UnipolSai
ASSICURAZIONI

Innovating today to mark our future

2018
Consolidated Financial Statements

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Translation from the Italian original solely for the convenience of international readers

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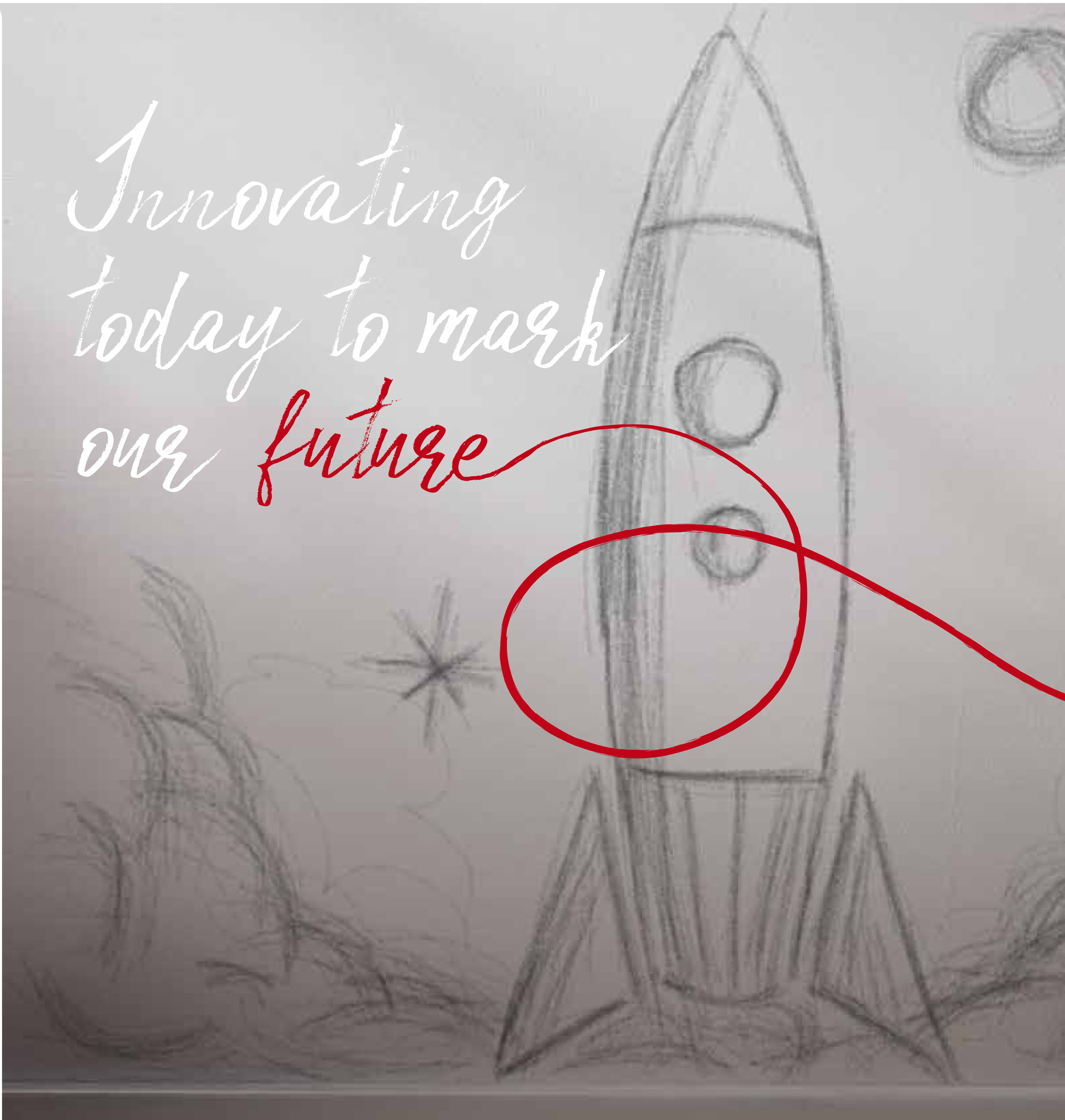

The expansion of the **insurance and financial offer** is increasingly oriented towards **service, innovation** and the **excellence of the operating machine**. These are the objectives achieved by UnipolSai and Unipol Group in the last three years, a path made of commitment, professionalism and passion, in order to consolidate the role of market leader.
A **leader close to the people**, an **innovative leader**, able to listen constantly, who, by investing in telematics, knows how to become a better interpreter

of the **living insurance** concept, inspiring our way of acting, serving both people and businesses.

The future has just started and we are ready to face a new, ambitious and challenging journey, to be pursued and shared with our stakeholders, being responsible and putting our skills at disposal of the community, of the Country. **Aware that only innovating the present, we will be able to mark our future.**

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Company bodies

BOARD OF DIRECTORS	CHAIRMAN	Carlo Cimbri	
	VICE CHAIRMEN	Fabio Cerchiai	
		Pierluigi Stefanini	
	DIRECTORS	Francesco Berardini	Maria Rosaria Maugeri
		Paolo Cattabiani	Maria Lillà Montagnani
		Lorenzo Cottignoli	Nicla Picchi
		Ernesto Dalle Rive	Giuseppe Recchi
		Cristina De Benetti	Elisabetta Righini
		Giorgio Ghiglieno	Barbara Tadolini
		Vittorio Giovetti	Francesco Vella
		Massimo Masotti	
	SECRETARY OF THE BOARD OF DIRECTORS	Roberto Giay	
GENERAL MANAGER		Matteo Laterza	
BOARD OF STATUTORY AUDITORS	CHAIRMAN	Paolo Fumagalli	
	STATUTORY AUDITORS	Giuseppe Angiolini	
		Silvia Bocci	
	ALTERNATE AUDITORS	Domenico Livio Trombone	
		Luciana Ravicini	
		Sara Fornasiero	
MANAGER IN CHARGE OF FINANCIAL REPORTING		Maurizio Castellina	
INDEPENDENT AUDITORS		PricewaterhouseCoopers SpA	

Introduction

Macroeconomic background and market performance

Macroeconomic background

The global economy has shown signs of a general slowdown. The world economy is facing several critical challenges: deceleration of international trade driven by tensions between the United States and China; fear of a disorderly exit of the United Kingdom from the European Union; normalisation of international monetary policies and uncertain results from upcoming European elections.

The **Euro Area** recorded GDP growth of around 1.8%, roughly 0.7% lower than 2017. The slowdown in growth is attributable to various factors, such as: the downturn in international trade, the reduction in support from the ECB, uncertainty relating to Brexit developments and the deceleration of the German automotive industry. The unemployment rate continued to fall, reaching around 8% in December 2018.

The ECB has progressively decreased its monetary stimulus, even if against a background of economic slowdown and with the presence of an inflation below the 2% objective (trend rate in December was 1.8%, with a forecast of a further downturn in 2019). The ECB has recently confirmed that the official discount rate will remain anchored at the current level until at least the summer of 2019. In October 2018, purchases related to the quantitative easing declined from €30bn to €15bn a month while subsequently falling to zero beginning with January 2019 (although capital at maturity continues to be reinvested).

In the **United States**, economic activity grew at a rate of close to **2.9%** (2.2% in 2017), due to the good performance of domestic demand, also driven by the effects of the Trump Administration's tax reform. In an economic context of sustained growth characterised by full employment (3.8% unemployment rate in December) and with a change in consumer prices standing at 2.2% in December, the Federal Reserve hiked the rate on Fed funds four times during the year, reaching 2.5% in December and continuing with a progressive decrease in the total bonds held.

Thanks to the continuation of unconventional monetary policies and the contribution of exports in the first half, **Japan** registered weak growth (around **0.8%**) within a context of full employment (in December, the unemployment rate was 2.4%). The trend inflation rate stood at 0.9% in December.

China showed signs of a slowdown in the second half of 2018, despite recorded growth of **6.5%** on an annual basis. The slowdown is mostly to be attributed to a deceleration in international trade and to the trade war with the United States, as well as to slower internal demand. The trend inflation rate stood at 2.3% in December.

The year 2018 was essentially positive, from an economic perspective, for the **emerging countries** although the slowdown in international trade and the fall in oil prices and commodities are affecting future development prospects.

In 2018, the **Italian economy** showed a significant slowdown compared with the previous year, with a positive **growth rate** of about **0.8%** on an annual basis, due to several factors: decline in net exports because of the slowdown in the global trade, a progressive decline in investments, the normalisation of the monetary policy and a deceleration in employment (with an **unemployment** rate standing at 10.6% at the end of the year). The effects of an uncertain budgetary policy and rising tensions have negatively impacted the internal demand and have caused an increase in the cost of loans as well as a deterioration of companies and households expectations. In December, the trend **inflation rate** stood at**1.4%.**

In 2019, after two years of growth, the international economic cycle should confirm its expansionary trend, although at a more moderate pace than in 2018.

Financial markets

The conclusion of the bond purchase programme by the ECB (Quantitative Easing), eagerly awaited by the markets, did not translate, in 2018, into significant changes in the forward interest rate curve on the monetary and interbank markets. Euribor and Swap rates in the Euro Area remained in negative territory with maturity up to 3 years, whereas the 3-month Euribor increased less than 40 basis points versus the same figures at the end of 2017.

The ECB, based on a gradual normalisation of the monetary policy, could implement, in the first half of 2020, a 25 basis point increase on deposit rates and subsequently, at the end of 2020, on the main refinancing rate. The market rates should precede these actions with a gradual increase in the maturity structure, even if in the direction of values that would still be quite compressed.

In Italy, the curve of the maturity structure of interest rates has been substantially stable for over two years due, on the one hand, to the compression of the long term rates implemented by the ECB's Quantitative Easing and on the other hand to the anchoring of short term rates resulting from policy rate stability. The anticipation of an intervention that would raise both the deposit rate and the MRO (Main Refinancing Operations) should drive a gradual increase in government rates also on the shortest-term segment of the curve; at the same time, if the ECB maintains the security stock in the portfolio, the compression of long term rates should continue even if the uncertainties resulting from the presentation of the tax policy have contributed to maintaining the spread with the German Bund on values greater than 250 basis points, up by more than 60 basis points versus the spread at the end of 2017.

The year 2018 ended with significant losses in the global equity indexes. At the end of 2018, the Eurostoxx 50 index of the European stock markets was down by 15% compared with 2017. Some uncertainties about the Italian budgeting policy and the widening of the Btp-Bund spread have affected the Italian stock prices, in particular in the banking sector, showing an 18% drop in the FTSE MIB index compared with 2017.

The correction in the stock prices was more modest in the United States where the S&P 500 index was down by 6%. However, stock prices remained historically high with respect to corporate fundamentals. The drop in US equity valuation is to be partially attributed to the normalisation of the monetary policy adopted by the Fed, which is materialising through gradual increases in the policy rate. Communication from the Fed has changed its tone many times during the year, appearing more restrictive in the last quarter of 2018 and more accommodating at the beginning of 2019, thus contributing to an increase in the implicit volatility of the option prices (the VIX index increased by 4 percentage points compared with the end of the 2017 values) The expected slowdown in the international economic cycle and the more restrictive monetary policy adopted in the United States have also caused a decline in the emerging stock markets, with the Morgan Stanley Emerging index showing an 18% downturn in the reference period.

Insurance sector

In 2018, total premiums of the Italian direct business stood at €135bn (+3% compared with 2017). The market share of the top five companies was stable at around 60%

Premiums in the Life business stood at €102bn (+2.5%). The growth was driven by the Class I (+5.5%), while the Class III was down by 4.6%. A positive development was recorded in **Class IV (+22.5%)** and in **Class VI Pension Funds (+7.8%)**, although to a limited extent.

As for the distribution, the banking channel showed an increase (+3%) as did the direct sales channel (+25%), whereas a decline was recorded in the agency (-1.8%) and in the advisors (-3.3%) channels.
The technical result of the Life business was down from €1.7bn in the first six months of 2017 to almost zero in the first six months of 2018. These negative results are primarily attributable to the significant drop in net gains on investments.

The Non-Life business showed a 2.1% growth. As for the distribution, the decline trend of the agency channel continued with a -60 basis points in the first three quarters of 2018. The broker share was also down from 9.3% to 8.4%. Conversely, the banking channel showed a 57 basis points increase and the direct business an almost 100 point increase. As regards the MV classes, the agency channel had an 83.2% impact in the first three quarters of 2018, although decreasing by 60 basis points compared with 2017. By contrast, the impact of direct business, the second top channel, is up standing at 8.9% (+17 basis points). Brokers and bank branches also rose by 21 and 31 basis points respectively. In the first six months of 2018, the total technical balance of the Non-Life direct business improved versus the same period of 2017, while the combined ratio declined by 29 basis points.

The average premium of MV TPL renewable contracts remained substantially unchanged between the third quarter of 2018 and the same period of 2017, while the average premium for vehicles declined by 0.6%[1]. In the same period of time, the number of policies requiring the installation of a black box slightly increased (+0.3%) standing at 20.6%; the retention rate recorded a decline in all categories of transport means between one and two percentage points[2].

The decrease trend in claims continued. In the third quarter of 2018, the percentage of managed claims was down by 4% compared with the third quarter of 2017. The frequency of claims regarding vehicles decreased from 5.9% to 5.7% (-0.2%), while trucks recorded a 1% decline and the MV an 8% decline. The average cost of claims in the third quarter of 2018 was up by about 3.6% compared with the same period of 2017[3].

In the first six months of 2018, the top five Italian groups reported a significantly higher ROE. The Combined ratio, although remaining on values above 90% for the companies of the same groups operating in the Non-Life business, showed a slight decrease (except for one group) while for the companies operating primarily in the Life sector, the decrease was significant.

The changes in the insurance sector refer, for 2018, to the ANIA forecast data.

Pension funds

In 2018, the existing positions increased by 448 thousand units while the number of members remained stable due to an increase in the number of those participating simultaneously in multiple pension schemes (about 17%).

The total supplementary pension schemes continued the declining trend of the last few years. As a result of the stability of a number of occupational pension funds, both closed and open, and of Personal Pension Funds (PIP), a reduction in open and pre-existing pension funds, especially the independent ones, still representing 62% of the total, should be noted. The recomposition of the market is confirmed by the performance of the memberships in 2018 with a greater increase in the occupational closed funds (+7%) and a drop in the pre-existing pension funds. The greater contribution came from the new closed fund "Previambiente" reserved for workers in the environmental health sector.

In 2018, due to a worse performance of the financial markets, aggregate net returns were, on average, negative: -2.5% for the occupational closed funds, -4.5% for the open funds and -6.5% for the unit linked PIPs. Only the PIPs of Class I showed a positive performance (+1.7%).
The Individual Savings Plans (PIR), established in 2017 as long-term open asset management funds, were initially positioned as an alternative savings instrument. Conceived as an industrial policy instrument, they were subject to a tax credit. In 2017, 11 billion was collected in premiums, but only 20% of these were invested in Full Equity funds, allocating less than 1% to the Aim segment (mid- and small-sized capitalisation).

According to Assogestioni, the PIR premiums in 2018 amounted to only 4 billion. The drop, by approximately 70%, was the result of the negative performance of the Italian stock market which made the PIRs unattractive. In fact, the equity PIRs very often recorded returns lower than management costs, especially when the capital was invested, to a greater extent, in the Star segment with medium capitalisation. The new reform, providing incentives to investments in the Aim segment and in venture capital, could make these investments attractive again, thus restoring a growth in premiums.

[1] Adjusted data.
[2] Adjusted data.
[3] The data on frequency and average cost of claims have been adjusted.

Banking sector

In Italy, the strengthening of the banking sector continued, even if showing a slowdown in 2018 due to the tensions arising in the market of the Italian sovereign debt. The decline in the prices of government bonds and the decline in bank stock valuation caused a drop in capital reserves and liquidity, in addition to an increase in the cost of wholesale funding and an increase in capital costs. Therefore, the Italian banking sector confirms its exposure to the price volatility of government bonds and to the risks related to the sustainability of public finance.

A recovery of credit to the private sector is confirmed, although at a slower pace than the average recovery in the Euro Area. Growth in loans to households remained substantially in line with that of the European financial intermediaries, while loans to businesses grew at a lower than 2% rate on an annual basis, more than two percentage points less compared with the EMU average. In a survey carried out with financial intermediaries, some signs of a slight tightening of the credit conditions for the private sector have emerged.

The flow of new impaired loans, measured in relation to the total of performing loans, stands currently at 1.7%, after dropping, in the second quarter of the year, to the lowest value since 2006. Improvements in credit quality were positively impacted by the lower rates on loans and the greater growth pace experienced by the Italian economy in the last two years. Overall, in the first half of 2018, the amount of gross impaired loans was down by 13%, thanks in particular to sales transactions. The sales carried out in the first half of the year were in line with the containment actions planned by the intermediaries for 2018 and communicated to the market.

From the end of last year, the coverage rate of impaired loans increased by almost four points, to 54.3%, a greater level compared with the average of the EU banks, thanks also to the transition to the to new accounting standard IFRS 9, which requires that value adjustments must reflect also the sale scenarios, thus reducing the gap between the carrying amount of assets (held for sale) and market prices.

The cost of credit remained at historically low levels. The rate on new loans to companies stood at 1.5% in November, while the rate on new loans to households for the purchase of homes, was about 2%. Compared with previous episodes of financial tension, the transfer of the greater gross premium costs recorded beginning last summer, to the interest rates applied to households and companies has been, to date, less intense due primarily to a more stable composition of the intermediaries' liabilities and a greater capitalisation of the banking system as a whole.

Real Estate market

The Real Estate Market Observatory (Tax Authorities and Bank of Italy) reported that in 2018 the sale of homes in the residential segment continued the growth that began in 2014, thus reabsorbing almost completely the losses of 2012. In the third quarter, a trend change of 6.7% was recorded, a percentage point above the same figure of the first and second quarters of 2018 (4.3% and 5.6% respectively). However, considering the top eight Italian cities, the average growth rate stood at 3.9%, significantly below the national figure, with better results from the real estate market of smaller towns.

A weaker recovery in the market of homes for non-residential use was noted. In the third quarter of 2018, sales in the commercial-tertiary sector recorded a slight decline (-0.3%) and those of the production sector, a more substantial decline (-6.5%) compared with the third quarter of 2017. This decline indicated a reversal in the positive trend of 2016. In fact, in the first and second quarters of 2018, the sale of properties intended for tertiary and commercial activities grew by 5.9% and 8.5% respectively, while the properties intended for production activities grew by 8.2% and 1.3% respectively.

In 2018, based on the Eurostat House Price Index, the inflation of home prices continued to show a decreasing trend: the change was respectively -0.5%, -0.4% and -0.8% in the first three quarters of 2018. This data is even more significant if compared with the consumer price index; in fact the decline in the third quarter of 2018 was actually -2.1%. Italy is the only European country still showing a deflation in home prices, with an European average change that in the third quarter of 2018, stood at 4.3% in nominal terms and 2.6% in real terms.

The prices of new homes continue to show a sustained growth, respectively by +1%, +1.2% and +1.4% in the first three quarters of 2018, in line with the other European countries. The growth in rents remained positive, equal to 0.4% in

2018. Conversely, indicators of the Italian residential real estate market still show some fragility. In fact the change in the Price-to Rent and the Price-to-Income ratios remained negative, respectively at -1.2% and -3.2% in the third quarter of 2018.

The economic survey carried out on the housing market, in October, by the Bank of Italy, has identified a growing number of operators expecting stability in property prices and showing lower expectations for a deflation. At the same time, the demand is perceived to be stable due to better loan conditions. In fact, the number of real estate agents reporting a difficulty in obtaining a mortgage as the main reason for suspending sales requests, remained quite contained.

Main regulatory developments

Relevant primary regulations for the insurance sector

Legislative Decree 68 of 21 May 2018
Issued by way of implementation of the Directive (EU) 2016/97 by the European Parliament and the Council (Insurance Distribution Directive or also "IDD"), the Decree sets forth significant changes to the current regulations in the area of insurance distribution, introducing changes to the Private Insurance Code (Codice delle Assicurazioni Private or CAP) and to the Consolidated Law on Finance (Testo unico sull'intermediazione finanziaria or TUF).
Some of the changes set forth in the Decree are:

- alignment, between CAP and TUF, of the definitions of "insurance investment product";
- inclusion of the companies carrying out direct distribution activities in the definition of "distribution" introduced by CAP;
- extension of the supplementary regulations introduced by the IDD, referring exclusively to insurance investment products (IBIPs), to all the other insurance products as regards conflicts of interest;
- introduction of the obligation of drawing up and delivering the Precontractual Information Document (Documento Informativo Precontrattuale or DIP) applicable to the insurance contracts for the Non-Life business;
- transposition of the regulations set forth in the IDD as regards the product oversight and governance (POG);
- addition of a new chapter to the CAP that sets out internal systems and procedures for reporting violations (whistleblowing);
- addition of IVASS to the authorities involved in ADR processes;
- changes to Title XVIII of the CAP related to disciplinary profile;
- introduction of the possibility, for IVASS and CONSOB, upon obtaining an opinion from the main associations representing insurance intermediaries, insurance companies and consumers, of defining the standard methods that guarantee a more reliable customer profiling.

Decree Law 119 of 23 October 2018, converted, as amended, with Law no. 136 of 17 December 2018
Upon the conversion of the Decree, Art. 20-quater was introduced, inter alia, setting forth provisions for the temporary suspension of capital losses from short-term securities.
As regards the turbulent situation of the financial markets in 2018, the article in question introduces a temporary exemption from the criteria adopted in the financial statements for the measurement of securities not intended to be retained in the long-term in the company's assets. This enables the companies that have not adopted the international accounting standards, to measure these securities based on the value recognised in the most recent and approved Financial Statements rather than the value resulting from the market performance, with the exception of impairment losses.
The companies that choose this option must allocate to an unavailable profit provision an amount corresponding to the unrecognised capital losses, net of their related tax effect.
For the companies in the insurance sector, IVASS has governed the implementation of said measures with Regulation no. 43 of 12 February 2019.
It should be noted that none of the companies of the Unipol Group has used the exemption under Art. 20-quater of the Decree in the preparation of the Financial Statements covering the period ended 31 December 2018.

Main Regulations, Measures and Letters to the market issued by IVASS

Following is a summary of the main regulatory documents issued by IVASS in 2018.

IVASS Measure no. 68 of 14 February 2018 and subsequent Letter to the market of 21 December 2018
The IVASS Measure 68/2018 has introduced new provisions in the area of segregated funds amending IVASS Regulation no. 38/2011 and, to a lesser extent, IVASS Regulations no. 14/2008 and 22/2008. In particular, the amendments to Regulation 38/2011 have introduced elements that ensure the necessary flexibility in the determination of the average rate of return from the aggregated funds, thus allowing the insurance companies to:

- set aside, for the new contracts only, the net realised capital gains in a specific "profit provision" that can be used to determine the average rate of return for a maximum period of eight years from the date when the net capital gains were realised;
- suspend the recognition of gains and losses resulting from the periodic trading (typically on an interim basis) of particular types of derivatives, contemplating the allocation of the net income to an item adjusting the financial results of each period of observation of the segregated funds until the closing date of the transaction.

With a Letter to the market dated 21 December 2018, IVASS has provided instructions for the electronic transmission of the Summary statements and the Report on segregated funds where the "Profit provision", pursuant to this Measure, has been set up.

Letter to the market of 19 March 2018
IVASS has provided updated instructions on the transmission to the competent authorities of the information set forth in the Solvency II Directive and in the Regulations EU no. 1374/2014 and no. 2015/730 issued by the ECB (regarding the obligation of statistical reporting from the insurance companies), as well as the Regulations applicable to Financial Stability.

IVASS Regulation no. 37 of 27 March 2018
This Regulation sets forth the criteria and the methods to be used by the Insurance Companies to determine the mandatory discounts within the scope of TPL for motor vehicles under Art. 132-ter, paragraphs 2 and 4 of Legislative Decree 209 of 7 September 2005 (Private Insurance Code) as amended by Legislative Decree 74 of 12 May 2015 and by Law 124 of 4 August 2017.
This Regulation provides for two types of mandatory discount:

- the first, upon proposal by the company and upon acceptance by the contracting party and if at least one of the following three conditions is met: i) preliminary inspection of the vehicle at the expense of the insurer; ii) installation or presence in the vehicle of electronic mechanisms that record its activity, such as a black box or equivalent mechanism; iii) installation or presence in the vehicle of electronic mechanisms that prevent the starting of the engine if the blood alcohol level of the driver exceeds the legal limits;
- the second, additional and applicable to the subjects who in the last four years have not caused any accident for which they were liable, insofar as they have installed or they are installing electronic mechanisms that record the activities of the vehicle, such as a black box or similar mechanism, and reside in provinces with a greater claim rate and greater average premiums, as identified by IVASS.

This Regulation intends to achieve the primary regulatory objective which, on the one hand, aims at guaranteeing to the policyholders the recognition of discounts based on a reduction of the risks to which the company is exposed, and, on the other hand, the progressive reduction of the differences in MV TPL premiums applied, within the national territory, for the same level of risk, to the virtuous policyholders residing in the provinces with a greater claim rate and greater average premiums.

IVASS Measure no. 72 of 16 April 2018
This Measure, issued in implementation of Art. 3, paragraph 3, of IVASS Regulation no. 9/2015 and governing the certified risk database and the certification on risk status, contains adjustments to the identification criteria and to the differential premium system of the universal conversion merit category for the MV TPL insurance.

IVASS Measure no. 74 of 8 May 2018
With this measure, some amendments were made to the ISVAP Regulation no. 7/2007, regarding IAS/IFRS financial statements, following the entry into effect of IFRS 9, "Financial instruments", and related deferral options for the insurance sector, introduced through the amendments to the IFRS 4 "Insurance Contracts". Following is a summary of the main changes:

- the preparation standards have been supplemented with the indication of the layout to be used by the companies that adopt different options permitted for the transition to IFRS 9 for the Consolidated Financial Statements and the Half-yearly Financial Report;
- for the companies that have adopted IFRS 9 (including the application of the so-called "overlay approach"), the following statements were added in order to include the new categories of financial instruments and the recognition of the related value adjustments: statement of financial position, income statement, comprehensive income statement, statement of cash flows and notes to the financial statements;
- for the companies that continue temporarily to apply IAS 39, due to the so-called "deferral approach", the pre-existing tables remain valid;
- for the conglomerates that use the option of a joint application of IFRS 9 and IAS 39, thus not applying IFRS 9 to their companies operating in the insurance sector, no predefined financial statement layout is required, but it is still necessary to add to the Financial Statements and the related Notes all the different items included in the new tables created for the companies that have adopted IFRS 9.

<u>Letter to the market of 5 June 2018</u>
IVASS has provided instructions for the calculation of the best estimate of the technical provisions related to Life insurance contracts (Best Estimate of Liabilities) within the scope of the Solvency II prudential supervision. More specifically the document addresses first-pillar aspects (standards and rules related to the calculation of technical provisions) and second-pillar aspects (governance and risk management).

<u>IVASS Regulation no. 38 of 3 July 2018</u>
This Regulation applies to the corporate and Group governance system pursuant to the Guidelines issued by EIOPA on this matter and, at the same time, drawing from the ISVAP Regulation no. 20/2008 (on internal controls, risk management, compliance and outsourcing), to the ISVAP Regulation no. 39 of 9 June 2011 (on remuneration policies) as well as to the ISVAP Circular no. 574/2005 on outwards reinsurance, which have therefore been repealed. The set forth provisions should be read jointly with the Letter to the market issued by IVASS on 5 July 2018 (see below) with which IVASS analyses in depth the proportionality principle, in accordance with the provisions of Solvency II, where it is established that the prudential provisions are applicable based on the risk profile of the company determined by the nature, scope and complexity of the risks arising from the activity at issue.

<u>Letter to the market of 5 July 2018</u>
In this document, IVASS guidelines on the application of the principle of proportionality stated in the corporate governance system are defined along with the identification of three possible models - strengthened, ordinary and simplified - pursuant to a self assessment process structured on a dimension analysis, based on qualitative/quantitative parameters that identify the risk and complexity level of the business and of the transactions carried out.

<u>IVASS Regulation no. 40 of 2 August 2018</u>
This Regulation governs, on a unified level, the insurance distribution activities pursuant to title IX (General provisions on distribution) of Legislative Decree no. 209 of 7 September 2005 – Private Insurance Code .
The revision and the rationalisation of the provisions applicable to the sector originate from the changes introduced by Directive (EU) no. 2016/97 – Insurance Distribution Directive (IDD). This Regulation takes the form of a comprehensive set of rules, broken down into the following macro areas:
- the requirements for accessing and exercising distribution activities, especially as regards the requirement for the registration of intermediaries, the performance of activities by the distribution operators, the employees of companies directly involved in the distribution and the operators of the call centres of companies and intermediaries;
- the training and professional refresher courses based on which the relevant topics are adjusted in compliance with the new minimum requirements of professional knowledge and expertise, as set forth in the Directive;
- the rules of conduct and pre-contractual disclosures;
- the promotion and placement of insurance contracts through remote communication techniques.

<u>IVASS Regulation no. 41 of 2 August 2018</u>
The Regulation updates the provisions governing reporting, advertising and development of the insurance products by transposing the principles of the IDD European Directive and the consequent reform of Legislative Decree 209 of 7 September 2005 – Private Insurance Code.
In particular, the Regulation provides for:

- a review of the contractual information of all the products through the preparation of new, simplified and standardised documents that replace the current information note and summary data sheet;
- an enhancement of the digitalisation to be implemented with both the so-called home insurance functionalities (reserved areas in the websites of the companies) and the replacement, upon request by the customer, of paper communications with digital communications and also the reduction of the current obligation to publish in newspapers.

A strengthening of the systems for the protection of the contracting party will be also carried out, in particular as regards the information during the contracting phase and the methods for drawing up the contractual documents, with provisions aimed at facilitating a contractual simplification, at guaranteeing comparability of the contract conditions and at reducing the phenomenon of dormant policies.

IVASS Regulation no. 42 of 2 August 2018
This Regulation, applicable beginning 2018, falls under the scope of the Solvency II framework and determines the content of the "Solvency and financial conditions report" ("SFCR") of the company and the group which is subject to audit by the independent auditor or auditing firm, as well as all related execution methods (external audit). In particular, with this Regulation, IVASS has broadened the scope of the auditing activity, with regard to the content in the Letter to the market of December 2016, extending it also to capital requirements, in order to increase the quality and reliability of the information disclosed to the public. Hence, starting from the SFCR for the year 2018, an audit, conducted by an external auditing firm, is required on the quantitative templates (Quantitative Templates – "QRT") and on the sections of SFCR providing information concerning:

- the financial position for solvency purposes and the related measurement criteria (QRT S.02.01.02 "Balance Sheet" for companies and groups, as well as Section D of the SFCR);
- the own funds (QRT S.23.01.01 and S.23.01.22 "Own Funds" respectively for companies and groups, as well as Section E.1 of the SFCR);
- the solvency capital requirement (SCR), regardless of the calculation method adopted for its determination (standard formula or internal model) and the minimum capital requirement (MCR) (QRT S.25.02.01 and S.25.02.22 "Solvency Capital Requirement" respectively for companies and groups that use the partial internal model, QRT S.28.02.01 "Minimum Capital requirement" for the companies and Section E.2 of the SFCR).

However, the determinations adopted by IVASS in carrying out its supervisory functions – with reference to the elements of the SFCR listed above, including those related to the solvency capital requirement calculated through the use of parameters specific of the company or the Group or through an internal model (partial or complete), in order to avoid duplications between the required audits and the process for the authorisation to be issued by the Authority of interest – are not subject to an assessment of compliance or to conclusions from a limited auditing.
The audit engagement may be entrusted to the same auditor who carries out the auditing of the annual and consolidated accounts.

It should be noted that on 31 October 2018, IVASS has published an explanatory document containing clarifications on the methods used to apply the transitional measure on technical provisions (Misura transitoria sulle riserve tecniche or "MTRT"), as required by the Private Insurance Code, so as to allow for a gradual transition from the existing prudential framework (Solvency I) to the Solvency II framework. This document clarifies the methods for the calculation and submission of the request for authorisation as well as the corporate governance and risk control measures that are necessary for the application of the MTRT. The Companies of the Group did not use the MTRT regarding the calculation of the Solvency ratio at 31 December 2018.

Main documents issued by the European Bodies within the Solvency II framework

On 28 February 2018, the public consultation on the second set of opinions for the revision of the Standard Formula by EIOPA, through the publication of the final Set of Advice, was completed. In particular, to be noted are: the treatment of Risk Margin (through any necessary revision of the methods and assumptions used for the related calculation), the capacity for absorption of the deferred tax losses and the Interest Rate Risk (not considering it adequate to address a context characterised by low interest rates).

On 28 March 2018, EIOPA started an additional consultation (concluded on 12 May) on possible changes to the Implementing Technical Standards (ITS) in the area of reporting and disclosure, concerning EU Regulations nos. 2015/2450 (about the submission of information to the supervisory authorities) and no. 2015/2452 (about the procedures, formats and templates of the solvency and financial condition report).

On 9 November 2018, the EU Commission issued, in public consultation (concluded on 7 December 2018), the draft of some proposals for the amendment of the Delegated Acts as regards several aspects of the Solvency II provisions, such as:

- some changes to and simplifications of the calculations of the SCR using the standard formula with reference to the counterparty risk and related mitigation techniques, to the market risk and to the underwriting Non-Life risk;
- classification of own funds;
- application of the "look through" approach, extended to the investees which carry out asset management activities on behalf of insurance companies.

The proposals for amendments also contain:

- further clarifications on the methods, the principles and the techniques for determining the structure of the risk-free curve;
- the criteria for the recognition of the guarantees issued by regional governments and local authorities;
- some additional principles for the calculation of the capacity to absorb deferred tax losses;
- a method for calculating the adjustment factor for the non-proportional reinsurance as a unit specific parameter (USP).

On 6 December 2018, the EU Parliament sent again a letter to the Commission with which, after acknowledging a delay in submitting the proposals for amendments to the Delegated Acts of Solvency II by the EU Commission (initially planned for no later than December 2018), restated, among several priorities, the necessity for less rigorous criteria regarding the application of the treatment of the new asset class of long-term equity investments and the necessity for improving the functioning of the Volatility Adjustment.

On 19 December 2018, EIOPA published a request for input on the reporting and disclosure requirements set forth in Solvency II, still taking into account the revision of the European solvency framework planned for 2020, with expiry date set on 19 February 2019.

Regulatory developments regarding taxation

Decree Law 87 of 12 July 2018 converted by Law 96 of 9 August 2018 (so called Dignity Decree). Among the tax provisions, to be noted is the introduction of provisions on VAT which have provided for the postponement of the dispatch of a communication on invoices, both issued and received – "spesometro" (expense reporting system); the exemption from the regulations of Split Payment (operation for splitting payments entailing the payment of the VAT debited, in the invoice, directly to the Tax Authority rather than to the supplier) for contracted workers; and the exemption from the obligations of entering into the VAT register the invoices, both issued and received, coinciding with the application of the electronic invoicing mechanism.

Decree Law 119 of 23 October 2018 converted by Law 136 of 17 December 2018 ("Connected to the 2019 Budget Law"). Introduces VAT provisions on the issuing and entry of invoices receivable, the registration of purchase invoices and deductions applicable, in part, from the publication date, in addition to provisions on tax simplification for the implementation of an electronic invoicing system starting in 2019, anticipating the non-application of sanctions in the first six months of the entry into effect. The decree contains the implementing provisions of "fiscal pacification", including the facilitated settlement of tax audit reports, of tax assessment deeds, of tax collection notices entrusted to the Tax Collection Agent, of tax disputes pending before the various levels of proceedings. The decree provides for the Italian Tax Police to be guaranteed free access to the registry of financial statements and for some changes made to the online tax process. Finally, the decree introduces an exemption to the criteria applied to the measurement, in the financial statements, of the securities recognised under total current assets which enables the subjects who prepare the financial statements in compliance with the provisions of the Civil Code (Articles 2423-2435-ter of the Civil Code) and the Italian accounting standards issued by the OIC (including the insurance companies in the individual financial statements) to retain, in the 2018 financial statements, the same figures of the previous statements.

Legislative Decree 142 of 29 November 2018 published in the Official Journal of 28 December 2018 and in effect since 12 January 2019. This decree implements the European Delegation Law for the period 2016-2017 (L. 163/2017) in order to transpose the Directive EU 2016/1164 which introduces provisions to counteract tax avoidance practices that affect the functioning of the internal market (so-called Atad 1), as amended by Directive EU 2017/952 (so-called Atad 2). In particular, the approved decree introduces new provisions on the deductibility of interest expense, exit taxation, non-resident subsidiaries, taxation of hybrid financial instruments, foreign subsidiaries, as well as dividends and capital gains.

Law 145 of 30 December 2018 (so-called "2019 Budget Law") sets forth, inter alia, the following:

- the repeal, effective from the 2019 tax period, of the Aid to Economic Growth (ACE) while the usability of the surplus amounts accrued at 31 December 2018 is maintained;
- the postponement, for insurance companies and credit and financial institutions, of the deductibility contemplated in the 2018 period of the non-deducted portion of write-downs and impairment losses on receivables, and of amortisation of the goodwill and of other intangible assets that have entailed the recognition of deferred tax assets in the financial statements;
- the introduction of new preferential taxation regulations regarding the reinvested profits, commensurate to investments in operating assets and new staff hired on permanent contracts;
- the splitting into instalments over 10 years, with respect to the planned full deduction in 2018, of the deductibility of impairment losses on loans calculated upon the first time application of the IFRS9 standard, for credit and financial institutions and insurance companies;
- amendments to the regulations concerning PIR, long-term individual savings plans, to provide an incentive to investments in venture capital funds and financial instruments issued by SMEs;
- the maintenance of blocking of any VAT rate increase also for 2019;
- the increase in rates for the payment of the tax advance on insurance borne by companies, to 85% as of 2019, to 90% as of 2020 and to 100% for subsequent years starting from 2021;
- the extension of deductions for energy and earthquake-proofing upgrades;
- the extension of the hyper-amortisation scheme (super amortisation is not being reproposed);
- reopening of the terms for the revaluation of the corporate assets and for the realignment of the civil and fiscal values.

Other regulations

Lastly, it should also be noted that Art. 1, paragraph 1073, of the 2019 Budget Law introduced an amendment to Legislative Decree 254 of 30 December 2016, aimed at strengthening the communication of information of a non-financial nature, thus broadening the disclosure by companies and groups subject to the regulations applicable to the management of corporate and environmental risks, both generated and suffered, in compliance with the increasing focus placed by the sector- and non-sector-related national and international regulations.

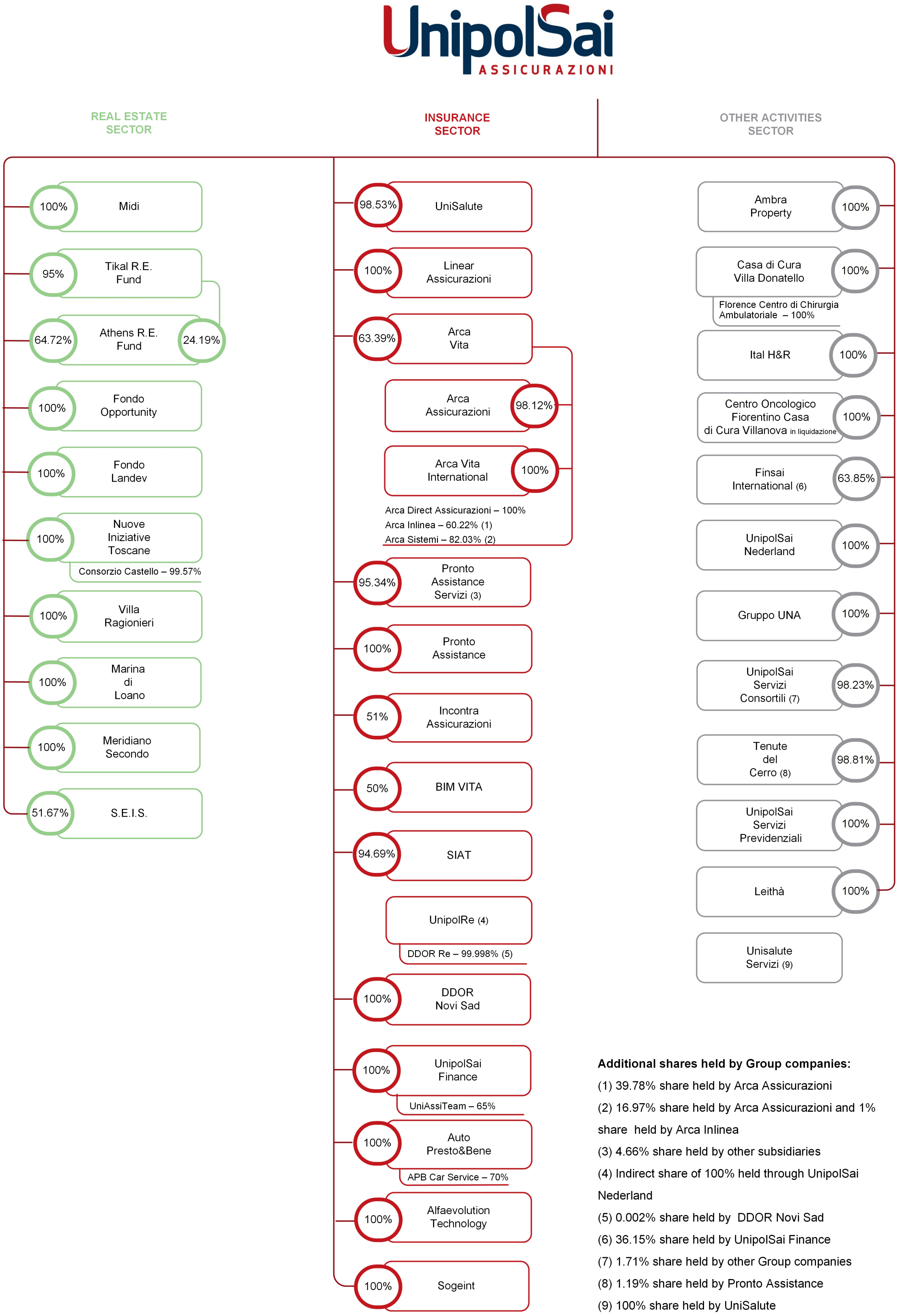
The Consolidated Financial Statements of UnipolSai Assicurazioni are subject to an audit by the independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2013/2021 period.

With respect to the obligations laid out by Legislative Decree 254 of 30 December 2016, on the communication of non-financial and diversity information by certain large undertakings and groups, please note that the UnipolSai Group is not subject to this obligation as one of the cases of exemption and equivalence laid out in Art. 6, paragraph 2 applies to it, given that it is a subsidiary company included within the Consolidated Non-Financial Statement prepared by the Unipol Group.

Consolidation Scope at 31 December 2018

(direct holding out of total share capital)

For more details see the table appended to the Notes "Consolidation Scope"



Additional shares held by Group companies:

(1) 39.78% share held by Arca Assicurazioni

(2) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea

(3) 4.66% share held by other subsidiaries

(4) Indirect share of 100% held through UnipolSai Nederland

(5) 0.002% share held by DDOR Novi Sad

(6) 36.15% share held by UnipolSai Finance

(7) 1.71% share held by other Group companies

(8) 1.19% share held by Pronto Assistance

(9) 100% share held by UniSalute

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MANAGEMENT REPORT

Group highlights

Amounts in €m	31/12/2018	31/12/2017
Non-Life direct insurance premiums	7,892	7,355
% variation	*7.3*	*1.9*
% variation on a like-for-like basis	*1.1*	
Life direct insurance premiums	3,826	3,713
% variation	*3.1*	*(29.7)*
% variation on a like-for-like basis	*15.4*	
of which Life investment products	358	261
% variation	*37.3*	*(55.4)*
% variation on a like-for-like basis	*(13.6)*	
Direct insurance premiums	11,718	11,068
% variation	*5.9*	*(11.4)*
% variation on a like-for-like basis	*5.7*	
Net gains on financial instruments (*)	1,924	1,568
% variation	*22.7*	*(0.8)*
% variation on a like-for-like basis	*4.5*	
Consolidated profit (loss)	948	537
% variation	*76.5*	*1.8*
% variation on a like-for-like basis	*21.9*	
Balance on the statement of comprehensive income	90	702
% variation	*(87.2)*	*116.3*
Investments and cash and cash equivalents	59,718	51,971
% variation	*14.9*	*(17.8)*
% variation on a like-for-like basis	*(0.9)*	
Technical provisions	53,223	45,757
% variation	*16.3*	*(18.0)*
% variation on a like-for-like basis	*(0.4)*	
Financial liabilities	5,253	3,663
% variation	*43.4*	*(21.7)*
% variation on a like-for-like basis	*5.2*	
Shareholders' Equity attributable to the owners of the Parent	5,448	5,869
% variation	*(7.2)*	*(4.7)*
UnipolSai Assicurazioni SpA Solvency ratio - Partial Internal Model	253%	263%
No. Staff	11,935	11,529

(*) excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management

On a like-for-like basis, the data is determined, for the entire duration of both periods being compared, based on the consolidation scope at 31 December 2018. As for the corresponding final data, the amounts contributed by Popolare Vita and The Lawrence Life were excluded and the data referring to the companies UniSalute, Linear and Ambra Property, acquired by UnipolSai in the second half of 2017, and to the Arca Group, acquired by UnipolSai in the third quarter of 2018, were included, if not already, for the entire duration of the comparison period.

Alternative performance indicators[4]

	classes	31/12/2018	31/12/2018 on a like for like basis	31/12/2017	31/12/2017 on a like for like basis
Loss ratio - direct business (including OTI ratio)	Non-Life	67.4%	67.2%	67.7%	67.5%
Expense ratio (calculated on written premiums) - direct business	Non-Life	27.2%	27.2%	28.2%	27.5%
Combined ratio - direct business (including OTI ratio)	Non-Life	94.6%	94.4%	95.9%	95.1%
Loss ratio - net of reinsurance	Non-Life	67.0%	66.8%	69.2%	69.0%
Expense ratio (calculated on premiums earned) - net of reinsurance	Non-Life	27.3%	27.4%	28.1%	27.4%
Combined ratio - net of reinsurance (*)	Non-Life	94.3%	94.2%	97.2%	96.4%
Premium retention ratio	Non-Life	95.1%		94.0%	
Premium retention ratio	Life	99.8%		99.8%	
Premium retention ratio	Total	96.5%		95.8%	
Group pro-rata APE (amounts in €m)	Life	491		504	
Expense ratio - direct business	Life	5.3%		5.6%	
Expense ratio - net of reinsurance	Life	5.2%		5.6%	

(*) with expense ratio calculated on premiums earned

[4] These indicators are not defined by accounting rules; rather, they are calculated based on economic-financial procedures used in the sector.
Loss ratio: primary indicator of the cost-effectiveness of operations of an insurance company in the Non-Life sector. This is the ratio of the cost of claims for the period to premiums for the period.
OTI (Other Technical Items) ratio: ratio of the sum of the balance of other technical charges/income and the change in other technical provisions to net premiums for the period.
Expense ratio: percentage indicator of the ratio of total operating expenses to premiums written as far as direct business is concerned, and the premiums as far as retained business, net of reinsurance, is concerned.
Combined ratio: indicator that measures the balance of Non-Life technical management, represented by the sum of the loss ratio and the expense ratio.
APE – Annual Premium Equivalent: the new Life business expressed in APE is a measurement of the volume of business relating to new policies and corresponds to the sum of periodic premiums of new products and one tenth of single premiums. This indicator is used to assess the business along with the in force value and the Life new business value of the Group.
The premium retention ratio is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. Investment products are not included in calculating this ratio.

Management Report

Significant events during the year

Positive conclusion of the three-year plan 2016-2018

The year 2018 was the last year covered in the 2016-2018 Business Plan during which the activities of the Group strongly focused on implementing the following directives:

- further development of the operating machine, following an increase in the size of the Group due to the merger with Fondiaria-SAI, through the intensification and simplification of the relationships with customers and agents, the extension of the offering of Health and Pension products, the innovation of products with a particular focus on the use of ICT and the consolidation of the operating and business processes;
- strengthening and relaunching of bancassurance partnerships with the Group BPER Banca and Banca Popolare di Sondrio (through Arca Vita, Arca Vita International and Arca Assicurazioni) and with Unicredit (through Incontra);
- completion of the corporate rationalisation of the Group with the concentration of all insurance assets under UnipolSai control;
- restructuring of the banking sector with a decisive strengthening of the hedging of the impaired loans of Unipol Banca and the separation of performing assets from the impaired assets through the establishment of UnipolReC. This operation has enabled the creation of conditions for the requalification of the strategy of the Group in the banking sector which will be completed in 2019, after obtaining the necessary authorisations, with the announced sale of Unipol Banca to BPER and the consequent exit from the direct business of a medium sized bank, in order to take on the role of a long-term stable investor of one of the main Italian banking groups.

The Group ends the three year Plan exceeding the objectives of profitability set in the 2016-2018 Business Plan, after reaching a cumulative net consolidated profit, both at the Unipol Group level and at the consolidated UnipolSai level, equal to more than €1.8bn, against the Plan's target of €1.5 – €1.7bn for Unipol Gruppo and €1.4 – €1.6bn for UnipolSai.
In addition to approximately €400m of cumulative dividends distributed over the three years, the remuneration objectives of the shareholders of Unipol Gruppo were achieved and exceeded at the level of UnipolSai with cumulative distributed dividends of approximately €1.2bn against the Plan's objective of €1bn.
The adopted strategy, the achieved results and the compliance with the dividend policy indicated in the Plan have ensured to our shareholders, at the end of the reference three year period, a performance, in terms of Total Returns, that was positive and exceeding the performance recorded in the same period by the main market indexes.
The compliance, as on a number of previous occasions, with the targets stated in the Plan confirms the construction in these years of a sustainable profitability over time that creates a solid platform for the next 2019-2021 Business Plan which will be presented to the financial markets this coming May.

Banking sector restructuring plan

The first half of 2018 saw the completion of the banking sector restructuring plan, announced to the market at the end of June 2017, a full disclosure on which was provided in the 2017 Financial Statements. The final phases of this plan implemented in the first few months of 2018 can be summarised as follows:

- on 16 January 2018, the agreement was signed for the proportional partial spin-off of Unipol Banca SpA ("Unipol Banca" or the "Company Divided") through the establishment of a new company, beneficiary of a corporate complex (the "Complex involved in the division"), amongst other things including the entire portfolio of bad and doubtful loans of Unipol Banca at the approval date of the Half-yearly Financial Report 2017, except for loans deriving from lease transactions and unsecured loans (the "Bad and Doubtful Loans"); On 31 January 2018, Unipol and UnipolSai disbursed a **shareholder loan** to Unipol Banca for €173m and €127m, respectively, for a **total amount of €300m**, intended to be included in the Complex involved in the division, as set out in the spin-off deed.
  - On 1 February 2018 (the "**Effective Date**"), the proportional partial spin-off (the "Spin-Off") of Unipol Banca to UnipolReC SpA ("**UnipolReC" or the "Beneficiary Company**"), an ancillary services undertaking, part of the Unipol Banking Group, operating pursuant to Article 115 of Italian Royal Decree no. 773 of 18 June 1931 (TULPS), took effect. The Complex involved in the division was transferred from Unipol Banca to UnipolReC for a shareholders' equity value of €313.2m, comprising €290.1m share capital and around €23m capital

reserves. As a result of the spin-off, the share capital and capital reserves of Unipol Banca were reduced by the corresponding amounts.

The share capital of UnipolReC (equal to €290,122,715) is divided in 290,122,715 shares without nominal value, 57.75% of which held by Unipol and 42.25% by UnipolSai.

The investment in UnipolReC was recognised by UnipolSai at the effective date, under the item "Investments in Group companies and other investees", for a total amount of €254m. This amount was determined by allocating, to the Company Divided and the Beneficiary Company, proportionally to their respective net capital at the same date, the amount of the investment already held in Unipol Banca and recognised in the Financial Statements of UnipolSai at 31 December 2017 for an overall value of €708m. Pursuant to the contractual agreements in force, the put/call option, in place between Unipol and UnipolSai, involving Unipol Banca shares, was automatically extended to the UnipolReC shares acquired by UnipolSai, due to the Spin-Off, i.e. no. 79,766,325 UnipolReC shares, corresponding to 27.49% of the total of the UnipolReC shares, without applying any change to the total put exercise price.

The amount of the investment held by UnipolSai in Unipol Banca was reduced by an amount equal to the initial recognised amount of the investment in UnipolReC, standing at €454m.

- on 15 March 2018, Unipol Banca and UnipolReC entered into a dedicated deed recognising the exact quantification of the value of the asset and liability items transferred to UnipolReC at the Effective Date, based on which, an adjustment in cash was calculated in favour of UnipolReC for €32,174,121, without any change to the net capital structure of the Complex involved in the division, as set forth in the Spin-Off deed. The amount of Bad and Doubtful Loans included in the Complex involved in the division at the Effective Date was €2,900.8m gross of value adjustments and €553.0m net of value adjustments.
- on 11 December 2018, Unipol Banca and UnipolReC entered into another dedicated deed in order to include under those capital items assigned to UnipolReC, due to the Spin-Off, also a portion of the DTAs resulting from the 2017 financial statements of Unipol Banca and transformed into a tax credit in 2018. This inclusion, made necessary from the outcome of an appropriate request for a ruling sent to the Tax Authorities, has involved the transfer in favour of UnipolReC of a tax credit from the Tax Authorities for a total amount of €34,172,072, upon an adjustment in cash of an equal amount. This tax credit may be used to offset the disbursements due by UnipolReC or sold to other companies of the Group.

Sale of the equity investment in Popolare Vita

On 11 January 2018, the agreement was signed for disposal of the investment in Popolare Vita (21,960,001 shares, equal to 50%+1 share of the share capital) to the banking partner Banco BPM, following failure to renew the distribution agreements and subsequent exercise of the put option envisaged in the Shareholders' Agreement. On 29 March 2018, following fulfilment of the contractually envisaged conditions precedent, the shares were transferred and the price of €535.5m was collected, with subsequent realisation of a net capital gain of €308.6m.

Acquisition of Arca Vita from the holding company Unipol

On 22 March 2018, the Board of Directors approved the acquisition by UnipolSai Assicurazioni of the controlling interest held by Unipol Gruppo in **Arca Vita SpA**, equal to 63.39% of the share capital, for a price of €475m (the "Acquisition").

The Acquisition is part of a project, approved by the Board of Directors of Unipol Gruppo and UnipolSai Assicurazioni on 29 June 2017, meant to definitively streamline the Group's insurance sector under the control of UnipolSai Assicurazioni (the "**Project**").

As part of the Project, in addition to acquisition of the investments in UniSalute SpA and Linear SpA, finalised on 16 November 2017, it was envisaged that if certain conditions and requirements were met the investment held by Unipol Gruppo in Arca Vita (and with it the subsidiaries, particularly the insurance companies Arca Vita International DAC and Arca Assicurazioni SpA) would also be transferred to UnipolSai Assicurazioni.

These requirements were satisfied on the early renewal of the strategic bancassurance partnership between Unipol Gruppo, BPER Banca SpA and Banca Popolare di Sondrio ScpA. in the Life and Non-Life sectors and the signing on 8 November 2017 of a new five-year agreement, expiring on 31 December 2022 and renewable if agreed by the parties.

The Acquisition will help to strengthen the product mix of UnipolSai Assicurazioni in the bancassurance channel as a whole, particularly reconfirming UnipolSai's presence as a major operator in the bancassurance business as well as in the Life and Non-Life sectors, also given the conclusion of the bancassurance partnership with Banco BPM SpA for the Life business.

Specifically, the transfer of Arca Vita to UnipolSai Assicurazioni will facilitate the growth process to ensure constant adequacy of the product mix offered by Arca Vita and its insurance subsidiaries, also in view of the opportunities offered by technological innovation and considered developments of the reference market.
The Acquisition prices were determined within the range of values identified with the support of JP Morgan Limited and Mediobanca - Banca di Credito Finanziario SpA, in their capacity as financial advisors, respectively for UnipolSai Assicurazioni and Unipol Gruppo, by applying the estimation methodologies normally used in accordance with the best Italian and international valuation practices.
Considering that Unipol Gruppo controls UnipolSai Assicurazioni and also taking into account its organisation as a whole in relation to the Project, the Acquisition qualified for both parties as transactions with related parties "of major significance" pursuant to Consob Regulation no. 17221 of 12 March 2010 and the procedures for transactions with related parties adopted, respectively, by Unipol and UnipolSai.
The Project and the Acquisition were therefore submitted by UnipolSai Assicurazioni and by Unipol Gruppo (the latter on a voluntary basis) to the respective Committees for transactions with related parties for approval, which were respectively supported, for valuation aspects, by Deloitte Financial Advisory Srl and by Towers Watson Italia Srl, and for legal aspects by BonelliErede and Chiomenti.
With respect to the valuation activities and the determination of the Acquisition consideration, UnipolSai Assicurazioni also obtained the independent opinion of Studio Laghi Srl, whereas Unipol Gruppo obtained the opinion of Colombo&Associati SpA.
The Related Party Transactions Committee of UnipolSai Assicurazioni expressed its favourable opinion on the Company's interest in carrying out the Acquisition, as well as on the cost effectiveness and substantial fairness of the relative conditions.
On 29 March 2018, the information document concerning the Acquisition, drawn up in compliance with Art. 5 of the Regulation adopted by Consob with resolution no. 17221 of 12 March 2010, as amended, was published.
After obtaining the necessary authorisations from the competent authorities, the Acquisition became effective on 7 August 2018.
The project for streamlining the insurance sector of the Unipol Group, started in 2017 with the sale to UnipolSai of the investments held by Unipol in Linear SpA and UniSalute SpA, was completed. At the end of 2018, all insurance activities of the Unipol Group are under the control of UnipolSai.

Bond loan issues and redemptions

On 2 February 2018 UnipolSai published the update to the EMTN Programme for a nominal total of €3bn, as part of which 22 February 2018 saw the placement launch of a subordinated bond loan for €500m targeting qualified investors only. The bond loan, qualifying as Tier 2 own funds for the purpose of Solvency II regulations and listed on the Luxembourg stock exchange, was issued on 1 March 2018 with the following characteristics: €500m principal, maturing in March 2028, issue price at par, coupon of 3.875% and a spread on the benchmark rate of 274.5 basis points.
Later, on 3 May 2018, two subordinated loans were repaid in full for a total of €300m, disbursed in the past by Mediobanca - Banca di Credito Finanziario SpA and originally maturing in 2025 and 2026, both of which recognisable among Tier 2 own funds for the purpose of Solvency II regulations.

Agreements with BPER for the disposal of Unipol Banca and the acquisition of a NPL portfolio

Following the restructuring of the banking sector, as illustrated above, in 2018, the Unipol Group began working on the preliminary activities to undertake strategic transactions in said business, entering into discussions with BPER Banca as a potential counterparty, with a view to verifying the feasibility of a project that would entail:
- the transfer of shares, representing the entire share capital of Unipol Banca, to BPER
- the acquisition by UnipolReC of a portfolio of the bad and doubtful loans of BPER.

Given the importance of the transaction and taking into account the investments held in BPER by Unipol Group, at the end of 2018, both Unipol and UnipolSai, within their respective scopes of responsibility, voluntarily launched the preliminary analysis and decision-making process envisaged by the procedures adopted respectively to perform transactions with related parties and with reference to Unipol and UnipolReC, also to the procedure for related party transactions of the Unipol Banking Group.
Following the preliminary activities conducted and the negotiations held, on 7 February 2019, the Boards of Directors of Unipol and of UnipolSai, within their respective scopes, approved the transaction regarding the banking sector of the Unipol Group (the "Transaction"), to be carried out in a unique setting, which envisages:

- the transfer to BPER Banca of the entire equity investment held by Unipol, also through UnipolSai, in Unipol Banca, equal to the entire share capital of the latter, for a cash consideration of €220m (the "Unipol Banca Disposal"); and
- the purchase from the BPER Group, by UnipolReC, of two separate portfolios comprised of bad and doubtful loans, one owned by BPER Banca and one by Banco di Sardegna for a gross book value of €1.3bn against a consideration in cash of €130m equal to approximately 10% of the portfolio's gross value.

On 7 February 2019, following approval also by the other companies involved, the contractual agreements governing the Transaction were signed. The implementation of these agreements, subject to the fulfilment of some conditions precedent of primarily a regulatory and authorisation nature, is expected to occur no later than the beginning of the second half of 2019.

Again on 7 February 2019, the UnipolSai's Board of Directors resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca and UnipolReC, held by the holding company Unipol, by virtue of the option contract signed on 31 December 2013 between the former Unipol-Sai SpA and Unipol Gruppo. As related-party transactions of Major Significance, the exercise of the put option was subject to the evaluation of the Related-Party Transactions Committee of UnipolSai, which expressed its favourable opinion. Following the exercise of the put option, UnipolSai will hold a direct investment in Unipol Banca and in UnipolReC, corresponding to 14.76% of the respective share capital.

Pursuant to the above, UnipolSai has undertaken to transfer to BPER, under the above-cited conditions, the residual investment which is held in the capital of Unipol Banca as a result of the exercise of the option.

In consideration of the preparatory activities undertaken at the beginning of 2018, as well as all the other subsequent resolutions issued and agreements executed, the Unipol Banca Disposal was carried out in compliance with IFRS 5 "Non-current assets held for sale and discontinued operations" in the Consolidated Financial Statements of UnipolSai at 31 December 2018. In application of this standard, the equity investment held in Unipol Banca was recognised under the appropriate item of the consolidated statement of financial position, upon re-measuring it at its fair value and entering a net loss, for the year 2018, of €49.8m.

Rating assigned by Fitch and Moody's

On 9 May 2018, Fitch Ratings announced its upgrade of the Long-Term Issuer Default Rating (IDR) assigned to Unipol Gruppo SpA and UnipolSai Assicurazioni SpA from "BBB-" to "BBB", with stable outlook. Consequently, the ratings of the debt securities issued by the Unipol Group were also upgraded: the Unipol Gruppo SpA senior loans from "BB+" to "BBB-", the subordinated loans with maturity of UnipolSai Assicurazioni SpA from "BB+" to "BBB-" and the perpetual bond loan of UnipolSai Assicurazioni SpA from "BB" to "BB+". At the same time, the rating agency confirmed the Insurer Financial Strength (IFS) rating of UnipolSai Assicurazioni SpA as "BBB" with stable outlook.

On 31 May 2018, Moody's Investor Services announced the upgrade of the Long-Term Issuer Rating assigned to Unipol Gruppo SpA (Unipol Gruppo) from "Ba2" to "Ba1".

Subsequently, on 23 October 2018, rating agency Moody's, as a result of the reduction in Italy's sovereign rating, revised UnipolSai Assicurazioni SpA's Insurer Financial Strength Rating from "Baa2" to "Baa3" and the Long-term Issuer Rating assigned to Unipol Gruppo SpA from "Ba1" to "Ba2".

At the same time, the rating agency improved the outlook on said companies, changing it from "negative watch" to "stable".

2018 Loyalty Magazine Award

UnipolSai Assicurazioni and Advice Group, Italy's first progress marketing company, in June 2018, were winners of the Loyalty Magazine Award - the highest award in the sector at international level - in the "Loyalty without a name" category.

Specifically, the "Ghost Loyalty" campaign managed for UnipolSai Assicurazioni by Advice Group, was recognised for its ability of "having best known how to develop loyalty mechanisms, without a real programme in the traditional sense of the term".

UnipolSai adopted a customer-centric approach some time ago and intends to increasingly set up as an innovative operator in the market in favour of strengthening the brand-user combination.

MF Innovation Award 2018

As part of the "MF Innovation Award", the award promoted by the financial newspaper MF in partnership with Accenture for Innovation, Everyday customer service, Simplicity and usability, last December, the product "Condominio&Servizi" was awarded top price for innovation in the category "Protezione dell'abitazione" and the product "Albergo&Servizi" received a special mention in the category "Protezione del lavoro e delle attività imprenditoriali".

Unipol Group and UnipolSai in the Italian Top 10 of companies that create value

Between 2013 and 2017, the Unipol Group and UnipolSai guaranteed average profitability (TSR – Total Shareholders Return) of 27% and 23% respectively, surpassing the global industry average of 17.5%, sitting at 6th and 7th in the Italian Top 10.
The parameter, measured by Boston Consulting for the twentieth year in a row on 2,500 companies worldwide, is calculated using sophisticated financial methods, useful for investors in calculating the outcome of their allocations. It is based primarily on three elements: the dividend allocated to shareholders, company profits and the stock market price with reference to price/earnings in particular.

Operating performance

UnipolSai closed 2018 with a **consolidated net profit** of €948m, including a capital gain of €309m resulting from the disposal of the equity investment held in Popolare Vita Spa and a capital loss of €50m resulting from the disposal of the equity investment in Unipol Banca to BPER Banca, which will be finalised in 2019 upon obtaining the necessary authorisations.
It should be pointed out that in 2017, UnipolSai had generated a consolidated profit of €537m as a result of the economic impact of the banking sector restructuring plan for -€113m.
With regard to the operating structure of the Group within the insurance and bancassurance sectors, it should be noted that in the two periods being compared, some important changes in scope have occurred as regards the acquisitions carried out in compliance with the Plan for streamlining the insurance sector of the Unipol Group, started in 2017 and completed in 2018, which led to aggregating, under the control of UnipolSai, the entire insurance business pertaining to the Unipol Group.
Not considering, in the two periods in question, the effects of the afore-mentioned non-recurring components (sale of Popolare Vita, sale of Unipol Banca and the restructuring of the banking sector) and recalculating the consolidated economic results on a like-for-like basis, i.e.:

- excluding, in the two periods, the contributions of Popolare Vita and of its subsidiary The Lawrence Life;
- adding the figures of 2017 so as to include the economic results of the entire period obtained by Linear, UniSalute and Ambra Property (companies acquired in 2017 and recognised in the consolidated income statement starting with the fourth quarter of 2017);
- adding the figures of 2017 and 2018 so as to include the economic results, of the respective entire periods, obtained by the Arca Group (acquired by UnipolSai in the third quarter of 2018),

the net consolidated profit of 2018 stands at €703m compared with €690m in 2017.

The Insurance sector closed with a consolidated net profit of €1,002m (€559m at 31/12/2017, +79.1%), of which €487m related to the Non-Life business (€357m at 31/12/2017, +36.6%) and €514 related to the Life business (€203m at 31/12/2017). Excluding the contribution of the aforementioned non-recurring economic components and taking into account the values on a like-for-like basis, the Insurance sector registered a consolidated profit of €758m (€713m at 31/12/2017, +6.3%), of which €539m related to the Non-Life business (€518m at 31/12/2017, +4.0%) and €219m related to the Life business (€195m at 31/12/2017, +12.3%).

The Other Businesses sector recorded a loss of €3m (-€1m at 31/12/2017) while the Real Estate sector closed with a loss of €51m (-€22m at 31/12/2017).

If we examine the performance of several businesses in further detail, it should be noted that, in the **Non-Life business**, direct premiums at 31 December 2018 amounted to €7,892m, up by 7.3% compared to €7,355m of the 2017 period (+1.1% on a like-for-like basis). Premiums in the MV business stood at €4,165m (+3.5% compared to €4,023m in 2017; +0.3% on a like-for-like basis). In the Non-MV business, premiums amounted to €3,727m (an 11.8% growth compared with €3,332m in 2017; +2.0% on a like-for-like basis), thanks to the development of the Health and the Retail business sectors.
As regards the main companies, UnipolSai recorded premiums, in the MV segment, amounting to €3,940m, a slight increase (+0.1% over 2017) thanks to the uptrend recorded in the accessory guarantees to the MV TPL business where the pressure from the competition has not yet allowed for a growth in premiums. In the Non-MV segment, UnipolSai direct premiums amounted to €2,958m, in line (-0.2%) with the €2,964m at 31 December 2017 and recovering from the figures of the previous quarters, characterised by the non-renewal of some important agreements.
The other main companies of the Group recorded, on the whole, a significant increase in premiums. In particular:

- UniSalute continued to develop its business model with premiums amounting to €410 million, an increase of 10.5%;
- Linear, the other main company of the Group, operating in the MV segment, totalled €180m in premiums, a 4.4% growth, a notable success of the new business brokered by the aggregator websites;
- Arca Assicurazioni, operating in the Non-Life bancassurance channel, thanks to a strong impulse from the renewal of the distribution agreements with the banking partners, recorded premiums amounting to €120m, up by 9.2% compared to the previous year.
- Incontra, thanks to the renewal of the 2017 agreements with the Unicredit distributor and having extended, in the last part of 2018, its commercial offering with the launch of a Health product with unique characteristics, increased its turnover by more than 27%, reaching €136m;

- SIAT, which specialises in the Sea Vehicles segment, recorded €127m in premiums, substantially in line with the same figure of 2017.

As regards the Non-Life business, during the year that just closed, a further improvement in the MV TPL class, in terms of a reduction in the frequency of claims and cost containment, was recorded. Our leadership, at the European level, in the sector of black boxes installed in vehicles was confirmed, rising from 3.5 million in 2017 to 3.8 million in 2018. In the Non-MV segment, 2018 was characterised by a significant presence of claims from atmospheric events and by claims for significant amounts, recovered, to a greater extent than the previous year, by re-insurance cover.
Within this scope, the consolidated UnipolSai recorded a combined ratio, net of reinsurance, equal to 94.3% (94.2% on a like-for-like basis), an improvement compared with the 97.2% of 2017 (96.4% on a like-for-like basis). The expense ratio for direct business was 94.6% (94.4% on a like-for-like basis) against 95.9% in 2017 (95.1% on a like-for-like basis). The loss ratio, net of reinsurance, stood at 67.0% versus 69.2% in 2017 (66.8% against 69.0% on a like-for-like basis) whereas the expense ratio net of reinsurance stood at 27.3% against 28.1% in 2017 (27.4% on a like-for-like basis, in line with 2017).
Net pre-tax profit of the Non-Life business was €676m (€501m in 2017). The normalised result, excluding the non-recurring components as mentioned above, and on a like-for-like basis, amounted to €733m, up from €693m at 31/12/2017 thanks to the technical improvements under way.
In the **Life business**, UnipolSai recorded, in 2018, a significant growth in turnover reaching, on a like-for-like basis, direct premiums amounting to €4,292m (+15.4% compared to €3,719m in 2017), driven by the bancassurance sector after renewing the Arca Vita's distribution agreements with the main placing banks. In fact, the strong growth of Arca Vita SpA which, with its subsidiary Arca Vita International, earned direct premiums of €1,077m, up 51.4% compared to 31 December 2017, was confirmed. UnipolSai recorded direct premiums of €3,129m (+8.2%).
New business in terms of APE, net of non-controlling interests, amounted to €491m, up +8.6% compared to €452m at 31 December 2017 on a like-for-like basis, of which €418m contributed by traditional companies and €73m by bancassurance companies.
The pre-tax result for the Life segment was a positive €593m (€286m in 2017), benefiting from the effects of the capital gain from the disposal of Popolare Vita. The normalised profit on a like-for-like basis amounted to €302m, compared to €268m at 31 December 2017.

As regards financial **investment management,** 2018 was characterised by global financial market volatility arising from geopolitical tensions and, in Italy, by the tensions related to domestic government bonds due initially to the political instability which preceded the new Government and later by the approval of the Budget Law. Despite this context, the gross profitability of the Group's insurance financial investments portfolio was confirmed, also for the period in question, at significant levels, standing at 3.9% of the invested assets (in line with 2017) of which 3.4% relating to the coupon and dividend component.

Real estate management continued to focus on the renovation of a number of properties, particularly in Milan, in order to seek out opportunities to increase value or generate income, as well as structures intended for business use. In 2018, divestments continued, although to a more limited extent, with the conclusion, inter alia, of a major transaction started in the previous year. Among the negotiations already started, to be noted is the execution of a preliminary sales agreement for the lands located in the so-called Castello Area with Toscana Aeroporti Spa, pending fulfilment of certain conditions.

The operations of the companies of the **other sectors** in which the Group carries out business, particularly the hotels sector (UNA Group), focused on the consolidation of its marketing positioning and on the redefinition of development strategic guidelines applied to the business.
The pre-tax result of the Real Estate and Other Business sectors was -€66m (-€27m in 2017), due primarily to the write-down of lands.

At 31 December 2018, **consolidated shareholders' equity** amounted to €5,697m (€6,194m at 31/12/2017) of which €5,448m attributable to the UnipolSai Group.
The incremental effects associated with the profit for the period were more than offset by the decline in the valuation reserve for AFS securities, linked in particular to the widening spread on Italian government bonds, dividend distributions, the decrease in non-controlling interests following the deconsolidation of Popolare Vita.

The individual **Solvency ratio** was 253% of the capital requirement (263% at 31/12/2017). The consolidated Solvency ratio based on economic capital was 202% of the capital requirement (210% at 31/12/2017). The decrease recorded in 2018 is due in particular to the widening spread on Italian government bonds.

Salient aspects of business operations

The Consolidated Financial Statements of the UnipolSai Group at 31 December 2018 closed with a **net profit of €948m** (€537m at 31/12/2017), net of taxation for the 2018 period of €256m. On a like-for-like basis and net of non-recurring transactions carried out in the two years compared, the profit at 31 December 2018 would have been €703m versus a profit of €690m at 31 December 2017.

The **solvency situation of UnipolSai SpA** at 31 December 2018, calculated according to Solvency II Partial Internal Model metrics, showed a ratio of available capital to requested capital of 2.53[5] (2.63 recorded at 31/12/2017).

The **Insurance sector** contributed to the consolidated profit with €1,002m, (€559m at 31/12/2017), of which €487m from the Non-Life business (€357m at 31/12/2017) and €514m from the Life business (€203m at 31/12/2017). On a like-for-like basis and net of non-recurring transactions carried out in the two periods compared, the results would be as follows:
- Insurance sector: €758m at 31 December 2018 (€713m at 31/12/2017);
- Non-Life business: €539m at 31 December 2018 (€518m at 31/12/2017);
- Life business: €219m at 31 December 2018 (€195m at 31/12/2017).

The results of the other sectors in which the Group carries out business are as follows:
- the **Other Businesses sector** recorded -€3m (-€1m at 31/12/2017);
- the **Real Estate sector** recorded a -€51m loss (-€22m at 31/12/2017).

Among the other important factors that marked the performance of the Group, note the following:

- **direct insurance premiums**, gross of reinsurance, totalled €11,718m (€11,068m in 2017, +5.9%, +5.7% on a like-for-like basis). Non-Life direct premiums amounted to €7,892m (€7,355m in 2017, +7.3%, +1.1% on a like-for-like basis) and Life direct premiums €3,826m (€3,713m in 2017, +3.1%; +15.4% on a like-for-like basis), €358m of which related to investment products (€261m in 2017);

- **net premiums earned**, net of reinsurance, amounted to €11,005m (€10,402m in 2017, +5.8%; on a like-for-like basis +7.5%), of which €7,543m in the Non-Life business (€6,956m in 2017, +8.4%; on a like-for-like basis +1.8%) and €3,462m in the Life business (€3,446m in 2017, +0.5%; on a like-for-like basis +20.9%);

- **net charges related to claims**, net of reinsurance, amounted to €9,087m (€8,684m in 2017, +4.6%; on a like-for-like basis +8.2%), of which €4,947m in the Non-Life business (€4,666m in 2017, +6.0%; -0.5% on a like-for-like basis) and €4,140m in the Life business (€4,018m in 2017, +3.0%; +19.8% on a like-for-like basis), including €107m in net gains on financial assets and liabilities at fair value (net income of €152m in 2017);

- the **loss ratio** of the Non-Life direct business was 67.4% (67.7% in 2017); On a like-for-like basis, the loss ratio was 67.2% (67.5% in 2017).

- **operating expenses** were €2,428m (€2,331m in 2017). In the Non-Life business they amounted to €2,129m (€2,027m in 2017), in the Life business to €221m (€234m in 2017), in the Other Businesses sector to €67m (€59m in 2017) and in the Real Estate sector to €22m (€26m in 2017);

- The **combined ratio** of the Non-Life direct business was 94.6%, (95.9% in 2017); On a like-for-like basis, the ratio was 94.4% (95.1% in 2017).

- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value related to the Life business) were €1,924m (€1,568m in 2017);

[5] Value calculated on the basis of the information available as of today. The definitive results will be reported to the Supervisory Authority with the timing required by regulations in force. For further information on the Company's solvency situation, please refer to the "Disclosure about Solvency II prudential supervision" section included in the Management Report accompanying the 2018 Separate Financial Statements of UnipolSai Assicurazioni SpA

- the **gross profit** came to €1,203m (€760m in 2017), after write-downs of property and available-for-sale assets amounting to €92m (€112m in 2017), and amortisation of intangible assets amounting to €53m (€59 in 2017);

- **taxes** for the year represented a net expense of €256m (€223m in 2017). The tax rate for 2018 was 21.3% (29.4% in 2017);

- net of the €43m profit attributable to non-controlling interests, the **profit attributable to the owners of the Parent** at 31 December 2018 was **€905m** (€504m in 2017);

- the **gross profit** of the fourth quarter alone in 2018 was €116m (€160m in the fourth quarter of 2017);

- **Comprehensive income** amounted to €90m (€702m in 2017), despite the decrease in the reserve for gains or losses on available-for-sale financial assets for -€860m (positive change by €157m recorded in 2017);

- **investments and cash and cash equivalents** amounted to€59,718m (€51,971 million at 31/12/2017) after reclassifying, pursuant to IFRS 5, under assets for disposal €537m, of which €404m related to the equity investment in Unipol Banca and €133m related to properties for which the owner Companies started disposal activities or for which the related preliminary sales contracts have already been signed (€104m in property disposals at 31/12/2017, in addition to the assets held by Popolare Vita and The Lawrence Life at the same date);

- **technical provisions** and **financial liabilities** amounted to €58,476m (€49,420m in 2017).

A summary of the Consolidated Operating Income Statement at 31 December 2018 is illustrated below, broken down by business segment: Insurance (Non-Life and Life), Other Businesses and Real Estate, compared with the figures at 31 December 2017.

Condensed Consolidated Operating Income Statement broken down by business segment

Amounts in €m	NON-LIFE BUSINESS			LIFE BUSINESS			INSURANCE SECTOR		
	31/12/18	31/12/17	*% var.*	31/12/18	31/12/17	*% var.*	31/12/18	31/12/17	*% var.*
Net premiums	7,543	6,956	*8.4*	3,462	3,446	*0.5*	11,005	10,402	*5.8*
Net commission income	(1)			14	18	*(19.0)*	14	18	*(22.7)*
Financial income/expenses (**)	439	450	*(2.5)*	1,535	1,128	*36.1*	1,975	1,578	*25.1*
Net interest income	*352*	*368*		*1,010*	*1,042*		*1,362*	*1,410*	
Other income and charges	*63*	*(29)*		*57*	*36*		*119*	*7*	
Realised gains and losses	*111*	*175*		*474*	*116*		*586*	*291*	
Unrealised gains and losses	*(87)*	*(64)*		*(6)*	*(66)*		*(92)*	*(130)*	
Net charges relating to claims	(4,947)	(4,666)	*6.0*	(4,140)	(4,018)	*3.0*	(9,087)	(8,684)	*4.6*
Operating expenses	(2,129)	(2,027)	*5.1*	(221)	(234)	*(5.6)*	(2,350)	(2,261)	*4.0*
Commissions and other acquisition expenses	*(1,678)*	*(1,597)*	*5.1*	*(103)*	*(112)*	*(8.0)*	*(1,780)*	*(1,708)*	*4.2*
Other expenses	*(452)*	*(430)*	*5.1*	*(118)*	*(122)*	*(3.4)*	*(570)*	*(552)*	*3.2*
Other income/charges	(230)	(212)	*(8.4)*	(57)	(54)	*(6.5)*	(287)	(266)	*(8.0)*
Pre-tax profit (loss)	**676**	**501**	*34.8*	**593**	**286**	*107.5*	**1,269**	**787**	*61.2*
Income taxes	(188)	(144)	*30.3*	(79)	(83)	*(5.1)*	(267)	(228)	*17.3*
Profit (loss) from discontinued operations									
Consolidated profit (loss)	**487**	**357**	*36.6*	**514**	**203**	*n.s.*	**1,002**	**559**	*79.1*
Profit (loss) attributable to the Group									
Profit (loss) attributable to non-controlling interests									

(*) The Real Estate sector only includes real estate companies controlled by UnipolSai.

(**) Excluding assets and liabilities at fair value relating to insurance contracts issued by insurance companies where the investment risk is borne by policyholders and arising from pension fund management

OTHER BUSINESSES SECTOR			REAL ESTATE SECTOR (*)			INTER-SEGMENT ELIMINATIONS		TOTAL CONSOLIDATED		
31/12/18	31/12/17	% var.	31/12/18	31/12/17	% var.	31/12/18	31/12/17	31/12/18	31/12/17	% var.
								11,005	10,402	5.8
								13	17	(23.3)
(1)		n.s.	(40)	(2)	n.s.	(10)	(8)	1,924	1,568	22.7
(1)	(1)		(6)	(6)			(1)	1,354	1,403	
			15	15		(10)	(8)	125	14	
	1		1					586	292	
			(50)	(11)				(142)	(141)	
								(9,087)	(8,684)	4.6
(67)	(59)	14.7	(22)	(26)	(13.6)	11	14	(2,428)	(2,331)	4.2
								(1,780)	(1,708)	4.2
(67)	(59)	14.7	(22)	(26)	(13.6)	11	14	(648)	(623)	4.1
64	55	15.4	1	4	(75.4)	(1)	(5)	(224)	(212)	(5.5)
(4)	(3)	(50.2)	(61)	(24)	n.s.			1,203	760	58.3
1	2	(43.6)	10	2	n.s.			(256)	(223)	14.5
(3)	(1)	n.s.	(51)	(22)	(135.4)			948	537	76.5
								905	504	
								43	33	

Insurance Sector

The Group's insurance business closed the period with a **profit of €1,002m**, €559m at 31 December 2017, of which €487m pertaining to the Non-Life business (€357m at 31/12/2017) and €514m pertaining to the Life business (euro 203m at 31/12/2017). On a like-for-like basis and net of non-recurring transactions carried out in the two years compared, the results would have been as follows:

- Insurance sector: €758m at 31 December 2018 (€713m at 31/12/2017);
- Non-Life business: €539m at 31 December 2018 (€518m at 31/12/2017);
- Life business: €219m at 31 December 2018 (€195m at 31/12/2017).

At 31 December 2018, Investments and cash and cash equivalents of the Insurance sector, including properties for own use, totalled €58,236m (€50,498m at 31/12/2017), of which €15,784m in the Non-Life business (€16,525m at 31/12/2017) and €42,452m in the Life businesses (€33,973m at 31/12/2017).

Financial liabilities amounted to €4,955m (€3,365m at 31/12/2017), of which €1,581m in the Non-Life business (€1,510m at 31/12/2017) and €3,374m in the Life business (€1,855m at 31/12/2017). The change refers to the issue by UnipolSai of a non-convertible, subordinated and non-guaranteed bond loan of a nominal €500m, exclusively reserved for qualified investors, and to the early settlement for a nominal €300m of subordinated loans disbursed by Mediobanca to UnipolSai.

Total premiums (direct and indirect premiums and investment products) at 31 December 2018 amounted to €11,928m (€11,169m at 31/12/2017, +6.8%, +6.6% on a like-for-like basis).
Life premiums amounted to €3,827m (€3,713m at 31/12/2017, +3.0%; +15.4% on a like-for-like basis) and the Non-Life premiums amounted to €8,102m (€7,456m at 31/12/2017, +8.7%; +2.5% on a like-for-like basis).

All Non-Life premiums of Group insurance companies are classified under insurance premiums, as they meet the requirements of the IFRS 4 standard (presence of significant insurance risk).
As for Life premiums, investment products at 31 December 2018, for €358m, related to Class III (Unit- and Index-Linked policies) and Class VI (Pension Funds).

Total premiums

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Non-Life direct premiums	7,892		7,355		*7.3*
Non-Life indirect premiums	210		101		*107.4*
Total Non-Life premiums	**8,102**	***67.9***	**7,456**	***66.8***	***8.7***
Life direct premiums	3,468		3,452		*0.5*
Life indirect premiums			1		*(27.6)*
Total Life premiums	**3,469**	***29.1***	**3,453**	***30.9***	***0.5***
Total Life investment products	358	*3.0*	261	*2.3*	*37.3*
Total Life business	**3,827**	***32.1***	**3,713**	***33.2***	***3.0***
Overall total	**11,928**	***100.0***	**11,169**	***100.0***	***6.8***

Premiums in the fourth quarter of 2018 alone amounted to €3, 645m (€3, 292m in the fourth quarter of 2017).

Direct premiums amounted to €11,718m (€11,068m at 31 December 2017, +5.9%, +5.7% on a like-for-like basis), of which Non-Life premiums totalled €7,892m and Life premiums €3,826m.

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Non-Life direct premiums	7,892	*67.3*	7,355	*66.5*	*7.3*
Life direct premiums	3,826	*32.7*	3,713	*33.5*	*3.1*
Total direct premiums	**11,718**	***100.0***	**11,068**	***100.0***	***5.9***

Indirect premiums in the Non-Life and Life businesses at 31 December 2018 amounted to €210m (€102m in 2017, +106.7%; +113.2% on a like-for-like basis) and is composed of premiums from the Non-Life business for €210m (€101m in 2017, +107.4%; +114.2% on a like-for-like basis) and premiums from the Life business for €0.4m (€0.6m at 31/12/2017, -27.6%; -32.5% on a like-for-like basis).

The increase in the Non-Life business is due to the contribution from UnipolRe, a Group company specialised in the reinsurance business which, starting from 2017, has progressively developed its activities with companies outside the Group.

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Non-Life premiums	210	*99.8*	101	*99.4*	*107.4*
Life premiums	0	*0.2*	1	*0.6*	*(27.6)*
Total indirect premiums	**210**	***100.0***	**102**	***100.0***	*106.7*

Group **premiums ceded** amounted to €404m (€457m in 2017, -11.6%; -5.9% on a like-for-like basis), of which €398m from Non-Life premiums (€451m in 2017, -11.8%; -6.1% on a like-for-like basis) and €7m from Life premiums (€6m at 31/12/2017, +3.7%; -0.3% on a like-for-like basis).

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Non-Life premiums	398	*98.4*	451	*98.6*	*(11.8)*
Retention ratio - Non-Life business (%)	*95.1%*		*94.0%*		
Life premiums	7	*1.6*	6	*1.4*	*3.7*
Retention ratio - Life business (%)	*99.8%*		*99.8%*		
Total premiums ceded	**404**	***100.0***	**457**	***100.0***	***(11.6)***
Overall retention ratio (%)	*96.5%*		*95.8%*		

The retention ratio is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. In calculating the ratio, investment products are not considered.

At 31 December 2018, the technical result of premiums ceded was negative for reinsurers in the Non-Life business and positive for the Life business.

Non-Life business

Total Non-Life premiums (direct and indirect) at 31 December 2018 amounted to €8,102m (€7,456m at 31/12/2017, +8.7%; +2.5% on a like-for-like basis).

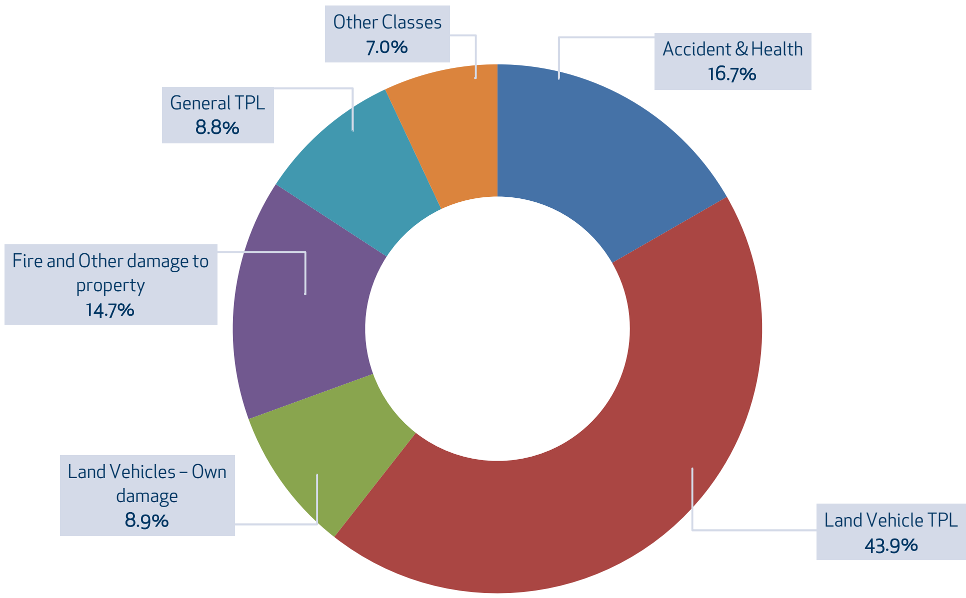
Direct business premiums alone were €7,892m (€7,355m at 31/12/2017, +7.3%; +1.1% on a like-for-like basis). **Indirect business** premiums were €210m (€101m at 31/12/2017, +107.4%; +114.2% on a like-for-like basis).

The breakdown for the main classes and the changes with respect to 31 December 2017 are shown in the following table:

Non-Life business direct premiums

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Motor vehicles - TPL and sea, lake and river (classes 10 and 12)	3,464		3,383		*2.4*
Land Vehicle Hulls (Class 3)	701		640		*9.5*
Total premiums - Motor vehicles	**4,165**	***52.8***	**4,023**	***54.7***	***3.5***
Accident & Health (Classes 1 and 2)	1,317		998		*32.0*
Fire and Other damage to property (Classes 8 and 9)	1,164		1,115		*4.4*
General TPL (Class 13)	696		689		*0.9*
Other classes	551		531		*3.8*
Total premiums - Non-Motor vehicles	**3,727**	***47.2***	**3,332**	***45.3***	***11.8***
Total Non-Life direct premiums	**7,892**	***100.0***	**7,355**	***100.0***	***7.3***

% breakdown of Non-Life direct business premiums



In 2018, the direct premiums of the UnipolSai Group amounted to €7,892m (+7.3%; +1.1% on a like-for-like basis). Premiums in the MV TPL class were €3,464m, down by 2.4% over 2017 (-1.0% on a like-for-like basis). An increase was reported in the Land Vehicle Hulls class with premiums equal to €701m, +9.5% (+7.3% on a like-for-like basis); premiums in the Non-MV segment were up to €3,727m, +11.8% (+2.0% on a like-for-like basis).

Non-Life claims

During the period, in terms of claims in the MV TPL class, a further improvement was recorded in the frequency of claims and cost containment. To be noted are the contribution from the development of electronic settlements for the claims involving vehicles with black boxes, the improvement in the settlement rate and the use of various forms of direct repairs in associated facilities. Our leadership, at the European level, in the sector of black boxes installed in vehicles was confirmed, rising from 3.5 million in 2017 to 3.8 million in 2018.
In the Non-MV segment, 2018 was characterised by a significant presence of claims from atmospheric events and by claims for significant amounts, recovered, to a greater extent than the previous year, by re-insurance cover.
The following table, with data from the previous year restated on a like-for-like basis, shows the net profit (loss) from the claims experience for the main classes:

Amounts in €m	Net breakdown at 31/12/2018	Net breakdown at 31/12/2017
MV TPL	150	158
Land Vehicle Hulls	16	14
General TPL	110	112
Other Classes	212	209
Total	**487**	**494**

The **loss ratio** (for Non-Life direct business alone), including the OTI ratio, stood at 67.4% (67.7% in 2017). The ratio on a like-for-like basis was 67.2% (67.5% in 2017).

The number of claims reported, without considering the MV TPL class, was up by 5.3% on a like-for-like basis. The table with the changes by class is provided below.

Number of claims reported (excluding MV TPL)

	31/12/2018	31/12/2018 on a like-for-like basis	31/12/2017	31/12/2017 on a like-for-like basis	*% var.*	*% var. on a like-for-like basis*
Land Vehicle Hulls (Class 3)	320,642	321,710	303,004	308,789	*5.8*	*4.2*
Accident (Class 1)	129,851	130,940	124,120	132,582	*4.6*	*(1.2)*
Health (Class 2)	3,722,094	3,727,327	1,267,985	3,544,848	*n.s.*	*5.1*
Fire and Other damage to Property (Classes 8 and 9)	327,122	328,981	303,778	307,375	*7.7*	*7.0*
General TPL (Class 13)	95,907	96,452	93,078	94,099	*3.0*	*2.5*
Other classes	527,304	528,703	469,897	488,775	*12.2*	*8.2*
Total	**5,122,920**	**5,134,113**	**2,561,862**	**4,876,468**	***100.0***	***5.3***

As regards the MV TPL class, to which the CARD agreement[6] applies, the analysis on a like-for-like basis shows the following figures.

[6] CARD - Convenzione tra Assicuratori per il Risarcimento Diretto: Agreement between Insurers for Direct Compensation: MV TPL claims may be classified as one of three cases of claims managed:
- Non-Card claims: claims governed by the ordinary regime, to which CARD is not applied;
- Debtor Card claims: claims governed by CARD where "our" policyholder is fully or partially liable, which are settled by the counterparty's insurance companies, to which "our" insurance company must pay a flat rate pay-out ("Debtor Flat Rate");

In 2018, cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) that were reported, totalled 641,116, down by 3.3% (662,864 in 2017 on a like-for-like basis).
Claims reported with at least one Debtor Card claim were 371,488 (-3.2% on a like-for-like basis) compared to the same period of the previous year.
Handler Card claims were 488,986 (including 107,844 Natural Card claims, claims between policyholders at the same company), down by 3.5% compared to the previous year, on a like-for-like basis. The settlement rate in 2018 was 82.8%, up from the same period of last year (82.1% on a like-for-like basis).
The weight of cases to which the Card agreement may be applied (both Handler Card and Debtor Card claims) out of total cases (Non-Card + Handler Card + Debtor Card) in 2018 came to 84.2% (84.5% in 2017 on a like-for-like basis).
The average cost (amount paid plus amount reserved) for claims reported (including claims incurred but not reported) declined by 2.2% in 2018 (-0.7% in 2017 on a like-for-like basis), with the average cost of the amount paid down by 1.1% (+2.0% in 2017 on a like-for-like basis).

The **expense ratio** for the Non-Life direct business was 27.2% (28.2% at 31/12/2017). On a like-for-like basis, the ratio was 27.2% (27.5% in 2017);

The **combined ratio** of the Non-Life direct business was 94.6%, (95.9% in 2017). On a like-for-like basis, the ratio was 94.4% (95.1% in 2017).

Information about the main insurance companies in the Group - Non-Life business

The performance of the main Group companies at 31 December 2018 is summarised in the following table:

Amounts in €m	Premiums written	*% Variation*	Investments	Gross Technical Provisions
NON-LIFE INSURANCE SECTOR				
UNIPOLSAI ASSICURAZIONI SpA	6,908	(0.0)	15,344	13,503
GRUPPO ARCA	120	9.2	323	235
DDOR NOVI SAD ADO	81	*5.2*	78	76
INCONTRA ASSICURAZIONI SpA	136	*27.1*	194	251
COMPAGNIA ASSICURATRICE LINEAR SpA	180	*4.4*	398	284
UNISALUTE SpA	502	*16.7*	401	348
PRONTO ASSISTANCE SpA	143	*8.5*	37	1
SIAT SpA	148	*1.6*	113	307

The direct premiums of **UnipolSai** alone, the Group's main company, stood at €6,898m (€6,901m at 31/12/2017, -0.1%), of which €3,940m in the MV classes (€3,937m at 31/12/2017, +0.1%) and €2,958m in the Non-MV classes (€2,964m at 31/12/2017, -0.2%) Also considering indirect business, premiums earned over the year amounted to €6,908m (€6,910m at 31/12/2017).

In 2018, the MV sector saw a modest contraction in the MV TPL premiums, essentially due to a reduction in the average premium, in a scenario in which this indicator is gradually stabilising. The number of vehicles in the portfolio was slightly up, thanks to a positive development in the sector of the two-wheeled vehicles and the sector of company fleets. The decline in premiums was partially offset by a growth in the Land Vehicle Hulls class, a business that showed a significant growth supported by both the single and cumulative policies sector.
However, the MV TPL class closed the period with improved technical results, thanks especially to a decline in the claim frequency and the overall cost, while in the Land Vehicle Hulls class the number of claims and the related cost showed an overall increase in line with the rise in the number of policies and relative premiums.

The year 2018 was also characterised by initiatives aimed at improving the settlement processes for claims related to the MV classes such as, for example, the value increase resulting from the use of the **Black Box** which represents an

- Handler Card claims: claims governed by CARD where "our" policyholder is fully or partially not liable, which are settled by "our" insurance company, to which the counterparty's insurance companies must pay a flat rate pay-out ("Handler Flat Rate").
However, it must be noted that this classification is a simplified representation because, in reality, each individual claim may contain damages included in each of the three above-indicated cases.

innovative way of providing information within the process of electronic settlements. To be noted is also the use of the **Anti-fraud engine** which identifies potentially fraudulent claims so that they may be channelled to the dedicated settlement structure and the use of the **CPM (Medical Report Centre)**, i.e. a service provided to the claimant who has suffered modest injuries and that provides the option of a legal-medical visit directly at the offices of UnipolSai in order to reach an immediate settlement.

In the Non-MV classes, the trend of growth in premiums is confirmed and it should be attributed primarily to the increase in average covers of the "Other damage to property" guarantees, to increased insured amounts, in addition to the effects of a policy for the increase of the portfolio aimed at a better diversification of the risk from a territorial point of view. The Fire class recorded a slight increase in premiums attributable primarily to the covers offered to households and partially to small-and medium-sized companies; the Corporate sector shows a decline due to heightened competitive tariffs within the market.

Claims that present at least a Debtor Card claims handling, totalled 342,069, down by 4.1% compared to the same period in the previous year.
Handler Card claims totalled 453,715 (including 107,065 Natural Card claims, between policyholders at the same company), down by 4.5%. The settlement rate in 2018 was 82.9%, up compared to the same period of the previous year.
The weight of cases to which the Card agreement may be applied (both Handler Card and Debtor Card claims) out of total cases (Non-Card + Handler Card + Debtor Card) in 2018 came to 84.1% (84.5% in 2017).
The average cost (amount paid plus amount reserved) for claims reported declined by 2.0% in 2018 (-0.7% in 2017). The average cost of the amount paid out declined by 1.2% (+2.0% in 2017).

Arca Assicurazioni recorded direct premiums of €120m (+9.2%), with a significant increase in the Non-MV classes (+11.0%), and a growth in the MV segment (+5.2%). The breakdown of the portfolio among the distribution channels is almost totally focused on the banking channel which, at 31 December 2018, recorded 97.6% of the total Non-Life premiums. Overall, the banking channel recorded an 8.3% increase in premiums compared to the same figure of the previous year, with premiums recognised in the amount of approximately €117.6m.

DDOR Novi Sad recorded a €5.3m profit (Non-Life and Life businesses) at 31 December 2018 (up from €1.4m at 31/12/2017) following a growth in premiums (Non-Life and Life businesses), from €88.3m at the end of 2017 (of which €76.7m in the Non-Life segment) to €95.3m at 31 December 2018 (of which €80.7m in the Non-Life business). The main macro-economic indicators showed the continuation of economic stability in Serbia, thanks also to the several reforms enacted in the previous years by the local government. Based on preliminary data published by the Serbian Chamber of Commerce and Industry, the Serbian insurance market also benefited from it, with total estimated domestic growth of approximately 7.6% in gross premiums: this enabled the company to continue to position itself among the leaders in the sector, with approximately 7% growth in Non-Life premiums (in line with the previous year) with an increase in the development of the retail sector, which exceeded 6%, and a significant growth in premiums in the Life business standing at approximately 25% (primarily attributable to bancassurance).

Incontra Assicurazioni recorded a €6.8m profit at 31 December 2018 (profit of €6.8m at 31/12/2017), with premiums equal to €136m, up compared to the previous year (€107m in 2017), mainly concentrated in the Health and Pecuniary Losses classes. At 31 December 2018, the volume of total investments reached €194m (€143m at 31/12/2017), almost entirely concentrated in available-for-sale financial assets, while gross technical provisions amounted to €251m (€199m at 31/12/2017). The ratio between gross technical provisions and written premiums was approximately 185%.

Linear, a company specialised in direct sales (online and call centre) of MV products, generated, in 2018, a profit of €9.4m (€5.7m at 31/12/2017). The total gross premiums of €179,9m showed an improvement by 4.4% compared to 2017, despite the fact that the market environment is still not very favourable for the MV TPL class, which remains impacted by stiff price competition and an ongoing trend of a decline in the average premium. The incidence of other guarantees remained positive at 19.8% (19.1% at 31/12/2017). Contracts in the portfolio at the end of 2018 were close to 595k units (+5.6%), an all-time high for the Company.

Pronto Assistance, active in placing assistance services insurance policies in the home, health, MV and business sectors, customisable so as to meet the customer's needs, closed 2018 with a profit of €4.3m (€4.2m recorded in 2017). The year 2018 posted total premiums amounting to €143.1m (€131.9m at 31/12/2017), with an increase of approximately 8.5% mainly referred to the indirect business taken by some of the Group companies.

SIAT recorded a €0.7m profit in 2018 (€5.3m at 31/12/2017) with total gross premiums (direct and indirect) amounting to €148.5m (€146.1m in 2017).
This change is attributable to the development of the Aviation sector (premiums at €2.6m in 2018 against €0.3m in 2017) and the Goods sector, with an increase in premiums by 6.1%; a 3% contraction in the Vessels sector.

UniSalute, the top health insurance company in Italy by number of customers managed, specialised in the Healthcare segment (Health and Assistance), continues to successfully expand its business model, with premiums totalling €501.9m (€430.1m at 31/12/2017), up by 16.7%. Among the main agreements that were executed by UniSalute over the period, to be noted are those with Fondo Sanimoda, EBM (Ente Bilaterale Metalmeccanici), Fondo Sanipro, Intesa Sanpaolo and Lidl.
The number of claims reported rose by 5.4%, from 3,170,939 in 2017 to 3,340,648 in the period under review.
The year 2018 also posted a profit of €40.3m (€43.4m at the end of 2017), down by approximately 7.2%.

New products

With reference to 2018, the following measures applied to the Non-MV Non-Life price list:

- UnipolSai Albergo&Servizi: designed for meeting the insurance needs of a wide range of accommodation types, from traditional hotels to the more numerous non-hotel accommodation options, offers, inter alia, the following:
    - special guarantee packages, diversified according to specific facilities, hotels, non-hotel accommodations, beach facilities;
    - a section, called "Income protection" aimed at protecting the activities from economic losses arising from a forced inactivity of the accommodation facility following a claim, eligible for compensation, covered by the policy;
    - a "SalvaStagione" (Season Saver) guarantee which provides a compensation for losses of profit caused by rain.

  Since December 2018, a new edition of the product is now available and it expands the offer with a "Plus Assistance" guarantee through the *Unibox L@voro* system, which provides for a free of charge loan of a control unit and a number of safety devices (smoke detectors, water and gas).
- Copertura Rivalsa Colpa Grave Esercenti Professioni Sanitarie (Italian Law 24 of 8 March 2017 - Gelli-Bianco Law): offers professional TPL coverage for the protection of health operators, pending completion of the regulations for the transposition of the Gelli Law.
- UnipolSai Condominio&Servizi: offers a simple and innovative response to the need for protection of the product's different reference targets, combining insurance guarantees, services and assistance.
- UnipolSai Commercio&Servizi: since 1 August 2018, a new offer, called "UnipolSai Commercio&Servizi Uffici+Studi", designed for professional/commercial offices and firms, is available. Its strong points include, inter alia, the "Direct repair" service and the "Quick recovery" service.
- UnipolSai Casa&Servizi, intended for the protection of families and homes, offers, with the new edition of 2018, improvement interventions such as professional free installation of the device *Unibox C@sa*, in addition to a support against "Cyber Bullying" and "Damage to reputation".

Activities to impede and prevent insurance fraud relating to civil liability deriving from motor vehicle traffic (MVTPL).

Preventing and impeding insurance fraud are consolidated activities and an integral aspect of the company's core business. The results of these activities not only make positive impacts directly on the financial statements of the Group companies, but also generate deterrent effects on the proliferation of these offences, with consequent benefits for the customers as well.
Decree Law no. 1/2012, converted with amendments by Law no. 27 of 24 March 2012, envisages that insurance companies are required to provide an estimate of the reduced charges for claims arising from verification of fraud in their Management Report or in the Notes to the Financial Statements annexed to the annual financial statements and to publish it on their websites or using another appropriate form of disclosure.
Pursuant to and in accordance with Art. 30, paragraph 2 of Decree Law no. 1/2012, the estimate of the reduction of charges for claims arising from this activity totals approximately €70m.
This estimate consists of the sum of provisions/forecasts of expense for claims to be investigated for antifraud purposes that were settled without follow-up in 2018, regardless of the year when they are generated.

Life business

Total Life premiums (direct and indirect) amounted to €3,827m (€3,713m at 31/12/2017, +3.0%; +15.4% on a like-for-like basis) driven by the bancassurance sector following renewal of the distribution agreements between Arca Vita and the main placing banks.

The **direct premiums**, which represent almost all of the premiums, are broken down as follows:

Life business direct premiums

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Total premiums					
I – Whole and term Life insurance	2,391	*62.5*	2,304	*62.1*	*3.8*
III - Unit-linked/index-linked policies	362	*9.5*	504	*13.6*	*(28.1)*
IV - Health	4	*0.1*	2	*0.1*	*74.5*
V - Capitalisation insurance	406	*10.6*	300	*8.1*	*35.3*
VI - Pension funds	663	*17.3*	602	*16.2*	*10.1*
Total Life business direct premiums	3,826	*100.0*	3,713	*100.0*	*3.1*
of which Premiums (IFRS 4)					
I – Whole and term Life insurance	2,391	*68.9*	2,304	*66.7*	*3.8*
III - Unit-linked/index-linked policies	37	*1.1*	277	*8.0*	*(86.7)*
IV - Health	4	*0.1*	2	*0.1*	*74.5*
V - Capitalisation insurance	406	*11.7*	300	*8.7*	*35.3*
VI - Pension Funds	631	*18.2*	568	*16.5*	*10.9*
Total Life business premiums	3,468	*100.0*	3,452	*100.0*	*0.5*
of which Investment products (IAS 39)					
III - Unit-linked/index-linked policies	326	*90.9*	227	*87.1*	*43.4*
VI - Pension funds	32	*9.1*	34	*12.9*	*(3.8)*
Total Life investment products	358	*100.0*	261	*100.0*	*37.3*

New business in terms of APE, net of non-controlling interests, amounted to €491m at 31 December 2018 (€504m at 31/12/2017 and €452m on a like-for-like basis).

Pension Funds

The UnipolSai Group retained its leading position in the supplementary pension market, despite a difficult competitive context.

At 31 December 2018, UnipolSai Assicurazioni managed a total of 23 mandates for **Occupational Pension Funds** (17 of them for accounts "with guaranteed capital and/or minimum return"). On the same date resources under management totalled €3,830m (€3,223m with guaranteed capital). At 31 December 2017, UnipolSai managed a total of 23 Occupational Pension Fund mandates (17 of which "with guaranteed capital and/or minimum return"); resources under management totalled €3,509m (of which €2,897m with guaranteed capital).
In July of the previous year, the merger of Fondi Pensione Previcooper guaranteed, Cooperlavoro guaranteed and Filcoop guaranteed (all managed by UnipolSai) was carried out, originating Fondo Pensione Previdenza Cooperativa; during the period, two management mandates were acquired concerning the Agrifondo pension fund (for agricultural companies) and the Prevedi pension fund (for construction companies).

As regards **Open Pension Funds**, at 31 December 2018 the UnipolSai Group managed 2 Open Pension Funds (UnipolSai Previdenza FPA and Fondo Pensione Aperto BIM Vita) that at that date amounted to a total of 43,218 members for total assets of €852m. At 31 December 2017, there were 3 Open Pension Funds with total assets of €908m and a total of 44,442 members.

Information about the main insurance companies in the Group - Life business

The performance of the main Group companies at 31 December 2018 is summarised in the following table:

Amounts in €m	Premiums written (*)	*% Variation*	Investments	Gross Technical Provisions
LIFE INSURANCE SECTOR				
UNIPOLSAI ASSICURAZIONI SpA	2,883	*7.9*	33,428	29,834
GRUPPO ARCA	835	128	8,922	7,631
BIM VITA SpA	53	*(36.9)*	609	523

(*) excluding financial products

UnipolSai collected a total of direct premiums amounting to €2,883m (€2,671m at 31/12/2017, +7.9%) in addition to financial products amounting to €246m (€221m at 31/12/2017, +11.5%). The individual policy sector recorded a 10.7% growth compared to 31 December 2017. The increase was primarily due to the increase of Class V (+80.8%) to which the issue of the capitalisation policy related to the FUN (Fondo Unico Nazionale LTC) contributed. It is worth noting the positive performance of Class III (+12.8%) to which the premiums earned on the Unit and Multisegment products contributed. The single premiums of Class I recorded also an increase (+3.1%) confirming the appeal of the UnipolSai Investimento Garantito Extra product.
Again in the individual sector, Class IV premiums continued to increase (+72.3%). This increase, albeit not significant in absolute terms, shows a growing interest in products with long-term care coverage. The decline in first year premium compared with the previous year (-6.9%) is in line with the figures of the first six months.

Premiums on collective policies showed a slight increase compared with the growth recorded at 31 December 2017 (+4.1%), due especially to the growth of Class VI (+11.1%).

In the bancassurance channel, the **Arca Group** (Arca Vita and Arca Vita International) recorded direct premiums amounting to €1,077m (+51.4%). The volume of total investments amounted to €8,921.5m (€8,757.0m at 31/12/2017).

BIM Vita recorded a profit of €1.5m at the end of 2018 (€3.0m at 31/12/2017). Gross premiums written amounted to €52.6m (around €83.4m at 31/12/2017). The volume of total investments amounted to €608.6m (€665.8m at 31/12/2017).

New products

In 2018, the overall offer was updated with products with annual premiums.
- UnipolSai Risparmio Protetto: characterised by a hybrid savings plan with a high degree of protection and the option of adding complementary or accessory coverage.
- UnipolSai Risparmio Bonus: through a savings plan, maximises the capital payable on maturity (deferred capital), with the option of deciding whether to convert the capital into an annuity based on fixed, guaranteed ratios.
- UnipolSai Risparmio Giovane: a long-term savings plan that aims to guarantee children (or grandchildren) have economic support to use, for example, for their university studies, a master's course in Italy or abroad, a business start-up, house purchase or other major expense, and envisages the option of paying additional amounts.

A number of actions common to all the products were also carried out:
- a change in the level of financial guarantee offered by reducing the technical rate from 0.75% to 0%;
- a change in the segregated funds of reference, in line with changes associated with financial management logic and cash flow optimisation;
- an updating of the demographic tables and reduction in fractioning costs.

Reinsurance

UnipolSai Group reinsurance policy

As regards the risks underwritten in the Non-Life business, the reinsurance strategy adopted in recent years has remained constant, geared to developing synergies and economies of scale by acquiring standardised insurance coverage for all companies of the Group, obtaining not only the optimisation of overall capacities, but also improved cost efficiency.

The main Group's covers of 2018 are the following:
- renewal of the "Multipol" *Multiline Aggregate* Excess of Loss treaty, which maximises the efficiency and effectiveness of the most operational part of the main non proportional treaties, assuring a greater and/or new protection on the flood and atmospheric event risks for Land Vehicle Hulls as well;
- excess of loss treaties for the protection of MV TPL, General TPL, Atmospheric Events, Fire (by risk and by event), Accident, Aircraft TPL, Transport and Bonds portfolios;
- stop loss treaty for Hail risk;
- proportional treaties for Technological risks (C.A.R. - Contractors' All Risks -, Erection all Risks and Decennale Postuma - Ten-year Building Guarantee), Bonds (the retention of which is then protected by a "risk attaching" excess of loss), Aviation (Accident, Aircraft and TPL, the retention of which is protected by a "loss attaching" excess of loss), Assistance, Legal Expenses, "D & O" TPL and hulls and freight transport.

The risks underwritten in the Life business in 2018 are covered at Group level with two proportional treaties, one for individual risks and one for collective risks in excess of the risk premium. Retention is protected with a non-proportional cover in excess of loss by event that regards the Life and/or Accident classes.

To minimise counterparty risk, reinsurance coverage continued to be spread out and placed with leading professional reinsurers that have been given a high credit rating by major rating agencies, in order to provide a comprehensive and competitive service.

Real Estate Sector

The main income statement figures for the Real Estate sector are summarised below:

Income Statement - Real Estate Sector

Amounts in €m	31/12/2018	31/12/2017	*% var.*
Gains on other financial instruments and investment property	26	25	*2.9*
Other revenue	37	36	*3.1*
Total revenue and income	**63**	**61**	***3.0***
Losses on other financial instruments and investment property	(66)	(27)	*140.9*
Operating expenses	(22)	(26)	*(13.6)*
Other costs	(36)	(32)	*12.2*
Total costs and expenses	**(124)**	**(85)**	***46.0***
Pre-tax profit (loss) for the year	**(61)**	**(24)**	***n.s.***

The pre-tax result at 31 December 2018 was a loss of €61m (-€24m at 31/12/2017), after having effected property write-downs of €50m (€9m at 31/12/2017), of which €36m related the Castello Area, in the Florence municipality, and depreciation of investment property and tangible assets of €25m (€24m at 31/12/2017).

Investments and cash and cash equivalents of the Real Estate sector (including instrumental properties for own use) totalled, at 31 December 2018, €1,305m (€1,277m at 31/12/2017), consisting mainly of Investment property and Properties for own use amounting to€1,191m (€1,168m at 31/12/2017).

Financial liabilities, at 31 December 2018, were €329m (€328m at 31/12/2017).

It should be noted that, on 26 June 2018, the Board of Directors of UnipolSai Investimenti SGR approved the establishment of a new real estate fund named "Fondo Landev". The fund began its activities on 7 August with the subscription by UnipolSai of 100% of the 3,018 shares. At 31 December 2018, the fund held properties zoned for construction worth €150m.

Other property transactions[7]

During the year, the Group continued to renovate its owned property assets in order to subsequently leverage the refurbished properties with a view to leasing or use for business purposes. The projects are characterised by the use of technologies designed to maximise energy savings, including by relying on renewable energy.

The main projects, partially started in previous years, have been concentrated in the Milan area, and include:
- start of the construction of a new multi-storey building for business use in piazza Gae Aulenti (Porta Nuova Garibaldi area). The project entails building an approximately 100 metre tall office tower. The tower will be built with a view to ensuring the best certification in terms of energy and water saving and the ecological quality of the interior spaces (Leed Platinum certification);
- continuation of works for the completion of a headquarters building in via De Castilia (Porta Nuova-Garibaldi area); works started in the previous year. The property, consisting of two buildings connected together, is characterised by a mirrored facade which, aside from recalling the stylistic features used for the tower that is being built by the Group in the nearby piazza Gae Aulenti, will actively contribute to reducing local atmospheric pollution thanks to the innovative materials that will be used for its construction;

[7] The scope of the disclosure on Group real estate business also includes properties owned by the companies in sectors other than the Real Estate sector.

- the continuation of the work for the refurbishment of Torre Galfa, Via Fara 41, a 31-storey building in a central location in Milan, unused for approximately 15 years, which thanks to this initiative will become a multifunctional building with a hotel in the first 13 storeys and luxury residential apartments for temporary use in the remaining storeys. It must be noted that for the Torre Galfa portion, to be used for hotel and temporary accommodations, leasing agreements have already been executed. The top floor of the Tower will be occupied by a restaurant-bar; the lower level will be occupied by a fitness facility;
- the renovation works have begun on a building to be used as a hotel in via De Cristoforis (Hotel UNA Esperienze Milano De Cristoforis). The project provides for the construction of a luxury hotel with more than 170 rooms, restaurant, bistro, cocktail and lounge bar, terrace for events, garden area, fitness services, Spa and a convention centre with flexible meeting spaces.

During the year, the main activities of Casa di Cura Villa Donatello were transferred from the Florence building to the structure of Via Ragionieri in Sesto Fiorentino, owned by the subsidiary Villa Ragionieri. The structure was recently subject to renovation, combining the opportunity of being reused with the possibility of ensuring that the clinic operates in a more modern, better equipped and more comfortable environment.

Other residential and office property renovation activities were also carried out in Florence and Milan in order to subsequently generate income through leasing, and in Turin and Verona on properties for business use.

As regards sales during the year, the transfer of ownership of some properties, already started in the previous year and falling under a broader transaction for the disposal of more than 500 property units owned by Group companies, located in various parts of Italy, was completed.
Furthermore, to be noted are the sale, inter alia, of some properties for a significant amount, located respectively in Bologna, (office use), Brescia (hotel structure), and the disposal of residential units located in Rome, via Ciro Menotti and via Clitunno, and in Milan, via Monti and via Dei Missaglia (Le Terrazze complex) and via Castellanza.

During the year, the preliminary contract was finalised for the disposal to Toscana Aeroporti SpA of a piece of land in the Castello Area of the Municipality of Florence, covering around 128 hectares. The price of the sale was set at €75 million, net of taxes, as required by the law. The preliminary contract is subject to two conditions precedent, one of which arose on 26 June 2018.

Porta Nuova Project

There were no changes compared to the financial statements of the previous year.
Therefore, it is estimated that the remaining collections, expected in an additional two tranches in July 2023 and April 2025, will guarantee the recovery of the remaining investment, totalling €11.4m at 31 December 2018, plus additional proceeds, the quantification of which is currently uncertain as it relates to the outcome of the guarantees issued to the purchaser.

Other Businesses Sector

The key income statement figures regarding the Other Businesses sector are provided below:

Income Statement - Other Businesses Sector

Amounts in €m	31/12/2018	31/12/2017	*% var.*
Income from investments in subsidiaries, associates and interests in joint ventures		1	*(100.0)*
Gains on other financial instruments and investment property	1	1	*(26.6)*
Other revenue	201	194	*3.9*
Total revenues and income	**202**	**196**	***3.2***
Losses on other financial instruments and investment property	(2)	(2)	*10.5*
Operating expenses	(67)	(59)	*14.7*
Other costs	(137)	(138)	*(0.7)*
Total costs and expenses	**(206)**	**(198)**	***3.9***
Pre-tax profit (loss) for the year	**(4)**	**(3)**	***(50.2)***

The pre-tax result at 31 December 2018 was a loss of €4m (-€3m at 31/12/2017).

The items Other revenue and Other costs include revenue and costs for secondment of personnel and for services provided to and received from companies of the Group belonging to other sectors, eliminated during the consolidation process.

At 31 December 2018, Investments and cash and cash equivalents of the Other Businesses sector (including properties for own use of €169m) totalled €257m (€277m at 31/12/2017).

Financial liabilities amounted to €49m (€51m at 31/12/2017).

The performance of the sector was strongly focused on the development of trading activities as well as on a continue attention toward the achievement of efficiency of the different operating platforms.

As regards the hotel sector, during the period, a rebranding of the UNA Group was carried out, by dividing the structures into three different categories, each with unique characteristics: Una Esperienze, UnaHotels and Unaway interpret the needs of different types of travellers while emphasising characteristics of design, art, culture, gastronomy and nature offered by the UNA hotels and their locations.
The revenue on a like-for-like basis generated by the subsidiary Gruppo UNA increased by 1.3%, compared with 2017, from approximately €123.3m in 2017 (adjusted data so as to exclude the structures not on a like-for-like basis in 2018) to about €124.8m at 31 December 2018. The results obtained by the company reached a break even level, before recognising the non-recurring costs for €3.8m.

Casa di Cura Villa Donatello closed the year with a revenue of €23.3m (€21.1m at 31/12/2017), up by 10%. Revenue trends show a continuation of the positive performance in the core business, for hospitalisation (hospital stays and outpatient surgery) as well as clinic activities (visits and diagnostics). The company recorded a profit of €220k, up compared to 2017.

As regards **agricultural activities**, the sales of bottled wine by the company Tenute del Cerro generated a 10% increase compared to same figure at 31 December 2017, from €6.2m to €6.8m. Total revenue showed an approximate 5% increase compared to 2017, from €8.3m to €8.7m. Moreover, Tenute del Cerro posted in 2018 a net positive result of €190k, up compared with the same figure of the previous year.

Asset and financial management

Investments and cash and cash equivalents

At 31 December 2018, the balance of the **Investments and Cash and cash equivalents** of the Group was €59,718m (€51,971m at 31/12/2017), with the following breakdown by business segment:

Investments and cash and cash equivalents - Breakdown by business segment

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Insurance sector	58,236	*97.5*	50,498	*97.2*	*15.3*
Other Businesses sector	257	*0.4*	277	*0.5*	*(7.2)*
Real Estate sector	1,305	*2.2*	1,277	*2.5*	*2.2*
Inter-segment eliminations	(81)	*(0.1)*	(81)	*(0.2)*	*(0.1)*
Total Investments and cash and cash equivalents (*)	**59,718**	***100.0***	**51,971**	***100.0***	***14.9***

(*) including properties for own use

The breakdown by investment category is as follows:

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Property (*)	**3,635**	***6.1***	**3,754**	***7.2***	***(3.2)***
Investments in subsidiaries, associates and interests in joint ventures	**341**	***0.6***	**804**	***1.5***	***(57.6)***
Held-to-maturity investments	**460**	***0.8***	**540**	***1.0***	***(14.8)***
Loans and receivables	**4,313**	***7.2***	**4,489**	***8.6***	***(3.9)***
Debt securities	3,410	*5.7*	3,713	*7.1*	*(8.2)*
Deposits with ceding companies	33	*0.1*	19	*0.0*	*71.6*
Other loans and receivables	870	*1.5*	757	*1.5*	*15.0*
Available-for-sale financial assets	**43,446**	***72.8***	**36,043**	***69.4***	***20.5***
Financial assets at fair value through profit or loss	**6,498**	***10.9***	**4,938**	***9.5***	***31.6***
held for trading	292	*0.5*	330	*0.6*	*(11.4)*
at fair value through profit or loss	6,206	*10.4*	4,608	*8.9*	*34.7*
Cash and cash equivalents	**1,025**	***1.7***	**1,404**	***2.7***	***(27.0)***
Total Investments and cash and cash equivalents	**59,718**	***100.0***	**51,971**	***100.0***	***14.9***

(*) including properties for own uses

Transactions carried out in 2018[8]

In 2018 the investment policies continued to adhere, in terms of medium/long-term investments, to the general criteria of prudence and of preserving asset quality consistent with the Guidelines defined in the Group Investment Policy.
Specifically, financial operations were geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, maintaining a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, with a particular focus on the liquidity profile.

The **bond segment** was the main focus of operations, mainly affecting Italian government bonds and non-government bonds, applying a medium/long-term investment approach.
In 2018, the exposure to government bonds increased by €611m, primarily in the Non-Life business, affecting mostly Italian government bonds and concentrated in the second half of the year following the volatility affecting the Italian public debt. In the Life sector, activities were carried out in line with the ALM requirements of the Segregated Funds and to continue the rationalisation of the maturity dates of liabilities with covering assets. These operations, which took into account contractual commitments and the goals of the Business Plan as well as capital efficiency, also included the investment in zero-coupon government bonds, which allow the monitoring of minimum guaranteed returns.
In the Non-Life portfolio, positions in derivatives were increased marginally to mitigate the risk of a rise in interest rates.

The non-government component of bonds showed a marginal increase in the overall exposure (about +€47m): in the Life business, where operational guidelines aim at a better diversification of the issuers, the optimisation of the risk/return profile of the existing portfolio and the reduction of duration mismatches between assets and liabilities, recorded an increase of €198m; by contrast, the Non-Life business recorded a €151m decline. Transactions involved financial and industrial securities, both senior and subordinated.

In 2018, asset portfolio simplification activities continued, with a reduction in exposure to level 2 and 3 structured bonds for a total of €117m on a like-for-like basis.

The following table shows the Group's exposure to structured securities on a like-for-like basis:

	31/12/2018			31/12/2017			variation	
Amounts in €m	Carrying amount	Market value	Implied +/(-)	Carrying amount	Market value	Implied +/(-)	Carrying amount	Market value
Structured securities - Level 1	42	40	(2)	76	76		(33)	(35)
Structured securities - Level 2	607	540	(68)	673	632	(41)	(66)	(92)
Structured securities - Level 3	232	193	(39)	283	269	(14)	(51)	(77)
Total structured securities	**881**	**773**	**(108)**	**1,032**	**977**	**(54)**	**(150)**	**(204)**

Share exposure increased in 2018 by around €71m; the put options on the Eurostoxx50 index are still active in the equity portfolio and were revalued during the year to mitigate volatility and preserve the value of the portfolio. Transactions were broken down based on individual shares and ETFs (Exchange Traded Funds), representing share indexes. Almost all equity instruments belong to the main European share indexes.

Exposure to **alternative funds**, a category that includes Private Equity funds, Hedge Funds and investments in Real Assets, amounted to €898m, an increase of approximately €212m compared to 31 December 2017, mostly due to calls of capital pursuant to the existing subscription commitments.

Currency operations were conducted exclusively to hedge the currency risk of outstanding equity and bond positions.

The overall Group duration stood at 6.09 years, up compared to the end of 2017 (5.30 years). The Non-Life duration in the Group insurance portfolio was 3.09 years (3.02 years at the end of 2017); the Life duration was 7.15 years (6.10

[8]The scope of the disclosure on financial transactions, in terms of the breakdown of investments, does not include investments the risk of which is borne by the policyholders and customers and, in terms of companies, does not include the foreign companies DDOR, DDOR Re and The Lawrence Life, the investment values of which are of little significance on the whole within the Group's overall portfolio.

years at the end of 2017). The fixed rate and floating rate components of the bond portfolio amounted respectively to 86% and 14%. The government component accounted for approximately 70.3% of the bond portfolio whilst the corporate component accounted for the remaining 29.7%, split into 22.9% financial credit and 6.8% industrial credit.

88.7% of the bond portfolio is invested in securities rated above BBB-: 2.3% of the total is positioned on classes AAA to AA-, while 13.1% of securities had an A rating. The exposure to securities in the BBB rating class was 73.3% and includes Italian government bonds which make up 56.2% of the total bond portfolio.

Net gains on investments and financial income

The breakdown of net gains (losses) on investments and financial income is shown in the table below:

Net investment income

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Investment property	(33)	*(1.6)*	7	*0.4*	*n.s.*
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	322	*15.9*	(106)	*(6.4)*	*n.s.*
Net gains on held-to-maturity investments	21	*1.0*	33	*2.0*	*(37.3)*
Net gains on loans and receivables	144	*7.1*	139	*8.4*	*3.9*
Net gains on available-for-sale financial assets	1,615	*80.0*	1,596	*96.6*	*1.2*
Net gains on held-for-trading financial assets held for trading and at fair value through profit or loss (*)	(51)	*(2.5)*	(17)	*(1.1)*	*n.s.*
Balance of cash and cash equivalents	1	*0.0*	1	*0.0*	*0.7*
Total net gains on financial assets, cash and cash equivalents	**2,018**	***100.0***	**1,652**	***100.0***	***22.2***
Net losses on held-for-trading financial liabilities and at fair value through profit or loss (*)					
Net losses on other financial liabilities	(94)		(84)		*12.3*
Total net losses on financial liabilities	**(94)**		**(84)**		***12.3***
Total net gains (*)	**1,924**		**1,568**		***22.7***
Net gains on financial assets at fair value (**)	(228)		185		
Net losses on financial liabilities at fair value (**)	121		(34)		
Total net gains on financial instruments at fair value (**)	**(107)**		**152**		
Total net gains on investments and net financial income	**1,817**		**1,720**		***5.7***

(*) Excluding net gains and losses on financial instruments at fair value through profit or loss for which investment risk is borne by customers (index- and unit- linked) and arising from pension fund management.

(**) Net gains and losses on financial instruments at fair value through profit or loss with investment risk borne by customers (index-and unit-linked) and arising from pension fund management.

At 31 December 2018, Gains/losses on investments in subsidiaries, associates and interests in joint ventures included gains for €309m related to the capital gains realised from the disposal of the equity investment in Popolare Vita; at 31 December 2017, Gains/losses on investments in subsidiaries and associates and interests in joint ventures included losses of €111m related to the share attributable to the Group of the loss recorded by the associate Unipol Banca as part of the Unipol Group's Banking sector restructuring plan.

At 31 December 2018, write-downs of €24m due to impairment on financial instruments classified in the Available-for-sale asset category were recognised in the income statement (€90m at 31/12/2017) along with write-downs on investment property amounting to €59m (€14m at 31/12/2017).

Shareholders' equity

Movements in shareholders' equity recognised during the year with respect to 31 December 2017 are set out in the attached Statement of changes in Shareholders' equity.

Shareholders' equity, excluding non-controlling interests, breaks down as follows:

Amounts in €m	31/12/2018	31/12/2017	*var. in amount*
Share capital	2,031	2,031	
Capital reserves	347	347	
Income-related and other equity reserves	2,133	2,129	*3*
(Treasury shares)	(46)	(52)	*6*
Reserve for foreign currency translation differences	5	5	
Gains/losses on available-for-sale financial assets	80	913	*(833)*
Other gains and losses recognised directly in equity	(7)	(9)	*2*
Profit (loss) for the period	905	504	*401*
Total shareholders' equity attributable to the owners of the Parent	**5,448**	**5,869**	***(421)***

The main changes in the year in the Group's shareholders' equity were as follows:
- decrease due to dividend distribution for €403m;
- decrease of €93m relating to the acquisition of the equity investment in Arca Vita, the effects of which on the net shareholders' equity of the Group are illustrated in Chapter 1 "Information about business combinations" section of these Notes;
- a decrease as a result of a negative change in the provision for Gains and losses on available-for-sale financial assets for €833m, net of both the related deferred tax liabilities and the part attributable to the policyholders and charged to insurance liabilities;
- an increase of €905m for the Group profit for the period.

Shareholders' Equity attributable to non-controlling interests was €249m (€325m at 31/12/2017). The decrease recorded in the year was mainly due to the effect of the disposal of the equity investment in Popolare Vita (-€227m) and the acquisition of Arca Vita (€152m).

Treasury shares and shares of the holding company

At 31 December 2018, UnipolSai held a total of 50,052,345 ordinary treasury shares (55,349,685 at 31/12/2017), of which 1,800,000 directly and 48,252,345 indirectly through the subsidiaries UnipolSai Finance (38,454,775), UnipolSai Nederland (9,443,258), Pronto Assistance (344,312) and Arca Vita (10,000).
The changes occurred during the year are attributable to the sale on the market, by UnipolSai, of 5,205,640 treasury shares, to the disposal of the equity investment in Popolare Vita (the company held 101,700 shares of UnipolSai) and the entry into the consolidation scope of Arca Vita.

At 31 December 2018, UnipolSai held, directly and through its subsidiaries, a total of 1,242,884 shares issued by the holding company Unipol Gruppo SpA (2,486,663 at 31/12/2017).
During the year, 1,237,916 shares were assigned to the company executives and 5,761 shares were acquired (performance share type) pursuant to compensation plans based on financial instruments.
The additional changes that occurred during the year refer to the disposal of the equity investment in Popolare Vita (the company held 24,728 shares of Unipol Gruppo), at the time of the entry into the consolidation scope of Arca Vita (holder of 18,566 shares) and the sale on the market of 5,462 shares.

Reconciliation statement for the Group result for the year and shareholders' equity showing the corresponding figures for the Parent

In accordance with Consob Communication 6064293 of 28 July 2006 the statement reconciling the Group result for the year and shareholders' equity, including the corresponding figures for the Parent, is shown below:

Amounts in €m	Share capital and reserves	Profit(loss) for the year	Shareholders' equity at 31/12/2018
Parent balances in accordance with Italian GAAP	5,353	413	5,766
IAS/IFRS adjustments to the Parent's financial statements	127	224	351
Differences between net carrying amount and shareholders'equity and profit (loss) for the year of consolidated investments, of which:	(950)	378	(572)
- Translation reserve	*5*		*5*
- Gains or losses on available-for-sale financial assets	*(783)*		*(783)*
- Other gains or losses recognised directly in equity	*19*		*19*
Consolidation differences	127		127
Companies measured using the equity method		13	13
Intercompany elimination of dividends	76	(76)	
Other adjustments	16	(4)	12
Consolidated Shareholders' equity	4,749	948	5,697
Non-controlling interests	207	43	249
Shareholders' equity attributable to the owners of the Parent	4,543	905	5,448

Technical provisions and financial liabilities

At 31 December 2018, Technical provisions amounted to €53,223m (€45,757m at 31/12/2017) and Financial liabilities amounted to €5,253m (€3,663m at 31/12/2017).

Technical provisions and financial liabilities

Amounts in €m	31/12/2018	31/12/2017	*% var.*
Non-Life technical provisions	15,212	15,220	*(0.1)*
Life technical provisions	38,011	30,537	*24.5*
Total technical provisions	**53,223**	**45,757**	***16.3***
Financial liabilities at fair value	**2,539**	**1,172**	***116.6***
Investment contracts - insurance companies	2,261	895	*n.s.*
Other	278	277	*0.5*
Other financial liabilities	**2,713**	**2,491**	***8.9***
Subordinated liabilities	2,247	2,028	*10.8*
Other	466	463	*0.7*
Total financial liabilities	**5,253**	**3,663**	***43.4***
Total	**58,476**	**49,420**	***18.3***

UnipolSai Group Debt

For a correct representation of the accounts under examination, information is provided below of financial debt only, which is the total amount of the financial liabilities not strictly associated with normal business operations. Therefore, liabilities constituting operating debt, i.e. liabilities directly or indirectly associated with assets, are excluded.

The situation is summarised in the following table:

Amounts in €m	31/12/2018	31/12/2017	*variation in amount*
Subordinated liabilities	2,247	2,028	*219*
Payables to banks and other lenders	300	300	
Total debt	**2,547**	**2,328**	***219***

With reference to the **Subordinated liabilities** issued by UnipolSai, the change is mainly due to:
- the issue on 1 March 2018 of a 10-year non-convertible, subordinated and non-guaranteed bond loan with a 3.875% coupon, exclusively targeted to qualified investors, for €500m. The bond loan characteristics make it eligible for inclusion among Tier 2 own funds for Solvency II purposes;
- the early redemption on 3 May 2018 of the Tier 2 loans for a total principal of €300m maturing 2025 and 2026, disbursed to the Company by Mediobanca - Banca di Credito Finanziario SpA.

Payables to banks and other lenders, totalling €300m (€300m at 31/12/2017), related primarily to:
- the loan obtained for the acquisition of properties and for improvement works by the Closed Real Estate Fund Athens R.E. Fund for a nominal value of €170m disbursed, through the company Loan Agency Service Srl, by a pool of 13 banks including Unipol Banca (the latter for a nominal value of €10m);
- the loan of €112m taken out by the Closed Real Estate Fund Tikal R.E. from Unipol Banca.

Other information

Human Resources

The total number of employees in the Group at 31 December 2018 was 11,935 (+406 compared with 2017).

	31/12/2018	31/12/2017	*Variation*
Total number of UnipolSai Group employees	11,935	11,529	*406*
of which on a fixed-term contract	444	495	*(51)*
Full Time Equivalent - FTE	11,342	10,907	*435*

This includes 62 seasonal staff of Gruppo UNA at 31 December 2018 (75 at 31/12/2017), and foreign company employees (1,431) include 561 agents.

The increase of 406 resources compared to 31/12/2017 was caused by the consolidation of Arca Assicurazioni, Arca Inlinea, Arca Sistemi, Arca Vita and Arca Vita International, accounting for a total of 345 employees, in addition to 473 resources hired, 411 departures and a negative balance of 1 resource due to mobility within the Unipol Group. Specifically, during the year, 250 new employees were hired permanently, with another 223 hired on fixed-term contracts or for seasonal work and counted among the workforce at 31 December 2018. The 411 departures were due to resignations, incentivised departures and other reasons for termination.

Social and environmental responsibility

Sustainability is managed in UnipolSai through an operating structure made up of the staff reporting to the Chairman to guarantee conformity with the values and completeness of vision on the activities carried out, while the policy function is carried out by the Sustainability Committee of the Unipol Group, which examined and evaluated the path taken throughout the entire year, and issued its judgments on the process adopted and on the main sustainability decisions taken by the Group.
The Unipol Group's attention to social responsibility starts with the Charter of Values and the Code of Ethics adopted by the Unipol Group, based on its Vision and Mission renewed in the **2016-2018 Business Plan**, which for the first time incorporates Sustainability objectives and actions.

Convinced of the importance of integrating sustainability in business process to develop long-term competitiveness, the UnipolSai Group decided to integrate it with the economic and financial aspects both at planning stage and reporting stage. For this reason an Integrated Three-Year Plan was drawn up and an Integrated Report was published at Unipol Group level. UnipolSai draws up, on an annual basis, a Sustainability Report in order to illustrate in detail the impact of its core activities on its stakeholders.
Among the projects included in the Plan that were completed during the year, to be noted are:

- The commitment to increase the resilience of SMEs to climate change-related risks, through the DERRIS project, funded through the European Life Fund, that has developed a model of public-private partnership to improve the resilience of industrial areas with a high concentration of SMEs against natural catastrophes in 11 Italian cities, while also developing a training programme and a risk assessment tool as well as setting up procedures for the adoption of the Response Plan used by 3800 companies.
- The development of an insurance product targeting the third sector in order to respond to the specific needs of an audience focused on the common good, to be sold though the agency network so as to more easily reach the historically under-insured smallest organisations.
- The development of a product for the protection of the needs of temporary migrants.
- The adoption of a system for monitoring ESG (environmental, social and governance or ESG) risks within the supply chain, along with the drawing up of a code of conduct for the suppliers.
- The structuring of a due diligence ESG model for thematic investments that support the willingness to invest in private equity and real assets that support the achievement of the SDGs.

In order to further strengthen the development of an integrated approach, the Board of Directors has adopted a Sustainability Policy that ensures the compliance of the Group with Global Compact principles. A remote training programme has also been developed, for all employees, on the Integrated Report and the Integrated Approach.

During the year, the activities that contribute to the development of sustainability through the use of social media and the internet were constantly updated.
The commitment provided has been recognised in the SRI indexes (Responsible Finance): FTSE4Good, MSCI, Stoxx and ISS-Oekom.

Group sales network

At 31 December 2018, 2,753 agencies were in operation, of which 2,591 of UnipolSai (at 31/12/2017, the agencies were 2,920, of which 2,766 of UnipolSai), with 4,352 agents (4,510 at 31/12/2017). The year 2018 saw the continuation of the reorganisation and consolidation of the Agency Network to optimise the nationwide coverage. With a reduction in numbers, consistent with the process of repositioning the agencies on the market, a growth in size was recorded for the Agencies and their development towards a more managerial model to make them more solid and better structured in organisational terms.

UnipolSai also places Life products through the branches of Unipol Banca and through the networks of financial advisors of Credit Suisse Italy.
The leading bancassurance companies of the Group placed their products through the following sales networks:

- Arca Assicurazioni through BPER Banca SpA and Banca Popolare di Sondrio ScpA;
- BIM Vita through the branches of Banca Intermobiliare and of Banca Consulia (formerly Banca Ipibi) and solely with regard to post-sale activities, of Cassa di Risparmio di Fermo;
- Incontra Assicurazioni through Unicredit Group.

IT services

The Information & Communication Technology (ICT) Plan, as outlined in the 2016-2018 Business Plan, focuses in particular on business innovation and support activities, with the progressive growth of technological innovation initiatives linked to the re-design and creation of new IT architectures, processes and methods for interacting with Agencies, Customers and the ecosystem of external Partners and improving operational efficiency and service quality.

The main activities carried out over the course of the year regarding **new technologies and services** may be grouped according to the following **action areas**:

(i) <u>Digitalisation of Processes and Mobility</u>

- The extension to the entire agency network of the new versions of the applications that enable the use of the Company's systems on the go and through devices owned by the agents (BYOD), in addition to new features for an Advanced Digital Signature (Firma Elettronica Avanzata or FEA) and payment, was completed: about 8,000 POS and m.POS have been distributed, in support of electronic payment systems and sales on the go and the use of FEA has been extended to the Life products and to obtain privacy consents.
- Extension to the accidents, home and health areas of the functionalities of the Consulenza Persone (Personal Advisory) tool, already available in the areas of pension, savings, protection and investment.
- Launch, in 2018, of the enhancement of the lines, on fibre optics, made available by the Company for connecting agencies and sub-agencies.
- Launch, at the beginning of the year, of a project for the migration of the agents' Electronic Mail and Office to the Cloud platform of Google, in order to improve on the go operations and make available to the agents advanced collaboration features.

(ii) New IT architectures

- Continuation of the development of new engines for automating management and agency business processes, and of the new interface for the interaction of the agents with the system aiming at an optimised management of agency trading and operating activities. Within this scope, the new Motore Clausolario (Clauses Engine) was released to the entire network in September and the new agent interface (Workspace), integrated with the new authorisation process for General Classes, was made available to a group of test agencies.

(iii) New "Digital Touch Points"

- Upgrade of the UnipolSai APP with new telematic, claim assistance and management features, such as:
    - "vehicle assistance", which allows, thanks to an interaction with the new information system developed in Pronto Assistance, to request assistance directly from the APP, viewing on a map the position and the arrival time of the tow track to the location of the accident or vehicle failure;
    - "tracking and pre-opening of claims" for the General Classes.
- Development of new on-line calculators for the Condominio&Servizi and Commercio&Servizi products available on the websites.

(iv) Business Process Management

- Introduction of new technologies for the orchestration of multichannel processes used for the development of:
    - new multichannel services integrated with external Contact Centres in support of the agency network for the management of the "proactive care" and "recovery of lost customers" commercial initiatives;
    - New PAS Information System for Customer Service management which has enabled a more efficient management of requests for assistance by integrating the communication process used by customers, call centers and suppliers.

(v) Artificial Intelligence and Robotics

- Development of the new anti-fraud engine and the new investigation platform ("Indago"), integrated with the claim system (Liquido) and based on new Artificial Intelligence technologies and advanced data analyses: the new anti-fraud engine combines the most consolidated heuristic model with a new cognitive system for predictive analyses, whereas the new "Indago" system uses new technologies for the research, analysis and graphic representation of data in support of the activities of the "Special Areas".
- Launch of projects for the automatic analysis of documents and images based on new Artificial Intelligence technologies: the first engines have been released for production and integrated with the settlement processes, for the analysis of texts and automated extraction of metadata from a first set of documents, while the projects related to the analysis of claim images (the new RIS system) are being completed.
- Completion of the new system for the automation of the process for assistance to the agents ("UNO") which, using new technologies for natural language comprehension and a new search engine, allows for a simplified and integrated access to different databases of corporate knowledge and information (FAQ, Ticket and Online Documentation) so as to provide an immediate response to requests for support submitted by agents, without the initial contact with back-office operators.

(vi) Telematics and Data

- Launch, with an initial number of test agencies, of the new TSP system, (project started in 2017) which will allow Alfaevolution to manage directly its own car fleet parking.
- Continuation of the enhancement of the Big Data Hub contents, with information coming from different systems of the Company, and introduction of a new visual reporting and analysis technology for the drawing up of new reports and data analysis made available to the Business.

(vii) Business development support

- Implementation of a number of activities that ensure the regulatory compliance of the systems, especially as regards electronic invoicing, the new European General Data Protection Regulation (GDPR), the IFRS 17 standards and the Insurance Distribution Directive (IDD).
- Continuation of the project for the enhancement of Cyber Security, structured on a number of different actions aimed at the strengthening of measures for the prevention of and fight against cyber attacks through the introduction of new defence technologies and the automation of security management and control processes also thanks to the cooperation with international partners.

Transactions with related parties

The "Procedure for related party transactions" (the "Related Parties Procedure"), prepared in accordance with Art. 4 of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments (the "Consob Regulation"), was most recently approved by UnipolSai's Board of Directors on 6 October 2016 with effect from that date.
The Related Parties Procedure - published on UnipolSai's web site (www.unipolsai.com) in the Governance/Related Party Transactions section - defines the rules, methods and principles that ensure the transparency and substantive and procedural fairness of the transactions with related parties carried out by UnipolSai, either directly or through its subsidiaries.

With regard to transactions with related parties **"of major significance"**, it must be noted that on 22 March 2018, the Board of Directors of UnipolSai approved the purchase of the equity investment held in Arca Vita S.p.A. by the holding company Unipol, equal to 63.39% of the related share capital, and - indirectly - of the investments held by the latter in the share capital of Arca Assicurazioni S.p.A., Arca Vita International DAC and a number of auxiliary companies (the "Acquisition"). This transaction was finalised on 7 August 2018 and described in the Chapter Significant events during the year, to which reference is hereby made.
The Acquisition price was determined within the range of values identified with the support of JP Morgan Limited and Mediobanca - Banca di Credito Finanziario S.p.A, in their capacity as financial advisors, respectively for UnipolSai and Unipol, by applying the estimation methodologies normally used in accordance with the best Italian and international valuation practices.

Considering that Unipol controls UnipolSai, the Acquisition was qualified by both parties as a transaction with related parties "of major significance" pursuant to Consob Regulation and to the Related Parties Procedure adopted, respectively, by Unipol and UnipolSai.
The Acquisition was therefore submitted by UnipolSai and by Unipol (the latter on a voluntary basis, since it was a transaction concluded with a subsidiary in the absence of significant interests held by other related parties and therefore falling under the exemption cases stated in Art. 14 of the Consob Regulation and Art. 13 of the Third Party Procedure applied to Transactions with Related Parties adopted by Unipol) to the respective Committees overseeing Transactions with Related Parties for approval. These Committees were respectively supported, for assessment issues, by Deloitte Financial Advisory Srl and by Towers Watson Italia Srl, and for legal issues by Studio BonelliErede and Studio Legale Chiomenti. In addition, as regards verification of the fairness of the principles and estimation methods applied to the transaction by the financial advisors appointed by the Board of Directors and the Related Party Transactions Committee as regards the standards commonly adopted for similar transactions, UnipolSai has obtained the independent opinion of Studio Laghi S.r.l. and Unipol the opinion of Colombo & Associati S.r.l.

The UnipolSai Related Party Transactions Committee expressed its favourable opinion on the UnipolSai interest in the Acquisition, as well as on the cost effectiveness and substantial fairness of the relative conditions. For further information, please refer to the Information Document on Related Party Transactions of Major Significance, prepared by UnipolSai pursuant to Art. 5 of the Consob Regulation published on 29 March 2018 on the website www.unipolsai.com in the "*Governance/Related Party Transactions*" section.

In turn, the Unipol Related Party Transactions Committee also expressed its favourable opinion, on a voluntary basis, on Unipol's interest in disposing of its investment in Arca Vita S.p.A., as well as on the cost effectiveness and substantial fairness of all related conditions.

In 2018, the following transactions of "**minor relevance**" were carried out with related parties:

- the release, by UnipolSai to Unipol Banca SpA ("Unipol Banca") and in the interests of the Company and of Tikal R.E. Fund, of two collateral guarantees to mitigate the risk of Unipol Banca exposure to UnipolSai, as the "Associated party", identified pursuant to Bank of Italy Circular no. 263/2006, 9th update;
- the execution of a lease agreement between the subsidiary Midi S.r.l. and UnipolReC S.p.A., a company with the majority of its share capital held by Unipol, relating to a portion of the property owned by Midi S.r.l. located at via Stalingrado 37, Bologna;
- the execution of a lease agreement by UnipolSai with the holding company Unipol, in relation to office space at Corso di Porta Romana 19, Milan.

As regards the disclosure required by IAS 24, please refer to paragraph 5.6 - Transactions with Related Parties in the Notes to the financial statements.

Report on corporate governance and ownership structures pursuant to Art. 123-bis of Legislative Decree 58 of 24 February 1998.

The information required by Art. 123-bis, Legislative Decree 58 of 24 February 1998 as amended is included in the Annual Report on corporate governance and ownership structures, approved by the Board of Directors and published together with the management report.
The Annual Corporate Governance Report and ownership structures is available in the "Governance/Corporate Governance System/Annual Report on Corporate Governance" section on the Company's website (www.unipolsai.com).

Statement pursuant to Art. 2.6.2, paragraph 9 of the Regulation governing markets organised and managed by Borsa Italiana SpA

Pursuant to the requirements set forth in Art. 2.6.2, paragraph 9 of the Regulation governing markets organised and managed by Borsa Italiana SpA with reference to subsidiaries subject to the management and coordination of another company, it is hereby stated that the conditions set forth in Art. 37 of Consob Regulation no. 16191/2007 exist for UnipolSai SpA.

Significant events after the reporting period

Renewed the partnership between UnipolSai and Ducati Corse for the MotoGP World Championship 2019 and 2020

On 18 January 2019, UnipolSai formalised and consolidated, for a further two years, the partnership that will see the company as the official sponsor of Ducati Corse in the MotoGP 2019 World Championship and in the subsequent 2020 edition. The partnership with the Ducati team will entail the UnipolSai brand appearing on the tail of the red sport bikes of Borgo Panigale of two Italian racers.

Exercise of the put option on Unipol Banca and UnipolReC

On 7 February 2019, the Board of Directors of UnipolSai resolved to exercise the put option relating to 27.49% of the share capital of Unipol Banca and UnipolReC in favour of Unipol, by virtue of the option agreement signed on 31 December 2013 by the former Fondiaria-Sai SpA. and Unipol Gruppo. On 14 February 2019, UnipolSai notified Unipol that it had exercised the option right; the transfer of the shares was made on 1 March 2019 against payment by Unipol of €579.1m as per the option agreement. Following the exercise of the put option, Unipol holds a direct investment in Unipol Banca and in UnipolReC, corresponding to 85.24% of the respective share capital. The remaining shares of these companies are held by UnipolSai.
UnipolSai has also granted to Unipol, within the scope of the afore-mentioned put option, a 5-year loan of €300m, also repayable early, at an interest rate of the 3-month Euribor plus a spread of 260 basis points. For UnipolSai, the granting of the afore-mentioned loan represents a form of investment of liquid assets that meets the investment principles compliant with the adopted policy for medium-long term investments as well as the risk profile. The loan was disbursed on 1 March 2019.
As considered transactions with related party "of major significance", both the exercise of the put option and the granting of the mentioned loan were submitted to UnipolSai Related Party Transactions Committee, which, on 6 February 2019, expressed its favourable opinion.
For further information, please refer to the Information Document on Related Party Transactions of Major Significance, prepared by UnipolSai pursuant to Art. 5 of the Consob Regulation published on 14 February 2019 on the website www.unipolsai.com in the "Governance/Related Party Transactions" Section.

Sale of Unipol Banca to BPER Banca and acquisition of the NPL portfolio

The Board of Directors of UnipolSai, at the meeting of 7 February 2019, has approved the sale to BPER Banca of the entire equity investment held by the same in Unipol Banca, corresponding – in consideration of the exercise of the put option – to 14.76% of the share capital. The sale to BPER Banca of the remaining shares of the capital of Unipol Banca, held by Unipol, was approved, on the same date, by the Board of Directors of the latter. The total consideration for the sale to BPER Banca of the entire share capital of Unipol Banca, to be paid in cash, amounts to €220m; therefore, the portion pertaining to UnipolSai amounts to about €32.5 million.
Jointly with the afore-described sale, the Boards of Directors of UnipolSai and Unipol have approved, within the area of their respective competence, also the purchase from the BPER Group, by UnipolReC – a subsidiary of Unipol, of which UnipolSai holds, in consideration of the exercise of the afore-mentioned put option, 14.76% of the share capital – of two separate portfolios composed of bad and doubtful loans, one belonging to BPER Banca and one to Banco di Sardegna, for a gross book value of €1.3bn, against a cash payment of €130m, equal to 10% of the gross value of the Portfolio (the "Purchase of the Portfolio" and jointly with the Unipol Banca Disposal, the "Transaction").
On the same date, the Transaction was approved, within the area of their respective competence, also by the Boards of Directors of the other companies involved in the Transaction and in particular (i) as regards the Unipol Banca Disposal, by BPER Banca; (ii) as regards the Purchase of the Portfolio, by the same BPER Banca, its subsidiary Banco di Sardegna and UnipolReC.
After the above-mentioned Board meetings, the parties signed the contractual agreements governing the Transaction. This is expected to be finalised, subject to the occurrence of certain preconditions, mainly of a regulatory and authoritative nature, at the beginning of the second half of 2019.

With reference to the Transaction, UnipolSai voluntarily applied the procedural and decision-making controls established for transactions of "lesser significance", the Procedure for related party transactions adopted in accordance with Consob Regulation no. 17221/2010 and subsequent amendments.
The Transaction was therefore examined by the UnipolSai Committee for related party transactions. It issued its approval on 6 February 2019.
Unipol and UnipolRec, also on a voluntary basis, and to the extent of their respective responsibilities, submitted the Transaction for approval by the Unipol Committee for related party transactions and affiliated parties, which also acted as the applicable Committee for the management of relations with affiliated parties of UnipolRec, and it gave its approval on 6 February 2019.

Business outlook

The global economy is showing signs of a general slowdown. Already starting in the first few weeks of 2019, as the main macroeconomic data from the last part of 2018 were being posted, many economic observers cut the 2019 growth estimates for the Eurozone. Particularly for Italy, which showed to be in a recession in the second part of 2018, considerable doubts were expressed, by different sides, about the possibility of achieving the targets set by the Italian government, i.e. a +1% growth of the economy for this year.

The external economic situation, together with numerous critical issues that characterise Italy risks the stoking of new tensions in the financial markets with the consequent resumption of the volatility of the spread of Italian government bonds relative to the German Bund. The main stock markets in the first two months of 2019 have shown positive performances, although within a framework of high volatility.
All this reflects on our financial investments and on the financial management, which continues to be aimed at the consistency of assets and liabilities, optimising the risk-return profile of the portfolio and pursuing selectively an adequate diversification of the risks.

With regard to the trends of the business sectors in which the Group operates, there are no particularly significant events to report. As already mentioned, the new Business Plan 2019-2021, that will focus on the core insurance business, is currently being defined and will be presented to the financial markets in May.
Excluding unforeseeable events also connected with the reference context, the consolidated operating result for the current year is expected to remain positive.

With reference to extraordinary transactions, it should be noted that, at the beginning of the second half year, subject to the fulfilment of some conditions precedent, especially of a regulatory and authorization nature, the finalisation of the sale to BPER Banca of the equity investment in Unipol Banca held by Unipol and UnipolSai and the purchase, by UnipolReC of two NPL portfolios from the BPER Group, are expected.

Bologna, 14 March 2019

The Board of Directors

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CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2018 TABLES OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position
Assets

		Amounts in €m	31/12/2018	31/12/2017
1		INTANGIBLE ASSETS	835.4	691.3
	1.1	Goodwill	464.6	327.8
	1.2	Other intangible assets	370.8	363.5
2		PROPERTY, PLANT AND EQUIPMENT	1,813.6	1,719.3
	2.1	Property	1,564.1	1,482.9
	2.2	Other tangible assets	249.5	236.4
3		TECHNICAL PROVISIONS - REINSURERS' SHARE	982.0	846.0
4		INVESTMENTS	57,128.6	49,084.8
	4.1	Investment property	2,071.1	2,271.4
	4.2	Investments in subsidiaries, associates and interests in joint ventures	341.0	803.8
	4.3	Held-to-maturity investments	459.6	539.6
	4.4	Loans and receivables	4,313.1	4,489.1
	4.5	Available-for-sale financial assets	43,446.0	36,042.7
	4.6	Financial assets at fair value through profit or loss	6,497.7	4,938.2
5		SUNDRY RECEIVABLES	2,869.1	2,662.8
	5.1	Receivables relating to direct insurance business	1,365.5	1,421.6
	5.2	Receivables relating to reinsurance business	137.3	100.6
	5.3	Other receivables	1,366.4	1,140.6
6		OTHER ASSETS	1,540.3	11,342.7
	6.1	Non-current assets or assets of a disposal group held for sale	536.7	10,569.1
	6.2	Deferred acquisition costs	98.1	85.0
	6.3	Deferred tax assets	465.4	217.1
	6.4	Current tax assets	22.9	9.4
	6.5	Other assets	417.2	462.0
7		CASH AND CASH EQUIVALENTS	1,025.1	1,403.6
		TOTAL ASSETS	66,194.2	67,750.4

Statement of Financial Position
Shareholders' Equity and Liabilities

	Amounts in €m	31/12/2018	31/12/2017
1	SHAREHOLDERS' EQUITY	5,697.0	6,193.7
1.1	**attributable to the owners of the Parent**	**5,447.6**	**5,869.0**
1.1.1	Share capital	2,031.5	2,031.5
1.1.2	Other equity instruments		
1.1.3	Capital reserves	346.8	346.8
1.1.4	Income-related and other equity reserves	2,132.6	2,129.5
1.1.5	(Treasury shares)	(46.2)	(52.3)
1.1.6	Reserve for foreign currency translation differences	4.9	4.8
1.1.7	Gains or losses on available-for-sale financial assets	80.1	913.4
1.1.8	Other gains or losses recognised directly in equity	(7.2)	(8.9)
1.1.9	Profit (loss) for the year attributable to the owners of the Parent	905.1	504.2
1.2	**attributable to non-controlling interests**	**249.4**	**324.7**
1.2.1	Share capital and reserves attributable to non-controlling interests	206.7	265.5
1.2.2	Gains or losses recorded directly in equity	0.2	26.7
1.2.3	Profit (loss) for the year attributable to non-controlling interests	42.6	32.6
2	PROVISIONS	353.4	382.3
3	TECHNICAL PROVISIONS	53,223.3	45,757.0
4	FINANCIAL LIABILITIES	5,252.6	3,663.0
4.1	Financial liabilities at fair value through profit or loss	2,539.3	1,172.3
4.2	Other financial liabilities	2,713.3	2,490.7
5	PAYABLES	904.5	915.3
5.1	Payables arising from direct insurance business	160.9	104.7
5.2	Payables arising from reinsurance business	86.8	93.6
5.3	Other payables	656.7	717.0
6	OTHER LIABILITIES	763.4	10,839.1
6.1	Liabilities associated with disposal groups	3.2	10,016.5
6.2	Deferred tax liabilities	8.9	25.1
6.3	Current tax liabilities	21.8	24.1
6.4	Other liabilities	729.4	773.4
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	66,194.2	67,750.4

Income Statement

	Amounts in €m	31/12/2018	31/12/2017
1.1	Net premiums	11,005.4	10,402.2
1.1.1	Gross premiums earned	11,412.2	10,833.4
1.1.2	Earned premiums ceded to reinsurers	(406.9)	(431.2)
1.2	Commission income	30.0	35.2
1.3	Gains and losses on financial instruments at fair value through profit or loss	(157.5)	134.3
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	322.4	8.6
1.5	Gains on other financial instruments and investment property	2,033.2	2,103.6
1.5.1	Interest income	1,441.4	1,483.1
1.5.2	Other income	178.5	178.2
1.5.3	Realised gains	412.1	442.1
1.5.4	Unrealised gains	1.2	0.2
1.6	Other revenue	635.1	540.9
1	TOTAL REVENUE AND INCOME	13,868.4	13,224.8
2.1	Net charges relating to claims	(8,980.1)	(8,836.0)
2.1.1	Amounts paid and changes in technical provisions	(9,288.9)	(9,033.2)
2.1.2	Reinsurers' share	308.8	197.2
2.2	Commission expenses	(16.6)	(17.7)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(0.9)	(114.5)
2.4	Losses on other financial instruments and investment property	(380.2)	(412.4)
2.4.1	Interest expense	(96.0)	(83.8)
2.4.2	Other charges	(30.7)	(35.9)
2.4.3	Realised losses	(136.0)	(136.9)
2.4.4	Unrealised losses	(117.5)	(155.8)
2.5	Operating expenses	(2,428.4)	(2,331.0)
2.5.1	Commissions and other acquisition costs	(1,780.3)	(1,708.4)
2.5.2	Investment management expenses	(117.4)	(124.8)
2.5.3	Other administrative expenses	(530.8)	(497.8)
2.6	Other costs	(858.8)	(752.9)
2	TOTAL COSTS AND EXPENSES	(12,665.1)	(12,464.6)
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	1,203.4	760.2
3	Income tax	(255.8)	(223.4)
	PROFIT (LOSS) FOR THE PERIOD AFTER TAXES	947.6	536.8
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		
	CONSOLIDATED PROFIT (LOSS)	947.6	536.8
	of which attributable to the owners of the Parent	905.1	504.2
	of which attributable to non-controlling interests	42.6	32.6

Comprehensive Income Statement

Amounts in €m	31/12/2018	31/12/2017
CONSOLIDATED PROFIT (LOSS)	947.6	536.8
Other income items net of taxes not reclassified to profit or loss	(8.7)	6.4
Change in the shareholders' equity of the investees	(7.9)	7.7
Change in the revaluation reserve for intangible assets		
Change in the revaluation reserve for property, plant and equipment		
Gains and losses on non-current assets or disposal groups held for sale		
Actuarial gains and losses and adjustments relating to defined benefit plans	(0.7)	(1.2)
Other items	(0.0)	
Other income items net of taxes reclassified to profit or loss	(849.3)	159.1
Change in the reserve for foreign currency translation differences	0.1	1.7
Gains or losses on available-for-sale financial assets	(859.5)	157.2
Gains or losses on cash flow hedges	10.1	0.2
Gains or losses on hedges of a net investment in foreign operations		
Change in the shareholders' equity of the investees		
Gains and losses on non-current assets or disposal groups held for sale		
Other items		
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	(858.0)	165.5
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	89.7	702.3
of which attributable to the owners of the Parent	73.6	674.4
of which attributable to non-controlling interests	16.0	27.9

Statement of Changes in Shareholders' Equity

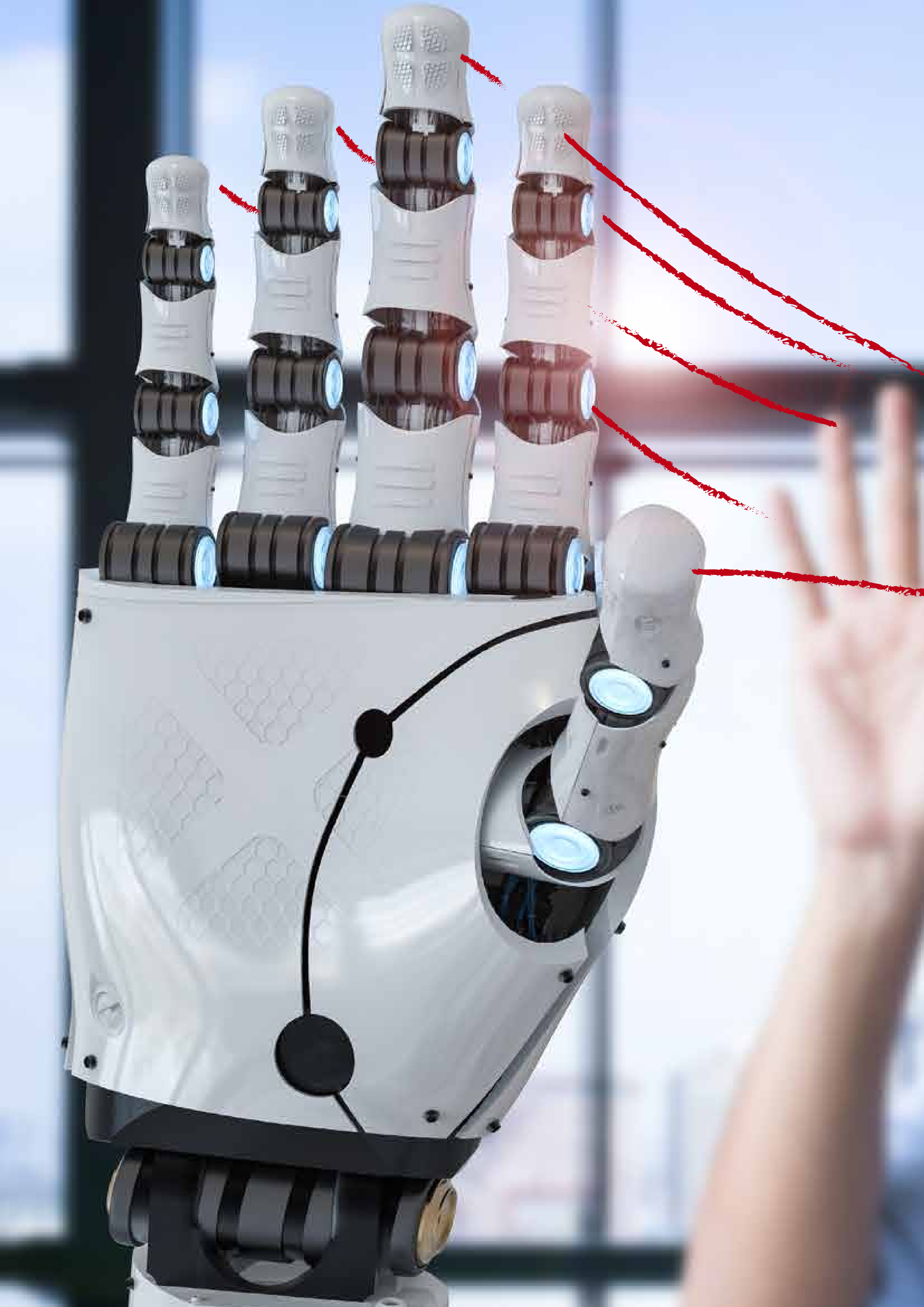
	Amounts in €m	Balance at 31/12/2016	Changes to closing balances	Amounts allocated	Adjustments from reclassif. to profit or loss	Transfers	Changes in investments	Balance at 31/12/2017
Shareholders' Equity attributable to the owners of the Parent	Share capital	2,031.5						2,031.5
	Other equity instruments							
	Capital reserves	346.8						346.8
	Income-related and other equity reserves	2,593.1		(463.7)			0.1	2,129.5
	(Treasury shares)	(52.3)						(52.3)
	Profit (loss) for the year	497.4		353.7		(346.8)		504.2
	Other comprehensive income/(expense)	739.2	0.0	309.7	(139.5)		(0.0)	909.4
	Total attributable to the owners of the Parent	**6,155.6**	**0.0**	**199.6**	**(139.5)**	**(346.8)**	**0.1**	**5,869.0**
Shareholders' Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	317.6		(51.9)			(0.2)	265.5
	Profit (loss) for the year	30.1		85.9		(83.5)		32.6
	Other comprehensive income/(expense)	31.3	0.0	0.7	(5.4)		0.0	26.7
	Total attributable to non-controlling interests	**379.1**	**0.0**	**34.7**	**(5.4)**	**(83.5)**	**(0.2)**	**324.7**
Total		6,534.7	0.0	234.3	(144.9)	(430.3)	(0.1)	6,193.7

		Balance at 31/12/2017	Changes to closing balances	Amounts allocated	Adjustments from reclassif. to profit or loss	Transfers	Changes in investments	Balance at 31/12/2018
Shareholders' Equity attributable to the owners of the Parent	Share capital	2,031.5						2,031.5
	Other equity instruments							
	Capital reserves	346.8						346.8
	Income-related and other equity reserves	2,129.5	(7.2)	10.4				2,132.6
	(Treasury shares)	(52.3)		6.1				(46.2)
	Profit (loss) for the year	504.2		803.9		(403.1)		905.1
	Other comprehensive income/(expense)	909.4	2.7	(432.7)	(401.5)			77.9
	Total attributable to the owners of the Parent	**5,869.0**	**(4.4)**	**387.7**	**(401.5)**	**(403.1)**		**5,447.6**
Shareholders' Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	265.5		(58.8)				206.7
	Profit (loss) for the year	32.6		15.5		(5.5)		42.6
	Other comprehensive income/(expense)	26.7	(0.0)	134.4	(160.9)			0.2
	Total attributable to non-controlling interests	**324.7**	**(0.0)**	**91.1**	**(160.9)**	**(5.5)**		**249.4**
Total		6,193.7	(4.4)	478.8	(562.5)	(408.6)		5,697.0

Statement of Cash Flows (indirect method)

Amounts in €m	31/12/2018	31/12/2017
Pre-tax profit (loss) for the year	1,203.4	760.2
Change in non-monetary items	202.1	(1,259.5)
Change in Non-Life premium provision	171.8	44.4
Change in claims provision and other Non-Life technical provisions	(531.0)	(488.3)
Change in mathematical provisions and other Life technical provisions	(147.1)	(952.4)
Change in deferred acquisition costs	(13.1)	(0.4)
Change in provisions	(30.5)	(67.0)
Non-monetary gains and losses on financial instruments, investment property and investments	(47.6)	343.7
Other changes	799.6	(139.6)
Change in receivables and payables generated by operating activities	(446.0)	310.7
Change in receivables and payables relating to direct insurance and reinsurance	(36.3)	(1.1)
Change in other receivables and payables	(409.7)	311.8
Paid taxes	(271.1)	(80.3)
Net cash flows generated by/used for monetary items from investing and financing activities	(348.2)	849.7
Liabilities from financial contracts issued by insurance companies	165.9	50.0
Payables to bank and interbank customers		
Loans and receivables from banks and interbank customers		
Other financial instruments at fair value through profit or loss	(514.0)	799.7
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	340.2	580.9
Net cash flow generated by/used for investment property	(34.9)	(14.3)
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures (*)	(333.0)	(1,253.2)
Net cash flow generated by/used for loans and receivables	426.0	111.2
Net cash flow generated by/used for held-to-maturity investments	81.2	357.8
Net cash flow generated by/used for available-for-sale financial assets	(1,149.1)	1,500.6
Net cash flow generated by/used for property, plant and equipment and intangible assets	(164.3)	(180.1)
Other net cash flows generated by/used for investing activities	606.0	154.5
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	(568.2)	676.5
Net cash flow generated by/used for equity instruments attributable to the owners of the Parent	0.0	0.0
Net cash flow generated by/used for treasury shares	10.3	
Dividends distributed attributable to the owners of the Parent	(403.1)	(346.8)
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	(5.5)	(83.5)
Net cash flow generated by/used for subordinated liabilities and equity instruments	200.0	
Net cash flow generated by/used for other financial liabilities	(3.7)	(32.9)
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	(202.0)	(463.2)
Effect of exchange rate gains/losses on cash and cash equivalents	0.0	0.6
CASH AND CASH EQUIVALENTS AT 1 JANUARY (**)	1,455.3	660.6
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(429.9)	794.8
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (***)	1,025.4	1,455.3

(*) The figure of 2018 Includes the difference between the price paid for the purchase of Arca (€475.0) and the cash and cash equivalents transferred as a result of the acquisition (€131.8m); the figure of 2017 Includes the difference between the price paid for the purchase of the equity investments of UniSalute, Linear and Ambra Property (€931.2m) and the cash and cash equivalents transferred as a result of the acquisition (€57m).
(**) Cash and cash equivalents at 1 January 2018 include cash and cash equivalents of non-current assets or those of a disposal group held for sale (€51.7m).
(***) Include cash and cash equivalents of non-current assets or those of a disposal group held for sale (2018: €0.3m; 2017: €51.7m).



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NOTES TO THE FINANCIAL STATEMENTS

1. Basis of presentation

The UnipolSai Group, consisting of UnipolSai Assicurazioni ("UnipolSai") and its subsidiaries, operates in all Non-Life and Life insurance and reinsurance and capitalisation business; it may issue investment contracts and may set up and manage open pension funds, in compliance with the provisions of Art. 9 of Legislative Decree 124 of 21 April 1993 and subsequent amendments.
It also carries out real estate, and to a lesser extent, hotel, agricultural and healthcare activities. UnipolSai is a joint-stock company, has its registered office in Bologna (Italy) and is listed on the Milan Stock Exchange.
UnipolSai's Consolidated Financial Statements were drawn up in accordance with Art. 154-ter of Legislative Decree 58/1998 (Consolidated Law on Finance) and of ISVAP Regulation no. 7 of 13 July 2007, as amended. They conform to the IAS/IFRS standards issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of Regulation (EC) no. 1606/2002 in force on the closing date of the financial statements.

The Consolidated Financial Statements consist of:
- Statement of Financial Position;
- Income Statement and Comprehensive Income Statement;
- Statement of changes in Shareholders' equity;
- Statement of Cash Flows;
- Notes to the financial statements;
- Tables appended to the notes to the financial statements.

The layout conforms to the provisions of ISVAP Regulation no. 7 of 13 July 2007, Part III as amended, relating to the layout of the Consolidated Financial Statements of insurance and reinsurance companies that must adopt international accounting standards.

The information requested by Consob Communications DEM/6064293 of 28 July 2006 and DEM/11070007 of 5 August 2011 is also provided.

The Consolidated Financial Statements are drawn up on the assumption that the company will continue as a going concern, in application of the principles of accrual accounting, materiality and truthfulness of accounting information, in order to provide a true and fair view of the equity-financial position and economic result, in compliance with the principle of the prevalence of the economic substance of transactions over their legal form.
The going concern assumption is considered to be confirmed with reasonable certainty given that companies belonging to the UnipolSai Group have sufficient resources to ensure that they will continue to operate for the foreseeable future. In addition, the liquidity risk is deemed to be very remote.

The layout of the financial statements offers a comparison with the figures of the previous year. Where necessary, in the event of a change to the accounting standards, measurement or classification criteria, the comparative data are re-stated and reclassified in order to provide homogeneous and consistent information.

The presentation currency is the euro and all the amounts shown in the financial statements and these notes are in €m, except when specifically indicated, rounded to one decimal place; therefore the sum of the individual amounts is not always identical to the total.

The Consolidated financial statements of UnipolSai Assicurazioni SpA are subject to an audit by independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2013/2021 period.

Consolidation scope

The UnipolSai Group's consolidated financial statements at 31 December 2018, were drawn up by combining the figures of UnipolSai with the figures of 46 direct and indirect subsidiaries (IFRS 10). At 31 December 2017 a total of 42 companies were consolidated on a line-by-line basis. Subsidiaries deemed to be too small to be of relevance are excluded from the line-by-line consolidation.

There are no jointly-controlled interests.

Associates (21 companies), in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (2 companies), are measured using the equity method (IAS 28) or maintained at the carrying amount. At 31 December 2017, a total of 24 associates and subsidiaries were considered immaterial.

Investments consolidated on a line-by-line basis and those measured using the equity method are listed in the tables showing the Consolidation scope and Details of unconsolidated investments, respectively, which are appended to these Notes.

Changes in the consolidation scope compared with 31 December 2017 and other transactions

On 1 February 2018, the proportional spin-off of Unipol Banca took effect in favour of the newco UnipolReC SpA.
The share capital of UnipolReC SpA (equal to €290,122,715) is divided in 290,122,715 shares without nominal value, 57.75% of which held by Unipol and 42.25% by UnipolSai. Upon spin-off, the put/call option was extended to the stake of shares assigned to UnipolSai, equal to 27.49% of total shares of UnipolReC. This option was already in place between Unipol and UnipolSai pertaining to Unipol Banca shares.

The company Assicoop Grosseto SpA in liquidazione was cancelled from the Register of Companies on 8 February 2018.

On 29 March 2018, the entire equity investment held by UnipolSai (21,960,001 shares, equal to 50%+1 share of the share capital), in Popolare Vita SpA was sold to the banking partner Banco BPM. As a result of this sale, also the subsidiary The Lawrence Life Assurance Company Dac, 100% investee of Popolare Vita Dac, was excluded from the Group consolidation scope.

The company Sai Mercati Mobiliari SpA in liquidazione was cancelled from the Register of Companies on 5 April 2018.

On 26 June 2018, the Board of Directors of UnipolSai Investimenti SGR approved the establishment of a new real estate fund named "Fondo Landev". The fund began its activities on 7 August with the subscription by UnipolSai of 100% of the 3,018 shares for a total value of €150.9m.

On 7 August 2018, the acquisition by UnipolSai of the controlling interest, equal to 63.39% of the share capital, held by Unipol in Arca Vita SpA., was therefore finalised for the price of €475m. Subsequent to this purchase, the following companies joined the consolidation scope of UnipolSai: Arca Assicurazioni SpA, Arca Direct Assicurazioni Srl, Arca Inlinea Scarl, Arca Sistemi Scarl and Arca Vita International DAC.

On 24 August 2018, the transformation of Assicoop Romagna Futura from Srl to S.p.A. became effective, as resolved by the Shareholders' Meeting on 26 July 2018.

On 13 November 2018, the merger of Italresidence Srl into Gruppo UNA S.p.A. became effective.

Transactions carried out on the share capital and other transactions

UnipolSai made payments for future capital increases or capital contributions in favour of the following subsidiaries:
- Linear S.p.A. for €20m, allowing the subsidiary to update its capital management plan based on the solvency ratio at 31 December 2018, also taking into account the long-term financial forecasts and updated ORSA assessments;
- Meridiano Secondo Srl, for €6.5m, for the payment of construction costs relating to the Unipol Tower project in Milan;
- UnipolSai Nederland BV for €100m in order to provide the subsidiary with the liquidity needed to subscribe the capital increase for the same amount as resolved by UnipolRe DAC;

- UniSalute S.p.A. for €30m, allowing the subsidiary to update its capital management plan based on the solvency ratio at 31 December 2018, also taking into account the long-term financial forecasts and updated ORSA assessments;

On 12 December 2018 UnipolSai Nederland B.V. subscribed the share capital increase of the subsidiary UnipolRe Dac for €100m.

Information about business combinations

Acquisition of the equity investment held by the holding company Unipol in Arca Vita SpA (63.39%)

On 7 August 2018, following completion of the project for streamlining the Unipol Group's insurance sector, started in 2017, the purchase by UnipolSai of the equity investment (22,005,690 shares equal to 63.39% of the share capital) held by Unipol in Arca Vita SpA for a total of €475m, was completed.

According to IAS/IFRS international standards, the acquisition of the above-mentioned equity investment qualifies *as a business combination between entities under common control* since the company subject to acquisition is already controlled by Unipol.
The *business combination under common control* is explicitly excluded from the scope of application of the IFRS 3 accounting standard, and is currently not specifically regulated by other international accounting standards or interpretations. In line with other analogous transactions recognised in the past, the acquisition has been represented in the UnipolSai consolidated financial statements with continuity of carrying amounts with the Unipol Group's consolidated financial statements.
As a result, UnipolSai could recognise solely the amount already recognised in the consolidated financial statements of Unipol Gruppo but not the higher price at current values paid for the acquisition, due for the most part to goodwill. This entailed a decrease in the shareholders' equity attributable to the owners of the Parent of €93.4m.

The values of the assets and liabilities acquired are reported below:

Amounts in €m	Arca Group
Goodwill	136.7
Other intangible assets	18.7
Property	38.6
Other tangible assets	2.9
Technical provisions - reinsurers' share	33.6
Investiment property	0.6
Loans and receivables	165.9
Available-for-sale financial assets	7,650.8
Financial assets at fair value through profit or loss	1,349.6
Receivables relating to direct insurance business	6.5
Receivables relating to reinsurance business	0.4
Other receivables	118.4
Deferred acquisition costs	
Deferred tax assets	22.7
Current tax assets	1.2
Other assets	18.7
Cash and cash equivalents	66.1
TOTAL ASSETS	9,631.4
Provisions	1.5
Technical provisions	7,640.2
Financial liabilities at fair value through profit or loss	0.4
Other financial liabilities	1,374.0
Payables arising from direct insurance business	11.5
Payables arising from reinsurance business	9.3
Other payables	30.7
Deferred tax liabilities	5.9
Current tax liabilities	0.0
Other liabilities	32.4
TOTAL LIABILITIES	9,106.0
Total Net identifiable assets	**525.4**
Total Net identifiable assets attributable to the owners of the Parent	**381.6**
Price paid	**475.0**
Impact on Shareholders' equity attributable to the owners of the Parent	**(93.4)**

Reporting date

The reporting date of the Consolidated Financial Statements is 31 December 2018, the date the separate financial statements of UnipolSai closed. All the consolidated companies closed their financial statements at 31 December with the exception of the associates Pegaso Finanziaria SpA, which closed its latest financial statements at 30 June and for which interim financial statements up to the date of the Consolidated Financial Statements have been used, and of the associate Fin.Priv Srl, which closed its latest financial statements on 30 November.

The consolidated financial statements were drawn up using restatements of the separate financial statements of the consolidated companies adjusted to comply with the IAS/IFRS, as applied by UnipolSai and approved by the Boards of Directors of the companies concerned.
Arca Vita International drew up separate financial statements according to IAS/ IFRS standards. The Irish company UnipolRe applies local Irish standards that, at the end of 2018, did not differ from IAS/IFRS standards.

Basis of consolidation

Companies consolidated on a line-by-line basis

This method provides for the consolidation on a line-by-line basis of the assets, liabilities, gains and losses of the consolidated companies as from the date they were acquired, with the carrying amount of the investment being offset against the corresponding amount of the shareholders' equity of each individual subsidiary and, in the case of investments not wholly owned, the separate recognition of the amount of the equity and the profit or loss for the year attributable to non-controlling interests.
The amount of equity attributable to non-controlling interests is recognised under shareholders' equity as "Share capital and reserves attributable to non-controlling interests", whilst the corresponding share of consolidated profit or loss is shown under "Profit (loss) for the year attributable to non-controlling interests".
The financial statements of the subsidiaries are consolidated on a line-by-line basis with the exception of small subsidiaries, for which the equity method is used.

Goodwill

If the cost of acquiring investments in subsidiaries and associates exceeds the fair value of the identifiable assets, liabilities and contingent liabilities, the excess amount is recognised as goodwill under intangible assets.
This goodwill represents a payment made in the expectation of future economic benefits arising from assets that cannot be identified individually and recognised separately.
In the years after the year of acquisition, goodwill is measured at cost, net of any impairment losses accumulated.
Ancillary acquisition costs are recognised in the income statement during the year in which the costs are incurred or the services provided.

Under IFRS 10.23 changes in investments in subsidiaries that do not lead to a loss of control are recognised as equity transactions. Any positive difference between the proportion of net fair value of identifiable assets, liabilities and contingent liabilities of the subsidiary and the fair value of the price paid or received is recognised directly in profit for the period and allocated to the members of the holding company.

Companies measured using the equity method

When this method is used the carrying amount of the investment is adjusted to the corresponding portion of shareholders' equity, including the profit/loss for the year and all the adjustments made when consolidation is on a line-by-line basis. Any difference between the portion of shareholders' equity acquired and the fair value of the price paid (goodwill) is recognised in the carrying amount of the investment.

Elimination of intragroup transactions

The amounts receivable and payable between companies included in the consolidation scope, the gains and losses relating to transactions carried out between these companies and the profits and losses resulting from transactions carried out between these companies and not yet realised with parties external to the Group are eliminated during the preparation of Consolidated Financial Statements.

Segment reporting

Segment reporting is provided according to the provisions of IFRS 8 and structured on the basis of the major business segments in which the Group operates:

- Non-Life insurance business;
- Life insurance business;
- Real estate business;
- Other businesses.

Segment reporting is carried out by separately consolidating the accounting items for the individual subsidiaries and associates that belong to each identified segment, eliminating intragroup balances between companies in the same segment and cancelling, where applicable, the carrying amount of the investments against the corresponding portion of shareholders' equity.
In the column "Intersegment eliminations", the intragroup balances between companies in different sectors are eliminated.

This rule does not apply in the following cases:

- investment relations between companies in different sectors, since the elimination of the investment takes place directly in the sector of the company that holds the investment, while any consolidation difference is attributed to the sector of the investee;
- collected dividends, eliminated in the sector of the company that collects the dividend;
- realised profits and expenses, since the elimination takes place directly in the sector of the company that realises the capital gain or loss.

No segment reporting based on geographical area has been provided since the Group operates mainly at the national level and there appears to be no significant diversification of risks and benefits, for a given type of business activity, based on the economic situation of the individual regions.

The segment reporting layout conforms to the provisions of ISVAP Regulation no. 7/2007.

2. Main accounting standards

New accounting standards

The newly issued accounting standards and amendments to previous ones, effective from 1 January 2018, are listed below.
The most important provisions to the UnipolSai Group are the standard "IFRS 9 - Financial Instruments" and provisions regarding the "Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts", whose effects are described in special paragraphs.
As regards the other regulatory developments, no impact is worth reporting.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, endorsed through the EU Regulation 2016/1905 of 22 September 2016 and effective on 1 January 2018, replaced IAS 18 "Revenue", IAS 11 "Construction Contracts", SIC 31 "Revenue - Barter Transactions involving Advertising Services", IFRIC 13 "Customer loyalty programmes", and IFRIC 15 "Agreements for the Construction of Real Estate".
Amendments to IFRS 15 "Revenue from Contracts with Customers - Clarifications to IFRS 15", adopted with EU Regulation 2017/1987, which aim to specify several requirements and provide a further transitional provision for companies that apply the standard, were also effective as from the year 2018.

Amendments to IFRS 1 and IAS 28 - Annual Improvements to IFRSs - 2014-2016 Cycle

The aforementioned Regulation 2018/182 of 7 February 2018 adopted a number of amendments forming part of the Annual Improvements to IFRSs - 2014-2016 Cycle in reference to the following standards:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards": removes the short-term exemptions prescribed by Appendix E for First Time Adopters with regard to the supplemental disclosure to be provided on financial instruments;
- IAS 28 "Investments in Associates and Joint Ventures": specifies that measurement of the investees at fair value to profit and loss is a decision that must be made for each individual investment (not for categories or classes of investment).

Amendments to IFRS 2 - Share-based Payments

The Regulation EU 2018/289 of 26 February 2018 endorsed the amendments of IFRS 2 "Share-based Payments", issued by IASB on 21 June 2016, to clarify the recognition of certain types of specific transactions, especially on the terms and conditions of the share-based payment.

Amendments to IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The Interpretation to IFRIC 22 "Foreign Currency Transactions and Advance Consideration" was adopted with Regulation EU 2018/519, to clarify the recognition of certain transactions, which include the reception or payment of advance consideration in foreign currency.

Amendments to IAS 40 – Investment Property

On 15 March 2018, Regulation 2018/400 was published in the EU Official Journal, which adopted the Amendments to IAS 40 "Investment Property - Transfers of Investment Property".

IFRS 9 - Financial Instruments

The standard IFRS 9 - Financial Instruments was effective at the beginning of 2018. This standard was issued by IASB at end July 2014 and was endorsed by the EU Regulation 2016/2067, which reformed provisions envisaged by IAS 39 on the following main issues:

- *Classification and Measurement:* classification categories were envisaged for financial assets, based on a business model and the characteristics of the contractual cash flows;
- Impairment: an incurred loss model is replaced by an expected loss model, with the introduction of a new concept of staging allocation;
- *Hedge Accounting*: thanks to this new model, hedge accounting is further aligned to risk management processes.

In particular, as regards Classification and Measurement, unlike in the IAS 39, which requires mainly the analysis of the type of financial asset or liability, as well as the related holding period, the IFRS 9 standard introduced classification criteria of financial instruments based on the measurement of the related business model, as well as the analysis of the characteristics of the contractual cash flows resulting from the instruments themselves, with the application of the so-called SPPI test, aimed at verifying the position of Solely Payments of Principal and Interest. Moreover, in view of measuring what Business model should be assigned to the financial instrument, the IFRS 9 envisages more objective parameters, based on various requirements such as: performance, risk, remuneration and turnover.
The new regulations also revised some guidelines on the possible reassignment of the business model that must however be very uncommon and shall meet special conditions involving significant changes, both "internal" with respect to the company and "demonstrable" (basic condition) with respect to external parties.

Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts

On 12 September 2016, the IASB published the official version of the amendment document of IFRS 4 "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4*", to definitively solve the critical issues resulting from the application of IFRS 9 - Financial Instruments, before the entry into force of the new IFRS 17[9] standard on insurance contracts.

In detail, the IASB provided two transitional solutions for the insurance sector, both optional (hereinafter "**IASB Deferral**"): the "*deferral approach*", which provides for a deferral in implementing IFRS 9, to no later than 1 January 2022, for entities or groups exercising a "predominant" insurance activity, and the "*overlay approach*", which requires the application of IFRS 9 from 1 January 2018 and allows the reclassification, from income statement to OCI (*Other Comprehensive Income*), of the difference between the amount of some financial instruments measured in accordance with IFRS 9 and recorded in the income statement and the amount that would have been recognised in the income statement for the same financial instruments on the basis of IAS 39. As regards the *deferral approach*, the IASB specifies that the exercise or non-exercise of this option, with subsequent adoption of IFRS 9, for consolidated financial statements, must be standardised across all the entities that are consolidated on a line-by-line basis[10] and hold financial instruments.

The EU Regulation 2017/1988, published on the EU Official Journal on 9 November 2017, adopted the amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" but extended the possible deferral for the application of IFRS 9 (hereinafter "**EU Deferral**") to further cases that were not envisaged in the amendments to IFRS 4 approved by the IASB. In particular, Art. 2 of the above-mentioned Regulation, allows the parent companies of the financial conglomerate (as defined by Directive 2002/87/EC) to prepare consolidated financial statements while deferring the application of IFRS 9 for entities operating in the insurance sector, provided that:

- no financial assets are transferred (other than financial instruments measured at fair value with changes recognised in the income statement) between the insurance sector and the other sectors of the financial conglomerate itself (except for transactions subject to intragroup netting);
- the group's entities that apply IAS 39 are specified in the consolidated financial statements;
- the additional information requested by IFRS 7 is provided separately for the insurance sector, which applies IAS 39, and for the rest of the group, which applies IFRS 9.

Unlike provisions envisaged by the IASB Deferral, the application of the EU Deferral, therefore substantially allows the parent company of a financial conglomerate to prepare consolidated financial statements by applying non-

[9] As envisaged by the IASB, the IFRS 17 standard will be effective on 1 January 2022. The effective date will depend on the result of the European Union endorsement process, which is still underway.
[10] A non-standardisation of accounting principles is however permitted for equity investments in associates or *joint ventures* measured at equity, which might apply the IFRS 9 standard also in the event the group avails of the IASB Deferral.

uniform accounting criteria, with reference to the classification and measurement of financial instruments held by the entities consolidated on a line-by-line basis. More specifically, as regards the financial instruments held by the insurance entities, it is still possible to apply IAS 39, while as regards the financial instruments held by other entities, the application of IFRS 9 is required.
The amendments to IFRS 4, as supplemented by the above-mentioned EU Regulation 2017/1988, are applicable as from 1 January 2018, for both insurance groups and financial conglomerates.

Application of IFRS 9 by the UnipolSai Group

Based on the quantity and quality analyses, specified in the reference regulations, within the UnipolSai Group the insurance activities are widely "predominant" with the meaning specified in the amended IFRS 4, as described in the previous paragraph. Specifically, the percentage of the total accounting value of liabilities for the UnipolSai Group, related to insurance activities, is largely higher than 90% of the total accounting value of all liabilities.

Within this context, for the purpose of the drawing up of its consolidated financial statements, the UnipolSai Group decided to avail from the deferral option in applying IFRS 9, as envisaged by the IASB (IASB Deferral), based on the deferral approach mode. As a consequence, except for some entities consolidated at equity and for which the application of IFRS 9 is mandatory on a separate basis (UnipolSai Sgr, UnipolReC SpA and the Unipol Banca Group), all entities consolidated on a line-by-line basis or at equity continued to apply IAS 39 in drawing up their consolidated financial statements.

The effects, at 1 January 2018, of the first-time application of IFRS 9 on the consolidated shareholders' equity of the UnipolSai Group are therefore attributable only to the recalculation of the shareholders' equity at the same date of the investees included in the Unipol Banking Group and bound to apply IFRS 9, on separate and consolidated basis, with the equity method by reason of the interests held by the Group itself.

As reported in the column Changes to closing balances in the Statement of changes in shareholders' equity, the application of IFRS 9 to investees of the Banking Group determined a negative effect on the Group's shareholders' equity, equal to €4.4m, due mainly to the increase in adjustments for impairment loss on receivables from banking services, partially offset by the positive effects resulting from the reclassification of some financial assets, measured at amortised cost according to IAS 39 and then measured at fair value according to IFRS 9.

For additional information on the temporary exemption from IFRS 9, reference should be made to the specific paragraph in Section 5. Other Information.

New accounting standards not yet in force

The documents published by the International Accounting Standards Board listed below could be significant for the Group, but are still not applicable since they have not yet been endorsed by the European Union or have not yet entered into force.

Approval of IFRS 17 - Insurance contracts

On 18 May 2017, the IASB published the new IFRS 17 standard, aimed at improving investors' understanding of risk exposure, as well as of profitability and financial exposure of insurers by defining measurement and accounting standards of insurance products. IFRS 17 will supersede IFRS 4, an interim standard issued in 2004, which envisaged the application of local accounting practices, which entailed a difficult comparison of financial results of companies.

Very briefly, the new IFRS 17 standard will introduce the following new aspects:
- change in aggregation criteria of insurance contracts: the new accounting model envisages an increase in the number of portfolios of insurance contracts that bear similar characteristics (so-called Units of Account), according to which the financial and equity components should be determined;
- market-consistent values: insurance liabilities shall be measured at current values (based on updated information), weighted for their possible realisation;
- explicit measurement of risk adjustment: it shall be estimated in a distinct way from liabilities related to cash flows estimated to fulfil contract obligations undertaken;

- recognition of the estimated profit that is implicit in the insurance contracts in portfolio: the so-called "Contractual service margin" (CSM), estimated as the difference between the premiums collected by the company and the aggregate contract charges undertaken, including risk adjustment. This amount, if positive, i.e. in case of non-onerous contracts at the subscription date, will be recognised in the income statement over the entire period of the insurance coverage, with the function of suspending the expected profit;
- profit or loss based on margins: a new way of disclosing profit in the income statement was introduced by envisaging a recognition based on margin (divided by subscription assets and investment assets);
- disclosure: to complete information reported in the income statement and in the statement of financial position, various statements shall be drawn up showing the changes occurred during the year related to the single components making up the insurance liabilities.

The date of entry into force was initially established as 1 January 2021 (with early application only if the entity had already adopted IFRS 9 and IFRS 15). However, on 14 November 2018, partly accepting the claims submitted, the IASB approved a one-year postponement of the entry into force of IFRS 17, now confirmed as 1 January 2022.

It was also decided to extend the "IASB Deferral" to 1 January 2022 (see above) for IFRS 9, in order to align the dates of entry into force of the two accounting standards for the insurance sector.
Also note that, in order to discuss the various critical aspects of the standard reported by the insurance industry during 2018, the IASB met in December 2018 and in the first few months of 2019, particularly to assess potential amendments to the current version of the standard.

Starting in 2017, the Unipol Group has carried out a thorough assessment for IFRS 17 purposes, involving the main corporate functions, with the aim of defining the possible impact of this standard and measuring the gaps in terms of process, IT systems, accounting, actuarial calculations, business and risk. At the start of 2018, the IFRS 17 transition project began.

IFRS 16 – Leases

On 13 January 2016 the IASB issued IFRS 16 "Leases", endorsed through Regulation (EU) 2017/1986, with entry into force on 1 January 2019. IFRS 16 defines the accounting requirements for the recognition, measurement and presentation of lease agreements, replacing IAS 17 and the related interpretations. The main new aspect introduced by IFRS 16 refers to the accounting method for leases payable, which are no longer divided into operating and finance leases but are instead subject to a single accounting model similar to that envisaged in IAS 17 for finance leases. For lessor/user companies, this different accounting representation results in an increase in assets recognised in the financial statements (right-of-use assets), an increase in liabilities (the financial debt on the leased assets), a reduction in lease costs and an increase in financial costs (to remunerate the financial debt) and amortisation (for the time distribution of right-of-use assets).
Compared with current arrangements, however, there are no significant changes in leases receivable, for which IFRS 16 retains the same differentiation between operating and finance leases as IAS 17.

Amendments to IAS 19 "Employee benefits"

The IASB has published the document "Plan Amendment, Curtailment or Settlement", which amends IAS 19, clarifying how service costs are calculated when a change is made to a defined benefit plan. The IASB has specified 1 January 2019 as the mandatory effective date of this amendment, although early application is permitted.

Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 - Annual Improvements to IFRSs - 2015-2017 Cycle

On 12 December 2017, the IASB issued a document on Annual Improvements to IFRSs - 2015-2017 Cycle, which introduced the following amendments in relation to the corresponding standards:

- IFRS 3 "Business Combinations": when an entity obtains control of a business that is a joint operation, it must remeasure previously held interests in that business at fair value;
- IFRS 11 "Joint Arrangements": in this case, when an entity obtains control of a business that is a joint operation, it is not required to remeasure the previously held interests at fair value;
- IAS 12 "Income Taxes": an entity must recognise income taxes deriving from dividends in the income statement and the comprehensive income statement, in line with the accounting approach for the dividends to which the taxes refer;
- IAS 23 "Borrowing Costs": an entity must include in its loans the cost of borrowings originally obtained to develop an asset when it becomes ready for use or sale.

The IASB has specified 1 January 2019 as the mandatory effective date of the above-mentioned amendments, although early application is permitted.

Amendments to IFRS 9 "Financial Instruments - Prepayment features with negative compensation"

On 27 March 2018, Regulation (EU) 2018/498 was issued, adopting the Amendments to IFRS 9 "Financial Instruments - Prepayment Features with Negative Compensation", which aim to clarify the option of classifying certain financial assets with early repayment, subject to application of IFRS 9, at amortised cost or at fair value through other comprehensive income (FVOCI). Companies must apply these amendments from 1 January 2019.

IFRIC 23 "Uncertainty over Income Tax Treatments"

On 23 October 2018, Regulation 2018/1595 was published in the EU Official Journal, adopting the interpretation IFRIC 23 "Uncertainty over Income Tax Treatments" which, issued on 8 June 2017, provides indications on how uncertainty regarding the tax treatment of a given phenomenon should be reflected in income tax accounting. Entities are required to apply the interpretation from 1 January 2019.

Amendments to IAS 28 "Investments in Associates and Joint Ventures"

Note that on 8 February 2019 Regulation (EU) 2019/237 was issued, adopting the amendments to IAS 28 "Investments in Associates and Joint Ventures", which the IASB had published on 12 October 2017 to clarify that long-term receivables from an associate or joint venture which, in effect, form part of the net investment in the associate or joint venture, the provisions of IFRS 9 must be applied, including those on impairment. The amendments came into force on 1 January 2019.

The accounting standards and the most significant criteria used in drawing up the Consolidated Financial Statements are described below.

The paragraph numbers are the same as those of the corresponding items in the Statement of Financial Position and Income Statement, which are laid out in accordance with ISVAP Regulation no. 7/2007.

Statement of financial position

Assets

1 Intangible assets - IAS 38

In accordance with the provisions of IAS 38, the only intangible assets that may be capitalised are those that can be identified and controlled by the company and from which the company will derive future financial benefits.

The following assets are recognised as intangible assets with a finite life:
- goodwill paid for the acquisition of Non-Life and Life portfolios: the value of the policies acquired is calculated by estimating the present value of the future cash flows of the existing policies. The Group amortises this value throughout the expected average residual life. This valuation is reviewed annually;
- costs incurred for the acquisition of software licences, amortised over three years;
- trademarks acquired within a business combination;
- costs incurred for consultancy on major projects for developing and implementing IT systems, including personalisation of the relative software, amortised over five or ten years according to their estimated useful life.

Projects under development are not amortised until the year in which they are first used.

Goodwill paid when companies are acquired or merged is also included among intangible assets, as already mentioned in the previous paragraph Basis of consolidation (also provisionally, determined on the basis of IFRS 3). As this goodwill has an indefinite useful life, it is not amortised, but it is tested for impairment at least once a year, or each time there is any indication of impairment; durable impairments are recognised in the Income Statement and cannot be reversed in subsequent years.

2 Property, plant and equipment - IAS 16 and 17

This item includes property used for corporate business, plant, other machinery and equipment.

For recognising and measuring this category of assets the Group has adopted the cost model, which systematically depreciates the asset's depreciable amount over its useful life.
Depreciation, which is carried out each year on a straight-line basis, begins when the asset is available and ready for use and ends when the asset has come to the end of its useful life (which in the case of property is estimated at 33.4 years). In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

Consolidated real estate companies include in the carrying amount the borrowing costs incurred for loans specifically for acquiring and renovating property, if this can be justified.

The costs of improvements and conversions are capitalised if they result in an increase in the useful life or the carrying amount of the assets.

Assets that suffer impairment losses are written down.
The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

Financial leases relating to movable property (company cars, IT equipment and miscellaneous equipment) are recognised in accordance with the provisions of IAS 17 under which, in the case of financial lease agreements, the cost of the items leased is recognised as property, plant and equipment, whereas the principal and end-of-lease purchasing payments are recognised as financial payables.

3 Technical provisions - Reinsurers' share - IFRS 4

This item includes reinsurers' liabilities arising from reinsurance contracts governed by IFRS 4.

4 Investments

4.1 Investment Property - IAS 40

This item includes property held either to earn rental income or for capital appreciation or for both.
Investment property is recognised by applying the cost method, as allowed by IAS 40 (an alternative to the fair value method).
If the final recoverable amount of property is estimated to be less than the carrying amount (or zero) it is depreciated annually on a straight-line basis, based on the recoverable amount and the estimated useful life (33.4 years). This generally applies to properties that are instrumental by nature, such as hotels, shopping centres, and office buildings.
If the recoverable amount of the property is estimated to exceed the carrying amount, no depreciation is applied. For the Group this is the case with residential property. In the case of wholly-owned properties (land and buildings) depreciation is carried out only on the building.

The costs of improvements and conversions are capitalised if they result in an increase in the carrying amount, the useful life or the profitability of the assets.

Assets that suffer impairment losses are written down. The market value is determined at least once a year by means of expert appraisals conducted by outside companies.

The carrying amount of property acquired as a result of business combinations is reassessed on the basis of the current value on the date of acquisition.

4.2 Investments in subsidiaries, associates and interests in joint ventures – IAS 28

This item includes investments in associates as defined in IAS 28 and investments in subsidiaries that because of their size are considered immaterial, which are measured using the equity method or at cost.

Financial assets – IAS 32 and 39 – IFRS 7 – IFRS 13

IAS 39 provides that debt and equity instruments, receivables, payables and derivatives must be classified according to the purposes for which they are held. The following categories are provided for:
- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets;
- Financial assets at fair value through profit or loss.

There is a specific standard for recognising and measuring each of these categories.

It should be mentioned that the Group recognises financial transactions on the value date.

4.3 Held-to-maturity investments

Investments in securities held to maturity are recognised at amortised cost, net of any impairment losses.

This category includes bonds that the Group intends and is in a financial position to hold to maturity, for example most of the fixed-yield bonds acquired to match special Life tariffs.

If a substantial number of securities in this category are sold early (or reclassified), all the remaining securities must be reclassified as Available-for-sale financial assets and may not be used for the next two financial years.

4.4 Loans and receivables

Receivables in this category consist of agreements for which the Group holds a right to the cash flows arising from the loan agreement. They are characterised by fixed or determinable payments and are not listed on an active market. This category also includes mortgages and loans provided to the insurance companies, reinsurers' deposits, loan repurchase agreements, term deposits exceeding 15 days, receivables for agents' reimbursements, unlisted debt securities not held for sale which the Group intends to hold for the foreseeable future, including bonds reclassified following application of IAS 39 paragraphs 50D and 50E.

In accordance with the provisions of IAS 39, loans and receivables must be initially recognised at their fair value, which corresponds to the amount granted including the transaction costs and the commissions and fees chargeable directly. Following the initial recognition receivables are measured at the amortised cost, which is represented by the initial carrying amount net of repayments, plus or minus any difference between the initial amount and the amount on maturity because of amortisation calculated in accordance with the criterion of effective interest method and less any impairment loss or reduction due to non-recoverability.
Applying the effective interest rate method enables the financial effect of a loan transaction to be spread evenly over its expected life, which makes financial sense. In fact, the effective interest rate is the rate that discounts all the future cash flows of the loan and establishes a present value corresponding to the amount granted including all the transaction costs and income pertaining to it. When the cash flows and the contractual term of the loan are being estimated, all the contractual terms that can affect the amounts and the maturity dates (for instance, early repayments and the various options that may be exercised) are taken into account but not the losses expected on the loan. Following initial recognition, for the whole life of the loan the amortised cost is determined by continuing to apply the effective interest rate fixed at the start of the transaction (original interest rate). This original interest rate does not vary over time and is also used in the case of any contractual amendments to the interest rate or events as a result of which the loan has in practice stopped bearing interest (for instance, due to insolvency proceedings).

The amortised cost method is applied only to loans with an original term of at least eighteen months, on the assumption that in the case of shorter loans the application of this method does not involve significant changes to the financial effect. Loans with a term of less than eighteen months and those that have no fixed maturity date and revocable loans are therefore measured at their historical cost.

On the reporting date for each set of annual or interim financial statements, the loans are assessed to identify those for which there is objective evidence of impairment due to events that have occurred after their initial recognition.

The original value of the loans is reinstated in subsequent years only in the event that the reasons that led to the impairment in question no longer exist. Impairment losses can be reversed up to an amount not exceeding the carrying amount that it would have been recognised if the amortised cost had been applied without prior impairment.

4.5 Available-for-sale financial assets

Investments classified as available-for-sale financial assets are measured at fair value. The differences with respect to the carrying amount must be recognised in the shareholders' equity in a specific reserve for unrealised gains/losses (net of tax). In the event of sale or impairment established as a result of impairment testing, unrealised gains or losses accumulated in shareholders' equity until that time are transferred to the income statement.

Information on how the fair value is determined is provided in the section "Fair value measurement criteria – IFRS 13".

The amortised cost of the debt securities in this category calculated using the effective rate of return is recognised in the income statement. The comparison with the fair value is made after the proportion of the amortised cost for the year has been recognised.

This category includes debt securities, equity securities, UCITS units, and investments deemed to be of strategic importance (less than 20% of the share capital, of commercial or corporate strategic importance).

Impairment policy for financial assets adopted by the Group

IAS 39, paragraph 58, provides for companies to carry out assessments on each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.
In order to determine whether a financial asset or a group of financial assets shows signs of impairment, a regular impairment test must be carried out.
Indicators of a possible impairment are, for instance, the issuer's significant financial difficulties, failure to pay the full amount of interest or principal, the possibility of the beneficiary becoming bankrupt or entering into another insolvency proceeding and the disappearance of an active market for the asset.
Pursuant to paragraph 61 of IAS 39, a "significant or prolonged" decline in the fair value of an equity instrument below its cost must be considered as "objective evidence of impairment".
IAS 39 does not define the two terms "significant" and "prolonged" but implies, partly on the basis of an IFRIC guideline, that their meaning should be left to the directors' judgement, whenever annual or interim financial statements must be prepared under IAS, provided that the meaning is determined in a reasonable manner and complies with paragraph 61 of IAS 39.

The Group has defined as "significant" a reduction of more than 50% in the market value of available-for-sale financial assets with respect to the initial recognised value and as "prolonged" the permanence of market value at levels below the initially recognised amount for more than 36 months.

Therefore, for equity instruments, the impairment test is carried out by selecting all the instruments to which at least one of the following conditions applies:
a) the market price has remained below the initially recognised amount for the last 36 months;
b) the impairment on the reporting date is more than 50% of the initial recognition amount.

The impairment of these instruments is deemed to be confirmed and the total change in fair value is recognised in the income statement, with elimination of gains or losses on the underlying available-for-sale financial assets.

For debt securities, whenever payment of a coupon or repayment of principal is late or missed and this is confirmed by the custodian bank, the Group Finance Department immediately notifies the Risk Management Department, so that the latter can carry out the assessments within its competence on the need to recognise an impairment on these instruments.

4.6 Financial assets at fair value through profit or loss

Investments in this category are recognised at fair value and the differences (positive or negative) between fair value and carrying amount are recognised through profit or loss.
Information on how the fair value is determined is provided in the section "Fair value measurement criteria – IFRS 13".

There are two further sub-items:
- held-for-trading financial assets, which includes debt securities and equity instruments, mainly listed, credit positions in derivative contracts and structured financial instruments where the embedded derivative would have to be separated if they were classified in a different category;
- financial assets to be recognised at fair value through profit or loss, mainly consisting of assets linked to financial liabilities measured at fair value such as investments related to policies issued by insurance companies where the investment risk is borne by the policyholders and those arising from pension fund management.

Derivatives

Derivatives are initially recognised at the purchase cost representing the fair value and subsequently measured at fair value. Information on how the fair value is determined, is provided in the section "Fair value measurement criteria – IFRS 13".

Derivatives may be acquired for "trading" or "hedging" purposes. For hedging transactions IAS 39 sets out cumbersome and complex rules to assess, by preparing appropriate documentation, the effectiveness of the hedge from the time it is activated and throughout its entire term (hedge accounting).

No transactions on fair value hedges were outstanding at 31 December 2018, whereas a number of cash flow hedges are in place.

All derivatives are placed in the category "Financial assets at fair value through profit or loss".

Reclassifications of financial assets – IAS 39

If an available-for-sale financial asset is transferred to the held-to-maturity investments category, the fair value recognised on the date of transfer becomes its new cost or amortisable cost. Any previous gain or loss on this asset that has been recognised directly in equity is recognised through profit or loss throughout the remaining useful life of the investment held to maturity using the effective interest method.

If a financial asset is no longer held for sale or repurchased in the short term (although the financial asset may have been acquired or held mainly for sale or repurchase in the short term), it may be transferred from fair value through profit or loss if the following requirements are met:

- the circumstances are very unusual (IAS 39, paragraph 50B), or
- the asset to be reclassified would have come under "loans and receivables" (if the financial asset had not had to be classified as held for trading when initially recognised) and the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50D).

A financial asset classified as available for sale that would have come under loans and receivables (if it had not been designated as available for sale) may be transferred from "available for sale" to "loans and receivables" if the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50E).

If an entity reclassifies a financial asset from fair value through profit or loss or from "available for sale", it must reclassify the financial asset at its fair value on the date of reclassification and the gain or loss already recognised in the income statement must not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost (IAS 39, paragraphs 50C and 50F).

In the case of a financial asset reclassified from "available for sale", the previous gain or loss on the asset recognised directly in equity must be amortised in the income statement throughout the asset's remaining useful life using the effective interest method.

If the entity has reclassified a financial asset from fair value through profit or loss or from "available for sale", the following is some of the information that must be provided (IFRS 7):

- the amount reclassified from and to each category;
- for each year until it is derecognised, the carrying amount and the fair value of all financial assets reclassified during the current and preceding year;
- whether a financial asset was reclassified in accordance with paragraph 50B of IAS 39, however unusual the situation, and the facts and the circumstances of the unusual situation;
- for the financial year in which the financial asset was reclassified, the fair value gain or loss on the financial asset;
- for each year after reclassification (including the year in which the financial asset was reclassified) until the financial asset is derecognised, the fair value gain or loss that would have been recognised if the financial asset had not been reclassified.

Accounting of structured bonds issued by special purpose vehicles (SPVs)

The Group invests in notes issued by SPVs with rather similar purposes and management methods as those that characterise investments in structured and unstructured bonds, made as part of the ordinary financial management of resources derived from normal business. This financial management is characterised, in relation to the Group's business sector, by a special degree of complexity, which requires, under certain circumstances, the subscription of financial assets with specific characteristics (e.g. in terms of maturity, creditworthiness and payoff) that are not always easy to find on the financial markets. The investment opportunities offered via SPVs also make it possible, owing to their specific nature, to expand the range of financial investments available.

The Group classifies and records the bonds issued by SPVs based on the instructions provided in IAS 39, deeming the circumstance that they have been issued by SPVs irrelevant, in consideration of the fact that the SPV is, in fact, considered merely a technical instrument through which to structure complex financial instruments whose risk/return profile is essentially evaluated by jointly taking into consideration the contracts that govern the notes issued by the SPV, the associated derivative contracts (generally swap agreements) and any other contractual clauses such as financial guarantee or similar clauses, or yet other "ancillary" clauses which may, in theory, make provision, when given conditions are satisfied, for the liquidation of the securities. The SPVs whose bonds are held by the Group in fact, consistently replicate, with the arranger, the positions they assume with noteholders, as the risks or returns of the transaction cannot be retained within it.

Therefore, investments in notes issued by SPVs are accounted for on the basis of IAS 39, with the same criteria applied for the investments in structured and unstructured bonds, with particular regard to the presence of embedded derivatives and valuations regarding any segregation.
In fact, an entity must only consolidate an SPV in the event the entity exercises control over it pursuant to IFRS 10, paragraphs 6 and 7.

The Group, with regard to bonds issued by SPVs in the portfolio at 31 December 2018, does not exercise any form of control over the SPVs, in the sense that it is not able to govern the management process of the SPVs (which, in fact, is defined by the arrangers of the investment transaction in which the Group participates by subscribing the notes and other relevant contracts) and does not obtain any benefits from the SPVs other than those strictly dependent on the formally subscribed financial instrument. The Group holds the notes issued by the SPV and can only dispose of these autonomously, as it does not have the power to dispose of the financial instruments held by the vehicle. It is reasonable to infer, from this, that the Group holds no form of control of the SPVs pursuant to IFRS 10.

In cases where, through the SPV internal segments, which segregate the risks and benefits of issues, the majority of said risks and benefits are transferred to the Group, the consolidation of the segments would lead to the need to replace the debt securities issued by the SPV and subscribed by the Group with a financial asset which, in terms of the associated risks and returns, exactly replicates the financial profile of the notes cancelled as a result of the consolidation.
In fact, the segments consistently replicate, with the arranger, the positions the latter assume with noteholders, as the risks or benefits of the transaction cannot be retained within it. The result is that the financial asset to be recognised due to the consolidation of the segments would have, substantively speaking and therefore for the purposes of classification and measurement pursuant to IAS 39, characteristics identical to those of the notes cancelled as a result of the consolidation of said segment; the result being that, in the case of consolidation of segments in which the risks/benefits of the asset pertain fully to the Group, there would be no substantive effects on the accounting representation of the transaction, essentially confirming the fact that, in effect, the SPVs are technical instruments for realising an investment in financial assets with characteristics which are, for all intents and purposes, equivalent to those of the notes issued by the SPV itself and segregated in the segment.

5 Sundry receivables

Sundry receivables are recognised at their nominal value and subsequently assessed at their estimated realisable value.

The item Sundry receivables includes receivables due within twelve months, in particular Receivables relating to direct insurance business, Receivables relating to reinsurance business and Other receivables, such as trade receivables and tax receivables.

6 Other assets

6.1 Non-current assets or assets of a disposal group held for sale - IFRS 5

This item includes Non-current assets held for sale and any discontinued operations as defined by IFRS 5.

Assets held for sale are recognised at the carrying amount or fair value, whichever is the lower, less costs to sell.

If an investment in a subsidiary consolidated using the line-by-line method is to be sold within the time limit set by IFRS 5, all the assets of the company to be sold are reclassified as "Non-current assets or assets of a disposal group held for sale" in the consolidated statement of financial position (item 6.1 of the Assets) and the liabilities are similarly reclassified under the single item "Liabilities associated with disposal groups" (item 6.1 of the Liabilities). Both items appear in the Consolidated financial statements net of intragroup transactions with the company to be sold.

If a group continues to operate in the business of the company to be sold, income statement items relating to the assets held for sale or disposal groups are recognised in accordance with the normal rules of consolidation on a line-by-line basis.

6.2 Deferred acquisition costs

This item includes acquisition costs for multiyear insurance contracts, paid in advance and amortised on a straight-line basis over the maximum life of the contracts.

6.3 Deferred tax assets - IAS 12

This item includes deferred tax assets based on the deductible temporary differences between the carrying amounts and the amounts for tax purposes of the assets and liabilities of the individual consolidated companies and on the consolidation adjustments. If there are any tax losses, deferred tax assets are also recognised provided there is a probability that taxable income for which they can be used will be available in future.
Deferred taxes are based on the tax rates applied at the end of the year or on the rates that are expected to be applied in the future according to the information available at the end of the financial year.

If assets are revalued solely for tax purposes and relate neither to a revaluation of the carrying amount for a previous year nor to one that is to be carried out in a subsequent year, the tax effects of the adjustment for tax purposes must be recognised in the income statement.

Deferred tax assets and liabilities, distinguished by type of tax, are offset at the level of single Group company or at the consolidated level, within the limits of the scope of the new tax consolidation agreement, set up by Unipol Gruppo, that has replaced the previous tax consolidation agreements set up by Finsoe, UnipolSai and Arca Vita.

6.4 Current tax assets - IAS 12

This item includes assets related to current taxation.

6.5 Other assets

Among other things, this item includes prepayments and accrued income and deferred commission expense for investment contracts with no discretionary participation feature, as these are additional costs incurred to acquire the contract, amortised on a straight-line basis over the whole life of the contract.

7 Cash and cash equivalents - IAS 7

Cash and cash equivalents include cash on hand, cash in current accounts available on demand, and term deposits for periods not exceeding 15 days.

Liabilities

1 Shareholders' equity - IAS 32

1.1.1 Share capital

The item includes the share capital of the ultimate parent.

1.1.3 Capital reserves

This item includes in particular the share premium reserve of the company that carries out the consolidation. It includes the direct costs of issuing equity instruments, net of tax, and any commission income, net of tax, received for the sale of option rights not exercised by shareholders.

1.1.4 Income-related and other equity reserves

In addition to the income-related and other equity reserves of the consolidating company, this item includes in particular gains or losses arising from the first-time application of IAS/IFRS (IFRS 1), gains or losses resulting from changes in accounting standards or accounting estimates (IAS 8), equalisation and catastrophe provisions eliminated under IFRS 4, provisions arising from equity-settled share-based payment transactions (IFRS 2) and consolidation reserves.

1.1.5 Treasury shares

This item includes the equity instruments of the undertaking that draws up the consolidated financial statements owned by the undertaking itself and the consolidated companies. The item was negative. The gains or losses resulting from their subsequent sale are recognised as changes in shareholders' equity.

1.1.6 Reserve for foreign currency translation differences

The item includes the exchange rate differences to be charged to shareholders' equity pursuant to IAS 21, whether they arise from transactions in foreign currency or from conversion into the currency of presentation of the financial statements stated in foreign currency.

1.1.7 Gains or losses on available-for-sale financial assets

This item includes gains or losses on available-for-sale financial assets, net of tax and amounts pertaining to policyholders as a result of the application of shadow accounting.

1.1.8 Other gains or losses recognised directly in equity

This item includes, inter alia, gains or losses on cash flow hedges and the revaluation reserves of property, plant and equipment and intangible assets.

2 Provisions - IAS 37

Provisions are made for risks and charges only when they are deemed necessary to meet an obligation arising from a past event and when it is likely that the amount of resources required can be reliably estimated.

3 Technical provisions - IFRS 4

Classification of insurance contracts

According to IFRS 4 insurance contracts are contracts that transfer significant insurance risks. Such contracts may also transfer financial risks.
An insurance risk is significant if, and only if, there is a reasonable possibility that the occurrence of the insured event will cause a significant change in the current value of the insurer's net cash flows. Investment contracts are contracts that transfer financial risks but involve no significant insurance risks.
Some insurance and investment contracts may include discretionary participation features.

As for the Non-Life sector, all the policies in the portfolio are classified as insurance contracts.

As regards the Life sector, the principal criteria used for classifying Life products as insurance policies were:

- the presence of a significant insurance risk, i.e. the reasonable possibility that the occurrence of the insured event would give rise to the payment of significant "additional benefits" compared with those that would have been payable if the insured event had not taken place. The criteria for identifying the presence of significant insurance risk are structured as follows:
    - above 10% the contract is an insurance contract;
    - under 5% the contract is a financial contract;
    - between 5% and 10% specific product analyses are carried out
- the presence of options or guarantees, such as the coefficient of conversion into a guaranteed rate annuity.

Some contracts provide for discretionary participation features (DPF) i.e. the policyholder's right to receive a benefit in addition to the guaranteed minimum. The benefit must fulfil specific contractual terms and represent a significant part of the total payments. In particular, contracts subject to revaluation and linked to segregated funds were classified as investment products with DPF and were therefore measured and recognised as insurance contracts.

A contract classified as an insurance contract continues to be an insurance contract until terminated, whereas under certain circumstances an investment contract may be subsequently classified as an insurance contract.

However, the following types of contract were classified as investment contracts with no DPFs. For this reason, according to paragraph 3 of IFRS 4, contracts of this type do not produce premiums but are measured and recognised in accordance with IAS 39:

- index-linked, where the sum insured in the event of death corresponds to the value of the asset plus a small percentage;

- unit-linked, where the sum insured in the event of death corresponds to the NAV plus a small percentage;
- mixed, where funding is specific and the technical rate is zero;
- capital redemption, where funding is specific and the technical rate is zero;
- pension funds with guaranteed benefit when the policy matures or when certain events occur.

In the case of unit-linked products the loading and the acquisition commissions for the asset management service are recognised and amortised separately over the life of the contract. In the case of index-linked policies, which are not managed over time but only administered, these deferments are not necessary.

Non-Life business technical provisions

Premium provision

The direct insurance premium provision is established analytically for each policy using the pro rata temporis method, as provided by paragraph 5 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008 (former ISVAP Regulation no. 16 of 4 March 2008 as amended), on the basis of the gross premiums written less acquisition commissions and the other acquisition costs that are chargeable directly, with the exception of risks included in the Credit class for contracts stipulated or renewed on or before 31 December 1991, for which the calculation criteria provided in Annex 15-bis to the same Regulation no. 22 as amended. In the case of long-term contracts the amount of amortisation for the year is deducted.
Under certain conditions the premium provision also includes the premium provision for unexpired risks, calculated in accordance with the simplified method laid down in paragraph 6 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008, which is based on the expected loss ratio for the year, adjusted on a prospective basis.
The total amount allocated to this provision is sufficient to meet costs arising from the portion of risk pertaining to subsequent years.
The reinsurers' share of the premium provisions is calculated by applying to the premiums ceded the same criteria as those used for calculating the premium for direct insurance business provision.

Ageing provision

The ageing provision, intended to cover the deterioration of the risk as the age of the policyholders rises, is calculated on the basis of the flat-rate method provided for by Art. 44, paragraph 3 of Annex no. 15 of ISVAP Regulation no. 22 of 4 April 2008 as amended, to the extent of 10% of the gross premiums written of the year pertaining to contracts having the characteristics given under paragraph 43, paragraph 1 of the Annex.

Claims provision

The direct claims provision is ascertained analytically by estimating the presumed cost of all the claims outstanding at the end of the year and on the basis of prudent technical valuations carried out with reference to objective elements, in order to ensure that the total amount set aside is enough to meet the claims to be settled and the relative direct expenses and settlement expenses.
The figures ascertained in this way were analysed and checked by Head Office. Subsequently, in order to take account of all reasonably foreseeable future charges, actuarial-statistical methods are used to determine the final level of the claims provision.
The claims provision also includes the amounts set aside for claims incurred but not reported, based on past experience of IBNR for previous years.
The reinsurers' share of the claims provision reflects the sums recovered from them to meet the reserves, the amounts being laid down in the individual policies or in the contracts.

Provision arising from the adequacy test for Non-Life technical provisions

The Non-Life technical provisions have been subjected to the test provided for by IFRS 4 (Liability Adequacy Test - LAT).

In order to monitor the adequacy of the premium provision, the supplementary provision for Unexpired Risks is calculated for each individual company and class of business using the simplified method provided for in paragraph 6 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008. As claims for the year are measured at final cost and not discounted, future payment flows can be deemed to have implicitly taken place (LAT on the claims provision).

Life business technical provisions

The amount recognised is calculated in accordance with the provisions of Art. 36 of Legislative Decree 209 of 7 September 2005 (Insurance Code) and Annex no. 16 of ISVAP Regulation no. 22 of 4 April 2008 (former ISVAP Regulation no. 21 of 28 March 2008, as amended).

Mathematical provisions

The mathematical provision for direct insurance is calculated analytically for each contract on the basis of pure premiums, with no deductions for policy acquisition costs, and by reference to the actuarial assumptions (technical interest rates, demographic models of death or disability) used to calculate the premiums on existing contracts. The mathematical provision includes the portion of pure premiums related to the premiums accrued during the year. It also includes all the revaluations made under the terms of the policy
and is never less than the surrender value. In accordance with the provisions of Art. 38 of Legislative Decree 173/1997, technical provisions, which are set up to cover liabilities deriving from insurance policies where the yield is based on investments or indices for which the policyholder bears the risk, and provisions arising from pension fund management, are calculated by reference to commitments made under these policies and to the provisions of Art. 41 of Legislative Decree 209 of 7 September 2005.

Under Art. 38, paragraph 3, of Legislative Decree 173/1997, the mathematical provision includes provisions set up to hedge the risk of mortality in insurance contracts in Class III (as laid down in Art. 2, paragraph 1, of Legislative Decree 209 of 7/9/2005), which provide a benefit should the insured party die during the term of the contract.
In the case of insurance contracts in Class III and VI the mathematical provision also includes the provisions set up to fund guaranteed benefits on maturity or when certain events occur (as laid down in Art. 2, paragraph 1, of Legislative Decree 209 of 7/9/2005). The mathematical provision also includes an additional provision for demographic risk. To this regard, it was decided to add to the provisions to be set up to cover commitments undertaken with the policyholders, in compliance with Annex 14, paragraph 36 of ISVAP Regulation no. 22 of 4 April 2008 after having verified a variance between the demographic bases used to calculate the principals forming the annuities and table A62 prepared by ANIA.

Furthermore, an additional provision was set up to cover the possible variance between the expected rates of return on the assets held as a hedge against the technical provisions and commitments by way of levels of financial guarantees and adjustments made to the benefits provided under the policies.

As laid down in Art. 36, paragraph 3, of Legislative Decree 209 of 7 September 2005, the provision for amounts payable includes the total amount needed to cover payment of benefits that have fallen due but not so far been paid, surrendered policies and claims not yet paid.

Other technical provisions consist almost entirely of amounts set aside for operating expenses and are calculated on the basis of the provisions of paragraph 17 of Annex 14 of ISVAP Regulation no. 22 of 4 April 2008.

The liability adequacy test required by IFRS 4 was also carried out to verify that the technical provisions are adequate to cover the present value of future cash flows related to insurance contracts.
The test was performed by projecting the cash flows and taking into account the following elements:
- guaranteed services by guarantee line, projected on the basis of contractual conditions;

- trend in the existing portfolio relating to recurring payment aspects, expiry of contracts, policyholder mortality and propensity to redemption;
- costs and revenues associated with portfolio management and liquidation.

Provision for shadow accounting

The shadow accounting technique set out in IFRS 4 enables the unrealised losses and/or gains on the underlying assets to be recognised as technical provisions for insurance or investment contracts that offer discretionary participation features as if they had been realised. This adjustment is recognised in shareholders' equity or in the income statement depending on whether the losses or gains in question are recognised in shareholders' equity or in the income statement.

Net losses are recognised in the provision for deferred financial liabilities to policyholders only after the guaranteed minimum has been reached, otherwise the company continues to bear them in full. Losses are quantified using a financial prospective method in line with Annex 14, paragraph 32 of ISVAP Regulation no. 22 of 4 April 2008, amended and supplemented by IVASS measure no. 53 of 6 December 2016.

Applying shadow accounting enables the value mismatch between technical provisions and related assets to be mitigated and is therefore deemed to be more representative of the economic substance of the transactions in question.

4 Financial liabilities - IAS 39

This item includes the financial liabilities at fair value through profit or loss and the financial liabilities measured at amortised cost.

4.1 Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subdivided into two further sub-items:
- held-for-trading financial liabilities, which include negative items on derivatives;
- financial liabilities to be measured at fair value through profit or loss, which include the financial liabilities relating to contracts issued by insurance companies where the investment risk is borne by the policyholders, when the insurance risk is not significant, and where there is no discretionary participation feature.

4.2 Financial liabilities measured at amortised cost

This item includes interbank payables and payables to bank customers, deposits received from reinsurers, debt securities issued, other loans obtained and liabilities on Life policies with a financial content where the insurance risk is not significant and there is no discretionary participation feature (some types of product matched by specific funding).

5 Payables

Payables includes Payables arising from direct insurance business, Payables arising from reinsurance business and Other payables, such as trade payables, payables for policyholders' tax due, payables for post-employment benefits, sundry tax payables and social security charges payable.

Payables are recognised at their nominal value.

Employee benefits - IAS 19

Post-employment benefits accrued by 31 December 2006 that were not transferred to external bodies in accordance with the provisions of Legislative Decree 252/05 on supplementary pension schemes come under the category of employee benefits classified as a defined benefits plan. The amount due to employees is therefore calculated using actuarial techniques and discounted at the reporting date, using the "Projected unit credit method" (a method based on benefits accrued in proportion to length of employment).
The same method is used to establish the effects of other defined benefits for employees for the post-employment period.

Actuarial gains and losses relating to obligations deriving from defined benefit plans are recorded under Other comprehensive income (expense).
Future cash flows are discounted on the basis of the market yield curve, recorded at the end of the year, for corporate bonds issued by issuers with high credit standing.

The service cost and net interest are recognised in the income statement.

Net interest is calculated by applying to the net value of liabilities for defined benefits existing at the start of the year the one-year interest rate taken from the yield curve used to discount the liability at the end of the previous year.

6 Other liabilities

6.1 Liabilities associated with disposal groups - IFRS 5

Please see above for the corresponding asset item.

6.2 Deferred tax liabilities - IAS 12

Deferred tax liabilities are recognised whenever there is a taxable temporary difference, except in the cases provided for in paragraph 15 of IAS 12.
Deferred tax liabilities must be measured using the tax rates that are expected to apply during the year in which the tax liability will be paid off, based on the ruling tax rates (and tax legislation) or those in force at the reporting date.
If tax rates change, despite being prior year items, the deferred taxes recalculated in accordance with the new rates are recognised under Income tax in the income statement or under equity reserves to which the temporary variations in question apply.

With regard to the offsetting of deferred tax assets and liabilities, reference should be made to the previous paragraph "6.3 Deferred tax assets - IAS 12" in the section on Assets.

6.3 Current tax liabilities

This item includes current Tax payables.

6.4 Other liabilities

This item includes, inter alia, accrued expense and deferred income, accruals for commissions on premiums under collection and deferred commission income related to investment contracts with no discretionary participation feature required in advance for the contract-administration service or for the investment-management service, amortised on a straight-line basis over the life of the contract or, in the case of whole-Life contracts, over the "expected" life of the contract.

Income Statement

1 Revenue and income

1.1 Net premiums

This item includes the premiums related to insurance contracts and financial instruments that include discretionary participation features, net of reinsurance.
Premiums are recognised at the time they are due. The total for the year is obtained by adding the premium provision.

1.2 Commission income

This item includes commission income for financial services provided. It includes commission income arising from banking business and fees pertaining to the year, related to Life assurance contracts classified as financial liabilities. In the case of unit-linked policies, in particular, acquisition fees for the asset management service provided have been recognised and deferred throughout the term of the contract.

1.3 Gains and losses on financial instruments at fair value through profit or loss

This item includes realised gains and losses, interest, dividends, charges and positive and negative changes in value of financial assets and liabilities at fair value through profit or loss.

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

This item includes investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

1.5 Gains on other financial instruments and investment property

This item includes gains on investments that do not come under the previous two categories. It mainly includes interest income on Loans and receivables and on securities classified as available-for-sale financial assets and held to maturity, other investment income, including dividends and rental income from investment property, and realised gains on the sale of financial assets or liabilities and investment property.

1.6 Other revenue

This item includes income arising from the sale of goods, the provision of services other than those of a financial nature and the use by third parties of the company's property, plant and equipment and other assets. It also includes other net technical income on insurance contracts, exchange rate differences allocated to the income statement as per IAS 21, realised gains and reversals of impairment losses on property, plant and equipment and other assets.

2 Costs and expenses

2.1 Net charges relating to claims

This item includes the amounts paid during the year for claims, matured policies and surrendered policies, as well as the amount of the changes in technical provisions related to contracts that fall within the scope of IFRS 4, net of amounts recovered and outwards reinsurance.

2.2 Commission expense

This item includes commission expense for financial services received. It includes commission expense arising from banking business and commissions on Life assurance contracts classified as financial liabilities. In particular, acquisition commissions paid for the placement of unit-linked policies are amortised throughout the term of the contract to meet deferred acquisition loadings.

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

This item includes losses on investments in subsidiaries, associates and interests in joint ventures recognised in the corresponding asset item.

2.4 Losses on other financial instruments and investment property

This item includes losses from investment property and financial instruments other than investments and financial instruments classified as "Assets at fair value through profit or loss". It mainly includes interest expense on financial liabilities, other investment expense, costs relating to investment property such as condominium expenses and maintenance expenses that do not increase the value of the investment property, losses realised as a result of the derecognition of financial assets or liabilities and investment property, depreciation and impairment losses.

2.5 Operating expenses

This item includes commissions and other acquisition costs relating to insurance contracts, investment management expenses, other administrative expenses and depreciation (overheads and personnel expenses that are not allocated to losses relating to claims, insurance contract acquisition expenses or investment management expenses).

2.6 Other costs

This item mainly includes other net technical charges relating to insurance contracts, additional amounts set aside during the year, exchange rate differences to be allocated to the income statement under IAS 21, realised losses and depreciation and amortisation relating to property, plant and equipment and intangible assets, not allocated to other cost items.

3 Income tax for the year

For the 2018-2020 three-year period, UnipolSai has opted for the Group tax regime regulated by Art. 117 et seq. of Italian Presidential Decree no. 917/86, under the tax consolidating company Unipol Gruppo, together with its own subsidiaries that meet the regulatory requirements.
An agreement was signed between the consolidating company and the respective consolidated companies, regulating the financial and procedural aspects governing the option in question.

Tax for the year is calculated according to current tax regulations and recognised among costs for the year. It represents:

- the charges/income for current taxes;
- the amounts of deferred tax assets and liabilities arising during the year and usable in future years;
- for the portion due for the year, the deduction of deferred tax assets and liabilities generated in previous years;

Deferred tax assets and liabilities are calculated on the basis of the temporary differences (arisen or deducted during the year) between the profit (loss) for the year and the taxable income and on the consolidation adjustments.
IRAP for the year is also recognised under Income tax.

Foreign currency transactions - IAS 21

Items expressed in foreign currencies are treated in accordance with the principles of multicurrency accounting.
Monetary elements in foreign currency (units of currency owned and assets or liabilities that must be received or paid in a fixed or ascertainable number of units of currency) are translated using the exchange rate applicable at the end of the year.
Non-monetary elements measured at historical cost in foreign currency are translated using the exchange rate applicable on the date of the transaction.
Non-monetary elements measured at fair value in a foreign currency are translated using the exchange rates applicable on the date on which the fair value is determined.
Exchange rate differences arising from the settlement of monetary elements are recognised in the income statement. Exchange rate differences arising when non-monetary elements are measured are allocated to the profit (or loss) for the year or to other comprehensive income (expense) depending on whether the profit (or loss) to which they relate is recognised in the profit (loss) for the year or in other comprehensive income (expense), respectively.

Share-based payments - IFRS 2

The Group pays additional benefits to senior executives under a closed share-based compensation plan under which Unipol Ordinary shares and UnipolSai Ordinary shares are granted if specific targets are achieved (Performance shares). As laid down by IFRS 2 – Share-based payments, these plans form part of the beneficiaries' remuneration. The charge must be recognised through profit or loss, with a balancing item - for UnipolSai Ordinary shares only - recognised directly in equity (Reserve arising from equity-settled share-based payment), on the basis of the fair value of the instruments allocated on the grant date, the charge being spread over the period provided for in the scheme.

Earnings per share - IAS 33

Basic earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in the UnipolSai by the weighted average number of ordinary shares outstanding during the year.
Diluted earnings per share are calculated by dividing the profit allocated to holders of ordinary shares in UnipolSai by the weighted average number of any additional ordinary shares that would be outstanding if all the potential ordinary shares with dilutive effect were converted. If the result is negative, the loss (basic and diluted) per share is calculated.

Use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
It is believed that the assumptions made are appropriate and, therefore, that the financial statements have been drafted clearly and give a true and fair view of the statement of financial position, income statement and statement of cash flows.
In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the case in question, based on all available information. However, we cannot exclude that changes in these estimates and assumptions may have a significant effect on the statement of financial position and income statement as well as on the potential assets and liabilities reported in the financial statements for disclosure purposes, if different elements emerge with respect to those considered originally.

The estimates mainly concern:
- Life and Non-Life technical provisions;
- assets and liabilities measured at fair value (particularly for level 2 and 3 financial instruments);
- the analyses targeted at identifying any impairment of intangible assets (e.g. goodwill) booked to the financial statements (impairment test);
- the quantification of provisions for risks and charges and provisions for employee benefits.

For information on the methods used to determine the items in question and the main risk factors, please refer to the sections containing a description of the measurement criteria.

Fair value measurement criteria - IFRS 13

IFRS 13 provides guidelines to the measurement at fair value of financial instruments and non-financial assets and liabilities already required or permitted by other accounting standards (IFRS). This standard:
a) defines fair value;
b) groups into a single accounting standard the rules for measuring fair value;
c) enriches financial statement information.

The standard defines *fair value* as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (*exit price*).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:
- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a fair value hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure fair value.

IFRS 13 governs the fair value measurement and the associated disclosure also for assets and liabilities not measured at fair value on a recurring basis in the Statement of financial position. For these assets and liabilities, fair value is calculated for financial statement disclosure purposes. It should also be noted that since said assets and liabilities are not generally exchanged, the calculation of their fair value is based primarily on the use of internal parameters not directly observable on the market, with the sole exception of listed securities classified as "Held-to-maturity investments".

Fair value measurement criteria

The table below summarises the methods to calculate the *fair value* for the different macro categories of financial instruments, receivables and property.

<table>
<tr><th></th><th></th><th>Mark to Market</th><th>Mark to Model and other</th></tr>
<tr><td rowspan="7">Financial Instruments</td><td>Bonds</td><td>CBBT contributor - Bloomberg
Other contributor - Bloomberg</td><td>Mark to Model
Counterparty valuation</td></tr>
<tr><td>Listed shares and investments, ETFs</td><td>Reference market</td><td></td></tr>
<tr><td>Unlisted shares and investments</td><td></td><td>DCF
DDM
Multiples</td></tr>
<tr><td>Listed derivatives</td><td>Reference market</td><td></td></tr>
<tr><td>OTC derivatives</td><td></td><td>Mark to Model</td></tr>
<tr><td>UCITS</td><td colspan="2">Net Asset Value</td></tr>
<tr><td>Receivables</td><td></td><td></td><td>Trade receivables (Mark to Model)
Other receivables (carrying amount)</td></tr>
<tr><td>Property</td><td></td><td></td><td>Appraisal value</td></tr>
</table>

In compliance with IFRS 13, the market price is used to determine the *fair value* of financial instruments, in the case of instruments traded in liquid and active markets (Mark to Market).

"Liquid and active market" means:
a) the regulated market in which the instrument subject to measurement is traded and regularly listed;

b) the multilateral trading system (MTF) in which the instrument subject to measurement is traded or regularly listed;
c) listings and transactions performed on a regular basis, i.e. high-frequency transactions with a low bid/*offer spread*, by an authorised intermediary (hereinafter "contributor").

In the absence of available prices on a liquid active market, valuation methods are used which maximise the use of observable parameters and minimise the use of non-observable parameters. These methods can be summarised in Mark to Model valuations, valuations by counterparty or valuations at the carrying amount in connection with some non-financial asset categories.

Mark to Market valuations

With reference to shares, listed investments, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the market.

For bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:
- the primary source is the CBBT price provided by data provider Bloomberg;
- where the price referred to the previous point is unavailable, an internal scoring model is used, which makes it possible to select liquid and active contributors on the basis of pre-defined parameters.

For UCITS the *Net Asset Value* is the source used.

Mark to Model valuations

The Group uses valuation methods (Mark to Model) in line with the methods generally used by the market.

The objective of the models used to calculate the fair value is to obtain a value for the financial instrument consistent with the assumptions that market participants would use to quote a price, assumptions that also concern the risk inherent in a particular valuation technique and/or in the inputs used. To ensure the correct Mark to Model valuation of each category of instrument, adequate and consistent valuation models must be defined beforehand as well as reference market parameters.

The list of the main models used within the UnipolSai Group for Mark to Model pricing of financial instruments is provided below:

Securities and interest rate derivatives
- Discounted cash flows;
- Black;
- Black-Derman-Toy;
- Hull & White 1.2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

Securities and inflation derivatives
- Discounted cash flows;
- Jarrow-Yildirim.

Securities and share, index and exchange rate derivatives
- Discounted cash flows;
- Black-Scholes.

Securities and credit derivatives
- Discounted cash flows;
- Hazard rate models.

The main observable market parameters used to perform Mark to Model valuations are as follows:
- interest rate curves for reference currency;
- interest rate volatility surface for reference currency;
- CDS spread or Asset Swap spread curves of the issuer;
- inflation curves for reference currency;
- reference exchange rates;
- exchange rate volatility surface;
- share or index volatility surface;
- share reference prices;
- reference inflation curves.

The main non-observable market parameters used to perform Mark to Model valuations are as follows:
- correlation matrices between exchange rates and risk factors;
- historical volatility;
- benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or CDS curves are unavailable;
- credit risk parameters such as the recovery rate;
- delinquency or default rates and prepayment curves for ABS-type financial instruments.

With reference to bonds in those cases when, even on the basis of the results of the Scoring Model, it is not possible to measure an instrument using the Mark to Market method, the fair value is obtained on the basis of Mark to Model type valuations. The different valuation models referred to above are chosen according to the instrument characteristics.

For OTC derivative contracts, the models used are consistent with the risk factor underlying the contract. The fair value of OTC interest rate derivatives and OTC inflation-linked derivatives is calculated on the basis of Mark to Model type valuations, acknowledging the rules set in IFRS 13.
As regards derivatives on which a collateralisation agreement is provided (Credit Support Annex) between the companies of the UnipolSai Group and the authorised market counterparties, the EONIA (Euro OverNight Index Average) discount curve is used.
As regards uncollateralised derivatives, CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments are made. It should be noted that, at 31 December 2018, almost all derivative positions represented collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

As regards unlisted shares and investments for which a market price or an appraisal by an independent expert is not available, the valuations are performed mainly on the basis of (i) equity methods, (ii) methods based on the discounting of future profit or cash flows, i.e. Discounted Cash Flow (DCF) or Dividend Discount Model (DDM), (the so-called "excess capital" version) (iii) if applicable, methods based on market multiples.

As regards unlisted UCITS, Private Equity Funds and Hedge Funds, the fair value is calculated as the Net Asset Value at the financial statement date provided directly by the fund administrators.

With reference to properties, the fair value is measured on the basis of the appraisal value provided by independent experts, in compliance with current legal provisions.

Counterparty valuations

For financial assets and liabilities which do not fall into the categories of instruments valued on a Mark to Market basis and for which there are no consistent and validated valuation models available for the purposes of measuring *fair value*, the valuations provided by the counterparties that could be contacted to liquidate the position are used.

Unique characteristics of the fair value measurement for structured bonds and structured SPV bonds

Bond issues that incorporate a derivative contract which modifies the cash flows generated by the host contract are considered structured bonds. The measurement of structured bonds requires the representation and separate valuation of the host contract and of embedded derivative contracts.
The measurement of structured bonds makes use of models consistent with the breakdown into elementary components (host contract and embedded derivatives) and with the risk factor underlying said contract.
For structured bonds, the valuation of elementary components follows the criteria defined above for the calculation of fair value, which makes provision for use of Mark to Market valuation if available, or of the Mark to Model approach or counterparty price in the case in which the Mark to Market-type price is not available.
Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the arranger of the transaction) are considered structured SPV bonds. The measurement of SPV structured bonds requires the representation and separate valuation of the following elements:

- collateral issue of the vehicle;
- interest rate swap agreement between the vehicle and arranger;
- any other optional components or CDS agreements included in the vehicle.

For SPV structured bonds the valuation of collateral follows the criteria defined previously for the calculation of the fair value, which makes provision for the use of the Mark to Market approach if available, or the Mark to Model approach or the counterparty price in the case in which the Mark to Market type price is not available.
The valuation of the interest rate swap agreement provides for the discounting of future cash flows on the basis of the different discount curves, based on the existence or not of a collateralisation agreement (Credit Support Annex) between the vehicle and swap counterparty. In particular, if the derivative contract is collateralised using available securities included in the SPV's assets, the future cash flows of the interest rate swap agreement are discounted using the EONIA discount curve; while if there is no collateralisation agreement, use is made of CVA (Credit Valuation Adjustment), DVA (Debit Valuation Adjustment) and FVA (Funding Valuation Adjustment), as appropriate.

Criteria for determining the fair value hierarchies

Assets and liabilities measured at fair value are classified on the basis of the hierarchy defined by IFRS 13. This classification establishes a fair value hierarchy based on the degree of discretionary power used, giving priority to the use of observable market parameters, as these are representative of the assumptions that market participants would use in the pricing of assets and liabilities.

Assets and liabilities are classified on the basis of the criterion used to determine fair value (Mark to Market, Mark to Model, Counterparty) and on the basis of the observability of the parameters used, in the case of the Mark to Model valuation:

- Level 1: this category includes assets and liabilities valued on a Mark to Market basis, with CBBT price source and with contributor prices that meet the minimum requirements able to ensure that these prices can be applied to active markets;
- Level 2: this category includes assets and liabilities valued on a Mark to Market basis, but which cannot be classified in the previous category, and assets the fair value of which is obtained with a consistent pricing model with observable market parameter inputs;
- Level 3: this category includes assets and liabilities for which the variability of the estimate of the pricing model may be significant due to the complexity of the pay-off or, if a consistent and validated model is available, the parameters needed for the valuation are not observable. This category also includes bonds which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible. Lastly, this category also includes loans and investment property.

Fair value measurement on a recurring basis

Process for fair value measurement on a recurring basis

The measurement of financial instruments is a preliminary activity for risk monitoring, integrated asset and liability management and the drafting of the financial statements for the year.
The fair value measurement of financial instruments on a recurring basis is structured into different stages and is carried out, in compliance with the principles of separateness, independence and responsibility of the departments, at the same time, and independently, by the Finance Department and the Risk Management Department of Unipol Gruppo, using the measurement criteria defined in the previous paragraph.

When the independent valuations of financial assets and liabilities have been carried out by the two Departments involved in the pricing process, a check is performed for significant deviations, which refer to deviations of more than 3% in terms of absolute value. In the event of deviations of more than 3%, the reasons for the differences identified are analysed and, when the outcomes of the comparison are known, the price to be used for financial statement valuation purposes is determined.

Fair value measurement on a recurring basis through non-observable parameters (Level 3)

The classification of financial assets and liabilities at Level 3 adheres to a prudential approach; this category mainly includes the following types of financial instruments:

- unlisted equity instruments or investments for which a market price or an appraisal drafted by an independent expert is not available; valuations are performed on the basis of the methods indicated previously;
- shares in private equity funds, hedge funds and unlisted UCITS units for which information on the financial instruments held in the relative portfolios is not available and which could, as such, include financial instruments valued on a Mark to Model basis using non-observable parameters;
- bonds valued on a Mark to Model basis using non-observable parameters (correlations, benchmark spread curves, recovery rate);
- bonds valued with a counterparty price on a Mark to Model basis using non-observable parameters;
- ABS type bonds for which a Mark to Market valuation is not available;
- derivative instruments valued on a Mark to Model basis using non-observable parameters (correlations, volatility, dividend estimates);
- bonds which do not meet the requirements defined in the scoring test (see the paragraph "Mark to Market valuations") and for which a Mark to Model valuation is not possible.

Fair value measurement on a non-recurring basis in compliance with the disclosure requirements of other standards

Consistent with the provisions of IFRS 13, fair value is measured also for assets and liabilities not measured at fair value on a recurring basis in the Statement of financial position and when the disclosure on fair value has to be provided in the Notes to the financial statements in compliance with other international accounting standards. Since these assets and liabilities are usually not exchanged, the calculation of their fair value is based primarily on the use of internal parameters not directly observable on the market. This category mainly includes the following types of financial instruments:

- bond issues valued on a Mark to Market basis (level 1);
- bond issues and loans valued on a Mark to Model basis using non-observable parameters (benchmark spread curves) (level 3);
- short-term payables with a duration of less than 18 months and Certificates of Deposit at amortised cost (level 3);
- loans to bank customers valued according to the following principles (level 3):
  - loans with a duration of more than 18 months (medium/long-term loans) valued on a Mark to Model basis with a cash flow discounting method for the principal and interest component. For medium/long-term loans, the discount rate used is based on the risk-free rate plus a risk premium determined on the transaction through the Probability of Default (PD) and Loss Given Default (LGD) parameters. These parameters are taken from the Cedacri Credit Rating System (CRS)

application and were estimated on a consortium basis. The Cumulative Probability of Default is calculated through the application of a Markov process to the one-year transition matrices, while the LGD is assumed constant for the entire time period;

  – impaired loans measured at amortised cost net of analytical valuations;
  – short-term loans with a duration of less than 18 months valued at amortised cost;

- other receivables valued at carrying amount (level 3);
- investment property valued on the basis of the appraisal value determined by independent experts in compliance with the provisions of the applicable legislation. The approach to assigning appraisal mandates is based on the non-exclusive assignment of assets; there is usually a three-year rotation in the assignment of experts.

3. Notes to the Statement of Financial Position

Comments and further information on the items in the statement of financial position and the changes that took place compared to balances at 31 December of the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the statement of financial position).

In application of IFRS 5, assets and liabilities held for disposal are shown respectively under items 6.1 in Assets and 6.1 under Liabilities. As regards Non-current assets or assets of a disposal group held for sale, please refer to Chapter 5 Other information, paragraph 5.5, for more information on their composition and measurement criteria.

ASSETS

1. Intangible assets

Amounts in €m	31/12/2018	31/12/2017	*var. in amount*
Goodwill	464.6	327.8	*136.7*
resulting from business combinations	464.4	327.8	*136.6*
resulting from other	0.2		*0.2*
Other intangible assets	370.8	363.5	*7.3*
portfolios acquired under business combinations	127.4	166.9	*(39.5)*
software and licenses	226.1	180.2	*45.9*
other intangible assets	17.3	16.5	*0.8*
Total intangible assets	835.4	691.3	*144.0*

1.1 Goodwill

This item, equal to €464.6m (€260.0m of which relating to Non-Life and €204.5m relating to the Life business) includes €327.8m from goodwill resulting from business combinations in previous years and €136.7m from goodwill recognised during the year following the acquisition of Arca Vita, within the limit of the amounts already recognised by the holding company Unipol Gruppo (for more information, refer to Chapter 1). Basis of presentation, "Information about business combinations" section of these Notes).

Goodwill with an indefinite useful life recorded in the financial statements was tested for impairment in accordance with the procedure specifically approved by UnipolSai's Board of Directors. For information on the criteria used for the tests, please refer to paragraph 5.13 of Chapter 5 of this document, Other information.

1.2 Other intangible assets

This item amounted to €370.8m (€363.5m in 2017) and consisted of:
- the residual value of the Life and Non-Life portfolios acquired as a result of business combinations and equal to €127.4m (€166.9m in 2017), the change in which, amounting to -€39.5m, is due, on the one hand, to amortisation on the amounts of the Non-Life portfolios (€25.3m) and on the amounts of the Life portfolios (€18.9m), and on the other hand, to the increase by the amount paid for the acquisition of Arca Vita (€4.8m);
- costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €226.1m (€180.2m in 2017);
- other Property, plant and equipment amounting to €17.3m (€16.5m at 31/12/2017).

2. Property, plant and equipment

At 31 December 2018, Property, plant and equipment, net of accumulated depreciation, amounted to €1,813.6m (€1,719.3m in 2017), €1,564.1m of which was Properties for own use (€1,482.9m in 2017) and €249.5m was Other tangible assets (€236.4m in 2017).

Properties for own use

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2017	**1,734.1**	**(251.2)**	**1,482.9**
Increases	149.1		149.1
Decreases	(13.8)		(13.8)
Depreciation for the year		(40.7)	(40.7)
Other changes in provisions		(13.4)	(13.4)
Balance at 31/12/2018	**1,869.4**	**(305.3)**	**1,564.1**

The increases refer for €50.7m to incremental expenses, for €50.2m to the consolidation of Arca Vita and for €45.7m to class transfers.
The decreases include write-downs for €9.1m.
The current value of properties for own use, €1,727.3m, was based on independent expert appraisals.

Other tangible assets

Amounts in €m	Office furniture and machines	Movable assets entered in public registers	Plant and equipment	Other	Total
Balance at 31/12/2017	**306.9**	**4.3**	**310.1**	**0.5**	**621.8**
Increases	19.1	0.5	60.7	12.6	92.9
Decreases	(2.8)	(0.2)	(23.5)	(1.9)	(28.4)
Balance at 31/12/2018	**323.1**	**4.7**	**347.3**	**11.2**	**686.3**
Accumulated depreciation at 31/12/2017	**239.5**	**3.3**	**142.6**	**0.2**	**385.4**
Increases	25.4	0.2	37.6	0.0	63.3
Decreases	(2.7)	(0.2)	(9.0)	0.0	(11.9)
Accumulated depreciation at 31/12/2018	**262.2**	**3.3**	**171.2**	**0.2**	**436.9**
Net amount at 31/12/2017	**67.4**	**1.1**	**167.6**	**0.3**	**236.4**
Net amount at 31/12/2018	**60.9**	**1.4**	**176.1**	**11.1**	**249.5**

3. Technical provisions - Reinsurers' share

The balance of this item was €982.0m, a decrease of €136.1m compared with 2017. Details are set out in the appropriate appendix. The total reinsurers' share of provisions contributed by Arca amounted to €27.8m.

4. Investments

At 31 December 2018, total investments (investment property, equity investments and financial assets) amounted to €57,128.6m (€49,084.8m in 2017).

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Investment property	2,071.1	*3.6*	2,271.4	*4.6*	*(8.8)*
Investments in subsidiaries, associates and interests in joint ventures	341.0	*0.6*	803.8	*1.6*	*(57.6)*
Financial assets (excluding those at fair value through profit or loss)	48,511.0	*84.9*	41,401.4	*84.3*	*17.2*
Held-to-maturity investments	*459.6*	*0.8*	*539.6*	*1.1*	*(14.8)*
Loans and receivables	*4,313.1*	*7.5*	*4,489.1*	*9.1*	*(3.9)*
Available-for-sale financial assets	*43,446.0*	*76.0*	*36,042.7*	*73.4*	*20.5*
Held-for-trading financial assets	*292.2*	*0.5*	*330.0*	*0.7*	*(11.4)*
Financial assets at fair value through profit or loss	6,205.5	*10.9*	4,608.2	*9.4*	*34.7*
Total Investments	57,128.6	*100.0*	49,084.8	*100.0*	*16.4*

The Arca Group contribution to total investment amounted to €9,244.1m.

4.1 Investment property

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2017	2,516.9	(245.5)	2,271.4
Increases	93.2		93.2
Decreases	(273.9)		(273.9)
Depreciation for the year		(34.7)	(34.7)
Other changes in provisions		15.2	15.2
Balance at 31/12/2018	2,336.2	(265.1)	2,071.1

Increases refer primarily to purchases and incremental expenses.
The decreases refer to sales of €93.0m and to write-downs of €59.2m; the residual mainly refers to class transfers.
The current value of Investment property, €2,202.8m, was based on independent expert appraisals.

4.2 Investments in subsidiaries, associates and interests in joint ventures

At 31 December 2018, investments in subsidiaries, associates and interests in joint ventures amounted to €341.0m (€803.8m in 2017). The change is primarily due to the reclassification under assets held for disposal of the equity investment in Unipol Banca.

Financial assets - items 4.3, 4.4, 4.5 and 4.6 (excluding Financial assets at fair value through profit or loss)

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Held-to-maturity investments	**459.6**	***0.9***	**539.6**	***1.3***	***(14.8)***
Listed debt securities	427.6		507.6		*(15.7)*
Unlisted debt securities	32.0		32.0		*0.0*
Loans and receivables	**4,313.1**	***8.9***	**4,489.1**	***10.8***	***(3.9)***
Unlisted debt securities	3,409.9		3,712.8		*(8.2)*
Deposits with ceding companies	32.7		19.1		*71.6*
Other loans and receivables	870.5		757.2		*15.0*
Available-for-sale financial assets	**43,446.0**	***89.6***	**36,042.7**	***87.1***	***20.5***
Equity instruments at cost	8.8		9.1		*(3.2)*
Listed equity instruments at fair value	589.6		696.2		*(15.3)*
Unlisted equity instruments at fair value	196.7		197.2		*(0.3)*
Listed debt securities	39,594.9		32,462.4		*22.0*
Unlisted debt securities	467.3		464.9		*0.5*
UCITS units	2,588.8		2,212.9		*17.0*
Held-for-trading financial assets	**292.2**	***0.6***	**330.0**	***0.8***	***(11.4)***
Listed equity instruments at fair value	4.3		25.7		*(83.4)*
Listed debt securities	93.4		77.1		*21.1*
Unlisted debt securities	24.7		51.5		*(52.0)*
UCITS units	9.4		14.1		*(33.8)*
Derivatives	160.5		161.5		*(0.6)*
Total financial assets	**48,511.0**	***100.0***	**41,401.4**	***100.0***	***17.2***

Details of Financial assets at fair value through profit or loss by investment type:

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Financial assets at fair value through profit or loss	**6,205.5**	***100.0***	**4,608.2**	***100.0***	***34.7***
Listed equity instruments at fair value	179.6	*2.9*	185.6	*4.0*	*(3.2)*
Listed debt securities	3,494.4	*56.3*	2,994.8	*65.0*	*16.7*
Unlisted debt securities	1.3	*0.0*	2.5	*0.1*	*(47.1)*
UCITS units	2,195.7	*35.4*	935.0	*20.3*	*134.8*
Derivatives			2.8	*0.1*	*(100.0)*
Other financial assets	334.5	*5.4*	487.5	*10.6*	*(31.4)*

For information on fair value, reference should be made to paragraph 5.7 of Section 5 “Other information” of these Notes to the financial statements.

5. Sundry receivables

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Receivables relating to direct insurance business	1,365.5	*47.6*	1,421.6	*53.4*	*(4.0)*
Receivables relating to reinsurance business	137.3	*4.8*	100.6	*3.8*	*36.5*
Other receivables	1,366.4	*47.6*	1,140.6	*42.8*	*19.8*
Total sundry receivables	**2,869.1**	***100.0***	**2,662.8**	***100.0***	***7.7***

The item Other receivables included:
- €460.5m related to tax receivables (€388.7m at 31/12/2017);
- substitute tax receivables on the mathematical provisions totalling €296.1m (€190.8m at 31/12/2017);
- payments made as cash collateral against financial derivative payables totalling €195.8m (€206.6m at 31/12/2017);
- €143.5m related to trade receivables (€144.6m at 31/12/2017);

There is also a receivable from Avvenimenti e Sviluppo Alberghiero Srl (a wholly-owned subsidiary of Im.Co.) that amounted to €103.2m (before the value adjustments), of which €101.7m as advances paid by the former Milano Assicurazioni pursuant to a contract for the purchase of future property pertaining to a property complex in Rome, Via Fiorentini. As regards this amount due, the most suitable recovery actions are being assessed and value adjustments related to this receivable were recognised in previous years, for a total amount of €91.8m, of which €18.0m for the year 2018. As a result of the write-downs carried out, the net value of this receivable recognised in the financial statements at 31 December 2018 amounted to €11.4m.

The Arca Group contribution to Sundry receivables amounted to €137.9m.

6. Other assets

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Non-current assets or assets of a disposal group held for sale	536.7	*34.8*	10,569.1	*93.2*	*(94.9)*
Deferred acquisition costs	98.1	*6.4*	85.0	*0.7*	*15.4*
Deferred tax assets	465.4	*30.2*	217.1	*1.9*	*114.4*
Current tax assets	22.9	*1.5*	9.4	*0.1*	*144.0*
Other assets	417.2	*27.1*	462.0	*4.1*	*(9.7)*
Total other assets	**1,540.3**	***100.0***	**11,342.7**	***100.0***	***(86.4)***

Non-current assets or assets of a disposal group held for sale include the equity investment in Unipol Banca and the other assets represented primarily by investment properties.
For details please refer to paragraph 5.5 of these Notes to the financial statements.

The item Deferred tax assets is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in Deferred tax liabilities, as described in Chapter 2 Main accounting standards.

The item "Other assets" includes, inter alia, deferred commission expense, accruals and deferrals.

The Arca Group contribution to Other assets amounted to €33.4m.

7. Cash and cash equivalents

At 31 December 2018, Cash and cash equivalents amounted to €1,025.1m (€1,403.6m at 31/12/2017).

The Arca Group contribution to Cash and cash equivalents amounted to €131.8m.

LIABILITIES

1. Shareholders' equity

Movements in shareholders' equity recognised during the year with respect to 31 December 2017 are set out in the attached Statement of changes in Shareholders' equity.

1.1. Shareholders' Equity attributable to the owners of the Parent

Shareholders' Equity, excluding non-controlling interests, is composed as follows:

Amounts in €m	31/12/2018	31/12/2017	*var. in amount*
Share capital	2,031.5	2,031.5	
Capital reserves	346.8	346.8	
Income-related and other equity reserves	2,132.6	2,129.5	*3.2*
(Treasury shares)	(46.2)	(52.3)	*6.1*
Reserve for foreign currency translation differences	4.9	4.8	*0.1*
Gains/losses on available-for-sale financial assets	80.1	913.4	*(833.3)*
Other gains and losses recognised directly in equity	(7.2)	(8.9)	*1.7*
Profit (loss) for the period	905.1	504.2	*400.9*
Total shareholders' equity attributable to the owners of the Parent	**5,447.6**	**5,869.0**	***(421.4)***

At 31 December 2018, UnipolSai's share capital was €2,031.5m, fully paid-up, and consisted of 2,829,717,372 ordinary shares without nominal value, unchanged with respect to 31 December 2017.

The main changes in the year in the Group's shareholders' equity were as follows:
- decrease due to dividend distribution for €403.1m;
- decrease of €93.4m relating to the acquisition of the equity investment in Arca Vita, the effects of which on the net shareholders' equity of the Group are illustrated in Chapter 1 "Information about business combinations" section of these Notes;
- a decrease, as a result of the decrease in the provision for gains and losses on available-for-sale financial assets, net of both the related tax liabilities and the portion attributable to the policyholders and charged to insurance liabilities for €833.3m;
- an increase of €905.1m in Group profit for the period.

Shareholders' Equity attributable to non-controlling interests was €249.4m (€324.7m at 31/12/2017).

Treasury shares or quotas

At 31 December 2018, UnipolSai held a total of 50,052,345 ordinary treasury shares (55,349,685 at 31/12/2017), of which 1,800,000 directly and 48,252,345 indirectly through the subsidiaries UnipolSai Finance (38,454,775), UnipolSai Nederland (9,443,258), Pronto Assistance (344,312) and Arca Vita (10,000).
The changes occurred during the year are attributable to the sale on the market, by UnipolSai, of 5,205,640 treasury shares, to the disposal of the equity investment in Popolare Vita (the company held 101,700 shares of UnipolSai) and the entry into the consolidation scope of Arca Vita.

2. Provisions and potential liabilities

The item "Provisions" totalled €353.4m at 31 December 2018 (€382.3m at 31/12/2017) and mainly consisted of provisions for litigation, various disputes, charges relating to the sales network, provisions for salary policies and employee leaving incentives.

Ongoing disputes and contingent liabilities

Relations with the Tax Authorities

UnipolSai
In the 2018 financial statements, allocations to tax provisions were carried out in amounts deemed appropriate to address the following:

- the risks arising from developments in the dispute regarding the treatment of technical outwards reinsurance items of the former Aurora Assicurazioni, already started against the parent Unipol, and also extended to the merged entity Unipol Assicurazioni for the tax periods 2007-2009;
- the risks deriving from an assessment notice regarding IRPEG and ILOR for the year 1991 concerning the merged Fondiaria Assicurazioni, still pending before the Court of Cassation as a result of the appeal filed by the Company;
- the risks deriving from an assessment notice for abuse of rights with reference to IRPEG and IRAP for the year 2004 on share purchases and collections of the related dividends;
- additional amounts to cover potential estimated liabilities deriving from already formalised, or not yet formalised charges, for which no tax dispute has yet been brought. The provision was increased to take into account the Report on Findings notified on 20 November 2018 by the Italian Tax Police of Bologna following a general audit undertaken in February 2018 in relation to 2015, later extended, due to the findings described herein, to the tax periods from 2013 to 2017. The auditing body disputed the tax treatment applied by the Company as regards the disposal of an equity investment in the real estate sector and the deduction of costs related to the transactions underwritten by the Company in civil proceedings, brought by some former shareholders of Fondazione Assicurazioni for the failed takeover bid of 2002. Although believing it had acted correctly, the Company decided on a prudential provision to cover expenses potentially arising from the first grievance, assessing instead as incorrect the reasons underlying the second grievance.

Arca Vita
With reference to the general audit carried out in 2017 by the Regional Management of Veneto, for the years from 2012 to 2015, and related notices of assessment that were subsequently notified, in 2018 the Company finalised an IRES settlement agreement for 2012 and 2015, but filed an appeal for the years 2013 and 2014 when it believed it had acted correctly. A provision covering only the years 2013 and 2014 was prudentially recognised in the financial statements.

Arca Vita International DAC
On 21 December 2018, a Report on Findings was prepared by the Italian Tax Police of Bologna against Arca Vita International DAC, headquartered in Dublin, and notified to the company on 14 January 2019. In this Report, the existence of a permanent establishment in Italy was disputed and consequently alleged violation of the related tax disclosure and payment obligations for IRES and IRAP. The aforementioned company, which carried out its activities

in Italy, under the freedom to provide services, does not agree with the above finding and will take all action permitted under current laws, including legal action if necessary, in order to demonstrate the correctness of its conduct.

VAT disputes related to coinsurance relations - developments

In 2018, notices of assessment and VAT demands were notified for 2013 to all Group companies which in that period had collected or paid delegation fees against co-insurance relations with other companies in the insurance sector. These are the same types of findings as those claiming UnipolSai, UniSalute and Siat liability in previous years. All these tax claims were challenged before the competent tax commissions. Following these findings and those potentially upcoming in subsequent years, the Companies believe they have valid reasons to appeal the objections raised by the Tax Authority and to succeed in obtaining a judgement of the correctness of their behaviour which, at present, has been confirmed by numerous rulings, mostly favourable to the Group.

However, as regards the pending dispute pertaining to the years from 2003 to 2012, the Group is evaluating the option of availing itself of the provisions set forth in the Decree Law 119 of 23 October 2018, converted from the Law 136 of 18 December 2018, for the conclusion of current specific tax disputes, in view of the economic convenience of a settlement where amounts significantly lower will be paid in place of the disputed ones. The acceptance of a settlement does not, in any case, imply that the Companies of the Group will be waiving their claims filed in the appropriate courts of law. The claim must be filed by 31 May 2019 along with the payment of the due amounts, after deducting the payments already made for any reason, pending court judgment, waiving the right of restitution of the greater amounts that may have been already paid during the proceedings. In this regard, some provisions, in the appropriate amount, have been recognised in the financial statements for the settlement of these tax disputes to which the facilitated settlement rule is applicable.

Consob sanction proceedings

By means of communications dated 19 April 2013, Consob commenced two separate sanction proceedings against Fondiaria-SAI and Milano Assicurazioni for charges relating to their respective 2010 consolidated financial statements.
Pursuant to Art. 187-septies, paragraph 1 of the Consolidated Law on Finance, Consob notified Ms. Jonella Ligresti and Mr. Emanuele Erbetta, for the offices held in Fondiaria-SAI at the time of the events, of the violation set forth in Art. 187-ter, paragraph 1, of the Consolidated Law on Finance. Fondiaria-SAI is also charged with this violation as a party bearing joint and several liability. It is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Law on Finance by Ms. Jonella Ligresti and Mr. Emanuele Erbetta, acting in the above mentioned capacities.

Consob also made the same charge against Milano Assicurazioni. In this regard, pursuant to Art. 187-septies, paragraph 1 of the Consolidated Law on Finance, the Commission charged Mr. Emanuele Erbetta, for the role he held in the subsidiary at the time of the events, with the violation established in Art. 187-ter, paragraph 1, of the Consolidated Law on Finance. Milano Assicurazioni is also charged with this violation as a party bearing joint and several liability. It is also charged with the offence set forth in Art. 187-quinquies, paragraph 1, letter a), of the Consolidated Law on Finance for the aforementioned violation of Art. 187-ter, paragraph 1 of the Consolidated Law on Finance by Mr. Emanuele Erbetta, acting in the above mentioned capacity.

Fondiaria-SAI and Milano Assicurazioni (currently UnipolSai), assisted by their lawyers, presented their conclusions, asking that the administrative penalties set out in Articles 187-ter, 187-quinquies and 187-septies of the Consolidated Law on Finance not be imposed on the companies. On 20 March 2014 the Consob issued a resolution whereby, not deeming that the parties' defences deserved to be accepted, it ordered:
- Jonella Ligresti to pay €250k and to be disqualified from office for four months;
- Emanuele Erbetta to pay €400k and to be disqualified from office for eight months;
- UnipolSai to pay €650k.

UnipolSai provided for the payment of the fines, and also filed an appeal against Ms. Ligresti. Mr. Erbetta directly paid the penalty imposed on him. In any case, UnipolSai challenged the decision before the Court of Appeal of Bologna, which rejected the appeal on 6 March 2015. The Company, assisted by its lawyers, challenged the decision before the Court of Cassation which, on 6 December 2018, rejected the appeal and confirmed the Consob sanctions.

IVASS assessments

On 2 July 2014, IVASS sent to UnipolSai the order of sanctions at the end of the proceeding started in 2012 against Unipol Assicurazioni on the matter of the measurement of the claims provisions of the MV and Boats TPL classes. The sanction imposed was €27,500. Since UnipolSai does not deem the conclusions of IVASS to be acceptable in any way, it appealed against this decision before the Regional Administrative Court (TAR). On 9 September 2015 the Regional Administrative Court rejected the appeal of the Company, which challenged the ruling before the Council of State, which has not yet set a date for the discussion hearing.

Corporate liability action against certain former directors and statutory auditors decided by the Shareholders' Meetings of Fondiaria-SAI and Milano Assicurazioni

On 17 October 2011, Amber Capital LP, fund manager of Amber Global Opportunities Master Fund Ltd, a Fondiaria-SAI shareholder, in accordance with Art. 2408 of the Civil Code, informed the Board of Statutory Auditors of Fondiaria-SAI of various transactions carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family, criticising the "non-market" conditions and "anomalies" of said transactions.

On 16 March 2012 the Board of Statutory Auditors of Fondiaria-SAI issued an initial response in its "Report pursuant to Art. 2408, paragraph 2 of the Civil Code", after which by letter dated 26 March 2012 the shareholder Amber Capital requested further investigation.

The Board of Statutory Auditors therefore performed further controls and investigations. On 15 June 2012 IVASS served Measure no. 2985 upon Fondiaria-SAI by which the Authority defined the proceedings launched pursuant to Art. 238 of the Private Insurance Code, and through IVASS Communication prot. no. 32-12-000057 of the same date charged Fondiaria-SAI with significant irregularities pursuant to Art. 229 of the Private Insurance Code, with particular reference to a number of transactions implemented by Fondiaria-SAI and its subsidiaries with counterparties qualifying as related parties of Fondiaria-SAI, and assigning a fifteen-day deadline for the effects of these transactions to be permanently removed.
IVASS considered that the actions proposed or implemented by the Company were not suitable to correct the situation which led to the charges cited in the notice of 15 June 2012, prolonging – according to IVASS – the inability of Fondiaria-SAI to remedy the violations and the relative effects.
Therefore by Measure no. 3001 of 12 September 2012 (the "IVASS Measure"), IVASS appointed Prof. Matteo Caratozzolo as ad acta commissioner of Fondiaria-SAI (the "Commissioner") also as Parent, considering the requirements of Art. 229, Legislative Decree no. 209 of 7 September 2005 to be met.
In particular, with regard to the disputed transactions considered not only on an individual basis but as a whole, IVASS tasked the Commissioner with (i) specifically identifying the individuals responsible for the transactions carried out to the detriment of Fondiaria-SAI SpA and its subsidiaries; (ii) determining the damage suffered by the same; (iii) promoting or encouraging the promotion of all necessary initiatives, including judicial, at Fondiaria-SAI SpA and its subsidiaries, suitable, in relation to the disputed transactions, to safeguard and reintegrate the assets of Fondiaria-SAI SpA and its subsidiaries; (iv) exercising the powers held by Fondiaria-SAI SpA as Parent and as a shareholder in the shareholders' meetings of the subsidiaries.

Following the in-depth examinations conducted regarding the above-mentioned transactions, entered into by the Fondiaria-SAI Group primarily in the real estate segment in the 2003-2011 period, which directly involved members of the Ligresti family and certain SPVs attributable to said family, the Commissioner asked the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni to call the respective shareholders' meetings, placing on the agenda the proposed corporate liability action, pursuant to Articles 2392 and 2393 of the Civil Code, against some directors and statutory auditors of the companies (jointly with other parties).

On 5 February 2013, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni, having examined the respective reports drafted by the Commissioner in accordance with Art. 125-ter of the Consolidated Law on Finance, resolved, following the aforementioned request, to call the Shareholders' Meetings of the two companies for 13 and 14 March 2013, on first and second call respectively.
The Shareholders' Meetings, held on second call on 14 March 2013, resolved to promote corporate liability action against the persons indicated in the reports prepared for the Meetings by the Commissioner and made these resolutions public in accordance with law.

As a result of the aforementioned resolutions, the ad acta Commissioner appointed his own lawyers who arranged for civil proceedings to be brought before the Court of Milan against the parties identified as responsible for the transactions described above. The proceedings are currently at preliminary investigation stage during which the court has, amongst other things, ordered a technical court expert's report.

In relation to the aforementioned transactions, the Companies requested and, on 20 December 2013, obtained a seizure order from the Court of Milan against some of the defendants in the above proceedings. The Company made arrangements to enforce the attachment through the parties concerned and through third parties, and the related enforcement proceedings are still in progress.
The attachment was challenged by the counterparties and on 24 March 2014 the Court of Milan, sitting en banc, confirmed the precautionary provision, rejecting all complaints filed by the counterparties.
Furthermore, with reference to the other transactions involved in the complaint from Amber Capital LP, not included in the Commissioner's mandate ("Minor Transactions"), on the invitation of the Board of Statutory Auditors of Fondiaria-SAI pursuant to Art. 2408 of the Civil Code, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni conducted investigations and checks, which showed that Minor Transactions were also carried out by companies in the Fondiaria-SAI Group with "related" companies attributable to the Ligresti family with various breaches of directors' and statutory auditors' duties. In particular, the investigations and checks highlighted both breaches of directors' and statutory auditors' duties and damages to the company assets of the Fondiaria-SAI Group.
The persons who, as a result of the checks performed by the Boards of Directors, were deemed responsible for the Minor Transactions are (i) members of the Ligresti family, who exercised control over the Fondiaria-SAI Group companies involved, and who would have pursued their own personal interests to the detriment of said companies in violation of Articles 2391 and 2391-bis of the Civil Code and the procedure governing "related party" transactions; (ii) the former "executive" directors, who would have proposed and implemented the transactions in question, and the directors of the internal control committees of Fondiaria-SAI and Milano Assicurazioni, who would also have been responsible for the violation of said regulations and procedures; (iii) the statutory auditors who would have also been responsible for the damages suffered by the companies in the Fondiaria-SAI Group due to the violation of Articles 2403 and 2407 of the Civil Code and Art. 149 of the Consolidated Law on Finance.
The liability of members of the Ligresti family in relation to the transaction in question (as with the transactions already involved in the liability actions of the Commissioner) would derive not only from the violation of their duties of the offices of director formally held in Fondiaria-SAI and Milano Assicurazioni but also (aa) from the "unitary management" they would have illegitimately exercised over companies in the Fondiaria-SAI Group by helping to approve and implement the transactions constituting a "conflict of interests" and "in violation of the principles of correct corporate and business management" (pursuant to Art. 2497 of the Civil Code); (bb) the de facto interference (in particular from Mr. Salvatore Ligresti) in the administration of the companies in the Fondiaria-SAI Group (in accordance with Art. 2392 of the Civil Code).

Consequently, on 30 July 2013 the ordinary shareholders' meetings of Fondiaria-SAI and Milano Assicurazioni resolved to promote corporate liability action pursuant to Articles 2392 and 2393 of the Civil Code and, to the extent they may apply, Articles 2043 and 2497 of the Civil Code, against certain former de facto and official directors of Fondiaria-SAI and Milano Assicurazioni, regardless of their particular offices held and even if no formal office was held; certain former directors of Fondiaria-SAI and Milano Assicurazioni and, pursuant to Art. 2407 of the Civil Code, against certain members of the Board of Statutory Auditors of Fondiaria-SAI and Milano Assicurazioni.
In connection with the resolutions mentioned above, UnipolSai (formerly Fondiaria-SAI) served the writ of summons. The proceedings are currently in the preliminary investigation stage and, in this case as well, the Court ordered a technical expert's report.

Ongoing disputes with investors

Writs of summons by shareholders of La Fondiaria Assicurazioni (takeover bid legal cases)
From 2003 onwards, a number of La Fondiaria Assicurazioni ("Fondiaria") shareholders have initiated a series of legal proceedings claiming, albeit on different legal grounds and justifications, compensation for damages allegedly suffered due to failure to launch the takeover bid on Fondiaria shares by SAI Società Assicuratrice Industriale SpA ("SAI") in 2002.
On the whole, 16 proceedings were brought against the Company; 14 of these were settled at various degrees and stages of the proceeding, while one was extinguished when the first court's decision handed down in favour of the Company became definitive, as the opposing party failed to appeal it.

At 31 December 2018, only one case is still pending before the Milan Court of Appeal, resumed following the decision of the Court of Cassation. An appropriate provision has been allocated to cover this pending dispute.

Other ongoing proceedings

UnipolSai Assicurazioni SpA is a party in criminal and civil proceedings referring to events occurred during the previous management of Fondiaria-SAI and Milano Assicurazioni.

A summary of the currently pending criminal cases is provided below.

(a) Criminal Case 21713/13 (formerly Gen. Criminal Records Reg. 20219/2012) pending before the Fourth Criminal Section of the Court of Turin against defendants Salvatore Ligresti, Antonio Talarico, Fausto Marchionni, Jonella Ligresti, Emanuele Erbetta, Ambrogio Virgilio and Riccardo Ottaviani, accused of the offences of false corporate communications under Art. 2622 of the Civil Code in relation to the 2010 financial statements of Fondiaria-SAI SpA and market manipulation under Art. 185 of the Consolidated Law on Finance ("TUF") on Fondiaria-SAI and Milano Assicurazioni securities, owing to the alleged falsification of the financial statements that allegedly pertained to the claims provisions; within this proceeding, UnipolSai Assicurazioni SpA was summoned and appeared before the court as civilly liable for the actions of the defendants.

At the end of the preliminary hearings and of the trial phase, at the hearing of 11 October 2016 the Court read out the verdict, whereby:

- it affirmed the criminal liability of the defendants Salvatore Ligresti, Jonella Ligresti, Fausto Marchionni and Riccardo Ottaviani, accused of false corporate communications and market manipulation;
- it ordered the defendants, jointly and where applicable, with the civilly liable UnipolSai Assicurazioni SpA and Reconta Ernst & Young SpA, to pay compensation for damages to the 2,265 allowed civil claimants, to be allowed in a separate civil proceeding;
- it ordered the defendants, jointly and where applicable, with the civilly liable UnipolSai Assicurazioni SpA and Reconta Ernst & Young SpA, to pay the legal fees of the civil claimants' legal counsel;
- it acquitted the defendants Antonio Talarico and Ambrogio Virgilio because they did not commit any criminal offence, in accordance with Art. 530, paragraph 2 of the Code of Criminal Procedure;
- it rejected the compensation requests of some civil claimants;
- it set the term for filing the grounds for the decision at ninety days.

The Court of Turin did not order payment of any interim award on the damage claimed by the civil claimants.

Moreover, with its decision of 25 October 2016, the Court of Turin allowed the plea bargain request filed by Mr. Emanuele Erbetta and sentenced the defendant to 3 years of incarceration and a fine of €200k, in addition to the payment of the legal expenses borne by the civil claimants.

The conviction decided by the Turin Court on 11 October 2016 was challenged before the Turin Court of Appeal which on 12 March 2019 annulled the decision due to lack of jurisdiction and ordered the transfer of the acts to the Milan Court.

(b) The criminal proceeding Gen. Criminal Records Reg. no. 14442/14, with the defendants Gioacchino Paolo Ligresti, Pier Giorgio Bedogni and Fulvio Gismondi accused of false corporate communications (Art. 2622 of the Civil Code) and market manipulation (Art. 185 of the Consolidated Law on Finance) for Mr. Fulvio Gismondi only, in which proceeding UnipolSai was cited for civil liability, false official statement in certificates (Art. 481 of the Criminal Code), ended in the first instance, at the end of the shortened and simplified proceedings, with the decision of 16 December 2015 acquitting the defendants because the fact does not exist. The decision was appealed by the General Prosecutor's Office at the Court of Appeal of Milan and by the civil claimant Consob. On 10 July 2018, the Milan Court of Appeal confirmed the acquittal ruling. The ruling was appealed before the Supreme Court of Cassation by Consob as regards the civil effects only. A hearing has not yet been scheduled.

(c) Criminal Case (Gen. Criminal Records Reg. 24630/2013) against Messrs. Benito Giovanni Marino, Marco Spadacini and Antonio D'Ambrosio, acquitted on 10 November 2014 at the end of the shortened and simplified proceeding before the Court of Turin, is awaiting the setting of the appeal trial following the Prosecutor's filing of an appeal.

Based on the status of the criminal proceedings, on the information acquired hitherto by the Company and on the legal opinions acquired on the matters, the risk of loss is deemed unlikely.

Moreover, as reported in the Financial Statements ended 31 December 2017, some investors have autonomously initiated civil proceedings for damages. In these proceedings, the plaintiffs summarily stated that they had purchased and subscribed Fondiaria-SAI shares as they were prompted by the information in the information prospectuses published by Fondiaria-SAI on 24 June 2011 and 12 July 2012 in relation to the increases in share capital under option resolved by the company on 14 May 2011, 22 June 2011 and 19 March 2012 respectively, and in the financial statements of Fondiaria-SAI relating to the years 2007-2012. UnipolSai (former Fondiaria-SAI) appeared at all Civil Proceedings and disputed the plaintiffs' claims. Two civil proceedings before the Court of Turin ended with rulings that rejected the merits of the Plaintiff's requests, acquitting UnipolSai from all compensation claims. The two rulings have become res judicata since they were not appealed by the counterparties. On 18 May 2017, the Milan Court has instead partially upheld the compensation claims of another shareholder. The Company appealed against the sentence before the Milan Court of Appeal. Of the remaining proceedings, some are in the decision stage and some in the introductory/preliminary stage.

Provisions deemed suitable were made in relation to the disputes with investors described above.

3. Technical provisions

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Non-Life premium provisions	3,142.2	*20.7*	2,919.8	*19.2*	
Non-Life claims provisions	12,033.2	*79.1*	12,247.5	*80.5*	
Other Non-Life technical provisions	36.4	*0.2*	52.3	*0.3*	
Total Non-Life provisions	**15,211.8**	***100.0***	**15,219.6**	***100.0***	***(0.1)***
Life mathematical provisions	32,092.8	*84.4*	24,471.2	*80.1*	
Provisions for amounts payable (Life business)	407.6	*1.1*	334.9	*1.1*	
Technical provisions where investment risk is borne by policyholders and arising from pension fund management	3,963.3	*10.4*	3,715.9	*12.2*	
Other Life technical provisions	1,547.8	*4.1*	2,015.5	*6.6*	
Total Life provisions	**38,011.5**	***100.0***	**30,537.5**	***100.0***	***24.5***
Total technical provisions	**53,223.3**		**45,757.0**		***16.3***

The Arca Group contribution to Technical provisions amounted to €7,866.1m.

4. Financial liabilities

Financial liabilities amounted to €5,252.6m (€3,663.0m at 31/12/2017).

4.1 Financial liabilities at fair value through profit or loss

The item, which amounted to €2,539.3m (€1,172.3m at 31/12/2017), is broken down as follows:

- Held-for-trading financial liabilities totalled €278.3m (€276.8m at 31/12/2017);
- Financial liabilities designated at fair value through profit or loss totalled €2,261.0m (€895.5m at 31/12/2017). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders and the insurance risk borne by the Group did not exceed 10% (some types of Class III, Class V and Class VI contracts). The Arca Group contribution amounted to €1,259.9m.

4.2 Other financial liabilities

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Subordinated liabilities	2,247.2	*82.8*	2,028.1	*81.4*	*10.8*
Deposits received from reinsurers	166.2	*6.1*	161.7	*6.5*	*2.8*
Other loans obtained	299.8	*11.0*	296.0	*11.9*	*1.3*
Sundry financial liabilities			4.9	*0.2*	*(100.0)*
Total other financial liabilities	**2,713.3**	***100.0***	**2,490.7**	***100.0***	***8.9***

The Arca Group contribution to Other financial liabilities amounted to €10.5m.

Details of Subordinated liabilities are shown in the table below:

Issuer	Nominal amount outstanding	Subordination level	Year of maturity	Call	Rate	L/NL
UnipolSai	€300.0m	tier II	2021	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€261.7m	tier II	2023	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€400.0m	tier I	2023	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€750.0m	tier I	in perpetuity	every 3 months from 18/06/2024	fixed rate 5,75% (*)	Q
UnipolSai	€500.0m	tier II	2028		fixed rate 3,875%	Q

(*) from June 2024 floating rate of 3M Euribor + 518 b.p.

(**) since September 2014, in application of the so-called "Additional Costs Clauses", a payment by way of compromise of an annual indemnity (additional spread) equal to 71.5 basis points was agreed upon; the overall spread is now 2.515.

5. Payables

Amounts in €m	31/12/2018	*% comp.*	31/12/2017	*% comp.*	*% var.*
Payables arising from direct insurance business	**160.9**	***17.8***	**104.7**	***11.4***	***53.8***
Payables arising from reinsurance business	**86.8**	***9.6***	**93.6**	***10.2***	***(7.2)***
Other payables	**656.7**	***72.6***	**717.0**	***78.3***	***(8.4)***
Policyholders' tax due	156.4	*17.3*	156.3	*17.1*	*0.1*
Sundry tax payables	32.9	*3.6*	32.0	*3.5*	*2.8*
Trade payables	174.0	*19.2*	174.2	*19.0*	*(0.1)*
Post-employment benefits	63.9	*7.1*	65.1	*7.1*	*(1.8)*
Social security charges payable	37.8	*4.2*	36.9	*4.0*	*2.6*
Sundry payables	191.7	*21.2*	252.6	*27.6*	*(24.1)*
Total payables	**904.5**	***100.0***	**915.3**	***100.0***	***(1.2)***

The Arca Group contribution to Payables amounted to €67.8m.

6. Other liabilities

Amounts in €m	31/12/2018	% comp.	31/12/2017	% comp.	% var.
Current tax liabilities	21.8	2.9	24.1	0.2	(9.3)
Deferred tax liabilities	8.9	1.2	25.1	0.2	(64.4)
Liabilities associated with disposal groups held for sale	3.2	0.4	10,016.5	92.4	(100.0)
Commissions on premiums under collection	110.9	14.5	105.6	1.0	5.1
Deferred commission income	3.4	0.4	1.0	0.0	n.s.
Accrued expenses and deferred income	56.0	7.3	53.6	0.5	4.4
Other liabilities	559.1	73.2	613.2	5.7	(8.8)
Total other liabilities	763.4	100.0	10,839.1	100.0	(93.0)

The item Deferred tax liabilities is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax assets, as described in Chapter 2 Main accounting standards.
For the details of the sub-item Liabilities associated with disposal groups, please refer to paragraph 5.5 of these Notes.
The Arca Group contribution to Other liabilities amounted to €16.1m.

4. Notes to the Income Statement

Comments and further information on the items in the Income statement and the variations that took place compared with the previous year are given below (the numbering of the notes relates to the mandatory layout for the preparation of the Income statement).

The items of the Income statement include the figures of the Arca Group limited to the second half of 2018 and net of the intergroup eliminations, where applicable.

REVENUE

1.1 Net premiums

Amounts in €m	31/12/2018	31/12/2017	*% var.*
Non-Life earned premiums	7,943.6	7,380.7	*7.6*
Non-Life written premiums	8,101.5	7,456.0	*8.7*
Changes in Non-Life premium provision	(157.9)	(75.3)	*109.7*
Life written premiums	3,468.6	3,452.7	*0.5*
Non-Life and Life gross earned premiums	11,412.2	10,833.4	*5.3*
Non-Life earned premiums ceded to reinsurers	(400.2)	(424.8)	*(5.8)*
Non-Life premiums ceded to reinsurers	(397.7)	(450.9)	*(11.8)*
Changes in Non-Life premium provision - reinsurers' share	(2.5)	26.1	*n.s.*
Life premiums ceded to reinsurers	(6.6)	(6.4)	*3.7*
Non-Life and Life earned premiums ceded to reinsurers	(406.9)	(431.2)	*(5.6)*
Total net premiums	11,005.4	10,402.2	*5.8*

The Arca Group contribution to Net premiums amounted to €465.6m.

1.2 Commission income

Amounts in €m	31/12/2018	31/12/2017	*% var.*
Commission income from investment contracts	21.4	23.4	*(8.8)*
Other commission income	8.6	11.8	*(26.9)*
Total commission income	30.0	35.2	*(14.8)*

The Arca Group contribution to Commission income amounted to €9.0m.

1.3 Gains and losses on financial instruments at fair value through profit or loss

Amounts in €m	31/12/2018	31/12/2017	*% var.*
on held-for trading financial assets	(50.7)	(17.4)	*n.s.*
on financial assets/liabilities at fair value through profit or loss	(106.8)	151.7	*n.s.*
Total net gains/losses	(157.5)	134.3	*n.s.*

1.4 Gains on investments in subsidiaries, associates and interests in joint ventures

They amounted to €322.4m (€8.6m in 2017), of which €308.6m attributable to the capital gain realised from the sale of the equity investment in Popolare Vita.

1.5 Gains on other financial instruments and investment property

Amounts in €m	31/12/2018	31/12/2017	*% var.*
Interest	1,441.4	1,483.1	*(2.8)*
on held-to-maturity investments	21.0	33.5	*(37.3)*
on loans and receivables	126.3	150.3	*(16.0)*
on available-for-sale financial assets	1,290.0	1,295.7	*(0.4)*
on sundry receivables	3.3	2.8	*14.8*
on cash and cash equivalents	0.8	0.8	*0.8*
Other income	178.5	178.2	*0.2*
from investment property	64.8	79.0	*(18.1)*
from available-for-sale financial assets	113.7	99.1	*14.7*
Realised gains	412.1	442.1	*(6.8)*
on investment property	27.6	13.8	*99.9*
on loans and receivables	16.4	1.9	*n.s.*
on available-for-sale financial assets	368.1	426.4	*(13.7)*
Unrealised gains and reversals of impairment losses	1.2	0.2	*n.s.*
on other financial assets and liabilities	1.2	0.2	*n.s.*
Total item 1.5	2,033.2	2,103.6	*(3.3)*

The contribution of the Arca Group to Gains on other financial instruments and investment property amounted to €136.7m.

1.6 Other revenue

Amounts in €m	31/12/2018	31/12/2017	var.%
Sundry technical income	98.7	86.9	*13.6*
Exchange rate differences	4.5	14.4	*(68.5)*
Extraordinary gains	24.3	33.0	*(26.3)*
Other income	507.6	406.6	*24.8*
Total other revenue	**635.1**	**540.9**	***17.4***

The Arca Group contribution to Other revenue amounted to €2.1m.

COSTS

2.1 Net charges relating to claims

Amounts in €m	31/12/2018	31/12/2017	% var.
Net charges relating to claims - direct and indirect business	**9,288.9**	**9,033.2**	***2.8***
Non-Life business	**5,256.6**	**4,859.7**	***8.2***
Non-Life amounts paid	5,774.5	5,472.0	
changes in Non-Life claims provision	(389.8)	(488.0)	
changes in Non-Life recoveries	(128.9)	(129.0)	
changes in other Non-Life technical provisions	0.8	4.8	
Life business	**4,032.3**	**4,173.5**	***(3.4)***
Life amounts paid	3,330.5	5,018.0	
changes in Life amounts payable	52.6	7.8	
changes in mathematical provisions	596.7	2.9	
changes in other Life technical provisions	104.6	14.6	
changes in provisions where the investment risk is borne by policyholders and arising from pension fund management	(52.1)	(869.7)	
Charges relating to claims - reinsurers' share	**(308.8)**	**(197.2)**	***56.6***
Non-Life business	**(309.9)**	**(193.7)**	***60.0***
Non-Life amounts paid	(201.9)	(207.9)	
changes in Non-Life claims provision	(122.0)	(6.4)	
changes in Non-Life recoveries	13.9	20.6	
Life business	**1.1**	**(3.5)**	***(132.0)***
Life amounts paid	(13.9)	(10.9)	
changes in Life amounts payable	1.4	(0.2)	
changes in mathematical provisions	13.2	7.6	
change in other life technical provisions	0.4		
Total net charges relating to claims	**8,980.1**	**8,836.0**	***1.6***

The Arca Group contribution to Net charges relating to claims amounted to €489.7m.

2.2 Commission expense

Amounts in €m	31/12/2018	31/12/2017	*% var.*
Commission expense from investment contracts	8.3	10.3	*(19.3)*
Other commission expense	8.3	7.4	*11.3*
Total commission expense	**16.6**	**17.7**	***(6.5)***

The Arca Group contribution to Commission expense amounted to €6.3m.

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

They amounted to €0.9m (€114.5m in 2017, mainly related to the portion of loss attributable to UnipolSai and reported by Unipol Banca as part of the above-mentioned Banking sector restructuring plan of the Unipol Group.

2.4 Losses on other financial instruments and investment property

Amounts in €m	31/12/2018	31/12/2017	% var.
Interest:	**96.0**	**83.8**	***14.6***
on other financial liabilities	94.1	80.8	*16.5*
on payables	1.9	3.0	*(37.4)*
Other charges:	**30.7**	**35.9**	***(14.4)***
from investment property	26.4	32.9	*(19.7)*
from available-for-sale financial assets	2.8	1.8	*50.4*
from cash and cash equivalents	0.0	0.0	*8.8*
from other financial liabilities	1.4	1.0	*38.7*
from sundry payables	0.1	0.1	*21.2*
Realised losses:	**136.0**	**136.9**	***(0.7)***
on investment property	5.3	2.0	*n.s.*
on loans and receivables	0.0	1.1	*(96.0)*
on available-for-sale financial assets	130.6	133.8	*(2.3)*
Unrealised losses and impairment losses:	**117.5**	**155.8**	***(24.6)***
on investment property	93.9	51.0	*84.1*
on loans and receivables		12.3	*(100.0)*
on available-for-sale financial assets	23.6	90.1	*(73.8)*
on other financial liabilities	0.0	2.5	*(99.0)*
Total item 2.4	**380.2**	**412.4**	***(7.8)***

The Unrealised losses and impairment losses relating to investment property included amortisation that totalled €34.7m (€36.5m at 31/12/2017) and write-downs amounting to €59.2m (€14.5m at 31/12/2017), carried out on the basis of updated valuations performed by independent experts.

The Arca Group contribution to Losses on other financial instruments and investment property amounted to €21.6m.

2.5 Operating expenses

Amounts in €m	31/12/2018	31/12/2017	*% var.*
Insurance Sector	2,350.1	2,260.6	*4.0*
Other Businesses Sector	67.2	58.6	*14.7*
Real Estate Sector	22.1	25.5	*(13.6)*
Intersegment eliminations	(10.9)	(13.6)	*(19.8)*
Total operating expenses	**2,428.4**	**2,331.0**	***4.2***

Below are details of Operating expenses in the Insurance sector:

	Non-Life			Life			Total		
Amounts in €m	31/12/2018	31/12/2017	*% var.*	31/12/2018	31/12/2017	*% var.*	31/12/2018	31/12/2017	*% var.*
Acquisition commissions	1,275.0	1,251.9	*1.8*	58.0	65.2	*(11.0)*	1,333.0	1,317.1	*1.2*
Other acquisition costs	370.0	336.0	*10.1*	40.5	42.1	*(3.8)*	410.6	378.1	*8.6*
Change in deferred acquisition costs	(3.0)	5.7	*n.s.*	(0.3)	(2.5)	*(90.0)*	(3.2)	3.1	*n.s.*
Collection commissions	155.7	151.5	*2.8*	7.1	7.2	*(2.0)*	162.8	158.7	*2.6*
Profit sharing and other commissions from reinsurers	(120.1)	(148.3)	*(19.0)*	(2.8)	(0.4)	*n.s.*	(122.9)	(148.7)	*(17.3)*
Investment management expenses	66.9	75.0	*(10.8)*	40.5	42.2	*(4.0)*	107.3	117.1	*(8.4)*
Other administrative expenses	384.8	354.7	*8.5*	77.8	80.3	*(3.1)*	462.5	435.0	*6.3*
Total operating expenses	**2,129.3**	**2,026.6**	***5.1***	**220.8**	**234.0**	***(5.6)***	**2,350.1**	**2,260.6**	***4.0***

The Arca Group contribution to Operating expenses amounted to €30.6m.

2.6 Other costs

Amounts in €m	31/12/2018	31/12/2017	*% var.*
Other technical charges	242.4	251.8	*(3.7)*
Impairment losses on receivables	13.3	14.3	*(6.7)*
Other charges	603.1	486.9	*23.9*
Total other costs	**858.8**	**752.9**	***14.1***

The Arca Group contribution to Other costs amounted to €25.1m.

3. Income tax

In accordance with the provisions of IAS 12 the following table shows, at consolidated level, the deferred taxes utilised and accrued.

	31/12/2018			31/12/2017		
Amounts in €m	Ires	Irap	Total	Ires	Irap	Total
Current taxes	(100.7)	(24.5)	(125.2)	(177.7)	(42.7)	(220.4)
Deferred assets and liabilities:	(99.0)	(31.5)	(130.5)	(4.0)	1.0	(3.0)
Use of deferred tax assets	(200.7)	(38.9)	(239.6)	(107.0)	(4.7)	(111.7)
Use of deferred tax liabilities	132.4	28.0	160.4	42.7	2.3	45.0
Provisions for deferred tax assets	108.4	13.2	121.6	108.1	3.4	111.6
Provisions for deferred tax liabilities	(139.0)	(33.9)	(172.9)	(47.8)	(0.0)	(47.8)
Total	(199.7)	(56.1)	(255.8)	(181.7)	(41.7)	(223.4)

Against a pre-tax profit of €1,203.4m, taxes pertaining to the year of €255.8m were recorded, corresponding to a tax rate of 21.3% (29.4% at 31/12/2017), 16.6% of which for IRES and 4.7% for IRAP. The tax rate was positively affected by tax adjustments carried out in previous periods.

The following statement illustrates the breakdown of deferred tax assets and liabilities recognised, with separate indication of offsetting performed for adjusted financial statements presentation purposes.

	31/12/2018			31/12/2017
Amounts in €m	Total	Ires/Corp. tax	Irap	Total
DEFERRED TAX ASSETS				
Intangible assets and property, plant and equipment	379.5	310.8	68.7	346.8
Technical provisions – Reinsurers' share	155.2	155.1	0.0	168.5
Investment property	195.4	158.1	37.3	219.1
Financial instruments	199.9	151.7	48.2	183.9
Sundry receivables and other assets	118.9	109.3	9.6	118.4
Provisions	173.2	172.4	0.8	176.9
Technical provisions	631.0	558.3	72.8	880.5
Financial liabilities	0.8	0.8	0.0	1.0
Payables and other liabilities	1.7	1.3	0.3	0.4
Other deferred tax assets	31.5	27.3	4.2	36.5
Netting as required by IAS 12	(1,421.6)	(1,192.2)	(229.4)	(1,914.9)
Total deferred tax assets	**465.4**	**452.8**	**12.6**	**217.1**
DEFERRED TAX LIABILITIES				
Intangible assets and property, plant and equipment	178.7	143.6	35.0	174.4
Technical provisions – Reinsurers' share				0.8
Investment property	15.7	7.1	8.7	10.4
Financial instruments	907.3	758.9	148.4	1,446.6
Sundry receivables and other assets	0.2	0.1	0.0	0.3
Provisions	22.1	17.7	4.4	21.2
Technical provisions	230.1	193.7	36.3	203.2
Financial liabilities	0.6	0.5	0.1	0.1
Payables and other liabilities	0.2	0.2	0.0	0.0
Other deferred tax liabilities	75.7	73.1	2.6	83.1
Netting as required by IAS 12	(1,421.6)	(1,192.2)	(229.4)	(1,914.9)
Total deferred tax liabilities	**8.9**	**2.8**	**6.2**	**25.1**

Deferred assets and liabilities are recognised in the financial statements net of the offsetting carried out pursuant to IAS 12.

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies.

5. Other information

5.1 Hedge Accounting

Fair value hedges

In 2018, no new transactions on fair value hedging were carried out and, at 31 December 2018, as already at the end of the previous year, no transactions of this nature were under way.

Cash flow hedges

The purpose of the existing hedges is to transform the interest rate on financial assets from a floating rate to a fixed rate, stabilising the cash flows.

UnipolSai Assicurazioni: cash flow hedges on bond securities recorded in the Available-for-sale asset portfolio through the sale of IRSs for a notional value of €1,113.5m (€1,013.5m at 31/12/2017).
The cumulative positive effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was €3.3m (€8.8m negative effect at 31/12/2017): net of tax, the positive impact was €2.3m (€6.1m, negative effect at 31/12/2017).

UnipolSai Assicurazioni: cash flow hedges on bond securities recorded in the Loans and Receivables portfolio through IRSs for a notional value of €250.0m (€250.0m at 31/12/2017).
The cumulative negative effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was €0.5m (€3.0m negative effect at 31/12/2017): net of tax, the negative impact was €0.4m (€2.1m negative effect at 31/12/2017).

Arca Vita:- cash flow hedges on bond securities recorded in the Available-for-sale asset portfolio through the sale of IRSs for a notional value of €30.0m.
The cumulative effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was of an irrelevant amount.

5.2 Information relating to the actual or potential effects of netting agreements

In order to allow an evaluation of the actual or potential effects of netting agreements on the UnipolSai Group, the information relating to the financial instruments involved in master netting arrangements, which at 31 December 2018 are exclusively represented by derivative instruments, are reported below.
The agreements contained in the ISDA Master agreements which regulate transactions in said instruments, make provision, in the cases of the insolvency of one of the contractual parties, for the offsetting between receivables and payables including any cash deposits or financial instruments pledged as guarantee.

Financial assets

(Amounts in €m)

Type	Gross amount (A)	Total financial liabilities offset in the financial statements (B)	Net total financial assets recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements		Net total (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits received as guarantees (E)	
Derivative transactions (1)	314.5		314.5	263.9	45.5	5.1
Repurchase agreements (2)						
Securities lending						
Other						
Total	**314.5**		**314.5**	**263.9**	**45.5**	**5.1**

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the netting agreements and any cash deposits given or received as guarantee.

(2) The amounts indicated include the financial assets/liabilities relating to the repurchase agreement and the amount of the financial transaction object of the forward purchase

Financial liabilities

(Amounts in €m)

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements		Net total (F)=(C)-(D)-(E)
				Financial instruments (D)	Cash deposits given as guarantees (E)	
Derivative transactions (1)	310.5		310.5	116.3	193.2	1.1
Repurchase agreements (2)						
Securities lending						
Other						
Total	**310.5**		**310.5**	**116.3**	**193.2**	**1.1**

(1) The amounts indicated include the fair value in the financial statements of the derivatives involved in the netting agreements and any cash deposits given or received as guarantee.

(2) The amounts indicated include the financial assets/liabilities relating to the repurchase agreement and the amount of the financial transaction object of the forward purchase

5.3 Earnings (loss) per share

Ordinary shares - basic and diluted

	31/12/2018	31/12/2017
Profit/(loss) allocated to ordinary shares (€m)	905.1	504.2
Weighted average of ordinary shares outstanding during the year (no./m)	2,779.0	2,774.4
Basic and diluted earnings (loss) per share (€ per share)	0.33	0.18

5.4 Dividends

In view of the profit for the year at 31 December 2017 (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of UnipolSai SpA, held on 23 April 2018, resolved on the distribution of dividends corresponding to €0.145 per share. The total amount set aside for dividends, including treasury shares held by UnipolSai, amounted to €410m.
The Shareholders' Meeting also set the dividend payment date for 23 May 2018 (ex-dividend date 21 May 2018 and record date 22 May 2018).

The financial statements at 31 December 2018 of UnipolSai, drawn up in accordance with Italian GAAP, posted a profit of €412.8m.
UnipolSai's Board of Directors proposes that the Ordinary Shareholders' Meeting allocate as dividends €0.145 per Ordinary Share, for a total amount, considering the treasury shares, totalling €410m.

5.5 Non-current assets or assets of a disposal group held for sale

At 31 December 2018, reclassifications carried out in application of IFRS 5, under item 6.1 of Assets, amounted to €536.7m (€10,569.1m at 31/12/2017 of which €10,465.2m related to assets attributable to Popolare Vita and The Lawrence Life and €103.9m related to properties held for sale), while the reclassified liabilities under item 6.1 Liabilities associated with disposal groups amounted to €3.2m (€10,016.5m at 31/12/2017, fully attributable to Popolare Vita and The Lawrence Life).
At 31 December 2018, the item is represented mainly by the equity investment held in Unipol Banca (€403.7m), for the cancellation of which some appropriate preparatory activities were started in 2018, and completed on 7 February 2019, with the execution of contractual agreements with BPER Banca, as described in detail in the Management Report. The amount of the equity investment refers, for €371.2m, to the value of the Unipol Banca shares, subject to put option on Unipol Gruppo (exercised on 1 March 2019), and for €32.5m to the countervalue of the residual share to be transferred to BPER. It should be noted that the capital loss expected from the transfer of the equity investment to BPER, recognised under Other costs, amounts to €49.8m whereas no losses are shown in the period of the put option since the related strike price corresponds to the recognised value of the shares.

The following table shows values of the main items related to Assets and Liabilities held for sale.

Non-current assets or assets of a disposal group held for sale

	Amounts in €m	Unipol Banca	Consorzio Castello	Property	Total reclassifications IFRS 5
		31/12/2018	31/12/2018	31/12/2018	31/12/2018
2	PROPERTY, PLANT AND EQUIPMENT			0.1	0.1
2.1	Property			0.1	0.1
4	INVESTMENTS	403.7	0.3	132.3	536.3
4.1	Investment property		0.3	132.3	132.6
4.2	Investments in subsidiaries, associates and joint v entures	403.7			403.7
5	SUNDRY RECEIVABLES		0.1		0.1
5.3	Other receivables		0.1		0.1
7	CASH AND CASH EQUIVALENTS		0.3		0.3
TOTAL NON-CURRENT ASSETS OR ASSETS OF A DISPOSAL GROUP HELD FOR SALE		403.7	0.7	132.3	536.7

Liabilities associated with disposal groups held for sale

	Amounts in €m	Unipol Banca	Consorzio Castello	Property	Total reclassifications IFRS 5
		31/12/2018	31/12/2018	31/12/2018	31/12/2018
5	PAYABLES		0.2	3.0	3.2
5.3	Other payables		0.2	3.0	3.2
LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS HELD FOR SALE			0.2	3.0	3.2

5.6 Transactions with related parties

UnipolSai Assicurazioni provides services relating to the following areas:

- Governance (services supporting internal control, risk management and compliance);
- Finance;
- Chief Innovation Officer;
- Communications and Media relations;
- Assessment of Investments;
- Human Resources and Industrial relations (external selection, development and remuneration systems, personnel management, trade union relations and disputes, employee welfare, safety, personnel administration);
- Organisation;
- Training;
- Claims Settlement;
- Insurance (distribution network regulations, MV tariffs and portfolio management, reinsurance, bancassurance Life business unit);

- Legal (corporate affairs, group legal, anti-fraud, institutional response, legal insurance consulting, privacy, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of investments, anti-money laundering and anti-terrorism, 231 monitoring, institutional relations);
- IT services;
- Actuarial Function Validation and Calculation;
- Administration (accounting, tax, administrative and financial statements services, economic management control, purchases and general services);
- Real estate (coordination of urban planning processes, real estate asset and investment management, portfolio trading, value added, portfolio core, project & construction management, tenders and contracts, logistics and real estate services, facility management, tax and duty property management, real estate appraisals and property management).

UniSalute provides the following services to the other companies of the Group:
- Managing addressing services, providing medical advice and assistance by telephone, making bookings, managing and settling claims relating to specific guarantees/products on behalf of UnipolSai;
- Policyholder record updating services and administrative services associated with the payment of health policy claims for UnipolSai.

The services provided by UniSalute and its subsidiary Unisalute Servizi mainly concern the following areas:
- Administration and budget;
- Planning and management control;
- Marketing;
- IT services;
- Suppliers;
- Human resource monitoring;
- Training process support;
- Commercial and welfare development.

SIAT performs the following services in favour of UnipolSai:
- Technical assistance in the negotiation and stipulation of transport and aviation contracts;
- Portfolio services for agreements in the transport sector;
- Administrative support in the relationships with insurance counterparties.

Auto Presto & Bene performs car repair services in favour of a number of Group companies.

UnipolSai Servizi Previdenziali performs administrative management of open pension funds on behalf of a number of Group companies.

Pronto Assistance Servizi provides the following services for the consortium member companies:
- organisation, provision and 24/7 management of services provided by the assistance insurance coverage, by taking the action requested and managing relations with professionals and independent suppliers to which the material execution of the action is assigned, also including settlement of the related remuneration. As part of the Tourism claims management, in addition to the provision of normal Assistance services, Pronto Assistance Servizi, at the request of an individual consortium member can advance medical expense payments on behalf of that member;
- contact centre activities for the customers, specialists and agencies of the Group, whose services consist of:
    - front office services to existing or potential customers at all stages of relations with the consortium members and their respective sales networks, or to any intermediaries acting on their behalf (brokers, banks);
    - after-sales services on policy statuses or on any transactions that can be made on existing policies;
    - customer satisfaction;
    - support services to the agency network in relations with customers and consortium members;
    - contact centre services dedicated to opening claims and related information requests.

UnipolRe carries out administrative and accounting services for inwards and outwards reinsurance on behalf of UnipolSai.

UnipolSai Investimenti SGR administers on behalf of UnipolSai the units of property funds set up by third-party asset managers, owned by UnipolSai.

UnipolReC, in its capacity as an agent, conducted in 2018, credit collection, out-of-court recovery of receivables due from Customers, such as, by way of example, the analysis of the receivables assigned, the sending of dunning letters by post and/or credit collection by phone, monitoring the responses received, checking payments and reconciliating the same, searching for individuals that are difficult to trace and any other activity required or related to said services on behalf of Gruppo UNA.

Alfaevolution Technology provides the following supply and management services to a number of Group companies:
– black boxes associated with MV TPL policies, confirming the Unipol Group as leader in the global market. For these devices, Alfaevolution also provides the data analysis and reconstruction of the crashes;
– telematic kits associated with insurance policies for the protection of homes, apartments, commercial offices and hotels;
– telematic devices associated with insurance policies for pet protection;

Leithà provides, in favour of a number of Group companies, innovative services with high technological value, the study and analysis of data to support the development of new products and processes and business evolution, including the necessary preparatory and instrumental activities for the realisation of the Research Project, and, possibly the development of operating system software, operating systems and applications and database management pertaining to the Research Project.

The consortium **UnipolSai Servizi Consortili** manages a few supply and service agreements:
– leasing of facilities;
– real estate logistics and organisational services;
– communications, image and Unipol Group brand management.

Ambra Property provides reception and booking services to Ital H&R.

Arca Vita provides the following services to Group companies:
- human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control for Arca Inlinea, Arca Sistemi and Arca Direct Assicurazioni;
- provision of workstations and general services necessary and functional to the outsourcing of internal control, anti-money laundering and anti-terrorism functions for UnipolSai;
- provision of parking spaces in the car park in Via del Fante 21, Verona, to UnipolSai;
- leasing of premises in the property in Via del Fante 21, Verona, and the related parking spaces at the underground car park in Lungadige Capuleti, Verona, to Arca Assicurazioni, Arca Direct Assicurazioni, Arca Sistemi and Arca Inlinea;

Arca Inlinea provides sales support services to Arca Assicurazioni, Arca Vita, Arca Direct Assicurazioni and Arca Vita International.

Arca Sistemi provides the following services:
- design, development and management of IT systems for Arca Vita, Arca Assicurazioni, Arca Inlinea and Arca Direct Assicurazioni;
- design, development and management of alternative storage for Arca Vita and Arca Assicurazioni;
- services as IT architecture provider for Arca Vita International.

No atypical or unusual transactions were carried out in the execution of these services.

Fees are mainly calculated on the basis of the external costs incurred, for example the costs of products and services acquired from suppliers, and the costs resulting from activities carried out directly, i.e. generated by their own staff, and taking account of:
- performance objectives set for the provision of the service to the company;
- strategic investments required to ensure the agreed levels of service.

The following elements are specifically taken into consideration:

- personnel costs;
- operating costs (logistics, etc.);
- general costs (IT, consultancy, etc.).

As regards services rendered by Leithà and Ambra Property, the consideration was determined to the extent equal to costs, as previously defined, to which a 5% mark-up was applied, which is the operating margin for the service rendered.

The costs for financing activities are calculated by applying a fee on managed volumes. The services provided by UniSalute (except operating services provided to Unisalute Servizi for which the costs are split), Auto Presto & Bene, UnipolSai Investimenti SGR and UnipolRe involve fixed prices.

Unipol Gruppo, UnipolSai and Unipol Banca second staff to the Group companies in order to optimise synergies within the Group.

Financial and commercial transactions between Unipol Banca, Finitalia and other Group companies, were the usual types of transaction carried out by a complex group and related to services, deposit accounts or corporate financing and finance lease agreements. Agreements were also entered into for the sale and/or management of banking, financial and insurance products and services and the provision of auxiliary banking services in general. These transactions were usually carried out at the market terms applied to prime customers.

The Parent Unipol renewed the Group tax consolidation option governed by Title II, Chapter II, Section II of Italian Presidential Decree 917/86 (the Consolidated Income Tax Act, Articles 117 et seq.) as consolidating entity.

The following table shows transactions with related parties (holding company, associates and others) carried out during 2018, as laid down in IAS 24 and in Consob Communication DEM/6064293/2006. Please note that the scope of application of the Procedure for related party transactions, adopted pursuant to Consob Regulation n. 17221 of 12 March 2010 and subsequent amendments, also includes some counterparties included, on a voluntary basis, pursuant to art. 4 of the same Regulation. This case includes the CIU in which the Company, or a related party, holds more than 20% of the capital rights.

Transactions with subsidiaries have not been recognised since in drawing up the Consolidated Financial Statements transactions among Group companies consolidated using the line-by-line method have been eliminated as part of the normal consolidation process.

Information on transactions with related parties

Amounts in €m	Holding company	Associates	Affiliates	**Total**	*% inc. (1)*	*% inc. (2)*
Loans and receivables	267.8	141.9		409.8	*0.6*	*120.5*
Available-for-sale financial assets	6.7			6.7	*0.0*	*2.0*
Sundry receivables	185.2	73.4	0.1	258.7	*0.4*	*76.0*
Other assets	0.0	55.9		55.9	*0.1*	*16.4*
Cash and cash equivalents		760.7		760.7	*1.1*	*223.6*
Total Assets	**459.7**	**1,035.2**	**0.1**	**1,495.0**	***2.3***	***439.5***
Other financial liabilities	1.1	134.6		135.7	*0.2*	*39.9*
Sundry payables	102.9	0.7		103.6	*0.2*	*30.5*
Other liabilities	0.0	22.1		22.1	*0.0*	*6.5*
Total Liabilities	**104.0**	**157.4**		**261.4**	***0.4***	***76.8***
Commission income		6.3		6.3	*0.5*	*1.8*
Gains and losses on financial instruments at fair value through profit or loss	(0.0)	(0.1)		(0.1)	*(0.0)*	*(0.0)*
Gains on other financial instruments and investment property	2.7	8.7		11.5	*1.0*	*3.4*
Other revenues	6.0	6.4	0.1	12.5	*1.0*	*3.7*
Total Revenues and Income	**8.7**	**21.4**	**0.1**	**30.2**	***2.5***	***8.9***
Commission expenses		0.3		0.3	*0.0*	*0.1*
Losses on other financial instruments and investment property	0.0	8.0		8.0	*0.7*	*2.3*
Operating expenses	1.6	191.3		192.8	*16.0*	*56.7*
Other costs	12.9	11.1		23.9	*2.0*	*7.0*
Total Costs and Expenses	**14.4**	**210.6**		**225.0**	***18.7***	***66.1***

(1) Percentage based on total assets in the consolidated statement of financial position recognised under Shareholders' Equity and on the pre-tax profit (loss) for income statement items.

(2) The percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

Loans and receivables due from the holding company relate to two loan agreements between the former Unipol Assicurazioni and the holding company Unipol Gruppo executed during 2009 after Unipol Assicurazioni's takeover of the role of issuer for the UGF 7% and UGF 5.66% subordinated bond loans issued by UGF.
Loans and receivables from associates comprised €109.4m related to the shareholders' loan supplied to the associate UnipolReC, €15.0m of time deposits above 15 days held by the companies of the Group with Unipol Banca, €11.0m

relating to receivables from Assicoops for agents' reimbursements and €6.3m of interest-free loans disbursed by UnipolSai to the associates Borsetto.
The item Available-for-sale financial assets refers to bond securities issued by the holding company Unipol and subscribed by the subsidiary Arca Vita.
Sundry receivables from the holding company comprised amounts related to the tax consolidation.
The item Sundry receivables from associates included €37.7m in receivables due from insurance brokerage agencies for commissions arising from premiums collected and to be carried forward net of all related commissions, as well as €27.6m in receivables due from Finitalia for premiums paid in advance by the latter for the service concerning the split payment of policies.
Other assets were related to current accounts, temporarily unavailable, that UnipolSai has opened with Unipol Banca.
Cash and cash equivalents included the balances of current accounts opened by Group companies at the associate Unipol Banca.
Other financial liabilities due to associates referred to mortgages provided by Unipol Banca to Group companies.
Sundry payables to the holding company include the payable for IRES on the income for the year of the companies participating in the tax consolidation and the payable for Unipol Gruppo staff seconded to Group companies;
Commission income refers to the bank relations between Group companies and the associate Unipol Banca.
Gains on other financial instruments and investment property include:

- as for relations with the holding company, the interest income on loans provided by UnipolSai to Unipol Gruppo;
- as for relations with associates, the interest income on bank deposits held by the Group companies at Unipol Banca, the interest on the loan supplied by UnipolSai to UnipolReC and rents paid to UnipolSai for use of the properties where their business is conducted.

The item Other revenue due from the holding company and from the affiliates mainly included income for staff secondment; other revenue due from associates relates mainly to compensations agreed upon with Unipol Banca for the placement of banking products.
Losses on other financial instruments and investment property include the interest expense accrued on the loan granted by Unipol Banca to Tikal RE.
Operating expenses include, as regards the associates, costs on commissions paid to insurance brokerage agencies (€98.5m), costs paid to Finitalia for instalments of policies issued by the Group companies (€56.4m) and bank relations operating costs (€32.1m).
The item Other costs primarily relates to staff secondment.

Remuneration payable for 2018 to the UnipolSai Directors, Statutory Auditors, General Managers and Key Managers for carrying out their duties within the Company and in other consolidated companies amounted to €14.4m, details of which are as follows (in €m):

-	Directors and General Manager	3.8
-	Statutory auditors	0.3
-	Other key managers	10.3 (*)

The remuneration of the General Manager and the Key Managers relating to benefits granted under the capital participation plans (performance shares), is duly represented in the Remuneration Report, prepared according to Art. 123-ter of the Consolidated Law on Finance and made available, pursuant to current regulations, on the Company website.

During 2018, the companies of the Group paid Unipol Gruppo and UnipolSai the amount of €789k as remuneration for the offices held by the General Manager and by the Key Managers.

(*)The amount mainly comprises compensation of employees and it includes the amount paid to the Unipol Gruppo as consideration for the secondment of some Key Managers.

5.7 Fair value measurements – IFRS 13

IFRS 13:

- defines the *fair value*;
- groups into a single accounting standard the rules for measuring *fair value*;
- enriches financial statement information.

The standard defines *fair value* as the sale price of an asset based on an ordinary transaction or the transfer price of a liability in an ordinary transaction on the main reference market at terms applicable at the measurement date (exit price).
Fair value measurement assumes that the transaction relating to the sale of assets or transfer of liabilities can take place:

- on the main listing market;
- if there is no listing market, on the market most advantageous for the assets and liabilities to be measured.

When a market price is not observable, the measurement methods which maximise the use of observable parameters and minimise the use of non-observable parameters must mainly be used.

IFRS 13 also defines a *fair value* hierarchy based on the level of observability of the inputs contained in measurement techniques used to measure *fair value*.

Chapter 2, Main accounting standards, outlines the *fair value* measurement policies and criteria adopted by the UnipolSai Group.

Fair value measurement on a recurring and non-recurring basis

The table below shows a comparison between the assets and liabilities measured at fair value at 31 December 2018 and 31 December 2017, broken down based on fair value hierarchy level.

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

		Level 1		Level 2		Level 3		Total	
	Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		41,788.1	34,737.3	377.3	382.0	1,280.6	923.3	43,446.0	36,042.7
Financial assets at fair value through profit or loss	Held for trading financial assets	113.0	112.6	164.0	157.0	15.2	60.4	292.2	330.0
	Financial assets at fair value through profit or loss	6,203.5	4,594.3	0.7	11.5	1.3	2.4	6,205.5	4,608.2
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*48,104.6*	*39,444.2*	*542.0*	*550.6*	*1,297.1*	*986.1*	*49,943.8*	*40,981.0*
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	14.9	17.3	241.5	252.8	21.9	6.7	278.3	276.8
	Financial liabilities at fair value through profit or loss					2,261.0	895.5	2,261.0	895.5
Total liabilities measured at fair value on a recurring basis		*14.9*	*17.3*	*241.5*	*252.8*	*2,282.9*	*902.2*	*2,539.3*	*1,172.3*
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of disposal groups held for sale									
Liabilities associated with disposal groups									

The amount of financial assets classified in Level 3 at 31 December 2018 stood at €1,297.1m.

Details of changes in Level 3 financial assets and liabilities in the same period are shown below.

Details of changes in level 3 financial assets and liabilities at fair value on a recurring basis

Amounts in €m	Available-for-sale financial assets	Financial assets at fair value through profit or loss		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
		Held for trading financial assets	Financial assets at fair value through profit or loss				Held for trading financial liabilities	Financial liabilities at fair value through profit or loss
Opening balance	923.3	60.4	2.4				6.7	895.5
Acquisitions/Issues	211.1	0.0						
Sales/Repurchases	(80.4)	(0.4)						
Repayments	(1.0)	(1.7)						
Gains or losses recognised through profit or loss	(0.0)	(4.3)	(0.9)					
- of which unrealised gains/losses	(0.0)	(4.3)	(0.9)					
Gains or losses recognised in the statement of other comprehensive income	122.2							
Transfers to level 3		0.0						
Transfers to other levels		(14.2)						
Other changes	105.3	(24.5)	(0.2)				15.2	1,365.6
Closing balance	1,280.6	15.2	1.3				21.9	2,261.0

The transfers from Level 1 to Level 2 which occurred during the reference period were insignificant.

Analysis and stress testing of non-observable parameters (Level 3)

The table below shows, for Level 3 financial assets and liabilities measured at fair value, the effects of the change in the non-observable parameters used in the fair value measurement.

With reference to "assets at fair value on a recurring basis" and belonging to Level 3, the stress test of non-observable parameters is performed with reference to financial instruments valued on a Mark to Model basis and on which the measurement is carried out through one or more non-observable parameters.
The portion of securities subject to analysis has a market value of €74.0m at 31 December 2018.
The non-observable parameters subject to a shock are benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or Credit Default Swap curves are unavailable.

The following table shows the results of the shocks:

Amounts in €m	Curve Spread			
Fair value				
Shock	+10 bps	-10 bps	+50 bps	-50 bps
Fair Value delta	(0.37)	0.37	(1.80)	1.80
Fair Value delta %	*(0.49)*	*0.49*	*(2.44)*	*2.44*

Fair value measurements in compliance with the disclosure requirements of other standards

IFRS 13 governs the *fair value* measurement and the associated disclosure also for assets and liabilities not measured at *fair value* on a recurring basis.
For these assets and liabilities, *fair value* is calculated only for the purpose of market disclosure requirements. Furthermore, since these assets and liabilities are not typically traded, their *fair value* is largely based on the use of internal parameters that cannot be directly observed in the market, with the sole exception of listed securities classified as "Held-to-maturity investments".

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

	Carrying amount		*Fair value*							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Assets										
Held-to-maturity investments	459.6	539.6	497.3	605.8	34.5	32.8			531.7	638.6
Loans and receivables	4,313.1	4,489.1			2,650.3	3,231.8	1,571.6	1,368.8	4,221.9	4,600.7
Investments in subsidiaries, associates and interests in joint ventures	341.0	803.8					341.0	803.8	341.0	803.8
Investment property	2,071.1	2,271.4					2,202.8	2,389.0	2,202.8	2,389.0
Property, plant and equipment	1,813.6	1,719.3					1,976.8	1,861.6	1,976.8	1,861.6
Total assets	8,998.4	9,823.1	497.3	605.8	2,684.8	3,264.7	6,092.2	6,423.2	9,274.3	10,293.6
Liabilities										
Other financial liabilities	2,713.3	2,490.7	1,632.8	1,390.3			854.3	1,189.0	2,487.1	2,579.3

5.8 Information on personnel

Share-based compensation plans

The UnipolSai Group pays additional benefits (long-term incentives) to senior executives under closed share-based compensation plans by which Unipol and UnipolSai shares (performance shares) are granted if specific targets of Gross Profit and solvency capital requirement, as well as individual targets are achieved.

The compensation plan based on financial instruments (Unipol shares) for the period 2013-2015 ended on 31 December 2015. The first tranche, comprising 1,474,940 shares, was paid to those entitled on 1 July 2016, the second tranche, comprising 1,237,690 shares was paid on 3 July 2017 and the third tranche, comprising 1,237,916 shares, was paid on 2 July 2018.

The 2016-2018 compensation plan based on financial instruments (performance share type), if the prerequisites are met, envisages the assignment of UnipolSai and Unipol shares over three years with effect from April 2019.
The Information Documents, prepared pursuant to Art. 114-bis of the Consolidated Law on Finance and Art. 84-bis of the Consob Issuer's Regulation no. 11971/1999, are available on the relevant websites, in the Governance/Shareholders meetings section.

Trade union relations

The Group focuses particular attention on Trade Union relations since it believes that a dialogue and exchange of ideas, in full respect of the distinction of their respective roles, represent the best way to address the challenges concerning the personnel in the different phases of business performance.

Training

To support the achievement of its strategic objectives, the Unipol Group makes use of a number of tools regarding human capital, ranging from training to organisational model simplification, from development plans to contractual harmonisation. The strengthening of internal expertise is functional to the implementation of the programme for the service model evolution. For this purpose, UNICA, the Unipol Group's Corporate Academy, is focused on professional training and skills for all Group structures in Italy, with the goal of increasing knowledge over an extensive area, reinforcing the corporate culture and sharing the managerial model. The direct and indirect investment in training totalled €17.7m in 2018, marking an increase of 16% compared to 2017 (direct investments for employees and agents came to €6.2m, while indirect investments amounted to €11.5m.
Overall, **1 million and 224 thousand** training hours were completed, of which 73% for the agency network and 27% for employees (growth of 32% over the previous year).
With reference to Group employees, training hours totalled 327,953 (+43% over 2017), of which 59% provided to men and 41% to women; a total of 964 training courses were provided (673 in the classroom and through webinars, 291 through FAD). A total of 7,381 employees were directly involved in classroom-based training and webinars, while distance learning courses were provided to 82% of the workforce.

Training provided to employees

The learning content, in line with the Business Plan objectives, was of a technical, sales and managerial nature. As regards the latter, note should be taken of the **Management and Development course for partners** (Masters and Advanced), an initiative dedicated to developing and strengthening awareness of the role of manager of the approximately 1,800 Managers of partners of the different Group companies, which will be concluded in 2019. At the end of 2018, a total of 1,094 Managers completed the course.

In addition, in 2018, UNICA implemented the training course for internal instructors; over the last three-year period, 465 employees (of which 191 in the last year) and 42 agents (32 in 2018) received training to become Academy Trainers.

The Group, which participates in **Pact4Youth**, has also activated a Master's program for young people involving recent graduates hired by the Group who are selected through a national competition for a two-year course integrating classroom and on-the-job training to promote new human capital and to support the entry of young people into the world of work.

The **development actions** include a range of tools meant to monitor and enhance the abilities and professional skills present within the Group. This is where the "Next Generation Programme" fits in, which is dedicated to university graduates under 35 years of age who have already gained professional experience within the Group. This course saw the involvement of around 420 young employees, 152 of which were selected for an ad hoc career enhancement path, through group dynamics useful for the effective measurement of skills and simultaneous development actions. To concretely promote internal growth, the "Backbone" process was launched to identify high-potential figures with strategic expertise for the organisation to be included in succession planning, through the activation of adequate training and organisational tools.

The Unipol Group invests in the design and promotion of services for employees capable of satisfying the most important needs of the various phases and conditions of life, aimed at improving the quality of life and facilitating a balance between work and the responsibilities of family life. The areas where welfare initiatives were developed went from providing care to one's loved ones ("Fragibility") to offering training programmes such as MaaM (Maternity as a Master) for new parents.

5.9 Information on public funds received

With reference to the regulation on the transparency of public funds introduced by Art. 1, paragraph 125 of Law 124/2017 and subsequent amendments and supplements, note that the Group has collected the following subsidies or contributions subject to the disclosure obligation in the financial statements pursuant to the above-cited regulation:

Recipient		Name of disbursing party	Amount collected (€)	Date of collection	Reason
Name	Tax Code				
Tenute del Cerro SpA	03733280014	AGEA	379,704.67	08/03/2018	Contributions to Community Agricultural Policy 2017
Tenute del Cerro SpA	03733280014	AGEA	118,131.42	28/05/2018	Contribution to promotional expenses incurred in foreign countries
Tenute del Cerro SpA	03733280014	ARTEA	94,746.26	04/06/2018	Contributions to Tuscany Region Rural Development Plan
Tenute del Cerro SpA	03733280014	AGEA	37,550.80	21/06/2018	Contributions to Community Agricultural Policy 2017
Tenute del Cerro SpA	03733280014	ARTEA	37,045.39	16/10/2018	Contributions to the Tuscany Region vineyard restructuring
Tenute del Cerro SpA	03733280014	AGEA	228,138.55	08/11/2018	Contributions to Community Agricultural Policy 2018
Tenute del Cerro SpA	03733280014	ARTEA	32,495.81	20/11/2018	Contributions to the Tuscany Region vineyard restructuring
Tenute del Cerro SpA	03733280014	ARTEA	4,752.63	11/12/2018	Contributions to allowances for the Tuscany Region mountain areas
Tenute del Cerro SpA	03733280014	AGEA	71,809.29	24/12/2018	Contributions to Community Agricultural Policy 2018

Even though it is believed that the regulation in question does not apply to contributions received from interprofessional funds and the remuneration for the electricity produced from renewable energy sources, whilst awaiting the appropriate clarification on its interpretation, it must be noted that, in 2018:

- The UnipolSai Group has collected., through Unipol Gruppo, in its capacity as the party submitting the relative application, contributions from the Banks and Insurance Fund for the amount of €1,560k, with regard to training provided to its employees in 2016 and 2017;
- UnipolSai has collected, in 2018, contributions from FONDIR for €13k, for the training provided to its managers in 2015;
- UnipolSai and Midi have collected, in 2018, €15k from GSE as remuneration for the electricity produced from renewable energy sources through the "on site exchange" service.

5.10 Non-recurring significant transactions and events

In 2018, it is worth noting the sale of the equity investment held in Popolare Vita, finalised on 29 March 2018 and the purchase from the holding company of the equity investment in Arca Vita on 7 August 2018.

5.11 Atypical and/or unusual positions or transactions

In 2018 there were no atypical and/or unusual transactions aside from those mentioned among the main events of the period that, because of the significance, importance, nature of the counterparties involved in the transaction, transfer pricing procedures, or occurrence close to the end of the year, could give rise to doubts relating to: the accuracy and completeness of the information in these Consolidated Financial Statements, a conflict of interest, the safeguarding of the company's assets or the protection of non-controlling shareholders.

5.12 Additional information on the temporary exemption from IFRS 9

As explained in the paragraph Application of IFRS 9 by the UnipolSai Group, in these consolidated financial statements, except for some entities consolidated at equity and for which the application of IFRS 9 is mandatory on an individual basis (UnipolSai Sgr, UnipolReC SpA and the Unipol Banca Group), all entities consolidated on a line-by-line basis or at equity continued to apply IAS 39 in the drawing up their consolidated financial statements.
Following are tables containing the information necessary for a comparison with the insurance companies that apply IFRS 9.

Fair Value at 31 December 2018 and changes in the fair value of the financial investments recognised according to IAS 39 which passed the SPPI test, and the other financial investments

Amounts in €m	Consolidated Statement value at 31/12/2018	Fair value at 31/12/2018	Change in Fair value for the period
Financial investments passing the SPPI test, other than financial assets at fair value through profit or loss (a)	40,451.5	40,544.8	(1,529.6)
Other financial investments (b)	14,265.0	14,161.4	(675.2)
Total (a) + (b)	**54,716.5**	**54,706.2**	**(2,204.8)**

Main exposures by counterpart of investments passing the SPPI test

Amounts in €m

Counterpart	Consolidated Statement value at 31/12/2018
Italian Treasury	25,077.9
Spanish Treasury	3,922.6
Portuguese Treasury	590.5
French Treasury	375.8
Irish Treasury	306.6
Deutsche Bank AG	262.2
Credit Agricole Groupe	259.8
Generali SpA	254.1
Goldman Sachs Group INC	251.7
JPMorgan Chase & Co	251.4
Other counterparts	8,898.9
Financial investments passing the SPPI test, other than financial assets at fair value through profit or loss	**40,451.5**

Rating class of financial investments recognised according to IAS 39 which passed the SPPI Test

Amounts in €m

Rating class	Consolidated Statement value at 31/12/2018	IAS 39 carrying amount at 31/12/2018 before any impairment adjustment	Fair value at 31/12/2018
AAA	205.2	194.3	205.2
AA	778.8	753.8	778.8
A	5,652.4	5,421.8	5,664.8
BBB	31,316.6	29,698.9	31,382.2
Total financial investments with low credit risk (1)	37,953.0	36,068.9	38,031.0
BB	2,171.0	2,185.7	2,187.1
B	102.5	106.5	102.5
Lower rating	58.7	80.0	58.7
With no rating	166.4	167.6	165.6
Total financial investments other than those with low credit risk (2)	2,498.5	2,539.8	2,513.8
Financial investments passing the SPPI test, other than financial assets at fair value through profit or loss (1) + (2)	40,451.5	38,608.7	40,544.8

5.13 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

In accordance with IAS 36.10, which provides for the Impairment of intangible assets that have an indefinite useful life, the impairment test was carried out on the goodwill recognised in the consolidated financial statements.

In determining the parameters used for the assessments, criteria were adopted that are in line with the market practice, in consideration of the overall economic scenario and, in particular, of the high volatility of the financial markets, despite the recovery expected in the coming years.

Appropriate Sensitivity Analyses were also developed to test the stability of the recoverable amounts of goodwill if there was a variation in the main parameters used in the tests.

It should be noted that, following completion of the project for streamlining the insurance sector of the Group, in August 2018, the disposal of the equity investment in Arca Vita S.p.A. ("Arca Vita") to UnipolSai was finalised; consequently, the necessary steps were taken in order to reorganise the Life CGU, previously composed of the sub-CGUs UnipolSai Vita and Arca Group, through the consolidation of the aforementioned sub-CGUs into a single CGU. Specifically, taking into account that Arca Vita in turn holds equity investments in Arca Vita International DAC ("Arca Vita International") and in Arca Assicurazioni S.p.A. ("Arca Assicurazioni"), in order to separately represent the individual goodwill and enable greater granularity in relation to its recoverability (overall total of €136.6m), it was broken down as follows:
- Life CGU: as regards the goodwill of Arca Vita and Arca Vita International (equal to €74.7m);
- Non-Life CGU: as regards the goodwill of Arca Assicurazioni (equal to €61.9m);

this breakdown was carried out based on the price originally paid by Unipol to purchase the equity investment.
Given the above, the CGUs to which the residual goodwill was allocated, impairment tested at 31 December 2018, were:
- Non-Life CGU: UnipolSai Assicurazioni - Non-Life
- Life CGU: UnipolSai Assicurazioni - Life

In relation to the measurement methods and benchmarks adopted to estimate the recoverable value of goodwill, note that, as specified below, the same measurement criteria were adopted as for the previous year, with benchmark updating arranged at the end of 2018.
The impairment testing of the Non-Life CGU was performed as follows:
- the recoverable value of UnipolSai Assicurazioni - Non-Life goodwill was measured using the "excess capital" version of a DDM (Dividend Discount Model).
- to calculate this value the final figures for 2018 were considered and, for the years 2019-2023, the economic and financial projections were taken as reference, useful in defining the profit forecasts for these years, prepared by the company and approved by the Board of Directors.

The results obtained from application of the impairment procedure show that there is no need to make any adjustments to the goodwill value of the Non-Life CGU recorded in the consolidated financial statements at 31 December 2018.

The impairment testing of the Life CGU was performed as follows:
the recoverable amount of goodwill was calculated using the "Appraisal Value" method, by considering (i) the Embedded Value and (ii) the value of the portfolio of new products based on the discounting of related future cash flows (Value of New Business);

The results obtained from application of the impairment procedure show that there is no need to make any adjustments to the goodwill value of the Life CGU recorded in the consolidated financial statements at 31 December 2018.

Non-Life CGU	
Valuation method used	The method used, similar to that carried out last year, was an "excess capital" type of DDM (Dividend Discount Model) and focused on the future cash flows theoretically available for shareholders, without drawing on the assets needed to support the expected growth and in accordance with the capital requirements imposed by the Supervisory Authority. According to this method the value of the economic capital is the sum of the current value of potential future cash flows and the current terminal value.
Net profits used	The above net profits were considered.
Projection period	Five prospective flows were considered.
Rate of discounting	A rate of discounting of 6.56% was used, broken down as follows: - risk-free rate: 2.60% - beta coefficient: 0.81 - risk premium: 5.11% The average figure for the 10-year Long-Term Treasury Bond for the period January-December 2018 was used for the risk-free rate. As regards the Beta factor, reference was made to a 2-year adjusted Beta concerning a sample of companies listed on the European Market and deemed as comparable; for the purpose of the calculation of the Beta coefficient, the choice to refer to a two year period, against a 5 year period considered for the impairment tests at 31 December 2017, aims at taking into account, through a reasoned synthesis, the measurement system used for the determination of the set of parameters applied to the calculation of capital cost, as well as the changes in value of these estimated parameters compared with those of the previous year at a level, inter alia, of risk free rate. The risk Premium was defined by taking into account the estimates of said parameters made by various contributors.
Long term growth rate (g factor)	A 2% g-rate was maintained, as in the previous year, based on the macro-economic predictive indicators and related to the reference market.

Life CGU	
Goodwill recoverable amount	With regard to UnipolSai Assicurazioni - Life, the recoverable value of goodwill was determined using the "Appraisal Value" method.

Below are the results of the impairment tests along with the relevant sensitivity analyses:

Amounts in €m	Recoverable amount (a)	Allocation of goodwill	Excess
Non-Life CGU	5,498	260	5,238
Life CGU	1,449	204	1,245
Total	**6,948**	**464**	**6,483**

(a) Recoverable value obtained as the difference between CGU Value and Adjusted Shareholders' Equity (net of goodwill therein included)

Parameters used	Non-Life
Risk Free	2.60%
Beta	0.81
Risk premium	5.11%
Short-term discounting rate	6.75%
Range	*6.25% - 7.25%*
Pass	*0.5%*
g factor	2%
Range	*1.5% - 2.5%*
Pass	*0.5%*

	Amounts in €m	Sensitivity (Value range)					
		Min			Max		
CGU	Recoverable Amount - Goodwill Delta	Amount	g	ke	Amount	g	ke
UnipolSai - Non-Life	5,238	4,415	1.5%	7.25%	6,480	2.5%	6.25%

	Amounts in €m	Sensitivity Recoverable Amount - Goodwill Delta	
CGU	Recoverable Amount - Goodwill Delta	Min	Max
UnipolSai - Life	1,245	1,233	1,273

5.14 Notes on Non-Life business

Procedural note on fixing the level of provisions and assumptions made

The process that leads to making the assumptions is carried out in such a way as to make a valuation of the liabilities with the intention of coming up with an estimate that is as realistic as possible.
The source of the figures is internal and the trends are based on annual statistics and monitored monthly throughout the year.
As far as possible assumptions are checked against market statistics.
If any information is missing, incomplete or unreliable the estimate of the final cost is based on the adoption of prudent assumptions.
The very nature of insurance business makes it highly complex to estimate the cost of settling a claim with any certainty, and the elements of complexity vary according to the class involved. The provision for each claim reported is set by an adjuster and is based on the information in his possession and on experience gained in similar cases. The forecasts fed into the system are periodically updated on the basis of new information about the claim. The final cost may vary as the claim proceeds (for example deterioration in the condition in the event of injury) or in the event of catastrophes.
As the Group's work is concentrated in Italy the major exposure to catastrophe risks is represented by natural disasters such as Earthquake, Flood and Hail.
Reinsurance cover is taken out to cover this type of risk, at levels differentiated with respect to the individual portfolios of the companies in the Group. The identified thresholds, with particular reference to the Earthquake risk, have been judged sufficiently prudent on the basis of calculations made using statistical models that simulate the company's exposures in detail.

The provisions for claims reported are estimated using the inventory method and the adjusters' estimates are also combined, where application conditions are satisfied, with the results of statistical methods such as the Chain Ladder, the Bornhuetter Ferguson and the ACPC (Average Cost Per Claim) and with valuations based on the average costs for the year (for similar groups covering a sufficiently large number of claims). These methods were applied after consistency of the underlying data had been verified using the model assumptions.

The Chain Ladder method is applied to the "paid" and "loading" factors. The method is based on historical analysis of the factors that affect the trend in claims. The selection of these factors is based on the figures for the accumulated amounts paid out, giving an estimate of the final cost per year of occurrence if the claims for that year have not been paid in full.
The Chain Ladder method is suitable for sectors in which the figures are stable and is therefore not suitable in cases in which there are no significantly stable previous periods and in cases of significant changes in the settlement rate.
The Bornhuetter Ferguson method uses a combination of a benchmark (or estimates of the ratio of losses to 'a priori' premium) and an estimate based on claims incurred (Chain Ladder).
The two estimates are combined using a formula that gives greater weight to experience. This technique is used in situations in which the figures are not suitable for making projections (recent years and new classes of risk).

The ACPC method is based on a projection of the number of claims to be paid and the respective average costs. This method is based on three fundamental assumptions: settlement rate, basic average costs and exogenous and endogenous inflation.

These methods extrapolate the final cost according to the year in which the claim is incurred and according to similar groups of risk on the basis of the trends in claims recognised in the past. Should there be a reason for deeming the trends recognised to be invalid some of the factors are modified and the projection adapted to fit the available information. Some examples of what affects the trends could be:

- changes in the claims handling procedures involving different approaches to settlement/making allocations to provisions;
- market trends showing increases higher than inflation (may be linked to the economic situation or to political, legal or social developments);
- random fluctuations including the impact of "major" claims.

Claims incurred but not yet reported are estimated on the basis of the historical trends within the company, with the number and the average costs of the claims being estimated separately.

As allowed by IFRS 4, the provisions were not discounted.

Scope analysed

In 2018, UnipolSai acquired the shares held by Unipol Gruppo in relation to Arca Assicurazioni. Consequently, the UnipolSai Group companies operating in the Non-Life market are: UnipolSai, Siat, Incontra, Linear, UniSalute, Arca, Pronto Assistance, Ddor, Ddor Re.
The scope considered in this document makes reference to the UnipolSai Group's most significant companies: UnipolSai, Linear, Arca, UniSalute and Siat. The incidence of the amount of provisions of excluded companies stands at 0.5%.

Trend in claims

The tables below, which illustrate the trend in claims, show the estimated first-year costs for each year in which claims were incurred from 2009 until 2018 and the adjustments made in subsequent years as a result of the claim being settled or the budget being adjusted as a result of more information about the claim being received.
The line showing the variation compared with the first-year provision must be considered separately since subsequent adjustments may already have been incorporated into the provisions figures for later years.
Maximum caution must be exercised when extrapolating opinions on the adequacy or inadequacy of provisions from the results found in the following table.
The Group considers the provisions for claims reported or yet to be reported incurred by 31 December 2018 to be adequate in light of available information. Of course, as they are estimates there is no absolute certainty that the provisions are in fact adequate.

Trend in claims (all classes except Assistance)

Amounts in €m

Year of Event	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of claims accumulated											
at the end of the year of event	9,173	8,626	7,890	7,250	6,503	6,210	5,221	5,283	5,398	5,444	**66,997**
one year later	9,162	8,570	7,722	7,049	6,400	6,175	5,174	5,210	5,395		
two years later	9,487	8,845	7,783	7,037	6,352	6,103	5,109	5,181			
three years later	9,642	8,888	7,801	7,018	6,309	6,024	5,047				
four years later	9,718	8,916	7,776	6,976	6,269	5,946					
five years later	9,716	8,929	7,757	6,950	6,216						
six years later	9,728	8,913	7,732	6,927							
seven years later	9,713	8,891	7,716								
eight years later	9,705	8,881									
nine years later	9,675										
Estimate of claims accumulated	9,675	8,881	7,716	6,927	6,216	5,946	5,047	5,181	5,395	5,444	**66,427**
Accumulated payments	9,310	8,404	7,230	6,331	5,473	5,067	4,204	4,100	3,842	2,202	**56,163**
Change compared to assessment at year 1	502	254	(173)	(323)	(287)	(264)	(175)	(102)	(3)		
Outstanding at 31/12/2018	365	477	486	596	743	879	842	1,081	1,553	3,241	**10,264**
Discounting effects											
Carrying amount	365	477	486	596	743	879	842	1,081	1,553	3,241	**10,264**

The data contained in the trend in claims table as inputs for actuarial models like the Chain-Ladder model must be used with extreme care.
Future replication of changes in cost recorded in the past, in the case of provision strengthening, could lead to the paradoxical situation whereby the higher the strengthening the greater the insufficiency which may be inaccurately forecast by these methods.

The breakdown of the IBNR estimated at 31 December 2017 showed an overall sufficiency in 2018 of €77.9m or 7.9% of the estimate.

Change in the assumptions made and sensitivity analysis of the model

At 31 December 2018, the estimated cost for 2009-2017 was €60,983m, a decrease from the valuation carried out at 31 December 2017 for the same years (€61,287m).
The new figure takes account of the savings recognised on claims that have been settled and of the revaluations required on claims that are still outstanding.

The risks arising from insurance policies are complex and subject to numerous variables that make the task of quantifying the sensitivity of the model complex.
The incidence of the amount of the 2,530 major claims net of claims handled by others (above €800k in the case of MV TPL, above €400k in the case of General TPL and €350k in the case of Fire) on the total provisions of the three classes was 25.5%. A 10% increase in the number of major claims would have led to a fall in provisions of €212.3m. The incidence on total provisions of claims handled by others was 2.5%. If reinsurers had revalued these claims by 5.0%, costs would have risen by €13m.

The sensitivity analysis of the models directed at determining two scenarios, one favourable and one unfavourable, was conducted on the MV TPL (Non-Card and Handler Card separately) and General TPL classes of UnipolSai Assicurazioni (whose provisions represent 92.2% of the total of the UnipolSai Group). The two scenarios were obtained with the following assumptions:

- Favourable: for MV TPL, a decline in inflation by one and a half points (1.5% instead of 3% of the baseline method) was assumed for the ACPC method, whilst reference was made to the provision corresponding to the tenth percentile for the Chain Ladder Paid method (*). For General TPL, reference was made to the provision corresponding to the tenth percentile (*).
- Unfavourable: for MV TPL, an increase in inflation by one and a half point (4.5% instead of 3% of the baseline method) was assumed for the ACPC method, whilst reference was made to the provision corresponding to the ninetieth percentile for the Chain Ladder Paid method (*). For General TPL, reference was made to the provision corresponding to the ninetieth percentile (*).

(*) Assuming that the provision is distributed according to a log-normal function with parameter relating to standard deviation calculated with the Mack method

The sensitivity analysis also includes the pre-2007 generations.

The following table shows the LAT's numbers.

Amounts in €m	Pre 2007	2007-2018	Total	*Delta %*
Provision requirements	870	9,735	10,605	
Unfavourable LAT assumption	912	10,089	11,001	*3.73%*
Favourable LAT assumption	829	9,393	10,222	*(3.61)%*

In assessing the results of these variations, note that these analyses are of the deterministic type and no account is taken of any correlations. Overall, provisions (€11,667m relating to the consolidation scope examined) in the financial statements are higher than the top end, i.e. the unfavourable scenario assumption.

5.15 Notes on Life business

Breakdown of the insurance portfolio

Consolidated Life premiums for 2018 totalled €4,291.9m (insurance and investment products), up by +15.4% compared to the previous year (change calculated on equivalent consolidation area).
The Life direct premiums of the Group came from both the traditional companies (UnipolSai Assicurazioni and DDOR) and bancassurance companies (Bim Vita and Arca Group).
Popolare Vita and Lawrence Life, given the termination of the agreement, were not considered.

Consolidated Life premiums of the UnipolSai Group at 31 December 2018 can be broken down as follows (the figures were reconstructed with the Arca Group from 1 January 2018 and without the Popolare Vita Group, whilst the percentage changes were reconstructed on a like-for-like basis):

Consolidated Life direct premium income

Amounts in €m	UnipolSai Assicurazioni	Gruppo Arca	Bim Vita	DDOR Novi Sad	Total
Insurance premiums (IFRS4)	**2,883.1**	**834.7**	**52.6**	**14.6**	**3,785.1**
% var.	*7.9%*	*128.1%*	*(36.9)%*	*25.7%*	*20.8%*
Investment products (IAS39)	**246.0**	**242.0**	**18.8**		**506.8**
% var.	*11.5%*	*(29.9)%*	*(7.8)%*		*(13.6)%*
Total life business premium income	**3,129.1**	**1,076.7**	**71.5**	**14.6**	**4,291.9**
% var.	*8.2%*	*51.4%*	*(31.2)%*	*25.7%*	*15.4%*
Breakdown:					
Insurance premiums (IFRS4)	*92.1%*	*77.5%*	*73.6%*	*100.0%*	88.2%
Investment products (IAS39)	*7.9%*	*22.5%*	*26.4%*		*11.8%*

The Life direct premiums for the Group originate for €3,129.1m from UnipolSai (+8.2%), €1,076.7m from the ARCA Group (+51.4%), €71.5m from BIM Vita (-31.2%) and €14.6m from DDOR (+25.7%).

Insurance premiums totalling €3,785.1m (+20.8%) accounted for 88.2% of total premiums, up compared to the figure for the previous year (84.2%). Non-insurance premiums amounted to €506.8m (-13.6%) and related to unit-linked and open pension funds.

Direct insurance premiums: income type

Amounts in €m	UnipolSai Assicurazioni	Gruppo Arca	Bim Vita	DDOR Novi Sad	Total
Traditional premiums	2,252.0	834.6	27.3	14.6	3,128.5
Financial premiums	0.5	0.1	25.3		26.0
Pension funds	630.5				630.5
Insurance premiums (IFRS4)	**2,883.1**	**834.7**	**52.6**	**14.6**	**3,785.1**
of which investments with DPF	1,633.9	793.1	0.0		2,427.0
% investment with DPF	*56.7%*	*95.0%*	*0.0%*		*64.1%*

The insurance premiums of the UnipolSai Group continued to be composed primarily of traditional policies, which account for 82.7% of total consolidated premiums (up on the 79.8% recorded in 2017), compared to 16.7% represented by pension fund premiums (18.1% in 2017) and, finally, only 0.7% by financial premiums, down compared to 2% in 2017.

5.16 Risk Report

The Risk Report aims to provide an overview of the risk management system, the internal risk assessment and solvency assessment processes and the UnipolSai Group risk profile, in compliance with the principles introduced in the European Solvency II regulations that entered into force from 1 January 2016.

Activities by the competent corporate organisations of the Group were carried out in 2018 in compliance with Solvency II regulations and the supervisory provisions issued by IVASS.

Internal Control and Risk Management System

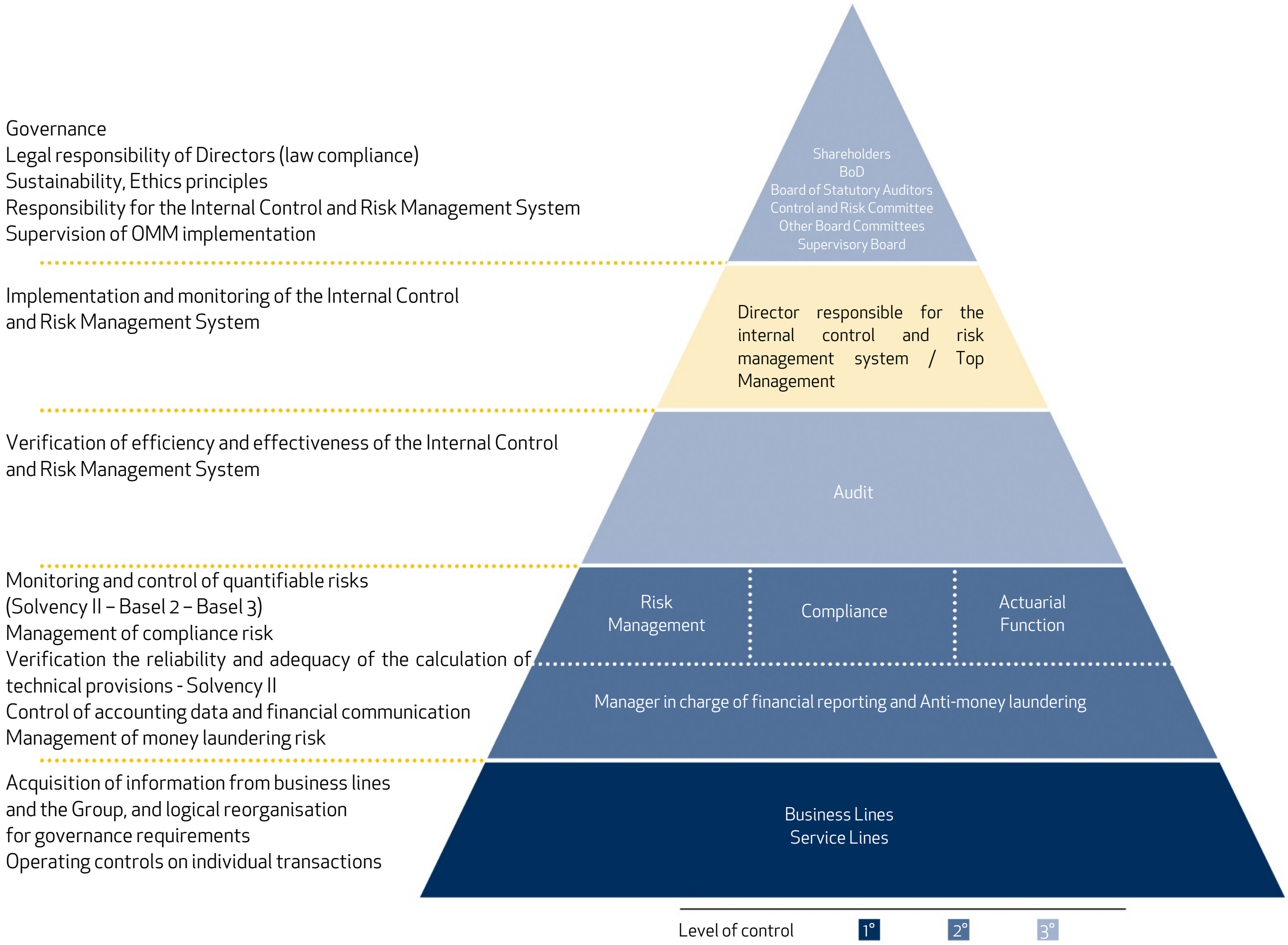
The Unipol Group and the UnipolSai Group's Risk Management structure and process are part of the wider internal control and risk management system which operates on several levels:

- line controls (so-called “first-level controls”), aimed at ensuring transactions are carried out correctly. These are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the managers of the operating structures, or carried out as part of back office activities; as far as possible, they are incorporated in IT procedure. The operating structures are the primary bodies responsible for the risk management process and must ensure compliance with the adopted procedures and compliance with the established risk tolerance level;
- risk and compliance controls (so-called “second-level controls”), which aim to ensure, among other things:
  - the correct implementation of the risk management process;
  - the implementation of activities assigned to them by the risk management process;
  - the observance of the operating limits assigned to the various departments;
  - the compliance of company operations with the regulations;
  - reliability and adequacy of the calculation of technical provisions - Solvency II.

The departments responsible for these controls are separate from the operating functions; they help define the risk governance policies and the risk management policy;

- internal review (so-called “third-level controls”) verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls) and that business operations comply with the System.

By way of a non-exhaustive example, the UnipolSai Group's Risk and Control Governance model is shown below.



Within UnipolSai:

- The **Board of Directors**, in observance of and consistent with the policies and guidelines of the Parent and based on prior judgment of the Control and Risk Committee, defines the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and its subsidiaries are correctly identified, and adequately measured, managed and monitored. The Board performs an assessment, at least annually, of the adequacy of the current and forward-looking Internal Control and Risk Management System with respect to the characteristics of the Company and its subsidiaries and to the defined risk appetite, as well as its efficiency and capacity to adapt to evolving corporate risks and the interaction between them.
- The **Risk Control Committee** plays a propositional, advisory, investigative and support role to the Board of Directors in relation to the Board's assessments and decisions mainly concerning the Internal Control and Risk Management System.
- The **Director Responsible for the internal control and risk management system**, handles the identification of the main company risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, periodically subjecting them to review by the Board of Directors;
- **Top Management** supports the Director in charge of designing and implementing the Internal control and risk management system, including therein those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Administrative Body and with the guidelines provided by the Parent.
- **Key Functions**: consistent with the organisational structure of the Group, UnipolSai's organisational structure requires that the Key Functions (Audit, Risk Management, Compliance and Actuarial Function) report directly to the Board of Directors and operate under the coordination of the Director responsible for the internal control and risk management system.
- The **Risk Management Department** supports the Board of Directors, the Director responsible for the internal control and risk management system and Top Management in the evaluation of the structure and effectiveness of the Risk Management System and reports its conclusions to said bodies, highlighting any deficiencies and

suggesting ways of resolving them. The Risk Management Department carries out this work as part of the process of "Own Risk and Solvency Assessment" (ORSA), ensuring that the work carried out by the various company departments dealing with risk management is coordinated. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work since the departments themselves must have the necessary tools and expertise.

- Within the Risk management system, the Risk Management Department is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at individual and aggregated level which the Company is or may be exposed to and the relevant interdependencies.
  In this respect, Risk Management also contributes to the dissemination of a risk culture extended to the entire Group.

Monitoring Procedures: Company committees

Some internal company committees have been set up within UnipolSai to support the General Manager in implementing and monitoring the policies on guidelines, coordination and operating strategy laid down by the Board of Directors.

Risk Management System

The Internal Control and Risk Management System (hereafter, the "System") is defined in the relevant Directives ("SCI Directives") adopted by the UnipolSai Board of Directors and subject to periodic updates, the latest of which was approved in December 2017.
The principles and processes of the System as a whole are governed by the following Group policies: "Risk Management Policy", "Current and Forward-looking Risk Assessment Policy", "Operational Risk Management Policy" and "Group-level Risk Concentration Policy".
The policies setting the principles and guidelines below are an integral part of this System: (i) management of specific risk factors (e.g. Investment Policy with regard to market and liquidity risks, and the "Credit Policy"), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.
A risk management process is defined within the Risk management system to allow for risk identification, measurement, monitoring and mitigation.
The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and any insurgence of new risks or changes in existing risks.
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each Group company included in the scope of supervision and their mutual interdependencies.

Risk Appetite and Risk Appetite Framework

The Risk Management System is inspired by an enterprise risk management logic. This means that is based on the consideration, with an integrated approach, of all the current and prospective risks the Group is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives and replies on a fundamental element: the Risk Appetite.
In quantitative terms, Risk Appetite is determined on the basis of the following elements:
- capital at risk;
- capital adequacy;
- Liquidity/ALM ratios.

Furthermore, quality objectives are defined in reference to compliance, strategic, emerging, reputational and operational risks.
The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Company intends to assume or avoid, sets their quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite forms part of a reference framework - the Risk Appetite Framework (RAF).
The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the Own Risk and Solvency Assessment (ORSA) process, the budget, company organisation and the internal control system.
The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:

- Risk Capacity;
- Risk Tolerance;
- Risk Limits (or operational risk limits);
- Risk Profile.

The activity to define RAF components is dynamic and progressive, and reflects the risk management objectives associated with the objectives of the Strategic Plan. Verification is performed annually as part of the process of assigning Budget objectives. Further analyses for preventive control of the Risk Appetite, and capital adequacy in particular, are performed when studying extraordinary transactions (such as mergers, acquisitions, disposals).
The RAF is broken down into several analysis macro areas with the aim of guaranteeing continuous monitoring of risk trends and capital adequacy. The main analysis macro areas are risk type, total risk, individual company and group.
Lastly, the solvency objectives are defined.

The ORSA process

Under its own risk management systems, the Company uses the ORSA process to assess the effectiveness of the risk management system and its capital adequacy.
The internal ORSA assessment process allows the analysis of the current and prospective risk profile analysis of the Company, based on strategy, the market context and business development; in addition, the ORSA is an assessment element to support operational and strategic decisions.

The risk management process

The risk management process involves the following steps:

- risk identification;
- current and forward looking assessment of risk exposure;
- risk monitoring and reporting;
- risk mitigation.

The process is performed in compliance with the Risk Appetite Framework.

Risk identification

Risk identification consists in identifying the risks considered significant, i.e. those with consequences capable of compromising the solvency or reputation of the Group and of the Company, or constitute a serious obstacle to achieving strategic objectives. These risks are classified according to a methodology that takes into consideration the Group structure, the specific nature of the types of business managed by the various operating Companies and the classifications proposed by Italian and European supervisory regulations.
The categories of risk identified are as follows:

- Technical-Insurance Risks (Non-Life and Health);
- Technical-Insurance Risks (Life);
- Market Risk;
- Credit Risk;
- Liquidity and ALM Risk;
- Operational Risk;
- Standard Compliance Risk;
- Strategic Risk and Emerging Risks;
- Reputational Risk;
- Other risks.

This identification and its constant updating are the result of meticulous and continuous activity performed through:

- continuous monitoring of business operations;
- continuous monitoring of the reference regulatory framework;
- the exercise of Profit and Loss attribution that compares profit and loss recorded at year end with those estimated by the Internal Model, in order to verify whether it correctly represents all risk factors.

An assessment is performed at least annually to verify that the risks identified actually represent the risk profile of the Group and its companies.

Current and forward looking assessment of risk exposure

At least annually and in any event every time circumstances arise that could significantly alter the risk profile, the Group assesses the risks to which the Group and the individual Companies are exposed, at present and prospectively, documenting the methods used and the related results. In the Current and Forward-looking Risk Assessment Policy, the process for the current and forward-looking assessment of risks is also defined, including risks deriving from companies included in the scope of the Group's supervision and taking into account the risk interdependencies.
The current and forward-looking assessment also includes stress testing to verify the company's vulnerability to extreme but plausible events.
<u>Current assessment of risks</u>
The current assessment of risks identified is performed through the regulatory methods approved by the Supervisory Authority for first-pillar risks and methods aligned with best practices as regards risks for which measurement is not regulated or defined by high-level principles.

<u>Forward-looking assessment of risks</u>
The Own Risk Solvency Assessment (ORSA) is used to support operating and strategic business decisions. The forward-looking assessment of risks is carried out by adopting a method consistent with the methodologies applied to current assessments, using the assumptions and the data defined within the strategic plan approved by the Board of Directors.

Stress test analysis

The Insurance Group and the Company periodically carry out stress tests in accordance with the regulations of the national Supervisory Authority and participate, when required, to the performance of the system stress test exercises established by supranational Authorities.
In addition, the Group and the Company carry out the ad hoc stress test exercises upon the occurrence of situations within the economic and financial context such as to compromise the related solvency situation in case of prolonged and persisting crisis or upon specific requests by the Board of Directors.

Risk monitoring and reporting

In order to ensure prompt and constant monitoring of the evolution of the Risk Profile and compliance at the different levels of company responsibility with the defined Risk Appetite, a reporting system was implemented based on the principles of completeness, promptness and disclosure efficiency.
This system guarantees that the quality and quantity of information provided is commensurate with the needs of the various recipients and with the complexity of the business managed, in order for it to be used as a strategic and operating tool in assessing the potential impact of decisions on the company's risk profile and solvency.
In relation to the recipients, reporting is divided into "internal" and "external". "Internal" reporting is addressed to the bodies and internal structures of the Group and its companies, with the aim of steering strategic and business decisions and verifying sustainability over time. "External" reporting is directed to Supervisory Authorities and the market and meets the disclosure and transparency requirements of regulations in force.

With regard to "internal" reporting, in consideration of the recipients of the various requirements and uses, two types of reporting are provided:

- <u>Strategic reporting</u> on risk management, containing information important in supporting strategic decisions;
- <u>Operational reporting</u> on risk management with an adequate granularity in supporting business operations.

As part of the strategic reporting, the following are provided to the Board of Directors, the Control and Risk Committee, Top Management and the Group Risk Committee:

- annually, a proposal for approval of the Risk Appetite (Risk Appetite Statement)[11];
- quarterly, a report with the results of controls performed on observance of the Risk Appetite for the current year (Risk Appetite Monitoring);
- quarterly, a report with the results of controls performed on observance of the operational risk limits defined in the specific risk management policies;
- at least annually, the results of stress tests.

Risk escalation and mitigation process

With regard to Risk Appetite monitoring, detection of any of the defined thresholds being exceeded triggers the escalation process described below:

- if the Risk Appetite and the Risk Tolerance, when defined, are exceeded, the Board of Directors is informed. The Board of Directors assesses whether the approval of a new Risk Appetite or Risk Tolerance level is appropriate or defines action to be taken to restore the Risk Appetite or Risk Tolerance level;
- if the Risk Capacity is exceeded, the Board of Directors is notified and defines the actions to be taken.

If the Risk Appetite and/or Risk Tolerance and/or Risk Capacity of individual companies is exceeded, the Parent Board of Directors is informed, indicating any corrective action taken.

In order to mitigate existing or prospective levels of risk not in line with the defined risk objectives, the following measures can be adopted:

- Financial hedges: these measures may take the form of hedging transactions on the market using financial derivatives. The Investment Policy defines the principles for the use and management of hedging instruments;
- Reinsurance: transfers part of the underwriting risk outside the Group, providing more possibility for business growth, both by proportionally reducing the amounts at risk (e.g. proportional treaties) and by limiting even further the amounts of major claims (e.g. non-proportional treaties). The "Reinsurance and Other Risk Mitigation Techniques Policy" defines the guidelines on reinsurance cover management;
- Guarantees held as a hedge against credit risks: the main type of guarantee available on exposures to reinsurers comprises deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depends on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. For exposures to reinsurers the Group also makes use of a limited number of guarantees consisting mainly of Letters of credit and Securities. Collateral deposited by the counterparties for operating in derivatives under CSA-type (Credit Support Annex) agreements is also used as guarantees on credit risks[12]. If the Internal Model for measuring risks includes mitigation techniques, their compatibility and constant updating in line with performance must be guaranteed;
- Management action: corrective measures to be applied if certain events occur, such as the restructuring of assets and/or liabilities under management or the disposal of assets and/or liabilities (position closures);
- Operational risk mitigation actions: mitigation plans with the aim of preventing or mitigating the effects should a risk event occur. The implementation of mitigation plans is based on decisions made on a continual basis during the entire operational risk monitoring stage.
- Emergency and contingency plans: extraordinary ex-ante measures to be activated if certain catastrophes or emergency events should occur, such as those envisaged in the Business Continuity Plan and Disaster Recovery Plan which govern operating procedures for declaring a crisis situation arising from catastrophes and managing the effects.

Partial Internal Model

The Parent UnipolSai Assicurazioni and the subsidiary Arca Vita are authorised by IVASS to use the Partial Internal Model for calculating the solvency Capital Requirement.

The Partial Internal Model is used to assess the following risk factors:

- Non-Life and Health technical Insurance risks relating to the catastrophe component referring to earthquakes;

[11] In reference to the Parent, at consolidated level and at individual company level.

[12] The CSA requires the delivery of a collateral asset when the value of the contract exceeds the set threshold.

- Life technical insurance risks;
- Market risk;
- Credit risk;
- Risk aggregation process;

The modules currently included in the Partial Internal Model were defined on the basis of the following criteria:
- Relevance of the module, taking into account the specific characteristics of the Companies;
- Level of progress reached in the development of measurement methodologies for the individual risk modules.

There is a plan to extend the Partial Internal Model to include all measurable risk modules and reach a Full Internal Model type configuration.

Non-Life underwriting and provisions risk is measured using the Partial Internal Model, consistent with the standards set out by Solvency II legislation, characterised by a component valued using the Internal Model (Catastrophe and Earthquake Risk), by the use of Group specific parameters and by Formula Standard components.
In particular, the use of the Specific Parameters concerns the tariff-setting and provisions risks of the company UnipolSai, in the segments of Non-Life insurance and reinsurance obligations under Annex II to EU Delegated Regulation 2015/35 of 10 October 2014, as specified below:
- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles;
- Segment 4, Proportional insurance and reinsurance against fire and other damage to property;
- Segment 5, Proportional insurance and reinsurance on general TPL.

Life underwriting risk (mortality/longevity risk, surrender risk and expense risk) is measured using the Partial Internal Model based on the Least Square Monte Carlo approach, consistent with the principles indicated in Solvency II regulations, which allow calculation of the Probability Distribution Forecast in relation to Life risk factors. In addition to the Life underwriting risks relating to Unit-Linked and Pension Fund products, catastrophe risk is assessed using the Standard Formula approach.

Market risk of the portfolio of securities, for which investment risk is not borne by policyholders, is measured using a Partial Internal Model that adopts a Monte Carlo VaR approach. As part of the Internal Market model, Life liabilities are replicated through cash flows with a maturity equivalent to the run-off of Life provisions for the guaranteed component and polynomial functions (the Least Square Monte Carlo approach) to represent the Future Discretionary Benefits component. Market risk of the securities portfolio for which investment risk is borne by the policyholders and concentration risk are measured using the Market Wide Standard Formula.

The table in the following paragraph analyses the main sensitivities to market risk factors.

Credit risk is measured using the Partial Internal Model that adopts a CreditRisk+ approach. This model makes it possible to measure the risk of default relating to bank counterparties, concerning exposures deriving from cash available at banks and financial risk mitigation operations through derivative contracts, and to the insurance and reinsurance exposures. Furthermore, the model allows the risk of default deriving from exposures to intermediaries and policyholders to be measured.

Risk aggregation is measured using the Partial Internal Model. The risk aggregation process defined by the Group calls for a bottom-up approach and may be broken down into two phases:
- aggregation of the risk sub-modules which make up Market risks, Non-Life and Health Technical Insurance risks, Life technical insurance risks and Credit risks so as to obtain the Probability Distribution Forecast ("PDF") of each risk module;
- aggregation of the risk modules of Market risks, Non-Life and Health Technical Insurance risks, Life technical insurance risks and Credit risks in order to calculate the Basic SCR.

The aggregation of the sub-modules involves three distinct approaches:
- joint sampling of risk factors;
- aggregation by means of the Var-Covar method (with a posteriori determination of the PDF);
- aggregation of multiple marginal distributions through coupling functions.

Below is additional information on the calculation procedure and the principal results for each risk at 31 December 2018.

Financial risks

The Group's Investment Policy establishes the criteria forming the basis of the investment policy, the types of activities considered correct to invest in, the breakdown of the portfolio of medium/long-term investments and fixes the limits on the underwriting and monitoring of market risk in such a way as to ascertain total exposure, in line with the "risk appetite" expressed in the Group's strategic objectives, guaranteeing an adequate portfolio diversification.

Market risk

Market risk refers to all risks which have the effect of diminishing investments of a financial or real estate nature as a result of adverse trends in the relevant market variables. The market risk modules are:
- Interest rate risk;
- Equity risk;
- Real estate risk;
- Exchange rate risk;
- Spread risk.

In the Partial Internal Model, the Value at Risk method is used to measure the market risk, calculated over a 1-year time period and with a confidence interval of 99.5%. In addition, sensitivity and stress test measurements are determined for each risk factor.

Interest rate risk for ALM purposes is quantified in terms of duration mismatch and net sensitivity against parallel changes in the forward interest rates structure. The assets falling under the calculation of the duration mismatch and net sensitivity include securities, cash, receivables and properties; the liabilities include the financial liabilities and technical provisions. The market value is used for financial assets and liabilities, whilst best estimates are used for the technical provisions. The duration mismatch is calculated as the difference between the duration of assets and the duration of liabilities weighted for the assets value, considering the adjusting effect of the derivatives.
For the UnipolSai Group, at 31 December 2018 the duration mismatch for Life business stood at -0.73, and at +0.77 for Non-Life business.

With reference to net sensitivity to a parallel change in the forward interest rate curve for the Life business, the sensitivity +100 basis points equals +€269m, whilst for the Non-Life business the sensitivity +100 basis points equals -€141m.

Equity risk is the risk connected with a potential variation in the value of share assets, as a result of market volatility of the reference indexes.

Real estate risk is the risk connected with the occurrence of losses as a result of unfavourable changes in the market value of real estate assets.
The assets falling under the calculation of *real estate risk* include property funds, directly-owned properties and direct and indirect investments in real estate projects.
In particular, with reference to directly-owned properties, the value used to calculate the risk (fair value) is that deriving from the estimate made by independent experts.

Currency risk for ALM purposes is defined as the risk of a possible variation in the value of financial statement assets and liabilities and the Net Asset Value as a result of unfavourable changes in exchange rates. Based on the Investment Policy, the total exposure to non-Euro currencies, net of currency hedging, must be limited to 3% of total investments. The UnipolSai Group's exposure to currency risk was not significant at 31 December 2018.

Spread risk is the risk connected with a variation in the value of bond assets following a change in spreads representing the credit rating of individual issuers. In light of the policies and processes adopted to monitor and manage liquidity risk and the objective difficulty in quantifying the default risk of government bonds issued by

European Union Member States, spread risk on government bonds has been excluded from the measurement of the market SCR based on the Partial Internal Model. It is not included because of:

- the nature of the business of the insurance companies, characterised by primarily buy and hold type long-term investment strategies and restrictions regarding the matching of liabilities expressed in terms of ALM;
- the objective difficulty of quantifying the probability of default and loss given default of developed countries, which represent the reference investment area for government bonds for risk measurement purposes;

The assessment of spread risk on government bonds is included within Pillar II risks and the relative measurement is carried out based on a stress testing type approach.

The level of sensitivity of the UnipolSai Group's portfolios of financial assets to the main market risk factors is shown below.
Sensitivity is calculated as a variation in the market value of the assets at 31 December 2018, following the shocks resulting from a:

- parallel change in the interest rate curve of +10 bps;
- -20% change in the share prices;
- +10 bps change in the credit spread.

31/12/2018	INSURANCE BUSINESS		REAL ESTATE AND OTHER BUSINESSES		TOTAL	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position	Impact on Income Statement	Impact on Statement of financial position	Impact on Income Statement	Impact on Statement of financial position
UnipolSai Group						
Interest rate sensitivity (+10 bps)	22.01	(289.22)		(0.00)	22.01	(289.22)
Credit spread sensitivity (+10 bps)	(1.12)	(312.05)		(0.00)	(1.12)	(312.05)
Equity sensitivity (-20%)	54.97	(634.63)		(5.98)	54.97	(640.61)

The values include the hedging derivatives.

Liquidity risk

Liquidity risk is the risk of not having the liquid resources necessary to meet the assumed obligations, in the financial statements and off-balance sheet, pertaining to their business, without undergoing economic losses deriving from forced sales of assets in case of adverse scenarios.
The liquid resources functional for the core business deriving from cash and cash equivalents, from the sale of securities that can be swiftly turned into cash and from any financing activities.
The main principles on which the liquidity risk management model within the UnipolSai Group is based may be summarised as follows:

- punctual measurement of the contractual and forecast cash flows on different maturity dates;
- definition and approval of the liquidity risk tolerance in terms of "survival time" in ordinary and stress conditions;
- managing structural liquidity by keeping a balance between maturities of medium-term assets and liabilities in order to avoid critical situations in the short-term liquidity positions;
- managing short-term liquidity in order to have the necessary liquidity to fulfil short-term commitments, both foreseeable and unforeseeable, deriving from any stress scenarios, by keeping a suitable balance between cash in-flows and outflows;
- defining and periodically applying stress scenarios relating to the technical and financial variables in order to verify the ability of the individual Companies and of the Group as a whole to address these situations;
- maintaining an adequate amount of assets that can be swiftly turned into cash on the market, so as to avoid significant economic impact if adverse scenarios occur, or able to be financed with repurchase agreements.

Credit risk

Counterparty Default Risk identifies the risk that a debtor or guarantor under an enforcement order may wholly or partially fail to honour its accrued monetary commitment to the Parent or one of the Group companies.
Credit risk therefore reflects the potential losses from an unexpected default by counterparties and debtors of the insurance and reinsurance companies in the next twelve months. Counterparty default risk includes the risk mitigation contracts, e.g. reinsurance agreements, securitisations and derivatives, and likewise every other credit exposure not included among the financial risks (credit spread risk).
Credit risk management is defined in the Credit Policy which describes the roles and responsibilities of the parties involved, the risk assessment principles, the operating limits imposed for monitoring purposes and the mitigation principles.
In relation to credit risk, the Risk Management Department monitors compliance with the limits defined in the Group Credit Policy and prepares reports to the administrative body, Top Management and the operating structures on developments in this risk.

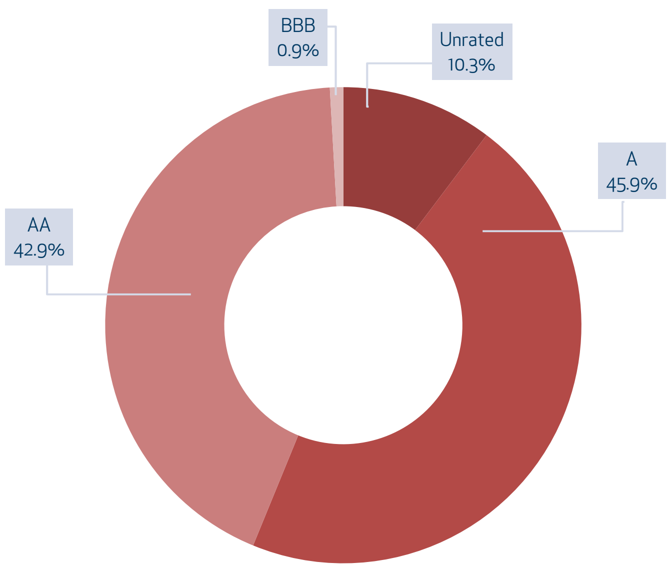
Within the scope of the UnipolSai Group, the credit risk is mainly in the exposures to banks, in the insurance and outwards reinsurance areas.

<u>Bond classes of the insurance companies in the Group</u>
This risk is calculated within the technical insurance risks (see relevant section) and monitored by the Group Credit Risk Committee.

<u>Outwards reinsurance</u>
In this area, the existing exposure to credit risk is divided into:

- liquid receivables already due arising out of the bordereaux sent to the reinsurer listing the balances on each policy during the period and those still outstanding;
- potential estimated receivables for the provisions borne by the reinsurer (which will become due at the time of the payment to the policyholder and for the relative amounts). The exposure for provisions is always deemed to be net of any deposits retained or other collateral guarantees (e.g. Banking LOC, reinsurers' and Parent's commitment, etc.).

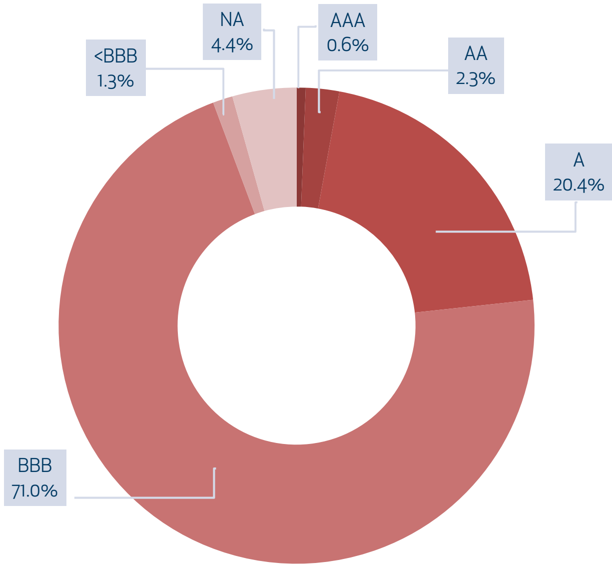
The following table shows the distribution of UnipolSai Group receivables from reinsurers and provisions for claims borne by them, broken down by rating class, recognised at 31 December 2018 (net of intragroup reinsurance).



Debt security Issuer Risk

The credit risk of debt securities is monitored within market risk based on credit spread volatility.
The following table shows the distribution of the UnipolSai Group's bonds portfolio, Insurance business and Real Estate and Other Businesses, broken down by rating class (figures at 31/12/2018).

Breakdown of debt securities by rating class



Information relating to exposure to sovereign debt securities referred to in Consob Communication DEM/11070007 of 5 August 2011

In accordance with Consob Communication DEM/11070007 of 5 August 2011 and ESMA document 2011/397 of 25 November 2011, relating to information to be provided in annual and interim financial reports on listed companies' exposures to Sovereign debt securities and current trends in international markets, details are provided of Sovereign exposures (i.e. bonds issued by central and local governments and by government organisations and loans granted to them) held by the UnipolSai Group at 31 December 2018, broken down by type of portfolio, nominal value, carrying amount and fair value.

Amounts in €m	Balance at 31 December 2018		
	Nominal value	Carrying amount	Market value
Italy	**26,266.1**	**25,483.6**	**25,460.0**
Available-for-sale financial assets	24,251.9	23,598.6	23,598.6
Financial assets at fair value through profit or loss	131.6	33.1	33.1
Held-to-maturity investments	365.6	351.6	420.8
Loans and receivables	1,517.1	1,500.3	1,407.4
Spain	**3,909.0**	**3,947.8**	**3,960.7**
Available-for-sale financial assets	3,554.7	3,579.8	3,579.8
Financial assets at fair value through profit or loss	20.0	25.2	25.2
Loans and receivables	334.3	342.8	355.7
Portugal	**537.4**	**590.5**	**591.2**
Available-for-sale financial assets	520.1	574.9	574.9
Loans and receivables	17.4	15.6	16.3
Great Britain	**9.7**	**10.0**	**10.0**
Available-for-sale financial assets	9.7	10.0	10.0
Ireland	**283.6**	**306.6**	**306.6**
Available-for-sale financial assets	283.6	306.6	306.6
Germany	**65.9**	**71.1**	**71.1**
Available-for-sale financial assets	65.9	71.1	71.1
Canada	**17.6**	**18.5**	**18.5**
Available-for-sale financial assets	17.6	18.5	18.5
Belgium	**164.5**	**166.4**	**166.4**
Available-for-sale financial assets	164.5	166.4	166.4
Slovenia	**219.8**	**234.7**	**234.7**
Available-for-sale financial assets	219.8	234.7	234.7
Serbia	**72.9**	**76.4**	**79.3**
Available-for-sale financial assets	0.3	0.3	0.3
Held-to-maturity investments	72.6	76.1	79.0
Israel	**71.6**	**75.6**	**75.6**
Available-for-sale financial assets	71.6	75.6	75.6
Mexico	**13.5**	**15.0**	**15.0**
Available-for-sale financial assets	13.5	15.0	15.0
Poland	**8.1**	**8.5**	**8.5**
Available-for-sale financial assets	8.1	8.5	8.5
Latvia	**56.5**	**60.7**	**60.7**
Available-for-sale financial assets	56.5	60.7	60.7
Chile	**13.0**	**13.7**	**13.7**
Available-for-sale financial assets	13.0	13.7	13.7
Cyprus	**38.0**	**43.4**	**43.4**
Available-for-sale financial assets	38.0	43.4	43.4
France	**408.1**	**375.8**	**375.8**
Available-for-sale financial assets	408.1	375.8	375.8

	Balance at 31 December 2018

Amounts in €m	Nominal value	Carrying amount	Market value
Austria	**14.5**	**15.1**	**15.1**
Available-for-sale financial assets	14.5	15.1	15.1
Finland	**6.0**	**6.2**	**6.2**
Available-for-sale financial assets	6.0	6.2	6.2
Netherlands	**5.0**	**5.5**	**5.5**
Available-for-sale financial assets	5.0	5.5	5.5
Switzerland	**3.5**	**3.8**	**3.8**
Available-for-sale financial assets	3.5	3.8	3.8
USA	**2.3**	**2.8**	**2.8**
Available-for-sale financial assets	2.3	2.8	2.8
Slovakia	**98.1**	**105.0**	**105.0**
Available-for-sale financial assets	98.1	105.0	105.0
Lithuania	**10.0**	**10.4**	**10.4**
Available-for-sale financial assets	10.0	10.4	10.4
China	**15.0**	**15.1**	**15.1**
Available-for-sale financial assets	15.0	15.1	15.1
TOTAL	**32,309.7**	**31,662.2**	**31,655.1**

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2018 totalled €31,662.6m, 80% of which is concentrated on securities issued by the Italian State (83% in 2017). Moreover, the bonds issued by the Italian State account for 49% of total investments of the UnipolSai Group.

Technical-insurance risks

Risks relating to Life portfolios

The guidelines of the underwriting and provisions activities of the Life business are defined in the "Underwriting Policy - Life Business" and in the "Provisions Policy - Life Business".

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Life business.

The Provisions Policy defines the guidelines addressing provisioning activities for direct business and the related risk management, governing the provisioning principles and logic of UnipolSai Group insurance companies based in Italy, operating in the Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.

Technical-insurance risks relating to Life business underwriting are divided into:
- mortality risk: associated with an unfavourable change in demographic bases resulting from experience (higher death rate) compared to those used in determining the tariff;
- longevity risk: associated with an unfavourable change in demographic bases resulting from experience (lower death rate) compared to those used in determining the tariff;
- surrender risk: associated with adverse changes in the level or volatility of the incidence of surrenders, withdrawals, early settlements and terminations in premium payments;
- expense risk: associated with adverse changes in the value of expense linked to policies compared to the values used to determine the tariff;
- catastrophe risk: deriving from an unforeseeable event, the consequence of which is to affect multiple individuals at the same time, generating a number of claims for amounts significantly higher than expected.

The options included in the tariffs that can affect the assessment of risks present in the portfolio are monitored. The most significant of these are illustrated below.

<u>Surrender</u>
This option allows the customer to surrender the contract and receive the surrender value (does not apply to the pure-risk tariffs and returns currently being distributed). Depending on the contract type, more or less significant penalties can be applied, often based on claim seniority.

<u>Conversion to annuity</u>
In individual products where the benefit is expressed in the form of capital, there is often the option to accept disbursement as an annuity.
Among the individual portfolio there are products for which the conversion ratios are determined at the time of issue of the contract and others, the majority of which (generally those issued after 2000) with the amount of the annuity determined only at the time of the option. In this case the demographic risk is considerably mitigated.
In the supplementary pensions segment, especially collective, the ratios are often associated with each sum paid in, but the risk is mitigated by the frequency at which the offer conditions can be reviewed.

<u>Maturity deferment</u>
The portfolio includes individual term life products (not "whole-life") that often provided the option to extend the validity of the contract after its original maturity date. During maturity deferment the payment of further premiums is not normally allowed.
The conditions applied during deferment vary according to the contractual terms, and continuation of the contract's financial guarantees or the application of those used at the time of the option can be granted.
Depending on the conditions, even the duration of the maturity deferment can be determined or extended year by year.
The impact on the portfolio of exercising the maturity deferment option is not particularly significant at present.

Risks relating to Non-Life portfolios

With regard to risk assessment relating to the Non-Life portfolio, the reference guidelines are contained in the "Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks", the "Underwriting Policy - Non-Life Business", the "Provisions Policy - Non-Life Business" and the "Reinsurance and Other Risk Mitigation Techniques Policy".

The Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks defines guidelines on the governance and amendment of the USP methodology by defining the roles and responsibilities of the corporate bodies and functions involved.

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Non-Life business.

The Provisions Policy defines the guidelines addressing provisioning activities and the related risk management, governing the provisioning principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Non-Life business, in compliance with national and international accounting standards and the new Solvency II prudential supervisory system.

The "Reinsurance and Other Risk Mitigation Techniques Policy" aims at defining the guidelines applicable to outwards reinsurance and other techniques of risk mitigation.

During 2018 the Non-Life technical-insurance risks were calculated using the Non-Life Partial Internal Model, consistent with the standards of Solvency II.

With regard to the assessment of Non-Life and Health underwriting and provisions risks, in the initial transition phase it was decided to adopt the use of parameters calculated by Undertaking Specific Parameter methods (USP) for the high-volume business lines, in place of market parameters. These methods allow a more accurate representation of the Group's risk characteristics, which have specific features in terms of dimension, business type and reference market, that cannot be captured by average estimates performed on the European market.

In particular, the use of the specific parameters concerns the tariff-setting and provisions risks in the segments of Non-Life insurance and reinsurance obligations under Annex II to EU Delegated Regulation 2015/35 of 10 October 2014, as specified below:
- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles;
- Segment 4, Proportional insurance and reinsurance against fire and other damage to property;
- Segment 5, Proportional insurance and reinsurance on general TPL.

In 2018 a project was launched to develop the Non-Life Internal Model for underwriting and provisions risks, based on a staged extension of the scope of application (by lines of business, starting from those for which USPs are already used).

With reference to Earthquake risk, the Group adopts one of the main global models for the analytical assessment of such risk. This tool consists of three modules:
- Hazard, which assesses the uncertainty associated with the possibility of an earthquake occurring in a given area (frequency) and the uncertainty relating to its magnitude (intensity). The following chance variables are modelled in this module:
  - Location (uncertainty associated with determining the possible point of origin of the event);
  - Frequency (period of recurrence of the events);
  - Intensity (the severity of the event in terms of energy released).
- Vulnerability, which assesses the seismic vulnerability of different types of insurable assets to a seismic event of a given intensity. The assessment is based on specific parameters such as the type of building (residential, commercial, etc.), the construction quality, the number of floors in the building and the type of assets present;
- Financial, which identifies the economic loss to the insurance company (in terms of deductibles, the sum insured, reinsurance cover, etc.).

In 2018 this tool also provided support to the Group in the Underwriting and Tariff-setting processes and in defining the reinsurance strategy.

With reference to other Catastrophe Risks, the assessments were performed using the standardised scenario approach proposed by EIOPA, in which the following events are taken into consideration:
– natural disasters such as flood and hail;
– man-made disasters such as large-scale fires and acts of terrorism;
– "health" risks, such as the risk of a pandemic.

Operational risks

The Operational Risk Management Framework

In order to ensure a complete analysis of company risks, the UnipolSai Group has an "Operational Risk Management Policy", updated annually, and has drafted a framework to identify, measure, monitor and manage Operational Risk. This term means "the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events". Based on the Operational Risk Management framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk. In particular, the analysis schemes adopted are aimed at understanding, based on a causal approach, the risk factors, events and effects, both financial and non-financial, and the impacts these can have on the Group's solvency and on the achievement of the objectives set.

Within the Group governance structure, the monitoring of Operational Risks is entrusted to the Operational Risks function of the Risk Management Department. The objectives assigned to this unit, within the internal control system, are aimed at ensuring the Group's assets are safeguarded and at adequate risk control.

Operational risk identification consists in gathering as much information as possible about the risk event, its possible causes and effects with a view to increasing awareness of the specific exposure of the various company areas. In addition, this activity also aims to assess the adequacy of controls and identify the best management solutions for any critical situations.
The data collected refers to:
- internal and external events that have actually happened, generating a negative impact on income statement. This data gathering process is known as Loss Data Collection;
- potential internal events that could happen within the context of a process and which are assessed using the Risk Self-Assessment method based also on expert judgement. The data collected in this respect includes an estimate of the average and maximum impact on income statement of the risk event and an estimate of the expected frequency of the event on an annual basis.

The organisational model for operational risk governance and control envisages a network of analysts in a number of UnipolSai Assicurazioni SpA Divisions and the main Group companies which, after following a specific training course on operational risk management, provide support to the Risk Management Department in identifying operational risk and monitoring this risk within their own areas of operations.
Operational risk assessment is performed annually by the main Group Companies.

Standard compliance risk

With regard to the Standard compliance risk, the Group's compliance risk management process is transversal and comprises organisational and operating monitoring activities carried out by resources from the various company functions. The Compliance Function is tasked with assessing whether the organisation and the internal corporate procedures are suitable to reach the objective of preventing this risk, according to a risk-based approach.

Strategic, emerging and reputational risks

With regard to emerging risks, strategic risk and reputational risk, within the dedicated structure present within the Risk Management Department, a dedicated Observatory was created at Group level, called "Reputational & Emerging Risk Observatory", whose key elements are the involvement of an interfunctional Technical Panel and of all the main

Business Departments, the use of a consolidated predictive model and methodologies based on futures studies to ensure a forward-looking view of the medium/long-term in order to anticipate the risks and future opportunities, and a holistic approach aimed at grasping and governing the interconnections, both in reading the external context for an integrated vision of the different emerging macro trends (social, technological, political and environmental), and in the internal response for a unified view of the different corporate areas and of the different steps of the value chain.
The purpose of the Observatory is to assure effective monitoring of the emerging risks and of the reputational risk, verifying the constant alignment between stakeholders' expectations and the Group's responses and anticipating the most significant phenomena to catch new business opportunities and prevent potential emerging risks.
With specific reference to the reputational risk, within the frame of the Observatory, a Reputation Management framework was developed at the Group level, which operates in the dual mode of construction and protection of the reputational capital, through two work sites that rely on dedicated corporate competencies and structures in a path of constant mutual alignment, under the joint leadership of the "Corporate Communication and Media Relations" and "Risk Management" functions, with the goal of stably integrating these assets in the strategic planning processes.

Capital management

The capital management strategies and objectives of the Unipol Group are outlined in the "Capital management and dividend distribution policy", which describes the reference context and the process for managing capital and distributing dividends also in terms of the roles and responsibilities of the players involved. The document also identifies the principles of capital management and the distribution of dividends or other elements of own funds, in line with the capital return objectives and the risk appetite defined by the Board of Directors.

The general aims pursued by the "Capital management and dividend distribution policy" are:
- ex ante definition of the return objectives on allocated capital, consistent with the profitability targets and in line with the risk appetite;
- maintaining a sound and efficient capital structure, considering growth targets and risk appetite;
- outlining the capital management process for the definition of procedures to ensure that:
    - the elements of own funds, both at the time of issue and subsequently, satisfy the requirements of the applicable capital regime and are correctly classified;
    - the terms and conditions for each element of own funds are clear and unequivocal;
- ex ante definition of a sustainable flow of dividends, in line with the profit generated, free cash flow and risk appetite, identifying and documenting any situations in which the postponement or cancellation of distributions from an element of own funds could arise;
- outlining the dividend distribution process for the definition of procedures to ensure sound and efficient capital management, considering that the growth and profitability targets are in line with the risk appetite;
- defining the roles, responsibilities and reporting in relation to capital management and the distribution of dividends or other elements of own funds.

The capital management and dividend distribution process is divided into five steps, in close relation with other corporate processes:
- final measurement of available capital and the capital required;
- preparation of the mid-term capital management plan;
- monitoring and reporting;
- management action on capital, including any contingency measures;
- distribution of dividends or other elements of own funds.

Bologna, 14 March 2019

The Board of Directors

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TABLES APPENDED TO THE NOTES TO THE FINANCIAL STATEMENTS

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Method(1)	Assets (2)
Arca Vita Spa	086	Italy	Verona			G	1
Arca Assicurazioni Spa	086	Italy	Verona			G	1
Arca Vita International Dac	040	Ireland	Dublin			G	2
Arca Direct Assicurazioni Srl	086	Italy	Verona			G	11
Arca Inlinea Scarl	086	Italy	Verona			G	11
Arca Sistemi Scarl	086	Italy	Verona			G	11
UnipolSai Assicurazioni Spa	086	Italy	Bologna			G	1
Pronto Assistance Spa	086	Italy	Turin			G	1
Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni	086	Italy	Genoa			G	1
BIM Vita Spa	086	Italy	Turin			G	1
Finsai International Sa	092	Luxembourg	Luxembourg			G	11
Tenute del Cerro Spa - Societa' Agricola	086	Italy	Montepulciano (SI)			G	11
Consorzio Castello	086	Italy	Florence			G	10
UnipolSai Nederland Bv	050	Netherlands	Amsterdam (NL)			G	11
UnipolSai Servizi Previdenziali Srl	086	Italy	Florence			G	11
Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	086	Italy	Florence			G	10
UnipolRe Dac	040	Ireland	Dublin (Ireland)			G	5
UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata	086	Italy	Bologna			G	11
Villa Ragionieri Srl	086	Italy	Florence			G	10
Meridiano Secondo Srl	086	Italy	Turin			G	10
Casa di Cura Villa Donatello - Spa	086	Italy	Florence			G	11
Centro Oncologico Fiorentino Casa di Cura Villanova Srl in Liquidazione	086	Italy	Sesto Fiorentino (FI)			G	11
Apb Car Service Srl	086	Italy	Turin			G	11
Marina di Loano Spa	086	Italy	Loano (SV)			G	10

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	% Consolidation
63.39%			63.39%		100.00%
	98.12%	Arca Vita Spa	62.20%		100.00%
	100.00%	Arca Vita Spa	63.39%		100.00%
	100.00%	Arca Vita Spa	63.39%		100.00%
	60.22%	Arca Vita Spa	62.92%		100.00%
	39.78%	Arca Assicurazioni Spa			
	82.03%	Arca Vita Spa	63.19%		100.00%
	16.97%	Arca Assicurazioni Spa			
	1.00%	Arca Inlinea Scarl			
					100.00%
100.00%			100.00%		100.00%
94.69%			94.69%		100.00%
50.00%			50.00%		100.00%
63.85%			100.00%		100.00%
	36.15%	UnipolSai Finance Spa			
98.81%			100.00%		100.00%
	1.19%	Pronto Assistance Spa			
	99.57%	Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	99.57%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
	100.00%	UnipolSai Nederland Bv	100.00%		100.00%
98.23%			99.84%		100.00%
	0.20%	Arca Vita Spa			
	0.90%	Pronto Assistance Spa			
	0.11%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.02%	BIM Vita Spa			
	0.02%	UnipolRe Dac			
	0.02%	Pronto Assistance Servizi Scarl			
	0.02%	Incontra Assicurazioni Spa			
	0.02%	Auto Presto & Bene Spa			
	0.20%	UniSalute Spa			
	0.20%	Compagnia Assicuratrice Linear Spa			
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
	70.00%	Auto Presto & Bene Spa	70.00%		100.00%
100.00%			100.00%		100.00%

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Method(1)	Assets (2)
Pronto Assistance Servizi Scarl	086	Italy	Turin			G	11
Sogeint Societa' a Responsabilita' Limitata	086	Italy	San Donato Milanese			G	11
Tikal R.E. Fund	086	Italy				G	10
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence			G	11
Incontra Assicurazioni Spa	086	Italy	Milan			G	1
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' per Azioni	086	Italy	Bologna			G	10
Ddor Novi Sad	289	Serbia	Novi Sad (Serbia)			G	3
Auto Presto & Bene Spa	086	Italy	Turin			G	11
Gruppo UNA Spa	086	Italy	Milan			G	11
Athens R.E. Fund	086	Italy				G	10
Ddor Re	289	Serbia	Novi Sad (Serbia)			G	6
Ital H&R Srl	086	Italy	Bologna			G	11
UnipolSai Finance Spa	086	Italy	Bologna			G	9
Midi Srl	086	Italy	Bologna			G	10
Alfaevolution Technology Spa	086	Italy	Bologna			G	11
Leithà Srl	086	Italy	Bologna			G	11
UniAssiTeam Srl	086	Italy	Bologna			G	11
Fondo Opportunity	086	Italy				G	10
UniSalute Spa	086	Italy	Bologna			G	1
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna			G	1
Unisalute Servizi Srl	086	Italy	Bologna			G	11
Ambra Property Srl	086	Italy	Bologna			G	11
Fondo Landev	086	Italy				G	10

(1) Consolidation method: G=on a line-by-line basis; P=proportional=P; U=on a line-by-line basis as per unitary management.

(2) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(3) The product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first.

(4) Total % availability of votes at ordinary general meetings if different from the direct or indirect investment.

(5) This disclosure is required only if the country of operations is different from the country of the registered office.

% Direct holding		% Indirect holding	% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	% Consolidation
95.34%			99.81%		100.00%
	0.10%	Arca Assicurazioni Spa			
	0.31%	Pronto Assistance Spa			
	0.10%	UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata			
	0.25%	Apb Car Service Srl			
	0.15%	Incontra Assicurazioni Spa			
	0.25%	Auto Presto & Bene Spa			
	0.25%	Alfaevolution Technology Spa			
	0.25%	UniSalute Spa			
	3.00%	Compagnia Assicuratrice Linear Spa			
100.00%			100.00%		100.00%
95.00%			95.00%		100.00%
	100.00%	Casa di Cura Villa Donatello - Spa	100.00%		100.00%
51.00%			51.00%		100.00%
51.67%			51.67%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
64.72%			87.70%		100.00%
	24.19%	Tikal R.E. Fund			
	100.00%	UnipolRe Dac	100.00%		100.00%
	0.00%	Ddor Novi Sad			
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
	65.00%	UnipolSai Finance Spa	65.00%		100.00%
100.00%			100.00%		100.00%
98.53%			98.53%		100.00%
100.00%			100.00%		100.00%
	100.00%	UniSalute Spa	98.53%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%

Consolidation scope: interests in entities with material non-controlling interests

Amounts in €m

Name	% non-controlling interests	% Votes available at Ordinary General Meetings to non-controlling interests	Consolidated profit (loss) attributable to non-controlling interests	Shareholders' Equity attributable to non-controlling interests
Arca Vita Spa	36.61%		20.1	132.8

Summary income and financial position data							
Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' equity	Profit (loss) for the year	Dividends distributed to non-controlling interests	Gross premiums written
8,835.8	8,550.9	7,631.2	783.2	362.7	54.9		834.7

Details of unconsolidated investments

Name	Country of registered office	Registered office	Country of operations (5)	Operating office	Assets (1)	Type (2)
UnipolSai Investimenti Sgr Spa	086 Italy	Turin			8	b
Fin.Priv. Srl	086 Italy	Milan			11	b
Uci - Ufficio Centrale Italiano	086 Italy	Milan			11	b
Funivie del Piccolo San Bernardo Spa	086 Italy	La Thuile (AO)			11	b
Borsetto Srl	086 Italy	Turin			10	b
Garibaldi Sca	092 Luxembourg	Luxembourg			11	b
Servizi Immobiliari Martinelli Spa	086 Italy	Cinisello Balsamo (MI)			10	b
Penta Domus Spa in Liquidazione	086 Italy	Turin			10	b
Ddor Auto - Limited Liability Company	289 Serbia	Novi Sad (Serbia)			3	a
Ddor Garant	289 Serbia	Belgrado (Serbia)			11	b
Butterfly Am Sarl	092 Luxembourg	Luxembourg			11	b
Isola Sca	092 Luxembourg	Luxembourg			11	b
Assicoop Toscana Spa	086 Italy	Siena			11	b
Pegaso Finanziaria Spa	086 Italy	Bologna			9	b
Fondazione Unipolis	086 Italy	Bologna			11	a
Unipol Banca Spa	086 Italy	Bologna			7	b
Assicoop Bologna Metropolitana Spa	086 Italy	Bologna			11	b
Hotel Villaggio Citta' del Mare Spa in Liquidazione	086 Italy	Modena			11	b
Assicoop Modena & Ferrara Spa	086 Italy	Modena			11	b
Assicoop Romagna Futura Spa	086 Italy	Ravenna			11	b
Assicoop Emilia Nord Srl	086 Italy	Parma			11	b
Golf Club Poggio dei Medici Spa Societa' Dilettantistica Sportiva	086 Italy	San Piero (FI)			11	b
UnipolReC Spa	086 Italy	Bologna			11	b

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other

(2) a=subsidiaries (IFRS10); b= associates (IAS28); c=joint ventures (IFRS11)

(3) the product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first

(4) total % availability of votes at ordinary general meetings if different from the direct or indirect investment

(5) this disclosure is required only if the country of operations is different from the country of the registered office

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	Carrying amount (€m)
49.00%			49.00%		11.6
28.57%			28.57%		30.5
37.55%			37.64%		0.2
	0.01%	Arca Assicurazioni Spa			
	0.09%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.00%	Incontra Assicurazioni Spa			
	0.00%	Compagnia Assicuratrice Linear Spa			
23.55%			23.55%		2.5
44.93%			44.93%		0.3
32.00%			32.00%		3.6
20.00%			20.00%		0.2
24.66%			24.66%		0.0
	100.00%	Ddor Novi Sad	100.00%		0.0
	32.46%	Ddor Novi Sad	40.00%		0.6
	7.54%	Ddor Re			
28.57%			28.57%		0.0
29.56%			29.56%		
	46.77%	UnipolSai Finance Spa	46.77%		1.3
	45.00%	UnipolSai Finance Spa	45.00%		5.2
100.00%			100.00%		0.3
42.25%			42.25%		403.7
	49.19%	UnipolSai Finance Spa	49.19%		9.0
49.00%			49.00%		
	43.75%	UnipolSai Finance Spa	43.75%		7.3
	50.00%	UnipolSai Finance Spa	50.00%		6.3
	50.00%	UnipolSai Finance Spa	50.00%		6.3
	40.32%	Gruppo UNA Spa	40.32%		0.8
42.25%			42.25%		255.0

Statement of financial position by business segment

	Amounts in €m	Non-Life business		Life business	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
1	INTANGIBLE ASSETS	523.7	457.6	298.7	222.1
2	PROPERTY, PLANT AND EQUIPMENT	921.9	868.2	76.0	33.4
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	932.9	796.0	49.1	49.9
4	INVESTMENTS	14,725.4	15,474.2	41,849.6	33,093.3
4.1	Investment property	1,440.6	1,672.6	4.2	3.8
4.2	Investments in subsidiaries, associates and interests in joint ventures	237.2	543.3	103.0	259.7
4.3	Held-to-maturity investments	57.2	53.5	402.5	486.1
4.4	Loans and receivables	1,908.2	1,820.2	2,478.8	2,747.5
4.5	Available-for-sale financial assets	10,967.8	11,244.4	32,477.9	24,798.3
4.6	Financial assets at fair value through profit or loss	114.5	140.2	6,383.3	4,797.9
5	SUNDRY RECEIVABLES	2,251.4	2,153.0	576.1	455.0
6	OTHER ASSETS	1,140.8	834.8	287.5	10,555.4
6.1	Deferred acquisition costs	42.6	30.5	55.5	54.6
6.2	Other assets	1,098.2	804.3	232.0	10,500.9
7	CASH AND CASH EQUIVALENTS	335.5	379.3	528.6	846.0
	TOTAL ASSETS	20,831.6	20,963.0	43,665.7	45,255.2
1	SHAREHOLDERS' EQUITY				
2	PROVISIONS	322.7	352.6	18.4	16.7
3	TECHNICAL PROVISIONS	15,211.8	15,219.6	38,011.5	30,537.5
4	FINANCIAL LIABILITIES	1,581.0	1,510.5	3,374.2	1,854.7
4.1	Financial liabilities at fair value through profit or loss	71.6	42.4	2,467.7	1,129.8
4.2	Other financial liabilities	1,509.4	1,468.1	906.5	724.8
5	PAYABLES	708.8	766.8	169.2	85.1
6	OTHER LIABILITIES	648.4	699.9	96.5	10,224.6
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				

Other businesses		Real Estate		Inter-segment eliminations		Total	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
12.8	11.5	0.1	0.2			835.4	691.3
213.7	205.9	601.9	611.8			1,813.6	1,719.3
						982.0	846.0
34.1	34.3	600.4	563.9	(80.8)	(80.9)	57,128.6	49,084.8
33.0	33.1	593.4	561.9			2,071.1	2,271.4
0.8	0.8					341.0	803.8
						459.6	539.6
	0.3	7.0	2.0	(80.8)	(80.9)	4,313.1	4,489.1
0.3	0.0	0.0	0.0			43,446.0	36,042.7
	0.1					6,497.7	4,938.2
90.3	88.0	18.1	15.9	(67.0)	(49.1)	2,869.1	2,662.8
4.7	14.5	121.8	42.4	(14.4)	(104.5)	1,540.3	11,342.7
						98.1	85.0
4.7	14.5	121.8	42.4	(14.4)	(104.5)	1,442.3	11,257.6
53.9	71.4	107.1	106.9			1,025.1	1,403.6
409.5	425.7	1,449.5	1,341.1	(162.2)	(234.5)	66,194.2	67,750.4
						5,697.0	6,193.7
7.4	8.0	4.8	5.0			353.4	382.3
						53,223.3	45,757.0
49.1	51.0	328.7	327.9	(80.5)	(81.0)	5,252.6	3,663.0
						2,539.3	1,172.3
49.1	51.0	328.7	327.9	(80.5)	(81.0)	2,713.3	2,490.7
62.6	68.7	27.4	37.0	(63.5)	(42.3)	904.5	915.3
16.2	12.9	20.5	12.9	(18.2)	(111.2)	763.4	10,839.1
						66,194.2	67,750.4

Income statement by business segment

		Non-Life business		Life business	
	Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017
1.1	Net premiums	7,543.4	6,955.9	3,462.0	3,446.3
1.1.1	*Gross premiums earned*	*7,943.6*	*7,380.7*	*3,468.6*	*3,452.7*
1.1.2	*Earned premiums ceded to reinsurers*	*(400.2)*	*(424.8)*	*(6.6)*	*(6.4)*
1.2	Commission income	6.8	6.6	23.2	28.6
1.3	Gains and losses on financial instruments at fair value through profit or loss	(49.5)	(29.7)	(108.0)	164.0
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	13.6	5.7	308.8	1.9
1.5	Gains on other financial instruments and investment property	663.7	796.0	1,353.8	1,290.7
1.6	Other revenue	399.9	333.5	60.1	43.8
	TOTAL REVENUE AND INCOME	8,577.9	8,068.0	5,099.8	4,975.4
2.1	Net charges relating to claims	(4,946.7)	(4,666.0)	(4,033.4)	(4,170.0)
2.1.1	*Amounts paid and changes in technical provisions*	*(5,256.6)*	*(4,859.7)*	*(4,032.3)*	*(4,173.5)*
2.1.2	*Reinsurers' share*	*309.9*	*193.7*	*(1.1)*	*3.5*
2.2	Commission expenses	(7.6)	(6.8)	(8.8)	(10.9)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(0.3)	(93.2)	(0.2)	(21.2)
2.4	Losses on other financial instruments and investment property	(188.3)	(228.4)	(125.8)	(155.7)
2.5	Operating expenses	(2,129.3)	(2,026.6)	(220.8)	(234.0)
2.6	Other costs	(629.9)	(545.8)	(117.4)	(97.6)
2	TOTAL COSTS AND EXPENSES	(7,902.1)	(7,566.7)	(4,506.4)	(4,689.5)
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	675.8	501.3	593.4	285.9

Other businesses		Real Estate		Intersegment eliminations		Total	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
						11,005.4	10,402.2
						11,412.2	*10,833.4*
						(406.9)	*(431.2)*
				(0.0)		30.0	35.2
(0.0)	0.0					(157.5)	134.3
(0.0)	1.0					322.4	8.6
0.6	0.8	25.7	25.0	(10.7)	(8.9)	2,033.2	2,103.6
201.2	193.6	37.3	36.1	(63.4)	(66.2)	635.1	540.9
201.8	**195.5**	**63.0**	**61.1**	**(74.1)**	**(75.2)**	**13,868.4**	**13,224.8**
						(8,980.1)	(8,836.0)
						(9,288.9)	*(9,033.2)*
						308.8	*197.2*
(0.1)	(0.0)	(0.0)	(0.0)			(16.6)	(17.7)
	(0.0)	(0.4)				(0.9)	(114.5)
(1.7)	(1.5)	(65.6)	(27.2)	1.1	0.5	(380.2)	(412.4)
(67.2)	(58.6)	(22.1)	(25.5)	10.9	13.6	(2,428.4)	(2,331.0)
(137.3)	(138.3)	(36.3)	(32.4)	62.1	61.1	(858.8)	(752.9)
(206.2)	**(198.4)**	**(124.4)**	**(85.2)**	**74.1**	**75.2**	**(12,665.1)**	**(12,464.6)**
(4.4)	**(2.9)**	**(61.4)**	**(24.0)**			**1,203.4**	**760.2**

Details of property, plant and equipment and intangible assets

Amounts in €m	At cost	At restated value or at fair value	Total carrying amount
Investment property	2,071.1		2,071.1
Other property	1,564.1		1,564.1
Other tangible assets	249.5		249.5
Other intangible assets	370.8		370.8

Details of financial assets

	Held to maturity Investments		Loans and receivables		Available-for-sale financial assets	
Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Equity instruments and derivatives at cost					8.8	9.1
Equity instruments at fair value					786.2	893.4
of which listed securities					*589.6*	*696.2*
Debt securities	459.6	539.6	3,409.9	3,712.8	40,062.2	32,927.3
of which listed securities	*427.6*	*507.6*			*39,594.9*	*32,462.4*
UCITS units					2,588.8	2,212.9
Loans and receivables from bank customers						
Interbank loans and receivables						
Deposits with ceding companies			32.7	19.1		
Financial receivables on insurance contracts						
Other loans and receivables			870.5	757.2		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments						
Total	459.6	539.6	4,313.1	4,489.1	43,446.0	36,042.7

Financial assets at fair value through profit or loss				Total carrying amount	
Held-for-trading financial assets		Financial assets at fair value through profit or loss			
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	0.0			8.8	9.1
4.3	25.7	179.6	185.6	970.1	1,104.7
4.3	*25.7*	*179.6*	*185.6*	*773.5*	*907.5*
118.1	128.7	3,495.7	2,997.3	47,545.5	40,305.7
93.4	*77.1*	*3,494.4*	*2,994.8*	*43,610.3*	*36,041.9*
9.4	14.1	2,195.7	935.0	4,793.8	3,162.0
				32.7	19.1
		334.5	487.5	334.5	487.5
				870.5	757.2
135.4	60.5		2.8	135.4	63.3
25.1	101.0			25.1	101.0
292.2	330.0	6,205.5	4,608.2	54,716.5	46,009.6

Details of assets and liabilities relating to insurance contracts where the investment risk is borne by policyholders and arising from pension fund management

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Recognised assets	2,136.1	4,218.8	4,074.5	3,804.3	6,210.5	8,023.1
Intragroup assets *						
Total assets	**2,136.1**	**4,218.8**	**4,074.5**	**3,804.3**	**6,210.5**	**8,023.1**
Recognised financial liabilities	1,813.0	1,308.6	435.5	483.6	2,248.5	1,792.2
Recognised technical provisions	323.1	2,911.9	3,640.2	3,320.8	3,963.3	6,232.7
Intragroup liabilities *						
Total liabilities	**2,136.1**	**4,220.5**	**4,075.7**	**3,804.3**	**6,211.8**	**8,024.9**

* Assets and liabilities eliminated on consolidation.

Details of technical provisions – reinsurers' share

Amounts in €m	Direct business		Non Direct business		Total carrying amount	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Non-Life provisions	897.1	761.1	35.8	34.9	932.9	796.0
Premium provisions	216.8	214.5	2.8	1.8	219.5	216.3
Claims provision	680.4	546.6	33.0	33.1	713.4	579.7
Other provisions						
Life provisions	45.0	44.2	4.1	5.7	49.1	49.9
Provision for amounts payable	3.5	1.1	0.3	0.5	3.8	1.6
Mathematical provisions	41.6	43.2	3.8	5.2	45.3	48.3
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management						
Other provisions						
Total technical provisions - reinsurers' share	942.2	805.3	39.9	40.6	982.0	846.0

Details of technical provisions

Amounts in €m	Direct business		Non Direct business		Total carrying amount	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Non-Life provisions	14,861.7	14,998.2	350.1	221.4	15,211.8	15,219.6
Premium provision	3,070.8	2,896.5	71.4	23.2	3,142.2	2,919.8
Claims provision	11,754.7	12,049.6	278.5	197.9	12,033.2	12,247.5
Other provisions	36.2	52.0	0.2	0.3	36.4	52.3
including provisions allocated as a result of the liabilityadequacy test						
Life provisions	38,003.6	30,526.6	7.8	10.8	38,011.5	30,537.5
Provision for amounts payable	405.5	332.8	2.0	2.1	407.6	334.9
Mathematical provisions	32,087.0	24,462.4	5.8	8.7	32,092.8	24,471.2
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	3,963.3	3,715.9			3,963.3	3,715.9
Other provisions	1,547.8	2,015.5			1,547.8	2,015.5
including provisions allocated as a result of the liability adequacy test						
including deferred liabilities to policyholders	*1,412.8*	*1,912.6*			*1,412.8*	*1,912.6*
Total technical provisions	52,865.4	45,524.9	357.9	232.2	53,223.3	45,757.0

Details of financial liabilities

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Held-for-trading financial liabilities		Financial liabilities at fair value through profit or loss					
Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Equity instruments								
Subordinated liabilities					2,247.2	2,028.1	2,247.2	2,028.1
Liabilities from financial contracts issued by insurance companies			2,261.0	895.5	0.0		2,261.1	895.5
Arising from contracts where the investment risk is borne by policyholders			*1,825.5*	*419.8*			*1,825.5*	*419.8*
Arising from pension fund management			*435.5*	*475.7*			*435.5*	*475.7*
Arising from other contracts					*0.0*		*0.0*	
Deposits received from reinsurers					166.2	161.7	166.2	161.7
Financial items payable on insurance contracts								
Debt securities issued								
Payables to bank customers								
Interbank payables								
Other loans obtained					299.8	296.0	299.8	296.0
Non-hedging derivatives	67.7	24.7					67.7	24.7
Hedging derivatives	210.5	252.1					210.5	252.1
Sundry financial liabilities						4.9		4.9
Total	278.3	276.8	2,261.0	895.5	2,713.3	2,490.7	5,252.6	3,663.0

Details of technical insurance items

	31/12/2018			31/12/2017		
Amounts in €m	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business						
NET PREMIUMS	7,943.6	(400.2)	7,543.4	7,380.7	(424.8)	6,955.9
a Written premiums	8,101.5	(397.7)	7,703.8	7,456.0	(450.9)	7,005.0
b Change in premium provision	(157.9)	(2.5)	(160.4)	(75.3)	26.1	(49.1)
NET CHARGES RELATING TO CLAIMS	(5,256.6)	309.9	(4,946.7)	(4,859.7)	193.7	(4,666.0)
a Amounts paid	(5,774.5)	201.9	(5,572.6)	(5,472.0)	207.9	(5,264.0)
b Change in claims provision	389.8	122.0	511.8	488.0	6.4	494.4
c Change in recoveries	128.9	(13.9)	115.0	129.0	(20.6)	108.4
d Change in other technical provisions	(0.8)		(0.8)	(4.8)		(4.8)
Life business						
NET PREMIUMS	3,468.6	(6.6)	3,462.0	3,452.7	(6.4)	3,446.3
NET CHARGES RELATING TO CLAIMS	(4,032.3)	(1.1)	(4,033.4)	(4,173.5)	3.5	(4,170.0)
a Amounts paid	(3,330.5)	13.9	(3,316.6)	(5,018.0)	10.9	(5,007.1)
b Change in provision for amounts payable	(52.6)	(1.4)	(54.0)	(7.8)	0.2	(7.6)
c Change in mathematical provisions	(596.7)	(13.2)	(609.9)	(2.9)	(7.6)	(10.5)
d Change in technical provisions where the investment risk is borne by policyholders and arising from pension fund management	52.1		52.1	869.7		869.7
e Change in other technical provisions	(104.6)	(0.4)	(105.0)	(14.6)		(14.6)

Investment income and charges

Amounts in €m	Interest	Other income	Other charges	Realised gains	Realised losses
Balance on investments	**1,509.0**	**308.9**	**(194.2)**	**789.0**	**(215.1)**
a Arising from investment property		64.8	(26.4)	27.6	(5.3)
b Arising from investments in subsidiaries, associates and interests in joint ventures		13.7	(0.5)	308.7	(0.0)
c Arising from held to maturity investments	21.0		(0.0)		
d Arising from loans and receivables	126.3	0.0	(0.0)	16.4	(0.0)
e Arising from available-for-sale financial assets	1,290.0	113.7	(2.8)	368.1	(130.6)
f Arising from held-for-trading financial assets	9.1	82.7	(118.3)	27.5	(25.9)
g Arising from financial assets at fair value through profit or loss	62.6	34.0	(46.3)	40.7	(53.2)
Balance on sundry receivables	**3.3**				
Balance on cash and cash equivalents	**0.8**		**(0.0)**		
Balance on financial liabilities	**(94.1)**	**61.0**	**(1.5)**		
a Arising from held-for-trading financial liabilities					
b Arising from financial liabilities at fair value through profit or loss		61.0	(0.1)		
c Arising from financial liabilities	(94.1)		(1.4)		
Balance on payables	**(1.9)**		**(0.1)**		
Total	**1,417.1**	**369.9**	**(195.8)**	**789.0**	**(215.1)**

Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses	Total gains and losses
	Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment		31/12/2018	31/12/2017
2,197.6	57.1	0.0	(383.4)	(83.2)	(409.4)	1,788.2	1,836.9
60.7			(34.7)	(59.2)	(93.9)	(33.2)	6.9
321.9		(0.0)		(0.4)	(0.4)	321.5	(105.9)
21.0						21.0	33.5
142.7		0.0			0.0	142.7	138.8
1,638.4	0.0			(23.6)	(23.6)	1,614.8	1,595.6
(25.0)	37.1		(62.8)		(25.7)	(50.7)	(17.4)
37.9	20.0		(285.9)		(265.8)	(228.0)	185.5
3.3						3.3	2.8
0.8						0.8	0.8
(34.6)	61.4		(0.0)		61.3	26.7	(117.8)
60.9	60.2		(0.0)		60.2	121.1	(33.7)
(95.6)	1.1		(0.0)		1.1	(94.4)	(84.1)
(2.0)						(2.0)	(3.1)
2,165.1	118.5	0.0	(383.4)	(83.2)	(348.1)	1,817.0	1,719.7

Details of insurance business expenses

	Non-Life business		Life business	
Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Gross commissions and other acquisition costs	(1,797.8)	(1,745.1)	(105.4)	(112.0)
a Acquisition commissions	(1,275.0)	(1,251.9)	(58.0)	(65.2)
b Other acquisition costs	(370.0)	(336.0)	(40.5)	(42.1)
c Change in deferred acquisition costs	3.0	(5.7)	0.3	2.5
d Collection commissions	(155.7)	(151.5)	(7.1)	(7.2)
Commissions and profit-sharing received from reinsurers	120.1	148.3	2.8	0.4
Investment management expenses	(66.9)	(75.0)	(40.5)	(42.2)
Other administrative expenses	(384.8)	(354.7)	(77.8)	(80.3)
Total	(2,129.3)	(2,026.6)	(220.8)	(234.0)

Details of other consolidated comprehensive income

Amounts in €m	Amounts allocated		Adjustments from reclassification to profit or loss	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Other income items not reclassified to profit or loss	(11.4)	6.4		
Reserve deriving from changes in the shareholders' equity of the investees	(10.7)	7.7		
Revaluation reserve for intangible assets				
Revaluation reserve for property, plant and equipment				
Gains or losses on non-current assets or disposal groups held for sale				
Actuarial gains and losses and adjustments relating to defined benefit plans	(0.7)	(1.2)		
Other items	(0.0)			
Other income items reclassified to profit or loss	(286.8)	303.9	(562.5)	(144.9)
Reserve for foreign currency translation differences	0.1	1.7		
Gains or losses on available-for-sale financial assets	(297.0)	302.0	(562.5)	(144.9)
Gains or losses on cash flow hedges	10.1	0.2		
Gains or losses on hedges of a net investment in foreign operations				
Reserve deriving from changes in the shareholders' equity of investees				
Gains or losses on non-current assets or disposal groups held for sale				
Other items				
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	(298.3)	310.4	(562.5)	(144.9)

Other changes		Total changes		Income tax		Balance	
31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
2.7		(8.7)	6.4	0.3	0.2	(9.3)	(0.7)
2.7		(7.9)	7.7			10.4	18.4
		(0.7)	(1.2)	0.3	0.2	(19.8)	(19.0)
		(0.0)					0.0
(0.0)	0.0	(849.3)	159.1	378.2	(70.0)	87.4	936.7
		0.1	1.7			4.9	4.8
(0.0)	0.0	(859.5)	157.2	382.7	(69.9)	80.6	940.1
		10.1	0.2	(4.5)	(0.1)	1.9	(8.2)
2.7	0.0	(858.0)	165.5	378.6	(69.8)	78.1	936.0

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

Amounts in €m		Level 1		Level 2		Level 3		Total	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		41,788.1	34,737.3	377.3	382.0	1,280.6	923.3	43,446.0	36,042.7
Financial assets at fair value through profit or loss	Held for trading financial assets	113.0	112.6	164.0	157.0	15.2	60.4	292.2	330.0
	Financial assets at fair value through profit or loss	6,203.5	4,594.3	0.7	11.5	1.3	2.4	6,205.5	4,608.2
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*48,104.6*	*39,444.2*	*542.0*	*550.6*	*1,297.1*	*986.1*	*49,943.8*	*40,981.0*
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	14.9	17.3	241.5	252.8	21.9	6.7	278.3	276.8
	Financial liabilities at fair value through profit or loss					2,261.0	895.5	2,261.0	895.5
Total liabilities measured at fair value on a recurring basis		*14.9*	*17.3*	*241.5*	*252.8*	*2,282.9*	*902.2*	*2,539.3*	*1,172.3*
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of disposal groups held for sale									
Liabilities associated with disposal groups									

Details of changes in level 3 assets and liabilities at fair value on a recurring basis

Amounts in €m	Available-for-sale financial assets	Financial assets at fair value through profit or loss		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
		held for trading financial assets	Financial assets at fair value through profit or loss				held for trading financial liabilities	Financial liabilities at fair value through profit or loss
Opening balance	923.3	60.4	2.4				6.7	895.5
Acquisitions/Issues	211.1	0.0						
Sales/Repurchases	(80.4)	(0.4)						
Repayments	(1.0)	(1.7)						
Gains or losses recognised through profit or loss	(0.0)	(4.3)	(0.9)					
- of which unrealised gains/losses	(0.0)	(4.3)	(0.9)					
Gains or losses recognised in the statement of other comprehensive income	122.2							
Transfers to level 3		0.0						
Transfers to other levels		(14.2)						
Other changes	105.3	(24.5)	(0.2)				15.2	1,365.6
Closing balance	1,280.6	15.2	1.3				21.9	2,261.0

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

	Carrying amount		*Fair value*							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Assets										
Held-to-maturity investments	459.6	539.6	497.3	605.8	34.5	32.8			531.7	638.6
Loans and receivables	4,313.1	4,489.1			2,650.3	3,231.8	1,571.6	1,368.8	4,221.9	4,600.7
Investments in subsidiaries, associates and interests in joint ventures	341.0	803.8					341.0	803.8	341.0	803.8
Investment property	2,071.1	2,271.4					2,202.8	2,389.0	2,202.8	2,389.0
Property, plant and equipment	1,813.6	1,719.3					1,976.8	1,861.6	1,976.8	1,861.6
Total assets	8,998.4	9,823.1	497.3	605.8	2,684.8	3,264.7	6,092.2	6,423.2	9,274.3	10,293.6
Liabilities										
Other financial liabilities	2,713.3	2,490.7	1,632.8	1,390.3			854.3	1,189.0	2,487.1	2,579.3

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STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS

in accordance with art. 81-*ter* of CONSOB Regulation no. 11971/1999

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-ter, CONSOB REGULATION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned, Carlo Cimbri, as designated Chairman, and Maurizio Castellina, as Manager in charge of financial reporting of UnipolSai Assicurazioni S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the administrative and accounting procedures for preparation of the consolidated financial statements for the period 1 January 2018-31 December 2018.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the consolidated financial statements for the year ended 31 December 2018 is based on a process defined by Unipol Gruppo S.p.A., inspired by the COSO Framework (Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission and, as regards the IT component, by the COBIT Framework (Control Objectives for IT and related technology), internationally recognised as the reference standards for the implementation and evaluation of internal control systems.

3. It is also certified that:

   3.1 the consolidated financial statements at 31 December 2018:
   - were prepared in compliance with the International Accounting Standards recognised in the European Community in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, Legislative Decree 38/2005, Legislative Decree 209/2005 and applicable IVASS measures, regulations and circulars;
   - correspond to the book results and accounting records;
   - are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer and of the consolidated companies;

   3.2 the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer and of the consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Bologna, 14 March 2019

The Chairman
Carlo Cimbri

Manager in charge
of financial reporting
Maurizio Castellina

(signed on the original)

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SUMMARY OF FEES FOR THE YEAR FOR SERVICES PROVIDED BY THE INDEPENDENT AUDITORS

Summary of fees for the year for services provided by the Independent Auditors (Art. 149-duodecies of Issuer's Regulation)

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	1,966
Attestation services	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	504
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	UnipolSai S.p.A.	278
Other professional services	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	377
Total UnipolSai			**3,124**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	665
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	120
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	77
Attestation services	PricewaterhouseCoopers SpA	Subsidiaries	8
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	62
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Subsidiaries	13
Total subsidiaries			**944**
Grand total			**4,068**

(*) fees do not include any non-deductible VAT nor charged back expenses

UnipolSai Assicurazioni S.p.A.

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Share capital
€2,031,456,338.00 fully paid-up
Bologna Register of Companies
Tax No. 00818570012
VAT No. 03740811207
R.E.A. No. 511469

A company subject
to management and coordination
by Unipol Gruppo S.p.A.,
entered in Section I of the Insurance
and Reinsurance Companies List
at No. 1.00006
and a member of the
Unipol Insurance Group,
entered in the Register of
the parent companies – No. 046

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