Unipol GRUPPO

2018

Integrated Consolidated Financial Statements

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Mercurio GP Srl

Unipol Gruppo

Annual Integrated Report

and Consolidated Financial Statements

2018

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

Innovating today to mark our future

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 the 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.

Company bodies

	HONORARY CHAIRMAN	Enea Mazzoli	
BOARD OF DIRECTORS	CHAIRMAN	Pierluigi Stefanini	
	VICE CHAIRMAN	Maria Antonietta Pasquariello	
	CHIEF EXECUTIVE OFFICER GENERAL MANAGER GROUP CEO	Carlo Cimbri	
	DIRECTORS	Gianmaria Balducci	Claudio Levorato
		Francesco Berardini	Pier Luigi Morara
		Silvia Elisabetta Candini	Antonietta Mundo
		Paolo Cattabiani	Milo Pacchioni
		Ernesto Dalle Rive	Annamaria Trovò
		Patrizia De Luise	Adriano Turrini
		Massimo Desiderio	Rossana Zambelli
		Anna Maria Ferraboli	Carlo Zini
		Daniele Ferrè	Mario Zucchelli
		Giuseppina Gualtieri	
	SECRETARY OF THE BOARD OF DIRECTORS	Roberto Giay	
BOARD OF STATUTORY AUDITORS	CHAIRMAN	Mario Civetta	
	STATUTORY AUDITORS	Silvia Bocci	
		Roberto Chiusoli	
	ALTERNATE AUDITORS	Massimo Gatto	
		Chiara Ragazzi	
MANAGER IN CHARGE OF FINANCIAL REPORTING		Maurizio Castellina	
INDEPENDENT AUDITORS		PricewaterhouseCoopers SpA	

Board of Directors and Board of Statutory Auditors appointed by the Shareholders' Meeting on 28 April 2016

Contents

Letter from the Chairman

Digitalisation, artificial intelligence, robotics, are some of the most frequently used words at the company, among many others. The speed of the processes of change are certainly placing innovation at the centre of company life and technology may offer extra support in attaining the 2030 Sustainable Development Objectives, but it is also important to develop scalable innovative processes capable of meeting the needs of a society undergoing profound change.

For Unipol, the investment in and commitment to innovation, both vertical and transversal, has been central to the latest Business Plan, but we need to ensure that the spirit of innovation permeates all areas of the company to be able to continue to fulfil our social role. In this regard, we need to work to ensure the organisation develops collective intelligence, by valuing each person's contribution to creating shared value, promoting mutually beneficial processes with stakeholders and fuelling the generating capacity. These are commitments we have assumed in the latest plan and that will permeate the new one in which the creation of shared value to support achievement of the Objectives of the 2030 Agenda will be a fundamental driver.

The contents of this Report are once again testimony to respect for the identity values that distinguish our business every day, and which provides the basis for our reputation. A reputation we want to stay solid in the eyes of all stakeholders, so they can be sure that we are a reliable partner to build a future with.

Pierluigi Stefanini

Letter from the Chief Executive Officer

The year 2018 saw the final step of the Business Plan launched in 2016; a positive three-year period that, based on four key guidelines - simplicity, proactivity, speed and innovation – brought the achievement of our set objectives.

The development of innovative products, the adoption of processes and tools aimed at simplifying both the customer's and the agent's experience, the provision of additional services which have proved to be increasingly reliable and efficient, have contributed to the progressive improvement of the trust relationship with the customer and made it possible to consolidate our market position.

Our strategy, focused on the core insurance business, aims at enhancing the Group's excellence. Being able to combine innovation and quality, ideas and projects that can actually be implemented is one of the challenges that has always distinguished us; we are successfully confronting it today and we will continue to face it in the future.

The Group has undertaken several commitments on the development of sustainable policies. In 2018, to make our commitment more tangible, Unipol chose to adhere to the principles of the United Nation Global Compact, an international standard articulated on 4 macro areas - human rights, labor standards, environmental protection and fight against corruption – through which we were able to concretely demonstrate our commitment in promoting these values within and outside the company. Examples include the integration of this kind of risks into the Enterprise Risk Management system and the adoption of advanced mitigation models, both in terms of investment and purchase processes.

The results, and the methods through which they were achieved, are reported in this Integrated Report, which also aims to be a tool for assessing the extent of the commitments undertaken by the Group.

Carlo Cimbri

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ANNUAL INTEGRATED REPORT

CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ITALIAN LEGISLATIVE DECREE N. 254/2016

The Group Annual Integrated Report fulfils the requirements of Italian Legislative Decree 254/2016, which implemented European Directive 2014/95 in Italy regarding the communication of non-financial information and information on diversity, as supplemented by Law 145/2018 (2019 Budget Law).

As required by the legislation, the consolidated non-financial statement covers environmental and social matters, and topics related to personnel, respect for human rights, anti-corruption, which are relevant taking into account the Group's characteristics and activities, and which are addressed to the extent necessary to ensure an understanding of the Group's activities, its performance, results and the impact it generates. The relevance of the topics is determined through the materiality analysis process described below (in the section "Material topics") and summarised in the materiality matrix adopted.

The above issues are documented in this Report in accordance with Guidelines of the International "IR" Framework and in compliance with current regulations.
The scope of reporting of non-financial information, as requested by Italian Legislative Decree 254/2016, coincides with that of the Consolidated Financial Statements, including fully consolidated companies for the financial reporting at 31 December 2018. All exceptions to the scope of reporting are adequately described in the relevant sections of the document. These exceptions do not affect the understanding of the Company's activities, its development, its performance and its impact.

Non-financial performance indicators were defined by using the "Sustainability Reporting Standards" issued in 2016 by the Global Reporting Initiative (GRI) as a methodological reference, and using the "GRI-Referenced" approach. Some indicators of the Sector Disclosure Financial Services set by the GRI G4 guidelines were also reported. The data needed to compile them were gathered and processed using a dedicated IT system which makes it possible to ensure full traceability of the data collection and consolidation process. The information relating to 2018 were provided with a comparison with those disclosed in the previous year, as required by Italian Legislative Decree 254/16.

The table below supports the traceability of the non-financial information within the document; said information can subsequently be clearly identified in the report by using the following info-graphic, with the goal of further improving use of the information. **NFS**

Pursuant to Art. 5 of the Consob Regulation dated 18 January 2018, the Unipol Group has appointed the independent auditors PwC S.p.A., currently responsible for audit of the consolidated financial statements for the years 2012-2020, for the limited assurance engagement in reference to the Statement. Their report is attached to this document.

In respect of the Unipol Group's strategic adoption of the commitment to contribute to achieving the Sustainable Development Objectives (SDGs) of the 2030 Agenda of the United Nations, a commitment reported in the Sustainability Policy, it has been deemed appropriate to also explain these correlations in the following table.

Issue indicated in Italian Legislative Decree 254/2016	Italian Legislative Decree 254/2016	Page reference in the Annual Integrated Report	SDGs *
Material topics	Art. 3, par. 1	P. 16-17: "Annual integrated report preparation criteria and methods" - "Material topics" P. 61-64: "Future orientation in the use of capital"	
Organisation and management model	Art. 3, par. 1a	P. 18-19: "Group highlights" P. 43-44: "The Unipol Group" - "Activities and sectors" P. 45-50: "Identity profile" P. 65-77: "Governance" - "Corporate Governance" - "Internal control and risk management system" P. 82-84: "Business model" - "Insurance" and "Banking"	
Business policies, results, indicators	Art. 3, par. 1b	P. 8-9: "Letter from the Chairman and Letter from the Chief Executive Officer" P. 61-64: "Future orientation in the use of capital" P. 67-77: "Governance" - "Internal control and risk management system" P. 26-27: "The Creation of Value" P. 82-84: "Business model" - "Insurance" and "Banking" P. 36-39: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" P. 40: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" P. 34-35: "The impacts generated by the Unipol Group" - "Satisfaction of security and social well-being requirements"	1, 3, 8, 9, 12, 17
Main risks	Art. 3, par. 1c	P. 16-17: "Annual integrated report preparation criteria and methods" - "Material topics" P. 61-64: "Future orientation in the use of capital" P. 67-77: "Governance" - "Internal control and risk management system"	
Energy resources, water resources, emissions	Art. 3, par. 2a Art. 3, par. 2b	P. 40-42: "The impacts generated by the Unipol Group" - "Contribution to reducing the effects of climate change" P. 64: "Future orientation in the use of capital" - "Climate change"	6, 7, 12, 13
Impact on the environment, health and safety	Art. 3, par. 2c	P. 37-38: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers" P. 82-83: "Business model" - "Insurance" P. 31: "Capital performance" - "Human capital" - "Mobility" P. 40-42: "The impacts generated by the Unipol Group" - "Contribution to reducing the effects of climate change" P. 40: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" P. 64: "Future orientation in the use of capital" - "Climate change"	11, 12
Human Resource management and gender balance	Art. 3, par. 2d	P. 29-31: "Capital performance" - "Human capital" P. 47-49: "Identity profile" - "Human resources" P. 79-81: "Governance" - "Remuneration system and incentives"	4, 5, 8
Respect for human rights	Art. 3, par. 2e	P. 23-24: "Unipol Group Vision, Mission and Values" P. 120: "Ethics Report" P. 40: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" P. 61: "Future orientation in the use of capital" - "Instability and Polarisation" P. 37-38: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers"	8, 12
Fight against corruption	Art. 3, par. 2f	P. 23-24: "Unipol Group Vision, Mission and Values" P. 67-77: "Governance" - "Internal Control and Risk Management System" P. 82-84: "Business model" - "Insurance" and "Banking" - "Complaints management"	16
Reporting standard adopted	Art. 3, par. 3, 4 and 5	P. 14-17: "Annual integrated report preparation criteria and methods"	
Diversity among members of the administration bodies	Art. 10, par. 1a	P. 65-66: "Governance" - "Corporate Governance" P. 79-81 "Governance" - "Remuneration system and incentives"	5

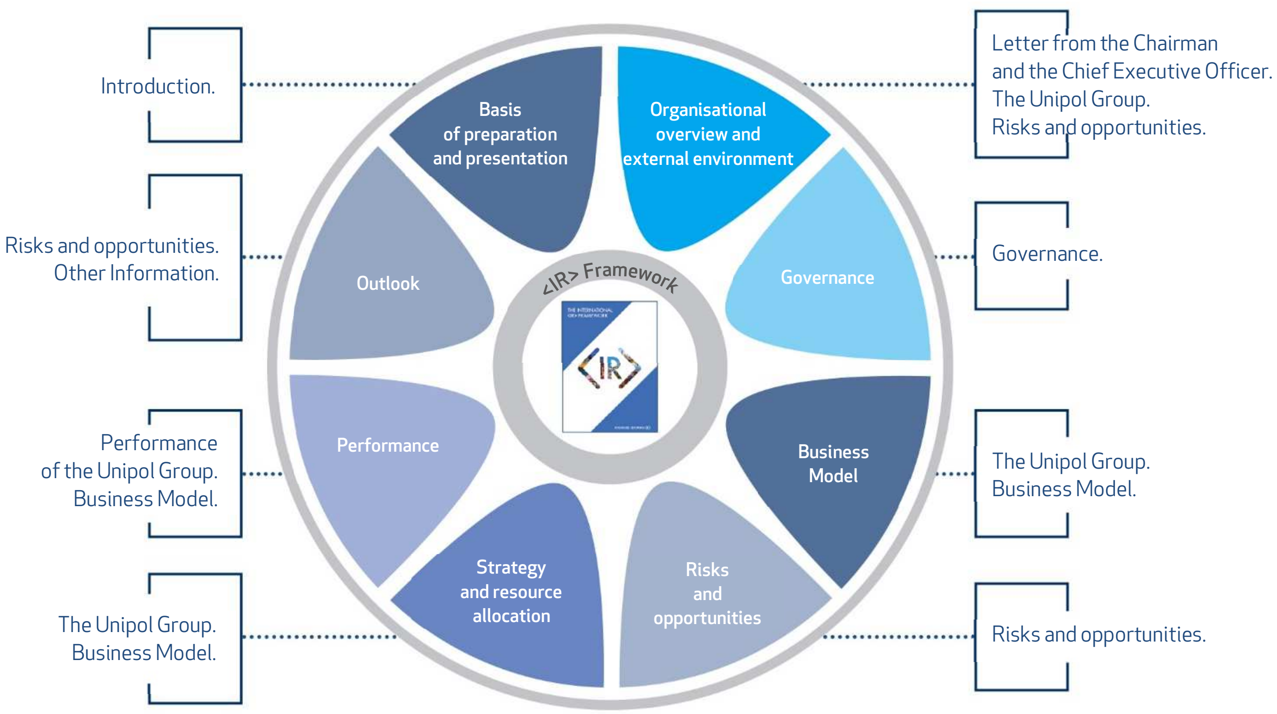
* For greater details of the Sustainable Development Goals (*SDGs*), reference should be made to the Glossary and to the website http://asvis.it/ for an up-to-date overview of their relationship to the business models of companies in Italy.

ANNUAL INTEGRATED REPORT PREPARATION CRITERIA AND METHODS

The "Annual Integrated Report" (or "Integrated Report") aims to present in a single document, in an integrated and comprehensive manner, the factors that influence the Group's capacity to generate value, illustrating its business model through an analysis of the capital employed and generated; this has been made possible by supplementing, within a single document, the information contained in the traditional consolidated financial statements with an account of environmental, social and governance performances. The creation of value represented implies not only the commitment to protect the company's assets and profitability, but also to protect the safety of people and their property, in addition to the dedication to protecting savings and promoting sustainable and balanced development in the communities in which the Group operates.

The Unipol Group's Integrated Report was developed on the basis of the standards laid out in the International Integrated Reporting Framework (IIRF) issued by the International Integrated Reporting Council (IIRC) in December 2013. In particular, the reporting process is organised and managed in accordance with the Guiding Principles (Strategic focus and future orientation, Connectivity of information, Stakeholder relationships, Materiality, Conciseness, Reliability and completeness, Consistency and comparability); the document is structured by developing the Content Elements (Organisational overview and external environment, Governance, Business model, Risks and opportunities, Strategy and resource allocation, Performance, Outlook, Basis of preparation and presentation) suggested by the IIRC.
The figure below shows how the content of the Framework is arranged within the Unipol Group's Integrated Report:

Framework Content



Stakeholder engagement tools and processes

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Meetings and dialogue with stakeholders are structural elements of the Group's 'modus operandi'. Effective and constructive relations with stakeholders help Unipol to understand and provide effective responses to requirements, in improving its service capacity, ensuring the accessibility and transparency of its business. A number of listening and engagement channels are structured with the various stakeholder categories, including:

LISTENING/ENGAGEMENT

Stakeholders	Channels	Issues
EMPLOYEES	Focus	Construction of the materiality matrix and questionnaires
	Shareholders' meetings and trade union meetings	Regulatory, economic and support conditions
	Survey	Corporate welfare
	Intranet Community Platform	Training, Services and Utility
	Annual survey based on the Rep Trak® model	Reputation
SHAREHOLDERS	Shareholders' meeting	Performance and trends
	Periodic reporting	Performance and trends
	Website and social media	Performance and trends
CUSTOMERS	Individual interviews and Surveys Focus Group with trade associations	Construction of the materiality matrix Definition of product characteristics
	Periodic Customer Satisfaction Index surveys Net Promoter Score	Listening and customer satisfaction levels Customer experience assessment
	Website and social media	Products and services mix
	Annual survey based on the Rep Trak® model	Reputation
AGENTS	Meetings with the Agent Group chairmen Operations work groups Technical Committees Agent Groups	Strategic objectives and improvement of decision-making processes Product development Business initiatives
	Focus Group	Construction of the materiality matrix
	Business Roadshow	Results and Objectives Action Plan Business reliability
	Network satisfaction monitoring survey	Satisfaction and loyalty
	Annual survey based on the Rep Trak® model	Reputation
SUPPLIERS AND BUSINESS PARTNERS	Individual interviews and Surveys	Construction of the materiality matrix
	Partnerships	Research and Innovation
	Suppliers portal	Management, Selection, Periodic Assessment and Monitoring
COMMUNITY	Individual interviews with NGOs	Construction of the materiality matrix
	Interviews with interest protection associations	Construction of the materiality matrix
	Partnerships with universities	Recruitment, Research and Innovation
	Annual survey based on the Rep Trak® model	Reputation
FINANCIAL COMMUNITY	Meetings with Investors	Strategy and Performance
	Questionnaires to SRI rating agencies	Sustainability Strategy and Performance
	Meetings with sector associations	Sector issues
	Annual survey based on the Rep Trak® model	Reputation
INSTITUTIONS	"Derris" project	Public-private partnership on damage from climate change
	"Welfare, Italia" project	Advocacy on White Economy opportunities
	Issue-specific meetings with the legislator and regulators	Legislation and Regulations
	Annual survey based on the Rep Trak® model	Reputation

Key: Inclusion Listening

Material topics

NFS

The identification of material topics is a fundamental process for the purposes of the reporting of non-financial information, as set forth in both the regulations and the reporting standards that constitute the methodological reference of this Report. The contents to be included in this report are therefore selected on the basis of the materiality principle, as described in the "Sustainability Reporting Standards" of the Global Reporting Initiative, with the goal of highlighting the topics that reflect the organisation's significant economic, environmental and social impacts or that greatly influence the evaluations and decisions of stakeholders; the material topics identified represent, on the one hand, the interests and expectations of stakeholders and, on the other, Top Management's strategic priorities. They are, at the same time, consistent with the IIRC guidelines, which define as material those topics which significantly impact the organisation's capacity to create value in the short, medium and long term.

The materiality analysis for reporting purposes is a process closely related to and influenced by the strategic planning processes; therefore, in order to guarantee consistency and transparency in connecting the commitments-objectives and the expected results, the Group deems it appropriate to attribute to the materiality analysis and resulting materiality matrix the same time value of the Integrated Three-Year Plan. This report marks the conclusion of the 2016-2018 planning cycle; to coincide with the drafting of the 2019-2021 Integrated Three-Year Plan, provision is made for the start of the new materiality analysis and the associated engagement process.

The materiality matrix represented below is the result of a process launched with the structuring of a tree of significant sustainability topics for the sector and for the company, constructed on the basis of the information provided by the Reputational & Emerging Risk Observatory created by the Group to guarantee structured listening to signs of change in the external environment (described in detail in section "Future orientation in the use of capital" in the "Risks and opportunities" chapter).

The order of priority of the topics was determined according to two evaluation measurements: strategic importance for the Group and relevance perceived by the stakeholders. The Strategic importance for the Group was evaluated by summarising the results of one-to-one interviews with the Senior Executives of the Unipol Group and of UnipolSai and of the main insurance and banking Companies. The relevance perceived by stakeholders was determined on the basis of the evidence gathered by listening to and discussing activities with the Group's stakeholders, thanks to a process finalised in 2016 and geared towards understanding the business opportunities associated with the Sustainable Development Goals (SDGs) of the 2030 Agenda promoted by the United Nations. Engagement concerned natural persons, through "CAWI" questionnaires (Computer Assisted Web Interviewing); legal entities, suppliers, community representatives, through individual interviews; employees and agents, through local focus groups.

On the side of the current layout of the matrix, which represents the "materiality" of the topics identified in today's perceptions of the management group and stakeholders, within an integrated report, it is appropriate to give an account of the oversight of the medium-term vision, which guarantees that the Group is able to monitor the emergence of significant trends that modify the company and the market and to understand their business impacts. As pointed out above, the instrument used by Unipol is the Reputational & Emerging Risk Observatory which, in support of 2016-2018 planning, identified 11 emerging macro trends.

For this reason, in representing what is material for the Group, in addition to the materiality matrix, the summary map of interconnections between the 11 emerging trends and the 23 material issues is also presented, which highlights the materiality of the issues identified also in the medium term, thereby giving the materiality matrix a more strategic dimension.

The third dimension explained in the representation below is the relationship between the emerging trends and the SDGs of the 2030 Agenda, considering the Group's commitment to supporting the achievement of the Sustainable Development Goals and, to this end, it is important to stress that the emerging risks to which Unipol is subject also underly said 2030 Goals, and that a strategic and proactive approach targeted at preventing emerging risks translates to the definition of innovative responses able to contribute to attainment of the SDGs.

The approach summarised here represents the interpretational model adopted in the Integrated Report for discussing the reporting issues, related risks, and the social and environmental impact generated.

The most important topics, i.e. with a high score on both axes of the matrix, are those identified for non-financial reporting. As a result of the principle of materiality, not all the issues identified have the same value and can be recorded with indicators of the same degree of significance within the Group, composite in terms of companies and business sectors. Given the connection that the Annual Integrated Report wished to show between financial and non-financial aspects, it was decided to report on all the companies consolidated line-by-line as regards data relating to "Excellence of the business and operating mechanism", except for the issue "Raising regulatory compliance awareness", currently only applying to the Italian companies; in relation to the "Innovative and distinctive offer", "Simplified customer and agent experience" and "More effective physical distribution", reporting is instead focused on the insurance and banking segments, in line with the Three-Year Plan and with sector regulations.

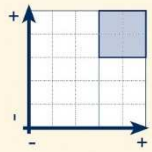
CONNECTION BETWEEN MATERIAL TOPICS, MACRO TRENDS AND SDGs

NFS

Materiality matrix

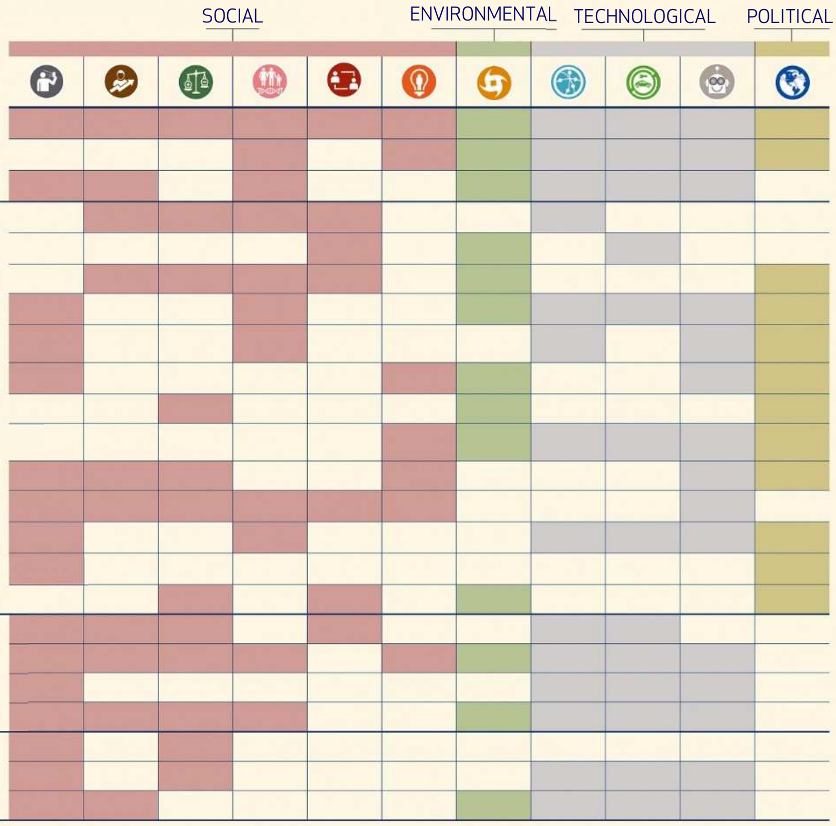
- INNOVATIVE AND DISTINCTIVE OFFER
- EXCELLENCE OF THE BUSINESS AND OPERATING MECHANISM
- SIMPLIFIED CUSTOMER AND AGENT EXPERIENCE
- MORE EFFECTIVE PHYSICAL DISTRIBUTION

The survey area represented in the chart corresponds to the quadrants expressing the highest levels of materiality in absolute terms for the Group and for stakeholders.



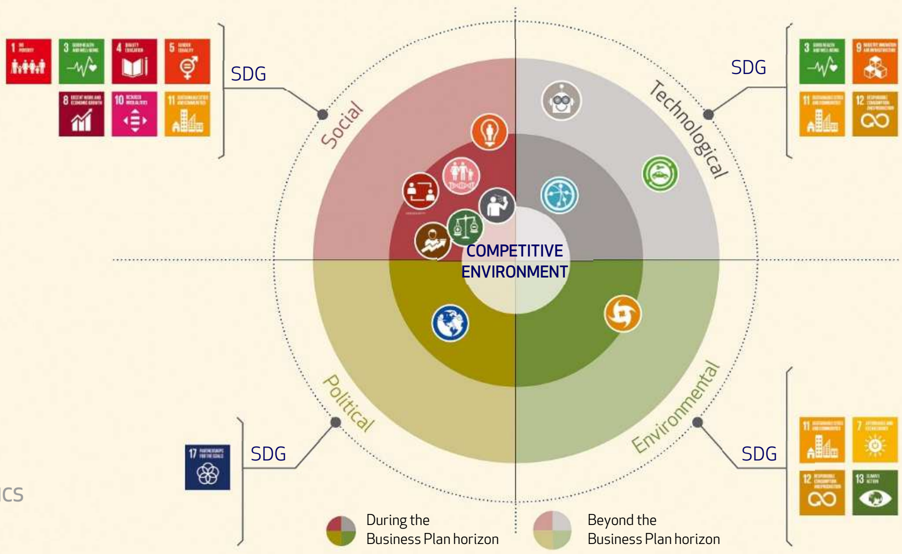
Material topics and Emerging Macro Trends

1. Product innovation
2. Partnerships
3. After-sales customer service
4. Financial inclusion
5. Reducing and optimising the corporate impact
6. Relations with the local community
7. Risk management, risk and control culture
8. Transparency and clarity in the shareholding and governance structure
9. Farsightedness in responsible capital management
10. Profitability of the Group's activities
11. Long-term approach to setting corporate objectives and to making investment choices
12. Development of resources
13. Well-being within the company
14. Raising regulatory compliance awareness
15. Transparency toward the Market and the Authorities
16. Responsible supply chain management
17. Customer loyalty
18. Personal consultancy
19. Integrated multi-channel operations
20. Personalised products and services
21. Fair and responsible competition
22. Fairness in the sale of products and services
23. Group relations with the agency network

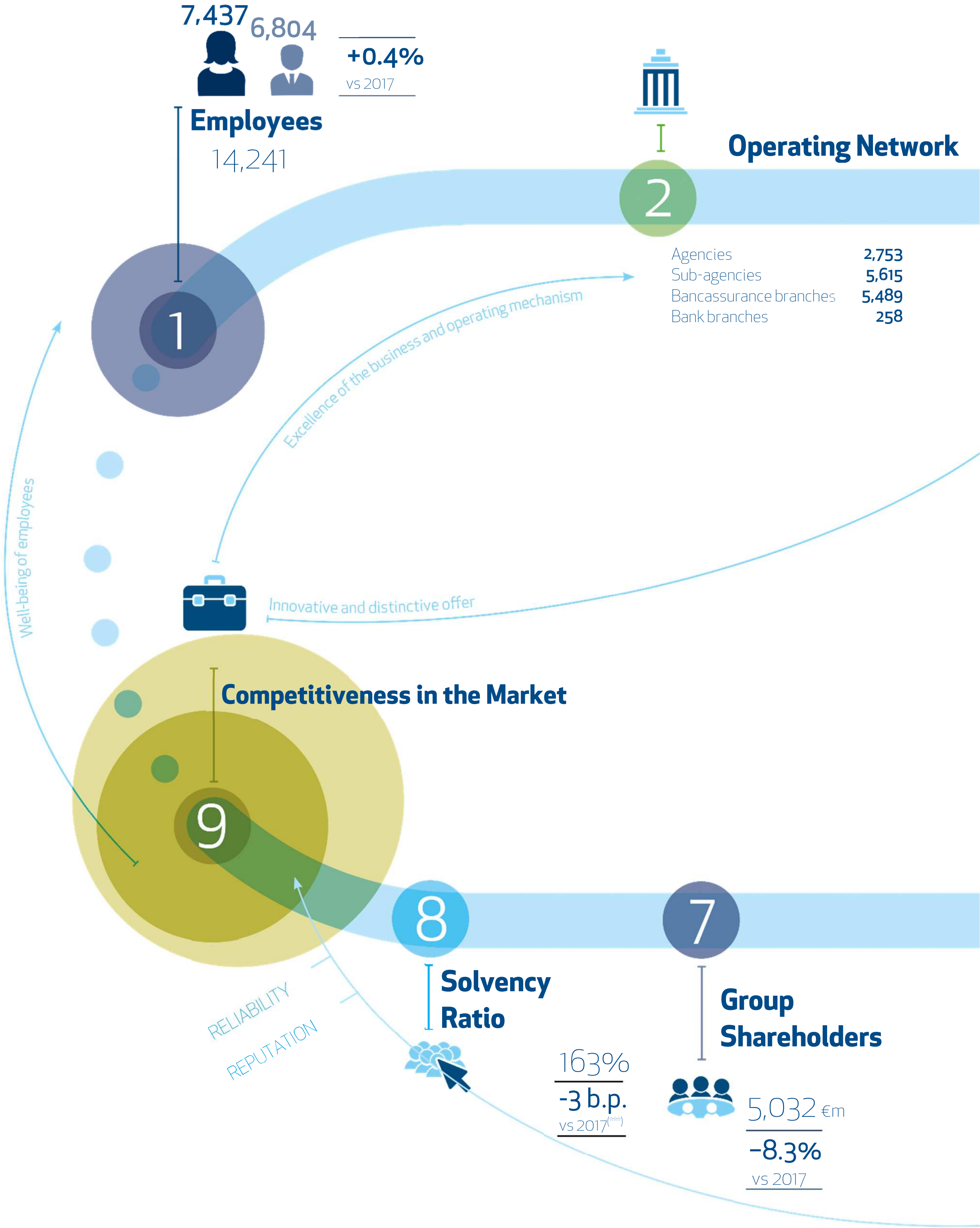


Emerging Trend Radar

- HYBRID CONSUMER
- HUMAN SOCIETY 2.0
- INSTABILITY AND POLARISATION
- WELL BEING
- SHARING ECONOMY
- NEW SKILLS
- INTERNET OF EVERYTHING
- NEW MOBILITY
- CLIMATE CHANGE
- NEW FRONTIERS
- ARTIFICIAL INTELLIGENCE AND ROBOTICS



GROUP HIGHLIGHTS



3 Customers and Policyholders

INDIVIDUALS
15.0 million

LEGAL ENTITIES
0.9 million

4 Performance

PREMIUMS	**€m**	**Var. vs 2017**
Non-Life direct insurance	7,953	+1.1%
Life direct insurance	4,396	-0.6%
- of which Life investment products	*508*	*-16.3%*
Direct insurance premiums	**12,349**	**+0.5%**
Banking business - direct customer deposits	**10,084**	**-16.0%**

RATIOS	**2018**	**2017**
Non-Life Loss Ratio - net of reins.	66.8%	69.0%
Non-Life Expense Ratio - net of reins.	27.4%	27.4%
Non-Life Combined Ratio - net of reins.	94.2%	96.4%
Group pro-rata APE (€m)	397	338 (*)
Life Expense Ratio - net of reins.	5.1%	5.8%

	€m	**Var. vs 2017**
Investiment and cash and cash equivalents (1)	**69,693**	**-2.7%**
Technical provisions (1)	**53,223**	**-0.4%**
•Non Lfe	15,512	-1.6%
•Life	38,011	+0.1%
Financial liabilities (1)	**15,379**	**-6.2%**

5 Consolidated profit (loss)

+628 €m

Normalised result on a like-for-like basis(**)

+645 €m

6 Value for Shareholders

ROE	8.18%
EPS	0.56
BVPS	7.01

(1) Before reclassification, pursuant to IFRS 5, of the Unipol Banca figures:
- Investments and cash and cash equivalents €10,249m
- Financial liabilities €8,458m

(*) Result on a like-for-like basis
(**) Operating figure excluding the effects of extraordinary transactions on a like-for-like basis
(***) Figure at 31/12/2017 recalculated with partial internal model.

THE UNIPOL GROUP

Significant events during the year and after 31 December 2018

JAN

On **20 January 2018**, UnipolSai Assicurazioni, included in MSCI World Esg Leaders, received recognition of its environmental, social and governance practices.

On **31 January 2018**, within the scope of the **Plan for the restructuring of the banking sector**, Unipol and UnipolSai disbursed a **shareholder loan** to Unipol Banca for €173m and €127m, respectively, for a **total amount of €300m.**

FEB

On **1 February 2018**, in conclusion of **the** Plan for the restructuring of the banking sector, the partial proportional spin-off from Unipol Banca to UnipolReC S.p.A. became effective. It involved the transfer of a company complex that included, amongst other things, the aforesaid shareholder loan and bad and doubtful loans for a gross total of €2,901m and net total of €553m at the date of the spin-off. *(Please refer to the chapter Unipol Group Performance for full details on the transaction).*

On **2 February 2018**, **UnipolSai** published the **update to the EMTN Programme** for a maximum 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 loan, qualifying as Tier 2 own funds for the purpose of Solvency II regulations, was issued on **1 March 2018** with the following characteristics: €500m principal, maturing in March 2028, issue price of 100%, coupon of 3.875% and a spread on the benchmark rate of 274.5 basis points, listed on the market regulated by the Luxembourg Stock Exchange.

MAR

On **29 March 2018**, the equity investment held in **Popolare Vita**, equal to 50%+1 share of the share capital, was sold to the *banking partner* Banco BPM. The sale, for a consideration of €535.5m, involved, at consolidated level, the realisation of a net capital gain of €308.6m.

APR

On **24 April 2018**, as a result of the application submitted by the Parent, the Unipol Group received authorisation from IVASS to use a Partial Internal Model to calculate the Group's solvency capital requirement with effect from annual supervisory reports at 31 December 2017.

MAY

On **3 May 2018**, two subordinated loans were repaid in full for a total of €300m, disbursed by Mediobanca - Banca di Credito Finanziario S.p.A. and originally maturing in 2025 and 2026, both of which recognisable among Tier 2 own funds for the purpose of *Solvency II* regulations.

On **9 May 2018**, Fitch Ratings announced its upgrade of the Long-Term Issuer Default Rating (IDR) assigned to Unipol Gruppo S.p.A. and UnipolSai Assicurazioni S.p.A. to "BBB" from "BBB-", with stable outlook. Consequently, the ratings of the debt securities of the Unipol Group were also raised. At the same time, the rating agency confirmed the Insurer Financial Strength (IFS) rating of UnipolSai Assicurazioni S.p.A. 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 S.p.A. from Ba2 to Ba1.

JUN

On **19 June 2018**, UnipolSai Assicurazioni and Advice Group, Italy's first progress marketing company, 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.

On **29 June 2018**, based on prior obtainment of the necessary authorisations, Unipol Gruppo purchased a total of 25,000,000 shares of **BPER Banca** S.p.A., equal to approximately 5.2% of the Bank's share capital. The transaction was finalised through a *reverse accelerated bookbuilding* procedure, targeting qualified investors and foreign institutional investors, and additional market purchases, meaning the Unipol Gruppo held, directly and indirectly, a total investment in **BPER** amounting to 72,500,000 shares, equal to 15.06% of the Bank's share capital. Based on the authorisations received, it can hold a maximum stake of 19.9%.

The "**Value Creators 2018"** rankings, designed by Boston Consulting, were published in **July**, for companies with the highest profitability. 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.

AUG

On **7 August 2018**, in conclusion of the project for streamlining the Unipol Group's insurance sector Unipol carried out the disposal to UnipolSai of its investment in **Arca Vita** (63.39%) for a consideration of €475m, approved by the Board of Directors of UnipolSai and Unipol on **22 March 2018**. *(Please refer to the chapter Performance of the Unipol Group for full details on the project).*

OCT

On **23 October 2018**, rating agency Moody's, as a result of the reduction in Italy's sovereign rating, revised UnipolSai Assicurazioni S.p.A.'s Insurer Financial Strength Rating from "Baa2" to "Baa3" and the Long-term Issuer Rating assigned to Unipol Gruppo S.p.A. from "Ba1" to "Ba2". At the same time, the rating agency improved the outlook on said companies, changing it from "negative watch" to "stable".

NOV

On **22 and 23 November** the Unipol Group hosted the Innovation Forum organised by Euresa which saw 100 insurers from fifteen European insurance companies discuss the challenges of the future, the solutions tested and the new trends identified.

On **28 November 2018,** at the 54th edition of the **"Oscar di Bilancio",** the Unipol Group was among the top award winners: the 2017 Integrated Report of the Unipol Gruppo won the Oscar in the Core Category "Listed Financial Companies" and also received a special mention for the "Integrated Reporting" category.

DEC

On **13 December 2018**, the Unipol Gruppo was awarded the **'Gran Premio Sviluppo Sostenibile 2018'**. Unipol is the financial group that is making an increasing contribution to Italy's achievement of the Sustainable Development Goals of the UN 2030 Agenda for Sustainable Development. A result which emerged during the 12th edition of GGB 2030 - Gran Premio Sviluppo Sostenibile, the project for banks, insurance companies and financial companies that Assosef, Associazione Europea Sostenibilità and Servizi Finanziari, has organised since 2007, with the goal of promoting the dissemination of a green and sustainable finance culture and practices.
In particular, the complete and significant awareness of the need to integrate Sustainable Development Goals into the strategy and operating application was warmly appreciated. A prospect that, both at domestic and international level, opens new pathways for the creation of value, innovation and competitiveness.

In December **2018**, as part of the "**MF Innovation Award"**, 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".

2019

On **7 February 2019**, Unipol Gruppo's Board of Directors approved an extraordinary transaction regarding the banking sector, to be carried out in a unique setting through the

- transfer to BPER Banca S.p.A. of the entire investment held by Unipol, also through UnipolSai, in **Unipol Banca S.p.A.**, equal to the entire share capital of the latter, for a cash consideration of €220m;
- **UnipolRec**'s purchase of two separate portfolios composed of bad and doubtful loans, one owned by BPER Banca and one by Banco di Sardegna for a gross total of €1.3bn, for a consideration of €130m.

On the same date, the relevant contractual agreements were signed between the parties involved, whose completion is subject to some conditions precedent, firstly of a regulatory and authorisation nature (please refer to the chapter Performance of the Unipol Group for full details of the transaction).

Again on **7 February 2019**, 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 Unipol based on the option contract signed on 31 December 2013 between Unipol and former Fondiaria-Sai. Following the exercise of the put option on **1 March 2019**, against payment of €579.1m, Unipol increased its direct holding in Unipol Banca and in UnipolReC to 85.24% of the respective share capital. The remaining shares in these companies remained under the ownership of UnipolSai.
In addition, as part of the exercise of the aforementioned put option, UnipolSai's Board of Directors resolved to grant a 5-year loan of €300m to Unipol, also repayable early, at an interest rate of the 3-month Euribor plus a spread of 260 basis points. For Unipol, the aforementioned loan is targeted at maintaining a high level of financial flexibility with an important available liquidity buffer. The loan was disbursed on **1 March 2019**.

Unipol Group Vision, Mission and Values

NFS

The Unipol Group aspires to guarantee people more security and confidence in the future while supporting them in making protection, savings and quality of life decisions thanks to the active presence of local networks, the expansion of the services offered and the responsible development of emerging technological opportunities.

VISION

"We strive to be a great Italian group proud of its history, which knows how to be close to people and their needs, a market leader capable of offering and receiving trust and of working competently, simply and quickly, while creating value for all stakeholders".

MISSION

"We are responsible for improving the quality of life of our customers by proposing solutions for the protection, support and realisation of their projects. We pursue efficient, profitable and sustainable business management over time, based on the contribution and enhancement of our people".

OUR CORE VALUES

Accessibility | Farsightedness | Respect | Solidarity | Responsibility

Our Core Values, identified through a shared process, are expressed in our **Charter of Values** and outlined in the **Code of Ethics** as behavioural principles towards the various stakeholders.

The commitments assumed in the Code of Ethics were further developed in the **Sustainability Policy**, approved by the Board of Directors in March 2018, which formalises the principles, behaviour styles and objectives relating to the corporate culture.

The Sustainability Policy, inspired by the Sustainable Development Goals and the *Global Compact* principles commits the company to respect for:

- protection of human and labour rights;
- environmental protection;
- fairness and transparency for consumers;
- fair business practices, particularly as regards lobbying and tax strategy practices;
- protection of equal opportunities;
- integration of sustainability into the business.

The Sustainability Policy also makes provision for the adoption of the appropriate controls in relation to ESG risks and the development of positive actions in all the Group's main policies.

In respect of the impact the Group has on the 17 Goals, appropriately analysed with the application of the SDGs Compass model, these four Goals were identified as those on which Group activities can have a more significant positive impact and have greater potential to contribute to the country's achievement of the SDGs.

Goal 3: Ensure healthy lives and promote well-being for all at all ages.

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable.

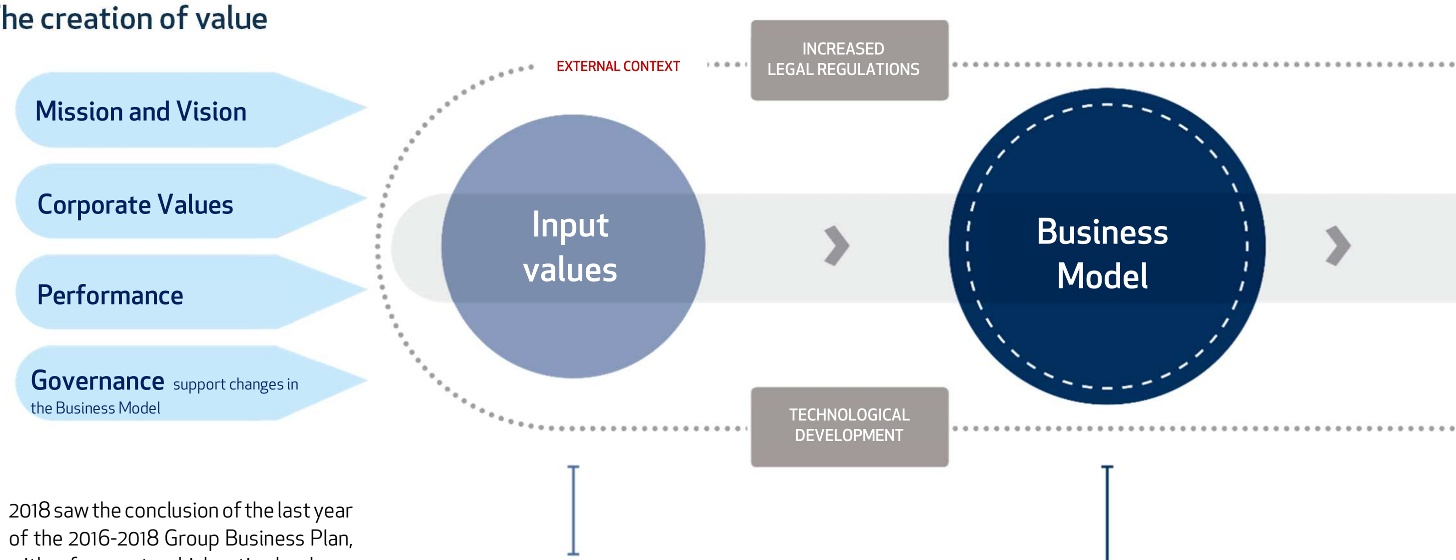
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 13: Take urgent action to combat climate change and its impacts.

Our Sustainability Path

1993	Publication of the first Unipol Assicurazioni Social Statement.
2008	Approval of the Charter of Values.
2009	Formation of the Ethics Committee within the Board of Directors and approval of the Code of Ethics.
2010	Approval of the First Three-Year Sustainability Plan along with the 2010-2012 Business Plan.
2015	Separation of the Sustainability Committee from the Ethics Committee to further strengthen the integration of sustainability within the business.
2016	Approval of the new 2016-2018 Integrated Business Plan.
2017	Adoption of the PRIs. Inclusion of the UnipolSai share in the FTSE4Good Index. Publication of the first Integrated Report of Unipol Gruppo.
2018	Compliance with the Global Compact Inclusion of the UnipolSai share in the MSCI ESG Index. Adoption of the Sustainability Policy.

The creation of value



2018 saw the conclusion of the last year of the 2016-2018 Group Business Plan, with reference to which action has been taken in line with the predefined objectives.

The commitment to develop an **innovative and distinctive offer** has led to the development of the integrated service model, control of telematic processes, incentivisation and expansion of repair and assistance services and the offer of non-insurance solutions in the healthcare domain for the management of Corporate Welfare Plans.

The simplification of the ***customer and agent experience*** has leveraged the development of new mobile sales processes and the availability of new advisory tools for the personalised analysis of the customer's needs.

In order to make **physical distribution more effective**, further investments were made in the strategic restructuring of the network and its specialisation, with the insertion of new specialised sellers.

The **excellence of the operating mechanism** was reinforced thanks to the improvement of the claim settlement process both regarding healthcare and through the management of claims in the UnipolSai app.

Financial capital

Direct insurance premiums: €12.3bn
270 investors met from America, Asia and Europe (+16% compared to 2017).

Productive capital

Widespread network of 2,753 agencies, 258 Unipol Banca bank branches, 5,489 bancassurance branches of affiliated banks, 84 motor settlement centres throughout the country.
Real estate assets: 19 management offices
€59m invested in ICT infrastructure and advanced telematics instruments.

Intellectual capital

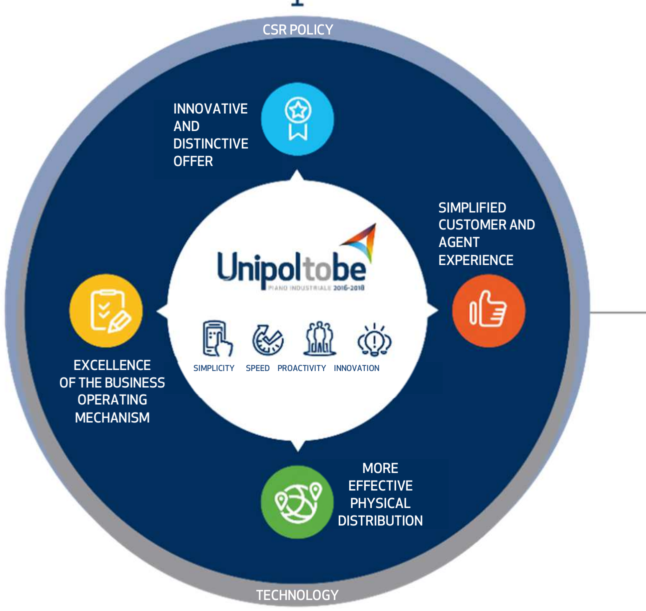
Business and technological know-how for the development of products and services.
Creation of algorithms for interpreting and developing the significant quantity of data collected.
Advanced software and applications.
Telematic management of data supporting the business and agency assistance
Distinctive processes and procedures for the selection and management of networks of authorised repair shops, medical facilities and affiliated craftsmen throughout the country.
Incentive system for managers and for 40% of the employees

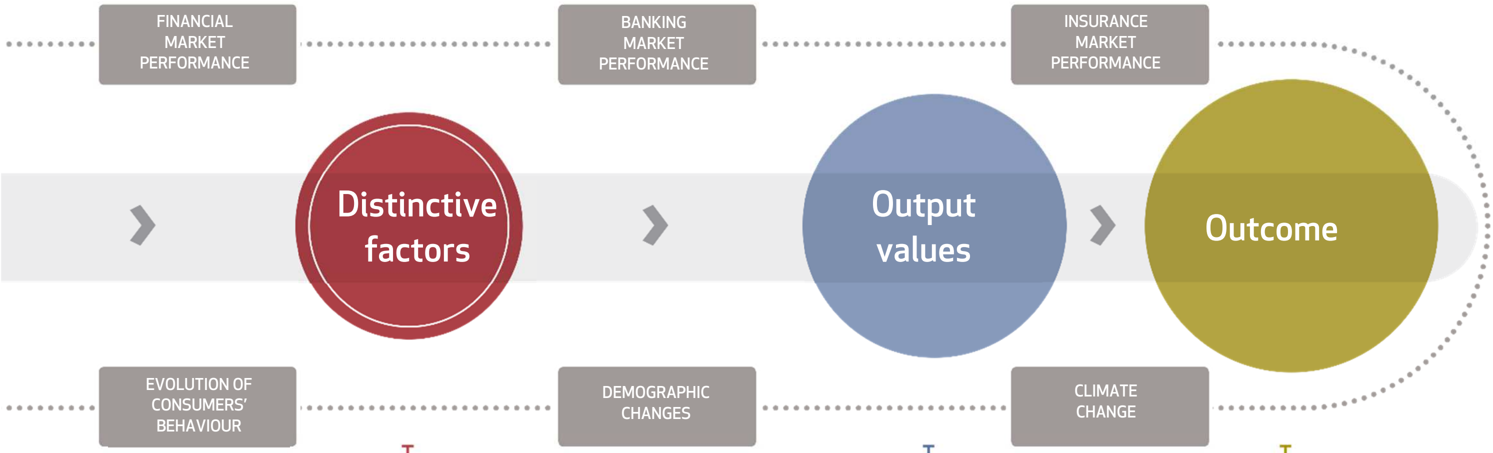
Human capital

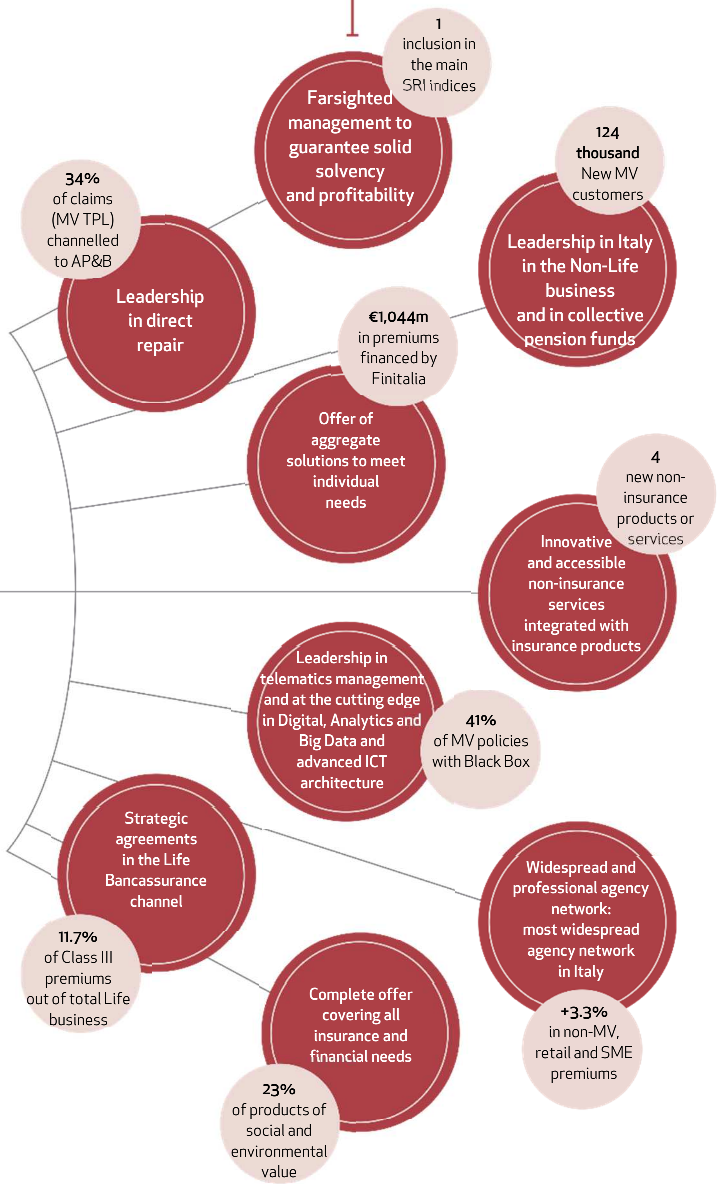
Academy with 1,742 catalogue courses, dedicated to training 14,241 employees and 32,753 agents and partners in the primary network in Italy.

Social and Relational Capital

15.9 million customers and policyholders
Consolidated Network of more than 66 thousand partners in the integrated services chain.
Continuity of the ownership structure.







Financial capital

Capital strength.

Prudent financial management.

Balance between premiums and bank loans.

Tax Responsibility.

Profit (loss) for the year.

Asset management property.

Productive capital

Efficient network in an integrated multichannel model.

Intellectual capital

Product innovation.

Process innovation.

Business tools innovation.

Increased awareness and knowledge of insurance and financial matters.

Expansion of the use of services.

Human capital

Growing knowledge, skills and professionalism.

Employee well-being.

Social and relational Capital

Customer satisfaction.

Benefits from the integrated network.

Assistance service speed.

Opinions of financial analysts.

> Satisfaction of security and well-being requirements.

> Equity in the distribution of the value created.

> Increase in trust and attractiveness for stakeholders.

> Support and promotion of sustainable companies through investment decisions.

> Contribution to the growth of the country, supporting SME development and increasing insurance knowledge.

> Contribution to reducing the effects of climate change.

Capital performance

Financial Capital

As an insurance and banking Group, Unipol's capital management strategy focuses on structurally sustaining financial returns in the medium and long term by means of policies that allow for the maintenance of an adequate level of solvency.
In 2018, the Unipol Group reached a Solvency II ratio (calculated on the basis of the Partial Internal Model) of 1.63 (1.66 in 2017).
In quantitative terms, the Group's Risk Appetite is determined on the basis of the following elements: capital at risk, capital adequacy and Liquidity/ALM ratios.
Quality objectives are also defined in reference to compliance, strategic, emerging and reputational risks and in relation to business continuity as part of operational risk.
As part of its banking business, the Group recorded a **Common Equity Tier 1 (CET1) of 30.5% and Unipol Banca a ratio of loans to bank direct customer deposits of 75.3%** (65.9% in 2017).

By means of prudent management again in 2018, the Unipol Group continued to diversify its investment asset allocation and maintain a stable level of liquidity sufficient to meet the operational requirements of the Group Companies.

Productive Capital

The year 2018 saw the continued development of products characterised by the integrated service model, expanding the range with the policies KM&Servizi Flotte and Albergo&Servizi. Investments in ICT (Information and Communications Technology) infrastructure were aimed at the design of new products to integrate the black box with Big Data platforms, such as Agricoltura&Servizi, Commercio&Servizi, Condominio&Servizi. With reference to 2018, note should also be taken of the sale of Salute Sanicard, the protection product dedicated to entities in the Third Sector, and SiatSail, the multisegment product that covers own damages, damages to people and third party property and accidents.
The company continues to implement innovative distribution channels, thanks to the evolution of digital platforms targeted at making information more accessible to customers; these include, for example, UnipolSai's site, the area reserved to customers (at the end of 2018, more than 1 million customers registered on the site, marking an increase of 125% over 2017) and the App, downloaded by 550 thousand customers (growth of 59% over the previous year). The developments made it possible not only to facilitate access, but also to expand and improve the services offered to customers: more than 150 thousand claims were tracked on-line with the tracking feature, which also enables contact with the appraiser and the adjuster, and approximately 3 million App notifications related to MV telematics devices.
In support of agent activities and business development, the new mobile sales process was launched, digitalised from underwriting to signing of the contract and to electronic payment of the premium, and new advisory tools were provided to the network for the personalised analysis of the customer's needs (pension, savings, protection and investment, accidents, home and health), integrated with company systems and also available to use on the move.
Also in regards to distribution channels, with the objective of offering agencies solutions that generate additional profit margins, new attractive offer segments for customers were trialled and different solutions from those of competitors, which enabled us to implement two pilot projects: the sale of lighting and gas supplies at UnipolSai agencies and the sale of MV, home and pet policies at the UnipolSai insurance corners in the large-scale retail channel.

Intellectual Capital

Investments in innovation support the continuous enrichment of the Group's intellectual capital, which allows, inter alia, the increasingly greater capacity to develop and directly manage the telematics and analysis applications and to employ advanced algorithms for the processing and interpretation of Big Data. This helps to create products, services, processes and projects that, also thanks to constant technological evolution, are able to guarantee care and protection for businesses and households by meeting new insurance and banking needs.
In 2018, the monitoring of innovation processes to add distinction to the product mix continued by extending the integrated service model to new products, the development of predictive analysis in **Leithà**; the outsourcing of the Group's entire telematic portfolio to **AlfaEvolution**; the testing of additional telematics devices for health and safety. The Group frequently involved and leveraged the contribution of innovative start-ups, universities and research networks in the innovation processes.

With reference to the products that supplement the telematics tools, in 2018, AlfaEvolution invested in the creation of its own **TSP** (*Telematics Service Provider*) platform, for the transmission and direct management of the data registered by telematics devices (79 TB of telematic data) for both MV and Non-MV business, in order to improve control of the processes, reduce the costs of providing services and enhance the flexibility of the service model. As regards motor vehicles, elements like the accelerometer and the sensor that detects the presence of children were also integrated in the telematics devices.

In 2018, the pilot project "Noleggio a Lungo Termine Innovativo in Agenzia" (long-term innovative agency rental) was launched, a service that responds to the cultural transformation "from ownership to use" and represents the first step for the Group as an all-round contact point in the mobility ecosystem. The service gives private customers the opportunity to sign long-term vehicle rental contracts integrated with individual insurance policies, a solution that enables the customer to avoid penalties in the case of a claim and maintain his or her Bonus/Malus Class. In order to support agencies' commercial commitment, instruments were implemented for the proactive identification of customers with a propensity to purchase thanks to predictive algorithms.
In the healthcare domain, the commitment to innovation was targeted at integrating UniSalute services in the UnipolSai offer, such as, for example, assistance services for non-self-sufficiency and for cases of post-hospitalisation that represent a unique model on the market, as well as the insertion in some collective healthcare plans (an addition to those already involved in 2017) of the offer of solutions for the management and monitoring of chronic illnesses provided by UniSalute Servizi (Monitor Salute®), or services targeted at preventing obesity in children (including the UniSalute Junior App developed in collaboration with Disney).

Innovation bolstered by technology also concerns internal processes; for example, the evolution of the "electronic settlement" process continued, which innovatively uses the information contained in the black box for the claims of the MV classes. With the support of Leithà, the Group company active in the development of innovative solutions, projects were launched regarding the telematic reconstruction of claims, modernisation of management of the UniSalute call centre, tariff innovation, through the application of innovative machine learning methods in tariff-setting activities and the provision of new databases for the technical areas. New digital agency support solutions are being tested, aimed at increasing the effectiveness of the sales offer.

The experimental projects implemented by AlfaEvolution in 2018 include the partnership with the Municipality of Turin for the testing of self-driving and connected vehicles in the urban area and the collaboration with Associazione Giovani Imprenditori Agricoli (AGIA - Young Farmers' Association) for the development of devices able to monitor field and greenhouse conditions and warn of risks of spontaneous combustion, in order to structure an insurance product that provides these services.

The Unipol Group is also committed to increasing awareness and knowledge about insurance and financial matters in Italy, with the conviction that IT tools can only express their full potential if there is simultaneous growth in the capacity to understand and manage personal needs. For institutions, it has the "Welfare, Italia" initiative in progress, and for students the "Eos. Conoscere l'assicurazione" project; for readers it composes 'Changes', the digital magazine focused on the themes of Technology, Society 3.0, Sharing, Environment, Well Being, Close to You.

NFS

Human Capital

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 skills supports the service model evolution plan. 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, **1.5 million training hours were completed,** of which **78%** for the agency network and **22%** for employees.
With reference to Group employees, training hours totalled 327,953 (+43% over 2017), of which 59% provided to men (28.5 average hours) and 41% to women (18.0 average hours); 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 (11,661).

Training provided to employees by job-level category and average hours of training by job-level category

Man hours of training provided

Total man hours 327,953 (23.0 average hours per 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, targeted at improving the quality of life and facilitating a balance between work and the responsibilities of family life. The areas in which welfare initiatives were developed range from assistance in caring for your loved ones (Fragibility) to the MaaM training course (Maternity as a Master) for new parents.

To support occupational health and safety, aside from routine activities such as workplace inspections, health monitoring and activities linked to properly following reference laws (around 5,500 visits made), voluntary health monitoring activity (around 2,000 participants) and work-related stress assessments continued in accordance with the INAIL 2017 Guidelines and the **Health and Safety Management System** manual inspired by the **BS OHSAS 18001:2007** standard is in force.

With regard to accidents in the workplace, in 2018, the total number of accidents fell by 4% compared to 2017, due to the decrease in accidents in transit, while workplace accidents were stable.

Accident

Total number of accidents	**223**
of which % suffered by men	36%
of which % suffered by women	64%
of which % in the workplace	24%
of which % in transit	76%

Frequency by segment	
Insurance	8.1
Banking	6.6
Tourism	15.9
Healthcare	18.6
Agricultural	15.2

As a result of the accidents recorded in 2018, more than 5,600 work days were lost.
The severity index[1] for the banking and insurance segments was 0.19.
Non-presence in the workplace due to reasons other than holidays stood at roughly 9.2% of working days at 31 December 2018, essentially stable with respect to 2017, in which a value of 8.8% was recorded. The figure refers to all Italian insurance companies of the Group and, therefore, represents roughly 70% of the total workforce.
In terms of safety, for the insurance and banking sector companies operating in Italy basic training paths have been in place for some time, which were completed by 11,276 employees and 150 executives. Refresher courses are also available for employees on the basis of frequencies established by regulations.
For the companies operating in Serbia, safety training focused on first aid and fire prevention, involving a total of 1,088 participants. In the diversified companies, 412 employees were trained on the various aspects of worker health and safety.

The welfare system incorporates entitlements that have been in place for many years, such as employee pension funds and the healthcare assistance funds.
In the Group, **13 Pension Funds and 19 Assistance Funds** are active to cover workers in the insurance, banking, agricultural, commercial, tourism and services sectors. More than 12,200 employees, including managers (the percentage uptake among employees is 85.5%), are enrolled in the Pension Funds, while the Group's Assistance Funds have more than 13,000 participants, including managers (the percentage uptake among employees is 91.5%).
As regards **mobility,** the activities carried out in 2017 under the Home-to-Work Travel Plan (Piano Spostamento Casa Lavoro - PSCL) continued, through the creation of sustainable mobility instruments such as the bike station and bike-sharing service, with an increasingly higher number of vehicles available, the economic incentive system for the purchase of public transport passes, mobility cycle initiatives, investment in infomobility and training sessions on safe driving for the most exposed workers (in both Italy and Serbia), as well as the enhancement of *car-pooling* already launched in the previous year.

All of this contributes to increasing the share of "ambassadors[2]" amongst employees, currently standing at 32.5% and so exceeding the 2016-2018 Plan objective of 25%.

In 2018, as regards **trade union relations** in the insurance segment in Italy, a new method of interaction was trialled, called "social dialogue" and structured into three levels of dialogue (political, contractual and information-related). Dialogue structured in this way has made it possible to sign important trade union agreements (in particular relating to the possibility of using external providers for call centre activities, provided that they apply the CCNL (national collective labour agreement) for the insurance sector.
During the year, there were 5,680 hours of strike in relation to call centre issues. In addition, 205,100 hours of trade union leave were used within the Group in Italy, and 128 trade union meetings were held for a total of 9,644 hours.
The application of the Solidarity Fund continued in the banking segment, with the exit of additional personnel who will meet the pension requirements in 2023. A trade union agreement was signed relating to the closure of 5 branches and the activities of the Bilateral Commercial Policy Committee commenced, targeted at establishing a positive work environment that values professionalism and interpersonal relationships.
As part of the process of rationalisation of the UNA Group's hotel network, the employment repercussions tied to the definitive closures of two hotels and the temporary closure of a third were handled; participation in Federalberghi was formalised with the simultaneous change of CCNL (national collective labour agreement) effective from 1 January 2019.

[1] Lost work days rate (or severity index) = (number of lost days/total number of working hours) x 1,000. To make it easier to understand this indicator, it was calculated using a multiplication factor of 1,000 (working hours). Lost work days exclude accidents involving first aid.
[2] see the Glossary for the definition.

Social and Relational Capital

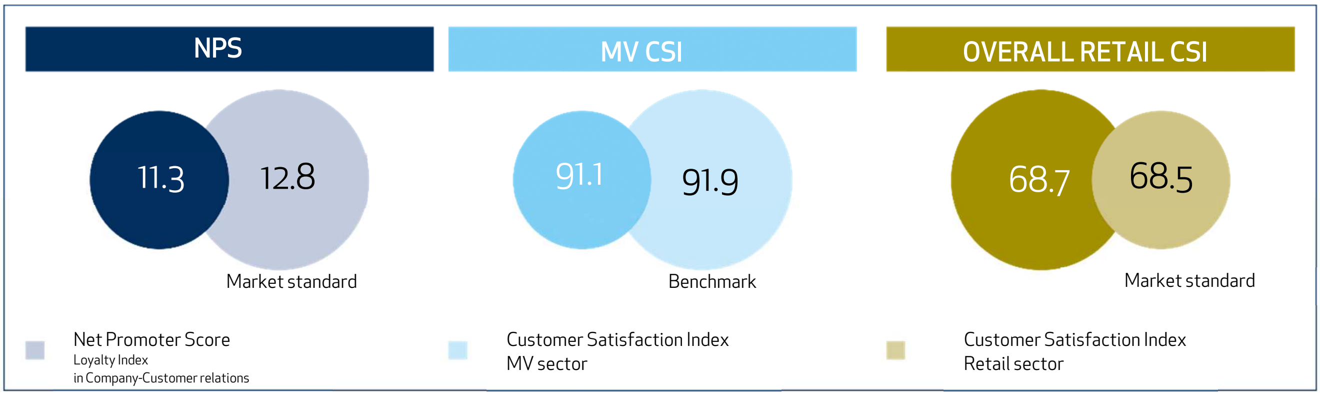
The distinctive element of Unipol's offer is the internalisation of the service model, and in order to do this effectively, it is essential to engage, manage, control and help to grow the network of partners in the chain, i.e. the entities that are more directly in contact with the customer and who accompany the customer by providing solutions, not only compensation, for the damages suffered.
The significant incidence of underwriting of policies with additional services (for example, for MV Presto&Bene accounts for 35.3%; for the craftsmen network it accounts for 14.7% of policies relating to the product family) shows that the service provided by the partner networks of the integrated services chain satisfies the customer's actual requirements.

The functioning of this model is constantly monitored through customer satisfaction and loyalty surveys, which confirm its effectiveness, emphasising that the quality of the offering of additional services helps to strengthen the customer relationship over time. Customers that purchase policies with services provided by the AP&B network have a retention rate of 87.4%, compared to 85.9% of customers that did not purchase the service. The increase for zero-rate policies was higher (87.9% vs 84.3%) and for policies with the craftsmen network (88.2% vs 83.2%). The strengthening of the customer relationship thanks to additional services was even more pronounced in the case of customers who had the opportunity to try the services offered, by comparing the retention rate among customers who suffered an accident for which they were channelled to a repair shop and those who were not. For MV TPL policies with AP&B services, the difference in the rate is approximately 10% with respect to those that did not use these services; for CvT policies with AP&B services, the difference exceeds 15%, as for MyGlass.

Also in 2018, the extension of the networks of medical booking centres and services continued, which support the settlement of personal injury claims through UniSalute's assumption of diagnosis and medical care; at year-end, there were 69 centres and 99 services. The percentage of engagements managed through medical booking centres reached 48.4% in MV TPL, with a benefit in terms of a lower average cost of around €350 and 15% faster settlement rate (around -26 days less for the settlement of the case).

In 2018, the customer satisfaction indicator "NPS" (Net Promoter Score) was positive and improved with respect to 2017: promoters exceeded detractors by 11 points. As regards the elements that characterise the relationship between customers and the company, the growing importance of the proper assistance in claim management is confirmed; this area represents, at the same time, a strength of UnipolSai, with an extremely high level of satisfaction and higher than the market standards. Increased interest was recorded on the part of UnipolSai customers in contracted repair shop and replacement car services, also in the event of liability for the accident itself, emphasising a requirement to which the Unipol Group has responsibly been dedicating efforts for some time.

Customer satisfaction surveys in Italy



The reputation recorded with customers was confirmed to be positive; in 2018, it reached a score of 74.8 ('strong' reputation, on a scale of 1-100), up by more than one percentage point compared to the previous year.
The relational capital created is also growing within the market, with positive opinions from financial analysts: eight buy recommendations and two neutrals have been issued for Unipol shares, while good opinions were expressed on UnipolSai shares, with 9 neutral recommendations.

In relation to the non-financial judgments, i.e. based on the ESG procedures implemented by the Group, the scores obtained from the main ESG rating agencies constitute an external, independent recognition of the quality and transparency of the information provided and are an excellent reflection of the Group's sustainability policies.
The shares of the Unipol Gruppo and UnipolSai Assicurazioni are present in some of the main international SRI Indexes. Specifically, for UnipolSai Assicurazioni this relates to:
- ECPI World ESG Equity (rating: EE-);
- ECPI Global Developed ESG High Yield Corporate Bond (rating: EE-);
- FTSE4Good Global Index;
- FTSE4Good Europe Index;
- Standard Ethic Italian Index (rating EE+).

For Unipol Gruppo SpA:
- ECPI Global Developed ESG High Yield Corporate Bond (rating: EE-);
- Standard Ethic Italian Index (rating EE);
- Standard Ethic Italian Banks Index (rating EE).

The impacts generated by the Unipol Group

NFS

Satisfaction of security and social well-being requirements

In 2018, the Unipol Group helped raise social well-being, through €9,222 million in the claim payments to its insurance customers and €985m in loans to its banking customers.
In this regard, the integrated pension and social/healthcare assistance model, structured to satisfy the needs of an increasingly older population, where demand for healthcare services is increasing while services provided by public entities decrease, is an innovative response to customer requirements.

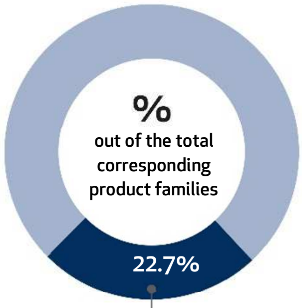
The year-on-year penetration of welfare (Life and Health) coverage for Italian citizens reached 10.7% in 2018 (+2.3 percentage points over 2017), hence reaching the 2018 objective of the Three-Year Plan.

In the Life business, despite the difficult competitive environment, the Unipol Group plays a key role in all forms of supplementary pension schemes dedicated to employees and other workers, managing 23 Occupational Pension Funds mandates (of which 17 mandates for accounts "with guaranteed capital and/or minimum return") for assets of €3,830m (of which €3,223m with guarantee) for 498,645 enrolees.
As regards the Open Pension Funds managed by the companies UnipolSai and BIM (UnipolSai Previdenza FPA, Fondo Pensione Aperto BIM Vita), managed assets amount to € 852m (+6.2% compared to last year) for 43,218 enrolees (-2.8% over 2017).
In addition, a total of 119,481 people participate in personal pension funds and individual pension schemes (+16% over 2017) and there are 86,648 insured through the Pre-existing Pension Funds (-1.2% over the previous year).
In particular, the "Protezione Etica" segment, one of the four segments of the Unipol Insieme Open Pension Fund, invests in a diversified portfolio of primarily bonds and, to a lesser extent, equity instruments in the Eurozone which are fully managed according to ESG (*Environmental, Social and Governance*) criteria. The associated assets amount to €72.3m, down 7% compared to 2017, equal to 8.5% of the assets of the corresponding pension segment.

Note that the company confirmed the obtainment of the Life Product Certification to ensure compliance with the values of transparency (complete, understandable and traceable information), fairness (clear and balanced cost) and product value (protection of capital and selected investments) from the certification body Bureau Veritas, regarding the processes of product development, investment and management of the post-sales relationship with customers.

It is increasingly more important to work on prevention, and even more so in the healthcare domain. For this reason, UnipolSai has developed, in synergy with SiSalute (division of UniSalute Servizi), an initiative to increase the value of the pension offer by integrating healthcare services, starting with prevention activities.

The Group's commitment to helping reach the SDGs (Sustainable Development Goals) incorporates, in the first place, its *core business*, i.e. by developing and proposing products with a special social and environment value.
These products represent, for the Group, a tool for creating shared value, since on the one hand they are geared towards providing a first response to these risks, turning them into business opportunities, and, on the other, are able to grasp requests and needs deriving from the company, such as the evolution in the structure and make-up of families, the loss of purchase power faced by the most vulnerable sections of the population, in particular in the case of the absence of employment or job insecurity, or the needs of immigrants.
In 2018, the premiums from the sale of these policies amounted to €2,108m, representing 22.7% of the premiums relating to the corresponding product families (up by 2% compared to the previous year).



1 NO POVERTY	INSTABILITY AND POLARISATION HUMAN SOCIETY 2.0	57.9%	€1,221m
3 GOOD HEALTH AND WELL-BEING	HUMAN SOCIETY 2.0 WELL BE	26%	€551m
5 GENDER EQUALITY	HYBRID CONSUMER HUMAN SOCIETY 2.0 NEW SKILLS	< 1%	€0.045m
8 DECENT WORK AND ECONOMIC GROWTH	INSTABILITY AND POLARISATION HUMAN SOCIETY 2.0 NEW SKILLS	< 1%	€1.7m
9 INDUSTRY INNOVATION AND INFRASTRUCTURE	INTERNET OF EVERYTHING	< 1%	€3m
11 SUSTAINABLE CITIES AND COMMUNITIES	HYBRID CONSUMER INSTABILITY AND POLARISATION CLIMATE CHANGE	11%	€231m
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	WELL BE CLIMATE CHANGE	4.6%	€97.9m
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	INSTABILITY AND POLARISATION NEW FRONTIERS	< 1%	€1.4m

In 2018, one of the areas the Group primarily focused on was identifying products and guarantees that, accompanied by advisory support, are targeted at helping customers to understand, evaluate and cover environmental damages. To this end, an insurance policy was developed for **environmental liability**, which protects against damages due to both accidental pollution and gradual pollution, and compensates both damages to third parties resulting from pollution and remediation and restoration due to environmental damage.
For the large corporations, the focus on satisfying security needs translates into the capacity to build innovative solutions for emerging risks that could cause major crises with significant repercussions on employment, such as *cyber risk* and reputational risk.

The Unipol Group products of particular social and environmental importance are integrated by banking products and services. In environmental terms, the loans refer to energy upgrading works on buildings and renewable energy infrastructures, including distributed energy, for a total loans value at 31 December 2018 of €65m, of which €44m agricultural loans. At social level, personal service infrastructures were financed (burial, health, sport) for a total value of €22m in loans outstanding at the end of 2018.

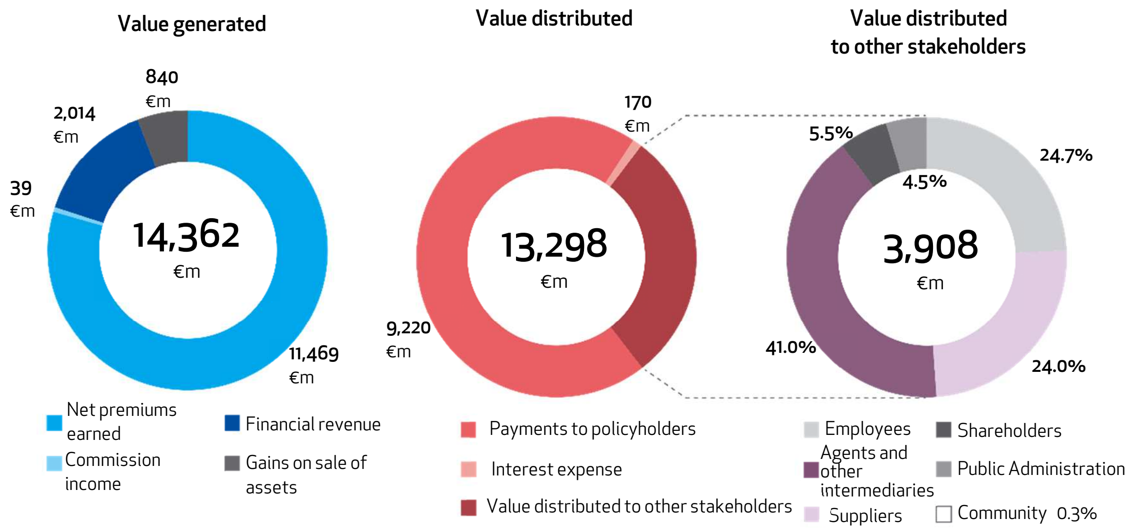
Equity in the distribution of the value created

Use the methodological reference represented by the GRI Standard 201 of the Global Reporting Initiative to understand how the value generated by Group activities is distributed to stakeholders. The model set forth by the Standard is applied in order to understand the typical characteristics of the insurance and banking businesses that account for most of the Group's activities.

The "direct economic value generated" is calculated from the sales revenues, composed of the Net premiums earned (€11,469m), commission income (€39m) and financial income (€2,014m) and capital gains on sale of assets (€840m); the relevant data are obtained from the Group Consolidated Income Statement.

The value generated was distributed to insurance and bank customers in the form of claim payments (€9,220m) and interest expense (€170m); a significant portion of value (€3,908m) was distributed to other Group stakeholders, according to the amounts presented hereunder.

Economic value generated and distributed

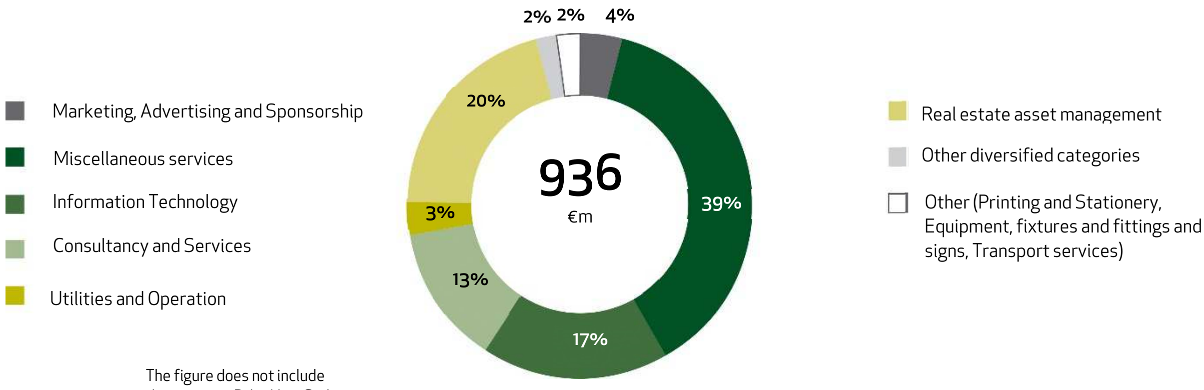


Value disbursed to suppliers by area

The graph does not include the company Ddor Novi Sad whose total expense came to €14m

At 31 December 2018, the Group traded with roughly 6,000 companies, for total expense of €936m, of which 97% disbursed in Italy (excluding the foreign suppliers of the subsidiary Ddor Novi Sad). Of the 6,000 companies, Unipol works with large international groups, SMEs and innovative start-ups and social enterprises (cooperatives, associations, foundations and other organisations offering socially useful goods or services) to satisfy its various purchasing requirements. To all of its suppliers, the Group applies company procedures based on an ethical approach, correctness, contractual transparency and the competitive comparison of the technical and economic characteristics of the offers submitted by suppliers and sub-suppliers.

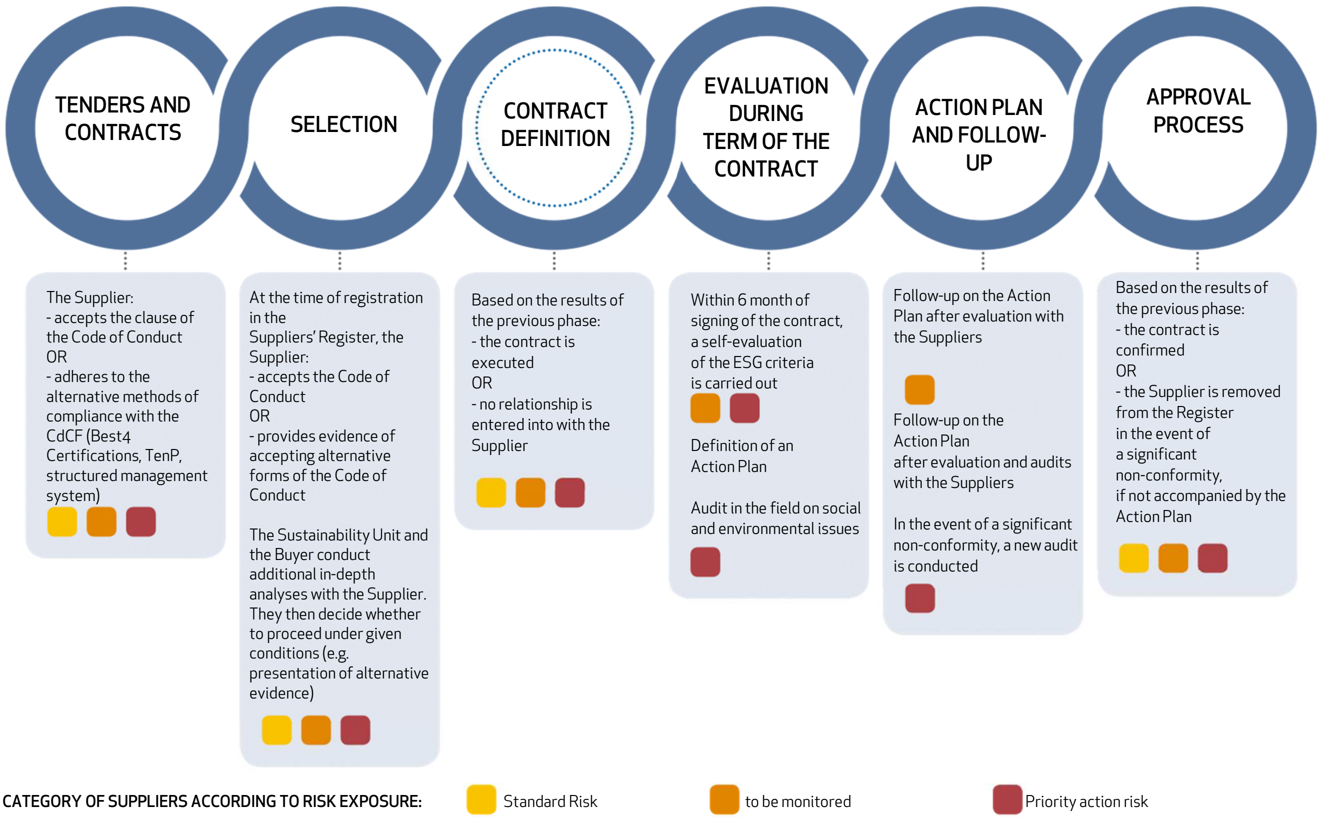
Breakdown of suppliers



The figure does not include the company Ddor Novi Sad.

Through the **Suppliers Portal,** suppliers are regularly registered, monitored and selected according to a long-term partnership, by evaluating their economic-financial, technical-organisational and regulatory-legal compliance characteristics.
The qualification process therefore requires suppliers to provide information relating to their conformity with the **legality rating** and commitment to sustainability, illustrating the extent to which they take account of **and observe social and environmental** aspects.
In formalising its attention to these matters and their impacts on supplier performance, in accordance with the Sustainability Policy, in 2018 the Unipol Group continued to implement its own model for the reduction of environmental, social and *governance* (ESG) risks along the entire supply chain in order to improve its sustainability management and control system, which it shared with a *multi-stakeholder* group of experts. The ESG risks identified according to UN **Global Compact** principles (Labour, Human Rights, Anti-corruption and Environment) were mapped for each product category, assessing the existing exposure and level of control. The risk and control mapping, regularly updated, led to the identification of[1] sub-categories that are high-risk for the Unipol Group in ESG terms.
The integration of the control of ESG risks along the supply chain is overseen by the inclusion in the supplier outsourcing and selection policy approved at the start of 2019, among the selection criteria, of the signing of the Supplier Code of Conduct, adopted at the end of 2018 and based on the principles of the Global Compact and standard ISO20400. In addition, in the first few months of 2019, Unipol adopted the TenP platform of the Global Compact as an additional instrument for selection and pre-qualification suitable for monitoring suppliers' ESG characteristics. Through the Suppliers' Register, buyers can actually gather, as part of the selection and qualification process, information on the sustainability performances of its suppliers in terms of human rights, labour, environment and anti-corruption. The chart below illustrates the role covered by the ESG risk control system with respect to the supply chain in the context of the sustainability strategy implemented by Unipol.

Reporting process and ESG risk control system in the supply chain

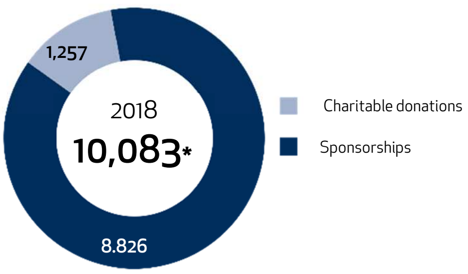


[1] suppliers identified as having a high-level reputational risk for Unipol Gruppo, due to their preferential relations associated with the brand or the type of product/service they offer.

Contributions to the community

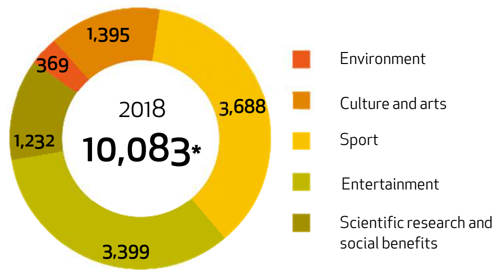
BY TYPE

(Amounts in €k)



BY AREA

(Amounts in €k)



* Excludes the contribution to the Unipolis Foundation. A report on the activities of Unipolis Foundation is published in the Mission Report, available on the website www.fondazioneunipolis.org

The Unipol Group, which has always been deeply-rooted in and attentive to the local area, undertakes to provide practical support to the local community in which it operates, through contributions targeted at cultural projects, protection of artistic heritage and the environment, social benefits, and with support for scientific research, sport and *entertainment*. The process of definition of contributions is governed by the appropriate policy.

In 2018, the contribution to the community totalled around €10.1m, corresponding to an average contribution per employee of €708.

The Unipol Group was the Main Sponsor of the national Wing4Students competition, the unique Italian edutainment event dedicated to young people for learning English in a fun and innovative way. Participation was free and was targeted, in Italy, at all university students, ITS students, and new graduates under the age of 28.

Works were carried out during the year on the rebuilding of the Loro Piceno school, in the crater of the earthquake, thanks to contributions from the company, employees and agents.

In addition to the direct contribution to projects developed by other entities, the Group also develops more innovative project models, in relation to which it undertakes to plan the desired objectives and monitors their achievement. A highly significant commitment in this area is the renovation of the public spa in Petriolo, for which Unipol has made provision for a total investment of €4m, which it expects to deliver a SROI of 2.1. The spa is owned by the Group, but for whose renovation a hands-on process was initiated in the local area, in partnership with Italia Nostra, as it is viewed, to all intents and purposes, as a "shared asset".

Increase in trust and attractiveness for stakeholders

An insurance company bases the possibility of developing its business on the relationship of trust with stakeholders; for this reason, reputation represents the social and relational capital for excellence, to be constantly controlled and monitored.

The reputational value of the Unipol Group in terms of public opinion in Italy, on the basis of the Reputation Institute's Rep Trak® analysis model, is also higher than the insurance sector average in 2018, sitting at 69.0 points compared to 63 (Italian insurance sector, Italy Rep TrakR 2018 standing) on a scale of 1-100. This value expresses a "moderate" reputational performance.

Measurement of UnipolSai's reputation with agents recorded an improvement over the previous year, with a score of 82.2 in 2018, compared to 79.8 in 2017, continuing the trend already clearly observed in 2016. By contrast, the *"sentiment"* indicator measured annually by the Innovation Team (Mbs Consulting Group) fell slightly. The latter is a summary indicator that expresses the degree of network satisfaction with and loyalty to the Company and positioning with respect to the market benchmark. In 2018, agent evaluation recorded a score of 3.15 on a scale of 1-5 (compared to 3.28 in the previous year), with a market benchmark sitting at 3.29.

Rising trust and loyalty within the sales network can also be measured based on attractiveness for sub-agents: in 2018, the average number of sub-agents by agency grew by 7%, while the number of sub-agents in absolute terms was almost stable in 2018, with a decrease of 0.95%, compared to an increase of 3% last year and growth of 18% over 2015.

Support and promotion of sustainable companies through investment decisions

The Group also creates shared value through the *Responsible Asset Management* tool, an approach to managing investments able to combine economic objectives and profitability with ESG (*Environmental, Social, Governance*) goals, connected to the environmental, social and governance impacts of the investments made.

The Group adheres to the *Principles for Responsible Investment* (PRI) and, in accordance with said principles, every three months it monitors the non-financial risks of its portfolio based on the ESG guidelines defined.

A method was also developed for conducting *due diligence*, targeted at the selection of alternative investments, including private equity, real assets and hedge funds which have a SRI (*Sustainable and Responsible Investment*) value. The process also requires not only traditional financial analyses, but requires socio-environmental and governance criteria to be analysed and non-financial risks that may have a reputational impact to be mapped. Investments with these characteristics amounted to €326.3m in 2018 (they totalled €202.8m at 31/12/2017, an increase of 61%).

In the table below, the investments are classified on the basis of their contribution to the SDGs.

Issues	Value	SDGs	Issues	Value	SDGs
Residential care and social assistance	€14.1m	3	Renewable energy, eco-efficiency	€223.3m	7 13
Digital networks and Infrastructures	€20.8m	9	Eco-innovation	€1.7m	12
Sustainable mobility	€32.8m	11	Sustainable forest management	€21.5m	15
Social housing	€10.0m	11	Training and culture	€2.1m	4
TOTAL THEMATIC AND IMPACT INVESTMENTS €326.3m					

Contribution to the growth of the country, supporting SME development and increasing insurance knowledge

The Group has always had a preferential relationship with the world of work through social organisations, with long-established ties with Unipol and representing SMEs.

In order to boost the productivity and competitiveness of business customers (7% of the total portfolio), further investments were made in the specialisation of the agent network, by increasing the number of *business specialists*, and with advisory support in the definition of risk reduction plans.

The main role of Unipol Group companies is not only effectively and promptly covering residual risk, but also, thanks to the involvement of specialised partners and a local risk engineering network, offering prevention activities based on the definition of a *Disaster Recovery Plan* in order to minimise recovery times.

In addition, through its offering of insurance products for tourism and agriculture, UnipolSai provides innovative solutions to the market which are aimed at preventing risks linked to climate change as well as post-event management.

The commitment to supporting the adoption of risk reduction behaviour at individual and company level is a fundamental tool for boosting production system resilience. For this reason, from 2015 to 2018, the Unipol Group was the lead entity in a European project entitled Life DERRIS – Disaster Risk Reduction Insurance, which tried out an innovative multi-stakeholder collaboration model that involves municipal authorities, the world of research and businesses to reduce the risks caused by weather events.

To cover the damages stemming from the catastrophes that struck Italy in 2018, the Group incurred costs of around €95m.

Contribution to reducing the effects of climate change

Unipol's commitment to the environment encompasses responsibilities, objectives and *policies* distributed amongst the various functions whose activities directly impact the environment, both as regards direct and indirect impacts. The Code of Ethics and the Sustainability Policy outline the principles, guidelines and controls implemented by the Group, also through the involvement of employees, partners and suppliers.

As regards the direct impacts on the environment stemming from the operations of Group companies, an Energy Management System certified according to standard ISO50001 was implemented, and *Energy Managers* and *Mobility Managers were employed*.

Management of environmental impacts

DIRECT IMPACTS

Area	Policy	Action
Energy	Building consumption monitoring and reduction	Completion of the monitoring scope for insurance business premises
		ISO 50001 and Energy Audits to identify efficiency improvement action
	Optimisation of employee mobility	Commuting Plan for the reduction of impacts from transport (traffic flows study, promotion of public transport, train, bike sharing, carpooling, infomobility)
Water	Definition of consumption reduction actions	Monitoring expansion
		Infrastructure streamlining works
Consumption of materials	Consumption monitoring and reduction	Dissemination of internal environmental awareness
		Promotion of separate waste collection
	Dematerialisation	Adoption of technological opportunities to reduce paper consumption (digitalisation, digital signature)
	Purchase of low-impact materials	Enhancement and extension of environment-friendly criteria in procurement tenders

INDIRECT IMPACTS

Area	Policy	Action
Environmental impacts of policyholders and investments	Promotion of products and services that reduce customers' environmental impact	Support and promotion of green economy through specific products, direct investments and lines of credit
Environmental impact of suppliers	Engagement and reduction of suppliers' environmental impact	Experimentation of best practices and know-how
		Start-up of the ESG risk control system throughout the entire supply chain

In line with the environmental responsibility commitments assumed, the Unipol Group's environmental performances are constantly improving.

For the measurement of climate-changing emissions, the calculation methodology adopted is that laid out in Directive EU/85 of 2003 relating to the *emission trading scheme*, and the international classification proposed by the GHG Protocol standard - and picked up on in the GRI Standards (Global Reporting Initiative) - in Scope 1, Scope 2 and Scope 3. This approach promotes greater transparency and comparability of environmental data, including in comparison with other Companies.[1].

[1] The source of the conversion factors, emission factor and of the global warming potential (GWP) is the guideline on the bank application of GRI Standards regarding environmental matters (Version of December 2018), drawn up by ABI (Italian Banking Association). With specific reference to emissions from purchased electricity (Scope 2), of companies operating in Serbia, the emission factor corresponding to the Serbian energy mix was used. The emission factors applied derived from the dedicated tool, the "Tool from purchased electricity" (Version 4.8, World Resources Institute (WRI), 2017), provided by GHG Protocol. Lastly, with reference to Scope 1 emissions deriving from consumption by the company fleet, the 2018 DEFRA (UK Department for Environment, Food & Rural Affairs) coefficients were used.

Three-year performance monitoring, based on the same perimeter as 2016, taken as the reference year, saw an overall reduction, at the end of 2018, in CO2 emissions by 9%, calculated on the 19 buildings subject to ISO certification, in relation to a reduction in total thermal and energy consumption. This translates to a similar decrease in emissions per employee.

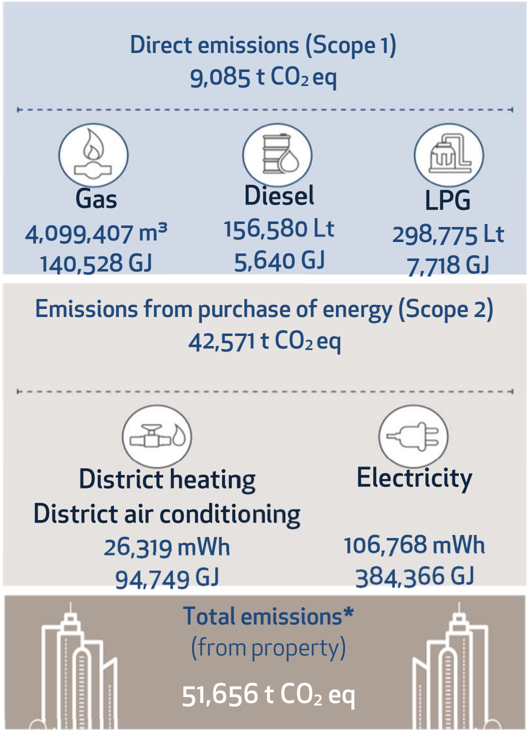
Since 2015, electricity supply contracts signed envisage that 100% of power supplied in Italy is from renewable sources.

In the future, the Group will continue to be committed to maintaining its downward trend in direct emissions of CO_2 recorded in recent years by coming into line with what has been defined at European level with regard to the achievement of COP24 objectives.

With a view to constant improvement, 2018 saw increased reporting of indirect emissions (Scope 3), which include those generated by employee travel and transfers (equal to 4,814 tonnes CO_2, marking a decrease of 2.8% over 2017) and those generated by the transfers of customers with telematics devices (equal to 7,023,013 tonnes CO_2 eq).

Energy Management System

In 2018, UnipolSai's process of certifying consumption management in all owned buildings continued, and in particular the Italian operating sites, in accordance with the ISO 50001 standard. The process of certification and surveillance by the independent body which periodically evaluates the management and operating procedures concerned 19 buildings (in which more than 7,000 employees work) for which the Group obtained the certification of compliance and assumed the commitment to cut electricity and thermal consumption by 2% each year with respect to the previous year. The certified data in 2018 (which refer to the 2017 performances), show an overall reduction of 3.7% in consumption.



*The perimeter of interest with respect to the previous reporting period was extended, with the inclusion of energy vectors (e.g. gas throughout all the operating offices of the insurance business) and the offices in Serbia belonging to the subsidiary DDOR Novi Sad. Therefore, for 2018, the electricity and gas consumption of the buildings over which UnipolSai has direct control is reported, from the operating sites, to the diversified companies, such as Tenute del Cerro and Marina di Loano, also including the properties in which the UNA Group carries out its activities and the offices in Serbia. For other sources of energy, reporting includes only the large properties among the operating sites.

As regards additional environmental impacts, the use of the **water resource** is primarily linked to hygienic uses; in limited cases it is also used for technological purposes in air conditioning systems.
The water used comes from the mains system or other water service management companies. The total consumption in 2018 amounted to roughly 1 million m^3: water consumption was determined based on actual use for the diversified companies and for the large operating site buildings, including the foreign offices of the Serbian company DDOR Novi Sad, and with the use of an estimation process for the other insurance and banking offices.

The Unipol Group, through document dematerialisation and internal recycling policies, is committed to reducing **paper consumption**: in 2018, attention was focused on the sustainability procedures adopted for purchases and paper use which meets the requirements of environmental certification ECOLABEL, quality certification ISO 9001:2008, FSC (Forest Stewardship Council) and ECF (Elemental Chlorine Free).
For **waste management**, the Group is following the municipal directives for proper waste disposal, including by changing its processes and procedures to comply with separation rules; where possible, waste is recycled or regenerated. The majority of separated waste collected is paper and cardboard, while for toners the collection procedure is being extended to the entire local agent network (in 2018, more than 15,000 toners were recovered for the operating sites). Waste considered hazardous (neon tubes, batteries, etc.) are disposed of separately in the appropriate manner, in accordance with regulations in force, through specialised firms and in line with the rules on compulsory record keeping.

Activities and sectors

NFS

Unipol Gruppo (Unipol) is the holding company at the top of the Unipol Insurance Group, a leading Italian insurance group, as well as of the Unipol Banking Group. It is also a mixed financial holding company leading the Unipol conglomerate. Unipol is listed on the Milan Stock Exchange and manages and coordinates all the subsidiaries.
The sectors in which the Group carries out business are described below.

Insurance Sector: activities are carried out primarily through **UnipolSai Assicurazioni**, a company in turn listed on the Milan Stock Exchange which carries out insurance and reinsurance activity in all Non-Life and Life classes, primarily through the agency network. Aside from UnipolSai, the Unipol Group is active with the following specialised companies:

- **Linear**, a company specialised in direct sales (online and call centre) of MV products;
- **SIAT**, a company operating in the Transport class, with Corporate customers reached primarily through brokers;
- **UniSalute**, the top health insurance company in Italy by number of customers managed, specialised in the Healthcare segment (Health and Assistance).

Unipol is also one of the main operators in the Serbian market with its subsidiary **DDOR Novi Sad**.

The Group presides over the bancassurance channel through the Unipol Banca branches and joint ventures with leading Italian banks. In particular, **Arca Assicurazioni** and **Arca Vita**, which distribute their products through the branches of banks with which dedicated agreements have been entered into, including primarily BPER and Banca Popolare di Sondrio; **BIM Vita**, through agreements with Banca Intermobiliare and Banca Consulia; **Incontra Assicurazioni** thanks to agreements with the Unicredit Group.

The companies specialised in reinsurance are **UnipolRe**, a company that offers reinsurance services to small and medium sized companies headquartered in Europe and **Ddor Re**, the Serbian reinsurance company.

Companies instrumental to the insurance business which characterise and make the Group's insurance offer distinctive with the direct and integrated governance of service processes:

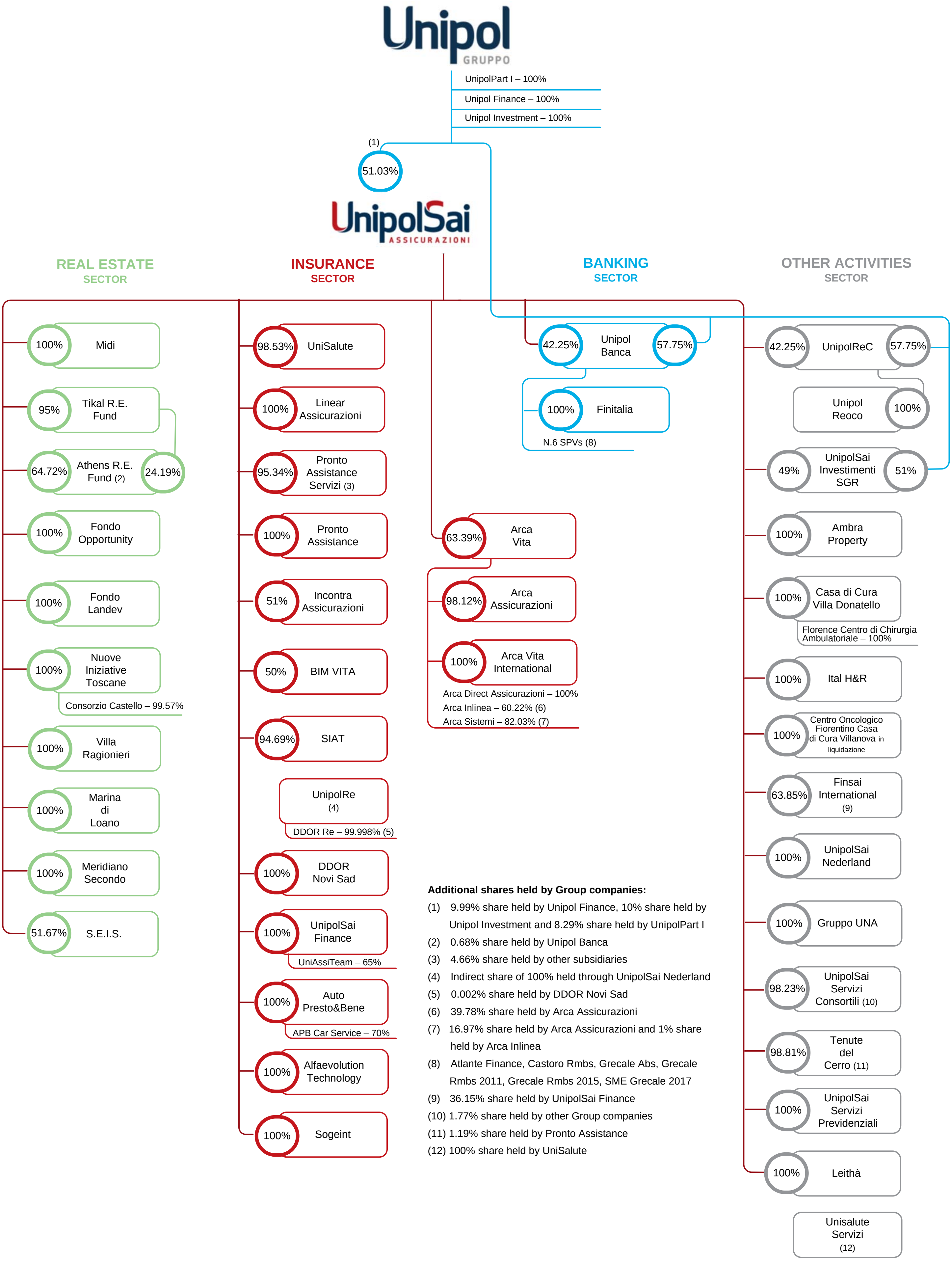
- **Auto Presto&Bene,** network of repair shops present throughout the country to offer MV policyholders certified repairs with no cash advance;
- **APB Car Service (MyGlass),** for repair and glass replacement services;
- **Pronto Assistance Servizi – PAS,** for assistance services dedicated to customers, professionals and agencies of the Group, concerning the release of technical and sales information, marketing activities, and collection of the notifications of inefficiencies or complaints;
- **AlfaEvolutionTechnology,** the telematics provider of UnipolSai and other Group companies.

Banking Sector: the Group carries out traditional banking activity, portfolio management services and other investment services through **Unipol Banca**. Through the financial services of **Finitalia**, the Group is also active in consumer credit, particularly in providing personal loans and financing services for the insurance premiums of Unipol Group customers. It should be noted that, as indicated previously, on 7 February 2019, the Boards of Directors of Unipol and UnipolSai resolved the transfer of the entire equity investment in Unipol Banca and, indirectly, in Finitalia.

Real Estate Sector: the Unipol Group manages real estate assets totalling €3.8bn, in particular through the company UnipolSai Assicurazioni, which directly holds roughly 58% of the Group's real estate.

Holding and Other Businesses Sector: the Group operates in the Italian hospitality sector thanks to the 37 facilities, resorts, and hotels, managed by the subsidiary **UNA Group** in some of the main cities and most renowned tourist destinations in Italy. It is active in the agricultural sector with the company **Tenute del Cerro**, which owns roughly 5,000 hectares of land in central Italy for the production of high quality wine. In the healthcare sector, the Group is present through the Villa Donatello healthcare facility (Florence) and the Centri Medici Unisalute healthcare centre (Bologna) of the company **Unisalute Servizi**.
Leithà is the company specifically dedicated to innovation.
Unipolis is the business foundation of the Unipol Group, of which it is one of the most important tools for implementing social and civil responsibility initiatives, within the framework of the more comprehensive sustainability strategy.
Through **UnipolSai Investimenti,** the Unipol Group manages mutual real estate investment funds. **UnipolReC** is the company specialised in the collection of impaired loans, to which almost all of the bad and doubtful loans of Unipol Banca were transferred.

The performance of the various business areas in which the Group operates is reported in the Performance of the Unipol Group section



Additional shares held by Group companies:

(1) 9.99% share held by Unipol Finance, 10% share held by Unipol Investment and 8.29% share held by UnipolPart I
(2) 0.68% share held by Unipol Banca
(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) 39.78% share held by Arca Assicurazioni
(7) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea
(8) Atlante Finance, Castoro Rmbs, Grecale Abs, Grecale Rmbs 2011, Grecale Rmbs 2015, SME Grecale 2017
(9) 36.15% share held by UnipolSai Finance
(10) 1.77% share held by other Group companies
(11) 1.19% share held by Pronto Assistance
(12) 100% share held by UniSalute

Identity profile

The Unipol Group is a leading insurance group in the Italian market, first in terms of premiums in the Non-Life business. At consolidated level, at 31 December 2018 the Group earned direct insurance premiums of €12.3bn, of which €7.9bn in Non-Life business and €4.4bn in Life business. Unipol adopts an integrated offer strategy to cover the entire range of insurance and financial products.

The Group's position is focused on insurance *core business*, with the goal of developing its areas of excellence by strengthening its leadership in the MV segment and developing the offer targeted at meeting the Healthcare, Pension and Investment protection needs. Unipol hence intends to offer its customers distinctive and innovative products and services, with a model that integrates the potential of its mobile devices, assistance and services offered through dedicated companies.

Customers and the commercial presence in the community

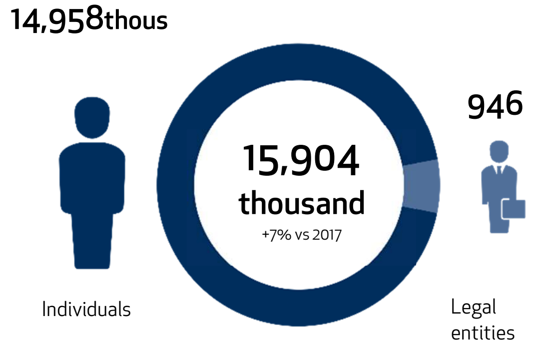
In 2018, the Group provided its insurance and banking services to nearly 16 million direct customers and collective policyholders: of these, more than 90%, around 15 million are individuals, with a good rate of retention and cross-selling amongst the Group companies.

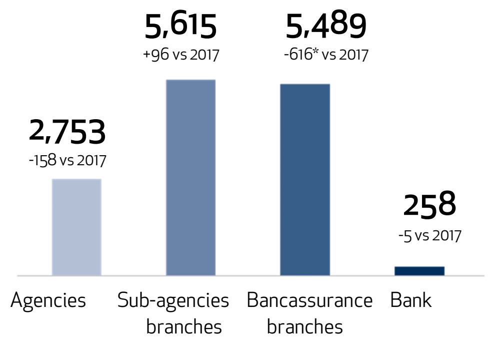
The segment of business customers is broken down into two macro-categories based on characteristics and needs: small and medium-sized enterprises (SMEs) and Corporate. The former, as regards UnipolSai Assicurazioni and Unipol Banca, come to a significant extent from Member Organisations, i.e. autonomous workers' organisations and associations of small and medium-sized companies (CNA, Confesercenti, CIA) and cooperatives (Legacoop). In the Corporate segment, Unipol offers a full range of insurance products and solutions suited to the needs and characteristics of large companies.
At the end of 2018, the Group's companies portfolio (Corporate and SMEs) included roughly 1 million customers (equal to 6% of the total), of which roughly 98% in Italy.

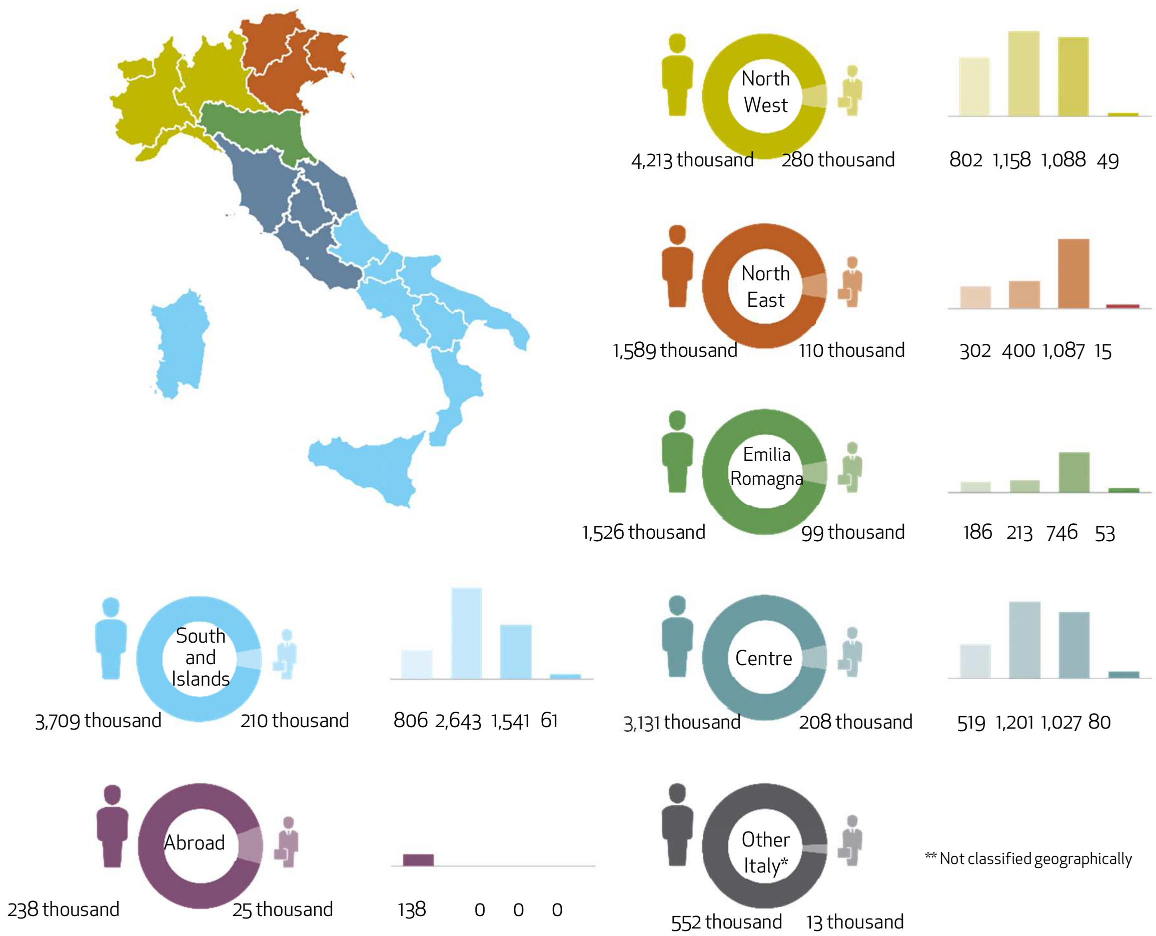
The banking sector was focused, in particular, on the *retail segment*, with customers who were often the same UnipolSai policyholders; these were augmented by family businesses, craftsmen or cooperatives, with respect to which the bank's objective was to support business continuity. The bank's customers, including individuals and legal entities, number roughly 1.5 million, for direct customer deposits at 31 December 2018 of around €10bn.

Customers/Policyholders and Local distribution network

* The decrease is attributable to the transfer of Popolare Vita, partially offset by the extension of the Incontra Assicurazione agreement with the banking partner throughout the entire country (on a like-for-like basis with respect to 2017, an increase of 24% was recorded).







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. The average size of the agencies rose by 7% in 2018. As a result of the promotion of corporate integration processes, the average number of sub-agents per agency increased by 7% and the average number of employees per agency by 4%. The reorganisation allows Unipol to retain its presence throughout the country: 18% of agencies are in municipalities with less than 15 thousand inhabitants, with 8% of agencies in 4 of the main cities with more than 700 thousand inhabitants (Milan, Rome, Naples, Turin).

In terms of geographical distribution, it is particularly notable that 28% of the Group's customers in Italy are from the North-West, whilst around 25% are from the South and Islands, demonstrating the Group's balanced coverage of the entire country.
This coverage is guaranteed thanks to the widespread distribution of roughly 33 thousand qualified professionals (of which 553 multi-firm agents), which operate through 2,615 agencies and 5,615 sub-agencies, the intermediation of 622 brokerage firms and five Corporate Agencies (Assicoop), the latter invested in by UnipolSai.

This extensive agency network guarantees complete geographical coverage of the Italian market, and is supported by 258 bank branches and 5,489 points of sale that are part of the *bancassurance partnership*.

The Group's presence throughout the country is also guaranteed by the presence of UnipolSai and Siat settlement units. UnipolSai's MV settlement centre has 4 head offices, 12 macro areas, which include 9 metropolitan areas and 84 settlement centres responsible for the individual settlement units; TPL and Accident settlement overall comprises 3 head offices and 3 regional areas organised into 12 hubs responsible for the individual settlement units.
In addition, the Siat settlement units are broken down into a head office and 2 settlement departments, one dedicated to Goods and one to Hulls.

Outside Italy, the Group operates in Serbia through a multi-channel network made up of both internal and external structures. The 138 points of sale (+5 with respect to 2017) rely on roughly one thousand external partners and employees to provide services mainly in the northern part of the country, supported by direct sales channels through the Internet.

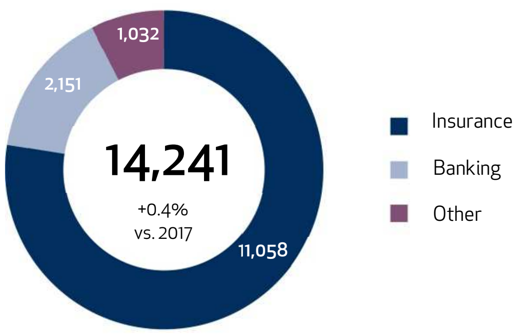
Human Resources

NFS

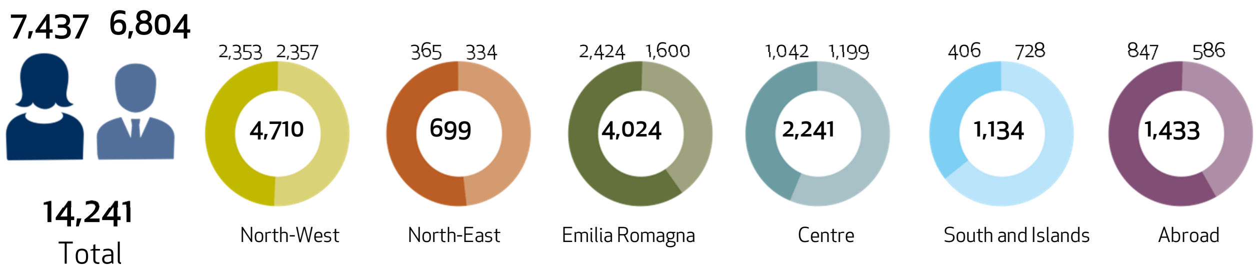
At 31 December 2018, there were 14,241 people employed by the Unipol Group Companies. With respect to last year, the number of employees increased by 0.4%, concentrated in the insurance segment.

Women represent roughly 52% of the workforce, whilst there are 832 women in managerial positions (+4% compared to the previous year). Of the 7,437 women, 27% work part-time, to ensure better organisation of their work/life time, accounting for 88% of total part-time employees.

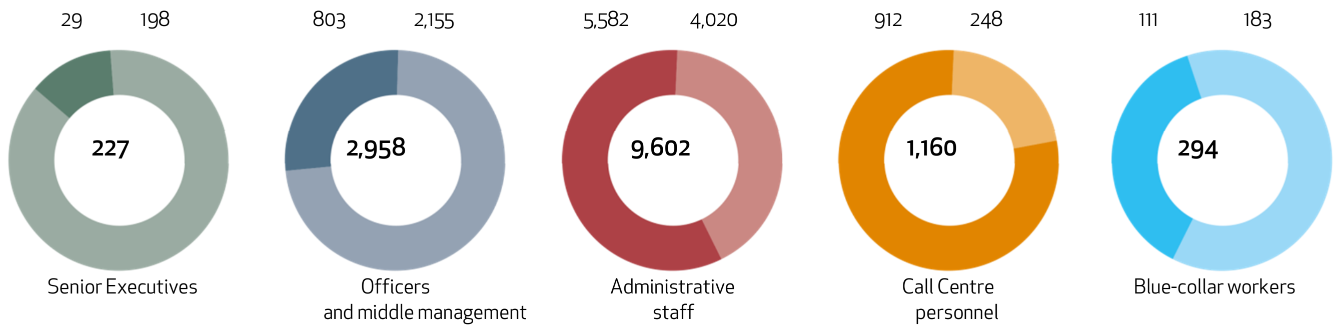
Number of employees by sector



Number of employees by geographical area



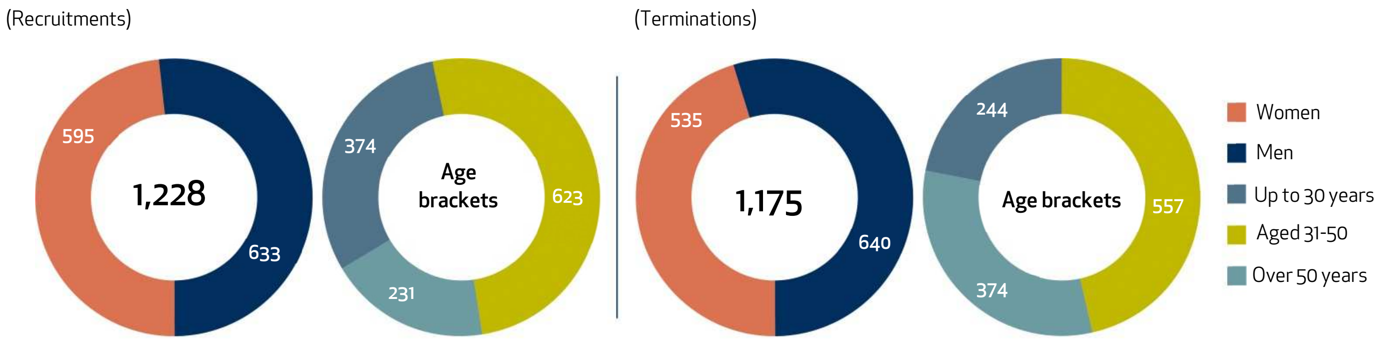
Number of employees by job-level category



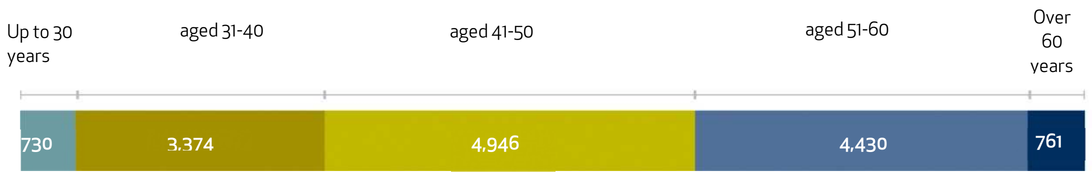
As confirmation of the overall increase in the workforce, the turnover rate (incoming) is 4.6% higher than the turnover rate (outgoing), determining an overall turnover rate of 16.9%.
A total of 1,228 employees were hired in the year, of which 241 permanent staff, while 1,175 employees left. A total of 13% of hires related to innovation and *digital transformation*.

Overall, 96.4% of employees have a permanent contract (of which 52% men and 48% women), confirming the focus on the protection of stable employment. There was marginal use of the staff leasing agreement, which concerned just 50 employees, 6% less than last year. In 2018, as part of Insurance, Commerce and Banking contracts, 137 employees (equal to 25% of employees not on fixed-term contracts) were made permanent; 2,287 workers were part-time (16% of the workforce), an increase of almost 11% compared to 2017.

Turnover by age brackets



Number of employees by age brackets



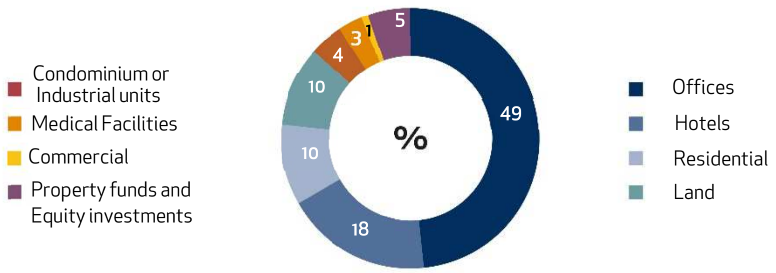
The turnover figures are influenced by the use of fixed-term contracts in the hotel sector, which primarily concerns the age bracket of 'up to 30 years old', due to the seasonal nature of the activities carried out.

The average age of personnel in service at 31 December 2018 recorded a slight decrease, down from 47 to 46.3 years of age, while the average length of service declined from approximately 18 years in 2017 to just over 16 years. With respect to 2017, the percentage of personnel in service over 60 was confirmed at 5.5%. University graduates constitute 41.4% of the workforce (+3.5% compared to 2017) and secondary school graduates around 48%. At the end of 2018, the Group employs a total of 672 staff with disabilities.

Real estate portfolio[3]

In the real estate sector, the Unipol Group is one of the top players in Italy in terms of the size of its assets.

Real estate assets by intended use



The Group's properties can be broken down into two macro-categories:

- property "used by third parties", buildings owned by the Group but not used by Group companies. These assets are leased primarily to third parties based on approximately 1,000 lease agreements;
- "instrumental" property, assets used mainly to carry out the business of the Group Companies.

Geographical breakdown of the real estate assets

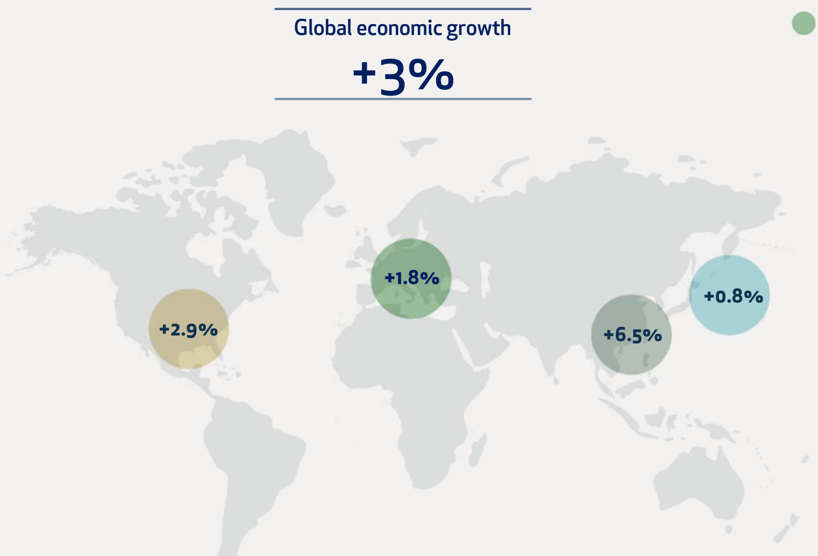
[3] Operating figures

RISKS AND OPPORTUNITIES

Macroeconomic background and market performance

Macroeconomic background

The global economy has shown signs of a general slowdown. After a two-year period of sustained growth, 2019 can expect to see a slowdown in economic growth, impacted both by the persistent international geo-political uncertainty and by the normalisation of international monetary policies. The tensions between China and the United States over trade policies have not dissipated. Fears persist over a disorderly exit by the United Kingdom from the European Union, uncertainty over the outcome of the European elections and the change of top senior management at the main EU institutions, starting with the ECB.



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.

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%.**

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.

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.

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.

Financial markets

The conclusion of the bond purchase programme by the ECB (Quantitative Easing) 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 negative 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 German Government yield curve recorded modest volatility over the year on short-term maturities and a small reduction in long-term rates, with the 10-year Bund down by around 17 basis points at the end of 2018 compared to 2017. The **spread** between Italian and German bonds was 253 basis points at the end of December 2018, up by approximately 95 basis points.

The **Euro/Dollar exchange rate** at 31 December 2018 stood at **1.14**.

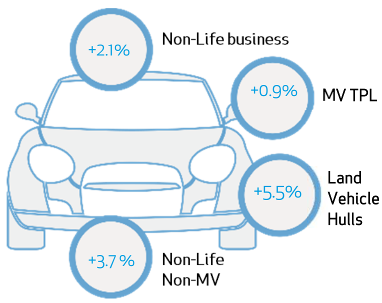
The stock market performances were negative on all the main

Eurostoxx 50: **-15.5%**	S&P 500: **-6.4%**
Ftse Mib: **-17.6%**	Nikkei: **-12.9%**
DAX **-20.2%**	MSCI EM **-18.2%**

Insurance Sector

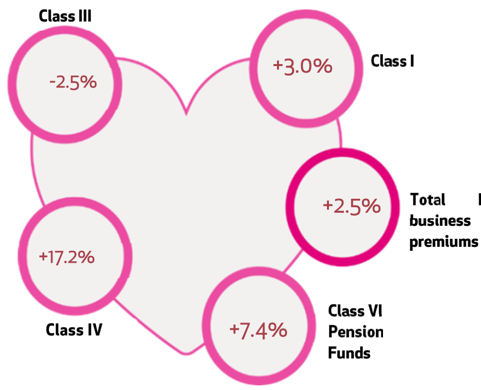
In 2018, total premiums of the Italian direct business stood at €134bn (+2.4% compared with 2017).

The **Non-Life business** showed a 2.1% growth. The premiums of the MV class rose, where **MV TPL** premiums **increased by 0.9%,** despite a reduction of 0.5% in average premiums (source: ANIA). The **Land Vehicle Hulls** class also recorded a rise of **+5.5%,** consistent with an increase of 1.1% in the vehicle fleet.
In the **Non-Life Non-MV** market, premiums **increased by 3.7%** in the first nine months of 2018. In particular, higher-than-average growth was recorded in the Health class (+7%) and in Other damage to property (+6%).
As regards distribution, the agency channel and brokers' share continued to record a decrease, whilst the banking and direct sale channels registered an increase, albeit insignificant. In the first six months of 2018, the overall technical balance of the Non-Life direct business improved with respect to the same period of 2017, while the combined ratio fell by 29 basis points.



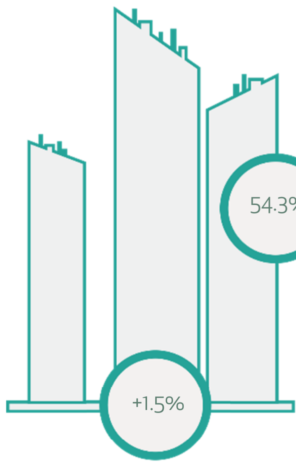
Life premiums (Individual and Collective) recorded an **increase of 2.5%** in 2018 when compared to 2017, attributable to the reduction in the placement of traditional products, in light of the low interest rates. The growth recorded in **Class I policies** (**+3%**) was unable to offset the decline in premiums underwritten for **Class III** products (**-2.5%**). A positive development was recorded in Class VI **Pension Funds** (**+7.4%** according to Prometeia forecast data). Also growing was **Class IV** (**+17.2%**, data updated in the first half of 2018 based on the IVASS statistical bulletin), although to a limited extent.
As for the distribution, the banking channel showed an increase (+3.4%) as did the agency channel (+1.8%), whereas the financial advisors channel declined (-1.4%).

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



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. In December, loans to the private sector, adjusted to take account of securitisations and other loans transferred and derecognised from bank financial statements, rose by 2% on an annual basis. Loans to households rose by 2.7%, while loans to non-financial companies increased by 1.3%. The growth in loans to households remained substantially in line with that of the European financial intermediaries, while loans to businesses grew at rates over 2 percentage points less than the EMU average. As regards assets, government bonds in bank portfolios rose by €44.4m compared to 2017.



Total direct deposits at the end of 2018 **rose by 1.4%**, with funding from deposits up by 2.6% compared to 2017 (+3.9% the figure relating to funding of resident deposits), and bonds which fell further (-13%), primarily due to higher reimbursements. On the whole, funding from abroad rose by 8%, with foreign funding from the private sector up by 2.4%. 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 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 December, while the rate on new loans to households for home purchase was approximately 1.9%.

Real Estate market

According to the Real Estate Market Observatory (Tax Authorities and Bank of Italy), in 2018, sales of homes in the residential segment continued to grow, a trend observed since 2014. 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). The trends in sales of properties for services and commercial use (-0.3%) and production activities (-6.5%) were a bit weaker, bucking the positive trends of the first two quarters of 2018.

Based on the Eurostat House Price Index, inflation in home prices still showed a decreasing trend in 2018. The prices of new homes in Italy recorded sustained growth respectively of +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.

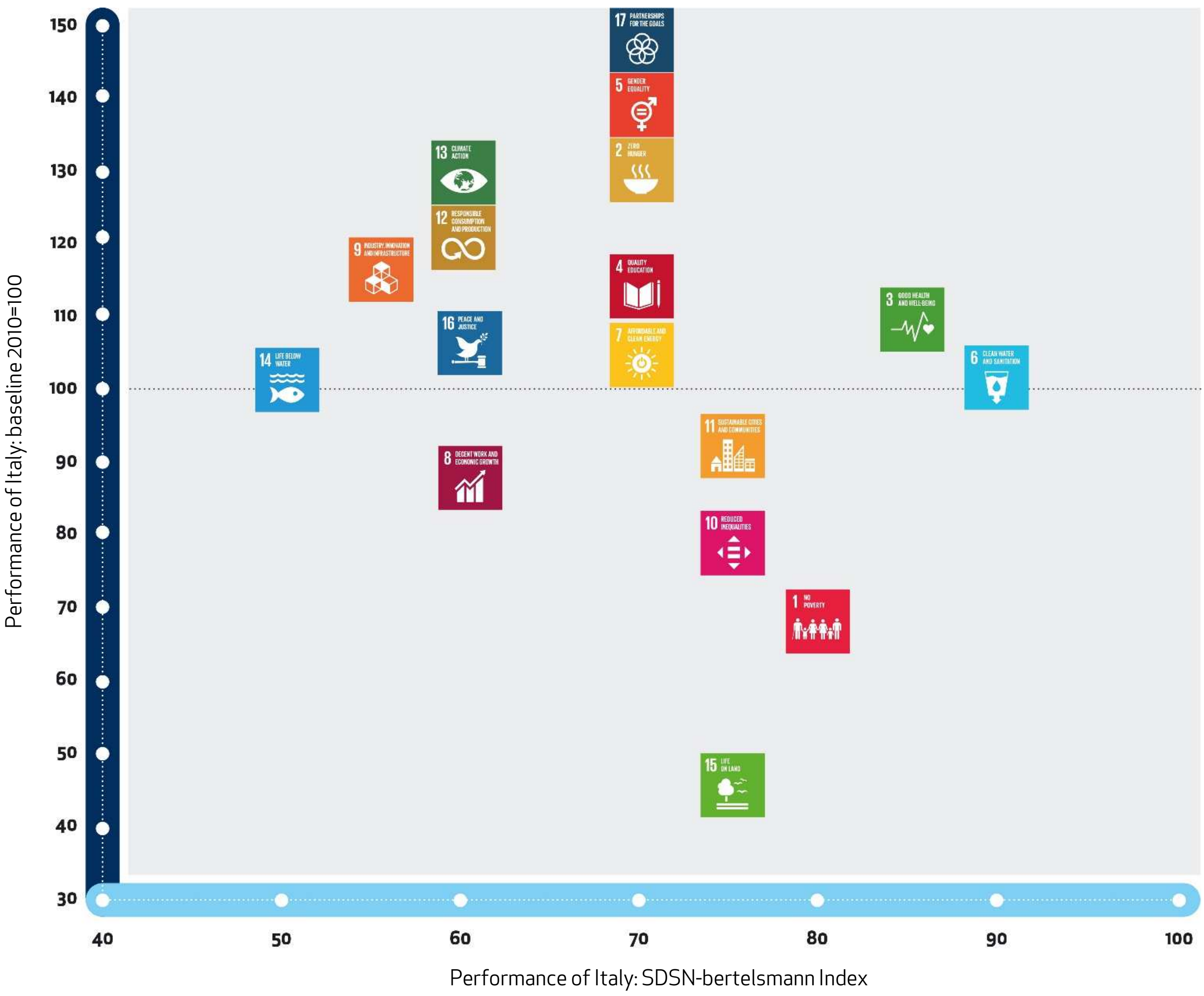
The economic survey carried out on the housing market, in October, by the Bank of Italy, has identified a growing number of operators expecting stability in property prices and showing lower expectations for a deflation. At the same time, the demand is perceived to be stable due to better loan conditions. 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.

Social and environmental scenario

The indicators drawn up by ASviS (Italian Alliance for Sustainable Development), at both national level and for the different regions, confirm Italy's position of non-sustainability from an economic, social, environmental and institutional perspective.

Also where clear improvements have been identified, Italy is some way off the Goals, and the most disconcerting element is the significant increase in inequality.

In particular, according to the latest figures available, signs of improvement were noted in eight areas: sustainable food and farming, health, education, gender equality, innovation, sustainable production and consumption models, fight against climate change, international cooperation. By contrast, the situation deteriorated significantly for five areas: poverty, economic and employment condition, inequalities, conditions of cities and terrestrial ecosystem.



Main regulatory developments

Relevant primary regulations for the insurance sector

MAY

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 of the definitions of "insurance investment product" between CAP and TUF;
- 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.

OCT

Decree Law 119 of 23 October 2018, converted, as amended, with Law 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 and consultation papers issued by IVASS for the insurance sector

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

FEB

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 no. 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.

MAR

Letter to the market dated 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. 730/2015 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.

APR

IVASS Measure no. 72 of 16 April 2018 - the 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.

MAY

IVASS Measure no. 74 of 8 May 2018 - By means of the measure in question, 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.

JUN

Letter to the market of 5 June 2018 - 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).

JUL

IVASS Regulation no. 38 of 3 July 2018 - 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, including those of an environmental and social nature, generated or incurred, also according to a forward-looking perspective, arising from the activity at issue.

Letter to the market of 5 July 2018 - IVASS guidelines on the application of the proportionality principle in the corporate governance system are defined in this document, identifying three possible models - strengthened, ordinary and simplified - based on a self- assessment process structured into a dimension analysis based on quali/quantitative parameters that identify the risk/complexity of the business and the transactions carried out.

AUG

IVASS Regulation no. 40 of 2 August 2018 - the Regulation governs, in a unitary manner, the insurance distribution activities set forth in title IX (General provisions governing distribution) of Legislative Decree 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.

IVASS Regulation no. 41 of 2 August 2018 - 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 - The 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.

OCT

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

FEB

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).

MAR

On **28 March 2018**, EIOPA started an additional consultation (concluded on 12 May) on possible changes to the Implementing Technical Standards (ITS) regarding reporting and disclosure, which concern EU Regulations nos. 2015/2450 (on the submission1 of information to the supervisory authorities) and 2015/2452 (on the procedures, formats and templates of the solvency and financial condition report).

NOV

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).

DEC

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.

Main regulatory developments regarding taxation

JUL

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.

OCT

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.

NOV

Legislative Decree 142 of 29 November provision that 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.

DEC

Law 145 of 30 December 2018 (so-called "2019 Budget Law"). The various provisions envisage:
- 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

DEC

Lastly, it should be noted that, under Art. 1, paragraph 1073, of the 2019 Budget Law, an amendment was introduced to Legislative Decree 254 of 30 December 2016, targeted at improving the disclosures of companies and Groups subject to legislation governing the management of social and environmental risks, generated and suffered, in compliance with the increasing focus on the issue placed by the sector and non-sector-related national and international regulations.

Future orientation in the use of capital

NFS

The Unipol Group's decision to create the **Reputational & Emerging Risk Observatory** meets its objective of guaranteeing structured listening to signs of change in the external environment, represented by the four aspects: "social, technological, environmental and political", ensuring a 360 degree view of emerging trends, in order to protect itself from related risks and identify new opportunities early for the protection and consolidation of loyal relations with stakeholders and the sustainability of the business model.

The Reputational & Emerging Risk Observatory is based on four methodological pillars:

- the formation of a Technical Panel, to guarantee a coordinated and synergistic approach amongst the various company functions with a view to "integrated thinking";
- the involvement of the Business Departments, to create a strategic tool supporting Group development;
- the use of a predictive model and methodologies based on futures studies for a medium/long-term forward looking approach, with the aim of helping the Group anticipate and, as far as possible, steer change;
- the integrated evaluation of stakeholder expectations with the internal view of Group Management.

Launched in 2014, the Observatory has completed its first full cycle, which accompanied the formation and implementation of the 2016-2018 Business Plan and led to the identification of 11 emerging macro trends which will have a significant impact on the insurance sector over the 5-year time horizon. These macro trends, which populate the Group's Emerging Trend Radar and are in turn formed from over 100 topics, are analysed in terms of their impact on the various steps in the value chain with the related risks and opportunities and are monitored constantly within the Group so as to continue providing responses over time that are aligned to the proposals of its stakeholders.

The emerging macro trends on the Group Radar

SOCIAL MACRO TRENDS

INSTABILITY AND POLARISATION

Fear, unemployment and job instability, uneven distribution of wealth, vulnerability and exclusion, crisis-level lack of trust in authorities and institutions, social tension, frugality and combating waste.

RISKS

- Reduction of disposable income with potential impacts on demand for insurance coverage.
- Increase in insurance fraud.
- Search for low prices and competitive pressure from low-cost channels.
- Extended scenario of low interest rates.

OPPORTUNITIES

- Offering payment of policies in instalments.
- Offering basic low-cost coverage to guarantee accessibility to the most vulnerable segments of our society.
- Offer segmentation and differentiation.
- Offering new forms of coverage linked to the growing sense of vulnerability in standards of living.

GROUP RESPONSES

- Financing services with monthly zero-rate instalments.
- Tools for protecting family standards of living (Salvabenessere and Salvapremio guarantees).
- Increase in the number of Family Welfare and SME Business Specialist consultants.

HUMAN SOCIETY 2.0

Longevity and aging, generational changeover, immigration and multi-culturality, evolution of the composition of households,

RISKS

- Underestimation of trends and failure to update Life policy rates.
- Inability to maintain appeal with younger generations.

OPPORTUNITIES

- Awareness-raising and education with regard to using insurance as a planning tool throughout the life cycle.
- Strategies for increasing offer personalisation, also in light of the evolution of the family 2.0.

GROUP RESPONSES

- Telematics as a lever for personalisation and engaging with customers.
- Agency organisational model oriented towards sales force specialisation.
- Doctor Pet - UniSalute insurance for cats and dogs.
- C@ne&G@tto – UnipolSai insurance for pets.
- Rethinking of Life products in the light of needs of future generations.

HYBRID CONSUMER

Always connected: virtual mobility, mixing of real and virtual, e-commerce, increased credibility and security of cyber-space. The "*prosumer*": loyalty, role and values.

RISKS

- Potential increase in lack of customer loyalty.
- Potential conflict between the various company access channels available to customers and misalignment between information and the image conveyed.
- Potential threat from comparison tools, direct companies and non-insurance players.
- Growing relevance of reputational risk.

OPPORTUNITIES

- Integrated multi-channel and multi-access strategy.
- Enhancement of the offer to provide customers with an all-round service.
- Simplification of products and communications with a view to transparency.
- Improvement of the customer experience.
- Enhancement of good customer conduct based on a partnership approach.
- Offering protection against reputational risk.

GROUP RESPONSES

- Multi-channel strategy.
- Projects for the digitalisation and streamlining of processes with a view to simplifying the customer and agent experience.
- Strengthening of distinctive direct repair and assistance services in the MV segment.
- Extension to Non-MV of the service model based on direct damage repair and assistance.
- Integrated Reputation management model, with the dual objective of Construction and Protection and achievement of reputational leadership in the financial sector.
- Development of the reputational risk policy and on demand policies.

WELL BE

The importance of health and welfare, developments in the fields of biology and biogenetics and predictive models, preventive medicine, personalised drugs, lifestyles and diets, treatment freedom, addiction, mental illnesses, rebalancing of welfare action among the state, the market and partner economies.

RISKS

- Lack of consideration of nutrition, physical activity, obesity and prevention in risk profiling factors.
- Lack of consideration of the epidemiological shift, with the predominance of chronic/degenerative illnesses.
- Increased privacy risk.

OPPORTUNITIES

- Complementarity of the State for welfare system management.
- Offering prevention and predictive diagnostics services.
- Improvement in the capacity to profile and monitor risk, thanks to genetic diagnostics tools or digital devices.
- Encouragement of healthier lifestyles through wearable devices.
- Offering home care and digital health services.
- Possibility of extending protection accessibility to more vulnerable categories of the population.

GROUP RESPONSES

- New offer dedicated to healthcare protection and welfare requirements.
- New partnerships with the public sector.
- Prevention and diagnostics tools linked to chronic illnesses.
- Sale of UniSalute healthcare plans through Unipol Banca bank branches and UnipolSai agencies.
- Establishment of SiSalute for the provision and management of non-insurance healthcare services.
- Launch of the welfare services platform for SME employees.
- Educational initiatives on the importance of a healthy life style (physical exercise, diet...) and prevention.

SHARING ECONOMY

Change in paradigm from ownership to access, collaborative consumption, circular economy, pay per use peer trust, *block-chain*.

RISKS

- Reduction of the insurance base due to the sharing of assets, car sharing and pay per use policies.
- Changeover in customer types, with the gradual shift from *business-to-consumer* to *business-to-business* relationships.
- Unbrokeraging potential.

OPPORTUNITIES

- Role of insurance in favouring a climate of trust in relationships between peers.
- Partnerships for the creation of integrated ecosystems.
- Development of new forms of insurance linked to new consumption models.
- Leveraging of stakeholders as Group "ambassadors".

GROUP RESPONSES

- KM sicuri and KM&Servizi policies with a "Per Kilometre" rate on a pay per use basis (also for motorcycles with the Km&Servizi 2 ruote policy).
- Service models based on the concept of access through the implementation of telematics.
- Leveraging of customers as Group ambassadors by monitoring the
- Net Promoter Score indicator.
- Launch of the "Domux Home" brand for temporary leases on the Group's high-end properties.
- Long-term rental initiatives.
- Development platform based on *block-chain* technology for real-time quotes for corporate risks.

NEW SKILLS

Need for new skills, new organisational models, leveraging of intangibles and human capital, ecosystem of services with gradual disappearance of the vertical division between sectors.

RISKS
- Lack of a timely response to emerging trends.
- Lack of a timely response to changes due to difficulties in communication and collaboration between functional areas.

OPPORTUNITIES
- Continuous training of resources.
- Human capital development and engagement activities.
- Evolution of organisational models.
- Increase in efficiency and productivity through *smart working*.initiatives.
- Development of innovation capacity also through partnerships and inter-sector cooperation.
- Offering new forms of coverage linked to the increasing commingling between domestic and non-domestic environments.

GROUP RESPONSES
- UNICA, Unipol Corporate Academy.
- Leithà, structure dedicated to innovation.

TECHNOLOGICAL MACRO TRENDS

INTERNET OF EVERYTHING

Black box, digital devices, wearables, Industry 4.0, *Big Data*, Privacy, data security, *cyber risk*, new computing frontiers.

RISKS
- Loss of oversight of data and customer relationships.
- Difficulty of attracting and retaining specialised resources for *Big Data* analysis and management.
- Increasing vulnerability to *cyber risks* of data and *devices*.
- Increasing vulnerability to privacy risk.

OPPORTUNITIES
- Evolution of the role of insurance from "compensation" to "prevention".
- Optimisation of claims management and strengthening of fraud prevention.
- Increasingly personalised pricing.
- Growing frequency of customer relationships and services.
- Growing demand for protection from *cyber risk*.
- Management process optimisation.

GROUP RESPONSES
- Leadership in MV insurance telematics.
- Leveraging of telematics for customer service and claims management optimisation.
- Range of insurance products associated with telematics devices (Km&Servizi 2 ruote, Commercio&Servizi, Casa&Servizi, Condominio&Servizi, C@ne&G@tto policies).
- Strategic nature of Alfa Evolution Technology to oversee data, know-how and service model.
- Offer of coverage of data against *cyber risk*.

NEW MOBILITY

New models of mobility, technological development of vehicles, integrated multi-mode mobility.

RISKS
- Disruptive change in the insurance market with a medium/long-term contraction in the traditional MV TPL business.
- Need for evolution of the insurance contract due to the transformation of the concept of liability.

OPPORTUNITIES
- Creation of new insurance products oriented towards the multiple aspects of new mobility (driverless cars).
- Development of partnerships with vehicle manufacturers and technological players
to create system ecosystems.
- Active role in the improvement of road safety.

GROUP RESPONSES
- Insurance telematics for the MV segment and mobility services in a broader sense.
- Development of the Non-MV segment through extension of the service-based model.

ARTIFICIAL INTELLIGENCE AND ROBOTICS

Robots, AI and *machine learning*, man-machine relations, responsibility and ethics dilemmas.

RISKS
- Social impact in terms of the disappearance of some jobs and the birth of new ones.
- Need for retraining of human resources.

OPPORTUNITIES
- Tailor-made dynamic tariff-setting.
- Offer of new forms of insurance and prevention.
- More streamlined and efficient management of processes.
- Continuous personalisation of products and services.

GROUP RESPONSES
- Robotics projects and *machine learning* for more streamlined and efficient process management.
- Sensitisation initiatives on related ethics and responsibility issues.

POLITICAL MACRO TRENDS

NEW FRONTIERS

Offer and service internationalisation, contagion risk, growing political instability, anti-Europe movements and protectionist drives, multilateralism.

RISKS
- Increasing system interconnections with the resulting possible growth in contagion risk.
- Need for new skills to manage multi-culturality and complexity.

OPPORTUNITIES
- Growth and diversification of risks.
- Development of aggregation processes and strategic alliances.
- Offering protection and global risk management services to businesses.
- Increased protection expectations for emerging risks connected with internationalisation.

GROUP RESPONSES
- Investments in UnipolRe, the Group's Reinsurance company as a vehicle for growth in foreign markets.

ENVIRONMENTAL MACRO TRENDS

CLIMATE CHANGE

Climate change, greenhouse gas emissions, biodiversity, food production, spread of new diseases, resistance

RISKS
- Failure to incorporate impacts in terms of the growing exposure to extreme weather events into pricing.

OPPORTUNITIES
- Contribution to the creation of a mixed public/private system.
- Creation of products that incentivise prevention and responsible behaviours.
- Offering prevention and disaster recovery consulting services.
- Campaigns of commitment in favour of the climate and environmentally responsible business policies.

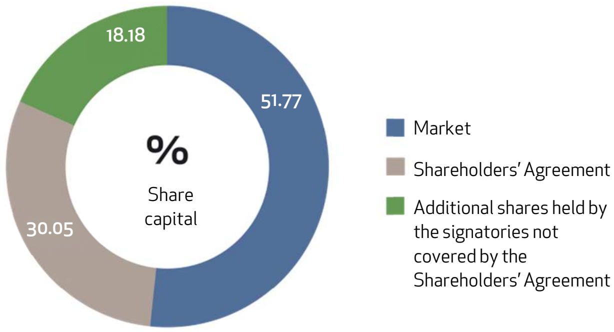
GROUP RESPONSES
- Reducing and optimising direct environmental impacts (ISO 50001).
- Derris Project.
- Climate guarantees.
- Incentives in the pricing of policies of virtuous policyholder environmental conduct.

GOVERNANCE

NFS

Corporate Governance

No significant changes to the company's main shareholders occurred in 2018.
The list of direct Shareholders with more than 3% of the ordinary share capital at 31 December 2018 is as follows: Coop Alleanza 3.0 Soc. Coop.; Holmo S.p.A.; Nova Coop Soc. Coop.; Cooperare S.p.A.; Coop Liguria Soc. Coop. di Consumo.



SHAREHOLDERS' MEETING
The Shareholders' Meeting is the body that expresses the will of the company via its resolutions; the resolutions it passes in compliance with the law and the By-Laws, including the numbers abstaining or against. The Board of Directors considers the Shareholders' Meeting, even in the presence of a broad diversification of the methods for communication with Shareholders, a significant moment for fruitful dialogue between the Directors and Shareholders, also in compliance with regulations on price sensitive information.

BOARD OF DIRECTORS

CHAIRMAN
Legally represents the Company and exercises the powers laid out in the By-Laws.

CHIEF EXECUTIVE OFFICER/ GROUP CEO
Responsible for the operating guidance of the Company and the Group, in line with the general programmatic and strategic policies defined by the Board of Directors.

Board of Statutory Auditors
Exercises supervision over observance of the law and the By-Laws, respect for the principles of proper management.

Independent auditors
PricewaterhouseCoopers S.p.A., the external auditor responsible for the legally-required audit of the accounts.

Chairman's Committee
Carries out an advisory and support role in identifying development policies and the guidelines of the Company's and the Group's strategic and operating plans

Appointments and Corporate Governance Committee
Carries out a propositional and advisory role in the identification of the optimal composition of the Board of Directors and in the definition of the corporate governance system of the Company and the Group.

Control and Risk Committee
Provides a judgment to the Board of Directors on the definition of the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and the Group are correctly identified, and adequately measured, managed and monitored.

Related Party Transactions Committee
Carries out an advisory, discussion and propositional role with respect to transactions with related parties and associated parties, in compliance with the provisions of current regulations.

Remuneration Committee
Carries out an investigative, propositional and advisory role regarding remuneration.

Sustainability Committee
Appointed to establish sustainability guidelines and the operational coordination necessary for fully achieving the sustainability goals.

Ethics Committee
Carries out advisory, propositional and decision-making functions relating to the content and purposes of the Group's Code of Ethics, for which it is the main manager, along with the Head of Ethics, for its promotion, proper interpretation and implementation.

For detailed information on the duties and responsibilities of the Sustainability Committee, please refer to the Report on Corporate Governance and Ownership Structures, available in the "Governance" section of the Unipol Group's website.

BOARD OF DIRECTORS

The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company. Therefore, it is able to carry out all deeds, including disposals, that it deems appropriate to achieve the corporate purpose, excluding only those that the law expressly places under the responsibility of the Shareholders' Meeting.

Chairman	Vice Chairman	CEO / Group CEO / GM
Pierluigi Stefanini	Pasquariello Maria Antonietta	Cimbri Carlo

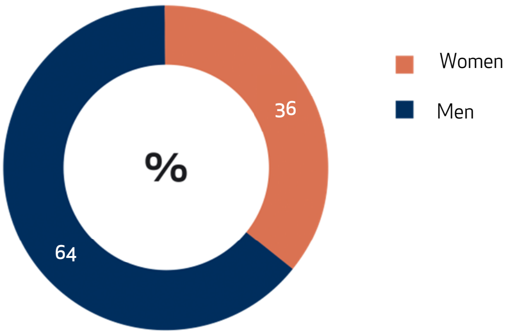
MEMBERS OF THE BOARD OF DIRECTORS APPOINTED BY THE SHAREHOLDERS' MEETING OF 28 APRIL 2016

Balducci Gianmaria	**Berardini** Francesco	**Candini** Silvia Elisabetta	**Cattabiani** Paolo (a)	**Dalle Rive** Ernesto (a)	**De Luise** Patrizia	
Desiderio Massimo (*)	**Ferraboli** Anna Maria	**Ferré** Daniele (a)	**Gualtieri** Giuseppina	**Levorato** Claudio	**Morara** Pier Luigi	**Mundo** Antonietta
Pacchioni Milo	**Trovò** Annamaria	**Turrini** Adriano	**Zambelli** Rossana	**Zini** Carlo (a)	**Zucchelli** Mario	

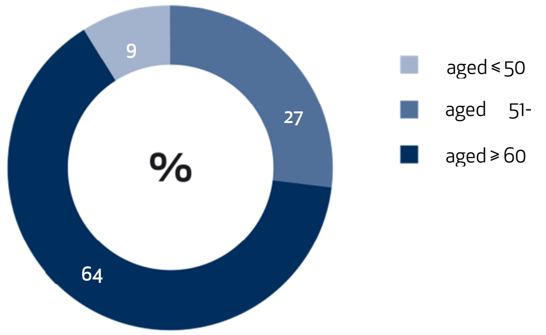
Executive · Non-executive · Independent, per Code and Consolidated Law on Finance (1) · Independent solely per Consolidated Law on Finance

(1) Indicates whether the Director has been classified by the Board of Directors as independent in accordance with the criteria laid out by the Corporate Governance Code and at the same time meets the independence requirements established by Art. 148, paragraph 3 of the Consolidated Law on Finance.
(a) Director excluded, with reference to 2018, from the group of independent directors given that, taking into account the current shareholding structure of Unipol, all company directors that are: i) members of the Management Committee of the shareholders' agreement that connects certain Unipol shareholders or ii) key representatives of the administrative body of the main company shareholder, are not considered as independent.
(*) Director co-opted by the Board of Directors on 3 August 2017 to replace the outgoing Sandro Pierri and appointed by the ordinary shareholders' meeting of 28 April 2018.

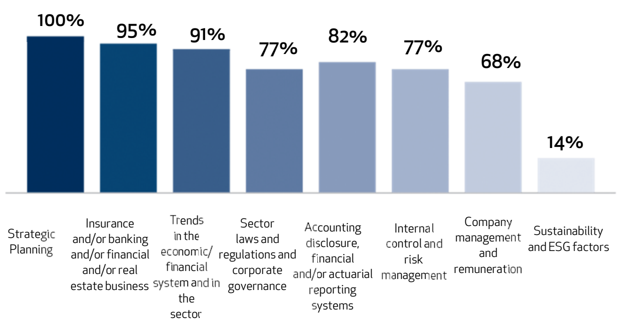
BoD - Breakdown by gender [b]



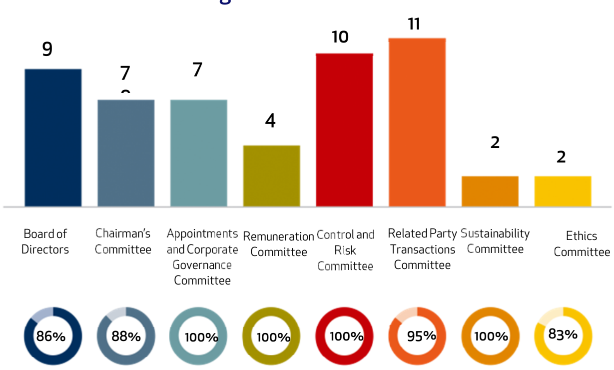
BoD - Breakdown by age [b]



Skills [b]



Number of meetings and attendance rate [c]



(b) Referring to the Board of Directors in office as of 28 April 2016, also taking into account co-opted appointment during 2017.
(c) Referring to all of 2018.

For detailed information, please refer to the Report on Corporate Governance and Ownership Structures, available in the "Governance" section of the Unipol Group's website.

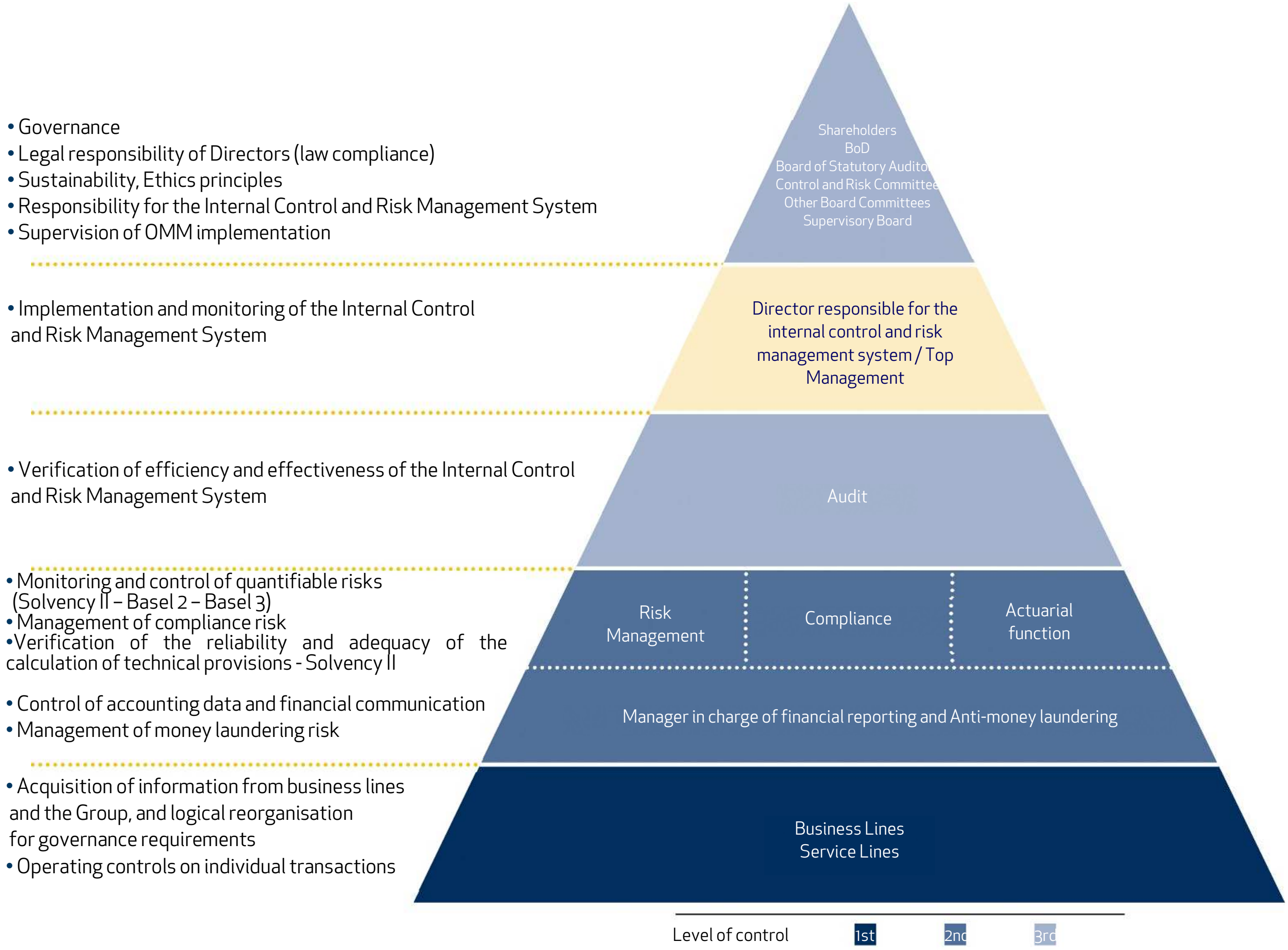
Internal Control and Risk Management System

NFS

The internal control and risk management system (the "System") is a fundamental element in the overall corporate governance system. The System is defined in the relevant directives ("SCI Directives") approved by the Unipol Board of Directors in December 2008 and subsequently subject to periodic updates[4].

A summary scheme of the Risk and Control Governance model, and a description of the roles and responsibilities of the entities involved in the system are provided below.

Risk and Control Governance Model



[4] The latest update of the SCI Directives was approved by the Board of Directors' meeting on 21 December 2017. The next update, targeted primarily at reflecting the definitive choices of the Unipol Group regarding corporate governance and, in particular, the internal control and risk management system, in consideration of the new regulatory set-up introduced by IVASS Regulation no. 38 of 3 July 2018 containing provisions on the corporate governance system, is planned by the first half of 2019.

In relation to the corporate governance system, the Parent equips the Group with an internal control and risk management system suited to the structure, the business model and the nature, the scope and complexity of risks, current and future, relating to the activities of the Group and the companies that make up the group, which enables the sound and prudent management of the Group and which takes account of the interests of the companies that form part of the group. This system incorporates a set of strategies, rules, procedures and organisational structures targeted at ensuring the correct functioning and solid performance of the individual companies and the Group, as well as keeping the risks to which the companies and the Group are exposed to a level consistent with the available of capital.

In general, the Company Bodies and top management of the Group companies promote the dissemination of a culture of control which, at all levels, make staff aware of their role, also in reference to the control activities, and encourages the involvement of all company departments in pursuing the business objectives and creating value.

The **Board of Directors**, after obtaining an opinion from the Control and Risk Committee, defines i) the guidelines for the Internal Control and Risk Management System; ii) 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 Parent and the Group and to the defined risk appetite, as well as its effectiveness and capacity to adapt to evolving corporate risks and the interaction between them.

The **Board of Statutory Auditors** is responsible for supervising the completeness, functionality and adequacy of the organisational, administrative and accounting structure adopted and the comprehensive internal control and risk management system, and is required to ascertain that all functions involved in the system are adequate.

The **Control and Risk 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 **Supervisory Board** ("SB") has the task of monitoring the functioning and updating of the Organisational, Management and Control Model ("OMM"), a well-structured and organic prevention, determent and control system aimed at developing awareness of being able to give rise to sanctions not only for themselves, but for the Unipol Group Companies as well, if offences are committed by parties who either directly or indirectly work on sensitive activities (directors, managers, employees and partners) (see in-depth analysis below).

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; he also implements the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness.

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 Board.

The **Board committees** are formed within the Board of Directors. They offer advice and make suggestions, and play a role in the internal control and risk management system, particularly regarding relations with the Audit, Risk Management, Compliance, Anti-money laundering and Actuarial functions.
The Control System assigns suitable positioning to the organisational units that, through consistent structuring, guarantees the segregation of duties in the process activities and, within the Parent and the regulated companies[5], is divided across multiple levels.

<u>Line controls (so-called "first-level controls")</u>, aimed at ensuring transactions are carried out correctly, 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 the IT procedures. The operating structures are the primary bodies responsible for the risk management process and must ensure compliance with the adopted procedures for implementing the process and compliance with the established risk tolerance level.

[5] The companies subject to monitoring.

Risk and compliance controls (so-called "second-level controls") 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, the reliability and adequacy of the calculation of the Solvency II technical provisions. 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") is the 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.

The **Key Functions** (Audit, Risk Management, Compliance and Actuarial function), responsible for second-level and third-level controls, have separate organisations and report directly to the Board of Directors, operating under the coordination of the Director responsible for the Internal Control and Risk Management System.

The Key Functions are provided at Group level and in the regulated companies of the Group in proportion to the nature, scope and complexity of the risks relating to company activities, according to an organisational model, described in the SCI Directives, which guarantee their efficiency, reliability, independence and autonomy of judgment, also in the case of outsourcing.

The Parent, through its Key Functions or the use of company departments established for said purpose, guarantees the performance of control activities and integrated risk management, also with reference to unregulated companies, according to a risk-based approach, in order to ensure the implementation of the guidelines and the policies laid down by the same and verify their observance.
The Key Functions established at the Parent are attributed not only the task of carrying out the activities within their area of competence for Unipol, but also management and co-ordination of the subsidiaries.

The **Audit** Function is responsible for assessing the completeness, function, reliability and adequacy of the Internal Control and Risk Management System in relation to the nature of business activities and the level of risks undertaken, as well as its updating, also through support and advisory activities provided to other company departments.
The tasks and responsibilities of the Audit Function are defined and formalised in the "Audit Function Regulations", enclosed with the SCI Directives.
The Function's tasks include:

- audit process (insurance, operations, financial, IT and banking),
- preparation of regulatory reports and performance of related activities;
- audits of insurance agencies, bank branches, financial advisors and settlement services;
- investigation of internal fraud by employees, trustees and persons pertaining to the sales networks;
- collaboration with the Control and Risk Committee, the independent auditors, the Board of Statutory Auditors and the Supervisory Board pursuant to Legislative Decree 231/2001.

The Audit Function verifies, on an ongoing basis, in relation to the specific needs and in compliance with international standards, the functionality and suitability of the internal control and risk management system, through an audit plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks.

The **Risk Management** Function is responsible for ensuring an integrated evaluation of the various risks at Group level, supporting 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.
Within the risk management system, Risk Management is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at individual and aggregated level which the Company and the Group are or may be exposed to and the relevant interdependencies.
In the exercise of its role, the Risk Management Function develops, implements and maintain the risk measurement and control systems. Among these, particular relevance is given to the definition and the use of tools aimed at assessing the capital needed against the risks identified.
The Risk Management Function, together with the other control departments, provides its support for the dissemination and strengthening of a culture of risk within the Group which, at all levels, make staff aware of their role, also in reference to the control activities, and encourages the complete involvement of all company departments in pursuing the Group business objectives. The year 2018 saw the involvement, in classroom-based and distance learning courses on Risk Management, of 6,700 Unipol Group employees, for a total of 6,880 attendances.

The **Emerging and Reputational Risks Observatory** is also part of Risk Management and involves the main support departments for managing such risks, which meet as a specific Technical Panel, and the business divisions. As regards reputational risks in particular, mapping activity, conducted on the basis of the analysis of internal and external drivers, entailed the identification of 52 basic reputational risk scenarios, deriving from past experience or plans in place, which were enhanced with 10 "what if" scenarios, or risk/opportunity scenarios that can be useful for strategic purposes.

The **Compliance and Anti-Money Laundering** Function is responsible for evaluating the suitability of procedures, processes, policies and internal organisation according to a *risk-based* approach in order to prevent compliance risk, defined as the risk of incurring judicial or administrative sanctions, substantial financial losses or reputational damages as a result of failure to observe laws, regulations or measures of the Supervisory Authority or internal regulations such as by-laws, codes of conduct or corporate governance codes, internal policies and corporate communication documents.
The Compliance Function operates through:

- constantly identifying applicable legal regulations and the evaluation of their impact on corporate processes and procedures;
- assessing the adequacy and effectiveness of the measures adopted by the company to prevent compliance risk, and recommending the implementation of organisational and procedural changes aimed at ensuring such risk is effectively monitored;
- assessing the adequacy of organisational adjustments (i.e. to structures, processes, procedures) deriving from the suggested changes;
- arranging information flows addressed to the bodies and structures involved.

With reference to Anti-money laundering and Anti-terrorism, the Function is responsible for applying the Anti-money laundering regulations falling under Legislative Decree 231/2007, as amended (the "Decree"), that are implemented within the Unipol Group for the Insurance Companies operating in the Life business, banking sector companies and asset management companies. Anti-money laundering monitoring activities are targeted at guaranteeing correct compliance with the provisions of the Decree regarding customer due diligence obligations, storage and reporting obligations and personnel training.

The **Actuarial** Function is responsible for coordinating the calculation of the technical provisions, assessing the adequacy of the methods, models and assumptions which provide the basis for said calculation and evaluating the adequacy and quality of the data used. The Function expresses an opinion on the overall risk underwriting policy and the adequacy of the reinsurance agreements and provides a contribution to the risk management system, also with reference to their modelling underlying the calculation of the capital requirement.

The **Manager in charge of financial reporting** is responsible for certifying the correspondence to documented accounting results, books and entries of the documents and communications distributed by the company to the market and relating to accounting information, including interim. The Manager in charge of financial reporting is responsible for managing compliance risks relating to the financial statement assumptions within the scope of administrative/accounting procedures and the relative key controls.

The monitoring of social, environmental and governance risks

In line with the Sustainability Policy, an interdepartmental ESG Risks Round-table Group was set up, whose objective is to identify the potential social, environmental and governance risks to which the Group is exposed, map the controls targeted at managing these risks and suggest improvement actions.
In 2018, the Group updated the mapping of ESG risks and the associated controls, also verifying the progress status of the improvement actions identified previously.

The monitoring of ESG risks is, above all, ensured by the Group's corporate governance system, and in particular by the verification of observance of the competence and integrity requirements by those that carry out administration, management and control functions and by the presence of an adequate internal regulatory system - comprised of the Group policies and the associated operating procedures - which formally regulates the methods of managing the areas identified, an adequately structured and formalised system of authorisations and powers and effective information flows, especially to corporate an control bodies.
At organisational structure level, the management of ESG risks is guaranteed by an adequate and transparent separation of responsibilities between the functions that make up said structure and by the presence of departments dedicated to monitoring, across the entire Group, specific themes of special regulatory significance (e.g. privacy, anti-money laundering, anti-terrorism, transparency and anti-usury, Legislative Decree 231/01, complaints, health and safety) or providing support to the business functions on specific matters (e.g. Legal, Communication, Marketing).

The line structures also contain specific operating controls for the different company processes (e.g. hierarchical controls, authorisation levels, monitoring systems, blocks within IT systems, partner and supplier selection criteria).

The second-level functions constantly verify the adequacy of the control system for monitoring the risks generated by company operations, each one for the areas within their competence.

In particular, the Risk Management Function annually conducts an assessment to quantitatively evaluate the operating risks generated as part of the main company processes and carries out evaluations on the Group's risk profile and on capital adequacy, ensuring coordination of the activities carried out by the various company departments dealing with risk management.

The Compliance Function conducts ex ante checks, with the objective of supporting the Top Management in the adjustment actions resulting from new products, projects, processes, regulations and ex post checks, whose purpose is to represent the level of compliance of the procedures, processes, policies and internal organisation of the individual companies of the Group with the applicable regulations and to assess compliance risk.

The Audit Function carries out "third-level" controls on the management processes, based on risk-based planning which makes it possible to guarantee the due diligence of the processes considered the most significant in terms of risk. In conducting this evaluation, the Function takes account of a number of elements, including the results of the previous evaluations, conducted by the Function itself and other control functions, developments in regulations and the context, including the same ESG risk scenarios.
The Audit Function also performs inspections of the sales and settlement networks of the Group companies, targeted at verifying compliance with the internal and external regulations by the entities that operate in said networks, and inspections aimed at identifying any serious irregularities and/or fraud on the part of employees, trustees or entities belonging to the networks.

In carrying out their activities, the Functions have adopted a joint approach to the mapping and evaluation of processes, risks and controls, which enables them to share the information produced and identify and monitor, in a centralised manner, the improvement actions presented to management in order to enhance the effectiveness of the control system.

The table below shows the main risks connected with social, environmental and governance issues that are relevant for the Unipol Group, and an overview of the main regulatory and organisational controls that regulate their management methods.

ISSUE	RISK	TOPICS IN THE MATERIALITY MATRIX	REGULATORY CONTROLS IN PLACE
Active and passive anti-corruption measures	Insufficiently transparent participation in public works tenders	Transparency toward the Market and the Authorities	• Code of Ethics • Organisational and Management Model and 231 operating protocols • Sustainability policy • Operational risk management policy • Investment policy • System of powers • Procedure governing transactions with related parties, intercompany counterparties and associated parties • Purchasing procedure • Real estate management procedures and guidelines • Procedures for the participation in tenders called by public entities
	Transactions carried out that do not comply with Group policies due to personal interest	Risk management, risk and control culture	
	Financial scandal (false financial reporting, insider trading, corruption, etc.)	Raising regulatory compliance awareness	
	Strong political pressure upon Unipol Group management members that are able to influence Group decisions, e.g. in the choice of certain suppliers or investments	Risk management, risk and control culture	
	Actions of managers to the benefit of related parties and to the detriment of the company	Risk management, risk and control culture	
	Failure to comply with authorisation procedures during the construction of a building or in its management	Raising regulatory compliance awareness	
	Arrangements with other insurance companies to keep their policy prices high	Fair and responsible competition	
	Insufficiently transparent influence over public decision makers to ensure that a new ruling affecting certain aspects of daily life (Healthcare, MV TPL, Welfare, etc.) is decided to the benefit of the Unipol Group's interests rather than those of the Italian public	Fair and responsible competition	
Equal opportunities	Discriminatory statements or conduct in human resources management, such as salary differences for the same job and/or against a faction of society in the mix of products and services as regards gender, religion, race, nationality, sexual orientation, or political-civil decisions.	Well-being within the company	• Code of Ethics • Charter of equal opportunities • Sustainability policy • Operational risk management policy • Underwriting policies • Internal regulations on the use of social media
Respect for human rights and protection of the environment	Unfair actions taken by the Unipol Group or its investees as regards respect for human rights and workers' rights and regarding environmental damage	Farsightedness in responsible capital management	• Code of Ethics • Code of Good Practice • Supplier Code of Conduct • Organisational and Management Model and 231 operating protocols • Sustainability policy • Operational risk management policy • Policy on Anti-money laundering and Fight against Terrorism Financing • Guidelines for the management of credit risk assumption activities • Sector and supplementary agreements • Agreement on sales policies for the banking sector • Compliance with the Principles for Responsible Investment (PRI). • Internal regulations on the purchase of goods and services, sponsorships, charitable donations, generic promotional contributions
	Inadequate procedures to prevent and combat money laundering and terrorism financing in accordance with law	Risk management, risk and control culture	
	Unfair actions taken as regards respect for human rights and workers' rights and regarding environmental damage among investee companies	Farsightedness in responsible capital management	
	Unfair actions taken by suppliers as regards respect for human rights and workers' rights and regarding environmental damage	Responsible supply chain management	
	Unfair actions taken by agents as regards respect for human rights and workers' rights	Group relations with the agency network	
	Unfair actions taken as regards respect for human rights and regarding environmental damage among insured companies	Farsightedness in responsible capital management	

ISSUE	RISK	TOPICS IN THE MATERIALITY MATRIX	REGULATORY CONTROLS IN PLACE
Protection of customer rights	Delays in handling complaints	Fairness in the sale of products and services	• Code of Ethics • Organisational and Management Model and 231 operating protocols • Operational risk management policy • Sustainability policy • Anti-fraud policy and process • Complaints management policy and procedures • Document access procedures • Clinical risk management procedures • Internal regulations on food processes • Settlement procedures • Policy, guidelines, operating procedures and security measures for the protection of personal data • Policies regarding product governance and control • Certification of Life savings and investment products • Internal regulations on transparency, usury and compound interest • Procedures for managing the company website and web services
	Use of misleading advertising tools	Fairness in the sale of products and services	
	Unlawful and fraudulent taking of money from a customer by an employee or agent	Risk management, risk and control culture	
	Improper or disrespectful use of the personal data of customers/potential customers	Raising regulatory compliance awareness	
	Non-compliance with existing hygiene-health procedures	Risk management, risk and control culture	
	Inadequate transparency in sale phase	Fairness in the sale of products and services	
	Application of interest rates on proprietary products that are higher than those permitted by law	Raising regulatory compliance awareness	
	News of inefficient health service management in a Unipol clinic	Risk management, risk and control culture	
	Delayed settlement	After-sales customer service	
	Difficulty for the customer to access information on the products/services purchased	Fairness in the sale of products and services	
	Inefficient service provided by the affiliated networks	Customer loyalty	
Protection of workers' rights	Improper implementation of collective workforce downsizing	Development of resources	• Organisational and Management Model and 231 operating protocols • Sustainability policy • Operational risk management policy • Sector contracts and supplementary agreements • System of powers • Health and safety management system manual • Occupational health and safety procedures
	Failure to comply with occupational safety regulations or insufficient preventive activities for accidental infrastructural failure in a Group property	Well-being within the company	
	Collective reports of mobbing from workers or widespread level of work-related stress	Well-being within the company	
Protection of the community	New emerging risks: offering capacity of products for risks with a high social impact and coverage, through the overall insurance offer and contractual conditions, of needs highlighted by the evolution of the socio-cultural context	Risk management, risk and control culture	• Reinsurance policy • Risk management policy

The Organisation and Management Model pursuant to Legislative Decree 231/2001

The Unipol Gruppo's Organisational, Management and Control Model, updated on 27 September 2018, is composed of a General Part as well as 12 Special Parts, each dedicated to a category of crime that could theoretically take place within the Company. The update was carried out with a view to implementing recently introduced legal provisions and also had the goal of conducting a general document review to guarantee that the Organisational, Management and Control Models are set up in a uniform manner within the Group, as well as to ensure internal consistency between the General and Special Parts.
The update also followed the adoption of the procedure for reporting violations ("Whistleblowing"), approved by the company's Board of Directors at the meeting on 9 August 2018, in compliance with law 197/2017 governing whistleblowing, which (introducing paragraph 2-bis of article 6 to Decree 231) requires recipients to establish specific procedures and dedicated communication channels which make it possible to internally report violations of the regulations governing the activities carried out, safeguarding the confidentiality of the whistleblower's identity and protecting the latter from reprisals after the reporting, plus an update of the company's Organisational, Management and Control Model in that regard.
The dissemination of the Model to employees through the company intranet with the creation of web pages, constantly updated, whose contents essentially concern:

- a general disclosure relating to Legislative Decree 231/2001, supported by responses to the most frequently asked questions (FAQ) in relation to the regulation in question;
- structure and main operating provisions of the Organisational, Management and Control Model adopted by Unipol Gruppo.

The adoption of the Model and the associated updates are communicated to employees at the time of said adoption or the update through a company communication sent via e-mail (or similar electronic tool) to all employees in the workforce by the competent department.
As regards the construction of internal awareness, a web-based training module was prepared and provided to employees regarding updates of the Organisational, Management and Control Model of the companies belonging to the Group made between 2017 and 2018.

After a detailed analysis of the corporate processes and operations, the risks considered material to Legislative Decree 231/2001 were identified and mapped, and the offences that could arise as part of the sensitive activities identified are:

Offences against Public Administration	Cyber-crimes	Copyright offences
Corporate offences	Negligent homicide or actual or serious bodily harm committed in violation of occupational health and safety regulations	Employment of third country citizens without a regular permit
Administrative crimes and offences relating to insider dealing, market abuse and market manipulation	Organised crime and transnational offences	Incitement to not give statements or provide false statements to judicial authorities
Crimes of receiving stolen goods, money laundering, self-laundering and crimes for the purposes of terrorism or subversion of the democratic order	Environmental offences	Unlawful intermediation and job exploitation

For further details on the OMM, please refer to the "Governance" section of the Unipol Group's website

Anti-corruption

In relation to the detailed analysis of the relevant areas at risk for the purposes of Legislative Decree 231/2001, the company processes were analysed and evaluated in relation to the risk of corruption.
The object of the analysis was all mapped processes for the Parent and for all Group companies.

Taking the main companies as the reference, in relation to the Parent, 105 processes were analysed, 14 of which (equal to 13%), were evaluated as sensitive to the risk of corruption; by contrast, in relation to UnipolSai Assicurazioni, 143 processes were analysed, of which 28% (40 processes) were evaluated as sensitive to the risk of corruption. The activities most exposed to the risk of corruption include: management of property inspections by Public Officials with control functions, the management of inspections by the Supervisory Authorities, of tenders called and the assignments relating to real estate purchases or engagements, of tenders with Public Authorities for insurance services, of charitable donations, sponsorships and advisory services. For these activities, additional specific control tools were put in place.

The OMM calls for oversight and control mechanisms put into place to combat corruption in Special Part 1, with reference to the crimes laid out in the criminal code, and in Special Part 2 with reference to the crime of corruption between private parties laid out in the Civil Code.
In particular, these Special Parts highlight the general conduct principles applied to the corporate bodies and employees directly and to partners on the basis of dedicated contractual clauses. These principles concern:

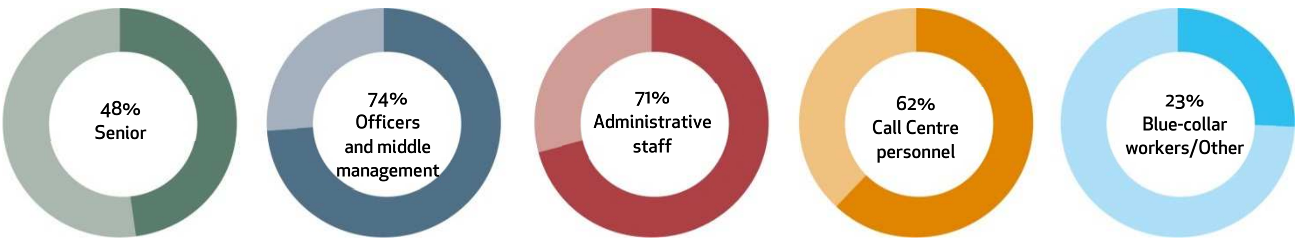
- the training of its partners by the Managers of the functions in contact with the Public Administration and the traceability of information flows to said entity;
- the conferment of representation engagements to external entities through formal assignment;
- the insertion, in contracts with partners, of specific statements by said entities on knowledge of Legislative Decree 231/2001 and the commitment to observe said decree.

By contrast, as regards corruption between private parties, in particular, it is prohibited to offer, promise, give, pay, any sum of money, other benefit, advantage or anything of value to Directors, General Managers, Managers in charge of financial reporting, Statutory auditors and Liquidators of private companies or entities subject to their management or supervision, for the purpose of influencing said parties to carry out acts in violation of the obligations of their office.
The specific principles of conduct and principles of control for preventing the commission of each type of crime considered are also laid out in detail.

The companies operating in Serbia include provisions in their By-Laws and Code of Ethics that envisage a duty to avoid conflicts of interest. For UnipolRe, the company operating in Ireland, so as to better combat corruption the signatory powers approved by the Board of Directors envisage two signatures for any transaction.

In 2018, Unipol Gruppo and the Unipol Group companies did not incur costs for any penalties pursuant to Legislative Decree 231/2001 deriving from charges for crimes of corruption.

Percentage of employees specifically trained on anti-corruption policies and procedures in Italy



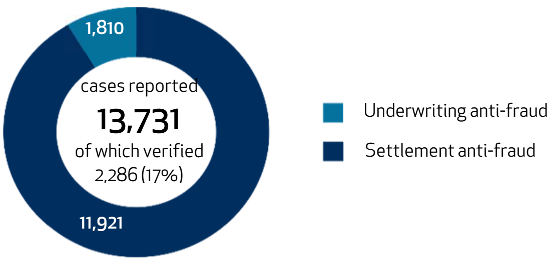
Overall, 69% of obligated employees received specific training on anti-corruption policies and procedures[6].
To ensure effective implementation of the OMM, agents were asked to acknowledge it, which was done in 32% of cases.
With reference to suppliers, a clause was included in the contracts that requires the supplier to observe the OMM, under penalty of termination of the contract itself. As regards suppliers enrolled in the Suppliers Register, which account for 37% of the total, acceptance of the OMM is certified.

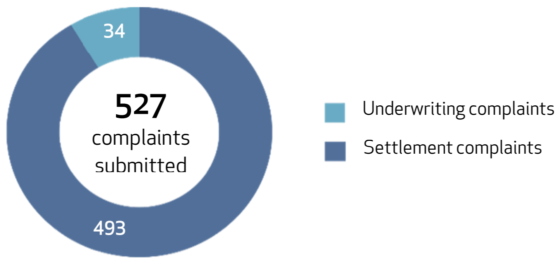
[6]In respect of the modification of the method of data reporting, in compliance with the Supervisory Board, the data indicated cannot be compared with the data of the previous year.

Anti-fraud

Anti-fraud activities are particularly important in the insurance business, and a special department is in charge of this. Anti-fraud carries out its activity of preventing, intercepting and combating fraudulent conduct perpetrated to the detriment of UnipolSai, as well as the Unipol Group Companies - without their own dedicated independent structure - on the basis of intragroup service contracts. As in previous years, again in 2018 significant efforts were made to combat fraud in the underwriting and settlement phases, privileging - when possible - the investigation "workflows", as well as to develop and fine-tune new IT methodologies and applications. In this respect, at settlement stage, and integrating the work carried out by the Group's Legal and Anti-fraud departments, in 2018 the Special Areas of the Claims Department analysed around 34 thousand reports of suspect claims. The claims managed by the Special Areas, according to the results of the investigation, could be reported to the Anti-fraud Department for possible criminal action, closed with no further action, concluded with a reduced settlement or settled in full if proving genuine.

Anti-fraud: Cases reported, verifications, complaints





Protection of personal data

In order to guarantee that personal data processing (data of customers, employees and, in general, everyone who comes into contact with the various Group companies) complies with the provisions set forth in the Personal Data Protection Code, the Unipol Group has established dedicated organisational controls, in particular with regard to information security, access to data by third parties, generation of documents required by law, and targeted training for employees and agents.
With reference to Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of personal data (the "GDPR"), a special work group was set up in January 2017 to coordinate the project to adapt all Group companies to the regulatory provisions of the GDPR.
The project led to a substantial review of the Group's privacy architecture, through the appointment of a single Group Data Protection Officer - which carries out the relevant activities for the Parent and for its subsidiaries with registered office in Italy - as well as the development of the role of Process Owners, of Privacy Representatives, of employees authorised to process data and of the responsible external agencies appointed. The coverage of insurance customer privacy collection reached more than 61%, a portion on which it is possible to run sales campaigns.

It should be noted that, in 2018, 3 instances of loss or theft of customer data were recorded by Unipol Group companies.
In 2018, 2 complaints were received regarding the protection of personal data, which were appropriately answered.

E-learning training courses were provided in November on privacy, and in particular on the topic of the new European Regulation (GDPR), covering 31% of employees at year-end. Lastly, e-learning courses continued to be provided to agents and their partners (with a percentage attendance at 31 December 2018 of 13%).

Protection of fair competition

The monitoring and promotion of free competition by the Unipol Group is, above all, ensured by the principles contained in the Code of Ethics, which express the Group's intention to operate in favour of a market in which free competition is guaranteed, abstaining from practices that may potentially be anti-competitive.
The declaration contained in the Code of Ethics is supported not only by detailed internal processes and procedures that guarantee the necessary controls, but also by constant advocacy activities on the legal proposals and public consultation initiatives and on every other

act or document published by the Authorities which may impact the activities of the Group and its stakeholders, both in view of verification of the compliance of the activities carried out by Group companies, and their development and research of new business opportunities.

With reference to the monitoring of the legislative and regulatory production of the political and economic institutions regarding the themes of "competition", special attention was focused on the legislative updates connected with phone assistance services by banks and insurance companies (AGCOM resolution no. 157/18/CIR of 25/10/2018), EU Regulation on geo-blocking and other forms of geo-discrimination (no. 2018/302) and the communication of non-financial information (Consob resolution no. 20267 of 19/01/2018). Again in relation to the themes of "competition", the new provisions regarding the recognition and operation of the register of objections and establishment of national area codes for phone calls for statistical, promotional or market purposes (Law no. 5 of 11/01/2018) were analysed.

As regards legislation more specifically related to "consumer protection", 2018 was characterised by the monitoring of the regulatory changes issued by IVASS regarding the simplification of insurance contracts and the clauses of accident and health contracts that regulate the methods of assessment of permanent disability and the non-transferability to heirs in the event of death of the policyholder.

Sanctions

In relation to complaints pursuant to IVASS no. 46/2016, which governs the handling of complaints that involve insurance brokers, the company UnipolSai alone handled, together with its agents, 1,971 complaints (+39% over the same period of 2017 - 1,414 complaints); of these 74% were rejected. The most recurring reason is "Agency-sub-agency conduct/assistance", accounting of 61% of the total.
In relation to IVASS measures, the total of 3,293, is essentially unchanged with respect to the performance in the same time period (decrease of just 6 measures). This is in line with the stable trend in complaints during the same time period. Considering the IVASS measures by business area solely for the company UnipolSai, with respect to the constant trend in total complaints, significant percentage increases were recorded, although irrelevant in terms of incidence on the total, in the Sales (+30%) and IT (+52%) areas. The Claims area, which accounts for 77% of the total, recorded a drop of 1%, while the Administration area fell by 14%.
At 31 December 2018, IVASS had imposed 183 penalties (-34% compared to the previous year) against the Group, for a total amount of €1m, down 32% over the previous year.

In relation to respect for environmental legislation, no fines or non-monetary penalties were imposed for damages caused to the environment as a result of the operations of Group companies and health and safety.

Capital requirements

Capital management

Capital management policy

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.

Insurance Sector

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.
As regards the calculation of the capital requirement, it is worth noting that, by means of measure 0113852/18 of 24 April 2018 and following the application for authorisation submitted by Unipol Gruppo S.p.A., IVASS authorised the use of a partial internal model for calculating the Group solvency capital requirement, effective from assessments relating to the annual requirement at 31 December 2017. The companies UnipolSai and Arca Vita S.p.A. received authorisation to use the partial internal model for calculating the solvency capital requirement, effective from valuations regarding the annual requirement at 31 December 2016.

Banking Sector

The Group has also adopted a system for the banking sector that is suitable for constantly identifying, measuring and verifying banking business risks. With reference to Pillar I risks, in compliance with the provisions of Bank of Italy Circular no. 285 of 17 December 2013, standardised approaches were adopted for credit, counterparty and market risks, and the basic approach for operational risk. In line with their class allocation, the indications defined in the aforementioned Circular are adopted for Pillar II risks. The procedural solutions for easily calculating capital requirements available to banking intermediaries in its class were adopted, applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority. Internal approaches not used for regulatory purposes were also adopted to measure certain types of risk.

Remuneration system and incentives

NFS

The Unipol Group companies adopt their Remuneration Policies annually, drafted in line with the regulatory provisions of the industry regulatory bodies and consistent with the Group's short- and long-term objectives. The Remuneration Policies are approved by the Boards of Directors of the companies and the respective Shareholders' Meetings.

The primary objective of the Remuneration policies is to guarantee fair remuneration, adequate to the role, responsibilities, degree of professionalism and individual skillset, in compliance with legal and regulatory provisions and consistent with sustainable performance requirements.

To this end, the following principles are the essential parameters for the determination of remuneration:

- a sound and prudent risk management policy, in line with the Group's long-term strategic objectives, profitability and balance, avoiding remuneration policies based exclusively or prevalently on short-term results that could be an incentive to excessive risk exposure;
- internal fairness, so that remuneration is consistent with the position held and the connected responsibilities, with the role assigned, experience, skillset, capacities demonstrated and actual performance;
- meritocracy, so that the results achieved and the conduct engaged in to achieve them are rewarded;
- dialogue with the reference markets, in order to create competitive pay packages, learning of the trends, guidance and best practices so as to sustain health competition fairly and effectively.

Annual non-executive Director compensation is fixed; they also receive reimbursements for expenses incurred to carry out their official duties and attendance fees for participation in each board meeting and shareholders' meeting. In addition, the Board of Directors recognises an additional fixed amount to Directors on Board Committees for their participation in each relative meeting. There is no variable remuneration component linked to results or based on financial instruments, nor are Directors paid any indemnity in the event of resignation, removal from office or withdrawal of mandates, or due to termination of office because of a public takeover bid.

The annual remuneration of Statutory Auditors is fixed. They also receive reimbursement of expenses incurred to carry out their official duties. Statutory auditors are paid no variable remuneration.

Manager remuneration includes fixed and variable components. The variable component is linked to Group performances, both company and individual, and is commensurate to the fixed Gross Annual Remuneration and the importance of the organisational role held by the beneficiary.

The fixed remuneration component provides compensation for the skills, capabilities, role and, in particular, the responsibilities relating to the role.

The variable remuneration component aims to reward results achieved in the short and medium/long-term, expressed not only in the form of economic revenue, but also in the form of attention to risks and qualitative performance, as well as to develop professional skills while enacting an effective retention policy.

The following principles constitute specific parameters with reference to Remuneration policies:

- adequate balance between the fixed and variable components, and linking of the latter to predefined and measurable performance criteria to strengthen the correlation between results and remuneration;
- establishment of limits for the variable component;
- long-term sustainability thanks to the proper balance between short and long-term efficiency criteria, to which remuneration is subordinated through the split payment of the variable component, the establishment of a minimum vesting period for the allocation of financial instruments, and the right to demand reimbursement of this component if the prerequisites are not satisfied.

VARIABLE COMPONENT

Prerequisites for the recognition of any incentive are the continuing presence of positive economic results and the minimisation of risk factors, in addition to the presence of a dividend capability, i.e. the presence of conditions, in terms of economic performance and minimum solvency requirements of the Unipol Group for the eventual distribution of a dividend to Unipol shareholders.
The Total Bonus is allocated 50% to the Short Term Incentive and 50% to the Long Term Incentive.

Short Term Monetary Incentive

Each Recipient is assigned four short-term objectives on an annual basis.
The sum of the weights obtained from combining the objectives determines the Individual Performance Level.

Long Term Incentive, through the assignment of Unipol and UnipolSai Assicurazioni ordinary shares

The Long Term Incentive is assigned based on a closed financial instrument-based remuneration plan, which involves the distribution of Unipol ordinary shares and UnipolSai ordinary shares in the three-year period 2019-2021.
The LTI is paid based on the achievement of Unipol Group profit indicators, the Unipol solvency capital requirement target and growth in the value of the Unipol share over the three year period.

There are Malus and Claw-back clauses based on which no bonus is disbursed.

For detailed information, please refer to the Remuneration Report, available in the "Governance" section of the Unipol Group's website.

With regard to the **pay gaps between women and men**, the levels were calculated without including the top management in the Board of Directors or the members of the Management Committee.
From the Group figures, considering the different pay practices, in the management, Officers and Middle Managers categories, in the administrative staff category and blue-collar workers, the median values of fixed remuneration for female staff is between 7 and 8 percentage points below that of male staff, whilst for Call Centre personnel the figures are aligned.
The median values of remuneration and the variable part reveal a deviation in favour of female staff as regards managers (4.4%), due to the fact that, on average, the percentage achievement of the objectives to which the payment of variable pay is connected was higher for female staff. The deviation is positive in favour of women also for call centre personnel (by 2.5%), while in the other categories, the median values of the remuneration and variable part of female staff is between 7 and 8 percentage points below the average values of male staff.

Remuneration differences by gender and by employment category*

Values according to the median of gross annual remuneration

-7.1% Senior Executives

-8.0% Officers and middle managers

-7.5% Administrative staff

-7.8% Call Centre personnel

0% Blue-collar workers / other

Values according to the median of basic remuneration and the variable part

+4.4% Senior Executives

-7.4% Officers and middle managers

-7.3% Administrative staff

-8.4% Call Centre personnel

+2.5% Blue-collar workers / other

*The figures exclude all members of the Management Committee, as they are all males, and the foreign companies: Arca Vita International, DDOR, DDOR Auto, DDOR Re, Unipol Re and the companies operating in Italy: Seis, Sogeint, UniAssiTeam, UniSalute Servizi.

BUSINESS MODEL

Insurance

NFS

Financial capital | Intellectual capital | Productive capital | Social and Relational capital | Human capital

CAPITAL INPUT

Business and technological know-how for the development of products.

- Profit testing in compliance with Solvency II Directive for 28 products.
- Certification of transparency, fairness and value for UnipolSai Life - Investment, Savings and Welfare products.
- UniSalute ISO9001 certification.
- Big Data analysis models.
- Scouting and testing of 14 solutions.

Consolidated network of partners in the integrated services chain.

- 18 partnerships for open innovation.
- 66,900 partners in the integrated services chain.

3.8 million telematic boxes managed

- 33,750 partners in the primary network.
- 622 brokerage firms.
- 5,747 bancassurance branches.

604 Family Welfare Specialists

501 SME Business Specialists

- Academy dedicated to the training of employees and agents.
- 10 scouting and testing initiatives.

- €23.5m invested in advanced software and applications.
- 5 scouting and testing initiatives.

ICT infrastructure and advanced telematics instruments.

Net Promoter System[SM] management tool for the listening of customers in the relationship with the Company, with the Agencies and with the integrated network partners:
- activation of 30 points of contact;
- interview with 30,000 customers;
- 780 customers contacted by experts.

Product construction >>>>>>>>>> Development and Management of distribution channels >>>>> Policy underwriting and management / Inward Reinsurance >>>>>>>>

Premiums

CAPITAL OUTPUT

Product innovation.

- 7 new Non-Life products.
- 20 new Life products.
- Non-insurance solutions through UniSalute Servizi.

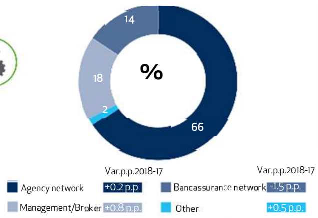
22,7% Premiums valid for ESG purposes

Benefits from the integrated network.

3.4 million policies underwritten with integrated Auto Presto & Bene services (35% of the portfolio).

Breakdown of premiums by channel

- Efficient network in an integrated multichannel model.
- 3 new services.



- Increased knowledge, skills and professionalism through more than 700 thousand attendances of training sessions by the distribution network.
- 187 agents and partners trained through classroom-based and webinar training on average per day.

- Sales and underwriting process innovation: 328,000 policies signed by agencies with Advanced Digital Signature (ADS), 78% agencies use ADS (+51p.p vs 2017); 700,000 customers (7.5%) use ADS in the agencies (+5,6 p.p vs 2017).
- Business instruments innovation: introduction of 5 new services.
- Identification of 38 initiatives apt to improve the relation with the customers, 19 of which have been already implemented.

€1,023m in zero-rate loans

- Reputation.
- Customer satisfaction: MV TPL loyalty rate 86.9% vs. market average of 84.5%.
- Assistance service speed.
- 46.2% of claims incidence supported by black box data, with a decrease in disputes and reduction in average cost.

Administration and Control	Governance, Human Resources and Legal	IT Systems	Organisation, Strategic Planning and Investor	Group Innovation Officer	M&A and Assessment of Investments	Purchasing and Logistics	Sustainability	Communication and Media Relations	Marketing

Internal Audit	Compliance & Anti-Money Laundering	Risk Management	Actuarial Function	Manager in charge of Financial Reporting

- Total volume of assets managed: €60bn.
- Total volume of property assets managed: €3.8bn.

- Proprietary investment models.
- Policies with ESG exclusion criteria.

- Advanced software and applications.
- Distinctive processes and procedures for the selection and management of networks of authorised repair shops, medical facilities and affiliated craftsmen throughout the country.
- 3 scouting and testing initiatives.
- Advanced semantic analysis tools to measure customer satisfaction.

ICT infrastructure and advanced telematics instruments.

Real Estate

Finance

Claim Management

Outwards Reinsurance

Life Settlements

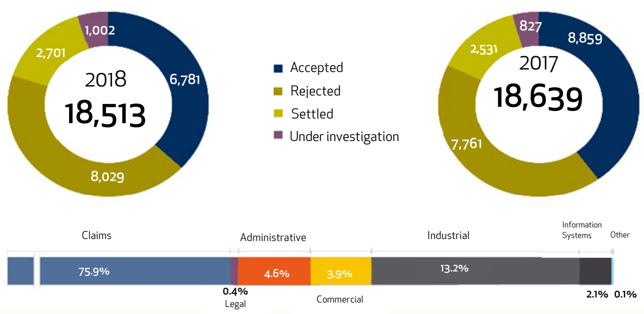
Asset Management

Non-Life and Life Claim Management

Direct repair and channelling

PRODUCTIVE CAPITAL		SOCIAL AND RELATIONAL CAPITAL: % CLAIMS CHANNELLED	SOCIAL AND RELATIONAL CAPITAL: SAVINGS ON AVERAGE COST OF CLAIMS WITH RESPECT TO MARKET RATES
2,712	repair shops belonging to the Auto Presto & Bene network	34% (MV TPL)	-32% (MV TPL)
205	glass-fitting centres in the MyGlass	77%	-17%
64,000	medical facilities in the UniSalute network in Italy and abroad	43%	-30%
23	companies for the autonomous management of a network of craftsmen distributed throughout the country for the direct repair of Non-		

Complaints management



DIVERSIFIED BUSINESS

Tourism | Agriculture | Medical

Real estate development and renovation: Urban Up.

Relations with the community and with stakeholders.

Financial management profitability.

- Settlement process innovation: 194 million "crashes" managed (+3% vs 2017) in telematic mode.
- 6 additional initiatives regarding settlement services and 2 regarding outwards reinsurance.

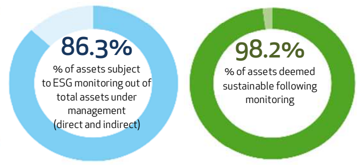
- Reputation.
- Benefits from the integrated network.
- Listening and customer satisfaction during each phase of the claim.
- Assistance service speed.

87.4% Retention for Auto Presto & Bene customers (+0.7 p.p. over 2017)

87.9% Retention for customers with policies financed at zero-rate (-0.1% over 2017)

Assets subject to sustainability monitoring and percentage of investments that satisfy the criteria based on sustainability monitoring

€47.8bn Amount of class C, D equity and debt instruments, Assets subject to environmental and social monitoring



€ 46.9bn Amount of assets deemed sustainable following monitoring

ESG CRITERIA FOR PORTFOLIO MONITORING

Blacklisted companies: Unconventional weapons; Human rights violation; Environmental damage; Corruption; Gambling

Country watchlist areas: Environmental protection; Human and workers' rights; Fight against corruption

Support activities

Control activities

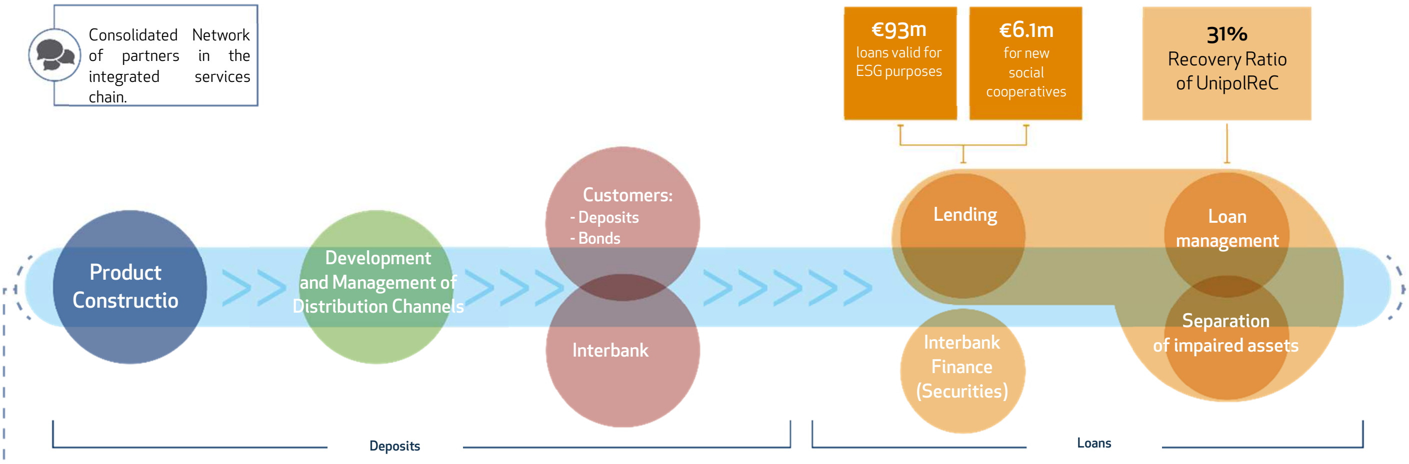
For detailed information, please refer to the "Sustainability" section of the Unipol Group website.

Banking

Financial capital · Intellectual capital · Productive capital · Social and Relational Capital · Human capital

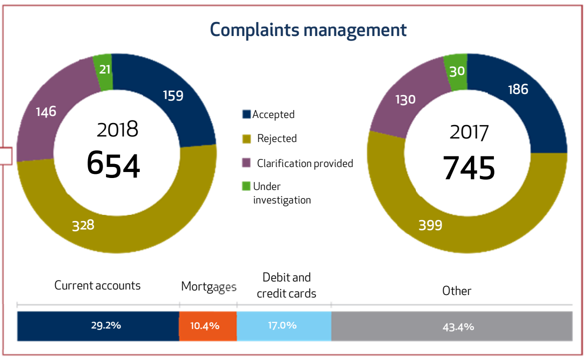
CAPITAL INPUT

- Business and technological know-how for the development of products
- Consolidated Network of partners in the integrated services chain.
- 258 bank branches.
- Advanced software and applications.



CAPITAL OUTPUT

- 68 new products, services, initiatives and activities
- Benefits from the integrated network: 93.6% (-0.7 p.p. vs 2017) retention rate of banking and insurance customers.
- Efficient network in an integrated ultichannel model: "My Unipol" App for mobile devices.
- Sales process innovation: 15,066 online customers.
- Business tools innovation:
  - 47% customers using home banking (+5 p.p. vs 2017);
  - 531,237 (+21% vs 2017) contracts signed using Advanced Digital Signature (FEA).
- Customer satisfaction.
- Cross-selling.



Support Activities

Administration and Control	Human Resources and Organisation	Information Systems	Strategic Planning	External Relations	Legal and Corporate Affairs	Purchasing and Logistics	Investor Relations	Communications and Media Relations	Marketing

Control Activities

Internal Audit	Compliance & Anti-money Laundering	Risk Management	Manager in charge of financial reporting

For detailed information, please refer to the "Sustainability" section of the Unipol Group's website.

UNIPOL GROUP PERFORMANCE

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, after the renewal of the Unipol Gruppo's Board of Directors.

Project for streamlining the Group's insurance sector

During the year, the project to streamline the insurance sector of the Unipol Group was completed (the "Project"), approved by the Boards of Directors of Unipol and UnipolSai on 29 June 2017, as part of which the sale to UnipolSai of the equity investments in UniSalute and Linear was finalised in 2017.
On 22 March 2018, the Board of Directors of Unipol approved the sale to UnipolSai of the investment held in Arca Vita SpA, equal to 63.39% of the share capital, for a price of €475m (the "Disposal").
As part of the Project, in addition to sales 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.
On 7 August 2018, the sale to 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.

Disposal of the subsidiary 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 verification of the contractually envisaged conditions precedent, the shares were transferred and the price of €535.5m was collected, subsequently realising, at consolidated level, a net capital gain of €308.6m.

Banking sector restructuring plan

The first half of the year 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 (the "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, before the Spin-Off became effective, Unipol and UnipolSai disbursed a **shareholder loan** to Unipol Banca for €173m and €127m, respectively, and therefore a **total of €300m** which, as envisaged in the Spin-Off Plan, was included in the Complex involved in the division transferred to the Newco;
- on 1 February 2018 (the "**Effective Date**"), the proportional spin-off took effect of Unipol Banca to UnipolReC SpA ("**UnipolReC" or the "Beneficiary Company")**, a credit recovery company operating pursuant to Article 115 of Italian Royal Decree 773 of 18 June 1931 (TULPS), established on the same date. UnipolReC has the same shareholders as Unipol Banca in the same proportions, i.e., Unipol holds 57.75% and UnipolSai 42.25%, and is a special purpose vehicle of the Unipol Banking Group. 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 reduced by corresponding amounts, with no change in the number of Unipol Banca shares without nominal value outstanding. Pursuant to the contractual agreements in force, the put/call option, in place between Unipol and UnipolSai and involving Unipol Banca shares, was automatically extended to UnipolReC shares issued at the time of the Spin-Off for a share corresponding to 27.49% of UnipolReC's total share capital, without triggering any changes on the total put exercise price;
- on 15 March 2018, Unipol Banca and UnipolReC entered into a dedicated deed recognising the exact amount of the statement of financial position asset and liability elements transferred to the Beneficiary Company at the Effective Date, which lays out an adjustment in cash of €32.2m, due to UnipolReC from Unipol Banca. Indeed, the Spin-Off deed calls for the differences arising in the amount of the statement of financial position asset and liability elements constituting the Complex involved in the division between 30 June 2017 and the Effective Date, resulting from company trends and/or a more specific identification of such elements, to be settled between the Company Divided and the Beneficiary Company with debit and credit items and/or with adjustments in cash, without entailing changes in the equity value of the Complex involved in the division. 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 €553m 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.

Acquisition of BPER Banca shares

On 21 June 2018, Unipol Gruppo informed the market of its intention to purchase a total of 25,000,000 shares of BPER Banca SpA ("**BPER**" or the "**Bank**"), equal to approximately 5.2% of the Bank's share capital. The Transaction was finalised a few days later through a *reverse accelerated bookbuilding procedure*, targeting qualified investors and foreign institutional investors, and additional market purchases. Then on 29 June 2018, Unipol Gruppo disclosed to the market its direct and indirect overall interest in BPER amounting to 72,500,000 shares, equal to 15.06% of the Bank's share capital.
The Transaction forms part of the Unipol strategy, as institutional investor, to contribute to the medium/long-term development plans of the Bank with which, amongst other things, it has for many years had a business partnership in the Non-Life and Life bancassurance sectors.
As it already holds an approximate 9.87% interest in BPER share capital through the subsidiary UnipolSai Assicurazioni SpA, Unipol obtained the necessary authorisations and permissions from the European Central Bank and the competent Italian Supervisory Authorities to acquire a qualified investment exceeding 10% of BPER share capital. Considering the applicable regulations on such matters and the authorisations received, the direct or indirect investment that Unipol can hold in BPER cannot exceed approximately 19.9% of the latter's share capital (the "**Maximum Permitted Investment**"), with purchases to be completed by June 2019.

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 bad and doubtful loans of BPER.

Given the importance of the transaction and taking into account of the investments held by Unipol Group in BPER, 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, of UnipolSai and of UnipolRec 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, corresponding to around 10% of the gross value of the portfolio.

For the Unipol Group, the Transaction:

- completes the process of requalification of its strategy in the banking sector, by exiting 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;
- increases the scale of operations of UnipolReC, by enhancing its expertise in debt collection;
- emphasises the focus on the core insurance business;
- enhances the investment held in BPER Banca.

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.
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 Unipol Gruppo at 31 December 2018. In particular, given Unipol Banca constitutes, with its subsidiary Finitalia, a "major line of business" of the Unipol Group, the subject of the planned Disposal of Unipol Banca qualifies as a discontinued operation pursuant to IFRS 5. Consequently, all income statement and balance sheet components relating to said discontinued operation are recognised in summary form in the appropriate items of the consolidated income statement and statement of financial position. The net assets subject to disposal were measured at their fair value, entering a net loss, for the year 2018, of €337.5m.

Operating performance

The Unipol Group closed 2018 with a **consolidated net profit** of **€628m,** including a capital gain of €309m resulting from the disposal of the equity investment held by UnipolSai Assicurazioni SpA in Popolare Vita SpA and a capital loss of €338m resulting from the approved disposal of the equity investment in Unipol Banca to BPER Banca, which will be completed in 2019 upon obtaining the necessary authorisations.
It should be pointed out that, in 2017, the Group closed with a loss of €169m, impacted by the economic effects resulting from the banking sector restructuring plan for €824m, net of taxes. Excluding the effects of the aforementioned non-recurring components from the two periods under review, and restating the consolidated profits on a like-for-like basis, i.e. excluding, in the two periods being compared, the contributions of Popolare Vita and The Lawrence Life, the consolidated net profit for 2018 would be **€645m**, compared to €598m in 2017.

The Insurance sector closed with consolidated net profit of €1,070m (€748m at 31/12/2017, +43%), of which €536m related to the Non-Life business (€513m at 31/12/2017, +4.5%) and €534m related to the Life business (€235m 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 €749m (€691m at 31/12/2017, +8.4%).

By contrast, the Banking sector recorded a loss of €305m, compared to a loss of €747m at 31 December 2017, summarised in the item "Profit (loss) from discontinued operations" of the income statement, in application of IFRS 5. Excluding non-recurring components deriving from the Unipol Banca Disposal, the banking sector result would be a positive €33m.
The Holding and Other Businesses sector recorded a loss of €86m (loss of €148m at 31/12/2017) while the Real Estate sector closed with a loss of €51m (loss of €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 €7,953m, up by +1.1% compared to €7,867m in 2017. Premiums in the MV business stood at €4,183m (+0.3% compared to €4,169m in 2017). In the Non-MV business, premiums amounted to €3,770m (a +2.0% increase compared with €3,698m in 2017, thanks to the development of the Health and the Retail business sectors.
As regards the main companies, UnipolSai recorded premiums, in the MV business, 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 business, 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 sector, 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 2017;
- 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 context, at 31 December 2018, the Unipol Group recorded a combined ratio, net of reinsurance, of 94.2% compared to 96.4% in 2017 (the combined ratio of direct business is 94.4%, compared to 95.1% in 2017). The loss ratio, net of reinsurance, stood at 66.8% (69.0% at 31/12/2017) and the expense ratio, again net of reinsurance, stood at 27.4%, in line with the previous year.
The pre-tax profit of the Non-Life business recorded was €730m, up compared to €687m in 2017, thanks to the ongoing technical improvement.

In the **Life business**, the Unipol Group 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 €397m, up +17.5% compared to €338m at 31 December 2017 on a like-for-like basis, of which €337m contributed by traditional companies and €59m by bancassurance companies.
The pre-tax result for the segment was a positive €621m (€328m in 2017), benefiting from the effects of the capital gain from the disposal of Popolare Vita. The normalised profit for the two years on a like-for-like basis amounted to €299m, compared to €248m 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 3.8% of the invested assets (3.7% in 2017) of which 3.3% relating to the coupon and dividend component.

In the **Banking sector** Unipol Banca, together with the subsidiary Finitalia, recorded direct deposits at 31 December 2018 of €10.1bn, compared to €12bn at the end of 2017. The decrease is due to reduced intercompany and institutional customer deposits, and the repayment of securitisation notes. Loans to customers, net of loans to the Parent, amounted to €7bn, down compared to €7.9bn at the end of 2017, also thanks to close control of risk. The decrease is due, for €0.6bn, to the spin-off to UnipolReC of Unipol Banca's portfolio of bad and doubtful loans. The stock of net impaired loans, at 31 December 2018, totalled €405m, with a coverage ratio of impaired loans at excellent levels in the Italian banking system, equal to 72% for bad and doubtful loans and 46% for unlikely to pay and a cost of risk of 74 basis points.
The 2018 pre-tax profit, normalised of the effects of extraordinary transactions, was a positive €43m, compared to €16m in the previous year (before normalisation, the segment posted a loss of €299m, compared to a loss of €987m in 2017).

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.
UnipolReC closed 2018 positively, the first year of business, with a net profit of €6.9m. The amount of the portfolio of gross impaired loans fell by €311m (10% of the stock) in relation to collections of €95m, with a recovery ratio of 31%.
The pre-tax loss of the Real Estate, Holding and Other Businesses sectors stood at €166m, compared to a loss of €207m at 31 December 2017, which was partly impacted by the one-off effects of the Restructuring Plan for the banking business (net of which the sector posted a loss of €127m in 2017).

At 31 December 2018, **consolidated shareholders' equity** amounted to €6,327m (€7,453m at 31/12/2017) of which €5,032m attributable to the Group (€5,486m at 31/12/2017). The incremental effects associated with the profit for the period were more than offset by the decline in the valuation reserve for AFS and FVOCI 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 and the effects of first-time adoption of IFRS 9 on companies in the Unipol Banking Group (-€30m).

As regards the Group's **solvency ratio,** note that on 24 April, IVASS authorised Unipol, starting from the registration of the annual figures at 31/12/2017, to use the Partial Internal Model, to calculate the Group's Solvency Capital Requirement in accordance with Solvency II regulations. In application of the Partial Internal Model, at 31 December 2018, the ratio between own funds and capital required was 163%, down on the 166% of 31 December 2017 due in particular to the widening spread on Italian government bonds.

Condensed Consolidated Operating Income Statement broken down by business segment

Amounts in €m	Non-Life business **Dec-18**	Non-Life business Dec-17	Non-Life business % var.	Life business **Dec-18**	Life business Dec-17	Life business % var.	Insurance Sector **Dec-18**	Insurance Sector Dec-17	Insurance Sector % var.
Net premiums	7,593	7,458	1.8	3,876	3,805	1.9	11,469	11,263	1.8
Net commission income	(1)		n.s.	18	26	(33.1)	17	26	(35.7)
Financial income/expense (**)	441	557	(20.8)	1,639	1,342	22.1	2,080	1,898	9.5
Net interest income	*356*	*387*		*1,116*	*1,244*		*1,471*	*1,631*	
Other income and charges	*58*	*55*		*56*	*57*		*114*	*112*	
Realised gains and losses	*113*	*172*		*476*	*109*		*588*	*281*	
Unrealised gains and losses	*(85)*	*(57)*		*(8)*	*(69)*		*(94)*	*(126)*	
Net charges relating to claims	(4,965)	(4,989)	(0.5)	(4,602)	(4,480)	2.7	(9,568)	(9,469)	1.0
Operating expenses	(2,146)	(2,118)	1.3	(241)	(269)	(10.2)	(2,388)	(2,387)	0.0
Commissions and other acquisition costs	*(1,687)*	*(1,656)*	*1.9*	*(109)*	*(120)*	*(8.7)*	*(1,797)*	*(1,775)*	*1.2*
Other expenses	*(459)*	*(463)*	*(0.8)*	*(132)*	*(149)*	*(11.4)*	*(591)*	*(612)*	*(3.4)*
Other income/charges	(192)	(220)	12.8	(68)	(96)	29.7	(259)	(316)	18.0
Pre-tax profit (loss)	**730**	**687**	6.2	**621**	**328**	89.4	**1,351**	**1,015**	33.1
Income taxes	(194)	(174)	11.1	(87)	(93)	(6.2)	(281)	(267)	5.1
Profit (loss) from discontinued operations									
Consolidated profit (loss)	**536**	**513**	4.5	**534**	**235**	127.4	**1,070**	**748**	43.1
Profit (loss) attributable to the Group									
Profit (loss) attributable to non-controlling interests									

(*) The real estate sector only includes Group real estate companies
(**) 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

The factors that marked the economic performance of the Group included the following:

- **direct insurance premiums**, gross of reinsurance, were €12,349m (€12,291m at 31/12/2017, +0.5%; on a like-for-like basis +5.7%). Non-Life direct premiums amounted to €7,953m (€7,867m at 31/12/2017, +1.1%) and Life direct premiums amounted to €4,396m (€4,424m at 31/12/2017, -0.6%, +15.4% on a like-for-like basis), of which €508m related to investment products in the Life business (€606m at 31/12/2017);
- **net premiums earned**, net of reinsurance, amounted to €11,469m (€11,263m at 31/12/2017, +1.8%; on a like-for-like basis +7.5%), of which €7,593m in the Non-Life business (€7,458m at 31/12/2017, +1.8%) and €3,876m in the Life business (€3,805m at 31/12/2017, on a like-for-like basis +1.9%);
- **net charges relating to claims, net of reinsurance**, were €9,568m (€9,469m at 31/12/2017, +1%; on a like-for-like basis +8.2%), of which €4,965m in the Non-Life business (€4,989m at 31/12/2017, -0.5%) and €4,602m in the Life business (€4,480m at 31/12/2017, +2.7%; on a like-for-like basis +19.8%), including €105m of net charges on financial assets and liabilities at fair value (€152m net income at 31/12/2017);
- **operating expenses** amounted to €2,514m (€2,490m at 31/12/2017). In the Non-Life business, operating expenses amounted to €2,146m (€2,118m at 31/12/2017), €241m in the Life business (€269m at 31/12/2017), €132m in the Holding and Other Businesses sector (€111m at 31/12/2017) and €22m in the Real Estate sector (€26m at 31/12/2017);
- the **combined ratio**, net of reinsurance, of the Non-Life business was 94.2% (96.4% at 31/12/2017);

Banking Sector			Holding and Other businesses Sector			Real Estate Sector (*)			Intersegment elimination		Total Consolidated		
Dec-18	Dec-17	% var.	**Dec-18**	Dec-17	% var.	**Dec-18**	Dec-17	% var.	**Dec-18**	Dec-17	**Dec-18**	Dec-17	% var.
											11,469	11,263	*1.8*
	7	*(100.0)*	7	12	*(41.2)*			*(1.4)*	(8)	(7)	16	38	*(57.2)*
			(54)	(59)	*(8.4)*	(40)	(2)	*n.s.*	(17)	(121)	1,969	1,718	*14.6*
			(78)	*(52)*		*(6)*	*(6)*			*(1)*	*1,387*	*1,573*	
			(9)	*(9)*		*15*	*15*		*(17)*	*(14)*	*103*	*104*	
			31	*2*		*1*					*620*	*283*	
			2			*(50)*	*(11)*			*(105)*	*(142)*	*(242)*	
											(9,568)	(9,469)	*1.0*
	(2)	*(100.0)*	(132)	(111)	*19.8*	(22)	(26)	*(13.6)*	28	35	(2,514)	(2,490)	*1.0*
											(1,796)	*(1,775)*	*1.2*
	(2)	*(100.0)*	*(132)*	*(111)*	*19.8*	*(22)*	*(26)*	*(13.6)*	*28*	*35*	*(718)*	*(715)*	*0.4*
			74	(27)	*n.s.*	1	4	*(78.4)*	(3)	93	(187)	(247)	*24.1*
	5		**(104)**	**(183)**	*43.1*	**(61)**	**(24)**	*n.s.*			**1,185**	**813**	*45.8*
	(2)		18	35	*(47.9)*	10	2	*n.s.*			(252)	(232)	*8.9*
(305)	(751)										(305)	(751)	
(305)	**(747)**		**(86)**	**(148)**	*42.0*	**(51)**	**(22)**	*(136.0)*			**628**	**(169)**	*n.s.*
											401	*(346)*	
											227	*177*	

- **net gains on investments and financial income from financial assets and liabilities** (excluding net gains on financial assets and liabilities at fair value relating to Life business) amounted to €1,969m (€1,718m at 31/12/2017);
- the **pre-tax profit (loss)** amounted to €1,185m (€813m at 31/12/2017);
- **taxes** for the period represented a net expense of €252m (expense of €232m at 31/12/2017);
- net of the €227m profit attributable to non-controlling interests, **the profit attributable to the owners of the Parent** at 31 December 2018 was €401m;
- in the fourth quarter of 2018 alone, gross profit was €106m (€113m in the fourth quarter of 2017).

Insurance Sector performance

The Group's insurance business closed the period with a **total pre-tax profit of €1,351m** (€1,015m at 31/12/2017), of which €730m relating to the Non-Life sector (€687m at 31/12/2017) and €621m relating to the Life sector (€328m at 31/12/2017).

At 31 December 2018, **Investments and cash and cash equivalents** of the Insurance sector totalled €57,965m (€59,098m at 31/12/2017), €15,613m of which was from Non-Life business (€16,410m at 31/12/2017) and €42,353m from Life business (€42,687m at 31/12/2017).

Technical provisions amounted to €53,223m (€53,427m at 31/12/2017), of which €15,212m in the Non-Life business (€15,461m at 31/12/2017) and €38,011m in the Life business (€37,966m at 31/12/2017).

Financial liabilities amounted to €4,955m (€4,694m at 31/12/2017), of which €1,581m in the Non-Life business (€1,511m at 31/12/2017) and €3,374m in the Life business (€3,183m at 31/12/2017).

Total premiums (direct and indirect premiums and investment products) at 31 December 2018 amounted to €12,557m (€12,389m at 31/12/2017), an increase of 1.4% (+6.6% on a like-for-like basis). Non-Life premiums amounted to €8,161m (€7,964m at 31/12/2017, +2.5%) and Life premiums amounted to €4,397m (€4,425m at 31/12/2017, -0.6%; on a like-for-like basis +15.4%), of which €508m related to investment products (€606m at 31/12/2017).
Total Life and Non-Life premiums for just the fourth quarter of 2018 amounted to €3,645m (€3,513m in the fourth quarter of 2017).

All Non-Life premiums of the 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 €508m, related to Class III (Unit- and Index-Linked policies) and Class VI (pension funds).

Direct premiums amounted to €12,349m (€12,291m at 31/12/2017, +0.5%; on a like-for-like basis +5.7%), of which Non-Life premiums totalled €7,953m (+1.1%) and Life premiums €4,396m (-0.6%; on a like-for-like basis +15.4%).

Amounts in €m	**31/12/2018**	*% comp.*	31/12/2017	*% comp.*	*% var.*
Non-Life direct premiums	7,953	*64.4*	7,867	*64.0*	*1.1*
Life direct premiums	4,396	*35.6*	4,424	*36.0*	*(0.6)*
Total direct premium income	**12,349**	***100.0***	**12,291**	***100.0***	***0.5***

Indirect Non-Life and Life premiums totalled €208m at 31 December 2018 (€97m at 31/12/2017), €208m of which referred to premiums from Non-Life business (€97m at 31/12/2017) and €0.4m to the Life business (€0.6m at 31/12/2017).

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 indirect premiums	208	*99.8*	97	*99.4*	*114.2*
Life indirect premiums	0	*0.2*	1	*0.6*	*(27.6)*
Total indirect premiums	**208**	***100.0***	**97**	***100.0***	***113.4***

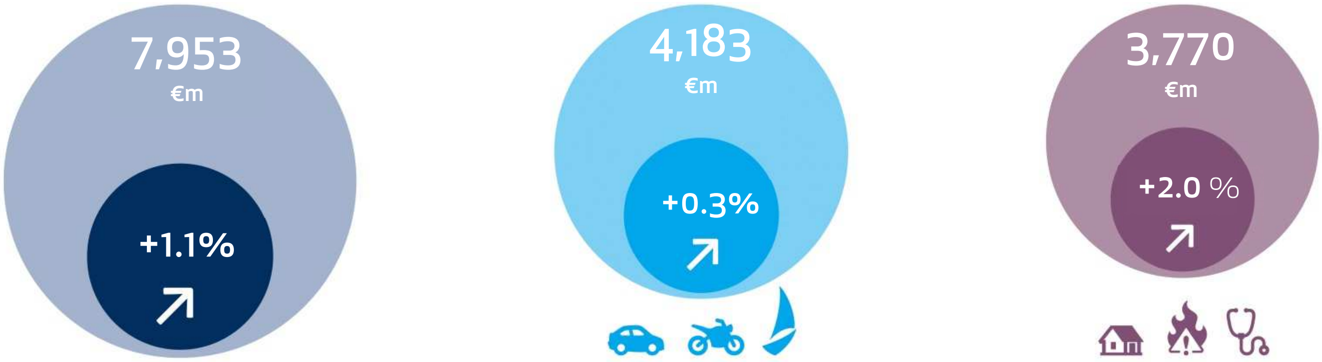
Group **premiums ceded** totalled €422m (€449m at 31/12/2017), €408m of which from Non-Life premiums ceded (€435m at 31/12/2017) and €14m from Life premiums ceded (€14m at 31/12/2017). The retention ratios saw a slight increase in the Non-Life business; unchanged in the Life business.

Amounts in €m	**31/12/2018**	*% comp.*	31/12/2017	*% comp.*	*% var.*
Non-Life ceded premiums	408	*96.7*	435	*96.9*	*(6.1)*
Retention ratio - Non-Life business (%)	*95.0%*		*94.5%*		
Life ceded premiums	14	*3.3*	14	*3.1*	*(0.4)*
Retention ratio - Life business (%)	*99.6%*		*99.6%*		
Total premiums ceded	**422**	***100.0***	**449**	***100.0***	***(5.9)***
Overall retention ratio (%)	*96.5%*		*96.2%*		

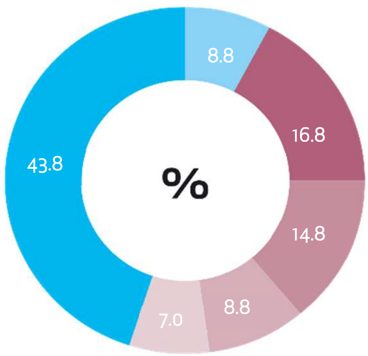
At 31 December 2018, the premiums ceded generated an overall negative result for reinsurers in the Non-Life business and positive in the Life business.

Non-Life business

Total Non-Life premiums (direct and indirect) at 31 December 2018 were €8,161m (€7,964m at 31/12/2017, +2.5%). **Direct business** premiums alone amounted to €7,953m (€7,867m at 31/12/2017), an increase of 1.1%.



Non-Life business direct premiums



Amounts in €m	31/12/2018	%	31/12/2017	%	% var.
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,479		3,514		*(1.0)*
Land Vehicle Hulls (class 3)	703		655		*7.3*
Total premiums - Motor Vehicles	**4,183**	**52.6**	**4,169**	**53.0**	**0.3**
Accident and Health (classes 1 and 2)	1,337		1,315		*1.6*
Fire and Other damage to property (classes 8 and 9)	1,176		1,137		*3.4*
General TPL (class 13)	701		699		*0.3*
Other classes	557		547		*1.8*
Total premiums - Non-M-V	**3,770**	***47.4***	**3,698**	***47.0***	***2.0***
Total Non-Life direct premiums	**7,953**	***100.0***	**7,867**	***100.0***	***1.1***

In the **MV segment**, MV TPL premiums were €3,479m, down by 1.0% on 31 December 2017. An increase of 7.3% was instead reported in the Land Vehicle Hulls class with premiums equal to €703m (€655m at 31/12/2017). The **Non-MV segment,** with premiums of €3,770m, recorded 2.0% growth.

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. 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 number of claims reported, without considering the MV TPL class, reported a 5.3% increase, due to the Health class (+5.1%) in particular.

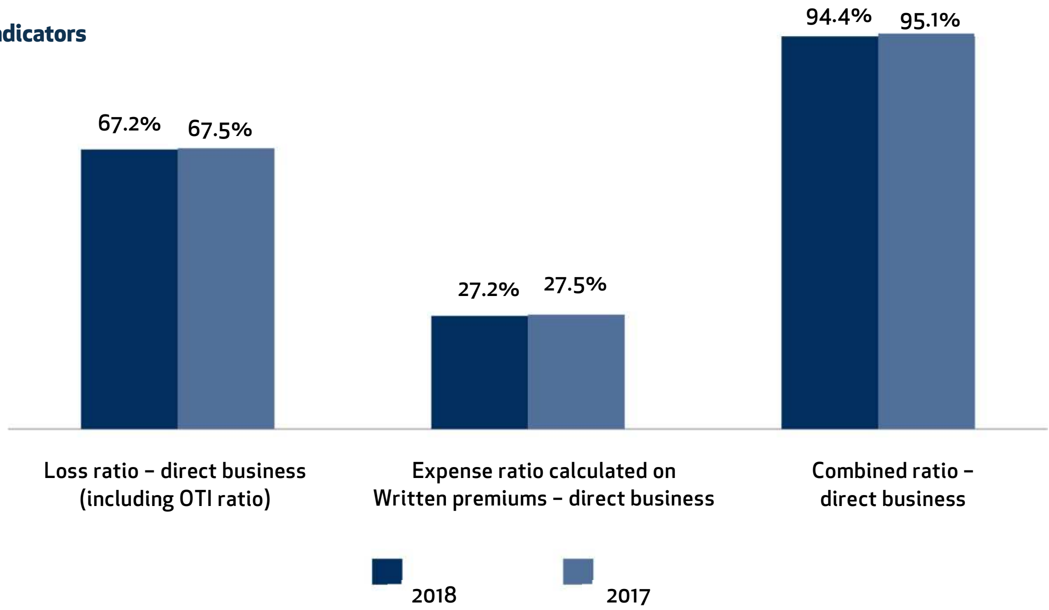
Number of claims reported (excluding MV TPL)

	31/12/2018	31/12/2017	*var.%*
Land Vehicle Hulls (class 3)	321,710	308,789	*4.2*
Accident (class 1)	130,940	132,582	*(1.2)*
Health (class 2)	3,727,327	3,544,848	*5.1*
Fire and Other damage to property (classes 8 and 9)	328,981	307,375	*7.0*
General TPL (class 13)	96,452	94,099	*2.5*
Other classes	528,703	488,775	*8.2*
Total	**5,134,113**	**4,876,468**	***5.3***

As regards the MV TPL class, where the CARD agreement is applied[7], in 2018 cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) reported totalled 641,116, down by 3.3% (662,864 in 2017).
Claims that present at least one Debtor Card claims handling were 371,488, down (-3.2%) with respect 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. The settlement rate in 2018 was 82.8%, up from the same period of last year (82.1%).
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 was equal to 84.2% (84.5% in 2017).
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), with the average cost of the amount paid was down by 1.1% (+2.0% in 2017).

[7] 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");
- 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.

Non-Life business indicators



The net profit (loss) from the claims experience for the main classes is provided in the following table (in €m):

Non-Life business	Net breakdown at 31/12/2017	Net breakdown at 31/12/2016
MV TPL (classes 10 and 12)	158	79
Land Vehicle Hulls (class 3)	14	7
General TPL (class 13)	112	38
Other Classes	209	212
TOTAL	**493**	**336**

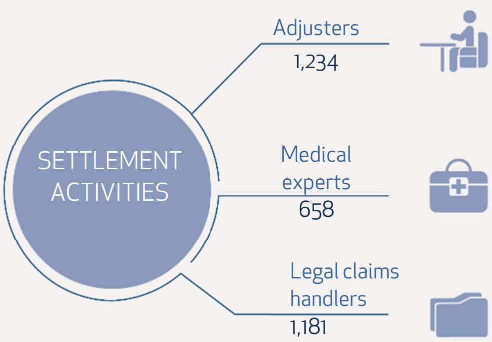
Settlement performance

Settlement activity involves different parties whose actions contribute to the accuracy, efficiency and quality of the service provided.

For the Unipol Group, various professionals were involved with whom the Group signed partnership agreements in the area.

Key values of our services

- FAIRNESS
- EFFICIENCY
- QUALITY



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".

Non-Life premiums of the main Group insurance companies

The direct premiums of **UnipolSai** alone, the Group's main company, stood at €6,898m (-0.1%), of which €3,940m in the MV classes (+0.1%) and €2,958m in the Non-MV classes (-0.2%).

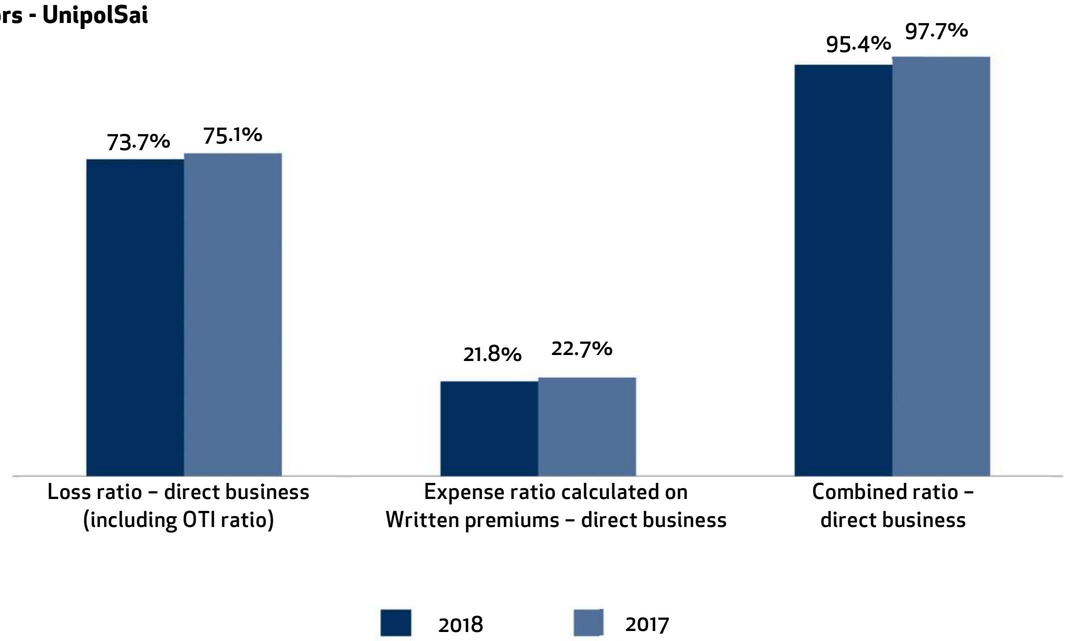
UnipolSai Assicurazioni Spa - Non-Life business direct premiums

Amounts in €m	**31/12/2018**	*% comp.*	31/12/2017	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,272		3,314		*(1.3)*
Land Vehicle Hulls (class 3)	668		624		*7.1*
Total premiums - Motor Vehicles	**3,940**	***57.1***	**3,937**	***57.1***	***0.1***
Accident and Health (classes 1 and 2)	792		845		*(6.3)*
Fire and Other damage to property (classes 8 and 9)	1,120		1,088		*2.9*
General TPL (class 13)	686		685		*0.1*
Other classes	361		346		*4.1*
Total premiums - Non-M-V	**2,958**	***42.9***	**2,964**	***42.9***	***(0.2)***
Total Non-Life premiums	**6,898**	***100.0***	**6,901**	***100.0***	***(0.1)***

In the **MV** classes, €3,272m related to premiums in the MV TPL class and Sea, Lake and River Vessels TPL class (€3,314m at 31/12/2017, -1.3%). During the year, the MV sector saw a modest contraction in 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 segment, 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 compatibly to the development of the number of policies and related premiums.

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

MV TPL indicators - UnipolSai



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.

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%.

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.

SIAT, focused on the Sea Vehicles segment, recorded a €0.7m profit in 2018 (€5.3m at 31/12/2017), with total gross premiums (direct and indirect) at €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.

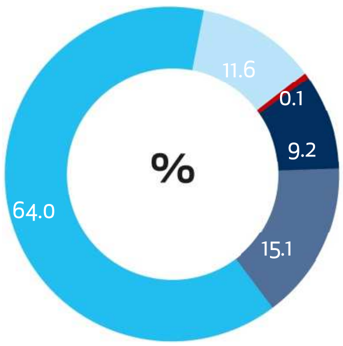
Arca Assicurazioni recorded direct premiums of €120m (+9.2%), with a significant increase in the Non-MV classes (+11.0%), and a growth in the MV segment (+5.2%). The breakdown of the portfolio among the distribution channels is almost totally focused on the banking channel which, at 31 December 2018, 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.

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%.

Life business

Total Life premiums (direct and indirect) were €4,397m (€4,425m at 31/12/2017, -0.6%; +15.4% on a like-for-like basis). The **direct premiums**, which represent almost all of the premiums, are broken down as follows:

Life business direct premiums



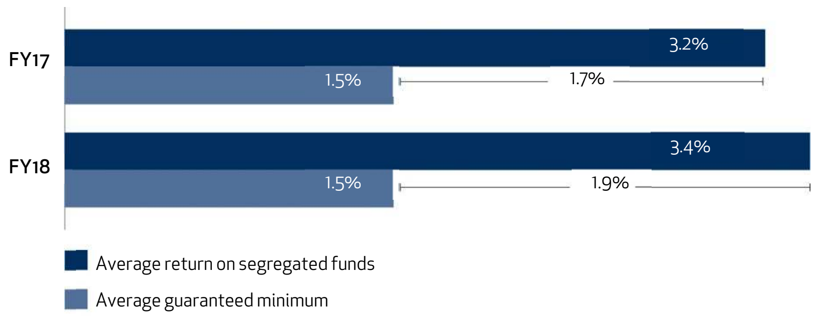
Amounts in €m	**31/12/2018**	%	31/12/2017	%	% var.
Total premium income					
I - Whole and term Life insurance	2,812	*64.0*	2,670	*60.3*	*5.3*
III - Unit-linked/index-linked policies	512	*11.6*	850	*19.2*	*(39.7)*
IV - Health	4	*0.1*	2	*0.1*	*74.5*
V - Capitalisation insurance	406	*9.2*	300	*6.8*	*35.2*
VI - Pension funds	663	*15.1*	602	*13.6*	*10.1*
Total Life business direct premium income	**4,396**	***100.0***	**4,424**	***100.0***	***(0.6)***
- of which Life investment products	*508*	*100.0*	*606*	*100.0*	*(16.3)*

At 31 December 2018, the direct premium volume was equal to €4,396m, a decline of 0.6% with respect to 31 December 2017. (+15.4% on a like-for-like basis). Investment products, totalling €508m (€606m at 31/12/2017), primarily related to class III.

At 31 December 2018, new business in terms of **APE**, net of non-controlling interests, amounted to €397m (€422m at 31/12/2017, €338m on a like-for-like basis, +17.5%), of which €59m contributed by bancassurance companies (+55.5% on a like-for-like basis) and €337m by traditional companies (+12.6%).

The **expense ratio** for Life direct business stood at 5.2% (5.9% at 31/12/2017).

Returns on Segregated Funds and guaranteed minimums



Pension Funds

The Unipol Group retained its leading position in the supplementary pension market, despite a difficult competitive scenario.
At 31 December 2018, with the subsidiary UnipolSai Assicurazioni, it 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, a total of 23 occupational pension funds were managed (17 of them for accounts "with guaranteed capital and/or minimum return") and resources came to €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).

At 31 December 2018, the assets of the **Open Pension Funds** managed by UnipolSai and BIM (UnipolSai Previdenza FPA, Fondo Pensione Aperto BIM Vita) reached a total of €852m with 43,218 members. At 31 December 2017, there were 3 Open Pension Funds with total assets of €908m and a total of 44,442 members.

New products

In 2018, the overall offer was updated with products with annual premiums.
- <u>UnipolSai Risparmio Protetto</u>: characterised by a hybrid savings plan with a high degree of protection and the option of adding complementary or accessory coverage.
- <u>UnipolSai Risparmio Bonus</u>: 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.
- <u>UnipolSai Risparmio Giovane</u>: 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.

Life premiums of the main Group insurance companies

Direct premiums for **UnipolSai** alone were equal to €3,129m (€2,892m at 31/12/2017, +8.2%). Class VI Pension Funds, with premiums of €658m, rose by 10.5%, while Class I Traditional Policies which, amounting to €1,852m, accounted for 59.2% of total premiums, recorded a slight increase of 1.1%. Class V Capitalisation policies were up (+48.2%).

UnipolSai Assicurazioni Spa - Life business direct premiums

	Amounts in €m	**31/12/2018**	*% comp.*	31/12/2017	*% comp.*	*% var.*
I	Whole and term life insurance	1,852	*59.2*	1,832	*63.4*	*1.1*
III	Unit-linked/index-linked policies	220	*7.0*	195	*6.7*	*12.8*
	- of which investment products	*219*	*7.0*	*194*	*6.7*	*13.0*
IV	Health	4	*0.1*	2	*0.1*	*74.5*
V	Capitalisation insurance	396	*12.7*	267	*9.2*	*48.2*
VI	Pension funds	658	*21.0*	595	*20.6*	*10.5*
	- of which investment products	*27*	*0.9*	*27*	*0.9*	*1.1*
Total Life business		**3,129**	***100.0***	**2,892**	***100.0***	***8.2***
- of which investment products		*246*	*7.9*	*221*	*7.6*	*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).

Reinsurance

Unipol 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.

Banking Sector performance

As outlined previously, following the planned disposal of Unipol Banca, the statement of financial position and income statement values of discontinued operations were stated in these financial statements pursuant to the provisions of IFRS 5. Details of the relevant statement of financial position and income statement components are reported in section 5.5 of the Notes, according to the normal layout of insurance financial statements. For a complete disclosure, the following table shows the main items in the **income statement of the Banking sector,** set out in the layout specified for banks. It should be noted that, net of the associated tax charges, as well as the net loss (€-337.5m) deriving from the classification of the sector under discontinued operations, the total contribution of the banking sector to the consolidated result for 2018 was a negative €305m.

Income Statement - Banking business

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Net interest income	206	203	*1.6*
Net commission income	167	143	*17.4*
Other net financial income	8	3	*n.s.*
Gross operating income	**381**	**348**	*9.5*
Net reversals due to impairment of financial assets	(59)	(1,012)	
Net financial income	**322**	**(664)**	
Operating expenses	274	323	*(15.4)*
of which provisions for risks and charges	*1*	*5*	
Cost/income	*71.8%*	*92.9%*	*(22.7)*
Other income (charges)			
Pre-tax profit (loss)	**48**	**(987)**	

At 31 December 2018, investments and cash and cash equivalents of the sector totalled €11,099m (€13,292m at 31/12/2017), of which €7,648m in loans and receivables from bank customers (€8,635m at 31/12/2017).

Bank direct customer deposits amounted to €10,084m (€12,008m at 31/12/2017), of which:
- €321m in subordinated loans (€324m at 31/12/2017);
- €1,590m in debt securities issued (€2,165m at 31/12/2017);
- €8,173m in payables to customers (€9,519m at 31/12/2017).

Interbank payables totalled €444m (€439m at 31/12/2017).

Operating performance of Unipol Banca

At 31 December 2018, increases were recorded both in the number of customers (516,201, +1.1% compared to the end of 2017; +1.7% excluding customers of the non-performing loans division which fell significantly in 2018) and in ordinary current accounts (375,829, +1.1% on the end of 2017). The latter figure was impacted by additional portfolio clearing transactions with the closure of accounts with no transactions and with small debit balances (in particular so-called Iban cards).

At 31 December 2018, **direct deposits** fell by 16.1%, amounting to around €10bn, due to the reduction in the volumes of deposits attributable to Unipol Group companies (€642m), the reduction in the volumes of institutional customers (€510m) and the reimbursement of some notes placed with third parties, for a decrease of €512m.

Indirect deposits totalled €48.6bn at 31 December 2018, down by 1.6% compared to the previous year, due to the reduction in the volumes of the Unipol Group companies (-1.6%) and ordinary customers, which highlighted a decrease of 4.2%, amounting to €5.5bn. Healthy results were recorded in assets under management (+8.0), which only partly offset the decrease in funds under custody (-15.8%).

Gross loans to customers, excluding government bonds classified according to the Held to Collect business model under the item "loans to customers" for an amount of €821m, fell by 4.9% at 31 December 2018, sitting at €8bn (€7.6bn net of valuation reserves).

As regards **credit quality**, limited to the loans as defined above, stage 3 (identified by the collection of impaired loans), amounted to €755m, a decrease of 16.6% from the start of the year, thanks to various loan transfers (mainly bad and doubtful loans and unlikely to pay) and the write-off of a number of accounts, written down significantly over time, for which all possible actions were carried out. More specifically, bad and doubtful loans fell by €18m (-18.2%), unlikely to pay by €88m (-12.3%) and lastly, impaired past due loans by €44m (-51.4%). The overall coverage for stage 3 is 47.3% (+2.1% compared to the start of the year), with impaired past due loans going from 14.4% at the start of the year, to 15.4% at the end of 2018 and unlikely to pay from 44.1% to 46.1%. Positions classified as bad and doubtful maintained high levels of coverage (72.6%).

The 2018 **income statement** of Unipol Banca closed with a profit of €30m (loss of €752m in 2017 due to the effects of the Banking sector restructuring plan).
The gross operating income amounted to €347m (+16%), thanks in particular to the improvement in net commission income (+17.4%) and gains on disposal of €10m (losses of €17m in 2017).
Operating expenses came to €257m, down by 16.6% compared to 2017.

Real Estate Sector performance

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	(65)	(27)	*142.1*
Operating expenses	(22)	(26)	*(13.6)*
Other costs	(36)	(33)	*12.2*
Total costs and expenses	**(124)**	**(85)**	***46.1***
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 and depreciation of €73m (€31m at 31/12/2017), of which the write-downs of €36m relate to the so-called Castello Area in the municipality of Florence.

Investments and cash and cash equivalents of the Real Estate sector (including instrumental properties for own use) totalled €1,303m at 31 December 2018 (€1,274m at 31/12/2017), consisting of investment property amounting to €586m (€554m at 31/12/2017) and properties for own use totalling €603m (€611m 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.

Group real estate business[8]

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;
- 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;

[8] 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 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 ito the Via Ragionieri structure in Sesto Fiorentino, owned by the subsidiary Villa Ragionieri. The new structure, unused from 1 July 2016, 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.

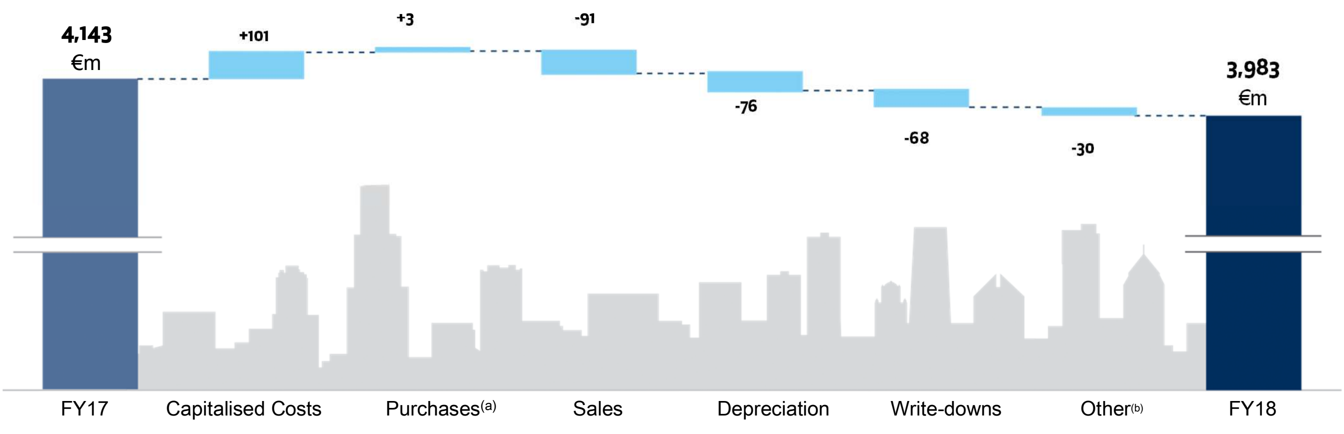
As regards sales during the year, the transfer of ownership of some properties, already started in the previous year and falling under a broader transaction for the disposal of more than 500 property units owned by Group companies, located in various parts of Italy, was completed.
Furthermore, to be 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 €75m, 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
With reference to the sale of the investment in the "Porta Nuova" property 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.

Evolution of the real estate assets (*)

(*Amounts in €m*)



(a) 169 completed at 31 December 2018 (126 in 2017)

(b) includes the foreign exchange fluctuations and changes in the RE funds and associated SPVs

(*) Operating figures

The balance of €3,983m at 31 December 2018 includes properties managed directly by Group companies for €3,634m, properties held for sale for €155m and €194m investments in real estate funds managed by third parties.

Holding and Other Businesses Sector Performance

The main income statement figures of the Holding and Other Businesses sector are shown below:

Income Statement - Holding and Other Businesses Sector

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Commission income	8	13	*(38.9)*
Gains (losses) on financial instruments at fair value through profit or loss			*n.s.*
Gains on other financial instruments and investment property	62	7	*n.s.*
Other revenue	219	228	*(3.8)*
Total revenue and income	**288**	**248**	***16.1***
Losses on other financial instruments and investment property	(115)	(66)	*73.6*
Operating expenses	(132)	(111)	*19.8*
Other costs	(145)	(255)	*(43.2)*
Total costs and expenses	**(392)**	**(432)**	***(9.1)***
Pre-tax profit (loss) for the year	**(104)**	**(183)**	***43.1***

The **pre-tax result** at 31 December 2018 was a loss of €104m (€-183m at 31/12/2017, which included the costs incurred by the holding company Unipol as a result of the termination of the credit indemnity agreement with the subsidiary Unipol Banca, equal to €105m).
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 the **investments and the cash and cash equivalents** of the Holding and Other Businesses sector (including properties for own use for €169m) were €2,604m (€1,763m at 31/12/2017).

Financial liabilities were €2,237m (€2,121m at 31/12/2017) and mainly consist of the following:

- for €1,811m by three senior bond loans issued by Unipol with a total nominal value of €1,817m (€1,802m at 31/12/2017, nominal value unchanged);
- for €377m by loans payable in place with the subsidiary UnipolSai by Unipol and UnipolReC (€268m at 31/12/2017).

The performance of the sector was strongly focused on the development of trading activities as well as on continued attention on 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.

As regards **healthcare activities**, in the summer of 2018, the activities of Casa di Cura Villa Donatello were transferred to the Villa Ragionieri facility (former headquarters of the Centro Oncologico Fiorentino), combining the opportunity to use the now vacant healthcare facility of Sesto Fiorentino with the possibility to make Villa Donatello more modern, well-equipped and comfortable. The economic benefits of the transfer will materialise from the next year, even if the performance in the last few months has already received excellent feedback.
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.

The pre-tax profit that the **holding company Unipol** recorded at 31 December 2018 was €55m (€187m at 31/12/2017) and includes dividends collected from Group companies, eliminated in the consolidation process, of €311m (€280m at 31/12/2017) and interest expense on bonds issued of €61m (€46m at 31/12/2017).

Asset and financial performance

Investments and cash and cash equivalents

At 31 December 2018, Group **Investments and cash and cash equivalents** totalled €59,445m, after reclassifying €10,249m relating to the banking sector, net of the associated eliminations, to the item Non-current assets or assets of a disposal group held for sale pursuant to IFRS 5 (€71,647m at 31/12/2017), including the values of the banking sector):

Investments and cash and cash equivalents - Breakdown by

Amounts in €m	**31/12/2018**	% comp.	31/12/2017	% comp.	% var.
Insurance sector	57,965	*97.5*	59,098	*82.5*	*(1.9)*
Banking sector		*0.0*	13,292	*18.6*	*(100.0)*
Holding and Other Businesses sector	2,604	*4.4*	1,763	*2.5*	*47.7*
Real Estate sector	1,303	*2.2*	1,274	*1.8*	*2.2*
Intersegment eliminations	(2,428)	*(4.1)*	(3,780)	*(5.3)*	*(35.8)*
Total investments and cash and cash equivalents	**59,445**	***100.0***	**71,647**	***100.0***	***(17.0)***

The breakdown for investment category is the following:

Amounts in €m	**31/12/2018**	% comp.	31/12/2017	% comp.	% var.
Property (*)	**3,634**	***6.1***	**3,817**	***5.3***	***(4.8)***
Investments in subsidiaries, associates and interests in joint ventures	**74**	***0.1***	**90**	***0.1***	***(17.5)***
Held-to-maturity investments	**460**	***0.8***	**864**	***1.2***	***(46.8)***
Loans and receivables	**3,921**	***6.6***	**15,518**	***21.7***	***(74.7)***
Debt securities	3,410	*5.7*	3,886	*5.4*	*(12.3)*
Loans and receivables from bank customers			7,728	*10.8*	*(100.0)*
Interbank loans and receivables			3,405	*4.8*	*(100.0)*
Deposits with ceding companies	33	*0.1*	19	*0.0*	*71.6*
Other loans and receivables	478	*0.8*	480	*0.7*	*(0.2)*
Financial assets at at amortised cost	**490**	***0.8***			
Loans and receivables from bank customers	490	*0.8*			
Interbank loans and receivables					
Available-for-sale financial assets	**43,439**	***73.1***	**44,482**	***62.1***	***(2.3)***
Financial assets at fair value through OCI	**663**	***1.1***			
Financial assets at fair value through profit or loss	**6,498**	***10.9***	**6,244**	***8.7***	***4.1***
of which held for trading	288	*0.5*	334	*0.5*	*(13.7)*
of which at fair value through profit or loss	6,206	*10.4*	5,911	*8.2*	*5.0*
of which mandatorily at fair value	5	*0.0*			
Cash and cash equivalents	**265**	***0.4***	**631**	***0.9***	***(58.1)***
Total investments and cash and cash equivalents	**59,445**	***100.0***	**71,647**	***100.0***	***(17.0)***

(*) including properties for own use

Transactions carried out during the year[9]

Again in 2018, in line with previous years, investment policies adopted the general criteria of prudence and of preserving asset quality over the medium/long term.
In this respect, operations were geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, and the maintenance of a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, placing particular attention 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.
During the year, the exposure to the bonds of Government issuers recorded an increase of €1,467m: in relation to the portfolio of the Parent, the activities concerned government bonds or issued by European supranational entities with medium/long-term expiries, maintaining a high credit rating of the issuers in the portfolio. The insurance portfolios recorded an increase in the exposure to Italian government bonds, an activity that was concentrated in the second half of the year following the volatility affecting the Italian public debt. In particular, the Life sector recorded net investments in Italian government bonds of €279m, and around €511m in the Non-Life segment.
In the Life sector, management action was 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.
The non-government component of bonds saw an increase in overall exposure by approximately €182m during the year. The increase, which concerned the Life sector for €422m, was based on greater 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. In the Non-Life sector, sales primarily concerned subordinated financial bonds, with a special focus on bonds in US dollars, for which the cost of currency hedges eroded the large part of the profits.
Asset portfolio simplification activities continued in 2018. There was a €117m overall reduction in exposure to Level 2 and 3 structured bonds.

	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)***

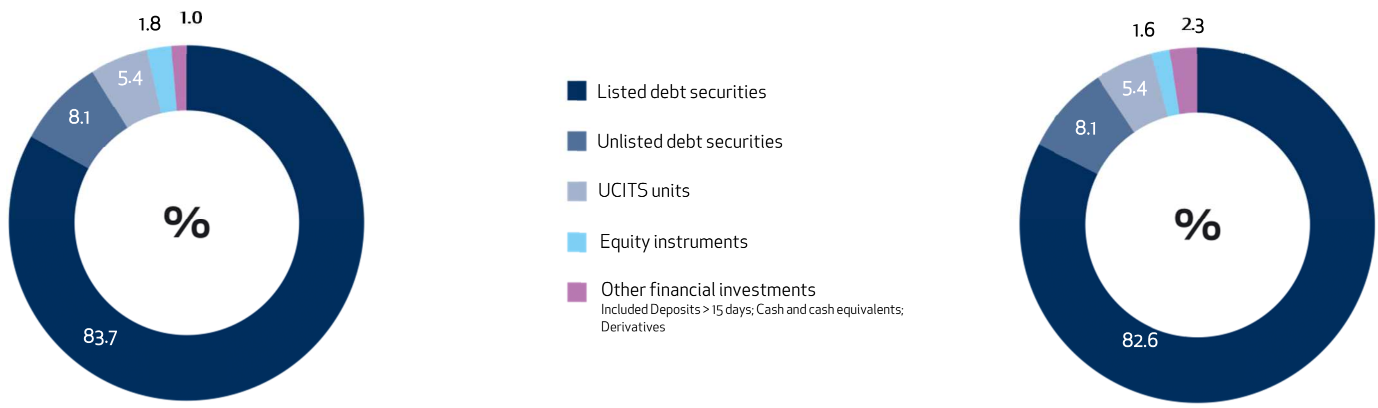
Share exposure increased during 2018 by around €196m. Transactions were broken down based on individual shares (€119m relating to the purchase of the equity investment in BPER) and ETFs (Exchange Traded Funds), representing share indexes. Almost all equity instruments belong to the main European share indexes. The put options on the Eurostoxx50 index were also revalued on the equity portfolio, by maturity and value for the year, in order to mitigate volatility and preserve the value of the portfolio.

Exposure to **alternative funds**, a category that includes Private Equity Funds, Hedge Funds and investments in Real Assets, amounted to €899m, a net increase of €226m, mostly due to calls of capital pursuant to the existing subscription commitments.

[9] 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 and DDor Re and the banking sector companies, the investment values of which are of little significance on the whole within the Group's overall portfolio.

Breakdown of financial investments by type
(excluding financial assets for which investment risk is borne by policyholders/customers and arising from pension fund management)

Group Total **Insurance Sector**



Currency transactions were carried out mainly to hedge the currency risk of outstanding equity and bond positions.

The overall ***duration*** was 5.93 years for the Group, up on the 5.35 years recorded at the end of 2017. The Non-Life *duration* in the Group insurance portfolio was 3.09 years (3.01 years at the end of 2017); the Life duration was 7.15 years (6.28 years at the end of 2017). The Holding and Other Businesses Sector *duration* was 1.44 years, up compared to the end of last year (0.14 years) due to securities lending carried out during the year.

The fixed rate and floating rate components of the bond portfolio amounted respectively to 86.3% and 13.7%. The government component accounted for approximately 70.6% of the bond portfolio whilst the *corporate* component accounted for the remaining 29.4%, split into 22.6% *financial* and 6.8% *industrial* credit.
88.7% of the bond portfolio was invested in securities with ratings above BBB-. 3.3% of the total is positioned in classes AAA to AA-, while 13.1% of securities had an A rating. The exposure to securities in the BBB rating class was 72.4% and includes Italian government bonds which make up 55.5% 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 €	**31/12/2018**	31/12/2017	% var.
Gains/losses on investment property	(38)	(1)	*n.s.*
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	314	2	*n.s.*
Net gains on held-to-maturity investments	21	33	*(37.3)*
Net gains on loans and receivables	126	28	*n.s.*
Net gains on financial assets recognised at amortised cost	33		
Net gains on available-for-sale financial assets	1,723	1,812	*(5.0)*
Net gains on financial assets at fair value through OCI	5		
Net gains on financial assets at fair value through profit or loss (*)	(49)	(22)	*119.2*
Total net gains on financial assets, cash and cash equivalents	**2,135**	**1,854**	***15.2***
Net losses on other financial liabilities	(166)	(137)	*21.5*
Total net losses on financial liabilities	**(166)**	**(136)**	***21.7***
Total net gains (*)	**1,969**	**1,718**	***14.6***
Net gains on financial assets at fair value (**)	(243)	227	
Net losses on financial liabilities at fair value (**)	138	(75)	
Total net gains on financial instruments at fair value (**)	**(105)**	**152**	
Total net gains on investments and net financial income	**1,864**	**1,870**	***(0.3)***

(*) 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 for which investment risk is borne by customers (index- and unit-linked) and arising from pension fund management

Net income at 31 December 2018 totalled €1,969m, compared to €1,718m at 31 December 2017.

Impairment losses on financial instruments classified in the Available-for-sale asset category amounted to €27m (€90m at 31/12/2017). The item Gains/losses on investment property included €32m in depreciation and €59m in write-downs (respectively €32m and €14m at 31/12/2017).

Shareholders' equity

At 31 December 2018, Shareholders' equity amounted to €6,327m (€7,453m at 31/12/2017), recording a decrease both in shareholders' equity attributable to the owners of the Parent (-€454m) and in non-controlling interests (-€673m).

Shareholders' equity attributable to the owners of the Parent amounted to €5,032m (€5,486m at 31/12/2017) and was broken down as follows:

Amounts in €m	**31/12/2018**	31/12/2017	*variation in amount*
Share capital	3,365	3,365	
Capital reserves	1,729	1,729	
Income-related and other equity reserves	(478)	79	*(556)*
(Treasury shares)	(6)	(26)	*20*
Reserve for foreign currency translation differences	4	4	
Gains/losses on available-for-sale financial assets	65	696	*(631)*
Gains/losses on financial assets at fair value through OCI	(34)		*(34)*
Other gains or losses recognised directly in equity	(14)	(15)	*1*
Profit (loss) for the year	401	(346)	*747*
Total shareholders' equity attributable to the owners of the Parent	**5,032**	**5,486**	*(454)*

The main changes over the year were as follows:
- a decrease of €128m due to dividend distribution;
- a decrease of €38m as a result of the change in percentage interests in the subsidiaries UnipolSai and Arca;
- a reduction of total assets at 1 January 2018, in the amount of €28m, due to the first-time application of IFRS 9;
- a decrease, compared to the opening balance at 1 January 2018, of €684m as a result of the decrease in the provision for Gains and losses on available-for-sale financial assets and on financial assets measured at fair value through other comprehensive income;
- an increase of €401m due to the profit for 2018.

Shareholders' equity attributable to non-controlling interests was €1,294m (€1,967m at 31/12/2017). The main changes over the year were as follows:
- a decrease of €115m for payment of dividends to third parties;
- a decrease, compared to the opening balance at 1 January 2018, of €256m as a result of the decrease in the provision for Gains and losses on available-for-sale financial assets and on financial assets measured at fair value through other comprehensive income;
- a decrease of €227m attributable to the sale of the equity investment in Popolare Vita;
- a decrease of €307m as a result of the change in percentage interests in the subsidiaries UnipolSai and Arca;
- €227m increase due to profit attributable to non-controlling interests.

Treasury shares

At 31 December 2018, the ordinary treasury shares held by Unipol and its subsidiaries totalled 2,003,299 (7,543,238 at 31/12/2017), of which 747,799 held directly. The changes concerned:
- 3,277,745 shares assigned on 2 July 2018 to entitled parties in execution of the compensation plans based on financial instruments (third tranche of shares of the 2013-2015 Plan);
- 2,265,235 shares ceded on the market;
- 24,728 shares held by Popolare Vita (ceded on 29 March 2018);
- 27,769 ordinary shares acquired in execution of the compensation plans based on financial instruments.

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	**5,445**	**66**	**5,512**
IAS/IFRS adjustments to the Parent's financial statements	60	9	69
Differences between net carrying amount and shareholders' equity and profit (loss) for the year of consolidated investments, of which:	(1,335)	966	(370)
- Translation reserve	*5*		*5*
- Gains or losses on available-for-sale financial assets	*(817)*		*(817)*
- Other gains or losses recognised directly in equity	*11*		*11*
Consolidation differences	1,117		1,117
Intragroup elimination of dividends	412	(412)	
Other adjustments (securities, etc.)	(1)	(1)	(1)
Consolidated balances - portion attributable to the owners of the Parent	**5,698**	**628**	**6,327**
Non-controlling interests	1,067	227	1,294
Consolidated total	**4,631**	**401**	**5,032**

Technical provisions and financial liabilities

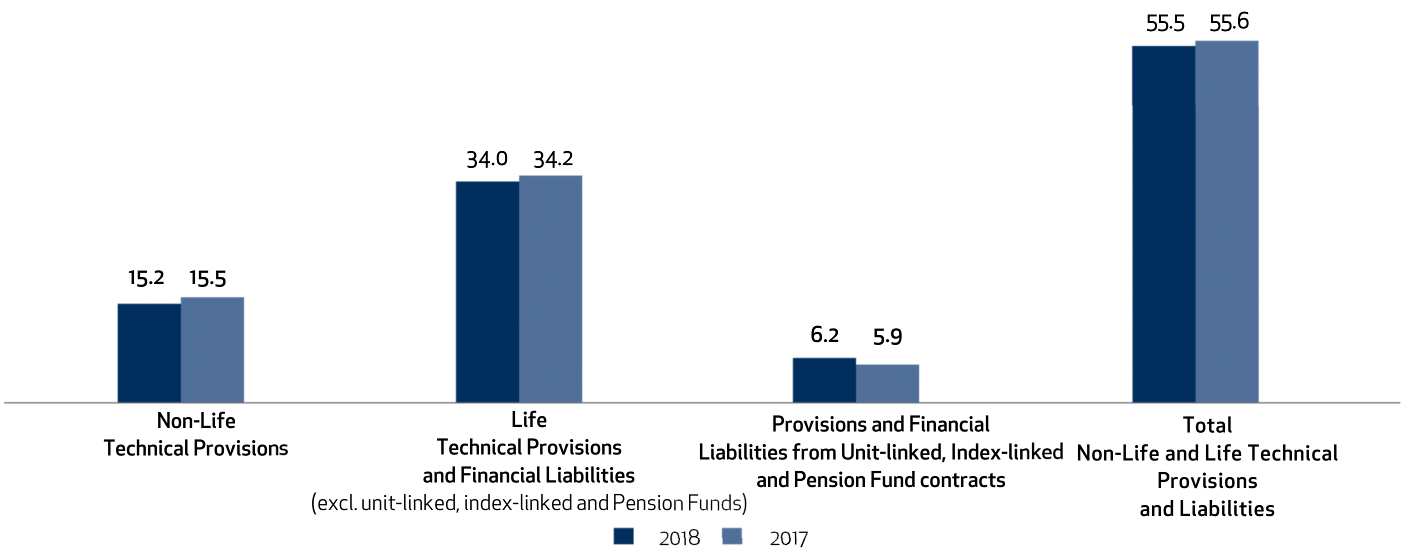
At 31 December 2018, technical provisions amounted to €53,223m (€53,427m at 31/12/2017). Financial liabilities amounted to €6,922m (€16,400m at 31/12/2017), after reclassifying financial liabilities for €8,458m relating to the banking sector under item 6.1 Liabilities associated with disposal groups pursuant to IFRS5.

Technical provisions and financial liabilities

Amounts in €m	**31/12/2018**	31/12/2017	% var.
Non-Life technical provisions	15,212	15,461	*(1.6)*
Life technical provisions	38,011	37,966	*0.1*
Total technical provisions	**53,223**	**53,427**	***(0.4)***
Financial liabilities at fair value	**2,539**	**2,489**	***2.0***
Investment contracts - insurance companies	*2,261*	*2,210*	*2.3*
Other	*278*	*278*	*(0.1)*
Financial liabilities at amortised cost	**4,382**	**13,911**	***(68.5)***
Subordinated liabilities	*2,247*	*2,353*	*(4.5)*
Payables to bank customers		*6,821*	*(100.0)*
Interbank payables		*439*	*(100.0)*
Other	*2,135*	*4,298*	*(50.3)*
Total financial liabilities	**6,922**	**16,400**	***(57.8)***
Total	**60,145**	**69,827**	***(13.9)***

Breakdown of Non-Life and Life reserves

(Amounts in €bn)



Unipol 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 table does not include financial debt relating to the banking sector amounting to €1,911m classified to the item 6.1 Liabilities associated with disposal groups pursuant to IFRS 5.

Group debt structure (excluding net interbank business)

Amounts in €m	**31/12/2018**	31/12/2017	*variation in amount*
Subordinated liabilities issued by UnipolSai	2,247	2,028	*219*
Subordinated liabilities issued by Unipol Banca		324	*(324)*
Debt securities issued by Unipol Banca and securitisation SPVs		2,165	*(2,165)*
Debt securities issued by Unipol	1,804	1,796	*9*
Other loans	165	164	
Total debt	**4,216**	**6,477**	***(2,261)***

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.

The **Debt securities issued by Unipol**, net of intragroup subscriptions, totalled €1,804m and related to three senior unsecured bonds listed on the Luxembourg Stock Exchange, with a total nominal value of €1,817m.

With respect to **Other loans**, equal to €165m (€164m at 31/12/2017), €159m related to the loan obtained by the Athens Real Estate Fund 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, eliminated during the consolidation process).

With reference to the debt of the banking sector, included under "Liabilities associated with disposal groups", it should be noted that the **Subordinated liabilities issued by Unipol Banca** fell by €167m due to the reimbursement of four loans on expiry. The decrease was offset by the **Debt securities issued**, which rose by €169m. Overall, the transfers of securities (subordinated and otherwise) carried out during the year by Unipol Banca and the securitisation SPVs regarded redemptions for €950m, of which €234m issued against securitisations, repurchases from customers for €32m and new placements for €983m, of which €680m in securities issued by the SPVs for securitisations.

OTHER INFORMATION

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 Unipol's Board of Directors on 8 February 2018 with effect from that date.
The Related Parties Procedure - published on Unipol's web site *(www.unipol.it)* 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 executed by Unipol, either directly or through its subsidiaries.

The Procedure is published in the "Corporate Governance/ Related party transactions" section of the Unipol Group's website (www.unipol.it).

In relation to related party transactions with related parties "**of major significance**", it should be noted that, on 22 March 2018, the Boards of Directors of Unipol Gruppo S.p.A. and UnipolSai Assicurazioni S.p.A. ("UnipolSai" or the "Company"), assisted by their respective financial advisors Mediobanca - Banca di Credito Finanziario S.p.A. and JP Morgan Limited, approved the disposal to UnipolSai of the equity investment held by Unipol in Arca Vita S.p.A., equal to 63.39% of the share capital, and - indirectly - of the interests 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 "Disposal"), a transaction completed on 7 August 2018 and outlined in the chapter "Significant events during the year", to which reference should be made.

Considering that Unipol controls UnipolSai, the Disposal was qualified:

- by both parties as a related party transaction "of major significance" pursuant to Consob Regulation and to the Related Parties Procedure adopted, respectively, by Unipol and UnipolSai;
- by Unipol, also as a transaction with an associated party "of major significance" pursuant to Bank of Italy Circular no. 263 of 27 December 2006, Title V, Chapter 5 and the "Procedure for the management of transactions with Unipol Banking Group associated parties" (the "Associated Banking Group.

Given the characteristics of the Disposal, to further guarantee the substantive and procedural fairness of the entire decision-making process, Unipol decided to apply, on a voluntary basis, the corporate and procedural oversight mechanisms established for transactions with related parties and with associated parties "of major significance", although the exemptions of Art. 13 of the Related Parties Procedure and Art. 5.4.3 of the Associated Parties Procedure apply, respectively, since the Disposal was arranged with a subsidiary of Unipol in the absence of significant interest of other related parties or associated parties.
The Disposal was therefore submitted by Unipol and by UnipolSai to the respective Committees for Transactions with Related Parties for approval. Both parties were respectively supported, for valuation aspects, by Towers Watson Italia S.r.l. and by Deloitte Financial Advisory S.r.l., and for legal aspects by Studio Legale Chiomenti and Studio BonelliErede.
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, Unipol has obtained the independent opinion of Colombo & Associati S.r.l., and UnipolSai the opinion of Studio Laghi S.r.l.

The Unipol Related Party Transactions Committee expressed on a voluntary basis its favourable opinion on Unipol's interest in the Disposal, as well as on the cost effectiveness and substantial fairness of the conditions applied.

In turn, the UnipolSai Related Party Transactions Committee expressed its favourable opinion on the Company's interest in acquiring Unipol's investment in Arca Vita S.p.A., 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 2018, Unipol carried out no transactions with related parties "**of minor relevance**".

Exempt transactions included the following:

- on 26 September 2018, the increase in the equity investment held by Unipol in the subsidiary UnipolPart I S.p.A. was resolved, due to the conferral in favour of said entity of 204,620,000 UnipolSai shares, equal to 7.231% of share capital.

As regards the disclosure required by IAS 24 and Consob Communication DEM/6064293/2006, please refer to paragraph 5.6 - Transactions with Related Parties in the Notes to the financial statements.

Solvency II solvency position

The values relating to own funds and to the solvency capital requirement, calculated on the basis of the information unavailable as of today, are illustrated below:

In €m	**Total**
Own funds eligible to cover the Solvency Capital Requirement	6,345.8
Tier 1 - unrestricted	*4,041.8*
Tier 1 - restricted	*792.3*
Tier 2	*1,194.9*
Tier 3	*316.8*
Solvency Capital Requirement	3,892.7
Ratio between Eligible own funds and Solvency Capital Requirement	**1.63**

The solvency situation of the Group will be subject to a specific disclosure to the market and to the Supervisory Authority by 3 June 2019, as part of the publication of the Solvency and Financial Condition Report set forth in Art. 359 of Regulation (EU) 35/2015.

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

The information required by the Art. 123-bis, Legislative Decree 58 of 24 February 1998 as amended is included in the Annual Report on *corporate governance*, approved by the Board of Directors and published together with the Management Report.

The annual Corporate Governance report is available in the "Governance/Corporate Governance System" Section on the Company's website (www.unipol.it).

Ethics Report

General considerations

The year 2018 saw the role of the Charter of Values and Code of Ethics consolidated in the Unipol Group as an inescapable point of reference for the growth and success of an innovative, transparent and socially responsible culture common to all employees, agents and partners within the Group and with all stakeholders.
The Ethics Department focused its commitment on the obligations regarding its institutional reference role on respect for the Charter of Values and Code of Ethics of the Group for all its stakeholders, as well as on the classroom-based training project for around 1,800 resource managers, managed by "Unica - Unipol Corporate Academy".
As regards reports received regarding alleged violations of the Code of Ethics, there were no recorded cases of non-compliance with the Charter of Values and Code of Ethics. Therefore, the general consistency between the principles stated in the Code and company operations was confirmed.

Activities carried out and launched in 2018 with reference to the Charter of Values and the Code of Ethics

In 2018, the Ethics Committee met on 8 February and on 20 December. The main activities carried out related to the following issues:

- Reporting and requests

The Code of Ethics allows reports to be sent by anyone by writing to the Head of Ethics via ordinary post or by sending an e-mail to responsabile.etico@unipol.it and may concern criticisms, suggestions, requests for opinions/information and alleged violations of the Code of Ethics.
In 2018, 111 reports and requests received to the dedicated e-mail inbox were handled, compared to 43 in 2017. The significant rise is due to the increase in reports relating to inefficiencies, delays and disputes (82) and those attributable specifically to alleged violations of the Charter of Values and Code of Ethics (8), while requests for opinions from the Head of Ethics was confirmed at the same level as 2017 (6). The total is completed by 15 contacts of a general nature. More specifically:

- reports related to alleged, specific violations of the Code of Ethics: these were dealt with in accordance with the Code and with consolidated practices, without leading to situations that required an evaluation by the Ethics Committee. Having assessed the absence of violations, the Head of Ethics handled the reports alone, in accordance with powers granted by the Ethics Committee;
- requests for opinions/information: these matters addressed to the Head of Ethics on matters within his/her specific competence were handled (consistency between business-related situations and the value system);
- inefficiencies, delays and disputes: reports concerning commercial or settlement inefficiencies, delays and disputes relating to Group companies were handled, as well as those presented by employees regarding internal inefficiencies or other problems. Normally, these did not relate to matters within the strict competence of the function, which is generally limited to informing the reporting entity of having assigned the matter to the Complaints Department. If the complaint contains general references to the Code of Ethics (not as such to constitute a genuine notification of a violation) and in cases deemed appropriate, the Head of Ethics cooperates with the Complaints Department in preparing the response. In this domain, no situations were identified in 2018 in which the reference to the Code of Ethics was grounded.

- Training

The classroom-based training project set out in the Business Plan for Group line managers (on the whole, around 1,800 executives, officers and middle managers) continued in 2018. The project was launched in 2017 by "Unica – Unipol Corporate Academy", targeted at developing shared consideration of the values and principles in Unipol's Charter of Values, by encouraging people to implement them practically in daily activities, in particular by being a good example for others.
We were able to observe, in 2018, how the progress of said training is gradually raising the awareness of issues relating to values and ethics, helping personnel grasp the fundamental importance of practically applying them in daily activities. At 31 December 2018, 1,118 managers completed the training project; the project is expected to end in 2019.

For detailed information, please refer to the full Ethics Report, available in the "Sustainability" section of the Unipol Group's website.

Communication on Progress Global Compact

NFS

Table of contents relating to relevant information for the United Nations Global Compact
By participating in the United Nations Global Compact initiative, the company undertakes to respect human rights, by creating socially compatible job conditions, promoting environmental protection and combatting corruption.

In order make it easier to track the relevant contents for Communication on Progress, the following table has been prepared, which identifies, for each principle, the links to the GRI Standard, to the chapters of the 2018 Integrated Report (the measurement of outcomes is included in the chapter "The impacts generated by the Unipol Group") as well as the website www.unipol.it

Global Compact Areas	Global Compact Principles	GRI STANDARDS	Page reference in the Annual Integrated Report	Link
Principles on Human Rights	**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights within their respective spheres of influence. **Principle 2:** Businesses should make sure they are not complicit in human rights abuses, including indirectly.	GRI409-01 GRI412-02 GRI102-09 GRI102-15 GRI102-16 GRI102-17 GRI102-22 GRI102-30 GRI403-09 GRI409-01 GRI412-02 GRI-FS07-08 GRIFS15-01 GRI-FS11	Pages 23-24: "Unipol Group Vision, Mission and Values" Page 120: "Ethics Report" Pages 29-31: "Capital performance" - "Human capital" Page 40: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions " Page 61: "Future orientation in the use of capital" - "Instability and Polarisation" Pages 36-38: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers" Pages 67-77: "Governance" - "Corporate Governance" - "Internal Control and Risk Management System" Pages 26-27: "The creation of value" and pages 82-84: "Business Model"	Unipol Group Identity Vision, Mission and Values Strategic Management and Reporting Policies Responsible Investments Screening Method Thematic and Impact Investments
Labour principles	**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. **Principle 4:** Businesses should uphold the elimination of all forms of forced and compulsory labour. **Principle 5:** Businesses should uphold the effective abolition of child labour. **Principle 6:** Businesses should uphold the elimination of discrimination in respect of employment and occupation.	GRI102-06 GRI102-07 GRI102-08 GRI102-09 GRI102-16 GRI102-22 GRI102-30 GRI102-35 GRI102-41 GRI201-03 GRI205-02 GRI305-03 GRI401-01 GRI403-02 GRI403-05 GRI403-09 GRI405-01 GRI405-02 GRI407-01	Pages 23-24: "Unipol Group Vision, Mission and Values" Page 120: "Ethics Report" Pages 29-31: "Capital performance" - "Human capital" Pages 47-49: "Identity profile" - "Human resources" Pages 79-81: "Governance" - "Remuneration system and incentives" Pages 36-38: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers" Pages 16-17: "Annual Integrated Report preparation criteria and methods" - "Material topics" Pages 61-64: "Future orientation in the use of capital" Pages 67-77: "Governance" - "Internal Control and Risk Management System"	Unipol Group Identity Vision, Mission and Values Responsible supply chain management
Environmenta l Principles	**Principle 7:** Businesses should support a precautionary approach to environmental challenges. **Principle 8:** Businesses should undertake initiatives to promote greater environmental responsibility. **Principle 9:** Businesses should encourage the development and diffusion of environmentally friendly technologies.	GRI-FS15 GRI-FSPP GRI102-09 GRI102-11 GRI102-22 GRI102-30 GRI201-01 GRI301-01 GRI301-02 GRI302-01 GRI302-03 GRI302-04 GRI303-01 GRI305-01 GRI305-02 GRI305-03	Page 40: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions " Pages 40-42: "The impacts generated by the Unipol Group" - "Contribution to reducing the effects of climate change" Page 64: "Future orientation in the use of capital" - "Climate change" Pages 67-77: "Governance" - "Corporate Governance" - "Internal Control and Risk Management System" Pages 26-27: "The creation of value" and pages 82-84: "Business Model"	Reputational & Emerging Risk Observatory Results and Strategy Policies Climate change Derris Project Real Estate Management

Global Compact Areas	Global Compact Principles	GRI STANDARDS	Page reference in the Annual Integrated Report	Link
		GRI305-04 GRI305-05 GRI306-01 GRI306-02 GRI307-01		
Anti-Corruption Principles	**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.	GRI102-06 GRI102-09 GRI102-18 GRI102-22 GRI102-29 GRI102-30 GRI102-43 GRI 205-1 GRI 205-2 GRI 205-3 GRI-FS15 GRI-FSPP	Pages 23-24: "Unipol Group Vision, Mission and Values" Pages 67-77: "Governance" - "Internal Control and Risk Management System" Pages 82-84: "Business model" - "Insurance" and "Banking" - "Complaints management"	Unipol Group Identity Vision, Mission and Values Anti-corruption Procedures Policies

For detailed information on the United Nations CoP 2018, please refer to the "Sustainability" section of the Unipol Group's website.

Business outlook

The global economy is showing signs of a slowdown across the board. 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 2019-2021 Business Plan, 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

Synoptic table with non-financial information

Subjects of Legislative Decree	Material Issue	Relevant GRI Topic *
Material topics (Art. 3 par.1)		GENERAL DISCLOSURES: Stakeholder engagement; Reporting practice
Organisation and management model (Art. 3, par. 1a)	Product innovation; Partnerships; Post-sales customer service; Farsightedness in responsible capital management; Long-term approach to setting corporate objectives and to making investment choices; Customer loyalty; Personal consultancy; Integrated multi-channel operations; Personalised products and services; Group relations with the agency network	GENERAL DISCLOSURES: Organizational profile; Strategy and Analysis
Business policies, results, indicators (Art. 3, par. 1b)	Transparency and clarity in the shareholding and governance structure; Transparency toward the Market and the Authorities	GENERAL DISCLOSURES: Strategy; Governance
	Relations with the local community; Profitability of the Group's activities; Responsible supply chain management	ECONOMIC: Economic Performance; Indirect Economic Impacts; Procurement practices
	Financial inclusion	SECTOR SPECIFIC ASPECT - SOCIETY: Product Portfolio; Active Ownership; Local Communities
Main risks (Art. 3, par. 1c)	Risk management, risk and control culture; Farsightedness in responsible capital management	GENERAL DISCLOSURES: Identified Material Aspects and Boundaries.
Energy resources, water resources, emissions Impact on the environment, health and safety (Art. 3, par. 2a; (Art. 3, par. 2b; (Art. 3, par. 2c)	Reducing and optimising the corporate impact; Relations with the local community; Responsible supply chain management	ENVIRONMENTAL: Energy; Emissions; Water; Waste
		ECONOMIC: Economic Performance; Indirect Economic Impacts; Procurement practices
Human Resource management and gender balance (Art. 3, par. 2d)	Development of resources; Well-being within the company	SOCIAL: Employment, Labour/Management Relations; Occupational Health and Safety; Training and Education; Diversity and Equal Opportunity; Equal Remuneration for Women and Men
Respect for human rights (Art. 3, par. 2e)	Risk management, risk and control culture	GENERAL DISCLOSURES: Ethics and Integrity
		SOCIAL: Non-discrimination, Child labour, Human Rights Assessment
Fight against corruption (Art. 3, par. 2f)	Raising regulatory compliance awareness; Fair and responsible competition	ECONOMIC: Anti-corruption; Anti-corruption behaviour; SOCIAL: Socio-economic compliance
	Raising regulatory compliance awareness; Fairness in the sale of products and services	SOCIAL: Marketing and labelling; Customer Privacy; Socio-economic compliance
Reporting standard adopted (Art. 3, par. 3, 4 and 5)		GENERAL DISCLOSURES: Report Profile; Stakeholder engagement.
Diversity among members of the administration bodies (Art. 10 par.1 letter a)	Well-being within the company	SOCIAL - Labor Practices and Decent Work: Diversity and Equal Opportunity

GRI Disclosure	Page reference of the Integrated Report	SDGs
102-40, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-48, 102-49	P. 16-17: "Preparation criteria and methods" - "Material topics" P. 61-64: "Future orientation in the use of capital"	
102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-8, 102-9, 102-10, 102-11, 102-12, 102-13, 102-41	P. 18-19 "Group highlights" P. 43-44 "The Unipol Group" - "Activities and sectors" P. 45-50: "The Unipol Group" - "Identity profile" P. 65-77: "Governance" - "Corporate Governance" "Internal Control and Risk Management System" P 82-84: "Business model" - "Insurance" and "Banking"	
102-14, 102-18, 102-22, 102-23, 102-29	P. 8-9: "Letter from the Chairman and Letter from the Chief Executive Officer" P. 26-27: "Value creation model" P. 61-64: "Future orientation in the use of capital" P. 65-77: "Governance" - "Corporate Governance" "Internal Control and Risk Management System" P. 82-84: "Business model" - "Insurance" and "Banking"	
201-1, 203-2, 204-1	P. 36-39: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value	
FS07, FS08, FS11, FS14	P. 32: "Capital performance" - "Social and relational capital" P. 40: "The impacts generated by the Unipol Group" - "Support and promotion, through the investment decisions of sustainable companies"	
102-11, 102-14, 102-15	P. 16-17: "Preparation criteria and methods" - "Material topics" P. 61-64 "Future orientation in the use of capital" P. 65-77: "Governance" - "Internal Control and Risk Management System"	
302-1, 303-1, 305-1, 305-2, 305-4, 306-2	P. 40-42: "The impacts generated by the Unipol Group" - "Contribution to reducing the effects of climate change" P. 64: "Future orientation in the use of capital": Climate change	
201-1, 203-2, 204-1	P. 36-39: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" P. 83: "Insurance business model" - Real estate development and renovation: Urban Up	
401-1, 402-1, 403-2, 404-1, 405-1, 405-2, 102-35	P. 29-32: "Capital performance" - "Human capital" P. 47-49: "Identity profile" - "Personnel" P. 79-81: "Governance" - "Remuneration system and incentives" P. 82: "Business model" - "Insurance" - Academy dedicated to Training	
102-16	P. 23-24: "Unipol Group Vision, Mission and Values" P. 120: "Ethics Report"	
406-1, 408-1, 412-3	P. 23-24: "Unipol Group Vision, Mission and Values" P. 37-38: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers"	
205-1, 205-2, 205-3, 206-1, 419-1	P. 23-24: "Unipol Group Vision, Mission and Values" P. 67-77: "Governance" - "Internal Control and Risk Management System" P. 82-84: "Business model" - "Insurance" and "Banking" - "Complaints	
417-3, 418-1		
102-50, 102-51, 102-52, 102-53, 102-54, 102-56	P. 14-17: "Preparation criteria and methods"	
102-18, 102-22, 102-35	P. 65-66 "Governance" – "Corporate Governance" P. 79-81: "Governance" - "Remuneration system and incentives"	

* These also include the Disclosures on Management Approach (GRI 103-1, 103-2, 103-3) reported in the Integrated Report or available in the "Sustainability" section of the website www.unipol.it for individual material aspects.

Glossary

ALM: Asset and Liability Management, referring to the integrated management of assets and liabilities for the purpose of allocating resources in such a way as to optimise the risk/return ratio.

Ambassadors: employees who gave Unipol a reputational assessment higher than 80 points and also expressed a strategy alignment higher than 80 points

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.
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.

ASviS - Italian Alliance for Sustainable Development: set up in 2016, on the initiative of the Unipolis Foundation and the "Tor Vergata" University of Rome, whose objective is to increase awareness in Italian society, economic entities and institutions, of the importance of the 2030 Agenda for sustainable development and to empower them to achieve the Sustainable Development Goals.
The Alliance currently incorporates more than 200 of the most important institutions and networks of civil society, such as associations representing social parties (business, trade union and Third Sector associations), networks of associations of civil society which concern specific objectives (health, economic well-being, education, labour, quality of the environment, gender equality, etc.), associations of regional authorities, universities and public and private research centres, and the associated networks, associations of entities active in the worlds of culture and information, foundations and networks of foundations, Italian entities belonging to international associations and networks active in sustainable development matters.

BS OHSAS 18001: international standard specifying the requirements for an occupational health and safety management system that allows an organisation to control its occupational health and safety risks and improve its performance.

BVPS – Book Value Per Share: ratio between the Group's Shareholders' equity and the total number of shares.

Capital: stocks of value on which all organisations depend for their success. Used as inputs to the business model, and are increased, decreased or transformed through the organisation's business activities and outputs. The capitals are categorised in the IR Framework as financial, productive, intellectual, human, social and relational, and natural. (International <IR> Framework).

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");
- 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.

CAWI - *Computer Assisted Web Interviewing:* statistical survey method carried out via web.

Combined ratio : indicator that measures the balance of Non-Life technical management, represented by the sum of the loss ratio and the expense ratio.

COP21: the twenty-first Conference of the Parties to the Climate Change Agreement, the Paris climate conference of December 2015 in which 195 countries adopted the first universal and legally binding agreement on the world's climate.

Value Creation: the process that results in increases, decreases or transformations of the capital caused by the organisation's business activities and outputs. (International <IR> Framework).

CSI (Customer Satisfaction Index): overall satisfaction index based on 13 factors pertaining to two macro areas: Relations with agents and Service provided by the company. The sum of weighted scores obtained for each of the 13 factors determines the arithmetic mean representing the overall CSI.

CS OVERALL (Customer Satisfaction Overall for retail and companies): an indicator of overall satisfaction with the reference company (sole or main) that takes into account all aspects of the relationship (policies subscribed, personnel, service, innovation, reputation, etc.). It is calculated by using a 6-step numeric scale from 3 to 8, where 3 is the lowest score, 6 is satisfactory and 8 is the highest score. The percentage score is calculated on the two highest scores on the scale.

CSR: Corporate Social Responsibility, in economic and financial terms, is the area relating to implications of an ethics nature in the strategic business vision. It is a demonstration of the willingness of large, medium and small enterprises to efficiently manage problems with a social and ethics impact internally and in their areas of operation.

Non-Financial Statement (NFS): a separate or consolidated statement of a non-financial nature as envisaged in Italian Legislative Decree no. 254 of 30 December 2016, which introduced new transparency obligations to Italian law in line with the European regulations on environmental and social issues, human resources, respect for human rights, the fight against active and passive corruption, which are relevant taking into account the activities and characteristics of the company.

Environmental, social and governance (ESG): an acronym that refers to the organisational aspects of a company, linked to environmental, social and good governance policies, objectives and implementation procedures.

EPS – Earning per share: ratio between the Group's net profit and the total number of shares.

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 reassurance, is concerned

FTSE4Good Index: the index evaluates the performances of companies that are globally recognised for their high standards of social responsibility. The index is reviewed twice per year, in March and in September, to include any new companies and instead exclude any that have not maintained the required sustainability standards.

Global Compact: United Nations initiative launched in 2000 to encourage companies all over the world to adopt sustainable policies, comply with corporate social responsibilities and publicly disclose the results of the actions undertaken. Envisages compliance with the 10 Principles divided into 4 areas: Human Rights, Labour, Environment, Anti-corruption.
To date, over 18,000 companies from 157 countries worldwide have adopted the initiative, in support of the United Nations' Sustainable Development Goals (SDGs) for 2030.

SDSN-Bertelsmann Index: index prepared by the Sustainable Development Solutions Network (SDSN) and the Bertelsmann Foundation using 62 basic indicators for an evaluation of how far Italy is from conditions of economic, social, environmental and institutional sustainability in relation to the SDGs.

SRIs: the sustainability indexes or SRIs are summary indexes that monitor the performance trends of a basket of companies listed in the Stock Exchange in accordance not only with financial and economic criteria, but also criteria relating, as applicable, to environmental, social and good corporate governance aspects, employed by investors that intend to adopt sustainable and responsible investment (SRI) strategies.
Sustainable and responsible investment refers to a medium/long-term investment strategy which, in assessments of companies and institutions, combines financial analysis with environmental, social and good governance analysis so as to create value for the investor and for the company as a whole.

Inputs: the capitals (resources and relationships) that an organisation draws upon for its business activities. (International <IR> Framework).

ISO 50001: a voluntary international standard that provides organisations of any size with a system for optimising the energy performance of all of their processes and for promoting more efficient energy management.

ESG Guidelines: Guidelines for the ex ante assessment of ESG risks that could arise in the business processes (investments, recruitment, credit), annexed to the related Policies and useful to supporting correct assessment of the risks in line with the sustainability guidelines.

Loss ratio: primary indicator of the cost-effectiveness of operations of an insurance company in the Non-Life business. This is the ratio of the cost of claims for the period to premiums for the period.

Materiality: a matter is material if it could substantively affect the organisation's ability to create value in the short, medium or long term. (International <IR> Framework).

Business model: an organisation's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organisation's strategic purposes and create value over the short, medium and long term. (International <IR> Framework).

MRO (Main Refinancing operations): open market operations carried out by the Eurosystem.

MSCI ESG Index: the index supports the evaluation of the environmental, social and governance (ESG) investments and helps institutional investors to perform a more effective benchmarking for the performances of ESG investments.

NPS (Net Promoter Score): an indicator that measures the proportion of product/service "promoters" vs. "detractors".
It is based on the question "Would you recommend the company to your best friend?". The answers are rated on a scale of 0 to 10.
The indicator is calculated by subtracting the percentage of detractors from the percentage of promoters.

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.

Outcomes: the internal and external consequences (positive and negative) for the capitals as a result of an organisation's business activities and outputs (International <IR> Framework).

Outputs: an organisation's products and services, and any by-products and waste. (International <IR> Framework).

PRI: principles promoted in 2006 by the United Nations to favour the spreading of sustainable and responsible investment amongst institutional investors, which are signed and implemented by financial sector companies. The companies commit to incorporating ESG concerns within investment analyses and decision-making processes, as well as their company policies and practices.

Reputation Index: an index developed by the Reputation Institute to measure and manage the reputation of companies and their brands as a lever for business growth, valid at international level.

ROE – Return on Equity: ratio between the Group's net profit for the year and the average of the Group's Shareholders' equity (calculated as the semi-sum of Net Shareholders' equities at the start and end of the period), excluding Other comprehensive income (expense) (OCI).

Scope of GHG emissions: classification of the organisational confines in which the direct and indirect GHG (*Greenhouse Gas*) emissions generated by an organisation's activities are produced. There are 3 classes of *Scopes: Scope 1, Scope 2 and Scope 3*. The classification derives from the *World Resources Institute* (WRI) and the World Business Council for Sustainable Development (WBCSD). Scope 1 refers to direct GHG emissions from installations owned or controlled by the organisation. Scope 2 refers to indirect GHG emissions deriving from the generation of electricity, steam energy, heating and cooling, imported and consumed within the organisation. Scope 3 refers to other indirect emissions not covered by Scope 2, such as emissions associated with business travel.

SDGs- Sustainable Development Goals: the 2030 Agenda for Sustainable Development is a plan of action for people, the planet and prosperity, signed in September 2015 by the governments of 193 UN member states. It encompasses 17 Sustainable Development Goals - SDGs - as listed below:

Goal 1:
End poverty in all its forms everywhere.

Goal 2:
End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

Goal 3:
Ensure healthy lives and promote well-being for all at all ages.

Goal 4:
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 5:
Achieve gender equality and empower all women and girls.

Goal 6:
Ensure availability and sustainable management of water and sanitation for all.

Goal 7:
Ensure access to affordable, reliable, sustainable and modern energy for all.

Goal 8:
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9:
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Goal 10:
Reduce inequality within and among countries.

Goal 11:
Make cities and human settlements inclusive, safe, resilient and sustainable.

Goal 12:
Ensure sustainable consumption and production patterns.

Goal 13:
Take urgent action to combat climate change and its impacts.

Goal 14:
Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

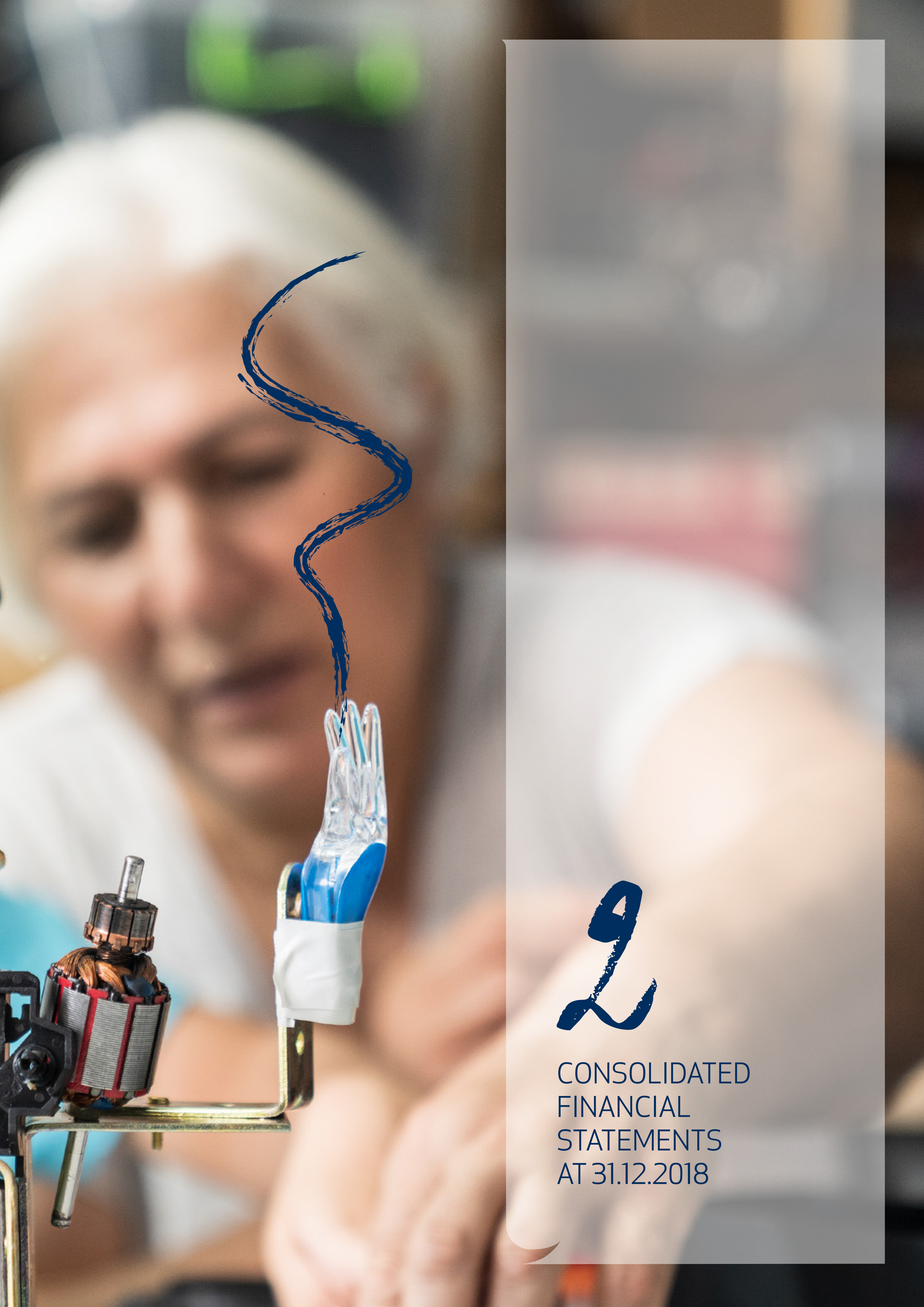
Goal 15:
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Goal 16:
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Goal 17:
Strengthen the means of implementation and revitalize the global partnership for sustainable development.

SROI - Social Return On Investment: it is a method of measuring and reporting the value produced by an activity with respect to the resources invested, considering a broad meaning of "value" that also takes account of the non-financial dimensions (social, environmental). It aims to reduce inequality and environmental degradation, improve well-being, integrating the social, economic and environmental costs and benefits in the analysis.

TLTRO - Targeted Long Term Refinancing Operations: financial interventions carried out by the European Central Bank, introduced for the first time during the sovereign debt crisis that took place in Eurozone countries. Under the TLTRO programme, 4-year loans with very low interest rates are disbursed through auctions to Eurozone banks, with a view to injecting liquidity into the real economy. Indeed, banks are required to use this liquidity to support lending to small and medium sized enterprises.



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CONSOLIDATED FINANCIAL STATEMENTS AT 31.12.2018

Statement of Financial Position

Assets

		Amounts in €m	31/12/2018	31/12/2017
1	INTANGIBLE ASSETS		1,955.3	1,976.9
1.1	Goodwill		1,581.7	1,581.7
1.2	Other intangible assets		373.5	395.1
2	PROPERTY, PLANT AND EQUIPMENT		1,887.4	1,872.1
2.1	Property		1,637.2	1,617.7
2.2	Other tangible assets		250.2	254.3
3	TECHNICAL PROVISIONS - REINSURERS' SHARE		982.0	874.5
4	INVESTMENTS		57,543.0	69,397.7
4.1	Investment property		1,996.7	2,199.1
4.2	Investments in subsidiaries, associates and interests in joint ventures		74.5	90.3
4.3	Held-to-maturity investments		459.6	864.2
4.4	Loans and receivables		3,921.0	15,517.5
4.4bis	Financial assets at amortised cost		490.1	
4.5	Available-for-sale financial assets		43,439.2	44,482.3
4.5bis	Financial assets at fair value through OCI		663.3	
4.6	Financial assets at fair value through profit or loss		6,498.5	6,244.3
4.6.1	*Held-for-trading financial assets*		*288.0*	*333.5*
4.6.2	*Financial assets at fair value*		*6,205.5*	*5,910.8*
4.6.3	*Other financial assets mandatorily at fair value*		*5.0*	
5	SUNDRY RECEIVABLES		2,762.2	2,854.3
5.1	Receivables relating to direct insurance business		1,365.5	1,426.2
5.2	Receivables relating to reinsurance business		137.3	105.6
5.3	Other receivables		1,259.4	1,322.5
6	OTHER ASSETS		12,186.3	12,366.0
6.1	Non-current assets or assets of a disposal group held for sale		10,758.3	10,569.0
6.2	Deferred acquisition costs		98.1	85.0
6.3	Deferred tax assets		944.3	1,001.2
6.4	Current tax assets		23.8	14.0
6.5	Other assets		361.9	696.8
7	CASH AND CASH EQUIVALENTS		264.6	631.5
	TOTAL ASSETS		**77,580.8**	**89,972.9**

Statement of Financial Position

Shareholders' equity and liabilities

		Amounts in €m	**31/12/2018**	31/12/2017
1		**SHAREHOLDERS' EQUITY**	**6,326.7**	**7,453.0**
	1.1	**attributable to the owners of the Parent**	**5,032.4**	**5,486.1**
	1.1.1	Share capital	3,365.3	3,365.3
	1.1.2	Other equity instruments		
	1.1.3	Capital reserves	1,729.4	1,729.4
	1.1.4	Income-related and other equity reserves	(478.0)	78.5
	1.1.5	(Treasury shares)	(6.1)	(25.7)
	1.1.6	Reserve for foreign currency translation differences	4.0	3.5
	1.1.7	Gains or losses on available-for-sale financial assets	64.7	695.5
	1.1.7bis	Gains or losses on financial assets at fair value through OCI	(34.5)	
	1.1.8	Other gains or losses recognised directly in equity	(13.9)	(14.6)
	1.1.9	Profit (loss) for the year attributable to the owners of the Parent	401.4	(345.8)
	1.2	**attributable to non-controlling interests**	**1,294.3**	**1,966.9**
	1.2.1	Share capital and reserves attributable to non-controlling interests	1,052.3	1,522.6
	1.2.2	Gains or losses recognised directly in equity	15.2	267.6
	1.2.3	Profit (loss) for the year attributable to non-controlling interests	226.8	176.8
2		**PROVISIONS**	**357.1**	**460.3**
3		**TECHNICAL PROVISIONS**	**53,223.3**	**53,426.8**
4		**FINANCIAL LIABILITIES**	**6,921.7**	**16,399.7**
	4.1	Financial liabilities at fair value through profit or loss	2,539.3	2,488.7
	4.1.1	*Financial liabilities held-for trading*	*278.3*	*278.4*
	4.1.2	*Financial liabilities at fair value*	*2,261.0*	*2,210.3*
	4.2	Financial liabilities at amortised cost	4,382.4	13,911.0
5		**PAYABLES**	**804.4**	**908.4**
	5.1	Payables arising from direct insurance business	160.9	148.1
	5.2	Payables arising from reinsurance business	86.8	96.6
	5.3	Other payables	556.7	663.7
6		**OTHER LIABILITIES**	**9,947.6**	**11,324.6**
	6.1	Liabilities associated with disposal groups held for sale	9,200.8	10,016.5
	6.2	Deferred tax liabilities	8.9	29.4
	6.3	Current tax liabilities	27.4	37.9
	6.4	Other liabilities	710.5	1,240.8
		TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**77,580.8**	**89,972.9**

Income Statement

		Amounts in €m	31/12/2018	31/12/2017
	1.1	Net premiums	11,469.0	11,262.9
	1.1.1	*Gross premiums earned*	*11,892.4*	*11,681.6*
	1.1.2	*Earned premiums ceded to reinsurers*	*(423.4)*	*(418.7)*
	1.2	Commission income	39.4	67.2
	1.3	Gains and losses on financial instruments at fair value through profit or loss	(153.5)	129.9
	1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	314.8	6.7
	1.5	Gains on other financial instruments and investment property	2,194.5	2,320.1
	1.5.1	*Interest income*	*1,548.4*	*1,704.6*
	1.5.2	*Other income*	*173.4*	*169.2*
	1.5.3	*Realised gains*	*449.7*	*445.4*
	1.5.4	*Unrealised gains*	*23.0*	*0.8*
	1.6	Other revenue	633.8	540.9
1		**TOTAL REVENUE AND INCOME**	**14,498.0**	**14,327.8**
	2.1	Net charges relating to claims	(9,463.2)	(9,621.1)
	2.1.1	*Amounts paid and changes in technical provisions*	*(9,778.9)*	*(9,807.9)*
	2.1.2	*Reinsurers' share*	*315.7*	*186.7*
	2.2	Commission expense	(22.9)	(28.8)
	2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(0.9)	(4.2)
	2.4	Losses on other financial instruments and investment property	(490.6)	(583.0)
	2.4.1	*Interest expense*	*(170.4)*	*(135.8)*
	2.4.2	*Other charges*	*(40.1)*	*(44.9)*
	2.4.3	*Realised losses*	*(141.3)*	*(148.0)*
	2.4.4	*Unrealised losses*	*(138.8)*	*(254.3)*
	2.5	Operating expenses	(2,514.1)	(2,490.0)
	2.5.1	*Commissions and other acquisition costs*	*(1,796.4)*	*(1,775.1)*
	2.5.2	*Investment management expenses*	*(120.9)*	*(131.9)*
	2.5.3	*Other administrative expenses*	*(596.7)*	*(583.0)*
	2.6	Other costs	(821.1)	(787.5)
2		**TOTAL COSTS AND EXPENSES**	**(13,312.7)**	**(13,514.6)**
		PRE-TAX PROFIT (LOSS) FOR THE YEAR	**1,185.2**	**813.2**
3		Income taxes	(252.4)	(231.6)
		PROFIT (LOSS) FOR THE YEAR AFTER TAXES	**932.9**	**581.5**
4		PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(304.6)	(750.6)
		CONSOLIDATED PROFIT (LOSS)	**628.2**	**(169.0)**
		of which attributable to the owners of the Parent	*401.4*	*(345.8)*
		of which attributable to non-controlling interests	*226.8*	*176.8*

Comprehensive Income Statement

Amounts in €m	**31/12/2018**	31/12/2017
CONSOLIDATED PROFIT (LOSS)	628.2	(169.0)
Other income items net of taxes not reclassified to profit or loss	**(43.8)**	**(14.7)**
Change in the shareholders' equity of the investees	(8.5)	7.0
Change in the revaluation reserve for intangible assets		
Change in the revaluation reserve for property, plant and equipment		(20.7)
Gains and losses on non-current assets or disposal groups held for sale		
Actuarial gains and losses and adjustments relating to defined benefit plans	(0.2)	(1.0)
Gains or losses on equity instruments at fair value through OCI	(35.1)	
Reserve deriving from variation on credit risk on financial liabilities at fair value through profit or loss		
Other items	(0.0)	
Other income items net of taxes reclassified to profit or loss	**(872.7)**	**153.4**
Change in the reserve for foreign currency translation differences	0.2	1.5
Gains or losses on available-for-sale financial assets	(883.6)	150.3
Gains or losses on financial assets (other than equity instruments) at fair value through OCI	0.6	
Gains or losses on cash flow hedges	10.1	1.6
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)	(916.5)	138.7
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	**(288.3)**	**(30.4)**
of which attributable to the owners of the Parent	*(262.7)*	*(200.2)*
of which attributable to non-controlling interests	*(25.6)*	*169.8*

Statement of Changes in Shareholders' equity

	Amounts in €m	**Balance at 31/12/2016**	Changes to closing balances	Amounts allocated	Adjustments from reclassification to profit or loss	Transfers	Changes in investments	**Balance at 31/12/2017**
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,724.6		4.8				1,729.4
	Income-related and other equity reserves	(281.7)		259.9			100.3	78.5
	(Treasury shares)	(27.8)		2.1				(25.7)
	Profit (loss) for the year	329.6		(547.8)		(127.6)		(345.8)
	Other comprehensive income (expense)	538.8	0.0	225.5	(101.8)	(20.7)	42.7	684.4
	Total attributable to the owners of the Parent	**5,648.8**	**0.0**	**(55.5)**	**(101.8)**	**(148.3)**	**143.0**	**5,486.1**
Equity attributable to non-controlling	Share capital and reserves attributable to non-controlling interests	2,004.8		(29.1)			(453.1)	1,522.6
	Profit (loss) for the year	205.4		161.6		(190.2)		176.8
	Other comprehensive income (expense)	274.6	0.0	76.4	(40.7)		(42.7)	267.6
	Total attributable to non-controlling interests	**2,484.8**	**0.0**	**208.9**	**(40.7)**	**(190.2)**	**(495.8)**	**1,966.9**
Total		**8,133.6**	**0.0**	**153.4**	**(142.5)**	**(338.5)**	**(352.8)**	**7,453.0**

	Amounts in €m	**Balance at 31/12/2017**	Changes to closing balances	Amounts allocated	Adjustments from reclassification to profit or loss	Transfers	Changes in investments	**Balance at 31/12/2018**
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,729.4						1,729.4
	Income-related and other equity reserves	78.5	(47.3)	(451.6)			(57.6)	(478.0)
	(Treasury shares)	(25.7)		19.6				(6.1)
	Profit (loss) for the year	(345.8)		875.4		(128.2)		401.4
	Other comprehensive income (expense)	684.4	18.9	(405.4)	(329.8)		52.2	20.4
	Total attributable to the owners of the Parent	**5,486.1**	**(28.4)**	**38.1**	**(329.8)**	**(128.2)**	**(5.4)**	**5,032.4**
Equity attributable to non-controlling	Share capital and reserves attributable to non-controlling interests	1,522.6	(1.8)	(180.9)			(287.6)	1,052.3
	Profit (loss) for the year	176.8		165.3		(115.3)		226.8
	Other comprehensive income (expense)	267.6	0.7	37.4	(238.3)		(52.2)	15.2
	Total attributable to non-controlling interests	**1,966.9**	**(1.1)**	**21.9**	**(238.3)**	**(115.3)**	**(339.9)**	**1,294.3**
Total		**7,453.0**	**(29.6)**	**60.0**	**(568.0)**	**(243.5)**	**(345.2)**	**6,326.7**

Statement of Cash Flows (indirect method)

Amounts in €m	**31/12/2018**	31/12/2017
Pre-tax profit (loss) for the year	**1,185.2**	**813.2**
Change in non-monetary items	**898.8**	**(1,475.7)**
Change in Non-Life premium provision	169.3	70.8
Change in claims provision and other Non-Life technical provisions	(537.5)	(486.0)
Change in mathematical provisions and other Life technical provisions	57.1	(970.6)
Change in deferred acquisition costs	(13.1)	(0.4)
Change in provisions	(30.4)	(19.9)
Non-monetary gains and losses on financial instruments, investment property and investments	643.0	(156.4)
Other changes	610.2	86.7
Change in receivables and payables generated by operating activities	**(239.6)**	**319.5**
Change in receivables and payables relating to direct insurance and reinsurance	(24.4)	89.3
Change in other receivables and payables	(215.2)	230.2
Paid taxes	**(280.6)**	**(93.6)**
Net cash flows generated by/used for monetary items from investing and financing activities	**1,370.7**	**(267.2)**
Liabilities from financial contracts issued by insurance companies	111.0	260.3
Payables to bank and interbank customers	654.2	252.7
Loans and receivables from banks and interbank customers	1,160.9	(1,388.2)
Other financial instruments at fair value through profit or loss	(555.3)	608.0
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**2,934.5**	**(704.0)**
Net cash flow generated by/used for investment property	(37.1)	(29.6)
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures	10.2	1.1
Net cash flow generated by/used for loans and receivables	242.9	77.5
Net cash flow generated by/used for financial assets at amortised cost		
Net cash flow generated by/used for held-to-maturity investments	81.2	457.8
Net cash flow generated by/used for available-for-sale financial assets	(1,408.5)	1,922.0
Net cash flow generated by/used for financial assets at fair value through OCI	(643.7)	
Net cash flow generated by/used for property, plant and equipment and intangible assets	(131.3)	(209.5)
Other net cash flows generated by/used for investing activities	606.0	(596.0)
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	**(1,280.3)**	**1,623.3**
Net cash flow generated by/used for equity instruments attributable to the owners of the Parent		
Net cash flow generated by/used for treasury shares	9.2	(0.1)
Dividends distributed attributable to the owners of the Parent	(128.2)	(127.6)
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	(115.3)	(693.1)
Net cash flow generated by/used for subordinated liabilities and equity instruments	196.7	(166.3)
Net cash flow generated by/used for financial liabilities at amortised cost	(1,941.1)	248.0
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	**(1,978.7)**	**(739.2)**
Effect of exchange rate gains/losses on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT 1 JANUARY	683.2	503.1
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (*)	(324.4)	180.2
CASH AND CASH EQUIVALENTS AT 30 JUNE (**)	358.8	683.2

(*) Cash and cash equivalents at the start of the year 2018 include the cash and cash equivalents of non-current assets or assets of a disposal group held for sale (€51.7M)

(**) Cash and cash equivalents at june 30th 2017 include the cash and cash equivalents of non-current assets or assets of a disposal group held for sale (€47.3M)

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NOTES TO THE FINANCIAL STATEMENTS

1. Basis of presentation

The Unipol Group, consisting of the Parent Unipol Gruppo ("Unipol") 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 banking, real estate, and to a lesser extent, hotel, agricultural and healthcare activities.

The Parent Unipol is the parent of the Unipol Insurance Group, also acting as parent of the Unipol Banking Group and the mixed financial holding company leading the Unipol conglomerate.

The Parent Unipol is a joint-stock company, has its registered office in Bologna (Italy) and is listed on the Milan Stock Exchange.

Unipol'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 Unipol 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 (reference should be made to the next paragraph on reclassifications applied to comparative data for 2017 in relation to discontinued operations).

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 Unipol 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 2012/2020 period.

Disclosure on discontinued operations

As extensively described in the annual integrated report, the investment in Unipol Banca and, indirectly, in its subsidiary Finitalia, corresponding to the entire banking segment pursuant to the segment reporting envisaged in IFRS 8 at 31 December 2018, is pending sale to the BPER Group. In particular, as a result of decisions made by the Board of Directors on 20 December 2018, activities commenced for disposal of the investment in Unipol Banca which were followed, subject to Board of Directors resolution of 7 February 2019, by the signing of an agreement with BPER Banca which, if a number of conditions precedent arise, envisage full disposal of the investment in Unipol Banca against a cash payment of €220m. In this context, meaning that the sale is highly likely, the provisions of IFRS 5 on discontinued operations became applicable and consequently:

- the banking sector economic results (net of tax effects) as well as the capital loss recorded following the planned disposal are summarised in reference to 2018 and for the previous year, provided for comparative purposes, in a specific income statement item "Profit (Loss) from discontinued operations". Therefore, the income statement originally published by the Unipol Group for 2017 was restated on this basis;
- assets and liabilities relating to the banking sector at 31 December 2018 were recognised as forward-looking, together with other assets and liabilities held for sale, in item 6.1 Non-current assets or assets of a disposal group held for sale and in item 6.1 Liabilities associated with disposal groups in the Statement of Financial Position. Note that, other than envisaged for the economic components referred to in the previous point, classification among these items is limited to 2018 with no impact on figures from the previous year provided for comparative purposes.

Details of assets, liabilities and income components of the banking sector are reported in these Notes to the Financial Statements under paragraph 5.5, Non-current assets or assets of a disposal group held for sale and discontinued operations.

Consolidation scope

The Unipol Group's Consolidated Financial Statements at 31 December 2018 have been drawn up by combining the figures of the Parent Unipol and those of the 61 direct and indirect subsidiaries (IFRS 10). At 31 December 2017 a total of 62 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, in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (22 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

During the first quarter of the year, UnipolPart S.p.A. sold on the market 2,259,773 shares of Unipol Gruppo SpA, that were held following the Finsoe spin-off. After selling the total amount of its assets, on 14 June the Extraordinary Shareholders' Meeting resolved on the start-up of the company's liquidation process. On 5 November the company was removed from the Register of Companies of Bologna.

On 1 February 2018, the proportional spin-off of Unipol Banca SpA took effect in favour of the newco UnipolReC SpA.
The share capital of UnipolReC S.p.A. (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 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. As part of the spin-off, the equity investment in Unipol Reoco S.p.A. was assigned to the beneficiary company.

Further to the spin-off, the share capital of Unipol Banca was reduced to €290,122,715, without cancellation of shares as they were without nominal value.

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, 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.

The company UnipolPart I S.p.A. was established on 14 June, with share capital of €50,000, wholly owned by Unipol Gruppo SpA. The corporate purpose of the company is to acquire equity investments. On 22 June 2018, UnipolPart I received a payment for a future capital increase of €75m and subsequently purchased 29,855,000 UnipolSai Assicurazioni SpA shares for a total of €57,252,054.
On 26 September 2018, the Extraordinary Shareholders' Meeting of UnipolPart I S.p.A. resolved on a share capital increase with share premium, subscribed through assignment by the holding company Unipol of 204,620,000 UnipolSai shares for a total of €405,147,600, of which €4,050,000 as principal and €401,097,600 as share premium. The assigned shares were valued according to the weighted average price, determined by Borsa Italiana S.p.A., at which the shares were traded on the regulated market in the six months prior to assignment, in compliance with Art. 2343-ter of the Italian Civil Code. The Shareholders' Meeting also resolved to partially repay the contribution received in June, on 27 September reimbursing €17,000,000 to the holding company having completed the share purchase plan on the basis of which that contribution had been disbursed.
Following the contribution from Unipol as described above, the total investment of UnipolPart I in UnipolSai was 234,475,000 shares (8.29%) for a total value of €462,399,654.

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 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

The subsidiary UnipolSai made payments for future capital increases or capital contributions in favour of the following companies:

- 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, allowing the subsidiary to pay construction costs relating to the Unipol Tower project in Milan;
- UnipolSai Nederland B.V. 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;

In reference to the project for streamlining the Unipol Group's insurance sector, on 7 August 2018 the sale was completed to the subsidiary UnipolSai Assicurazioni SpA of the controlling interest, equal to 63.39% of the share capital, held in Arca Vita SpA for a total of €475m.

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

Reporting date

The reporting date of the Consolidated Financial Statements is 31 December 2018, the date the separate financial statements of the Parent Unipol closed. All the consolidated companies closed their financial statements at 31 December with the exception of the associate 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.
With the exception of banking sector companies subject to supervision by the Bank of Italy, and the Irish company Arca Vita International, the Consolidated Financial Statements were drawn up using restatements of the individual financial statements of the consolidated companies adjusted to comply with IAS/IFRS standards, as applied by the Parent Unipol and approved by the Boards of Directors of the companies concerned.
The companies in the Unipol Banca Group and 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. six special-purpose companies were also consolidated on a line-by-line basis. These were the vehicles used by Unipol Banca to carry out securitisations which, although not subsidiaries, are consolidated as set forth in IFRS 10.

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;
- Banking business;
- Real estate business;
- Holding and 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 Unipol 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:

a. *Classification and Measurement:* classification categories were envisaged for financial assets, based on a business model and the characteristics of the contractual cash flows;
b. Impairment: an incurred loss model is replaced by an expected loss model, with the introduction of a new concept of staging allocation;
c. *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[10] 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 IFRS *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[11] 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-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.

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[10] 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.
[11] 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.

Application of IFRS 9 by the Unipol Group

Based on the quantity and quality analyses specified in the reference regulations, as from 1 January 2018, the Unipol Group can avail from the IASB Deferral option or the EU Deferral option. In particular:

- the activities of the Unipol Group are largely related to insurance;
- Unipol Gruppo is a mixed financial services company, which heads a financial, mainly insurance, conglomerate;
- no transfers of financial assets occur between the insurance and the financial sectors, except for transactions subject to intragroup netting.

Within this context, for the purpose of the drawing up of its consolidated financial statements and for the insurance sector only (EU Deferral), the Unipol Group decided to avail from the deferral option for the application of IFRS 9. The IFRS 9 standard was instead adopted by all the other entities, especially those included in the Banking Group, which, for their own purposes or for supervisory activities on banking groups, shall draw up their financial reports according to the new standard. The above was deemed as the best solution as it permits not to modify the measurement criteria applicable according to the various consolidated accounting positions that Unipol Gruppo is bound to prepare as insurance and banking parent company and, therefore, to guarantee a standardisation of disclosures related to the Group's state of affairs, either considering the Group in overall or in its single components.

Specifically, it should be noted that, in these consolidated financial statements, the IAS 39 standard was applied with reference to financial instruments held by UnipolSai and its subsidiaries[12].

As regards the financial instruments held by the remaining entities included in the consolidation scope (mainly consisting of the Parent and the other entities included in the Unipol Banking Group), the IFRS 9 standard was applied instead.
Moreover, by reason of the application of the EU Deferral, and consistently with provisions set out by Art. 4 of Reg. ISVAP 7/2007, the Unipol Group supplemented the financial statements already used in the previous years (effective for insurance groups that opted for the application deferral of IFRS 9) with the items required to reflect balance-sheet and income statement items connected with the application of IFRS 9 to a portion of financial assets and liabilities.
The following items/sub-items in the Assets of the Statement of financial position were therefore included:

- 4.4 *bis* - Financial assets measured at amortised cost;
- 4.5 *bis* - Financial assets measured at fair value through other comprehensive income (FVOCI);
- 4.6.3 - Financial assets mandatorily measured at fair value through profit or loss (FVTPL).

It is noted that sub-items 4.6.1. Held-for-trading financial assets and 4.6.2 Financial assets at fair value are intended to include both assets measured based on IAS 39 and assets measured based on IFRS 9, given the substantial treatment uniformity envisaged by the two accounting standards.
For additional information on the temporary exemption from IFRS 9, reference should be made to the specific paragraph in Section 5, Other information.

The main choices of the Unipol Group

A brief analysis is provided hereunder of activities carried out in relation to the main impact areas, divided by the three above-mentioned macro-contexts ("Classification and measurement", "Impairment", "Hedge Accounting").

Classification and measurement of financial instruments

Classification and measurement of financial assets (credits and debt securities) was defined by the Unipol Group based on the following elements:

1. detailed exam of cash flow characteristics;
2. definition of the business model.

As regards the first classification element of financial assets, initiatives and procedures have been performed aimed at evaluating whether the contractual cash flows of debt securities in portfolio, at the date of transition to the standard, exclusively reflect the

[12] The UnipolSai Group is considered, as a whole, an insurance entity by reason of the absolute predominance of the insurance activities, which therefore results in the preparation of public consolidated financial statements based on the so-called IASB Deferral.

payment of principal and interest accrued on the amount of capital to be returned (i.e. SPPI Test – Solely Payment of Principle and Interest, supplemented by the Benchmark Test in the absence of a perfect correspondence between the periodical redefinition of the interest rate and the related tenor).
As regards the securities portfolio at the date of transition (1 January 2018), the following is worth noting:

- a marginal percentage of debt securities, classified under categories Available-for-sale financial assets and Loans and receivables did not pass the SPPI test and was therefore classified in the category Financial assets at fair value through profit or loss. Securities under this classification feature characteristics other than the measurement of credit risk and of time value of money;
- it has been deemed that the management model of the overall bond portfolio, performed by Group entities for which IFRS 9 is applied, can be included within the HTCS "Held to Collect & Sell" business model. This model, in fact, has the target to collect both cash flows that are contractually envisaged by financial assets and those resulting from the sale of financial assets themselves. In light of both the changes in the regulatory context and of contractual terms related to financial assets under evaluation, which generate cash flows, at predetermined dates, representing only the repayment of the principal and the payment of interest accrued, all debt securities already in the IAS 39 portfolio at the date of transition (previously classified as IAS 39 Available-for-sale financial assets, Loans and receivables and Held-to-maturity investments), with the only exception of securities that did not pass the SPPI test, were classified as Financial assets measured at fair value through other comprehensive income (FVOCI);
- equity instruments that, by their nature, did not pass the SPPI test, were recognised under the FVTPL category, unless the irrevocable option was exercised to measure them under the FVOCI category, as previously described;
- the UCITS units, the closed and open funds, whose cash flows did not pass the SPPI test and could not be classified as equity instruments, were therefore recognised under the FVTPL category.

As regards the receivables portfolio, analyses were conducted on the typical characteristics of standard contracts, attributable to ordinary customers, as well as on characteristics included in customized contracts, mainly attributable to larger Corporate customers. For this purpose, note that a limited number of relations, being part of the latter group, did not pass the SPPI test due to special covenants, and were therefore classified as financial assets at fair value through profit or loss. The residual portion of loans resulting from banking services, corresponding to nearly the entire doubtful loan portfolio, and whose management is included in the HTC business model, was therefore classified as Financial assets measured at amortised cost.

Impairment model

Receivables from banking services
The IFRS 9 impairment model is based on objective and quantity criteria to determine the significant increase of credit risk used to classify the credit lines in Stage 1 or Stage 2.
Specifically, the Unipol Group defined the following objective criteria for the classification of credit lines in Stage 2:

- relations that are past due for at least 30 days at the reporting date;
- relations of a counterparty in a forborne status;
- relations classified as "under control" or "being recovered" within the credit monitoring system.

As regards the quantity criteria, the classification in Stage 2 occurs for loans that, at the reporting date, recorded a "*Significant Increase in Credit Risk*" compared to initial recognition. It is noted that, in defining a significant increase in credit risk, the faculty was not exercised of excluding a portion of the credit portfolio which is characterised by a low credit risk (i.e. "*Low credit risk exemption*");
All performing loans, for which the aforesaid objective and quantity conditions were not present at the reporting date, were classified in Stage 1.
Stage 3 included all impaired loans that could be defined as such according to regulations in force. It should be also noted that, within Stage 3, the classification based on the management of credit quality, as envisaged by the Bank of Italy, remained unchanged.
Different measurement models for value adjustments were defined for each Stage, based on the concept of "Expected Loss" or "*Expected Credit Losses*" (ECL), specifically:

- on the estimated losses along the loan useful life (i.e. ECL *lifetime*), whenever the credit risk of the instrument is deemed as significantly increased after initial recognition (Stage 2) and for loans in Stage 3, or,
- on the position of ECL *lifetime* resulting from possible default events within the 12-month period, or a shorter time, following the reporting date for Stage 1.

In the risk parameters used to calculate the ECL, measurement models of expected losses include the *Point-in-Time risk measures* and the *Forward looking risk measures* on the future dynamics of macro-economic factors on which the lifetime expected loss depends.

Exposures classified in Stage 3 were measured, when given conditions were satisfied, by including quantities within a sales scenario over the 12-month period. In particular, this condition is applicable to the portfolio of positions classified as bad and doubtful, as well as to some special positions classifies as "unlikely to pay" and for which the willingness and opportunity to sell is present.

Debt securities

The adjustment logics applied to loans were applied, whenever possible, also to the debt securities portfolio, with the following special measures, in order to determine any significant increase in credit risk:

a) adoption of the "*Low credit risk exemption*" for debt securities with "*investment grade*" rating;
b) in the event the quantity of a same security results from various purchases, management of each single tranche of the principal in order to compare the credit risk at the measurement and purchase date;
c) as regards quantity, it has been deemed that a significant increase in the credit risk corresponds to a determined downgrade (in *notch* terms) of the rating attributed to the security itself.

Hedge Accounting

As regards Hedge Accounting, the faculty was exercised to maintain the accounting model as envisaged by IAS 39.

The effects of the transition to the new accounting standard

The main effects of the first application of IFRS 9 on the consolidated shareholders' equity at 1 January 2018 can be summarised as follows (figures net of the related tax effect):

- as regards Classification and Measurement of financial instruments and definition of new categories, the allocation of assets and liabilities to new IFRS 9 portfolios generated an increase in shareholders' equity, at the date of transition, equal to around €20m. This was mainly due to the positive difference between the market value and the amortised cost of debt securities recognised in the FVOCI category, pursuant to IFRS 9, and which, pursuant to IAS 39, were recognised at amortised cost.

- as regards *Impairment*:
  - with respect to loans classified in Stage 1 and 2, the higher net allocation amounted to €14m, due both to the application of ECL Lifetime to loans included in Stage 1, and a widened basis for the calculation of ECLs classified in Stage 1 (e.g. Receivables from banks);
  - as regards loans classified in Stage 3, the changed impairment model, which considers the impact of sales scenarios, resulted in added value adjustments amounting to around €34m.

The application of these changes involved the redetermination of opening balances for the year, whose effect was therefore recorded directly as changes in shareholders' equity items (reported in the column Changes to closing balances in the Statement of changes in shareholders' equity), generating an overall reduction of €30m, net of the tax effect.

Reconciliation between the statement of financial position at 31 December 2017 and the statement of financial position at 1 January 2018, after the application of the IFRS 9 standard.

The following tables show the effects of transition to IFRS 9 applied, as previously described, to financial instruments held by entities not operating in the insurance sector.
More precisely:

- the values related to the statement of financial position of the consolidated financial statements for the year 2017 are recorded in the "31/12/2017" column;
- the effects of reclassifications made further to transition to IFRS 9, based on classification rules envisaged by the new standard, at constant values, are stated in the "IFRS 9 Reclassifications" column;
- the effects of the different measurement, at 1 January 2018, of financial instruments subject to the application of the new accounting standard, are disclosed in the "IFRS 9 Adjustments" column.

the equity opening balances at 1 January 2018, disclosed based on accounting statements and measurement criteria adopted as from this date, are disclosed in the "1/1/2018" column.

Consolidated Statement of Financial Position – Assets

		Amounts in €m	**31/12/2017**	IFRS 9 reclassifications	IFRS 9 adjustments	**1/1/2018**
1		**INTANGIBLE ASSETS**	**1,976.9**			**1,976.9**
	1.1	Goodwill	1,581.7			1,581.7
	1.2	Other intangible assets	395.1			395.1
2		**PROPERTY, PLANT AND EQUIPMENT**	**1,872.1**			**1,872.1**
	2.1	Property	1,617.7			1,617.7
	2.2	Other tangible assets	254.3			254.3
3		**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**874.5**			**874.5**
4		**INVESTMENTS**	**69,397.7**		**(42.3)**	**69,355.4**
	4.1	Investment property	2,199.1			2,199.1
	4.2	Investments in subsidiaries, associates and interests in joint ventures	90.3			90.3
	4.3	Held-to-maturity investments	864.2	(324.7)		539.6
	4.4	Loans and receivables	15,517.5	(12,074.9)		3,442.6
	4.4bis	Financial assets measured at amortised cost		12,013.7	(69.0)	11,944.7
	4.5	Available-for-sale financial assets	44,482.3	(813.2)		43,669.1
	4.5bis	Financial assets measured at fair value through other comprehensive income		1,144.2	27.0	1,171.2
	4.6	Financial assets at fair value through profit or loss	6,244.3	54.9	(0.2)	6,299.0
	4.6.1	Held-for-trading financial assets	333.5	0.4		333.9
	4.6.2	Financial assets measured at fair value	5,910.8			5,910.8
	4.6.3	Other financial assets mandatorily measured at fair value		54.5	(0.2)	54.3
5		**SUNDRY RECEIVABLES**	**2,854.3**			**2,854.3**
	5.1	Receivables relating to direct insurance business	1,426.2			1,426.2
	5.2	Receivables relating to reinsurance business	105.6			105.6
	5.3	Other receivables	1,322.5			1,322.5
6		**OTHER ASSETS**	**12,366.0**		**12.3**	**12,378.3**
	6.1	Non-current assets or assets of a disposal group held for sale	10,569.0			10,569.0
	6.2	Deferred acquisition costs	85.0			85.0
	6.3	Deferred tax assets	1,001.2		15.9	1,017.1
	6.4	Current tax assets	14.0		(3.7)	10.3
	6.5	Other assets	696.8			696.8
7		**CASH AND CASH EQUIVALENTS**	**631.5**			**631.5**
		TOTAL ASSETS	**89,972.9**		**(30.0)**	**89,942.9**

Consolidated Statement of Financial Position - Shareholders' Equity and Liabilities

		Amounts in €m	**31/12/2017**	IFRS 9 reclassifications	IFRS 9 adjustments	**1/1/2018**
1		SHAREHOLDERS' EQUITY	**7,453.0**		**(29.6)**	**7,423.5**
	1.1	attributable to the owners of the Parent	5,486.1		(28.4)	5,457.7
	1.1.1	Share capital	3,365.3			3,365.3
	1.1.2	Other equity instruments				
	1.1.3	Capital reserves	1,729.4			1,729.4
	1.1.4	Income-related and other equity reserves	78.5		(47.3)	31.2
	1.1.5	(Treasury shares)	(25.7)			(25.7)
	1.1.6	Reserve for foreign currency translation differences	3.5			3.5
	1.1.7	Gains or losses on available-for-sale financial assets	695.5	(1.8)	5.3	699.1
	1.1.7bis	Gains or losses on financial assets measured at fair value through other comprehensive		1.8	13.6	15.3
	1.1.8	Other gains or losses recognised directly in equity	(14.6)			(14.6)
	1.1.9	Profit (loss) for the year attributable to the owners of the Parent	(345.8)			(345.8)
	1.2	attributable to non-controlling interests	1,966.9		(1.1)	1,965.8
	1.2.1	Share capital and reserves attributable to non-controlling interests	1,522.6		(1.8)	1,520.8
	1.2.2	Gains or losses recognised directly in equity	267.6		0.7	268.3
	1.2.3	Profit (loss) for the year attributable to non-controlling interests	176.8			176.8
2		PROVISIONS	**460.3**		**(0.4)**	**459.9**
3		TECHNICAL PROVISIONS	**53,426.8**			**53,426.8**
4		FINANCIAL LIABILITIES	**16,399.7**			**16,399.7**
	4.1	Financial liabilities at fair value through profit or loss	2,488.7			2,488.7
	4.1.1	Held-for-trading financial liabilities	278.4			278.4
	4.1.2	Financial liabilities measured at fair value	2,210.3			2,210.3
	4.2	Financial liabilities measured at amortised cost	13,911.0			13,911.0
5		PAYABLES	**908.4**			**908.4**
	5.1	Payables arising from direct insurance business	148.1			148.1
	5.2	Payables arising from reinsurance business	96.6			96.6
	5.3	Other payables	663.7			663.7
6		OTHER LIABILITIES	**11,324.6**			**11,324.6**
	6.1	Liabilities associated with disposal groups	10,016.5			10,016.5
	6.2	Deferred tax liabilities	29.4			29.4
	6.3	Current tax liabilities	37.9			37.9
	6.4	Other liabilities	1,240.8			1,240.8
		TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**89,972.9**		**(30.0)**	**89,942.9**

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:

a) 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;
b) market-consistent values: insurance liabilities shall be measured at current values (based on updated information), weighted for their possible realisation;

c) 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;
d) 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;
e) 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);
f) 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 of the standard 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.

Likewise, the "IASB Deferral" option has also been extended 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 joint control of 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 options 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 the development and implementation of IT systems, including customisation of the corresponding software, amortised over five or ten years according to its 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 later 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:
a) Held-to-maturity investments;
b) Loans and receivables;
c) Available-for-sale financial assets;
d) 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.
Receivables assigned are eliminated only if the assignment involves the substantial transfer of the risks and rewards pertaining to the receivables. If this is not the case, receivables continue to be recognised even though ownership of them has been legally transferred.
The presumption is that all the risks and rewards are substantially transferred if the assignment involves transferring at least 90% of them. On the other hand, the presumption is that all the risks and rewards are substantially retained if the assignment involves transferring no more than 10% of them.
If the assignment does not involve either transferring or retaining a substantial percentage of the risks and rewards (in the event that the Group retains more than 10% but less than 90% of the risks/rewards), the receivables are eliminated provided the Group retains no control over them. Otherwise, the fact that some control over the receivables assigned is retained means that they are maintained in the financial statements in proportion to the level of residual involvement.

4.4 bis - Financial assets measured at amortised cost

This financial statements item includes financial assets that meet both the following conditions:
- the financial asset is held within the context of a new business model that has the objective to collect contractual cash flows (HTC - Held to Collect);
- contractual terms of financial assets generate, at predetermined maturity, cash flows representing only principal and interest on the residual capital that meet the Solely Payments of Principal and Interest (SPPI) condition.

The initial recognition of these financial assets is carried out when the Group becomes a party in the contractual terms of the financial instrument, which usually coincides with the date of settlement. The value of the initial recognition is equal to the fair value of the financial instrument, which generally corresponds to the related purchase cost, including directly chargeable transaction costs or income.

After the initial recognition, these assets are measured at amortised cost by using the effective interest method, as well as net of impairment loss.

For the purpose of quantifying impairment, financial assets are classified in three stages (credit rating).

- Stage 1: financial assets qualified as "performing", for which a significant increase in credit risk has not been recognised with respect to the initial recognition date. As permitted by IFRS 9, with reference to debt securities, regardless of the identification of a significant increase in credit risk, in Stage 1 the Unipol Group includes also financial assets that, at the measurement date, were in any case qualified as "at low credit risk" (i.e. "Low credit risk exemption");
- Stage 2: financial assets qualified as "performing", for which a significant increase in credit rating has been recognised with respect to the initial recognition date;
- Stage 3: impaired financial assets.

Impairment loss is determined, with reference to Stage 1, by reason of the loss expected over a twelve-month period; as regards Stage 2 and Stage 3, it is determined by reason of the loss expected over the entire residual useful life of the financial instrument (i.e. "Expected Credit Loss Lifetime" o "ECL Lifetime"). For further indications on the ways to determine impairment losses, reference is made to the paragraph "Application of IFRS 9 by the Unipol Group".

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 the 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 Unipol 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.

4.5 bis - Financial assets measured at fair value through other comprehensive income (FVOCI)

Debt securities or loans, fulfilling both conditions, are recognised in this category:
- the financial assets are held within the context of a new business model that has the objective to both collect contractual cash flows and sell financial assets (HTCS - Held to Collect & Sell), and;
- contractual terms of financial assets generate, at predetermined maturity, cash flows representing only principal and interest on the residual capital that meet the SPPI condition.

The initial recognition of these financial assets is carried out at the date in which the Group becomes a party in the contractual terms of the financial instrument, which usually coincides with the date of settlement. The value of the initial recognition is equal to the fair value of the instrument, which generally corresponds to the related purchase cost, including transaction costs or income that are directly chargeable to the same.
After the initial recognition, these assets continue to be measured at fair value. The interest component resulting from the application of the amortised cost method, as well as impairment losses resulting from the measurement of credit risk, are included in the income statement, while gains and losses resulting from changes in fair value are recognised directly in Shareholders' equity under "Gains or losses on financial assets (other than equity instruments) measured at fair value through other comprehensive income".
In the event the asset is cancelled, accrued gains and losses due to changes in fair value are recognised through profit or loss.
As regards details on determining of impairment losses, reference is made to the previous item.

Equity instruments that meet the following conditions are also classified under the category Financial assets measured at fair value through other comprehensive income:
- they are not equity investments in subsidiaries, associates or jointly controlled entities;
- they are not held for trading nor represent a potential consideration for a business combination, pursuant to IFRS 3;
- an irrevocable option was exercised for their designation at fair value through other comprehensive income.

Any gains or losses consequent to the change in fair value are disclosed directly in Shareholders' equity under the item "Gains or losses on equity instruments measured at fair value through other comprehensive income".
Specifically, the accounting of equity instruments, classified under category FVOCI, is different from the one applicable to debt securities classified under the same category, for the following reasons:
- the impairment requirements of IFRS 9 are not applicable to equity instruments;
- all exchange differences are recognised in the OCI reserve;
- the values recorded in OCI (Other Comprehensive Income) are never reclassified to income statement (not even for cancellation/netting);
- only dividends are recognised through profit or loss.

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 three 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.

- financial assets mandatorily measured at fair value through profit or loss (FVTPL): this category includes all financial assets that do not meet the classification criteria at amortised cost or fair value, with changes recognised in comprehensive income statement (FVOCI), that are not financial assets designated at fair value or held-for-trading financial assets[13].

The initial recognition of such financial assets is carried out at the date in which the entity becomes a party of the contractual terms related to the financial instruments, usually coinciding with the settlement date for the debt securities and equity instruments, and at the subscription date for derivatives, for a value equal to the fair value of the financial instrument, without considering transaction costs or income that are directly recognised in the income statement.

After the initial recognition, these assets are measured at fair value and changes in value are recognised in the income statement.

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 the equity must be amortised in the income statement throughout the asset's remaining useful life using the effective interest method.

[13] Definitions and accounting methods envisaged in IFRS 9 for financial assets at fair value and held-for-trading financial assets (sub-items 4.6.1 and 4.6.2 in the Consolidated Statement of Financial Position) are substantially consistent with those already envisaged in IAS 39.

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.

Reclassifications of financial assets – IFRS 9

With reference to debt securities, reclassifications among other categories of financial assets are limited to cases in which there is a change to the business model for financial asset management and forward-looking recognition is applied, i.e. without adjusting any economic component recognised previously. The reclassification of equity instruments is not permitted.

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 Unipol 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[14], 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 Unipol 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 Unipol 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 Unipol Group, the consolidation of the segments would lead to the need to replace the debt securities

[14] Issues from SPVs made as part of securitisations originated by the subsidiary Unipol Banca are an exception, in relation to which Unipol Banca subscribed, wholly or partially, the notes issued by the SPVs of the securitisations originated by Unipol Banca ("securitisation SPV"), which were all consolidated in the Unipol Group's consolidated financial statements, with the full recognition of assets, liabilities, costs and revenues of the securitisation SPVs. The notes issued and subscribed by Unipol Banca were not recorded under assets in the financial statements as they were not offset with the corresponding notes issued by the securitisation SPVs.

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 Unipol 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 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 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.

1.1.7 bis Gains or losses on financial assets measured at fair value through other comprehensive income

This item includes gains or losses on financial assets measured at fair value through other comprehensive income, net of related taxes.

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 were 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 March 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, contract expiry, 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 related 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 measured 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 measured 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 recoveries 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

Pursuant to Art. 117 et seq. of Presidential Decree 917/1986, for the years 2018-2019-2020, the Parent Unipol has chosen the IRES tax consolidation regime, as consolidating company, with UnipolSai and other subsidiaries, meeting legal requirements, taking part as consolidated companies. Unipol has signed an agreement with these companies regulating the financial and procedural aspects governing the regime in question, recognising in its financial position the effects of the transfer of the IRES taxable income of the consolidated companies, calculated pursuant to the law, keeping into account the applicable consolidation adjustments and the tax credits accrued.

Tax for the year is calculated according to current tax regulations and recognised among costs for the year on an accrual basis and 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. In respect of tax losses prior to the applicable period of tax consolidation, deferred tax assets are recognised to the extent in which said losses can be reasonably used against future IRES-taxable income. IRAP for the year is also recognised under Income tax.

4 Profit (Loss) from discontinued operations

The item includes:

- profit and loss from discontinued operations, as defined by IFRS 5, net of tax effects; and
- the capital gain or capital loss, net of tax effects, recognised following the fair value measurement net of costs to sell, or disposal of assets in the group of assets held for sale that constitute the discontinued operations.

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 Unipol 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 Parent Unipol 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 the Parent Unipol 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.

		Mark to Market	Mark to Model and other
Financial Instruments	**Bonds**	CBBT contributor - Bloomberg Other contributor - Bloomberg	Mark to Model Counterparty valuation
	Listed shares and investments, ETFs	Reference market	
	Unlisted shares and investments		DCF DDM Multiples
	Listed derivatives	Reference market	
	OTC derivatives		Mark to Model
	UCITS	Net Asset Value	
Receivables			Trade receivables (Mark to Model) Other receivables (carrying amount)
Property			Appraisal value

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:
- the regulated market in which the instrument subject to measurement is traded and regularly listed;
- the multilateral trading system (MTF) in which the instrument subject to measurement is traded or regularly listed;
- 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 Unipol 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 Unipol 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 the portfolio of loans to bank customers, the *fair value* is calculated on the basis of Mark to Model valuations, by using a Discounted Cash Flow method with the proper discount rate for counterparty or transaction risk. The carrying amount is used for other loans.

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 to ensure that these prices can be used in 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.

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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	*variation in amount*
Goodwill	**1,581.7**	**1,581.7**	***(0.0)***
resulting from business combinations	1,581.6	1,581.6	*(0.0)*
other	0.2	0.2	
Other intangible assets	**373.5**	**395.1**	***(21.6)***
portfolios acquired under business combinations	127.4	174.0	*(46.6)*
software and user licences	228.8	197.1	*31.7*
other intangible assets	17.3	24.0	*(6.7)*
Total intangible assets	**1,955.3**	**1,976.9**	***(21.6)***

1.1 Goodwill

Goodwill with an indefinite useful life recorded in the financial statements was tested for impairment in accordance with the procedure specifically approved by the Parent Unipol's Board of Directors and no impairment was found. For further information, please refer to paragraph 5.12 of Chapter 5 "Other information" in this document.

1.2 Other intangible assets

The item, totalling €373.5m (€395.1m in 2017), is composed primarily of the residual value of the Life and Non-Life portfolios acquired as a result of business combinations, equal to €127.4m (€174m in 2017), and costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €228.8m (€197.1m in 2017) and other intangible assets for €17.3m (€24m at 31/12/2017).

In relation to the item Portfolios acquired as a result of business combinations, the decrease with respect to 31 December 2017, amounting to €46.6m, is due to amortisation for the year, of which €25.3m on the values related to the Non-Life (€31.7m at 31/12/2017) and €21.3m to the Life portfolios (€27.1m at 31/12/2017).

At 31 December 2018, Unipol Banca recorded Other intangible assets for €7m reclassified under item Non-current assets or assets of a disposal group held for sale.

2. Property, plant and equipment

At 31 December 2018, Property, plant and equipment, net of accumulated depreciation, amounted to €1,887.4m (€1,872.1m in 2017), €1,637.2m of which was property for own use (€1,617.7m in 2017) and €250.2m was other tangible assets (€254.3m in 2017).

Properties for own use

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2017	**1,904.3**	**(286.6)**	**1,617.7**
Increases	106.9		106.9
Decreases	(41.7)		(41.7)
Depreciation for the year		(43.8)	(43.8)
Other changes in provisions		(2.1)	(2.1)
Balance at 31/12/2018	**1,969.5**	**(332.4)**	**1,637.2**

The increases refer for €50.7m to incremental expenses and for €45.7m to class transfers.
The decreases include write-downs for €9.1m.

The current value of properties for own use, €1,834m, was based on independent expert appraisals.

At 31 December 2018, Unipol Banca recorded Properties for own use for €1m, reclassified under the item Non-current assets or assets of a disposal group held for sale.

Other tangible assets

Amounts in €m	Office furniture and machines	Movable assets entered in public Registers	Plant and equipment	Other tangible assets	Total
Balance at 31/12/2017	**376.4**	**4.5**	**371.1**	**0.5**	**752.5**
Increases	15.1	0.5	57.9	12.6	86.0
Decreases	(65.3)	(0.3)	(81.0)	(1.9)	(148.4)
Balance at 31/12/2018	**326.2**	**4.7**	**348.0**	**11.2**	**690.0**
Accumulated depreciation at 31/12/2017	**296.6**	**3.4**	**197.9**	**0.2**	**498.1**
Increases	24.8	0.2	36.3	0.0	61.3
Decreases	(56.9)	(0.3)	(62.5)	0.0	(119.6)
Accumulated depreciation at 31/12/2018	**264.5**	**3.3**	**171.8**	**0.2**	**439.8**
Net amount at 31/12/2017	**79.8**	**1.1**	**173.2**	**0.3**	**254.3**
Net amount at 31/12/2018	**61.6**	**1.4**	**176.2**	**11.1**	**250.2**

3. Technical provisions - Reinsurers' share

The balance of the item at 31 December 2018 amounted to €982m (€874.5m in 2017). Details are set out in the appropriate appendix.

4. Investments

At 31 December 2018, total investments (investment property, equity investments and financial assets) amounted to €57,543m (€69,397.7m in 2017), broken down as follows:

Amounts in €m	**31/12/2018**	*% comp.*	*31/12/2017*	*% comp.*	*% var.*
Investment property	1,996.7	3.5	**2,199.1**	3.2	(9.2)
Investments in subsidiaries, associates and interests in joint ventures	74.5	0.1	**90.3**	0.1	(17.5)
Financial assets (excl. those at fair value through profit or loss)	49,266.3	85.6	**61,197.5**	88.2	(19.5)
Held-to-maturity investments	*459.6*	0.8	*864.2*	1.2	(46.8)
Loans and receivables	*3,921.0*	6.8	*15,517.5*	22.4	(74.7)
Debt securities	*3,409.9*	5.9	*3,886.2*	5.6	(12.3)
Financial assets at amortised cost	*490.1*	0.9			
Available-for-sale financial assets	*43,439.2*	75.5	*44,482.3*	64.1	(2.3)
Financial assets at fair value through OCI	*663.3*	1.2			
Held-for-trading financial assets	*288.0*	0.5	*333.5*	0.5	(13.7)
Financial assets mandatorily at fair value	*5.0*	0.0			
Financial assets at fair value through profit or loss	6,205.5	**10.8**	**5,910.8**	**8.5**	**5.0**
Total Investments	**57,543.0**	**100.0**	**69,397.7**	**100.0**	**(17.1)**

4.1 Investment property

Amounts in €m	Gross carrying amount	Accumulated depreciation	**Net carrying amount**
Balance at 31/12/2017	**2,419.6**	**(220.6)**	**2,199.1**
Increases	98.0		98.0
Decreases	(283.4)		(283.4)
Depreciation for the year		(32.3)	(32.3)
Other changes in provisions		15.4	15.4
Balance at 31/12/2018	**2,234.2**	**(237.5)**	**1,996.7**

The increases refer primarily to purchases and incremental expenses.
The decreases refer to sales of €93.4m and to write-downs of €59.2m; the residual mainly refers to class transfers.

The current value of Investment property, €2,097.2m, was based on independent expert appraisals.

At 31 December 2018, Unipol Banca recorded Investment property for €21.5m reclassified under item Non-current assets or assets of a disposal group held for sale.

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 €74.5m (€90.3m in 2017).
At 31 December 2018, Unipol Banca recorded Investments in subsidiaries, associates and interests in joint ventures for €7.5m reclassified under item Non-current assets or assets of a disposal group held for sale.

Financial assets - items 4.3, 4.4, 4.4bis, 4.5, 4.5bis 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***	**864.2**	***1.4***	***(46.8)***
Listed debt securities	427.6		832.2		*(48.6)*
Unlisted debt securities	32.0		32.0		*0.0*
Loans and receivables	**3,921.0**	***8.0***	**15,517.5**	***25.4***	***(74.7)***
Unlisted debt securities	3,409.9		3,886.2		*(12.3)*
Loans and receivables from bank customers			7,727.6		*(100.0)*
Interbank loans and receivables			3,405.1		*(100.0)*
Deposits with ceding companies	32.7		19.1		*71.6*
Other loans and receivables	478.4		479.6		*(0.2)*
Financial assets at amortised cost	**490.1**	***1.0***			
Loans and receivables from bank customers	490.1				
Available-for-sale financial assets	**43,439.2**	***88.2***	**44,482.3**	***72.7***	***(2.3)***
Equity instruments at cost	8.8		29.3		*(70.0)*
Listed equity instruments at fair value	589.4		700.2		*(15.8)*
Unlisted equity instruments at fair value	196.7		197.1		*(0.2)*
Listed debt securities	39,588.2		40,590.2		*(2.5)*
Unlisted debt securities	467.3		649.7		*(28.1)*
UCITS units	2,588.8		2,315.7		*11.8*
Financial assets at fair value through OCI	**663.3**	***1.3***			
Listed equity instruments at fair value	84.1				
Listed debt securities	579.2				
Held-for-trading financial assets	**288.0**	***0.6***	**333.5**	***0.5***	***(13.7)***
Listed equity instruments at fair value	0.0		16.3		*(100.0)*
Listed debt securities	93.4		80.0		*16.8*
Unlisted debt securities	24.7		60.5		*(59.1)*
UCITS units	9.4		14.1		*(33.8)*
Derivatives	160.5		162.7		*(1.4)*
Financial assets at fair value through profit or loss	**5.0**	***0.0***			
Listed debt securities	4.1				
UCITS units	0.8				
Total financial assets	**49,266.3**	***100.0***	**61,197.5**	***100.0***	***(19.5)***

At 31 December 2018, Unipol Banca held the following assets reclassified under item Non-current assets or assets of a disposal group held for sale:

- Financial assets measured at amortised cost for €9,456.8m;
- Financial assets measured at fair value through other comprehensive income for €618.2m;
- Financial assets at fair value through profit or loss for €0.3m;
- Financial assets mandatorily measured at fair value through profit or loss for €49.3m.

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**	**5,910.8**	**100.0**	**5.0**
Listed equity instruments at fair value	179.6	2.9	185.6	3.1	(3.2)
Listed debt securities	3,494.4	56.3	2,998.4	50.7	16.5
Unlisted debt securities	1.3	0.0	2.5	0.0	(47.1)
UCITS units	2,195.7	35.4	2,222.8	37.6	(1.2)
Derivatives			2.8	0.0	(100.0)
Other financial assets	334.5	5.4	498.6	8.4	(32.9)

The information required by paragraphs 12 and 12A of IFRS 7 is contained in the appendix "Details of reclassified financial assets and their effects on the income statement and comprehensive income statement".
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**	31/12/2017	% var.
Receivables relating to direct insurance business	1,365.5	1,426.2	(4.3)
Receivables relating to reinsurance business	137.3	105.6	29.9
Other receivables	1,259.4	1,322.5	(4.8)
Total sundry receivables	**2,762.2**	**2,854.3**	**(3.2)**

The item Other receivables included:

- tax receivables amounting to €573.5m (€485.4m at 31/12/2017);
- substitute tax receivables on the mathematical provisions totalling €296.1m (€283.8m at 31/12/2017);
- payments made as cash collateral against derivative payables totalling €196.0m (€206.6m at 31/12/2017);
- trade receivables amounting to €140.7m (€144.3m 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. The most suitable recovery initiatives are being assessed and value adjustments related to this receivable were recognised for a total amount of €91.8m, of which €18.0m for 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.

At 31 December 2018, Unipol Banca recorded Sundry receivables for €86.9m reclassified under the item Non-current assets or assets of a disposal group held for sale.

6. Other assets

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Non-current assets or assets of a disposal group held for sale	10,758.3	10,569.0	*1.8*
Deferred acquisition costs	98.1	85.0	*15.4*
Deferred tax assets	944.3	1,001.2	*(5.7)*
Current tax assets	23.8	14.0	*70.0*
Other assets	361.9	696.8	*(48.1)*
Total other assets	**12,186.3**	**12,366.0**	***(1.5)***

Deferred tax assets are shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax liabilities.

The item "Other assets" includes, inter alia, deferred commission expense, prepayments and accrued income.

At 31 December 2018, Unipol Banca recorded Other assets for €270.5m reclassified under the item Non-current assets or assets of a disposal group held for sale.

7. Cash and cash equivalents

At 31 December 2018, Cash and cash equivalents amounted to €264.6m (€631.5m at 31/12/2017).

At 31 December 2018, Unipol Banca recorded Cash and cash equivalents for €93.9m reclassified under the item Non-current assets or assets of a disposal group held for sale.

LIABILITIES

1. Shareholders' equity

At 31 December 2018, Shareholders' equity amounted to €6,326.7m (€7,453m at 31/12/2017), recording a decrease both in that attributable to the owners of the Parent (-€453.7m) and to non-controlling interests (-€672.6m).

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	*variation in amount*
Share capital	3,365.3	3,365.3	
Capital reserves	1,729.4	1,729.4	
Income-related and other equity reserves	(478.0)	78.5	(556.5)
(Treasury shares)	(6.1)	(25.7)	19.6
Reserve for foreign currency translation differences	4.0	3.5	0.5
Gains/losses on available-for-sale financial assets	64.7	695.5	(630.8)
Gains/losses on financial assets at fair value through OCI	(34.5)		(34.5)
Other gains or losses recognised directly in equity	(13.9)	(14.6)	0.7
Profit (loss) for the year	401.4	(345.8)	747.2
Total shareholders' equity attributable to the owners of the Parent	**5,032.4**	**5,486.1**	**(453.7)**

At 31 December 2018, the Parent Unipol's share capital amounted to €3,365.3m, fully paid-up, and was made up of 717,473,508 ordinary shares (unchanged compared with 31/12/2017).

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. The main changes were as follows:
- a decrease of €128.2m due to dividend distribution;
- a decrease of €37.9m as a result of the change in percentage interests in the subsidiaries UnipolSai and Arca;
- a reduction of total assets at 1 January 2018, in the amount of €28.4m, due to the first-time application of IFRS 9;
- a decrease, compared to the opening balance at 1 January 2018, of €684.1m as a result of the decrease in the provision for Gains and losses on available-for-sale financial assets and on financial assets measured at fair value through other comprehensive income;
- an increase of €401.4m in profit for 2018.

1.2 Shareholders' equity attributable to non-controlling interests

Shareholders' equity attributable to non-controlling interests was €1,294.3m (€1,966.9m at 31/12/2017). The main changes over the year were as follows:
- a decrease of €115.3m for payment of dividends to third parties;
- a decrease, compared to the opening balance at 1 January 2018, of €256.3m as a result of the decrease in the provision for Gains and losses on available-for-sale financial assets and on financial assets measured at fair value through other comprehensive income;
- a decrease of €226.9m attributable to the sale of the equity investment in Popolare Vita;
- a decrease of €307.3m as a result of the change in percentage interests in the subsidiaries UnipolSai and Arca, and to the sale of Popolare Vita;
- an increase of €226.8m due to profit attributable to non-controlling interests.

Treasury shares or quotas

At 31 December 2018, the treasury shares held by Unipol and its subsidiaries totalled 2,003,299 (7,543,238 at 31/12/2017), of which 747,799 shares were held directly and 1,255,500 held by the following subsidiaries:
- UnipolSai Assicurazioni held 1,189,999;
- SIAT held 19,576;
- Arca Assicurazioni held 18,566;
- Linear Assicurazioni held 14,743;
- Finitalia held 12,616.

On 2 July 2018, 3,277,745 ordinary shares were allocated to Managers of the Unipol Group in accordance with the compensation plans based on financial instruments for the period 2013-2015.
The additional changes refer to the market disposal of 2,265,235 shares by UnipolPart, the sale of the equity investment in Popolare Vita (the company held 24,728 shares) and the purchase of 27,769 shares in implementation of the compensation plans based on financial instruments.

2. Provisions

The item "Provisions" totalled €357.1m at 31 December 2018 (€460.3m 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.

At 31 December 2018, Unipol Banca recorded €72.4m in Provisions, reclassified as Liabilities associated with disposal groups.

Ongoing disputes and contingent liabilities

Relations with the Tax Authorities

Unipol
The IRES and IRAP dispute for the tax periods between 2005 and 2007 of the former Aurora Assicurazioni, merged by incorporation into Unipol in 2007, pertaining mostly to findings relating to specific insurance provisions, is still pending for 2005 and 2006 before the Court of Cassation. For 2007, however, proceedings were adjourned pending pronouncement by the Supreme Court. The provisions made at 31 December 2018 are believed to be adequate against the risks estimated to arise from these disputes.
Note that the general audit of the company commenced by the Italian Tax Police of Bologna in February 2018 in relation to the tax period 2016, later extended to include the years 2014 to 2017, concluded with a single charge concerning the pertinence of costs deriving from indemnity agreements signed with Unipol Banca in 2011, later amended and supplemented, regarding the risk of default on a number of non-performing loans. The agreements were terminated early in 2017. The company does not feel it can agree with the finding and believes it can obtain confirmation of the correctness of the tax treatment adopted as regards how and when it was assessed. For these reasons, no provision has been allocated.

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 the 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 no. 119 of 23 October 2018, converted from the Law no 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 the Institute 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 the Institute – 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.

Unipol Banca execution of orders on financial transactions

With regard to civil and criminal proceedings brought by a number of Unipol Banca customers in November 2007 and July 2009 relating to alleged irregularities and illicit activities carried out by Unipol Banca S.p.A. while executing orders pertaining to OTC financial derivatives, for which claims for compensation were filed for a total of €67m, note the following:

- two of the counterparties involved for minor amounts expressed their willingness to reach a compromise agreement to settle the dispute. The compromise deeds were finalised in April 2015, and the parties waived any mutual request and/or claim.
- as regards cases of a more relevant amount and a case of a minor amount, on 8 June 2015 the partial judgments were published in which the Court of Bologna rejected all requests filed by plaintiffs with respect to the Bank.
- in the meantime the counterparties proposed the challenge against the judgement published in June 2015 by the Court of Bologna for a new total claim of €117m. In the appeal, the same plaintiffs reiterated some of the claims made in the first instance proceedings (damage to reputation, loss of earnings, etc.), quantifiable in €125.6m for the higher-value cases and in €300k for those of a lower amount;
- at the first instance hearing for the case of considerable amount, held on 1 March 2016, the Bank insisted for the rejection of the opposing challenges, objecting to the inadmissibility of the new claims and opposing arguments. At the hearing on 4 April 2017, in which the conclusions were specified, the court granted legal terms to the parties for the submission of pleadings and the filing of the reply briefs (with deadlines of 5 and 23 June 2017, respectively). Then on 25 July 2017, the Judge ordered official technical expertise on accounts, aimed at assessing the correct application of interest on the plaintiffs' bank relations. At the end of the hearing on 10 July 2018 for expert report examination, the Court of Appeal ordered a supplementary report. Examination of the new expert report is planned at the hearing of 15 March 2019;
- in reference to another less important case challenged in appeal, in April 2018 the counterparty signed a settlement agreement with the Bank to end the dispute, with waiver by the parties of all further claim and/or challenge.

Given that the first instance sentences were provisionally enforceable, the Bank served the claimants with the injunction and the distraint to third parties in order to obtain the recovery of the amounts receivable. In addition, the Bank obtained the issue of the provisionally enforceable interim order on further receivables from one of the aforesaid claimants that objected the sentence. In the proceedings challenging the interim order, at the hearing on 29 September 2016 the Judge rejected the counterparty's request to suspend the provisional enforceability of the order. By decision of 29 December 2017, in accepting the arguments, the Court rejected the opposing party's claims and also ordered them to pay proceedings costs.
As regards the objection to enforcement initiated on the basis of the cited interim order, at the hearing of 11 July 2016 the Bank appeared before the Court and asked the rejection of the counterparty's claims and also asked the assignment of some amounts from garnishees. With respect to one of the judgements in the first instance, by an unappealable order published on 4 November 2016, the Court of Appeals ordered the suspension of its enforceability. This resulted in the subsequent suspension of the executive proceedings launched on the basis of the above-mentioned judgement within the scope of one of which the Bank in the meantime had garnished several sums.

Ongoing disputes with investors

<u>Writs of summons by shareholders of La Fondiaria Assicurazioni (takeover bid legal cases)</u>

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.

<u>Other ongoing proceedings</u>

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.

b) 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 €200,000.00, 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.

c) 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.

d) 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**	31/12/2017	*% var.*
Non-Life premium provisions	3,142.2	2,974.2	
Non-Life claims provisions	12,033.2	12,434.6	
Other Non-Life technical provisions	36.4	52.3	
Total Non-life provisions	**15,211.8**	**15,461.0**	***(1.6)***
Life mathematical provisions	32,092.8	31,165.5	
Provisions for amounts payable (Life business)	407.6	396.5	
Technical provisions where the investment risk is borne by policyholders and arising from pension fund management	3,963.3	3,715.9	
Other Life technical provisions	1,547.8	2,687.8	
Total life provisions	**38,011.5**	**37,965.8**	***0.1***
Total technical provisions	**53,223.3**	**53,426.8**	***(0.4)***

4. Financial liabilities

Financial liabilities were, at 31 December 2018, €6,921.7m (€16,399.7m at 31/12/2017).

4.1 Financial liabilities at fair value through profit or loss

The item, which amounted to €2,539.3m (€2,488.7m at 31/12/2017), is broken down as follows:
- Held-for-trading financial liabilities totalled €278.3m (€278.4m at 31/12/2017);
- Financial liabilities designated at *fair value* through profit or loss totalled €2,261m (€2,210.3m at 31/12/2017). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders, which do not contain a significant insurance risk borne by the Group (some types of class III, class V and class VI contracts).

4.2 Financial liabilities at amortised cost

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Subordinated liabilities	2,247.2	2,352.6	*(4.5)*
Liabilities from financial contracts issued by insurance companies	0.0	0.1	*(43.9)*
Deposits received from reinsurers	166.2	173.6	*(4.3)*
Debt securities issued	1,804.3	3,960.2	*(54.4)*
Payables to bank customers		6,821.3	*(100.0)*
Interbank payables		438.6	*(100.0)*
Other loans obtained	164.1	159.3	*3.0*
Sundry financial liabilities	0.5	5.4	*(90.4)*
Total financial liabilities at amortised cost	**4,382.4**	**13,911.0**	***(68.5)***

Details of **Subordinated liabilities** are shown in the table below:

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 5,75% (*)	Q

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

(**) since September 2014, in application of the "Additional Costs Clauses", a settlement agreement has been reached on an annual indemnity (additional spread) of 71.5 basis points. The total spread envisaged in the Loan Agreements is therefore 251.5 bps.

Subordinated liabilities of the UnipolSai Group were, at 31 December 2018, €2,247.2m (€2,028.1m at 31/12/2017).

Debt securities issued - Other loans obtained - Sundry financial liabilities

At 31 December 2018, **Debt securities issued by Unipol**, net of intragroup subscriptions, totalling €1,804.3m (€1,795.6m at 31/12/2017) were related to three *senior unsecured* bonds listed on the Luxembourg Stock Exchange, with a total nominal value of €1,817m:

- €317m of nominal value, 4.375% fixed rate, 7 year duration, maturity in 2021;
- €1,000m of nominal value, 3% fixed rate, 10 year duration, maturity in 2025;
- €500m of nominal value, 3.5% fixed rate, 10 year duration, maturity in 2027;

As regards **Other loans obtained** and **Sundry financial liabilities**, totalling €164.6m (€164.7m at 31/12/2017), €159.1m were related to the loan entered by Fondo Immobiliare Athens and supplied, through the company Loan Agency Service Srl, by a pool of 13 banks, including Unipol Banca (the latter for a nominal value of €10m, written off within the consolidation process).

5. Payables

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Payables arising from direct insurance business	**160.9**	**148.1**	***8.6***
Payables arising from reinsurance business	**86.8**	**96.6**	***(10.2)***
Other payables	**556.7**	**663.7**	***(16.1)***
Policyholders' tax due	156.4	157.7	*(0.8)*
Sundry tax payables	33.7	61.5	*(45.2)*
Trade payables	174.0	190.5	*(8.7)*
Post-employment benefits	64.0	78.1	*(18.1)*
Social security charges payable	38.5	44.0	*(12.4)*
Sundry payables	90.0	131.8	*(31.7)*
Total payables	**804.4**	**908.4**	***(11.5)***

At 31 December 2018, Unipol Banca recorded €63.4m in Payables, reclassified as Liabilities associated with disposal groups.

6. Other liabilities

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Current tax liabilities	27.4	37.9	*(27.8)*
Deferred tax liabilities	8.9	29.4	*(69.8)*
Liabilities associated with disposal groups held for sale	9,200.8	10,016.5	*(8.1)*
Commissions on premiums under collection	110.9	106.0	*4.7*
Deferred commission income	3.4	2.2	*54.5*
Accrued expense and deferred income	56.0	54.2	*3.2*
Other liabilities	540.2	1,078.4	*(49.9)*
Total other liabilities	**9,947.6**	**11,324.6**	*(12.2)*

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.

For the details of the sub-item Liabilities associated with disposal groups, please refer to paragraph 5.5 of these Notes.

At 31 December 2018, Unipol Banca recorded €276.1m in Other liabilities, reclassified as Liabilities associated with disposal groups.

4. Notes to the Income Statements

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).

REVENUE

1.1 Net premiums

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Non-life earned premiums	**8,003.0**	**7,862.9**	***1.8***
Non-Life written premiums	8,160.6	7,964.0	*2.5*
Changes in Non-Life premium provision	(157.5)	(101.1)	*55.9*
Life written premiums	**3,889.3**	**3,818.7**	***1.8***
Non-life and life gross earned premiums	**11,892.4**	**11,681.6**	***1.8***
Non-life earned premiums ceded to reinsurers	**(409.5)**	**(404.8)**	***1.2***
Non-Life premiums ceded to reinsurers	(408.3)	(434.8)	*(6.1)*
Changes in Non-Life premium provision - reinsurers' share	(1.3)	30.0	*(104.3)*
Life premiums ceded to reinsurers	**(13.8)**	**(13.9)**	***(0.4)***
Non-life and life earned premiums ceded to reinsurers	**(423.4)**	**(418.7)**	***1.1***
Total net premiums	**11,469.0**	**11,262.9**	***1.8***

1.2 Commission income

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Commission income from banking business			
Commission income from investment contracts	30.6	42.9	*(28.6)*
Other commission income	8.7	24.3	*(64.0)*
Total commission income	**39.4**	**67.2**	***(41.4)***

1.3 Net gains on financial instruments at fair value through profit or loss

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Net gains/losses:			
on held-for trading financial assets	(48.5)	(22.3)	*(117.1)*
on held-for trading financial liabilities		0.2	*n.s.*
on other financial assets mandatorily at fair value	(0.5)		*n.s.*
on financial assets/liabilities at fair value through profit or loss	(104.5)	152.0	*(168.7)*
Total net gains/losses	**(153.5)**	**129.9**	***n.s.***

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

These totalled €314.8m (€6.7m at 31/12/2017), referring mainly to the capital gain on 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.*
Interests	**1,548.4**	**1,704.6**	**(9.2)**
on held-to-maturity investments	21.0	33.5	*(37.3)*
on loans and receivables	121.8	151.6	*(19.7)*
on financial assets at amortised cost	0.1		
on available-for-sale financial assets	1,398.0	1,515.8	*(7.8)*
on financial assets at fair value through OCI	3.3		
on sundry receivables	3.3	2.8	*14.6*
on cash and cash equivalents	0.8	0.9	*(3.2)*
Other income	**173.4**	**169.2**	**2.5**
from investment property	57.5	66.6	*(13.6)*
from available-for-sale financial assets	115.9	102.7	*12.9*
Realised gains	**449.7**	**445.4**	**1.0**
on investment property	27.7	13.8	*100.3*
on loans and receivables	16.4	1.9	*788.3*
on financial assets at amortised cost	32.4		
on available-for-sale financial assets	370.8	429.7	*(13.7)*
on financial assets at fair value through OCI	2.4		
Unrealised gains and reversals of impairment losses	**23.0**	**0.8**	**2647.8**
on loans and receivables	0.0	0.0	*(92.8)*
on financial assets at amortised cost	23.0		
on available-for-sale financial assets	0.0	0.6	*(100.0)*
on other financial liabilities	0.0	0.2	*(97.7)*
Total item 1.5	**2,194.5**	**2,320.1**	***(5.4)***

1.6 Other revenue

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Sundry technical income	100.5	88.9	*13.0*
Exchange rate differences	4.9	16.9	*(70.8)*
Extraordinary gains	25.0	34.5	*(27.8)*
Other income	503.3	400.5	*25.7*
Total other revenue	**633.8**	**540.9**	***17.2***

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	**9,778.9**	**9,807.9**	***(0.3)***
Non-life business	**5,277.1**	**5,169.1**	***2.1***
Non-Life amounts paid	5,799.1	5,786.9	
changes in Non-Life claims provision	(393.9)	(491.7)	
changes in Non-Life recoveries	(129.0)	(130.9)	
changes in other Non-Life technical provisions	0.8	4.9	
life business	**4,501.8**	**4,638.8**	***(3.0)***
Life amounts paid	3,619.3	5,517.4	
changes in Life amounts payable	26.3	2.1	
changes in mathematical provisions	806.3	(26.6)	
changes in other Life technical provisions	101.9	15.7	
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	**(315.7)**	**(186.7)**	***69.1***
Non-life business	**(311.6)**	**(180.2)**	***72.9***
Non-Life amounts paid	(204.0)	(195.7)	
changes in Non-Life claims provision	(121.6)	(5.2)	
changes in Non-Life recoveries	13.9	20.7	
life business	**(4.1)**	**(6.5)**	***(37.9)***
Life amounts paid	(15.5)	(14.4)	
changes in Life amounts payable	0.9	(0.4)	
changes in mathematical provisions	10.5	8.2	
Total net charges relating to claims	**9,463.2**	**9,621.1**	***(1.6)***

2.2 Commission expense

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Commission expense from banking business			
Commission expense from investment contracts	14.4	21.3	*(32.4)*
Other commission expense	8.5	7.5	*14.1*
Total commission expense	**22.9**	**28.8**	***(20.3)***

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

At 31 December 2018 these totalled €0.9m (€4.2m at 31/12/2017).

2.4 Losses on other financial instruments and investment property

Amounts in €m	**31/12/2018**	31/12/2017	*% var.*
Interests:	**170.4**	**135.8**	***25.5***
on other financial liabilities	155.4	127.0	*22.3*
on payables	15.0	8.8	*71.6*
Other charges:	**40.1**	**44.9**	***(10.7)***
from investment property	26.4	32.9	*(19.7)*
from available-for-sale financial assets	3.3	2.3	*41.5*
from other financial liabilities	10.2	9.5	*7.0*
from sundry payables	0.1	0.1	*21.2*
Realised losses:	**141.3**	**148.0**	***(4.5)***
on investment property	5.3	2.0	*160.4*
on loans and receivables	0.1	1.6	*(96.7)*
on financial assets at amortised cost	4.3		
on available-for-sale financial assets	131.6	144.3	*(8.8)*
Unrealised losses and impairment losses:	**138.8**	**254.3**	***(45.4)***
on investment property	91.5	46.5	*96.9*
on loans and receivables		117.6	*(100.0)*
on financial assets at amortised cost	18.7		
on available-for-sale financial assets	27.3	90.0	*(69.6)*
on financial assets at fair value through OCI	0.9		
on other financial liabilities	0.5	0.3	*58.0*
Total item 2.4	**490.6**	**583.0**	***(15.9)***

Interest on other financial liabilities amounting to €155.4m relates in particular to interest expenses accrued on bonds issued by Group companies (subordinated and non-subordinated). At 31 December 2017, they amounted to €127m.
At 31 December 2018 the unrealised losses and impairment losses totalled €138.8m (€254.3m in 2017), including write-downs due to impairment of financial instruments recognised as available-for-sale assets (shares and UCITS) for €27.3m (€90m at 31/12/2017), write-downs on investment property for €59.2m (€14.5m at 31/12/2017), carried out on the basis of updated valuations performed by independent experts, and to investment property depreciation for €32.3m (€32m in 2017).

2.5 Operating expenses

Amounts in €m	31/12/2018	% comp.	31/12/2017	% comp.	% var.
Insurance sector	2,387.7	95.0	2,387.2	95.9	0.0
Banking sector			2.1	0.1	(100.0)
Holding and Other Businesses Sector	132.4	5.3	110.6	4.4	19.8
Real Estate Sector	22.1	0.9	25.5	1.0	(13.6)
Intersegment eliminations	(28.1)	(1.1)	(35.4)	(1.4)	(20.7)
Total operating expenses	**2,514.1**	**100.0**	**2,490.0**	**100.0**	**1.0**

Below are details of **Operating expenses in the Insurance sector**:

	Non- Life			**Life**			**Total**		
Amounts in €m	**Dec-18**	Dec-17	% var.	**Dec-18**	Dec-17	% var.	**Dec-18**	Dec-17	% var.
Acquisition commissions	1,288.4	1,283.5	0.4	63.1	70.0	(9.9)	1,351.5	1,353.5	(0.1)
Other acquisition costs	371.6	360.2	3.2	42.7	47.2	(9.5)	414.3	407.3	1.7
Changes in deferred acquisition costs	(3.0)	5.7	(152.3)	(0.3)	(2.5)	(90.0)	(3.2)	3.1	(202.6)
Collection commissions	156.1	152.1	2.6	7.4	8.0	(7.2)	163.5	160.1	2.1
Profit sharing and other commissions from reinsurers	(125.7)	(145.7)	(13.7)	(3.9)	(3.1)	24.6	(129.6)	(148.8)	(12.9)
Investment management expenses	67.1	76.1	(11.9)	43.4	47.6	(8.8)	110.5	123.7	(10.7)
Other administrative expenses	391.8	386.4	1.4	89.0	101.9	(12.7)	480.7	488.3	(1.6)
Total operating expenses	**2,146.3**	**2,118.3**	**1.3**	**241.5**	**269.0**	**(10.2)**	**2,387.7**	**2,387.2**	**0.0**

2.6 Other costs

Amounts in €m	31/12/2018	31/12/2017	% var.
Other technical charges	262.4	293.1	(10.5)
Impairment losses on receivables	13.3	14.3	(7.0)
Other charges	545.4	480.1	13.6
Total other costs	**821.1**	**787.5**	**4.3**

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	**(82.6)**	**(27.1)**	**(109.7)**		**0.8**	**0.8**
Deferred assets and liabilities:	**(109.6)**	**(33.1)**	**(142.6)**	**242.7**	**0.8**	**243.6**
Use of deferred tax assets	(205.8)	(38.9)	(244.6)	(23.0)	(3.6)	(26.5)
Use of deferred tax liabilities	132.6	28.1	160.7	20.4	0.3	20.7
Provisions for deferred tax assets	110.2	13.5	123.7	256.0	4.1	260.1
Provisions for deferred tax liabilities	(146.6)	(35.8)	(182.4)	(10.6)		(10.6)
Total	**(192.2)**	**(60.2)**	**(252.4)**	**242.7**	**1.6**	**244.4**

Against pre-tax income of €1,185.2m, taxes pertaining to the period of €252.4m were recorded. The overall tax rate was 21.3% (28.5% at the end of the previous year) and 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.

Amounts in €m	31/12/2018			31/12/2017		
	Total	Ires/Corp. tax	Irap	Total	Ires/Corp. tax	Irap
DEFERRED TAX ASSETS						
Intangible assets and property, plant and equipment	379.6	310.9	68.7	411.8	332.2	79.6
Technical provisions – Reinsurers' share	155.2	155.1	0.0	168.5	168.4	0.0
Investment property	195.4	158.1	37.3	219.1	174.0	45.1
Financial instruments	199.9	151.7	48.2	211.5	157.9	53.6
Sundry receivables and other assets	118.9	109.3	9.6	242.3	218.4	23.9
Provisions	174.5	173.7	0.8	182.3	179.3	3.0
Technical provisions	631.0	558.3	72.8	907.6	756.8	150.8
Financial liabilities	0.8	0.8	0.0	1.0	1.0	
Payables and other liabilities	5.4	5.1	0.3	6.7	6.3	0.4
Other deferred tax assets	505.9	499.7	6.2	630.2	616.9	13.2
Netting as required by IAS 12	(1,422.2)	(1,192.8)	(229.4)	(1,979.8)	(1,646.4)	(333.4)
Total deferred tax assets	**944.3**	**929.8**	**14.5**	**1,001.2**	**964.9**	**36.2**
DEFERRED TAX LIABILITIES						
Intangible assets and property, plant and equipment	178.7	143.6	35.0	183.9	148.0	35.9
Technical provisions – Reinsurers' share				0.8	0.8	
Investment property	15.7	7.1	8.7	10.4	2.2	8.1
Financial instruments	908.0	759.7	148.4	1,462.6	1,191.9	270.7
Sundry receivables and other assets	0.2	0.1	0.0	0.3	0.3	0.1
Provisions	22.1	17.7	4.4	21.2	17.1	4.0
Technical provisions	230.1	193.7	36.3	219.6	185.5	34.0
Financial liabilities	0.3	0.3	0.1	0.7	0.6	0.1
Payables and other liabilities	0.2	0.1	0.0	0.8	0.8	0.0
Other deferred tax liabilities	75.8	73.2	2.6	109.0	103.1	5.9
Netting as required by IAS 12	(1,422.2)	(1,192.8)	(229.4)	(1,979.8)	(1,646.4)	(333.4)
Total deferred tax liabilities	**8.9**	**2.8**	**6.1**	**29.4**	**3.9**	**25.5**

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*

Unipol Banca: in the first half of 2018, two Italian government bond forwards matured, classified among Financial assets measured at fair value through other comprehensive income for a total value of €130m.

Cash flow hedges

The objective of the existing hedges is to transform the interest rate from a floating rate to a fixed rate, stabilising the cash flows. The details by company of existing positions are provided below:

Amounts in €m

Company	Hedged financial instruments	Notional amount hedged	Derivative	Gross effect recognised in shareholders' equity	Net tax effect
UnipolSai	AFS bonds	1,113.5	IRS	3.3	2.3
UnipolSai	Bond loans issued	250.0	IRS	(0.5)	(0.4)
Arca Vita	AFS bonds	30.0	IRS	(0.0)	(0.0)
Total				**2.8**	**1.9**

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 Unipol Group, the information relating to the financial instruments involved in master netting arrangements are reported below. The transactions shown in the tables below concern:

- derivatives;
- repurchase agreements.

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.

In relation to repurchase agreements, the set-off clause, applicable in the case of the insolvency of the forward purchaser, is intrinsically constituted by the collateral pledged on the financial securities forming the object of the forward purchase.

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)	4.6		4.6	4.6		
Securities lending						
Other						
Total	**319.1**		**319.1**	**268.6**	**45.5**	**5.1**

Financial liabilities

Amounts in €m

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recogni-sed 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 offsetting agreements and any cash deposits given or received as guarantee.

(2) The amounts indicated include the financial receivable/payable relating to the repurchase agreement and the value of the financial asset involved in the forward purchase.

5.3 Earnings (loss) per share

	31/12/2018	31/12/2017
Profit/(loss) allocated to ordinary shares (€m)	401.4	(345.8)
Weighted average of shares outstanding during the year (no./m)	713.5	710.3
Basic and diluted earnings (loss) per share (€ per share)	**0.56**	**(0.49)**

	31/12/2018	31/12/2017
Profit/(loss) from discontinued operations allocated to ordinary shares (€m)	(296.0)	(722.5)
Weighted average of shares outstanding during the year (no./m)	713.5	710.3
Basic and diluted earnings (loss) from discontinued operations per share (€ per share)	**(0.41)**	**(1.02)**

5.4 Dividends

In view of the profit for the year made by the Parent Unipol at 31 December 2017 of €213.4m (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of Unipol held on 28 April 2018 resolved on the distribution of dividends totalling €128.6m (of which €0.5m paid to Group companies), corresponding to €0.18 per share, taking account of treasury shares. The Shareholders' Meeting also set the dividend payment date for 23 May 2018 (ex-dividend date 21/5/2018).

The financial statements of the Parent Unipol at 31 December 2018, drawn up in accordance with Italian GAAP, posted a profit for the year of €66.2m. The Unipol Board of Directors' proposal to the Ordinary Shareholders' Meeting is to distribute a dividend of €0.18 per ordinary share, fully distributing the profit for the year (subject to top-up of the legal reserve to its limit of one-fifth of share capital drawn from the share premium reserve) and, for the remainder, through distribution of available profit reserves. The total amount set aside for dividends, including treasury shares, came to €129m. Net of Unipol shares held by the subsidiaries, the dividends allocated to non-controlling interests were estimated at €128.8 million.

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

As mentioned previously, as a result of the planned disposal of the equity investment in Unipol Banca, the disposal plan for which was launched in 2018, the banking sector assets - which at 31 December 2018 included only Unipol Banca and its subsidiary Finitalia - qualify as discontinued operations pursuant to IFRS 5, in that they represent a major line of business of the Unipol Group. Consequently, the income components net of the tax effects originating from that operating segment were recognised in aggregate form, for 2018 (-€304.6m) and for the previous year presented for comparative purposes (-€750.6m), in a single item of the income statement. Note that the loss from discontinued operations for 2018 includes the capital loss expected from disposal of the equity investment.
At 31 December 2018, the shareholders' equity items referring to the banking sector also make up most of the items 6.1 Non-current assets or assets of a disposal group held for sale and 6.1 Liabilities associated with disposal groups, amounting respectively to €10,758.3m (€10,569.1m at 31/12/2017, of which €10,465.2m referring to assets held by Popolare Vita and The Lawrence Life and, in the amount of €103.9m, to properties held for sale) and €9,200.8m (€10,016.5m at 31/12/2017, referring entirely to the companies sold Popolare Vita and The Lawrence Life).

The following tables indicate:

i) the breakdown of shareholders' equity items at 31 December 2018 and income statement items for 2017 and 2018 in relation to non-current assets of a disposal group and discontinued operations, summarily presented in the statement of financial position and the income statement;
ii) the banking sector contribution to cash flows of the Unipol Group in 2018.

Non-current assets or disposal groups classified as held for sale

		Banking business	Consorzio Castello	Real estate	Total reclass. IFRS 5
	Amounts in €m	**31/12/2018**	**31/12/2018**	**31/12/2018**	**31/12/2018**
1	INTANGIBLE ASSETS	**7.0**			**7.0**
1.2	Other intangible assets	7.0			7.0
2	PROPERTY, PLANT AND EQUIPMENT	**13.3**		**0.1**	**13.4**
2.1	Property	1.0		0.1	1.1
2.2	Other tangible assets	12.3			12.3
4	INVESTMENTS	**10,153.6**	**0.3**	**132.3**	**10,286.2**
4.1	Investment property	21.5	0.3	132.3	154.1
4.2	Investments in subsidiaries, associates and interests in joint ventures	7.5			7.5
4.3	Held to maturity investments				
4.4bis	Financial assets at amortised cost	9,456.8			9,456.8
4.5bis	Financial assets at fair value through OCI	618.2			618.2
4.6	Financial assets at fair value through profit or loss	49.7			49.7
5	SUNDRY RECEIVABLES	**86.9**	**0.1**		**87.0**
5.3	Other receiv ables	86.9	0.1		87.0
6	OTHER ASSETS	**270.5**	**0.0**		**270.5**
6.3	Deferred tax assets	134.4			134.4
6.4	Current tax assets	3.5	0.0		3.5
6.5	Other assets	132.6	0.0		132.7
7	CASH AND CASH EQUIVALENTS	**93.9**	**0.3**		**94.2**
NON-CURRENT ASSETS OR ASSETS OF A DISPOSAL GROUP HELD FOR SALE		**10,625.3**	**0.7**	**132.3**	**10,758.3**

Liabilities associated with disposal groups held for sale

		Banking business	Consorzio Castello	Real estate	Total reclass. IFRS 5
	Amounts in €m	**31/12/2018**	**31/12/2018**	**31/12/2018**	**31/12/2018**
2	PROVISIONS (*)	**400.6**			**400.6**
3	TECHNICAL PROVISIONS				
4	FINANCIAL LIABILITIES	**8,457.5**			**8,457.5**
4.1	Financial liabilities at fair v alue through profit or loss	0.1			0.1
4.2	Other financial liabilities	8,457.5			8,457.5
5	PAYABLES	**63.4**	**0.2**	**3.0**	**66.6**
5.3	Other payables	63.4	0.2	3.0	66.6
6	OTHER LIABILITIES	**276.1**			**276.1**
6.3	Current tax liabilities	4.6			4.6
6.4	Other liabilities	271.4			271.4
LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS HELD FOR SALE		**9,197.6**	**0.2**	**3.0**	**9,200.8**

(*) The item Provisions includes the adjustment applied to align the carrying amount of banking sector assets held for sale to the fair value of those assets corresponding to the final price agreed for the sale to BPER (€220m).

Consolidated Income Statement

	Amounts in €m	Banking business	
		31/12/2018	31/12/2017
1.2	Commission income	127.5	105.7
1.3	Gains and losses on financial instruments at fair value through profit or loss	(3.2)	(3.9)
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	0.5	0.2
1.5	Gains on other financial instruments and investment property	278.6	305.7
1.5.1	*Interest income*	207.0	223.7
1.5.2	*Other income*	0.8	5.0
1.5.3	*Realised gains*	40.6	3.9
1.5.4	*Unrealised gains*	30.3	73.1
1.6	Other income	33.5	(73.3)
1	TOTAL REVENUE AND INCOME	436.9	334.5
2.2	Commission expenses	(13.8)	(15.1)
2.4	Losses on other financial instruments and investment property	(173.3)	(1,156.8)
2.4.1	*Interest expense*	(54.3)	(66.9)
2.4.2	*Other costs*	0.0	0.0
2.4.3	*Realised losses*	(29.6)	(4.7)
2.4.4	*Unrealised losses*	(89.4)	(1,085.2)
2.5	Operating expenses	(196.8)	(246.4)
2.5.1	*Commissions and other acquisition expenses*	60.0	54.6
2.5.2	*Investment management expenses*	32.5	36.9
2.5.3	*Other administrative expenses*	(289.3)	(337.9)
2.6	Other costs	(9.9)	91.5
2	TOTAL COSTS AND EXPENSES	(393.9)	(1,326.8)
	PRE-TAX PROFIT (LOSS) FOR THE PERIOD	43.0	(992.3)
3	Income tax	(10.1)	241.7
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES	32.9	(750.6)
	Capital loss (net of taxes) due to classification among discontinued operations	(337.5)	
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(304.6)	(750.6)
	of which attributable to the owners of the Parent	(296.0)	(722.5)
	of which attributable to non-controlling interests	(8.7)	(28.1)

STATEMENT OF CASH FLOWS (indirect method)

Amounts in €m	Banking business 31/12/2018	31/12/2017
Pre-tax profit (loss) for the year	43.0	(992.3)
Change in non-monetary items	200.9	125.6
Change in receivables and payables generated by operating activities	(661.4)	(359.5)
Paid taxes	(0.6)	(0.4)
Net cash flows generated by/used for monetary items from investing and financing activities	2,308.1	(1,140.6)
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	1,890.0	(2,367.4)
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	(5.1)	1,123.5
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	(1,890.8)	1,254.2
CASH AND CASH EQUIVALENTS AT 1 JANUARY	99.8	89.5
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5.9)	10.4
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	93.9	99.8

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.

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

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.

Pronto Assistance Servizi (PAS) provides the following services for the Companies of the consortium:
- 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, at the request of an individual consortium member PAS 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:
  - providing 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);
  - providing after-sales services on policy statuses or on any transactions that can be made on existing policies;
  - providing customer satisfaction services;
  - providing support services to the agency network in relations with customers and consortium members;
  - providing contact centre services dedicated to opening claims and related information requests.

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.

Unipol Banca provides internal auditing services to its subsidiaries.

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.

For Financial Management, the amounts are calculated by applying a commission on managed volumes. UniSalute (except operating services provided to UniSalute Servizi for which the costs are split), Auto Presto & Bene, UnipolSai Investimenti SGR and UnipolRe apply fixed prices.

Both the Parent Unipol and its subsidiaries, including UnipolSai, Unipol Banca, Arca Vita and Arca Assicurazioni, second their staff to other Group companies to optimise the synergies within the Group.

Financial and commercial transactions between the banking companies and the other companies in the Group were the usual types of transaction carried out within 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.

It should be noted that, in accordance with Art. 2497 et seq. of the Italian Civil Code, none of the shareholders of the Parent Unipol carries out management and coordination activities.

Tax regime for taxation of group income (so-called “tax consolidation”)

From 2015 the Parent Unipol opted, as consolidating company, for the tax consolidation governed by Title II, Chapter II, Section II of the Consolidated Income Tax Act (Articles 117-129) for the three-year period 2015-2017. All companies in the Unipol Group that meet the regulatory requirements take part in this regime as consolidated companies.

The following table shows transactions with related parties (associates and others) carried out during 2017, 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 (listed, together with other items, in the following table under "Other"). This case includes, besides the CIU in which the Company, or a related party, holds more than 20% of the capital rights, the company Coop Alleanza 3.0 Società Cooperativa.

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	Associates	Others	**Total**	*% inc. (1)*	*% inc. (2)*
Loans and receivables	17.5		17.5	*0.0*	*0.6*
Financial assets at amortised cost	12.4	85.8	98.2	*0.1*	*3.3*
Financial assets at fair value through profit or loss		11.2	11.2	*0.0*	*0.4*
Sundry receivables	37.9	0.4	38.4	*0.0*	*1.3*
Total assets	**67.8**	**97.4**	**165.3**	***0.2***	***5.6***
Other financial liabilities	22.8	128.0	150.8	*0.2*	*5.1*
Sundry payables	0.4	0.0	0.4	*0.0*	*0.0*
Other liabilities	0.1		0.1	*0.0*	*0.0*
Total liabilities	**23.3**	**128.0**	**151.3**	***0.2***	***5.2***
Net premiums	0.1		0.1	*0.0*	*0.0*
Commission income	0.1	0.3	0.4	*0.0*	*0.0*
Gains on other financial instruments and investment property	5.7	1.5	7.2	*0.8*	*0.2*
Other revenue	0.3		0.3	*0.0*	*0.0*
Total revenue and income	**6.2**	**1.8**	**8.0**	***0.9***	***0.3***
Losses on other financial instruments and investment property	0.0	8.7	8.7	*1.0*	*0.3*
Operating expenses	98.5	0.5	99.0	*11.2*	*3.4*
Other costs	1.6		1.6	*0.2*	*0.1*
Total costs and expenses	**100.1**	**9.2**	**109.4**	***12.4***	***3.7***
Net charges relating to claims					

(1) Percentage based on total assets in the consolidated statement of financial position recognised under Shareholders' Equity, and on pre-tax profit/(loss) for income statement items.

(2) Percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

Loans and receivables, for €17.5m, referred to loans granted to associates by UnipolSai.
Financial assets measured at amortised cost refer to loans granted by Unipol Banca to associates (€12.4m), to the Goethe Fund - Mutual Real Estate Investment Fund (€45.8m) and to Coop Alleanza 3.0 (€39.2m).
Financial assets measured at fair value through profit or loss refer to units of the funds Uni Hs Abitare A-PT and Uno Fondo Sviluppo subscribed by Unipol Banca.
The item Sundry receivables from associates, totalling €37.9m, included €37.7m in receivables due from insurance brokerage agencies for premiums collected to be paid net of relative commissions.

The item Financial liabilities measured at amortised cost, amounting to €150.8m, included €22.8m in bank deposits held by associates in Unipol Banca, €106.0m in debt securities issued by Unipol Banca and held by Coop Alleanza 3.0, and €12.0m in bank deposits held by other related parties with Unipol Banca.
Gains on other financial instruments and investment property totalling €7.2m included rent income of €5.4m from associates and interest income for loans and receivables due from the Goethe Fund of €1.3m.
The item Losses on other financial instruments and investment property, amounting to €8.7m, included €4.6m in interest expense on bond loans issued by Unipol Banca and held by Coop Alleanza 3.0 and the €4.0m write-down applied by the Arca Group on the Core Italian Properties Fund (a mutual real estate investment fund).
Operating expenses due to associates for €98.5m refer to costs on commissions payable to insurance brokerage agencies.

Remuneration for 2018 due to the Directors, Statutory Auditors and Key Managers of the Parent, for carrying out their duties in Unipol and in other consolidated companies amounted to €18.1m, details of which are as follows:

Amounts in €m	*Amounts in €m*
Directors and General Manager	8.9
Statutory auditors	0.3
Other key managers	8.9(*)

(*) mainly includes compensation of employees.

The remuneration of the General Manager and the other 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.

In 2018 the companies in the Group paid Unipol the sum of €1.9m as remuneration for the activities carried out by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers, eliminated during the consolidation process.

5.7 Fair value measurements – IFRS 13

IFRS 13:
a) defines the *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*.

Chapter 2, "Main accounting standards", outlines the *fair value* measurement policies and criteria adopted by the Unipol Group.

Fair value measurement on a 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 by *fair value* hierarchy level.

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	
	2018	2017	2018	2017	2018	2017	2018	2017
Assets and liabilities at fair value on a recurring basis								
Available-for-sale financial assets	41,781.3	42,901.4	377.3	517.4	1,280.6	1,063.5	43,439.2	44,482.3
Financial assets at fair value through OCI	663.3						663.3	
Financial assets at fair value through profit or loss:								
- held for trading	108.8	106.9	164.0	157.1	15.2	69.6	288.0	333.5
- at fair value through profit or loss	6,203.5	5,896.8	0.7	11.5	1.3	2.4	6,205.5	5,910.8
- mandatorily at fair value	3.3				1.7		5.0	
Total assets at fair value on a recurring basis	***48,760.2***	***48,905.0***	***542.0***	***686.0***	***1,298.8***	***1,135.6***	***50,601.0***	***50,726.6***
Financial liabilities at fair value through profit or loss:								
- held for trading	14.9	17.6	241.5	254.1	21.9	6.7	278.3	278.4
- at fair value through profit or loss					2,261.0	2,210.3	2,261.0	2,210.3
Total liabilities at fair value on a recurring basis	***14.9***	***17.6***	***241.5***	***254.1***	***2,282.9***	***2,217.0***	***2,539.3***	***2,488.7***

The amount of financial assets classified in Level 3 at 31 December 2018 stood at €1,298.8m. 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 OCI	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	at fair value through profit or loss	mandatorily at fair value				held for trading	at fair value through profit or loss
Opening balance	**1,063.5**		**69.6**	**2.4**					**6.7**	**2,210.3**
Acquisitions/Issues	215.9		0.0							
Sales/Repurchases	(88.3)		(0.4)							
Repayments	(1.0)		(1.7)							
Gains or losses recognised through profit or loss	(0.0)		(5.3)	(0.9)						
- of which unrealised gains/losses	*(0.0)*		*(5.3)*	*(0.9)*						
Gains or losses recognised in the statement of other comprehensive income	121.2									
Transfers to level 3			0.0							
Transfers to other levels			(21.8)							
Other changes	(30.6)		(25.3)	(0.2)	1.7				15.2	50.8
Closing balance	**1,280.6**		**15.2**	**1.3**	**1.7**				**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 €74m 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 measurement on a non-recurring basis

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*

			Fair value							
	Carrying amount		Level 1		Level 2		Level 3		Total	
Amounts in €m	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Assets										
Held-to-maturity investments	459.6	864.2	497.3	956.7	34.5	32.8			531.7	989.5
Loans and receivables	3,921.0	15,517.5			2,650.3	3,372.4	1,179.5	12,807.6	3,829.9	16,180.0
Financial assets at amortised cost										
Investments in subsidiaries, associates and interests in joint	74.5	90.3					74.5	90.3	74.5	90.3
Investment property	1,996.7	2,199.1					2,097.2	2,317.1	2,097.2	2,317.1
Property, plant and equipment	1,887.4	1,872.1					2,084.2	2,023.2	2,084.2	2,023.2
Total assets	**8,829.4**	**20,543.2**	**497.3**	**956.7**	**2,684.8**	**3,405.2**	**5,925.6**	**17,238.2**	**9,107.7**	**21,600.1**
Liabilities										
Other financial liabilities	**4,382.4**	**13,911.0**	**3,668.5**	**3,290.9**			**719.1**	**11,345.9**	**4,387.6**	**14,636.8**

5.8 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 in 2018 the company did not benefit from 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 colection	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 electricity by photovoltaic plants, whilst awaiting the appropriate clarification on its interpretation, it is noted that during 2018:

- Unipol Gruppo, in its role of applicant of the relative request, collected contributions from the Banks and Insurance Fund for the amount €1,56k, transferred almost totally for the amount of €1,560kto the beneficiary subsidiaries (UnipolSai Assicurazioni, Unisalute, Linear, SIAT, Arca Vita, Arca Assicurazioni Arca Inlinea, Arca Sistemi, Siat, Pronto Assistance Servizi) in relation to the training activities they carried out in favour of their employees in 2016 and 2017;
- In 2018 Unipol Banca received contributions from the Banks and Insurance Fund for €368k in relation to training activities for its employees in 2016 and 2017;
- In 2018 UnipolSai ollected contributions from FONDIR for the amount of € 13k for the training provided to its managers in 2015;
- In 2018 UnipolSai and Midi have collected €15k from GSE as remuneration for the electricity produced by photovoltaic plants through the Net Metering service.

5.9 Share-based compensation plans

The Unipol Group pays additional benefits (long-term incentives) to the Chief Executive Officer and Key Managers and other senior executives under closed three-year, share-based compensation plans by which Unipol and UnipolSai shares (performance shares) are granted if specific targets of Gross Profit and solvency capital requirements, 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 3,691,319 shares, was paid to those entitled on 1 July 2016, the second tranche, comprising 3,328,591 shares on 3 July 2017 and the third and final tranche of 3,277,745 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.

The total cost recorded in 2018 came to €13.2m (€13.3m in 2017), €6.1m of which with a contra-item in shareholders' equity as calculated in relation to the potential assignment of Unipol shares, and €7.2m with a contra-item in financial liabilities as calculated in relation to the potential assignment of shares of the subsidiary UnipolSai.

5.10 Non-recurring significant transactions and events

It is worth noting the sale during the year of the equity investment held in Popolare Vita, finalised on 29 March 2018, and the sale to the subsidiary UnipolSai 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 indicated in the paragraph Application of IFRS 9 by the Unipol Group, in these consolidated financial statements, the IAS 39 standard was applied with reference to financial instruments held by UnipolSai and its subsidiaries. Below are tables containing the information necessary for comparison with the insurance companies that do apply IFRS 9.

Fair value at 31 December 2018, changes in fair value of financial investments recognised according to IAS 39 which passed the SPPI Test and other financial investments

Amounts in €m	Consolidated carrying amount 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)	13,861.9	13,758.3	(674.4)
Total (a) + (b)	**54,313.4**	**54,303.0**	**(2,203.9)**

Main exposures by counterpart of investments passing the SPPI test

Amounts in €m

Counterpart	Consolidated carrying amount 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
Total 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 carrying amount at 31/12/2018	IAS 39 carrying amount at 31/12/2018 before any adjustment for	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 low credit risk financial investments (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 low credit risk investments (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) +	**40,451.5**	**38,608.7**	**40,544.8**

Disclosure on the financial statements of consolidated companies prepared in accordance with IFRS 9

Unipol Banca SpA, the main consolidated company of the Unipol Group required to apply IFRS 9 on an individual basis, included full disclosure on the adoption of the new accounting standard in its separate financial statements. In particular, the company's Annual Reports and Half-yearly Reports, which fully illustrate the adoption of IFRS 9 and the effects of its application, can be found in the "Corporate information" section of the Unipol Banca website www.unipolbanca.it.

5.13 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

As in previous years, 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.
discounting rate	A discounting rate of 6.75% 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. A 2-year adjusted Beta coefficient for a sample of companies listed on the European market and deemed to be comparable was used. To calculate the Beta coefficient, the decision to refer to a two year period, against a 5 year period considered for the impairment tests at 31 December 2018, aims to take into account the measurement system used for determination of the set of parameters applied to the cost of capital calculation, as well as changes in value of these estimated parameters compared with those of the previous year at, inter alia, risk free rate level. The risk Premium was defined by taking into account the estimates of this parameter made by primary contributors.
Long term growth rate (*g* factor)	As for last year, a partial g-rate factor of 2% was maintained, based on provisional macro-economic indicators and those relating 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	Pro-rata recoverable amount (a)	Allocation of goodwill	Goodwill included in equity per recoverable amount (b)	Goodwillto be tested	Excess
Non-Life CGU	4,229	1,260	(260)	1,000	3,229
Life CGU	1,005	322	(204)	117	888
Total	**5,234**	**1,582**	**(464)**	**1,117**	**4,117**

(a): Recoverable amount obtained as the difference between the pro-rata value of the CGU and the pro-rata Adjusted Shareholders' equity.
(b): Goodwill already included in Adjusted Shareholders' equity, considered in the recoverable amount estimation

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	Value	g	Discounting rate	Value	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	3,229	2,564	1.5%	7.25%	4,232	2.5%	6.25%

Amounts in €m

				Recoverable Amount - Goodwill Delta = 0			
		Sensitivity (Value range)		Hp. 1 (g rate = that used for impairment)		Hp. 2 (g rate assumed to be 0)	
CGU	Recoverable Amount - Goodwill Delta	Min	Max	g	Discounting rate	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	3,229	2,564	4,232	2%	14.12%	0%	14.28%

Amounts in €m

		Sensitivity Recoverable Amount - Goodwill Delta	
Company	Recoverable Amount - Goodwill Delta	Min	Max
UnipolSai Assicurazioni - Life	888	878	911

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 of analysis

In 2018, UnipolSai acquired the shares held by Unipol Gruppo in relation to Arca Assicurazioni.The Unipol Group companies operating in the Non-Life market are: UnipolSai, Siat, Incontra, Linear, UniSalute, Arca Assicurazioni, Pronto Assistance, Ddor, Ddor Re.
The scope considered in this document makes reference to the Unipol Group's most significant companies: UnipolSai, Linear, Arca Assicurazioni, UniSalute and Siat. The incidence of the amount of provisions of excluded companies stands at 0.5%.

Trend in claims (claims experience)

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 paradoxical situation whereby the higher the strengthening the greater the insufficiency which may be inaccurately forecast by these methods.

The IBNR claims experience estimated at 31 December 2017 showed an overall sufficiency of €77.9m or 7.9% of the estimate in 2018.

Change in the assumptions made and sensitivity analysis of the model

The estimated cost for 2009-2017 at 31 December 2018 was €60,983m, down compared to 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 €800,000 in the case of MV TPL, above €400,000 in the case of General TPL and €350,000 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 rise 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 Unipol 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), with an increase of +15.4% compared to the previous year (calculated on a like-for-like scope of consolidation).
The Life direct premiums of the Unipol Group came from both the traditional companies (UnipolSai Assicurazioni and DDOR) and bancassurance companies (Arca Group and Bim Vita).
Given their disposal, Popolare Vita and Lawrence Life were not considered.

Consolidated Life premiums of the Unipol 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 premiums

Amounts in €m	UnipolSai Ass.	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%*	*0.0%*	*11.8%*

The Life direct premiums for the Group originate for €3,129.1m from UnipolSai (+8.2% compared to 2017), €1,076.7m from the ARCA Group (+51.4% compared to 2017), €71.5m from BIM Vita (-31.2% compared to 2017) and €14.6m from DDOR (+25.7% compared to 2017).

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 Ass.	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 Unipol 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 2018 of the Unipol Group

The Risk Report aims to provide an overview of the risk management system, the internal risk assessment and solvency assessment processes and the Unipol 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.

As regards the calculation of the capital requirement, it is worth noting that, by means of measure 0113852/18 of 24 April 2018 and following the application for authorisation submitted by Unipol Gruppo S.p.A., IVASS authorised the use of a partial internal model for calculating the Group solvency capital requirement, effective from assessments relating to the annual requirement at 31 December 2017.

Internal Control and Risk Management System

The Unipol Group's Risk Management structure and process are part of the wider internal control and risk management system already illustrated in the Annual Integrated Report, to which reference is made.

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.

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 adopted by the Group 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, i.e. the Risk Appetite.
In quantitative terms, the Group's 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 (with criteria that are differentiated for the insurance business and for the banking business, in compliance with applicable regulations), which indicates the risks that the Group and/or the individual company intends to assume or avoid, sets the 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 ORSA process for the insurance sector, ICAAP and ILAAP for the banking sector, 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, ICAAP and ILAAP processes

Under their own risk management systems Unipol and the companies that fall within the scope of the current and forward-looking risk assessment policy use the following to assess the effectiveness of the risk management system in terms of capital adequacy and liquidity management governance:
- ORSA for the insurance business;
- ICAAP-ILAAP for the banking business.

The Own Risk and Solvency Assessment (ORSA), the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) aim, on a current and forward-looking basis, to assess the overall risk profile of the Insurance Group and the Banking Group in relation to corporate strategy, the market context and business development.

Risk Management System

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 Insurance Group and its companies, 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.

With reference to the insurance sector, 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.

With reference to the banking sector, the categories of risk identified are as follows:
- Credit risk and Counterparty risk;
- Market risk;
- Liquidity risk;
- Banking book interest rate risk;
- Operational risk;
- Strategic risk and emerging risks;
- Reputational risk.

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 insurance 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 Group 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.

Current assessment of risks
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.

Forward-looking assessment of risks
The ORSA and ICAAP-ILAAP processes are an element of assessment in supporting operational and strategic business decisions. The forward-looking assessment of risks is performed by methods consistent with those adopted for the current assessment, using assumptions and data defined as part of the Group strategic plan approved by the Board of Directors.

Stress test analysis
The Insurance Group, the Companies and the Banking Group 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, Companies and banking sector entities carry out the stress test exercises ad hoc upon the occurrence of such situations of the economic and financial context as to compromise the related solvency situation in case of prolonged and persisting crisis situation 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:
- strategic reporting on risk management, containing information important in supporting strategic decisions;
- operational reporting 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)[15];
- 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 testing.

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 is represented by 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

[15] In reference to the Parent, at consolidated level and at individual company level.

operating in derivatives under CSA-type (Credit Support Annex) agreements is also used as guarantees on credit risks[16]. 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 action 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.

A. Insurance Sector

This paragraph contains a summary of the calculation methodologies used within the Unipol Group, whilst the subsequent paragraphs provide additional information on the calculation procedure and the principal results for each risk.

Partial Internal Model

The Unipol Group and the subsidiaries UnipolSai Assicurazioni and Arca Vita are authorised 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;
- Life technical insurance risks;
- Market risk;
- Credit risk;
- the 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), the use of Group specific parameters and Standard Formula components.
In particular, the use of the Specific Parameters concerns the tariff-setting and provisions risks of the Group and 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.

[16] The CSA requires the delivery of a collateral asset when the value of the contract exceeds the set threshold.

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.

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.

Market Wide Standard Formula

For Group companies other than UnipolSai Assicurazioni and Arca Vita, risk is measured using the Market Wide Standard Formula.

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.
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 Unipol 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 portfolios of financial assets to the main market risk factors is shown below by Group sector.

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.

	Insurance Business	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	22.01	(289.22)
Credit spread sensitivity (+10 bps)	(1.12)	(312.05)
Equity sensitivity (-20%)	54.97	(634.63)

	Banking Business	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	(0.00)	(1.09)
Credit spread sensitivity (+10 bps)	(0.00)	(2.30)
Equity sensitivity (-20%)	(2.44)	(1.30)

	Other businesses Sector	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	(0.02)	(2.60)
Credit spread sensitivity (+10 bps)	(0.02)	(2.67)
Equity sensitivity (-20%)	(0.33)	(22.76)

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 Unipol 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 bodies, Top Management and the operating structures on developments in this risk.

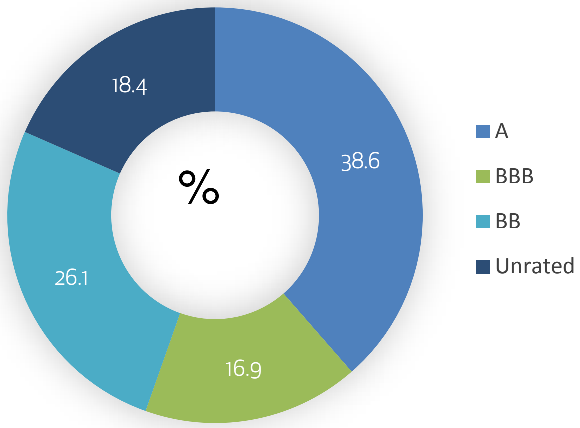
In the insurance sector, credit risk is mainly found in exposures to banks, to the Bond classes of the Group's insurance companies and to outwards reinsurance. Note that as part of the risk measurement system, the Bond classes are included under Non-Life technical-insurance risk and the related exposures are also monitored as part of credit risk.

Banks

Existing exposure to banks refers to deposited liquidity and exposures in OTC derivatives. In particular, the derivatives exposure considered for risk management and monitoring purposes is equal to the sum of market values, if positive, of the individual contracts in place and takes into account any risk mitigation arrangements (collateralisation) covered in the CSAs signed with individual counterparties.

The following table shows the distribution of Unipol Group exposures to banks, broken down by rating class, recognised at 31 December 2018.

Receivables from banks by rating class



Bond classes of the insurance companies in the Group

This risk is calculated within the technical insurance risks (see relevant section) and monitored by the Group Credit Risk Committee.

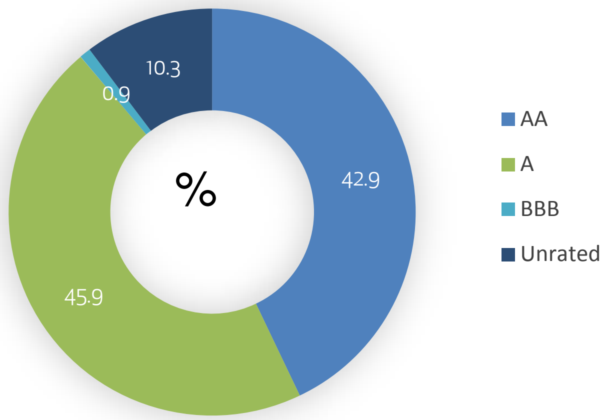
Outwards reinsurance

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 Unipol Group exposures to reinsurers, broken down by rating class, recognised at 31 December 2018 and net of intragroup reinsurance.

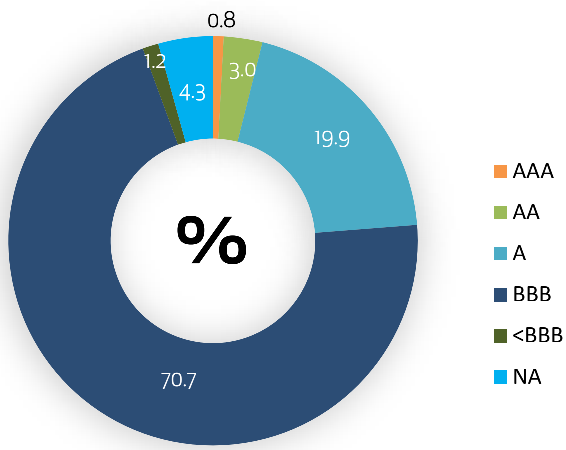
Receivables and reserves from reinsurers by rating class



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 Unipol Group's bonds portfolio, insurance business and holding business, 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

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 Unipol Group at 31 December 2018.
Securities of Unipol Banca are included, before reclassification under item 6.1 Non-current assets or assets of a disposal group held for sale, pursuant to IFRS 5.

	Balance at 31 December 2018		
Amounts in €m	Nominal value	Carrying amount	Market value
Italy	**27,712.3**	**26,900.6**	**26,876.9**
Available-for-sale financial assets	24,251.9	23,598.6	23,598.6
Financial assets at fair value through OCI	596.2	579.4	579.4
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
Financial assets at amortised cost	850.0	837.6	837.6
Spain	**3,973.8**	**4,014.3**	**4,027.2**
Available-for-sale financial assets	3,554.7	3,579.8	3,579.8
Financial assets at fair value through OCI	64.8	66.5	66.5
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	**318.6**	**346.6**	**346.6**
Available-for-sale financial assets	283.6	306.6	306.6
Financial assets at fair value through OCI	35.0	39.9	39.9
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	**251.0**	**254.9**	**254.9**
Available-for-sale financial assets	164.5	166.4	166.4
Financial assets at fair value through OCI	86.5	88.5	88.5
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

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Amounts in €m	Balance at 31 December 2018 Nominal value	Carrying amount	Market value
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	**448.1**	**418.1**	**418.1**
Available-for-sale financial assets	408.1	375.8	375.8
Financial assets at fair value through OCI	40.0	42.4	42.4
Austria	**42.0**	**42.8**	**42.8**
Available-for-sale financial assets	14.5	15.1	15.1
Financial assets at fair value through OCI	27.5	27.7	27.7
Finland	**6.0**	**6.2**	**6.2**
Available-for-sale financial assets	6.0	6.2	6.2
Netherlands	**15.0**	**15.9**	**15.9**
Available-for-sale financial assets	5.0	5.5	5.5
Financial assets at fair value through OCI	10.0	10.4	10.4
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	**34,019.7**	**33,354.6**	**33,347.5**

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2018 totalled €33,354.6m, 81% being accounted for by securities issued by the Italian State (84% in 2017). Moreover, the bonds issued by the Italian State account for 50% of total investments of the Unipol Group.

Technical-insurance risks

Risks relating to Life portfolios

With regard to risk assessment relating to the Life portfolio, the guidelines of the underwriting and provisions activities 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 Unipol 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 Unipol Group insurance companies based in Italy and 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 policies 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 in many cases provide 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 Unipol 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 Unipol Group insurance companies based in Italy and operating in the Non-Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.

The Reinsurance and Other Risk Mitigation Techniques Policy aims to define the guidelines applicable to outwards reinsurance and other risk mitigation techniques.

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 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

In order to ensure a complete analysis of company risks, the Unipol 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 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 Unipol 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.

Concentration risk

The Group has adopted the "Group-level Risk Concentration Policy" in accordance with the provisions of IVASS Regulation no. 30 of 26 October 2016 on the supervision of intragroup transactions and risk concentrations.
With specific reference to the purpose and contents of the Policy, note that it:
- illustrates the criteria and methods adopted, for each risk category (Non-Life and Health technical insurance risks, Life technical insurance risks, Market risk and Credit risk), to identify and measure the exposures, concentrations, their mitigation and operating limits, also through reference to other corporate policies on risk management;
- illustrates the methods by which the risk concentrations are considered in assessing the Group's risk profile;
- defines the limits and types of risk concentrations material to annual reporting to IVASS;
- defines the limits and types of risk concentrations in any event subject to monthly reporting to the Supervisory Authority.

The results of monitoring carried out on the risk concentrations significant at Group level and on concentrations to be reported in any event are submitted quarterly to the Board of Directors of the company for examination.

B. Banking Sector

With reference to Pillar I risks, in compliance with the provisions of Bank of Italy Circular no. 285 of 17 December 2013, standardised approaches were adopted for credit, counterparty and market risks, and the basic approach for operational risk.
In line with their class 2 allocation, the indications and approaches defined in the aforementioned Circular are adopted for Pillar II risks. The procedural solutions for easily calculating capital requirements available to banking intermediaries in its class were adopted, applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority. Internal approaches not used for regulatory purposes were also adopted to measure certain types of risk.

At the beginning of 2018 the phases of the Restructuring Plan for the banking sector of the Unipol Group were completed, and on 1 February 2018 the proportional spin-off took effect of Unipol Banca to UnipolReC S.p.A., a credit recovery company established on the same date and operating pursuant to Article 115 of Italian Royal Decree 773 of 18 June 1931 (TULPS) and in the framework defined by Article 2, paragraph 2, letter b) of Italian Ministerial Decree 53/2015.

The main aspects of the risks assumed and managed in the Unipol Group's banking sector are described below.

Credit risk

This risk arises mainly as a consequence of lending to customers and is governed on the basis of principles defined in the Group Credit Policy. In particular, this document defines the guidelines for underwriting and monitoring the credit risk in such a way as to ascertain total exposure to the individual counterparty, in line with the "risk appetite" expressed in the Group's strategic objectives, thus ensuring sufficient portfolio diversification.

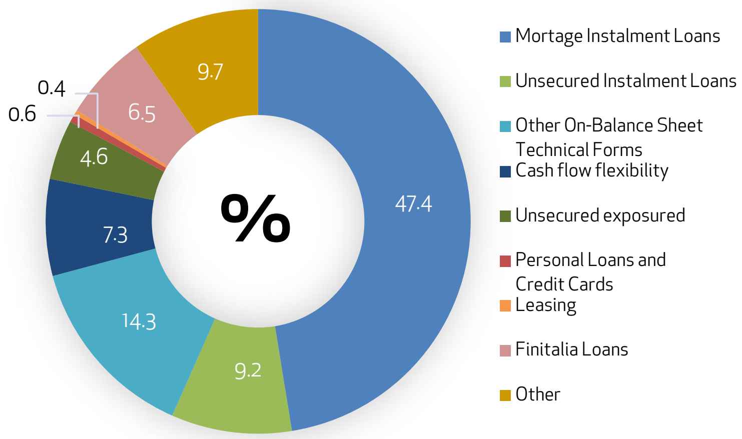
The development of credit risk trends is currently monitored using asset quality indicators and by analysing the level of concentration for the sector in significant exposures and large corporate. The results of monitoring and analysing the Group's credit portfolio are sent to the administrative bodies, relevant risk committees and the operating structures, with a particular focus on the most significant exposures and the sectors of greatest concentration.

In 2018, credit rating models for companies and private parties developed at consortium level were used to measure credit risk referred to performing loans. The non-static rating models, again developed by the consortium, continued to be used for a number of residual segments. Note that, with a view to further increasing the degree of accuracy of the Expected Loss ("EL") estimate of performing loans, for counterparties assessed using statistical models and falling within a predefined range, 2015 saw the establishment of a rating override process and at the end of 2018 a qualitative component was introduced to the rating system, in order to integrate the assessments obtained using the statistical approach, giving rise to the "Integrated Rating".

The same rating was used in the disbursement process referred to the retail counterparties, together with CRIF scoring systems.

Net of bad and doubtful loans, approximately 47.4% of Unipol Banca and Finitalia loans were made up of mortgage loans (exposure entirely attributable to the Unipol Banca portfolio).

Breakdown of loans (net of bad and doubtful loans)



As regards risk mitigation techniques, support was obtained in the form of traditional guarantees recognised by law (liens, enforcement and sureties, other collateral such as cash and securities deposits), including recourse to the guarantees provided by Confidi.

Liens and related monitoring are particularly important in containing the "Residual Risk". For this purpose the provisions on prudential supervision of banks were adopted (Bank of Italy Circular no. 285/13).
Fluctuations in value of the financial instruments accepted as guarantees on credit facilities granted (mainly government bonds, Bank-issued bonds and policies) are monitored.

The management of critical positions is also strengthened through specific company monitoring procedures.
Also highlighted is the constant commitment to guaranteeing the systematic monitoring of the watchlist positions showing early performance anomalies, with the aim of curbing the potential ensuing credit risk by taking timely actions to restore conditions of normality.

Market risks

In December 2018 the exposure to market risks, defined in compliance with prudential regulations, was purely residual. Positions held for trading are those subject to intentional short-term disposal and/or assumed in order to benefit, in the short term, from purchase and sale price spreads or other changes in price or interest rate.

In 2018 the Investment Policy was updated. The Policy establishes guidelines for the investment process, investment policy criteria, types of assets in which investment is considered appropriate and the structure of limits.
Market risk measurement, defined according to a management approach, and monitoring of the limits defined in the Investment Policy is performed monthly through the preparation of Market Risk Reports discussed at special committee meetings.

Interest Rate risk and Price risk

The entire Group banking book is analysed, comparing total loans against deposits sensitive to interest rate risk, thereby providing a comprehensive view and detecting any mismatches, both in terms of duration and the imbalance in items positioned in the various repricing segments. At 31 December 2018 the duration mismatch stood at -0.38. The impact in terms of sensitivity to a parallel change in the curve of -200 bps in Equity was -€77.6m (2.23% of Equity).

Liquidity risk

Bi-weekly operations meetings are held on ALM and Liquidity Management at which, in addition to monitoring the overall liquidity position of banking assets, other action is defined as necessary to meet any emerging liquidity needs.
The gap between structural and tactical liquidity, using the cash flows maturity structure as an operating tool, is analysed at the meeting. The liquidity gap is calculated on the basis of contractual and forecast cash flows, then compared against the reserves of liquid assets or assets than can be liquidated quickly.
This analysis is conducted under "business as usual" conditions and in idiosyncratic, market and combined stress conditions (the "worst case scenario").
In particular, with reference to the Banking Group, at 31 December 2018 the 3M "business as usual" gap was positive for €2,183m and the 1M stressed gap was positive for €1,869m.
Lastly, as part of the Prudential Supervisory Reports, the Liquidity Coverage Ratio (LCR), is calculated monthly. The ratio level is agreed by the Finance Committees, where necessary funding strategies are outlined that offer full compliance with regulatory requirements. At 31 December 2018 the LCR for the Unipol Banking Group was 199.67%, much higher than the regulatory requirement.

Operational risks

The Risk Self-Assessment is performed annually, representing a forward-looking qualitative and quantitative analysis which - through subjective indications provided by interviewees - aims to identify and assess potential operational risks associated with operations and related existing controls.
A specific annual analysis is also performed on the effects of IT risk scenarios on company processes, based on the document Group IT risk methodology, and in compliance with the provisions of Circular no. 285 of 17 December 2013, 11th update "Supervisory provisions for banks". The outcomes of this activity are examined and approved by the Boards of Directors of Unipol Banca and Unipol through the preparation of the "Summary report on Unipol Banca's IT risk situation" and the analogous document for Unipol as parent of the Unipol Banking Group.

Lastly, operating loss data is collected and analysed quarterly (Loss Data Collection - LDC), and the results are submitted to the Board of Directors of Unipol Banca.

Reputational and Strategic risk

Each year the Risk Management Department conducts an assessment cycle that involves the company functions to a greater extent, making it an important tool to raise awareness on and spread the culture of the reputational and strategic risk within Unipol Banca.
As regards the reputational risk, the assessment includes the monitoring of a set of listening and monitoring indicators. Monitoring of the strategic risk is carried out based on a specific framework comprising the main strategic drivers of the Unipol Banca Plan.

Bologna, 14 March 2019

The Board of Director

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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)	Method (1)	Business activity (2)
Unipol Gruppo Spa	086 Italia	Bologna		G	4
Compagnia Assicuratrice Linear Spa	086 Italia	Bologna		G	1
UniSalute Spa	086 Italia	Bologna		G	1
Midi Srl	086 Italia	Bologna		G	10
Unipol Banca Spa	086 Italia	Bologna		G	7
Unisalute Servizi Srl	086 Italia	Bologna		G	11
UnipolSai Finance Spa	086 Italia	Bologna		G	9
Grecale Abs Srl (*)	086 Italia	Bologna		G	11
Unipol Investment Spa	086 Italia	Bologna		G	9
Castoro Rmbs Srl (*)	086 Italia	Milano		G	11
Atlante Finance Srl (*)	086 Italia	Milano		G	11
Ambra Property Srl	086 Italia	Bologna		G	11
Arca Vita Spa	086 Italia	Verona		G	1
Arca Assicurazioni Spa	086 Italia	Verona		G	1
Arca Vita International Dac	040 Irlanda	Dublino		G	2
Arca Direct Assicurazioni Srl	086 Italia	Verona		G	11
Arca Inlinea Scarl	086 Italia	Verona		G	11
Arca Sistemi Scarl	086 Italia	Verona		G	11
Grecale RMBS 2011 srl (*)	086 Italia	Bologna		G	11
SME Grecale 2017 Srl (*)	086 Italia	Bologna		G	11
UnipolSai Assicurazioni Spa	086 Italia	Bologna		G	1
BIM Vita Spa	086 Italia	Torino		G	1
Incontra Assicurazioni Spa	086 Italia	Milano		G	1
Pronto Assistance Spa	086 Italia	Torino		G	1
Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni	086 Italia	Genova		G	1
Ddor Novi Sad	289 Serbia	Novi Sad (Serbia)		G	3
Ddor Re	289 Serbia	Novi Sad (Serbia)		G	6

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
					100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	98.53%	UnipolSai Assicurazioni Spa	79.55%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
57.75%			91.86%		100.00%
	42.25%	UnipolSai Assicurazioni Spa			
	100.00%	UniSalute Spa	79.55%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	0.00%	Unipol Banca Spa	8.07%		100.00%
	10.00%	UnipolSai Finance Spa			
100.00%			100.00%		100.00%
	0.00%	Unipol Banca Spa			100.00%
	0.00%	Unipol Banca Spa			100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	63.39%	UnipolSai Assicurazioni Spa	51.18%		100.00%
	98.12%	Arca Vita Spa	50.21%		100.00%
	100.00%	Arca Vita Spa	51.18%		100.00%
	100.00%	Arca Vita Spa	51.18%		100.00%
	60.22%	Arca Vita Spa	50.79%		100.00%
	39.78%	Arca Assicurazioni Spa			
	82.03%	Arca Vita Spa	51.01%		100.00%
	16.97%	Arca Assicurazioni Spa			
	1.00%	Arca Inlinea Scarl			
	0.00%	Unipol Banca Spa			100.00%
	0.00%	Unipol Banca Spa			100.00%
51.06%			80.73%		100.00%
	1.36%	UnipolSai Finance Spa			
	10.01%	Unipol Investment Spa			
	0.00%	Arca Vita Spa			
	0.01%	Pronto Assistance Spa			
	0.33%	UnipolSai Nederland Bv			
	9.998%	Unipol Finance Srl			
	8.29%	UnipolPart I Spa			
	50.00%	UnipolSai Assicurazioni Spa	40.37%		100.00%
	51.00%	UnipolSai Assicurazioni Spa	41.17%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	94.69%	UnipolSai Assicurazioni Spa	76.45%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	0.00%	Ddor Novi Sad	80.73%		100.00%

Consolidation scope

Name	Country of registered office	Registered office	Country of operations (5)	Method (1)	Business activity (2)
UnipolRe Dac	040 Irlanda	Dublino (Irlanda)		G	5
Finitalia Spa	086 Italia	Milano		G	11
UnipolSai Nederland Bv	050 Paesi Bassi	Amsterdam (NL)		G	11
Finsai International Sa	092 Lussemburgo	Lussemburgo		G	11
UnipolSai Investimenti Sgr Spa	086 Italia	Torino		G	8
Apb Car Service Srl	086 Italia	Torino		G	11
Auto Presto & Bene Spa	086 Italia	Torino		G	11
Casa di Cura Villa Donatello - Spa	086 Italia	Firenze		G	11
Centro Oncologico Fiorentino Casa di Cura Villanova Srl in Liquidazione	086 Italia	Sesto Fiorentino (FI)		G	11
Florence Centro di Chirurgia Ambulatoriale Srl	086 Italia	Firenze		G	11
UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata	086 Italia	Bologna		G	11
Tenute del Cerro Spa - Societa' Agricola	086 Italia	Montepulciano (SI)		G	11
UnipolSai Servizi Previdenziali Srl	086 Italia	Firenze		G	11
Sogeint Societa' a Responsabilita' Limitata	086 Italia	San Donato Milanese		G	11
Pronto Assistance Servizi Scarl	086 Italia	Torino		G	11

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
	99.998%	UnipolRe Dac			
	100.00%	UnipolSai Nederland Bv	80.73%		100.00%
	100.00%	Unipol Banca Spa	91.86%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	36.15%	UnipolSai Finance Spa	80.73%		100.00%
	63.85%	UnipolSai Assicurazioni Spa			
51.00%			90.56%		100.00%
	49.00%	UnipolSai Assicurazioni Spa			
	70.00%	Auto Presto & Bene Spa	56.51%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	100.00%	Casa di Cura Villa Donatello - Spa	80.73%		100.00%
0.02%			80.66%		100.00%
	0.20%	Compagnia Assicuratrice Linear Spa			
	0.20%	UniSalute Spa			
	0.02%	Unipol Banca Spa			
	0.20%	Arca Vita Spa			
	98.23%	UnipolSai Assicurazioni Spa			
	0.02%	BIM Vita Spa			
	0.02%	Incontra Assicurazioni Spa			
	0.90%	Pronto Assistance Spa			
	0.11%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.02%	UnipolRe Dac			
	0.02%	Finitalia Spa			
	0.02%	Auto Presto & Bene Spa			
	0.02%	Pronto Assistance Servizi Scarl			
	98.81%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	1.19%	Pronto Assistance Spa			
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	80.73%		100.00%
	3.00%	Compagnia Assicuratrice Linear Spa	80.58%		100.00%

Consolidation scope

Name	Country of registered office	Registered office	Country of operations (5)	Method (1)	Business activity (2)
Gruppo UNA Spa	086 Italia	Milano		G	11
Consorzio Castello	086 Italia	Firenze		G	10
Ital H&R Srl	086 Italia	Bologna		G	11
Marina di Loano Spa	086 Italia	Loano (SV)		G	10
Meridiano Secondo Srl	086 Italia	Torino		G	10
Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	086 Italia	Firenze		G	10
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' per Azioni	086 Italia	Bologna		G	10
Villa Ragionieri Srl	086 Italia	Firenze		G	10
Tikal R.E. Fund	086 Italia			G	10
Athens R.E. Fund	086 Italia			G	10
Unipol Finance Srl	086 Italia	Bologna		G	9
Grecale RMBS 2015 srl (*)	086 Italia	Bologna		G	11
Alfaevolution Technology Spa	086 Italia	Bologna		G	11
Leithà Srl	086 Italia	Bologna		G	11
UniAssiTeam Srl	086 Italia	Bologna		G	11
Unipol Reoco Spa	086 Italia	Bologna		G	11
Fondo Opportunity	086 Italia			G	10
UnipolReC Spa	086 Italia	Bologna		G	11
UnipolPart I Spa	086 Italia	Bologna		G	9
Fondo Landev	086 Italia			G	10

(1) Consolidation method: G=on a line-by-line basis; P=proportional; 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.

(*) Securitisation SPVs which, though not subsidiaries, are consolidated as essentially all risks and benefits are retained.

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
	0.25% UniSalute Spa			
	0.00% Unipol Banca Spa			
	0.10% Arca Assicurazioni Spa			
	95.34% UnipolSai Assicurazioni Spa			
	0.15% Incontra Assicurazioni Spa 0.31% Pronto Assistance Spa			
	0.25% Apb Car Service Srl			
	0.25% Auto Presto & Bene Spa			
	0.10% UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata			
	0.25% Alfaevolution Technology Spa			
	100.00% UnipolSai Assicurazioni Spa	80.73%		100.00%
	99.57% Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	80.38%		100.00%
	100.00% UnipolSai Assicurazioni Spa	80.73%		100.00%
	100.00% UnipolSai Assicurazioni Spa	80.73%		100.00%
	100.00% UnipolSai Assicurazioni Spa	80.73%		100.00%
	100.00% UnipolSai Assicurazioni Spa	80.73%		100.00%
	51.67% UnipolSai Assicurazioni Spa	41.71%		100.00%
	100.00% UnipolSai Assicurazioni Spa	80.73%		100.00%
	95.00% UnipolSai Assicurazioni Spa	76.70%		100.00%
	0.68% Unipol Banca Spa	71.43%		100.00%
	64.72% UnipolSai Assicurazioni Spa			
	24.19% Tikal R.E. Fund			
100.00%		100.00%		100.00%
	0.00% Unipol Banca Spa			100.00%
	100.00% UnipolSai Assicurazioni Spa	80.73%		100.00%
	100.00% UnipolSai Assicurazioni Spa	80.73%		100.00%
	65.00% UnipolSai Finance Spa	52.48%		100.00%
	0.00% Unipol Banca Spa	91.86%		100.00%
	100.00% UnipolReC Spa			
	100.00% UnipolSai Assicurazioni Spa	80.73%		100.00%
57.75%		91.86%		100.00%
	42.25% UnipolSai Assicurazioni Spa			
100.00%		100.00%		100.00%
	100.00% UnipolSai Assicurazioni Spa	80.73%		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
UnipolSai Assicurazioni Spa	19.27%		112.7	1,194.0

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Business activity (1)
Hotel Villaggio Citta' del Mare Spa in Liquidazione	086	Italy	Modena		11
Assicoop Modena & Ferrara Spa	086	Italy	Modena		11
Assicoop Bologna Metropolitana Spa	086	Italy	Bologna		11
Fondazione Unipolis	086	Italy	Bologna		11
Uci - Ufficio Centrale Italiano	086	Italy	Milan		11
Assicoop Toscana Spa	086	Italy	Siena		11
Pegaso Finanziaria Spa	086	Italy	Bologna		9
SCS Azioninnova Spa	086	Italy	Bologna		11
Promorest Srl	086	Italy	Castenaso (BO)		11
Assicoop Emilia Nord Srl	086	Italy	Parma		11
Assicoop Romagna Futura Spa	086	Italy	Ravenna		11
Garibaldi Sca	092	Luxembourg	Luxembourg		11
Isola Sca	092	Luxembourg	Luxembourg		11
Fin.Priv. Srl	086	Italy	Milan		11
Ddor Auto - Limited Liability Company	289	Serbia	Novi Sad (Serbia)		3
Funivie del Piccolo San Bernardo Spa	086	Italy	La Thuile (AO)		11
Ddor Garant	289	Serbia	Belgrado (Serbia)		11
Borsetto Srl	086	Italy	Turin		10
Butterfly Am Sarl	092	Luxembourg	Luxembourg		11

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
54,720.6	48,772.2	43,336.5	3,610.4	6,116.8	636.5	92.7	9,791.7

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
b		49.00%	UnipolSai Assicurazioni Spa	39.56%		
b		43.75%	UnipolSai Finance Spa	35.32%		7.3
b		49.19%	UnipolSai Finance Spa	39.71%		9.0
a		100.00%	UnipolSai Assicurazioni Spa	80.73%		0.3
b		0.0002%	Compagnia Assicuratrice Linear Spa	30.39%		0.2
		0.01%	Arca Assicurazioni Spa			
		37.55%	UnipolSai Assicurazioni Spa			
		0.002%	Incontra Assicurazioni Spa			
		0.09%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
b		46.77%	UnipolSai Finance Spa	37.76%		1.3
b		45.00%	UnipolSai Finance Spa	36.33%		5.2
b		42.85%	Unipol Banca Spa	39.37%		2.4
b		49.92%	Unipol Banca Spa	45.86%		5.0
b		50.00%	UnipolSai Finance Spa	40.37%		6.3
b		50.00%	UnipolSai Finance Spa	40.37%		6.3
b		32.00%	UnipolSai Assicurazioni Spa	25.83%		3.6
b		29.56%	UnipolSai Assicurazioni Spa	23.87%		
b		28.57%	UnipolSai Assicurazioni Spa	23.07%		30.5
a		100.00%	Ddor Novi Sad	80.73%		0.0
b		23.55%	UnipolSai Assicurazioni Spa	19.01%		2.5
b		32.46%	Ddor Novi Sad	32.29%		0.6
		7.54%	Ddor Re			
b		44.93%	UnipolSai Assicurazioni Spa	36.27%		0.3
b		28.57%	UnipolSai Assicurazioni Spa	23.07%		0.0

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Business activity (1)
Servizi Immobiliari Martinelli Spa	086	Italy	Cinisello Balsamo (MI)		10
Penta Domus Spa in Liquidazione	086	Italy	Turin		10
Golf Club Poggio dei Medici Spa Societa' Dilettantistica Sportiva	086	Italy	San Piero (FI)		11

(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.

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
b		20.00%	UnipolSai Assicurazioni Spa	16.15%		0.2
b		24.66%	UnipolSai Assicurazioni Spa	19.91%		0.0
b		40.32%	Gruppo UNA Spa	32.55%		0.8

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	1,523.6	1,519.4	416.1	435.1
2	PROPERTY, PLANT AND EQUIPMENT	990.0	934.8	76.0	74.9
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	932.9	813.9	49.1	60.6
4	INVESTMENTS	14,485.7	15,266.5	41,750.2	41,593.9
4.1	Investment property	1,372.5	1,606.1	4.2	4.4
4.2	Investments in subsidiaries, associates and interests in joint ventures	70.1	78.5	3.6	3.7
4.3	Held-to-maturity investments	57.2	53.5	402.5	486.1
4.4	Loans and receivables	1,908.2	1,828.0	2,478.8	2,878.2
4.4bis	Financial assets at amortised cost				
4.5	Available-for-sale financial assets	10,967.7	11,569.5	32,477.9	32,108.6
4.5bis	Available-for-sale financial assets				
4.6	Financial assets at fair value through OCI	110.2	130.9	6,383.3	6,112.8
5	SUNDRY RECEIVABLES	2,251.4	2,165.1	576.1	558.2
6	OTHER ASSETS	884.5	845.2	140.4	10,558.6
6.1	Deferred acquisition costs	42.6	30.5	55.5	54.6
6.2	Other assets	841.8	814.7	84.9	10,504.0
7	CASH AND CASH EQUIVALENTS	335.5	405.3	528.6	1,022.0
	TOTAL ASSETS	21,403.6	21,950.2	43,536.5	54,303.3
1	SHAREHOLDERS' EQUITY				
2	PROVISIONS	322.7	352.9	18.4	18.1
3	TECHNICAL PROVISIONS	15,211.8	15,461.0	38,011.5	37,965.8
4	FINANCIAL LIABILITIES	1,581.0	1,510.5	3,374.2	3,183.0
4.1	Financial liabilities at fair value through profit or loss	71.6	42.5	2,467.7	2,446.3
4.2	Financial liabilities at amortised cost	1,509.4	1,468.1	906.5	736.8
5	PAYABLES	708.8	785.5	169.2	151.5
6	OTHER LIABILITIES	647.2	692.7	96.5	10,223.9
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Banks		Holding and 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	31/12/2018	31/12/2017
	7.8	15.5	14.6	0.1	0.2		(0.2)	1,955.3	1,976.9
	38.5	214.5	206.9	606.9	616.8		0.2	1,887.4	1,872.1
								982.0	874.5
	13,166.9	1,193.8	86.9	593.1	556.4	(479.8)	(1,272.9)	57,543.0	69,397.7
	1.0	34.0	33.1	586.1	554.4			1,996.7	2,199.1
	7.3	0.8	0.8					74.5	90.3
	324.7							459.6	864.2
	12,039.9	0.2	35.6	7.0	2.0	(473.1)	(1,266.2)	3,921.0	15,517.5
		490.1						490.1	
	793.5	0.3	17.3	0.0	0.0	(6.7)	(6.7)	43,439.2	44,482.3
		663.3						663.3	
	0.7	5.0						6,498.5	6,244.3
	85.3	209.1	270.9	18.1	15.9	(292.7)	(241.2)	2,762.2	2,854.3
11,492.1	587.3	476.5	563.8	121.8	42.4	(928.9)	(231.3)	12,186.3	12,366.0
								98.1	85.0
11,492.1	587.3	476.5	563.8	121.8	42.4	(928.9)	(231.3)	12,088.2	12,281.0
	99.8	1,241.1	1,504.4	107.1	106.9	(1,947.7)	(2,507.0)	264.6	631.5
11,492.1	13,985.7	3,350.5	2,647.5	1,447.1	1,338.6	(3,649.1)	(4,252.4)	77,580.8	89,972.9
								6,326.7	7,453.0
	74.7	11.1	9.6	4.8	5.0			357.1	460.3
								53,223.3	53,426.8
	12,446.5	2,236.9	2,120.5	328.7	327.9	(599.0)	(3,188.7)	6,921.7	16,399.7
	0.0							2,539.3	2,488.7
	12,446.5	2,236.9	2,120.5	328.7	327.9	(599.0)	(3,188.7)	4,382.4	13,911.0
	67.2	818.6	806.3	27.4	37.0	(919.5)	(939.2)	804.4	908.4
11,273.6	499.1	40.3	20.4	20.5	12.9	(2,130.5)	(124.5)	9,947.6	11,324.6
								77,580.8	89,972.9

Income statement by business segment

	Amounts in €m	Non-Life business		Life business	
		31/12/2018	31/12/2017	31/12/2018	31/12/2017
1.1	Net premiums	7,593.5	7,458.1	3,875.5	3,804.8
	1.1.1 Gross premiums earned	*8,003.0*	*7,862.9*	*3,889.3*	*3,818.7*
	1.1.2 Earned premiums ceded to reinsurers	*(409.5)*	*(404.8)*	*(13.8)*	*(13.9)*
1.2	Commission income	6.8	6.6	32.5	48.2
1.3	Gains and losses on financial instruments at fair value through profit or loss	(49.1)	(32.2)	(103.9)	162.2
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	8.9	5.7	305.9	0.0
1.5	Gains on other financial instruments and investment property	668.2	811.3	1,462.9	1,494.7
1.6	Other revenue	401.3	331.9	64.0	45.5
	TOTAL REVENUE AND INCOME	**8,629.6**	**8,581.4**	**5,637.0**	**5,555.5**
2.1	Net charges relating to claims	(4,965.5)	(4,988.9)	(4,497.7)	(4,632.2)
	2.1.1 Amounts paid and changes in technical provisions	*(5,277.1)*	*(5,169.1)*	*(4,501.8)*	*(4,638.8)*
	2.1.2 Reinsurers' share	*311.6*	*180.2*	*4.1*	*6.5*
2.2	Commission expenses	(7.6)	(6.8)	(15.0)	(21.9)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(0.3)	(3.2)	(0.2)	(1.0)
2.4	Losses on other financial instruments and investment property	(186.8)	(225.0)	(130.4)	(162.0)
2.5	Operating expenses	(2,146.3)	(2,118.3)	(241.5)	(269.0)
2.6	Other costs	(593.1)	(551.8)	(131.5)	(141.7)
2	**TOTAL COSTS AND EXPENSES**	**(7,899.6)**	**(7,893.9)**	**(5,016.2)**	**(5,227.8)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**730.1**	**687.4**	**620.8**	**327.7**

Banks		Holding and 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	31/12/2018	31/12/2017
								11,469.0	11,262.9
								11,892.4	*11,681.6*
								(423.4)	*(418.7)*
	7.3	7.7	12.5			(7.6)	(7.4)	39.4	67.2
		(0.5)	(0.1)			0.0		(153.5)	129.9
		(0.0)	1.0					314.8	6.7
	0.2	61.8	6.8	25.7	25.0	(24.2)	(17.9)	2,194.5	2,320.1
	0.0	219.1	227.9	37.3	36.1	(88.0)	(100.6)	633.8	540.9
0.0	**7.5**	**288.2**	**248.1**	**63.0**	**61.1**	**(119.8)**	**(125.9)**	**14,498.0**	**14,327.8**
								(9,463.2)	(9,621.1)
								(9,778.9)	*(9,807.9)*
								315.7	*186.7*
		(0.3)	(0.0)	(0.0)	(0.0)			(22.9)	(28.8)
	0.0		(0.0)	(0.4)				(0.9)	(4.2)
		(115.0)	(66.2)	(65.3)	(27.0)	6.9	(102.8)	(490.6)	(583.0)
	(2.1)	(132.4)	(110.6)	(22.1)	(25.5)	28.1	35.4	(2,514.1)	(2,490.0)
	(0.1)	(144.7)	(254.7)	(36.5)	(32.5)	84.8	193.2	(821.1)	(787.5)
0.0	**(2.2)**	**(392.5)**	**(431.5)**	**(124.3)**	**(85.1)**	**119.8**	**125.9**	**(13,312.7)**	**(13,514.6)**
0.0	**5.4**	**(104.3)**	**(183.4)**	**(61.3)**	**(23.9)**			**1,185.2**	**813.2**

Details of property, plant and equipment and intangible assets

Amounts in €m	At cost	At restated or fair value	Total carrying amount
Investment property	1,996.7		1,996.7
Other properties	1,637.2		1,637.2
Other tangible assets	250.2		250.2
Other intangible assets	373.5		373.5

Details of financial assets

	Held-to-maturity investments		Loans and receivables		Financial assets at amortised cost		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	29.3
Equity instruments at fair value							786.1	897.3
of which: listed securities							*589.4*	700.2
Debt securities	459.6	864.2	3,409.9	3,886.2			40,055.5	41,240.0
of which: listed securities	*427.6*	*832.2*					*39,588.2*	40,590.2
UCITS units							2,588.8	2,315.7
Loans and receivables from bank customers				7,727.6				
Interbank loans and receivables				3,405.1				
Deposits with ceding companies			32.7	19.1				
Financial receivables on insurance contracts								
Other loans and receivables			478.4	479.6				
Non-hedging derivatives								
Hedging derivatives								
Other financial investments								
Total	**459.6**	**864.2**	**3,921.0**	**15,517.5**			**43,439.2**	**44,482.3**

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		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	29.3
0.0	16.3			0.0		1,049.8	1,099.2
0.0	*16.3*					*853.2*	*902.1*
118.1	140.4			4.1		48,122.2	49,131.8
93.4	*80.0*			*4.1*		*44,187.0*	*44,500.8*
9.4	14.1			0.8		4,794.7	4,552.6
						490.1	7,727.6
							3,405.1
						32.7	19.1
						334.5	498.6
						478.4	479.6
135.4	60.9					135.4	63.7
25.1	101.8					25.1	101.8
288.0	**333.5**			**5.0**		**55,471.8**	**67,108.3**

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	5,517.8	4,074.5	3,804.3	6,210.5	9,322.2
Intragroup assets *						
Total Assets	**2,136.1**	**5,517.8**	**4,074.5**	**3,804.3**	**6,210.5**	**9,322.2**
Recognised financial liabilities	1,813.0	2,607.7	435.5	483.6	2,248.5	3,091.2
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**	**5,519.6**	**4,075.7**	**3,804.3**	**6,211.8**	**9,323.9**

* Assets and liabilities eliminated on consolidation

Details of technical provisions – reinsurers' share

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Non-Life provisions	**897.1**	**779.0**	**35.8**	**34.9**	**932.9**	**813.9**
Premium provisions	216.8	219.1	2.8	1.8	219.5	220.9
Claims provision	680.4	559.9	33.0	33.1	713.4	593.0
Other technical provisions						
Life provisions	**45.0**	**54.9**	**4.1**	**5.7**	**49.1**	**60.6**
Provision for amounts payable	3.5	4.2	0.3	0.5	3.8	4.7
Mathematical provisions	41.6	50.7	3.8	5.2	45.3	55.9
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management						
Other technical provisions						
Total technical provisions - reinsurers' share	**942.2**	**833.9**	**39.9**	**40.6**	**982.0**	**874.5**

Details of technical provisions

	Direct business		Indirect business		Total carrying amount	
Amounts in €m	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Non-Life provisions	**14,861.7**	**15,241.1**	**350.1**	**219.9**	**15,211.8**	**15,461.0**
Premium provision	3,070.8	2,951.9	71.4	22.3	3,142.2	2,974.2
Claims provision	11,754.7	12,237.3	278.5	197.3	12,033.2	12,434.6
Other technical provisions	36.2	52.0	0.2	0.3	36.4	52.3
including provisions allocated as a result of the liability adequacy test						
Life provisions	**38,003.6**	**37,955.0**	**7.8**	**10.8**	**38,011.5**	**37,965.8**
Provision for amounts payable	405.5	394.4	2.0	2.1	407.6	396.5
Mathematical provisions	32,087.0	31,156.8	5.8	8.7	32,092.8	31,165.5
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 technical provisions	1,547.8	2,687.8			1,547.8	2,687.8
including provisions allocated as a result of the liability adequacy test						
including deferred liabilities to policyholders	*1,412.8*	*2,555.9*			*1,412.8*	*2,555.9*
Total technical provisions	**52,865.4**	**53,196.1**	**357.9**	**230.7**	**53,223.3**	**53,426.8**

Details of financial liabilities

Amounts in €m	Financial liabilities at fair value through profit or loss				Financial liabilies at amortised cost		Total carrying amount	
	Financial liabilities held-for trading		Financial liabilities at fair value					
	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	2,352.6	2,247.2	2,352.6
Liabilities from financial contracts issued by insurance companies			2,261.0	2,210.3	0.0	0.1	2,261.1	2,210.3
Arising from contracts where the investment risk is borne by policyholders			*1,825.5*	*1,734.6*			*1,825.5*	*1,734.6*
Arising from pension fund management			*435.5*	*475.7*			*435.5*	*475.7*
Arising from other contracts					*0.0*	*0.1*	*0.0*	*0.1*
Deposits received from reinsurers					166.2	173.6	166.2	173.6
Financial items payable on insurance contracts								
Debt securities issued					1,804.3	3,960.2	1,804.3	3,960.2
Payables to bank customers						6,821.3		6,821.3
Interbank payables						438.6		438.6
Other loans obtained					164.1	159.3	164.1	159.3
Non-hedging derivatives	67.7	24.7					67.7	24.7
Hedging derivatives	210.5	253.7					210.5	253.7
Sundry financial liabilities					0.5	5.4	0.5	5.4
Total	**278.3**	**278.4**	**2,261.0**	**2,210.3**	**4,382.4**	**13,911.0**	**6,921.7**	**16,399.7**

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		8,003.0	(409.5)	7,593.5	7,862.9	(404.8)	7,458.1
a	Written premiums	8,160.6	(408.3)	7,752.3	7,964.0	(434.8)	7,529.2
b	Change in premium provision	(157.5)	(1.3)	(158.8)	(101.1)	30.0	(71.1)
NET CHARGES RELATING TO CLAIMS		(5,277.1)	311.6	(4,965.5)	(5,169.1)	180.2	(4,988.9)
a	Amounts paid	(5,799.1)	204.0	(5,595.1)	(5,786.9)	195.7	(5,591.2)
b	Change in claims provision	393.9	121.6	515.4	491.7	5.2	496.9
c	Change in recoveries	129.0	(13.9)	115.1	130.9	(20.7)	110.3
d	Change in other technical provisions	(0.8)		(0.8)	(4.9)		(4.9)
Life business							
NET PREMIUMS		3,889.3	(13.8)	3,875.5	3,818.7	(13.9)	3,804.8
NET CHARGES RELATING TO CLAIMS		(4,501.8)	4.1	(4,497.7)	(4,638.8)	6.5	(4,632.2)
a	Amounts paid	(3,619.3)	15.5	(3,603.8)	(5,517.4)	14.4	(5,503.0)
b	Change in provision for amounts payable	(26.3)	(0.9)	(27.3)	(2.1)	0.4	(1.7)
c	Change in mathematical provisions	(806.3)	(10.5)	(816.8)	26.6	(8.2)	18.4
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	(101.9)	(0.0)	(101.9)	(15.7)	(0.0)	(15.7)

Investment income and charges

Amounts in €m		Interests	Other income	Other charges	Realised gains	Realised losses
Balance on investments		**1,616.5**	**300.6**	**(203.0)**	**838.6**	**(224.6)**
a	Arising from investment property		57.5	(26.4)	27.7	(5.3)
b	Arising from investments in subsidiaries, associates and interests in joint ventures		6.1	(0.5)	308.7	(0.0)
c	Arising from held-to-maturity investments	21.0		(0.0)		
d	Arising from loans and receivables	121.8	0.0	(0.0)	16.4	(0.1)
e	Arising from financial assets at amortised cost	0.1			32.4	(4.3)
f	Arising from available-for-sale financial assets	1,398.0	115.9	(3.3)	370.8	(131.6)
g	Arising from financial assets at fair value through OCI	3.3			2.4	(0.0)
h	Arising from held-for-trading financial assets	9.3	83.0	(119.1)	27.9	(25.5)
i	Arising from financial assets at fair value through profit or loss	62.7	37.1	(53.3)	48.4	(54.1)
l	Arising from financial assets mandatorily at fair value	0.2	0.9	(0.4)	3.9	(3.8)
Balance on sundry receivables		**3.3**				
Balance on cash and cash equivalents		**0.8**		**(0.0)**		
Balance on financial liabilities		**(155.4)**	**78.2**	**(10.3)**		
a	Arising from held-for-trading financial liabilities					
b	Arising from financial liabilities at fair value		78.2	(0.1)		
c	Arising from financial liabilities at amortised cost	(155.4)		(10.2)		
Balance on payables		**(15.0)**		**(0.1)**		
Total		**1,450.2**	**378.8**	**(213.4)**	**838.6**	**(224.6)**

Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	**Total gains and losses 31/12/2018**	Total gains and losses 31/12/2017
	Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment			
2,328.1	**70.2**	**23.0**	**(430.3)**	**(87.8)**	**(424.9)**	**1,903.2**	**2,085.8**
53.5			(32.3)	(59.2)	(91.5)	(38.0)	(1.0)
314.3		(0.0)		(0.4)	(0.4)	313.9	2.5
21.0						21.0	33.5
138.2		0.0			0.0	138.2	34.3
28.2		23.0	(18.7)		4.3	32.6	
1,749.9	0.0			(27.3)	(27.3)	1,722.5	1,812.2
5.6	0.0			(0.9)	(0.9)	4.8	
(24.3)	38.2		(62.3)		(24.1)	(48.5)	(22.3)
40.8	32.0		(315.6)		(283.6)	(242.8)	226.7
0.9			(1.4)		(1.4)	(0.5)	
3.3						**3.3**	**2.8**
0.8						**0.8**	**0.9**
(87.5)	**60.2**		**(0.5)**		**59.7**	**(27.7)**	**(211.1)**
							0.2
78.1	60.2		(0.0)		60.2	138.3	(74.7)
(165.6)	0.0		(0.5)		(0.5)	(166.0)	(136.6)
(15.2)						**(15.2)**	**(8.9)**
2,229.5	**130.4**	**23.0**	**(430.7)**	**(87.8)**	**(365.1)**	**1,864.4**	**1,869.5**

Details of insurance business expenses

Amounts in €m	Non-Life business		Life business	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Gross commissions and other acquisition costs	**(1,813.1)**	**(1,801.4)**	**(113.0)**	**(122.6)**
a Acquisition commissions	(1,288.4)	(1,283.5)	(63.1)	(70.0)
b Other acquisition costs	(371.6)	(360.2)	(42.7)	(47.2)
c Change in deferred acquisition costs	3.0	(5.7)	0.3	2.5
d Collection commissions	(156.1)	(152.1)	(7.4)	(8.0)
Commissions and profit-sharing received from insurers	**125.7**	**145.7**	**3.9**	**3.1**
Investment management expenses	**(67.1)**	**(76.1)**	**(43.4)**	**(47.6)**
Other administrative expenses	**(391.8)**	**(386.4)**	**(89.0)**	**(101.9)**
Total	**(2,146.3)**	**(2,118.3)**	**(241.5)**	**(269.0)**

Details of the consolidated comprehensive income statement

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	**(43.8)**	**6.0**		
Reserve deriving from changes in the shareholders' equity of the investees	(8.5)	7.0		
Revaluation reserve for intangible assets				
Revaluation reserve for property, plant and equipment				
Gains and losses on non-current assets or assets of a disposal group held for sale				
Actuarial gains and losses and adjustments relating to defined benefit plans	(0.2)	(1.0)		
Gains or losses on equity instruments at fair value through OCI	(35.1)			
Reserve deriving from variation on credit risk on financial liabilities at fair value through profit or loss				
Other items	(0.0)			
Other income items reclassified to profit or loss	**(324.2)**	**295.9**	**(568.0)**	**(142.5)**
Reserve for foreign currency translation differences	0.2	1.5		
Gains or losses on available-for-sale financial assets	(324.7)	294.1	(562.5)	(143.9)
Gains or losses on financial assets (other than equity instruments) at fair value through OCI	(9.7)		(5.6)	
Gains or losses on cash flow hedges	10.1	0.2		1.4
Gains or losses on hedges of a net investment in foreign operations				
Reserve deriving from changes in the shareholders' equity of the investees				
Gains and losses on non-current assets or of a disposal group held for sale				
Other items				
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	**(368.0)**	**301.9**	**(568.0)**	**(142.5)**

Other changes		Total changes		Income taxes		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
(0.0)	**(20.7)**	**(43.8)**	**(14.7)**	**0.1**	**0.2**	**(52.5)**	**(8.7)**
(0.0)		(8.5)	7.0			11.0	19.5
	(20.7)		(20.7)				
		(0.2)	(1.0)	0.1	0.2	(28.5)	(28.2)
		(35.1)				(35.1)	
		(0.0)					0.0
19.6	**(0.0)**	**(872.7)**	**153.4**	**388.5**	**(66.7)**	**88.0**	**960.7**
	(0.0)	0.2	1.5			4.9	4.7
3.6	0.0	(883.6)	150.3	393.2	(66.0)	80.6	964.1
15.9		0.6		(0.2)		0.6	
		10.1	1.6	(4.5)	(0.8)	1.9	(8.2)
19.6	**(20.7)**	**(916.5)**	**138.7**	**388.6**	**(66.5)**	**35.5**	**952.0**

Details of reclassified financial assets and their effects on the income statement and comprehensive income statement

Categories of financial assets subject to reclassification		Type of asset	Date of reclassification (*)	Amount of assets reclassified during the year at the reclassification date	Carrying amount at 31/12/2018 of reclassified assets		Fair value at 31/12/2018 of reclassified assets	
from	to				Assets reclassified during the year	Assets reclassified up to 31/12/2018	Assets reclassified during the year	Assets reclassified up to 31/12/2018
At FV through profit or loss	Loans and receivables	debt securities				203.9		169.5
At FV through profit or loss	Loans and receivables	other fin. instr.						
Available-for-sale	Loans and receivables	debt securities				205.0		170.8
Available-for-sale	Loans and receivables	other fin. instr.						
At FV through profit or loss	Available-for-sale	equity instruments						
At FV through profit or loss	Available-for-sale	debt securities						
At FV through profit or loss	Available-for-sale	other fin. instr.						
At FV through profit or loss	Held-to-maturity investments	debt securities						
At FV through profit or loss	Held-to-maturity investments	other fin. instr.						
Available-for-sale	Held-to-maturity investments	debt securities						
Available-for-sale	Held-to-maturity investments	other fin. instr.						
Total						**408.9**		**340.2**

(*) Applicable only to financial assets classified according to IFRS9

Amounts in €m

Assets reclassified during the year		Assets reclassified up to 31/12/2018		Assets reclassified during the year		Assets reclassified up to 31/12/2018	
Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in the statement of other comprehensive income if there had been no reclassification	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in statement of other comprehensive income if there had been no reclassification
						(19.2)	
							(13.6)
						(19.2)	**(13.6)**

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		41,781.3	42,901.4	377.3	517.4	1,280.6	1,063.5	43,439.2	44,482.3
Financial assets at fair value through OCI		663.3						663.3	
Financial assets at fair value through profit or loss	Held for trading financial assets	108.8	106.9	164.0	157.1	15.2	69.6	288.0	333.5
	Financial assets at fair value	6,203.5	5,896.8	0.7	11.5	1.3	2.4	6,205.5	5,910.8
	Financial assets at fair value through profit or loss	3.3				1.7		5.0	
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		***48,760.2***	***48,905.0***	***542.0***	***686.0***	***1,298.8***	***1,135.6***	***50,601.0***	***50,726.6***
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	14.9	17.6	241.5	254.1	21.9	6.7	278.3	278.4
	Financial liabilities at fair value through profit or loss					2,261.0	2,210.3	2,261.0	2,210.3
Total liabilities measured at fair value on a recurring basis		***14.9***	***17.6***	***241.5***	***254.1***	***2,282.9***	***2,217.0***	***2,539.3***	***2,488.7***
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 financial assets and liabilities at fair value on a recurring basis

			Financial assets at fair value through profit or loss					Intangible assets	Financial liabilities at fair value	
Amounts in €	**Available-for-sale financial assets**	**Financial assets at fair value through OCI**	Held-for-trading financial assets	Financial assets at fair value	Other financial assets mandatorily at fair value	**Investment property**	**Property, plant and equipment**	**Held-for-trading financial liabilities**	Financial liabilities at fair value through profit or loss	
Opening balance	**1,063.5**		**69.6**						**6.7**	**2,210.3**
Acquisitions/Issues	215.9		0.0							
Sales/Repurchases	(88.3)		(0.4)							
Repayments	(1.0)		(1.7)							
Gains or losses recognised through profit or loss	(0.0)		(5.3)							
- of which unrealised gains/losses	*(0.0)*		*(5.3)*							
Gains or losses recognised in the statement of other comprehensive income	121.2									
Transfers to level 3			0.0							
Transfers to other levels			(21.8)							
Other changes	(30.6)		(25.3)		1.7				15.2	50.8
Closing balance	**1,280.6**		**15.2**		**1.7**				**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	864.2	497.3	956.7	34.5	32.8			531.7	989.5
Loans and receivables	3,921.0	15,517.5			2,650.3	3,372.4	1,179.5	12,807.6	3,829.9	16,180.0
Financial assets at amortised cost	490.1						490.1		490.1	
Investments in subsidiaries, associates and interests in joint ventures	74.5	90.3					74.5	90.3	74.5	90.3
Investment property	1,996.7	2,199.1					2,097.2	2,317.1	2,097.2	2,317.1
Property, plant and equipment	1,887.4	1,872.1					2,084.2	2,023.2	2,084.2	2,023.2
Total assets	**8,829.4**	**20,543.2**	**497.3**	**956.7**	**2,684.8**	**3,405.2**	**5,925.6**	**17,238.2**	**9,107.7**	**21,600.1**
Liabilities										
Financial liabilities at amortised cost	4,382.4	13,911.0	3,668.5	3,290.9			719.1	11,345.9	4,387.6	14,636.8

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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.	Unipol S.p.A.	147
Other professional services	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	108
Total Unipol Gruppo			**255**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	3,099
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	120
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	77
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	520
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	464
Other services: tax services	TLS Professional Association of Lawyers and Accountants	Subsidiaries	65
Other professional services	PricewaterhouseCoopers Dublin	Subsidiaries	290
Total subsidiaries			**4,634**
Grand total			**4,889**

(*) the fees do not include any non-deductible VAT or charged back expenses

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DISCLOSURE AS PARENT OF THE UNIPOL BANKING GROUP

Disclosure as Parent of the Unipol Banking Group

This disclosure is provided pursuant to Directive 2013/36/EU of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV), and Directive 2011/89/EU of 16 November 2011, on supplementary supervision of financial entities in a financial conglomerate ("FICOD1"). This regulation envisages that the supervision should also be performed of "mixed financial services groups" (MFSG) which head a financial conglomerate identified as such by the relevant supervisory authorities.

The activities of the corporate group headed by Unipol Gruppo (Unipol) are largely related to insurance both in terms of volumes of assets invested and of product revenue and margins. The banking business is ancillary to the insurance business. However, the assignment of Banking Group Parent status, in addition to that of Insurance Group Parent, implies that Unipol is responsible for all obligations envisaged in current regulations for the banking Parent, and in particular those indicated in EU Regulation no. 575/2013 (CRR) on prudential requirements, relating to reporting and public disclosures.

In order to comply with the minimum disclosure requirements envisaged in Part Eight of the CRR (Basel 3, Pillar III), this report - attached to the 2018 Consolidated Financial Statements of the Unipol Group - provides information on:

- Consolidated financial statements of the Unipol Banking Group prepared for prudential purposes;
- Restatement of the Unipol consolidated financial statements based on the Unipol Banking Group prudential consolidation scope (presented for the purpose of reconciling the Unipol Banking Group consolidated values prepared for prudential purposes);
- Equity and solvency ratios of the Unipol Banking Group;
- Equity: breakdown and related reconciliation with the statement of financial position prepared for prudential purposes;
- Capital requirements;
- Value adjustments to loans.

With regard to the remuneration policy adopted by the Parent for 2018, reference should be made to the first section of the "Report on remuneration of Unipol Gruppo SpA - 2018" (available in the Governance/Shareholders meetings section of the corporate website **www.unipol.it**).
With regard to the diversity policy for the selection of members of the company bodies (not adopted to date), reference should instead be made to the description in Part III, Chapter 2 of the "Annual Report on corporate governance and ownership structures for 2018" (available in the Governance/Shareholders meetings section of the corporate website **www.unipol.it**).
Lastly, reference should also be made to the Disclosure on implementation of the remuneration policies for 2018, published by Unipol Banca in the Chi Siamo/Corporate Governance section of the website **www.unipolbanca.it**.
For information on the risk management policies, reference should be made to chapter 5.16 "Risk Report 2018" in the Notes to the 2018 Consolidated Financial Statements of the Unipol Group.

The Unipol Banking Group applies the option envisaged in Art. 432, paragraph 1 of the CRR of not disclosing additional information pursuant to Title II, Part Eight of the CRR as it is considered immaterial[17].

Consolidated financial statements of the Unipol Banking Group prepared for prudential purposes

Pursuant to Art. 11 of the CRR, the Unipol Banking Group is required to comply with obligations relating to consolidated supervision, as envisaged in the aforementioned Regulation, based on the consolidated financial position of the controlling MFSG. For this purpose, a consolidated position relating to the prudential banking consolidation scope comprising companies in the Unipol Banking Group has been prepared.

The companies consolidated on a line-by-line basis at 31 December 2018 are:

- Unipol Gruppo SpA (Parent of the Unipol Banking Group);
- Unipol Banca SpA and related directly controlled companies (Finitalia SpA and 6 securitisation companies);
- UnipolSai Investimenti SGR SpA;
- UnipolReC SpA;
- Unipol Reoco Spa.

[17] Pursuant to Art. 432, paragraph 2 of the CRR, a disclosure is considered material in terms of public disclosure if its omission or inaccurate indication can change or influence the opinion or decisions of users that rely upon such information in adopting their economic decisions.

All other companies, direct or indirect subsidiaries or associates of Unipol operating in other sectors and not instrumental to banking activities, are consolidated using the equity method.
In relation to the planned disposal of the equity investment held by the Parent Unipol in Unipol Banca, note that for the purpose of the 2018 consolidated financial statements prepared according to IVASS Regulation no. 7/2007, the income and asset components of this discontinued operation, in application of IFRS 5, are presented in summary form in the specific items of the income statement, assets and liabilities. Considering that almost all the statement of financial position and income statement items of the Unipol Banking Group are associated with the line-by-line consolidation of Unipol Banca and its subsidiaries, in order to suitably present the consolidated financial statements of the Unipol Banking Group for prudential purposes, these items were not reclassified under the corresponding items of the banking group financial statements (120 Non-current assets and disposal groups, 70 Liabilities associated with disposal groups and 320 Profit (Loss) from discontinued operations). For better clarity, the following paragraphs in any event provide information on the contribution of Unipol Banca (discontinued operation) to the assets, liabilities and income components of the Unipol Banking Group.

Changes in the prudential banking consolidation scope compared to 31 December 2017
The Restructuring Plan for the banking sector, launched in 2017, continued in the first few months of 2018 following the proportional spin-off of Unipol Banca to a new company, UnipolRec S.p.A. This company has the same shareholders as Unipol Banca in the same proportions, i.e., Unipol holds 57.75% and UnipolSai 42.25%, and is a special purpose vehicle of the Unipol Banking Group. As such it is consolidated on a line-by-line basis.

Unipol Banking Group - Consolidated Statement of Financial Position

	Amounts in €m	**Unipol Banking Group Consolidated for prudential purposes at 31/12/2018**	which: Non-current assets or assets of a disposal group held for sale	which: Other	Unipol Banking Group Consolidated for prudential purposes at 31/12/2017
10	Cash and cash equivalents	93.9	93.9	0.0	99.8
20	Financial assets at fair value through profit or loss (IFRS 7 par. 8 lett. a)	57.7	55.1	2.6	0.1
	a) Held-for-trading financial assets	0.3	0.3		0.1
	b) financial assets measured at fair value				
	c) other financial assets mandatorily measured at fair value	57.3	54.8	2.6	
30	Financial assets measured at fair value through other comprehensive income (IFRS 7, par. 8 lett. h))	1,278.5	615.2	663.3	810.8
40	Financial assets measured at amortised cost	10,130.5	9,640.0	490.5	11,676.1
	a) receivables from banks	1,837.6	1,837.4	0.1	3,440.1
	b) receivables from customers	8,292.9	7,802.6	490.3	8,236.1
50	Hedging derivatives				0.6
70	Investments	*5,492.7*	*7.5*	*5,485.2*	*5,831.5*
90	Property, plant and equipment	*36.6*	*34.8*	*1.9*	*16.5*
100	Intangible assets	*3.1*	*0.4*	*2.7*	*3.4*
110	Tax assets	651.6	137.8	513.8	769.1
	a) current	*38.5*	*3.5*	*35.1*	*4.6*
	b) deferred	*613.1*	*134.4*	*478.7*	*764.5*
130	Other assets	331.8	242.8	89.1	657.0
	Total assets	**18,076.5**	**10,827.5**	**7,249.1**	**19,865.0**

	Amounts in €m	**Unipol Banking Group Consolidated for prudential purposes at 31/12/2018**	which: Liabilities associated with disposal groups	which: Other	Unipol Banking Group Consolidated for prudential purposes at 31/12/2017
10	Financial liabilities measured at amortised cost	12,149.1	9,380.5	2,768.6	13,675.3
	Payables to banks	*443.8*	*443.8*		*439.3*
	Payables to customers	*7,982.7*	*7,025.2*	*957.5*	*8,944.3*
	Outstanding securities	*3,722.5*	*1,911.5*	*1,811.0*	*4,291.7*
20	Held-for-trading financial liabilities	0.1	0.1		0.0
60	Tax liabilities	10.3	4.6	5.6	11.5
	a) current	*10.2*	*4.6*	*5.6*	*11.4*
	b) deferred	*0.1*		*0.1*	*0.2*
80	Other liabilities	444.2	327.3	116.9	569.0
90	Post-employment benefits	10.2	10.1	0.1	11.5
100	Provisions for risks and charges:	413.2	402.9	10.3	76.3
	a) commitments and guarantees issued	*2.6*	*2.6*		
	b) pension funds and similar obligations	*7.7*	*1.0*	*6.6*	
	c) other provisions	*403.0*	*399.3*	*3.7*	*76.3*
120	Valuation reserves	20.4		20.4	684.4
150	Provisions	(454.2)		(454.2)	102.3
160	Share premium reserve	1,705.6		1,705.6	1,705.6
170	Share capital	3,365.3		3,365.3	3,365.3
180	Treasury shares	(6.1)		(6.1)	(25.7)
190	Shareholders' equity attributable to non-controlling interests (+/-)	17.1		17.1	35.3
200	Profit (loss) for the year (+/-)	401.4		401.4	(345.8)
	Total liabilities and shareholders' equity	**18,076.5**	**10,125.5**	**7,951.1**	**19,865.0**

Unipol Banking Group - Consolidated Income Statement

	Amounts in €m	**Unipol Banking Group Consolidated for prudential purposes at 31/12/2018**	which: Discontinued Operations	which: Other	Unipol Banking Group Consolidated for prudential purposes at 31/12/2017
10	Interest and similar income	285.2	264.6	20.6	279.3
20	Interest and similar expense	(148.4)	(71.7)	(76.7)	(135.3)
30	Net interest income	136.8	193.0	(56.1)	144.0
40	Commission income	187.4	179.7	7.7	176.1
50	Commission expense	(20.7)	(20.3)	(0.4)	(21.5)
60	Net commission income	166.7	159.4	7.3	154.6
70	Dividends and similar income	3.8	2.9	0.9	4.9
80	Net gains on trading	0.4	0.4		(2.4)
100	Gains (losses) on disposal or repurchase of:	13.7	(3.9)	17.6	0.1
	a) financial assets measured at amortised cost	*15.9*	*0.4*	*15.5*	*(3.4)*
	b) financial assets measured at fair value through other comprehensive income	*(2.1)*	*(4.4)*	*2.3*	*3.8*
	c) financial liabilities	*(0.1)*	*0.1*	*(0.2)*	*(0.3)*
110	Net gains (losses) on financial assets and liabilities at fair value	(7.2)	(5.5)	(1.6)	(0.6)
	a) financial assets and liabilities measured at fair value				
	b) other financial assets mandatorily measured at fair value	*(7.2)*	*(5.5)*	*(1.6)*	*(0.6)*
120	Gross operating income	314.3	346.3	(31.9)	300.5
130	Net impairment losses/reversals on:	(57.9)	(58.0)	0.1	(1,115.2)
	a) financial assets measured at amortised cost	*(57.0)*	*(58.0)*	*0.9*	*(1,072.7)*
	b) financial assets measured at fair value through other comprehensive income	*(0.9)*		*(0.9)*	*(42.5)*
140	Gains/losses from contract modifications without cancellations	(1.5)	(1.5)		(2.1)
150	Net financial income	255.0	286.8	(31.8)	(816.8)
190	Administrative expenses:	(339.8)	(290.1)	(49.6)	(374.7)
	a) personnel expenses	*(184.1)*	*(160.8)*	*(23.4)*	*(226.7)*
	b) other administrative expenses	*(155.6)*	*(129.4)*	*(26.2)*	*(148.0)*
200	Net provisions for risks and charges	(332.0)	(333.7)	1.7	(5.1)
	a) commitments and guarantees issued	*2.0*	*(2.0)*	*4.0*	
	b) other net provisions	*(334.0)*	*(331.6)*	*(2.4)*	*(5.1)*
210	Net impairment losses/reversals on property, plant and equipment	(5.2)	(5.0)	(0.2)	(5.3)
220	Net impairment losses/reversals on intangible assets	(1.3)	(0.3)	(1.0)	(1.8)
230	Other operating expenses/income	24.5	25.9	(1.3)	37.5
240	Operating expenses	(653.7)	(603.2)	(50.5)	(349.5)
250	Gains (losses) on investments	781.8	0.2	781.5	521.4
290	Pre-tax profit (loss) on continuing operations	383.0	(316.2)	699.2	(644.9)
300	Income tax for the year on continuing operations	10.2	5.6	4.7	271.5
310	Profit (loss) for the year on continuing operations after taxes	393.3	(316.2)	709.4	(373.5)
330	Profit (loss) for the year	393.3	(316.2)	709.4	(373.5)
340	Profit (loss) for the year attributable to non-controlling interests	(8.1)		(8.1)	(27.6)
350	**Profit (loss) for the year attributable to the Parent**	**401.4**		**401.4**	**(345.8)**

Restatement of the Unipol consolidated financial statements based on the Unipol Banking Group consolidation scope

Provided below are the consolidated statement of financial position and consolidated income statement of Unipol at 31 December 2018, prepared in the format pursuant to IVASS Regulation no. 7/2007, indicating the adjustments made following the change in consolidation method for subsidiaries not included in the Unipol Banking Group consolidation scope (change from line-by-line method to equity method) and subsequent post-adjustments restatement of the Unipol consolidated statements at 31 December 2018.

The first column, "Unipol Consolidated Financial Statements at 31/12/2018", shows the values taken from the Unipol Group Consolidated Financial Statements at 31 December 2018, prepared according to the usual formats envisaged in IVASS Regulation no. 7/2007 and applying the consolidation criteria illustrated in the Notes to the financial statements (line-by-line consolidation for all subsidiaries except those considered insignificant; equity method for all others). The second column restates the values of the discontinued operations which, in application of IFRS 5, are shown in the first column under item 6.1 of assets, item 6.1 of liabilities and item 4 of the income statement. The third column shows the adjustments due to the different consolidation methods. The fourth column, "Unipol Consolidated Financial Statements at 31/12/2017 restated due to consolidation method changes", indicates the consolidated amounts calculated in reference to the same consolidation scope but with application of the line-by-line consolidation method only for companies in the Unipol Banking Group (the values in this column, except for appropriate reclassifications for statements in different formats, correspond to the values seen in the column "Unipol Consolidated Financial Statements at 31/12/2018 (restated for banking regulatory purposes)" included in the Unipol Group's consolidated statements provided in the previous paragraph).

Consolidated Statement of Financial Position - Assets

		Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2018	Restatement discontinued operations	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2017 restated due to consolidation method changes
1		**INTANGIBLE ASSETS**	**1,955.3**	**7.0**	**(1,952.5)**	**9.8**
	1.1	Goodwill	1,581.7		(1,581.7)	
	1.2	Other intangible assets	373.5	7.0	(370.8)	9.8
2		**PROPERTY, PLANT AND EQUIPMENT**	**1,887.4**	**13.3**	**(1,886.6)**	**14.1**
	2.1	Property	1,637.2	1.0	(1,637.2)	1.0
	2.2	Other tangible assets	250.2	12.3	(249.5)	13.0
3		**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**982.0**		**(982.0)**	
4		**INVESTMENTS**	**57,543.0**	**10,153.6**	**(50,714.8)**	**16,981.8**
	4.1	Investment property	1,996.7	21.5	(1,995.7)	22.6
	4.2	Investments in subsidiaries, associates and interests in joint ventures	74.5	7.5	5,410.7	5,492.7
	4.3	Held-to-maturity investments	459.6		(459.6)	
	4.4	Loans and receivables	3,921.0		(3,920.8)	0.2
	4.4bis	Financial assets at amortised cost	490.1	9,456.8	183.3	10,130.2
	4.5	Available-for-sale financial assets	43,439.2		(43,439.2)	
	4.5bis	Financial assets at fair value through OCI	663.3	618.2		1,281.5
	4.6	Financial assets at fair value through profit or loss	6,498.5	49.7	(6,493.5)	54.7
	4.6.1	Held-for-trading financial assets	288.0	0.3	(288.0)	0.3
	4.6.2	Financial assets at fair value	6,205.5		(6,205.5)	
	4.6.3	Other financial assets mandatorily at fair value	5.0	49.3		54.3
5		**SUNDRY RECEIVABLES**	**2,762.2**	**86.9**	**(2,638.0)**	**211.1**
	5.1	Receivables relating to direct insurance business	1,365.5		(1,365.5)	
	5.2	Receivables relating to reinsurance business	137.3		(137.3)	
	5.3	Other receivables	1,259.4	86.9	(1,135.2)	211.1
6		**OTHER ASSETS**	**12,186.3**	**(10,354.7)**	**(1,065.9)**	**765.7**
	6.1	Non-current assets or assets of a disposal group held for sale	10,758.3	(10,625.3)	(133.0)	
	6.2	Deferred acquisition costs	98.1		(98.1)	
	6.3	Deferred tax assets	944.3	134.4	(465.6)	613.1
	6.4	Current tax assets	23.8	3.5	(22.9)	4.4
	6.5	Other assets	361.9	132.6	(346.3)	148.2
7		**CASH AND CASH EQUIVALENTS**	**264.6**	**93.9**	**(264.5)**	**94.1**
		TOTAL ASSETS	**77,580.8**		**(59,504.3)**	**18,076.5**

Consolidated Statement of Financial Position - Shareholders' Equity and Liabilities

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2018	Restatement discontinued operations	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2017 restated due to consolidation method changes
1	**SHAREHOLDERS' EQUITY**	**6,326.7**		**(1,277.2)**	**5,049.5**
1.1	**attributable to the owners of the Parent**	**5,032.4**			**5,032.4**
1.2	**attributable to non-controlling interests**	**1,294.3**		**(1,277.2)**	**17.1**
2	**PROVISIONS**	**357.1**	**400.6**	**(353.4)**	**404.3**
3	**TECHNICAL PROVISIONS**	**53,223.3**		**(53,223.3)**	
4	**FINANCIAL LIABILITIES**	**6,921.7**	**8,457.5**	**(3,230.9)**	**12,148.4**
4.1	Financial liabilities at fair value through profit or loss	2,539.3	0.1	(2,539.3)	0.1
4.2	Other financial liabilities	4,382.4	8,457.5	(691.6)	12,148.4
5	**PAYABLES**	**804.4**	**63.4**	**(705.4)**	**162.4**
5.1	Payables arising from direct insurance business	160.9		(160.9)	
5.2	Payables arising from reinsurance business	86.8		(86.8)	
5.3	Other payables	556.7	63.4	(457.6)	162.4
6	**OTHER LIABILITIES**	**9,947.6**	**(8,921.6)**	**(714.2)**	**311.8**
6.1	Liabilities associated with disposal groups held for sale	9,200.8	(9,197.6)	(3.2)	
6.2	Deferred tax liabilities	8.9	(0.0)	(8.8)	0.0
6.3	Current tax liabilities	27.4	4.6	(21.8)	10.2
6.4	Other liabilities	710.5	271.4	(680.3)	301.6
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**77,580.8**	**0.0**	**(59,504.3)**	**18,076.5**

Consolidated Income Statement

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2018	Restatement discontinued operations	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2017 restated due to consolidation method changes
1.1	Net premiums	11,469.0		(11,469.0)	
1.2	Commission income	39.4	133.7	14.3	187.4
1.3	Gains and losses on financial instruments at fair value through profit or loss	(153.5)	(3.2)	172.2	15.6
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	314.8	0.5	407.1	722.3
1.5	Gains on other financial instruments and investment property	2,194.5	278.6	(2,089.6)	383.5
1.6	Other revenue	633.8	34.4	(612.1)	56.1
1	**TOTAL REVENUE AND INCOME**	**14,498.0**	**444.1**	**(13,577.1)**	**1,364.9**
2.1	Net charges relating to claims	(9,463.2)		9,463.2	
2.2	Commission expense	(22.9)	(14.1)	16.5	(20.5)
2.3	Losses on investments in subsidiaries, associates and interests in joint	(0.9)	(0.0)	41.3	40.4
2.4	Losses on other financial instruments and investment property	(490.6)	(204.2)	403.5	(291.3)
2.5	Operating expenses	(2,514.1)	(289.5)	2,448.6	(355.1)
2.6	Other costs	(821.1)	(235.3)	700.9	(355.4)
2	**TOTAL COSTS AND EXPENSES**	**(13,312.7)**	**(743.1)**	**13,074.0**	**(981.9)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**1,185.2**	**(299.1)**	**(503.1)**	**383.0**
3	Income taxes	(252.4)	(5.5)	268.2	10.2
	PROFIT (LOSS) FOR THE YEAR AFTER TAXES	**932.9**	**(304.6)**	**(235.0)**	**393.3**
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	(304.6)	304.6	0.0	
	CONSOLIDATED PROFIT (LOSS)	**628.2**		**(235.0)**	**393.3**
	of which attributable to the owners of the Parent	**401.4**		**0.0**	**401.4**
	of which attributable to non-controlling interests	226.8		(235.0)	(8.1)

Equity and solvency ratios of the Unipol Banking Group

The following table summarises Equity and solvency ratios of the Unipol Banking Group, calculated in accordance with the current supervisory regulations for banking groups (Regulation (EU) 575/2013) at 31 December 2018.
The comparison was made against figures determined at 31 December 2017.

Amounts in €m	31/12/2018	31/12/2017
Equity		
CET1 capital net of regulatory adjustments	3,324.1	3,599.7
Additional Tier1 capital net of regulatory adjustments	2.6	2.7
TOTAL TIER 1 CAPITAL	**3,326.7**	**3,602.4**
T2 capital net of regulatory adjustments	52.6	153.0
TOTAL EQUITY	**3,379.4**	**3,755.5**
Risk-weighted assets		
Credit and counterparty risks	10,278.8	10,822.8
Market and regulatory risks	0.6	0.2
Operational risks	620.5	618.9
Other specific risks	0.0	0.0
TOTAL RISK-WEIGHTED ASSETS	**10,900.0**	**11,441.9**
Solvency ratios		
CET1 ratio	30.5%	31.5%
TIER1 ratio	30.5%	31.5%
TOTAL CAPITAL RATIO	31.0%	32.8%

CET1 takes into consideration the profit for the year, net of dividends planned in the proposed allocation of profit approved by the Board of Directors for the consolidated companies.

Following the supervisory review and evaluation process (SREP), the Bank of Italy, with its Measure of 28 March 2018, asked the Unipol Banking Group to meet consolidated capital requirements higher than the regulatory minimums, raising the individual coefficients to the following percentage values (inclusive of the 1.875% capital conservation buffer):
- CET 1 ratio of at least 7.075% (rather than 6.375%);
- Tier 1 ratio of at least 8.813% (rather than 7.875%);
- Total capital ratio of at least 11.125% (rather than 9.875%).

Equity

Regulations in force for the supervision of banks and banking groups envisage that equity should be broken down into the following capital tiers:
- Tier 1 capital, in turn broken down into:
  - Common Equity Tier 1 (or CET1);
  - Additional Tier 1 (or AT1);
- Tier 2 capital.

The most important in significance and quality terms is CET1, mainly comprising equity instruments (ordinary shares subscribed and paid, net of any treasury shares), related issue premiums, income-related reserves and other comprehensive income. The equity instruments included in the CET1 calculation must be readily usable without restrictions or delay to hedge risks or cover losses as and when they arise. The characteristics necessary for qualification as CET1 capital include the following:
- maximum level of subordination;
- irredeemability;
- absence of reimbursement privileges and incentives;

- option of suspending coupon and dividend payments at the discretion of the issuer, excluding cumulative rights, and without this being a cause of issuer default.

Prudential filters are applied to CET1 which aim to exclude the effect of certain types of profit and loss. For the Unipol Banking Group these exclude those deriving from cash flow hedge measurement.

The regulations also require that certain elements are deducted from CET1, of which the most important applicable to the Unipol Banking Group include:
- Goodwill, including that implicit in the value of investments, and other intangible assets net of related tax liabilities;
- Deferred tax assets, the recovery of which depends on future profitability deriving from temporary differences (less the part that exceeds the regulatory limit);
- Deferred tax assets, the recovery of which depends on future profitability and which does not derive from temporary differences (full deduction).

Breakdown of equity

The table below illustrates the breakdown of Equity at 31 December 2018, with separate indication of the effects of the transitional system.

Amounts in €m	**31/12/2018**	**31/12/2017**
A. Common Equity Tier 1 (CET1) before application of prudential filters	**4,914.6**	**5,376.0**
of which CET1 instruments subject to transitional rules		
B. CET1 prudential filters (+/-)	(1.3)	(0.8)
C. CET1 gross of deductible items and the effects of the transition system (A+/-B)	4,913.3	5,375.3
D. Items to be deducted from CET1	1,589.2	1,675.9
E. Transitionl system - Impact on CET1 (+/-), including non-controlling interests subject to transitional rules		(99.6)
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	**3,324.1**	**3,599.7**
G. Additional Tier 1 capital (AT1) gross of deductible items and the effects of the transition system	**2.6**	**3.4**
of which AT1 instruments subject to transition rules		
H. Items to be deducted from AT1		
I. Transition system - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to the effect of transition rules		(0.7)
L. Total Additional Tier1 (AT1) (G - H +/- I)	**2.6**	**2.7**
M. Tier 2 capital (T2) gross of deductible elements and the effects of the transition system	**52.6**	**75.8**
of which T2 instruments subject to transition rules		
N. Items to be deducted from T2		
O. Transition system - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to the effect of transition rules		77.2
P. Total Tier 2 capital (T2) (M - N +/- O)	**52.6**	**153.0**
Q. Total own funds (F + L + P)	**3,379.4**	**3,755.5**

There was an overall decrease in Equity, due mainly to the change in the valuation reserve as a result of financial market developments in the reference period.

A statement of reconciliation between regulatory equity and items of the consolidated statement of financial position used for the related calculation is provided below. For every equity component used in the calculation of Equity, the column "Financial statement item" indicates the reference item in the consolidated statement of financial position of the Unipol Banking Group in which the component is recognised.

Reconciliation between own funds and Consolidated Statement of Financial Position of the Unipol Banking Group

Financial statement item	*Amounts in €m*	31/12/2018	31/12/2017
Liabilities 190	Share capital (ordinary shares)	3,365.3	3,365.3
Liabilities 180	Share premium reserve	1,705.6	1,705.6
Liabilities 170	Reserves	(454.2)	102.3
Liabilities 140	Valuation reserves	20.4	684.4
Liabilities 200	Own Cet 1 instruments	(6.1)	(25.7)
Liabilities 210	Non-controlling interests included in Tier1 (excluding transitional effects)	11.1	17.8
Liabilities 220	Profit for the period	401.4	(345.8)
	Proposed dividends	(128.8)	(127.9)
	CET1 before regulatory adjustments	**4,914.6**	**5,376.0**
Liabilities 140	Exclusion of profit reserves generated by cash flow hedges		
	Additional valuation adjustment (European Commission Delegated Reg. No. 101/2016)	(1.3)	(0.8)
	CET1 prudential filters	**(1.3)**	**(0.8)**
Assets 130	Deduction of intangible assets	(3.1)	(3.4)
Assets 100	Deduction of goodwill implicit in investments, net of related taxes	(1,472.0)	(1,476.5)
Assets 140b)	Deduction of deferred tax assets dependent on future profitability, excluding those deriving from temporary differences	(114.0)	(196.1)
Assets 140b)	Deduction of deferred tax assets deriving from temporary differences (amount higher than the limit set in Art. 48, paragraph 1, letter a) of the CRR)		
	Items to be deducted from CET1	**(1,589.2)**	**(1,675.9)**
Assets 140b)	Recovery of deferred tax assets deriving from temporary differences		
Assets 140b)	Partial recovery of other deferred tax assets dependent on future profitability		39.2
Liabilities 140	Exclusion of available-for-sale unrealised gains and losses		(141.8)
Liabilities 210	Non-controlling interests included in Tier1 as a result of the transition system		3.1
	Effects of transition system on CET1		**(99.6)**
	Common Equity Tier 1 - CET1	**3,324.1**	**3,599.7**
Liabilities 210	Tier 1 capital issued by subsidiaries and held by third parties	2.6	3.4
Liabilities 210	Tier 1 instruments issued by subsidiaries and included as a result of the transition system		(0.7)
	Additional Capital 1 - AT1	**2.6**	**2.7**
	Tier 1 capital (T1 = CET1 + AT1)	**3,326.7**	**3,602.4**
Liabilities 30	Tier 2 instruments issued by subsidiaries and held by third parties	52.6	75.8
	Tier 2 capital before regulatory adjustments	**52.6**	**75.8**
	Tier 2 instruments issued by associates and included in the transition system calculation		6.3
	Share of AFS unrealised gains and losses, including portion attributable to non-controlling interests, included as a result of the transition system		70.9
	Effects of transition system on T2		**77.2**
	Tier 2 capital (T2)	**52.6**	**153.0**
	Total Shareholders' Equity - Total Capital (TC = T1 + T2)	**3,379.4**	**3,755.5**

Tier 2 equity instruments are subordinated liabilities issued by Unipol Banca and held by third parties, the characteristics of which are summarised in the following table.

Tier 2 equity instruments

Issuer	Issue date	Maturity	Nominal issue value (amounts in €)	Fixed/floating coupons	Coupon rate (annual gross)	First early repayment date	Contribution to consolidated Shareholders' Equity (in €m)
Unipol Banca	24/08/2009	24/08/2019	25,000,000	Fixed rate	4.50%	24/08/2014	2.6
Unipol Banca	12/10/2009	12/10/2019	50,000,000	Fixed rate	4.50%	12/10/2014	6.3
Unipol Banca	17/12/2009	17/12/2019	300,000,000	Variable rate	Quarterly average Euribor 3-m (act/365) + 6.40%	N/A	42.3
Total Tier 2 instruments							**51.3**

Note that the total amount of Tier 2 instruments among the equity of the Unipol Banking Group was €52.6 million, due to the calculation recovery from Tier 1.

Capital requirements

Qualitative information

The Unipol Banking Group is subject to the minimum regulatory capitalisation requirements defined in European and Italian regulations on prudential supervision.
A preliminary measure in the risk management process is the *Risk Appetite* definition, by which the Parent defines and formalises the risk objectives and any tolerance thresholds at Banking Group level, and - if considered appropriate for consistent pursuit and maintenance of the desired risk profile as part of the capital allocation process - also at the level of each company in the Banking consolidation. These indicators are governed in a specific document known as the *Risk Appetite Statement* and envisage at least the following elements:

- Capital at risk;
- Capital adequacy;
- Liquidity;
- Financial leverage;
- Compliance;
- Reputational and strategic risks;
- Operational risk.
-

The *Risk Appetite* definition process is associated with the definition process for the Business Plan and the Budget. This is an iterative process designed to gradually align the multi-year developments in income and equity variables with the risk management objectives.

Risk Appetite monitoring is performed quarterly and the results are reported to the Board of Directors. The *Risk Appetite* is determined in line with the current and forward-looking capital adequacy assessment process contained in the ICAAP-ILAAP report.

The self-assessment process involves the following steps:

- risk identification: identification of the risks to which every company in the Banking Group is, or could be, exposed in relation to conducting its own business activities and to the reference markets, and identification of the significant risks to be assessed. This activity is performed in line with the RAF (*Risk Appetite Framework*);
- current and forward-looking measurement of risks and the internal capital: measurement of significant Pillar I and II risks and the performance of stress tests, with subsequent calculation of the internal capital for each significant risk, or the capital requirement deemed necessary to cover potential losses correlated with each individual risk identified;
- current and forward-looking determination of the total internal capital: aggregation of the capital components of every risk to determine both the current and forward-looking total internal capital; the total internal capital represents the internal valuation of the total capital requirement in relation to all risks identified, integrated on a forward-looking basis to take into account strategic policies or actions in place or planned;

- reconciliation between total capital and regulatory capital: identification of the accounting items that make up the total capital and reconciliation with the equity components;
- current and forward-looking capital adequacy assessment: assessment of the capital ratios in line with the Supervisory Authority's regulatory instructions and verification that equity is sufficient to cover the total internal capital, and assessment of the forward-looking capital adequacy;
- self-assessment of risk undertaking and management processes: indication of the governance, organisational and operational aspects underlying the risk undertaking-management process and definition of a summary opinion on the adequacy of the process;
- report preparation: gathering of information from the functions involved in the process and preparation of the final summary report;
- process compliance assessment: ongoing verification of the compliance of the entire process with external regulations;
- process review: verification of the approach, correct application of the process and its compliance with regulatory instructions;
- report examination: examination of the report by the Group's Risks Committee;
- report approval: presentation of the report to the Board of Directors for approval;
- reporting/monitoring: periodic monitoring of the actions taken to solve critical issues emerging from the self- assessment; periodic monitoring of the capital absorption level and the preparation of reports on control of the operating limits set after definition of the *Risk Appetite* and the strategic guidelines approved by the Board of Directors.

Significant risks, or those risks whose consequences can undermine Banking Group solvency or constitute a serious obstacle to achieving its objectives, are classified according to a method that takes account both of Group structure and the specific nature of the business managed by the Bank. These risks are:
- credit risk;
- counterparty risk;
- market risk;
- operational risk;
- banking book interest rate risk;
- liquidity risk;
- concentration risk;
- residual risk;
- compliance risk;
- strategic risk;
- reputational risk;
- excess financial leverage risk.

Risk identification starts with meticulous work performed continuously by the Parent's Risk Management department in coordination with the structures of the Banking Group companies, through:
i) continuous monitoring of business operations, the organisational structure, strategies and the adopted business model; *ii)* careful examination of the internal and external regulations, suitably enhanced by ongoing information gathering performed internally and externally by the department also through participation in trade and sector associations, specialist conferences, studies and research.

In order to determine the Total Internal Capital, the Banking Group deemed it appropriate to comply with the guidelines issued in Bank of Italy Circular 285/13, adopting the methods permitted to intermediaries in their class[18] for ICAAP-ILAAP purposes and applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority.

The capital adequacy assessments are performed in reference to the year-end position and the forward-looking position in line with budget forecasts. These assessments are conducted on three different levels, namely:
- Pillar I
- Pillar I + Pillar II
- Pillar I + Pillar II + Stress Test

The Total Internal Capital is determined by means of a building block approach, which consists in adding together the regulatory requirements for Pillar I risks, the internal capital for Pillar II risks and the results of stress tests (conducted on both risk classes).

With reference to the year-end position for 2018, the capital adequacy assessment shows the following position at Banking Group level:

[18] The Group qualifies as class 2: Banking groups and banks that use standardised procedures, with consolidated or individual assets exceeding €3.5bn.

- the capital ratios calculated according to prudential supervisory regulations show the following values (including conservation capital and further additional capital):
  - CET1 ratio 30.5%, against an Overall Capital Requirement of 7.075%, of which 4.5% as the minimum regulatory requirement and 2.575% for the additional requirement (1.875% capital conservation buffer and 0.7% required by the Bank of Italy as a result of the periodic supervisory review and evaluation process - SREP);
  - Tier 1 ratio of 30.5% against a requirement of 8.813%;
  - Total capital ratio of 31% against a requirement of 11.125%.

The capital requirements were calculated by taking into account - amongst other things - the effects of transitional rules applying to the period under review.

Quantitative information

The table below shows the breakdown of capital requirements at 31 December 2018.

Capital requirements

Amounts in €m	Amounts not weighted	Amounts weighted	**Requirements**
A. REGULATORY CAPITAL REQUIREMENTS			
A.1 Credit risk and counterparty risk	**16,996.1**	**10,278.8**	**822.3**
1. Standardised approach	16,996.1	10,278.8	822.3
4. Securitisations			
A.2 Credit risk - credit assessment adjustment		**0.0**	**0.0**
A.3 Regulatory risk			
A.4 Market risk		**0.6**	**0.1**
1. Standardised approach		0.6	0.1
A.5. Concentration risk			
A.6 Operational risk		**620.5**	**49.6**
1. Basic approach		620.5	49.6
A.7 Other prudential requirements			
A.8 Total prudential requirements		10,900.0	872.0
B. SOLVENCY RATIOS (%)			
B.1 Common Equity Tier 1 ratio			**30.5%**
B.2 Tier 1 ratio			**30.5%**
B.3 Total capital ratio			**31.0%**

As regards the calculation of credit and market risks, the Unipol Banking Group uses the standardised approach. Operational risk is instead calculated using the basic approach.

Capital requirements for Credit Risk and Counterparty Risk

The Unipol Banking Group uses the ECAI Moody's to calculate credit risk according to the standardised approach.

With regard to counterparty risk generated by OTC derivative transactions, the Group only uses hedging derivatives with leading counterparties on the market with which it has signed ISDA Master Agreements and related *Credit Support Annex* agreements.

The banking counterparty assignment process envisages that the proposal is assessed using a model that contemplates country risk, the counterparty rating, the credit derivative spread (if available) and the counterparty's capitalisation level. The assignment proposals and counterparty assessment are submitted to the Unipol Group's Credit Risks Committee, which expresses its mandatory but not binding opinion. The proposal then follows the normal decision-making process.

Regulatory portfolio

Amounts in €m	Capital requirements	
	31/12/2018	31/12/2017
Exposure to or guaranteed by central administrations and central banks	43.4	47.7
Exposure to or guaranteed by regional administrations or local authorities	0.0	0.1
Exposure to or guaranteed by public sector entities	1.6	2.3
Exposure to or guaranteed by multilateral development banks		
Exposure to or guaranteed by international organisations		
Exposure to or guaranteed by supervised intermediaries	17.8	5.5
Exposure to or guaranteed by businesses	163.7	166.9
Retail exposures	91.0	87.7
Exposures guaranteed by property	83.7	85.7
Exposures with default status	74.7	91.8
High-risk exposures	2.7	3.5
Exposures in the form of covered bonds		
Short-term exposures to businesses or supervised intermediaries		
Exposures to UCITS	7.9	3.8
Exposures to equity instruments	324.6	350.5
Other exposures	11.2	20.2
Exposures to central counterparties in the form of pre-financed contributions to the guarantee fund	0.0	0.0
Securitisation: positions towards securitisations		
Total capital requirements for credit risk and counterparty risk (Standardised Approach)	**822.3**	**865.8**

Value adjustments to loans

Qualitative disclosure

Consistent with Supervisory regulations, "performing past due loans" are defined as cash and off-balance sheet exposures that are past due or unpaid for no more than 90 days, or past due or unpaid by more than 90 days provided that the past due portion does not exceed the significance threshold of 5% of exposure, calculated in accordance with applicable supervisory instructions governing the detailed technical calculation methods.

On the other hand, "impaired loans" are divided into the following risk categories:

- past due and/or unpaid (*past due*) by more than 90 days (other than exposures classed as bad and doubtful or unlikely to pay), with a past due portion exceeding the significance level of 5% (as determined above);
- unlikely to pay;
- bad and doubtful.

The recognition and classification of loans in certain risk categories is performed automatically by the Unipol Banca operating system, in accordance with criteria dictated by the Bank of Italy: these automated procedures refer to: *(i)* performing past due exposures; (*ii)* impaired past due exposures.

Classification as unlikely to pay, applied on the basis of additional criteria established by the Bank of Italy, is instead proposed and decided by the relevant corporate structures, as identified in internal regulations, based on specific customer position assessments. When the classification decision is made, a further estimate is made regarding the extent of expected losses based on available valuation elements (the equity, financial and economic position of the customer and the joint debtors, market trends, the deposit value of any guarantees, etc.) and on criteria established in internal *provisioning* regulations.

In particular, the measurement process for impaired loans or impairment tests and the estimation of loss provisions are performed on an analytical basis for individually material exposures and on analytical or collective basis for exposures not individually material.

If measured analytically, the provisions are calculated specifically for each debtor, as the difference between the carrying amount of the receivable and the estimated discounted future cash inflows. The future cash flows will depend on the type of scenario considered, i.e. business continuity or cessation of activities.
If measured collectively, the provisions are calculated by applying the criteria defined for standard classes in terms of credit risk and on the basis of historic data analysis.
The structures responsible for position management arrange periodic updates to the loss estimates as the position develops, which in turn form the basis for aligning the value adjustments for recognition in the financial statements.
The guarantees given by the Bank and commitments undertaken with third parties are measured analytically and collectively in a manner similar to that used for loan valuation.

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

For performing exposures, the receivables are measured on the basis of provisions of IFRS 9. In particular, the receivables are classified as Stage 1 or Stage 2 according to whether or not a "significant credit risk increase" is found. All receivables for which no "significant credit risk increase" is found are classified as Stage 1.
Receivables are measured collectively for the flat-rate estimate of Expected Credit Loss (ECL), carried out by standardised category of credit risk identified on the basis of the customer segment and rating class assigned by the Credit Rating System (CRS) of CEDACRI used by the Bank.

Specifically, the ECL value is calculated on the basis of exposure classification to the two stages as follows:

- stage 1: the expected loss on future cash flows is calculated over a 12-month time horizon (the 12M ECL) based on credit parameters relating to the 12-month probability of default (12M PD) and the rate of loss given default (LGD);
- stage 2: the expected loss on future cash flows is calculated over a time horizon equal to the residual life of the receivable (lifetime ECL). For this estimate, the credit parameters relating to the PD and LGD applied refer to the lifetime of the individual exposure.

Based on the rating, the risk parameters derive from analyses and estimates made available by Cedacri at consortium level to produce a forward-looking estimation of losses, that take into account:

- past events;
- current conditions (determination of point in time probability of default);
- reasonable forecasts and sustainable economic conditions

The loss estimates and subsequent value adjustments determined according to the collective measurement method are recognised in item 130 of the income statement. In subsequent periods any additional adjustments or reversals of impairment losses are determined using the differential method by reference to the entire loan portfolio measured as a whole.

Banking sector restructuring plan

As already fully illustrated in the Annual Integrated Report/Performance of the Group, 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 (the "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, before the Spin-Off became effective, Unipol and UnipolSai disbursed a shareholder loan to Unipol Banca for €173m and €127m, respectively, and therefore a total of €300m which, as envisaged in the Spin-Off Plan, was included in the Complex involved in the division transferred to the Newco;

- on 1 February 2018 (the “Effective Date”), the proportional spin-off took effect of Unipol Banca to UnipolReC SpA (“UnipolReC” or the “Beneficiary Company”), a credit recovery company operating pursuant to Article 115 of Italian Royal Decree 773 of 18 June 1931 (TULPS), established on the same date. UnipolReC has the same shareholders as Unipol Banca in the same proportions, i.e., Unipol holds 57.75% and UnipolSai 42.25%, and is an ancillary services undertaking of the Unipol Banking Group. 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 reduced by corresponding amounts, with no change in the number of Unipol Banca shares without nominal value outstanding. Pursuant to the contractual agreements in force, the put/call option, in place between Unipol and UnipolSai and involving Unipol Banca shares, was automatically extended to UnipolReC shares issued at the time of the Spin-Off for a share corresponding to 27.49% of UnipolReC’s total share capital, without triggering any changes on the total put exercise price;
- on 15 March 2018, Unipol Banca and UnipolReC entered into a dedicated deed recognising the exact amount of the statement of financial position asset and liability elements transferred to the Beneficiary Company at the Effective Date, which lays out an adjustment in cash of €32.2m, due to UnipolReC from Unipol Banca. Indeed, the Spin-Off deed calls for the differences arising in the amount of the statement of financial position asset and liability elements constituting the Complex involved in the division between 30 June 2017 and the Effective Date, resulting from company trends and/or a more specific identification of such elements, to be settled between the Company Divided and the Beneficiary Company with debit and credit items and/or with adjustments in cash, without entailing changes in the equity value of the Complex involved in the division. 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 €553m 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.

Quantitative disclosure

Breakdown of credit exposure by portfolio and by credit quality (carrying amounts):

Amounts in €m

Portfolio/Quality	bad and doubtful	unlikely to pay	restructured exposures	impaired past due exposures	performing assets	Total
1. Financial assets at amortised cost	517.0	341.4	36.7	91.0	9,144.5	20,261.0
2. Financial assets at fair value through OCI					1,186.5	2,373.0
3. Financial assets at fair value						
4. Other financial assets mandatorily at fair value		1.1			29.5	61.1
5. Discontinued financial assets						
Total 2018	**517.0**	**342.5**	**36.7**	**91.0**	**10,360.4**	**22,695.1**
Total 2017	598.3	435.2	75.4	96.1	11,247.7	12,452.8

Cash credit exposure to customers: total value adjustments trend

Amounts in €m	Bad and doubtful		Unlikely to pay		Past due exposures	
Reason/Category	Total	- of which subject to concession	Total	- of which subject to concession	Total	- of which subject to concession
Total adjustments - opening balance	**2,163.9**	**159.2**	**321.5**	**186.5**	**13.8**	**7.5**
- of which: exposures transferred but not written off	2.3	0.4	8.1	1.0	1.1	0.5
B. Increases	**85.8**	**1.6**	**58.8**	**16.6**	**11.7**	**3.3**
B.1. value adjustments on purchased or originated credit-impaired financial assets			0.0			
B.2. other value adjustments	50.2	1.2	50.5	12.6	11.1	3.3
B.3. losses on disposal	4.6	0.2	0.3	0.2		
B.4. transfers from other classes of impaired exposures	30.6	0.2	7.9	3.9	0.4	0.0
B.5. contract modifications without cancellations						
B.6. other increases	0.4		0.1	0.0	0.1	
C. Decreases	**337.9**	**46.7**	**81.6**	**35.0**	**17.8**	**7.1**
C.1. reversals of unrealised losses	23.4	1.4	10.9	5.9	3.0	1.7
C.2. reversals on collection	21.3	1.1	3.2	1.0	2.3	0.6
C.3. gains on disposal	20.1	1.0	0.8	0.1		
C.4. write-offs	147.3	39.4	18.2	2.9	2.2	0.6
C.5. transfers to other classes of impaired exposures	0.4	0.0	29.1	9.5	9.4	4.3
C.6. contract modifications without cancellations			0.1			
C.7. other decreases	125.5	3.8	19.4	15.5	0.9	0.0
D. Total adjustments - closing balance	**1,911.7**	**114.1**	**298.7**	**168.1**	**7.7**	**3.7**
- of which: exposures transferred but not written off	*1.8*	*0.1*	*6.7*	*1.5*	*0.5*	*0.2*

(*)The opening balance total adjustments differ from those included in the closing balance at 31/12/2017, as they acknowledge the new classification methods, measurement and impairment used to determine the opening balance IFRS 9 compliant and they are net of overdue payment interests adjustments, implemented pursuant to the new version of the Bank of Italy Circular no 262.

Cash credit exposure to customers: coverage ratio

The following table illustrates the coverage ratio of cash credit exposure to customers.

Amounts in €m	**Gross exposure**	**Total value adjustments**	**Net exposure**	**Coverage ratio**
Bad and doubtful	2,428.7	1,911.7	517.0	78.7%
- of which subject to concession	*155.4*	*114.1*	*41.3*	*73.4%*
Substandard	633.7	292.3	341.4	46.1%
- of which subject to concession	*368.9*	*161.8*	*207.1*	*43.9%*
Impaired past due exposures	44.3	7.7	36.7	17.3%
- of which subject to concession	*19.5*	*3.7*	*15.8*	*18.9%*
Other loans	7,444.4	46.6	7,397.9	0.6%
- of which subject to concession	*107.2*	*5.7*	*101.5*	*5.3%*
Total receivables from customers	**10,551.2**	**2,258.2**	**8,292.9**	**21.4%**

7

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS

in accordance with art. 81 Ter of CONSOB regulation no. 11971/1999

STATEMENT ON THE INTEGRATED 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 Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of Unipol Gruppo 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 integrated 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 integrated 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 integrated 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 Chief Executive Officer
Carlo Cimbri

Manager in charge
of financial reporting
Maurizio Castellina

(signed on the original)

Unipol Gruppo S.p.A.

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Share capital
€3,365,292,408.03 fully paid-up
Bologna Register of Companies
Tax No. 00284160371
VAT No. 03740811207
R.E.A. No.160304

Parent company of the Unipol Insurance Group
entered in the Register of the parent companies
at No. 046

Parent of the Unipol Banking Group
Entered in the Register of Banking Groups

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