Unipol and UnipolSai

FY23 Preliminary Consolidated Results

Razionalization Project of the Unipol Group Corporate Structure

16 February 2024

Slide commentary

Please refer to the presentation for further details

UNIPOL 2022-2024 STRATEGIC PLAN
Opening New Ways

RESULTS BY SECTOR – slide 5

In 2023 Unipol reported a consolidated pre-tax result of 1,565€m, of which 896€m pertaining to the Non-Life sector, 375€m to Life and 294€m to the Other sector.
The consolidated net result amounted to 1,331€m, that was 1,101€m net of minorities.
The corresponding consolidated net profit reported in 2022, based on the former IFRS 4/IAS 39, was 866€m (683€m net of minorities).
Excluding the badwill resulted in the fourth quarter 2023 from the first-time consolidation of Banca Popolare di Sondrio, the FY23 consolidated net result stood at 1,064€m, that is 834€m after minority interests.
The consolidated net result at FY22, normalized due to some non-recurring items, was 774€m, or 583€m post-minorities.
At UnipolSai the FY23 consolidated net result was 766€m, or 700€m after minority interests.
The consolidated net result in 2022, based on the former IFRS 4/IAS 39, was 651€m (789€m after the exclusion of a non-recurring item).

P&L BY SECTOR – slide 6

The result of the insurance services for both Unipol and UnipolSai amounted to 407€m, of which 165€m in Non-Life and 241€m in Life.
At Unipol the financial result, excluding interest expenses on financial liabilities, was 1,334€m, split into 809€m in Non-Life, 162€m in Life and 362€m in the Other sector.
At UnipolSai the total financial result stood at 718€m, made up of 583€m in Non-Life, 120€m in Life and 16€m in the Other sector.

NON-LIFE PREMIUM COLLECTION – slide 7

Non-Life premium collection reached 8,651€m, growing by 4.2% y-o-y. The increase was driven by Non-Motor (+5.2%, with Health and UniSalute confirming a very positive trend), although Motor showed encouraging signs of recovery as well (+3.0%). All Ecosystems contributed to this successful increase.
The mix between Motor and Non-Motor continued to be in favour of the latter.
With respect to distribution, as usual the majority of contracts (76%) were intermediated by the network of agents.
No relevant changes were recorded in the breakdown by market segment, with the focus remaining on retail and SMEs, very close to 80%.

COMBINED RATIO – slide 8

The total combined ratio was 98.2%, as the result of 97.1% in Motor and 99.0% in Non-Motor. Loss ratio (71.5%) was burdened by natural catastrophes and other large losses (14.1%), mainly due to floods in Emilia-Romagna and Marche in the first half of the year and storms in Northern Italy in July.
The expense ratio was 26.7%, that is 29.8% in Non-Motor and 23.0% in Motor.
Combined ratio in the first nine months of the year was 98.6%, impacted by 11.5 points of atmospheric events and large losses.

LIFE PREMIUM COLLECTION – slide 9

Life premium collection increased by 20.0% y-o-y, reaching 6,409€m thanks to the excellent trend in traditional policies (+38.3%) and to the ongoing contribution of new pension fund contracts for UnipolSai S.p.A., that brought the total income of this class to almost 1.8€bn (+37.4%), while linked products slowed down by 50.7%. Collection at UnipolSai was slightly lower than 60% of the total, and that of Arca Vita was 40%.
Net inflows were positive in both traditional/capitalization products (+550€m) and other lines (+1,295€m).

LIFE YIELDS – slide 10

Life segregated funds yields increased by 13 bps compared to FY22, reaching 3.12%, while the average minimum guarantee decreased to 84 bps.
The average yield retained by the Group reached 98 bps and the average yield to policyholders was up by 10 bps.
As for the breakdown of technical reserves by minimum guarantee, 52% of them are related to the 0% cluster.

LIFE CSM – slide 11

At 1 January 2023 the opening CSM was 2,265€m; the roll-forward to 31 December showed a growth to 2,295 €m given by new business (+248€m), expected return (+99€m) economic variances (+104€), operating variances (-188€m) and CSM release (-233€m).

PRESENT VALUE OF LIFE NEW BUSINESS – slide 12

Present Value of Life New Business showed a very satisfying upward trend, settling at 4.1 %, 50 basis points higher than 2022. The Total New Business Value was 105€m and the Present Value of New Business Premiums 2,560€m.

INVESTMENTS – slide 13

Total investments amounted to 55.7€bn, with Bonds at 79.4%, of which Italian Govies stood at 31.6%, Non-Italian Govies at 18.5% and Corporate Bonds at 29.3%.
Equity, funds and alternative investments accounted for 8.8% of the total investments.
The duration of assets was 4.8 years and that of liabilities 5.8, with a small -0.3 mismatch.

FINANCIAL INVESTMENT YIELDS – slide 14

Moving on to financial yields, the overall return was 3.8%, of which 4.9% in Non-Life and 3.4% in Life.
The strong result in the Non-Life financial income was mainly driven by the running yield, made up of coupons and dividends, that stood at 4.0% (3.2% for Life sector).

REAL ESTATE – slide 15

In Real Estate the book value of the total portfolio reached 4,200€m, with market value totaling 4,916€m.
36% of the portfolio is now allocated to the Life accounting sector, 27% to Non-Life and 37% to the Other sector.
Worth mentioning is the evident growth of total gross yield of the Investment Portfolio from 3.2% at FY22 to 4.4%.

DIVIDEND PROPOSAL – slide 16

The Board of Directors of Unipol is going to propose to its Shareholders' Meeting a dividend per share of 0.38 euro, increasing by 2.7% the dividend distributed last year, for a total amount of 273€m and corresponding to a pay-out ratio of 72% on the local GAAP net result.
At UnipolSai the dividend proposal is 0.165 euro (+3.1% compared to last year), with a pay-out ratio of 75%, for a total of 467€m.

SOLVENCY 2 – slide 17

Solvency remained at very solid levels, being 200% for Unipol consolidated, 288% for UnipolSai consolidated and 283% for UnipolSai *solo*.
It is important to underline that the loss of 18pp of solvency ratio for Unipol in Q4 was mainly due to the negative impact of the consolidation through equity of the stake in Banca Popolare di Sondrio and to the accounting of dividends.

SOLVENCY 2 OWN FUNDS AND SCR DETAILS – slide 18

Looking at the Solvency 2 components, Unipol Own Funds amounted to 10.1€bn, of which 7.1€bn were classified insurance Tier 1, while the Solvency Capital Requirements stood at 5.0€bn. UnipolSai consolidated Own Funds were 9.3€bn, with insurance sector Tier 1 Own Funds amounting to 8.8€bn, while Solvency Capital Requirements amounted to 3.2€bn.

ESG HIGHLIGHTS – slide 19

Unipol joined the *Net Zero Asset Owner Alliance* in 2022 and in 2023 it defined its commitment to tackling climate change by setting a 2030 target of 50% reduction in the carbon intensity of its directly managed portfolios of listed equities and publicly traded corporate bonds. In 2023 several projects were finalized, such as the development of a retail health insurance offer, an advocacy to the European Commission for a new paradigm for measuring the CO2 emission of private vehicles, the establishment of a DE&I function, etc. The share of products with environmental and social value stood at 27.6%; the amount of thematic investments for the SDGs increased considerably to 1,493€m (862 at the end of 2021 and 1,160m at the end of 2022).

STRATEGIC PLAN STATUS UPDATE – slide 21

In the framework of the 5 strategic guidelines of the 2022-2024 Plan "Opening New Ways", in 2023 several significant actions were carried out, such as the possibility to pay premiums by instalments and the finalization of the 3.0 Agreement with the agency network (Data Driven Ominchannel Insurance strategic guideline), the convergence of the Group health business at Unisalute (Health and Life-Cycle focus), the strengthening of the stake in Banca Popolare di Sondrio (Bancassurance Boosting), the initiatives under the Mobility, Welfare and Property ecosystems (Beyond Insurance Enrichment) and the investments in technology and generational turnover fostered by the Solidarity Fund (Tech & People Evolution)

STRATEGIC PLAN QUANTITATIVE TARGETS – slide 22

The second year of the 2022-2024 strategic plan ends up with the financial year 2023. Among the quantitative results achieved so far, worth mentioning are the total profits for 1,838€m realized by Unipol in the first two years (against the three-year cumulated target of 2.3€bn) and 1,555€m by UnipolSai (three-year target of 2.3€bn) and total dividends of 538€m for Unipol (three-year cumulated target of 750€m) and 920€m for UnipolSai (three-year target of 1.4€bn).

THE TRANSACTION – slide 33

As reported in the press release, the Board of Directors of Unipol and UnipolSai launched the rationalization project of the Group with the aim of merging UnipolSai into Unipol and changing the corporate name to Unipol Assicurazioni.
The exchange ratio offered is equal to 3 newly-issued Unipol shares for every 10 UnipolSai shares.
This merger will be preceded by a public voluntary cash tender offer (PVTO) by Unipol for all the shares of UnipolSai at the price of 2.700€ per share, representing a premium vs. market prices as detailed in slide 38 of the presentation.

RATIONALIZATION STEPS AND EVOLUTION OF THE GROUP STRATEGIC FRAMEWORK – slide 34

The merger of Unipol and UnipolSai is the natural completion of a process started in 2012, when Unipol Group acquired the control of Premafin/Fondiaria-Sai Group. Our Group had 4 listed companies (Premafin, Fondiaria-Sai, Milano Assicurazioni and Unipol) and 8 categories of listed shares (Unipol ord, Unipol priv, Premafin, Fondiaria-Sai ord, Fondiaria-Sai risp A, Fondiaria-Sai risp B, Milano ord, Milano risp) back then. A lengthy process of ensuing rationalization activities will result in 1 single listed company, with only 1 category of listed shares.

STRATEGIC RATIONALE – slide 35

The transaction is aimed at streamlining the Group corporate structure and simplifying the decision-making processes under a unified Group governance.
There will be benefits for both Unipol and UnipolSai shareholders.
The first ones will be shareholders of an insurance company comparable with national and European players, optimize the cash and funding profile, achieving cost synergies and enhancing the capital position of the Group also in prospect.
The second ones will be shareholders of one of the leading insurance companies in Italy, that is listed on the Stock Exchange, parent company of the Unipol Group and consistent with the national and international best practices; they will hold a share with a much higher degree of liquidity, increase their stake in the bancassurance partners benefitting from additional income sources and diversification.
The rationale underlying the PVTO is to grant to UnipolSai shareholders not willing to participate in the merger a prompt monetization of the investment, ahead of the effective date of the merger at a price with includes a premium versus the market price.

MERGER HIGHLIGHTS – slide 36

The merger by incorporation of UnipolSai into Unipol will also involve the 3 intermediate holdings Unipol Finance, UnipolPart and Unipol Investment.

The completion of the merger will take place regardless of the outcome of the PVTO and Unipol shareholders not approving the merger and therefore the amendment to the bylaws will have a withdrawal right (whose effectiveness is subject to the finalization of the merger and to the total expenditure not exceeding 100€m, unless waived by Unipol and UnipolSai).

Completion of the merger is subject, inter alia, to the relevant authorizations required by the law and it is expected by the end of 2024.

PVTO HIGHLIGHTS – slide 37

The voluntary public tender offer is entirely in cash for all shares of UnipolSai (except for the shares already directly and indirectly owned by Unipol and the treasury shares directly and indirectly owned by UnipolSai, including the treasury shares that will eventually be granted to management by the end of the VPTO acceptance period as part of compensation plans) and it involves a maximum of 417,386,600 shares, representing 14.75% of the share capital of UnipolSai.

It will be financed using existing cash resources and the start is subject to the customary regulatory approval by Consob.