2018
Solvency and Financial Condition Report

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Mercurio GP Srl

Unipol Group

Solvency and Financial Condition Report

2018

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

CONTENTS

Introduction

This "Solvency and Financial Condition Report" was prepared in application:

- of the provisions on disclosure to the public set forth in Articles 290-303 of Title I, Ch. XII, and Articles 359-364 of Delegated regulation EU No. 35/2015 ("Regulation"), supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance ("Directive");
- of the implementing Regulation (EU) 2015/2452, 2 December 2015, laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with the Directive;
- of IVASS Regulation No. 33, 6 December 2016, concerning the disclosure to the public and IVASS, carrying provisions integrating the contents of the "Solvency and Financial Condition Report" and the regular report to IVASS ("Regular Supervisory Report"), ("Regulation 33");
- of IVASS Letter to the Market Prot. No. 0093309/18 of 28 March 2018 concerning the "Results of comparative analyses on solvency and financial condition reports (SFCR)".

Unless otherwise specified, data are expressed in thousands of euros.

Definitions and glossary

The meaning of the main acronyms and expressions used in this document is summarised below.

Term	Meaning
BEL	"Best estimate of liabilities" deriving from insurance contracts.
CAP	Private Insurance Code (Legislative Decree No. 209 of 7 September 2005, as amended).
Capital adequacy	Observance by the company/Group of regulatory solvency capital requirements.
Capital at Risk	Total capital requirement relating to a specific risk that the company/Group deems necessary to cover losses exceeding a given expected level.
EIOPA	European supervisory authority for occupational pensions and insurance.
Key functions	The Audit, Risk Management, Compliance and Anti-Money Laundering and Actuarial functions.
LoB	Line of Business of insurance activities as defined in annex I of the Regulation.
Market Consistent Balance Sheet (or also "MCBS")	MCBS to be drafted on the basis of the appropriate criteria specified by the Solvency II provisions are based on the concept of fair value.
MCR	Minimum Capital Requirement as defined by Title I - chapter VII of the Regulation. It corresponds to the amount of eligible own funds below which policyholders and beneficiaries would be exposed to an unacceptable level of risk if the insurance companies were allowed to continue their activities.
OF	Own Funds as defined by Title I Chapter IV and Title II Chapters I and II of the Regulation. They represent the financial resources steadily acquired by the company/Group and available to it to absorb losses and to overcome risks generated by business activities on a going concern basis.
ORSA	Own Risk and Solvency Assessment Report to the Authorities.
PIM	Partial Internal Model used to determine the solvency capital requirement.
RAF	Risk Appetite Framework - reference framework which defines - in line with the maximum risk that may be assumed, the business model and the Strategic Plan - the Risk Appetite, any tolerance thresholds, the operational risk limits, specific risk management policies and the reference processes required to define and implement them.
Risk Appetite	Level of risk (overall and by type) that the Group and/or the Company intends to assume for the pursuit of its strategic objectives.
RM	The Risk Margin, corresponding to the cost of holding an amount of eligible own funds equal to the SCR needed to support insurance and reinsurance obligations assumed throughout their contractual life.
SCR	The Solvency Capital Requirement set forth in Title I - Ch. V and VI of the Regulation. The amount of that requirement is determined so as to enable insurance companies or groups to be capable, with a likelihood of at least 99.5%, of honouring their obligations to policyholders and beneficiaries in the next twelve months.
Standard Formula Market Wide	Methodology for the calculation of the solvency capital requirement which calls for the application of the standard parameters defined by the Regulation.
TCM	Temporary insurance in the event of death.
Technical Provisions (TP)	Technical provisions determined according to Solvency II criteria, to the extent equal to the amount that an insurance or reinsurance company would have to pay if its contractual rights and obligations were immediately transferred to another company. They correspond to the sum of BEL and RM.
USP or GSP	"Undertaking Specific Parameters" or "Group Specific Parameters" – parameters of calculation of the insurance company or group specific solvency capital requirements, to be used as a replacement of those defined by the Standard Market Wide Formula. The use of specific parameters is subject to authorisation by the Supervisory Authorities.
VA	Volatility Adjustment corresponding to an optional adjustment to the risk-free interest rate curve (published by EIOPA) to be applied to determine the BELs.

SUMMARY

Summary

Introduction

This section summarises the key information and any substantial changes taking place in 2018 in the solvency and financial condition of the Group, with regard to:

A. business and performance
B. system of governance
C. risk profile
D. valuation for solvency purposes
E. capital management.

For more detailed information, we refer to later chapters, which provide the information required by current legal provisions summarised in the Introduction.

Business and performance

The year 2018 saw the conclusion of the Business Plan launched in 2016; a positive three-year period which, based on four key areas - simplicity, proactivity, speed and innovation - saw the objectives set in advance met on the whole.

The Unipol Group closed 2018 with consolidated net profit of €628,236k, including the capital gain of €308,618k, generated by the transfer of the equity investment held by UnipolSai Assicurazioni SpA in Popolare Vita SpA and the capital loss of €337,504k deriving from the approved transfer of the equity investment in Unipol Banca to BPER Banca, which will be completed in 2019 after the necessary authorisations are obtained.
It should be noted that, in 2017, the Group recorded a loss of €169,049k, impacted by the economic effects of the banking sector restructuring plan for €823,947k, net of taxes. Excluding, in the two periods under review, the effects of these non-recurring components and recalculating the consolidated economic results on a like-for-like basis, i.e. excluding for both periods being compared the values contributed by Popolare Vita and The Lawrence Life, the consolidated net profit in 2018 amounts to €645,374k, compared to €598,170k in 2017.

In greater detail, for Non-Life business the direct premiums as at 31 December 2018 amounted to €7,952,940k, up +1.1% compared to 2017. MV premiums rose by 0.3% compared to 2017, thanks to the dynamic performance recorded by MV TPL accessory guarantees, in respect of which, by contrast, competitive pressure has still not allowed growth in volumes, while in the Non-MV segment, an increase of 2.0% compared to 2017 was recorded, thanks to the development of the Healthcare segment and retail business. The combined ratio of direct business stood at 94.4%, an improvement compared to 95.1%, while net of reinsurance it was 94.2%, compared to 96.4% in 2017.

In the Life segment, the Unipol Group recorded significant growth in turnover in 2018, with direct premiums of €4,396,484k; the figures on a like-for-like basis for 2018 show direct premiums of €4,292,335k (+15.4% compared to 2017), driven by the bancassurance segment, following the renewal of the Arca Vita distribution agreements with the main placement banks.

As regards the management of financial investments, 2018 was marked by volatility in the international financial markets connected with geopolitical tensions and, in our country, tensions on national Government Bonds tied, at first, to political instability which preceded the creation of the new Government and, later, the implementation of the Budget Law. Despite this context, the gross profitability of the Group's insurance financial investments portfolio also remained, in this year, at significant levels, equal to 3.8% of invested assets (3.7% in 2017), of which 3.3% relating to the coupons and dividends component.

The process of restructuring of the banking segment was concluded in 2018, with a clear strengthening of the coverage of the impaired loans of Unipol Banca and the separation of performing assets from impaired ones, with the incorporation of UnipolReC. The operation made it possible to create the conditions for the redevelopment of the Group's strategy in the banking sector which will be completed in 2019, after the necessary authorisations are obtained, with the announced transfer of Unipol Banca to BPER and the subsequent exit from the direct management of a medium-sized bank, to take up a role of permanent long-term investor in one of the leading Italian banking groups.

As regards real estate management, during the year the Company 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, particularly in the Milan area. The projects are characterised by the use of technologies designed to maximise energy savings, including by relying on renewable energy.
As regards sales, the transfer of ownership of some real estate units was completed during the year, regarding the broader sale of more than 500 real estate units owned by Group companies located in various areas of Italy launched in the previous year.

The activities of the companies forming part of the other sectors in which the Group operates, particularly as regards the hotel sector (UNA Group), are centred on consolidating the Group's market position and redefining the strategic development lines of its business.
UnipolReC closed the year 2018 positively, the first year of activities. The portfolio of gross impaired loans fell by 10%, with a recovery ratio of 31%.

The relevant extraordinary transactions concluded during the year include the following:

- acquisition, by UnipolSai from the Parent Company Unipol Gruppo, of the controlling interest in Arca Vita (and with it also in its subsidiaries, with particular reference to the insurance companies Arca Vita International DAC and Arca Assicurazioni S.p.A) for a consideration of €475m;
- transfer of the equity investment held in Popolare Vita to the banking partner Banco BPM for a consideration of €536m;
- start of preliminary activities prior to the completion of strategic transactions relating to the banking segment which led, on 7 February 2019, based on prior approval on the same date by the Boards of Directors of the companies involved, to the stipulation of contractual agreements with BPER regarding the following transactions, to be implemented with a single framework:
  - transfer to BPER Banca of the entire equity investment held by Unipol, also via UnipolSai, to Unipol Banca, corresponding to the entire share capital of the latter, for a cash consideration of €220m; and
  - purchase from the BPER Group, by UnipolReC, of two separate portfolios comprised of bad and doubtful loans, for a gross book value of €1.3bn, against a cash consideration of €130m, equal to approximately 10% of the gross value of the portfolio.

  The aforementioned transactions are expected to be completed by the start of the second half of 2019, subject to the verification of some conditions precedent, first and foremost of a regulatory and authorisation nature.

On 7 February 2019, the Board of Directors of UnipolSai also resolved to exercise the sale option relating to 27.49% of the share capital of Unipol Banca and UnipolReC, available to it vis-à-vis the parent company Unipol based on the option contract signed on 31 December 2013, between the then Fondiaria-Sai S.p.A. and Unipol Gruppo. Due to the above, UnipolSai committed to transfer to BPER, under the above conditions, the residual stake held in Unipol Banca following the exercise of the option, completed on 1 March 2019.

System of governance

The governance structure of the parent company Unipol Gruppo S.p.A. (the "Company") is based on a traditional management and control model, where the main bodies are the Shareholders' Meeting, the Board of Directors (which operates with the support of board committees) and the Board of Statutory Auditors. The Company has created an Audit Function, a Risk Management Function, a Compliance and Anti-Money Laundering Function and an Actuarial Function (jointly "Key Functions").

The Board of Directors assesses the position of each of its members and the members of the Board of Statutory Auditors, establishing whether these meet the requirements set by legal and regulatory provisions in force at the time on integrity, professionalism and independence, as well as on the absence of impediments, suspensions and incompatibilities pursuant to interlocking provisions. The Board of Directors also establishes whether the requirements of suitability to the office are met by the Managers of the Key Functions.

The Company has acquired an articulated and efficient Internal Control and Risk Management System, to ensure that the most significant risks arising from its activity are correctly identified, measured, managed and controlled, as well as being compatible with a sound and correct management. The Company also ensures that this System is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of group supervision and their mutual interdependencies. The Board of Directors is responsible for said System and regularly verifies its suitability and actual operation.

The Audit Function assesses the completeness, function, reliability and adequacy of the Internal Control and Risk Management System, in relation to the nature of the business activities and the level of risks taken, as well as for updating it, also through support and advisory activities provided to other company departments. This Report also describes the control tasks of the Actuarial Function with reference to Solvency II Technical Provisions.

There were no substantial changes in the system of governance during the reference period.

Risk profile

The Group calculates its Solvency Capital Requirement using the Partial Internal Model ("PIM"), which can provide a better assessment of its actual risk profile than the standard formula. On 24 April 2018, the Group received from the Supervisory Authorities the authorisation to use the Partial Internal Model for regulatory purposes, effective from 31 December 2017 onwards.

To provide a more complete representation of the risk profile, the Group has adopted risk classification criteria somewhat different from those proposed by the Standard Formula, which is the method used to calculate the Solvency Capital Requirement ("SCR") for undertakings that have not developed an internal model. In particular, with regard to market risk, as part of the PIM, the Group also considers the risks relating to the volatility of share prices and interest rates. For the risk modules not included within the PIM, the Standard Formula is used, with the application of parameters specific to the Group ("Group Specific Parameters" or "GSP") to calculate the Premium and Reserve Risk for the following Lines of Business ("LoB") (i) MV TPL (ii) General TPL and (iii) Fire and other damage to property, while the Standard Formula Market Wide is used for the other risk modules.

The Solvency Capital Requirement (SCR) total for the Group at the end of the reference period was €3,892,721k, down by €259,008k compared to the SCR relating to 31 December 2017. The change in the SCR between the two periods subject to analysis was primarily due to the change in the value of:

a) Non-Life and Health Underwriting Risks: there was a reduction in the Non-Life and Health SCR primarily due to the decline in the capital requirement of the Non-Life Premium and Reserve sub-module; this change in the requirement is explained by the decrease in volumes with respect to 2017 and the update to the GSP parameters;
b) Life Underwriting Risks: an increase was recorded in the Life SRC, determined primarily by the change in surrender risk, also partly explained by the change in the model for calculating these risks ("model change") relating to the assumptions on the expiry of the whole life policies introduced by the company Arca Vita and approved by the Supervisory Authorities effective from 31 December 2018;
c) Market Risks: an increase in Market SCR was registered, primarily due to the increase in the equity module and spread, partly mitigated by the reduction in the interest rate risk;
d) Credit Risks: a reduction in the Credit SCR was recorded, mainly due to the decrease in exposures to banks which more than offset the increase in exposures recorded for reinsurance counterparties.

For greater clarity, please note that the foreign subsidiaries are excluded from the scope of application ("out of scope") of the Group's Partial Internal Model and, therefore, the relative capital requirement is calculated using the Standard Formula and added to the basic solvency capital requirement (BSCR) (see the item "out of scope undertakings SCR" item in the SCR - Partial Internal Model table below).

SCR - Partial Internal Model

Amounts in €k	2018	2017	Change on 2017
Non-life and health underwriting risk	1,980,508	2,105,623	(125,115)
Life underwriting risk	276,802	228,777	48,025
Market risks	2,108,469	2,036,449	72,020
Credit risk	270,319	317,485	(47,166)
Diversification	(1,061,509)	(1,067,044)	5,535
Basic Solvency Capital Requirement (BSCR)	3,574,588	3,621,291	(46,702)
Operational risk	551,089	562,278	(11,189)
ALAC TP	(434,667)	(318,444)	(116,223)
ALAC DT	(840,390)	(881,621)	41,231
SCR OT	91,910	98,003	(6,092)
Out of scope undertakings's SCR	254,287	356,463	(102,176)
Conservative margin	58,247	54,466	3,781
Solvency Capital Requirement - Insurance sector	**3,255,064**	**3,492,435**	**(237,370)**
Solvency Capital Requirement - Credit and financial sector	**637,656**	**659,294**	**(21,638)**
Totale Solvency Capital Requirement (SCR)	**3,892,721**	**4,151,729**	**(259,008)**

Note that the risk assessments are carried out applying as long-term measure the Volatility Adjustment (VA).

Valuation for solvency purposes

To calculate the own funds eligible for the coverage of the Solvency Capital Requirement, the Group must prepare a "Market Consistent Balance Sheet" ("MCBS"), enclosed to this Report, on the basis of specific valuation criteria and with methods of consolidation of the investee companies, defined by the Directive and the Regulation, which are different from those used for the consolidated financial statements.
Please note in particular that the methods of consolidation laid out in Solvency II result in a more restricted line-by-line consolidation scope than that applicable in the IFRS consolidated financial statements. In particular, we note that:

- the entities that carry out financial and credit activities (UnipolSai Investimenti Sgr, UnipolRec, Unipol Banca and its subsidiaries) were consolidated synthetically based on the proportional share of own funds of such entities determined on the basis of the pertinent sector rules ("Basel III").
- the other subsidiaries whose activities are not insurance activities or instrumental to the insurance business were subject to synthetic consolidation (and not line-by-line as set forth in IFRS 10 for the purpose of preparing the consolidated financial statements) on the basis of dedicated financial positions drawn up in accordance with Solvency II criteria;

In addition, the measurement criteria specified by the Solvency II provisions are based on the concept of fair value and, therefore:

- assets are valued at the amount at which they could be exchanged between knowledgeable and willing parties in an arm's length transaction;
- liabilities are valued at the amount at which they could be sold or settled between knowledgeable and willing parties in an arm's length transaction.

In the valuation of liabilities, any changes in the credit standing of the individual companies belonging to the Group subsequent to the issue are not taken into consideration.
There were no substantial changes in the valuation criteria adopted compared to the previous year.

The nature of the main differences between the shareholders' equity resulting from the consolidated financial statements and that resulting from the MCBS at 31 December 2018 and at the end of the previous year is summarised below.

Amounts in €k		2018	2017
A	**Shareholders' equity (Financial Statement)***	6,332,798	7,478,770
B	Adjustments for different consolidation methods	(29,248)	(47,771)
C	Adjustments by assets/liabilities type	(1,089,916)	(1,001,503)
	Intangible assets	(2,036,910)	(2,052,146)
	Properties and tangible assets for investment and for own use	289,089	246,060
	Other financial investments	300,326	316,757
	Technical provisions	461,246	729,459
	Deferred taxes	66,351	(81,265)
	Other assets and liabilities	(170,018)	(160,368)
D=A+B+C	**Shareholders' equity (MCBS)**	5,213,635	6,429,497

*Note that the difference with respect to the total shareholders' equity in Balance Sheet Liabilities item 1 in the Group's consolidated financial statements (equal to €6,326.7m at 31/12/2018) is due to the recognition in that accounting document of own shares (amounting to €6m) as an adjustment to shareholders' equity.

Capital management

The Group has own funds eligible to cover the capital requirements equal to 1.63 times the SCR (1.66 at 31/12/2017) and 2.77 times the Minimum Capital Requirement ("MCR"), 3.24 at 31 December 2017.

The following tables show:

- the reconciliation between the amount of shareholders' equity from the MCBS and the amount of own funds eligible to cover capital requirements;
- the amount of own funds eligible to cover capital requirements, with a breakdown by individual tiering level;
- the capital requirements (SCR and MCR);
- the coverage ratios of the capital requirements.

Reconciliation from MCBS to eligible own funds

Amounts in €k	2018	2017	Change on 2017
Shareholders' equity (MCBS)	5,213,635	6,429,497	(1,215,862)
Subordinated and hybrids liabilities computable in own funds such as Tier 1 restricted and Tier 2 instruments	2,344,962	2,128,625	216,337
Expected dividends	(220,214)	(252,598)	32,383
Own shares held directly or indirectly	(7,048)	(29,494)	22,446
Adjustments related to the transferability of subsidiaries own funds or the computability of minority interests	(981,220)	(1,367,636)	386,417
Other deductions required by the Regulations or by specific provisions of the Supervisory Authority	(4,308)	(6,691)	2,384
Total eligible own funds to meet the SCR	6,345,808	6,901,702	(555,894)
Non eligible own funds to meet the MCR	(2,076,489)	(1,530,266)	(546,223)
Total eligible own funds to meet the MCR	4,269,320	5,371,437	(1,102,117)

Eligible amount of own funds

Amounts in €k	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Total eligible own funds to meet the SCR (A)	6,345,808	4,041,778	792,286	1,194,924	316,820
Total eligible own funds to meet the MCR (B)	4,269,320	3,169,144	792,286	307,890	

SCR, MCR and Capital Requirement coverage ratios

Amounts in €k	2018	2017	Change on 2017
Solvency Capital Requirement (SCR) _ (C)	3,892,721	4,151,729	(259,008)
Minimum Capital Requirement (MCR) _ (D)	1,539,448	1,656,112	(116,664)
Ratio of Eligible own funds to SCR (A / C)	1.63	1.66	(0.03)
Ratio of Eligible own funds to MCR (B / D)	2.77	3.24	(0.47)

The SCR coverage ratio without the application of the volatility adjustment is 1.48 (1.65 at 31/12/2017).

We provide below the results of the sensitivity analyses carried out by the Group. The analyses refer to the year in question and take, as base scenario, the capital adequacy and the solvency capital requirement calculated according to the regulatory model adopted by the Group.

Sensitivities

Description	Impact with respect to central scenario	Impact on Solvency II Ratio
Shift upward of the interest yield curve	interest rate: +50 bps	-5%
Shift downward of the interest yield curve	interest rate: -10 bps	0%
Shock on yield - industrial and financial	industrial and financial credit spread: +100 bps	3%
Shock on equity market	equity market value: -20%	-6%
Shock on property market	property market value: -15%	-10%
Shock on yield - government Italy	Italian governament credit spread: +100 bps	-11%

During the year the Group always maintained adequate coverage of its SCR as well as its MCR.

A

BUSINESS AND PERFORMANCE

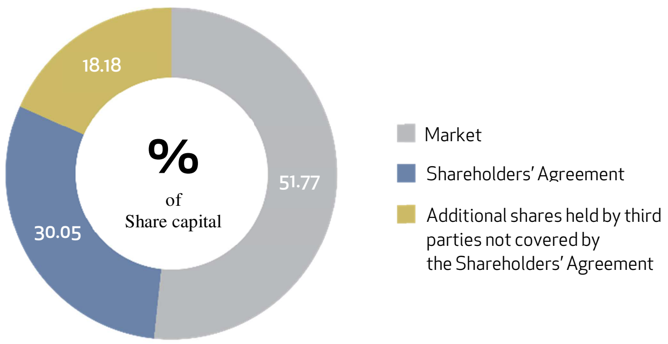
A Business and Performance

A.1. Business

Company information

Unipol Gruppo SpA (also Unipol SpA) 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 at the top of the Unipol Conglomerate. It is listed on the Milan Stock Exchange and manages and coordinates all the subsidiaries. The Group operates in the insurance, banking, real estate, hospitality and other businesses sectors.

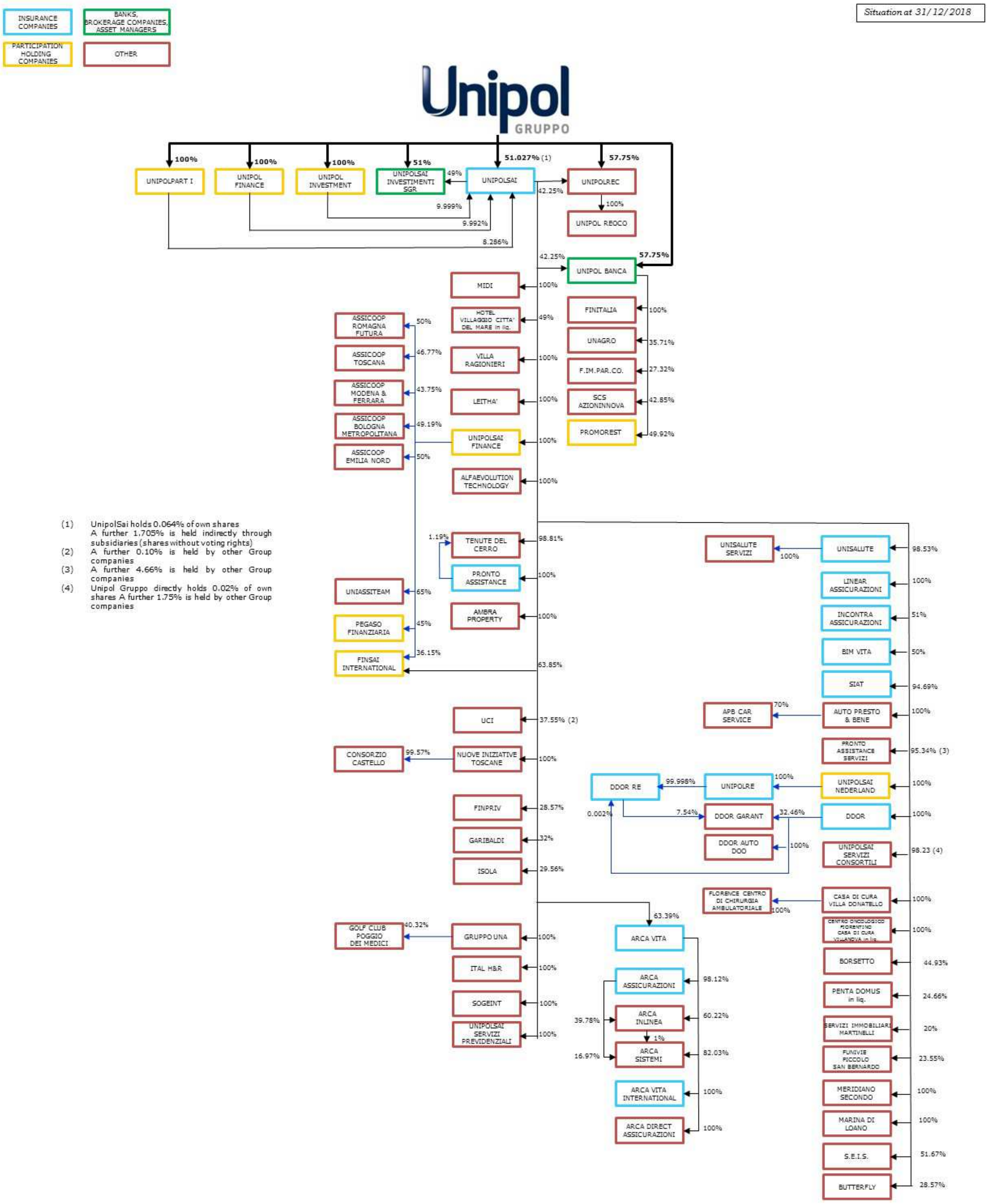
The shareholding structure is shown in the chart below:



The Group is subject to supervision, as an insurance group, by the Istituto per la Vigilanza sulle Assicurazioni (IVASS) and as a banking group by the Bank of Italy.

The independent audit firm appointed by the Group is PricewaterhouseCoopers SpA.

The structure of the Unipol Group at 31 December 2018 is shown below.



(1) UnipolSai holds 0.064% of own shares
A further 1.705% is held indirectly through subsidiaries (shares without voting rights)
(2) A further 0.10% is held by other Group companies
(3) A further 4.66% is held by other Group companies
(4) Unipol Gruppo directly holds 0.02% of own shares A further 1.75% is held by other Group companies

We also provide a list of subsidiaries and associates, and companies subject to unified management at 31 December 2018.

List of subsidiaries and associates

Name	Legal form	Registered office	% voting rights
Alfaevolution Technology Spa	Joint-stock company	Italy	100.00%
Ambra Property Srl	Limited liabilities company	Italy	100.00%
Apb Car Service Srl	Limited liabilities company	Italy	70.00%
Arca Assicurazioni Spa	Joint-stock company	Italy	98.12%
Arca Direct Assicurazioni Srl	Limited liabilities company	Italy	100.00%
Arca Inlinea Scarl	Limited liabilities consortium	Italy	100.00%
Arca Sistemi Scarl	Limited liabilities consortium	Italy	100.00%
Arca Vita International Dac	Designated activity Company	Ireland	100.00%
Arca Vita Spa	Joint-stock company	Italy	63.39%
Assicoop Bologna Metropolitana Spa	Joint-stock company	Italy	49.19%
Assicoop Emilia Nord Srl	Limited liabilities company	Italy	50.00%
Assicoop Modena & Ferrara Spa	Joint-stock company	Italy	43.75%
Assicoop Romagna Futura Srl	Limited liabilities company	Italy	50.00%
Assicoop Toscana Spa	Joint-stock company	Italy	46.77%
Athens R.E. Fund	Collective Investments Undertakings	Italy	89.59%
Atlante Finance Srl	Limited liabilities company	Italy	0.00%
Auto Presto & Bene Spa	Joint-stock company	Italy	100.00%
Bim Vita Spa	Joint-stock company	Italy	50.00%
Borsetto Srl	Limited liabilities company	Italy	44.93%
Butterfly Am Sa'Rl	Limited liabilities company	Luxembourg	28.57%
Casa Di Cura Villa Donatello - Spa	Joint-stock company	Italy	100.00%
Castoro Rmbs Srl	Limited liabilities company	Italy	0.00%
Centro Oncologico Fiorentino Casa Di Cura Villanova Srl In Liquidazione	Limited liabilities company	Italy	100.00%
Compagnia Assicuratrice Linear Spa	Joint-stock company	Italy	100.00%
Consorzio Castello	Limited liabilities consortium	Italy	99.57%
Ddor Auto - Limited Liability Company	Drutvo Sa Ogranienom Odgovornou-D.O.O.	Serbia	100.00%

Name	Legal form	Registered office	% voting rights
Ddor Garant	Akcionarsko Drutvo-A.D.O.	Serbia	40.00%
Ddor Novi Sad	Akcionarsko Drutvo-A.D.O.	Serbia	100.00%
Ddor Re	Akcionarsko Drutvo-A.D.O.	Serbia	100.00%
Fin.Priv. Srl	Limited liabilities company	Italy	28.57%
Finitalia Spa	Joint-stock company	Italy	100.00%
Finsai International Sa	Societe' Anonyme	Luxembourg	100.00%
Florence Centro Di Chirurgia Ambulatoriale Srl	Limited liabilities company	Italy	100.00%
Fondazione Unipolis	Foundation	Italy	100.00%
Fondo Landev	Collective Investments Undertakings	Italy	100.00%
Fondo Opportunity	Collective Investments Undertakings	Italy	100.00%
Funivie Del Piccolo San Bernardo Spa	Joint-stock company	Italy	23.55%
Garibaldi Sca	Societè en Accomandite par Actions	Luxembourg	32.00%
Golf Club Poggio Dei Medici Spa Societa' Dilettantistica Sportiva	Limited liabilities company	Italy	40.32%
Grecale Abs Srl	Limited liabilities company	Italy	10.00%
Grecale Rmbs 2011 Srl	Limited liabilities company	Italy	0.00%
Grecale Rmbs 2015 Srl	Limited liabilities company	Italy	0.00%
Gruppo Una Spa	Joint-stock company	Italy	100.00%
Hotel Villaggio Citta' Del Mare Spa In Liquidazione	Joint-stock company	Italy	49.00%
Incontra Assicurazioni Spa	Joint-stock company	Italy	51.00%
Isola Sca	Societè en Accomandite par Actions	Luxembourg	29.56%
Ital H&R Srl	Limited liabilities company	Italy	100.00%
Leithà Srl	Limited liabilities company	Italy	100.00%
Marina Di Loano Spa	Joint-stock company	Italy	100.00%
Meridiano Secondo Srl	Limited liabilities company	Italy	100.00%
Midi Srl	Limited liabilities company	Italy	100.00%
Nuove Iniziative Toscane - Societa' A Responsabilita' Limitata	Limited liabilities company	Italy	100.00%
Pegaso Finanziaria Spa	Joint-stock company	Italy	45.00%
Penta Domus Spa In Liquidazione	Joint-stock company	Italy	24.66%
Promorest Srl	Limited liabilities company	Italy	49.92%
Pronto Assistance Servizi Scarl	Limited liabilities consortium	Italy	100.00%
Pronto Assistance Spa	Joint-stock company	Italy	100.00%
Scs Azioninnova Spa	Joint-stock company	Italy	42.85%

Name	Legal form	Registered office	% voting rights
Servizi Immobiliari Martinelli Spa	Joint-stock company	Italy	20.00%
Siat-Societa' Italiana Assicurazioni E Riassicurazioni - Per Azioni	Joint-stock company	Italy	94.69%
Sme Grecale 2017 Srl	Limited liabilities company	Italy	0.00%
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' Per Azioni	Joint-stock company	Italy	51.67%
Sogeint Societa' A Responsabilita' Limitata	Limited liabilities company	Italy	100.00%
Tenute Del Cerro Spa - Societa' Agricola	Joint-stock company	Italy	100.00%
Tikal R.E. Fund	Collective Investments Undertakings	Italy	95.00%
Uci - Ufficio Centrale Italiano	Limited liabilities consortium	Italy	37.65%
Uniassiteam Srl	Limited liabilities company	Italy	65.00%
Unipol Banca Spa	Joint-stock company	Italy	100.00%
Unipol Finance Srl	Limited liabilities company	Italy	100.00%
Unipol Gruppo Spa	Joint-stock company	Italy	100.00%
Unipol Investment Spa	Joint-stock company	Italy	100.00%
Unipol Reoco Spa	Joint-stock company	Italy	100.00%
Unipolpart I Spa	Joint-stock company	Italy	100.00%
Unipolre Dac	Designated activity Company	Ireland	100.00%
Unipolrec Spa	Joint-stock company	Italy	100.00%
Unipolsai Assicurazioni Spa	Joint-stock company	Italy	81.06%
Unipolsai Finance Spa	Joint-stock company	Italy	100.00%
Unipolsai Investimenti Sgr Spa	Joint-stock company	Italy	100.00%
Unipolsai Nederland Bv	Besloten Vennootschap	The Netherlands	100.00%
Unipolsai Servizi Consortili Societa' Consortile A Responsabilita' Limitata	Limited liabilities consortium	Italy	100.00%
Unipolsai Servizi Previdenziali Srl	Limited liabilities company	Italy	100.00%
Unisalute Servizi Srl	Limited liabilities company	Italy	100.00%
Unisalute Spa	Joint-stock company	Italy	98.53%
Villa Ragionieri Srl	Limited liabilities company	Italy	100.00%

Change in the scope of consolidation

On 11 January 2018, the contract was signed for the transfer of the equity investment held in Popolare Vita (21,960,001 shares, equal to 50% + 1 share of share capital) to banking partner Banco BPM, following the non-renewal of the distribution agreements and subsequent exercise of the put option envisaged in the Shareholders' Agreement. On 29 March 2018, given the conditions precedent set out in the contract were verified, the shares were transferred and the price of €535.5m was collected, generating a net capital gain of €308.6m at consolidated level. Following said transfer, the subsidiary The Lawrence Life Assurance Company Dac, 100% owned by Popolare Vita SpA, also left the scope of the Group.

The tables in this chapter report the data relating to the years 2018 and 2017 based on the actual scopes of consolidation. As regards the analysis of the changes on a like-for-like basis, i.e. excluding for both periods being compared, the values contributed by Popolare Vita and The Lawrence Life, please refer to the report on operations of the integrated consolidated financial statements of the Unipol Group as at 31 December 2018.

Main differences between the scope of consolidation considered in the consolidated financial statements prepared pursuant to Art. 95 of the Private Insurance Code ("CAP") and the scope of consolidation considered for the calculation of group solvency pursuant to Art. 216-ter of the CAP

The Unipol Group MCBS was determined in accordance with method 1 (method based on the consolidated financial statements described in Art. 335 of the Regulation). To that end, a Group MCBS expressed at market value was prepared on the basis of the criteria defined in the Regulation.
The Group scope for the preparation of the MCBS includes 84 companies, of which:

A. 37 companies consolidated on a line-by-line basis in application of Art. 335 paragraph 1 (a) of the Regulation (insurance or reinsurance companies, non-EU insurance or reinsurance companies, insurance holding companies, mixed financial holding companies and instrumental companies which are subsidiaries of the parent company);

B. 11 companies for which the proportional share of own funds of the company calculated in accordance with the pertinent sector rules pursuant to Art. 2, point 7 of Directive 2002/87/EC was consolidated in application of Art. 335 paragraph 1 (e) of the Regulation (investee companies that are credit institutions, investment firms and financial institutions, UCITS management companies);

C. 36 companies measured in compliance with Art. 13 of the Regulation (other subsidiaries, associates, included in the definition of equity investments other than the previous ones), consolidated with the Solvency II equity method in application of Art. 335 paragraph 1 (f) of the Regulation.

There are no companies pursuant to paragraph 1, letters b), c) and d) of Art. 335 of the Regulation (line-by-line consolidation of vehicle companies as defined in Art. 13 of the Directive, proportionate consolidation or consolidation with the equity method of equity investments in insurance or reinsurance companies, non-EU insurance or reinsurance companies, insurance holding companies, mixed financial holding companies and instrumental companies which are not subsidiaries of the parent company).
The main differences in the scope of consolidation of the MCBS with respect to the scope of consolidation used for the preparation of the Unipol consolidated financial statements derive from the lack of line-by-line consolidation of the subsidiaries belonging to the financial sector and the subsidiary entities that are not instrumental companies within the scope of the Unipol Insurance Group, with the exception of several subsidiary entities whose activities were deemed similar to those of the instrumental companies, such as the controlled property funds and the companies Unipol Finance, Unipol Investment and Unipolpart I, which hold an investment in UnipolSai.
For further details regarding the scope of consolidation and the methods of calculation applied to the individual entities, please refer to QRT S.32.01.22 in the QRT Models section.

Relations with group companies

UnipolSai Assicurazioni provided 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 and remuneration systems, personnel management, trade union relations, employee 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, specialist customer assistance, management of investments, anti-money laundering and anti-terrorism, 231 monitoring, institutional relations);
- IT services;
- Validation and Calculation Actuarial Function;
- 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 and administrative services associated with the payment of health policy claims for UnipolSai.

The services provided by UniSalute to 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 for UnipolSai Assicurazioni administrative and accounting services for inwards and outwards reinsurance.

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

In 2018, UnipolReC, as agent, carried out, in favour of the UNA group, management and, the out-of-court recovery of loans due from customers such as, by way of an example, the analysis of loans granted, the sending of payments reminders via mail and/or telephone, the monitoring of responses received, the verification of payments and their reconciliation, the search for persons that cannot be reached and any other activity needed or connected to these services.

Alfaevolution Technology provides the following supply and management services to some Group companies:
- black boxes connected to MV TPL policies, confirming the Unipol Group as the market leader in the world. For these devices, Alfaevolution also provides data analysis and crash reconstruction;
- electronic kits connected to insurance policies for the protection of the home, condominiums, commercial enterprises and hotels;
- electronic kits connected to insurance policies for the protection of pets.

Leithà provides, in favour of a number of Group companies, innovative services with high technological value and 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 activities;
  - 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 for 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;
- providing parking spaces in the car park in Via del Fante 21, Verona, to UnipolSai;
- leasing of premises in the property at Via del Fante 21, Verona, and the related parking spaces in 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 the following 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 considerations are calculated by applying a commission on the volumes managed. UniSalute (except operating services provided to UniSalute Servizi for which the costs are split), Auto Presto & Bene, UnipolSai Investimenti SGR and UnipolRe involve fixed prices.

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")
The Parent Unipol, as consolidating company, renewed the option for the Group tax consolidation governed by Title II, Chapter II, Section II of Italian Presidential Decree 917/86 (Consolidated Income Tax Act, Articles 117 et seq.) for the three-year period 2018-2020. All companies in the Unipol Group that meet the regulatory requirements take part in this regime as consolidated companies.

The table below reports the relevant quantitative information (at Solvency II values) regarding the significant transactions carried out by the insurance and reinsurance companies or the parent company with intra-group counterparties as defined in Art. 5 of IVASS Regulation No. 30 of 26 October 2016 concerning provisions on the supervision of intra-group transactions and on risk concentration.

Transactions relating to equity instruments, debt instruments and asset transfers

Amounts in €k

Name of investor/purchaser	Name of issuer/seller	Transaction description	Maturity (1)	Annual interest rate	Nominal - contractual value of the transaction (2)	Intra-group balance sheet balance as at 31/12/2018 (3)	Intra-group income statement balance as at 31/12/2018 (4)
ARCA ASSICURAZIONI SPA	UNIPOL BANCA SPA	Current account	31/12/9999		6,256	2,450	
ARCA ASSICURAZIONI SPA	ARCA SISTEMI SCARL	Equity investment in affiliate	31/12/9999		773	773	
ARCA VITA SPA	ARCA ASSICURAZIONI SPA	Dividend disbursed to investor	31/05/2018		23,745		23,745
ARCA VITA SPA	BANCA POPOLARE DI SONDRIO SCPA	Current account	31/12/9999		115,256	701	
ARCA VITA SPA	BPER BANCA SPA	Current account	31/12/9999		166,034	54,321	
ARCA VITA SPA	UNIPOL BANCA SPA	Current account	31/12/9999		128,771	46,827	
ARCA VITA SPA	UNIPOL GRUPPO SPA	Bond	05/03/2021	4.38%	6,490	6,490	
ARCA VITA SPA	ARCA ASSICURAZIONI SPA	Equity investment in subsidiary	31/12/9999		146,485	140,684	23,745
ARCA VITA SPA	ARCA DIRECT ASSICURAZIONI SRL	Equity investment in subsidiary	31/12/9999		1,895	947	1,005
ARCA VITA SPA	ARCA VITA INTERNATIONAL DAC	Equity investment in subsidiary	31/12/9999		34,588	29,551	
ARCA VITA SPA	UNIPOL BANCA SPA	Term deposit	05/02/2018		60,000		
ARCA VITA SPA	UNIPOL BANCA SPA	Term deposit	05/03/2018		100,000		
ARCA VITA SPA	UNIPOL BANCA SPA	Term deposit	05/04/2018		50,000		
BANCA INTERMOBILIARE	BIM VITA SPA	Dividend disbursed to investor	30/04/2018		1,725		1,725
BANCA POPOLARE DI SONDRIO SCPA	ARCA VITA SPA	Dividend disbursed to investor	31/05/2018		6,747		6,747
BIM VITA SPA	BANCA INTERMOBILIARE	Current account	31/12/9999		26,117	8,208	

Amounts in €k

Name of investor/purchaser	Name of issuer/seller	Transaction description	Maturity (1)	Annual interest rate	Nominal - contractual value of the transaction (2)	Intra-group balance sheet balance as at 31/12/2018 (3)	Intra-group income statement balance as at 31/12/2018 (4)
BPER BANCA SPA	ARCA VITA SPA	Dividend disbursed to investor	31/05/2018		8,946		8,946
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL BANCA SPA	Current account	31/12/9999		47,879	5,088	
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL BANCA SPA	Term deposit	05/02/2018		8,000		
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL BANCA SPA	Term deposit	12/02/2018		9,000		
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL BANCA SPA	Term deposit	19/02/2018		10,000		
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL BANCA SPA	Term deposit	28/02/2018		15,000		
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL BANCA SPA	Term deposit	23/03/2018		8,000		
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL BANCA SPA	Term deposit	19/03/2019		7,000		
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL BANCA SPA	Term deposit	04/02/2019		15,000	5,000	
COOP ALLEANZA 3.0 SOCIETA' COOPERATIVA	UNIPOL GRUPPO SPA	Dividend disbursed to investor	23/05/2018		28,603		28,603
INCONTRA ASSICURAZIONI SPA	UNICREDIT GROUP	Current account	31/12/9999		12,761	1,340	
INCONTRA ASSICURAZIONI SPA	UNIPOL BANCA SPA	Current account	31/12/9999		11,903	843	
POPOLARE VITA SPA	GRUPPO BANCO POPOLARE	Current account	29/03/2018		62,388		
PRONTO ASSISTANCE SPA	UNIPOL BANCA SPA	Current account	31/12/9999		4,251	441	
PRONTO ASSISTANCE SPA	TENUTE DEL CERRO SPA - SOCIETÀ AGRICOLA	Equity investment in affiliate	31/12/9999		897	897	
PRONTO ASSISTANCE SPA	UNIPOLSAI ASSICURAZIONI SPA	Equity investment in holding company	31/12/9999		670	681	50
PRONTO ASSISTANCE SPA	UNIPOLSAI SERVIZI CONSORTILI SCRL	Equity investment in affiliate	31/12/9999		326	326	
SIAT SPA	UNIPOL BANCA SPA	Current account	31/12/9999		12,605	681	
UNICREDIT GROUP	INCONTRA ASSICURAZIONI SPA	Dividend disbursed to investor	08/05/2018		3,058		3,058
UNIPOL BANCA SPA	UNIPOL GRUPPO SPA	Payable as a result of early termination of the credit indemnity	31/07/2027		505,801	455,187	9,783
UNIPOL FINANCE SRL	UNIPOLSAI ASSICURAZIONI SPA	Dividend disbursed to investor	23/05/2018		40,998		40,998
UNIPOL GRUPPO SPA	ARCA VITA SPA	Dividend disbursed to investor	31/05/2018		28,827		28,827
UNIPOL GRUPPO SPA	ARCA VITA SPA	Equity investment in subsidiary	07/08/2018		304,059		122,239
UNIPOL GRUPPO SPA	UNIPOL BANCA SPA	Equity investment in subsidiary	31/12/9999		506,145	127,047	
UNIPOL GRUPPO SPA	UNIPOL BANCA SPA	Split-off of investment of Unipol Gruppo in Unipol Banca to UnipolRec	01/02/2018		180,843		
UNIPOL GRUPPO SPA	UNIPOL BANCA SPA	Write-down of equity investment in subsidiary	31/12/2018		195,872		
UNIPOL GRUPPO SPA	UNIPOL FINANCE SRL	Equity investment in subsidiary	31/12/9999		551,082	565,032	34,961
UNIPOL GRUPPO SPA	UNIPOL INVESTMENT SPA	Equity investment in subsidiary	31/12/9999		582,362	597,001	36,012
UNIPOL GRUPPO SPA	UNIPOLSAI ASSICURAZIONI SPA	Equity investment in subsidiary	31/12/9999		2,929,871	2,853,894	228,368
UNIPOL GRUPPO SPA	UNIPOL BANCA SPA	Current account	31/12/9999		1,401,782	1,092,646	
UNIPOL GRUPPO SPA	UNIPOL PART I SPA	Equity investment in subsidiary	31/12/9999		50	464,247	
UNIPOL GRUPPO SPA	UNIPOLPART I SPA	Share capital increase in subsidiary	31/12/9999		75,000		
UNIPOL GRUPPO SPA	UNIPOLPART I SPA	Partial reimbursement of share capital	31/12/9999		17,000		
UNIPOL GRUPPO SPA	UNIPOLPART I SPA	Contribution of shares to subsidiary	31/12/9999		405,148		
UNIPOL GRUPPO SPA	UNIPOLREC SPA	Equity investment in subsidiary	31/12/9999		180,843	184,271	

Amounts in €k

Name of investor/purchaser	Name of issuer/seller	Transaction description	Maturity (1)	Annual interest rate	Nominal - contractual value of the transaction (2)	Intra-group balance sheet balance as at 31/12/2018 (3)	Intra-group income statement balance as at 31/12/2018 (4)
UNIPOL GRUPPO SPA	UNIPOL BANCA SPA	Loan granted to Unipol Banca and split off on 1 February 2018 in favour of UnipolRec	16/01/2028	3.25%	173,250		
UNIPOL GRUPPO SPA	UNIPOLREC SPA	Loan	16/01/2028	3.25%	173,250	149,561	5,103
UNIPOL GRUPPO SPA	UNIPOLSAI ASSICURAZIONI SPA	Dividend disbursed to investor	23/05/2018		228,368		228,368
UNIPOL INVESTMENT SPA	UNIPOLSAI ASSICURAZIONI SPA	Dividend disbursed to investor	23/05/2018		41,026		41,026
UNIPOLSAI ASSICURAZIONI SPA	BIM VITA SPA	Dividend disbursed to investor	30/04/2018		1,725		1,725
UNIPOLSAI ASSICURAZIONI SPA	COMPAGNIA ASSICURATRICE LINEAR SPA	Dividend disbursed to investor	31/05/2018		6,273		6,273
UNIPOLSAI ASSICURAZIONI SPA	PRONTO ASSISTANCE SPA	Dividend disbursed to investor	10/05/2018		3,375		3,375
UNIPOLSAI ASSICURAZIONI SPA	UNISALUTE SPA	Dividend disbursed to investor	23/05/2018		34,486		34,486
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Current account	31/12/9999		1,438,530	609,602	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO SPA	Loan	28/07/2023	0.68%	228,785	228,827	1,566
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO SPA	Loan	15/06/2021	0.69%	39,000	39,009	267
UNIPOLSAI ASSICURAZIONI SPA	MERIDIANO SECONDO SRL	Loan	31/12/9999		33,099	33,099	
UNIPOLSAI ASSICURAZIONI SPA	VILLA RAGIONIERI SRL	Equity investment in subsidiary	31/12/9999		53,762	52,598	
UNIPOLSAI ASSICURAZIONI SPA	NUOVE INIZIATIVE TOSCANE SRL	Equity investment in subsidiary	31/12/9999		109,134	82,309	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLSAI SERVIZI CONSORTILI SOCIETÀ	Equity investment in subsidiary	31/12/9999		35,549	35,524	
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Equity investment in subsidiary	31/12/9999		84,136	76,944	
UNIPOLSAI ASSICURAZIONI SPA	SIAT SPA	Equity investment in subsidiary	31/12/9999		66,449	58,038	3,958
UNIPOLSAI ASSICURAZIONI SPA	FIN.PRIV. SRL	Equity investment in associated company	31/12/9999		38,978	30,474	1,914
UNIPOLSAI ASSICURAZIONI SPA	TENUTE DEL CERRO SPA - SOCIETÀ AGRICOLA	Equity investment in subsidiary	31/12/9999		112,082	112,533	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Equity investment in associated company	31/12/9999		708,414	403,683	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Split-off of investment of UnipolSai in Unipol	01/02/2018		254,061		
UNIPOLSAI ASSICURAZIONI SPA	POPOLARE VITA SPA	Equity investment in subsidiary	29/03/2018		246,545		
UNIPOLSAI ASSICURAZIONI SPA	PRONTO ASSISTANCE SPA	Equity investment in subsidiary	31/12/9999		44,019	42,958	3,375
UNIPOLSAI ASSICURAZIONI SPA	INCONTRA ASSICURAZIONI SPA	Equity investment in subsidiary	31/12/9999		35,373	31,631	3,182
UNIPOLSAI ASSICURAZIONI SPA	MARINA DI LOANO SPA	Equity investment in subsidiary	31/12/9999		83,312	84,287	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLSAI NEDERLAND BV	Equity investment in subsidiary	31/12/9999		364,376	459,285	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLSAI NEDERLAND BV	Share capital increase in subsidiary	31/12/9999		100,000		
UNIPOLSAI ASSICURAZIONI SPA	DDOR NOVI SAD	Equity investment in subsidiary	31/12/9999		42,806	47,967	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLSAI FINANCE SPA	Equity investment in subsidiary	31/12/9999		220,708	218,151	7,524
UNIPOLSAI ASSICURAZIONI SPA	MIDI SRL	Equity investment in subsidiary	31/12/9999		130,408	131,639	
UNIPOLSAI ASSICURAZIONI SPA	UNISALUTE SPA	Equity investment in subsidiary	31/12/9999		176,293	178,920	34,486
UNIPOLSAI ASSICURAZIONI SPA	UNISALUTE SPA	Payment to share capital increase	31/12/9999		30,000		
UNIPOLSAI ASSICURAZIONI SPA	COMPAGNIA ASSICURATRICE LINEAR SPA	Equity investment in subsidiary	31/12/9999		95,838	111,211	6,273
UNIPOLSAI ASSICURAZIONI SPA	COMPAGNIA ASSICURATRICE LINEAR SPA	Payment to share capital account	31/12/9999		20,000		20,000
UNIPOLSAI ASSICURAZIONI SPA	AMBRA PROPERTY SRL	Equity investment in subsidiary	31/12/9999		57,880	55,449	

Amounts in €k

Name of investor/purchaser	Name of issuer/seller	Transaction description	Maturity (1)	Annual interest rate	Nominal - contractual value of the transaction (2)	Intra-group balance sheet balance as at 31/12/2018 (3)	Intra-group income statement balance as at 31/12/2018 (4)
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Loan	16/01/2028	3.25%	126,750		
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLREC SPA	Loan	16/01/2028	3.25%	126,750	109,419	3,733
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLREC SPA	Equity investment in associated company	31/12/9999		254,061	254,940	
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO SPA	Transfer of equity investments within the Group	07/08/2018		475,000		
UNIPOLSAI ASSICURAZIONI SPA	ARCA VITA SPA	Equity investment in subsidiary	31/12/9999		475,000	315,858	
UNIPOLSAI ASSICURAZIONI SPA	INCONTRA ASSICURAZIONI SPA	Dividend disbursed to investor	08/05/2018		3,182		3,182
UNIPOLSAI ASSICURAZIONI SPA	SIAT SPA	Dividend disbursed to investor	17/04/2018		3,958		3,958
UNIPOLSAI NEDERLAND BV	UNIPOLRE DAC	Share capital increase in subsidiary	31/12/9999		100,000		100,000
UNISALUTE SPA	UNIPOL BANCA SPA	Current account	31/12/9999	0.00%	55,635	4,633	
UNISALUTE SPA	UNIPOL BANCA SPA	Term deposit	16/07/2018	0.10%	10,000		
UNISALUTE SPA	UNIPOL BANCA SPA	Term deposit	04/02/2019	0.10%	5,000		
UNISALUTE SPA	UNISALUTE SERVIZI SRL	Equity investment in subsidiary	31/12/9999		2,175	2,821	

(1) 31/12/9999 means that the expiry date is not defined.

(2) "Nominal - contractual value of the transaction" refers to:
i) In the case of current accounts: the maximum amount for the year;
ii) In the case of loans, time deposits and similar: the contractual (nominal) amount;
iii) In the case of equity investments: its SII value at the start of the year;
iv) In the case of dividends disbursed by the Company to investor entities, their amount.
v) Nel caso di aumenti di capitale sociale: l'ammontare versato.

(3) The balance sheet balance represents the SII balance sheet value (e.g., value of the equity investment or residual debt or current account balance) at the date of year-end close.
(4) The income statement balance represents the impact in the Income Statement for the year of the intra-group transaction.

Reinsurance transactions

Amounts in €k

Name of ceding company	Name of reinsurer	Type of agreement	Intra-group balance sheet balance - receivable/(payable) for the ceding Company as at 31/12/2018 (1)	Intra-group income statement balance - income/(expenses) for the ceding Company as at 31/12/2018 (2)
ARCA ASSICURAZIONI S.P.A.	UNISALUTE S.P.A.	QUOTA SHARE	917	(765)
BIM VITA	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER EVENT AND PER RISK]	1	
BIM VITA	UNIPOLSAI ASSICURAZIONI S.P.A.	SURPLUS	(2)	(2)
COMPAGNIA ASSICURATRICE LINEAR S.P.A.	PRONTO ASSISTANCE S.P.A.	QUOTA SHARE	(181)	(181)
COMPAGNIA ASSICURATRICE LINEAR S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER EVENT AND PER RISK]		(741)
DDOR RE	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER EVENT]	399	27
DDOR RE	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER RISK]	(37)	(148)
DDOR RE	UNIPOLSAI ASSICURAZIONI S.P.A.	FACULTATIVE PROPORTIONAL		(162)
DDOR RE	UNIPOLSAI ASSICURAZIONI S.P.A.	QUOTA SHARE	89	(172)
INCONTRA ASSICURAZIONI S.P.A.	PRONTO ASSISTANCE S.P.A.	QUOTA SHARE	(5)	(5)
INCONTRA ASSICURAZIONI S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER EVENT AND PER RISK]	(1)	(5)
INCONTRA ASSICURAZIONI S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER EVENT]	(23)	(44)
INCONTRA ASSICURAZIONI S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER RISK]	33	(44)
INCONTRA ASSICURAZIONI S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	FACULTATIVE PROPORTIONAL	1	1
INCONTRA ASSICURAZIONI S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	QUOTA SHARE	1,280	(662)
INCONTRA ASSICURAZIONI S.P.A.	UNISALUTE S.P.A.	QUOTA SHARE	(1,111)	(1,111)
INCONTRA ASSICURAZIONI S.P.A.	UNIPOLRE DESIGNATED ACTIVITY COMPANY	QUOTA SHARE	44	(56)
SIAT S.P.A	PRONTO ASSISTANCE S.P.A.	QUOTA SHARE	1	
SIAT S.P.A	UNIPOLSAI ASSICURAZIONI S.P.A.	FACULTATIVE PROPORTIONAL	(16)	(1)
SIAT S.P.A	UNIPOLSAI ASSICURAZIONI S.P.A.	QUOTA SHARE	(2)	(4)
SIAT S.P.A	UNIPOLRE DESIGNATED ACTIVITY COMPANY	QUOTA SHARE	1	(1)
UNIPOLSAI ASSICURAZIONI S.P.A.	SIAT S.P.A	EXCESS OF LOSS [PER EVENT]	5	(13)
UNIPOLSAI ASSICURAZIONI S.P.A.	SIAT S.P.A	FACULTATIVE PROPORTIONAL	680	(1,132)
UNIPOLSAI ASSICURAZIONI S.P.A.	UNISALUTE S.P.A.	QUOTA SHARE	(14,788)	(14,788)
UNIPOLSAI ASSICURAZIONI S.P.A.	UNIPOLRE DESIGNATED ACTIVITY COMPANY	EXCESS OF LOSS [PER EVENT AND PER RISK]	10,168	(1,066)
UNIPOLSAI ASSICURAZIONI S.P.A.	UNIPOLRE DESIGNATED ACTIVITY COMPANY	EXCESS OF LOSS [PER EVENT]	1,871	326
UNIPOLSAI ASSICURAZIONI S.P.A.	UNIPOLRE DESIGNATED ACTIVITY COMPANY	EXCESS OF LOSS [PER RISK]	1,006	140

Amounts in €k

Name of ceding company	Name of reinsurer	Type of agreement	Intra-group balance sheet balance - receivable/(payable) for the ceding Company as at 31/12/2018 (1)	Intra-group income statement balance - income/(expenses) for the ceding Company as at 31/12/2018 (2)
UNIPOLSAI ASSICURAZIONI S.P.A.	UNIPOLRE DESIGNATED ACTIVITY COMPANY	FACULTATIVE PROPORTIONAL	412	238
UNIPOLSAI ASSICURAZIONI S.P.A.	UNIPOLRE DESIGNATED ACTIVITY COMPANY	QUOTA SHARE	76,425	(9,739)
UNIPOLSAI ASSICURAZIONI S.P.A.	UNIPOLRE DESIGNATED ACTIVITY COMPANY	SURPLUS	2,002	(1,068)
UNISALUTE S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER EVENT]		(200)
UNISALUTE S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER RISK]	1,527	(286)
UNISALUTE S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	FACULTATIVE PROPORTIONAL	327	315
UNISALUTE S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	QUOTA SHARE	138	133
VERA VITA S.P.A.	UNIPOLRE DESIGNATED ACTIVITY COMPANY	SURPLUS	28	
VERA VITA S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	EXCESS OF LOSS [PER EVENT AND PER RISK]	23	(8)
VERA VITA S.P.A.	UNIPOLSAI ASSICURAZIONI S.P.A.	SURPLUS	9	(15)

(1) The balance sheet balance represents the sum of net reinsurance receivables and the reinsurers' share of provisions.
(2) The income statement balance represents the net performance of reinsurance.

Breakdown of costs, contingent liabilities, off-balance sheet elements and other elements

Amounts in €k

Name of investor/purchaser/beneficiary	Name of issuer/seller/supplier	Transaction description	Maturity (1)	Transaction amount (2)
ALFAEVOLUTION TECHNOLOGY SPA	UNIPOLSAI ASSICURAZIONI SPA	Agreement regarding a commitment to finance the counterparty	31/12/2021	45,000
ALFAEVOLUTION TECHNOLOGY SPA	UNIPOLSAI ASSICURAZIONI SPA	Agreement regarding a commitment to finance the counterparty (partial issue of loan)	31/01/2018	(10,000)
ARCA ASSICURAZIONI SPA	ARCA INLINEA SCARL	Expenses for intra-group services provided to the Company	31/12/2018	1,829
ARCA ASSICURAZIONI SPA	ARCA SISTEMI SCARL	Expenses for intra-group services provided to the Company	31/12/2018	5,372
ARCA ASSICURAZIONI SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2018	706
ARCA ASSICURAZIONI SPA	ARCA VITA SPA	Expenses for intra-group services provided to the Company	31/12/2018	2,053
ARCA ASSICURAZIONI SPA	UNIPOL GRUPPO SPA	Items from participation in the tax consolidation agreement	31/12/2018	686
ARCA ASSICURAZIONI SPA	ARCA VITA SPA	Expenses for intra-group services provided to the Company	31/12/2018	651
ARCA VITA SPA	ARCA ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2018	1,569
ARCA VITA SPA	ARCA SISTEMI SCARL	Expenses for intra-group services provided to the Company	31/12/2018	6,540
ARCA VITA SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2018	5,957

Amounts in €k

Name of investor/purchaser/beneficiary	Name of issuer/seller/supplier	Transaction description	Maturity (1)	Transaction amount (2)
ARCA VITA SPA	BANCA POPOLARE DI SONDRIO SCPA	Commissions and management fees	31/12/2018	9,839
ARCA VITA SPA	BPER BANCA SPA	Commissions and management fees	31/12/2018	26,031
ARCA VITA SPA	UNIPOL GRUPPO SPA	Tax consolidation transactions	31/12/2018	6,441
BANCA INTERMOBILIARE	BIM VITA SPA	Payable for placement commissions	31/12/9999	609
BIM VITA SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2018	1,014
BIM VITA SPA	BANCA INTERMOBILIARE	Placement commissions	31/12/2018	1,799
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2018	2,777
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOL GRUPPO FINANZIARIO SPA	Tax consolidation transactions	31/12/2020	782
COMPAGNIA ASSICURATRICE LINEAR SPA	UNIPOLSAI ASSICURAZIONI SPA	Costs for rental agreements	31/12/2018	3,699
INCONTRA ASSICURAZIONI SPA	UNIPOLSAI ASSICURAZIONI SPA	Chargebacks for secondments of personnel	31/12/2018	571
INCONTRA ASSICURAZIONI SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2018	851
INCONTRA ASSICURAZIONI SPA	UNICREDIT GROUP	Commissions	31/12/2018	56,288
POPOLARE VITA SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/03/2018	3,393
POPOLARE VITA SPA	GRUPPO BANCO BPM SPA	Commissions	31/03/2018	3,480
POPOLARE VITA SPA	GRUPPO BANCO BPM SPA	Management fees	31/03/2018	1,851
PRONTO ASSISTANCE SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/2018	360
PRONTO ASSISTANCE SPA	UNIPOL GRUPPO SPA	Tax consolidation transactions	31/12/2018	492
SIAT SPA	UNIPOLSAI ASSICURAZIONI SPA	Secondment of personnel	31/12/2018	2,435
SIAT SPA	UNIPOLSAI ASSICURAZIONI SPA	Payable for intra-group services provided to the Company	31/12/2018	946
THE LAWRENCE LIFE ASSURANCE COMPANY DAC	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	30/09/2019	273
UNICREDIT GROUP	INCONTRA ASSICURAZIONI SPA	Commissions payable	31/12/9999	20,361
UNICREDIT GROUP	INCONTRA ASSICURAZIONI SPA	Payable for intra-group services provided to the Company	31/12/2018	439
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Pledge issued by UnipolSai to Unipol Banca to guarantee its obligations	21/02/2023	25,000
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Pledge issued by UnipolSai to Unipol Banca to guarantee the obligations of Tikal	21/02/2023	35,000
UNIPOL BANCA SPA	UNIPOLSAI ASSICURAZIONI SPA	Agreement regarding a commitment to finance the counterparty (closure)	31/01/2018	(126,750)
UNIPOL BANCA SPA	UNIPOLSAI ASSICURAZIONI SPA	Agreement regarding a commitment to finance the counterparty	31/12/9999	126,750
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO SPA	Items from participation in the tax consolidation agreement	31/12/9999	67,554
UNIPOL BANCA SPA	UNIPOL GRUPPO SPA	Items from participation in the tax consolidation agreement	31/12/2018	210,543
UNIPOLSAI ASSICURAZIONI SPA	BIM VITA SPA	Expenses for intra-group services provided to the Company	31/12/9999	894
UNIPOLSAI ASSICURAZIONI SPA	INCONTRA ASSICURAZIONI SPA	Payable for intra-group services provided to the Company	31/12/9999	2,397
UNIPOLSAI ASSICURAZIONI SPA	COMPAGNIA ASSICURATRICE LINEAR SPA	Payable for intra-group services provided to the Company	31/12/2018	2,179

Amounts in €k

Name of investor/purchaser/beneficiary	Name of issuer/seller/supplier	Transaction description	Maturity (1)	Transaction amount (2)
UNIPOLSAI ASSICURAZIONI SPA	PRONTO ASSISTANCE SPA	Payable for intra-group services provided to the Company	31/12/2018	360
UNIPOLSAI ASSICURAZIONI SPA	SIAT SPA	Payable for secondment of personnel	31/12/2018	1,312
UNIPOLSAI ASSICURAZIONI SPA	SIAT SPA	Expenses for intra-group services provided to the Company	31/12/2018	1,623
UNIPOLSAI ASSICURAZIONI SPA	UNIPOLRE DAC	Expenses for intra-group services provided to the Company	31/12/2018	925
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO SPA	Guarantee issued in the interest of UnipolSai	28/07/2023	300,000
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO SPA	Guarantee issued in the interest of UnipolSai	15/06/2021	261,689
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL GRUPPO SPA	Equivalent value of put/call agreement on 27.59% of the share capital of Unipol Banca S.p.A.	06/01/2019	579,073
UNIPOLSAI ASSICURAZIONI SPA	UNIPOL BANCA SPA	Expenses for intra-group services provided to the Company	31/12/2018	31,384
UNIPOLSAI ASSICURAZIONI SPA	FINITALIA SPA	Expenses for intra-group services provided to the Company	03/04/2023	56,356
UNIPOLSAI ASSICURAZIONI SPA	AUTO PRESTO & BENE SPA	Costs for vehicle repair services	31/12/9999	85,486
UNIPOLSAI ASSICURAZIONI SPA	ALFAEVOLUTION TECHNOLOGY SPA	Expenses for intra-group services provided to the Company	28/02/2021	47,221
UNISALUTE SPA	UNIPOLSAI ASSICURAZIONI SPA	Trade payables	31/12/2018	2,986
UNISALUTE SPA	UNIPOLSAI ASSICURAZIONI SPA	Secondment of personnel	31/12/2018	2,882
UNISALUTE SPA	UNIPOLSAI ASSICURAZIONI SPA	Rentals	31/12/2019	5,593
UNISALUTE SPA	UNIPOLSAI ASSICURAZIONI SPA	Expenses for intra-group services provided to the Company	31/12/9999	2,255

(1) Maturity date equal to 31/12/9999 means that the expiry date is not defined.
(2) Transaction amount refers to:
i) In the case of the internal division of costs, the annual amount due for the service provided;
ii) In the case of guarantees, the contractual amount of the guarantee provided/received;
iii) In the case of other transactions, the maximum amount of the intra-group exposure;
iv) In the case of costs for securities custody fees, the total annual cost per counterparty;
v) In the case of lending services provided by companies intra-group on behalf of the company, the total cost of the consideration on the loan agreed and borne by the company is reported;
vi) In the case of transactions relating to participation in the tax consolidation agreement, the amount of the transaction includes the payable/receivable existing at the closure date.

Lines of Business

The Group operates primarily in the insurance sector. The 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 segments, 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 mainly BPER and Banca Popolare di Sondrio; BIM Vita through agreements with Banca Intermobiliare and Banca Consulia; Incontra Assicurazioni thanks to agreements with 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.

The Group also 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 zero-rate financing services for the insurance premiums of Unipol Group customers. The Unipol Group manages real estate assets totalling €3.8bn, particularly through the company UnipolSai Assicurazioni, which directly holds roughly 58% of the Group's real estate.

The Group operates in the Italian hospitality sector thanks to the 37 resorts, hotels and apartments 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 specifically dedicated to innovation.

Unipolis is the business foundation of the Unipol Group, constituting one of the most important tools for implementing CSR initiatives as part of the overall sustainability strategy.

Through UnipolSai Investimenti, the Unipol Group manages mutual real estate investment funds. UnipolReC is the company specialised in the recovery of impaired loans, to which almost all the bad and doubtful loans of Unipol Banca were transferred.

Significant events in 2018

Project for streamlining the insurance sector

The project for the streamlining of the insurance sector of the Unipol Group was completed during the year (the "Project") approved by the Boards of Directors of Unipol and UnipolSai on 29 June 2017, as part of which, in 2017, the transfer to UnipolSai of the investments held by Unipol in UniSalute and Linear was completed.
On 22 March 2018, the Board of Directors of Unipol approved the transfer to UnipolSai of the investment held in Arca Vita S.p.A., equal to 63.39% of share capital, for a consideration of €475m (the "Transfer").
As part of the project, in addition to the transfers of the investments in UniSalute S.p.A. and in Linear S.p.A., which were completed on 16 November 2017, provision was made for the transfer to UnipolSai Assicurazioni, on verification of given conditions and assumptions, also of the investment held by Unipol Gruppo in Arca Vita (and with it also in its subsidiaries, with particular reference to the insurance companies Arca Vita International DAC and Arca Assicurazioni S.p.A.).
These conditions were satisfied with the anticipated renewal of the strategic *bancassurance partnership* in the Life and Non-life segments between Unipol Gruppo, BPER Banca S.p.A. and Banca Popolare di Sondrio S.c.p.A. and the signing, on 8 November 2017, of the new five-year agreement, expiring on 31 December 2022 and which is renewable based on prior agreement between the parties.
On 7 August 2018, the transfer to UnipolSai of the controlling interest, equal to 63.39% of share capital, held by Unipol in Arca Vita SpA, was completed for a consideration of €475m.

Transfer of subsidiary Popolare Vita

On 11 January 2018, the contract was signed for the transfer of the equity investment held in Popolare Vita (21,960,001 shares, equal to 50% + 1 share of share capital) to *banking partner* Banco BPM, following the non-renewal of the distribution agreements and subsequent exercise of the *put* option envisaged in the Shareholders' Agreement. On 29 March 2018, given the conditions precedent set out in the contract were verified, the shares were transferred and the price of €535.5m was collected, generating a net capital gain of €308.6m at consolidated level.

Banking sector restructuring plan

In the first half, the banking sector restructuring plan was completed, announced to the market at the end of June 2017, which was detailed in full in the 2017 financial statements. The closing phases of this plan implemented in the early months of 2018 are summarised below:

a) on 16 January 2018, a deed was stipulated for the proportional partial spin-off (the "Spin-off") of Unipol Banca S.p.A. ("Unipol Banca" or the "Company being divided") through the incorporation of a new company, the beneficiary of a company complex (the "Complex involved in the division"), inclusive, among other things, of the entire portfolio of bad and doubtful loans of Unipol Banca at the date of approval of the 2017 Half-year Report, excluding the loans deriving from lease transactions and endorsement loans (the "Bad and doubtful loans").

b) 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;

c) on 1 February 2018 (the "Effective Date"), the proportional spin-off of Unipol Banca to UnipolReC S.p.A. ("UnipolReC" or the "Beneficiary Company") took effect, a credit recovery company operating pursuant to Art. 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%, without triggering any changes on the total put exercise price;

d) 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 being 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 is equal to €2,900.8m gross of value adjustments and €553m net of value adjustments.

e) on 11 December 2018, Unipol Banca and UnipolReC stipulated an additional dedicated deed in order to integrate, in the balance sheet elements assigned to UnipolReC due to the Spin-off, also a part of the DTAs being converted as per the 2017 financial statements of Unipol Banca, transformed to a tax credit in 2018. The addition, made necessary as a result of the appropriate request for a ruling sent to the Italian Revenue Agency, involved the transfer to UnipolReC of a receivable due from the tax authorities for a total amount of €34,172,072, against a cash adjustment for the same amount. This tax credit may be used to offset the payments due from UnipolReC or transferred to other Group companies.

Acquisition of BPER Banca shares

On 21 June 2018, Unipol Gruppo informed the market of its intention to acquire a total of 25,000,000 shares in BPER Banca SpA ("BPER" or the "Bank"), equal to roughly 5.2% of the Bank's share capital. The transaction was completed in the days immediately after the announcement, through a *reverse accelerated bookbuilding*, procedure targeted at qualified investors and foreign institutional investors, and additional purchases on the market and, on 29 June 2018,

Unipol Gruppo informed the market that it held, directly and indirectly, a total investment in BPER consisting of 72,500,000 shares, equal to 15.06% of the bank's share capital.
The transaction is incorporated in Unipol's strategy, as an institutional investor, targeted at contributing to the medium/long-term development plans of the bank, with whom a long-term business partnership is in place in the Non-Life and Life bancassurance segment.
Unipol, already holding a stake of around 9.87% in the share capital of BPER through the subsidiary UnipolSai Assicurazioni SpA, obtained the necessary authorisations and the approval from the European Central Bank and the competent national Supervisory Authorities to acquire a qualified investment, exceeding 10% of BPER's share capital. Taking into account the applicable relevant legislation and the authorisations received, Unipol cannot hold a direct or indirect investment in BPER exceeding around 19.9% of the latter's share capital (the "Maximum Authorised Investment"), with purchases to be completed by June 2019.

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

Having completed the restructuring of the banking sector, as described previously, in 2018, the Unipol Group commenced preliminary activities prior to the implementation of strategic transactions concerning said sector, engaging in the appropriate discussions with BPER Banca as a potential counterparty, in order to verify the feasibility of a project that made provision for:

- the transfer to BPER of the shares representing the entire share capital of Unipol Banca;
- the acquisition by UnipolRec of a portfolio of BPER bad and doubtful loans.

In consideration of the relevance of the transaction and taking into account the equity investments held by the Unipol Group in BPER, at the end of 2018, both Unipol and UnipolSai, for matters within their respective competence, voluntarily initiated the preliminary and decision-making process set out in the procedures adopted, respectively, for the performance of transactions with related parties and, with reference to Unipol and UnipolReC, also in the procedure for the management of transactions with the associated parties of the Unipol Banking Group. Following the preliminary activities conducted and the negotiations held, on 7 February 2019, the Boards of Directors of Unipol, UnipolSai and UnipolReC, for matters within their respective competence, approved a transaction relating to the banking sector of the Unipol Group (the "Transaction"), to be completed within a single framework, which makes provision for:

- transfer to BPER Banca of the entire equity investment held by Unipol, also via UnipolSai, to Unipol Banca, corresponding to the entire share capital of the latter, for a cash consideration of €220m (the "Unipol Banca Transfer"); 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 cash consideration of €130m, equal to approximately 10% of the gross value of the portfolio.

For the Unipol Group, the Transaction:

- completes the process of redevelopment of its strategy in the banking sector, exiting the direct management of a medium-sized bank, to take up a role of permanent long-term investor in one of the leading Italian banking groups;
- increases the operating scale of UnipolReC, enhancing its expertise in credit recovery;
- accentuates the focus on insurance core business;
- increases the value of the equity investment held in BPER Banca.

On 7 February 2019, following the approval also by the other companies involved, contractual agreements were also signed that govern the Transaction, which is expected to be completed by the start of the second half of 2019, subject to the verification of some conditions precedent, first and foremost of a regulatory and authorisation nature.

A.2. Underwriting performance

Lines of Business

The Group carries out insurance and re-insurance activities both in the Non-Life sector, and in the Life sector.

The tables below show the amounts recorded for premiums written, premiums earned, claims incurred, changes in other technical provisions and expenses, broken down by Group line of business, to match the quantitative model ("Quantitative Reporting Template" or "QRT") S.05.01.01 "Premiums claims and expenses by LoB", which can be found among the annexes of this report.

To provide a better understanding of the "Underwriting performance" object of this disclosure with respect to data reported in the financial statements, we note the following:

- all items, reported below, are shown net of the amount ceded under re-insurance agreements;
- "premiums written" include the premiums written in the reference period, net of the reversals and profit participation, as well as reversals of premiums issued during the year;
- "premiums earned" include, in addition to premiums written, the change in pro rata premium provision and the provision for unexpired risks. For the Life business, the change in the provision for premiums brought forward is included;
- "claims incurred" includes all charges related to claims paid out and the change in the provision for direct reimbursements and expenses, while, in compliance with the specific directions provided by legal and regulatory provisions, this item does not include the settlement expenses and the corresponding change in the provision for settlement expenses. This item also includes contributions of a technical nature, such as, for example, the fund for victims of road accidents, the legal defence costs, the amounts recovered or to be recovered from third parties for deductibles and/or reimbursements and some specific technical charges that by nature may be treated as claim expenses (for example the contribution to the management of MV claims);
- the "changes in other technical provisions" includes all other provisions not included in the previous item. For the Life business, the change in the mathematical provisions and the Class D provisions were also allocated to this item;
- the "expenses incurred" include all expenses of the period directly related to the specific activity such as the commissions and any other acquisition charge, collection commissions, administrative expenses, investment management charges (which, in the financial statements, are reported in the non-technical account), some technical charges that for their nature may be treated as expenses, for example convention costs, the CARD contributions and management rights, as well as the settlement expenses and the change in the corresponding provision for expenses as required by reference provisions;
- in the case of net gains (losses) and/or other income statement items (e.g. changes in provisions) that can take values both positive and negative, the negative figures represent a cost for the Group.

If it is believed to be useful for a clearer description, as required by Art. 307 of the Regulation, in the rest of the paragraph we will comment on the underwriting performance of the main LoBs, bringing their perimeters back to those identified on the basis of activity classes ("Classes") identified in the Insurance Code, Legislative Decree 7 September 2005, No. 209, Art. 2.

Non-Life insurance business

Non-Life business recorded direct premiums as at 31 December 2018 of €7,953m, up +1.1% compared to €7,867m in 2017. MV premiums stood at €4,183m, up +0.3% compared to €4,169m in 2017. In the Non-MV segment, premiums totalled €3,770m (up +2.0% compared to €3,698m in 2017), thanks to the development of the Healthcare segment and retail business.

In terms of the Non-Life claims, during the year just ended, the MV TPL segment recorded further improvement in terms of a reduction of claim frequency and cost containment. The company confirmed its leading position in Europe in the sector of black boxes installed in vehicles, up from 3.5 million in 2017 to 3.8 million in 2018. In the Non-MV segment, 2018 also recorded a notable number of claims resulting from weather events and claims with a significant amount recovered, to a greater extent than last year, from reinsurance cover.

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

The "combined ratio" of direct business (including oti ratio), which also includes operating expenses, came to 94.4% of premiums earned, against 95.1% at 31 December 2017.
We describe below the qualitative and quantitative results of the underwriting activities of the Group, both at the aggregate level, and by line of business / geographic area in which the activities were carried out during the reference period.

Non-life underwriting performance

Amounts in €k	Line of business	Premiums written (a)	Premiums earned (b)	Claims incurred (c)	Changes in other techcnical provisions (d)	Expenses incurred (e)	Other expenses (f)	Underwriting performance (g)=(b)-(c)+(d)-(e)-(f)
Insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	1- Medical expense insurance	646,394	626,640	393,695	13,461	196,463		49,943
	2-Income protection insurance	626,527	602,395	268,792	1,903	238,159		97,346
	3-Workers' compensation insurance							
	4-Motor vehicle liability insurance	3,501,878	3,470,838	2,302,927	704	1,076,851		91,765
	5- Other motor insurance	710,199	682,495	405,253	(134)	227,901		49,207
	6-Marine, aviation and transport insurance	57,106	55,878	32,678	75	38,103		(14,829)
	7-Fire and other damage to property insurance	1,122,216	1,105,748	644,698	2,584	500,009		(36,375)
	8-General liability insurance	682,838	677,260	257,483	30	303,306		116,501
	9-Credit and suretyship insurance	30,788	24,155	37	5,344	28,787		676
	10-Legal expenses insurance	16,731	17,076	(2,063)		(4,371)		23,511
	11-Assistance	172,261	166,881	71,255	11	92,359		3,279
	12-Miscellaneous financial loss	88,385	75,268	28,120	20	31,142		16,026
Accepted non-proportional reinsurance	13- Health	266	251	32		39		180
	14-Casualty	54,044	42,405	40,363		6,069		(4,028)
	15-Marine, aviation and transport	(69)	(69)	159		9		(237)
	16-Property	14,089	13,872	4,535		2,733		6,604
	Total	7,723,652	7,561,094	4,447,964	23,996	2,737,557		399,568

Non-life underwriting performance 2018 and 2017

Amounts in €k	Line of business	Underwriting performance 2018	Underwriting performance 2017	Change on 2017
Insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	1- Medical expense insurance	49,943	62,562	(12,619)
	2-Income protection insurance	97,346	140,908	(43,562)
	3-Workers' compensation insurance			
	4-Motor vehicle liability insurance	91,765	38,655	53,110
	5- Other motor insurance	49,207	24,167	25,040
	6-Marine, aviation and transport insurance	(14,829)	(7,151)	(7,678)
	7-Fire and other damage to property insurance	(36,375)	(81,978)	45,603
	8-General liability insurance	116,501	67,807	48,694
	9-Credit and suretyship insurance	676	(14,061)	14,736
	10-Legal expenses insurance	23,511	19,166	4,345
	11-Assistance	3,279	10,970	(7,692)
	12-Miscellaneous financial loss	16,026	17,316	(1,290)
Accepted non-proportional reinsurance	13- Health	180	181	(1)
	14-Casualty	(4,028)	(12,788)	8,761
	15-Marine, aviation and transport	(237)	(328)	91
	16-Property	6,604	721	5,883
	Total	399,568	266,148	133,420

Premiums written, equal to €7,723,652k (€7,504,945k at 31/12/2017), are stated net of reinsurance and are composed of premiums related to proportional direct and indirect business (€7,655,323k compared to €7,480,473k at 31/12/2017) and non-proportional indirect business (€68,330k compared to €24,472k at 31/12/2017).

Premiums earned, equal to €7,561,094k (€7,416,951k at 31/12/2017), are also stated net of reinsurance and are composed of premiums related to proportional direct and indirect business (€7,504,635k compared to €7,400,939k at 31/12/2017) and non-proportional indirect business (€56,459k compared to €16,012k at 31/12/2017).

Claims incurred, net of reinsurance, were €4,447,964k (€4,459,819k at 31/12/2017), with €4,402,875k related to proportional direct and indirect business (€4,435,789k at 31/12/2017) and €45,089k related to non-proportional indirect business (€24,029k at 31/12/2017). There were no significant variances in the change in the component of other technical provisions.

The expenses incurred were €2,737,557k (€2,703,158k at 31/12/2017) and included:
- administrative expenses for €359,357k (€377,215k at 31/12/2017);
- expenses for the management of investments for €27,131k (€32,499k at 31/12/2017);
- expenses for the management of claims for €485,073k (€476,305k at 31/12/2017);
- acquisition costs were €1,350,202k (€1,293,516k at 31/12/2017), of which €141,393k relating to indirect business, net of the reinsurers' share equal to €232,372k (€114,940k at 31/12/2017);
- overheads for €515,795k (€523,623k at 31/12/2017).

Overall, the Non-Life business had positive underwriting performance of €399,568k (€266,148k at 31/12/2017), the breakdown by LoB of which is shown in the previous tables.
We provide below some brief comments on the underwriting performance of the main LoBs.

The positive performance in LoB 1 and 2 reflected, the favourable performance of the corresponding Accidents and Health Classes. In particular, in the Accident Class, in the retail products segment, the commercial initiatives and the sales campaigns implemented during the year provided practical support to the business, despite the fact an increase in existing contracts was not verified. The acquisitions of premiums of contracts involving a significant amount were confirmed in the collective risks segment in the final part of the year, which offset the disposals of policies with unprofitable performances.
The growth in the number of claims continues to be impacted by the presence of risks, concentrated in particular in the sporting and hunting domain, characterised by a high frequency and low average cost.
As regards Health class, in the Small and Medium Enterprises sectors, the sales initiatives targeted at both maintaining the contracts in the portfolio and at acquiring new customers, met with good success, while the portfolio decreased slightly in the Household sector.
Despite the presence of sustained growth in charges relating to claims, both classes confirmed a positive result.

The positive underwriting performance of €91,765k (€38,655k in 2017) for LoB 4 (Motor vehicle liability insurance), corresponding to Class 10 (TPL land vehicles), is instead mainly due to the decrease in the frequency of the claims and total costs on the decline, which essentially determined the improvement in the technical result, although there was a decrease in premiums in line with market trends.

The positive performance in LoB 5 (Other motor insurance), corresponding to Class 3, is due to an increase in premiums, supported by both the individual and cumulative policies sectors. This result helped to achieve a slightly positive balance of premiums of Motor business, after a few years in which the market situation had not allowed it.

For LoB 7 (Fire and other damage to property), corresponding to Class 8 (Fire) and Class 9 (Other damage to property), the negative underwriting performance was primarily due to the following:
- as regards the Fire component in respect of the slight increase in premiums, attributable primarily to the cover targeted at households and, partly, at Small and Medium Enterprises; the Corporate sector presented a decrease, due to stiff tariff competition in the market. In relation to claims, an increased number of claims were reported, due primarily to the serious weather events at the end of October which affected various areas in the region, in spite of which the class closed the year with an improvement over the previous year, in turn affected by a major fire;
- in the Other damage to property class, an increase in premiums was registered with significant contributions from the Hail class, cover for homes and, albeit to a lesser extent, the Theft sector. An increase in claims was also registered, both reported and paid, attributable primarily to the accessory Fire guarantees of the Household and Condominium sector, for which the weather events that occurred in autumn caused a series of damages due to an electrical phenomenon.

Premiums in LoB 8, corresponding to Class 13 (General TPL) were essentially stable, with different trends between the various sectors: Corporate remained unchanged despite stiffer tariff competition on the market, the Small and Medium Enterprises line increased, in which the Professionals sector recorded a decrease, Public Authorities were stable, despite the continued heavy tariff competition in the market, while the manufacturing and agricultural firms segment recorded an increase.
The increase in claims reported, attributable to the risks related to cover for the Individuals segment, corresponds to a clear reduction in the overall cost, which determined an improvement in the result of the class.

As regards LoB 10 Legal expenses, the positive result with respect to the previous year is due to both an increase in premiums and a reduction in claims.

Life insurance business

In 2018, the Unipol Group recorded direct premiums of €4,396m (-0.6% compared to €4,424m in 2017), driven by the bancassurance segment, following the renewal of the Arca Vita distribution agreements with the main placement banks.

Life underwriting performance

Amounts in €k	Line of business	Premiums written (a)	Premiums earned (b)	Claims incurred (c)	Changes in other techcnical provisions (d)	Expenses incurred (e)	Other expenses (f)	Underwriting performance (g)=(b)-(c)+(d)-(e)-(f)
Life insurance obligations	1-Health insurance							
	2-Insurance with profit participation	3,067,774	3,079,809	2,992,767	(896,208)	258,040		(1,067,207)
	3-Index-linked and unit-linked insurance	1,174,915	1,174,916	947,749	(121,401)	50,706		55,060
	4-Other life insurance	137,276	131,809	32,800	(14,002)	14,997		70,011
	5-Annuities stemming from non-life insurance contracts and relating to health insurance obligations							
	6-Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations							
Life reinsurance obligations	7-Health reinsurance							
	8-Life reinsurance	224	180	1,193	1,156	147		(4)
	Total	4,380,190	4,386,714	3,974,509	(1,030,455)	323,891		(942,141)

Life underwriting performance 2018 and 2017

Amounts in €k	Line of business	Underwriting performance 2018	Underwriting performance 2017	Change on 2017
Life insurance obligations	1-Health insurance			
	2-Insurance with profit participation	(1,067,207)	(1,056,587)	(10,620)
	3-Index-linked and unit-linked insurance	55,060	(302,053)	357,113
	4-Other life insurance	70,011	72,456	(2,445)
	5-Annuities stemming from non-life insurance contracts and relating to health insurance obligations			
	6-Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations			
Life reinsurance obligations	7-Health reinsurance			
	8-Life reinsurance	(4)	(263)	259
	Total	(942,141)	(1,286,447)	344,307

Premiums written, equal to €4,380,190k (€4,411,162k at 31/12/2017), correspond to the amount of premiums related to direct business (€4,397,966k compared to €4,410,685k at 31/12/2017) and indirect business (€224k compared to €477k at 31/12/2017).
Premiums earned, equal to €4,386,714k (€4,415,794k at 31/12/2017), correspond to the amount of premiums related to direct business (€4,386,535k compared to €4,415,236k at 31/12/2017) and indirect business (€180k compared to €558k at 31/12/2017).

Claims incurred were €3,974,509k (€5,911,766k at 31/12/2017), with €3,973,316k related to direct business (€5,909,498k at 31/12/2017) and €1,193k related to indirect business (€2,267k at 31/12/2017).

The decrease in other provisions totalled -€1,030,455k (€586,283k net at 31/12/2017).

The "expenses incurred" were €323,891k (€376,758k at 31/12/2017) and included:
- administrative expenses for €93,119k (€99,681k at 31/12/2017);
- expenses for the management of investments for €83,946k (€100,667k at 31/12/2017);
- expenses for the management of claims for €4,203k (€5,052k at 31/12/2017);
- acquisition costs for €43,475k (€58,566k at 31/12/2017), net of the reinsurers' share equal to €3,877k (€3,133k at 31/12/2017);
- overheads for €99,148k (€112,792k at 31/12/2017).

Overall, the Life business shows a negative performance for €942,141k (-€1,286,447k at 31/12/2017).
This performance was due to a negative underwriting performance equal to €1,067,207k for the LoB "Insurance with profit participation" (Class I and Class V) and positive performance of €55,060k of the LoB "Index-linked and Unit-linked Insurance" (Class III and VI), with a profit of €70,011k from the LoB "Other Life insurance" (Class IV). The result of indirect business, completely marginal in the Life segment, was negative for €4k.

We note that, as required by legal and regulatory provisions, the positive and negative income items that produce the net underwriting performance of the Life business do not include the income of the financial assets to which the revaluation of the services provided to policyholders is linked; this is instead discussed in Par. A.3 Investment performance.

The policies in the LoB Insurance with profit participation, which record premiums written equal to €3,067,774k (€2,836,054k at 31/12/2017), have the most significant impact on total premiums of the Life business, showing the preference of customers for products offering financial protection such as the revaluable products.

The LoB Index-linked and Unit-linked Insurance, with premiums written for €1,174,915k (€1,451,786k at 31/12/2017), includes the activity for the management of mutual funds created for the provision of services in the case of death, in the case of life or in the case of discontinuance or curtailment of work activity and the insurance on the length of human life, whose main benefits are directly linked to the value of units of a UCITS, or the value of the assets in an internal fund or else to an index or other reference values.

The LoB "Other life insurance" also includes the premiums, claims, provisions and expense components deriving from "temporary insurance in the event of death", as required by regulations.

Geographic areas

As regards direct business, for all lines of business specified in Annex I to the Delegated Regulation (EU) 2015/35, information must be broken down by the country in which the contract was concluded, which is understood to be:

a) the country in which the insurance company (country of origin) is located, if the contract was not sold through a branch or under the freedom to provide services;
b) the country in which the secondary office (host country) is located, if the contract was sold through a branch;
c) the country in which the freedom to provide services (host country) was notified, if the contract was sold under the freedom to provide services.

Unlike what is specified above, direct insurance activity for LoB 1 Medical Expense (Classes 1 and 2), LoB 2 Income Protection (Classes 1 and 2), LoB 7 Fire and other damage to property (Classes 8 and 9) and LoB 9 Credit and suretyship (Classes 14 and 15), is reported by the country in which the risk is located.

For proportional and non-proportional re-insurance, the information is provided according to the country in which the transferring company is located.

We note, in this regard, that the Group carries out its insurance activity almost exclusively in Italy.

A.3. Investment performance

Investment performance 2018

As regards the management of financial investments, 2018 was marked by volatility in the international financial markets connected with geopolitical tensions and, in our country, tensions on national Government Bonds tied, at first, to political instability which preceded the creation of the new Government and, later, the implementation of the Budget Law.

Despite this context, the gross profitability of the Group's insurance financial investments portfolio also remained, in this year, at significant levels, equal to 3.8% of invested assets (3.7% in 2017).

Continuing with the approach adopted in previous years, also in 2018, the Unipol Group's investment policies were based on the general criteria of prudence and preservation of the quality of assets in the medium/long-term.

As regards this area, operations were geared towards both reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, and maintaining a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, with a particular focus on the liquidity profile.

Operations centred primarily on the **bond segment**, involving Government bonds and non-Government issues, with a view to medium/long-term investments.

During the year, the exposure to the bonds of Government issuers recorded an increase of €1,467m: in relation to the Parent's portfolio, activities concerned Government bonds issued by European sovra-national entities with medium/long-term maturities, 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.

The non-government component of bonds recorded an increase in overall exposure of approximately €182m during the year.

The simplification of the asset portfolio continued during 2018. A reduction in exposure to structured level 2 and 3 securities of €117m was recorded.

The fixed and variable rate components of the bond portfolio stood at 86.3% and 13.7% respectively. 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.

A total of 88.7% of the bond portfolio is invested in bonds with a rating higher than BBB-. 3.3% of the total is invested in classes of between AAA and AA-, while 13.1% of bonds have an A rating. The exposure to bonds with a rating of BBB stands at 72.4% and includes Italian Government bonds, which make up 55.5% of the total bond portfolio.

The **equity exposure** recorded an increase of roughly €196m in 2018. Transactions are structured into both individual equity securities (€119m relating to the purchase of the investment in BPER) and ETFs (Exchange Traded Funds), representative of equity indexes. Almost all of the equity securities present belong to the main European equity indexes. The put options on the Eurostoxx50 index were also restructured on the equity portfolio, by maturity and value for the year, targeted at mitigating the volatility and preserving the value of the portfolio.

The exposure to **alternative funds**, a category to which Private Equity funds, Hedge Funds and investments in Real Assets belong, stood at €899m, marking a net increase, attributable primarily to calls on capital based on the existing underwriting commitments.

Currency transactions were aimed predominantly at hedging the currency risk of existing equity and bond positions.

Real estate management continued to focus on the renovation of some properties, particularly in Milan, in order to help them generate income, seek out opportunities to increase value or for their business use.

The year 2018 saw the continuation of disposals, albeit to a more limited extent, leading, among other things, to the completion of a major transaction launched in the previous year. The negotiations commenced incorporated the stipulation of the preliminary contract for the sale of areas of land situated in the so-called Castello Area to Toscana Aeroporti SpA, subject to the fulfilment of certain conditions.

The breakdown of current gains/losses on assets and financial income/charges, of gains/losses on trading and impairment/reversals of impairment losses on investments are shown in the tables below.

Realised income and charges

	Amounts in €k	Interests	Other income	Other charges	Reaised gains	Realised losses	Total realised gains and losses (1) 2018	Total realised gains and losses (1) 2017	Var.%
	Balance on investments	**1,616,477**	**300,557**	**(202,992)**	**838,627**	**(224,614)**	**2,328,055**	**2,199,011**	**5.9**
a	Arising from investment property		57,472	(26,424)	27,692	(5,281)	53,459	45,437	17.7
b	Arising from investments in subsidiaries, associates and interests in joint ventures		6,093	(493)	308,707		314,307	2,530	12,325.4
c	Arising from held-to-maturity investments	20,972					20,972	33,461	(37.3)
d	Arising from loans and receivables	121,841	5		16,441	(54)	138,233	151,877	(9.0)
e	Arising from financial assets at amortised cost	107			32,411	(4,307)	28,211		
f	Arising from available-for-sale financial assets	1,398,038	115,929	(3,314)	370,776	(131,578)	1,749,851	1,901,592	(8.0)
g	Arising from financial assets at fair value through OCI	3,321			2,359	(35)	5,645		
h	Arising from held-for-trading financial assets	9,316	83,003	(119,121)	27,948	(25,494)	(24,347)	(33,597)	
i	Arising from financial assets at fair value through profit or loss	62,663	37,130	(53,270)	48,377	(54,100)	40,800	97,711	(58.2)
l	Arising from financial assets mandatorily at fair value	219	926	(370)	3,916	(3,765)	925		
	Balance on cash and cash equivalents	**844**		**(9)**			**835**	**864**	**(3.3)**
	Total	**1,617,321**	**300,557**	**(203,001)**	**838,627**	**(224,614)**	**2,328,891**	**2,199,875**	**5.9**

Unrealised income and charges

		Unrealised gains		Unrealised losses				
	Amounts in €k	Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment	Total unrealised gains and losses (2) 2018	Total unrealised gains and losses (2) 2017	Var.%
	Balance on investments	**70,166**	**23,014**	**(430,272)**	**(87,795)**	**(424,888)**	**(113,202)**	
a	Arising from investment property			(32,269)	(59,205)	(91,474)	(46,458)	
b	Arising from investments in subsidiaries, associates and interests in joint ventures				(389)	(389)	(45)	
c	Arising from held-to-maturity investments							
d	Arising from loans and receivables		3			3	(117,586)	**(100.0)**
e	Arising from financial assets at amortised cost		23,012	(18,670)		4,342		
f	Arising from available-for-sale financial assets				(27,338)	(27,338)	(89,363)	
g	Arising from financial assets at fair value through OCI	2			(863)	(861)		
h	Arising from held-for-trading financial assets	38,193		(62,342)		(24,150)	11,259	**(314.5)**
i	Arising from financial assets at fair value through profit or loss	31,971		(315,597)		(283,625)	128,990	**(319.9)**
l	Arising from financial assets mandatorily at fair value			(1,394)		(1,394)		
	Balance on cash and cash equivalents							
	Total	**70,166**	**23,014**	**(430,272)**	**(87,795)**	**(424,888)**	**(113,202)**	

Total gains and losses

Amounts in €k		Total gains and losses (3)=(1)+(2) 2018	Total gains and losses (3)=(1)+(2) 2017	Var.%
Balance on investments		**1,903,168**	**2,085,809**	**(8.8)**
a	Arising from investment property	(38,016)	(1,021)	
b	Arising from investments in subsidiaries, associates and interests in joint ventures	313,917	2,485	**12,533.3**
c	Arising from held-to-maturity investments	20,972	33,461	**(37.3)**
d	Arising from loans and receivables	138,235	34,291	**303.1**
e	Arising from financial assets at amortised cost	32,553		
f	Arising from available-for-sale financial assets	1,722,512	1,812,230	**(5.0)**
g	Arising from financial assets at fair value through OCI	4,784		
h	Arising from held-for-trading financial assets	(48,497)	(22,337)	
i	Arising from financial assets at fair value through profit or loss	(242,825)	226,701	**(207.1)**
l	Arising from financial assets mandatorily at fair value	(469)		
Balance on cash and cash equivalents		**835**	**864**	**(3.3)**
Total		**1,904,003**	**2,086,673**	**(8.8)**

Expenses and income recognized directly in shareholders' equity

Amounts in €k	2018 (4)	2017 (4)	Var.%
Gains/losses on available-for-sale financial assets	(883,561)	150,272	**(688.0)**
Gains/losses on cash flows hedges	10,066	1,592	**532.2**
Total	**(872,868)**	**151,865**	**(674.8)**
Total investment income and charges (3) + (4)	**1,031,135**	**2,238,537**	**(53.9)**

The income and charges from investments in the income statement recorded a positive net amount of €1,867,135k (€2,086,673k at 31/12/2017), consisting primarily of the positive performance of available-for-sale financial assets equal to €1,722,512k (€1,812,230k at 31/12/2017).

Also considering gains and losses recognised directly in equity, equal to a negative €883,561k with reference to available-for-sale financial assets (€150,272k at 31/12/2017), gains and losses on financial assets at fair value through profit or loss of €627k and €10,066k relating to cash flow hedges (€1,592k at 31/12/2017), the net amount of investment income amounted to €994,266k (€2,238,537k at 31/12/2017).

Investment in securitisations

We provide below the amount of the investments in securitisations, divided by rating, recognised in the consolidated financial statements at 31 December 2018[1].

Rating on investments in securitisations

Amounts in €k	2018	2017	Change on 2017
AA	1,467	2,636	(1,169)
A	1,551	3,891	(2,340)
BBB		32,650	(32,650)
< BBB			
-	376	1,320	(944)
Total investments in securitisations	**3,394**	**40,497**	**(37,103)**

Income and charges on investments in securitisations

Amounts in €k	2018	2017	Change on 2017
Financial income	2,364	76	2,288
(Financial charges)			
Financial income (charges)	**2,364**	**76**	**2,288**

The following table provides details on the financial income and charges recognised in the consolidated financial statements at 31 December 2017 with regard to securitisation transactions:

As shown by the tables above, investments in securitisation represent an insignificant portion of the total portfolio of financial assets of the Group.

A.4. Performance of other activities

We provide below a breakdown of other significant income and charges, which were not already included in Par. A.2 and A.3. above.

Other income

	FY	FY	Variation 2018/2017	
Amounts in €k	2018	2017	in assoluto	in %
Commission income	39,383	67,226	*(27,843)*	*(41.4)*
Other technical income	100,523	88,949	*11,574*	*13.0*
Other income	674,900	454,873	*220,027*	*48.4*
Total other income	**814,806**	**611,049**	***203,758***	*33.3*

At 31 December 2018, the item "Total other income" was equal to €814,806k (€611,049k at 31/12/2017).

The item "Commission income" consisted in particular of commissions on investment contracts (deferred fees) of €30,637k (€42,921 at 31/12/2017).

[1] The value reported is the carrying amount inclusive of the accrued coupon rate.

Other technical income for €100,523k (€88,949k at 31/12/2017), consisted primarily of €32,810 (€15,470k at 31/12/2017) for commissions on premiums of previous years cancelled, €55,568k (€61,931k at 31/12/2017) for other technical income from direct business and €12,145 from the reinsurance business (€11,549k at 31/12/2017).

The item "Other income" included in particular the typical revenue of the Group's non-insurance companies.

Other charges

	FY	FY	Variation 2018/2017	
Amounts in €k	2018	2017	in assoluto	in %
Commission expenses	22,923	28,765	*(5,843)*	*(20.3)*
Impairment losses on receivables	13,306	14,300	*(994)*	*(7.0)*
Interest expense	170,425	135,774	*34,650*	*25.5*
Other technical charges	262,368	293,142	*(30,775)*	*(10.5)*
Sundry charges	521,970	392,282	*129,689*	*33.1*
Profit (Loss) of discontinued operations	304,631	750,559	*(445,928)*	*(59.4)*
Total other charges (different from taxes)	**1,295,622**	**1,614,823**	***(319,201)***	***(19.8)***
Taxes	252,379	231,649	*20,731*	*8.9*
Total other charges	**1,548,001**	**1,846,472**	***(298,470)***	*(16.2)*

The item "Commission expense" consisted in particular of €14,399k relating to deferred acquisition costs on investment contracts (€21,297 at 31/12/2017).

Interest expense included in particular €146,815k regarding interest on subordinated loans and non-subordinated loans (€117,563 at 31/12/2017).
Other technical charges for €262,368k (€293,142k at 31/12/2017), consisted primarily of €89,242 (€119,514k at 31/12/2017) for write-downs on premiums of previous years, €160,401k (€162,050k at 31/12/2017) for other technical charges from direct business and €12,724 from the reinsurance business (€11,573k at 31/12/2017).
The item "Sundry charges" included in particular the typical charges of the Group's non-insurance companies, as well as extraordinary charges including charges for sentences, orders and settlements. In particular, it included costs for operating expenses in the holding and other businesses sector equal to €132,438k (€110,578k at 31/12/2017), and the real estate sector equal to €22,051k (€25,530k at 31/12/2017).

Following the planned transfer of Unipol Banca, the income statement values of the operations subject to transfer are stated, pursuant to the provisions of IFRS 5, under the item "Profit (loss) from discontinued operations". 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 negative balance amounted to €304,631k; having decided, for comparative purposes, to also reclassify the previous year, the negative balance at 31 December 2017 came to €750,559k.
The balance of taxes included current tax charges of €109,732k (€92,738k at 31/12/2017), relating to IRES and IRAP for the year, in addition to the negative net balance of deferred taxation, equal to €142,647k (€138,910k at 31/12/2017).

Use of leasing and rental agreements

Please note that there were no significant lease agreements in place at 31 December 2018.

A.5. Any other information

Note that there is no significant information to report in addition to that already illustrated in previous paragraphs.

SYSTEM OF GOVERNANCE

B System of Governance

B.1. General information on the system of of governance[2]

B.1.1. Tasks and responsibilities of Board of Directors

The governance structure of Unipol is based on a traditional system and provides for the presence of a Board of Directors (which operates with the support of board committees, with power to provide opinions and make proposals) and a Board of Statutory Auditors, with functions of administration control, both appointed by the shareholders' meeting. Audit activities are entrusted to an independent audit firm enrolled in the appropriate register, appointed by the Shareholders' Meeting based on a justified proposal of the Board of Statutory Auditors.

Shareholders' Meeting
The Shareholders' Meeting is the body that expresses the will of the company; the resolutions taken in compliance with the law and the By-Laws are binding for all Shareholders, even if absent or dissenting.

Board of Directors
The By-Laws give the management of the Company to a Board of Directors, with no less than 15 and no more than 25 members, appointed by the Shareholders' Meeting, which sets their number. They must meet the legal and regulatory requirements set by applicable legal and regulatory provisions.
Directors are in office for three years, or for the shorter period set by the Shareholders' Meeting at the time of their appointment, and may be re-elected.
The ordinary Shareholders' Meeting of 28 April 2016 has appointed the Company's Board of Directors, consisting of 22 members, granting this a mandate of the duration of three years and, therefore, valid until the Shareholders' Meeting convened to approve the 2018 financial statements.
The Board of Directors is vested with the broadest powers for the ordinary and extraordinary management of the Company. Therefore, it can 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.
In line with the principle of centrality of the Board, Art. 13 of the By-Laws attributes responsibility to the Board of Directors to resolve on:

- mergers and spin-offs with Subsidiaries in the cases permitted by law;
- share capital reductions in the case of withdrawal of a Shareholder;
- the amendments to the By-Laws to bring them in line with legal provisions;
- the issue of non-convertible bonds;
- the acquisition and disposal of equity investments entailing changes in the composition of the Unipol Banking Group[3] (also the "Banking Group");
- determining criteria for the coordination and management of the Banking Group companies, as well as criteria for following Bank of Italy instructions.

Pursuant to the law, the By-Laws and the policies in force, the Board of Directors, among other things:

- reviews and approves the strategic, business and financial plans of the Company and the Group, regularly monitoring their implementation;
- sets:
  - the corporate governance system, the corporate structure and the governance models and guidelines of the Group. In this regard, it defines the tasks and the responsibilities of the Corporate Bodies and Key Functions (the Audit, Risk Management and Compliance Functions), as well as the reporting activities, including their timing, nature and frequency, between these Functions and between Corporate Bodies, as well as the co-ordination and co-operation activities, in the case of potential overlapping of the control areas or to realise synergies;
  - the business model, with the awareness of the risks to which that model exposes the Company and an understanding of the methods whereby the risks are detected and assessed, ensuring that the Company structure is consistent with the activity carried out and with the business model adopted, avoiding the creation of complex structures not justified by operating requirements;

2 The information contained in this chapter acknowledges, where possible, the changes introduced by IVASS Regulation no. 38/2018 regarding the system of corporate governance, specifying that the adjustment into line with the provisions of the aforementioned regulatory system will take place in observance of the terms provided for therein.

3 Referring to the Unipol Banking Group entered in the Register of Banking Groups.

  - the nature and the level of risk compatible with the strategic objectives of the Group, including in its assessments all risks that may be relevant in terms of the medium-long term sustainability of the activities of the Company and the Group;
- evaluates the adequacy of the organisational, administrative and accounting structure of the Parent Company as well as that of the Subsidiaries with strategic relevance, particularly with reference to the Internal Control and Risk Management System. This assessment is based on periodic reports of the Chief Executive Officer and Group CEO, the Control and Risk Committee and the Key Functions;
- appoints one or more Directors to supervise the operation of the Internal Control And Risk Management System;
- after hearing the opinion of the Control and Risk Committee:
  - sets the guidelines of the Internal Control And Risk Management System, so that the main risks to which the Company and its Subsidiaries are exposed are correctly identified and appropriately measured, managed and monitored, verifying that they are consistent with the established strategic objectives and risk appetite, as well as the risk governance policies, and that they are capable of capturing the evolution of company risks and their interactions;
  - the Board performs an assessment, at least annually, of the adequacy of the current and forward-looking Internal Control and Risk Management System with respect to the characteristics of the Parent and the Group and to the defined risk appetite, as well as its efficiency and capacity to adapt to evolving corporate risks and the interaction between them;
  - at least once a year, approves the action plan prepared by the Managers of the Audit, Risk Management and Compliance functions, after consulting the Board of Statutory Auditors and the Director in charge of the internal control and risk management system (the "Director in charge of the internal control system"); With regard to the banking sector, it also approves the multi-year plan prepared by the Audit Function;
  - describes the main characteristics of the internal control and risk management system, in the report on corporate governance, and the co-ordination between the parties involved, expressing its opinion on its suitability;
  - after consulting the Board of Statutory Auditors, reviews the comments made by the audit firm in its letter of suggestions and in the report on the key questions identified during the audit;
- requests timely information on the most significant issues and gives timely instructions for the adoption of corrective measures, of which later it assesses the effectiveness;
- appoints, replaces and revokes, on proposal of the Director in charge of the internal control system - after favourable opinion of the Control and Risk Committee, as well as after consulting the Board of Statutory Auditors - the Managers of the Key Functions, in observance of the requirements of suitability for office, in term of integrity and professionalism established in the company policy approved by Unipol's administrative body pursuant to the applicable regulatory provisions ("Fit&Proper Policy"), guaranteeing that they have adequate resources to fulfil their responsibilities, and sets their remuneration in line with the remuneration policies adopted by the Company;
- may establish internal commissions and committees to make suggestions and provide advice, as appropriate and necessary to the good operation and growth of the Company and the Group, ensuring that there is a suitable and constant interaction between them, the Senior Management and the Key Functions;
- approves, monitoring its suitability over time, the system of the delegation of powers and responsibilities of the Group, taking care to avoid an excessive concentration of powers in a single body and implementing controls on the exercise of the delegated powers, with the power of defining appropriate emergency plans ("contingency arrangements") if it decides to take upon itself the delegated powers;
- ensures that there is suitable and continuous interaction amongst all Board committees, the Senior Management and the Key Functions, also through proactive interventions to guarantee its effectiveness;
- defines, after reviewing the proposals of the Remuneration Committee:
  - with reference to the Company, the general policies providing the guidelines for the remuneration of the Directors and Key Executives (including the Managers of the Key Functions);
  - with reference to the subsidiaries with strategic relevance, the general policies providing the guidelines for the remuneration of the Directors and Key Executives, including the Managers of the Key Functions as well as Risk Takers, to be approved pursuant to applicable regulations;
- attributes and removes powers of the Chief Executive Officer and Group CEO, defining their limits and methods of exercise; also establishes the frequency, in any event no greater than quarterly, with which the delegated bodies are required to report to the Board of Directors about activities carried out during the exercise of the powers attributed;
- determines, after reviewing the proposals of the Remuneration Committee and consulting with the Board of Statutory Auditors, the remuneration of the Chief Executive Officer and Group CEO and Key Directors - including

those on Board Committees - as well as, if the Shareholders' Meeting has not already done so, the breakdown of global remuneration due to the members of the Board of Directors;
- appoints and revokes the members of the Supervisory Board (Organismo di Vigilanza) pursuant to Legislative Decree 231/2001; sets, with the assistance of the Remuneration Committee, the remuneration of said members; approves, once a year and on proposal of the Supervisory Board, the forecast of the expenses, ordinary and extraordinary, needed to carry out the supervision and control provided for by the Organisational, Management and Control Model, as well as the final figures of the expenses of the previous year;
- assesses the general management of the business, taking into account, in particular, the information received from the delegated bodies, as well as comparing, regularly, the results achieved with those planned;
- resolves - with the assistance, when required, of the Committee for Transactions with Related Parties appointed for the purpose - with respect to transactions of the Parent Company and/or the Subsidiaries when such transactions have significant strategic, economic, capital or financial relevance for the Company, paying particular attention to situations in which one or more Directors have an interest on their own behalf or on behalf of third parties and, more generally, to transactions with related parties. To that end, it establishes general criteria to identify transactions of significant relevance and adopts suitable measures to ensure that the Subsidiaries submit transactions that are relevant to the Parent Company to the Parent Company's Board of Directors for prior review;
- resolves - with the assistance of the Committee for Transactions with Related Parties appointed for this purpose as specified in more detail below, when required - with respect to transactions with Associated Parties carried out by the Parent Company and/or the Subsidiaries belonging to the Unipol Banking Group;
- carries out, at least once a year, with the assistance of the Appointments and Corporate Governance Committee, an evaluation on the operation of the Board of Directors and its Committees (henceforth, the "Board Performance Evaluation"), as well as on their size and composition, also taking into account elements such as professional characteristics, experience, also of management, and gender of its members, as well as their seniority in office;
- keeping into account the results of the Board Performance Evaluation, before the appointment of a new Board, gives to the Shareholders directions on the professional and managerial roles the presence of which is believed to be appropriate on the Board;
- upon review by the company committee named the "Group Risks Committee":
  - approves the guidelines and the policies applicable to the Parent Company and the subsidiaries as required by industry regulations;
  - defines and approves the Risk Appetite Framework, ensuring its consistency in terms of the operations, complexity and size of the Group.

Additional powers are reserved to the Board of Directors pursuant to (i) the policies adopted by the Company on, among other things, insurance underwriting and provisioning, investments and divestments in financial, real estate and equity assets, management of funding and credit sources and (ii) the system of the delegations of powers granted to the Chief Executive Officer and Group CEO. These provisions aim at ensuring that the Board of Directors reviews and resolves on the transactions with a significant strategic relevance and significant amount.
Consistently with the recommendations of the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A. ("Corporate Governance Code") - and in particular with Art. 7 of this Code, which provides for the Board of Directors to carry out "a role of direction and evaluation of the suitability of the system" and to "identify among its members one or more directors, to set up and manage an effective internal control and risk management system" - the Board of Directors, most recently in the Board meeting held on 28 April 2016, has appointed as Director in charge of the internal control system - because of his in-depth knowledge of the corporate processes and the internal control and risk management system within the Unipol Group – its Chief Executive Officer and Group CEO, Mr Carlo Cimbri.
Pursuant to Art. 12 of the By-Laws, the Board of Directors meets at least once a quarter and every time the Chairman, or his substitute, believes it to be appropriate, or when a request in this sense is made by at least one-third of the Directors in office. The Board of Directors may also be called, after notification to the Chairman, by the Board of Statutory Auditors or at least one of its members.
The validity of resolutions of the Board of Directors is governed by Art. 2388 of the Italian Civil Code. In voting by open ballot, the vote of the Chairman shall break any tie votes.

On 22 April 2018, the Shareholders' Meeting confirmed the Director Massimo Desiderio, appointed by the administrative body during the previous year, to replace the outgoing director.

The Board of Directors, at the time of appointment, punctually fulfilled its obligations pursuant to current legal provisions with regard to the assessment of the possession by its members of the legal and regulatory requirements – in terms of integrity, professionalism and independence, as well as of absence of causes of impediment, suspension and incompatibility. This assessment was carried out in compliance with the Fit&Proper Policy adopted by the company and is also carried out periodically by the administrative body on an annual basis, most recently at the meeting of 14 June 2018.

Board Committees

To increase the efficiency and the effectiveness of its activity, the Board of Directors has set up among its members specific Committees, with the power to provide opinions and make proposals, specifying their tasks keeping also into account the criteria set in the Corporate Governance Code of listed companies.

In particular, on 12 May 2016, the Board of Directors resolved to establish the following internal Committees:

- Chairman's Committee;
- Appointments and Corporate Governance Committee;
- Remuneration Committee;
- Control and Risk Committee;
- Committee for Related Party Transactions;
- Sustainability Committee;
- Ethics Committee.

The members of each Committee were appointed by the Board of Directors and chosen among the members of the latter. These Committees, with the exception of the Chairman's Committee, are composed at least of a majority of Independent Directors. The Committees are dissolved when the entire Board of Directors reaches the end of its mandate; if one or more members become unavailable, for any reason, the Board shall find a replacement.

In this regard:

- the Chairman's Committee consists of the Chairman of the Board of Directors and the Deputy Chairman, the Chief Executive Officer and the Group CEO and the other Directors appointed by the Board of Directors. During 2018 this Committee met 7 times. The Chairman's Committee is given functions of advice and co-operation for the definition of the development policies and the guidelines of the strategic and operating plans of the Company, to be submitted to the Board of Directors, in particular on the following issues:
  - dividend policies and/or capital remuneration policies;
  - extraordinary transactions pertaining to the Shareholders' Meeting, in particular capital increases and convertible bond issues, mergers, spin-offs, distribution of reserves, purchase of own shares and amendments to the by-laws;
  - extraordinary transactions of significant strategic interest, or in any case bound to have a significant effect on the value and/or composition of the equity capital or on the share price of the company, such as purchase or sale of significant equity investments, combinations or alliances with other groups, significant changes in the structure or composition of the Group;
  - multi-year strategic plans and annual budgets of the Company and the Group;
- the Appointments and Corporate Governance Committee consists of three Directors, all non-executive and the majority of whom are independent. During 2018 this Committee met 7 times. The Appointments and Corporate Governance Committee has a role of proposal and advice in the identification of the optimal composition of the Board of Directors and in the definition of the corporate system of governance; in this regard, said Committee has been given the following functions:
  - to propose to the Board of Directors the candidates to the office of Director in the cases of co-optation, if it is necessary to replace independent Directors;
  - to define schedule and procedures for the execution of the Board Performance Evaluation;
  - to inform the Board of Directors on regulatory developments and on the best corporate governance practices;
  - to express opinions to the Board of Directors, on:
    - the appointment of the members of the Board Committees of the Company;
    - the appointment of the General Manager and the Deputy General Manager of the Company;
    - the names of individuals to be indicated for the roles of Director and Statutory Auditor, as well as Chairman, Deputy Chairman, Chief Executive Officer and/or General Manager of the relevant companies (be they Subsidiaries with strategic relevance or investees). To that end, the Chairman is responsible for submitting such candidacies to the Appointments and Corporate Governance Committee, in agreement with the Company's Chief Executive Officer and Group CEO;
    - the implementation of the corporate governance system, the model and the governance guidelines of the Group;

        - the size and composition of the Board of Directors, making recommendations on the professional qualifications the presence of which within the Board of Directors is believed to be appropriate, as well as on the maximum number of offices and derogations from no-competition rules;
- the Remuneration Committee consists of three Directors, all non-executive and independent, two of whom have adequate knowledge and experience on financial matters and remuneration policies, as evaluated by the Board of Directors upon appointment. During 2018 this Committee met 4 times. The Remuneration Committee is assigned an investigative, propositional and advisory role regarding remuneration. In particular, it:
    - provides the Board of Directors with proposals regarding the general policies for the remuneration of the Directors and Key Executives (including the Managers of the Key Functions) of the Company and the Subsidiaries with strategic relevance;
    - makes proposals to the Board of Directors for the remuneration of the Chief Executive Officer and Group CEO and the Directors holding special offices, as well as for the performance targets to be set for the variable component of this remuneration, in line with the Remuneration Policies adopted by the Board of Directors;
    - monitors the implementation of the resolutions of the Board of Directors, verifying the actual achievement of the performance targets;
    - regularly evaluates the suitability, overall consistency and practical application of the general remuneration policies of the Directors and Key Executives (including the Managers of the Key Functions) of the Company and the Subsidiaries with strategic relevance – making use, in this last regard, of the information provided by the Chief Executive Officer and Group CEO – and making proposals on the matter to the Board of Directors;
    - expresses opinions to the Board of Directors on the remuneration of the members of the SB of the Company pursuant to Legislative Decree 231/01.
- the Control and Risk Committee consists of three Directors, all non-executive and independent, and one of whom with adequate experience in accounting and financial issues or risk management, as evaluated by the Board of Directors upon appointment. During 2018 this Committee met 10 times. The Control and Risk Committee plays a propositional, advisory, investigative and support role in relation to the Board's assessments and decisions mainly concerning the internal control and risk management system and the approval of periodic accounting documents. In particular, the committee carries out the following duties:
    - to express to the Board of Directors opinions on:
        - the definition of the guidelines of the internal control and risk management system, so that the main risks for the Company and its subsidiaries may be correctly identified, as well as appropriately measured, managed and monitored, assessing also the compatibility of these risks with a management of the company in line with the strategic objectives identified;
        - the assessment, at least on an annual basis, of the adequacy of the internal control system and the management of existing and future risks with respect to the features of the Company and its subsidiaries and to the risk appetite set as well as its effectiveness and its ability to grasp the evolution of corporate risks and the interaction between them;
        - the approval, at least once a year, of the action plan prepared by the Managers of the Audit, Risk Management and Compliance Functions;
        - the description, in the annual report on corporate governance, of the main characteristics of the internal control and risk management system and the procedures of co-ordination between the parties involved and the assessment of its suitability;
        - the evaluation, after consulting the Board of Statutory Auditors, of the results presented by the audit firm in its letter of suggestions and in the report on the key questions identified during the audit;
        - the appointment and revocation of the Managers of the Key Functions, the allocation of resources needed for the execution of their tasks and the definition of their remuneration, in line with the corporate policies adopted on the issue (binding opinion);
    - to assess, together with the Manager in charge of financial reporting, after consulting the audit firm and the Board of Statutory Auditors, the correct use of the accounting principles and, with reference to the drafting of the consolidated financial statements, their homogeneity at the Group level;
    - to review the processes for the formation of periodic accounting documents prepared by the Group companies in order to draw up the separate and consolidated financial statements;
    - to express opinions on specific aspects concerning to the identification of the main corporate risks;
    - to review the regular reports on the evaluation of the internal control and risk management system and those of special relevance prepared by the Key Functions;

- to monitor the independence, suitability, effectiveness and efficiency of the Key Functions;
- to ask, if necessary, the Audit Function to carry out assessments on specific operational areas, giving contextual notification to the Chairman of the Board of Directors, the Director in charge of the internal control system, the Chief Executive Officer and Group CEO and the Chairman of the Board of Statutory Auditors;
- to report to the Board of Directors, at least once every six months, at the time of the approval of the annual and six-month financial report, on the activities carried out as well as on the suitability of the internal control and risk management system;
- to establish functional links with the analogous Committees formed within the Group companies;
- to support, with appropriate investigation activity, the assessments and the decisions of the Board of Directors on the management of risks arising from detrimental events of which the Board of Directors has become aware.

- the Related Party Transactions Committee consists of four Directors, all non-executive and independent, with adequate knowledge on related party transactions, as evaluated by the Board of Directors upon appointment. During 2018 this Committee met 11 times. The Committee for Transactions with Related Parties has functions of advice, dialogue, and proposal towards i) the Board of Directors and the units of Unipol and the subsidiaries on Transactions with Related Parties (the "Transactions"), in compliance with the provisions of the Regulation issued by CONSOB with Resolution No. 17221 of 12 March 2010 and subsequent amendments and the internal procedure for the performance of the transactions in question adopted by the administrative body of Unipol for the execution of the Transactions with Related Parties in question (the "Related Party Procedure"), as well as ii) the Board of Directors, the units of Unipol and the Banking Group companies, in compliance with the provisions of Bank of Italy Circular No. 263/2006 on "Risk assets and conflicts of interests with associated parties" and the internal procedure adopted by the Board of Unipol for the management of the Associated Party Transactions of the Unipol Banking Group (the "Associated Party Procedure"). In particular, the Committee:
  - expresses to the Board of Directors of the Company an opinion on the procedures to create and maintain the register in which Related Parties are recorded;
  - takes part in the investigation and any negotiation concerning the Transactions of Greater Relevance (as specified in the Related Party Procedure);
  - expresses a reasoned opinion to the decision-making body, on the basis of timely and complete information provided by the company's units during the investigation and, if appropriate, the negotiation, on the interest of the Company to the execution of the Transactions of Greater Relevance, as well as on the convenience and fairness of the corresponding terms pursuant to the above-mentioned procedures;
  - expresses to the decision-making body a reasoned non-binding opinion on the interest of the Company to the execution of the Transactions of Lesser Relevance (as specified in the Related Party Procedure), as well as on the convenience and fairness of the corresponding terms pursuant to the above-mentioned procedures;
  - expresses to the Delegated Body of Unipol (identified by the internal Procedure in the Board of Directors or the Chief Executive Officer and Group CEO according to the respective areas of competence and/or delegations of powers) that approves the Transactions carried out through the Subsidiaries, of Greater or Lesser Relevance, a reasoned non-binding opinion on the interest of the Subsidiaries and Unipol in the execution of the Transaction, as well as on the convenience and fairness of the corresponding terms;
  - expresses to the decision-making body responsible for Transactions of Greater and/or Lesser Relevance (as defined in the Associated Party Procedure) carried out by Banking Group companies, with the exception of those carried out by Unipol Banca and its subsidiaries, a reasoned non-binding opinion on the interest of the Company in the execution of the transaction, as well as on the convenience and fairness of the corresponding terms;
  - expresses to the Board of Directors an opinion on the updates of the Related Party Procedure as well as an analytical and reasoned binding opinion when substantial amendments or additions are made to the Associated Party Procedure and/or the Internal policy on controls on risk assets and conflicts of interest with respect to Associated Parties;
- the Sustainability Committee consists of three Directors, all non-executive and the majority of whom are independent. During 2018 this Committee met 2 times. The Sustainability Committee exercises investigation, proposal and advisory functions, in particular carrying out the following duties:

  - reviews the sustainability issues identified during the Company's and the Group's interactions with stakeholders, proposing policies for improvement and for the reduction of ESG risks4;
  - reviews the guidelines and the methodology followed to prepare and monitor the sustainability components included in the Business Plan;
  - evaluates periodic updates on the main preliminary activities directed to ensure that the Group Sustainability targets are fully met;
  - periodically monitors alignment between the indicators of the Sustainability Plan and the Group's operating and business activities;
  - reviews the Group's Integrated Report and the UnipolSai Sustainability Report.

- the Ethics Committee consists of three Directors, all non-executive and independent. During 2018 this Committee met 2 times. The Ethics Committee has been assigned the duties of:
  - promoting consistency between the principles of the Code of Ethics and the company policies, also interacting with the Supervisory Board, the Control and Risk Committee and the Company Departments concerned;
  - contributing to defining initiatives targeted at promoting knowledge and understanding of the Code of Ethics;
  - defining the set-up of the ethics communication, knowledge and awareness-raising plan, in collaboration with the Head of Ethics and the Company Departments concerned;
  - supervising compliance with the Code of Ethics. To that end, through the Head of Ethics, it may conduct checks on compliance with the Code of Ethics by the addressees, acquiring all of the necessary information and documentation;
  - expressing opinions on more complex reports received by the Head of Ethics concerning alleged violations of the Code of Ethics;
  - submitting for the attention of the competent bodies of the Unipol Group companies the situations in which violations of the main content of the Code of Ethics have been confirmed so that, in full compliance with regulatory provisions and internal procedures in force over time, such bodies may evaluate whether to initiate any penalty procedures against those responsible for such violations;
  - receiving and evaluating the Ethics Report prepared by the Head of Ethics, taking responsibility for its publication.

<u>Chief Executive Officer and Group CEO and General Manager</u>
The Chief Executive Officer is appointed by the Board of Directors from amongst its members for three financial years or for the shorter term of office of the Board.
At its meeting on 28 April 2016, the Unipol Board of Directors confirmed Mr. Carlo Cimbri as Chief Executive Officer of the Company, also assigning him the role of Group CEO, as the main party responsible for the promotion of the Unipol Group's management policies and guidelines, in Italy and abroad, as well as for the coordination and oversight of its operations management, attributing to him all of the functions listed below, to be exercised in line with the general programmatic and strategic policies defined by the Board of Directors:
- to ensure the execution of the resolutions of the Board of Directors and the Shareholders' Meeting of the Company;
- to ensure the ordinary management of the business of the Company, as well as the governance, supervision and co-ordination of all activities of the Unipol Group;
- to promote the corporate policies of the company and the Unipol Group;
- to make the proposals on the multi-year plans and annual budget of the Company and the Unipol Group, to be submitted to the review and approval of the Board of Directors;
- to ensure the adequacy of the organisational, administrative and accounting structure of the Company and the Unipol Group;
- to give directions for the preparation of the financial statements of the Company; to prepare the proposals on the draft financial statements and consolidated financial statements, as well as on the interim financial reports, to be submitted to the Board of Directors.

The Chief Executive Officer and Group CEO - in his role as Executive Director of the Company - fulfils the following duties:
- together with the Chairman:

[4] ESG Risks: environmental, social and governance risks.

  - identifies the strategies regarding the general policies of the Company and the Unipol Group to be submitted to the Board of Directors;
  - reviews on a preliminary basis transactions with significant economic, capital and financial relevance, in accordance with the criteria defined by the Board of Directors, particularly with reference to Transactions with related parties of "greater relevance", to be proposed on a case by case basis to the Board of Directors;
  - ensures that the Directors are able to carry out their role in an informed and effective manner;
- guarantees the pursuit of the objectives defined by the Board of Directors, issuing the resulting management directives; handles the execution of resolutions of the Board of Directors and the operational management of corporate affairs, relying on the Company's Senior Management;
- defines the Group's policies and guidelines overall by overseeing the proper functioning of top-level relationships between the Company and the various Group entities;
- if applicable, makes proposals to supplement the annual audit plan and may request specific audits not set forth in the plan;
- in agreement with the Chairman, identifies individuals for the roles of General Manager and Deputy General Manager of the Company, so that the Chairman may submit them to the Appointments and Corporate Governance Committee and propose them to the Board of Directors;
- in agreement with the Chairman, identifies individuals for the roles of Director and Statutory Auditor of the relevant companies (be they subsidiaries with strategic relevance or investees), so that the Chairman may submit them to the Appointments and Corporate Governance Committee and propose them to the Board of Directors;
- supervises the management of the process of appointing "Group key resources" to cover the main management positions within the various Group entities.

The Chief Executive Officer, in agreement with the Chairman, is assigned additional duties relating to remuneration, as set forth in the Remuneration Report prepared pursuant to Art. 123-ter of the Consolidated Law on Finance and listed below:

- provides the Remuneration Committee with instructions for the formulation of proposals to be submitted to the Board of Directors with respect to the Remuneration Policies of the Key Managers of the Company;
- formulates proposals to the Board of Directors in line with the guidelines identified in the remuneration policies approved by that Board, concerning the remuneration of the Company's General Manager, as well as the determination of the relative pay package, establishing the performance targets correlated with the variable remuneration component;
- defines the pay package of the Key Managers of the Company, establishing the performance targets correlated with the variable remuneration component, in line with the guidelines identified in the remuneration policies by the Board of Directors and without prejudice to the responsibilities of the Unipol Control and Risk Committee with reference to the Managers of the Key Functions.

If the Chief Executive Officer/Group CEO is in a potential conflict of interests in carrying out the functions listed above, they need to be exercised, in his stead, by the Deputy Chairman.

The Board of Directors has also granted to the Chief Executive Officer and Group CEO special executive powers, defining procedures and quantitative limits for their exercise.

The Chief Executive Officer participates - given he is a member - in the meetings of the Chairman's Committee; he participates ex officio with advisory functions in the meetings of the Appointments and Corporate Governance Committee, the Sustainability Committee, the Ethics Committee and the Remuneration Committee, and is invited to the meetings of the Control and Risk Committee.

Mr Cimbri is also the General Manager, in accordance with the resolution passed by the Board of Directors pursuant to Art. 15 of the By-Laws, in that role carrying out the function of overseeing general business operations, consistent with the strategic planning guidelines defined by the board.

<u>Board of Statutory Auditors</u>

Pursuant to Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016, on the audit of the annual and consolidated financial statements, the Board of Statutory Auditors of the Company, as well as monitoring the compliance with the law and the By-Laws and with the principles of proper management, is in charge, also in the execution of its functions as internal control and audit committee, of:

- informing the Board of Directors of the Company of the result of the audit;
- monitoring the process of financial reporting and submitting recommendations or proposals aimed at ensuring its integrity;
- monitoring the effectiveness of the systems of internal control of the quality and risk management of the company and the internal audit, with regard to the financial reporting of the Company;

- monitoring the audit of the accounts;
- verifying and monitoring the independence of the audit company, in particular reviewing the services other than audit services provided to the Company by this audit company and the entities that belong to its network;
- making proposals on the audit appointment to be submitted to the Shareholders' Meeting, at the end of the selection procedure of the audit company. The Board of Statutory Auditors is also responsible for the fairness of this procedure.
- supervising - insofar as it is responsible - the adequacy of the process of developing the disclosure concerning matters relating to the environment, social matters, human resources, respect for human rights, the fight against active and passive corruption and observance of provisions regarding the Non-Financial Statement established in Legislative Decree No. 254 of 30 December 2016.

Supervisory Board

Legislative Decree no. 231 of 8 June 2001, "Discipline of the administrative responsibility of legal persons, companies and associations even without legal personality" ("Decree 231/2001") - which introduced the administrative liability of entities as a result of certain offences committed in the interest or for the advantage of the entity by directors, managers, employees and company representatives - establishes in Art. 6 an exemption from above-mentioned liability for entities that demonstrate: (i) that before the offence was committed, they adopted and effectively implemented organisation, management and control models suitable to prevent the occurrence of the offences considered therein; (ii) that they have established an internal control body with the task of supervising the functioning and observance of the model (the "Body" or the "SB") as well as its actual effectiveness and adequacy and, when necessary, managing any updates of the model; (iii) that the offence was committed by fraudulently circumventing the model, and (iv) that the above-mentioned Body did not fail to supervise or enact insufficient supervision.
In compliance with the above regulations, the Company adopted the Organisation, Management and Control Model (the "MOG" or the "Model") and established and appointed the SB pursuant to Art. 6, letter b) of Decree 231/2001.
The Body is assigned the task of supervising:

i) the effective observance of the Model by its addressees: employees, corporate bodies and, within the limits laid out therein, agents, associates and suppliers;
ii) the actual effectiveness and adequacy of the Model with respect to the structure of the company and its real capacity for preventing the commission of the offences pursuant to Decree 231/2001;
iii) the possibility of updating the Model, when it is found that it needs to be adjusted in light of changed company and/or regulatory conditions, contacting the competent bodies for this purpose.

The SB is also given the right to conduct targeted verifications, even without providing prior notice, on specific transactions or deeds entered into by the Company, especially as regards sensitive activities, the results of which need to be summarised in reporting to the competent corporate bodies.
These powers are to be exercised within the limits of what is strictly functional to the mission of the SB, which has no management powers whatsoever.

Company committees

In the context of the governance and the internal control and risk management system, a few internal committees have been established by the Board of Directors, or by the Chief Executive Officer and Group CEO, consisting of managers of the Company and the Group, with functions of support to the Chief Executive Officer and Group CEO in the implementation and supervision of the policies of direction, coordination and operational strategy specified by the Board of Directors.

B.1.2. Transactions with related parties

In the reference period, no substantial transactions were carried out with either shareholders or members of the administrative, management or supervisory bodies.

The relations with the members of the administrative or supervision body refer to the remuneration paid in compliance with the resolutions of the Shareholders and/or the Board, in compliance with current Group policies.

B.1.3. Tasks and responsibilities of key functions

The following key functions have been established at the Parent Company:

- The Audit Function, which 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 Risk Management Function, which is in charge of identifying, measuring, assessing and monitoring the current and prospective risks at the individual and aggregated level to which the Company is or may be exposed and their correlation;
- The Compliance and Anti-Money Laundering Function, which is responsible for evaluating the suitability of procedures, processes, policies and internal organisation according to a risk-based approach; its objective is to prevent compliance risk, considered as the risk of judicial or administrative sanctions, incurring losses or reputational damages as a result of failure to observe laws, regulations and directly applicable European regulations or measures of the Supervisory Authority or internal regulations (e.g. by-laws, codes of conduct or corporate governance codes, internal policies and corporate communication documents);
- The Actuarial Function[5], whose main task is to coordinate the calculation of the technical provisions, assess the adequacy of the methodologies, models and assumptions forming the basis of said calculation and evaluating the quality of the data used. It expresses a judgment on the global policy for the underwriting of risks and the adequacy of reinsurance agreements; it also provides a contribution to the risk management system, also with reference to the modelling underlying the calculation of the capital requirement[6].

Within the Internal Control and Risk Management system, it is essential to ensure the dialogue between the Key Functions, and regular reporting between these functions and the Corporate Bodies.
The Board of Statutory Auditors, the audit firm, the Key Functions, the Supervisory Board pursuant to Legislative Decree 231/2001 and any other body and function that has been given specific control tasks exchange all information useful for the execution of the tasks assigned. To this purpose, appropriate reporting is required on the activities carried out and the extent of risks, both to the corporate bodies and the Senior Management, and within the board and corporate committees, ensuring the involvement and the dialogue of all functions.
In particular, reciprocal information flows between the different Key Functions are already in place through:

- participation in the meetings of the Control and Risk Committee and the SB;
- information and discussion on the annual plans of the activities of the Functions themselves;
- regular meetings to share the results of the control activities carried out and the evaluation of the residual risks and the Internal Control and Risk Management system, also through a common application platform, as described below;
- reporting activities with exchange of the documentation produced by the individual functions (as for example the results of the assessment activities carried out, the cases of non-compliance, the regular claim reports, etc.).

The Audit, Risk Management and Compliance Functions present, once a year, to the Board of Directors their action plan and every six months they report to the Board of Directors on the activities carried out and the main issues observed, as well as on any initiative proposed. Moreover, in the execution of their power to provide opinions and make proposals on the Internal Control And Risk Management System, the aforementioned functions provide the Control and Risk Committee and the Board of Statutory Auditors with the action plan and regular reports on their activities.

At least once a year, the Actuarial Function prepares a written report for the Board of Directors, documenting all activities carried out and their outcome, identifying any significant deficiency, also in regard to the quality of the data, and making recommendations on how to address them, also to increase the quality and quantity of available data. The Actuarial Function also reports promptly to the Board on any element identified as a result of activities carried out that may have a significant impact on the financial condition of the company.

The Group has also acquired a common application platform, which the Audit, Risk Management and Compliance Functions, the so-called specialist control units and the Organisation Function access, to ensure an integrated approach to the mapping and analysis of the processes, risks and controls, for each company of the Group, as well as

[5] The Actuarial Function is exercised by an actuary listed in the professional register set up by Law No. 194, 9 February 1942, or by parties with knowledge of actuarial and financial mathematics appropriate to the nature, magnitude and complexity of the risks intrinsic to the business activities of the company and with proven professional experience in the issues relevant to the execution of the task.

[6] The Actuarial Function, at the organisational level located within the Administration, Management Control and Operations Department, directly reports to the Board of Directors and has been given the necessary independence and separation in the performance of its tasks to avoid conflicts of interest with the Group divisions in charge of the technical and operational management. Any potential conflict of interest is addressed by an appropriate diversification and separation of the tasks within the Actuarial Function itself.

the ongoing monitoring of any corrective action notified to the operating units following the analysis carried out by the above-mentioned Functions.
This platform therefore allows the latter:
- to share the information gathered as a result of analysis/assessment activities;
- to achieve synergies for a better monitoring of all corporate activities;
- to produce summary reports for Senior Management.

To execute the activities within its area of competence, the personnel of the Key Functions has unlimited access to company data and relevant information.
According to the organisation model of the Group, the Key Functions carry out the activities within their area of competence for Unipol and carry out guidance and coordination activities with respect to the subsidiaries.

B.1.4. Remuneration policies

The primary objective of the remuneration policies is to guarantee a fair remuneration, according to the position, responsibilities, professionalism level and individual skillset. In compliance with legal and regulatory provisions, the remuneration policies of the Company ensure the consistency between remuneration and sustainability requirements, in compliance with a sound and prudent risk management policy, in line with the long-term strategic objectives, profitability and balance of the Company and the Group. The Company does not adopt remuneration policies based exclusively or mainly on short-term performance, as this would encourage excessive risk exposures.
On the basis of these principles, the fixed remuneration component rewards the expertise, skills and, above all, responsibilities related to the position, with a fixed financial basis, calculated according to the level in the organisation and seniority.
The variable remuneration component reward performance both in the short and in the medium/long-term, not only in terms of revenue, but also in terms of focus on risk.
In the light of the above, in 2018 as in 2017, the remuneration of the personnel is set on the basis of the following principles:
- appropriate balance between fixed and variable component, with the latter linked to pre-set and measurable efficiency criteria, to strengthen the link between performance and remuneration;
- limits specified for the variable component;
- sustainability, with balance between short and long-term efficiency criteria, to which the remuneration is subordinated, both by ensuring the deferred and diversified payment of the variable component, and by reserving the right not to pay or ask for the repayment of this component in the presence of some negative elements.

The variable component of the remuneration is awarded to management personnel through the activation of an incentive system. This provides for a short-term component to be paid through a cash bonus, and a long-term component to be paid through allocation of shares, carried out over a period of several years.
The incentive system links:
- the performance of the Group and of the Company that the employee belongs to, current and/or future, expressed in terms of achievement of gross profit and solvency capital targets as well as performance of the ordinary shares of Unipol;
- the individual performance, measured in terms of both qualitative and quantitative targets, related to the specific organisational area of the recipient.

As regards the remuneration of the Board of Directors, annual 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, the Shareholders' Meeting and the meetings of any Committees of which they are members.
Thus, non-executive Directors were not acknowledged any variable remuneration component linked to results or based on financial instruments. The Chief Executive Officer and Group CEO is recognised a short and long-term variable remuneration component, calculated by applying the criteria established in the incentive system for executive personnel.
There are no supplementary pension schemes for the members of the Board, while all employees, whether in an executive position or not, may join specific corporate Pension Funds, divided into Employees' Pension Funds and Executives' Pension Funds. These Funds are based on voluntary contributions made by the recipient and the company and envisage supplementary pension provisions on termination of the employment relation due to retirement.

B.2. Fit and proper requirements

The Board of Directors adopted, pursuant to the industry regulatory provisions in force, the Policy regarding the requirements in terms of suitability for office (the "Fit&Proper Policy")[7], which describes, inter alia, the procedures to assess the requirements of suitability for office – in terms of integrity, professionalism and independence, as well as of absence of causes of impediment, suspension and incompatibility – of the members of the administrative and control body, the Managers of the Audit, Compliance and Anti-money laundering and Risk Management Functions.
The Board of Directors assesses whether each of its members meet the requirements set by legal and regulatory provisions in force at the time in terms of honourableness, professionalism and independence, as well as assessing the absence of causes of impediment, suspension and incompatibility pursuant to legal and regulatory provisions on interlocking directorships.
With regard to the requirements of independence of its members, the Board carries out its assessments also considering the cases specified by application criterion 3.C.4. of the Corporate Governance Code and with reference to the cases specified by application criterion 3.C.1. of the Code.
With particular reference to the evaluation of the independence requirement pursuant to the Corporate Governance Code and the Fit&Proper Policy mentioned above, we note that:

- in line with international best practice, special attention is paid to the requirement of the "substantial" independence of the non-executive directors, to ensure the composition of the interest of all Shareholders, both majority and minority; without prejudice to what is laid out by the Corporate Governance Code with respect to the number of independent directors for companies in the FTSE-MIB, the Company adopts a restrictive interpretation of the principles expressed by the Code, not counting as independent Directors - irrespective of whether they are found in one or more of the conditions pursuant to application criterion 3.C.1. of the Corporate Governance Code - the Directors who:
  - i. have a role within the company bodies of the direct holding company Finsoe S.p.A.[8];
  - ii. hold roles within the company bodies of entities that participate in shareholders' agreements for the control of the Company or in any event containing clauses concerning the composition of the Company's Board of Directors, or within the company bodies of companies controlled by such entities pursuant to Art. 2359, first paragraph, of the Italian Civil Code (moreover, this case was not confirmed in the past, as it is not confirmed currently);
- for the purposes of the evaluation of the independence requirement of a Director, attention is also paid to the annual consideration for any professional services provided to the company and/or subsidiary, if this represents more than 5% of the annual sales of the Company or the Entity of which the Director has the control or a significant position, or the Professional Practice or consulting company of which he is a partner or shareholder or, in any case, if it exceeds €200,000.

With regard to the suitability requirements described above, the Board of Directors carries out its evaluation:

- for the entire Board of Directors, after this is appointed by the Shareholders' Meeting and, afterwards, at least once a year;
- for individual Directors, at the time of co-optation of one or more new Directors by the Board and after the appointment by Shareholders' Meeting, as well as in later board meetings when it is assessed whether all Directors continue to meet the requirements specified.

The Board carries out the evaluation reviewing the information provided by the individuals involved on the basis of their curricula vitae and the statements in lieu of certification provided by these, taking also into account the assessments carried out by the competent functions of the company and the Group. This documentation is made available for review during the Board meeting and is put to the record.
The Board of Directors takes its resolutions with the abstention, each time, of the individual Director being assessed.
The Board of Directors, during its meeting on 14 June 2018, fulfilled its obligations pursuant to current legal provisions with regard to the assessment of the possession by its members of the legal and regulatory requirements – in terms of integrity, professionalism and independence, as well as of absence of causes of impediment, suspension and incompatibility. This assessment was carried out in compliance with the Fit&Proper Policy.
Lastly, to assess whether Directors are able to carry out effectively their functions, the Board of Directors carries out – after its appointment and, later, once a year – an assessment of the compliance with the provisions on overlapping offices, as indicated in a specific regulation adopted by the Board as guideline for the maximum number of offices as director or statutory auditor that may be considered compatible with an effective execution of the tasks of Director, according to the provisions of the application criteria 1.C.2. and 1.C.3. of the Corporate Governance Code. This

[7] In consideration of the changes introduced by IVASS Regulation no. 38/2018, the Fit&Proper Policy was subject to an update, resolved by Unipol's Board of Directors at the meeting held on 14 March 2019.
[8] As already specified in par. B.1.2., Finsoe S.p.A. no longer exists as of 15 December 2017.

Regulation (which is available in the Corporate Governance Section of the Unipol website) sets some general criteria, which take into account the actual role that the Director has in other companies as well as the nature and size of these companies, introducing differentiated limits, respectively, for the position of Chairman and of executive, non-executive or independent Director, also considering the prohibitions on interlocking directorships set by legal and regulatory provisions.
In line with the best international practice and with the provisions of the Corporate Governance Code as well as with the supervisory provisions in force from time to time, the Board of Directors carries out an annual assessment on the size, composition and operation of the said administrative body and the Board Committees, also taking into account elements such as the professional characteristics, experience, including managerial, and the gender of its members, as well as their length of office (Board Performance Evaluation). The evaluation concerns also the possession, by the Board as a whole, of the technical expertise needed to the execution of the tasks assigned by current legal provisions, in compliance with the principle that, in the choice of the Directors, it is necessary to keep into account the size of the Group as well as the complexity and specificity of the sectors in which this operates, to ensure that the Board as a whole has the appropriate technical expertise in insurance and financial markets, systems of governance, financial and actuarial analysis, regulatory framework, sales strategies and business models.
The Managers of the Audit, Risk Management and Compliance Functions are appointed by the Board of Directors from among those in possession of the same requirements of honourableness specified by current legal provisions for Directors and Statutory Auditors and of appropriate professionalism, who have carried out management activities in administration/accounting or financial or management control or audit, risk management or compliance of a company with securities listed on a regulated market or that carries out banking, insurance or financial activities or in any case activities strictly related to the latter, or, in any case, at companies of significant size, identified according to the criteria indicated in the regulation on overlapping offices.
Moreover, the Audit, Risk Management and Compliance Functions and their Managers must meet the independence requirements envisaged for each of them by the supervisory provisions in force from time to time. The Board of Directors verifies that these requirements are met by all Managers of the Audit, Risk Management and Compliance Functions at the time of their appointment and, later, at least once a year, during the regular assessment of the requirements of all Directors and Statutory Auditors. The evaluation is carried out through the review of the information provided by the individuals involved in their curricula vitae and the statements in lieu of certification provided by these, taking also into account the assessments carried out by the competent units of the company and the Group. This documentation is made available for review during the Board meeting and is put to the record.
The Board of Directors of Unipol, in its meeting on 14 June 2018, carried out, among other things, the regular assessment of the requirements of the Managers of the Audit, Risk Management and Compliance Functions, verifying the possession of the requirements specified in the Fit & Proper Policy.

The possession of the requirements of suitability for office of the Manager of the Actuarial Function was assessed, at the same Board meeting, applying the same criteria specified in the Fit&Proper Policy for the Managers of the Audit, Compliance and Risk Management Functions.

B.3. Risk management system, including the own risk and solvency assessment

B.3.1 Risk management system

The risk management system is the set of processes and tools used to support the risk management strategy of the Unipol Group; it provides an appropriate understanding of the nature and the significance of the risks to which the Group and the individual companies are exposed. The risk management system makes it possible to have a single point of view and a holistic approach to risk management, and it is an integral part of the management of the business.
The risk management system specifies the risk management process, which is articulated as follows:
- identification of the risks, which consists of the identification of the risks believed to be significant, or those risks the consequences of which may jeopardise the solvency or the reputation of the Group and the individual Group companies or represent a serious obstacle to the achievement of the strategic objectives;
- current and forward-looking assessment of the risk exposure; the current evaluation of the risks identified is carried out by using the methodologies specified by regulations and best practice with regard to the risks

for which the measurement is not regulated or is specified with high-level principles. With regard to the forward-looking evaluation, we note that the internal assessment of risk and solvency (the "Own Risk and Solvency Assessment" or "ORSA") is used to support the strategic decisions of the Group and the Companies;

- monitoring of the risk exposure and reporting, a system implemented – on the basis of the principles of completeness, timeliness and effectiveness of the disclosure – to ensure a timely and constant monitoring of the evolution of the Risk Profile and the compliance with the specified Risk Appetite. This system ensures that the quality and quantity of the information provided are proportional to the requirements of the different recipients and the complexity of the business managed, so that this may be used as a strategic and operational tool for the evaluation of the potential impact of the decisions on the risk profile and the solvency of the Group and the individual Companies;
- risk mitigation, which consists in the identification and proposal of actions and initiatives necessary and/or useful to mitigate current or future risk levels, when these are not in line with the risk objectives specified.

The identification, evaluation and monitoring of the risks are carried out on ongoing basis to take into account the changes occurred both in the nature and size of the business and in the market context, and whether new risks arise or the existing ones change.

The risk management system follows an Enterprise Risk Management ("ERM") approach, that is, is based on the assessment of all current and forward-looking risks to which the Group is exposed, assessing the impact that these risks may have on the achievement of the strategic objectives.

To pursue these high-level objectives, the approach adopted takes into account the need to reconcile multiple requirements expressed by the main stakeholders. In particular, the Risk Management System must meet:

- the requirement of safeguarding the assets and the reputation of the company;
- the requirements of safety and solvency;
- the target rating;
- the need to diversify the risks and ensure sufficient liquidity.

B.3.1.1. Risk management and monitoring system: Risk Appetite

Based on these principles, to pursue the objectives assigned, the risk management system relies on a key element: the Risk Appetite.

The Risk Appetite may be set as a minimum target to be respected and is broken down into quantitative and qualitative elements.

The calculation of the Risk Appetite is structured, in quantitative terms, according to the following elements:

- capital at risk;
- capital adequacy;
- Liquidity/ALM (Asset Liability Management) ratios.

Quality objectives are defined in reference to compliance, strategic, emerging, reputational and operational risks.

The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Group and the Companies intend to take or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite is 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, ORSA process, the budget, company organisation and the internal control system. The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:

- the Risk Capacity;
- the Risk Tolerance;
- the Risk Limit (or Operational Risk limits);
- the Risk Profile.

The activity to define the RAF components is dynamic, 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 ex ante control of the Risk Appetite, and capital adequacy in particular, are performed when considering extraordinary transactions (mergers, acquisitions, disposals, etc.).

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: individual risk type, overall risk, individual company, group.

The risk management system is formalised by the risk management policy, adopted by the Board of Directors of the Parent Company and subject to regular updates, which sets, in reference to the perimeter of competence, suitable guidelines for the identification, evaluation, monitoring and mitigation of the risks and the operational limits in line with the Risk Appetite specified. The Parent Company ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of group supervision and their mutual interdependencies.
The principles and processes of the Risk Management System as a whole are governed by the following Group policies: “Current and forward-looking risk assessment policy”, “Operational Risk Management Policy”, “Group-level Risk Concentration Policy”. The Risk Management System also includes policies setting the principles and guidelines for: (i) management of specific risk factors (e.g. Investment Policy for Market Risk and Credit Policy for Credit Risk, etc.), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.

B.3.1.2. Objectives and Core principles of Risk Management

Within the Risk Management System, the Risk Management Function is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at the individual and aggregated level that the Group is or may be exposed to and their correlations. 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.
In this regard, we note that IVASS authorised[9] Unipol to use the Partial Internal Model (“PIM”) to calculate the Group Solvency Capital Requirement with effect from the annual supervisory reporting relating to 31 December 2017.
Within the Group, the responsibility for the design and implementation of the Partial Internal Model is separated from the responsibility for its validation.
The Risk Management Function also contributes to the dissemination of a risk culture throughout the Group.

B.3.2. Own risk and solvency assessment (ORSA)

The process for the execution of the current and forward-looking risk assessment is described - at the Group level - in the Current and Forward-looking Risk Assessment Policy, also adopted by the Board of Directors of the Parent Company and subject to regular updates, which defines the tasks, roles and responsibilities of the Corporate Bodies and the units involved, the frequency of the quantitative analysis and the corresponding rationale and the quality standards for the data used in the analysis, as well as the cases when a new evaluation of the risks is required.
Through the own risk and solvency assessment, the Group pursues the following objectives:

- to highlight the link between the business strategy, the capital allocation process and the risk profile;
- to obtain an overall view of all risks to which the Group and the Companies are exposed, or could be exposed in the future, and the current and forward-looking solvency;
- to provide to the Board of Directors and Senior Management an evaluation on the design and the effectiveness of the risk management system, highlighting at the same time any deficiency and suggesting remedial actions.

In particular, with reference to the current evaluation, these objectives are achieved by:

- the measurement of the capital required according to current legal and regulatory provisions and on the basis of the Solvency II requirements, making use of the Internal Model;
- the evaluation of the capital adequacy of the Group and the Companies, on the basis of the results obtained under the previous point.

With reference instead to the forward-looking evaluation, the objectives are pursued through ORSA, which allows the analysis of the risk profile of the Group based on strategy, market scenarios and business trends.
In designing ORSA, the Group has followed the following principles:

- the evaluation of the risks at the Group level includes the risks from all companies included in the group supervision area and takes into account their correlations;
- ORSA, as well as being a legal requirement, represents an internal assessment element to support operational and strategic decisions; ORSA and strategic planning processes are strictly related;
- the estimates taken as reference for the development of the Strategic Plan are the basis for ORSA in a forward-looking approach;
- ORSA is used in support of the drafting and review of the strategic plan;

[9] See Measure No. 0113852/18 of 24 April 2018.

- ORSA takes into account all risks that may cause a significant decrease in Own Funds at the Group level and for each individual Company, or that have an impact on the ability to meet the commitments towards the policyholders, in line with the risk management policy. For the risks not included in the calculation of the capital requirements set by Pillar I of the Solvency II Directive, the Group carries out a qualitative assessment. Therefore, the assessment on these risks is basically aimed, rather than to quantify the potential loss, to verify the effectiveness of the controls implemented and the good operation of the management and monitoring processes.
- ORSA is carried out in compliance with the data quality standards set by the Data Governance Standard and the Data Quality Management Policy in force.

The execution of ORSA and the drafting of the corresponding report are started after the end of the reference year and follow a schedule consistent with the deadlines set by supervisory regulations.
Before the meeting called to approve the ORSA Report, the administrative bodies of Unipol, UnipolSai and the other Companies meet to approve the criteria and the methodologies – including the types of stress test - to be used for the drafting of the ORSA Report. The administrative bodies of UnipolSai and the other Companies later approve, within their respective areas of competence, the sections of the ORSA Report that concerns them, before this is submitted to the Board of Directors of Unipol to be approved as a whole. In compliance with legal and regulatory provisions in force, the Group sends the ORSA Report to IVASS within two weeks of its approval.

B.3.2.1 Solvency needs

The current and forward-looking assessment is an integral part of the risk management system and the decision-making process of the Insurance Group and the Companies and presents therefore points of contact with other core corporate processes, such as:

- strategic planning and capital allocation;
- definition of the Risk Appetite;
- monitoring and mitigation of risk.

In particular, the current evaluation provides the monitoring of the indicators specified in the Risk Appetite Statement and is carried out at least once a quarter and, in any case, every time there are circumstances that could lead to a substantial change in the risk profile. These are mainly events such as concentration transactions, sale of business units or other extraordinary events, which require additional ORSA to be carried out with respect to the standard plan.
The forward-looking assessment, instead, is developed in line with the schedule and the elements of the Strategic Plan and the annual budget, through which the economic capital is allocated to each Company and risk category. The capital allocation process provides for each year of the Strategic Plan a projection of the Own Funds and an estimate, through Internal Model, of the capital required according to the strategic plan scenarios. This analysis is in line with the Risk Appetite Framework, as specified within the risk management policy.
As specified in the ORSA Report relating to the year 2018, transmitted to the Authority in accordance with the timing set forth in IVASS Regulation no. 32/2016, the current and forward-looking risk assessment analyses were conducted using the following methodologies:

- Partial Internal Model for capital at risk and capital adequacy, for the Unipol Group;
- Partial Internal Model for capital at risk and capital adequacy, for UnipolSai;
- Partial Internal Model for capital at risk and capital adequacy, for Arca Vita;
- Market Wide Standard Formula for capital at risk and capital adequacy, for the other Companies.

Unipol relied on the right pursuant to Art. 215-ter, paragraph 3 of the CAP to transmit, starting from the ORSA Report relating to the year 2016, a report on the single internal assessment of the risk profile for all Group companies. This intention was confirmed on 29 October 2018 to IVASS also for this year, which did not identify any reasons to prohibit the exercise of that right. The reasons for this decision - which is moreover compliant with the normal practice exercised with reference to the two ORSA analyses conducted in previous years - lie in the presence within the Group of processes characterised by a high level of consistency among the companies and therefore in the desire to consider all companies which are subject to the new prudential supervisory system introduced by Directive 2009/138/EC.

B.3.3. Internal model governance

Unipol was authorised by IVASS to use a Partial Internal Model to calculate the Group Solvency Capital Requirement with reference to the following risk elements, as well as in the aggregation process:

- Non-Life and Health Underwriting Risks for the earthquake disaster component;
- Life Underwriting Risks;
- Market Risks;
- Credit Risk.

The PIM is also used in the risk management system and in the decision-making processes as a tool to support of the decisions of strategic relevance of the Company and the business activities. This model is in fact used for the definition and quarterly monitoring of the Risk Appetite, in line to which operational limits are specified for each risk factor, reviewed at least once a year to ensure their effectiveness over time and reported within the Group corporate Policies.

The governance, update and validation of the PIM are regulated, respectively, by the Internal Model Governance Policy, the Internal Model Update Policy and the Internal Model Validation Policy, adopted by the Board of Directors of Unipol and subject to regular updates.

B.3.3.1. Board of Directors

The Board of Directors has the final responsibility for ensuring that the PIM is appropriate in terms of design and functionality, that it continues to reflect the risk profile of the Group and that the resources involved in the development, monitoring and maintenance of the Model are appropriate in terms of number, experience and areas of competence with respect to the objectives of these activities. The Board of Directors has a clear understanding of the Internal Model, with particular reference to its structure and the ways in which this reflects the business and is integrated in the risk management system, of the context of application and its limitations, of the methodologies and the diversification effects considered.

B.3.3.2. Role of the Committees

In support of the Board of Directors, the Control and Risk Committee provides non-binding opinions on the validation of the PIM and any risk mitigation initiative related to PIM deficiencies identified during validation.

B.3.3.3. The Risk Management Function

The Risk Management Function, which reports hierarchically to the Chief Executive Officer - Group CEO and General Manager and to whom the Risk Management Models Validation Office reports, supports the Board of Directors in the evaluation of the design and the effectiveness of the risk management system, highlighting any deficiency and suggesting the ways to address them. With reference to the governance of the PIM, the Risk Management Function is responsible for designing and implementing said Model. In addition, it ensures, for the Chief Executive Officer and the Board of Directors, the adequacy of the validation activities carried out, prior to the internal approval of the proposed changes to the Internal Model, as set out in detail in the Internal Model Validation Policy. The Risk Management Models Validation Office enjoys the necessary independence and separation in the performance of its tasks to avoid conflicts of interest with the function responsible for designing and implementing the Internal Model.

B.3.3.4. Description of the validation processes used to continuously monitor the results and adequacy of the internal model

The validation process includes all elements of the PIM, the monitoring of its good operation, the ongoing monitoring of the suitability of its specifications and the cross-check of its results against historical data.

The perimeter of the validation extends to all operational units of the Parent and of the Companies that have obtained authorisation from IVASS to use the PIM and to all risks included in the perimeter of the PIM.

Besides the validation on first adoption, before authorisation by the supervisory authorities to use the PIM to calculate the SCR, the PIM is subject to:

- regular validation, with annual frequency;

- occasional validation, in addition to the regular validation cycle, in the cases indicated in the Internal Model Update Policy.

The stages of the validation process are:

- analysis of the risk modules and sub-modules that constitute the Internal Model for each area set out in the regulation;
- preparation of the tests to be performed to conduct the necessary checks to confirm the conclusions of the preliminary analysis and subsequent in-depth analyses;
- presentation of the analyses, tests and in-depth analyses carried out in a single document, organised by risk modules and sub-modules, areas analysed and tools used for the checks conducted.

In addition, although preserving the independence required by the regulatory provisions in the execution of validation activities, the Risk Management Validation Models Office makes recommendations to the developers of the PIM, with the objective of constantly improving its functioning.

B.3.4. Procedures that ensure consistency within the Group of the internal control and risk management systems and reporting

Unipol has provided the Group with an Internal Control and Risk Management System - the definition and purposes of which are described in this paragraph as well as in paragraph B.4 - which is suitable to conduct effective controls on the strategic decisions of the Group as a whole and on the operational balance of its individual members, also establishing the relative guidelines. This System provides the Group with a global and unitary approach to risk management.

The Internal Control and Risk Management System is implemented using methods that guarantee an integrated approach at Group level. The Parent Company ensures that this Internal Control and Risk Management System is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of group supervision and their mutual interdependencies. The principle of proportionality continues to apply, based on the nature, extent and complexity of the risks inherent in company activities carried out by the various Group companies.

In order to guarantee that procedures for reporting to the Supervisory Authority and the public are carried out consistently within all Group companies, Unipol has adopted (i) the Policy on information to be provided to the Supervisory Authority, (ii) the Policy on public disclosure, (iii) the Policy of statistical information, as well as (iv) the Reporting Policy, whereby the Parent Company, in exercising its management and coordination activities, defines guidelines for the preparation, revision and approval of reporting to the Supervisory Authority and the general public. These Policies are adopted, as applicable, by the individual Group companies in compliance with their respective business models.

The consistency of internal reporting is ensured using various methods. First of all, the Group's corporate policies govern the main information flows within the individual companies and to the Parent Company, inherent in the topic subject to the policy, by identifying their function/sending body, addressees and frequency. Particularly with reference to the Internal control system, Directives on the Internal Control and Risk Management System (the "SCI Directives") describe, inter alia, the information flows exchanged within the Group amongst the parties involved in that System. The policies and procedures applicable to the Group companies included within the group's supervisory scope require information flows from them to the Parent Company, which are part of the internal reporting system in place within the Insurance Group (e.g., information flows relating to transactions within the group and with related parties, the outsourcing of functions and activities, etc.).

Furthermore, an internal group directive has been issued by Unipol in order to achieve greater coordination in the relative activities of drawing up and issuing corporate communications documents which establishes, inter alia, that documents such as Internal Provisions, Operating Rules and Circulars must be subject to prior review by the Parent Company's Audit, Risk Management and Compliance Functions if they regard matters dealt with in Group policies or guidelines or topics transversal to multiple sectors (insurance, banking, etc.), or if they envisage the direct or indirect involvement of Parent Company functions.

Lastly, in order to allow for strategic, operational and technical controls meant to evaluate the various risk profiles contributed to the Group by the individual Group companies, as mentioned in par. B.1.1, the Parent Company has established several company committees including, insofar as concerns us here:

- The Management Committee (supporting the Chief Executive Officer in supervising the activities carried out by Group companies);
- The Group Investments Committee (governance of Group investments);

- The Group Risks Committee (advisory and proposal functions in the governance of risk for the Group in terms of policies, assumption and management);
- The Group Credit Risk Committee (monitoring of Group credit risk exposure);
- The ALM Operational Management Committee (monitoring of the Group's overall liquidity situation);
- The Declaration Team (declaration of the state of crisis following a disastrous event for the continuity of normal business operations);
- The Committee for the assessment of irregular situations (evaluation of situations of irregularity which require significant disciplinary measures and analysis of exposure to risks and the correlated impacts that the Group may face following seriously irregular acts);
- The Group Communications Committee (coordination of communications initiatives external and internal to the Group in order to create the "Group Communications Plan" and overseeing its updating in the course of the year on a half-yearly basis);
- The Bancassurance Committee (supervision and monitoring of the performance of the Bancassurance Companies).

B.4. Internal control system

The Internal Control and Risk Management System is a fundamental element in the overall corporate system of governance; it consists of the set of rules, procedures and organisational units that aim to ensure:

- the effectiveness and efficiency of the corporate processes;
- the appropriate mitigation of the current and forward-looking risks;
- the prevention of the risk that the company be involved, even unintentionally, in illegal activities, in particular those related to money laundering, usury and terrorism financing;
- the prevention and correct management of the potential conflicts of interest with related parties and associated parties, as identified by reference laws and regulations;
- the assessment of the implementation of corporate strategies and policies;
- the safeguard of the value of corporate assets, also in the medium-long term;
- the reliability and completeness of the information provided to the Corporate Bodies and the market and the IT processes;
- the suitability and timeliness of the company reporting system;
- the compliance of the business activities of the company and the transactions carried out on behalf of the customers with the laws and regulations, corporate governance codes and internal company provisions.

The Internal Control and Risk Management system is an integral part of the company and must extend to all sectors and units, involving all employees, each for his own level and responsibility, to ensure a constant and effective control of the risk.

The Internal Control and Risk Management system is specified in the SCI Directives adopted by the Board of Directors of the Parent Company and subject to regular updates, the most recent of which took place on 21 December 2017[10].

The Board of Directors is in charge of the Internal Control and Risk Management system, and, regularly verifies its suitability and actual operation, approving the Current and Forward-looking Risk Assessment and Risk Management Policies, as well as the SCI Directives – which are the basis of the Internal Control and Risk Management system - and ensuring that the main corporate risks are identified, assessed - also on a forward-looking basis - and controlled, as well as approving an organisational structure able to ensure, through an appropriate and consistent articulation, the separation of the roles in the execution of process activities, the traceability and visibility of the transactions and the transparency of the decision-making processes concerning to the individual operational processes.

The Director in charge of the internal control system, appointed by the Board of Directors, supervises the operation of the internal control and risk management system.

The Senior Management (the Chief Executive Officer, the General Manager and the executives responsible for the top level of the decision-making process and implementing strategies[11]) supports the Director in charge of the internal control system in designing and implementing the Internal control and risk management system, including

[10] The next update of the SCI Directives, aimed 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 system introduced by Regulation 38, is planned within the first half of 2019, consistently with the transitory provisions of the aforementioned regulation.

[11] These are the Key Executives identified for the purposes of the application of the supervisory provisions on intra-group operations.

therein those risks deriving from non-compliance with the regulations, in line with the risk governance directives and policies defined by the administrative body and with the guidelines provided by the Parent Company.
The Internal Control and Risk Management system is designed according to the guidelines described below:
- *separation of tasks and responsibilities*: the areas of competence and the responsibilities are clearly divided among bodies and units, to avoid gaps or overlaps that may affect the operations of the company;
- *formalisation*: the activities of the administrative bodies and delegated parties must always be documented, to ensure the control on the management and the decisions taken;
- *integrity, completeness and fairness of the data stored*: it is necessary to ensure that the data recording system and the corresponding reports have appropriate information on the elements that may affect the risk profile of the company and its solvency;
- *independence of controls*: the independence of the control functions with respect to the operational units must be guaranteed.

The Internal Control and Risk Management system is regularly submitted to evaluation and review, according to the developments of the corporate activity and the reference context.
The Internal Control and Risk Management system is articulated on multiple levels:
- line controls ("first-level controls"), aimed at ensuring the correct execution of the transactions. They are carried out by the operating units (e.g. hierarchical, system and sampling controls), also through different units that report to the managers of the operating units, or carried out as part of back-office activities; as much as possible, they are incorporated in the IT processes. The operating units are the first line of the risk management process and must ensure the compliance with the procedures adopted for the execution of the process and compliance with the risk tolerance level chosen;
- controls on risks and compliance ("second-level controls"), which aims at ensuring, among other things, the correct implementation of the risk management process, the execution of the activities assigned by the risk management process, compliance with the operational limits assigned to the different functions, the compliance of corporate operations with external and internal regulations and the reliability and adequacy of the calculation of Solvency II technical provisions. The functions in charge of these controls are separated from the operational units; they contribute to the definition of the risk governance policies and the risk management process;
- internal audit ("third-level controls"), which aims at assessing the completeness, functionality and suitability of the Internal Control and Risk Management system (including first- and second-level controls) as well as the compliance of corporate operations with this.

In the definition of the organisational structure of the control function, the Unipol Group has adopted, again for 2018, for all companies of the Group with registered office in Italy subject to supervision (jointly, "Operating Companies"), a "centralised" model, with the main objective of ensuring uniformity and consistency at the Group level in the adoption of risk governance policies, procedures and methodologies and controls; it was in fact decided to use the following approach:
- <u>set-up</u> of the Key Functions in the Parent Company, with the task of carrying out the activities within their area of competence for this company and direction and co-ordination activities for the Operating Companies;
- <u>set-up</u> of the Key Functions at UnipolSai;
- <u>outsourcing</u> of Key Functions to UnipolSai by the Operating Companies that belong to the Insurance Group, on the basis of specific outsourcing agreements in compliance with the minimal requirements specified by applicable supervisory regulations. The Key Functions of UnipolSai, which carry out the activities also for the other Operating Companies, develop and maintain a relation with the Corporate Bodies and the Senior Management of the individual companies, achieving synergies of scale and purpose;
- <u>functional reporting</u> to the Parent Company of all Key Functions created at the Operating Companies; in this case, the Parent Company carries out activities of governance, direction and co-ordination for the latter, also on the basis of a management system based on a functional relation with the decentralised units, pursuing therefore the following objectives:
  - integrated management of risks and controls;
  - common governance, direction and co-ordination approach in line with the objectives of the respective functions of the Parent Company and the strategies specified;
  - unity of action of the different Operating Companies of the Unipol Group;
- <u>internal contact person for the Key Functions (Link Auditor)</u>: at the operating companies that have outsourced the Key Functions, a person is identified to be in charge of the relations with said Functions of the outsourcer company.

Within the Internal Control and Risk Management System, the task of assessing that the organisation and the internal procedures of the company are appropriate to prevent compliance risk - or the risk of incurring judicial or administrative sanctions, incurring financial losses or reputational damages, as a result of failure to observe laws, regulations and directly applicable European regulations or measures of the Supervisory Authority or internal regulations, such as by-laws, codes of corporate governance codes is assigned to the Compliance and Anti-Money Laundering Function. The compliance operational process is articulated in the following stages:

- Analysis of legal and regulatory provisions;
- Evaluation of the risk;
- Identification of corrective actions;
- Monitoring;
- Reporting.

The intensity of each stage depends on the "project" or "control" approach adopted by the Compliance and Anti-money Laundering Function, according to whether the evaluation: (i) is related to the coming into force of new laws and regulations or to new projects/products/processes, or; (ii) concerns external or internal provisions in force.
The assessments of the first type (ex-ante assessments) are mainly aimed at supporting the Senior Management in the corrective actions resulting from new projects/products/processes/laws and regulations; those of the second type (ex post assessments) have the purpose of representing the level of compliance of the procedures, processes, policies and internal organisation of the companies of the Group with legal and regulatory provisions applicable to the company, as well as compliance risk.

<u>Ex ante assessments</u>
The ex-ante assessments are carried out at the time: i) of external events, e.g. the issue of new laws and regulations applicable to the companies by European or Italian legislators, Supervisory Authorities, etc. or ii) of internal events, e.g. the proposal by the management of new projects/products/processes.
These assessments are usually scheduled within the annual plan of the Compliance and Anti-money Laundering Function and the scope is chosen according to a priority system that focuses, mainly, on the relevance and the impact (also reputational) of the newly-issued legal and regulatory provisions (or the innovations of process or product envisaged) with respect to the organisation and business model of the company. The ex-ante assessments may also be started after a one-off request by the Supervisory Authorities, the corporate bodies or the management.

<u>Ex post assessments</u>
The ex post assessments may have as object corporate processes ("process assessment") or external regulations of supervision or of particular relevance (e.g. IVASS Regulations, CONSOB, Laws and Decrees, etc.), as well as internal regulations. These assessments are usually scheduled within the annual plan of the Function, according to a priority system that focuses on:

- the need to "cover" all corporate processes;
- the results of previous assessments, ex ante and ex post;
- the need to "cover" the supervisory regulations, taking also into account the relevance and the complexity of these;
- the evaluation of the risks in regard to laws and regulations that are object of special attention by regulators and supervisory authorities, or that are subject to especially hard sanctions;
- the time passed since the latest analysis carried out by the Compliance and Anti-Money Laundering Function and the other Key Functions in regard to the relevance of legal and regulatory provisions in question;
- the data related to claims and sanctions received, if available.

The ex post assessments may also be started following a one-off request by the supervisory authorities, the corporate bodies or the management.

B.5. Internal audit function

The Audit Function assesses the completeness, functionality and suitability of the Internal Control and Risk Management system, in regard to the nature of the activity carried out and level of the risks taken, as well as the need for corrective measure, also through activities of support and consulting to the other corporate functions. The procedures of execution of the tasks assigned to the Audit Function are specified and formalised in the "Audit Function Regulations", enclosed with the SCI Directives.
The Manager of the Audit Function has specific expertise and professionalism for the execution of the activities and has the authority needed to ensure its independence. The Function has been provided with personnel and technology

resources consistent, for quantity and quality, with the purpose of the controls. Personnel in charge of the activities is given - for the execution of the assessments - access to all units and documents related to the corporate area object of assessment, including all information useful for the assessment of the suitability of the controls carried out on outsourced corporate functions.

The activities of the Function include in particular:

- the assessment of management processes and organisational procedures, aimed at assessing the functionality of the total internal control system as a whole and at identifying anomalies, breaches of procedures and regulations;
- the assessment of the compliance of the different operational sectors with the limits set by the delegation mechanisms as well as of the full and correct use of the information available in the different activities;
- the assessments on the suitability of the IT systems and their reliability so that the quality of the information on which the top management bases its decisions is ensured;
- the assessments to ensure that the administrative-accounting processes meet criteria of fairness and regular keeping of the accounts;
- the assessments on the effectiveness and efficiency of the controls carried out on outsourced activities;
- the assessment of the regularity and functionality of the reporting activities between corporate sectors;
- the Solvency II checks on the elements that make up the internal control system monitoring the correct and effective governance of the models adopted to calculate the solvency capital requirement;
- the support to all units in the preparation of new processes and activities, through specific control and regulatory tasks, so that the necessary levels of security and the points of verification are appropriately specified and constantly monitored;
- the reporting to the Board of Directors, the Director in charge of the internal control system, Senior Management, managers of the operating units, the Control and Risk Committee, the Board of Statutory Auditors and the Supervisory Board;
- the co-operation with the Control and Risk Committee, the independent audit company, the Board of Statutory Auditors and the Supervisory Board.

The Audit Function operates in compliance with the regulations, measures and resolutions of the supervisory authorities, the international standard issued by the Institute of Internal Auditors (IIA) and the best industry practice.

For each audit, detailed worksheets are prepared and archived electronically. The report signed by the Manager of the Function and the members of the team is stored in the original at the legal office of the Company whose process was audited.

The Audit Reports are prepared on the basis of a standard model consisting of:

- a front page reporting: recipients of the report and date; company of reference of the audit, title and protocol number of the Audit Report, evaluation of the risk of the process audited, evaluation of the corresponding control system, list of the companies to which the audited activity was outsourced;
- an Executive Summary reporting the objective of the audit, the summary of the significant findings made and the corrective initiatives of the management;
- a body of the report that includes, in addition to the objective of the audit already reported in the Executive Summary, an introduction (possibly), the indication of any limits of the audit, the description of the activity carried out, the findings and the areas for improvement identified, the corrective actions proposed (each accompanied by a summary evaluation of the urgency of the situation in graph form), the associated risks, the response of the management, the managers and the deadlines, the period during which the audit was carried out and the personnel involved.

Each audit that identifies findings or areas for improvement is object of follow-up activities to verify that the corrective actions proposed by the management were implemented and are effective.

For inspections on the sales networks, the settlement networks and internal fraud, specific reports are prepared with details of the results with regard to compliance of said units with external and internal regulations and any irregularity found.

The Function regularly reports to the Corporate Bodies on the audit activities carried out, their results and the proposals made. In particular, it reports:

- at the end of each audit, promptly, to the Senior Management and the managers of the functions audited, by sending the audit report described above, which, as already said, describes the issues or the improvement areas identified, the proposals made to address the issues and the comments of the management;
- every six months to the Board of Directors and the Board of Statutory Auditors of the Company subject to audit, with a report summarising the audits carried out in the reference period;
- on request, to the Board of Statutory Auditors, in the meetings of which the Audit Function takes part when invited.

B.6. Actuarial function

With reference to Solvency II Technical Provisions, in compliance with Art. 30-sexies of the CAP and in line with what was decided at the time of set-up of the Actuarial Function, the Function carries out the following tasks with reference to the Group:

- to coordinate the calculation of the Technical Provisions, as well as the evaluation and the validation of the data to be used in the procedure of evaluation of the adequacy of the provisions;
- to ensure the suitability of the methodologies and the models used, as well as of the assumptions on which the calculation of the Technical Provisions is based, also in terms of proportionality of the methodologies to the nature, magnitude and complexity of the risks underlying the commitments taken;
- to assess the adequacy and quality of the data used in the calculation of the Technical Provisions;
- to compare the best estimates with historical data;
- to inform the Board of Directors about the reliability and suitability of the Technical Provisions' calculation;
- to supervise the calculation of the Technical Provisions in the cases specified by legal and regulatory provisions;
- to express an opinion on the global risk underwriting policy;
- to express an opinion on the suitability of the re-insurance agreements;
- to contribute to apply the risk management system effectively, in particular with reference to the modelling of the risks underlying the calculation of capital requirements, and internal assessment of risk and solvency.

In addition, the contribution of the Actuarial Function may be required also in the definition of the strategic plan as well as for specific requirements of business.

Lastly, pursuant to art. 92, paragraph 1 of IVASS Regulation no. 38/2018, the Parent Company's Actuarial function formulates an opinion on the management of assets-liabilities and on the solvency of the Group, as well as an opinion on the company's recognition of a discretionary participation in profit, where appropriate in relation to the contractual forms offered.

B.7. Outsourcing

The guidelines on outsourcing are specified in the Group Outsourcing Policy, adopted by the Board of Directors of the Parent Company and regularly updated[12], which regulates the decision-making processes, responsibilities, tasks and controls required on the outsourcing of activities and corporate functions within the Unipol Group, as well as to third parties, in this way strengthening the control of the risks deriving from outsourcing.

The Policy in particular specifies:

- the criteria to identify the activities to be outsourced;
- the criteria to qualify activities as essential or important and the important operational functions;
- the restrictions on outsourcing;
- the criteria to select the service providers;
- the decision-making process for the outsourcing of corporate functions or activities;
- the minimum content of the outsourcing contracts and the criteria to define the service levels of the outsourced activities required;
- the internal reporting activities to provide the control bodies and entities and the Key Functions the full knowledge and governability of the risk factors related to the functions outsourced;
- the guidelines to be followed in case of inadequate execution of the outsourced functions by the service provider, including those related to emergency plans and exit strategies in the case of outsourcing of essential or important functions and activities;
- the reporting obligations towards the supervisory authorities.

In compliance with the relevant supervisory provisions in force from time to time, the Company deems essential or important those functions or activities that meet at least one of the following conditions:

- anomalous execution or failure to execute may seriously jeopardise:
  - the financial performance, the solidity/stability of the Company or the continuity and the quality of the services provided to customers; or,

[12] The latest update to the Outsourcing Policy was approved by the Board of Directors of Unipol on 14 March 2019, with a view to adjustment into line with the new relevant provisions set out in Regulation 38, as well as in Regulation no. 44 of 12 February 2019 relating to organisation, internal procedures and controls for the purposes of preventing the risk of money laundering and customer due diligence. This new version will be applied from 2019.

  - the ability of the Company to continue to meet the conditions for the authorisation to the exercise of the activities or the obligations specified by applicable supervisory regulations;
- concern operational processes of the Key Functions, or have a significant impact on risk management.

The classification of the functions or activities as essential or important may keep into account, as additional elements of the assessment, the economic relevance of the activity and its volumes, with respect to total volumes, as well as the degree of independence of the service provider in the execution of the activities specified by the outsourcing contract.

The Company may conclude outsourcing agreements, provided the nature and the quantity of the activities to be outsourced, as well as the outsourcing procedures, do not result in a transfer of the main activities of the Company. In particular, the Company cannot, by outsourcing:
- delegate its responsibilities, or the responsibilities of its Corporate Bodies. In line with this principle, the outsourcing of activities that are expressly included in the tasks of the latter is not allowed;
- jeopardise the quality of the internal controls and the system of governance of the Company;
- outsource the Key Functions outside the Unipol Group;
- change the relations and the obligations towards the customers;
- jeopardise its ability to meet the obligations specified by supervisory regulations or fail to maintain the reserves provided for by the law;
- hinder the supervision;
- outsource the assumption of risk.

The Company has identified among its personnel a contact person to control the outsourced activities and has formalised the relative tasks and responsibilities. In the case of outsourcing of Key Functions, these subjects must meet the adequate requirements of suitability for office, a requirement also set forth in the relevant company policies.
The outsourcing of essential and important functions or activities, identified according to the above criteria, is subject - as well as to the prior notification to the supervisory authorities, if required, - (i) to the approval procedure specified by the system of mandates and powers in force, if the service providers belong to the Unipol Group and (ii) to the approval of the Chief Executive Officer - Group CEO - General Manager, in line with the corresponding system of mandates and powers, if the service providers do not belong to the Unipol Group. In particular, the Key Functions, given the relevance taken within the more general Internal Control and Risk Management System, may be outsourced, if allowed by legal and regulatory provisions, and in any case in compliance with the restrictions set by competent Supervisory Authorities, only within the Unipol Group, after resolution of the Board.

The table below provides information on the essential or important functions and activities[13] outsourced and the jurisdiction in which the providers of these functions and activities are located.

Essential or important outsourced functions or activities	Provider	Provider's registered office
Operational services (Chief Academy Officer; Corporate affairs and Investments; Institutional response; DPO Support; General legal and regulatory compliance; Legal disputes - Corporate, contractual and real estate; Legal disputes - Insurance; Legal corporate; Control pursuant to Law No. 231; Trade Union Relations; Personnel Disputes; Employee Welfare; Security, Administration and Financial Statements services; Tax Service; Purchasing; General Services; IT Services; Investment Evaluation)	UnipolSai Assicurazioni S.p.A.	Via Stalingrado, 45 - Bologna
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Via Stalingrado, 45 - Bologna

The table below provides information on the relevant intra-group outsourcing agreements.

[13] The classification as essential or important in this table is originated, for some contracts, by the analysis carried out at the time of the reporting required by the coming into force of the relevant Insurance Regulation or by later activations, in any case before the issue of the Group Outsourcing Policy, and may therefore sometimes depart from the criteria set by this.

Essential or important outsourced functions or activities	Provider	Provider's registered office
Operational Services (Chief Academy Officer; Corporate affairs and Investments; Institutional response; DPO Support; General legal and regulatory compliance; Legal disputes - corporate, contractual and real estate; Legal disputes - Insurance; Legal corporate; Control pursuant to Law No. 231; Trade Union Relations; Personnel Disputes; Employee Welfare; Security, Administration and Financial Statements services; Tax Service; Purchasing; General Services; IT Services; Investment Evaluation)	UnipolSai Assicurazioni S.p.A.	Unipol Gruppo S.p.A.
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Unipol Gruppo S.p.A.
Call centre in support of intermediaries and policyholders	Arca Inlinea S.c.ar.l.	Arca Assicurazioni S.p.A.
Design, implementation and management of computer applications	Arca Sistemi S.c.ar.l.	Arca Assicurazioni S.p.A.
Archiving of legally admissible optical documents	Arca Sistemi S.c.ar.l.	Arca Assicurazioni S.p.A.
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Arca Assicurazioni S.p.A.
Personnel administration services	UnipolSai Assicurazioni S.p.A.	Arca Assicurazioni S.p.A.
Anti-terrorism	UnipolSai Assicurazioni S.p.A.	Arca Assicurazioni S.p.A.
Key functions (Audit, Risk Management, Compliance and Actuarial functions)	UnipolSai Assicurazioni S.p.A.	Arca Assicurazioni S.p.A.
Management of claims relating to reinsurance health policies	Unisalute S.p.A.	Arca Assicurazioni S.p.A.
Call centre in support of intermediaries and policyholders	Arca Inlinea S.c.ar.l.	Arca Vita S.p.A.
Design, implementation and management of computer applications	Arca Sistemi S.c.ar.l.	Arca Vita S.p.A.
Archiving of legally admissible optical documents	Arca Sistemi S.c.ar.l.	Arca Vita S.p.A.
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Arca Vita S.p.A.
Personnel administration services	UnipolSai Assicurazioni S.p.A.	Arca Vita S.p.A.
Anti-money Laundering and Anti-terrorism	UnipolSai Assicurazioni S.p.A.	Arca Vita S.p.A.
Key functions (Audit, Risk Management, Compliance and Actuarial functions)	UnipolSai Assicurazioni S.p.A.	Arca Vita S.p.A.
Certain Risk Management Activities	Group Risk Management	Arca Vita International DAC
Internal Audit	Group Internal Audit	Arca Vita International DAC
Management of financial resources	UnipolSai Assicurazioni S.p.A.	BIM Vita S.p.A
Personnel administration	UnipolSai Assicurazioni S.p.A.	BIM Vita S.p.A

Essential or important outsourced functions or activities	Provider	Provider's registered office
Operational Services (Chief Academy Officer; Governance Human Resources and Legal: Corporate affairs and Investments, Institutional response, Legal insurance consulting, DPO Support, General legal and regulatory compliance, Legal disputes - insurance, Corporate legal, Complaints and Customer service, Anti-money laundering and Anti-terrorism Control, Control pursuant to Law No. 231, External selection, Personnel development, HR Remuneration systems, Personnel Management, Trade Union Relations, Disputes; Welfare; Administration, Management Control and Operations: Administration and Financial Statements, Fiscal, Corporate Life Management Control, Purchasing and General services; IT services: Planning and management of IT projects, Maintenance and Development of application software, Mainframe Platform, Midrange Platform, Connectivity (Data networks), Management of Workstations; Insurance Area: Regulatory management of distribution networks; Organisation; Bancassurance Life business unit)	UnipolSai Assicurazioni S.p.A.	BIM Vita S.p.A
Key functions (Audit, Risk Management, Compliance and Actuarial functions)	UnipolSai Assicurazioni S.p.A.	BIM Vita S.p.A
Personnel administration	UnipolSai Assicurazioni S.p.A.	Incontra Assicurazioni S.p.A.
Services for collection of claims reported, management and claim settlement	UnipolSai Assicurazioni S.p.A.	Incontra Assicurazioni S.p.A.
Operational Services (Chief Academy Officer; Corporate Communication and Media Relations: Internal Communication and Welfare Initiatives, Media Relations; Governance, Human Resources and Legal; Corporate affairs and Investments, Group Legal, Anti-fraud, Institutional response, Legal insurance consulting, DPO Support, General legal and regulatory compliance, Legal disputes - insurance, Corporate legal, Complaints and Customer service, Anti-money laundering and Anti-terrorism Control, Control pursuant to Law No. 231, External selection, Personnel development, HR Remuneration systems, Personnel Management, Trade Union Relations, Disputes; Welfare; Security; Administration, Management Control and Operations: Actuarial Function Calculation, Administration and Financial Statements, Fiscal, Corporate Non-Life Management Control, Purchasing and General services; IT services: Planning and management of IT projects, Maintenance and Development of application software, development and maintenance of the software of sites and portals, Mainframe Platform, Midrange Platform, Connectivity (Data networks), Telephony and Video-conferences, Workstation Management Services; Insurance Area: Regulatory management of distribution network, MV Portfolio Management, Reinsurance; Chief Economist & Innovation Officer; Organisation)	UnipolSai Assicurazioni S.p.A.	Incontra Assicurazioni S.p.A.
Asset Management	Unipolsai Assicurazioni S.p.A.	Incontra Assicurazione S.p.A.
Key functions (Audit, Risk Management, Compliance and Actuarial functions)	UnipolSai Assicurazioni S.p.A.	Incontra Assicurazioni S.p.A.

Essential or important outsourced functions or activities	Provider	Provider's registered office
Car repair	Auto Presto & Bene S.p.A.	Compagnia Assicuratrice Linear S.p.A
Operational Services (Chief Academy Officer; Internal Communication and Welfare Initiatives; Media Relations; Corporate affairs and Investments, Group Legal, Anti-fraud, Legal insurance consulting, DPO Support, General legal and regulatory compliance, Legal disputes - insurance, Corporate legal; Institutional Relations; Anti-money laundering and Anti-terrorism Control, Control pursuant to Law No. 231, External selection, Personnel development, HR Remuneration systems, Personnel Management, Trade Union Relations; Personnel Disputes; Employee Welfare; Security; Administration and Financial Statements; Tax Service; Purchasing; General Services; IT Services; Legislation and Distribution Networks; Reinsurance; Chief Innovation Officer; Organisation)	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Claims settlement	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Finance	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Personnel administration	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Key functions (Audit, Risk Management, Compliance and Actuarial functions)	UnipolSai Assicurazioni S.p.A.	Compagnia Assicuratrice Linear S.p.A
Provision of Contact Centre Services	Pronto Assistance Servizi Scrl	Compagnia Assicuratrice Linear S.p.A
Management of financial resources	UnipolSai Assicurazioni S.p.A.	Pronto Assistance S.p.A.
Personnel administration	UnipolSai Assicurazioni S.p.A.	Pronto Assistance S.p.A.
Operational Services (Chief Academy Officer; Corporate Communication and Media Relations: Internal Communication and Welfare Initiatives, Media Relations; Governance, Human Resources and Legal; Corporate affairs and Investments, Group Legal, Anti-fraud, Institutional response, Legal insurance consulting, DPO Support, General legal and regulatory compliance, Legal disputes - insurance, Corporate legal, Complaints and Customer service, Anti-money laundering and Anti-terrorism Control, Control pursuant to Law No. 231, External selection, Personnel development, HR Remuneration systems, Personnel Management, Trade Union Relations, Disputes; Welfare; Security; Administration, Management Control and Operations: Actuarial Function Calculation, Administration and Financial Statements, Fiscal, Corporate Non-Life Management Control, Purchasing and General services; IT services: Planning and management of IT projects, Maintenance and Development of application software, development and maintenance of the software of sites and portals, Mainframe Platform, Midrange Platform, Connectivity (Data networks), Workstation Management Services; Insurance Area: Regulatory management of distribution network, Tariffs and MV Portfolio Management; Chief Economist & Innovation Officer; Organisation)	UnipolSai Assicurazioni S.p.A.	Pronto Assistance S.p.A.
Key functions (Audit, Risk Management, Compliance and Actuarial functions)	UnipolSai Assicurazioni S.p.A.	Pronto Assistance S.p.A.

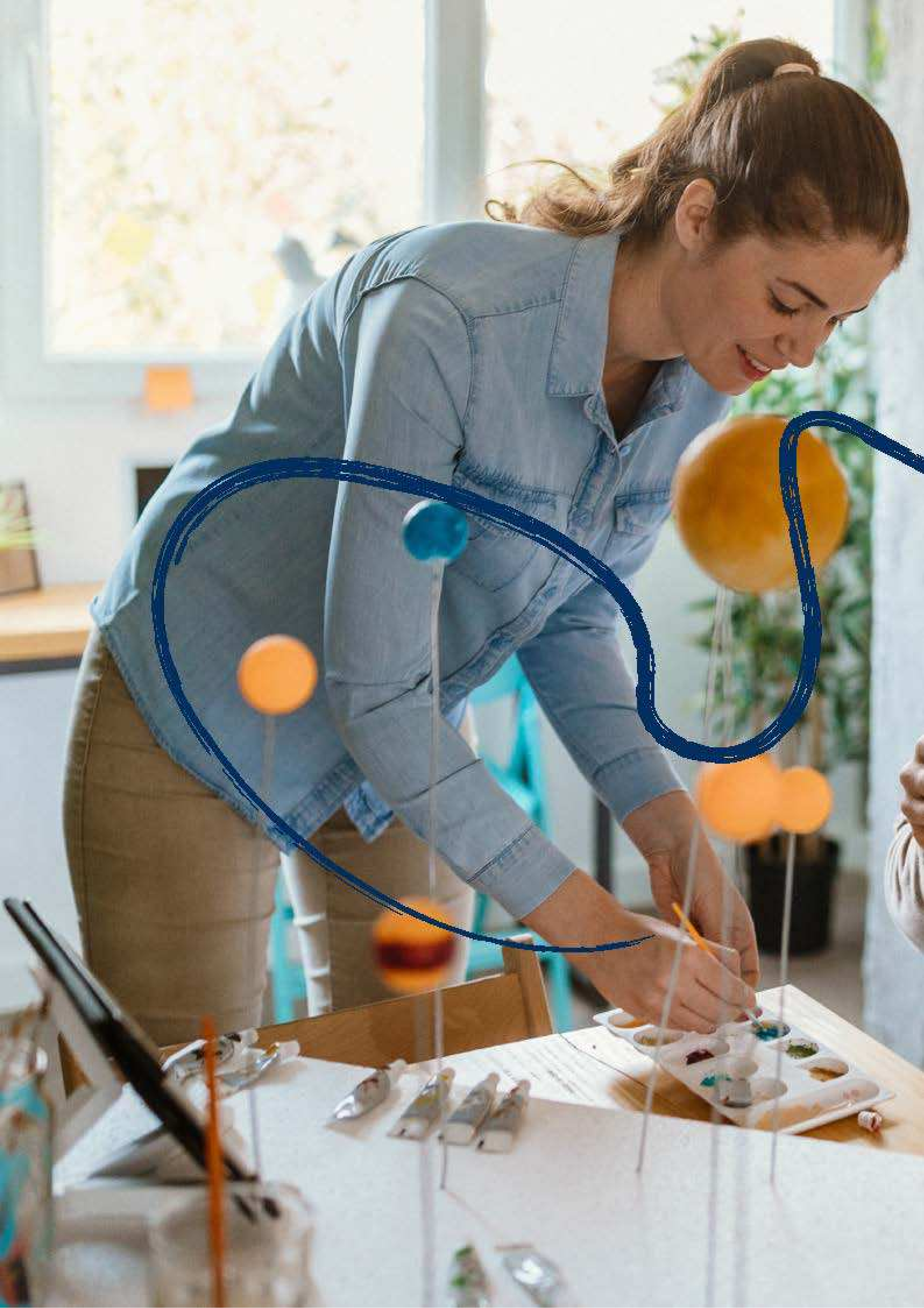
Essential or important outsourced functions or activities	Provider	Provider's registered office
Claims settlement of Assistance	Pronto Assistance Servizi Scarl	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Personnel administration	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Real estate management	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Management of financial resources	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Services for collection of claims reported, management and claim settlement	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Operational Services (Chief Academy Officer; Corporate Communication and Media Relations: Internal Communication and Welfare Initiatives, Media Relations; Governance, Human Resources and Legal; Corporate affairs and Investments, Group Legal, Anti-fraud, Institutional response, Legal insurance consulting, DPO Support, General legal and regulatory compliance, Legal disputes - insurance, Corporate legal, Complaints and Customer service, Anti-money laundering and Anti-terrorism Control, Control pursuant to Law No. 231, External selection, Personnel development, HR Remuneration systems, Personnel Management, Trade Union Relations, Disputes; Welfare; Security; Administration, Management Control and Operations: Actuarial Function Calculation, Administration and Financial Statements, Fiscal, Purchasing and General services; IT services: Planning and management of IT projects, Maintenance and Development of application software, development and maintenance of the software of sites and portals, Mainframe Platform, Midrange Platform, Connectivity (Data networks), Telephony and Video-conferences; Insurance Area: Regulatory management of distribution network, Tariffs and MV Portfolio Management; Chief Economist & Innovation Officer)	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Key functions (Audit, Risk Management, Compliance and Actuarial functions)	UnipolSai Assicurazioni S.p.A.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.
Investment Management	UnipolSai Assicurazioni S.p.A.	UnipolRe dac.
Car repair	Auto Presto & Bene S.p.A.	Unipolsai Assicurazioni S.p.A.
Technical assistance in negotiating and signing contracts - management of Portfolio - Goods in Transit administr.	SIAT Società Italiana di Assicurazioni e Riassicurazioni p.A.	Unipolsai Assicurazioni S.p.A.
Reinsurance Risk carrier and service provider	UnipolRe dac.	Unipolsai Assicurazioni S.p.A.
Call centre for medical assistance, addressing, reservations, claims management and settlement	UniSalute S.p.A.	Unipolsai Assicurazioni S.p.A.
Finance	UnipolSai Assicurazioni S.p.A.	UniSalute S.p.A.
Personnel administration	UnipolSai Assicurazioni S.p.A.	UniSalute S.p.A.

Essential or important outsourced functions or activities	Provider	Provider's registered office
Operational Services (Chief Academy Officer; Corporate Communication and Media Relations; Corporate affairs and Investments, Group Legal, Anti-fraud, Legal insurance consulting, DPO Support, General legal and regulatory compliance, Legal disputes - insurance, Corporate legal; Institutional Relations; Anti-money laundering and Anti-terrorism Control, Control pursuant to Law No. 231, External selection, Personnel development, HR Remuneration systems, Personnel Management, Trade Union Relations; Personnel Disputes; Employee Welfare; Security; Administration and Financial Statements; Fiscal; Purchasing; General Services; IT Services; Regulatory management of Distribution Networks; Reinsurance; Chief Innovation Officer; Organisation)	UnipolSai Assicurazioni S.p.A.	UniSalute S.p.A.
Key functions (Audit, Risk Management, Compliance and Actuarial functions)	UnipolSai Assicurazioni S.p.A.	UniSalute S.p.A.

B.8. Any other information

The Board has reviewed the suitability of the organisation, administrative and accounting structure and, in particular, of the Internal Control and Risk Management system of the Company and its main Subsidiaries, on the basis of regular reports of the Chief Executive Officer and Group CEO, as well as the Director in charge of the internal control system, the Control and Risk Committee and the Key Functions.
At the meeting on 14 March 2019, Unipol's Board of Directors resolved proposed amendments to the by-laws which were approved by the extraordinary shareholders' meeting on 18 April 2019. These amendments are targeted (i), as a matter of priority, at acknowledging the provisions of IVASS Regulation no. 38/2018, containing provisions regarding corporate governance, as set out in the Letter to the market issued by the aforementioned Supervisory Authority on 5 July 2018, containing the "IVASS guidelines on the application of the principle of proportionality in the corporate governance system of insurance and reinsurance companies and groups", and (ii) at the same time, aligning the statutory provisions with the national and international best practices.

There is no other significant information on the company's system of governance.



C

RISK PROFILE

C.1. Underwriting risk

Non-Life and Health Technical Insurance Risk

Non-Life and Health Underwriting Risk is represented, within the PIM, through the following risk sub-modules:

- Premium Risk: risk deriving from fluctuations concerning the timing, frequency and seriousness of insured events related to contracts in force at the date of evaluation or that will be underwritten in the year after the date of evaluation t ("next year"). It is assessed using the Standard Formula, based on the use of volatility parameters defined by the Regulator or specific to the Undertaking and expressed as a percentage of a volume measure. The measure of volume for Premium Risk is represented by an estimate of the premiums that will accrue the year after the valuation date;
- Reserve Risk: risk deriving from fluctuations concerning the timing and amount of future payments for claims already made at the date of evaluation. It is assessed using the Standard Formula, based on the use of volatility parameters defined by the Regulator or specific to the Undertaking and expressed as a percentage of a volume measure. The measure of volume for Reserve Risk is represented by the best estimate of claim provisions;
- Catastrophe Risk: risk of losses or unfavourable changes in the value of the insurance liabilities due to extreme or exceptional events. It is valued with the Standard Formula.
- Lapse Risk: risk of early extinction – on the initiative of the policyholder – of multi-year contracts. It is valued with the Standard Formula.

For the calculation of the capital requirement for the Premium and Reserve sub-modules using the Standard Formula, the specific parameters of the Group (Group Specific Parameters, or GSP) were used for the segments object of specific authorisation by the supervisory authorities; the Market Wide parameters were used in all other cases. The authorisation concerns the following segments of the insurance and re-insurance obligations as specified in Annex II of the Delegated Regulation EU 2015/35, 10 October 2014:

- **Segment 1:** Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles (Motor Vehicle Liability Insurance - MVL);
- **Segment 4:** Proportional insurance and reinsurance against fire and other damage to property (Fire and other damage to property insurance - FDP);
- **Segment 5:** Proportional insurance and reinsurance on general TPL (General Liability Insurance - GLI).

With the exception of Earthquake Risk, Catastrophe Risks are assessed with the Scenario Based method of the Standard Formula, as specified by the Delegated Regulation of the Solvency II regulations. The Partial Internal Model for the evaluation of Earthquake Risk consists of three different calculation modules:

- "Hazard": assesses the uncertainty associated with the possibility of an earthquake occurring in a given area (frequency) and the uncertainty relating to its magnitude (intensity).
- "Vulnerability": assesses the seismic vulnerability of different types of insurable assets to a seismic event of a given intensity.
- "Financial": identifies the economic loss to the insurance company (in terms of deductibles, the sum insured, reinsurance cover, etc.).

Surrender risk is assessed using the method specified by the current legal and regulatory provisions, based on a scenario of loss of a part of the multi-year policy portfolio with positive expected profit.

The Partial Internal Model configuration for the Non-Life and Health risk modules of the Unipol Group envisages the production of the probability distribution function (PDF) of the aggregated loss of the two modules based on the results produced by the Standard Formula (GSP if applicable) for the Premium and Reserve, Lapse and Catastrophe sub-modules – all perils with the exception of Earthquake – and by the Internal Model for the Earthquake Catastrophe risk.

The following table provides volume measures for Non-Life and Health Premium and Reserve Risk. The data are reported for each LoB in which the Group operates.

Volume measure for Non-Life and Health premium and reserve risk

Amounts in €k	Volume measure and premium risk	% on total	Volume measure and reserving risk	% on total
Motor vehicle liability insurance	3,467,060	40.4%	5,270,584	53.9%
Fire and other damage to property insurance	1,419,280	16.5%	729,237	7.5%
General Liability Insurance	803,191	9.4%	2,643,968	27.0%
Total LOB GSP	**5,689,531**	**66.3%**	**8,643,789**	**88.4%**
Other motor insurance	724,935	8.4%	120,306	1.2%
Marine, aviation and transport insurance	54,309	0.6%	113,567	1.2%
Credit and suretyship insurance	46,222	0.5%	166,147	1.7%
Legal expenses insurance	26,788	0.3%	39,153	0.4%
Assistance	185,452	2.2%	26,880	0.3%
Miscellaneous financial loss	91,874	1.1%	24,469	0.3%
Non-proportional property reinsurance accepted	263	0.0%	5,487	0.1%
Non-proportional casualty reinsurance accepted	239	0.0%	8,352	0.1%
Non-proportional marine, aviation and transport reinsurance		0.0%	465	0.0%
Income protection insurance	848,416	9.9%	321,838	3.3%
Medical expense insurance	919,294	10.7%	310,198	3.2%
Non-proportional health reinsurance accepted	9	0.0%	56	0.0%
Total	**8,587,331**	**100.0%**	**9,780,706**	**100.0%**

The SCR of the Non-Life and Health Underwriting risk module for the Group calculated with the Partial Internal Model, using GSP parameters at 31 December 2018, was equal to €1,980,508k. With respect to the solvency requirement at 31 December 2017, there was a change of -€125,115k. This change was generated:

- by the increase in the risk mitigation effect measured on the CAT sub-module;
- by the reduction in volumes between FY2017 and FY2018 and the update in GSP parameters.

Non-Life and Health SCR with GSP use

Amounts in €k

Risk sub-module	2018	2017	Change on 2017
Non-Life	**1,947,370**	**2,075,515**	**(128,145)**
Non-Life premium and reserve	*1,718,966*	*1,862,396*	*(143,430)*
Non-Life surrender	*23,447*	*1,852*	*21,595*
Non-Life CAT	*350,420*	*493,590*	*(143,170)*
Health	**419,564**	**403,070**	**16,494**
Total Non-Life and Health SCR	**1,980,508**	**2,105,623**	**(125,115)**

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30 of 26 October 2016, risk concentrations are assessed at the Group level and measured in line with what is set forth within the specific policy approved by the Board of Directors of the Parent Company Unipol Gruppo S.p.A.. This policy envisages that the concentration of Non-Life and Health technical risks is measured with respect to:

- insurance liabilities in financial statements:
  - values of provision for individual claim;
- potential liabilities outside the financial statements:
  - natural catastrophe exposures[14] grouped by risk factor and appropriate territorial clusters;
  - exposures by risk or policy on individual insured party or group of related parties;
  - exposures for the Bond class grouped by sector.

With reference to 31 December 2018, the Group's risk portfolio has significant risk concentrations in relation to the natural disasters of earthquakes, floods and hail, several Bond class sectors and certain exposures for individual insured counterparties. Re-insurance and other risk transfer techniques are the main tools used by the Group to mitigate the exposures or the concentration of exposures that could lead to a divergence of the current risk profile from the one desired.

Risk mitigation techniques

The Group uses outwards reinsurance as a risk mitigation technique.

With regard to the Premium and Reserve risks, the calculation of the capital requirement at 31 December 2018 was carried out by taking into account the outwards reinsurance agreements, both for their effect on the measures of volume and, if appropriate, for their impact on the GSP estimates, as specified by legal and regulatory provisions.

For the calculation of the capital requirement at 31 December 2018 for the Catastrophe Risk sub-module using the Standard Formula, the outwards reinsurance agreements were applied in line with the provisions of IVASS Regulation No. 31, 9 November 2016. For the calculation of the capital requirement for Earthquake Risk using the Internal Model, the outwards reinsurance agreements were applied in line with legal and regulatory provisions and integrated with the other secondary risk sub-modules.

Pursuant to Art. 9 of IVASS Regulation No. 33 of 6 December 2016, the Group has transferred, through a reinsurance agreement of the subsidiary UnipolSai Assicurazioni S.p.A., a portion of its Earthquake Risk to the Special Purpose Vehicle Atmos Re I Dac, with legal office in Dublin, which was authorised to exercise re-insurance activities by the Central Bank of Ireland on 5 February 2019 (authorisation number C185834). Atmos Re I Dac ensures the full and constant funding of the commitments deriving from the reinsurance agreement concluded with UnipolSai and meets the requirements set by Delegated Regulation (EU) 2015/35, so that the risk mitigation technique may be taken into account in calculating the Solvency Capital Requirement.

Life Technical Insurance Risk

The underwriting risk for Life insurance represents the risk deriving from Life insurance commitments, keeping into account the perils covered and the procedures used in the exercise of the activity.

The Life portfolio of the Unipol Group consists mostly of revaluable products, related to the financial returns of the Segregated Accounts (LoB1).

The table below shows the details of the composition of the portfolio in terms of Best Estimate of Life liabilities.

[14] Considered significant on the basis of the analysis of the portfolio risks of the Group.

Life portfolio at 31 December 2018

Amounts in €k

Best Estimate of Liabilities (BEL)	Amount at 31/12/2018
Insurance with profit participation	34,534,313
Index-linked and unit-linked insurance	6,138,168
Other life insurance	(88,725)
Indirect business	7,846
Total	**40,591,602**

The table above also includes the Best Estimate Liabilities relating to the foreign subsidiaries for an amount of €506,816k, and the Best Estimate relating to RFFs for €862,046k.

The portfolio of the Group is exposed to the following risk factors:

- 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.

With reference to the years ended 31 December 2018 and 31 December 2017, we provide a breakdown for the individual SCR sub-modules of the Underwriting risk.

Life SCR partial internal model

Amounts in €k

Risk sub-module	2018	2017	Change on 2017
Mortality/Longevity	*54,868*	*53,533*	*1,335*
Disability			
Surrender	*180,380*	*112,151*	*68,229*
Life expenses	*94,317*	*102,726*	*(8,409)*
Revision			
Life catastrophe	*35,744*	*37,364*	*(1,620)*
Life SCR Remaining part	**255,446**	**206,198**	**49,248**
SCR Ring Fenced Fund	**21,356**	**22,579**	**(1,223)**
Life SCR	**276,802**	**228,777**	**48,025**

Please note that the Life Underwriting risk SCR is represented, in line with the attached QRT S.25.02.22, net of the Conservative Margin defined by the Supervisory Authority on the surrender risk sub-module.

The data show that the main sources of risk are represented by surrender and expenses: the SCRs relating to surrender risk and expense risk indeed represent 49% and 26% respectively of the non-diversified Life Underwriting risk.
With respect to the solvency requirement at 31 December 2017, there was a €48,025k increase in the Life SCR, primarily due to the increase in surrender risk. The change in surrender risk is partly due to the change in the model relating to the assumptions on the expiry of the whole life policies introduced by the company Arca Vita and approved by the Supervisory Authorities by means of measure no. 0100506/19 of 9 April 2019.

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level.

With reference to risk concentrations, special attention is paid to surrender and mortality risks.

The Group aims at mitigating the concentration of surrender risk exposure by limiting the assumption of large contracts, in particular in the corporate segment.

With regard to mortality risk, re-insurance and other risk transfer techniques are the main tools used by the Group to mitigate the exposures or the concentration of exposures that could lead to a divergence of the current risk profile from the one desired.

We note that within the setting of Risk Appetite levels, Life Underwriting Risks are measured in terms of capital at risk. Notably, the capital at Life Underwriting Risk takes into account all risks and all exposures related to the Life portfolio, including those exposures classified as being at risk of concentration.

Risk mitigation techniques

With regard to Life Underwriting Risk, mitigation is carried out through “Management Actions”, that is, corrective measures applied to the ordinary financial portfolio management strategy used by the Group.

The mitigation action is quantified in the “Adjustment for Loss Absorbing Capacity of Technical Provisions” (ALAC TP), calculated in compliance with the Delegated Regulation (EU) 2015/35.

Additional mitigation actions may be taken through re-insurance, with the transfer of a portion of mortality risk.

C.2. Market risk

Market risk includes all those risks that result in the deterioration of financial or real estate investments because of the adverse evolution of important market variables.

With the Internal Model it is possible to calculate the value of the capital needed to absorb the maximum potential loss while maintaining the solvency of the Group. Pursuant to Solvency II guidelines, the amount of the potential loss is measured in terms of Value at Risk (VaR), understood as the maximum potential loss that the company may incur over a given time horizon, with a given confidence interval. The internal model takes as time horizon a period equal to one year and a confidence interval equal to 99.5%.

The Market Risk classes identified are the following:

- Interest rate risk: the risk of a potential adverse change in the net asset value due to a change in the term structure of interest rates;
- Interest rates volatility risk: the risk of a potential adverse change in the net asset value due to a change in the volatility of interest rates;
- Equity risk: the risk of a potential adverse change in the net asset value due to changes in stock market prices;
- Equity volatility risk: the risk of a potential adverse change in the net asset value due to changes in the volatility of equities;
- Exchange rate risk: the risk of a potential adverse change in the net asset value due to changes in the value or the volatility of exchange rates;
- Spread risk: the risk of a potential adverse change in the net asset value due to changes in the value of the credit spread with respect to the risk-free curve;
- Yield risk: the risk of a potential adverse change in the net asset value due to joint changes in the value of the credit spread and the risk-free rates;
- Property Risk: the risk of a potential adverse change in the net asset value due to changes in the value of the land, buildings and corresponding rights, direct and indirect participations in real estate companies, as well as instrumental property used for insurance activities and investment funds the components of which may be considered equivalent to the categories previously described;
- Concentration risk: the additional risk deriving from a limited diversification of the financial asset portfolio, or a high exposure to the default of a single issuer.

The Unipol Group was authorised, from the year ended 31 December 2017, to use the Internal Model to calculate the capital requirement for the following risk factors:

- Interest rate risk;
- Interest rates volatility risk;
- Equity risk;
- Equity volatility risk;
- Exchange rate risk;
- Spread risk;
- Yield risk[15];
- Property Risk.

Concentration Risk and Market Risk for index linked and unit linked policy portfolios and pension funds are instead assessed with the Standard Formula.

These risk classes make possible an appropriate representation of the measurement of the maximum loss and the trend of the profits and losses on the investment portfolio according to the investment classes specified by the Group Investment Policy. The Group Investment Policy defines the investment activity on all the assets of the company included in the perimeter, according to the nature, magnitude and complexity of the risks characterising the corporate activities, in line with the principles of prudent management. It takes into account, on one hand, the risk appetite and the possibility to identify, measure, monitor and manage the risks related to each asset type without relying only on the fact that the risks are correctly considered in the capital requirements and, on the other, the characteristics and the nature of the liabilities, the cash flows matching requirements and the control of the investment margins.
The table below shows the breakdown of the Group's financial portfolio as at 31 December 2018; this representation is consistent with that of the QRT S.02.01.02 attached to this report and shows the relevant exposures for the purposes of calculating the Market Risk.
The financial portfolio at 31 December 2018 consisted for 83.2% of bonds and, in particular, 59.9% of financial assets consisted of government bonds.

Composition of the financial portfolio

Amounts in €k	Solvency II value 2018	Exposure % on total PTF
Property, plant & equipement held for own use	1,831,874	3.4%
Investments (other than assets held for index-linked and unit-linked contracts)	2,191,074	4.1%
Holdings in related undertakings, including participations	1,294,116	2.4%
Equities	846,198	1.6%
Equities - listed	*672,671*	*1.3%*
Equities - unlisted	*173,527*	*0.3%*
Bonds	44,613,907	83.2%
Government Bonds	*32,144,467*	*59.9%*
Corporate Bonds	*11,690,786*	*21.8%*
Structured notes	*775,259*	*1.4%*
Collateralised securities	*3,394*	*0.0%*
Collective Investments Undertakings	2,597,178	4.8%
Derivatives	136,420	0.3%
Deposits other than cash and cash equivalents	137,289	0.3%
Total portfolio	**53,648,056**	**100.0%**

The table above also includes the assets relating to the foreign subsidiaries for an amount of €704,622k.

[15] The Market internal model generates joint distributions for the returns on financial and industrial securities, the returns on government bonds and the risk free curve. The spread risk is obtained on the basis of a marginal distribution of the spread of financial and corporate securities not significant for the purposes of the calculation of the Market VaR.

The value of the Class D portfolio, consisting of assets relating to Unit-linked and Index-linked policies, came to €5,326,238k at 31 December 2018.

All assets, in particular those set against the minimum capital requirement and the Solvency Capital Requirement, are invested in a way to ensure the safety, quality, liquidity and profitability of the portfolio as a whole.
The strategic investment policy, defined in the Group Investment Policy, identifies the investment activity on all the assets of the company included in the perimeter, according to the nature, magnitude and complexity of the risks characterising the corporate activities, in line with the principles of prudent management. It takes into account, on one hand, the risk appetite and the possibility to identify, measure, monitor and manage the risks related to each asset type without relying only on the fact that the risks are correctly considered in the capital requirements and, on the other, the characteristics and the nature of the liabilities, the cash flows matching requirements and the control of the investment margins. In light of what is laid out above, the strategic investment policy establishes, for each company and as a result for the Group as a whole, the strategic medium/long-term composition of the investment portfolios, defining limits on investments by individual company and specific limits at consolidated level for each source of significant risk for the Group, providing for an adequate diversification and spreading of assets so as to guarantee the continuous availability of sufficient assets to cover liabilities, as well as the security, quality, liquidity and profitability of the portfolio as a whole, taking into account, for investments concerning the Life business, the reasonable expected returns of policyholders, compatible with the types of policies taken out, with the minimum level of return and with the minimum level of security that the Companies intend to guarantee, as well as what is laid out in contractual regulations.
The strategic investment policy is also adopted taking into account the fact that the assets covering the technical provisions must be adequate in relation to the nature of the risks and obligations assumed and the duration of the liabilities, in the best interest of all policyholders, the insured, the beneficiaries and those entitled to insurance benefits, while observing the supervisory provisions on the coverage of technical provisions. The underlying principles of the strategic investment policy are:

- general principles of security, quality, liquidity, profitability and availability of the entire asset portfolio, taking into account the liabilities held;
- evaluation of risk appetite, risk tolerance levels and the possibility to identify, measure, monitor and manage risks connected to each asset type;
- Strategic Asset Allocation which ensures the achievement of the targets pursued by the integrated asset and liability management and the liquidity and concentration risk management policies as well as return objectives;
- definition of investment selection and management criteria in the best interest of the policyholders and beneficiaries, and those entitled to insurance benefits, including if there is a conflict of interests, taking into account the financial market environment.

Given the composition of the financial portfolio, we provide below the SCR figures calculated with the Internal Model for the year ended 31 December 2018 and a comparison with the capital requirement relating to 31 December 2017.

Market SCR partial internal model

Amounts in €k

Risk sub-module	Market SCR 2018	Market SCR 2017	Change on 2017
Interest Rate	684,001	895,558	(211,557)
Equity	1,035,025	878,461	156,564
Property	628,963	659,637	(30,674)
Spread	1,576,081	1,499,486	76,596
Exchange	30,971	65,912	(34,941)
Concentration			
SCR Market Remaining part	2,086,305	2,011,551	74,754
SCR Ring Fenced Fund	22,164	24,898	(2,734)
Market SCR	2,108,469	2,036,449	72,020

With respect to the solvency requirement at 31 December 2017, there was an increase in the Market SCR Remaining part of €+74,754k, primarily due to the rise in the equity module and spread, partly mitigated by the reduction in the interest rate risk.
The increase in equity risk is determined i) by the rise in exposures in alternative investments, mitigated by the reduction in volumes of listed equities, and ii) by lower effectiveness of the derivative hedging attributable to the decrease in the equity indexes. The increase in spread risk is mainly due to higher portfolio risk.
Lastly, the reduction in the interest rate is determined i) by a better profile in an asset-liability framework, and ii) by the variation in the contribution to the risk of Future Discretionary Benefits, which are less risky in a portfolio with lower capital gains.

Market Risk mainly depends on Spread Risk and Equity Risk, which are the sub-modules with the greater incidence on total Market Risk. The spread risk is obtained on the basis of a marginal distribution of the spreads of financial and corporate securities. This distribution is not significant for the purposes of the calculation of the Market VaR given that the Market Internal Model generates joint distributions of risk-free rates and spreads as regards financial and corporate securities.

Concentration of risks
According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level.
The risk concentration policy of the Group specifies a "Limit of concentration on investments and loans", which includes, as well as loans and credits, also any exposure in equity or debt securities. The concentrations are recognised mainly at the level of counterparty or group of related counterparties, sector, geographic area and currency.

Risk mitigation techniques
To mitigate Market Risk, the Group has set up a series of controls to ensure that the risk mitigation techniques maintain their effectiveness. Specifically, monthly tests are carried out to assess the effectiveness of the derivative hedges taken out by the Company. In order to mitigate current or future risk not in line with the risk objectives specified, financial transactions to mitigate the risks may be carried out. These mitigation transactions are carried out on the derivative markets The objectives of the use of derivatives are:
- to reduce the risk of the investment;
- to achieve an effective portfolio management by improving the level of quality, safety, liquidity or profitability of the portfolio without significant reduction for any of these characteristics.

These transactions do not have speculative purposes; short selling is not allowed.
Moreover, the Investment Policy specifies Market Risk limits and Sensitivity limits.
With regard to Market Risk limits, a warning threshold is specified for the Companies, keeping into account the resolutions taken by the respective Administrative Bodies on Risk Appetite and in particular the economic capital component allocated by the Parent Company and by the individual companies to Market Risk.
This warning threshold is set at 95% of the Risk Appetite specified for Market Risk using the Standard Formula methodology.

With regard to Sensitivity limits, the following limits related to the sensitivity of the financial asset portfolios for different risk factors are specified:

a) for widening of the credit spreads of +100 bps;
b) for change in equity prices of -45%.

C.3. Credit risk

Credit risk (Counterparty Default Risk) identifies the risk that a borrower or an enforced guarantor may fail to meet, fully or in part, his monetary obligations towards the Group. Credit risk reflects, therefore, the likely loss generated by an unexpected default of the counterparties and the debtors of the insurance and re-insurance companies in the next 12 months.

From the year ended 31 December 2017, the Group has been authorised to use the Internal Model for the evaluation of the Credit risk: the methodology adopted to assess the risk of default is CreditRisk+. The model produces a closed analytical formula, which describes the entire loss distribution. This allows to identify the VaR measure at a confidence level and time horizon consistent with the calibration standards agreed for the Internal Model.

The types of exposures relevant to the quantification of Counterparty Default Risk with the internal model are the following:

- Exposures to Banks: this category includes short-term liquidity deposits and the exposures against OTC derivative hedges;
- Exposures to Re-insurers: this category includes receivables resulting from current account balances and the potential receivables represented by the provisions due by the Re-insurers (net of the deposits received);
- Exposures to Insurance Companies: this category includes receivables from insurance companies for co-insurance relations and other receivables from insurance companies;
- Exposures to Intermediaries: this category includes receivables from agencies and brokers and mainly consist of the decadi (payment of premiums collected) to be transferred to the company;
- Exposures to Policyholders: this category includes receivables for premiums not yet collected against contracts underwritten for settlement of premiums to be settled and for late premiums, as well as disputed receivables;
- Exposures to other counterparties duly identified, or exposures for which there is sufficient information to estimate the risk.

The following types of exposure are instead assessed using the Standard Formula:

- Loans: this category includes loans to employees, agencies and loans on Life policies;
- Deductibles: this category includes amounts to be recovered and deductibles from policyholders;
- Other Receivables: this category includes all receivables not already included in the previous categories.

Credit SCR - Exposure

Amounts in €k

Exposure type	Exposure 2018	Total PTF %
Internal Model (IM)	4,035,813	90.9%
Standard Formula (STDF)	404,880	9.1%
Total	**4,440,693**	**100.0%**

We provide below the value of the Solvency Capital Requirement for Credit Risk for the year ended 31 December 2018 and the comparison with the value for the year ended 31 December 2017, with a breakdown for the types of exposure covered by the Internal Model and those covered by the Standard Formula. The change in the SCR value during the period considered is mainly a result of the different methodological approach adopted to quantify the Group's capital requirement, as well as trends in portfolio volumes and the relative level of risk.
The main methodological differences between the two approaches regard the following aspects:

- in the Internal Model, the probability of default is calculated on the basis of a through the cycle measure of probability obtained based on Merton-Vasicek structural model;
- in the Internal Model, there is a different treatment for exposures to Intermediaries and Policyholders: unlike in the Standard Formula, these exposures are evaluated on the basis of risk parameters calibrated on historical company data rather than on the basis of standard weighting;
- only the Italian Companies are included in corporate perimeter for the calculation of the Group SCR using the Internal Model. The contribution to the determination of the Group's solvency requirement of the foreign companies is calculated using the Standard Formula Market Wide and added to the value of the Basic Solvency Capital Requirement.

The portfolio recorded, between the two dates, a reduction in exposures to banks and an increase in exposures towards re-insurers. By contrast, the volumes were basically aligned for the other exposure types.
In light of such considerations, the lower capital requirement at 31 December 2018 is therefore attributable predominantly to the reduction in exposures to banks which more than offset the increase in exposures recorded for reinsurance counterparties.

Credit SCR Partial Internal Model

Amounts in €k

Exposure type	SCR 2018	SCR 2017	Change on 2017
Internal Model (IM)	202,202	226,643	(24,441)
Standard Formula (STDF)	68,117	90,842	(22,725)
Credit SCR	**270,319**	**317,485**	**(47,166)**

Concentration of risks

According to the provisions of Chapter III of IVASS Regulation No. 30, 26 October 2016, risk concentrations are assessed at the Group level.

With regard to the management of Credit Risk, the Group has been applying limits based on both operational exposures (deposits and receivables from Insurance and Re-insurance companies), and financial exposures in securities or derivatives to counterparties or groups of counterparties (as well as traditional limits by individual name and risk category). These limits are monitored on an ongoing basis through a process that involve both operating committees and the administrative body.

Moreover the Group Credit Policy, which specifies the Credit Risk assumption practices, sets limits to the assumption of risk towards counterparties with an inadequate credit rating: this credit rating is assessed and constantly monitored, using both external indicators (e.g. market rating or parameters), and indicators specified internally (parameters used also for Partial Internal Model purposes).
With regard to risk concentrations, the individual Companies must comply with the management principles specified in the Risk Concentration Policy.

The Risk Concentration Policy sets a "Concentration limit on investments and receivables", which includes, for each counterparty or group of related parties, in addition to loans and receivables, any exposure to equity or debt securities.

The concentrations are recognised mainly at the level of counterparty or group of related counterparties, sector, geographic area and currency. At 31 December 2018, the Group was mainly exposed to counterparties operating in the financial sector and that exposure consisted primarily of liquidity deposited with banks and exposure to reinsurers.

Risk mitigation techniques

The risk mitigation techniques adopted to mitigate the exposures to Credit Risk are the following:

- *exposures towards re-insurers*: deposits with the Group Companies 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. The re-insurance agreements may also be subject to downgrade clauses, which specify the obligation to provide additional guarantees if the counterparty fails to meet the minimum credit rating requirements set in the Credit Policy.
- *exposures in derivatives*: derivative contracts are taken out with counterparties subject to ISDA contracts with corresponding Credit Support Annex, which specify the full collateralisation of the Marked to Market exposures.
- *exposures towards intermediaries*: portfolio indemnities are the main form of mitigation for exposures towards agencies. These are in fact amounts due to the terminated agent in the case of termination of the relation with the Group Companies (for the broker category, indemnities are specified exclusively at the level of CONSAP fund). The right of the Companies to offset the indemnity due to the terminated agencies against any debit balance is recognised in Art. 34 of A.N.A. Moreover, paragraph 4 deals with the case of withdrawal for just cause. The indemnity is therefore used as form of mitigation of the risk to reduce exposure.

C.4. Liquidity risk

Liquidity risk is the risk of not having the cash needed to meet the commitments undertaken, on and off-balance sheet, without incurring financial losses deriving from forced sale of assets in the case of adverse developments.

In order to assess the liquidity profile of the Group and its ability to meet commitments without incurring significant losses, also under stressed conditions, specific analyses are carried out; these analyses include the calculation of the liquidity gap between the cash outflows and the cash inflows on maturities up to 12 months, of the cumulated liquidity gap and the liquidity buffer, which includes any contingency instrument, both in normal condition and in scenarios of stress of the technical variables.

Expected profits in future premiums
The total amount of the expected profits in future premiums calculated pursuant to Art. 260, paragraph 2 of the Delegated Regulation (EU) 2015/35 was equal to €496,834k for the Life business and €52,739k for the Non-Life business.

C.5. Operational Risk

Operational Risk is the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events. Operational Risk includes, from the point of view of the identification and the quantitative evaluation, legal risk, compliance risk (non-compliance with laws and regulations) and IT risk, while it does not include strategic and reputational risk.

The operational risk management system is also applied by the Parent Company using risk-based assessments to the unregulated Subsidiaries included within the scope of additional supervision.

As an integral part of the Internal Control and Risk Management System, the risk management system for Operational Risk contributes to the achievement of the following high-level targets:

- to preserve the assets of the Group and the individual companies in it, ensuring that the exposure to operational risk is consistent with the Risk Appetite specified;
- to improve the overall efficiency of the processes of the Group ensuring that operational risk is identified, measured, controlled and managed according to methodologies specified and consistent within the Group.

The Group calculates the capital requirement for operational risk by using the Standard Formula specified in the Delegated Regulation (EU) 2015/35.

In the period subject to analysis, no substantial changes were made to the measures used to assess risks.

We provide below the capital requirement for Operational Risk calculated by using the Standard Formula for 2018 and the comparison with the SCR relating to 31 December 2017.

Operational SCR standard formula

Amounts in €k

Risk module	Operational SCR 2018	Operational SCR 2017	Change on 2017
Operatinal SCR Remaining part	550,996	562,170	(11,173)
SCR Ring Fenced Fund	92	108	(16)
Operational SCR	**551,089**	**562,278**	**(11,189)**

With respect to the solvency requirement at 31 December 2017, there was a €11,173k reduction in the Operational SCR Remaining part, primarily due to the decline in the value of best estimates.

The identification of Operational Risk is based on the collection of information on potential or historical events from all significant sources of information, consistently classified, to represent and feed on an ongoing basis a global Operational Risk database.

The activity of identification consists in the collection of the largest information set possible on the risk event and its possible cause and effects, to increase the knowledge of the specific exposure of the different corporate areas. This activity has also the objective to assess the suitability of the controls and identify the best management solutions to any issue identified.

The collection of business expert opinions, through the RSA (Risk Self Assessment), takes place through interviews of process managers carried out to identify and assess the potential Operational Risk events that may occur within a process, as well as to obtain an assessment of the suitability of the system of controls and identify the best management solutions to any issue identified.

The information gathered through the RSA includes an estimate of the financial impact of the risk event and an estimate of the expected frequency of the event expressed on an annual basis. This estimate also takes into account any historical Operational Risk event actually occurred, with the corresponding loss incurred.

The information gathered on the Operational Risk events is classified using the cause - event - effect framework, to provide a truthful description of the chain of events that have produced the financial impact from the risk event.

The stages in which the activities of identification of the Operational Risk may be divided may be summarised as follows:

- analysis of the processes, verification of applicable laws and regulations and collection of the information deriving from previous analyses or analysis carried out by the control functions;
- identification of the possible Operational Risk events, possible causes and controls in place;
- verification of the completeness of the analysis with respect to the Event Type model[16];
- validation of the data gathered and control of the quality of the analysis carried out.

Within Operational Risk, a significant risk is continuity risk, or defined as the risk of a suspension of corporate processes, as a result of disaster.

To this purpose, the Group has acquired an Operating Continuity Policy, which sets guidelines on operating continuity, to reduce to a minimum the impact of disaster events on the significant services, whether resulting from events at the sector, corporate, local or global level (Business Continuity Management System).

C.6. Other material risks

With regard to the other risk categories, the Group identifies as material the following categories of risk:

- Reputational risk: risk of current or future decrease in profit or assets deriving from a negative opinion of the Group by its main Stakeholders. A corporate reputation management system was developed at the Group level, to build and safeguard the reputational capital and integrate this asset in the business planning processes;
- Strategic Risk: risk of current or future decrease in profit or assets deriving from external elements, such as changes in the operational context and/or limited reactivity to changes in the competitive context, or internal elements, such as incorrect corporate decisions and/or inadequate implementation of decisions. A Reputational & Emerging Risk Observatory was set up at the Group level, to provide a structured control on emerging and reputational risk factors with a strategic and proactive approach, anticipating the trends to prevent emerging risk and identifying future business opportunities.
- Compliance Risk: the risk of judicial or administrative sanctions, losses or reputational damages resulting from a failure to observe external laws and regulations or internal regulations such as by-Laws, codes of conduct or corporate governance codes; also risk of unfavourable developments in the legislative framework or case law decisions. The Compliance Function assesses the suitability of the organisation and the internal procedures for the prevention of this risk and sets its level.

[16] The Event Type model consists of a classification of risk events based on the banking perimeter model specified by Basel II.

C.7. Any other information

C.7.1 Sensitivity analysis

To monitor the sensitivity to risk factors and important events, the Group carried out some sensitivity analyses. Sensitivity analyses on the main economic-financial factors of interest are carried out at least once a year and allow the Group to assess the impact on its Solvency Ratio and Solvency Capital Requirement of changes in the main risk factors to which it is exposed.
We list below the sensitivity analyses carried out, with their description and the results of the analyses in question. The analyses take, as Base Scenario, the capital adequacy and the solvency capital requirement calculated according to the regulatory model adopted by the Group.

Sensitivities

Description	Impact with respect to central scenario	Impact on Solvency II Ratio
Shift upward of the interest yield curve	interest rate: +50 bps	-5%
Shift downward of the interest yield curve	interest rate: -10 bps	0%
Shock on credit spread – corporate bonds	industrial and financial credit spreads: +100 bps	3%
Shock on equity market	equity market value: -20%	-6%
Shock on property market	real estate market value: -15%	-10%
Sensitivity on Italian Government spread	Italian Government spread: +100 bps	-11%

Interest rates curve sensitivity analysis
To analyse the impact of a (upward/downward) shock to the yield curve, two sensitivity analyses were carried out on the dynamics of the interest rates curve, more precisely, two single financial factor analyses assessing the impact of an upward and downward parallel shift of the entire yield curve (Euro, Serbia, and rest of the world), a shift respectively equal to +50 bps and -10 bps.

The +50 bps increase in interest rates resulted in a reduction of 5% in the Solvency II ratio. This change was caused by:
- an increase in eligible own funds to meet the SCR of 3.1%;
- an increase in the total capital requirement of 7.2%, primarily as a result of the change in the capital requirement relating to the Life Underwriting Risks and Market Risks modules.

The -10 bps decrease in interest rates did not determine changes in the Solvency II ratio.

Sensitivity on credit spread
To analyse the impact of a shock to the spread, a sensitivity analysis is carried out, by assessing the increase in all industrial and financial credit spreads, for all rating classes, all issuers in the portfolio, and all rankings (senior and sub), equal to +100 bps.
For the purposes of the calculation of the sensitivity in question, we estimated the value of the Volatility Adjustment following the shock to the spreads.

The +100 bps increase in industrial and financial credit spreads resulted in an increase of 3% in the Solvency II ratio. This change was caused by:
- a reduction in own funds eligible to cover the SCR of 0.4%;
- a decrease in the total capital requirement of 1.9%, primarily as a result of the reduction in the capital requirement relating to the Market Risks module.

Stock market prices sensitivity analysis
To analyse the impact of a shock to equity market prices, a single financial factor sensitivity analysis was carried out, assessing the impact of a downward shock to share prices, equal to -20%.

The decline of -20% in the value of the equity market resulted in a decrease of 6% in the Solvency II ratio. This change was caused by:

- a decrease in own funds eligible to cover the SCR of 5.0%;
- a decrease in the total capital requirement of 1.7%, primarily as a result of the change in the capital requirement relating to the Market Risks module.

Real estate market prices sensitivity analysis
To analyse the impact of a shock to real estate market valuations, a single financial factor sensitivity analysis was carried out, assessing the impact of a downward shock to the value of real estate and real estate funds, equal to -15%.

The decline of -15% in the value of the real estate market resulted in a reduction of 10% in the Solvency II ratio. This variation is primarily determined by the reduction in own funds eligible to cover the SCR of 6.6%; this scenario does not determine significant changes in the total capital requirement (-0.2%).

Sensitivity on Italian Government spread
To analyse the impact of a shock to the Italian Government spread, a sensitivity analysis is carried out, by assessing the increase in the Italian Government credit spread equal to +100 bps. For the purposes of the calculation of the sensitivity in question, we estimated the value of the Volatility Adjustment following the shock to the Italian spread.

The +100 bps increase in the Italian Government spread resulted in a reduction of 11% in the Solvency II ratio. This change was caused by:
- a decrease in own funds eligible to cover the SCR of 8.4%;
- a decrease in the total capital requirement of 1.8%, primarily as a result of the change in the capital requirement relating to the Market Risks, Non-Life and Health Underwriting Risk and Operational Risks modules, only partially offset by the variation in the requirement relating to the Life Underwriting Risk module.

D

VALUATION FOR SOLVENCY PURPOSES

Statement of financial position (MCBS) - current values

Assets

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Consolidated FS value – IFRS Scope
Goodwill		1,581,748	1,581,748
Deferred acquisition costs		98,090	98,090
Intangible assets		357,071	380,546
Deferred tax assets	1,018,470	928,636	1,078,672
Pension benefit surplus			
Property, plant & equipment held for own use	1,831,874	1,674,476	1,900,752
Investments (other than assets held for index-linked and unit-linked contracts)	51,816,182	51,386,874	52,067,405
Property (other than for own use)	2,191,074	2,059,383	2,150,831
Holdings in related undertakings, including participations	1,294,116	977,089	81,936
Equities	846,198	848,439	902,090
Bonds	44,613,907	44,631,076	46,063,786
Collective Investments Undertakings	2,597,178	2,597,178	2,610,023
Derivatives	136,420	136,420	136,476
Deposits other than cash equivalents	137,289	137,289	122,263
Other investments			
Assets held for index-linked and unit-linked contracts	6,208,227	6,205,518	6,205,518
Loans and mortgages	675,670	675,670	9,553,832
Loans on policies	23,164	23,164	23,164
Loans and mortgages to individuals	375,988	375,988	371,934
Other loans and mortgages	276,518	276,518	9,158,734
Reinsurance recoverables from:	806,268	982,024	982,024
Non-life and health similar to non-life	757,155	932,896	932,896
Non-life excluding health	*713,181*	*932,896*	*932,896*
Health similar to non-life	*43,974*		
Life and health similar to life, excluding health, index-linked and unit-linked	49,113	49,129	49,129
Health similar to life			
Life, excluding health, index-linked and unit-linked	*49,113*	*49,129*	*49,129*
Life index-linked and unit-linked			
Deposits to cedants	32,713	32,713	32,713
Insurance and intermediaries receivables	1,416,010	1,416,010	1,413,346
Reinsurance receivables	67,278	67,278	67,278
Receivables (trade, not insurance)	120,287	120,287	140,737
Own shares (held directly)	7,048	6,082	6,082
Amounts due in respect of own fund items or initial fund called up but not yet paid in			
Cash and cash equivalents	2,060,931	2,060,931	358,820
Any other assets, not elsewhere shown	1,491,520	1,491,520	1,671,005
Total assets	67,552,477	69,084,929	77,538,572

Liabilities

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Consolidated FS value – IFRS Scope
Technical provisions – non-life	13,997,678	15,231,631	15,231,631
Technical provisions – non-life (excluding health)	12,923,572	15,231,631	15,231,631
Technical provisions calculated as a whole			
Best Estimate	*12,387,400*		
Risk margin	*536,172*		
Technical provisions - health (similar to non-life)	1,074,107		
Technical provisions calculated as a whole			
Best Estimate	*1,014,904*		
Risk margin	*59,202*		
Technical provisions - life (excluding index-linked and unit-linked insurance contracts)	34,693,236	34,046,443	34,046,443
Technical provisions - health (similar to life)			
Technical provisions – life (excluding health and index-linked and unit-linked insurance contracts)	34,693,236	34,046,443	34,046,443
Technical provisions calculated as a whole			
Best Estimate	*34,452,875*		
Risk margin	*240,361*		
Technical provisions – index-linked and unit-linked	6,174,491	6,224,333	6,224,333
Technical provisions calculated as a whole			
Best Estimate	*6,138,168*		
Risk margin	*36,323*		
Other technical provisions			
Contingent liabilities			
Provisions other than technical provisions	349,776	349,776	757,687
Pension benefit obligations	99,189	99,189	112,004
Deposits from reinsurers	166,166	166,166	166,166
Deferred tax liabilities	32,660	9,177	9,192
Derivatives	265,050	265,050	265,102
Debts owed to credit institutions	283,666	283,666	725,157
Financial liabilities other than debts owed to credit institutions	1,876,491	1,803,232	9,378,450
Insurance and intermediaries payables	158,272	158,272	158,270
Reinsurance payables	41,161	41,161	41,161
Payables (trade, not insurance)	145,743	145,743	197,473
Subordinated liabilities	2,344,962	2,247,238	2,568,431
Subordinated liabilities not included in Basic Own Funds			
Subordinated liabilities included in Basic Own Funds	2,344,962	2,247,238	2,568,431
Any other liabilities, not elsewhere shown	1,710,301	1,710,301	1,324,272
Total liabilities	**62,338,842**	**62,781,378**	**71,205,773**
Excess of assets over liabilities	**5,213,635**	**6,303,551**	**6,332,799**

D Valuation for solvency purposes

The solvency capital requirement envisaged in the Directive is determined as the economic capital that insurance and reinsurance companies must hold so as to guarantee that the "default" event does not occur more than once in every 200 cases or, alternatively, that the companies in question will still be able to honour their obligations, with a probability of at least 99.5%, to contracting parties and beneficiaries in the next twelve months. The capital is assessed on the basis of a financial prepared according to the "Market Consistent" criteria specifically identified in the Regulation. These criteria generally follow the fair value measurement as defined in international accounting standards (IFRS 13), to be determined on the basis of the following hierarchy:

I. prices listed on active markets for the same assets and liabilities;
II. prices listed on active markets for similar assets and liabilities, suitably adjusted to take into account differences compared to the listed assets and liabilities;
III. values taken from internal "Mark to Model" valuation models. The data used in such models must as far as possible be taken from information implicit in the market assessments referred to in the previous points.

A consolidated balance sheet is therefore prepared using Solvency II criteria, referred to as the Market Consistent Balance Sheet (MCBS), by following the steps below:

- aggregation of the MCBSs of the entities consolidated line-by-line in accordance with the Solvency II scope of consolidation;
- determination of consolidation adjustments;
- preparation of the Group MCBS.

On the previous pages, the values of the Market Consistent Balance Sheet prepared with reference to 31 December 2018 are reported in the "Solvency II value" column, accompanied by a comparison with:

- the values determined for the Consolidated Financial Statements, reclassified on the basis of the MCBS items ("Consolidated FS Value - IFRS Scope" column);
- the values determined for the Consolidated Financial Statements, reclassified on the basis of the MCBS items and adjusted to represent a line-by-line consolidation scope uniform with that used to prepare the MCBS ("Consolidated FS Value - Solvency II Scope" column).

It should be noted that, for disclosure purposes, the non-current assets and liabilities held for sale and discontinued operations were represented in summary form, for the purposes of the consolidated financial statements, under the items "Non-current assets or assets of a disposal group held for sale" and "Liabilities of a disposal group held for sale" in application of IFRS 5. These assets are instead represented by nature under the individual items of the MCBS reported in the previous pages, regardless of the fact they are held for disposal.
The following paragraphs illustrate the main differences in assessments for MCBS purposes and Solvency II scope consolidated financial statement purposes.

Please refer to Chapter A for a description of the Solvency II scope of consolidation and the main differences with the scope of consolidation for the purposes of the Consolidated Financial Statements.

Below, the differences, classified in accordance with the MCBS layout, are described between the values reported in the Consolidated Financial Statements and the values obtained by consolidating, with other international accounting standard criteria remaining the same, the Group companies on the basis of what is set forth in the Regulation for the preparation of the MCBS. This statement makes it possible to identify the effects deriving from the different methods of consolidation of the investee entities of the parent company Unipol adopted to prepare the Consolidated Financial Statements with respect to those used for the preparation of the MCBS. As mentioned previously, such differences derive from the lack of line-by-line consolidation of the subsidiaries belonging to the financial sector and the subsidiary entities that are not instrumental companies within the scope of the Unipol Insurance Group.

The "Consolidated FS Value - IFRS Scope" column reclassifies the balances based on the scope of consolidation set forth for the Consolidated Financial Statements, reclassified according to the layout required for the MCBS.
The "Consolidated FS Value - SII Scope" column reclassifies the balances of the Consolidated Financial Statements based on the Solvency II scope of consolidation.

The central column shows the adjustments due to the different consolidation methods.

Assets

Amounts in €k	Consolidated FS value – IFRS Scope	Adjustments for different consolidation methods	Consolidated FS value – Solvency II Scope
Goodwill	1,581,748		1,581,748
Deferred acquisition costs	98,090		98,090
Intangible assets	380,546	(23,475)	357,071
Deferred tax assets	1,078,672	(150,036)	928,636
Pension benefit surplus			
Property, plant & equipment held for own use	1,900,752	(226,277)	1,674,476
Investments (other than assets held for index-linked and unit-linked contracts)	52,067,405	(680,531)	51,386,874
Property (other than for own use)	2,150,831	(91,448)	2,059,383
Holdings in related undertakings, including participations	81,936	895,152	977,089
Equities	902,090	(53,650)	848,439
Bonds	46,063,786	(1,432,710)	44,631,076
Collective Investments Undertakings	2,610,023	(12,846)	2,597,178
Derivatives	136,476	(56)	136,420
Deposits other than cash equivalents	122,263	15,026	137,289
Other investments			
Assets held for index-linked and unit-linked contracts	6,205,518		6,205,518
Loans and mortgages	9,553,832	(8,878,162)	675,670
Loans on policies	23,164		23,164
Loans and mortgages to individuals	371,934	4,054	375,988
Other loans and mortgages	9,158,734	(8,882,216)	276,518
Reinsurance recoverables from:	982,024		982,024
Non-life and health similar to non-life	932,896		932,896
Life and health similar to life, excluding health, index-linked and unit-linked	49,129		49,129
Life index-linked and unit-linked			
Deposits to cedants	32,713		32,713
Insurance and intermediaries receivables	1,413,346	2,663	1,416,010
Reinsurance receivables	67,278		67,278
Receivables (trade, not insurance)	140,737	(20,451)	120,287
Own shares (held directly)	6,082		6,082
Amounts due in respect of own fund items or initial fund called up but not yet paid in			
Cash and cash equivalents	358,820	1,702,112	2,060,931
Any other assets, not elsewhere shown	1,671,005	(179,486)	1,491,520
Total assets	**77,538,572**	**(8,453,643)**	**69,084,929**

Liabilities

Amounts in €k	Consolidated FS value – IFRS Scope	Adjustments for different consolidation methods	Consolidated FS value – Solvency II Scope
Technical provisions – non-life	15,231,631		15,231,631
Technical provisions - life (excluding index-linked and unit-linked insurance contracts)	34,046,443		34,046,443
Technical provisions - health (similar to life)			
Technical provisions – life (excluding health and index-linked and unit-linked insurance contracts)	34,046,443		34,046,443
Technical provisions – index-linked and unit-linked	6,224,333		6,224,333
Other technical provisions			
Contingent liabilities			
Provisions other than technical provisions	757,687	(407,911)	349,776
Pension benefit obligations	112,004	(12,815)	99,189
Deposits from reinsurers	166,166		166,166
Deferred tax liabilities	9,192	(15)	9,177
Derivatives	265,102	(53)	265,050
Debts owed to credit institutions	725,157	(441,491)	283,666
Financial liabilities other than debts owed to credit institutions	9,378,450	(7,575,218)	1,803,232
Insurance and intermediaries payables	158,270	2	158,272
Reinsurance payables	41,161		41,161
Payables (trade, not insurance)	197,473	(51,729)	145,743
Subordinated liabilities	2,568,431	(321,192)	2,247,238
Subordinated liabilities not included in Basic Own Funds			
Subordinated liabilities included in Basic Own Funds	2,568,431	(321,192)	2,247,238
Any other liabilities, not elsewhere shown	1,324,272	386,028	1,710,301
Total liabilities	**71,205,773**	**(8,424,395)**	**62,781,378**
Excess of assets over liabilities	**6,332,799**	**(29,248)**	**6,303,551**

The differences in the balances of the individual asset and liability items are due to the change in the consolidation method from line-by-line to the equity method for certain Group companies (the "Companies with different consolidation methods").

In particular, the different consolidation method entailed:

I. an increase in "Holdings in related undertakings, including participations", in relation to the shareholders' equity pertaining to the group of Companies with different consolidation methods;[17]

II. the decrease in other asset and liability items, due to the individual assets and liabilities included in the balance sheets of the Companies with different consolidation methods;

III. the cancellation of the intra-group receivable/payable elimination entries relating to transactions between entities consolidated line-by-line within the scope of Solvency II and the Companies with different consolidation methods.

With reference to the difference between assets and liabilities (inclusive of the value of own shares[18]), the effect of the different method of consolidation is equal to €29,248k, which corresponds to the share of equity pertaining to

[17] Based on the criteria laid out in IAS 28, consolidation with the equity method constitutes a "synthetic method" that represents the effects on shareholders' equity of the investor only in the equity investments item, rather than in all asset and liability items as instead is required in the case of line-by-line consolidation in application of IFRS 10. In general, line-by-line consolidation or consolidation with the equity method should not result in changes with reference to the consolidated shareholders' equity pertaining to the group of the investor company.

[18] The total consolidated shareholders' equity (group and non-controlling interests) resulting from the IFRS consolidated financial statements of the Unipol Group is equal to €6,326.7m, corresponding to the item "Excess of assets over liabilities" net of the amount of own shares. Own shares constitute an identifiable asset in the MCBS but not in the IFRS financial statements.

non-controlling interests of the Companies with different consolidation methods, consisting predominantly of the share pertaining to non-controlling interests of the shareholders’ equity of S.E.I.S amounting to €12,021k, UnipolRec totalling €9,102k and the Unipol Banca Group, equal to €6,331k.

The paragraphs below comment on the differences in value deriving from the different valuation of assets and liabilities in the Consolidated Financial Statements and the MCBS with a like-for-like scope of consolidation using method 1 set forth in the Solvency II regulation.

D.1. Assets

D.1.1 Valuation criteria

This section illustrates the criteria, methods and models used by the Group to identify and measure assets in the MCBS. Please note that, when not specified otherwise, no changes were made to such criteria, methods and models with respect to those used in the previous year.

Intangible assets

The valuation criteria defined in the Regulation generally envisage that intangible assets are attributed a zero value. Exceptions are intangible assets that can be sold separately from the rest of the Group’s assets and for which a price is available on an active market for similar assets. The Group does not hold any assets of this type.

Financial assets and liabilities (excluding participations) and properties

Financial assets and liabilities are measured at fair value on the basis of the hierarchy defined in the Regulation.
The table below summarises the methods to calculate the fair value for the different macro categories of financial instruments, receivables and property. These methods are consistent with the criteria defined by IFRS 13.

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

In compliance with IFRS 13, the market price (Mark to Market) is used to determine the fair value of financial instruments, in the case of instruments traded in an “active market”.
“Active market” means:

- the regulated market in which the instrument subject to measurement is traded and regularly listed;
- the multilateral trading facility (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 an 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 listed shares, ETFs and listed derivatives, the Mark to Market valuation corresponds to the official valuation price of the reference market.
In relation to bonds, the sources used for the Mark to Market valuation of financial assets and liabilities are as follows:

a) the primary source is the CBBT price provided by data provider Bloomberg;
b) where the price referred to in 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 separate 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 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 each reference currency;
- interest rate volatility surface for each reference currency;
- CDS spread or Asset Swap spread curves of the issuer;
- inflation curves for each 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.

Note that, 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 specific 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 OTC derivatives for which there is a collateralisation agreement (Credit Support Annex) between the 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 year end almost all derivative positions represent collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

With reference to unlisted shares for which a market price or an appraisal drafted by an independent expert is not available, valuations are performed mainly on the basis of:

- equity methods;
- 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;
- 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 recognition date provided directly by the fund administrators.

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

<u>Fair value measurement for structured bonds and structured SPV bonds.</u>
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 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 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 make 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.

As regards the valuation of other (non-technical) financial liabilities, the fair value is measured by taking into account the credit rating of the company "at inception", without considering any subsequent changes in the company's credit rating.

Participations

The recognition value of participations[19] in the MCBS is determined on the basis of the following hierarchy:

a) prices listed on active markets for the same assets and liabilities;
b) percentage interest in the investee's equity determined on the basis of MCBS valuation criteria;
c) percentage interest in the investee's equity determined on the basis of international accounting standards, taking into account the Solvency II measurement criteria for intangible assets;
d) internal valuation models.

In particular, pursuant to the Regulation:

e) participations in subsidiaries are measured on the basis of the investor's percentage interest in the equity, determined according to the MCBS preparation criteria adopted by the subsidiary concerned;
f) participations in companies such as credit institutions, investment firms and financial institutions, UCITS management companies are measured based on the proportional share of own funds of the company calculated pursuant to the pertinent sector regulations;
g) participations in associates are measured on the basis of the investor's percentage interest in the equity, determined according to IFRS (less any intangible assets of the investee).

Based on the criteria for preparing the Consolidated Financial Statements, the participations held are measured based on the share of equity, determined on the basis of the same criteria as those used to prepare the Consolidated Financial Statements.

Deferred tax assets and liabilities

The deferred tax calculation recognised in the MCBS was performed by applying the criteria identified in international accounting standards (IAS 12), suitably supplemented with the provisions of Articles 20-22 of IVASS Regulation no. 34 of 7 February 2017.

Other assets

For all other assets and liabilities not included in the categories of previous paragraphs, taking into account the related characteristics, the recognition value in the MCBS is consistent with their value determined for the Consolidated Financial Statements.

[19] The participations are identified by the Regulation and the Directive as investments in associates or subsidiaries or for which the Group holds at least 20% of the voting rights or capital.

D.1.2 Quantitative information on asset valuation

Intangible assets

In line with the regulatory provisions of the Directive, for solvency purposes the Group does not assign a value to goodwill, or to other intangible assets, as a listing of similar assets on an active market is not available.

Intangible assets

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Goodwill		1,581,748	1,581,748
Deferred acquisition costs		98,090	98,090
Intangible assets		357,071	357,071
Total		**2,036,910**	**2,036,910**

Following the necessary adjustments to the three items indicated above in the MCBS, the Group recorded a decrease in shareholders' equity in the Solvency II scope consolidated financial statements for €2,036,910k, gross of related tax effects.

Land, buildings and other tangible fixed assets

Land and buildings were recognised in the MCBS at fair value, determined on the basis of expert independent appraisal reports. The value recognised in the Consolidated Financial Statements corresponds to the purchase cost systematically amortised over the life of the asset, adjusted if necessary for any impairment losses.

Tangible assets

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Property, plant & equipment held for own use	1,831,874	1,674,476	157,398
Property (other than for own use)	2,191,074	2,059,383	131,691
Total	**4,022,949**	**3,733,859**	**289,089**

Note that in reference to other tangible assets (e.g. equipment, plant, machinery, vehicles, etc.), the recognition value in the MCBS is consistent with the recognition value in the Consolidated Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Following the fair value measurement of those assets, the Group recorded an increase in assets by €289,089k in the MCBS compared to the Consolidated Financial Statements, gross of the related tax effect.

Financial assets for which investment risk is borne by policyholders

The MCBS item "Assets held for index-linked and unit-linked contracts" includes all the financial assets for which investment risk is borne by the policyholders (unit-linked, index-linked and pension funds).

Financial assets when the investment risk is borne by policyholders

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Assets held for index-linked and unit-linked contracts	6,208,227	6,205,518	2,709

These assets were also measured at fair value in the Consolidated Financial Statements. The difference recognised is due to the fact that, in the Consolidated Financial Statements, the fair value measurement method used for financial instruments classed as unit-linked was consistent with the valuation of liabilities payable to the policyholders and the NAV for unit-linked products. This fair value measurement method for financial assets differs slightly to that used for the purpose of MCBS preparation. Also considering that for preparation of the MCBS the valuation of financial assets classed as unit-linked is in any event fully consistent with the measurement criteria for the corresponding liabilities to the policyholders, the slight differences in fair value measurement methods have no appreciable impact on the total difference between assets and liabilities in the MCBS and in the Consolidated Financial Statements.

Other investments (excluding participations)

As a general principle, all investments are measured at fair value as required by the SII Directive. The value recognised in the Consolidated Financial Statements instead depends on the category in which the financial instruments are classified pursuant to IFRS 39 and IFRS 9, the latter which entered into force on 1 January 2018 and applied to some of the Group companies:

Items - IAS 39

- held-to-maturity investments (recognised at amortised cost, written down if necessary for any impairment losses);
- loans and receivables (recognised at amortised cost, written down if necessary for any impairment losses);
- available-for-sale financial assets (measured at fair value);
- financial assets at fair value through profit or loss (measured at fair value).

Items - IFRS 9

- financial assets measured at amortised cost (recognised at amortised cost, written down if necessary for any impairment losses);
- financial assets measured at fair value through OCI (designated at fair value);
- financial assets mandatorily measured at fair value through profit or loss (measured at fair value).

With reference to investments formed by deposits with financial institutions and by loans and mortgages, the recognition value in the MCBS is consistent with the recognition value in the Consolidated Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Other financial investments

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Equities	846,198	848,439	(2,241)
Bonds	44,613,907	44,631,076	(17,169)
Collective Investments Undertakings	2,597,178	2,597,178	
Derivatives	136,420	136,420	
Deposits other than cash equivalents	137,289	137,289	
Loans and mortgages	675,670	675,670	
Total	49,006,662	49,026,072	(19,411)

The fair value measurement resulted in a decrease in MCBS assets compared to the Consolidated Financial Statements by €19,411k, gross of the related tax effect.

Participations

Participations

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Holdings in related undertakings, including participations	1,294,116	977,089	317,028

The different criteria for calculating the value of Participations led to an increase in assets by €317,028k in the MCBS compared to the Consolidated Financial Statements, gross of the related tax effect. This increase is attributable primarily to the method of consolidation laid out by the Solvency II regulation of Unipol Banca and its subsidiaries, which requires an assessment of participations in credit institutions based on the proportional share of own funds of the investee companies calculated pursuant to pertinent sector rules (Basel III). The main difference between the IFRS shareholders' equity of the Unipol Banca Group and the own funds determined on a sub-consolidated basis based on the Basel III regulation consists of the subordinated liabilities issued by Unipol Banca which, although they are not equity instruments pursuant to IFRS, are partially eligible for calculation in the amount of own funds pursuant to prudential supervision regulations applicable to credit institutions.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of assets and liabilities in the MCBS and their value recognised for tax purposes.

Deferred tax assets and liabilities

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Deferred tax assets	1,018,470	928,636	89,834
Deferred tax liabilities	(32,660)	(9,177)	(23,483)
Net total	985,809	919,459	66,351

The differences compared to the Consolidated Financial Statements are associated with the deferred tax effect of temporary differences deriving from adjustments to the asset and liability valuations commented on in paragraphs D.1, D.2 and D.3.

The main differences are due:

- to intangible assets represented by goodwill implicit in the carrying amount of the participations, the reversal of which is expected in 10 years as of 2019;
- to financial investments, consisting primarily of bonds. The temporary differences relating to such securities will be cancelled out progressively as maturity approaches or when the securities are disposed of. Please note that the average duration of the Unipol Group's financial investments portfolio is 5.93 years;
- to Life and Non-Life technical provisions. Please note that the duration of the Best Estimates of the Unipol Group is 6.70 years;

At the reporting date there are no tax losses eligible to be carried forward or unused tax credits and consequently the corresponding deferred tax assets have not been recognised.

Other assets

The differences recognised between other assets in the MCBS and their corresponding valuations in the Consolidated Financial Statements are provided below.

Other assets

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Deposits to cedants	32,713	32,713	
Insurance and intermediaries receivables	1,416,010	1,416,010	
Reinsurance receivables	67,278	67,278	
Receivables (trade, not insurance)	120,287	120,287	
Own shares (held directly)	7,048	6,082	965
Cash and cash equivalents	2,060,931	2,060,931	
Any other assets, not elsewhere shown	1,491,520	1,491,520	
Total	**5,195,786**	**5,194,821**	**965**

The difference in the value of own shares is attributable to the valuation of the Parent Company's own shares at listed price.

In reference to the other assets in the above table, the recognition value in the MCBS is consistent with the recognition value in the Consolidated Financial Statements which, given the nature and significance of such assets, was considered an adequate representation of the fair value.

Leasing and rental agreements - assets

Please note that there were no significant lease and rental agreements - assets in place at 31 December 2018.

D.2. Technical provisions

Please first of all note that, when not specified otherwise, no changes were made to the valuation criteria, methods and models with respect to those used in the previous year.

The valuations for solvency purposes of the group's technical provisions were all analogous with those carried out for the same purpose by each individual company. The consolidated values were obtained from the corresponding "solo" values, also making the appropriate adjustments to deduct components relating to intra-group transactions.

D.2.1 Valuation criteria

In accordance with the Directive, the Solvency II technical provisions (Life and Non-Life) are calculated for each company within the scope as the sum of the Best Estimate of Liabilities (BEL) and a Risk Margin.

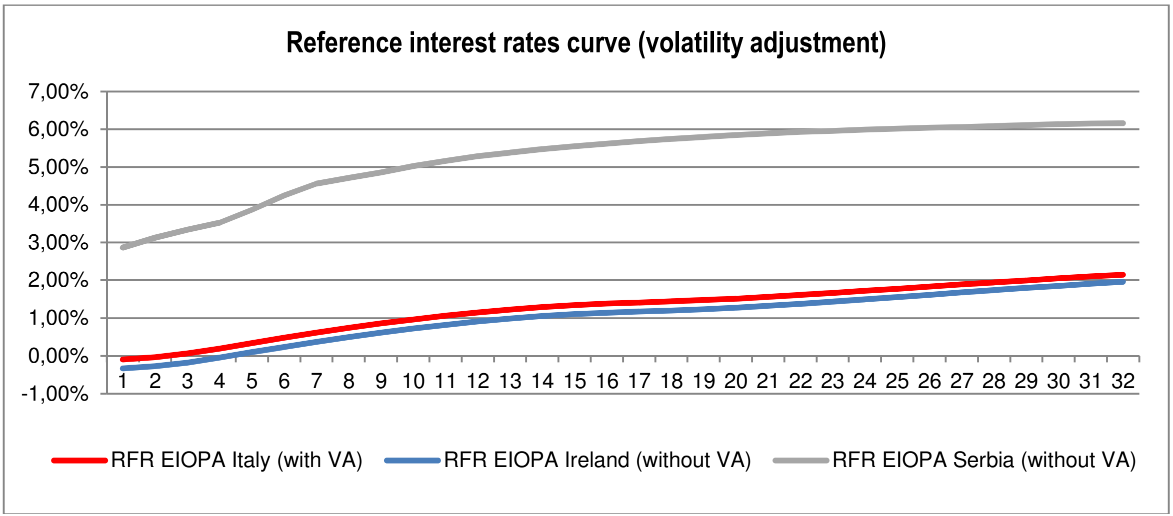
The main difference compared to the current applicable regulations for preparation of the financial statements (e.g. ISVAP Regulation no. 22 of 4 March 2008, subsequently amended and supplemented), which establishes that the valuation must comply with the principle of prudence and is represented by the adoption of a "market" value. The value of the technical provisions, in fact, must correspond with "*the amount that an insurance or reinsurance company would have to pay if its contractual rights and obligations were immediately transferred to another company*".

In this sense, the risk margin assumes the meaning of risk premium or, in actuarial terms, safety loading, whereas the prudence is included in the retention of an adequate level of capital.

These principles are satisfied in the adoption of a Discounted Cash Flow (DCF) method for the BEL valuation, eliminating all forms of prudence (e.g. final cost valuation for claims provisions, inclusion of provisions for unexpired risks and supplementary provisions for the premium provision) and including - in the valuation - all variables that could affect the amount of future cash flows.

The BEL corresponds to the present estimated value of future cash flows calculated on the basis of the relevant due dates structure of risk-free interest rates, taking into account the volatility adjustment referred to in Art. 77-quinquies of the Directive, when applied.

The structures by maturity of the risk-free interest rates used in calculating the BEL are differentiated based on the country in which each Group company is located.
The volatility adjustment is adopted only for the Italian Companies and is determined on the basis of EIOPA specifications with reference to a benchmark portfolio representing the assets covering the technical provisions in which the insurance and reinsurance companies invest.
The figures below show the rate curves adopted for the assessment of the BELs at 31 December 2018 for each reference country.



Best Estimate Liability Non-Life

The Best Estimate Liability, equal to the sum of the claims BEL and premiums BEL, was calculated in accordance with the principles stated in the regulation, by applying suitable statistical/actuarial models and net of amounts recovered from the policyholders and from third parties for the portion not already recognised as assets in the statement of financial position.

The value of the group's Claims BEL is obtained based on the calculation of the individual Claims BELs for each Company.
Details on their calculation and on the methodologies and models used are described in the reports prepared for the individual companies. For the companies DDOR and DDOR-Re, simplified approaches based on financial statement values are adopted.

The amount of the Claims Best Estimates for the Group is based on the sum of the "solo" values adjusted for intra-group transactions:

$$BE^{Group} = \sum_{i=1}^{N} BE_i^{(No\,Infr)} = \sum_{i=1}^{N} \frac{BE_i}{RS_i} RS_i^{(No\,Infr)}$$

The adjusted BEs ($BE_i^{(No\,Infr)}$) are determined based on the claims provisions net of intra-group movements ($RS_i^{(No\,Infr)}$) calculated for the purpose of the Consolidated Financial Statements. Indeed, the incidence of the Claims BEs on the Claims Provision in the financial statements for each stand-alone company is applied to this amount.

The premiums BEL was calculated in a manner fully analogous with the calculation made at individual company level, based on the cash flows obtained from the projection of each company's historic ratios (loss ratio and expense ratio, estimated by considering an average for the last three years, or in certain cases the growth trend), applied to the existing portfolio values at the time of valuation, separately for each business line, but net of intra-group transactions. The cost of claims is attributed to the settlement period based on the pattern of claims experience estimated for current business to obtain the correct projected cash flow. The total cash flows, the present value of which constitutes the Premiums BE, take into account all the items, incoming and outgoing, generated by the combination of future premiums, claims not yet received, allocated and unallocated settlement expenses, commissions and administrative expenses deriving from existing contracts.

Analogous with the calculation made by individual company, the total liabilities recognised in the consolidated financial statements against the provisions for profit-sharing and ageing were considered a reasonable estimate of the corresponding liabilities for recognition in the Market Consistent Balance Sheet (MCBS). These provisions were also recorded in the premiums BEL.

The comparison between Non-Life technical provisions measured for the Market Consistent Balance Sheet and those calculated for the Consolidated Financial Statements shows different approaches relating to the assumptions adopted for the calculation and the underlying risks. The main differences between the two regulatory regimes are summarised below:

	Solvency II	Consolidated Financial Statements
Valuation approach	Matching adjustment concept + Risk Margin Disclosure	Prudent assumption concept
Time value of money	Discounted cost	Final cost
Handling of recoveries	Net recoveries	Gross recoveries

As the Best Estimate Liability is a present value of estimated future cash flows, it is by definition an estimate subject to uncertainty in the final cost projection and in the assumed due dates structure for interest rates. In order to assess the main sources of uncertainty in the BEL calculation, a number of sensitivity analyses were carried out. The following, for example, shows the change in BEL as the interest rate structure changes.

BEL (Net of reins.) Discount curve sensitivity analysis

Amounts in €k	Claims BEL	Premiums BEL	TOTAL
Curve - 2015 - without VA	0.48%	0.51%	0.48%
Curve - 2015 - basic	0.36%	0.39%	0.37%
Curve - 2016 - without VA	0.69%	0.70%	0.69%
Curve - 2016 - basic	9,961,784	2,683,366	12,645,149
Curve - 2016 - basic + 1%	-2.74%	-2.80%	-2.75%

Compared to the curve used, the application of the same structure without a volatility adjustment would lead to an upward change in BELs of around 0.69%. Instead, using the curve with an increase of one basis point, there would be a reduction of 2.75%. If the curve remained stable at 31 December 2017, the BEL would be roughly 0.37% lower.

Best Estimate Liability Life

The value of the group's Life BEL is obtained based on the calculation of the individual BELs for each Company.
Details on their calculation and on the methodologies and models used are described in the reports prepared for the individual companies. For the companies UnipolRe and DDOR-Life, simplified approaches based on financial statement values are adopted.

The Life BEL valuation method uses an ALM-type stochastic approach which allows an integrated "fair value" measurement of assets and liabilities.

The most significant product category within the portfolio of Group Companies, particularly those based in Italy, consists of revaluable products linked to returns of the Segregated Accounts. In this case, the typical quantities for the calculation of the Life BELs are projected at "point" level deriving from the non-destructive aggregation of information on individual policies that have the same characteristics, including the individual Company's technical and actuarial assumptions and also making use of standard stochastic simulation approaches for the financial variables.

ALM logic simulates the actions performed by each individual Company based on the future growth of amounts representing the policies portfolio (liabilities) and the underlying portfolio of financial securities (assets). In the specific case of products with performances that can be revalued in terms of returns of Segregated Funds, ALM logic envisages a circuitry that can be summarised in the following logical steps, repeated for every instant on the reference time horizon (monthly or annual):

- calculation of the returns for every Segregated Fund, according to the rules envisaged in the Segregated Funds regulations;
- revaluation of the benefits provided to the policyholders based on the returns calculated in the previous step;
- calculation of the net balance of liability items: tariff premiums collected - benefits - operating expenses for the period on the securities portfolio.

If the balance is negative, the model draws upon the liquidity in the assets portfolio, and if this is still not sufficient to cover commitments to the policyholders, the sale of financial securities in the portfolio is arranged, with subsequent gains/losses realised with an impact on returns of Segregated Accounts for the next instant and therefore on subsequent indexed benefits.

In the projection, the model also makes use of information related to "management actions", which translates into suitable conditioning factors for the simulation process, the strategic guidelines for financial portfolio management used by each Company.

The process of determining the BELs connected to Segregated Accounts takes place through Montecarlo simulation models, i.e. simulating the returns of funds underlying the insurance contract. For this purpose an Economic Scenario Generator (ESG) is used, which makes use of specific projection models for sources of market risk and which is also adopted to measure the Life Underwriting risks. This approach allows the inclusion in technical provisions of a valuation of the cost of financial guarantees and options, if any.

In relation to linked type products, including pension funds belonging to Class VI, for which the value of the Group Companies' commitments to the policyholders is linked to the market value of the underlying financial portfolios, the characteristic amounts are projected for each policy based on the development of the assets present in the portfolio. As for revaluable products, also for the assessment of class III and VI policies technical and actuarial assumptions are used for each individual Company and standard techniques are used for the stochastic simulation of the financial variables.
For each portfolio segment, the BEL calculations are also based, aside from on the economic assumptions described above, on a series of operating assumptions relating mainly to:

- Development of biometric risk factors;
- Operating expenses;
- Exercise frequency of options granted to the customer.

These assumptions are determined as the best possible estimate at the valuation date on the basis of the historic experience of the individual Group Companies, if available, or of appropriate market benchmarks.

For many reasons, associated for example with the unavailability of all the necessary detailed and/or series of information which proves inefficient for tariffs with immaterial portfolio volumes, a part of the Group's Life portfolio is not accurately modelled in the actuarial platform adopted for the projection of cash flows. However, it is included in the overall estimation of the BEL, albeit approximately, through assimilation with products in the same sub-portfolio of reference, accurately assessed by the actuarial platform. The percentage of the portfolio not accurately modelled, subject to simplified valuation, is overall less than 3%.

In order to assess the main sources of uncertainty in the BEL calculation, a number of sensitivity analyses were carried out on the main scenarios affecting the financial and non-financial value. Each valuation was performed by keeping all other scenarios unchanged, including the management actions.

It should be emphasised that the scenarios subject to sensitivity analysis are often correlated, and therefore it is unlikely that the impact of two events occurring simultaneously would be the sum of the impacts of the two respective sensitivities.

The following table illustrates the sensitivity analyses of the Life BEL, recorded in the MCBS at 31 December 2018 of the Group's Italian Companies. The BEL considered amounted to €40,084,786k and constituted around 98% of the Group portfolio; the percentage changes with respect to the base calculation are reported below.

Sensitivity	Sensitivity description	
IR -20bps	Downward shift of 20 basis points of the risk-free curve	1.49%
IR +20bps	Upward shift of 20 basis points of the risk-free curve	-1.47%
EQ -20%	20% decrease of equity market value	-1.01%
EQ +20%	20% increase of equity market value	1.00%
Spread +50bp	Increase of 50 basis points of the spread	-0.89%
Spread -50bp	Decrease of 50 basis points of the spread	1.20%
Surrenders -50%	50% decrease of redemption rates (multiplier factor, ie 50% of the best estimate redemption assumption)	-0.31%
Surrenders +50%	50% increase of redemption rates (multiplier factor, ie 150% of the best estimate redemption assumption)	-0.20%
Mortality +15%	15% increase in mortality (multiplication factor, i.e 115% of death probabilities is considered)	-0.10%
Mortality -20%	20% drecrease of mortality (multiplier factor, i.e. 80% of death probabilities is considered)	0.13%
Expenses +10%	10% increase of management costs and 1% increase of the expected inflation rate	0.23%
No volatility adjustment	Reduction of the reference rate curve equal to the amount of volatility adjustment	1.34%
No FS restrictions	Cancellation of the budget constraint	0.10%
No yield target	The management rule for targeting a performance for each projection year is deactivated	0.09%

The sensitivities with the greatest impact on the BEL are those relating to a 20 bps change in the reference rate curve and a 20% change in the equity market value. In particular, the impact of a 20 bps decrease in the reference curve and a 20% increase in the equity market value would entail an increase in the total BEL.

The sensitivity analysis of technical variables shows that the amount of the BEL would increase following a decrease in the mortality rate and on increase in the operating expense of contracts. As regards surrenders, on the basis of current economic assumptions, a 50% change in the surrender rate, either up or down, would in any event have negative impacts on the total BEL as a result of offsetting between the various product types and between the various liability components.

The deactivation of the return targets for revaluable portfolios and the cancellation of the financial statement restriction (or the realignment between assets and liabilities at each year end) have a limited impact on the total BEL.

Technical Provisions - Reinsurers' share

LIFE

As regards the calculation of the reinsurers' share of provisions for the Life business, note that in view of the reduced ceding of Life business through the reinsurance channel it was not necessary to develop a specific BEL valuation of the reinsurers' share, which was therefore approximated with the amount of the reinsurers' share of provisions indicated in the consolidated financial statements, adjusted to take into account expected losses deriving from reinsurer default. Again in consideration of the very limited volumes, the same approach, with the exception of the default adjustment, is applied to calculate the BEL for indirect business.

NON-LIFE

Calculation of the reinsurers' share of provisions for the Non-Life and Health businesses was performed, like the calculation carried out at individual company level, by applying - on direct and indirect business volumes ceded (net of any intra-group components) - the results obtained for the gross direct business, and then estimating expected losses due to reinsurance counterparty default calculated on the basis of the volumes of provisions divided into reinsurer rating classes using the probability of default (PD) and the estimated loss given defaults (LGD).

In particular, for each individual company:

- the claims BEL for premiums ceded was calculated by applying to the corresponding financial statements aggregate the ratios between the BEL and financial statements provisions and the breakdown of provisions patterns estimated - for each business segment - on the gross premiums figures;
- the premiums BEL for premiums ceded was calculated using the loss ratios (net of indirect settlement expenses), withdrawal rates and the time allocation percentages estimated on gross premiums figures.

Methodology of valuation of the Risk Margin

The Risk Margin represents the cost of holding an amount of eligible own funds equal to the Solvency Capital Requirement (SCR) needed to support insurance and reinsurance obligations assumed throughout their contractual life.

The method adopted involves calculating the Risk Margin of each group company separately for Non-Life and Life business, so as to take into account the specific features of the two businesses, and calculating the total Risk Margin as the sum of the figures indicated previously.
The Group's overall Risk Margin is determined as the algebraic sum of the Risk Margins calculated separately for each Company on the basis of the solvency capital requirement of the reference company, determined in accordance with the Standard Formula or the Partial Internal Model when applicable.

The Risk Margin is calculated for each company on the basis of the following input data:

- SCR related to operational risk;
- SCR related to credit risk;
- SCR related to Non-Life and Health underwriting risks (including CAT risk) or Life underwriting risks quantified according to the different risk assessment methods;
- SCR related to Ring Fenced Funds;
- settlement speed estimate for the best estimate component of technical liabilities;
- risk-free rate curve.

To estimate the Solvency Capital Requirement for future instants, the simplified method number 2 described in the EIOPA document "Guidelines on technical provisions valuation" (no. 62), which envisages the option of approximating the SCR for all future years based on the ratio between the BEL for each future year and the BEL at the valuation date, is adopted.

D.2.2 Quantitative information on the valuation of the technical provisions

Non-Life technical provisions

The MCBS recognition value of Non-Life technical provisions corresponds to their fair value determined using the methods described above in paragraph D.2.1.

The values of Non-Life technical provisions broken down by line of business (LoB) are illustrated below.

Segmentation of Non-Life technical provisions by Line of Business

Amounts in €k		Best estimate (gross)	Risk Margin	Recoverable amounts from reinsurance	TOTAL
	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)	13,284,118	563,062	(761,872)	13,085,309
1	Medical expense insurance	477,457	25,477	(1,678)	501,256
2	Income protection insurance	537,301	33,552	(42,296)	528,557
3	Workers' compensation insurance				
4	Motor vehicle liability insurance	6,570,699	236,321	(68,809)	6,738,211
5	Other motor insurance	353,125	17,522	(3,213)	367,433
6	Marine, aviation and transport insurance	334,152	8,740	(196,847)	146,045
7	Fire and other damage to property insurance	1,409,348	68,719	(135,202)	1,342,864
8	General liability insurance	2,961,243	128,998	(77,058)	3,013,183
9	Credit and suretyship insurance	364,225	26,660	(140,739)	250,145
10	Legal expenses insurance	85,543	4,686	(38,222)	52,007
11	Assistance	73,604	5,359	(306)	78,656
12	Miscellaneous financial loss	117,423	7,029	(57,502)	66,950
	Line of business for: accepted non-proportional reinsurance	118,186	32,312	4,717	155,215
13	Non-proportional health reinsurance	147	173		320
14	Non-proportional casualty reinsurance	104,496	29,366	1,913	135,774
15	Non-proportional marine, aviation and transport reinsurance	478	20		498
16	Non-proportional property reinsurance	13,065	2,753	2,805	18,624
	Total	13,402,304	595,374	(757,155)	13,240,524

At 31 December 2018 there were no amounts recoverable from SPVs.

The following table summarises the differences in value found between the valuation for Solvency purposes and the valuation for the Group's consolidated financial statements of the Non-Life technical provisions (direct and indirect business), net of amounts ceded to reinsurers.

Non-Life technical provisions

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Technical provisions - Non-life	13,997,678	15,231,631	(1,233,953)
Other technical provisions			
Reinsurance recoverables from: Non-life and health similar to Non-life	(757,155)	(932,896)	175,741
Total	13,240,524	14,298,736	(1,058,212)

For further information on the existing differences between the technical provisions calculation methods for the Non-Life segment for the MCBS and that recorded in the Consolidated Financial Statements, reference should be made to the comments in paragraph D.2.1 above.

The overall difference between the Technical Provisions in the financial statements and the Solvency II value, net of reinsurance, amounts to €1,058.2m.

The difference totalled approximately €296.6m on the Premiums BE and €1,349.7m on the Claims BE. These effects were partly offset by the addition of the Risk Margin (€595.4m).

Life technical provisions

The MCBS recognition value of Life technical provisions corresponds to their fair value determined using the methods described above in paragraph D.2.1.

The values of Life technical provisions broken down by LoB (line of business) are illustrated below.

Segmentation of Life technical provisions by Line of Business

	Amounts in €k	Best estimate (gross)	Risk Margin	Recoverable amounts from reinsurance	Total
	Direct business	40,583,756	276,669	(45,572)	40,814,853
1	Health insurance				
2	Insurance with profit participation	34,534,313	212,457	(37,348)	34,709,422
3	Index-linked and unit-linked insurance	6,138,168	36,323		6,174,491
4	Other life insurance	(88,725)	27,890	(8,224)	(69,060)
5	Annuities stemming from non-life insurance contracts and relating to health insurance obligations				
6	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations				
	Indirect business	7,288	14	(3,542)	3,761
	Total	40,591,044	276,684	(49,113)	40,818,614

The following table summarises the differences in value found between the valuation for Solvency II purposes and the valuation for the Group's Consolidated Financial Statements of the Life technical provisions (direct and indirect business, net of reinsurance).

Life technical provisions

Amounts in €k	Solvency II Value	Consolidated FS value – Solvency II Scope	Difference
Technical provisions - Life (excluding Index-linked and unit-linked)	34,693,236	34,046,443	646,793
Technical provisions - Index-linked and unit-linked	6,174,491	6,224,333	(49,843)
Recoverables from reinsurance: Life and health similar to Life, excluding Health, Index-linked and unit-linked	(49,113)	(49,129)	15
Recoverables from reinsurance: Life Index-linked and unit-linked			
Total	40,818,614	40,221,648	596,966

The table below provides the details for each individual Company and also highlights adjustments for intra-group activities.

Life technical provisions broken down by company

Company - (Amounts in €k)	Solvency II techcnical provisions	IFRS provisions	Difference
UnipolSai Assicurazioni	31,494,422	30,751,659	742,763
Arca Vita	8,264,143	8,403,256	(139,113)
Bim Vita	600,655	603,891	(3,236)
Arca Vita International	485,293	488,239	(2,946)
DDOR	22,509	22,497	12
UnipolRE	1,265	1,794	(529)
Intragroup transactions	(558)	(558)	
Totale	40,867,727	**40,270,777**	**596,951**

The comparison between Life technical provisions measured for the Market Consistent Balance Sheet and those calculated for the IFRS financial statements shows different approaches relating to the assumptions adopted for the calculation and the underlying risks.

Deviation between the two quantities is particularly significant for traditional tariffs and for those envisaging benefits linked to the performance of a Segregated Account (i.e. revaluable). In summary, the methodological approach used to value the above-mentioned products in the IFRS financial statements does not allow full expression of the cost of financial guarantees granted to the policyholders, or a possible unfavourable development in the options granted to the policyholders.
The main factors due to which the two valuation metrics differ may be summarised as:

- financial impacts, or the set of assumptions relating to the risk-free reference rate level, market volatility and the adoption of risk-neutral valuation methodologies;
- the adoption of best estimates relating to estimated mortality levels (against prudent assumptions adopted in the calculation of provisions for the financial statements);
- the modelling of policyholder behaviour expected in the year for the various contractual options offered (surrender, reduction, withdrawal, additional payments, etc.), which are not specifically considered in the calculation of provisions for the financial statements;
- the adoption of cost assumptions (commissions and non-commissions) based on the Companies' actual experience (against assumptions adopted in the calculation of provisions for the financial statements, based on "first level" assumptions, i.e. those defined at the tariff pricing stage prior to verification of their sustainability);
- the explicit inclusion of the Risk Margin in the calculation of the Technical Provisions, a component not envisaged in financial statements provisions.

The Solvency II technical provisions for the Reinsurance recoverables segment, given the low degree of materiality of the total volume, as previously mentioned, were determined on the basis of the amount recognised in the Consolidated Financial Statements, adjusted for expected losses from reinsurer default.

D.2.3 Information on the effects of the application of volatility adjustment

For the fair value measurement of Non-Life and Life technical provisions, the Group has applied the option envisaged in Art. 77-quinquies of the Directive, defined as the volatility adjustment (VA).

The table below summarises the effect that non-application of the VA would have on technical provisions (gross of the effect of reinsurance) on the Solvency Capital Requirement, basic own funds and eligible own funds to cover the Solvency Capital Requirement.

Volatility Adjustment

Amounts in €k	With VA (a)	Without VA (b)	Difference (b)-(a)
Technical provisions	54,865,406	55,500,056	634,650
Basic own funds	5,473,174	5,091,855	(381,319)
SCR	3,892,721	3,961,270	68,549
Eligible amount of own funds to meet SCR	6,345,808	5,871,341	(474,467)
SCR coverage ratio	1.63	1.48	(0.15)

D.3. Other liabilities

D.3.1 Valuation criteria

Please first of all note that, when not specified otherwise, no changes were made to the valuation criteria, methods and models with respect to those used in the previous year.

Financial liabilities

The fair value of other (non-technical) financial liabilities is measured by taking into account the credit rating of the company "at inception", without considering any subsequent changes in that credit rating.

Other liabilities

For all other assets and liabilities not included in the categories of previous paragraphs, taking into account the related characteristics, the recognition value in the MCBS is consistent with their value determined for the Consolidated Financial Statements.

D.3.2 Quantitative information on the valuation of other liabilities

The differences recognised between other liabilities in the MCBS and their corresponding valuations in the Consolidated Financial Statements are provided below.

Other liabilities

Amounts in €k	Solvency II value	Consolidated FS value – Solvency II Scope	Difference
Provisions other than technical provisions	349,776	349,776	
Pension benefit obligations	99,189	99,189	
Deposits received from reinsurers	166,166	166,166	
Derivatives	265,050	265,050	
Debts owed to credit institutions	283,666	283,666	
Financial liabilities other than debts owed to credit institutions	1,876,491	1,803,232	73,259
Insurance and intermediaries payables	158,272	158,272	
Reinsurance payables	41,161	41,161	
Payables (trade, not insurance)	145,743	145,743	
Subordinated liabilities	2,344,962	2,247,238	97,724
Any other liabilities, not elsewhere shown	1,710,301	1,710,301	
Total	7,440,777	7,269,793	170,983

The difference in the valuation of financial liabilities other than payables to credit institutions derives from the fair value measurement primarily of debt securities issued by the Parent Company, which are valued at amortised cost in the Consolidated Financial Statements.

As regards subordinated liabilities, as indicated previously, these were measured at fair value (without considering the post-issue change in credit rating) for MCBS purposes. Such liabilities were instead measured at amortised cost in the Consolidated Financial Statements.

The total liabilities for defined benefit plans due to employees after termination was €99,189k, consisting primarily of post-employment benefits and obligations deriving from the post-retirement policy for managers. There are no assets serving such defined benefit plans.
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.
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.

Leasing and rental agreements - liabilities

At 31 December 2018 the Group has no significant finance leases or rental agreements.

D.4. Alternative methods for valuation

As reported in the previous paragraphs, with reference to the valuation method for assets, technical provisions and other liabilities, for some of these alternative valuation methods were used, based on the premises stated in Art. 10 of the Regulation.

In particular, alternative valuation methods were used for all assets and liabilities for which the Regulation had not defined other valuation criteria[20], lacking priced listed in active markets of identical or similar assets and liabilities.

The description of the methods used and the valuation uncertainties is given in the comments on valuation criteria in paragraphs D.1.1 and D.3.1.

Based on past experience, no significant deviations emerged between the estimated valuation based on alternative valuation methods and the corresponding values deduced, for example, from subsequent market transactions involving these assets and liabilities.

D.5. Any other information

Note that there is no significant information to report in addition to that already illustrated in previous paragraphs.

[20] In particular, these are contingent liabilities (Art. 11 of the Regulation), intangible assets (Art. 12), participations (Art. 13), financial liabilities (Art. 14), deferred taxes (Art. 15) and technical provisions (Chapter III of the Regulation).

E

CAPITAL MANAGEMENT

E Capital Management

E.1. Own funds

E.1.1. Introduction

Own funds (OF) represent the financial resources steadily acquired by the Group and available to it to absorb losses and to overcome risks generated by business activities on a going concern basis.

The Directive divides available Own Funds into basic OF and ancillary OF.

The basic OF are formed from the excess of assets over liabilities, both measured at fair value pursuant to Art. 75 of the Directive, and subordinated liabilities. The elements are classified in 3 tiers (Tier 1, Tier 2 and Tier 3) based on the technical characteristics and the objectives of stability and loss absorption.

Note that, among the Tier 1 elements, the reconciliation provision is equal to the amount representing the total excess of assets over liabilities, less the value of:

- own shares of the parent company;
- expected dividends;
- Tier 2 and Tier 3 own funds;
- Tier 1 elements other than the reconciliation provision;
- the excess of own funds over and above the notional SCR of Ring Fenced Funds;
- other own funds not available to the Group[21].

Pursuant to Art. 330 of the Regulation, subsequent to the identification of basic own funds, it is necessary to evaluate whether specific own funds eligible for covering the solvency capital requirement of an investee company may be made effectively available to cover the group's solvency capital requirement.

The basic own funds which, following this evaluation, are actually unavailable to cover the group's solvency capital requirement are calculated within the group's own funds for a maximum amount equal to the contribution of the issuing company to the Group's SCR.

The ancillary OF, not present at 31 December 2018, are the elements other than basic that can be used to absorb losses.
The above category can include:

- share capital or initial funding not paid and not called;
- letters of credit and guarantees;
- any other legally binding commitment received by the Group Companies.

These elements, whose inclusion among ancillary OF is subject to Supervisory Authority approval, cannot be calculated in Tier 1 and are not eligible for MCR cover.

In order to obtain the own funds eligible to cover the SCR and the MCR, the available own funds are restated in accordance with the eligibility criteria.

The eligibility limits used are those established in Art. 82 of the Regulation, which envisages the following criteria to meet the Solvency Capital Requirement (SCR):

- the Tier 1 percentage must be at least 50% of the SCR;
- the total of Tier 3 elements must be less than 15% of the SCR;
- the sum of Tier 2 and Tier 3 elements cannot be higher than 50% of the SCR.

Within the above limits, Tier 1 subordinated liabilities (defined as "Tier 1 restricted") cannot exceed 20% of the total Tier 1 elements. The elements that should be included in the upper Tiers, but are in excess of the above limits, can be reclassified to the lower Tiers until those lower Tiers are completely saturated.

[21] This category includes any assets not considered eligible for SCR cover based on specific Supervisory Authority instructions.

As regards compliance with the Minimum Capital Requirement (MCR), the eligibility limits used are the most stringent established in the Regulation:

- the Tier 1 percentage must be at least 80% of the MCR;
- the total of Tier 2 elements, therefore, cannot be higher than 20% of the MCR.

Own funds classifiable as Tier 3 are not eligible as MCR cover.

E.1.2. Capital management policy

The Company's capital management strategies and objectives are set out in the "Capital Management and Dividend Distribution Policy", which describes the reference framework and process for capital management and dividend distribution also in terms of the roles and responsibilities of the players involved. The document also identifies the principles for capital management and dividend distribution or other elements of own funds, consistent with the objectives of return on capital and with the risk appetite defined by the Board of Directors.

The general aims pursued by the "Capital Management and Dividend Distribution Policy" are:

- define in advance the allocated return on capital objectives, consistent with profitability objectives and in line with the risk appetite;
- maintain a solid and efficient capital structure, considering the growth targets and risk appetite;
- outline the capital management process for the definition of procedures to guarantee, among other things, that:
  - the elements of own funds, at the time of issue and subsequently, satisfy the applicable capital regime and are correctly classified;
  - the terms and conditions for each element of own funds are clear and undeniable;
- define in advance a sustainable flow of dividends, in line with the profit generated, available cash and the risk appetite, also identifying and documenting any situations in which the distributions of elements of own funds can be cancelled or postponed;
- outline the dividend distribution process for the definition of procedures to guarantee a solid and efficient capital structure, considering that growth targets and profitability objectives are in line with the risk appetite;
- define the roles, responsibilities and reporting on capital management, distribution of dividends and other elements of own funds.

The capital management and dividend distribution process is divided into five steps, closely associated with other corporate processes:

- final measurement of available capital and capital requirement;
- formulation of the medium-term capital management plan;
- operating monitoring and reporting;
- management actions on capital;
- distribution of dividends and other elements of own funds.

E.1.3. Information on available and eligible own funds

The table below illustrates the position for the Group's available and eligible own funds, divided into the Tiers, with a demonstration of the changes occurring between 31 December 2017 and 31 December 2018.

Amounts in €k	31/12/2017	Issued	Redeemed	Movements in valuation	Regulatory action	31/12/2018
Total available own funds to meet the SCR	6,901,702	500,000	(534,723)	(521,171)		6,345,808
of which tier 1 unrestricted	*4,989,211*		*(220,214)*	*(727,219)*		*4,041,778*
of which tier 1 restricted	*1,050,190*			*(3,040)*		*1,047,150*
of which tier 2	*763,085*	*500,000*	*(314,509)*	*(8,516)*		*940,060*
of which tier 3	*99,216*			*217,604*		*316,820*
Adjustments for eligibility restrictions						
of which tier 1 unrestricted						
of which tier 1 restricted	*(42,148)*			*(212,717)*		*(254,864)*
of which tier 2	*42,148*			*212,717*		*254,864*
of which tier 3						
Total eligible own funds to meet the SCR	6,901,702	500,000	(534,723)	(521,171)		6,345,808
of which tier 1 unrestricted	*4,989,211*		*(220,214)*	*(727,219)*		*4,041,778*
of which tier 1 restricted	*1,008,043*			*(215,757)*		*792,286*
of which tier 2	*805,232*	*500,000*	*(314,509)*	*204,201*		*1,194,924*
of which tier 3	*99,216*			*217,604*		*316,820*

Taking into account that the Group has no ancillary OF, the own funds available as SCR cover coincide with the basic own funds.

Details are provided below of the annual changes in elements of the basic own funds, broken down by Tier:

Annual movements on basic own funds

Amounts in €k	31/12/2017	Issued	Redeemed	Movements in valuation	Regulatory action	31/12/2018
Paid-in ordinary share capital	3,365,292					3,365,292
Share premium account related to ordinary share capital	1,340,118					1,340,118
Reconciliation reserve	1,332,996		(220,214)	(1,186,965)		(74,183)
Other own fund items approved by the supervisory authority as basic own funds						
Own funds which are not available because of transferability, fungibility and minority interest (insurance sector)	(1,049,196)			461,521		(587,674)
Deduction of participations in financial and credit institutions	(957,040)			82,631		(874,409)
Total "Tier 1 unrestricted"	**4,032,171**		**(220,214)**	**(642,813)**		**3,169,144**
Own funds relating to participations in financial and credit institutions	957,040			(84,406)		872,634
Total "Tier 1 unrestricted" financial sector	**957,040**			**(84,406)**		**872,634**
Total "Tier 1 unrestricted"	**4,989,211**		**(220,214)**	**(727,219)**		**4,041,778**
Called up but unpaid ordinary share capital						
Subordinated liabilities	1,232,831			(2,420)		1,230,411
Own funds which are not available because of transferability, fungibility and minority interest (insurance sector)	(182,640)			(620)		(183,261)
Total "Tier 1 restricted"	**1,050,190**			**(3,040)**		**1,047,150**
Subordinated liabilities	895,794	500,000	(314,509)	33,266		1,114,551
Own funds which are not available because of transferability, fungibility and minority interest (insurance sector)	(132,709)			(41,782)		(174,491)
Total "Tier 2"	**763,085**	**500,000**	**(314,509)**	**(8,516)**		**940,060**
Subordinated liabilities						
Net deferred tax assets	102,307			248,531		350,838
Own funds which are not available because of transferability, fungibility and minority interest (insurance sector)	(3,091)			(30,927)		(34,018)
Total "Tier 3"	**99,216**			**217,604**		**316,820**
Total basic own funds	**6,901,702**	**500,000**	**(534,723)**	**(521,171)**		**6,345,808**

Overall, there was a decrease in basic own funds of €555,894k primarily due to the reduction in the reconciliation reserve which fell from €1,332,996k to -€74,183k, partially offset by the lower deductions of own funds which are not available because of transferability, fungibility and minority interest, and an increase in net deferred tax assets classified under tier 3.

For a description of the composition of the main items that make up the reconciliation reserve and own funds which are not available because of transferability, fungibility and minority interest, please see the next paragraphs.

The change in the item relating to subordinated liabilities in "Tier 1 restricted" was due to the change in fair value with respect to the previous year.

Please note that, with reference to subordinated liabilities in "Tier 2", on 1 March 2018, UnipolSai Assicurazioni S.p.A. issued a subordinated bond loan for a nominal value of €500m, maturing in March 2028 and with a coupon equal to 3.875%. The liquidity obtained from the placement was used in part, for the early repayment (on 3 May 2018) of subordinated bond loans, also eligible for calculation as tier 2 own funds, for a total nominal value of €314.5m.

Lastly, the amount of net deferred tax assets in "Tier 3" was equal to €350,838k at 31 December 2018 with respect to a value of €102,307 in the previous year.

Composition and characteristics of the Group's own funds

Basic own funds gross of adjustments for transferability and fungibility - insurance sector

The individual elements of the Group's own funds and the relative classification in Tiers are commented on below.

The ordinary share capital and share premium reserve correspond to the amount paid in by the shareholders of the parent company Unipol Gruppo S.p.A.. Based on their level of stability and their loss absorption capacity, they qualify as "Tier 1 unrestricted" own funds.

The reconciliation reserve, based on Art. 69 of the Regulation, represents the residual amount of the Group's own funds eligible as an element of Tier 1 unrestricted own funds, determined by making suitable adjustments to the total obtained as the difference between assets and liabilities recorded in the MCBS. Details of the calculation of the reconciliation reserve are provided below.

Reconciliation reserve

Amounts in €k	Tier 1 unrestricted 2018	Tier 1 unrestricted 2017
Excess of assets over liabilities from MCBS (A)	5,213,635	6,429,497
Own shares (held directly and indirectly) (B)	7,048	29,494
Foreseeable dividends, distributions and charges (C)	220,214	252,598
Other basic own fund items (D)	5,056,249	4,807,718
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds (E)		
Other non available own funds	4,308	6,691
Reconciliation reserve (A-B-C-D-E)	(74,183)	1,332,996

To determine the reconciliation reserve, the following adjusting items were deducted from the amount obtained as the difference between assets and liabilities set forth in the MCBS:

- the item "Other basic own fund items" (€5,056,249k at 31/12/2018 with respect to €4,807,718k at 31/12/2017), which includes the amount of the share capital paid in and the share premium reserve autonomously classified as Tier 1 unrestricted (€4,705,411k at 31/12/2018 unchanged compared to 31/12/2017) and the total Tier 3 own funds (€350,838k at 31/12/2018 compared to €102,307k at 31/12/2017), corresponding to the value of deferred tax assets the recoverability of which depends on future income.
- the total of own shares held directly and indirectly by the parent company (€7,048k at 31/12/2018, compared to €29,494k at 31/12/2017);
- the amount of dividends, distributions and foreseeable charges (€220,214k at 31/12/2018, compared to €252,598k at 31/12/2017);
- the total of own funds not available because they refer to segregated funds ("Ring fenced funds"). This amount was calculated as any positive excess resulting from the difference between net assets and liabilities referring to ring-fenced funds and the corresponding Solvency Capital Requirement of each segregated fund. This excess was zero at 31 December 2018 (unchanged compared to the previous year);
- the amount of other own funds not available. This category includes the excess (equal to €4,308k at 31/12/2018 compared to €6,691k at 31/12/2017) of financial assets pledged as guarantee compared to the corresponding positions in derivative liabilities in application of Art. 23 of IVASS Regulation no. 24 of 6 June 2016.

The reconciliation reserve is calculated considering as elements of unrestricted Tier 1 own funds the deferred tax assets the recoverability of which does not depend on future income, as they may be transformed into tax credits, for an amount equal to €691,978k (€702,425k at 31/12/2017).

Included in the available Tier 1 restricted own funds are the subordinated liabilities indicated below, totalling €1,230,411k. All the subordinated liabilities in question were classified as elements of Tier 1 restricted own funds following application of the transitional provisions of Art. 308-ter of the Directive.

Subordinated liabilities - Tier 1

Amounts in €k	Issue date	Maturity date	Next call date	Further call dates	Nominal issue value	SII Market value (clean price) A	Accrued interests B	SII Value (accrued interests included)
Hybrid 2014 750M	18/06/2014	undated	18/06/2024	Every 3 months	750,000	797,475	23,158	820,633
Subordinated 2003 400M*	24/07/2003	24/07/2023	24/01/2019	Every 6 months	400,000	407,040	2,739	409,779
Total					1,150,000	1,204,515	25,896	1,230,411

* Early repayment notification shall be made on the basis of the timing provided for in the relevant contracts

With reference to the available Tier 2 own funds, indicated in the following table, note that the subordinated liabilities which can be recorded in this tier on the basis of the transitional provisions of Art. 308-ter of the Directive amounted to €580,761k out of total which can be included among the basic Tier 2 own funds for a total of €1,114,551k.

Subordinated liabilities - Tier 2

Amounts in €k	Issue date	Maturity date	Next call date	Further call dates	Nominal issue value	SII Market value (clean price) A	Accrued interests B	SII Value (accrued interests included) C = A+B
Subordinated 2001 300M	15/06/2001	15/06/2021	15/03/2019	Every 3 months	300,000	306,810	255	307,065
Subordinated 2003 300M	28/07/2003	28/07/2023	28/01/2019	Every 3 months	261.689*	272,680	1,016	273,696
Subordinated 2005 100M**	01/03/2018	01/03/2028	-	Every 6 months	500,000	517,600	16,190	533,790
Total					1,061,689	1,097,090	17,461	1,114,551

*Total nominal amount issued €300,000k

All subordinated and hybrid loans noted above were issued by the subsidiary UnipolSai Assicurazioni S.p.A. and constitute the total amount of the item "Subordinated liabilities in basic own funds" recognised in the Group's MCBS.

The elements of own funds issued by other companies consolidated line-by-line by the Group consist of Tier 1 unrestricted instruments.

Own funds gross of adjustments for transferability and fungibility - financial sector

As illustrated in chapter A, in order to calculate the capital adequacy of the Unipol Conglomerate, the Group uses method 1 (standard method based on the consolidated financial statements) as defined in Art. 230 of the Solvency II Directive and Art. 335 of the Regulation.
In application of this methodology, financial sector entities are consolidated synthetically based on the interest held by the Parent Company in the own funds of such companies calculated by applying the relative reference regulation.

The portion pertaining to the Unipol Group of own funds relating to Unipol Banca and UnipolRec (determined on a sub-consolidated basis) was €551,951k and €309,530k as at 31 December 2018, respectively (as at 31 December 2017, before the spin-off operation, the portion of own funds relating to Unipol Banca was €944,734k).
The portion pertaining to the Unipol Group of own funds relating to UnipolSai Investimenti Sgr (determined at individual level) was €12,927k (€11,430 at 31 December 2017).

Taking into account the fact that the participations held by the Group in such entities refer exclusively to Common Equity Tier 1 instruments (CET1, based on applicable sector regulations - "Basel III"), the relative own funds were classified in the corresponding "Tier 1 unrestricted" category set forth in the Solvency II regulation.

Adjustments for limits of transferability and fungibility and for non-controlling interests

As mentioned above, subsequent to the identification of basic own funds described in the previous paragraph, it is necessary to evaluate whether specific own funds eligible for covering the solvency capital requirement of an investee insurance or reinsurance company or an insurance holding company or a mixed financial holding company may be made effectively available to cover the group's solvency capital requirement (Art. 330 of the Regulation).

The Unipol Group determines the unavailable own funds at consolidated level by adding, for each investee, the positive difference between:

i) the amount of own funds of the individual investees that do not meet the conditions of free transferability and fungibility pursuant to paragraph 1 of Art. 330 of the Regulation. In particular, the unavailable own funds of the individual investee insurance companies were determined by deeming the own funds consisting of subordinated liabilities and net deferred tax assets not transferable/interchangeable;

ii) the contribution of each investee entity to the group's solvency requirement determined pursuant to paragraph 6 (a) of Art. 330 of the Regulation.

Lastly, Art. 330, paragraph 4 of the Regulation establishes that the following is deducted from consolidated own funds:

i) an amount equal to the minority interests held by third parties in subsidiary insurance or reinsurance companies, insurance holding companies or mixed financial holding companies that are subsidiary companies of the parent company exceeding the contribution of each subsidiary company to the group's solvency capital requirement;
ii) all minority interests in subsidiary instrumental companies.

With reference to the investee entities in the financial sector, the sum of the following elements was considered available at the level of the holding company Unipol Gruppo S.p.A.:

1) minimum level of the capital requirement of the financial entities, determined on a sub-consolidated basis (with reference to Unipol Banca and UnipolRec) and an individual basis (with reference to UnipolSai Investimenti SGR) on the basis of the applicable regulations;

2) excess share of own funds of the individual entities with respect to the minimum limits pursuant to point 1) within the limits in which such excess amounts consist of own funds that are actually transferable within the Unipol Group.

The table below summarises, with reference to 31 December 2018, the results of the calculation steps completed to determine the share of own funds deducted due to the lack of transferability and fungibility requirements as well as with reference to the minority interests not eligible for calculation described just above.

Own funds which are not available because of transferability, fungibility and minority interest

Amounts in €k	Basic own funds before adjustments for transferability and fungibility	Adjustments for transferability and fungibility	Adjustments for minority interests of subsidiaries exceeding the corresponding contribution to Group's SCR	Own funds ("available") 2018
Tier 1 unrestricted	3,756,818		(587,674)	3,169,144
Tier 1 restricted	1,230,411	(59,966)	(123,295)	1,047,150
Tier 2	1,114,551	(63,805)	(110,686)	940,060
Tier 3	350,838	(12,646)	(21,372)	316,820
Totale OF Insurance Sector	**6,452,619**	**(136,417)**	**(843,027)**	5,473,174
Tier 1 unrestricted	874,409	(1,775)		872,634
Total OF Financial Sector	**874,409**	**(1,775)**		872,634
Total OF	**7,327,028**	**(138,192)**	**(843,027)**	6,345,808

Eligible own funds

As stated in the introduction, in order to identify the total eligible own funds to cover the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR), it is necessary to apply the rules of Art. 82 of the Regulation to the available own funds relating to the insurance sector.
The following table illustrates the structures and amount of OF to meet SCR and MCR, determined for 2018, in comparison with the same data for the year ended at 31 December 2017.

Available and eligible own funds to meet the SCR

Amounts in €k	Available own funds	Adjustments for eligibility	Eligible own funds 2018	Eligible own funds 2017
Tier 1 unrestricted	3,169,144		3,169,144	4,032,171
Tier 1 restricted	1,047,150	(254,864)	792,286	1,008,043
Tier 2	940,060	254,864	1,194,924	805,232
Tier 3	316,820		316,820	99,216
Total OF Insurance sector	5,473,174		5,473,174	5,944,663
Tier 1 unrestricted	872,634		872,634	957,040
Total OF Financial Sector	**872,634**		872,634	957,040
Total OF	**6,345,808**		6,345,808	6,901,702
Total SCR			3,892,721	4,151,729
Surplus/(shortage)			2,453,087	2,749,974

Available and eligible own funds to meet the MCR

Amounts in €k	Available own funds	Adjustments for eligibility	Eligible own funds 2018	Eligible own funds 2017
Tier 1 unrestricted	3,169,144		3,169,144	4,032,171
Tier 1 restricted	1,047,150	(254,864)	792,286	1,008,043
Tier 2	940,060	(632,170)	307,890	331,222
Total OF	5,156,354	(887,035)	4,269,320	5,371,437
Total MCR			1,539,448	1,656,112
Surplus/(shortage)			2,729,872	3,715,325

As seen from the above tables, the rules envisaged in the Regulation for the identification of own funds eligible to meet SCR and MCR resulted in:

- for SCR cover purposes, a transfer of own funds between Tier 1 restricted and Tier 2, as the total amount of available Tier 1 restricted is higher than the limit of 20% of the total amount of Tier 1 own funds. This surplus was calculated in Tier 2;
  to meet MCR, a decrease in Tier 2 following application of the more stringent eligibility rules summarised in the introduction.

Reconciliation with shareholders' equity from the consolidated financial statements

The MCBS at 31 December 2018 shows that assets exceeded liabilities by €5,213,635k (€6,429,497k at 31/12/2017), €1,119,163k (€1,049,274k at 31/12/2017) lower than the shareholders' equity recorded in the consolidated financial statements at the same date. This difference is due:

- to the different methods of consolidation of the investee entities of the parent company Unipol Gruppo S.p.a. adopted to prepare the consolidated financial statements with respect to those used for the preparation of the MCBS, as already reported in chapter D;
- to the different valuation of shareholders' equity components.

The table below provides the reconciliation between consolidated shareholders' equity in the IFRS financial statements and shareholders' equity in the MCBS.

Statement of reconciliation between Financial Statements and MCBS Shareholders' equity

		2018	2017
A	**Shareholders' equity (Financial Statements)***	6,332,798	7,478,770
B	Adjustments for different consolidation methods	(29,248)	(47,771)
C=A+B	**Shareholders' equity (Consolidated Financial Statement) - SII Perimeter**	6,303,551	7,431,000
D	Adjustments by assets/liabilities type	(1,089,916)	(1,001,503)
	Intangible assets	(2,036,910)	(2,052,146)
	Properties and tangible assets for investment and for own use	289,089	246,060
	Other financial investments	300,326	316,757
	Non-life technical provisions	1,233,953	1,187,615
	Non-life reinsurance recoverables	(175,741)	(141,119)
	Life technical provisions	(596,951)	(317,019)
	Life reinsurance recoverables	(15)	(17.1)
	Financial Liabilities	(170,983)	(164,139)
	Other assets	965	3,771
	Deferred taxes	66,351	(81,265)
E=C+D	**Shareholders' equity (MCBS)**	5,213,635	6,429,497

* Note that the difference with respect to the total shareholders' equity in Balance Sheet Liabilities item 1 in the Group's consolidated financial statements (equal to € 6,326,716k at 31/12/2017) is due to the recognition in that accounting document of own shares (amounting to €6,082k) as an adjustment to shareholders' equity.

Section D above illustrates the valuation criteria adopted for preparation of the MCBS, as well as more detailed quantitative information on the comparison with financial statements values.

Methods for eliminating intra-group transactions for the calculation of Own Funds

The Group determines the Consolidated MCBS in compliance with Art. 335 of the Regulation which, particularly with reference to the Unipol Group companies, establishes that the consolidated figures include:

- full consolidation of the data of all participations in insurance or reinsurance companies, non-EU insurance or reinsurance companies, insurance holding companies, mixed financial holding companies and instrumental companies;

- synthetic consolidation, based on the proportional share of own funds of the company calculated pursuant to the pertinent sector regulations, relating to participations in credit institutions and financial institutions;

- synthetic consolidation in compliance with Art. 13 of the Regulation, of all investee companies other than those mentioned in the previous points.

The methods of eliminating intra-group transactions were applied in line with ordinary consolidation techniques adopted to prepare the Consolidated Financial Statements (IFRS 10 and IAS 28), taking into consideration the different scope of consolidation as described above.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As already mentioned, the Group calculates its Solvency Capital Requirement on the basis of the Partial Internal Model, without adopting the simplified calculations permitted by regulations. As part of the risk assessment carried out using the Partial Internal Model, the Group quantifies the Non-Life premium and reserve risks for the lines of business (i) MV TPL, (ii) General Liability and (iii) Fire and other damage to property through the Standard Formula and use of the Group Specific Parameters (GSP).
The valuations were performed by applying the Volatility Adjustment (VA) as the long-term measurement envisaged in the Solvency II regulations, the precise value of which as communicated by EIOPA at the reference date of 31 December 2018 was 24 basis points.

The SCR total for the Group at the end of the reference period was €3,892,721k, down by €259,008k compared to the SCR relating to 31 December 2017. The risk modules for which the most significant changes are observed are Non-Life and Health Underwriting Risks and Market Risks; please refer to chapter C for more detail comments on the reasons for this change.

The MCR total for the Group at the end of the reference period was €1,539,448k; this amount is calculated according to the specifications defined in Art. 248 of the Regulation.

The amount of the SCR for each risk category established for the Partial Internal Model is shown below along with a comparison with the data relating to 31 December 2017:

SCR - Partial Internal Model

Amounts in €k

Risk Modules	2018	2017	Change on 2017
Non-life and health underwriting risk	1,980,508	2,105,623	(125,115)
Life underwriting risk	276,802	228,777	48,025
Market risks	2,108,469	2,036,449	72,020
Credit risk	270,319	317,485	(47,166)
Diversification	(1,061,509)	(1,067,044)	5,535
BSCR	3,574,588	3,621,291	(46,702)
Operational risk	551,089	562,278	(11,189)
ALAC TP	(434,667)	(318,444)	(116,223)
ALAC DT	(840,390)	(881,621)	41,231
SCR of other related undertakings (SCR OT)	91,910	98,003	(6,092)
Out of scope undertakings's SCR	254,287	356,463	(102,176)
Conservative margin	58,247	54,466	3,781
Solvency capital requirement - Insurance sector	3,255,064	3,492,435	(237,370)
Solvency capital requirement - Credit and financial sector	637,656	659,294	(21,638)
SCR	3,892,721	4,151,729	(259,008)

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The Group does not use the equity risk sub-module pursuant to Art. 304 of the Regulation to calculate the SCR.

E.4. Differences between the standard formula and any internal model used

As of 31 December 2017, after obtaining authorisation from the Supervisory Authority, the Group began calculating its Solvency Capital Requirement using the Partial Internal Model, in order to provide a better assessment of its actual risk profile than the standard formula.

To provide a more complete representation of the risk profile, the Group has adopted risk classification criteria somewhat different from those proposed by the Standard Formula, which is the method used to calculate the Solvency Capital Requirement ("SCR") for undertakings that have not developed an internal model. In particular, with regard to market risk, as part of the PIM, the Group also considers the risks relating to the volatility of share prices and interest rates.

For the risk modules not included within the PIM, the Standard Formula is used, with the application of parameters specific to the Group ("Group Specific Parameters" or "GSP") to calculate the Premium and Reserve Risk for the following Lines of Business ("LoB"):

- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles, comprising business areas 4 and 16 as defined in Annex I to the Regulation. This segment is also referred to as "Motor third-party liability" or "Motor vehicle liability" or the acronym MVL;
- Segment 4, Proportional insurance and reinsurance against fire and other damage to property resulting, comprising business areas 7 and 19 as defined in Annex I to the Regulation. This segment is referred to as "Fire and other property damage" or "Fire and other Damage to Property" or the acronym FDP;
- Segment 5, Proportional insurance and reinsurance on general third-party liability, comprising business areas 8 and 20 as defined in Annex I to the Regulation. This segment is also referred to as "Third-party liabilities" or "General liability" or the acronym GLI.

In addition, within the Partial Internal Model the Group also assesses the following risks using the Standard Formula (Market Wide):
- market concentration risk;
- the Credit risk exposure to residual counterparties for which no information has at present been obtained for PIM modelling;
- the Health and Non-Life Catastrophe risks other than Earthquake risk;
- the Non-Life and Health premium and reserve risks for lines of business other than those indicated previously;
- Non-Life and Health surrender risk;
- Life business catastrophe risk;
- Operational risk;
- all Market risks and all Life underwriting risks in reference to index-linked policies, unit-linked policies and pension funds.

The risk aggregation process calls for a bottom-up approach and may be broken down into two phases:
- aggregation of the risk sub-modules that make up the Market, Non-Life and Health, Life and Credit risks;
- aggregation of the Market, Non-Life and Health, Life and Credit risk modules.

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 Probability Distribution Forecast ("PDF");
- aggregation of multiple marginal distributions through copula functions.

More specifically:
- the joint sampling is a risk aggregation method involving the direct calculation of PDF values subject to the occurrence of scenarios with multiple variations of the risk factors in question. This approach allows projection of the Group's MCBS against the set of joint scenarios identified, and subsequent determination of the distribution of the probability of profit and losses aggregated over a time horizon consistent with the holding period of the risk assessment;
- the Var-Covar method is used to aggregate the components of the model adopting the Standard Formula with the components valued using the Internal Model. The main objective is to aggregate the Standard Formula component with the Internal Model component, preserving the PDF-related information;
- when at one point in the PIM aggregation hierarchy two or more empirical distributions meet, these distributions are aggregated using the copula functions. This aggregation method allows the determination of a joint distribution formed by two or more marginal distributions, and to subsequently sample the variable sum distribution.

After determining the PDFs for each risk model (Market PDF, Non-Life PDF, Credit PDF, Life PDF), they are aggregated through:
- determination of a Proxy PDF through scenario-to-scenario association of empiric margins;
- determination of the PDF by means of a Gaussian copula.

This process determines the joint PDF for the four risk modules, considered indispensable in order to adequately capture the Group's risk profile taking into account the dependencies between the various risks.

The loss recorded at the 99.5th percentile of the joint PDF represents the BSCR value of the Group.

The Solvency Capital Requirement is obtained by adding the components relating to operational risk, components relating to adjustments for loss-absorbing capacity of technical provisions and deferred tax assets and liabilities, the capital requirement of other related undertakings (OT SCR), the capital requirement of out of scope undertakings, the conservative margin defined by the Supervisory Authority and the capital requirement of the Banking Sector to the BSCR.

The reasons for which it is considered that the PIM offers a more suitable representation of the Group's risk profile than the Standard Formula are provided below.

Life underwriting risk
The Internal Model measures Life business underwriting risk more accurately than the Standard Formula, mainly for the following reasons:

- it allows a maximum loss calculation based on scenarios calibrated on the specific portfolio of the Group, through actual analysis of the trend in Life underwriting risk factors. Whilst the Standard Formula adopts a scenario-based approach with scenarios predefined and calibrated on the European market situation, the Internal Model determines the maximum loss to which the Group could be exposed based on changes in the Life underwriting risk factors;
- it uses more granular and specific actuarial scenarios, defined on the basis of the risk characteristics of the Group's policies portfolio. Unlike the Standard Formula, in which scenarios for each Life underwriting risk are unambiguous for all product classes, in the PIM the scenarios that determine the Group's maximum loss are differentiated on the basis of standardised product classes;
- it allows periodic updating of the scenarios relating to each risk factor. In fact, with the PIM, the scenarios that determine the maximum loss are updated quarterly;
- it allows a more suitable valuation of the effects of mitigation deriving from the management strategies of financial portfolios underlying the Life insurance policies;
- it facilitates the use test, guaranteeing consistency with the assumptions and models used in the business valuations.

Market risks
The Internal Model measures the market risks of the Group's financial instruments more accurately than the Standard Formula, mainly for the following reasons:

- it allows more accurate measurement of the market risks, determining the maximum loss on the basis of effective changes in the total portfolio value against a combination of risk factors and not through the parameter-based approaches defined in the Standard Formula;
- it uses more granular and specific risk factors, defined on the basis of the risk characteristics of the financial instruments portfolio currently held by the Group;
- it allows constant calibration updating of the models that generate stochastic financial scenarios relating to risk factors identified on the basis of market developments, whilst these scenarios remain static in the Standard Formula;
- it allows calculation of the spread risk by applying stochastic financial scenarios calibrated on historical data and determination of the effective change in the asset value rather than using the parameter-based method envisaged in the Standard Formula;
- it allows calculation of the property risk on the basis of scenarios calibrated on indices representing the Italian real estate market, rather than indices calibrated on the European-UK markets, given the diversity characterising the different markets;
- it allows benefits of diversification between the market risk factors to be captured, based on historically verified correlations. For example, with reference to equity risk, the Internal Model considers the values of sector indices representing individual shares as risk factors, allowing benefits deriving from a diversified portfolio to be captured;
- from a use test point of view, it allows a risk measurement tool to be used that allows continuous dialogue and comparison with the operating departments that manage the investment portfolios, using logics shared with the lines of business. It combines the need for strict capital at risk measurement with the need to have an operating decision-making support tool to optimise the risk/return parameters of the portfolio.

The Market risk module of the Group's Internal Model includes the following sub-modules not envisaged by the Standard Formula:

- Equity volatility risk, i.e. the risk of a potential negative change in the value of available capital due to changes in the volatility of the equity instruments;

- Interest rate volatility risk, i.e. the risk of a potential negative change in the value of available capital due to changes in the volatility of the interest rate derivative instruments.

Credit risk

The Internal Model quantifies the maximum loss of all exposures for which specific financial information can be identified or the degree of risk determined based on historical information obtained internally. For such counterparties it is therefore possible to identify the specific risk parameters. Vice versa, the weighted averages envisaged in the Standard Formula do not allow the use of accurate information that distinguishes the counterparties analysed.

The decision to adopt the Internal Model to calculate the capital requirement for credit risk was, in addition to the purpose of accurately capturing the risk profile of exposures, also dictated by the need - for certain types of exposure - to envisage weightings in line with the effective level of risk detected.

The Internal Model provides the results necessary to fully characterise the Group's risk profile. In particular, the model calculates the entire distribution of losses, highlighting any concentration effects. These aspects are also set out on the basis of the business segment (Life, Non-Life) and the types of credit making up the Group's exposure: exposure to banks, insurance companies, co-insurers, reinsurers, insurance intermediaries (agencies and brokers), policyholders and other receivables.

Earthquake risk

The Internal Model measures Non-Life business earthquake risk more accurately than the Standard Formula, mainly because:

- it allows more granular geo-referencing of the Group's risks in a given area and a specific assessment of the risk mitigation effect guaranteed by the policy terms and conditions (deductibles, reimbursement limits, non-coverage). In addition, the modular composition allows separate assessment of the seismic dangers of a given area and the vulnerability of the assets insured, the latter assessed on the basis of construction, property usage, year of construction and building height characteristics;
- facilitate the use test by adopting models more aligned to those used by the business. In addition to calculation of the earthquake SCR, the model is also used in particular to support the pricing of Standardised Products and Corporate Risks, as well as valuation of the reliable estimate of losses if a seismic event occurs (post-event analysis);

it allows the measurement of the reinsurance purchasing capacity for the catastrophe treaties and an estimate of the related cost.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

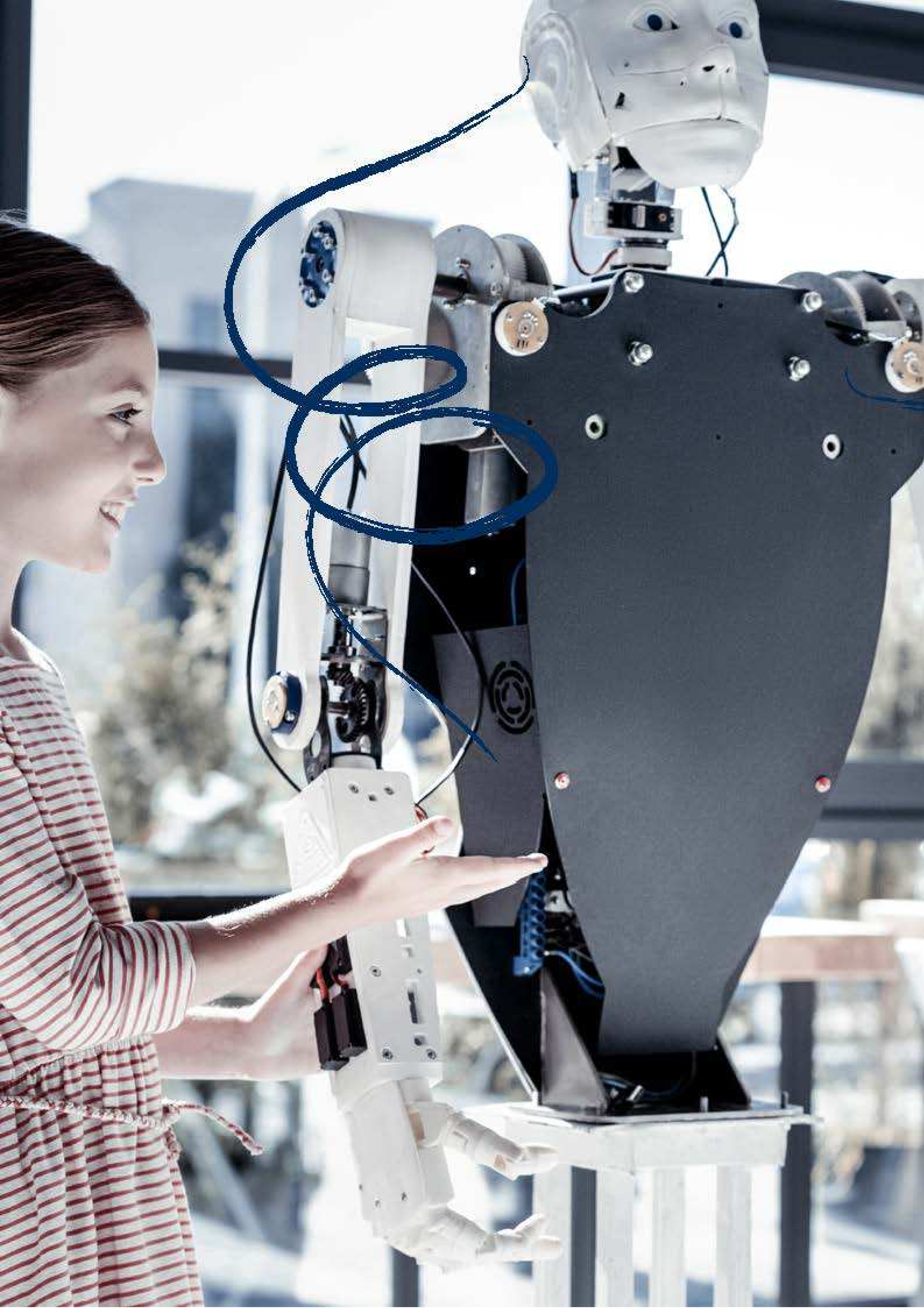
At no time during the year did the Group fail to meet its Solvency Capital Requirement or its Minimum Capital Requirement.

E.6. Any other information

There is no significant additional information to report on the Group's capital management.

Bologna, 9 May 2019

The Board of Directors



QRT MODELS

S.02.01.02
Balance sheet

		Solvency II
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	1.018.470
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	1.831.874
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	51.816.182
Property (other than for own use)	R0080	2.191.074
Holdings in related undertakings, including participations	R0090	1.294.116
Equities	R0100	846.198
Equities - listed	R0110	672.671
Equities - unlisted	R0120	173.527
Bonds	R0130	44.613.907
Government Bonds	R0140	32.144.467
Corporate Bonds	R0150	11.690.786
Structured notes	R0160	775.259
Collateralised securities	R0170	3.394
Collective Investments Undertakings	R0180	2.597.178
Derivatives	R0190	136.420
Deposits other than cash equivalents	R0200	137.289
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	6.208.227
Loans and mortgages	R0230	675.670
Loans on policies	R0240	23.164
Loans and mortgages to individuals	R0250	375.988
Other loans and mortgages	R0260	276.518
Reinsurance recoverables from:	R0270	806.268
Non-life and health similar to non-life	R0280	757.155
Non-life excluding health	R0290	713.181
Health similar to non-life	R0300	43.974
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	49.113
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	49.113
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	32.713
Insurance and intermediaries receivables	R0360	1.416.010
Reinsurance receivables	R0370	67.278
Receivables (trade, not insurance)	R0380	120.287
Own shares (held directly)	R0390	7.048
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	2.060.931
Any other assets, not elsewhere shown	R0420	1.491.520
Total assets	R0500	67.552.477

Liabilities		Solvency II
Technical provisions – non-life	R0510	13.997.678
Technical provisions – non-life (excluding health)	R0520	12.923.572
Technical provisions calculated as a whole	R0530	
Best Estimate	R0540	12.387.400
Risk margin	R0550	536.172
Technical provisions - health (similar to non-life)	R0560	1.074.107
Technical provisions calculated as a whole	R0570	
Best Estimate	R0580	1.014.904
Risk margin	R0590	59.202
Technical provisions - life (excluding index-linked and unit-linked)	R0600	34.693.236
Technical provisions - health (similar to life)	R0610	
Technical provisions calculated as a whole	R0620	
Best Estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	34.693.236
Technical provisions calculated as a whole	R0660	
Best Estimate	R0670	34.452.875
Risk margin	R0680	240.361
Technical provisions – index-linked and unit-linked	R0690	6.174.491
Technical provisions calculated as a whole	R0700	
Best Estimate	R0710	6.138.168
Risk margin	R0720	36.323
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	349.776
Pension benefit obligations	R0760	99.189
Deposits from reinsurers	R0770	166.166
Deferred tax liabilities	R0780	32.660
Derivatives	R0790	265.050
Debts owed to credit institutions	R0800	283.666
Debts owed to credit institutions resident domestically	ER0801	
Debts owed to credit institutions resident in the euro area other than domestic	ER0802	
Debts owed to credit institutions resident in rest of the world	ER0803	
Financial liabilities other than debts owed to credit institutions	R0810	1.876.491
Debts owed to non-credit institutions	ER0811	
Debts owed to non-credit institutions resident domestically	ER0812	
Debts owed to non-credit institutions resident in the euro area other than domestic	ER0813	
Debts owed to non-credit institutions resident in rest of the world	ER0814	
Other financial liabilities (debt securities issued)	ER0815	
Insurance & intermediaries payables	R0820	158.272
Reinsurance payables	R0830	41.161
Payables (trade, not insurance)	R0840	145.743
Subordinated liabilities	R0850	2.344.962
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	2.344.962
Any other liabilities, not elsewhere shown	R0880	1.710.301
Total liabilities	R0900	62.338.842
Excess of assets over liabilities	R1000	5.213.635

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	638.799	671.474		3.470.923	705.604	148.234	1.172.947	700.997	54.058	70.435	172.277	118.437					7.924.186
Gross - Proportional reinsurance accepted	R0120	10.798	783		70.440	6.516	4.535	21.648	6.117	1.042			6.186					128.065
Gross - Non-proportional reinsurance accepted	R0130													353	56.489	25	22.694	79.561
Reinsurers' share	R0140	3.203	45.730		39.485	1.921	95.663	72.379	24.276	24.312	53.703	17	36.239	87	2.446	94	8.605	408.160
Net	R0200	646.394	626.527		3.501.878	710.199	57.106	1.122.216	682.838	30.788	16.731	172.261	88.385	266	54.044	(69)	14.089	7.723.652
Premiums earned																		
Gross - Direct Business	R0210	604.110	656.011		3.459.320	680.607	147.747	1.162.131	695.789	54.031	70.551	166.898	105.224					7.802.418
Gross - Proportional reinsurance accepted	R0220	11.170	794		51.467	3.698	3.504	20.685	5.849	1.055			2.678					100.900
Gross - Non-proportional reinsurance accepted	R0230													338	44.729	25	22.108	67.200
Reinsurers' share	R0240	(11.360)	54.411		39.949	1.810	95.373	77.067	24.378	30.932	53.474	17	32.634	87	2.325	94	8.236	409.425
Net	R0300	626.640	602.395		3.470.838	682.495	55.878	1.105.748	677.260	24.155	17.076	166.881	75.268	251	42.405	(69)	13.872	7.561.094
Claims incurred																		
Gross - Direct Business	R0310	385.104	287.167		2.281.220	406.663	154.640	711.431	283.869	9.656	18.007	71.342	32.099					4.641.199
Gross - Proportional reinsurance accepted	R0320	5.030	159		42.008	3.553	1.340	14.245	1.781	1.185	6	(1)	1.448					70.753
Gross - Non-proportional reinsurance accepted	R0330													199	39.250	284	6.716	46.448
Reinsurers' share	R0340	(3.562)	18.534		20.302	4.963	123.302	80.978	28.168	10.804	20.075	86	5.427	167	(1.113)	125	2.180	310.437
Net	R0400	393.695	268.792		2.302.927	405.253	32.678	644.698	257.483	37	(2.063)	71.255	28.120	32	40.363	159	4.535	4.447.964
Changes in other technical provisions																		
Gross - Direct Business	R0410	13.461	1.903		704	(134)	75	2.162	30	5.355		11	20					23.586
Gross - Proportional reinsurance accepted	R0420							421										421
Gross - Non- proportional reinsurance accepted	R0430																	
Reinsurers'share	R0440									11								11
Net	R0500	13.461	1.903		704	(134)	75	2.584	30	5.344		11	20					23.996
Expenses incurred	R0550	196.463	238.159		1.076.851	227.901	38.103	500.009	303.306	28.787	(4.371)	92.359	31.142	39	6.069	9	2.733	2.737.557
Other expenses	R1200																	
Total expenses	R1300																	2.737.557

S.05.01.02

Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410		3.069.358	1.174.925	149.409				308	4.393.999
Reinsurers' share	R1420		1.583	10	12.133				84	13.810
Net	R1500		3.067.774	1.174.915	137.276				224	4.380.190
Premiums earned										
Gross	R1510		3.081.349	1.174.926	143.986				263	4.400.524
Reinsurers' share	R1520		1.540	10	12.176				84	13.810
Net	R1600		3.079.809	1.174.916	131.809				180	4.386.714
Claims incurred										
Gross	R1610		3.002.970	947.751	36.529				1.893	3.989.144
Reinsurers' share	R1620		10.204	2	3.729				700	14.635
Net	R1700		2.992.767	947.749	32.800				1.193	3.974.509
Changes in other technical provisions										
Gross	R1710		(887.604)	(121.401)	(13.433)				2.536	(1.019.902)
Reinsurers' share	R1720		8.604		569				1.380	10.553
Net	R1800		(896.208)	(121.401)	(14.002)				1.156	(1.030.455)
Expenses incurred	R1900		258.040	50.706	14.997				147	323.891
Other expenses	R2500									
Total expenses	R2600									323.891

S.22.01.22
Impact of long term guarantees

		Amount with LTG measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	54.865.406			634.650	
Basic own funds	R0020	5.473.174			(381.319)	
Eligible own funds to meet SCR	R0050	6.345.808			(474.467)	
SCR	R0090	3.892.721			68.549	

S.23.01.22
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	3.365.292	3.365.292			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030	1.340.118	1.340.118			
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	(74.183)	(74.183)			
Subordinated liabilities	R0140	2.344.962		1.230.411	1.114.551	
Non-available subordinated liabilities at group level	R0150	123.771		59.966	63.805	
An amount equal to the value of net deferred tax assets	R0160	350.838				350.838
The amount equal to the value of net deferred tax assets not available at the group level	R0170	12.646				12.646
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210	843.027	587.674	123.295	110.686	21.372
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	874.409	874.409			
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270	979.445	587.674	183.261	174.491	34.018
Total deductions	R0280	1.853.854	1.462.083	183.261	174.491	34.018
Total basic own funds after deductions	R0290	5.473.174	3.169.144	1.047.150	940.060	316.820
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					

Own funds of other financial sectors						
Reconciliation reserve	R0410	872.634	872.634			
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440	872.634	872.634			
Own funds when using the D&A, exclusively or in combination of						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and a combination of method	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	5.473.174	3.169.144	1.047.150	940.060	316.820
Total available own funds to meet the minimum consolidated group SCR	R0530	5.156.354	3.169.144	1.047.150	940.060	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0560	5.473.174	3.169.144	792.286	1.194.924	316.820
Total eligible own funds to meet the minimum consolidated group SCR	R0570	4.269.320	3.169.144	792.286	307.890	
Minimum consolidated group SCR	R0610	1.539.448				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	R0650	2,77				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	R0660	6.345.808	4.041.778	792.286	1.194.924	316.820
Group SCR	R0680	3.892.721				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	R0690	1,63				

		C0060				
Reconciliation reserve						
Excess of assets over liabilities	R0700	5.213.635				
Own shares (included as assets on the balance sheet)	R0710	7.048				
Forseeable dividends, distributions and charges	R0720	220.214				
Other basic own fund items	R0730	5.056.249				
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740					
Other non available own funds	R0750	4.308				
Reconciliation reserve before deduction for participations in other financial sector	R0760	(74.183)				
Expected profits						
Expected profits included in future premiums (EPIFP) - Life business	R0770	496.834				
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	52.739				
Total EPIFP	R0790	549.574				

S.25.02.22

Solvency Capital Requirement - for groups using the standard formula and partial internal model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios	Consideration of the future management actions regarding technical provisions and/or deferred taxes	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0050	C0060	C0070	C0090	C0120
1	Market risk	2.108.469	8.167	No embedded consideration	2.041.576	None	None
2	Counterparty default risk	270.319	1.047	No embedded consideration	202.202	None	None
3	Life underwriting risk	276.802	1.072	No embedded consideration	178.918	None	None
10	Non-life and Health underwriting risk	1.980.508	7.671	No embedded consideration of future management actions	198.588	Only for italian entities: Segment 1 Standard deviation for non-life premium risk, Segment 1 Standard deviation for non-life reserve risk, Segment 4 Standard deviation for non-life premium risk, Segment 4 Standard deviation for non-life reserve risk, Segment 5 Standard deviation for non-life premium risk, Segment 5 Standard deviation for non-life reserve risk	None
6	Intangible asset risk			No embedded consideration		None	None
7	Operational risk	551.089		No embedded consideration		None	None
8	Loss-absorbing capacity of	(434.667)		No embedded consideration		None	None
9	Loss-absorbing capacity of	(840.390)		No embedded consideration		None	None
11	Conservative Margin	58.247		No embedded consideration		None	None
12	Capital Requirement of out of scope	254.287		No embedded consideration of future		None	None

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	4.224.664
Diversification	R0060	(1.075.355)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	3.163.154
Capital add-ons already set	R0210	
Solvency capital requirement for undertakings under consolidated method	R0220	3.892.721
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(434.667)
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	(840.390)
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	3.866.048
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	26.673
Total amount of Notional Solvency Capital Requirement for matchingadjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	1.489.187
Minimum consolidated group solvency capital requirement	R0470	1.539.448
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	637.656
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	637.656
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	91.910
Overall SCR		
SCR for undertakings included via D and A	R0560	
Solvency capital requirement	R0570	3.892.721

S.32.01.2

Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
IRELAND	LEI/635400UQ9HQGZGZ2MH31	LEI	UNIPOLRE DAC	Reinsurance undertakings	DESIGNATED ACTIVITY COMPANY
IRELAND	LEI/635400WSNBUMPRJJTI53	LEI	ARCA VITA INTERNATIONAL DAC	Life undertakings	DESIGNATED ACTIVITY COMPANY
ITALY	LEI/81560015C1F0098C2455	LEI	UNIPOL BANCA SPA	Credit institutions, investment firms and financial institutions	SOCIETA' PER AZIONI
ITALY	SC/81560015C1F0098C2455IT0U231	SC	SCS AZIONINNOVA SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/81560015C1F0098C2455IT0U617	SC	FINITALIA SPA	Credit institutions, investment firms and financial institutions	SOCIETA' PER AZIONI
ITALY	SC/81560015C1F0098C2455IT0U723	SC	UNIPOL REOCO SPA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' PER AZIONI
ITALY	SC/81560015C1F0098C2455IT0U981	SC	PROMOREST SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	LEI/815600235DAE5FB1B596	LEI	PRONTO ASSISTANCE SPA	Non-Life undertakings	SOCIETA' PER AZIONI
ITALY	LEI/8156003503546F1E8952	LEI	GRECALE RMBS 2011 SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/8156003503546F1E8952IT0U503	SC	ARCA DIRECT ASSICURAZIONI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/8156003503546F1E8952IT0U504	SC	ARCA INLINEA SCARL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
ITALY	LEI/8156003C3933E8671303	LEI	ATLANTE FINANCE SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	LEI/8156005639B46B40D888	LEI	SME GRECALE 2017 SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	LEI/8156005CE5E7340CCA86	LEI	UNIPOL GRUPPO SPA	Mixed financial holding company as defined in Art. 212 section1 [h] of Directive 2009/138/EC	SOCIETA' PER AZIONI
ITALY	SC/8156005CE5E7340CCA86IT0U006	SC	UNIPOL FINANCE SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/8156005CE5E7340CCA86IT0U203	SC	AMBRA PROPERTY SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/8156005CE5E7340CCA86IT0U637	SC	UNIPOLSAI INVESTIMENTI SGR SPA	Credit institutions, investment firms and financial institutions	SOCIETA' PER AZIONI
ITALY	SC/8156005CE5E7340CCA86IT0U725	SC	UNIPOLREC SPA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' PER AZIONI
ITALY	SC/8156005CE5E7340CCA86IT0U727	SC	UNIPOLPART I SPA	Other	SOCIETA' PER AZIONI
ITALY	LEI/8156005E316B69E09270	LEI	BIM VITA SPA	Life undertakings	SOCIETA' PER AZIONI

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual	CENTRAL BANK OF IRELAND	80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual	CENTRAL BANK OF IRELAND	51,18%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	91,86%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual		39,37%	39,37%	42,85%		Significant	39,37%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual	BANCA D'ITALIA	91,86%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual		91,86%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual		45,86%	45,86%	49,92%		Significant	45,86%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	0,00%	100,00%	0,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual		51,18%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		50,79%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	0,00%	100,00%	0,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual	BANCA D'ITALIA	0,00%	100,00%	0,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE/BANCA D'ITALIA	100,00%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		100,00%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual	BANCA D'ITALIA	90,56%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual		91,86%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual		100,00%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	40,37%	100,00%	50,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
ITALY	LEI/81560066ED58493ED764	LEI	UNISALUTE SPA	Non-Life undertakings	SOCIETA' PER AZIONI
ITALY	SC/81560066ED58493ED764IT0U051	SC	UNISALUTE SERVIZI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	LEI/815600736EECC8421448	LEI	UNIPOL INVESTMENT SPA	Other	SOCIETA' PER AZIONI
ITALY	LEI/81560092D4267A9B8C84	LEI	COMPAGNIA ASSICURATRICE LINEAR SPA	Non-Life undertakings	SOCIETA' PER AZIONI
ITALY	LEI/815600B565A41FE01B06	LEI	GRECALE ABS SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	LEI/815600BE5A1B5E5BEC79	LEI	CASTORO RMBS SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	LEI/815600D523F9906A1566	LEI	ARCA ASSICURAZIONI SPA	Non-Life undertakings	SOCIETA' PER AZIONI
ITALY	SC/815600D523F9906A1566IT0U506	SC	ARCA SISTEMI SCARL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
ITALY	LEI/815600DD1E9CA9984832	LEI	GRECALE RMBS 2015 SRL	Credit institutions, investment firms and financial institutions	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	LEI/815600DF2A01122A9547	LEI	ARCA VITA SPA	Life undertakings	SOCIETA' PER AZIONI
ITALY	LEI/815600E0E11B18BBD212	LEI	INCONTRA ASSICURAZIONI SPA	Non-Life undertakings	SOCIETA' PER AZIONI
ITALY	LEI/815600E31C4E7006AB54	LEI	UNIPOLSAI ASSICURAZIONI SPA	Composite insurer	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U010	SC	UNIPOLSAI FINANCE SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U010IT0U084	SC	ASSICOOP TOSCANA SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U010IT0U086	SC	PEGASO FINANZIARIA SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U010IT0U722	SC	UNIASSITEAM SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U010IT0U941	SC	ASSICOOP BOLOGNA METROPOLITANA SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U010IT0U962	SC	ASSICOOP MODENA & FERRARA SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U010IT0U963	SC	ASSICOOP ROMAGNA FUTURA SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U010IT0U964	SC	ASSICOOP EMILIA NORD SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	79,55%	100,00%	98,53%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		79,55%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		100,00%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	8,07%	100,00%	10,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual	BANCA D'ITALIA	0,00%	100,00%	0,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	50,21%	100,00%	98,12%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		51,01%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual	BANCA D'ITALIA	0,00%	100,00%	0,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Sectoral rules
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	51,18%	100,00%	63,39%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	41,17%	100,00%	51,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	80,73%	100,00%	81,06%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		37,76%	37,76%	46,77%		Significant	37,76%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		36,33%	36,33%	45,00%		Significant	36,33%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		52,48%	100,00%	65,00%		Significant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		39,71%	39,71%	49,19%		Significant	39,71%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		35,32%	35,32%	43,75%		Significant	35,32%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		40,37%	40,37%	50,00%		Significant	40,37%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		40,37%	40,37%	50,00%		Significant	40,37%	Included into scope of group supervision		Method 1: Adjusted equity method

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
ITALY	SC/815600E31C4E7006AB54IT0U133	SC	MIDI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U210	SC	FONDAZIONE UNIPOLIS	Other	FONDAZIONE
ITALY	SC/815600E31C4E7006AB54IT0U223	SC	UCI - UFFICIO CENTRALE ITALIANO	Other	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U635	SC	FIN.PRIV. SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U641	SC	AUTO PRESTO & BENE SPA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U641IT0U639	SC	APB CAR SERVICE SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U642	SC	CASA DI CURA VILLA DONATELLO - SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U642IT0U64 6	SC	FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U643	SC	CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA SRL IN LIQUIDAZIONE	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U648	SC	UNIPOLSAI SERVIZI CONSORTILI SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U649	SC	TENUTE DEL CERRO SPA - SOCIETA' AGRICOLA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U650	SC	UNIPOLSAI SERVIZI PREVIDENZIALI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U651	SC	SOGEINT SOCIETA' A RESPONSABILITA' LIMITATA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U656	SC	FUNIVIE DEL PICCOLO SAN BERNARDO SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U658	SC	PRONTO ASSISTANCE SERVIZI SCARL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U663	SC	GRUPPO UNA SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U663IT0U719	SC	GOLF CLUB POGGIO DEI MEDICI SPA SOCIETA' DILETTANTISTICA SPORTIVA	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U677	SC	ITAL H&R SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U679	SC	MARINA DI LOANO SPA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U685	SC	MERIDIANO SECONDO SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C020	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	80,73%	100,00%		Dominant	80,73%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		30,39%	30,39%	37,65 %		Significant	30,39%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		23,07%	23,07%	28,57 %		Significant	23,07%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		56,51%	100,00%	70,00 %		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,66%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		19,01%	19,01%	23,55 %		Significant	19,01%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,58%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		32,55%	32,55%	40,32 %		Dominant	32,55%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
ITALY	SC/815600E31C4E7006AB54IT0U688	SC	NUOVE INIZIATIVE TOSCANE - SOCIETA' A RESPONSABILITA' LIMITATA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U688IT0U669	SC	CONSORZIO CASTELLO	Other	SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U694	SC	SOCIETA' EDILIZIA IMMOBILIARE SARDA - S.E.I.S. SOCIETA' PER AZIONI	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U700	SC	VILLA RAGIONIERI SRL	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U703	SC	BORSETTO SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U705	SC	SERVIZI IMMOBILIARI MARTINELLI SPA	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U708	SC	PENTA DOMUS SPA IN LIQUIDAZIONE	Other	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U709	SC	TIKAL R.E. FUND	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	OICR
ITALY	SC/815600E31C4E7006AB54IT0U710	SC	ATHENS R.E. FUND	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	OICR
ITALY	SC/815600E31C4E7006AB54IT0U717	SC	ALFAEVOLUTION TECHNOLOGY SPA	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	SOCIETA' PER AZIONI
ITALY	SC/815600E31C4E7006AB54IT0U718	SC	LEITHÀ SRL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
ITALY	SC/815600E31C4E7006AB54IT0U724	SC	FONDO OPPORTUNITY	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	OICR
ITALY	SC/815600E31C4E7006AB54IT0U728	SC	FONDO LANDEV	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	OICR
ITALY	SC/815600E31C4E7006AB54IT0U944	SC	HOTEL VILLAGGIO CITTA' DEL MARE SPA IN LIQUIDAZIONE	Other	SOCIETA' PER AZIONI
ITALY	LEI/815600FD1C2C2E80F866	LEI	SIAT-SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI - PER AZIONI	Non-Life undertakings	SOCIETA' PER AZIONI
LUXEMBOURG	LEI/5299006HW5PIE1OFJK48	LEI	BUTTERFLY AM SA'RL	Other	SOCIETA' A RESPONSABILITA' LIMITATA
LUXEMBOURG	SC/815600E31C4E7006AB54LU0U632	SC	GARIBALDI SCA	Other	SOCIETE' EN ACCOMANDITE PAR ACTIONS
LUXEMBOURG	SC/815600E31C4E7006AB54LU0U633	SC	ISOLA SCA	Other	SOCIETE' EN ACCOMANDITE PAR ACTIONS
LUXEMBOURG	SC/815600E31C4E7006AB54LU0U634	SC	FINSAI INTERNATIONAL SA	Other	SOCIETE' ANONYME
NETHERLANDS	SC/815600E31C4E7006AB54NL0U625	SC	UNIPOLSAI NEDERLAND BV	Insurance holding company as defined in Art. 212 section [f] of Directive	BESLOTEN VENNOOTSCHAP

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,38%	100,00%	99,57%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		41,71%	100,00%	51,67%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		36,27%	36,27%	44,93%		Significant	36,27%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		16,15%	16,15%	20,00%		Significant	16,15%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		19,91%	19,91%	24,66%		Significant	19,91%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		76,70%	100,00%	95,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		71,43%	100,00%	89,59%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		39,56%	39,56%	49,00%		Significant	39,56%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual	ISTITUTO PER LA VIGILANZA SULLE IMPRESE DI ASSICURAZIONE	76,45%	100,00%	94,69%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		23,07%	23,07%	28,57%		Significant	23,07%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		25,83%	25,83%	32,00%		Significant	25,83%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		23,87%	23,87%	29,56%		Significant	23,87%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form
C0010	C0020	C0030	C0040	C0050	C0060
SERBIA	SC/635400UQ9HQGZGZ2MH31RS0U611	SC	DDOR RE	Reinsurance undertakings	AKCIONARSKO DRUTVO-A.D.O.
SERBIA	SC/815600E31C4E7006AB54CS0U610RS0U653	SC	DDOR AUTO - LIMITED LIABILITY COMPANY	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	DRUTVO SA OGRANIENOM ODGOVORNOU-D.O.O.
SERBIA	SC/815600E31C4E7006AB54CS0U610RS0U661	SC	DDOR GARANT	Other	AKCIONARSKO DRUTVO-A.D.
SERBIA	SC/815600E31C4E7006AB54RS0U610	SC	DDOR NOVI SAD	Non-Life undertakings	AKCIONARSKO DRUTVO-A.D.O.

		Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
Non-mutual	NATIONAL BANK OF SERBIA	80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation
Non-mutual		80,73%	80,73%	100,00%		Dominant	80,73%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual		32,29%	32,29%	40,00%		Significant	32,29%	Included into scope of group supervision		Method 1: Adjusted equity method
Non-mutual	NATIONAL BANK OF SERBIA	80,73%	100,00%	100,00%		Dominant	100,00%	Included into scope of group supervision		Method 1: Full consolidation

INDEPENDENT AUDITOR'S REPORTS

pwc

Unipol Gruppo SpA

Independent auditor's report

in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 5, paragraph 1, points a) and b), of the IVASS Regulation n° 42 of 2 August 2018

Templates "S.02.01.02 Balance sheet" and "S.23.01.22 Own funds" and related disclosures included in the Group Solvency and Financial Condition Report as at 31 December 2018

Independent Auditor's Report

in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 5, paragraph 1, points a) and b), of the IVASS Regulation n° 42 of 2 August 2018

To the Board of Directors of
Unipol Gruppo SpA

Templates "S.02.01.02 Balance sheet" and "S.23.01.22 Own funds" and related disclosures included in the Group Solvency and Financial Condition Report as at 31 December 2018

Opinion

We have audited the accompanying elements to the Solvency and Financial Condition Report (the "SFCR") of Unipol Gruppo SpA and its subsidiaries ("Unipol Group") as at 31 December 2018, prepared in accordance with article 47-septies of Legislative Decree 7 September 2005, No 209:

- templates "S.02.01.02 Balance sheet" and "S.23.01.22 Own funds" (the "MVBS and OF Templates");
- sections "D. Valuation for solvency purposes" and "E.1. Own funds" (the "Disclosures").

Our procedures have not covered:

- the technical provisions components related to the Risk Margin (lines R0550, R0590, R0640, R0680 and R0720) of the template "S.02.01.02 Balance sheet";
- the Solvency Capital Requirement (line R0680) and the Minimum Capital Requirement (line R0610) of the template "S.23.01.22 Own funds",

that are out of scope from our opinion.

The MVBS and OF Templates and the Disclosures, with the exclusions listed above, compose the "MVBS and OF Templates and related disclosures".

In our opinion, the MVBS and OF Templates and related disclosures included in the SFCR of Unipol Group as at 31 December 2018 have been prepared, in all material respects, in accordance with the applicable EU requirements and with the Italian laws for the insurance business.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs).
Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the MVBS and OF Templates and related disclosures* section of this report.
We are independent of Unipol Gruppo SpA (the "Company") pursuant to the regulations and standards on ethics and independence in accordance with the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants applicable to our audit of the MVBS and OF Templates and related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis matter - Basis of accounting, purposes and restriction of use

We draw attention to the section "D. Valuation for solvency purposes" of the SFCR which describes the basis of accounting. The MVBS and OF Templates and related disclosures have been prepared, for solvency supervisory requirements, in accordance with the applicable EU requirements and the Italian laws for the insurance business, which compose a special purpose framework. As a result, they may not be suitable for other purposes. Our opinion is not modified with reference to this matter.

Other matters

The Company has prepared the consolidated financial statements for the year ended 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree 38/2005, governing the criteria for their preparation, that had been audited by us with report issued on 26 March 2019.

The Company has prepared the template "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model" and the related disclosures provided in section "E.2. Solvency Capital Requirement and Minimum Capital Requirement" of the accompanying SFCR in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters, reviewed by us in accordance with article 5 paragraph 1 point c) of the IVASS Regulation n°42 of 2 August 2018, as a result of which today we issue a limited review report accompanying the SFCR.

Other matters in the SFCR

The Management is responsible for the preparation of the other information included in the SFCR in accordance with laws governing the criteria for their preparation.

Other information included in the SFCR are:

- templates "S.05.01.02 Premiums, claims and expenses by line of business", "S.22.01.22 Impact of long term guarantees", "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model", "S.32.01.22 Undertakings in the scope of the group";

- sections "A. Business and performance", "B. System of governance", "C. Risk profile", "E.2. Solvency Capital Requirement and Minimum Capital Requirement", "E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement", "E.4. Differences between the standard formula and any internal model used", "E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement" e "E.6. Any other information".

Our opinion on the MVBS and OF Templates and related disclosures does not cover these other information.

With reference to the audit of the MVBS and OF Templates and related disclosures, our responsibility is to read the other information and, in doing so, consider whether the other information are materially inconsistent with the MVBS and OF Templates and related disclosures or with our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify possible inconsistencies or significant misstatements, we are required to determine whether there is a significant misstatement in the MVBS and OF Templates and related disclosures or in the other information. If, based on the work performed, we conclude that there is a significant misstatement, we have to report this matter. With reference to this, we have nothing to report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the MVBS and OF Templates and related disclosures in accordance with laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as Management determines is necessary to enable the preparation of the MVBS and OF Templates and related disclosures that are free from material misstatements, whether due to fraud or error.

Management is responsible for assessing Unipol Group's ability to continue as a going concern and, in preparing the MVBS and OF Templates and related disclosures, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the MVBS and OF Templates and related disclosures, management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, Unipol Group's financial reporting process.

Auditor's Responsibilities for the Audit of the MVBS and OF Templates and related disclosures

Our objectives are to obtain reasonable assurance about whether the MVBS and OF Templates and related disclosures as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the MVBS and OF Templates and related disclosures.

As part of an audit conducted in accordance with International Standards on Auditing (ISAs), we exercised our professional judgement and maintained professional skepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the MVBS and OF Templates and related disclosures, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit of the MVBS and OF Templates and related disclosures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Unipol Group's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- we concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Unipol Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the SFCR or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicated with those charged with governance, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.
We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable in accordance with the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Milan, 30 May 2019

PricewaterhouseCoopers SpA

Antonio Dogliotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian and in accordance with Italian law, solely for the convenience of international readers.

Unipol Gruppo SpA

Independent Auditor's Review Report
in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 5, paragraph 1, point c), of the IVASS Regulation n°42 of 2 August 2018

Template "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model" and related disclosures included in the Solvency and Financial Condition Report as at 31 December 2018

pwc

Independent Auditor's Review Report

in accordance with article 47-septies, paragraph 7 of Legislative Decree 7 September 2005, n° 209 and article 5, paragraph 1, point c), of the IVASS Regulation n°42 of 2 August 2018

To the Board of Directors of
Unipol Gruppo SpA

Template "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model" and related disclosures included in the Solvency and Financial Condition Report as at 31 December 2018

Foreword

We have reviewed the Template "S.25.02.22 Solvency Capital Requirement - for groups using the standard formula and partial internal model" (the "SCR and MCR Template") and related disclosures reported in section "E.2. Solvency Capital Requirement and Minimum Capital Requirement" (the "disclosures" or the "related disclosures") of the accompanying Solvency and Financial Condition Report (the "SFCR") of Unipol Gruppo SpA and its subsidiaries (the "Unipol Group") as at 31 December 2018, prepared in accordance with article 47-septies of Legislative Decree 7 September 2005, No 209.

The SCR and MCR Template and related disclosures, have been prepared by Managements in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters as described in the SFCR disclosures and as approved by IVASS.

Responsibilities of Management

Management is responsible for the preparation of the SCR and MCR Template and related disclosures in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters as described in the SFCR disclosures and as approved by IVASS and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of the SCR and MCR Template and related disclosures that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express a conclusion on the SCR and MCR Template and related disclosures. We conducted our review in accordance with International Standard on Review Engagements *ISRE 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised)* requires us to conclude whether anything has come to our attention that causes us to believe that the SCR and MCR Template and related disclosures, taken as a whole, are not prepared in all material respects in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters as described in the SFCR disclosures and as approved by IVASS. This Standard also requires us to comply with relevant ethical requirements.

A review of the SCR and MCR Template and related disclosures in accordance with *ISRE 2400 (Revised)* is a limited assurance engagement. The auditor performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.
In addition, in accordance with article 14 of the IVASS Regulation n° 42 of 2 August 2018, with reference to information related to entities included in the group perimeter and not regulated, or operating in other financial sectors, or with registered office in another country, our review activities were limited to testing their inclusion based on values determined in accordance with Legislative Decree 7 September 2005, n° 209, including implementing measures and directly applicable EU requirements.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISAs).

Accordingly, we do not express an audit opinion on these SCR and MCR Template and related disclosures.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these SCR and MCR Template and related disclosures included in the accompanying SFCR of Unipol Group for the year ended 31 December 2018, do not present fairly, in all material respects in accordance with the applicable EU requirements, the Italian laws for the insurance business, the Partial Internal Model and Unipol Group's specific parameters as described in the SFCR disclosures and as approved by IVASS.

Basis of accounting, purposes and restriction of use

Without modifying our conclusion, we draw attention to the section "E.2. Solvency Capital Requirement and Minimum Capital Requirement" of the SFCR which describes the basis of preparation of the SCR and MCR Template. The SCR and MCR Template and related disclosures have been prepared, for solvency supervisory requirements, in accordance with the applicable EU requirements and the Italian laws for the insurance business, the Partial Internal Model and Unipol

Group's specific parameters as described in the SFCR disclosures and as approved by IVASS, which collectively compose a special purpose framework.

Therefore, in accordance with article 13 of the IVASS Regulation n° 42 of 2 August 2018, the approvals, waivers or other decisions taken by IVASS, including the structure of the model, were considered by us as part of the standard for our work and the SCR and MCR Template and related disclosures may not be suitable for other purposes. In particular, as per articles 46-bis and 46-ter of Legislative Decree 7 September 2005, n° 209, the model briefly described in the SFCR disclosures was approved by IVASS in carrying out its own duties and can differ from the models approved for other groups.

Milan, 30 May 2019

PricewaterhouseCoopers SpA

Antonio Dogliotti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian and in accordance with Italian law, solely for the convenience of international readers.

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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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