	**760,31**
Over 4%	**-**
Reserve for mortality risk	50,23
Reserves linked to specific assets	26,66
Unit-Linked Reserves	125,27
Other Technical reserves	340,05
Shadow accounting reserve	720,62
VIF - Value in force	170,07
Total	**10.796,80**

3 Risk of Counterparty Default

The *risk of counterparty default* (or “credit risk”, or “default risk”) reflects the possible losses due to unexpected defaults or deterioration of the creditworthiness of the Company’s counterparties and creditors in the following 12 months. Credit risk sets apart at least three types of exposures subject to default, namely:

- the default of banking institutions where current accounts are held;
- the default of reinsurance companies;
- the default of other counterparties, including issuers of risk mitigation contracts, including vehicle companies, insurance securitization, and derivatives.

The Company periodically monitors the exposure to this risk and has certain management strategies in place, such as the setting by the Board of Directors of specific limits for the insolvency risk of financial intermediaries and quality, commitment, and solvency criteria with regard to the insolvency risk of reinsurers. The reinsurers with whom the Company operates must, in general, meet criteria of quality, commitment, and solvency; the Company’s reinsurance policy is generally oriented towards prudent hedging of exposures to avoid unwanted risk concentrations.

The *insolvency risk* of financial brokers (bank exposures) is monitored and checked on a monthly basis as part of the monitoring of investments.

4 Other Risks

The Company's Risk Management System, in line with the provisions of I.V.A.S.S. Regulation No. 38/2018 and the Solvency II Directive, provides for the detection, assessment, and treatment of any other risks that, while not attributable to the categories referred to above, are deemed potentially detrimental to the achievement of the Company's objectives.

Therefore, an analysis is performed of the types of risk not included in the classifications illustrated above, including operational risk, legal compliance risk, strategic risk, and reputational risk. For these risks, the assessment of which is mostly qualitative, the Company has set up a management system that is considered suitable for containing the same at an acceptable level.

Operational risk is defined as the risk of suffering losses arising from the inadequacy or malfunction of processes, human resources, and internal systems, or due to external events. Risk management is essentially delegated to the business line managers, who are called to find and implement mitigation actions.

In relation to IT systems, the security, access, continuity, and performance requirements are guaranteed and integrated with the Disaster Recovery Plan system, which is geographically distant from the headquarters. The Company has a Disaster Recovery Plan in place that represents a specific strategic plan aimed at minimizing the loss of information and time for restoring corporate information in particularly critical situations; this plan defines the set of technology measures suitable for restoring systems, data, and infrastructures necessary for the provision of services as a result of catastrophic events.

With regard to the measurement of operational risk and the setting of the relevant capital absorption, the Company uses the standard formula method defined by EIOPA (in the Solvency II system). In addition to these assessments, a Risk & Control Self Assessment (RCSA) approach was adopted in order to control, mitigate and monitor operational risks. In particular, on an annual basis, first-line departments, supported by the Risk Management Department, are called to identify the main risk events to which the Company could be exposed, assess them in terms of likelihood of occurrence and in terms of economic impact, as well as to find adequate mitigation actions in the event that the risk level being assumed is considered unacceptable. The assessments conducted in financial year 2019 showed that the main sources of operational risk for the Company are attributable to data quality issues in the portfolio systems being used, possible malfunctions of the information systems deriving from the integration initiatives in progress and possible breaches of data confidentiality associated with cyber attacks and, lastly, to malfunctions in the investment cycle for unit-linked policies.

Strategic risk is defined as the current or prospective risk of a drop in profits or capital arising from external factors, such as insurance market, competitors, and customers, or internal factors, such as business strategy, and the achievement of strategic objectives set by the Board of Directors. Senior Management, with the support of the Risk Management Department and other departments involved, is responsible for detecting and assessing risks and setting out the actions and resources necessary for their management. The ongoing adoption of measures ensures the achievement of business objectives and strategic objectives, as well as a continuous assessment of the effectiveness of such measures.

Reputational risk is defined as the risk of deterioration of the corporate image and increased conflict with policyholders also due to the poor quality of services offered, the placement of inadequate policies, or the behavior of the sales network.

The risk is managed and monitored through the risk of non-compliance with rules, or the risk deriving from non-compliance with legislation, regulations, or measures of the Supervisory Authority, with the resulting possibility of incurring judicial or administrative penalties, or suffering losses resulting from reputational damage.

Transactions with Related Parties

1. Legal Framework

“Related parties” are parties defined as such by the International Accounting Standard IAS 24 concerning the financial statement disclosures on transactions with related parties.

In drafting this section of the Explanatory Notes, reference should be made to the applicable statutory provisions, the standard IAS 24, and the applicable provisions contained in I.V.A.S.S. Regulation No. 30 of 26 October 2016.

Following the issuance thereof, intercompany transactions are defined by the “Policy for the Management of Intercompany Transactions”, while transactions with related parties are governed by the “Policy for the Management of Transactions with Related Parties”.

Both documents were presented and approved by the Board of Directors on 19 December 2019 and are reviewed at least annually.

2. Management of Transactions with Related Parties

In accordance with the procedures and timeframe set out in the “Policy for the Management of Transactions with Related Parties”, the department in charge provides the Chief Executive Officer, the Audit Committee, Internal Control and Risk, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Body with adequate information regarding any transactions related party.

In particular, in case of transactions with related parties carried out by one of the entities as defined in the “Policy for the Management of Transactions with Related Parties”, a timely notice (referred to as transaction notice) must be sent to the appropriate corporate body containing the following information: a) characteristics of the transaction; b) whether the transaction was directly ordered by the Company or through a subsidiary company; c) information on the effective / potential counterparty and whether it is a Related Party; d) classification of the transaction on the basis of the categories set out in the Policy and reasons underlying the classification (e.g. whether it is a transaction of major / minor importance); e) any elements that make it possible to link the transactions to a Framework Resolution; f) information as to the value of the transaction and tentative timeframe of commencement; for transactions of a non-negligible amount, the Transaction Notice should also contain: g) objective evidence confirming the fact that the transaction has been concluded on terms equivalent to market or standard conditions; h) reasons underlying the classification of the transaction.

The department in charge, as a result of the information received, will perform checks with reference to the classification of the transaction and completeness of the documentation received. It will also support the corporate department involved in preventative monitoring activities for the approval of transactions and will launch the approval process required for significant and very significant transactions, notifying the Chief Executive Officer and/or the Chairman of the Audit Committee, Internal Control & Risk, who will, upon receipt of this communication, provide for the convening of the Committee for the purpose of issuing a non-binding opinion.

Transactions with related parties carried out by the Company must be recorded in a specific list, the management and keeping methods of which are set out in the Policy.

2.1 Transactions with Related Parties to be Submitted to the Examination and Prior Approval of the Board of Directors

The most significant transactions with a value, considering each individual transaction, equal to or greater than €5,000,000 will be submitted to the prior examination and approval of the Audit Committee, Internal Control & Risk, and the Board of Directors of the Company.

In particular, the Committee will, after receiving the documentation and information, examine the transaction and issue a reasoned opinion to the Board of Directors on the Company's interest (and on the subsidiary's interest for any transactions carried out through the same) in carrying out the transaction, as well as on the cost-effectiveness and substantial fairness of the relevant conditions.

If the Committee has expressed a reasoned opinion that is not favorable to the completion of the transaction, the Board of Directors may: i) approve the transaction in compliance with the conditions set by the Committee; ii) approve the transaction (despite the Committee's contrary opinion) stating the relevant reasons with clear and substantiated arguments, appropriate to justifying the objective cost-effectiveness for the firm to proceed with the conclusion of the transaction, supported, if appropriate, by the opinion of third-party consultants; iii) not approve the transaction. In any case, any resolution approving the transaction must acknowledge the proper adoption of the Policy and provide an adequate reason as to the Company's interest in carrying it out, as well as the cost-effectiveness and substantial correctness of the relevant conditions.

For transactions of lesser importance, the documentation will be sent to the Chief Executive Officer, who will examine the transaction and authorize it if this falls within the powers granted to the same or, in cases where the transaction does not fall within its powers, or in the event that the latter considers it appropriate, an opinion is given to the Committee on the Company's interest in carrying out the transaction, so that the same Committee may refer the relevant assessment and decision to the decision-making body. In any case, any resolutions approving the transaction must provide adequate reasons regarding the Company's interest in carrying it out, as well as the cost-effectiveness and substantial correctness of the relevant conditions. In case of approval of the Chief Executive Officer, the decision will be noted in specific reports.

3. Transactions with Related Parties Conducted during the Year

Pursuant to the applicable provisions on the subject, it should be noted that during financial year 2019 the following transactions between related parties of a significant nature were identified:

- On 27 March 2019, the Eurovita S.p.A. received a capital payment of €27.4 million from the parent company Eurovita Holding S.p.A. This transaction was carried out to allow the subsidiary to achieve a Solvency Ratio in line with the Risk Appetite Framework;
- On 20 September 2019, the boards of directors of the Company and of the subsidiary Eurovita S.p.A. approved an intercompany cash-pooling agreement. Following the temporary blocking

of dividend pay-outs specified in the Capital Policy, the parent company could not receive liquidity, in terms of dividends, to meet overhead costs. Therefore, this transaction ensured the availability of cash to the Holding, if necessary and when necessary. In addition, this transaction made it possible to optimize cash management at each Group entity and to reduce banking costs in relation to the counterparty's larger size;

- On 16 December 2019, Eurovita S.p.A. received a capital payment of €30.3 million from the parent company Eurovita Holding S.p.A. This transaction was part of the acquisition by Eurovita S.p.A. of the entire share capital of the insurance company Pramerica Life S.p.A. following the release of the relevant authorization by I.V.A.S.S.

All the aforementioned transactions were carried out at market conditions.

Please refer to the Directors' Report on Operations for the identification of intercompany transactions with related parties in the financial year under review.

5.E Information on the Balance Sheet at 31 December 2019

The entries in the statement of financial position and the changes in the relevant amounts compared to 31 December of the previous financial year are commented on and supplemented hereunder.

Assets

1 Intangible Assets

The following table shows the changes in the aforementioned item during the closing period:

(amounts in Euro thousand)

	Amount at 31/12/2018	Increase	Decrease	Amount at 31/12/2019	Acc. Amort. 31/12/2018	Increase	Decrease	Acc. Amort. 31/12/2019	Book value 31/12/2019
Goodwill	22.050		0	22.050	0	0	0	0	22.050
Total Goodwill	*22.050*	*0*	*0*	*22.050*	*0*	*0*	*0*	*0*	*22.050*
VIF OMWI	126.985	0	0	126.985	44.522	13.088	0	57.610	69.375
Software	6.212	64	0	6.276	5.642	549	0	6.191	85
Other intangible fixed assets	4.148	0	1.227	2.921	2.190	37	588	1.639	1.282
Total other intangible fixed assets	*137.345*	*64*	*1.227*	*136.182*	*52.354*	*13.674*	*588*	*65.440*	*70.742*
Total intangible assets	**159.395**	**64**	**1.227**	**158.232**	*52.354*	*13.674*	*588*	*65.440*	*92.792*

1.1 Goodwill

The item, amounting to €22,050 thousand, consists of the goodwill generated as a result of the merger by acquisition of the former company Old Mutual Wealth Italy S.p.A. into Eurovita S.p.A. The surplus of the acquisition cost of the shareholding of Old Mutual Wealth Italy, compared to the share at fair value of assets and liabilities, was accounted for in such item and represents a payment made in anticipation of future economic benefits arising from assets that cannot be identified individually and recorded separately.

The Company carried out an impairment test on this asset with an indefinite useful life that confirmed the book value. Therefore, the asset was not written down.

Furthermore, this valuation was supported by the evidence characterizing the 2019 management. With reference to events following the reporting date of financial year 2019, it should be noted that the positive business trend in the first weeks of 2020 and the forecasts for the entire financial year do not show elements of significant discontinuity with respect to 2019 such as to negatively affect the past measurement due to subsequent events.

1.2 Other Intangible Assets

This item, amounting to €70,742, mainly consists of the value of the Life portfolio of the former company Old Mutual Wealth Italy S.p.A. acquired in 2017 (VIF) for €69,375 thousand and costs incurred for the purchase of software and other intangible assets for €1,367 thousand.

As previously reported in the section on accounting standards and preparation criteria, the value of purchased contracts (VIF) was calculated by estimating the present value of future cash flows of existing contracts, net of any effects deriving from reinsurance. The VIF was amortized on the basis of the release of provisions to which it refers.

The amortization of other intangible assets is calculated on the basis of the 20% tax rate considered to be representative of their useful life.

The breakdown is provided in a specific attachment.

2 Tangible Assets

2.2 Right-of-use Assets and Liabilities

The changes in other tangible assets are shown in the following table:

(amounts in Euro thousand)

	Amount at 31/12/2018	Increase	Decrease	Amount at 31/12/2019	Acc. Amort. 31/12/2018	Increase	Decrease	Acc. Amort. 31/12/2019	Book value 31/12/2019
Building	0	21.036	0	21.036	0	1.237	0	1.237	19.799
Cars	0	264	0	264	0	74	0	74	190
Furniture and fixtures	879	0	0	879	833	21	0	854	25
Electronic machines	1.466	0	966	500	1.432	0	996	436	64
Plants and equipment	1.104	0	20	1.084	718	101	15	804	280
Total tangible assets	**3.449**	**21.300**	**986**	**23.763**	**2.983**	**1.433**	**1.011**	**3.405**	**20.358**

This item includes the measurement of “Right of use”, for the current year, deriving from the lease contracts of the properties that house the company’s units and offices and from the rental of cars assigned to the company’s management team, in accordance with the new Accounting Standard IFRS 16 “Leases”.

Depreciation is calculated on the basis of the following tax rates considered representative of the useful life of each category:

- Furniture and Fixtures 12%
- Electronic Machines 20%
- Plants and Equipment 10%

The item, deriving from the adoption of IFRS 16, represents the right of use of assets underlying the lease contracts entered into by the company for the rental of Buildind and Cars.

i. Right-of-use Assets

(amounts in Euro thousand)

	Eurovita S.p.A.		
	BUILDING	**CARS**	**TOTAL**
Balance at January 1, 2019	**21.036**	264	21.299
Depreciation for the year	**-1.237**	-74	-1.311
Increase for RoU (right of use)	**-**	-	-
Disposal assets for RoU (right of use)	**-**	-	-
Balance at December 31, 2019	**19.798**	**190**	**19.988**

ii. Amounts recognized in profit (loss) for the year

(amounts in Euro thousand)

	Total 2019
Depreciation of assets for RoU (right of use)	1.311
Interest expense on leasing liabilites	502
Costs on short-term or modest value on leases	115
Total impact on P&L	**1.929**

The impairment relating to right-of-use Asset categories refers to the loss in value recognized following the comparison between the recoverable value and the book value of the CGU “Other assets related to Style”, which was accounted for in the paragraph on Measurement Criteria, to which reference should be made for more details.

iii. Right-of-use Liabilities

The following table shows the maturities of lease liabilities:

(amounts in Euro thousand)

	Value at 31.12.2019	Contractual financial flows	of which: by 1 year	of which: from 1 to 5 years	of which: over 5 years
Liability for Right of Use	20.212	24.431	1.591	6.175	16.665

3 Technical Provisions Borne by Reinsurers

The technical provisions borne by reinsurers, including business ceded and retroceded, amounted to €770,748 thousand (€227,589 in 2018), with a total decrease of €456,841 thousand compared to 31 December 2018, due to the onset of the maturity on a significant generation being reinsured.

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Actuarial reserves	**635.388**	1.119.899	-484.511
Reserves for complementary ins. premiums	**1.143**	1.792	-649
Reserve for amounts due	**133.970**	105.640	28.330
Reserves for gains on equity investments	**248**	258	-11
Total Amounts ceded to reinsurers from insurance provisions	**770.748**	**1.227.589**	**-456.841**

The performance of the technical provisions borne by reinsurers reflects the evolution of the recurring annual premium portfolio and of the temporary death and supplementary policies of the portfolio ceded. The actuarial reserves borne by reinsurers were calculated by applying the same criteria used for gross provisions.

Premium provisions on supplementary policies refer to accident and permanent disability coverage and were calculated by applying the *pro-rata temporis* criterion adopted for gross provisions.

The increase in the provisions for sums to be paid is due to the presence of a greater number of expiring policies compared to the end of the previous financial year.

The technical provisions borne by reinsurers are covered at 81.10% by deposits of the same reinsurers.

4 Investments

4.2 Equity Investments in Subsidiaries, Associated Companies and Joint Ventures

(amounts in Euro thousand)

	Amount at 31.12.2019	Amount at 31.12.2018	Change for the period
Investments in subsidiaries	**28.842**	0	28.842
Investments in subsidiaries, associated companies and joint ventures	**28.842**	**0**	**28.842**

During the financial year, the company acquired all of the shares of Pramerica Life S.p.A. and of its subsidiary Pramerica Marketing S.r.l., recognizing the equity investment at purchase price.

4.4 Loans and Receivables

The following table shows the breakdown of Loans and Receivables, totaling €732,586 thousand, by type of investment compared with the corresponding values at the end of the previous financial year (€446,709 thousand in 2018):

(amounts in Euro thousand)

	31/12/19			31/12/18		
	Amort. cost	Book value	Fair Value	Amort. cost	Book value	Fair Value
Other loans and receivables	**31.447**	**31.447**	**31.447**	32.427	32.427	32.427
Debt securities	**626.618**	**626.618**	**630.447**	336.942	336.942	356.310
Deposits with banking institutions	**-**	**-**	**-**	-	-	-
Deposits with reinsurers	**74.521**	**74.521**	**98.211**	77.340	77.340	88.303
Total Loans and Receivables	**732.586**	**732.586**	**760.105**	**446.709**	**446.709**	**477.040**

In particular, it should be noted that the item Loans and receivables includes:

- loans amounting to €19,074 thousand, which includes €17,710 thousand relating to loans on policies;
- recoveries from agents of €1,011 thousand, which includes €380 thousand relating to the associated company Agenzia Eurovita S.r.l.
  Among these, gross loans with a maturity of over one year amounted to €922 thousand (€292 thousand to Agenzia Eurovita S.r.l.), which includes €366 thousand exceeding five years (€135 thousand to Agenzia Eurovita S.r.l.);
- deposits with ceding institutions for a total of €74,521 thousand;
- debt securities, including the related accrued income of €626,618 thousand.

Debt securities comprise private placement issues and unlisted bonds of €573,904 thousand (including repurchase agreements in place with Italian banking institutions with underlying Italian government securities of €29,250 thousand and fixed-rate bonds issued by the SPV Spire with underlying Italian long-term bonds of €347,044 thousand); at the end of the financial year, this category showed a net contingent capital gain equal to €3,829 thousand.

4.5 Available-for-Sale Financial Assets

The breakdown of Available-for-sale financial assets classified by type of investment is shown in the following table compared with the corresponding values at the end of the previous financial year:

(amounts in Euro thousand)

	31/12/19				31/12/18			
	Amort. cost	Book value	Equity reserve	Fair Value	Amort. cost	Book value	Equity reserve	Fair Value
Debt securities	**8.059.098**	**8.853.795**	**794.697**	**8.853.795**	7.940.637	8.040.268	99.630	8.040.268
of which, listed	*8.019.934*	*8.816.520*	*796.585*	*8.816.520*	*7.908.897*	*8.008.549*	*99.652*	*8.008.549*
UCI units	**1.296.286**	**1.318.429**	**22.143**	**1.318.429**	1.106.854	1.073.838	-33.016	1.073.838
Equity securities at fair value	**21.737**	**21.001**	**-735**	**21.001**	26.678	26.628	-50	26.628
of which, listed	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
of which, not listed	*21.737*	*21.001*	*-735*	*21.001*	*26.678*	*26.628*	*-50*	*26.628*
Equity investments in affiliated companies	**0**	**0**	**0**	**0**	0	0	0	0
Total Available for Sale Financial Assets	**9.377.121**	**10.193.225**	**816.105**	**10.193.225**	**9.074.169**	**9.140.734**	**66.564**	**9.140.734**

The Equity Reserve on debt securities (understood as the difference between amortized cost and fair value) equal to €794,697 thousand at 31 December 2019 (a positive €99,630 thousand at the end of the previous financial year) increased due to the above positive change in the interest rate curve and in the spread of Italian State bonds (with respect to German State bonds).

“UCI / ETF Units”, amounting to €318,429 thousand, represent a variety of investment categories that include monetary stocks / shares (€68,464 thousand), investment grade and high-yield bonds (€600,232 thousand), open-end debt loans (€44,124 thousand), and other types of closed-end funds or funds with a limited-entry window (€605,609 thousand); the latter are diversified between Private Equity, Infrastructure Equity, Real Estate Equity, Infrastructure Debt, Real Estate Debt, Loan Debt, and Direct Lending subdivided into over 33 specialized instruments. The Equity Reserve of the category (€22,143 thousand) recovered substantially with respect to the end of the previous financial year due to the positive performance of the High Yield and Emerging Debt markets being confirmed.

The item Equity securities at fair value constitutes a residual weight in line with the policy of limiting equity risk. This feature was confirmed during the year 2018 with a portfolio that consisted of shares of Italian banking institutions and other unlisted financial companies linked to the Company through distribution agreements, as well as 280 shares of the Bank of Italy (€7,000 thousand).

Through the impairment test procedure, the Company verified the existence of any conditions that could definitively justify the recognition of permanent losses in value. At 31 December 2019, write-downs of bank investments for €4,831 thousand (€932 thousand in 2018) and of AIF shares of €1,244 thousand (€7,024 in 2018) thousand were recognized, the latter mainly related to Real Estate Equity funds (€673 thousand).

4.6 Financial Assets Measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss by type of investment are detailed in the table below, which compares the corresponding values at the end of the previous financial year.

(amounts in Euro thousand)

	31/12/19			31/12/18		
	Amort. cost	Book value	Fair Value	Amort. cost	Book value	Fair Value
Hedge derivatives	**32.512**	**32.512**	**32.512**	11.595	11.595	11.595
Non-hedge derivatives	**5.559**	**5.559**	**5.559**	1.477	1.477	1.477
Debt securities	**9.908**	**9.908**	**9.908**	9.965	9.965	9.965
of which, listed	*4.856*	*4.856*	*4.856*	*5.387*	*5.387*	*5.387*
of which, not listed	*5.052*	*5.052*	*5.052*	*4.578*	*4.578*	*4.578*
Equity securities at fair value	**-**	**-**	**-**	-	-	-
of which, listed	-	-	-	-	-	-
Assets held for trading	*47.979*	*47.979*	*47.979*	*23.037*	*23.037*	*23.037*
Debt securities	85.729	85.729	85.729	89.589	89.589	89.589
of which, listed	*85.729*	*85.729*	*85.729*	*89.559*	*89.559*	*89.559*
of which, not listed	-	-	-	*30*	*30*	*30*
UCI units	6.701.666	6.701.666	6.701.666	6.549.802	6.549.802	6.549.802
Equity securities at fair value	3.000	3.000	3.000	3.116	3.116	3.116
of which, listed	-	-	-	*116*	*116*	*116*
of which, not listed	*3.000*	*3.000*	*3.000*	*3.000*	*3.000*	*3.000*
Other Financial investments	35.675	35.675	35.675	20.272	20.272	20.272
Assets designated at fair value	*6.826.070*	*6.826.070*	*6.826.070*	*6.662.779*	*6.662.779*	*6.662.779*
Total Financial Assets at Fair Value through profit or loss	**6.874.049**	**6.874.049**	**6.874.049**	**6.685.816**	**6.685.816**	**6.685.816**

Financial assets measured at fair value through profit or loss totaled €6,874,049 thousand, compared to €6,685,816 thousand in 2018.

Among the investments held for trading, the item Debt securities includes structured bonds for which it was decided not to proceed with the accounting separation of embedded derivatives (€9,908 thousand) in addition to derivative components (€5,493 thousand) separated from structured products classified under Loans and Receivables. The item “Hedge derivatives” refers to the positive positions of the forward hedge contracts entered into during 2017 (€32,512 thousand), a worsening by a total of €46,308 thousand compared to the previous financial year if considered after deducting the item recognized in Financial Liabilities for contracts with negative value following the volatility of the spread over Italian government securities; the relevant change in fair value was booked to shareholders’ equity in the item Reserve for expected cash flow hedges. During 2019, six forward contracts expired, which led to the related changes in the underlying bonds classified under the item Available-for-sale assets.

The item Financial assets designated at fair value includes investments for the benefit of life policyholders who bear the risk thereof (comprising 117 internal unit-linked funds divided into 172 classes and 1,521 external unit-linked funds), which amounted to €6,826.1 million at 31 December 2019 (€6,662.8 million in 2018). The item increased due to being affected, among other things, by the positive market performance during the year to which portfolios are linked.

For the purpose of full disclosure, the following is a restatement of the overall bond portfolio by issuer risk:

(amounts in Euro thousand)

	Breakdown of debt securities by issuer risk				
	Nominal Value	Amortized cost	Book value	Equity reserve	Fair Value
STATO ITALIA	2.488.452	2.814.690	3.127.976	-313.286	3.127.976
STATO SPAGNA	849.261	950.518	1.067.697	-117.179	1.067.697
STATO PORTOGALLO	757.696	867.561	973.428	-105.867	973.428
STATO FRANCIA	322.035	309.727	347.520	-37.793	347.520
SPIRE - SINGLE PLATFORM INV.REPAC.ENTITY	347.000	348.093	348.093	0	328.152
STATO BELGIO	220.000	234.456	277.281	-42.826	277.281
STATO IRLANDA	221.130	226.874	245.889	-19.015	245.889
COMMUNITY OF MADRID	107.397	121.812	128.840	-7.029	128.840
JUNTA DE CASTILLA Y LEON	109.000	114.172	121.298	-7.126	121.298
DEXIA CREDIT LOCAL	110.900	114.079	116.655	-2.576	116.655
STATO FINLANDIA	88.385	89.752	99.736	-9.984	99.736
UBI BANCA	93.445	96.814	97.956	-1.142	97.956
CAISSE FRANCAISE DE FIN LOC.(DEXIA)	65.000	72.166	72.166	0	80.558
NRW BANK	60.000	66.058	66.058	0	76.256
STATO AUSTRIA	66.950	69.854	73.685	-3.831	73.685
STATO SLOVACCHIA	52.532	55.697	62.731	-7.034	62.731
BANCO BILBAO VIZCAYA ARGENTARIA	50.000	51.889	62.287	-10.398	62.287
EUROPEAN INVESTMENT BANK	46.700	49.653	58.155	-8.503	58.155
ESPV	50.000	53.217	53.889	-673	53.889
ALTRI EMITTENTI =< 50 Mln Euro	1.902.091	1.988.544	2.088.981	-100.437	2.094.161
Total	**8.007.974**	**8.695.624**	**9.490.321**	**-794.697**	**9.494.150**

5. Sundry Receivables

5.1 Receivables Arising from Direct Insurance Transactions

The breakdown is as follows:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Receivables from policyholders for late premium payments	**36.686**	53.594	-16.908
Receivables from insurance brokers	**6.877**	4.813	2.064
Total Receivables arising out of direct insurance operations	**43.563**	**58.407**	**-14.843**

Receivables arising from direct insurance transactions amounted to €43,563 thousand, against €58,407 thousand in 2018. The reduction is mainly attributable to the improved processes linked to collection operations and to portfolio harmonizing operations carried out during the fourth quarter of 2019.

Moreover, it should be noted that a significant amount of receivables for premiums in arrears was collected in early 2020.

In accordance with sector regulations, the balance of receivables from policyholders does not include receivables referring to premiums of subsequent years, of a seniority exceeding twelve months, as they are completely written down, as presented in the changes in the Allowance for doubtful accounts shown below.

As required by I.S.V.A.P. Regulation No. 7/2007, receivables for recoveries were allocated among loans and receivables.

The balance of receivables from agents arising from direct insurance transactions takes into account the allowance for doubtful accounts of €1,995 thousand; for the purpose of completeness, the following detailed table shows the amount of the allowance for doubtful accounts relating to insurance receivables:

(amounts in Euro thousand)

Allowance for doubtful accounts	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Receivables from policyholders for late premium payments	**5.018**	5.895	-878
Receivables from insurance brokers	**1.995**	2.200	-205
Total Allowance for doubtful accounts	**7.012**	**8.095**	**-1.083**

5.2 Receivables Arising from Reinsurance Transactions

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Receivables reinsurance companies	**3.153**	4.357	-1.204
Receivables from reinsurance brokers	**423**	835	-412
Total Receivables arising out of reinsurance operations	**3.576**	**5.192**	**-1.616**

Receivables arising from reinsurance transactions went from €5,192 thousand at 31 December 2018 to €3,576 thousand. The item shows a total reduction of €1,616 thousand, consistent with the reduction in assets being ceded.

5.3 Other Receivables

“Other receivables” amounted to €58,749 thousand, against €25,706 thousand in 2018.

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Tax credit	**18.353**	10.538	7.815
Receivables from financial operators	**9.969**	9.898	71
Other receivables	**30.428**	5.270	25.158
Total Other receivables	**58.749**	**25.706**	**33.044**

The following table shows the breakdown of tax receivables at 31 December 2019:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018
Receivables for prepaid tax stamp	**8.605**	1.758
Tax credit for refund claims	**3.367**	3.023
Interest on tax credit for refund claims	**1.963**	1.963
Tax credit claimed as a refund	**1.853**	1.853
Withholding tax	**-**	-
Insurance tax credit	**2.512**	1.893
Other tax credit	**54**	48
Total Tax Credit	**18.353**	**10.538**

Receivables from financial operators consist of the Asset Managers' retrocession of part of the management fees levied on the Class D portfolio invested in External Funds. These financial items are usually settled by the end of the quarter following the reference quarter.

The increase in the item "Other receivables" is attributable to cash-pooling transactions of €27,263 thousand put in place with the parent company during the financial year to improve cash flow efficiency, to a reduction of €733 thousand in Management Fee receivables, to a reduction of €435 thousand in advances to suppliers and to a reduction in receivables from associated companies and other minor receivables.

6. Other Asset Items

6.2 Deferred Acquisition Costs

Deferred acquisition costs on insurance contracts amounted to €41,659 thousand, compared to €35,637 thousand in 2018.

The breakdown is as follows:

(amounts in Euro thousand)

DAC Local	Amount at 31/12/2018	Unwind due to renewal failure	Unwind for installment amort.	New Business	Amount at 31/12/2019
Direct business	35.637	2.778	4.813	13.612	**41.659**
Indirect business	-		-		**-**
Total Deferred Acquisition Costs	**35.637**	**2.778**	**4.813**	**13.612**	**41.659**

Deferred acquisition costs refer to the amortization of commissions charged in advance on annual premium products marketed since 2007 and not ceded to reinsurers. As can be inferred from the above breakdown, the change is mainly attributable to new business during the year.

6.3 Deferred Tax Assets

As required by the accounting standard IAS 12.74, deferred tax assets and liabilities were offset when they referred to the same type of tax. For the year 2019, deferred taxes exceeded prepaid taxes, thus liabilities of €65,114 thousand. In the previous financial year, the net closing balance was negative and the item of €1,959 thousand was recognized under liabilities.

6.4 Current Tax Assets

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
I.R.E.S. (corporate income tax) credit	**0**	6.783	-6.783
I.R.A.P. (regional tax on productive activities) credit	**3.238**	0	3.238
Tax credit on actuarial reserves	**294.890**	299.946	-5.057
Total Tax receivables	**298.128**	**306.729**	**-8.601**

The item contains the tax credit for the levy of €294,890 thousand on actuarial reserves provided for by Law-Decree No. 209 of 24/9/2002, converted into Law No. 265 of 22/11/2002.

6.5 Other Assets

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Comm. to be amort. on invest. contracts	**52.567**	60.078	-7.511
Prepayments	**5.664**	5.310	354
Accrued income	**1.594**	919	674
Deferred income	**41.949**	16.370	25.578
Total Other assets	**101.773**	**82.678**	**19.095**

The item underwent an increase of €19,095 thousand, mainly due to the effect of the recognition of deposits of €33,930 thousand on forward contracts not entered in the 2018 financial statements, to the effect of the reduction by €10,046 attributable to securities spanning two years to be settled and a decrease of €7,511 in acquisition commissions to be amortized relating to contracts classified as Investments.

Accrued income mainly refers to the accrual of management commissions accrued at the reporting date which mainly affect external funds.

Below is the change in the acquisition commissions to be amortized relating to contracts classified as Investments:

(amounts in Euro thousand)

Investment Products	31/12/18	Changes in portfolio	Unwind for installment amort.	New Business	31/12/19
DAC	60.078	2.185	15.618	10.292	**52.567**

7. Cash and Cash Equivalents

Cash and cash equivalents, equal to €54,744 thousand (compared to €60,821 thousand at the end of the previous financial year), represent the balances of ordinary current accounts held with various banking institutions, checks in hand and cash in hand, which decreased by €6,077 thousand in total. Particular attention was paid to the management of banking risk, which generally confirmed the containment of deposits and a reduction in the diversification towards individual exposures, despite the levels at the end of the financial year being influenced by investment difficulties typical of the last days of the year.

8 Intercompany Equity and Business Transactions

(amounts in Euro thousand)

	Parent company	Affiliated companies	Total
Assets			
Loans and Receivables - receivables for recoveries			
Agenzia Eurovita Srl		380	380
Other receivables			
Eurovita Holding SpA	27.297		27.297
Total Assets	**27.297**	**380**	**27.678**
Liabilities			
Payables arising from direct insurance transactions			
Agenzia Eurovita Srl		5.135	5.135
Other payables			
Eurovita Holding SpA	10.596		10.596
Agenzia Eurovita Srl		396	396
Total Liabilities	**10.596**	**5.530**	**16.126**

Liabilities

1 Shareholders' Equity

The breakdown by type of shareholders' equity items is provided in the annexes.

It should be noted that the General Meeting of Shareholders held on 30 April 2019 resolved to allocate the profit for the year 2018, amounting to €30,885 thousand, to retained earnings.

The following table shows a breakdown of shareholders' equity and the related changes during the course of 2019:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Share Capital	**90.499**	90.499	0
Share premium reserve	**38.387**	38.387	0
Reserves for capital contributions	**242.462**	184.762	57.700
Legal reserve	**18.100**	18.100	0
Own share	**0**	-1	1
Organization fund	**516**	516	0
Reserve for Retained Earning	**30.885**	0	30.885
AFS reserve	**124.878**	-18.094	142.972
IAS 19 reserve	**-81**	-26	-56
Reserve for expected cash flow transactions	**-9.028**	3.396	-12.424
Result of the period	**31.727**	30.885	842
Total Shareholders' Equity	**568.346**	**348.425**	**219.921**

The main changes are due to:

- Increase in retained earnings reserve due to the allocation of the profit for the year 2018;
- Capital payments of €57,700 thousand;
- Upward change in the AFS reserve (net of the shadow accounting effect) for a total of €142,972 thousand related to the market trend and to the realization of securities recognized in the class;
- Change in expected cash flow hedge reserve: this includes changes in the fair value of derivative financial instruments generated as part of cash flow hedges, net of shadow accounting and deferred tax effects;

With reference to the reserve for expected cash flow hedge transactions, details of the changes during the period are provided below:

At the beginning of the previous financial year	Increase for change in fair value	Decrease for change in fair value	Release in Income Statement	Release to adjust assets / liabilities	Deferred tax effect	At the end of the current financial year
Hedging forward contracts	11.595	-790	0	-5.896	-1.513	3.396

At the beginning of the current financial year	Increase for change in fair value	Decrease for change in fair value	Release in Income Statement	Release to adjust assets / liabilities	Deferred tax effect	At the end of the current financial year
Hedging forward contracts	32.512	-68.015	0	22.454	4.022	-9.028

Shareholders' equity items, other than the result for the year, are detailed below, specifying their nature, possibility of use, and distributable portion.

(amounts in Euro thousand)

Nature/description	Amount	Possibility of utilization	Available portion	Used in the past three year: to cover losses	Used in the past three year: for other reasons
Share Capital	90.499				
Organization fund	516	A,B	516		
Share premium reserve	38.387	A,B,C(1)	38.387		
Reserves for capital contributions	242.462	A,B,C(1)	242.462		
Legal reserve	18.100	B	18.100		
Reserve for Retained Earning	30.885	A,B,C	30.885		
Reserve for fin. assets held for sale	124.878		-		
IAS 19 reserve and Cash flow hedge	-9.109		-		
Total	**536.618**		**330.350**		
Non-distributable portion			18.616		
Residual distributable portion			311.734		

(A) for share capital increase - (B) to cover losses - C) for distribution to shareholders
(1) The share premium reserve can be used for distribution to shareholders provided that the legal reserve has reached one-fifth of the share capital.

The share capital is fully subscribed and paid up and consists of 90,498,908 ordinary shares with a par value of €1 per share.

Profit per share amounted to €0.35.

2 Provisions

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Provisions	**19.236**	22.122	-2.886
Total Other Provisions	**19.236**	**22.122**	**-2.886**

The balance of the item "provisions" includes the allocations made to cover certain or probable losses whose amount or date of occurrence could not be determined with certainty at the end of the financial year.

Provisions recorded a total decrease of €2,886 thousand, going from €22,122 thousand in 2018 to €19,236 thousand.

The change is due to new provisions of €1,423thousand and uses of €4,309 thousand in the period.

The following is a summary of changes in provisions for risks from 31 December 2018 to 31 December 2019 showing provision charges and uses made by type of risk:

(amounts in Euro thousand)

	Amount at 31/12/2018	Increase	Decrease	Amount at 31/12/2019
Tax litigation	**2.508**	**65**	**-1.349**	**1.224**
Provisions for defaulted index-linked policies	**3.005**	**0**	**-245**	**2.760**
Sundry disputes with third parties	**3.092**	**1.000**	**0**	**4.092**
Dormant policies	*1.000*	*0*	*0*	*1.000*
Other accruals	*2.092*	*1.000*	*0*	*3.092*
Agency network provisions	**7.458**	**73**	**-289**	**7.243**
Agents' pension scheme	*5.094*	*73*	*-32*	*5.135*
Agency network restructuring	*2.364*	*0*	*-256*	*2.108*
Litigation with agency network	**874**	**350**	**-158**	**1.066**
Sundry disputes with customers	**1.686**	**0**	**-587**	**1.099**
Other personnel provisions	**3.499**	**0**	**-1.747**	**1.752**
Total Provisions	**22.122**	**1.488**	**-4.374**	**19.236**

The most significant changes that occurred during financial year 2019 are analyzed below:

Tax litigation:

in respect of the company Eurovita Assicurazioni S.p.A.:

- provisions of €329 thousand allocated for the refund claims relating to taxes for 2004, submitted in 2007, whose appeal is pending before the Court of Cassation, which set the hearing date towards mid March this year;
- moreover, provisions of €461 thousand were set aside in regard to the tax dispute relating to the refusal to pay the I.R.A.P. refund for 1998 and related interest. The provision covers the full amount of recognized capital and interest, which had been set aside up to financial year 2015;
- during the course of the year 2019, the Italian Revenue Agency - Lazio Regional Directorate - carried out a tax audit that covered tax periods 2015 and 2016; the audit concerned the analysis of the tax treatment of dividends paid out by the company Eurovita Assicurazioni S.p.A. to the former parent company JCF III Eurovita Holding S. a r.l. (company under Luxembourg law). In particular, the Italian Revenue Agency's attention focused on the Company's behavior as a tax agent. The audit ended in October with the notification of an assessment report, in which the Italian Revenue Agency charged the Company for its (alleged) failure to withhold taxes on dividends paid out by the Company to the former parent company. This dispute amounts to €5,010 thousand. The Company, on the strength of its reasons, submitted a specific brief (drafted pursuant to Law No. 212/2000) within the statutory terms, for the purpose of demanding the Italian Revenue Agency to reconsider its conclusions. At present, the Company is waiting to find out whether the grounds attesting to the correctness of its work, argued in the brief in question, have been deemed sufficient by the Italian Revenue Agency to review the Company's position. Lastly, it should be noted that, considering the arguments in support of the lawfulness of the Company's conduct, it was not deemed necessary to set aside any specific provisions for risks. For activities otherwise related to the above, however, the Company uses the support of the firm Pirola, for which provisions of €65 thousand were allocated.

In respect of the merged company OMWI:

- provisions of €369 thousand, in place at 31 December 2018, relating to higher I.R.A.P. assessed by the Italian Revenue Agency in relation to the dispute referred to tax period 2007, were confirmed. In 2015, the Company had appealed to the Court of Cassation, against which the Italian Revenue Agency filed an application. Since a hearing date has not been set yet, the item was kept unchanged;

Lastly, please be informed that during 2019 the dispute concerning I.R.A.P. and I.R.E.S. for the year 2009, which ended with an out-of-court settlement with the Italian Revenue Agency against the payment of taxes, interest and reduced penalties for a total of €310 thousand, was concluded. An allocation of €1.35 million had been set aside for the purpose of such dispute at 31.12.2018, whose surplus was released.

Provisions for defaulted index-linked products:
Provision for index-linked policies with defaulted bond component whose contractors have not yet adhered to customer care initiatives and for which individual settlement agreements will be defined in the future. Total amount allocated at 31 December 2019 equal to €2,760 thousand.

Various disputes with third parties:
The amounts relate to allocations made against certain or probable legal cases related to old leased properties and risks of loss in pending disputes with suppliers and third parties.
For the purpose of greater disclosure, it should be noted that a further provision was set aside in relation to the pending dispute relating to the old Rome office.

Agency network provisions:

- Agent retirement fund: this includes the provision for pension funds to cover severance indemnities towards the Company's agents, taking into account its effective recoverability by reversal. The fund remained substantially unchanged during 2019.
- Agency network restructuring: no new provisions were set aside. However, some withdrawals were made in relation to the expensing of reversals related to agencies closed during the year.

Various agency network disputes:
Provisions for litigation with the agency network. This includes allocations for risks of loss in pending disputes with former agents. The provisions remained unchanged during 2018. Provisions were prudentially increased by €350 thousand and decreased by €158 thousand for withdrawals related to the settlement of some disputes.

Various customer disputes:
This reserve includes provisions set aside for the risk of losing pending disputes with policyholders, which amounted to €1,686 thousand at 31 December 2018. The changes during the financial year only relate to withdrawals of €587 thousand for the settlement of some disputes.

Other provisions relating to personnel:

This reserve includes provisions for retention bonuses or other expenses for employed personnel, which amounted to €3,499 thousand at 31 December 2018. The changes during the financial year relate solely to withdrawals linked to payments of €1,747 thousand for such services.

3 Technical Provisions

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Insurance provisions	**9.982.105**	9.395.791	586.314
Shadow accounting	**720.624**	226.937	493.687
VIF - Value in force	**170.074**	171.885	-1.811
Total Insurance Provisions	**10.872.803**	**9.794.613**	**1.078.190**

Technical provisions show an increase from €9,795 million in 2018 to €10,873 million at 31 December 2019.

As can be inferred from the table above, Technical provisions also include €170,073 thousand relating to the negative value of the Life portfolio of the former company Eurovita Assicurazioni S.p.A., acquired in 2017 (VIF - Value in force). The VIF is reduced annually on the basis of the unwind of provisions to which it refers.

The change in the provisions pursuant to Article 1801 and rate decrease was mainly influenced by a lengthening of the duration of assets put in place to reduce a mismatch with the duration of liabilities and by the trend of forward rates, which enabled an improvement in realized capital gains.

The breakdown by type of Technical provisions, specifying the corresponding value of the previous financial year, is shown below:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Actuarial reserves	**9.394.572**	8.834.053	560.519
Reserve for premium recoveries	**46.216**	70.123	-23.907
Reserve for rate expiry risk	**542**	18.740	-18.198
Reserve per demographic basis adjustments	**8.568**	6.876	1.692
Reserves for direct business	**74.521**	77.340	-2.819
Reserves for special redemptions	**430**	428	2
Reserve for mortality risk	**4.160**	3.113	1.047
Reserves for future expenses	**30.076**	33.866	-3.790
Reserves for Class D	**125.506**	104.341	21.165
Reserves for supplementary insurance	**5.179**	8.524	-3.345
Reserve for amount to be paid	**292.335**	238.388	53.947
Shadow accounting reserve	**720.624**	226.937	493.687
VIF	**170.073**	171.885	-1.811
Total	**10.872.803**	**9.794.613**	**1.078.189**

In implementation of the provisions contained in paragraph 3 of Article 11-*bis* of I.S.V.A.P. Regulation No. 7 of 13 July 2007 and in paragraph 15 of IFRS 4, the adequacy of the insurance liability was tested as at 31 December 2019 according to the principles of the Liability Adequacy Test (LAT).

According to such rules for insurance contracts and, if the entire discretionary component is set aside as a technical provisions, also for investment contracts with DPF (the category in which Multi-class products are classified), an adequacy test of the contractual technical provisions is required (actuarial reserves for pure, additional, supplementary premiums, for future and other expenses), net of intangible assets relating to the acquisition of contracts (deferred acquisition costs - value in force). In other words, the LAT aims to verify that the *Statutory Reserve* (value of all contractual provisions) net of the intangible assets linked to the contracts (Deferred Acquisition Cost and VIF) is greater than or equal to the *Realistic Reserve* calculated on the basis realistic future commitments as further specified below.

The statutory reserve is given by the sum of the following items:

Actuarial reserve, including revaluation, provision for expenses, and additional reserve for expenses, additional reserve for insufficient demographic bases, additional reserve for insufficient rates and for the passing of time, and the shadow accounting reserve.

Deferred acquisition costs, considered with opposite sign, calculated policy by policy.

The value in force of portfolios linked to insurance products.

The test was carried out on the closed portfolio in place at 31 December 2019 and exclusively on the insurance and investment portfolio with DPF. The identification of the products to be tested was based on the provisions of IFRS4.

The realistic reserve is defined as follows:
(+) fair value of the company's business
(-) fair value of premiums
(+) fair value of expenses.

In particular:
FV of flows for payment at maturity + FV of flows for redemption payment +
FV of flows for coupon payment + FV of flows for annuity payments +
FV of flows for commission payments + FV of flows for expenses -
FV of flows for premium collections - FV of flows for the collection of coupon payment expenses.

The approach adopted for the computation of technical items useful for the implementation of the LAT is, for each product line, based on a calculation model that enables the valuation of technical provisions as the fair value of the expected cash flows generated by the closed portfolio in force at the valuation date.

The technical forms considered were aggregated by types of contracts with respect to the main discriminating parameters, such as tariff form, minimum guaranteed rate, retrocession rates, and separate management fund.

The projection, for each aggregate, was carried out through Milliman's "MG-ALFA" actuarial software, with particular reference to the time structure of premiums, insured benefits, payments for claims, maturities, or redemptions, as well as revaluation clauses, and any other contractual option in place.

The demographic assumptions, those on the policyholders' behavior, and those on expenditure used for the valuation derived from the Company's experience, the macroeconomic ones from market information and derived from analyzes to which reference was made for the calculation of the supervisory technical provisions and solvency.

With regard to the financial assumptions on the prospective return of separate management investments, the Company deemed it appropriate to apply a credit spread adjustment to the risk-free rate curve provided by EIOPA.

For products with benefits that can be revalued, the insured sums were revalued according to the contractual conditions on the basis of the one-year forward rate curve obtained from the spot curve retrieved according to the procedure described above. The discounting of the contractual flows was consistently carried out on the basis of the same financial assumptions.

With regard to the time horizon, in principle the projection must be sufficiently long to cover the entire duration of the contracts, always bearing in mind the principle of materiality. The company has adopted a projection horizon of 40 years with the exception of Separate Management Funds linked to supplemental pension products, whose limit was preferably extended to 50 years.

In order to take account of the portfolio not modeled (less than 3% of provisions) and of certain particular provisions, the realistic reserve, deriving from discounting of cash flows was proportioned, for each management, on the basis of the impact of the financial reserves of modeled contracts.

For the Asset Reinsurance contracts, the Realistic Reserves was obtained on the basis of the flows determined by the reinsurer.

The adequacy testing of insurance liabilities carried out according to the principles of the Liability Adequacy Test (LAT) according to the method set out above, highlighted sufficient levels for all business lines. Therefore, from a general perspective, a global adequacy of the insurance liabilities posted to the Financial Statements emerges.

(amounts in Euro thousand)

Management	Statutory Reserve (a)	Shadow Accounting Reserve (b)	VIF (c)	DAC (d)	Realistic Reserve (e)	Reserve Margin (e)=(a)+(b)+(c)-(d)-(e)
Eurovita Nuovo Secolo	3.112.820	293.310	0	17.333	2.701.453	687.344
Eurovita Nuovo PPB	426.394	47.017	0	0	446.074	27.337
Eurovita 2000	12.226	2.106	0	0	14.381	-49
Eurovita Futuriv	14.588	303	4.193	0	9.441	1.258
Eurovita Smart	40.909	3.043	36	0	37.266	6.651
Unit Linked	468.839	0	752	16.503	446.064	5.520
Other Funds	57.432	0	23.073	1.106	29.880	3.373
Indirect Business	74.521	0	0		52.306	22.216
TOTAL	**10.020.562**	**720.393**	**-181.283**	**41.659**	**9.679.541**	**1.201.038**

4. Financial Liabilities

4.1 Financial Liabilities Measured at Fair Value through Profit or Loss

The breakdown of the item is as follows:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Financial liabilities - Investment contracts	**6.740.141**	6.605.216	134.924
Non-hedge derivatives	**0**	2.302	-2.302
Hedge derivatives	**68.015**	790	67.225
Total fin. liabilities at fair value through profit or loss	**6.808.156**	**6.608.308**	**199.848**

This item includes liabilities of €6,740,141 thousand for financial contracts at 31 December 2019 (€6,605,216 thousand at 31 December 2018) and total negative hedge, or otherwise, derivatives of €68,015 thousand (€3,092 at 31 December 2018).

Hedging derivatives amounted to €68,015 thousand and relate to forward contracts, whose offsetting item was recognized in the so-called Cash flow hedge reserve, recognized in shareholders' equity net of the related tax effects. Non-hedging derivatives instead, were set to zero during the financial year and related to the negative component of segregated derivatives, whose underlying security was accounted for in the item Loans and Receivables.

Details of assets and liabilities relating to contracts issued by insurance companies when the investment risk is borne by customers, with reference to benefits connected with investment funds or market indices, is provided in the annex specifying the corresponding value of the previous financial year.

Changes in financial liabilities relating to contracts classified as "Investments" are provided below:

Actuarial Reserve at 31/12/2018	**6.605.216**
Change in reserve for premiums collected for the year	485.476
Change in reserve for liquidation for the year	-1.078.640
Change in reserve as a result of revaluation	725.816
Change in reserve for amounts to be paid	-3.389
Changes in portfolio	5.662
Balance sheet reserve 31/12/2019	**6.740.141**

4.2 Other Financial Liabilities

The table below shows the breakdown of this item:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Subordinated liabilities	**110.338**	45.384	64.954
Deposits Forward	**520**	10.731	-10.211
Deposits received from reinsurers	**625.059**	1.109.954	-484.895
Total Other financial liabilities	**735.918**	**1.166.070**	**-420.152**

Other financial liabilities amounted to €735,918 thousand, compared to €1,166,069 thousand in 2018.

This item includes deposits received from reinsurers, equal to €625,059 thousand, decreased by €484,895 thousand compared to 2018, forward deposits of €520 thousand and subordinated liabilities of €110,338 thousand. Deposits received from reinsurers are correlated with the reinsurers' reserves at year end. The reduction is therefore mainly linked to the decrease in reserves ceded. The remuneration of deposits is essentially linked to certified rates of return of separate management funds.

The following table shows the details of subordinated loans subscribed or issued in the form of bonds with the related maturities and financial terms and conditions:

(amounts in Euro thousand)

	Amount	Subscription	Maturity	Rate	Amount at 31/12/2019
Bond loan	5.000	01/10/15	01/10/25	4,75%	**5.009**
Bond loan	40.000	22/12/15	22/12/25	6,00%	**40.329**
Bond loan	65.000	28/06/19	28/06/29	7,00%	**65.000**
Total Subordinated liabilities	**110.000**				**110.338**

For the purpose of full disclosure, it should be noted that during the financial year a new subordinated loan was issued for an amount equal to €65 million with a 10-year term, fully subscribed by the private equity fund Fifth Cinven, the ultimate Shareholder of the Eurovita Group.

5 Payables

Payables amounted to €152,804 thousand at 31 December 2019, against €134,280 thousand in 2018.

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Payables arising out of direct insurance operations	**28.282**	26.197	2.085
Payables arising out of reinsurance operations	**75.770**	64.735	11.035
Sundry payables	**48.752**	43.348	5.404
Total payables	**152.804**	**134.280**	**18.524**

5.1 Payables Deriving from Direct Insurance Transactions

The item "Payables deriving from direct insurance transactions" includes amounts for commissions, commissions and rappels due to the network on premiums collected during the financial year, mainly settled during the early months of 2020.

5.2 Payables Deriving from Reinsurance Transactions

The item "Payables deriving from reinsurance transactions", which went from €64,735 thousand in 2018 to €75,770 thousand in 2019, includes payables to reinsurers for treaties with risk and commercial premiums and for indirect business. The increase of €11,035 thousand compared to December 2018 is mainly linked to the unwinding of maturities of the 1998 generation of commercial reinsurance.

5.3 Other Payables

The following table shows a breakdown by category:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Employees' severance indemnities	**1.063**	920	143
Tax payables borne by policyholders	**40**	496	-457
Sundry tax liabilities	**1.422**	11.776	-10.354
Payables to pension and social security institutions	**1.542**	1.424	118
Sundry payables	**44.685**	28.732	15.954
Total Other payables	**48.752**	**43.348**	**5.404**

Employee Severance Indemnities

Payables for employee severance indemnities amounted to €1,063 thousand (€920 thousand in 2018). The balance includes the estimate of such indemnities, calculated in line with the IFRS accounting principles.

Tax Payables Borne by Policyholders

Tax payables borne by policyholders amounted to €40 thousand (€496 thousand in 2018). The decrease is due to the reduction in absolute value of the subsequent annual payments still subject to taxation.

Sundry Tax Payables

The item refers to the tax charges for which the company acts as a tax collection agent and to payables for taxes other than income taxes. These amounted to €1,422 thousand (€11,776 in 2018). The reduction is mainly attributable to the full cancellation of the ordinary tax stamp paid in the month of February 2019, which had an impact of €8,823 thousand on the closing amounts of 2018.

Payables to Pension and Social Security Institutions

This item contains payables to I.N.P.S. for contributions to be paid by workers and by the Company, amounting to €1,542 thousand, compared to €1,424 thousand in 2018.

Sundry Payables

Sundry payables, amounting to €44,685 thousand, recorded an increase of €15,954 thousand following the discounting of future installments of rental fees for the Building hosting the Company's offices and for passenger cars following the adoption of the new IFRS Standard 16 amounting to €20,212 thousand, partially offset by lower trade payables of €1,828 thousand and tax consolidation payables of €849 thousand.

The following table shows the breakdown of this item at 31 December 2019:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018
Trade payables and Invoices to be received	**10.485**	11.407
Payables to employees	**2.029**	1.275
Payables for unit commissions	**343**	157
Sundry payables	**3.320**	4.134
Other payables	**28.508**	11.759
Total Sundry payables	**44.685**	**28.732**

6 Other Liability Components

6.2 Deferred Tax Liabilities

As required by accounting standard IAS 12.74, deferred and prepaid taxes should be offset when they refer to the same type of tax. It should be noted that this year, deferred taxes exceeded prepaid taxes and therefore this item was recognized under liabilities for €65,114 thousand, while in 2018 this item was also recognized under liabilities for €1,959 thousand.

Prepaid and deferred tax assets / liabilities mainly derive from the temporary differences on value adjustments on taxed risk provisions, on deferred acquisition income and costs, on the valuation of "long-term" securities according to fiscal principles, on the valuation of securities available for sale, and on shadow accounting, and adjustments due to positive and negative Value in Force.

It should be noted that following the amendments introduced by Decree-Law No. 78 of 31-5-2010, converted into Law No. 122 of 30-7-2010, the change in the net technical provisions of the life business became partially non-deductible / taxable; this effect can be reabsorbed in future financial years.

Following the approval of Law No. 208 of 28 December 2015 (2016 Stability Law), the I.R.E.S. rate fell from 27.50% to 24% as of the year 2018.

The attached table shows the details, with an indication whether the deferred / prepaid tax refers only to I.R.E.S. with an applicable 24% rate or also includes I.R.A.P. (6.82%) for a total of 30.82% for the two tax rates.

Net deferred taxes calculated by applying the 24% I.R.E.S. rate amounted to €47,466 thousand on temporary net differences of €197,774 thousand and those calculated by applying the 6.82% I.R.A.P. rate amounted to €17,649 thousand calculated on temporary net differences of €258,776 thousand.

Breakdown of prepaid taxes	Fiscal year 2019			Fiscal year 2018			Change due to tax effect 2019-18
	Amount of temporary differences	Rate	Tax effect	Amount of temporary differences	Rate	Tax effect	
Taxed provisions for write-downs and risks	27.493	24,00%	6.598	32.369	24,00%	7.768	-1.170
Other tangible assets	0	30,82%	0	-	30,82%	0	0
Deferred commission income	3.620	30,82%	1.116	4.858	30,82%	1.497	-382
Tax losses to be carried forward	0	24,00%	0	-	24,00%	0	0
Change in actuarial provisions	46.043	24,00%	11.050	31.035	24,00%	7.448	3.602
Employees' severance indemnities	0	24,00%	0	-	24,00%	0	0
Other payables	507	24,00%	122	-	24,00%	0	122
Intangible assets	127	30,82%	39	264	30,82%	81	-42
Intangible assets	170.073	30,82%	52.417	171.885	30,82%	52.975	-558
Negative value in force	111.689	30,82%	34.422	128.272	30,82%	39.534	-5.111
Liabilities to policyholders (shadow accounting)	14.649	24,00%	3.516	-8.063	24,00%	-1.935	5.451
Losses on equity investment valuations	**374.201**		**109.280**	**360.620**		**107.369**	**1.911**
Prepaid taxes offset in IS	602.931	30,82%	185.823	92.660	30,82%	28.558	157.266
Liabilities to policyholders (shadow accounting)	16	30,82%	5	-	30,82%	0	5
Other items	103	30,82%	32	-	30,82%	0	32
Losses on AFS securities and IAS 19 Reserve	-	30,82%	0	-	30,82%	0	0
Prepaid taxes offset in SE	**603.051**		**185.860**	**92.660**		**28.558**	**157.302**
Total prepaid taxes	**977.252**		**295.140**	**453.281**		**135.927**	**159.214**

Breakdown of deferred taxes	Fiscal year 2019			Fiscal year 2018			Change due to tax effect 2019-18
	Amount of temporary differences	Rate	Tax effect	Amount of temporary differences	Rate	Tax effect	
Plusvalenze su titoli AFS	27.843	24,00%	6.682	28.364	24,00%	6.807	-125
Plusvalenze su titoli AFS	257.386	30,82%	79.326	221.496	30,82%	68.265	11.061
Commissioni passive differite	41.892	30,82%	12.911	49.404	30,82%	15.226	-2.315
Value in force positivo	69.375	30,82%	21.381	82.463	30,82%	25.415	-4.034
Trattamento di fine rapporto	-	24,00%	0	25	24,00%	6	-6
Altre voci	-	30,82%	0	-	30,82%	0	0
Imposte differite in contropartita C/E	**396.497**		**120.302**	**381.752**		**115.720**	**4.582**
Plusvalenze su titoli AFS	-	30,82%	0	-	30,82%	0	0
Passività v/assicurati (shadow accounting)	-	30,82%	0	-	30,82%	0	0
Value in force positivo	-	30,82%	0	-	30,82%	0	0
Commissioni passive differite	-	30,82%	0	-	30,82%	0	0
Altre voci	-	30,82%	0	354	30,82%	109	-109
Plusvalenze su titoli AFS	778.563	30,82%	239.953	71.567	30,82%	22.057	217.896
Imposte differite in contropartita PN	**778.563**		**239.953**	**71.921**		**22.166**	**217.787**
Totale imposte anticipate	**1.175.060**		**360.255**	**453.672**		**137.886**	**222.369**

Breakdown of deferred / prepaid taxes	Fiscal year 2019			Fiscal year 2018			Change due to tax effect 2019-18
	Amount of temporary differences	Rate	Tax effect	Amount of temporary differences	Rate	Tax effect	
Imposte anticipate in contropartita C/E	374.201		109.280	360,620		107,369	1,911
Imposte differite in contropartita C/E	-396.497		-120.302	-381,752		-115,720	-4,582
Imposte anticipate/differite C/E	**-22.296**		**-11.021**	**-21,131**		**-8,351**	**-2,671**
Imposte anticipate in contropartita PN	603.051		185.860	92,660		28,558	157,302
Imposte differite in contropartita PN	-778.563		-239.953	-71,921		-22,166	-217,787
Imposte anticipate/differite PN	**-175.512**		**-54.093**	**20,739**		**6,392**	**-60,485**
Totale imposte anticipate/differite	**-197.808**		**-65.114**	**-392**		**-1,959**	**-63,155**

Compared to the previous financial year, the changes in prepaid and deferred taxes offset in the Income Statement, equal to a net increase of €8,127 thousand, were mainly due to:

- decrease of €1,170 thousand in prepaid taxes on the allowance for doubtful accounts and on taxed provisions for risks;
- decrease of €382 thousand in prepaid taxes on deferred commission income;
- increase of €3,602 thousand in prepaid taxes on actuarial provisions;
- decrease of €558 thousand in prepaid taxes on a negative value in force;
- decrease of €5,111 thousand in prepaid taxes on shadow accounting;
- increase of €5,451 thousand in prepaid taxes on valuation losses;
- increase totaling €10,936 thousand in deferred taxes on capital gains on AFS securities;

- decrease of €2,315 thousand in deferred taxes on commission expense;
- decrease of €4,034 thousand in deferred taxes on a positive value in force.
- Compared to the previous financial year, the most significant changes in prepaid and deferred taxes offset in shareholders' equity, equal to a net increase of €60,485 thousand, were as follows:
- increase of €157,266 thousand in prepaid taxes net of the reduction in deferred taxes on shadow accounting;
- increase of €217,896 thousand in deferred taxes on gains on available-for-sale securities (AFS).

6.3 Current Tax Liabilities

This item includes the portion for the period of the tax on actuarial reserves, as provided for by Law-Decree No. 209 of 24-9-2002, converted into Law No. 265 of 22-11-2002, equal to €43,049 thousand (€53,690 thousand in the previous year), not yet paid at year end.

6.4 Other Liabilities

The item is broken down as follows:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change for the period
Deferred commission income	**4.154**	5.391	-1.238
Suspended premiums collected	**35.055**	39.189	-4.134
Commissions to be paid on late premiums	**1.654**	1.654	0
Commission bonuses and agency network contributions	**131**	131	0
Personnel expenses	**3.686**	3.219	467
Accrued liabilities and deferred income	**4.255**	4.473	-217
Other	**434**	0	434
Total Other Liabilities	**49.369**	**54.058**	**-4.690**

This grouping mainly comprises deferred commission income on investment contracts, amounting to €4,154 thousand, suspended premiums collected, for which the issue of the relevant policies or identification of the reason for collection is pending, equal to €37,440 thousand, personnel costs of €3,686 thousand, and accrued liabilities and deferred income of €4,255 thousand.

The changes in commission income on investment contracts are enclosed below:

(amounts in Euro thousand)

Investment Products	31/12/18	Changes in portfolio	Unwind for installment amort.	New Business	31/12/19
DIR	5,391	979	1,291	1,032	**4,154**

As for the acquisition commissions of investments contracts to be amortized, also for the so-called DIR the decrease is essentially linked to a contraction in new business related to Unit Linked products.

5.F Information on the Income Statement at 31 December 2019

The closing balances at 31 December 2019 are compared on a like-for-like basis with those at 31 December 2018.

1 Net Premiums

1.1.1 Gross Premiums for the Year

The breakdown of this item is shown below:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change	Ch. %
Annual premiums in the first year	110.285	166.223	-55.938	-34%
Annual premiums in subsequent year	155.449	188.863	-33.414	-18%
Single premiums	1.732.760	891.256	841.504	94%
Total direct business	**1.998.493**	**1.246.342**	**752.152**	**60%**
Premiums on reinsured risks (indirect business)	5.225	5.880	-655	-11%
Total gross earned premiums	**2.003.719**	**1.252.222**	**751.497**	**60%**

The breakdown by IAS / IFRS classification showing business not classified as insurance contracts is as follows:

(amounts in Euro thousand)

IAS Classification (in Euro thousand)	Premiums in subsequent years	Premiums in the first year	Total
Supplementary	59	6.090	**6.149**
Indirect business	5.225	-	**5.225**
Insurance	36.999	89.792	**126.791**
Investment DPF	1.806.001	59.553	**1.865.554**
Grand total	**1.848.284**	**155.435**	**2.003.719**
Investment	476.222	9.426	**485.648**
Grand total	**2.324.506**	**164.861**	**2.489.367**

1.1.2 Premiums Ceded to Reinsurers for the Year

Premiums ceded to reinsurers amounted to €29,574 thousand, showing a decrease of €23,627 thousand compared to 2018.

The breakdown of net premiums is shown in the annex specifying the corresponding value of the previous period.

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change	Ch. %
Direct and indirect business	**2.003.719**	1.252.222	751.497	60%
Ceded and retroceded business	**-29.574**	-53.201	23.627	-44%
Total preserved business	**1.974.145**	**1.199.021**	**775.123**	**65%**

1.2 Commission Income

Commission income on financial products, net of amortization of commission income in previous years, amounted to €99,843 thousand (€174,502 thousand at 31 December 2018). The decrease is attributable to a different underlying portfolio mix and to a slowdown in business during 2019 for products classified as “Investments” under IFRS 4.

1.3 Income and Charges Arising from Financial Instruments Measured at Fair Value through Profit or Loss

The breakdown of this item is shown below:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change
Net income from financial instruments at fair value through profit or loss	**14.118**	-62.030	76.147

This item essentially includes the net income relating to investments whose risk is borne by policyholders.

Before restatements of financial products (loss of €824,248 thousand), the result of the investment category whose risk is borne by policyholders (gain of €838,841 thousand) benefited from the positive performance of the markets in which the portfolio assets of external and internal unit-linked funds are invested (gain of €392,337 thousand in the previous financial year after deducting the restatement of €390,979 thousand on financial products).

Assets “Held for trading” in the merging company’s portfolio generated a loss of €475 thousand (loss of €1,362 thousand in the previous financial year).

Income from investments in the category of “Financial assets measured at fair value through profit or loss” are detailed in the following table specifying the corresponding values of the previous financial year:

(amounts in Euro thousand)

	31/12/19					31/12/18				
Investment Income	Interest income	Other income	Realized gains	Valuation gains	Total	Interest income	Other income	Realized gains	Valuation gains	Total
Held for trading	0	273	0	4.909	5.183	0	362	0	921	1.283
Designated at Fair Value	10.973	26	215.325	638.637	864.961	13.426	1	34.887	39.182	87.496
Restatement of financial products	0	-824.248	0	0	-824.248	0	390.980	0	0	390.980
Total Income from financial instruments at fair value through profit or loss	**10.973**	**-823.950**	**215.325**	**643.547**	**45.896**	**13.426**	**391.343**	**34.887**	**40.103**	**479.759**

(amounts in Euro thousand)

	31/12/19					31/12/18				
Investment Charges	Interest expense	Other charges	Realized losses	Valuation losses	Total	Interest expense	Other charges	Realized losses	Valuation losses	Total
Held for trading	0	0	0	-5.658	-5.658	0	0	-840	-1.804	-2.644
Designated at Fair Value	0	-14.281	-4.474	-7.365	-26.120	0	-14.936	-119.436	-404.773	-539.145
Restatement of financial products	0	0	0	0	0	0	0	0	0	0
Total Expenses from financial instruments at fair value through profit or loss	**0**	**-14.281**	**-4.474**	**-13.023**	**-31.778**	**0**	**-14.936**	**-120.276**	**-406.577**	**-541.789**

1.5 Income from Other Financial Instruments and Real Property Investments

Income from investments in the category of “Available-for-sale financial assets” and “Loans and receivables” are detailed in the following table, specifying the corresponding values at the end of the previous financial year:

(amounts in Euro thousand)

	31/12/19					31/12/18				
	Interest income	Other income	Realized gains	Valuation gains	Total	Interest income	Other income	Realized gains	Valuation gains	Total
Available for sale financial assets	158.477	38.571	48.760	0	245.808	150.613	30.849	43.658	0	225.120
Loans and receivables	14.595	32	0	0	14.627	12.773	4	1.479	0	14.256
Total Income from other financial instruments and land and buildings (investment properties)	**173.072**	**38.603**	**48.760**	**0**	**260.435**	**163.386**	**30.853**	**45.137**	**0**	**239.376**

Ordinary income in the category of “Available-for-sale financial assets” and “Loans and receivables” (€211,675 thousand) increased by 9% compared to the previous financial year (€194,239 thousand) thanks to the increase in average investments (up 2.60%) and the improved profitability also resulting from the increase in average duration also following the harmonization of the ALM structure of some portfolios. Gains from realization remained significant (€48,760 thousand), a slight increase compared to the amount in the previous financial year (€45,137 thousand), partly due to the above-mentioned ALM strategies and partly due to partial consolidations of accumulated proceeds.

1.6 Other Revenues

The breakdown of other revenues is as follows:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change	Ch. %
Other technical income	**52.138**	54.028	-1.890	-3%
Withdrawals from provisions	**4.610**	4.409	201	5%
Contingent assets	**3.148**	390	2.758	707%
Other revenues	**3.661**	2.219	1.442	65%
Total Other income	**63.557**	**61.045**	**2.512**	**4%**

As shown in the table above, “Other revenues” show an increase of €2,512 thousand.

The breakdown of the item is as follows:

- “Other technical income” of €52,138 thousand, mainly comprising management fees retroceded by mutual investment fund managers included in investments of €50,489 thousand for the benefit of policyholders;
- “Withdrawals from reserves” in the amount of €4,610 thousand, mainly attributable to the payment of the employees’ retention bonus, the settlement of the tax dispute concerning the former company OM, and those with customers and the agency network;
- “Other revenues” of €3,661 thousand, which mainly include the recovery of charges from Group companies for the secondment of personnel and income relating to a part of swap option losses;
- “Contingent assets” of €3,148 thousand. Contingent assets are due to the settlement of items from prior years.

2.1 Net Charges Relating to Claims

The breakdown of net charges is as follows:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change	Ch. %
Amounts paid	1.536.556	1.328.968	207.588	16%
Change in technical provisions	573.883	-8.633	582.516	-6748%
Direct and indirect business	**2.110.439**	**1.320.335**	**790.104**	**60%**
Amounts paid - ceded	-502.036	-369.867	-132.169	36%
Change in insurance provisions ceded	456.841	295.408	161.433	55%
Ceded and retroceded business	**-45.195**	**-74.459**	**29.264**	**-39%**
Net amounts paid	1.034.520	959.101	75.419	8%
Change in net insurance provisions	1.030.724	286.775	743.949	259%
Total Net insurance benefits and claims	**2.065.244**	**1.245.876**	**819.368**	**66%**

The breakdown of the charges relating to claims, specifying the amounts paid, recoveries, and changes in reserves for each type thereof, separately for gross amounts and amounts borne by reinsurers, specifying the corresponding value of the previous period, is provided in an appropriate annex.

The change compared with the previous financial year, amounting to €819,368 thousand, was mainly due to higher net technical provisions, which is in line with the positive performance of Premium income.

2.2 Commission Expense

Commission expense on financial products, after amortization of commission expense of the previous years, amounted to €99,990 thousand (€137,998 thousand at 31 December 2018).

The decrease is mainly attributable to lower average assets of over €586 million compared to the previous financial year, lower costs for Acquisition Commissions and changes in Commissions to be amortized of €9,927 thousand, and the correct allocation to item 2.6 “Other costs” of Class I and Class V maintenance commissions of €26,332 thousand.

2.4 Charges Arising from Other Financial Instruments and Real Property Investments

The charges from investments in the category “Available-for-sale financial assets” and “Financial liabilities” are detailed in the table below specifying the corresponding values at the end of the previous financial year.

(amounts in Euro thousand)

	31/12/19					31/12/18				
	Interest expense	Other charges	Realized losses	Valuation losses	Total	Interest expense	Other charges	Realized losses	Valuation losses	Total
Available for sale financial assets	0	0	11.859	6.075	17.934	0	0	14.248	7.957	22.205
Loans and receivables	34.429	0	0	0	34.429	47.983	0	0	0	47.983
Total Expenses from other financial instruments and land and buildings (investment properties)	**34.429**	**0**	**11.859**	**6.075**	**52.363**	**47.983**	**0**	**14.248**	**7.957**	**70.188**

Interest expense refers to interest on deposits from reinsurers of €29,456 thousand and interest expense related to subordinated loans of €4,973 thousand. The latter increased by €2,335 thousand compared to the previous financial year following the issue of a new subordinated loan of €65,000 thousand.

The reduced interest charges linked to deposits from reinsurers followed the slowing trend of amounts received from counterparties for the direct portfolio being reinsured.

Realization losses (together with the related gains shown above) of €11,859 thousand (€14,248 thousand in 2018) are an integral part of the results of the optimization strategies of the ALM structure implemented during the year (mainly bonds).

Valuation losses amounted to €6,075 thousand due to write-downs on a final basis resulting from the impairment test, recognized on equity investment in Italian credit institutions of €4,831 thousand and in units of Alternative Investment Funds (AIF) of €1,244 thousand; in the previous financial year, the impairment test had shown indicators of permanent losses in value of €7,957 thousand.

A further detail of financial and investment costs, by type, specifying the corresponding value of the previous financial year, is provided in the annexes hereto.

2.5 Operating Costs

Operating costs are detailed in the following table:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change	Ch. %
Acquisition commissions	27.079	27.748	-669	-2%
Other acquisition costs	20.507	23.879	-3.372	-14%
Change deferred acquisition costs	-6.021	-8.991	2.970	-33%
Collection commissions	3.710	5.545	-1.835	-33%
Commissions and profit sharing ceded	-6.892	-11.104	4.212	-38%
Total commissions and other acquisition costs	38.383	37.077	1.306	4%
Investment management expenses	11.960	11.811	149	1%
Other administration costs	22.299	30.754	-8.455	-27%
Total Acquisition and administration costs	72.643	79.642	-6.999	-9%

The decrease recorded in operating costs, which went from €79,642 thousand at 31 December 2018 to €72,643 thousand at the end of 2019 is mainly attributable to the reduction in overhead costs, which went from €70,003 thousand in the previous financial year to €55,745 thousand in the current year.

However, the smaller impact of the change of €2,970 thousand in DACs and the reduced contribution of commissions and profit-sharing from Reinsurers, equal to €4,212 thousand, reduced the benefit.

The breakdown of insurance management costs, separately by type of expense, specifying the corresponding value of the previous period, is provided in an annex.

2.6 Other Costs

Other costs are broken down in the following table:

(amounts in Euro thousand)

	Amount at 31/12/2019	Amount at 31/12/2018	Change	Ch. %
Other technical charges	**55.741**	10.599	45.142	426%
Provisions set aside	**1.441**	2.521	-1.080	-43%
Losses on receivables	**1.951**	1.026	925	90%
Contingent liabilities	**1.699**	439	1.260	287%
Amortization of intangible fixed assets	**1.161**	1.962	-801	-41%
Other costs	**13.617**	18.571	-4.954	-27%
Total Other expenses	**75.610**	**35.118**	**40.492**	**115%**

Other costs mainly include:

- "Other technical charges" amounting to €55,741 thousand (€10,599 thousand in 2018) mainly refer to the cancellation due to non-collectability of receivables relating to premiums of €27,750 thousand for years prior to the financial year in question, commission rebates of €1,089 thousand and Class I and V maintenance commissions of €26,332 thousand previously classified under item 2.2 "Commission Expense".

  For the purpose of full disclosure, it should be noted that in relation to the cost relating to cancellations due to doubtful accounts relating to premiums of previous years the related reserve was released, which in fact neutralized its impact on the income statement.
- "Provision charges" mainly related to provisions for future risks and charges of €1,350 thousand, which included €900 thousand for appropriations for disputes with third parties, €100 thousand for disputes with customers and €350 thousand for disputes with agents.
- "Losses on receivables" of €1,951 thousand (€1,026 thousand in 2018) mainly refer to receivables from agents for doubtful accounts. However, these costs were entirely covered by provisions specifically set aside in previous financial years, such withdrawal being entered in the section "Other revenues".
- "Contingent liabilities" of €1,699 thousand (€439 thousand in 2018), due to the settlement of positions of the previous financial year.
- "Amortization of intangible fixed assets" of €1,161 thousand (€1,962 in 2018) refers to software and IT projects.
- "Other costs" of €13,617 thousand (€18,571 thousand in 2018) are mainly attributable to the amortization of €13,088 thousand of the Value in Force of the former company Old Mutual and administration costs charged by other Group companies in the amount of €482 thousand.

3. Taxes

Income taxes for the year and I.R.A.P. (regional tax on productive activities) allocated by the Company amounted to a total of €14,522 thousand, representing an impact of 31.40% on its pre-tax profit.

It should be noted that following the approval of Law of 28 December 2015 (2016 Stability Law), the I.R.E.S. (corporate income tax) rate decreased to 24% as from the year 2018.

Taking into account the provisions of Article 76 of the Lombardy Region Law No. 10 of 10 July 2003 and the abovementioned increase, the I.R.A.P. rate for the year 2019 was 6.82%.

The tax burden for 2019 was calculated by applying the following rates on taxable income for I.R.E.S. purposes and taxable income for I.R.A.P. purposes:

- I.R.E.S.: 24.00% on I.R.E.S. taxable income
- I.R.A.P.: 6.82% on I.R.A.P. taxable income

Income taxes for the year consisted in I.R.E.S. current taxes of €7,858 thousand and I.R.A.P. current taxes of €1,585 thousand, a growth due to the decrease in prepaid taxes of €4,895 thousand offset in the Income Statement and increased due to deferred taxes of €184 thousand offset in Income Statement.

Taxes for the year therefore amounted to €14,522 thousand.

For details of changes in prepaid and deferred taxes offset the Income Statement, reference should be made to the foregoing.

Reconciliation table between statutory tax burden and theoretical tax burden	FINANCIAL YEAR 2019			FINANCIAL YEAR 2018		
Reconciliation between statutory tax burden and theoretical tax burden (I.R.E.S.)						
Profit (loss) before income taxation		**46.249**			43.094	
Theoretical tax burden (rate of 27,5% for the year 2018 and 24% in 2019)			**16.650**			15.514
Temporary differences deductible in subsequent fiscal years:						
+ Taxed provisions for risks	**1.341**			10.917		
+ Other non-deductible provisions	**15.419**			4.342		
Total		**16.760**			15.259	
Temporary differences taxable in subsequent fiscal years:						
+/- Adjustments to financial fixed assets (AFS)	**521**			7.727		
- Net effect of the adoption of IFRS standards	**-25.080**			31.282		
Total		**-24.560**			39.009	
Use of temporary differences from prior financial years:						
+ Value adjustments to shares not held as fixed assets from prior years	**-**			-		
- Use of taxed funds	**-4.729**			-2.384		
- Use of taxed provisions	**-**			-16.081		
- Other costs not deducted in prior financial years	**-**			-9.510		
Total		**-4.729**			-27.976	
Permanent differences:						
+ Entertainment expenses and other non-deductible costs	**2.213**			1.212		
- Tax break on dividend receipts	**-**			-599		
- Tax break on ACE	**-3.177**			-4.860		
- Non-taxable contingent assets	**-14**			-117		
Total		**-978**			-4.364	
Taxable amount - I.R.E.S.		**32.742**			65.022	
Current taxes for the year - I.R.E.S.			**7.858**			**15.605**
Reconciliation between statutory tax burden and theoretical tax burden (I.R.A.P.)						
Difference between production value and cost		**41.611**			34.306	
Net costs not relevant for I.R.A.P. purposes		**-18.375**			33.874	
Total		**23.236**			68.179	
Theoretical tax burden (rate of 6.82% for the years 2018 and 2019)			**1.585**			4.650
Taxable amount - I.R.A.P.		**23.236**			68.179	
Current taxes for the year - I.R.A.P.			**1.585**			**4.650**
Total current taxes for the year - I.R.A.P. and I.R.E.S.			**9.443**	**0**		**20.255**
Change in prepaid taxes			**4.895**			26.547
Change in deferred taxes			**184**			-34.595
Total taxes for the year			**14.522**			**12.207**

The following table shows the reconciliation between the statutory tax burden and the theoretical tax burden (amounts in Euro thousand):

Reconciliation table between applicable tax rate and actual tax rate:	Financial Year 2019	Financial Year 2018
Applicable ordinary tax rate - I.R.E.S.	**24,00%**	24,00%
Effect of increases on ordinary rate	**1,15%**	0,67%
+ Entertainment expenses and other non-deductible costs		
Effect of decreases on ordinary rate		
- Tax break on dividend receipts	**0,00%**	-0,33%
- Non-taxable contingent assets	**-1,66%**	-2,77%
- Use of tax losses of merged Company	**0,00%**	-8,96%
I.R.E.S. actual rate without temporary differences	**23,49%**	12,61%
Temporary differences deductible in subsequent financial years	**8,70%**	8,50%
Temporary differences taxable in subsequent financial years	**-15,20%**	15,10%
I.R.E.S. actual tax rate	**16,99%**	36,21%
I.R.A.P. applicable ordinary rate	**6,82%**	6,82%
Effect of increases on ordinary rate		
+ Different I.R.A.P. taxable amount	**-0,68%**	-1,39%
+ Net costs not relevant for I.R.A.P. purposes	**-2,71%**	5,36%
I.R.A.P. actual tax rate	**3,43%**	10,79%
Changes in prepaid taxes:	**10,58%**	61,60%
Changes in deferred taxes:	**0,40%**	-80,28%
I.R.E.S. and I.R.A.P. actual tax rates	**31,40%**	**28,33%**

Eurovita Holding S.p.A. will fulfill the obligations related to the tax return and settlement of I.R.E.S. The economic and financial transactions between the two companies in relation to the national tax consolidation are regulated under a specific contract. The years still open for tax purposes, both for direct tax and V.A.T. purposes, are the financial years starting from 2015.

It should be noted that there were still some pending tax disputes in respect of the company Eurovita with the Italian Revenue Agency at 31 December 2019, as detailed below:

in respect of the company Eurovita Assicurazioni S.p.A.:

- provisions of €329 thousand allocated for the refund claims relating to taxes for 2004, submitted in 2007, whose appeal is pending before the Court of Cassation, which set the hearing date towards mid March this year;

- moreover, provisions of €461 thousand were set aside in regard to the tax dispute relating to the refusal to pay the I.R.A.P. refund for 1998 and related interest. The provision covers the full amount of recognized capital and interest, which had been set aside up to financial year 2015;
- in 2019, the Italian Revenue Agency - Lazio Regional Directorate - carried out a tax audit that covered tax periods 2015 and 2016; the audit concerned the analysis of the tax treatment of dividends paid out by the company Eurovita Assicurazioni S.p.A. to the former parent company JCF III Eurovita Holding S. a r.l. (company under Luxembourg law). In particular, the Italian Revenue Agency's attention focused on the Company's behavior as a tax agent. The audit ended in October with the notification of an assessment report, in which the Italian Revenue Agency charged the Company for its (alleged) failure to withhold taxes on dividends paid out by the Company to the former parent company. This dispute amounts to €5,010 thousand. The Company, on the strength of its reasons, submitted a specific brief (drafted pursuant to Law No. 212/2000) within the statutory terms, for the purpose of demanding the Italian Revenue Agency to reconsider its conclusions. At present, the Company is waiting to find out whether the grounds attesting to the correctness of its work, argued in the brief in question, have been deemed sufficient by the Italian Revenue Agency to review the Company's position. Lastly, it should be noted that, considering the arguments in support of the lawfulness of the Company's conduct, it was not deemed necessary to set aside any specific provisions for risks. For activities otherwise related to the above, the Company uses the support of the firm Pirola, for which provisions of €65 thousand were allocated.

In respect of the merged company OMWI:

- provisions of €369 thousand, relating to higher I.R.A.P. assessed by the Italian Revenue Agency in relation to the dispute referred to tax period 2007, were confirmed. In 2015, the Company had appealed to the Court of Cassation, against which the Italian Revenue Agency filed an application. Since a hearing date has not been set yet, the item was kept unchanged with respect to the year 2018;

Lastly, please be informed that during 2019 the dispute concerning I.R.A.P. and I.R.E.S. for the year 2009, which ended with an out-of-court settlement with the Italian Revenue Agency against the payment of taxes, interest and reduced penalties for a total of €310 thousand, was concluded against an allocation of €1,350 thousand in the financial statements at 31.12.2018.

5.G Other Information

1 Solvency Margin

Starting on 1 January 2016, the Company has been calculating the capital required by the supervisory regulations and the eligible own funds on the basis of the Solvency II legislation as established by Legislative Decree No. 74 of 12 May 2015 implementing Directive 2009/138/EC.

At 31 December 2019, the Company's Own Funds totaled €687.94 million (€458.84 million in 2018) and included the subscribed and paid-up share capital of €90,499 thousand, the Share Premium Reserve of €38,387 thousand, subordinated liabilities of €114,524 thousand, and the reconciliation reserve of €444,530 thousand.

The Company calculated its Own Funds (hereinafter also "OF") to cover the solvency capital requirement (hereinafter also "SCR") and the minimum capital requirement (hereinafter also "MCR") by carrying out the subsequent "tier" classification following the rules established by Article 93, and following, of the Directive.

The eligibility thresholds used are those established by Article 82 of the Regulations, which provide for the following criteria to satisfy the Solvency Capital Requirement:

- Tier 1 proportion must be at least 50% of SCR;
- the amount of Tier 3 items should be less than 15% of SCR;
- the sum of Tier 2 and Tier 3 items should not exceed 50% of SCR.

Following the assessments carried out for solvency purposes, the following chart shows the structure and the quantity of OFs to cover the SCR and the MCR calculated at 31 December 2019. The quality of OFs is shown in detail by Tier:

(data in Euro Thousand)

Own funds available and eligible for SCR coverage	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	573.415	-	573.415
Tier 1 restricted		-	-
Tier 2	114.524	-	114.524
Tier 3	-	-	-
Total OF	**687.940**	**-**	**687.940**
Total SCR			**518.581**
Surplus (shortage)			**169.358**

(data in Euro Thousand)

Fondi propri disponibili e ammissibili per la copertura del MCR	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	573.415	-	573.415
Tier 1 restricted	-	-	-
Tier 2	114.524	67.852	46.672
Tier 3	-	-	-
Total OF	**687.940**	**67.852**	**620.088**
Total MCR			**233.362**
Surplus (shortage)			**386.726**

According to the provisions of Article 62 - Transitional provisions of I.V.A.S.S. Measure No. 53/2016, it should be noted that the data relating to the Solvency Capital Requirement and the Minimum Capital Requirement specified above should be understood as an estimate. The corresponding final data will be communicated to the supervisory authority and included in the Solvency and Financial Condition Report (SFCR) according to the timeframe established by the I.V.A.S.S. regulations on Solvency II.

Against a solvency capital requirement (SCR) of €518.58 million, the Company's own funds to be hedged amount to €686.92 million, which implies a Solvency II Ratio of 132%.

Moreover, the Company, as per Capital Plan, in order to strengthen its Solvency position, blocked the distribution of dividends, received a transfer of own funds of €27.4 million from Eurovita Holding S.p.A. and issued a Tier-2 subordinated loan of €65 million on 28 June 2019 subsequently adding a further €50 million on 21 February 2020.

2 Assets Hedging Technical Provisions

This is to notify that, in compliance with current regulations, technical provisions were hedged by evaluating the assets and technical commitments according to the supervisory principles required by I.V.A.S.S. at 31 December 2019 (I.V.A.S.S. Regulation No. 24 of June 2016). After performing the evaluation according to such principles, the technical provisions were found to be fully hedged.

The hedging was proven by sending I.V.A.S.S. the document "Hedging of Technical Provisions at 31 December 2019" according to the prior template required by the hedging Model set out in the prior I.S.V.A.P. Regulation No. 36 of January 2011, as required by the Supervisory Authority in the letter to the market dated 18 August 2018.

3 Exemption from the Obligation to Prepare Consolidated Financial Statements

Eurovita S.p.A. holds a significant equity investment in Pramerica Life, which in turn wholly owns the agency Pramerica Marketing. In accordance with statutory regulations, namely Article 97, paragraph 1, of Legislative Decree No. 209/2005, Eurovita S.p.A. was not required to prepare consolidated financial statements, as such requirement was complied with by the parent company Eurovita Holding S.p.A.

This is also to announce that Eurovita Holding S.p.A., parent company of Eurovita S.p.A., prepares consolidated financial statements pursuant to Article 95, paragraph 2, of Legislative Decree No. 209/2005 and Article 25 of Legislative Decree No. 127/1991, which provide the information required to illustrate the Group's performance.

Unified management – a condition met on a presumptive basis pursuant to Article 96, paragraph 1, of Law-Decree No. 209/2005 when the governing bodies mainly comprise the same persons - which characterizes the Parent Company Eurovita Holding S.p.A. and its subsidiaries is adequately reflected in the consolidated financial statements of Eurovita Holding S.p.A. The correctness of the above mentioned structure was confirmed by I.V.A.S.S.

4 Compensation Paid to the Independent Auditor KPMG S.p.A., Directors, and Statutory Auditors

Compensation for the year for the provision of annual report auditing services amounted to a total of €190 thousand (not including V.A.T., expenses, and contributions), for the review of MVBS and SCR under I.V.A.S.S. Regulation 42 of 2 August 2019 amounted to a total of €189 thousand (not including V.A.T., expenses, and contributions) and for the provision of certification services amounted to €540 thousand.

Compensation for the year paid to the Board of Directors was zero because compensation was paid directly by the Parent Company Eurovita Holding S.p.A. Compensation paid to the Board of Statutory Auditors amounted to €175 thousand, including expenses and V.A.T.

5 Interim Dividends

During the year 2019, no interim dividends were paid out or approved for financial year 2019.

6 Average Number of Employees

The average number of employees at 31 December 2019 was 220.

7 Subsequent Events

As also discussed in the Report on Operations, these financial statements were prepared on a going-concern assumption because, in the Directors' opinion, the uncertainties described below in relation to the contagion from Covid-19 are currently not such as to raise doubts regarding the above assumption, whether considered individually or as a whole.

In the first months of the current year, the economy was heavily influenced by the negative effects of Covid-19. To cope with the moment of crisis, governments have put in place measures to support household and business incomes, credit and liquidity on the markets.

The European Commission has activated the general safeguard clause provided for by the Stability and Growth Pact, which allows temporary deviations from the medium-term budgetary objective or from the path towards it. The European institutions have also prepared a substantial expansion of the tools available to deal with the effects of the pandemic.

In Italy, as far as is known to date, industrial production fell by 15% in March and by around 6% on average in the first quarter; in the first three months of 2020, GDP recorded a drop today estimated at around five percentage points.

The continuation of the measures to contain the epidemic is likely to lead to a contraction in GDP also in the second quarter, which should be followed by a recovery in the second half of the year, even if the range of analysts' assessments is however very wide. The spread of the contagion is translating into an arrest of international tourist flows, which contribute almost a third to Italy's high current account surplus.

As in other European countries, share prices recorded losses and the yield spread of government securities compared to German securities widened, in a situation of sharp increase in risk aversion and deterioration in market liquidity.

At the Company level, all this may have effects on the decisions relating to financial investments and on the operations of financial management with the aim of maintaining a correct risk / return profile of the portfolio and with the inalienable objective of managing the performance of the Solvency ratio in compliance with the Company and Group Capital policy

As regards the performance of the insurance business of the Company, a slowdown in the signing of new contracts can be observed, which will lead to a premium income below expectations. At the end of the year, a contraction in the result is expected, compared to the original budget, essentially linked to the reduction of the class III assets to which the management fees retained by the company are correlated and to the lower collection that brings with it less loadings.

We note that the Solvency II index for the first quarter of 2020 is substantially in line with the values at the end of the year, including the benefit deriving from the issue of an additional 50 million subordinated loan that took place in February 2020. In the first quarter 2020, specifically, a decrease in own funds compared to 2019 has been recorded, despite the aforementioned issue of a second tranche of subordinated Tier 2 loan.

This reduction in own funds was only partially offset by the decrease in the SCR. The decrease in the SCR is related to the lower exposures on UL products and to the assets portfolio de-risking, as well as to a lower operational risk due to the decrease in premiums of class I.

The trend at 31 March 2020 of the OFs is mainly generated by a negative impact of the market related to the expansion of the credit risk of both Italian and peripheral government bonds but also of corporate bonds; it is also benefited, as described above, from the issue on February 21, 2020, of an additional 50 million Euros of subordinated loan, with an interest rate of 6.75% and a duration of 10 years, classified as Tier 2.

As for the whole insurance market, during the month of April the further worsening of the level of spreads, that is of the rate differential between Italian government bonds, peripheral countries and corporate bonds with respect to the German Bund, had a negative impact on the company's solvency levels.

In this context, and in light of the continuous monitoring of the situation put in place by the Directors and the Board of Statutory Auditors, also following the requests made by the Supervisory Authority to companies residing on the Italian market, the company and the Group are putting in place a series of actions aimed at recovering higher solvency levels and in any case in line with company and Group policies.

Specifically, the main actions are aimed at streamlining the cost structure and optimizing the volume and mix of products sold, based on a renewed profitability analysis of the products and sales networks in the current market context, with the aim of identifying the correct mix of New Business, paying particular attention to the collection of class I. The company is also assessing whether margins exist for a different asset allocation.

In addition, the company intends to proceed with the application to IVASS (the Italian insuranche market regulator) for the so-called "transitional measures" relating to the determination of technical provisions (BEL), which could give very significant benefits on the solvency levels. The potential impact of the other measures under study, however, is still being defined.

Finally, it should be noted that the directors, 3 of whom belong to the structure of the reference shareholder, are convinced that, in the event that the measures briefly described above were, for any reason, insufficient to raise the solvency above the established levels by the relevant corporate policies, also described in the ORSA report, the company and the reference shareholder are available to support and implement all the necessary measures over time to guarantee the restoration of solvency levels consistent with the company and the group's risk appetite, in order to maintain business continuity and protect the interests of policyholders.

Please be informed that on 28 January 2020 the subsidiary Pramerica Life S.p.A. started discussions with the trade unions, as set forth in Articles 15 and 16 of the collective bargaining agreement governing relations between companies and non-executive employees, during which it highlighted that some staff was redundant.

Following negotiations, the Parties reached an agreement under which tools were defined to facilitate the voluntary layoff of some of the Company's workers.
The employment relationships will be terminated starting from 31 May 2020.

8 Data of the Parent Company

As established in Article 2497-*bis,* paragraphs 4 and 5, of the Italian Civil Code, please find attached a summary statement with the essential data of the latest approved financial statements of the company that carries out the management and coordination of Eurovita:

Eurovita Holding S.p.A.

(amounts in Euros)

INCOME STATEMENT	STATEMENTS AT 31.12.2018		STATEMENTS AT 31.12.2017	
Description	**Interim**	**Total**	**Interim**	**Total**
PRODUCTION VALUE				
Revenues from sales of goods and services	0		0	
Other revenues	2.408.778		2.163.465	
TOTAL PRODUCTION VALUE		**2.408.778**		**2.163.465**
PRODUCTION COSTS				
Services		1.393.173		4.413.910
Leased assets		27.623		100.363
Personnel		1.743.439		2.950.927
Depreciation and amortization		49.248		105
Provisions for risks		0		0
Other operating charges		2.656.977		2.303.582
TOTAL PRODUCTION COSTS		**5.870.460**		**9.768.888**
FINANCIAL INCOME AND CHARGES				
Income from investments		100.948.793		6.900.000
Other financial income		284		136
Interest and other financial charges		-112		-112
TOTAL FINANCIAL INCOME AND CHARGES		**100.948.965**		**6.900.024**
VALUE ADJUSTMENTS TO FIN.ASSETS AND LIABILITIES				
Write-ups	7.484.697		23.405.251	
Write-downs	-100.948.793		-6.900.000	
TOTAL VALUE ADJUSTMENTS TO FIN.ASSETS AND LIABILITIES		**-93.464.096**		**16.505.251**
Profit (loss) before income taxation (+A-B+C+D)		4.023.187		15.799.853
Taxes for the year		207.031		1.706.652
+ PROFIT / - LOSS FOR THE YEAR		**4.230.218**		**17.506.505**
EQUITY INVESTMENTS		326.608.757		435.237.772
CAPITAL ABD RESERVES		231.594.687		323.202.064
NUMBER OF EMPLOYEES		10		14

Shareholders,

Therefore, it is hereby proposed to approve these financial statements comprising the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of changes in shareholders' equity, the Cash Flow Statement and the Explanatory Notes, and accompanied by the Report on Operations.

The profit for the year 2019 amounted to €31,727,143.14.

It is hereby proposed to set aside the entire profit amount as retained earnings:

Profit for the year	31.727.143
Attribution to reserve for profit carried forward	31.727.143

Milan, 29 May 2020

FOR THE BOARD OF DIRECTORS
Erik Stattin
Chief Executive Officer

5.H Annexes and Additional Tables

Eurovita S.p.A.

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Breakdown of financial assets
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Acquisition and administration costs of insurance business
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Assets and liabilities measured at fair value on recurring and non-recurring basis: fair value hierarchy
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Assets and liabilities not measured at fair value: fair value hierarchy
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BALANCE SHEET BY CLASSES

(amounts in Euro)

		Non-Life		Life		Total	
		31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
1	**INTANGIBLE ASSETS**	**0**	**0**	**92.792.083**	**107.040.669**	**92.792.083**	**107.040.669**
2	**TANGIBLE ASSETS**	**0**	**0**	**20.357.810**	**466.029**	**20.357.810**	**466.029**
3	**AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**0**	**0**	**770.748.399**	**1.227.589.188**	**770.748.399**	**1.227.589.188**
4	**INVESTMENTS**	**0**	**0**	**17.828.702.860**	**16.273.258.546**	**17.828.702.860**	**16.273.258.546**
4.1	Land and buildings (investment properties)	0	0	0	0	0	0
4.2	Investments in subsidiaries, associated companies and joint ventures	0	0	28.842.158	0	28.842.158	0
4.3	Held to maturity investments	0	0	0	0	0	0
4.4	Loans and receivables	0	0	732.586.434	446.709.252	732.586.434	446.709.252
4.5	Available for sale financial assets	0	0	10.193.224.998	9.140.733.746	10.193.224.998	9.140.733.746
4.6	Financial assets at fair value through profit or loss	0	0	6.874.049.270	6.685.815.548	6.874.049.270	6.685.815.548
5	**RECEIVABLES**	**0**	**0**	**105.888.818**	**89.304.541**	**105.888.818**	**89.304.541**
6	**OTHER ASSETS**	**0**	**0**	**441.559.409**	**425.043.769**	**441.559.409**	**425.043.769**
6.1	Deferred acquisition costs	0	0	41.658.683	35.637.357	41.658.683	35.637.357
6.2	Other assets	0	0	399.900.726	389.406.413	399.900.726	389.406.413
7	**CASH AND CASH EQUIVALENTS**	**0**	**0**	**54.743.626**	**60.821.469**	**54.743.626**	**60.821.469**
TOTAL ASSETS		**0**	**0**	**19.314.793.005**	**18.183.524.211**	**19.314.793.005**	**18.183.524.211**
1	**SHAREHOLDERS' EQUITY**	**0**	**0**	**568.345.573**	**348.424.999**	**568.345.573**	**348.424.999**
2	**OTHER PROVISIONS**	**0**	**0**	**19.236.173**	**22.122.215**	**19.236.173**	**22.122.215**
3	**INSURANCE PROVISIONS**	**0**	**0**	**10.872.802.812**	**9.794.612.958**	**10.872.802.812**	**9.794.612.958**
4	**FINANCIAL LIABILITIES**	**0**	**0**	**7.544.073.519**	**7.774.376.890**	**7.544.073.519**	**7.774.376.890**
4.1	Financial liabilities measured at fair value through profit or loss	0	0	6.808.155.866	6.608.308.209	6.808.155.866	6.608.308.209
4.2	Other financial liabilities	0	0	735.917.653	1.166.068.681	735.917.653	1.166.068.681
5	**PAYABLES**	**0**	**0**	**152.803.690**	**134.280.121**	**152.803.690**	**134.280.121**
6	**OTHER LIABILITY**	**0**	**0**	**157.531.239**	**109.707.027**	**157.531.239**	**109.707.027**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**0**	**0**	**19.314.793.005**	**18.183.524.211**	**19.314.793.005**	**18.183.524.211**

CONTO ECONOMICO PER GESTIONE

(amounts in Euro)

		Non-Life		Life		Total	
		31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
1.1	Net earned premiums	0	0	1.974.144.946	1.199.021.452	1.974.144.946	1.199.021.452
1.1.1	*Gross earned premiums*	0	0	2.003.718.893	1.252.222.023	2.003.718.893	1.252.222.023
1.1.2	*Earned premiums ceded*	0	0	-29.573.947	-53.200.571	-29.573.947	-53.200.571
1.2	Fee and commission income and income from financial service activities	0	0	99.842.690	174.502.063	99.842.690	174.502.063
1.3	Net income from financial instruments at fair value through profit or loss	0	0	14.117.727	-62.029.607	14.117.727	-62.029.607
1.4	Income from subsidiaries, associated companies and joint ventures	0	0	0	0	0	0
1.5	Income from other financial instruments and land and buildings (investment properties)	0	0	260.435.180	239.376.423	260.435.180	239.376.423
1.6	Other income	0	0	63.557.309	61.045.558	63.557.309	61.045.558
1	**TOTAL INCOME**	**0**	**0**	**2.412.097.853**	**1.611.915.889**	**2.412.097.853**	**1.611.915.889**
2.1	Net insurance benefits and claims	0	0	2.065.243.534	1.245.875.947	2.065.243.534	1.245.875.947
2.1.1	*Claims paid and change in insurance provisions*	0	0	2.110.438.761	1.320.334.111	2.110.438.761	1.320.334.111
2.1.2	*Reinsurers' share*	0	0	-45.195.227	-74.458.164	-45.195.227	-74.458.164
2.2	Fee and commission expenses and expenses from financial service activities	0	0	99.989.652	137.998.480	99.989.652	137.998.480
2.3	Expenses from subsidiaries, associated companies and joint ventures	0	0	0	0	0	0
2.4	Expenses from other financial instruments and land and buildings (investment properties)	0	0	52.362.905	70.188.319	52.362.905	70.188.319
2.5	Acquisition and administration costs	0	0	72.642.639	79.641.544	72.642.639	79.641.544
2.6	Other expenses	0	0	75.609.756	35.117.827	75.609.756	35.117.827
2	**TOTAL EXPENSES**	**0**	**0**	**2.365.848.486**	**1.568.822.118**	**2.365.848.486**	**1.568.822.118**
	EARNINGS BEFORE TAXES	**0**	**0**	**46.249.367**	**43.093.771**	**46.249.367**	**43.093.771**

BREAKDOWN OF EQUITY INVESTMENTS

Company name	Country	Assets (1)	Type (2)	% Direct shareholding	% Total interest (3)	% Available votes in General Meeting (4)	Management (5)	Book value
PRAMERICA LIFE SPA	IT	1	A	100	100		V	28.842.158
PRAMERICA MARKETING SRL	IT	11	A	0	100		V	535.998

(1) 1=Italian ins. cos.; 2=EU ins. cos.; 3=Third country ins. cos.; 4=insurance holding cos.; 4.1 Enterprises with mixed financial investments; 5=EU reins. cos.; 6=Third country reins. cos.; 7=banks; 8=mutual guarantee schemes; 9=other holding cos.; 10=real estate cos. 11=other.
(2) subsidiaries (IFRS 10); b=affiliated cos. (IAS28); c=joint ventures (IFRS11); indicate with asterisk (*) companies classified as held for sale in compliance with IFRS 5 and show legend below the table.
(3) This is the product of shareholdings relationships pertaining to all the companies that, placed along the shareholding chain, may be interposed between the company that draws up the consolidated financial statements and the company in question. If the latter is directly owned by several subsidiaries, the individual products should be added up.
(4) Total availability in percentage of votes in the annual general meeting of shareholders if different from the direct or indirect shareholding.
(5) Indicate:
D for investments assigned to Non-Life business
V for investments assigned to Life business

BREAKDOWN OF TANGIBLE AND INTANGIBLE ASSETS

(Amounts in Euro)

	At cost	At restated value or fair value	Total book value
Land and buildings (investment properties)	-	-	-
Land and buildings (self used)	-	19.798.141	19.798.141
Other tangible assets	559.668	-	559.668
Other intangible assets	70.741.785	-	70.741.785

AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS

(Amounts in Euro)

	Direct business		Indirect business		Total book value	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Non-life amounts ceded to reinsurers from insurance provisions	-	-	-	-	-	-
Provisions for unearned premiums					-	-
Provisions for outstanding claims					-	-
Other insurance provisions					-	-
Life amounts ceded to reinsurers from insurance provisions	761.921.410	1.215.210.524	8.826.989	12.378.664	770.748.399	1.227.589.188
Mathematical provisions	132.746.287	104.879.874	1.223.890	760.007	133.970.176	105.639.881
Provisions for outstanding claims	628.927.490	1.110.072.254	7.603.099	11.618.657	636.530.589	1.121.690.911
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	-	-	-	-	-	-
Other insurance provisions	247.633	258.396	-	-	247.633	258.396
Total Amounts ceded to reinsurers from insurance provisions	761.921.410	1.215.210.524	8.826.989	12.378.664	770.748.399	1.227.589.188

BREAKDOWN OF FINANCIAL ASSETS

(Amounts in Euro)

	Investments held to maturity		Loans and receivables		Available for sale financial assets		Financial assets at fair value through profit or loss				Total book value	
							Financial assets held for trading		Financial assets designated at fair value through profit or loss			
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Equities at cost	0	0	0	0	0	0	0	0	0	0	0	0
Equities at fair value	0	0	0	0	21.001.167	26.628.417	0	0	3.000.000	3.116.400	24.001.167	29.744.817
of which quoted equities	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*116.400*	*0*	*116.400*
Bonds	0	0	626.617.820	336.942.608	8.853.794.554	8.040.267.128	9.908.136	9.964.759	85.729.029	89.588.747	9.576.049.538	8.476.763.241
of which quoted bonds	*0*	*0*	*52.713.323*	*65.254.447*	*8.816.519.554*	*8.008.549.189*	*4.856.444*	*5.387.205*	*85.729.029*	*89.558.747*	*8.959.818.350*	*8.168.749.588*
Investment fund units	0	0	0	0	1.318.429.277	1.073.838.201	0	0	6.701.666.216	6.549.802.637	8.020.095.493	7.623.640.839
Deposits under reinsurance business accepted	0	0	74.521.466	77.339.531	0	0	0	0	0	0	74.521.466	77.339.531
Financial asset components of insurance contracts	0	0	0	0	0	0	0	0	35.674.881	20.271.626	35.674.881	20.271.626
Other loans and receivables	0	0	31.447.148	32.427.113	0	0	0	0	0	0	31.447.148	32.427.113
Derivatives	0	0	0	0	0	0	5.559.050	1.476.800	0	0	5.559.050	1.476.800
Hedging derivatives	0	0	0	0	0	0	32.511.959	11.594.579	0	0	32.511.959	11.594.579
Other financial investments	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**732.586.434**	**446.709.252**	**10.193.224.998**	**9.140.733.746**	**47.979.145**	**23.036.138**	**6.826.070.125**	**6.662.779.411**	**17.799.860.702**	**16.273.258.546**

ASSETS AND LIABILITIES RELATED TO POLICIES WHERE THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND TO PENSION FUNDS

(Amounts in Euro)

	Benefits linked to investment funds and market indexes		Benefits linked to the management of pension funds		Total	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Total Assets	**6.858.582.084**	**6.674.373.990**	**-**	**-**	**6.858.582.084**	**6.674.373.990**
Financial liabilities	6.704.697.999	6.573.162.441	-	-	6.704.697.999	6.573.162.441
Insurance provisions recognized	125.271.274	95.239.099	-	-	125.271.274	95.239.099
Total Liabilities	**6.829.969.274**	**6.668.401.540**	**-**	**-**	**6.829.969.274**	**6.668.401.540**

INSURANCE PROVISIONS

(Amounts in Euro)

	Direct business		Indirect business		Total book value	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Non-Life insurance provisions	**0**	**0**	**0**	**0**	**0**	**0**
Provisions for unearned premiums					0	0
Provisions for outstanding claims					0	0
Other insurance provisions					0	0
of which provisions for liability adequacy test					*0*	*0*
Life insurance provisions	**10.796.801.863**	**9.716.266.758**	**76.000.948**	**78.346.201**	**10.872.802.812**	**9.794.612.958**
Provisions for outstanding claims	290.855.536	237.381.434	1.479.484	1.006.671	292.335.020	238.388.104
Mathematical provisions	9.489.977.512	8.984.824.755	74.521.464	77.339.530	9.564.498.977	9.062.164.285
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	125.271.274	95.239.099	0	0	125.271.274	95.239.099
Other insurance provisions	890.697.541	398.821.470	0	0	890.697.541	398.821.470
of which provisions for liability adequacy test		*0*	*0*	*0*	*0*	*0*
of which deferred policyholder liabilities	*720.624.133*	*226.936.802*	*0*	*0*	*720.624.133*	*226.936.802*
Total Insurance Provisions	**10.796.801.863**	**9.716.266.758**	**76.000.948**	**78.346.201**	**10.872.802.812**	**9.794.612.958**

EUROVITA

FINANCIAL LIABILITIES

(Amounts in Euro)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total book value	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss					
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Preference shares	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-		-	110.338.233	45.384.309	110.338.233	45.384.309
Financial liabilities related to investment contracts issued by insurance companies	-	-	6.740.140.856	6.605.216.598	-	-	6.740.140.856	6.605.216.598
when the investment risk is borne by policyholders	-	-	6.740.140.856	6.605.216.598	-	-	6.740.140.856	6.605.216.598
pension funds	-	-	-	-	-	-	-	-
other liabilities related to investment contracts	-	-	-	-	-	-	-	-
Deposits received from reinsurers	-	-	-	-	625.059.420	1.109.953.373	625.059.420	1.109.953.373
Deposit components of insurance contracts	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-	-
Derivatives	-	2.301.900	-	-	-	-	-	2.301.900
Hedging derivatives	68.015.010	789.711	-	-	-	-	68.015.010	789.711
Other financial liabilities	-	-	-	-	520.000	10.731.000	520.000	10.731.000
Total	**68.015.010**	**3.091.611**	**6.740.140.856**	**6.605.216.598**	**735.917.653**	**1.166.068.682**	**7.544.073.519**	**7.774.376.890**

TECHNICAL INSURANCE ITEMS

(amounts in Euro)

		31/12/19			31/12/18		
		Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life business							
NET EARNED PREMIUMS		0	0	0	0	0	0
a	Premiums written			0			0
b	Change in the provisions for unearned premiums			0			0
NET INSURANCE BENEFITS AND CLAIMS		0	0	0	0	0	0
a	Claims paid			0			0
b	Change in the provisions for outstanding claims			0			0
c	Change in claims to be recovered			0			0
d	Change in other insurance provisions			0			0
Life business							
NET EARNED PREMIUMS		2.003.718.893	29.573.947	1.974.144.946	1.252.222.023	53.200.571	1.199.021.452
NET INSURANCE BENEFITS AND CLAIMS		2.110.438.761	45.195.227	2.065.243.534	1.320.334.111	74.458.164	1.245.875.947
a	Claims paid	1.536.555.864	502.036.016	1.034.519.847	1.328.968.248	369.866.635	959.101.613
b	Change in the provisions for outstanding claims	53.946.915	28.330.296	25.616.620	48.961.232	49.551.277	-590.046
c	Change in the mathematical provisions	511.904.617	-485.160.322	997.064.939	5.484.009	-344.942.285	350.426.294
d	Change in the provisions for policies where the investment risk is borne by the policyholders and in the provisions for pension funds	32.307.422		32.307.422	8.388.237	0	8.388.237
e	Change in other insurance provisions	-24.276.057	-10.763	-24.265.294	-71.467.615	-17.464	-71.450.152

INCOME AND EXPENSES FROM INVESTMENTS, RECEIVABLES AND PAYABLES

(amounts in Euro)

							Unrealized gains and reversal of impairment losses		Unrealized losses and impairment losses				
	Interests	Other income	Other expenses	Realized gains	Realized losses	Total realized gains and losses	Unrealized gains	Reversal of impairment losses	Unrealized losses	Impair-ment losses	Total unrealized gains and losses	Total income and expenses December 2019	Total income and expenses December 2018
Income and expenses from investments	**175.510.225**	**47.465.803**	**14.280.561**	**264.066.505**	**16.342.978**	**456.418.994**	**643.546.915**	**0**	**843.346.895**	**0**	**-199.799.979**	**256.619.015**	**158.141.967**
a from land and buildings (investment properties)	0	0	0	0	0	0	0	0	0	0	0	0	0
b from investments in subsidiaries, associated companies and joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0
c from held to maturity investments	0	0	0	0	0	0	0	0	0	0	0	0	0
d from loans and receivables	14.595.012	0	0	0	0	14.595.012	0	0	0	0	0	14.595.012	14.221.075
e from available for sale financial assets	158.476.992	38.603.411	0	48.759.765	11.858.693	233.981.475	0	0	6.075.200	0	-6.075.200	227.906.276	202.950.499
f from financial assets held for trading	283.766	0	0	0	10.478	273.288	4.909.489	0	5.658.100	0	-748.611	-475.323	-1.362.218
g from financial assets designated as at fair value through profit or loss	2.154.456	8.862.393	14.280.561	215.306.739	4.473.807	207.569.219	638.637.426	0	831.613.595	0	-192.976.168	14.593.050	-60.667.389
Income and expenses from receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income and expenses from cash and cash equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income and expenses from financial liabilities	**-34.429.012**	**0**	**0**	**0**	**0**	**-34.429.012**	**0**	**0**	**0**	**0**	**0**	**-34.429.012**	**-47.983.470**
a from financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b from financial liabilities designated as at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0	0
c from other financial liabilities	-34.429.012	0	0	0	0	-34.429.012	0	0	0	0	0	-34.429.012	-47.983.470
Income and expenses from payables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**141.081.213**	**47.465.803**	**14.280.561**	**264.066.505**	**16.342.978**	**421.989.982**	**643.546.915**	**0**	**843.346.895**	**0**	**-199.799.979**	**222.190.002**	**107.158.497**

ACQUISITION AND ADMINISTRATION COSTS OF INSURANCE BUSINESS

(amounts in Euro)

		Non-Life business		Life business	
		31/12/19	31/12/18	31/12/19	31/12/18
Commissions and other acquisition costs		0	0	45.275.601	48.179.909
a	Acquisition and administration commissions	0	0	27.078.804	27.747.804
b	Other acquisition costs	0	0	20.508.070	23.878.738
c	Change in deferred acquisition costs	0	0	-6.021.326	-8.991.239
d	Collecting commissions	0	0	3.710.053	5.544.606
Commissions and profit commissions from reinsurers		0	0	-6.892.134	-11.103.624
Commissions and other acquisition costs net of commissions and profit commissions from reinsurers		0	0	11.959.978	11.811.099
Other administration costs		0	0	22.299.194	30.754.160
Total		**0**	**0**	**72.642.639**	**79.641.544**

DETAILS ON OTHER COMPREHENSIVE INCOME

	Allocation		Transfer to profit and loss account		Other transfer		Total variation		Taxes		Amount	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Items that may not be reclassified to profit and loss in future periord	**-55.629**	**22.727**	**0**	**0**	**0**	**0**	**-55.629**	**22.727**	**36.275**	**11.492**	**-81.424**	**-25.796**
Revenue reserve from valuation of equity								0				
Reserve for revaluation model on intangible assets								0				
Reserve for revaluation model on tangible assets								0				
Result of discontinued operation								0				
Actuarial gains or losses arising from defined benefit plans	-55.629	22.727					-55.629	22.727	36.275	11.492	-81.424	-25.796
Others								0				
Items that may be reclassified to profit and loss in future period	**146.002.914**	**16.872.369**	**-15.454.375**	**-44.685.615**	**0**	**0**	**130.548.539**	**-27.790.518**	**-51.612.023**	**6.547.936**	**115.850.738**	**-14.697.801**
Reserve for currency transition differences								0				
Net unrealized gains and losses on investments available for sale	157.999.092	13.383.192	-15.454.375	-44.685.615			142.544.717	-31.279.695	-55.633.863	8.102.380	124.878.348	-18.186.978
Net unrealized gains and losses on hedging derivatives	-11.996.178	3.489.177					-11.996.178	3.489.177	4.021.841	-1.554.444	-9.027.610	3.489.177
Net unrealized gains and losses on hedge of a net investment in foreign operations								0				
Shares of other comprehensive income of associates								0				
Result of discontinued operation								0				
Others								0				
TOTAL OTHER COMPREHENSIVE INCOME	**145.947.285**	**16.895.096**	**-15.454.375**	**-44.685.615**	**0**	**0**	**130.492.911**	**-27.767.791**	**-51.575.748**	**6.559.428**	**115.769.313**	**-14.723.597**

DETAILS ON FINANCIAL ASSETS RECLASSIFIED AND ITS EFFECT ON PROFIT OR LOSS ACCOUNT AND COMPREHENSIVE INCOME

Financial asset categories affected by the reclassification		Financial assets	Amount of the financial assets reclassified in the year at the reclassification date	Book value of reclassified financial assets at 31/12/2019		Fair value as at 31/12/2019		Financial assets reclassified in 2019		Financial assets reclassified until 2019		Financial assets reclassified in 2019		Financial assets reclassified until 2019	
from	to			Financial assets reclassified in 2019	Financial assets reclassified until 2019	Financial assets reclassified in 2019	Financial assets reclassified until 2019	Fair value gains or losses through profit or loss	Fair value gains or losses through equity	Fair value gains or losses through profit or loss	Fair value gains or losses through equity	Fair value gains or losses that would be recognized through profit or loss without reclassification	Fair value gains or losses that would be recognized through equity without reclassification	Fair value gains or losses that would be recognized through profit or loss without reclassification	Fair value gains or losses that would be recognized through equity without reclassification
Totale															

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON RECURRING AND NON-RECURRING BASIS: FAIR VALUE HIERARCHY

(amounts in Euro)

		Level 1		Level 2		Level 3		Total	
		31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Financial assets and liabilities at fair value on a recurring basis									
Available for sale financial assets		9.465.998.285	8.583.717.492	100.616.293	279.510.312	626.610.419	277.505.942	10.193.224.998	9.140.733.746
Financial assets at fair value through profit or loss	Financial assets held for trading	0	677.553	47.979.145	22.358.586	0	0	47.979.145	23.036.139
	Financial assets designated at fair value through profit or loss	6.823.070.125	6.659.749.283	0	30.128	3.000.000	3.000.000	6.826.070.125	6.662.779.411
Investment properties		0	0	0	0	0	0	0	0
Tangible assets		0	0	0	0	0	0	0	0
Intangible assets						91.425.519	104.513.389	91.425.519	104.513.389
Total financial assets at fair value on a recurring basis		16.289.068.411	15.244.144.327	148.595.438	301.899.025	721.035.939	385.019.331	17.158.699.788	15.931.062.683
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	0	0	-68.015.010	-3.091.611	0	0	-68.015.010	-3.091.611
	Financial liabilities designated at fair value through profit or loss	-6.740.140.856	-6.605.216.598	0	0	0		-6.740.140.856	-6.605.216.598
Total financial liabilities at fair value on a recurring basis		-6.740.140.856	-6.605.216.598	-68.015.010	-3.091.611	0	0	-6.808.155.866	-6.608.308.209
Financial assets and liabilities at fair value on a non-recurring basis									
Non-current assets or of discontinued operations		0	0	0	0	0	0	0	0
Non-current liabilities or of discontinued operations									

DETAILS OF THE VARIATION OF ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS CLASSIFIED IN LEVEL 3

(amounts in Euro)

	Financial assets			Investment properties	Tangible assets	Intangible assets	Financial liabilities at fair value through profit or loss	
	Available for sale financial assets	Financial assets at fair value through profit or loss					Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss
		Financial assets held for trading	Financial assets designated at fair value through profit or loss					
Opening balance	277.505.942		3.000.000			0		
Purchases and issues	415.919.594		0					
Disposals through sales and settlements	-59.559.422		0					
Pay-backs	0		0					
Net gains and losses recognized in P&L	-5.511.642		0					
- of which net unrealised gains and losses	-5.775.812		0					
Net unrealised gains and losses recognized in OCI	0		0					
Net transfers to Level 3	0		0					
Net transfers out of Level 3	0		0					
Other changes	-1.744.053		0			91.425.519		
Closing balance	626.610.419		3.000.000			91.425.519		

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE: FAIR VALUE HIERARCHY

(amounts in Euro)

	Book value		Fair value							
			Level 1		Level 2		Level 3		Total	
	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18	31/12/19	31/12/18
Assets										
Held to maturity investments										
Loans and receivables	732.586.434	446.753.668	29.248.005	38.992.011	608.731.858	297.950.597	94.606.571	109.811.060	732.586.434	446.753.668
Investments in subsidiaries, associated companies and joint ventures	28.842.158	0					28.842.158		28.842.158	
Land and buildings (investment properties)	0									
Tangible assets	20.357.810	466.029					20.357.810	466.029	20.357.810	466.029
Total assets	**781.786.402**	**447.219.697**	**29.248.005**	**38.992.011**	**608.731.858**	**297.950.597**	**143.806.539**	**110.277.089**	**781.786.402**	**447.219.697**
Liabilities										
Other liabilities	-735.917.653	-1.166.068.681					-735.917.653	-1.166.068.681	-735.917.653	-1.166.068.681

INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Name of structured entity	Revenues earned by structured entity during the period	Book value (at the transfer date) of assets transferred to the structured entity in the period	Book value of assets recognized in own financial statements and relating to the structured entity	Corresponding item in Balance Sheet assets	Book value of liabilities recognized in own financial statements and relating to the structured entity	Corresponding item in Balance Sheet liabilities	Maximum exposure to loss risk

Eurovita S.p.A.
Via Pampuri, 13 - 20141 Milan, Italy
www.eurovita.it