

Notes to the income statement

Income

26 Net earned premiums

Net earned premiums

(€ million)	Gross amount		Reinsurers' share		Net amount	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Non-life earned premiums	20,607	20,546	-1,009	-1,036	19,597	19,510
Premiums written	20,649	20,592	-1,020	-995	19,629	19,597
Change in the provision for unearned premiums	-42	-46	10	-41	-32	-87
Life premiums	44,585	42,330	-778	-703	43,807	41,627
Other premiums written	0	0	1	0	1	0
Total	65,192	62,876	-1,786	-1,739	63,405	61,137

27 Fee and commissions income and income from financial service activities

Fee and commissions income from financial services activities

(€ million)	31/12/2018	31/12/2017
Fee and commission income from banking activity	204	167
Fee and commission income from asset management activity	752	741
Fee and commission income related to investment contracts	32	60
Fee and commission income related to pension funds management	16	18
Other fees and commission income	24	16
Total	1,028	1,002

28 Net income from financial asset at fair value through profit and loss

Net income from financial asset at fair value through profit or loss

(€ million)	Financial investments held for trading		Financial investments back to policies where the investment risk is borne by the policyholders and related to pension funds		Financial investments designated at fair value through profit or loss		Total financial investments at fair value through profit or loss	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Interest income	-7	10	304	473	325	386	623	869
Realized gains	321	366	272	370	47	51	640	787
Realized losses	-287	-186	-499	-223	-55	-52	-841	-461
Unrealized gains	689	1,025	3,304	4,966	343	502	4,336	6,493
Unrealized losses	-728	-758	-9,216	-1,738	-822	-366	-10,767	-2,862
Total	-11	458	-5,835	3,849	-161	520	-6,008	4,826

The net income from financial assets at fair value through profit or loss mainly referred to the life segment (€ -6,124 million). This item is not material for non-life segment (€ 111 million).

29 Income and expenses from subsidiaries, associated companies and joint venture

Income and expenses from subsidiaries, associated companies and joint ventures

(€ million)	31/12/2018	31/12/2017
Dividends and other income	138	109
Realized gains	17	22
Reversal of impairment	10	3
Total	166	134

30 Income from other financial instruments and land and buildings (investment properties)

Income from other financial instruments and land and buildings (investment properties)

(€ million)	31/12/2018	31/12/2017
Interest income	8,158	8,453
Interest income from held to maturity investments	83	88
Interest income from loans and receivables	1,062	1,177
Interest income from available for sale financial assets	6,974	7,147
Interest income from other receivables	5	10
Interest income from cash and cash equivalents	34	31
Other income	2,250	2,065
Income from land and buildings (investment properties)	827	790
Other income from available for sale financial assets	1,423	1,275
Realized gains	2,146	2,421
Realized gains on land and buildings (investment properties)	86	163
Realized gains on held to maturity investments	2	0
Realized gains on loans and receivables	67	230
Realized gains on available for sale financial assets	1,990	2,026
Realized gains on other receivable	0	0
Realized gains on financial liabilities at amortised cost	0	2
Reversal of impairment	157	216
Reversal of impairment of land and buildings (investment properties)	30	36
Reversal of impairment of held to maturity investments	2	1
Reversal of impairment of loans and receivables	31	20
Reversal of impairment of available for sale financial assets	27	77
Reversal of impairment of other receivables	69	82
Total	12,712	13,155

31 Other income

Other income

(€ million)	31/12/2018	31/12/2017
Gains on foreign currencies	876	1,060
Income from tangible assets	382	370
Reversal of other provisions	334	296
Leasing fees	7	0
Income from service and assistance activities and recovery of charges	815	589
Income from non-current assets or disposal group classified as held for sale	0	0
Other technical income	829	700
Other income	154	150
Total	3,397	3,164

Expenses

32 Net insurance benefits and claims

Net insurance benefits and claims

(€ million)	Gross amount		Reinsurers' share		Net amount	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Non-life net insurance benefits and claims	13,403	13,784	-635	-1,068	12,768	12,716
Claims paid	13,622	13,236	-745	-737	12,877	12,499
Change in the provisions for outstanding claims	-221	507	111	-331	-110	176
Change in claims paid to be recovered	-50	11	0	0	-50	11
Change in other insurance provisions	51	30	-0	-0	51	29
Life net insurance benefits and claims	39,837	48,688	-573	-551	39,264	48,138
Claims payments	33,714	32,236	-563	-503	33,151	31,733
Change in the provisions for outstanding claims	272	204	-36	-33	235	170
Change in the mathematical provisions	7,481	6,871	11	-16	7,492	6,855
Change in the provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	-2,172	8,247	0	0	-2,171	8,247
Change in other insurance provisions	541	1,131	16	1	557	1,132
Total	53,239	62,472	-1,207	-1,619	52,032	60,853

33 Fee and commissions expenses and expenses from financial service activities

Fee and commissions expenses and expenses from financial service activities

(€ million)	31/12/2018	31/12/2017
Fee and commission expenses from banking activity	392	379
Fee and commission expenses from asset management activity	159	154
Fee and commission expenses related to investment contracts	14	19
Fee and commission expenses related to pension funds management	11	12
Total	576	565

34 Expenses from subsidiaries, associated companies and joint ventures

Expenses from subsidiaries, associated companies and joint ventures

(€ million)	31/12/2018	31/12/2017
Realized losses	4	4
Impairment losses	12	14
Total	16	17

35 Expenses from other financial instruments and land and buildings (investment properties)

Expenses from other financial instruments and land and buildings (investment properties)

(€ million)	31/12/2018	31/12/2017
Interest expense	1,010	1,020
Interest expense on subordinated liabilities	557	558
Interest expense on loans, bonds and other payables	346	361
Interest expense on deposits received from reinsurers	10	10
Other interest expense	97	91
Other expenses	355	337
Other expenses on financial instruments	0	0
Depreciation of land and buildings (investment properties)	176	162
Expenses from land and buildings (investment properties)	178	175
Realized losses	680	560
Realized losses on land and buildings (investment properties)	8	12
Realized losses on held to maturity investments	0	0
Realized losses on loans and receivables	16	51
Realized losses on available for sale financial assets	654	495
Realized losses on other receivables	2	3
Realized losses on financial liabilities at amortized cost	0	0
Impairment losses	1,423	750
Impairment of land and buildings (investment properties)	19	27
Impairment on held to maturity investments	0	3
Impairment of loans and receivables	111	206
Impairment of available for sale financial assets	1,256	475
Impairment of other receivables	37	39
Total	3,467	2,667

36 Acquisition and administration costs

Acquisition and administration costs

(€ million)	Non-life segment		Life segment		Other businesses	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net acquisition costs and other commissions	4,437	4,343	3,578	3,560	-0	-0
Investment management expenses(*)	84	78	320	267	101	85
Other administration costs	1,046	1,090	909	878	483	451
Total	5,568	5,512	4,807	4,705	584	536

(*) Before the elimination of intra-group transactions between segments.

In the Property&Casualty segment, acquisition and administration costs increased mainly due to increase in costs related to insurance activities; non-insurance administration expenses amounted to € 16 million (€ 14 million at 31 December 2017), of which € 11 million related to real estate activity (€ 12 million at 31 December 2017).

Within “other administrative costs” of the Life segment, the investment management expenses amounted to € 54 million (€ 24 million at 31 December 2017), the non-insurance management expenses amounted to € 3 million (€ 6 million at 31 December 2017) and are mainly referred to real estate activity.

37 Other expenses

Other expenses

(€ million)	31/12/2018	31/12/2017
Amortization and impairment of intangible assets	310	322
Amortization of tangible assets	69	78
Expenses from tangible assets	180	158
Losses on foreign currencies	875	1,949
Restructuring charges, termination employee benefit expenses and allocation to other provisions	569	711
Other taxes	219	221
Expenses from service and assistance activities and charges incurred on behalf of third parties	559	342
Expenses from non-current assets or disposal group classified as held for sale	0	0
Other technical expenses	547	491
Holding costs	596	536
Other expenses	555	523
Total	4,477	5,332

38 Income taxes

This item shows the income taxes due by the Italian and the foreign consolidated companies by applying the income tax rates and rules in force in each country.

The components of the income tax expense for 2018 and 2017 are as follow:

Income taxes

(€ million)	31/12/2018	31/12/2017
Income taxes	1,258	858
Deferred taxes	-132	289
Total taxes of period	1,126	1,147
Income taxes on discontinued operations	223	65
Total income taxes	1,348	1,212

In Italy, with respect to the 2018 fiscal year, income taxes are calculated by using the ordinary corporate income tax rate of 24% (IRES). Furthermore, income taxes of Italian companies include the regional tax on productive activities (IRAP).

Income realised in Germany is subject to the corporate income tax - which is calculated on a rate of 15% plus a solidarity surcharge of 5.50% - and the trade tax (Gewerbesteuer). The trade tax rate varies depending on the municipality in which the company is situated. In 2018 the weighted average tax rate remained substantially unchanged at approximately 16.20%.

In France, income taxes are calculated by using an overall corporate income tax rate of 34.43%. In particular, this

overall rate includes the basic rate expected in the tax on corporate income, equal to 33.33%, increased by an additional (contribution sociale) of 3.30% and a further additional temporary always calculated with reference to the standard rate.

All other foreign subsidiaries apply their national tax rates, including: Austria (25%), Bulgaria (10%), China (25%), Czech Republic (19%), the Netherlands (25%), Poland (19%), Romania (16%), Spain (25%), Switzerland (22%) and United States (21%).

The following table shows a reconciliation from the theoretical income tax expense, by using the Italian corporate income tax rate of 24%, to the effective tax rate.

Reconciliation from theoretical income tax expenses to the effective tax rate

(€ million)	31/12/2018	31/12/2017
Expected income tax rate	24.0%	24.0%
Earning before taxes	3,450	3,511
Expected income tax expense	828	843
Effect of permanent differences and foreign tax rate differential	-54	125
Effect of fiscal losses	-3	-4
IRAP, trade tax and other local income taxes	164	154
Substitute taxes	103	69
Foreign withholding taxes not recoverable	59	49
Income taxes for prior years	43	-103
Other	-14	14
Tax expenses	1,126	1,147
Effective tax rata	32.6%	32.7%

With respect to the 2018 fiscal year, the effective tax rate was equal to 32.6%, in line with that of the previous fiscal year. The reduction of the tax burden in absolute terms is essentially due to the slight reduction of the profit before tax.

Fiscal losses carried forward are recognised to the extent that future taxable income will be sufficient to offset the amount of the losses before their expiration.

Fiscal losses carried forward are scheduled according to their expiry periods as follows.

Fiscal losses

(€ million)	31/12/2018	31/12/2017
2018	6	0
2019	0	0
2020	1	1
2021	11	2
2022	1	2
2023	26	28
2024	9	0
2025	8	12
2026 and over	20	28
Unlimited	834	890
Fiscal losses carried forward	917	963

With regards to fiscal losses, it is worth noting that Italian Law by Decree 98/2011 introduced that fiscal losses can be carried forward with no time limits (as opposed to the previous five-year limitation). Losses from a given year may, however, only be used to offset up to 80% of the taxable income of any following fiscal year.

Deferred income taxes are calculated on the temporary differences between the carrying amounts of assets and liabilities reported in the financial statements and their tax base, by using the tax rates applicable at the expected time of realisation according to each country's current legislation.

The ultimate realisation of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible.

Furthermore, in making this assessment, management considers the scheduled reversal of deferred tax liabilities and tax planning strategies.

Assessments show that deferred tax assets will be recovered in the future through either (i) expected taxable income of each consolidated company or (ii) expected taxable income of other companies included in the same tax group (e.g. "Consolidato fiscale" in Italy, "Steuerliche Organschaft" in Germany and "Régime d'intégration fiscale" in France).

Deferred taxes are related to the following assets and liabilities.

Net deferred tax assets

(€ million)	31/12/2018	31/12/2017
Intangible assets	220	113
Tangible assets	166	102
Land and buildings (investment properties)	525	563
Available for sale financial assets	1,942	4,980
Other investments	300	203
Deferred acquisition costs	12	11
Other assets	309	336
Fiscal losses carried forward	58	61
Allocation to other provisions and payables	543	487
Insurance provisions	482	488
Financial liabilities and other liabilities	662	729
Other	136	178
Total deferred tax assets	5,356	8,252
Netting	-3,011	-6,161
Total net deferred tax assets	2,345	2,091

Net deferred tax liabilities

(€ million)	31/12/2018	31/12/2017
Intangible assets	133	149
Tangible assets	103	98
Land and buildings (investment properties)	193	339
Available for sale financial assets	2,767	6,513
Other investments	157	313
Deferred acquisition costs	472	433
Other assets	52	44
Other provisions and payables	120	80
Insurance provisions	937	855
Financial liabilities and other liabilities	-102	-147
Other	-30	126
Total deferred tax liabilities	4,800	8,803
Netting	-3,011	-6,161
Total net deferred tax liabilities	1,789	2,642