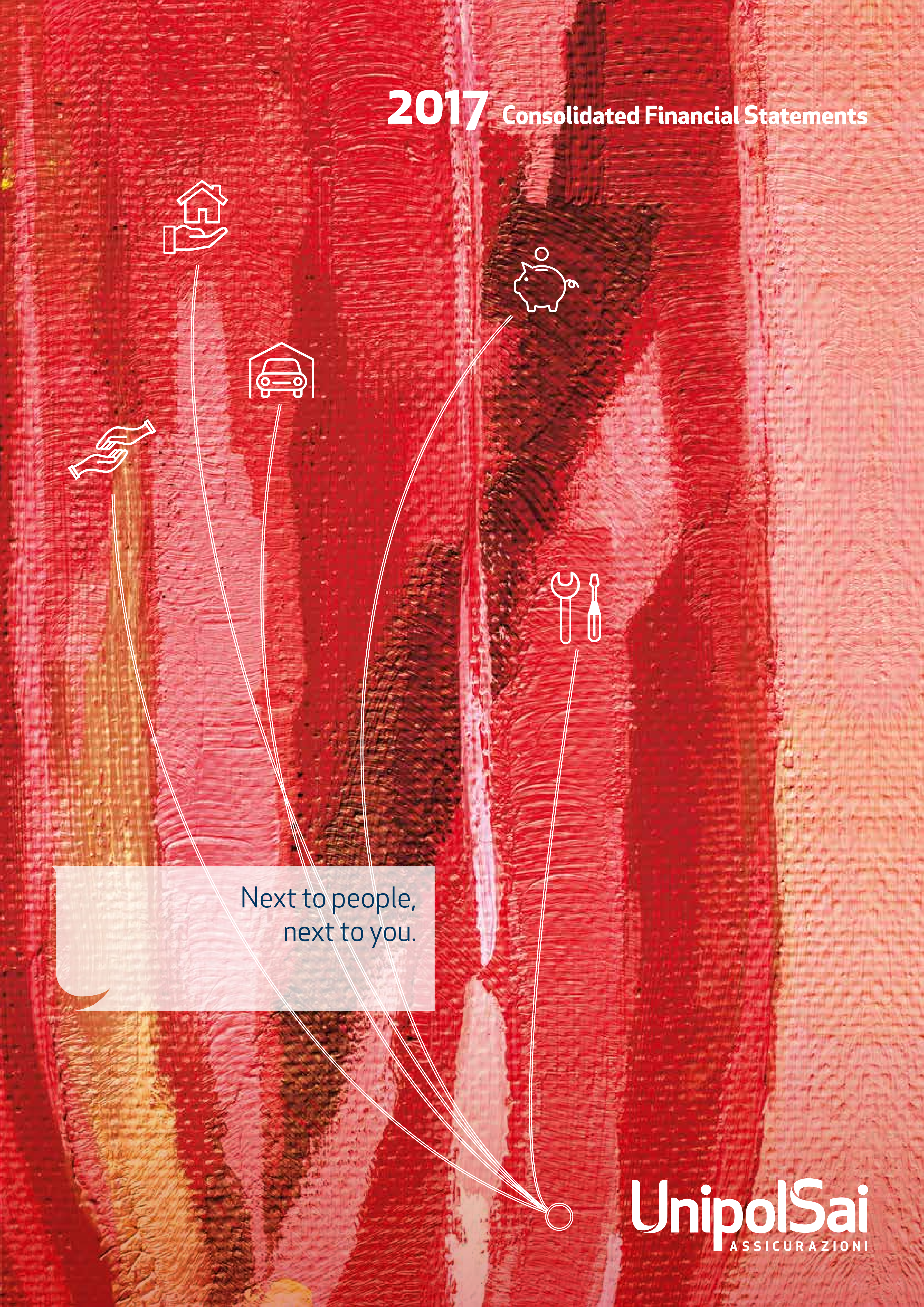
2017 Consolidated Financial Statements



Next to people,
next to you.

UnipolSai
ASSICURAZIONI

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UnipolSai Assicurazioni

Consolidated Financial Statements

2017

NEXT TO PEOPLE,
NEXT TO YOU

This is how we think, because by adopting a management model that addresses not only the protection of our assets and profitability, we are striving to be constantly close to people and to their security needs, and attentive to the protection of their savings. Close to their personal and professional plans, close to their passions and what they love.

As proactive players in our country's development, we are concretely committed to the community and the environment. We support and value the beauty of our artistic and cultural heritage and sports, thus favouring development wherever we have a presence.

For us, closeness is also innovation: not only in products and services, but also in methods and processes. Innovative, widespread, accessible.

To be increasingly next to people, next to you.

Contents

Company bodies

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

Introduction

Macroeconomic background and market performance

Macroeconomic background

The year 2017 saw global economic growth just above 3.5%, a significant acceleration compared to 2016.

The Eurozone managed to expand its Gross Domestic Product (GDP) by around 2.3%, marking growth around half a percentage point higher than in 2016 and more than double its potential. It should also be underscored that development has been quite even and synchronised amongst the area's various countries. Various factors have contributed to this result: the constant support of the European Central Bank (ECB), the less restrictive fiscal policy, accelerating domestic demand, improvements in employment (the unemployment rate was 8.7% in December) and good international trade trends.

In 2017, the ECB maintained its expansionary monetary policy, moving forward with its bond buying program (Quantitative Easing, or QE) within a context of significant economic growth, despite the presence of inflation that is still far from the 2% target (in December, inflation was 1.4%). The ECB recently confirmed that the official discount rate will remain anchored at the current level even beyond the end of QE. The latter was updated in January 2018 with a reduction in bond purchases from €60bn to €30bn per month and a time horizon extended at least until next September.

In the United States, economic activity developed at a rate of close to 2.3%, higher than the 1.5% recorded in 2016. After a first quarter characterised by limited growth (GDP +1.2% on an annual basis), activity accelerated as the year continued thanks to good domestic demand trends, which were also encouraged by expectations surrounding the Trump administration's tax reform. In 2017, in light of the sustained growth being experienced by the US economy, full employment (the unemployment rate fell to 4.1% in December) and the change in consumer prices close to the target of 2%, the Federal Reserve (Fed) hiked the official discount rate on three occasions (25 basis points each time), bringing it to 1.5% in December. Furthermore, due to the strength of the United States economy, in October the Fed announced that it will begin to progressively reduce the amount of bonds held.

In Japan, thanks to the continuation of unconventional monetary policies and new fiscal stimulus measures, the country achieved good growth (around 1.6%) within a context of full employment (in December, the unemployment rate was 2.8%). However, the inflation rate remains far from the Bank of Japan's target (in December it was 1%), making a continuation of the monetary authority's accommodating approach plausible for 2018.

China achieved economic growth exceeding government expectations (+6.8%, against a forecast of +6.5%), to a significant extent favoured by the development of the main economic areas to which it exports goods and, at the same time, by a slow but constant increase in domestic demand in a country where the savings rate, nearly at 40% of GDP, is one of the highest in the world.

Lastly, 2017 was essentially positive from the economic perspective for the emerging economies, which were supported by the recovery in oil prices and commodities, within a context of considerable development in international trade.

In 2017, the Italian economy also achieved a positive growth rate of approximately 1.5% on an annual basis. This result was favoured by numerous factors: consumption, supported by the declining unemployment rate (10.8% at the end of the year), the less restrictive fiscal policy, the recovery in investments and international trade which favoured exports. In addition, it is necessary to note the continuous action of the ECB which resulted in particularly favourable financial conditions. Despite the good economic growth achieved, the level of public debt continues to remain high, unlike that of other Eurozone countries.

In 2018, a stabilisation of the economic expansion is expected, although the continuation of international geopolitical uncertainty could negatively impact economic trends. Tensions have not disappeared between North Korea and the United States, relations are becoming embittered between Saudi Arabia and Iran and the Turkish military intervention in Syrian Kurdistan is causing concern. Furthermore, the evolution of the Brexit process, the complex phase of forming a new government in Germany, the Italian political situation in the wake of the very recent elections and the Catalan issue could represent elements of instability in Europe.

Financial markets

In 2017, the market rates curve was characterised by modest volatility. There were limited increases in the long-term part (roughly twenty basis points), while the short-term part closed the year at values that were basically unchanged compared to the end of 2016. Low volatility for German government bond yields as well, although the curve shifted upwards on all maturities: the movement was more intense in the medium-term part (33 basis points for the five-year) and less accentuated on longer maturities (the ten-year rose by 22 basis points). Italian government rates experienced an upward trend concentrated on very long maturities (from 15 years and up), while the other yields rose less than the analogous German bonds. Therefore, the yield spread between Italian and German bonds declined slightly in the last year on all maturities under 15 years (-10 basis points for the ten-year bond), while it rose on the long-term part of the curve (+27 basis points for the fifteen-year bond; +11 basis points for the twenty-year bond).

The euro started 2017 at 1.054 to the dollar, then appreciated in the course of the year, standing at 1.199 at 31 December 2017. This performance is linked in part to the decent growth outlooks of the Eurozone and in part reflects the Trump administration's approach towards economic policies supporting domestic production, which will entail a weaker US currency.

With market rates that became gradually higher compared to the end of 2016, with volatility at all-time lows thanks to the measures taken by the main central banks and in light of the global economic development scenario that is synchronised for the first time in quite a few years, the stock markets marked positive performance in 2017: the Eurostoxx 50 index, which represents the performance of the stocks with the largest market capitalisation in the Eurozone, was up by 6.5% (-2.5% in the fourth quarter). The performance of the German Dax was notable at +12.5% (+0.7% in the final quarter of the year). The Italian stock exchange also performed well thanks to the improved climate within the banking system and the stability of government bonds: the FTSE MIB, abundant in financial securities, rose by 13.6% (-3.7% in the fourth quarter). Lastly, Madrid's Ibex, impacted in part by political tensions in Catalonia, recorded +7.4% during the year (-3.3% in the final quarter of 2017).

The Standard & Poor's 500 index, which represents the performance of the largest listed companies in the US, was up 19.4% in 2017 (+6.1% in the fourth quarter), while in Japan the Nikkei index gained 19.1% in 2017 (+11.8% in the fourth quarter) due to the positive effects of the fiscal and monetary support provided to the economy.

Lastly, in relation to the emerging market indices, in line with positive economic trends overall, the most representative index, the Morgan Stanley Emerging Market, rose by 27.8% in 2017 (+5.3% in the fourth quarter).

The iTraxx Senior Financial index, representing the average spread of financial sector companies with a high credit rating, fell by 15.6 basis points, from 59.6 to 44.0 at the end of the fourth quarter. In 2017, the index decreased from 93.6 to 44.0, equivalent to a 49.6 basis points restriction of the spread. This improvement can be attributed in large part to the strengthening of the European banking system within a context of robust economic growth and a steeper market yield curve which favours the profitability of credit institutions.

Insurance sector

The year 2017 ended with a further contraction of the volume of premiums in the Life sector, accompanied by a limited increase in the total Non-Life premiums.

There was a 0.4% increase in activity on the Non-Life business (including cross-border operations), in the first three quarters of 2017, with respect to the same period in 2016. Income in the MV segment was down again, where MV TPL declined by 2.8%. This result seems due to the high rate of competition of the sector, as a result of which, according to Ania data, premiums decreased by more than 3% on average for the year. This decline cannot be explained by the trend of claims frequency, as this recorded an additional slight increase in the first three quarters of 2017. The trend of this indicator reflects the upswing in distance travelled under way for a few quarters now, as regards light vehicles as well as heavy vehicles. On the contrary, in the Land Vehicle Hulls class, there was a 7% increase in turnover, with support provided by the good performance of the automotive market (+7.8% new vehicle registrations in 2017).

In the Non-MV Non-Life market, premiums increased by 2% in the first nine months of 2017 (including cross-border activities). The Health sector (+6.5%) was confirmed as particularly dynamic, and the Accident class also achieved a good result in terms of volume growth (+2.8%). The development of some smaller classes also exceeded the average (Pecuniary Losses, Legal protection and Assistance). The aggregate of representative insurance companies in the European Economic Area recorded a 0.9% decline in premiums collected, versus 2.7% growth for Italian and non-EU insurance companies.

In the Life business, activities were impacted by increased confidence in domestic economic outlooks, which led Italian households to increase their expenditure, triggering a decline in their propensity to save. In this context, the Life premiums (including cross border activity) recorded a 3.9% decrease in 2017 compared to 2016, for a monetary volume of €115.7bn. Several factors contributed to this result, including insurers' low propensity to place traditional products, in light of the low level reached by interest rates. Indeed, the significant growth recorded in class III policies (+30.1%) was not capable of offsetting the decline in premiums subscribed for class I products (-14.8%). Class VI business showed good performance, with growth of 9.9%.

In 2017 net Life flows (net of cross border activity) i.e. the difference between premiums and services paid by insurers, remained in positive territory (+€27.4bn), although at values significantly lower than those recorded in the same period of 2016 (+€39.4bn). This result is the outcome of an appreciable downturn in gross premiums (-3.6%) in conjunction with an acceleration in the flow of claims (+13.2%). Lastly, technical provisions for the Life business increased by around €37.3bn during the year, reaching in excess of €658bn at the end of the year.

Pension funds

The data published by Covip for 2017 show over 8.3 million total subscribers of the different supplementary pension schemes, marking an increase of 7.1% compared to the end of 2016. The increases were not dissimilar amongst the main types: Occupational Pension Funds +8.0%, Open Pension Funds +9.2% and new Personal Pension Funds +8.1%. These results were supported by the launch of the contractual participation mechanism in four funds: the fund for motorway sector workers, the fund for employees of Ferrovie dello Stato group companies, the fund for motorway, railway and tramway workers and, with specific methods, the Veneto regional fund.

The amount of funds assigned to services was just under €161bn, with a 6.3% increase with respect to December of the previous year.

Again in reference to 2017, the average yields of Occupational Pension Funds (2.6%) were above the revaluation guaranteed by post-employment benefits (1.7%). Appealing results were recorded by Open Pension Funds (+3.3%).

In 2017, a new instrument dedicated to long-term investments was launched: the Individual Savings Plan (PIR). It is estimated that, during the year just ended, investors contributed as much as €11bn to PIRs. The sums invested in these products enjoy considerable tax benefits, also due to the restrictions defined on the investments.

Banking sector

In the course of 2017, Italian banks were quite busy on the impaired loans front, carrying out significant disposal transactions on this category of assets. In this context, various credit institutions completed share capital increases to improve their capital strength. However, new difficulties are on the horizon for the domestic banking system: on one hand, the supervisory authority within the European Central Bank issued a regulation requiring greater prudential provisions against NPEs (Non-Performing Exposures) classified as such starting from January 2018; on the other hand, there is a proposal to remove the "favourable" treatment applied to government bonds in bank portfolios, requiring very specific limits to be placed on the quantity that may be acquired or, alternatively, for their risk weighting to be linked to the rating assigned to the sovereign debt of the issuing country. These are two aspects that see Italian banks generally more exposed with respect to their counterparties in other European countries.
In December 2017, loans to non-financial companies decreased by 6.3% on the end of 2016, while loans to households increased by 0.8% due to growth in the transactions in the real estate market and to the good health of the durable consumer goods market (primarily vehicle registrations). The overall stagnation of loans, as well as greater recourse to Eurosystem loans, also dragged down direct deposits, which declined by 8.9%. In this regard, there was a decline in the size of the bond component, which contracted by 38.8% compared to December 2016. Funding from overseas was down by 3.6%. Expectations that risk (based on ratings) will be attributed to the government bonds held by credit institutions contributed towards downsizing the securities portfolio to less than €524bn (-27.8%). As confirmation of the reasons for this decline, it is not out of place to highlight that the Italian government bond component was drastically reduced to €324bn (nearly €51bn less than the amount held in the portfolio in December 2016).
In November, the Italian banking system's gross bad and doubtful loans had fallen to €167.2bn, marking a €33.6bn decline since the end of 2016. Net of impairments, the total was €64.4bn.
Rates on new loans showed modest movement: borrowing costs for new loans to non-financial companies declined from 1.54% in December 2016 to 1.50% in December 2017 and the rate applied on home purchase loans to households decreased by roughly 5 basis points to 2.27% at the end of 2017. The cost of money for consumer credit rose: from 7.63% in December 2016 to 8.03% in November 2017. With regard to interest on direct deposits, there was substantial decrease in the rates paid on newly acquired funds: on term deposits, they reached 0.56% at the end of 2017 (1.20% in December 2016); for repurchase transactions the figure was unchanged in December 2017 (0.35%) compared to the end of 2016. The average rate on the balance of the bonds issued declined from 2.74% in December 2016 to 2.60% in December 2017.

Real Estate market

According to Land Registry figures, in the third quarter of 2017 the number of real estate transactions in the residential segment recorded a modest +1.5% increase with respect to the same period of 2016. The performance of the sales of property for services and commercial use (+5.5%) and production activities (+12%) was a bit more robust. On the other hand, unit prices dropped by more than 1% across all segments.

For 2017, Nomisma estimates an increase of 5.5% in residential property sales. However, this will not be enough to drive up unit prices, which are expected to decline for all property types. The same goes for rents (expressed in prices per square metre), which are also expected to experience further downsizing.

The survey on the Italian housing market, conducted quarterly by the Bank of Italy on a sample of real estate agents questioned on the state of the housing market, shows that a majority expects prices to stabilise, a trend that consolidated already in 2015. This survey also shows the decline in the average discount relative to the initial price, which in the third quarter of 2017 dropped to 10.2%. Selling times, reduced to 7.5 months, also contracted to a considerable extent compared to the previous surveys.

Main regulatory developments

Main Measures and Regulations issued by IVASS

IVASS Regulation no. 34 of 7 February 2017
Regulation concerning provisions on corporate governance relating to the valuation of assets and liabilities other than technical provisions and criteria for their valuation for solvency supervisory purposes, resulting from the domestic implementation of EIOPA guidelines.
Within their corporate governance systems, businesses must establish adequate organisational and informational oversight mechanisms that also extend to the recognition and valuation of assets and liabilities. The assessment of assets and liabilities for solvency purposes follows the mark-to-market principle, reflecting the amount at which the different items could be exchanged, sold or settled between knowledgeable and willing parties in an arm's length transaction. For assets and liabilities other than technical provisions, this is typically equivalent to the measurement at fair value laid out by the IFRSs (International Financial Reporting Standards) adopted by the European Commission by virtue of Regulation (EC) no. 1606/2002, without prejudice to the cases specifically defined in Delegated Regulation (EU) no. 2015/35 of inconsistency of the IFRSs with the mark-to-market principle.

IVASS Regulation no. 35 of 7 February 2017
The Regulation concerns the issue of adjustment for the ability to absorb the losses of technical provisions and of deferred taxes in the determination of solvency capital requirements calculated with the standard formula, resulting from the domestic implementation of the EIOPA guidelines on Solvency II financial requirements (Pillar 1 requirements).
In the calculation of the solvency capital requirement, companies can take into account any risk attenuation effect deriving from the ability to reduce losses of technical provisions and of deferred taxes, or the potential offsetting of unexpected losses through a reduction in technical provisions and future taxes.

IVASS Regulation no. 36 of 28 February 2017
The Regulation contains provisions on the frequency, methods, content and terms for the transmission to IVASS by supervised parties of data and information for conducting statistical surveys, studies and analyses relating to the insurance market. Furthermore, the Regulation provides the necessary reconciliation with the implementing regulation on accounting and reporting for supervisory purposes, by virtue of the amendments to ISVAP Regulations no. 22 of 4 April 2008 and no. 7 of 13 July 2007, contained in IVASS Measure no. 53 of 6 December 2016, along with other amendments concerning supervisory and public accounting and disclosure (Pillar 3) resulting from the adoption of the Solvency II Directive.

Consultation paper no. 2 of 19 July 2017
This paper contains the draft Regulation on the corporate governance system for the company and the group, as well as the adoption of the EIOPA guidelines on the corporate governance system pursuant to the Solvency II Directive. The draft evokes the provisions compatible with the new primary legislative framework of ISVAP Regulation no. 20 of 26 March 2008 containing provisions on internal controls, risk management, compliance and the outsourcing of the activities of insurance companies, ISVAP Regulation no. 39 of 9 June 2011 relating to remuneration policies and ISVAP Circular no. 574/2005 on outwards reinsurance which will therefore be repealed following the entry into force of the Regulation in question. The consultation closed on 17 October 2017.

Consultation paper no. 4 of 15 November 2017
This paper illustrates the changes that are expected to be made to ISVAP Regulation no. 38/2011 to introduce new methods to calculate the return on segregated funds, as well as the amendments that will be necessary as a result to the rules laid out in ISVAP Regulation no. 14/2008 and ISVAP Regulation no. 22/2008.
The proposed amendments aim on one hand to allow for improved management over time of returns to be recognised to policyholders, making it possible to set aside net realised capital gains in a mathematical provision named “profits provision” and, on the other hand, to make recourse to strategies intended to stabilise returns on segregated funds over time. The consultation closed on 15 December 2017.
On 14 February 2018, Measure no. 68 was issued, amending Regulations 14/2008, 22/2008 and 38/2011.

Consultation paper no. 6 of 19 December 2017
The paper contains the draft Regulation on the external audit on the Solvency and Financial Condition Report (SFCR) of the company and the group, as required by the Private Insurance Code, calling for the following documents to be audited: statement of financial position and relative valuations for solvency purposes, own funds eligible to cover capital requirements, Solvency Capital Requirement (SCR), standard formula and internal model, and the Minimum Capital Requirement (MCR). The public consultation closed on 19 February 2018. The new provisions will come into force in 2018 while, for the year 2017 the indications of the Letter to the market of 7 December 2016 remain confirmed.

Main publications issued by EIOPA with regard to Solvency II

On 4 July 2017, a public consultation was initiated on the first set of comments to the European Commission for the review of the Solvency II framework, in particular on possible simplifications for the calculation of the capital requirement. The consultation closed on 31 August 2017 and the resulting paper was presented to the European Commission in October 2017.

On 6 November 2017 an additional consultation paper was issued on the second set of technical opinions to the European Commission again on the review of the Solvency II framework, in particular with respect to: the capacity of deferred taxes to absorb losses, Life and Non-Life underwriting risk, catastrophe risk, unrated debt and unlisted equity and other matters including the cost of capital in the calculation of the risk margin. The consultation period concluded on 5 January 2018.

On 18 December 2017, EIOPA published a Supervisory Statement based on an analysis of the Solvency and Financial Condition Reports (SFCR) prepared in 2016 by insurance companies and EU groups, highlighting sufficient consistency with the prescriptions of Solvency II.

Regulatory developments regarding taxation

Decree Law no. 50 of 24 April 2017 converted with Law no. 96 of 21 June 2017 containing corrective measures of the 2017 Budget Law and entitled "Urgent provisions on finance, initiatives in favour of regional bodies, additional interventions for the areas struck by earthquakes and development measures". The tax provisions include the introduction of ACE (Aid to Economic Growth) rules which reduce the rate used as the basis for the calculation of the benefit from 4.75% to 1.6% in 2017 and as of 2018 under normal circumstances to 1.5%. The split-payment VAT mechanism (splitting of payments which entails the payment of VAT debited on invoices directly to the tax authority rather than to the supplier) is also extended to listed companies in the Italian Stock Exchange's FTSE MIB index and the VAT safeguarding clauses introduced by Law 190/2014 (2015 Stability Law) are modified.

Law no. 167 of 20 November 2017 (the "2017 European Law") due to which parties requesting a VAT reimbursement will be recognised the lump-sum reversal of costs incurred for the issue of the guarantee, for a sum equal to 0.15% of the amount guaranteed for each year of duration of the guarantee, starting from requests submitted with the annual VAT tax return relating to the year 2017.

Law no. 205 of 27 December 2017 (the "2018 Budget Law") which amongst its various provisions calls for the blocking of the growth of VAT rates for the year 2018; postpones from May to November the payment of the tax advance on insurance borne by companies, increasing the rates from the current 40% to 58% as of 2018, to 59% as of 2019 and to 74% for subsequent years; introduces a system of exemption from the tax on insurance for natural disaster policies; amends the VAT Group regulations on intragroup transactions; extends and expands deductions for energy and earthquake-proofing upgrades; extends increased depreciation; provides for the re-opening of the terms for the revaluation of corporate assets and for the realignment of civil and fiscal values; expands the tax benefit provisions on welfare in favour of employees; extends the tax regime provided for private workers to public employees; introduces the specific tax treatment of the temporary supplementary advance annuity ("RITA").

Other regulations

Please note the entry into force, as of financial years starting on or after 1 January 2017, of Legislative Decree no. 254 of 30 December 2016 implementing directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups (Official Gazette no. 7 of 10 January 2017).

In particular, the directive introduced the obligation for large undertakings qualified as "public-interest entities" to provide a non-financial statement ("NFS") in their yearly directors' reports which must contain, "to the extent necessary to ensure an understanding of the undertaking's business, its performance, results and impacts", a description of the company's corporate management and organisational model, as well as information regarding the main risks deriving from the undertaking's activities and its products and services in addition to the policies applied and the results achieved by it with reference to environmental and social matters as well as topics relating to personnel, respect for human rights and the fight against active and passive corruption.

The parties required to publish the NFS are only the public-interest entities as defined in Legislative Decree no. 39/2010 which surpass certain size requirements ("significant public-interest entities" or "SPIE"), or which:

- have had an excess of 500 employees on average during the financial year and
- at the reporting date, have surpassed at least one of the following size limits:
  - a statement of financial position total of €20m;
  - total revenue from sales and services of €40m.

The decree envisages that Consob will govern by regulation:

- the methods for the direct transmission of the NFS to Consob and any methods for publishing the NFS in addition to those specified by the decree, as well as the necessary information supplementing or amending the NFS that may be requested by Consob in the case of incomplete or non-compliant statements;
- the methods and terms for the control conducted by Consob on the NFSs published;
- the principles of conduct and the methods for carrying out the auditor engagement for checking the compliance of the information.

In exercising the regulatory mandates referred to above, on 19 January 2018, Consob issued, with Resolution no. 20267, the Regulation implementing Legislative Decree no. 254 of 30 December 2016 relating to the communication of non-financial information.

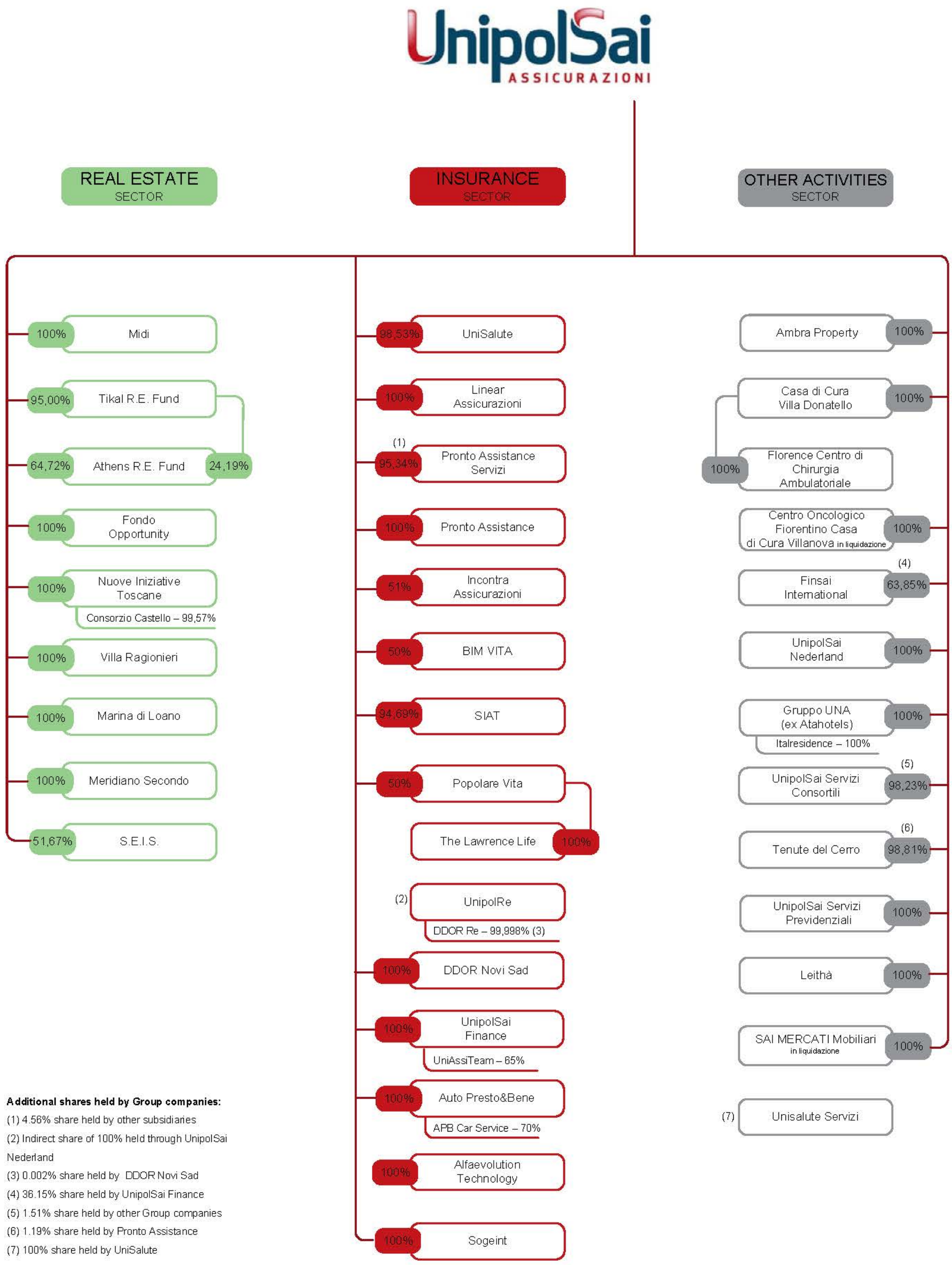
The Consolidated financial statements of UnipolSai Assicurazioni SpA are subject to an audit by independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2013/2021 period.

With respect to the obligations laid out by Legislative Decree no. 254 of 30 December 2016, on the communication of non-financial and diversity information by certain large undertakings and groups, please note that the UnipolSai Group is not subject to this obligation as one of the cases of exemption and equivalence laid out in Art. 6, paragraph 2 applies to it, given that it is a subsidiary company included within the Consolidated Non-Financial Statement prepared by the Unipol Group.

Consolidation Scope at 31 December 2017

(direct holding out of total share capital)

For more details see the table appended to the Notes “Consolidation Scope”



Additional shares held by Group companies:

(1) 4.56% share held by other subsidiaries

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

(3) 0.002% share held by DDOR Novi Sad

(4) 36.15% share held by UnipolSai Finance

(5) 1.51% share held by other Group companies

(6) 1.19% share held by Pronto Assistance

(7) 100% share held by UniSalute

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MANAGEMENT
REPORT

Group highlights

Amounts in €m	31/12/2017	31/12/2016
Non-Life direct insurance premiums	7,355	7,218
% variation	*1.9*	*(1.6)*
% variation on a like-for-like basis	*(0.1)*	
Life direct insurance premiums	3,713	5,279
% variation	*(29.7)*	*(20.6)*
of which Life investment products	261	585
% variation	*(55.4)*	*0.1*
Direct insurance premiums	11,068	12,497
% variation	*(11.4)*	*(10.6)*
% variation on a like-for-like basis	*(12.6)*	
Net gains on financial instruments (*)	1,568	1,580
% variation	*(0.8)*	*(22.8)*
% variation on a like-for-like basis	*(0.9)*	
Consolidated profit (loss)	537	527
% variation	*1.8*	*(28.5)*
% variation on a like-for-like basis	*0.1*	
Balance on the statement of comprehensive income	702	325
% variation	*116.3*	*(33.5)*
Investments and cash and cash equivalents	51,971	63,261
% variation	*(17.8)*	*(0.0)*
% variation on a like-for-like basis	*(1.5)*	
Technical provisions	45,757	55,816
% variation	*(18.0)*	*(0.5)*
% variation on a like-for-like basis	*(2.9)*	
Financial liabilities	3,663	4,681
% variation	*(21.7)*	*20.1*
% variation on a like-for-like basis	*(2.7)*	
Shareholders' Equity attributable to the owners of the Parent	5,869	6,156
% variation	*(4.7)*	*(1.9)*
UnipolSai Assicurazioni SpA Solvency ratio - Partial Internal Model	241%	243%
No. Staff	11,529	10,280

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

The statement of financial position data at 31 December 2017 include the end of period values deriving from the consolidation of UniSalute, Linear and Ambra Property, while the economic data and indicators include the economic results of the above-mentioned companies only for the period 1 October-31 December 2017, due to the acquisition timing.
In addition, pursuant to IFRS 5, the assets and liabilities of disposal subsidiaries Popolare Vita and The Lawrence Life have been reclassified respectively under items 6.1 in Assets and 6.1 in Liabilities.

To make the comparisons with the previous year more significant, the Management Report and the Notes to the financial statements describe the contribution of the acquired companies, the reclassified amount of the companies being disposed of or the changes on a like-for-like basis separately for the main items impacted, calculated as follows:

- as regards economic data, the data contributed by UniSalute, Linear and Ambra Property have been excluded from the values as at 31 December 2017;
- as regards the statement of financial position data, aside from not considering the contribution as at 31 December 2017 of the companies UniSalute, Linear and Ambra Property, the figures relating to Popolare Vita and The Lawrence Life have been restated under the original item.

Alternative performance indicators[1]

	classes	31/12/2017	31/12/2016
Loss ratio - direct business (including OTI ratio)	Non-Life	67.7%	67.0%
Expense ratio (calculated on written premiums) - direct business	Non-Life	28.2%	28.7%
Combined ratio - direct business (including OTI ratio)	Non-Life	95.9%	95.7%
Loss ratio - net of reinsurance	Non-Life	69.2%	68.0%
Expense ratio (calculated on premiums earned) - net of reinsurance	Non-Life	28.1%	28.5%
Combined ratio - net of reinsurance (*)	Non-Life	97.2%	96.5%
Premium retention ratio	Non-Life	94.0%	94.1%
Premium retention ratio	Life	99.8%	99.8%
Premium retention ratio	Total	95.8%	96.3%
Group pro-rata APE (amounts in €m)	Life	504	547
Expense ratio - direct business	Life	5.6%	4.8%
Expense ratio - net of reinsurance	Life	5.6%	4.8%

(*) with expense ratio calculated on premiums earned

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

Management Report

Significant events during the year

Project for streamlining the Group's insurance sector

On 29 June 2017, the Boards of Directors of Unipol and UnipolSai approved a project that aims to definitively streamline the insurance sector of the Unipol Group, as part of which, on 16 November 2017, after obtaining the necessary authorisations from the Supervisory Authority, UnipolSai acquired the equity investments held by the holding company Unipol in:

- UniSalute, an insurance company specialised in the health segment (the top insurance company in Italy by number of customers managed), equal to 98.53% of the share capital, for consideration of €715m, and
- Linear, an insurance company specialised in the direct sale of Non-Life products, in particular MV, equal to the entire share capital, for consideration of €160m;

The considerations of the aforementioned disposals were determined within the *range* of values identified with the support of Mediobanca - Banca di Credito Finanziario SpA and JP Morgan Limited, in the capacity of financial advisors, respectively for Unipol and UnipolSai, by applying the estimation methodologies normally used in accordance with the best Italian and international valuation practices.

In addition, it is established that, if the conditions and prerequisites are satisfied, the controlling interest, equal to 63.39% of the share capital, held by Unipol in Arca Vita may also be transferred to UnipolSai. In this regard, please note that in November 2017 Unipol Gruppo SpA, BPER Banca SpA and Banca Popolare di Sondrio ScpA agreed to the early renewal of their strategic bancassurance partnership in the Life and Non-Life segments launched in 2009, the natural maturity of which was 31 December 2019. The new agreements entered into will have a duration of five years, starting on 1 January 2018, and will be renewable again upon agreement between the parties.

The Project is meant to aggregate the entire insurance business referring to the Unipol Group under the control of UnipolSai, with a number of benefits in terms of consistency and effectiveness in policy governance and in the organisational and operational coordination of the overall insurance activity. In particular, the Project will facilitate the development of an integrated multichannel offer model, meant to take into account the evolution of consumer conduct and requirements, while also maintaining the identity and corporate autonomy of the individual companies which operate as the top market leaders in their respective reference sectors.

According to the IAS/IFRS international accounting standards, the acquisition of the equity investments in Linear and UniSalute qualifies as a business combination between entities under common control since all companies participating in it were already controlled by Unipol. Therefore, in line with other analogous transactions recognised in the past, the acquisition has been represented in the UnipolSai consolidated financial statements with continuity of carrying amounts with the Unipol Group's consolidated financial statements.
As a result of this accounting representation, the shareholders' equity attributable to the owners of the Parent UnipolSai reduced by €602m, equivalent to the difference between the value attributable to the owners of the Parent UnipolSai of the net assets of Linear and UniSalute (inclusive of goodwill as recognised in the Unipol Group's consolidated financial statements) equal to €273m and the corresponding present value estimated to calculate the total consideration, equal to €875m.

Banking sector restructuring plan

On 29 June 2017, in its capacity as Parent of the Unipol banking group, the Unipol Board of Directors approved the guidelines of a Group banking sector restructuring plan (the "**Restructuring Plan**" or the "**Plan**"), which envisages the transfer by means of proportional partial spin-off of Unipol Banca SpA ("**Unipol Banca**" or the "**Company being divided**") in favour of a newly established company ("**NewCo**" or the "**Beneficiary Company**"), of a company complex inclusive, *inter alia*, of a portfolio of bad and doubtful loans of Unipol Banca (the "**Bad and Doubtful Loans**"), gross of valuation reserves, for an amount of roughly €3bn. These Bad and Doubtful Loans correspond to the entire portfolio of bad and doubtful loans of the Bank at 2 August 2017, the date of approval of the half-yearly report at 30 June 2017, with the exclusion of those deriving from loans for leases and unsecured commitments, after:

- the adjustment of their value in accordance with the conditions currently prevailing in the market for disposal transactions, and
- the strengthening of the average rate of coverage of loans classified as "unlikely to pay" and those classified as "past due", which will remain within Unipol Banca, to the best levels of the banking industry.

The transfer of the above-mentioned company complex (the "**Company Complex**"), inclusive of the stock of Bad and Doubtful Loans, to a separate business specialised in the collection of these positions, will enable:

- Unipol Banca, as a result of the transfer of the Bad and Doubtful Loans and the strengthening of rates of coverage on other impaired loans:
  - to focus on its core activities with a financial position and a reduced risk profile, a necessary condition to guarantee potential growth in profitability for the benefit of all *stakeholders*;
  - to obtain risk indicators (NPL ratio) at excellent levels within the scope of the domestic banking system;
- the entire Unipol Group:
  - to optimise credit collection activities, thanks to specialised structures which are completely dedicated to this activity. In this regard, please note that, in line with what was approved by the Board of Directors of the Parent Unipol on 22 December 2016, Unipol Banca established the special purpose vehicle Unipol Reoco SpA ("**Reoco**"), wholly owned by the Bank and now included within the scope of the spin-off in favour of NewCo, which is called upon to concentrate on the acquisition, valuation and sale of the real estate assets pledged as collateral against the Bad and Doubtful Loans, in order to facilitate their recovery;
  - to keep with NewCo, and as a result within the Group, the value linked to the future recovery of the Bad and Doubtful Loans, also through any future assignments to third parties on the basis of economic conditions deemed consistent, thus avoiding a large-scale assignment of non-performing loans to third party investors which could result in a significant transfer of value outside the Group;
  - to thus facilitate the pursuit of all possible strategic options that may arise within the process of streamlining and concentration of the Italian banking system.

On 18 July 2017, Unipol transmitted to UnipolSai Assicurazioni SpA ("**UnipolSai**") and to Unipol Banca a specific note describing the activities and phases for carrying out the Plan which is broken down into the following transactions (overall, the "**Transaction**"):

(i) an increase in rates of coverage of existing impaired loans, taking into account the changed outlooks for their realisation;

(ii) signing on 3 August 2011 by Unipol and Unipol Banca of an agreement for the early dissolution of the indemnity agreement currently in place on non-performing loans meant to be included in the Bad and Doubtful Loans subject to transfer;

(iii) following the completion of the transactions described above, the disbursement by Unipol and UnipolSai of capital account payments in favour of the Bank for a total of €900m, in proportion with the stakes in the share capital of Unipol Banca currently held by the same shareholders, in order to replenish the Bank's capital in line with the capital ratios existing before the adjustments pursuant to the previous point, also taking into account the capital of the bank that will be allocated to NewCo at the time of the Spin-Off;

(iv) following the transactions described above, the proportional partial spin-off of Unipol Banca in favour of NewCo (the "Spin-Off"), through the spin-off in favour of the latter, with continuity of carrying amounts, of the Unipol Banca's Company Complex consisting essentially (i) in the assets: of Bad and Doubtful Loans (along with specialised personnel for the management and processing of such Bad and Doubtful Loans and the functional contracts), the 100% stake in Reoco and deferred tax assets relating to the Company Complex; and (ii) in the liabilities: of shareholders' equity and several payables relating to the Company Complex, including the payable deriving from the Shareholder Loan to be disbursed to Unipol Banca within the context of the Transaction, subsequent to obtaining the authorisation for the Spin-Off from the Bank of Italy and before the completion thereof.

The Boards of Directors of UnipolSai and Unipol Banca, which met on 27 and 28 July 2017, respectively, examined and approved the Transaction as outlined by the Parent Unipol. The following transactions were concluded based on the resolutions passed:

- on 31 July 2017, Unipol and Unipol Banca entered into the **Agreement for the early Termination of the credit indemnity agreement**, signed on 3 August 2011 and subsequently amended, effective as of 30 June 2017, defining the indemnity due from Unipol to Unipol Banca as €670.4m. A first tranche equal to €170.4m was paid by Unipol to Unipol Banca on the same date. The remaining €500m will be paid in 10 annual instalments of €50m each, on 31 July each year from 31 July 2018, plus deferred interest to be calculated at an annual rate of 2.75% per year and without prejudice, for Unipol, to the right to early payment of the residual amount in a lump sum on each annual interest payment date;

- on 31 July 2017, Unipol and UnipolSai made a **non-repayable capital account contribution** (which therefore will not be repeated and is not reimbursable) to Unipol Banca for a total of **€900m**, respectively for €519.7m and €380.3m, in order to (i) replenish the capital of Unipol Banca in line with the Bank's capital ratios preceding the write-downs on loans recognised in the half-yearly report at 30 June 2017, also taking into account the capital of the Bank to be allocated to NewCo at the time of the Spin-Off. As these payments are not repayable, they are eligible for calculation for supervisory purposes amongst the elements of the bank's individual highest quality own funds (CET 1).

  Pursuant to the put/call option contract in place between Unipol and UnipolSai on a share of 27.49% of the share capital of Unipol Banca, the put exercise price of €331.6m at 30 June 2017 increased by the amount paid by UnipolSai in favour of Unipol Banca by way of payment of the capital account contribution with no right to reimbursement. At 31 December 2017 the option exercise price is therefore equal to €579.1m. Please recall that the five-year option contract will expire on 6 January 2019.

- on 2 August 2017, Unipol Banca approved the Project for the proportional partial spin-off, in favour of a NewCo, of a company complex (the "**Complex involved in the division**") inclusive, *inter alia*, of a portfolio of bad and doubtful loans in the amount of €2,936m, gross of value adjustments, and €587m net of value adjustments. The amount of the Bad and Doubtful Loans included in the Complex involved in the division was determined on the basis of Unipol Banca's half-yearly accounting statement at 30 June 2017, after the (i) adjustment of the value of the Bad and Doubtful Loans, in accordance with conditions prevailing in the market for disposal transactions, and (ii) the strengthening of the average rate of coverage of unlikely to pay positions, which remained within Unipol Banca, to the best levels of the banking system.
- 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 NewCo;
- on 1 February 2018 (the "**Effective Date**"), once the Bank of Italy had released specific approval on 30 October 2017, the proportional spin-off took effect of Unipol Banca to UnipolReC SpA ("**UnipolReC**"), a credit collection company operating pursuant to Art. 115, Royal Decree no. 773 of 18 June 1931 established on that same date. UnipolReC has the same investors as Unipol Banca and in the same proportions, i.e. 57.75% Unipol and 42.25% UnipolSai, and is a member of the Unipol Banking Group as an instrumental company. 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 referenced above, 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;
- 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 €553.0m net of value adjustments.

As a result of the resolutions and subsequent transactions illustrated above, with effect from 30 June 2017 Unipol Banca and the Unipol Group amended the model for the management of impaired loans, with regard not only to the Bad and Doubtful Loans subject to transfer to UnipolReC, but also to the remaining NPL portfolio existing at the same date and meant to remain with Unipol Banca after the Spin-Off, with a view to facilitating their recovery within a more limited time horizon, also through any future realisation transactions other than the ordinary management of the relationship with the debtor. In line with the changed model for the management of the existing NPL portfolio, the estimation criteria applied in the valuation of loans were revised.

As a result of what is laid out above, Unipol Banca closed the financial statements as at 31 December 2017 with a loss of €752m, with a negative effect, to be considered one-off, on the Group's consolidated profit equal to €113m.

Evolution of the contractual agreements relating to the subsidiary Popolare Vita

On 29 June 2017, the UnipolSai Board of Directors resolved on the termination of the Distribution Agreement in place between Popolare Vita and Banco BPM SpA ("Banco BPM") and the resulting exercise of the put option available to it on the basis of the shareholders' agreement in place with Banco BPM, concerning the equity investment held by UnipolSai in Popolare Vita, equal to 50% of its share capital plus one share.
On 14 November 2017, BDO Italia SpA and BDO AG Wirtschaftsprüfungsgesellschaft – Actuarial Services, engaged to determine, pursuant to the shareholders' agreements in force, the price that will need to be paid by Banco BPM for the acquisition of the equity investment in Popolare Vita (the Company), issued their final report, determining the total value of the Company as at 30 June 2017 as €1,071m and, as a result, the sale price of the 21,960,001 shares of Popolare Vita held by UnipolSai as €535.5m. Taking into account the distribution of freely available profit reserves of Popolare Vita, approved unanimously by the shareholders' meeting on 30 June 2017 (share attributable to UnipolSai equal to €53.4m), the total value referring to the disposal of the equity investment held by UnipolSai amounts to €588.9m.

In the statements at 31 December 2017, pursuant to IFRS 5, the assets and liabilities relating to the company Popolare Vita and its subsidiary The Lawrence Life were reclassified respectively to the items 6.1 Non-current assets or assets of a disposal group held for sale and 6.1 Liabilities associated with disposal groups held for sale.

Operating performance

In 2017, the Group's operations continued to hinge on the consolidation of the operating mechanism, relationships with the sales network and customers and product innovation, particularly with respect to the use of telematics.

UnipolSai closed 2017 with a **consolidated net profit of €537m**, marking an improvement with respect to €527m recorded at 31 December 2016 despite the one-off effects correlated with the Unipol Banca restructuring plan, equal to €113m. Net of these effects, the consolidated net profit would have reached €649m in 2017.
Following the corporate restructuring of the Unipol Group, the economic results achieved by UniSalute, Linear and Ambra Property in the final quarter of 2017, equal to €9m, were consolidated directly by UnipolSai.

The **solvency ratio** of UnipolSai SpA at 31 December 2017, calculated according to Solvency II Partial Internal Model metrics, showed a ratio of available capital to requested capital of **2.41**[2] (2.43 recorded at 31/12/2016).

Direct **Non-Life** premiums as at 31 December 2017 amounted to €7,355m, up 1.9% compared to 2016. On a like-for-like basis, excluding the business of UniSalute and Linear with respect to the fourth quarter of 2017, Non-Life premiums were equal to €7,213m, substantially in line with the figure from 2016. Premiums were driven by the Non-MV segment, with premiums reaching €3,232m, marking growth of 3.1%, and the Land Vehicle Hulls class, with premiums equal to €636m (+2.9%), which offset the downturn for the MV TPL class, where premiums reached €3,346m (-3.4%), influenced by the continuation of significant competition in the market.

With regard to the core companies, Non-Life direct premiums of UnipolSai alone, the Group's main company which has the largest agency network in the country (roughly 3,000 agencies), stood at €6,901m (-0.8% compared to 2016), of which €3,937m in the MV classes, down 2.6% on 2016 as a result of competitive pressure on rates, and €2,964m in the Non-MV classes (+1.5%).
The main Non-Life Companies recorded considerable growth in direct business turnover: SIAT, which specialises in the Sea Vehicles segment, with €128m, corresponding to a rise of 10.7%; Incontra, the joint venture with Unicredit (specialised in credit protection products) achieved turnover of €107m, marking development of 54.3%, while the Serbian company DDOR recorded an increase of +6.5%, reaching premiums of €77m.

Also note the direct business performance of the companies that entered the scope of consolidation of UnipolSai in the final quarter of the year: Linear, operating in the MV segment, earned premiums of €172m in 2017, with growth of 14.9%, the result of the work carried out in terms of pricing innovation, which made it possible to maintain a better presence in the direct channel and expand the customer base; UniSalute, a leading health insurance company, reached premiums of €371m in 2017, marking growth of 10.1%. The above-mentioned companies contributed €142m to direct premiums, limited only to the fourth quarter of the year.

In terms of Non-Life claims, although there was an improvement in the final quarter of the year, 2017 was characterised by a significant increase in claims from atmospheric events and a greater presence of claims of significant amounts. The MV TPL class posted positive performance in terms of frequency and cost curbing, even within a scenario complicated by a further drop in the average premium. Overall, at 31 December 2017, the loss ratio for direct business of the Group (including the balance of other technical items) increased slightly to 67.7% (67.4% on a like-for-like basis) against 67.0% in 2016.
The expense ratio for direct business was 28.2% of premiums written (28.5% on a like-for-like basis), against 28.7% in 2016. Overall, the Group's combined ratio of direct business stood at 95.9% (unchanged on a like-for-like basis) compared to 95.7% at 31 December 2016.
The combined ratio net of reinsurance, with the expense ratio in relation to premiums earned, was 97.2% (97.4% on a like-for-like basis), against 96.5% in 2016.

In the **Life sector**, 2017 was characterised by the offer, including through the agency network, of multisegment and linked products, which met with good commercial success within a market context in which interest rates were very low and negative in the short term.
The decline in direct premiums at 31 December 2017, equal to €3,713m, -29.7% compared to 31 December 2016, should therefore be read in light of the limitation of financial risk and especially in relation to the contraction in

[2] Value calculated on the basis of the information unavailable as of today. The definitive results will be reported to the Supervisory Authority with the timing required by regulations in force. For further information on the Company's solvency situation, please refer to the "Disclosure about Solvency II prudential supervision" section included in the Management Report accompanying the 2017 Separate Financial Statements of UnipolSai Assicurazioni SpA

bancassurance channel income. In particular, Popolare Vita, which terminated the distribution agreement in place in 2017 and will soon be sold to third parties, with direct business premiums equal to €706m (inclusive of the premiums of the subsidiary The Lawrence Life), recorded a decline of 66.9%, while BIM Vita marked an increase of 5.4%, reaching direct business premiums of €104m. The Company UnipolSai recorded direct premiums of €2,892m, down slightly compared to the previous year (-4.9%), but with a composition of new business financially aligned with the commercial policies adopted.
New business in terms of APE, net of non-controlling interests, amounted to €504m (€547m at 31/12/2016, -7.7%), of which €102m contributed by bancassurance companies and €402m by traditional companies.

As regards the management of **financial investments**, the general recovery in the global economy made it possible to overcome the numerous geopolitical tensions that arose in the course of 2017. The main stock markets recorded very positive performance and, despite the fact that the ECB has started to wind down its expansionary monetary policy, the Eurozone's government bond yields have remained at very limited levels. In this context, the gross profitability of the Group's insurance financial investments portfolio produced a particularly significant return in the period in question, equal to 3.9% of invested assets, of which 3.5% relating to the coupons and dividends component, whereas the overall return recorded in 2016 totalled 3.7%.

Real estate management continued to focus on the renovation of some of the portfolio's properties, particularly in Milan, in order to seek out opportunities to increase value or generate income, as well as structures intended for business use. The year 2017 was also characterised by the disposal of certain properties for significant amounts, in line with the expectations laid out in the Business Plan.

The business of the companies in the **other business sectors** in 2017 saw further improvement thanks to the activities carried out in terms of intense commercial development, cost rationalisation and the closure of unprofitable businesses. As regards the hotel sector in particular, we note the recent integration of the Atahotels and Una Hotels structures following the acquisition of the UNA SpA hotel management business unit as part of which Atahotels changed its company name to Gruppo UNA SpA. The company ended the year with revenues reaching €127m and a profit of more than €0.6m.
In addition, on 30 September 2017, the holding company Unipol acquired the hotel management company Ambra Property, the owner of several properties in Bologna and the surrounding area.

Salient aspects of business operations

The Consolidated Financial Statements of the UnipolSai Group at 31 December 2017 ended with a **net profit equal to €537m**, (€527m at 31/12/2016), net of taxation for the 2017 period of €223m. Net of the one-off effect relating to the associate Unipol Banca totalling €113m, the consolidated net profit would have reached €649m in 2017.

The subsidiaries Linear, UniSalute and Ambra Property contributed with their profit for the last three months of the year amounting to €9m.

The **solvency situation of UnipolSai SpA** at 31 December 2017, calculated according to Solvency II Partial Internal Model metrics, showed a ratio of available capital to requested capital of 2.41[3] (2.43 recorded at 31/12/2016).

The **Insurance sector** contributed €559m to consolidated net profit, unchanged compared to 31 December 2016, of which €357m related to Non-Life business (€310m at 31/12/2016), and €203m related to Life business (€250m at 31/12/2016): at 31 December 2017, the subsidiaries Linear and UniSalute contributed €13m to the pre-tax profit.
The results of the other sectors in which the Group carries out business are as follows:

- the **Other Businesses sector** recorded a -€1m loss (-€14m at 31/12/2016);
- the **Real Estate sector** recorded a -€22m loss (-€18m at 31/12/2016).

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

- **direct insurance premiums**, gross of reinsurance, totalled €11,068m (€12,497m in 2016, -11.4%, -12.6% on a like-for-like basis). Non-Life direct premiums amounted to €7,355m (€7,218m in 2016, +1.9%, -0.1% on a like-for-like basis) and Life direct premiums €3,713m (€5,279m in 2016, -29.7%), €261m of which related to investment products (€585m in 2016);

- **premiums earned**, net of reinsurance, were €10,402m (€11,558m in 2016), of which €6,956m from the Non-Life business (€6,871m in 2016) and €3,446m from the Life business (€4,686m in 2016);

- **net charges relating to claims**, net of reinsurance, were €8,684m (€9,850m in 2016), of which €4,666m in the Non-Life business (€4,558m in 2016) and €4,018m in the Life business (€5,291m in 2016), including €152m of net gains on financial assets and liabilities at fair value (€125m in 2016);

- the **loss ratio** of direct Non-Life business was 67.7% (67.4% on a like-for-like basis, 67.0% in 2016);

- **operating expenses** were €2,331m (€2,359m in 2016). In the Non-Life business they amounted to €2,027m (€2,039m in 2016), in the Life business €234m (€270m in 2016), in the Other Businesses sector €59m (€54m in 2016) and in the Real Estate sector €26m (€12m in 2016);

- the **combined ratio** of direct Non-Life business was 95.9%, (unchanged on a like-for-like basis, 95.7% in 2016);

- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value related to the Life business) were €1,568m (€1,580m in 2016);

[3] Value calculated on the basis of the information unavailable as of today. The definitive results will be reported to the Supervisory Authority with the timing required by regulations in force. For further information on the Company's solvency situation, please refer to the "Disclosure about Solvency II prudential supervision" section included in the Management Report accompanying the 2017 Separate Financial Statements of UnipolSai Assicurazioni SpA

- the **gross profit** came to €760m (€681m in 2016), after write-downs of property and available-for-sale assets amounting to €112m (€147m in 2016), and amortisation of intangible assets amounting to €59m (€70m in 2016);

- **taxes** for the year represented a net expense of €223m (€153m in 2016). The tax rate for 2017 was 29.4% (22.5% in 2016);

- net of the €33m profit attributable to non-controlling interests, the **profit attributable to the owners of the Parent** at 31 December 2017 was **€504m** (€497m in 2016);

- **gross profit** just for the fourth quarter of 2017 was €160m (profit of €76m in the fourth quarter of 2016);

- the **comprehensive income** amounted to €702m (€325m in 2016), also benefitting from an increase in the reserve for gains or losses on available-for-sale financial assets for €157m (decrease of €153m in 2016);

- **investments and cash and cash equivalents** amounted to €51,971m (€63,261m at 31/12/2016), after having reclassified €10,381m under assets held for disposal, pursuant to IFRS 5 (€208m at 31/12/2016 referring entirely to properties) relating to assets held by Popolare Vita and The Lawrence Life (€10,277m) and other properties being disposed of (€104m);

- **technical provisions** and **financial liabilities** amounted to €49,420m (€60,497m in 2016), after reclassifying, pursuant to IFRS 5, under liabilities held for disposal €9,939m relating to Popolare Vita and The Lawrence Life.

A summary of the Consolidated Operating Income Statement at 31 December 2017 is illustrated below, broken down by business segment: Insurance (Non-Life and Life), Other Businesses and Real Estate, compared with the figures at 31 December 2016.

Condensed Consolidated Operating Income Statement broken down by business segment

Amounts in €m	NON-LIFE BUSINESS			LIFE BUSINESS			INSURANCE SECTOR		
	31/12/17	31/12/16	% var.	31/12/17	31/12/16	% var.	31/12/17	31/12/16	% var.
Net premiums	6,956	6,871	*1.2*	3,446	4,686	*(26.5)*	10,402	11,558	*(10.0)*
Net commission income				18	18	*1.1*	18	17	*0.7*
Financial income/expenses (**)	450	358	*25.7*	1,128	1,254	*(10.0)*	1,578	1,612	*(2.1)*
Net interest income	*368*	*373*		*1,042*	*1,075*		*1,410*	*1,448*	
Other income and charges	*(29)*	*82*		*36*	*62*		*7*	*144*	
Realised gains and losses	*175*	*45*		*116*	*176*		*291*	*221*	
Unrealised gains and losses	*(64)*	*(141)*		*(66)*	*(59)*		*(130)*	*(200)*	
Net charges relating to claims	(4,666)	(4,558)	*2.4*	(4,018)	(5,291)	*(24.1)*	(8,684)	(9,850)	*(11.8)*
Operating expenses	(2,027)	(2,039)	*(0.6)*	(234)	(270)	*(13.4)*	(2,261)	(2,309)	*(2.1)*
Commissions and other acquisition expenses	*(1,597)*	*(1,596)*	*0.0*	*(112)*	*(135)*	*(17.5)*	*(1,708)*	*(1,732)*	*(1.3)*
Other expenses	*(430)*	*(442)*	*(2.9)*	*(122)*	*(135)*	*(9.4)*	*(552)*	*(577)*	*(4.4)*
Other income/charges	(212)	(268)	*20.7*	(54)	(39)	*(38.4)*	(266)	(307)	*13.2*
Pre-tax profit (loss)	**501**	**365**	*37.5*	**286**	**357**	*(20.0)*	**787**	**722**	*9.1*
Income taxes	(144)	(55)	*n.s.*	(83)	(108)	*(22.5)*	(228)	(163)	*40.2*
Profit (loss) from discontinued operations									
Consolidated profit (loss)	**357**	**310**	*15.2*	**203**	**250**	*(18.8)*	**559**	**559**	*0.0*
Profit (loss) attributable to the Group									
Profit (loss) attributable to non-controlling interests									

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

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

OTHER BUSINESSES SECTOR			REAL ESTATE SECTOR (*)			INTER-SEGMENT ELIMINATIONS		TOTAL CONSOLIDATED		
31/12/17	31/12/16	% var.	31/12/17	31/12/16	% var.	31/12/17	31/12/16	31/12/17	31/12/16	% var.
								10,402	11,558	*(10.0)*
								17	17	*1.1*
	(7)	*n.s.*	(2)	3	*n.s.*	(8)	(28)	1,568	1,580	*(0.8)*
(1)			*(6)*	*(3)*		*(1)*		*1,403*	*1,445*	
			15	*20*		*(8)*	*(28)*	*14*	*136*	
1				*(2)*				*292*	*219*	
	(8)		*(11)*	*(12)*				*(141)*	*(220)*	
								(8,684)	(9,850)	*(11.8)*
(59)	(54)	*7.7*	(26)	(12)	*112.7*	14	16	(2,331)	(2,359)	*(1.2)*
								(1,708)	*(1,732)*	*(1.3)*
(59)	*(54)*	*7.7*	*(26)*	*(12)*	*112.7*	*14*	*16*	*(623)*	*(628)*	*(0.8)*
55	43	*27.9*	4	(14)	*n.s.*	(5)	12	(212)	(265)	*20.1*
(3)	**(19)**	*84.2*	**(24)**	**(22)**	*(7.5)*			**760**	**681**	*11.7*
2	5	*(60.7)*	2	4	*(40.8)*			(223)	(153)	*45.7*
(1)	**(14)**	*93.2*	**(22)**	**(18)**	*(18.2)*			**537**	**527**	*1.8*
								504	497	
								33	30	

Insurance Sector

Overall, the Group's insurance business closed the period with a **profit of €559m** (unchanged with respect to 31/12/2016), of which €357m relating to the Non-Life sector (€310m at 31/12/2016), with a contribution of €9m from UniSalute and Linear, and €203m relating to the Life sector (€250m at 31/12/2016).

At 31 December 2017, Investments and cash and cash equivalents of the Insurance sector, including properties for own use, totalled €50,498m (€61,919m at 31/12/2016), €16,525m of which was from Non-Life business (€16,386m at 31/12/2016) and €33,973m from Life business (€45,534m at 31/12/2016), after reclassifying €10,277m held by Popolare Vita and The Lawrence Life under assets held for disposal, pursuant to IFRS 5.

Financial liabilities amounted to €3,365m (€4,392m at 31/12/2016), €1,510m of which was from Non-Life business (€1,664m at 31/12/2016) and €1,855m from Life business (€2,727m at 31/12/2016), after reclassifying €904m held by Popolare Vita and The Lawrence Life under liabilities held for disposal, pursuant to IFRS 5.

Total premiums (direct and indirect premiums and investment products) at 31 December 2017 amounted to €11,169m (€12,545m at 31/12/2016, -11.0%, -12.1% on a like-for-like basis).
Life premiums amounted to €3,713m (€5,279m at 31/12/2016, -29.7%) and Non-Life premiums totalled €7,456m (€7,265m at 31/12/2016, +2.6%, +0.6% on a like-for-like basis).

All Non-Life premiums of Group insurance companies are classified under insurance premiums, as they meet the requirements of the IFRS 4 standard (presence of significant insurance risk).
As for Life premiums, investment products at 31 December 2017, for €261m, related to Class III (Unit- and Index-Linked policies) and Class VI (pension funds).

Total premiums

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Non-Life direct premiums	7,355		7,218		*1.9*
Non-Life indirect premiums	101		47		*113.2*
Total Non-Life premiums	**7,456**	***66.8***	**7,265**	***57.9***	***2.6***
Life direct premiums	3,452		4,694		*(26.5)*
Life indirect premiums	1		1		*7.0*
Total Life premiums	**3,453**	***30.9***	**4,695**	***37.4***	***(26.5)***
Total Life investment products	261	*2.3*	585	*4.7*	*(55.4)*
Total Life business	**3,713**	***33.2***	**5,279**	***42.1***	***(29.7)***
Overall total	**11,169**	***100.0***	**12,545**	***100.0***	***(11.0)***

Premiums in the fourth quarter of 2017 alone amounted to €3,292m (€3,464m in the fourth quarter of 2016).

Direct premiums amounted to €11,068m (€12,497m at 31 December 2016, -11.4%, -12.6% on a like-for-like basis), of which Non-Life premiums totalled €7,355m and Life premiums €3,713m.

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Non-Life direct premiums	7,355	*66.5*	7,218	*57.8*	*1.9*
Life direct premiums	3,713	*33.5*	5,279	*42.2*	*(29.7)*
Total direct premiums	**11,068**	***100.0***	**12,497**	***100.0***	***(11.4)***

Indirect Non-Life and Life premiums at 31 December 2017 were overall €102m (€48m in 2016), of which €101m (€47m in 2016) for the Non-Life business and €1m (€1m at 31/12/2016) for the Life business.

The increase in the Non-Life business is due to UnipolRe, a Group company specialised in the reinsurance business which, starting from 2017, has progressively developed its activities with companies outside the Group.
At 31 December 2017, UnipolRe earned indirect premiums totalling roughly €102m, primarily in the Non-Life business, of which €12m with Group companies. At 31 December 2016, it earned indirect premiums totalling roughly €58m, of which €16m with Group companies.

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Non-Life premiums	101	*99.4*	47	*98.9*	*113.2*
Life premiums	1	*0.6*	1	*1.1*	*7.0*
Total indirect premiums	**102**	***100.0***	**48**	***100.0***	*112.0*

Premiums ceded by the Group totalled €457m (€439m in 2016), of which €451m in the Non-Life business (€431m in 2016) and €6m in the Life business (€8m at 31/12/2016).

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Non-Life premiums	451	*98.6*	431	*98.1*	*4.6*
Retention ratio - Non-Life business (%)	*94.0%*		*94.1%*		
Life premiums	6	*1.4*	8	*1.9*	*(23.2)*
Retention ratio - Life business (%)	*99.8%*		*99.8%*		
Total premiums ceded	**457**	***100.0***	**439**	***100.0***	***4.1***
Overall retention ratio (%)	*95.8%*		*96.3%*		

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

At 31 December 2017, the technical result of premiums ceded was positive for reinsurers in the Non-Life as well as the Life business.

Non-Life business

Total Non-Life premiums (direct and indirect) at 31 December 2017 were €7,456m (€7,265m at 31/12/2016), €101m of which was from indirect business (€47m at 31/12/2016).

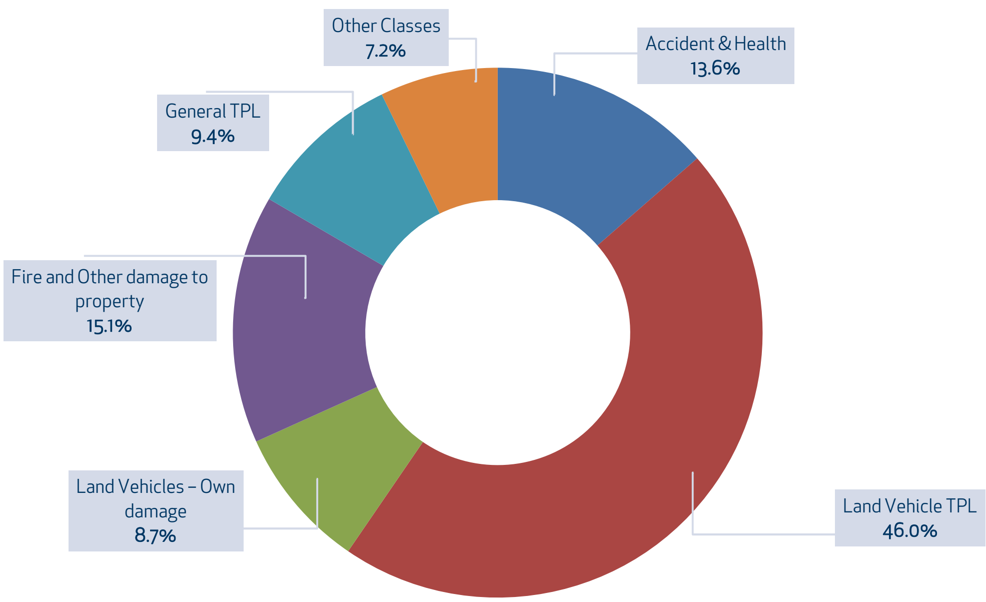
Direct business premiums alone amounted to €7,355m (€7,218m at 31/12/2016).

The breakdown for the main classes and the changes with respect to 31 December 2016 are shown in the following table:

Non-Life business direct premiums

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Motor vehicles - TPL and sea, lake and river (classes 10 and 12)	3,383		3,464		*(2.4)*
Land Vehicle Hulls (Class 3)	640		618		*3.6*
Total premiums - Motor vehicles	**4,023**	***54.7***	**4,083**	***56.6***	***(1.5)***
Accident & Health (Classes 1 and 2)	998		895		*11.5*
Fire and Other damage to property (Classes 8 and 9)	1,115		1,075		*3.6*
General TPL (Class 13)	689		682		*1.1*
Other classes	531		483		*9.8*
Total premiums - Non-Motor vehicles	**3,332**	***45.3***	**3,135**	***43.4***	***6.3***
Total Non-Life direct premiums	**7,355**	***100.0***	**7,218**	***100.0***	***1.9***

% breakdown of Non-Life direct business premiums



In 2017, the direct premiums of the UnipolSai Group amounted to €7,355m (+1.9%, -0.1% on a like-for-like basis). Premiums in the MV TPL class were €3,383m, down by 2.4% on 2016 (-3.4% on a like-for-like basis). An increase was also reported in the Land Vehicle Hulls class with premiums equal to €640m, +3.6% (+2.9% on a like-for-like basis). The Non-MV segment also performed well, with premiums of €3,332m, up by 6.3% (+3.1% on a like-for-like basis).

Non-Life claims

In terms of Non-Life claims, although there was an improvement in the final quarter of the year, 2017 was characterised by a significant increase in claims from atmospheric events and a greater presence of claims of significant amounts. The MV TPL class posted positive performance in terms of frequency and cost curbing, even within a scenario complicated by a further drop in the average premium.

The net profit (loss) of the claims experience for the main businesses is provided in the following table:

Amounts in €m	Net breakdown at 31/12/2017	Net breakdown at 31/12/2016
MV TPL	145	71
Land Vehicle Hulls	13	6
General TPL	111	38
Other Classes	188	172
Total	457	286

The **loss ratio** (for Non-Life direct business alone), including the OTI ratio, stood at 67.7% (67.4% on a like-for-like basis, 67.0% at 31/12/2016).

The number of claims reported, without considering the MV TPL class, fell by 8% on a like-for-like basis. The table with the changes by class is provided below.

Number of claims reported (excluding MV)*

	31/12/2017	31/12/2017 on a like-for-like basis	31/12/2016	*% var.*	*% var. on a like-for-like basis*
Land Vehicle Hulls (Class 3)	303,004	301,791	281,802	*7.5*	*7.1*
Accident (Class 1)	124,120	121,819	134,089	*(7.4)*	*(9.2)*
Health (Class 2)	1,267,985	373,877	527,060	*140.6*	*(29.1)*
Fire and Other damage to Property (Classes 8 and 9)	303,778	303,740	292,831	*3.7*	*3.7*
General TPL (Class 13)	93,078	93,068	93,090	*(0.0)*	*(0.0)*
Other classes	469,897	464,294	473,555	*(0.8)*	*(2.0)*
Total	2,561,862	1,658,589	1,802,427	*42.1*	*(8.0)*

* The number of claims at 31 December 2017 includes data from the fourth quarter only of UniSalute and Linear.

As regards the MV TPL class, where the CARD [4]agreement is applied, in 2017 cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) reported totalled 657,600, down 1.6% compared to the 2016 figure on a like-for-like basis.

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

Claims reported that present at least a Debtor Card claims handling numbered 379,760, down by 2.5% compared to the previous year on a like-for-like basis.

Handler Card claims totalled 502,571 (including 115,383 Natural Card claims, i.e. claims between policyholders at the same company), in line with the previous year on a like-for-like basis. The settlement rate in 2017 was 82.1%, in line with the previous year on a like-for-like basis.
The weight of cases to which the Card agreement may be applied (both Handler Card and Debtor Card claims) out of total cases (Non-Card + Handler Card + Debtor Card) in 2017 amounted to 84.5% (84.7% in 2016 on a like-for-like basis).
The average cost for claims reported "with result" (amount paid plus amount reserved) declined in 2017 by 0.7% with respect to the previous year (-1.4% in 2016 on a like-for-like basis), while the average cost of the amount paid out rose by 1.9% (-0.1% in 2016 on a like-for-like basis).

The **expense ratio** for Non-Life direct business was 28.2% (28.5% on a like-for-like basis, 28.7% at 31/12/2016)

The **combined ratio**, based on direct business, was 95.9% at 31 December 2017 (95.9% on a like-for-like basis, 95.7% at 31/12/2016).

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

The performance of the main Group companies at 31 December 2017 is summarised in the following table:

Amounts in €m	Premiums written	*% Variation*	Investments	Gross Technical Provisions
NON-LIFE INSURANCE SECTOR				
UNIPOLSAI ASSICURAZIONI SpA	6,910	*(0.8)*	16,576	13,995
DDOR NOVI SAD ADO	77	*6.5*	60	74
INCONTRA ASSICURAZIONI SpA	107	*54.3*	143	199
COMPAGNIA ASSICURATRICE LINEAR SpA	172	*14.9*	371	292
UNISALUTE SpA	430	*5.3*	364	322
PRONTO ASSISTANCE SpA	132	*5.8*	34	1
SIAT SpA	146	*10.0*	130	264

The direct premiums of only **UnipolSai**, the Group's main company, stood at €6,901m (€6,960m at 31/12/2016, -0.8%), of which €3,937m in the MV classes (€4,042m at 31/12/2016, -2.6%) and €2,964m in the Non-MV classes (€2,919m at 31/12/2016, +1.5%). Also considering indirect business, premiums acquired during the year amounted to €6,910m (-0.8%).

In the MV sector, premiums declined primarily as a result of the decrease in average premiums and, in part, in the customer portfolio, only partially offset by growth in the Land Vehicle Hulls segment.
In any event, the year ended with an improved technical result in the MV TPL class especially owing to the drop in claims frequency, while some significant atmospheric events in the second half of the year contributed to a large extent to the decline in Land Vehicle Hulls.

In the Non-MV business, the premium growth trend recorded already in the first half of the year was confirmed, although the year closed with a decline in the technical balance with respect to the previous period, as a result of significant atmospheric events occurring throughout the country as well as some considerable claims impacting Fire benefits.

Claims that present at least a Debtor Card claims handling numbered 356,750, down by 3.2% compared to the same period in the previous year.

However, it must be noted that this classification is a simplified representation because, in reality, each individual claim may contain damages included in each of the three above-indicated cases.

Handler Card claims totalled 475,102 (including 114,756 Natural Card claims, claims between policyholders at the same company), down by 0.6%. The settlement rate in 2017 was 82.0% in line with the same period of the previous year.
The weight of cases to which the Card agreement may be applied (both Handler Card and Debtor Card claims) out of total cases (Non-Card + Handler Card + Debtor Card) in 2017 came to 84.5% (84.8% in 2016).
The average cost (amount paid plus amount reserved) for claims reported declined by 0.7% in 2017 (-1.2% in 2016). The average cost of the amount paid out rose by 2.0% (remained unchanged in 2016).

DDOR Novi Sad recorded a €1.4m profit (Non-Life and Life segments) at 31 December 2017 (a slight drop compared to €1.9m at 31/12/2016) with rising total premiums (Non-Life and Life segments), from €80.4m at the end of 2016 (of which €72m in the Non-Life segment) to €88.3m at 31 December 2017 (of which €76.7m in the Non-Life segment). As already took place in 2016, although the Serbian macroeconomic situation is still uncertain, in the course of 2017 it experienced considerable improvement and, based on the most recent available national data, the Serbian insurance market also benefited from it, with total estimated domestic growth of approximately 5.3% in gross premiums: this enabled the company to continue to position itself among the leaders in the sector, with approximately 7% growth in Non-Life premiums (direct consequence of the rise in the MV business, as a result of development in the Serbian automobile market) and a significant increase in premiums in the Life business in excess of 38% (primarily connected to new business). Please also note that bancassurance volumes also increased, with a share equal to roughly 5% of total premiums.

Incontra Assicurazioni recorded a €6.8m profit at 31 December 2017 (profit of €14.1m at 31/12/2016), with premiums equal to €107m, marking sharp growth compared to the previous year (€69.4m in 2016), mainly concentrated in the Health and Pecuniary Losses classes. At 31 December 2017, the volume of total investments reached €143m (€144m at 31/12/2016), almost entirely concentrated in available-for-sale financial assets, while gross technical provisions reached €199m (€161m at 31/12/2016): the ratio between gross technical provisions and premiums written is roughly 186%.

Linear, a company specialised in direct sales (online and call centre) of MV products, achieved a profit of €5.7m in 2017 (€4.5m at 31/12/2016), with total gross premiums of €172.3m, recording an improvement of 14.9% compared to 2016, despite the fact that the market environment is still not very favourable for the MV TPL class, which remains impacted by lively price competition and an ongoing trend of declining average premiums. The incidence of other guarantees remained good at 19.1% (18.2% at 31/12/2016). Contracts in the portfolio at the end of 2017 were close to 564k units (+17.6%), an all-time high for the Company. Lastly, the combined ratio stood at 99.1%, down 3.3 percentage points on 2016.

Pronto Assistance, active in placing assistance services insurance policies in the home, health, MV and business segments, personalisable to meet the customer's needs, closed 2017 with a profit of €4.2m (€4.8m recorded in 2016). The year 2017 posted total premiums amounting to €131.9m (€124.7m at 31/12/2016), with an increase of approximately 5.8% mainly referred to the indirect business taken by Group companies.

SIAT recorded a €5.3m profit in 2017 (€6.6m at 31/12/2016) with total gross premiums (direct and indirect) at €146.1m (€132.9m in 2016).
The rise in premiums can be attributed to "Land Vehicle Hulls" (+12.7%), which benefitted from the acquisition of new customers in addition to growth in co-insurance shares, as well as early closures, with correlated renewals, of several considerable fleets with high premium volumes.
Within this difficult context, the portfolio of Italian and foreign mandates, which represent the backbone of the sector, remained unchanged.
Business in the "Goods" sector also rose to an appreciable extent (+4.4%).

UniSalute, the top health insurance company in Italy by number of customers managed, specialised in the Healthcare segment (Health and Assistance), continues to successfully expand its business model, with premiums totalling €430.1m (€408.5m at 31/12/2016), marking growth of 5.3%. The year 2017 also posted profit of €43.4m (€40.7m at the end of 2016), with an increase of approximately 6.7%. Also in 2017, UniSalute continued to develop its core business, essentially consisting of collective coverage for company employees, implementing an underwriting policy increasingly focused on the preservation of long-term profitability. Please note the following new contracts in 2017: Agidae Fund, Carige, Ca.Ri.Fe., GommaPlastica Fund, Volkswagen Group and Fendi Group.
In terms of collective policies, UniSalute enhanced its offerings with a new service named Monitor Salute for monitoring chronic illnesses such as hypertension, diabetes and chronic obstructive pulmonary disease. This is an at-

home remote service that monitors the values characterising these illnesses, managed based on an exclusive agreement with a leading manufacturer of *health devices*. In one year of activities, several thousand company policyholders relied on the service: the most widespread illnesses were hypertension, followed by pulmonary disease and diabetes.

The service won first prize at the MF Innovation Award 2017 in the Health & Prevention category. This award recognises the significant contribution that the service is making by accompanying patients throughout their treatment, monitoring their health on a preventive basis as well as in diagnostic and treatment phases and supporting patients and their families with top-tier health care and social support and assistance, even at home.

The MF Innovation Award 2017 is the third recognition obtained after the special mention in the "Community integration" category of the "Digital Innovation in Healthcare Award 2017" awarded by the Polytechnic University of Milan's School of Management, and the prize for "Healthcare process organisational improvement" at the AboutPharma Digital Awards 2017.

New products

The following new products began being marketed in 2017:

- KM&SERVIZI 2Ruote, which introduces important innovations, including the possibility of activating a rate per kilometre and ITC services, and new methods to suspend the policy or the option of blocking the insured value of the vehicle in the event of a total loss, for up to 24 months in the case of a new registration. The product obtained the innovation prize as part of the "MF Innovation Award" promoted by the newspaper MF in collaboration with Accenture for the year 2017 in the "Motor vehicles and Mobility" category. Indeed, the product was described as "competitive and innovative, with advantages such as providing compensation for the entire value of the vehicle within the first two years from registration in the case of theft or fire, with significant technological content" and designed "based on the real needs of those who rely on a two-wheeled vehicle".
- UnipolSai Casa&Servizi, dedicated to the protection of families and homes which, with respect to previous home multi-risk products, features significant new innovative elements, such as the introduction of the UniboxC@sa technological solution for reporting emergencies (such as fires, flooding or intrusions) and direct repair services for the most common claims, through a network of selected craftsmen.
- UnipolSai C@ne&G@tto, dedicated to protecting dogs and cats as well as providing protection from the risks associated with the ownership of these pets. This product incorporates the Unibox PETs device, to track pet location, and offers guarantees for Third-party damages, Legal protection and Veterinary expenses for surgery. This product obtained a mention during the "MF Innovation Award" in the "Home and Family" category for the "Unibox-PETs" technology.
- UnipolSai Impresa&Servizi, which was created with a view to simplification, innovation and a focus on services. This is a complete and flexible product suited to the insurance needs of SMEs. It integrates technology, assistance and insurance guarantees to protect handicraft and industrial businesses, offering services for income protection, digital protection, direct reparation of the most common claims, fast recovery and also the Unibox L@voro electronic device to protect premises and automatically trigger assistance services.

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

Preventing and impeding insurance fraud are consolidated activities and an integral aspect of the company's core business. The results of these activities not only make positive impacts directly on the financial statements of the Group companies, but also generate deterrent effects on the proliferation of these offences, with consequent benefits for the customers as well.

Decree Law no. 1/2012, converted with amendments by Law no. 27 of 24 March 2012, envisages that insurance companies are required to provide an estimate of the reduced charges for claims arising from verification of fraud in their Management Report or in the Notes to the Financial Statements annexed to the annual financial statements and to publish it on their websites or using another appropriate form of disclosure.

Pursuant to and in accordance with Art. 30, paragraph 2 of Decree Law no. 1/2012, the estimate of the reduction of charges for claims arising from this activity totals approximately €61m.

This estimate consists of the sum of provisions/forecasts of expense for claims to be investigated for antifraud purposes that were settled without follow-up in 2017, regardless of the year when they are generated.

Life business

Life premiums (direct and indirect) amounted to €3,713m (€5,279m at 31/12/2016), with a contribution deriving from bancassurance companies that totalled €810m (-63.7%). Activities were characterised by the offer of multisegment and linked products, which met with good commercial success within a market context in which interest rates were very low and negative in the short term.

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

Life business direct premiums

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Total premiums					
I – Whole and term Life insurance	2,304	*62.1*	3,366	*63.8*	*(31.5)*
III - Unit-linked/index-linked policies	504	*13.6*	1,067	*20.2*	*(52.8)*
IV - Health	2	*0.1*	2	*0.0*	*60.4*
V - Capitalisation insurance	300	*8.1*	332	*6.3*	*(9.8)*
VI - Pension funds	602	*16.2*	511	*9.7*	*17.8*
Total Life business direct premiums	3,713	*100.0*	5,279	*100.0*	*(29.7)*
of which Premiums (IFRS 4)					
I – Whole and term Life insurance	2,304	*66.7*	3,366	*71.7*	*(31.5)*
III - Unit-linked/index-linked policies	277	*8.0*	516	*11.0*	*(46.3)*
IV - Health	2	*0.1*	2	*0.0*	*60.4*
V - Capitalisation insurance	300	*8.7*	332	*7.1*	*(9.8)*
VI - Pension Funds	568	*16.5*	478	*10.2*	*19.0*
Total Life business premiums	3,452	*100.0*	4,694	*100.0*	*(26.5)*
of which Investment products (IAS 39)					
III - Unit-linked/index-linked policies	227	*87.1*	551	*94.3*	*(58.8)*
VI - Pension funds	34	*12.9*	33	*5.7*	*0.9*
Total Life investment products	261	*100.0*	585	*100.0*	*(55.4)*

New business in terms of APE, net of non-controlling interests, amounted to €504m at 31 December 2017 (€547m at 31/12/2016).

Pension Funds

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

UnipolSai Assicurazioni managed a total of 23 **Occupational Pension Fund** mandates at 31 December 2017 (17 of them for accounts "with guaranteed capital and/or minimum return"). On the same date resources under management totalled €3,509m (€2,897m with guaranteed capital). At 31 December 2016, UnipolSai managed a total of 23 Occupational Pension Fund mandates (16 of which "with guaranteed capital and/or minimum return"); resources under management totalled €4,340m (of which €3,375m with guaranteed capital).

As regards **Open Pension Funds**, at 31 December 2017 the UnipolSai Group managed 3 Open Pension Funds (UnipolSai Previdenza FPA, Fondo Pensione Aperto Popolare Vita, Fondo Pensione Aperto BIM Vita) that at the same date amounted to a total of 44,442 members for total assets of €908m. At 31 December 2016, there were 3 Open Pension Funds with total assets of €881m and a total of 45,133 members.

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

The performance of the main Group companies at 31 December 2017 is summarised in the following table:

Amounts in €m	Premiums written (*)	% Variation	Investments	Gross Technical Provisions
LIFE INSURANCE SECTOR				
UNIPOLSAI ASSICURAZIONI SpA	2,672	*(9.5)*	33,064	29,939
BIM VITA SpA	83	*7.6*	666	576
POPOLARE VITA SpA	635	*(54.2)*	8,620	7,770
THE LAWRENCE LIFE DAC	51	*(81.1)*	1,674	1,264

(*) excluding financial products

UnipolSai collected a total of direct premiums amounting to €2,671m (€2,952m at 31/12/2016, -9.5%) in addition to financial products amounting to €221m (€90m at 31/12/2016, +145.3%). The individual policy segment contracted by 12.6%, due mainly to the decline in premiums from traditional products connected to the segregated funds in Class I (-21.5%) and, to a lesser extent, in Class V (-5.8%).
The drop in premiums resulted from the decision to govern the flow of premiums towards revaluable products, through a process of optimising the allocation on the segregated funds.
Also in the individual sector, the considerable increase in Class III premiums continues, recording significant growth (€195m against €64m recorded at 31/12/2016), as a result of the progressive shift of the Company's Life offer from traditional products to products with financial content, such as multisegment products in the UnipolSai Gestimix line and UnipolSai Energy line unit-linked products.
In 2017, the offer was enhanced with two new unit-linked products: "UnipolSai Risparmio Energy" and "UnipolSai Investimento PIR"; in addition, the offer of the UnipolSai Energy line was improved with three new internal funds.

Premiums on collective policies increased relative to 31 December 2016 (+10.7%), as a result in particular of growth in Class VI (18.7%), particularly contracts with Occupational Pension Funds.

BIM Vita recorded a profit of €3.0m at the end of 2017 (in line with 2016). Gross premiums written amounted to €83.4m (around €77.5m at 31/12/2016). The volume of total investments reached the amount of €665.8m (€739.4m at 31/12/2016).

Popolare Vita recorded a profit of €58.9m at the end of 2017 (€46.5m at 31/12/2016), of which €0.6m came from the valuation of the subsidiary The Lawrence Life (€2.6m at 31/12/2016): the profit of Popolare Vita was boosted by the good performance of financial profitability of the portfolio net of the portion paid to the policyholders.
Gross premiums written amounted to €635.1m (€1,387.6m at 31/12/2016). The volume of total investments (Non-Life and Life sectors) reached the amount of €8,624m, (€9,156m at 31/12/2016), of which €71.9m referred to the value of the interest in Lawrence Life (€74.0m at 31/12/2016).

The Lawrence Life recorded a profit of €0.6m at the end of 2017 (€2.6m at 31/12/2016). Gross premiums written amounted to €50.8m (€268.8m at 31/12/2016), almost entirely referring to insurance contracts. The volume of total investments reached the amount of €1,674m (€2,089m at 31/12/2016).

New products

"UnipolSai Risparmio Energy", a new unit-linked single recurring premium product with the possibility to make additional payments, was launched on 31 January 2017, expanding the range of solutions dedicated to saving and completing the price list with a class III financial-insurance product.
This is a benchmark product, thus with a precise indication with regard to asset allocation and the investment policy.

In April "UnipolSai Investimento Garantito Extra", a single premium revaluable Class I product, was put on the market. It has the following main features:
- a revaluation attributed on the basis of the "best of" mechanism, which envisages upon maturity of the policy, as well as in the case of death of the Insured or total redemption before maturity, the settlement of the higher value

of either the initial insured capital, adjusted on the basis of the annual adjustment measure attributed on a yearly basis in light of the positive or negative performance of the segregated funds, or the initial insured capital;
- the possibility to activate or deactivate, at any moment, a plan of scheduled partial redemptions, of variable amounts depending on the percentage selected by the Policyholder from amongst those offered;
- with no possibility to make additional payments.

Certification of Compliance of UnipolSai Life products

Please note that UnipolSai obtained extension to the Previdenza line, UnipolSai Previdenza FPA and UnipolSai Previdenza Futura products of its Certification of Compliance for product value, fairness and transparency from the Bureau Veritas. This recognition came after the certification obtained in 2016 for the entire Investment range of UnipolSai Life Products.
This was positive confirmation of the intrinsic quality of the range of Life insurance products, considered to be simple, fair, transparent and reliable, and is the first step in strengthening customer confidence.
The certification body verified respect for these values by monitoring the requirements and indicators throughout the entire process, from needs identification to post-sale management, thanks to transparent and thoroughly tracked organisational practices. Indeed, the Company has developed a "product manual" governing the operations involved in the product development, investment and after-sales customer relations management processes, in accordance with the Group's core values.
This initiative has the dual objective of continuing to strengthen UnipolSai's reputation with customers, as well as to demonstrate new types of market conduct to the sector, helping to re-build confidence in the financial and insurance industries.
In the future, we plan on gradually applying the certification to all new Life products.

Reinsurance

UnipolSai Group reinsurance policy

As regards the risks underwritten in the Non-Life classes, the reinsurance strategy adopted by the Group since 2013 has realised synergies and economies of scale by acquiring standardised insurance coverage for all companies of the Group, obtaining not only an increase in overall capacities, but also noticeable cost savings.

The main reinsurance policies taken out by the Group in 2017 were the following:

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

The risks underwritten in the Life business in 2017 were covered at Group level with two proportional treaties, one for individual risks and one for collective risks in excess of the risk premium. Retention is protected with a non-proportional cover in excess of loss by event that regards the Life and/or Accident classes.

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

Real Estate Sector

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

Income Statement - Real Estate Sector

Amounts in €m	31/12/2017	31/12/2016	*% var.*
Gains (losses) on financial instruments at fair value through profit or loss		3	*(100.0)*
Gains on other financial instruments and investment property	25	37	*(33.2)*
Other revenue	36	7	*n.s.*
Total revenue and income	**61**	**48**	***28.5***
Losses on other financial instruments and investment property	(27)	(37)	*(26.0)*
Operating expenses	(26)	(12)	*112.7*
Other costs	(32)	(21)	*56.3*
Total costs and expenses	**(85)**	**(70)**	***21.8***
Pre-tax profit (loss) for the year	**(24)**	**(22)**	***(7.5)***

The pre-tax result at 31 December 2017 was a loss of €24m (-€22m at 31/12/2016), after having effected property write-downs of €9m (€5m at 31/12/2016) and depreciation of investment property and tangible assets of €24m (€17m at 31/12/2016).

Investments and cash and cash equivalents of the Real Estate sector (including instrumental properties for own use) totalled €1,277m at 31 December 2017 (€1,234m at 31/12/2016), consisting mainly of Investment property and Properties for own use amounting to €1,168m (€1,152m at 31/12/2016).

Financial liabilities were, at 31 December 2017, €328m (€358m at 31/12/2016).

Please note that, on 25 October 2017, the Board of Directors of Unipolsai Investimenti SGR approved the establishment of a new real estate fund named "Fondo Opportunity". The fund began its activities on 24 November with the subscription by UnipolSai of 100% of the 543 shares. At 31 December 2017, the fund held properties worth €24m.

Other property transactions

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

The main projects, which all began in previous years, have been concentrated in the Milan area, and include:
- the conclusion of the authorisation procedure with the Municipality of Milan for the construction of a new multi-storey building for business use in piazza Gae Aulenti (Porta Nuova Garibaldi area). The tower will be built to have the best certification in terms of energy and water saving and the ecological quality of the interior spaces (Leed Platinum certification);
- the completion of activities preliminary to the renovation works for the completion and refurbishment of a headquarters building in Via De Castilia (Porta Nuova area) to obtain a new eco-sustainable, cutting edge building. The property will consist of two buildings connected with a mirrored facade which, aside from recalling the stylistic features used for the tower that will be built by the Group in the nearby piazza Gae Aulenti, will actively contribute to reducing local atmospheric pollution thanks to the innovative materials that will be used for its construction;

- the continuation of the renovation of Torre Galfa, Via Fara 41. The building renovation project was developed to allow for the use by the general public of spaces located at street level and the preservation of the original stylistic forms of the facades, while also improving the entire structure's energy efficiency. To date, lease agreements have already been entered into for more than 85% of the leasable surface area;
- the completion of works on a historic property in Via Pantano 26/Corso di Porta Romana 19, consisting of two independent blocks built at different times, which develop around a central courtyard; marketing is nearly fully completed, under the brand "Residenze Ca' Litta", for the building in via Pantano no. 26 for residential use. The offices for business use in the part of the building facing Corso di Porta Romana are already operational;
- the continuation of renovation activities on the office complexes located in Milan in Via Dei Missaglia 97 and Via Crespi 57. As regards the former, named Milano Business Park and consisting of fourteen buildings, renovations are proceeding with a view to leasing several portions of the complex. During the year, lease agreements were signed and renegotiated for more than 11,000 square metres. As regards the building in Via Crespi 57, during the year renovation works were carried out to bring the property into line with the quality standards requested by the market with a view to reaching full occupancy.

Other residential and office property requalification activities were also launched in Florence in order to subsequently generate income through a lease, and in Turin on properties for business use.

During the year, contracts were entered into for the sale of more than 500 property units, a part of which will be completed in the course of 2018, located in various areas of Italy. The transaction was carried out to further optimise the portfolio from the perspective of management costs, given the number of property units involved, and savings on investments that would be necessary for the renovation of and subsequent generation of income from such properties.
In addition, some properties were sold for significant amounts in Genoa (offices), Naples (offices), Florence (residential) and Milan (offices, commercial and residential) - including in Via Pantano, 26, Via De Missaglia (Le Terrazze complex), Via Oldofredi and Via Manin.
In the course of the year, properties were sold for a carrying amount of €198m.

As regards acquisitions, an accommodation facility which will be temporarily leased, located in a particularly high-value area of Rome, was acquired, and the Parent Unipol acquired a 100% stake in Ambra Property Srl, a transaction carried out as part of the more extensive process launched in 2014 of streamlining the shareholding structures of the diversified activities segment and the Group's real estate assets. The company owns two hotels in Bologna and San Lazzaro di Savena, as well as a historical dwelling in San Lazzaro di Savena used by the Group as a company training centre. The total value of the two transactions is approximately €80m.

Porta Nuova Project

With reference to the investment in the construction of the "Porta Nuova" real estate project, there is nothing to report beyond that already reported in the previous financial statements. It is therefore estimated that the residual amounts to be collected, envisaged in two tranches in July 2023 and April 2025, will be sufficient to guarantee return of the residual investment, amounting to a total of €11.4m at 31 December 2017, in addition to additional income realised, the quantification of which is still uncertain in relation to the outcome of guarantees given to the buyer.

Other Businesses Sector

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

Income Statement - Other Businesses Sector

Amounts in €m	31/12/2017	31/12/2016	*% var.*
Gains on other financial instruments and investment property	1	1	*(2.7)*
Other revenue	194	143	*35.7*
Total revenues and income	**196**	**144**	***35.9***
Losses on other financial instruments and investment property	(2)	(8)	*(82.2)*
Operating expenses	(59)	(54)	*7.7*
Other costs	(138)	(99)	*39.1*
Total costs and expenses	**(198)**	**(163)**	***22.1***
Pre-tax profit (loss) for the year	**(3)**	**(19)**	***84.2***

The pre-tax result at 31 December 2017 was a loss of €3m (-€19m at 31/12/2016).

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

At 31 December 2017, Investments and cash and cash equivalents of the Other Businesses sector (including properties for own use of €172m, of which €58m relating to the company Ambra Property) totalled €277m (€221m at 31/12/2016).

Financial liabilities amounted to €51m (€45m at 31/12/2016).

The year 2017 ended with positive results in all business segments.
Specifically, as regards the **hotel business**, the subsidiary Gruppo UNA (formerly Atahotels) more than doubled its sales revenues thanks to its integration with Una Hotels, from roughly €58m in 2016 to around €127m at 31 December 2017. In addition, the company achieved a profit for the year of roughly €0.6m, despite the fact that it is still handling the costs of the integration and the relative synergies have not yet been fully achieved.
In addition, Una Hotel Versilia and Una Poggio dei Medici were recognised as Best Hotel Chain in Italy at the Trivago Awards 2018 and best Golf Hotel and best Golf Course at the World Golf Awards, respectively.

As regards the **hub of medical clinics**, the company Villa Donatello earned revenues during the year from services of roughly €20m, compared to €19m in 2016, marking an improvement of around 10%. Revenue trends show a continuation of positive performance in the core business, for hospitalisation (hospital stays and outpatient surgery) as well as clinic activities (visits and diagnostics). The company closed the year with a profit of around €0.1m, while it closed previous years with a loss.

As regards **agricultural activities**, the revenues of the company Tenute del Cerro rose by roughly 20% compared to 31 December 2016, from around €6.5m to €7.8m: at 31 December 2017, the company achieved a net profit of approximately €0.1m, against a loss recorded in 2016 (-€5.3m).
During the year, the company won various awards for its wines, including 3 glasses from Gambero Rosso for its 2014 Nobile di Montepulciano and 93 points for its 2013 Brunello di Montalcino from James Suckling.

Asset and financial management

Investments and cash and cash equivalents

At 31 December 2017 the balance of the **Investments and the Cash and cash equivalents** of the Group was €51,971m (€63,261m at 31/12/2016), with the following breakdown by business segment:

Investments and cash and cash equivalents - Breakdown by business segment

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Insurance sector	50,498	*97.2*	61,919	*97.9*	*(18.4)*
Other Businesses sector	277	*0.5*	221	*0.3*	*25.5*
Real Estate sector	1,277	*2.5*	1,234	*2.0*	*3.5*
Inter-segment eliminations	(81)	*(0.2)*	(113)	*(0.2)*	*(28.5)*
Total Investments and cash and cash equivalents (*)	51,971	*100.0*	63,261	*100.0*	*(17.8)*

(*) including properties for own use

At 31 December 2017, pursuant to IFRS 5, €10,277m relating to assets held by Popolare Vita and The Lawrence Life was reclassified to assets held for disposal. The subsidiaries Ambra Property, Linear, UniSalute and UniSalute Servizi, acquired during the year, contributed investments in the amount of €788m at 31 December 2017.

The breakdown by investment category is as follows:

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Property (*)	3,754	*7.2*	3,774	*6.0*	*(0.5)*
Investments in subsidiaries, associates and interests in joint ventures	804	*1.5*	527	*0.8*	*52.4*
Held-to-maturity investments	540	*1.0*	892	*1.4*	*(39.5)*
Loans and receivables	4,489	*8.6*	5,050	*8.0*	*(11.1)*
Debt securities	3,713	*7.1*	4,172	*6.6*	*(11.0)*
Deposits with ceding companies	19	*0.0*	21	*0.0*	*(7.7)*
Other loans and receivables	757	*1.5*	857	*1.4*	*(11.6)*
Available-for-sale financial assets	36,043	*69.4*	43,172	*68.2*	*(16.5)*
Financial assets at fair value through profit or loss	4,938	*9.5*	9,186	*14.5*	*(46.2)*
held for trading	330	*0.6*	306	*0.5*	*7.8*
at fair value through profit or loss	4,608	*8.9*	8,880	*14.0*	*(48.1)*
Cash and cash equivalents	1,404	*2.7*	661	*1.0*	*112.5*
Total Investments and cash and cash equivalents	51,971	*100.0*	63,261	*100.0*	*(17.8)*

(*) including properties for own uses

Transactions carried out in 2017[5]

In 2017 the investment policies continued to adhere, in terms of medium/long-term investments, to the general criteria of prudence and of preserving asset quality consistent with the Guidelines defined in the Group Investment Policy.
Specifically, financial operations were geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, maintaining a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, with a particular focus on the liquidity profile.

The **bond segment** was the main focus of operations, mainly affecting Italian government bonds and non-government bonds, applying a medium/long-term investment approach.
In 2017, exposure to government bonds decreased by €2,384m as a result of the Life sector (€1,311m) as well as the Non-Life sector (€1,073m).
This reduction concerned primarily Italian government bonds and contributed to increasing the diversification of government issuers present in the portfolio. In the Life sector, activities were carried out in line with the ALM requirements of the Segregated Funds and to continue the rationalisation of the maturity dates of liabilities with covering assets. These operations, which took into account contractual commitments and the goals of the Business Plan, also included the investment in zero-coupon government bonds, which allow the monitoring of minimum guaranteed returns.
In the Non-Life portfolio, positions in derivatives were increased marginally to mitigate the risk of a rise in interest rates.

There was a modest reduction in overall exposure with respect to the non-governmental bond component (roughly -€251m), involving exclusively financial issuers with a view to greater diversification and the optimisation of the risk/return profile of the existing portfolio. Transactions involved primarily financial and industrial securities, both senior and subordinated.

Asset portfolio simplification activities continued during 2017, with a reduction of roughly €295m in exposure to level 2 and 3 structured bonds.

The following table shows the Group's exposure to structured securities:

	31/12/2017			31/12/2016			variation	
Amounts in €m	Carrying amount	Market value	Implied +/-	Carrying amount	Market value	Implied +/-	Carrying amount	Market value
Structured securities - Level 1	66	66		70	69	(1)	(3)	(3)
Structured securities - Level 2	666	624	(41)	890	845	(45)	(224)	(221)
Structured securities - Level 3	263	249	(14)	333	298	(35)	(71)	(49)
Total structured securities	**995**	**940**	**(55)**	**1,293**	**1,212**	**(81)**	**(298)**	**(272)**

Share exposure increased in 2017 by over €800m; the put options on the Eurostoxx50 index are still active on the equity portfolio, and were revalued during the year to mitigate volatility and preserve the value of the portfolio. Transactions were broken down based on individual shares and ETFs (Exchange Traded Funds), representing share indexes. Almost all equity instruments belong to the main European share indexes.

Exposure to **alternative funds**, a category that includes Private Equity Funds, Hedge Funds and investments in Real Assets, amounted to €713m, an increase by approximately €193m compared to 31 December 2016.
During the year, the Atlante Fund was written down to an extent corresponding to the impairment estimated as a result of the elimination of the value of the investee Veneto Banks, with a negative impact of roughly €61.6m.

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

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

The overall duration stood at 5.30 years for the Group, a modest contraction compared to the end of 2016 (5.36 years). The Non-Life duration in the Group insurance portfolio was 3.02 years (3.52 years at the end of 2016); in Life business, duration was 6.10 years (6.03 years at the end of 2016). The fixed rate and floating rate components of the bond portfolio amounted respectively to 87% and 13%. The government component accounted for approximately 69% of the bond portfolio whilst the corporate component accounted for the remaining 31%, split into 23.7% financial and 7.3% industrial credit.

88.1% of the bond portfolio is invested in securities rated above BBB-: 1.7% of the total is positioned on classes AAA to AA-, while 6.1% of securities had an A rating. The exposure to securities in the BBB rating class was 80.3% and includes Italian government bonds which make up 58.4% of the total bond portfolio.

Net gains on investments and financial income

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

Net investment income

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Investment property	7	*0.4*	(53)	*(3.2)*	*n.s.*
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	(106)	*(6.4)*	14	*0.9*	*n.s.*
Net gains on held-to-maturity investments	33	*2.0*	44	*2.7*	*(23.6)*
Net gains on loans and receivables	139	*8.4*	200	*12.1*	*(30.6)*
Net gains on available-for-sale financial assets	1,596	*96.6*	1,528	*92.5*	*4.4*
Net gains on held-for-trading financial assets held for trading and at fair value through profit or loss (*)	(17)	*(1.1)*	(82)	*(5.0)*	*(78.8)*
Balance of cash and cash equivalents	1	*0.0*	1	*0.1*	*(8.8)*
Total net gains on financial assets, cash and cash equivalents	**1,652**	***100.0***	**1,652**	***100.0***	***0.0***
Net losses on held-for-trading financial liabilities and at fair value through profit or loss (*)			2		*(100.0)*
Net losses on other financial liabilities	(84)		(74)		*14.2*
Total net losses on financial liabilities	**(84)**		**(71)**		***17.7***
Total net gains (*)	**1,568**		**1,580**		***(0.8)***
Net gains on financial assets at fair value (**)	185		159		
Net losses on financial liabilities at fair value (**)	(34)		(34)		
Total net gains on financial instruments at fair value (**)	**152**		**125**		
Total net gains on investments and net financial income	**1,720**		**1,705**		***0.9***

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

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

At 31 December 2017, Gains/losses on investments in subsidiaries and associates and interests in joint ventures included losses of €111m relating to the share attributable to the Group of the loss recorded by the associate Unipol Banca as part of the Unipol Group's Banking sector restructuring plan described above.

At 31 December 2017, write-downs due to impairment on financial instruments classified in the Available-for-sale asset category of €90m were recognised in the income statement (€53m at 31/12/2016), of which €61.6m relating to the Atlante Fund, along with write-downs on investment property amounting to €14m (€60m at 31/12/2016).

Shareholders' equity

Movements in shareholders' equity recognised during the year with respect to 31 December 2016 are set out in the attached Statement of changes in Shareholders' equity.

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

Amounts in €m	31/12/2017	31/12/2016	*var. in amount*
Share capital	2,031	2,031	
Capital reserves	347	347	
Income-related and other equity reserves	2,129	2,593	*(464)*
(Treasury shares)	(52)	(52)	
Reserve for foreign currency translation differences	5	3	*2*
Gains/losses on available-for-sale financial assets	913	752	*162*
Other gains and losses recognised directly in equity	(9)	(15)	*7*
Profit (loss) for the period	504	497	*7*
Total shareholders' equity attributable to the owners of the Parent	**5,869**	**6,156**	***(287)***

The main changes in the year in the Group's shareholders' equity were as follows:
- decrease due to dividend distribution for €347m;
- decrease of €604m relating to the acquisition of the Linear, UniSalute and Ambra Property investments (business combination between entities under common control), the effects of which on the shareholders' equity attributable to owners of the Parent are illustrated in Chapter 1 "Information about business combinations" section in these Notes;
- an increase as a result of the increase in the provision for gains and losses on available-for-sale financial assets, net of both the related tax liabilities and the part attributable to the policyholders and charged to insurance liabilities for €162m. At 31 December 2017, the contribution of the companies acquired during the year amounted to €17m;
- an increase of €504m for Group profit for the period.

Shareholders' Equity attributable to non-controlling interests was €325m (€379m at 31/12/2016).

Treasury shares and shares of the holding company

At 31 December 2017, UnipolSai held a total of 55,349,685 treasury shares, of which 7,005,640 directly and 48,344,045 indirectly through the subsidiaries UnipolSai Finance (38,454,775), UnipolSai Nederland (9,443,258), Pronto Assistance (344,312) and Popolare Vita (101,700).

At 31 December 2017, UnipolSai held a total of 2,486,663 shares issued by the holding company Unipol Gruppo SpA. Following UnipolSai's acquisition of UniSalute and Linear, the figure includes the shares held by the subsidiaries themselves (UniSalute 15,690; Linear 14,743).

During the year, 1,262,690 shares were assigned to Company executives as part of the compensation plan based on financial instruments (performance share type).

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

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

Amounts in €m	Share capital and reserves	Profit(loss) for the year	Shareholders' equity at 31/12/2017
Parent balances in accordance with Italian GAAP	5,176	577	5,753
IAS/IFRS adjustments to the Parent's financial statements	895	8	904
Differences between net carrying amount and shareholders'equity and profit (loss) for the year of consolidated investments, of which:	(364)	71	(292)
- Translation reserve	*5*		*5*
- Gains or losses on available-for-sale financial assets	*76*		*76*
- Other gains or losses recognised directly in equity	*18*		*18*
Companies measured using the equity method	35	(107)	(72)
Intercompany elimination of dividends	106	(106)	
Other adjustments (reversals of impairment losses, gains adjustments etc.)	(192)	93	(98)
Consolidated Shareholders' equity	5,657	537	6,194
Non-controlling interests	292	33	325
Shareholders' equity attributable to the owners of the Parent	5,365	504	5,869

Technical provisions and financial liabilities

At 31 December 2017, Technical provisions amounted to €45,757m (€55,816m at 31/12/2016) and Financial liabilities amounted to €3,663m (€4,681m at 31/12/2016).

Technical provisions and financial liabilities

Amounts in €m	31/12/2017	31/12/2016	*% var.*
Non-Life technical provisions	15,220	15,036	*1.2*
Life technical provisions	30,537	40,780	*(25.1)*
Total technical provisions	**45,757**	**55,816**	***(18.0)***
Financial liabilities at fair value	**1,172**	**2,140**	***(45.2)***
Investment contracts - insurance companies	895	1,716	*(47.8)*
Other	277	424	*(34.7)*
Other financial liabilities	**2,491**	**2,541**	***(2.0)***
Subordinated liabilities	2,028	2,027	*0.0*
Other	463	513	*(9.9)*
Total financial liabilities	**3,663**	**4,681**	***(21.7)***
Total	**49,420**	**60,497**	***(18.3)***

At 31 December 2017, pursuant to IFRS 5, €9,939m relating to Popolare Vita and The Lawrence Life was reclassified to liabilities held for disposal (€9,035m as regards the technical provisions and €904m as regards financial liabilities).

UnipolSai Group Debt

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

The situation is summarised in the following table:

Amounts in €m	31/12/2017	31/12/2016	*variation in amount*
Subordinated liabilities	2,028	2,027	*1*
Payables to banks and other lenders	300	292	*8*
Total debt	**2,329**	**2,319**	***9***

The **Subordinated Liabilities** issued by the companies of the Group, existing at 31 December 2017, amounted to €2,028m, essentially unchanged compared to 31 December 2016, and they refer to nominal €2,050m issued by UnipolSai Assicurazioni SpA, of which nominal €38m held by the company itself.

Payables to banks and other lenders, totalling €300m (€292m at 31/12/2016), related primarily to:

- the loan obtained for the acquisition of properties and for improvement works by the Closed Real Estate Fund Athens R.E. Fund for a nominal value of €170m disbursed, through the company Loan Agency Service Srl, by a pool of 13 banks including Unipol Banca (the latter for a nominal value of €10m);
- the loan of €112m taken out by the Closed Real Estate Fund Tikal R.E. from Unipol Banca.

Other information

Human Resources

The total number of employees in the Group at 31 December 2017 was 11,529 (+1,249 compared with 2016).

	31/12/2017	31/12/2016	Variation
Total number of UnipolSai Group employees	11,529	10,280	*1,249*
of which on a fixed-term contract	495	462	*33*
Full Time Equivalent - FTE	10,907	9,833	*1,074*

This includes 75 seasonal staff of Gruppo UNA at 31 December 2017 (144 at 31/12/2016), and foreign company employees (1,453) include 588 agents.

The increase of 1,249 resources compared to 31 December 2016 was caused by the consolidation of Linear, UniSalute, Unisalute Servizi and Ambra Property, accounting for a total of 1,105 employees, in addition to 511 resources hired, 372 departures and a positive balance of 5 resources due to mobility within the Unipol Group net of transfers to fixed-term contracts or for seasonal work that began and ended in the course of the year. Specifically, during the year 206 new employees were hired permanently, with another 305 hired on fixed-term contracts or for seasonal work and counted among the workforce at 31 December 2017. The 372 departures were due to resignations, incentivised departures and other reasons for termination.

Social and environmental responsibility

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

Convinced of the importance of integrating sustainability in business process to develop long-term competitiveness, the UnipolSai Group decided to integrate it with the economic and financial aspects both at planning stage and reporting stage. For this reason, an Integrated Three-Year Plan was drawn up and an Integrated Report was published at Unipol Group level.
Of particular note among the projects included in the Plan are:

- The commitment to increase the resilience of SMEs to climate change-related risks through the DERRIS project, funded through the European Life Fund, to define a model of public-private partnership to improve the resilience of industrial areas with a high concentration of SMEs against natural catastrophes. In 2017, the project was extended from Turin to another 10 cities.
- The feasibility studies developed to boost the use of insurance by the weaker brackets: workers not in professional associations, immigrants and the elderly.
- The extension of the "The values of the Life product" certification to the savings range.
- The development of an ESG (environmental, social and governance) risk monitoring system in the supply chain.
- With regard to reporting and with a view to better responding to the expectations of stakeholders, particularly investors and the rating agencies dedicated to SRI finance, the Sustainability Report of the UnipolSai Group was prepared. The efforts made were recognised by the entry of the share into three SRI (Responsible Finance) Indexes: FTSE4Good, MSCI and Stoxx.

During the year, constant updates were provided on the activities that contribute to developing sustainability, using Twitter and dedicated Facebook pages, in addition to the relevant website pages.

Group sales network

At 31 December 2017, 2,920 agencies were in operation, of which 2,766 of UnipolSai (at 31/12/2016, the agencies were 3,058, of which 2,909 of UnipolSai), with 4,510 agents (4,665 at 31/12/2016). This reduction is mainly due to the reorganisation of the distribution network to encourage the growth in size of the agencies involved and optimise the presence in the territory.

UnipolSai also places Life products through the branches of Unipol Banca and through the networks of financial advisors of Simgest and Credit Suisse Italy.
The leading bancassurance companies of the Group placed their products through the following sales networks:
- Popolare Vita and The Lawrence Life through the sales network of the Banco BPM SpA Banking Group;
- BIM Vita through the branches of Banca Intermobiliare and of Banca Consulia (formerly Banca Ipibi) and solely with regard to post-sale activities, of Cassa di Risparmio di Fermo;
- Incontra Assicurazioni through Unicredit Group.

IT services

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

The main activities carried out in the course of the year may be grouped into the following **areas**:

- New IT architectures

    - New Integration Architecture developed between IT systems (Digital Services Platform).
    - New platform created for the development of new Digital Touch Points (DTP).

- Mobility, Multi-Channel Approach and New "Digital Touch Points"

    - Agents can now use Company systems in mobility and through their personal devices (BYOD), as well as the new Mobile Advanced Digital Signature (Firma Elettronica Avanzata) and Payments via POS and Mobile-POS functions which are gradually being rolled out throughout the network.
    - The new simplified MV policy issuance interface has been released for the new KM&Servizi product, using an innovative User Experience Design methodological approach.
    - New functions have been released for the management of and interaction with new IoT (Internet of Things) devices (MV, Commerce, Home, Pets) as well as new functions for the tracking and pre-opening of claims, which are integrated within the app as well as the customer portal.
    - New Digital Touch Points have been released (new website, Home Insurance Private Area, customer app).

- Artificial Intelligence, Robotics and Big Data Hub

    - The new automated agent support system ("UNO") which is able to understand natural language has been released on a pilot basis.
    - Applications are currently being developed based on new Artificial Intelligence technology for the analysis of claim images to automate the recognition and estimation of MV damages and improve claims fraud analysis using new predictive analysis techniques, which are also undergoing testing for possible extension to cybersecurity and the functioning of the ICT systems.
    - The content of the Big Data Hub has been enhanced with daily information coming from various Company systems and the analysis platform was integrated with a new reporting and visual analysis technology.

- Telematics, New Service Development and Unipol Ecosystem

    - The new Alfaevolution Technology IT infrastructure has been released.

- The new telematic products Commercio&Servizi, KM&Servizi and Linear Auto Box, Casa&Servizi, KM&Servizi 2Ruote and C@ne e G@tto have been released.
- A technological solution was selected for the creation of the new TSP (Telematic Service Provider) system for Alfaevolution.

- Completion of integration and Business evolution support

- Interventions were completed on the Solvency II IT system, which in 2017 made it possible to conduct the first official Solvency II full year 2016 processing with the partial internal model.

A number of regulatory adaptations were made and analyses were launched on regulatory requirements, particularly relating to the new European General Data Protection Regulation (GDPR), the introduction of the new IFRS 17 and the European Insurance Distribution Directive (IDD).

Transactions with related parties

The "Procedure for related party transactions" (the "Procedure"), prepared in accordance with Art. 4 of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments (the "Regulation"), initially approved on 30 November 2010, was most recently amended by UnipolSai's Board of Directors, with the favourable opinion of the Committee of Independent Directors, on 3 August 2016, effective as of that date.
The objective of the Procedure is to define, in compliance with the Regulation and also taking into account the indications and guidelines outlined by Consob in communication dated 24 September 2010, a procedural system to ensure greater transparency and correctness in the preliminary phase of negotiations and approval of related party transactions carried out by UnipolSai, directly or via subsidiaries.

The "Procedure for the performance of related party transactions" is published on UnipolSai's website (www.unipolsai.com) in the *Governance/Transactions with related parties* section.

With respect to transactions with related parties "**of major significance**", please note that, on 29 June 2017, the Boards of Directors of Unipol and UnipolSai approved the acquisition by UnipolSai of the equity investments held by Unipol in Unisalute and Linear (the "Acquisitions") as part of the Project that aims to streamline the insurance sector of the Group (the "Project"), a transaction completed on 16 November 2017 and illustrated in the Significant events during the year section, which should be referred to for the details.

Considering that Unipol controls UnipolSai, the Acquisitions were qualified by both parties as transactions with related parties "of major significance" pursuant to Consob Regulation no. 17221 of 12 March 2010 and the procedures for transactions with related parties adopted, respectively, by Unipol and UnipolSai.
The Project and the Acquisitions were therefore submitted by UnipolSai and by Unipol (the latter on a voluntary basis) to the respective Committees for transactions with related parties for approval, which were respectively supported, for valuation aspects, by Deloitte Financial Advisory Srl and by Towers Watson Italia Srl, and for legal aspects by BonelliErede and Chiomenti.
With respect to the valuation activities and the determination of the Acquisition consideration, UnipolSai also obtained the independent opinion of Studio Laghi Srl, whereas Unipol obtained the opinion of Colombo & Associati SpA.
The UnipolSai Committee for Transactions with Related Parties expressed its favourable opinion on the Company's interest in carrying out the Acquisitions, as well as on the cost effectiveness and substantial fairness of the relative conditions.

The transactions of "**minor relevance**" include the following:
- on 22 March 2017, the lease agreements in place with Linear and UniSalute concerning the spaces located in the property owned by UnipolSai in Via Larga no. 8 in Bologna were amended;
- on 10 May 2017, the acquisition of 100% of the share capital of Ambra Property Srl held by Unipol was approved, for consideration of €56m. The transaction was finalised on 29 November 2017, effective as of 30 November;
- on 29 June 2017, an agreement was approved, a latere to that relating to the Unipol tax consolidation, which gives the holding company Unipol the right to ask UnipolSai to issue collateral through the establishment of a pledge restriction on Italian government bonds within the limits of the amount of the tax payable transferred to the tax

consolidation and, in any event, up to a maximum amount of €100m. At 31 December 2017, there were no pledge restrictions on shares.

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

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

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

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

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

Significant events after the reporting period

MF Innovation Award 2017

As part of the MF Innovation Award, the award promoted by the financial newspaper MF in partnership with Accenture for innovation, everyday customer service, simplicity and usability, the product "UnipolSai Km&Servizi 2Ruote" won the Innovation award in the "Motor Vehicles and Mobility" category and the product "Monitor Salute", the remote monitoring service of chronic diseases promoted by UniSalute, was winner in the "Health&Prevention" category. It also received a mention in the "Home and Family" category for the product "UnipolSai Cane&Gatto".

MotoGP 2018 Championship: UnipolSai still in the saddle with Ducati

After a truly amazing 2017 championship in terms of results achieved by the Ducati Team and brand visibility, UnipolSai renewed its partnership with Ducati Corse for the 2018 MotoGP championship.

Evolution of the contractual agreements relating to the subsidiary Popolare Vita

On 11 January 2018, UnipolSai and Banco BPM signed the contract for the disposal of Popolare Vita at the price of €535.5m, the finalisation of which is subject to obtaining the necessary authorisations from the Supervisory Authorities.

Shareholder loans to Unipol Banca

On 31 January 2018, as part of the Banking sector restructuring plan, Unipol and UnipolSai disbursed shareholder loans to Unipol Banca, of €173m and €127m respectively, for a total of €300m. The spin-off of Unipol Banca to UnipolReC of a company complex including, *inter alia*, the aforementioned shareholder loans and bad and doubtful loans for a gross total of €2,901m and a net total of €553m at the date of the spin-off, became effective on 1 February 2018.

Update to the UnipolSai *Euro Medium Term Note* (EMTN) Program

On 2 February 2018 UnipolSai published the update to the EMTN Programme for a nominal total of €3bn (set up on 14/6/2014), as part of which 22 February 2018 saw the placement launch of a subordinated bond loan for €500m targeting qualified investors only. The loan, qualifying as Tier 2 own funds for the purpose of Solvency II regulations, was issued on 1 March 2018 with the following characteristics: €500m principal, maturing in March 2028, issue price at par, coupon of 3.875% and a spread on the benchmark rate of 274.5 basis points, listed on the market regulated by the Luxembourg Stock Exchange.

Business outlook

Since 31 December 2017 there have been no significant changes in the global macroeconomic scenario, which therefore still offers a certain degree of optimism.
At its meeting on 8 March 2018, the Executive Council of the European Central Bank decided to maintain the current interest rates and confirmed that the securities purchase programme will go ahead as previously announced.

In Italy, the elections of 4 March could result in a period of uncertainty that risks fuelling financial market tension, with subsequent spread volatility for Italian government bonds.
The stock markets, after closing January with a positive performance, saw stronger volatility in the weeks that followed.
All of this had repercussions on the financial investments and financial management transactions of the Group, which remains focused on a balance between assets and liabilities, optimising the risk-return profile of the portfolio and selectively pursuing a suitable level of risk diversification.

As regards the business performance in the Group's sectors of operation there have been no significant events. In the **Non-Life Business sector**, in a market scenario that remains highly competitive, the Group is committed to sales action and settlement policies designed to maintain a technical margin in line with the 2016-2018 Business Plan objectives.
For **Life Business sector**, excluding Popolare Vita for which disposal is being finalised based on values already agreed by the parties, February saw an in important increase in turnover.
The 1 February 2018 was the effective date of the partial proportional spin-off of Unipol Banca to the newco UnipolReC of a company complex containing, inter alia, a gross portfolio of bad and doubtful loans for around €2.9bn. The transaction forms part of the Restructuring Plan for the sector announced to the market at the end of June 2017.

The consolidated results for the current year, excluding any unforeseeable events, also linked to the reference context, are expected to be positive.

Bologna, 22 March 2018

The Board of Directors

02

CONSOLIDATED
FINANCIAL STATEMENTS AT 31.12.2017
TABLES OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position
Assets

	Amounts in €m	31/12/2017	31/12/2016
1	INTANGIBLE ASSETS	691.3	703.2
1.1	Goodwill	327.8	316.6
1.2	Other intangible assets	363.5	386.6
2	PROPERTY, PLANT AND EQUIPMENT	1,719.3	1,595.9
2.1	Property	1,482.9	1,385.8
2.2	Other tangible assets	236.4	210.2
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	846.0	848.8
4	INVESTMENTS	49,084.8	61,214.9
4.1	Investment property	2,271.4	2,387.8
4.2	Investments in subsidiaries, associates and interests in joint ventures	803.8	527.3
4.3	Held-to-maturity investments	539.6	892.3
4.4	Loans and receivables	4,489.1	5,049.6
4.5	Available-for-sale financial assets	36,042.7	43,171.7
4.6	Financial assets at fair value through profit or loss	4,938.2	9,186.1
5	SUNDRY RECEIVABLES	2,662.8	3,114.4
5.1	Receivables relating to direct insurance business	1,421.6	1,418.7
5.2	Receivables relating to reinsurance business	100.6	95.1
5.3	Other receivables	1,140.6	1,600.6
6	OTHER ASSETS	11,342.7	1,110.5
6.1	Non-current assets or assets of a disposal group held for sale	10,569.1	207.8
6.2	Deferred acquisition costs	85.0	90.4
6.3	Deferred tax assets	217.1	259.8
6.4	Current tax assets	9.4	31.3
6.5	Other assets	462.0	521.2
7	CASH AND CASH EQUIVALENTS	1,403.6	660.6
	TOTAL ASSETS	67,750.4	69,248.4

Statement of Financial Position Shareholders' Equity and Liabilities

	Amounts in €m	31/12/2017	31/12/2016
1	SHAREHOLDERS' EQUITY	6,193.7	6,534.7
1.1	**attributable to the owners of the Parent**	5,869.0	6,155.6
1.1.1	Share capital	2,031.5	2,031.5
1.1.2	Other equity instruments		
1.1.3	Capital reserves	346.8	346.8
1.1.4	Income-related and other equity reserves	2,129.5	2,593.1
1.1.5	(Treasury shares)	(52.3)	(52.3)
1.1.6	Reserve for foreign currency translation differences	4.8	3.1
1.1.7	Gains or losses on available-for-sale financial assets	913.4	751.5
1.1.8	Other gains or losses recognised directly in equity	(8.9)	(15.5)
1.1.9	Profit (loss) for the year attributable to the owners of the Parent	504.2	497.4
1.2	**attributable to non-controlling interests**	324.7	379.1
1.2.1	Share capital and reserves attributable to non-controlling interests	265.5	317.6
1.2.2	Gains or losses recorded directly in equity	26.7	31.3
1.2.3	Profit (loss) for the year attributable to non-controlling interests	32.6	30.1
2	PROVISIONS	382.3	442.4
3	TECHNICAL PROVISIONS	45,757.0	55,816.4
4	FINANCIAL LIABILITIES	3,663.0	4,680.7
4.1	Financial liabilities at fair value through profit or loss	1,172.3	2,140.1
4.2	Other financial liabilities	2,490.7	2,540.6
5	PAYABLES	915.3	864.9
5.1	Payables arising from direct insurance business	104.7	107.4
5.2	Payables arising from reinsurance business	93.6	92.3
5.3	Other payables	717.0	665.2
6	OTHER LIABILITIES	10,839.1	909.2
6.1	Liabilities associated with disposal groups	10,016.5	
6.2	Deferred tax liabilities	25.1	26.0
6.3	Current tax liabilities	24.1	45.1
6.4	Other liabilities	773.4	838.2
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	67,750.4	69,248.4

Income Statement

	Amounts in €m	31/12/2017	31/12/2016
1.1	Net premiums	10,402.2	11,557.7
1.1.1	Gross premiums earned	10,833.4	11,998.8
1.1.2	Earned premiums ceded to reinsurers	(431.2)	(441.0)
1.2	Commission income	35.2	32.2
1.3	Gains and losses on financial instruments at fair value through profit or loss	134.3	44.7
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	8.6	17.3
1.5	Gains on other financial instruments and investment property	2,103.6	2,178.5
1.5.1	Interest income	1,483.1	1,521.5
1.5.2	Other income	178.2	166.0
1.5.3	Realised gains	442.1	452.0
1.5.4	Unrealised gains	0.2	38.9
1.6	Other revenue	540.9	426.3
1	TOTAL REVENUE AND INCOME	13,224.8	14,256.6
2.1	Net charges relating to claims	(8,836.0)	(9,974.5)
2.1.1	Amounts paid and changes in technical provisions	(9,033.2)	(10,191.3)
2.1.2	Reinsurers' share	197.2	216.8
2.2	Commission expenses	(17.7)	(15.0)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(114.5)	(3.0)
2.4	Losses on other financial instruments and investment property	(412.4)	(532.4)
2.4.1	Interest expense	(83.8)	(80.6)
2.4.2	Other charges	(35.9)	(46.4)
2.4.3	Realised losses	(136.9)	(249.8)
2.4.4	Unrealised losses	(155.8)	(155.6)
2.5	Operating expenses	(2,331.0)	(2,359.4)
2.5.1	Commissions and other acquisition costs	(1,708.4)	(1,731.6)
2.5.2	Investment management expenses	(124.8)	(132.0)
2.5.3	Other administrative expenses	(497.8)	(495.8)
2.6	Other costs	(752.9)	(691.6)
2	TOTAL COSTS AND EXPENSES	(12,464.6)	(13,575.8)
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	760.2	680.8
3	Income tax	(223.4)	(153.3)
	PROFIT (LOSS) FOR THE PERIOD AFTER TAXES	536.8	527.5
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		
	CONSOLIDATED PROFIT (LOSS)	536.8	527.5
	of which attributable to the owners of the Parent	504.2	497.4
	of which attributable to non-controlling interests	32.6	30.1

Comprehensive Income Statement

Amounts in €m	31/12/2017	31/12/2016
CONSOLIDATED PROFIT (LOSS)	536.8	527.5
Other income items net of taxes not reclassified to profit or loss	6.4	(10.5)
Change in the shareholders' equity of the investees	7.7	(4.9)
Change in the revaluation reserve for intangible assets		
Change in the revaluation reserve for property, plant and equipment		
Gains and losses on non-current assets or disposal groups held for sale		
Actuarial gains and losses and adjustments relating to defined benefit plans	(1.2)	(5.6)
Other items		
Other income items net of taxes reclassified to profit or loss	159.1	(192.3)
Change in the reserve for foreign currency translation differences	1.7	(0.8)
Gains or losses on available-for-sale financial assets	157.2	(152.6)
Gains or losses on cash flow hedges	0.2	(38.9)
Gains or losses on hedges of a net investment in foreign operations		
Change in the shareholders' equity of the investees		
Gains and losses on non-current assets or disposal groups held for sale		
Other items		
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	165.5	(202.8)
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	702.3	324.6
of which attributable to the owners of the Parent	674.4	296.0
of which attributable to non-controlling interests	27.9	28.6

Statement of Changes in Shareholders' Equity

	Amounts in €m	Balance at 31/12/2015	Changes to closing balances	Amounts allocated	Adjustments from reclassif. to profit or loss	Transfers	Changes in investments	Balance at 31/12/2016
Shareholders' Equity attributable to the owners of the Parent	Share capital	2,031.4		0.0				2,031.5
	Other equity instruments							
	Capital reserves	346.8						346.8
	Income-related and other equity reserves	2,297.1	0.0	296.0			(0.0)	2,593.1
	(Treasury shares)	(49.5)		(2.7)				(52.3)
	Profit (loss) for the year	711.3		202.5		(416.4)		497.4
	Other comprehensive income/(expense)	940.6	0.0	132.0	(333.4)		0.0	739.2
	Total attributable to the owners of the Parent	**6,277.6**	**0.0**	**627.8**	**(333.4)**	**(416.4)**	**0.0**	**6,155.6**
Shareholders' Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	277.8		1.3			38.5	317.6
	Profit (loss) for the year	26.3		28.0		(24.2)		30.1
	Other comprehensive income/(expense)	32.8		4.2	(5.6)		(0.0)	31.3
	Total attributable to non-controlling interests	**336.9**		**33.5**	**(5.6)**	**(24.2)**	**38.5**	**379.1**
Total		**6,614.5**	**0.0**	**661.3**	**(339.0)**	**(440.7)**	**38.5**	**6,534.7**

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

Statement of Cash Flows (indirect method)

Amounts in €m	31/12/2017	31/12/2016
Pre-tax profit (loss) for the year	**760.2**	**680.8**
Change in non-monetary items	**(1,259.5)**	**(180.6)**
Change in Non-Life premium provision	44.4	(48.2)
Change in claims provision and other Non-Life technical provisions	(488.3)	(657.8)
Change in mathematical provisions and other Life technical provisions	(952.4)	740.4
Change in deferred acquisition costs	(0.4)	(3.6)
Change in provisions	(67.0)	(76.2)
Non-monetary gains and losses on financial instruments, investment property and investments	343.7	(298.2)
Other changes	(139.6)	163.0
Change in receivables and payables generated by operating activities	**310.7**	**(71.2)**
Change in receivables and payables relating to direct insurance and reinsurance	(1.1)	(39.9)
Change in other receivables and payables	311.8	(31.3)
Paid taxes	**(80.3)**	**(54.0)**
Net cash flows generated by/used for monetary items from investing and financing activities	**849.7**	**172.0**
Liabilities from financial contracts issued by insurance companies	50.0	426.8
Payables to bank and interbank customers		
Loans and receivables from banks and interbank customers		(0.0)
Other financial instruments at fair value through profit or loss	799.7	(254.7)
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	580.9	547.0
Net cash flow generated by/used for investment property	(14.3)	(25.9)
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures (*)	(1,253.2)	(4.4)
Net cash flow generated by/used for loans and receivables	111.2	(87.6)
Net cash flow generated by/used for held-to-maturity investments	357.8	204.4
Net cash flow generated by/used for available-for-sale financial assets	1,500.6	(309.7)
Net cash flow generated by/used for property, plant and equipment and intangible assets	(180.1)	(323.9)
Other net cash flows generated by/used for investing activities	154.5	13.8
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	676.5	(533.4)
Net cash flow generated by/used for equity instruments attributable to the owners of the Parent	0.0	0.0
Net cash flow generated by/used for treasury shares		(2.7)
Dividends distributed attributable to the owners of the Parent	(346.8)	(416.4)
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	(83.5)	(24.2)
Net cash flow generated by/used for subordinated liabilities and equity instruments		
Net cash flow generated by/used for other financial liabilities	(32.9)	133.2
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	(463.2)	(310.2)
Effect of exchange rate gains/losses on cash and cash equivalents	**0.6**	**(0.3)**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	660.6	957.4
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	794.8	(296.9)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (**)	1,455.3	660.6

(*) Includes the difference between the price paid for the purchase of the equity investments of Unisalute, Linear and Ambra Property (€ 931.2m) and the cash and cash equivalents transferred as a result of the acquisition (€ 57m).
(**) Cash and cash equivalents at 31 December 2017 include €51.7m of non-current assets or those of a disposal group held for sale.

03

NOTES
TO THE FINANCIAL STATEMENTS

1. Basis of presentation

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

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

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

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

Following the exercise of the put option, by UnipolSai, on the entire stake held in Popolare Vita, equal to 50% of the share capital plus one share, in these consolidated financial statements, the financial items regarding the subsidiary Popolare Vita, and its subsidiary The Lawrence Life are disclosed in compliance with IFRS 5. In particular, in the consolidated statement of financial position, all the assets of the company to be sold are reclassified as "Non-current assets or assets of a disposal group held for sale" (item 6.1 of the Assets) and the liabilities are similarly reclassified under the single item "Liabilities associated with disposal groups" (item 6.1 of the Liabilities). Both items are measured net of intragroup transactions.
By reason of the fact that Popolare Vita cannot be considered as a "discontinued operation", given that the UnipolSai Group continues to operate in the bancassurance business with the companies BIM Vita and Incontra and, when the conditions are met, in the near future also through the Arca Group, the items in the Income Statement are disclosed pursuant to the normal rules of a line-by-line consolidation.

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

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

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

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

Consolidation scope

The UnipolSai Group's consolidated financial statements at 31 December 2017 were drawn up by combining the figures of UnipolSai and those for the 42 direct and indirect subsidiaries (IFRS 10). At 31 December 2016 a total of 35 companies were consolidated on a line-by-line basis. Subsidiaries deemed to be too small to be of relevance are excluded from the line-by-line consolidation.

There are no jointly-controlled interests.

Associates (21 companies), in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (3 companies), are measured using the equity method (IAS 28) or maintained at the carrying amount. At 31 December 2016, a total of 28 associates and subsidiaries were considered immaterial.

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

Changes in the consolidation scope compared with 31 December 2016 and other transactions

On 16 March 2017, the company UniAssiTeam Srl was recorded at the Register of Companies. The company was incorporated by UnipolSai Finance SpA with public deed of 14 March 2017 and its registered office is in Bologna (Italy). The share capital amounted to €200,000 at 31 December 2017, in which UnipolSai Finance holds 65% interest. The company's corporate scope is the insurance agency activity for the insurance brokerage of Life and Non-Life business.

On 11 April 2017, the Chamber of Commerce in Milan, upon request filed by the liquidator, provided for the write-off from the Register of Companies of the company Metropolis SpA in liquidazione.

On 1 July 2017, the merger by incorporation of Assicoop Imola SpA into Assicoop Bologna SpA took effect and at the same time the company took on the name of Assicoop Bologna Metropolitana. The interest of UnipolSai Finance in the company declined from 50% to 49.19%.

On 29 September 2017 (effective 30/09/2017), Unipol and UnipolSai signed the notary deed for the transfer of 100% of the company Ambra Property, for a consideration of €56.2m.

On 25 October 2017, the Board of Directors of Unipolsai Investimenti SGR approved the establishment of a new real estate fund named "Fondo Opportunity". The fund began its activities on 24 November with the subscription by UnipolSai of 100% of the 543 shares for a total value of €27.1m.

On 16 November 2017, UnipolSai completed the acquisition of the equity investments formerly held by Unipol Gruppo in UniSalute SpA (17,242,993 shares equal to 98.53% of the share capital) at the price of €715m and in Compagnia Assicuratrice Linear SpA (19,300,000 shares, equal to the entire share capital) at the price of €160m.

On 21 December 2017, Atahotels SpA (now Gruppo UNA SpA) transferred its entire equity investment in the company Hotel Terme di Saint Vincent SpA (100%) for a consideration of €1,334,474.

Transactions carried out on the share capital and other transactions

On 31 July 2017, as part of the of the Unipol Group's Banking sector restructuring plan, UnipolSai and the holding company Unipol Gruppo made a capital account contribution, pro quota, in favour of Unipol Banca SpA, respectively for €380.3m and €519.7m, for a total of €900m.

UnipolSai also made payments for future capital increases or capital contributions in favour of the following subsidiaries:

- Marina di Loano SpA, for €30m, in order to provide the company with the resources required to carry out some urgent works and fully repay the loan received from the associate UnipolSai Finance SpA;
- Meridiano Secondo Srl, for €3.5m, for the payment of construction costs relating to the Unipol Tower project in Milan;
- Alfaevolution Technology SpA, for a total of €37.5m, thus completing the payments for future capital increases envisaged at the moment of establishment;
- Pronto Assistance SpA for €5m;
- UnipolSai Nederland BV for €100m in order to provide the subsidiary with the liquidity needed to subscribe the capital increase for the same amount as resolved by UnipolRe DAC.

On 28 July 2017 UnipolSai Nederland B.V. subscribed the share capital increase of the subsidiary UnipolRe Dac for €100m.

On 21 April 2017, Casa di Cura Villa Donatello SpA acquired the equity investment representing 100% of the share capital of Florence Centro di Chirurgia Ambulatoriale Srl from the associate Centro Oncologico Fiorentino Srl in liquidazione, at the price of €536,000.

As of December 2017, the company Atahotels SpA (wholly owned subsidiary of UnipolSai Assicurazioni) changed its company name to Gruppo UNA SpA. The change was filed with the Register of Companies on 5 January 2018.

Information about business combinations

Acquisition of the hotel management business of Una Hotels and the relative real estate portfolio

It should be noted that, on 29 December 2016, Atahotels (now Gruppo UNA) and UnipolSai Investimenti SGR (the latter on behalf of Real Estate Investment Fund Athens R.E. Fund) began execution of the agreements signed with Una Hotels S.p.A. ("Una") on 25 May 2015 regarding the acquisition, through two separate transactions, respectively of the hotel management unit of Una and the corresponding property portfolio held for hotel purposes.
In relation to the hotel business unit, at 31 December 2017 the valuation process was completed concerning the initial recognition of the business combination, with no significant changes in the values attributed to the assets acquired and the liabilities assumed with respect to those recognised at 31 December 2016, with the exception of the valuation of the trademark. Indeed, in relation to the decision of the company and the Group to leverage the UNA GROUP brand by changing the company name to Gruppo UNA SpA and rebranding all of the ATA hotels as UNA hotels, an economic valuation was also carried out on the trademark, based on a "relief from royalties" type methodology, according to which the UNA GROUP trademark was recognised as an intangible asset for an initial value of €9m. As a result, the goodwill previously temporarily recognised to an extent equal to the difference between the consideration paid and the fair value of the assets and liabilities acquired as determined as at 31 December 2016 was derecognised.

The table below shows the values of initial recognition of the business combination, as determined at 31 December 2017 and compared with those provisionally recognised at 31 December 2016.

Amounts in €m	31/12/2017	31/12/2016
Goodwill		9.9
Other intangible assets	9.6	0.6
Other tangible assets	19.3	19.3
Investments in subsidiaries, associates and interests in joint ventures	0.8	0.8
Other receivables	10.6	11.5
Other assets	0.7	0.7
Provisions	(0.2)	(0.2)
Other payables	(14.9)	(15.1)
Total Net identifiable assets	**25.9**	**27.5**

Acquisition of the controlling interests held by the holding company Unipol in Ambra Property (100%), Unisalute (98.53%) and Linear (100%)

On 30 September 2017, UnipolSai acquired the equity investment in the hotel management company Ambra Property for a consideration of €56.2m. The company owns two hotels in Bologna and San Lazzaro di Savena, as well as a historical dwelling in San Lazzaro di Savena used by the Group as a company training centre.

In addition, with reference to the project for streamlining the Unipol Group's insurance segment, described in the Management Report, on 16 November 2017 UnipolSai completed the acquisition of the equity investments held by Unipol Gruppo in UniSalute SpA (17,242,993 shares equal to 98.53% of the share capital) at the price of €715m and in Compagnia Assicuratrice Linear SpA (19,300,000 shares, equal to the entire share capital) at the price of €160m.

According to IAS/IFRS, the acquisitions of the above-mentioned equity investments qualify as business combinations between entities under common control since all participating companies were already controlled by Unipol.
The business combination under common control is explicitly excluded from the scope of application of the IFRS 3 accounting standard, and is currently not specifically regulated by other international accounting standards or interpretations. In line with other analogous transactions recognised in the past, the acquisition has been represented in the UnipolSai consolidated financial statements with continuity of carrying amounts with the Unipol Group's consolidated financial statements.
As a result, UnipolSai could recognise solely the amount already recognised in the consolidated financial statements of Unipol Gruppo but not the higher price at current values paid for the acquisition, due for the most part to goodwill. This entailed a decrease in the shareholders' equity attributable to the owners of the Parent of €603.9m.

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

Amounts in €m	UniSalute and Unisalute Servizi	Linear	Ambra Property
Goodwill	3.9	17.1	
Other intangible assets	3.9	0.4	0.0
Property			58.0
Other tangible assets	1.0	0.5	5.1
Technical provisions - reinsurers' share	1.7	1.2	
Investments in subsidiaries, associates and interests in joint ventures		0.1	
Loans and receivables	5.5	5.0	
Available-for-sale financial assets	351.6	359.9	
Financial assets at fair value through profit or loss	(0.0)	0.0	
Receivables relating to direct insurance business	82.4	2.3	
Receivables relating to reinsurance business	9.2	0.2	
Other receivables	9.5	7.5	1.6
Deferred acquisition costs	0.0		
Deferred tax assets	20.6	1.8	0.7
Other assets	19.1	8.2	0.2
Cash and cash equivalents	35.4	38.9	4.1
TOTAL ASSETS	543.7	443.1	69.9
Provisions	3.2	0.1	
Technical provisions	317.3	297.5	
Financial liabilities at fair value through profit or loss	0.1	0.3	
Other financial liabilities	0.2		11.9
Payables arising from direct insurance business	11.7	4.3	
Payables arising from reinsurance business		0.1	
Other payables	18.6	8.8	3.3
Deferred tax liabilities	6.0	1.0	
Current tax liabilities	1.9		
Other liabilities	30.7	10.3	0.0
TOTAL LIABILITIES	389.7	322.4	15.2
Total Net identifiable assets	**154.0**	**120.7**	**54.8**
Total Net identifiable assets attributable to the owners of the Parent	**151.8**	**120.7**	**54.8**
Price paid	**715.0**	**160.0**	**56.2**
Impact on Shareholders' equity attributable to the owners of the Parent	**(563.2)**	**(39.3)**	**(1.4)**

Reporting date

The reporting date of the Consolidated Financial Statements is 31 December 2017, the date the separate financial statements of UnipolSai closed. All the consolidated companies closed their financial statements at 31 December with the exception of the associates Pegaso Finanziaria SpA, which closed its latest financial statements at 30 June and for which interim financial statements up to the date of the Consolidated Financial Statements have been used, and of the associate Fin.Priv Srl, which closed its latest financial statements on 30 November.

With the exception of the subsidiary The Lawrence Life (which already prepares its individual financial statements in accordance with IAS/IFRS), the consolidated financial statements were drawn up using restatements of the individual financial statements of the consolidated companies adjusted to comply with the IAS/IFRS, as applied by UnipolSai and approved by the Boards of Directors of the companies concerned.

Basis of consolidation

Companies consolidated on a line-by-line basis

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

Goodwill

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

Under IFRS 10.23 changes in investments in subsidiaries that do not lead to a loss of control are recognised as equity transactions. Any difference between the proportion of shareholders' equity acquired in the subsidiary and the fair value of the price paid or received is recognised directly in shareholders' equity and allocated to the members of the holding company.

Companies consolidated on a proportionate basis

There were no jointly-controlled interests at 31 December 2017.

Companies measured using the equity method

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

Elimination of intragroup transactions

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

Segment reporting

Segment reporting is provided according to the provisions of IFRS 8 and structured on the basis of the major business segments in which the Group operates:
- Non-Life insurance business;
- Life insurance business;
- Real estate business;
- Other businesses.

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

This rule does not apply in the following cases:
- investment relations between companies in different sectors, since the elimination of the investment takes place directly in the sector of the company that holds the investment, while any consolidation difference is attributed to the sector of the investee;
- collected dividends, eliminated in the sector of the company that collects the dividend;
- realised profits and expenses, since the elimination takes place directly in the sector of the company that realises the capital gain or loss.

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

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

2. Main accounting standards

New accounting standards

Amendments to IAS 12 – Income taxes

On 9 November 2017, the EU Official Journal published Regulation 2017/1989 which includes certain amendments to IAS 12 "Income taxes". The amendments concern the recognition of deferred tax assets against a number of deductible temporary differences arising from unrealised losses on debt instruments measured at fair value.

Amendments to IAS 7 – Statement of cash flows

On 9 November 2017, the EU Official Journal published Regulation 2017/1990 which adopts certain amendments to IAS 7 "Statement of Cash Flows". The amendments to IAS 7, forming part of the IASB's broader "Disclosure Initiative", envisage that a disclosure is provided that allows financial statements users to assess changes in the liabilities generated from financing activities, including monetary and non-monetary elements.

Amendments to IFRS 12 - Annual Improvements to IFRSs - 2014-2016 Cycle

On 8 February 2018 the EU Official Journal published Regulation 2018/182, which adopts a number of amendments to IFRS 12 "Disclosure of Interests in Other Entities", in relation to clarifications on the criteria for disclosure applicable to entities "held for sale" in accordance with IFRS 5.

The application of the new accounting standards had no significant impact on the consolidated financial statements of the Group at 31 December 2017.

New accounting standards not yet in force

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

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

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

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

The amendments have been in force since 1 January 2018.

IFRS 9 - Financial instruments

At the end of July 2014, the IASB issued the final version of IFRS 9 "Financial instruments", which replaces the previous versions published in 2009 and 2010. The new standard winds up a process to gradually reform the current IAS 39, through the revision of the "classification and measurement", "impairment" and "hedge accounting" rules (rules on macro hedging is still in the definition stage). Specifically, with regard to financial assets, the new standard uses a single approach based on the financial instrument management methods and on the characteristics of the contractual cash flows of the assets themselves in order to determine their applicable measurement methodology. The new impairment model, based on the concept of expected loss, is aimed at guaranteeing a more immediate recognition of losses compared to the current IAS 39 "incurred loss" model. Lastly, the rules concerning hedging sets out to ensure greater alignment between accounting representation of the hedges and the risk management policies.
On 29 November 2016, Commission Regulation (EU) 2016/2067 of 22 November 2016, endorsing IFRS 9 "Financial instruments", was published in Official Journal no. 323. The official date of entry into force was 1 January 2018 (except for cases referred to in the next paragraph).

Application of IFRS 9 - Financial instruments concurrently with IFRS 4 - Insurance contracts

To complete the consultation that began in September 2015, on 12 September 2016 the IASB published the official version of "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4" to definitively solve the problems derived from application of IFRS 9, the new standard on financial instruments, before entry into force of the standard for insurance contracts, IFRS 17, in 2021.
In detail, the IASB provided two transitional solutions for the insurance sector, both optional: i) the "deferral approach", which provides for a deferral of the adoption of IFRS 9, to no later than 1 January 2021, for entities or groups exercising a "predominant" insurance activity; ii) the "overlay approach", which requires the application of IFRS 9 from 1 January 2018 and allows the reclassification from income statement to OCI (Other Comprehensive Income), of the difference between the amount recorded in the income statement of some financial instruments measured in accordance with IFRS 9 and the amount that would have been recognised in the income statement for the same financial instruments on the basis of IAS 39. As regards the deferral approach, the IASB specifies that the application or non-application of this option, with subsequent adoption of IFRS 9, must for consolidated financial statements be standardised across all the entities consolidated line-by-line.
Also note that on 9 November 2017 the EU Official Journal published Regulation 2017/1988 which adopts the Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" and extends the deferred application option of IFRS 9 to certain additional cases not envisaged in the aforementioned Amendments to IFRS 4. In particular, the extension regards the insurance entities that work within financial conglomerates (see Directive 2002/87/EC) which do not exercise, as a whole, a "predominant" insurance activity as defined by the IASB. Such insurance entities, which on the basis of the content of the amendments to IFRS 4 approved by the IASB could have applied the deferral approach on an individual basis, would also have been required to prepare, for consolidation purposes within the parent's financial statements, an accounting statement based on IFRS 9 to make it possible to respect the requirement of uniformity of accounting standards referred to previously. So as to avoid a competitive disadvantage to such insurance entities, the above-mentioned Regulation allows these entities to postpone the application of IFRS 9 to 1 January 2021 and, as a result, the relative parent companies of the financial conglomerate to prepare consolidated financial statements on the basis of non-uniform accounting standards.
Insurance entities which are part of a financial conglomerate are able to defer the application of the IFRS based on the following conditions:

- the insurance sector and the other sectors of the financial conglomerate carry out no transfers of financial instruments, other than financial instruments designated at fair value through profit or loss by both sectors involved in the transfers;
- the group's insurance entities that apply IAS 39 must be specified in the consolidated financial statements;
- the additional information requested by IFRS 7 must be provided separately for the insurance sector (which maintains IAS 39) and for the rest of the group (which instead applies IFRS 9).

The amendments to IFRS 4, supplemented by the content of the above-mentioned Regulation 2017/1988, become effective as of the first financial year starting on or after 1 January 2018.

The UnipolSai Group, for which the condition of "predominance" of the insurance activity required by the above-mentioned amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" is fully satisfied, will apply this "deferral approach" starting on 1 January 2018. Therefore, no impacts connected with the entry into force of IFRS 9 on the financial statements for the coming year can be assumed, while the selected approach is maintained.

Approval of IFRS 17 - Insurance contracts

On 18 May 2017, the IASB published a final text of the new IFRS 17 standard, aimed at improving investors' understanding of risk exposure, as well as of profitability and financial exposure of insurers by defining measurement and accounting standards of insurance products. IFRS 17 will supersede IFRS 4, an interim standard issued in 2004, which envisaged the application of local accounting practices, which entailed a difficult comparison of financial results of companies.
Very briefly, the new IFRS 17 standard will introduce the following new aspects:
- change in aggregation criteria of insurance contracts: the new accounting model envisages an increase in the number of portfolios of insurance contracts that bear similar characteristics (so-called Units of Account), according to which the financial and equity components should be determined;
- market-consistent values: insurance liabilities shall be measured at current values (based on updated information), weighted for their possible realisation;
- explicit measurement of risk adjustment: it shall be estimated in a distinct way from liabilities related to cash flows estimated to fulfil contract obligations undertaken;
- recognition of the estimated profit that is implicit in the insurance contracts in portfolio: the so-called "Contractual service margin" (CSM), estimated as the difference between the premiums collected by the company and the aggregate contract charges undertaken, including risk adjustment. This amount, if positive, i.e. in case of non-onerous contracts at the subscription date, will be recognised in the income statement over the entire period of the insurance coverage, with the function of suspending the expected profit;
- profit or loss based on margins: a new way of disclosing profit in the income statement was introduced by envisaging a recognition based on margin (divided by subscription assets and investment assets);
- disclosure: to complete information reported in the income statement and in the statement of financial position, various statements shall be drawn up showing the changes occurred during the year related to the single components making up the insurance liabilities.

The standard will be applicable on 1 January 2021. Early application is permitted only if IFRS 9 and IFRS 15 have already been adopted by the entity.
In addition, on 9 November 2017 the EFRAG Board meeting was held during which the Project Plan was presented for IFRS 17, meant to respond to the request for Endorsement Advice from the European Commission. This document also provides details on the case study at the basis of the evaluation of the standard's impact, which started in December 2017 and will end in mid-2018. The Project Plan indicates that the EFRAG should provide its final approval of the Endorsement Advice by the end of December 2018.
In 2017 the Unipol Group carried out a thorough assessment for IFRS 17 purposes, involving the main corporate functions, with the aim of defining the possible impact of this standard and measuring the gaps in terms of process, IT systems, accounting, actuarial calculations, business and risk. At the start of 2018, the IFRS 17 transition project began.

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

On 12 December 2017, the IASB issued a document on Annual Improvements to IFRSs - 2015-2017 Cycle, which involved the following amendments in relation to the corresponding standards:
- IFRS 3 "Business Combinations": when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business at fair value;
- IFRS 11 "Joint Arrangements": in this case, when an entity obtains control of a business that is a joint operation, it is not required to remeasure the previously held interests at fair value;
- IAS 12 "Income Taxes": a company may recognise the income tax consequences of dividends in the income statement or in OCI "Other Comprehensive Income" or in equity, depending on where the transactions or events that generated distributable profits are recognised;
- IAS 23 "Borrowing Costs": an entity must include in its loans the cost of borrowings originally obtained to develop an asset when it becomes ready for use or sale.

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

IFRS 15 - Revenue from contracts with customers

IFRS 15 replaces IAS 18 "Revenue", IAS 11 "Construction contracts", SIC 31 "Revenue - Barter transactions involving advertising services", IFRIC 13 "Customer loyalty programmes", and IFRIC 15 "Agreements for the construction of real estate". The standard was adopted by the EU Commission via Regulation (EU) 2016/1905 of 22 September 2016 (registered in the Official Journal on 29 October 2016). The first-time application date will be the first accounting period beginning on or after 1 January 2018.
On 9 November 2017, Regulation 2017/1987 was also published in the EU Official Journal, which adopts the Amendments to IFRS 15 "Revenue from Contracts with Customers - Clarifications to IFRS 15" which aim to specify several requirements and provide a further transitional provision for companies that apply the standard. Companies must apply the amendments no later than the first accounting period beginning on or after 1 January 2018.

IFRS 16 – Leases

On 13 January 2016 the IASB issued IFRS 16 "Leases", which defines the accounting requirements for the recognition, evaluation and presentation of lease agreements. IFRS 16 will come in force on 1 January 2019 although early adoption is permitted for entities that already apply IFRS 15 "Revenue from contracts with customers". IFRS 16 replaces IAS 17 and the corresponding interpretations.
Lastly, on 9 November 2017, the EU Official Journal published Regulation 2017/1986 which includes IFRS 16.

Amendments to IFRS 2 - Share-based payments

On 21 June 2016, the IASB published the amendments to IFRS 2 "Share-based payments" to clarify the recognition of certain types of specific transactions, especially on the terms and conditions of the share-based payment. These amendments must be applied from 1 January 2018.

The accounting standards and the most significant criteria used in drawing up the consolidated financial statements are set out below.

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

Statement of Financial Position

Assets

1 Intangible assets - IAS 38

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

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

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

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

2 Property, plant and equipment - IAS 16 and 17

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

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

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

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

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

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

3 Technical provisions - Reinsurers' share - IFRS 4

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

4 Investments

4.1 Investment Property - IAS 40

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

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

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

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

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

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

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

IAS 39 provides that debt and equity instruments, receivables, payables and derivatives must be classified according to the purposes for which they are held. The following categories are provided for:

- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets;
- Financial assets at fair value through profit or loss.

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

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

4.3 Held-to-maturity investments

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

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

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

4.4 Loans and receivables

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

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

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

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

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

4.5 Available-for-sale financial assets

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

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

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

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

Impairment policy for financial assets adopted by the Group

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

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

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

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

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

4.6 Financial assets at fair value through profit or loss

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

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

Derivatives

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

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

No transactions on fair value hedges were outstanding at 31 December 2017, whereas a number of cash flow hedges are in place.

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

Reclassifications of financial assets

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

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

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

A financial asset classified as available for sale that would have come under loans and receivables (if it had not been designated as available for sale) may be transferred from "available for sale" to "loans and receivables" if the entity has the intention and the ability to hold the financial asset for the foreseeable future or to maturity (IAS 39, paragraph 50E).
If an entity reclassifies a financial asset from fair value through profit or loss or from "available for sale", it must reclassify the financial asset at its fair value on the date of reclassification and the gain or loss already recognised in the income statement must not be reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost (IAS 39, paragraphs 50C and 50F).

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

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

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

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

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

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

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

The Group, with regard to bonds issued by SPVs in the portfolio at 31 December 2017, does not exercise any form of control over the SPVs, in the sense that it is not able to govern the management process of the SPVs (which, in fact, is defined by the arrangers of the investment transaction in which the Group participates by subscribing the notes and other relevant contracts) and does not obtain any benefits from the SPVs other than those strictly dependent on the formally subscribed financial instrument. The Group holds the notes issued by the SPV and can only dispose of these autonomously, as it does not have the power to dispose of the financial instruments held by the vehicle. It is reasonable to infer, from this, that the Group holds no form of control of the SPVs pursuant to IFRS 10.

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

5 Sundry receivables

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

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

6 Other assets

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

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

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

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

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

6.2 Deferred acquisition costs

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

6.3 Deferred tax assets - IAS 12

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

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

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

6.4 Current tax assets - IAS 12

This item includes assets related to current taxation.

6.5 Other assets

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

7 Cash and cash equivalents - IAS 7

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

Liabilities

1 Shareholders' equity - IAS 32

1.1.1 Share capital

The item includes the share capital of the ultimate parent.

1.1.3 Capital reserves

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

1.1.4 Income-related and other equity reserves

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

1.1.5 Treasury shares

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

1.1.6 Reserve for foreign currency translation differences

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

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

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

1.1.8 Other gains or losses recognised directly in equity

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

2 Provisions - IAS 37

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

3 Technical provisions - IFRS 4

Classification of insurance contracts

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

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

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

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

(ii) the presence of options or guarantees, such as the coefficient of conversion into a guaranteed rate annuity.

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

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

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

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

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

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

Non-Life business technical provisions

Premium provision

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

Ageing provision

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

Claims provision

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

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

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

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

Life Business Technical Provisions

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

Mathematical provisions

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

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

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

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

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

The liability adequacy test required by IFRS 4 was also carried out to verify that the technical provisions are adequate to cover the present value of future cash flows related to insurance contracts.
The test was performed by projecting the cash flows and taking into account the following elements:
- guaranteed services by guarantee line, projected on the basis of contractual conditions;
- trend in the existing portfolio relating to recurring payment aspects, expiry of contracts, policyholder mortality and propensity to redemption;
- costs and revenues associated with portfolio management and liquidation.

Provision for shadow accounting

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

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

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

4 Financial liabilities - IAS 39

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

4.1 Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subdivided into two further sub-items:

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

4.2 Financial liabilities at amortised cost

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

5 Payables

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

Payables are recognised at their nominal value.

Employee benefits - IAS 19

Post-employment benefits accrued by 31 December 2006 that were not transferred to external bodies in accordance with the provisions of Legislative Decree 252/05 on supplementary pension schemes come under the category of employee benefits classified as a defined benefits plan. The amount due to employees is therefore calculated using

actuarial techniques and discounted at the reporting date, using the "Projected unit credit method" (a method based on benefits accrued in proportion to length of employment).
The same method is used to establish the effects of other defined benefits for employees for the post-employment period.

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

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

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

6 Other liabilities

6.1 Liabilities associated with disposal groups - IFRS 5

Please see above for the corresponding asset item.

6.2 Deferred tax liabilities - IAS 12

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

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

6.3 Current tax liabilities

This item includes current Tax payables.

6.4 Other liabilities

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

Income Statement

1 Revenue and income

1.1 Net premiums

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

1.2 Commission income

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

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

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

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

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

1.5 Gains on other financial instruments and investment property

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

1.6 Other revenue

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

2 Expenses and charges

2.1 Net charges relating to claims

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

2.2 Commission expense

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

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

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

2.4 Losses on other financial instruments and investment property

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

2.5 Operating expenses

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

2.6 Other costs

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

3 Income tax for the year

Starting from the 2015 tax year and for the 2015-2017 three-year period, UnipolSai has opted for the Group tax regime regulated by Art. 117 et seq. of Italian Presidential Decree no. 917/86, under the tax consolidating company Unipol Gruppo, together with its own subsidiaries that meet the regulatory requirements.
An agreement was signed between the consolidating company and the respective consolidated companies, regulating the financial and procedural aspects governing the option in question.

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

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

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

Foreign currency transactions - IAS 21

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

Earnings per share - IAS 33

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

Use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
As regards the 2016 financial statements, it is believed that the assumptions made are appropriate and, therefore, that the financial statements have been drafted clearly and give a true and fair view of the statement of financial position, income statement and statement of cash flows.
In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the case in question, based on all available information. However, we cannot exclude that changes in these estimates and assumptions may have a significant effect on the statement of financial position and income statement as well as on the potential assets and liabilities reported in the financial statements for disclosure purposes, if different elements emerge with respect to those considered originally.

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

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

Fair value measurement criteria - IFRS 13

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

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

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

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

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

Fair value measurement criteria

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

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

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

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

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

Mark to Market valuations

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

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

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

Mark to Model valuations

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

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

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

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

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

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

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

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

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

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

For OTC derivative contracts, the models used are consistent with the risk factor underlying the contract. The fair value of OTC interest rate derivatives and OTC inflation-linked derivatives is calculated on the basis of Mark to Model type valuations, acknowledging the rules set in IFRS 13.
As regards derivatives on which a collateralisation agreement is provided (Credit Support Annex) between the companies of the UnipolSai Group and the authorised market counterparties, the EONIA (Euro OverNight Index Average) discount curve is used.
As regards uncollateralised derivatives, CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments are made. It should be noted that, at 31 December 2017, almost all derivative positions represented collateralised contracts for which CSA agreements are in place with the counterparties involved in the trading.

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

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

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

Counterparty valuations

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

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

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

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

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

Criteria for determining the fair value hierarchies

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

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

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

Fair value measurement on a recurring basis

Process for fair value measurement on a recurring basis

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

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

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

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

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

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

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

- bond issues valued on a Mark to Market basis (level 1);
- bond issues and loans valued on a Mark to Model basis using non-observable parameters (benchmark spread curves) (level 3);
- short-term payables with a duration of less than 18 months and Certificates of Deposit at amortised cost (level 3);
- loans to bank customers valued according to the following principles (level 3):
    - loans with a duration of more than 18 months (medium/long-term loans) valued on a Mark to Model basis with a cash flow discounting method for the principal and interest component. For medium/long-term loans, the discount rate used is based on the risk-free rate plus a risk premium determined on the transaction through the Probability of Default (PD) and Loss Given Default (LGD) parameters. These parameters are taken from the Cedacri Credit Rating System (CRS) application and were estimated on a consortium basis. The Cumulative Probability of Default is calculated through the application of a Markov process to the one-year transition matrices, while the LGD is assumed constant for the entire time period;
    - impaired loans measured at amortised cost net of analytical valuations;
    - short-term loans with a duration of less than 18 months valued at amortised cost;
- other receivables valued at carrying amount (level 3);
- investment property valued on the basis of the appraisal value determined by independent experts in compliance with the provisions of the applicable legislation. The approach to assigning appraisal mandates is based on the non-exclusive assignment of assets; there is usually a three-year rotation in the assignment of experts.

3. Notes to the Statement of Financial Position

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

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

ASSETS

1. Intangible assets

Amounts in €m	31/12/2017	31/12/2016	*var. in amount*
Goodwill	327.8	316.6	***11.2***
resulting from business combinations	327.8	316.6	*11.2*
Other intangible assets	363.5	386.6	***(23.1)***
portfolios acquired under business combinations	166.9	228.8	*(61.9)*
software and licenses	180.2	155.7	*24.4*
other intangible assets	16.5	2.0	*14.4*
Total intangible assets	691.3	703.2	***(11.9)***

1.1 Goodwill

This item, equal to €327.8m, includes €306.7m from goodwill resulting from business combinations in previous years (€177.0m of which relating to Non-Life and €129.7m relating to the Life business) and €21.1m from goodwill recognised during the year following the acquisition of the companies Linear and UniSalute, within the limit of the amounts already recognised by the holding company Unipol Gruppo (for more information, refer to Chapter 1. Basis of presentation, "Information about business combinations" section of these Notes).
With respect to the previous year, there was also a decline of €9.9m due to the elimination of the goodwill recognised provisionally at 31 December 2016 relating to the acquisition of the Una SpA hotel management business, as a result of the valuation of the "GRUPPO UNA" trademark recorded upon initial recognition, under Other intangible assets, in the same amount.

Goodwill with an indefinite useful life recorded in the financial statements was tested for impairment in accordance with the procedure specifically approved by UnipolSai's Board of Directors. For information on the criteria used for the tests, please refer to paragraph 5.11 of Chapter 5 of this document, Other information.

1.2 Other intangible assets

This item amounted to €363.5m (€386.6m in 2016) and consisted of:
- the residual value of the Life and Non-Life portfolios acquired as a result of business combinations equal to €166.9m (€228.8m in 2016), the decrease in which, amounting to -€61.9m, is due to amortisation on amounts of the Non-Life portfolios (€31.7m) and on the Life portfolios (€22.4m), as well as to the reclassification, pursuant to IFRS 5, of €7.8m to item Non-current assets or assets of a disposal group held for sale, related to the portion attributable to Popolare Vita and The Lawrence Life;

- costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €180.2m (€155.7m in 2016);
- other intangible assets amounting to €16.5m (€2m at 31/12/2016), of which €8.5m relating to the "GRUPPO UNA" trademark.
-

2. Property, plant and equipment

At 31 December 2017 Property, plant and equipment, net of accumulated depreciation, amounted to €1,719.3m (€1,595.9m in 2016), €1,482.9m of which was Properties for own use (€1,385.8m in 2016) and €236.4m was Other tangible assets (€210.2m in 2016).

Properties for own use

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2016	**1,568.7**	**(183.0)**	**1,385.8**
Increases	222.5		222.5
Decreases	(57.2)		(57.2)
Depreciation for the year		(35.8)	(35.8)
Other changes in provisions		(32.4)	(32.4)
Balance at 31/12/2017	**1,734.1**	**(251.2)**	**1,482.9**

The increases were caused by the transfer from Investment property of properties rented to Linear and UniSalute (€106.4m) and properties held by Ambra Property (€66.8m).
The decreases refer mainly to class transfers (Investment property and/or Assets held for disposal).
The current value of properties for own use amounted to €1,625.2m.

Other tangible assets

Amounts in €m	Office furniture and machines	Movable assets entered in public registers	Plant and equipment	Other	Total
Balance at 31/12/2016	**285.1**	**4.2**	**256.6**		**545.9**
Increases	32.6	0.3	69.8	1.3	104.0
Decreases	(10.8)	(0.1)	(16.3)	(0.8)	(28.0)
Balance at 31/12/2017	**306.9**	**4.3**	**310.1**	**0.5**	**621.8**
Accumulated depreciation at 31/12/2016	**216.8**	**3.2**	**115.7**		**335.7**
Increases	32.7	0.2	30.1	0.2	63.2
Decreases	(10.0)	(0.2)	(3.2)		(13.4)
Accumulated depreciation at 31/12/2017	**239.5**	**3.3**	**142.6**	**0.2**	**385.4**
Net amount at 31/12/2016	**68.3**	**1.0**	**140.9**		**210.2**
Net amount at 31/12/2017	**67.4**	**1.1**	**167.6**	**0.3**	**236.4**

3. Technical provisions - Reinsurers' share

The balance of this item was €846.0m, a decrease of €2.9m compared with 2016. Details are set out in the appropriate appendix.

4. Investments

At 31 December 2017, total investments (investment property, equity investments and financial assets) amounted to €49,084.8m (€61,214.9m in 2016).

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Investment property	2,271.4	*4.6*	2,387.8	*3.9*	*(4.9)*
Investments in subsidiaries, associates and interests in joint ventures	803.8	*1.6*	527.3	*0.9*	*52.4*
Financial assets (excluding those at fair value through profit or loss)	41,401.4	*84.3*	49,419.7	*80.7*	*(16.2)*
Held-to-maturity investments	*539.6*	*1.1*	*892.3*	*1.5*	*(39.5)*
Loans and receivables	*4,489.1*	*9.1*	*5,049.6*	*8.2*	*(11.1)*
Available-for-sale financial assets	*36,042.7*	*73.4*	*43,171.7*	*70.5*	*(16.5)*
Held-for-trading financial assets	*330.0*	*0.7*	*306.1*	*0.5*	*7.8*
Financial assets at fair value through profit or loss	4,608.2	*9.4*	8,880.0	*14.5*	*(48.1)*
Total Investments	49,084.8	*100.0*	61,214.9	*100.0*	*(19.8)*

Pursuant to IFRS 5, at 31 December 2017 Investments attributable to Popolare Vita and The Lawrence Life, equal to €10,225.3m were reclassified under item Non-current assets or assets of a disposal group held for sale:
- Loans and receivables, in the amount of €145.4m;
- Available-for-sale financial assets, in the amount of €6,664.9m;
- Financial assets at fair value through profit or loss, in the amount of €3,415.0m.

The total Investments contributed by the four companies over which control was acquired in the course of the year (Linear, UniSalute, Unisalute Servizi and Ambra Property) amounted to €731.3m.

4.1 Investment property

Amounts in €m	Gross carrying amount	Accumulated depreciation	Net carrying amount
Balance at 31/12/2016	2,631.6	(243.8)	2,387.8
Increases	64.8		64.8
Decreases	(179.5)		(179.5)
Depreciation for the year		(36.5)	(36.5)
Other changes in provisions		34.8	34.8
Balance at 31/12/2017	2,516.9	(245.5)	2,271.4

The increases refer to purchases and incremental expenses of €14.1m; the residual amount mainly refers to the transfer from the "Properties for own use" item.
The decreases refer to sales of €33.9m and to write-downs of €14.5m; the residual mainly refers to class transfers.
The current value of Investment property, €2,389.0m, was based on independent expert appraisals.

4.2 Investments in subsidiaries, associates and interests in joint ventures

At 31 December 2017, investments in subsidiaries, associates and interests in joint ventures amounted to €803.8m (€527.3m in 2016). The change referred to the investment in the associate Unipol Banca.

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

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Held-to-maturity investments	**539.6**	***1.3***	**892.3**	***1.8***	***(39.5)***
Listed debt securities	507.6		748.3		*(32.2)*
Unlisted debt securities	32.0		144.0		*(77.8)*
Loans and receivables	**4,489.1**	***10.8***	**5,049.6**	***10.2***	***(11.1)***
Unlisted debt securities	3,712.8		4,172.3		*(11.0)*
Deposits with ceding companies	19.1		20.6		*(7.7)*
Other loans and receivables	757.2		856.7		*(11.6)*
Available-for-sale financial assets	**36,042.7**	***87.1***	**43,171.7**	***87.4***	***(16.5)***
Equity instruments at cost	9.1		38.2		*(76.2)*
Listed equity instruments at fair value	696.2		436.7		*59.4*
Unlisted equity instruments at fair value	197.2		168.3		*17.2*
Listed debt securities	32,462.4		40,536.4		*(19.9)*
Unlisted debt securities	464.9		573.3		*(18.9)*
UCITS units	2,212.9		1,418.8		*56.0*
Held-for-trading financial assets	**330.0**	***0.8***	**306.1**	***0.6***	***7.8***
Listed equity instruments at fair value	25.7		12.7		*101.8*
Listed debt securities	77.1		90.1		*(14.4)*
Unlisted debt securities	51.5		47.8		*7.8*
UCITS units	14.1		28.3		*(50.0)*
Derivatives	161.5		127.2		*27.0*
Total financial assets	**41,401.4**	***100.0***	**49,419.7**	***100.0***	***(16.2)***

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

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Financial assets at fair value through profit or loss	**4,608.2**	***100.0***	**8,880.0**	***100.0***	***(48.1)***
Listed equity instruments at fair value	185.6	*4.0*	226.0	*2.5*	*(17.9)*
Listed debt securities	2,994.8	*65.0*	4,395.0	*49.5*	*(31.9)*
Unlisted debt securities	2.5	*0.1*	130.2	*1.5*	*(98.1)*
UCITS units	935.0	*20.3*	3,596.8	*40.5*	*(74.0)*
Derivatives	2.8	*0.1*			
Other financial assets	487.5	*10.6*	532.0	*6.0*	*(8.4)*

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

5. Sundry receivables

Amounts in €m	31/12/2017	% comp.	31/12/2016	% comp.	% var.
Receivables relating to direct insurance business	1,421.6	53.4	1,418.7	45.6	0.2
Receivables relating to reinsurance business	100.6	3.8	95.1	3.1	5.7
Other receivables	1,140.6	42.8	1,600.6	51.4	(28.7)
Total sundry receivables	**2,662.8**	**100.0**	**3,114.4**	**100.0**	**(14.5)**

The item Other receivables included:

- €388.7m related to tax receivables (€445.4m at 31/12/2016);
- payments made as cash collateral to safeguard derivatives totalling €206.6m (€352.6m at 31/12/2016);
- substitute tax receivables on the mathematical provisions totalling €190.8m (€258.1m at 31/12/2016);
- €144.6m related to trade receivables (€187.7m at 31/12/2016).

Another receivable is included, due to Avvenimenti e Sviluppo Alberghiero Srl (a 100% subsidiary of Im.Co.) for €103.2m (before adjustments), of which €101.7m as advances paid by the former Milano Assicurazioni in relation to a "promise to buy" contract on a property complex in Via Fiorentini, Rome. Against this receivable, for which the most appropriate means of recovery are currently being studied, value adjustments were recorded in previous years for a total of €73.8m. As a result of the write-downs, the net value of this receivable in the financial statements at 31 December 2017 is €29.4m.

At 31 December 2017, Popolare Vita and The Lawrence Life recorded Other receivables, equal to €127.7m, reclassified under item Non-current assets or assets of a disposal group held for sale.

The contribution to Sundry receivables of the companies acquired during the year amounted to €108.7m.

6. Other assets

Amounts in €m	31/12/2017	% comp.	31/12/2016	% comp.	% var.
Non-current assets or assets of a disposal group held for sale	10,569.1	93.2	207.8	18.7	n.s.
Deferred acquisition costs	85.0	0.7	90.4	8.1	(6.0)
Deferred tax assets	217.1	1.9	259.8	23.4	(16.5)
Current tax assets	9.4	0.1	31.3	2.8	(70.0)
Other assets	462.0	4.1	521.2	46.9	(11.3)
Total other assets	**11,342.7**	**100.0**	**1,110.5**	**100.0**	**n.s.**

As already described, after UnipolSai's exercise of the put option on the equity investment in Popolare Vita, the item Non-current assets or assets of a disposal group held for sale includes assets related to Popolare Vita and The Lawrence Life. Also included are properties held by Group companies for which disposal activities have begun or for which the relative preliminary sales contracts have already been signed.
For details please refer to paragraph 5.5 of these Notes to the financial statements.

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

The item Other assets includes, inter alia, deferred commission expense, prepayments and accrued income and miscellaneous items to be settled relating to banking business.

The contribution to Other assets of the companies acquired during the year amounted to €26.8m.

7. Cash and cash equivalents

At 31 December 2017, Cash and cash equivalents amounted to €1,403.6m (€660.6m at 31/12/2016), less €51.7m owned by Popolare Vita and The Lawrence Life and reclassified as Non-current assets or assets of a disposal group held for sale.

The contribution to Cash and cash equivalents of the companies acquired during the year amounted to €57.0m.

LIABILITIES

1. Shareholders' equity

Movements in shareholders' equity recognised during the year with respect to 31 December 2016 are set out in the attached Statement of changes in Shareholders' equity.

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

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

Amounts in €m	31/12/2017	31/12/2016	*var. in amount*
Share capital	2,031.5	2,031.5	
Capital reserves	346.8	346.8	
Income-related and other equity reserves	2,129.5	2,593.1	*(463.6)*
(Treasury shares)	(52.3)	(52.3)	
Reserve for foreign currency translation differences	4.8	3.1	*1.7*
Gains/losses on available-for-sale financial assets	913.4	751.5	*161.9*
Other gains and losses recognised directly in equity	(8.9)	(15.5)	*6.6*
Profit (loss) for the period	504.2	497.4	*6.8*
Total shareholders' equity attributable to the owners of the Parent	**5,869.0**	**6,155.6**	***(286.6)***

At 31 December 2017, UnipolSai's share capital was €2,031.5m, fully paid-up, and consisted of 2,829,717,372 ordinary shares without nominal value, unchanged with respect to 31 December 2016.

The main changes in the year in the Group's shareholders' equity were as follows:

- decrease due to dividend distribution for €346.8m;
- decrease of €603.9m relating to the acquisition of the Linear, UniSalute and Ambra Property investments (business combination between entities under common control), the effects of which on the shareholders' equity attributable to owners of the Parent are illustrated in Chapter 1 "Information about business combinations" section in these Notes;
- an increase as a result of the increase in the provision for gains and losses on available-for-sale financial assets, net of both the related tax liabilities and the part attributable to the policyholders and charged to insurance liabilities for €161.9m. At 31 December 2017, the contribution of the companies acquired during the year amounted to €17.5m;
- an increase by €504.2m in Group profit for the period.

Shareholders' Equity attributable to non-controlling interests was €324.7m (€379.1m at 31/12/2016).

Treasury shares or quotas

At 31 December 2017, UnipolSai held a total of 55,349,685 ordinary treasury shares, of which 7,005,640 directly and 48,344,045 indirectly through the subsidiaries UnipolSai Finance (38,454,775), UnipolSai Nederland (9,443,258), Pronto Assistance (344,312) and Popolare Vita (101,700).

2. Provisions and potential liabilities

The item "Provisions" totalled €382.3m at 31 December 2017 (€442.4m at 31/12/2016) and mainly consisted of provisions for litigation, various disputes, charges relating to the sales network, provisions for salary policies and employee leaving incentives.

Ongoing disputes and contingent liabilities

Relations with the Tax Authorities

UnipolSai

In 2017, the assessments received in 2016 were settled; they pertained to the merged company Immobiliare Fondiaria-SAI for the years 2011 and 2012, concerning findings on transactions with related parties (IM.CO. and ICEIN), and to the merged company Immobiliare Milano Assicurazioni for the years 2010 and 2011, concerning findings for performance of intragroup services. Although it deemed the merged company's actions to be substantially correct, the Company opted to settle by agreement, taking into account the risks that are always associated with the activation of a dispute, obtaining the reduction of the higher tax claims and of the penalties applied. In view of the expenses incurred, the risk provision allocated previously was used.

In the 2017 financial statements, amounts deemed sufficient for facing mainly the risks below have been allocated to the tax provision:

- the risks arising from developments in the dispute regarding the treatment of technical outwards reinsurance items of the former Aurora Assicurazioni, already started against the parent Unipol, and also extended to the merged entity Unipol Assicurazioni for the tax periods 2007-2009;
- the risks deriving from an assessment notice regarding IRPEG and ILOR for the year 1991 concerning the merged Fondiaria Assicurazioni, still pending at the Supreme Cassation Court as a result of the appeal filed by the Company;
- the risks deriving from an assessment notice for abuse of rights with reference to IRPEG and IRAP for the year 2004 on share purchases and collections of the related dividends.

Moreover, the provisions for risks and charges include a provision for tax charges of sufficient amount with respect to the potential estimated liabilities deriving from already formalised, or not yet formalised charges, for which no tax dispute has yet been brought.

Tenute del Cerro

In 2017, the company submitted a settlement request pursuant to Art. 11 of Decree Law 50/2017 for the tax dispute pending before the Supreme Court of Cassation for the payment of higher registration tax connected to the sale of the farm business unit of Tenuta di Veneria, completed in 2010. The company was jointly liable with the buyer and covered the cost from the provision allocated in the financial statements.

In December, the Bologna Province Direction sent a report on findings following a general audit on the 2014 tax period, which was later extended to the years 2013 and 2015 for certain specific items. With respect to the findings charged by the Tax Office, the company allocated a provision in the financial statements that is deemed fair.

Other tax disputes

The Group companies, which collected or paid delegation fees in view of coinsurance relations with other companies of the insurance sector, received notices of assessment and of imposition of penalties for VAT purposes, because the Tax Authorities deem these relations to be not exempt but taxable. Appeals were filed against all assessments before the competent tax commissions. Taking into account the prevalent jurisprudence favourable to companies on these matters, no provisions have been allocated. The recent Court of Cassation decision no. 5885/17 in favour of one of the Group companies, despite referring the dispute back to the competent Regional Tax Commission, expressed principles indicating that the case will probably have a positive outcome.

Proceedings initiated by the Antitrust Authority (AGCM)

In the initial months of 2017, the proceeding initiated by the AGCM ended with a positive outcome, with the Decision of 14 November 2012, relating to preliminary proceedings no. I/744 against UnipolSai for alleged violations of Art. 2, Law 287/1990 and/or Art. 101 of the Treaty on the Functioning of the European Union ("TFUE"). The State Council rejected the Antitrust Authority's appeal before the Regional Administrative Court and, by decision dated 1 December 2016 published on 7 March 2017, confirmed cancellation of the penalty previously inflicted. The Company has taken action to recover the sum paid at the time.

Consob sanction proceedings

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

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

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

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

IVASS assessments

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

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

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

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

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

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

On 5 February 2013, the Boards of Directors of Fondiaria-SAI and Milano Assicurazioni, having examined the respective reports drafted by the Commissioner in accordance with Art. 125-ter of the Consolidated Law on Finance, resolved, following the aforementioned request, to call the Shareholders' Meetings of the two companies for 13 and 14 March 2013, on first and second call respectively.
The Shareholders' Meetings, held on second call on 14 March 2013, resolved to promote corporate liability action against the persons indicated in the reports prepared for the Meetings by the Commissioner and made these resolutions public in accordance with law.
As a result of the aforementioned resolutions, the *ad acta* Commissioner appointed his own lawyers who arranged for civil proceedings to be brought before the Court of Milan against the parties identified as responsible for the transactions described above. The proceedings are currently at preliminary investigation stage during which the court has, amongst other things, ordered a technical court expert's report.

In relation to the aforementioned transactions, the Companies requested and, on 20 December 2013, obtained a seizure order from the Court of Milan against some of the defendants in the above proceedings. The Company made arrangements to enforce the attachment through the parties concerned and through third parties, and the related enforcement proceedings are still in progress.

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

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

Ongoing disputes with investors

Writs of summons by shareholders of La Fondiaria Assicurazioni (Tender offer legal cases)

From 2003 onwards, a number of La Fondiaria Assicurazioni ("Fondiaria") shareholders have initiated a series of legal proceedings claiming, albeit on different legal grounds and justifications, compensation for damages allegedly suffered due to failure to launch the takeover bid on Fondiaria shares by SAI Società Assicuratrice Industriale SpA ("SAI") in 2002.
On the whole, 16 proceedings were brought against the Company; 14 of these were settled at various degrees and stages of the proceeding, while one was extinguished when the first court's decision handed down in favour of the Company became definitive, as the opposing party failed to appeal it. At 31 December 2017, only one case is pending before the Supreme Court of Cassation; specific provisions, deemed adequate, have been made in view of it.

Other ongoing proceedings

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

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

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

At the end of the preliminary hearings and of the trial phase, at the hearing of 11 October 2016 the Court read out the verdict and the sentence, whose grounds have, as yet, not been released, whereby:

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

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

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

The decision was appealed before the Court of Appeal of Turin.

(b) The criminal proceeding Gen. Criminal Records Reg. no. 14442/14, with the defendants Gioacchino Paolo Ligresti, Pier Giorgio Bedogni and Fulvio Gismondi accused of false corporate communications (Art. 2622 of the Civil Code) and market manipulation (Art. 185 of the Consolidated Law on Finance) for Mr. Fulvio Gismondi only, in which proceeding UnipolSai was cited for civil liability, false official statement in certificates (Art. 481 of the Criminal Code), ended in the first instance, at the end of the shortened and simplified proceedings, with the decision of 16 December 2015 acquitting the defendants because the fact does not exist. The decision was appealed by the General Prosecutor’s Office at the Court of Appeal of Milan and by the civil claimant Consob; the proceedings are still pending.

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

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

Moreover, as reported in the Financial Statements ended 31 December 2016, some investors have autonomously initiated civil proceedings for damages. In these proceedings, the plaintiffs summarily stated that they had purchased and subscribed Fondiaria-SAI shares as they were prompted by the information in the information prospectuses published by Fondiaria-SAI on 24 June 2011 and 12 July 2012 in relation to the increases in share capital under option resolved by the company on 14 May 2011, 22 June 2011 and 19 March 2012 respectively, and in the financial statements of Fondiaria-SAI relating to the years 2007-2012. UnipolSai (former Fondiaria-SAI) appeared at all Civil Proceedings and disputed the plaintiffs’ claims. A first civil proceeding initiated before the Court of Turin ended with a final decision rejecting the merits of the Plaintiff’s demands, acquitting UnipolSai from all compensation claims. On 18 May 2017, the Milan Court has instead partially upheld the compensation claims of another shareholder. The Company appealed against the sentence before the Milan Court of Appeal. Of the remaining proceedings, some are in the decision stage and some in the introductory/preliminary stage.

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

3. Technical provisions

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Non-Life premium provisions	2,919.8	*19.2*	2,708.5	*18.0*	
Non-Life claims provisions	12,247.5	*80.5*	12,310.1	*81.9*	
Other Non-Life technical provisions	52.3	*0.3*	17.6	*0.1*	
Total Non-Life provisions	**15,219.6**	***100.0***	**15,036.2**	***100.0***	***1.2***
Life mathematical provisions	24,471.2	*80.1*	30,622.5	*75.1*	
Provisions for amounts payable (Life business)	334.9	*1.1*	379.3	*0.9*	
Technical provisions where investment risk is borne by policyholders and arising from pension fund management	3,715.9	*12.2*	7,167.9	*17.6*	
Other Life technical provisions	2,015.5	*6.6*	2,610.6	*6.4*	
Total Life provisions	**30,537.5**	***100.0***	**40,780.3**	***100.0***	***(25.1)***
Total technical provisions	**45,757.0**		**55,816.4**		***(18.0)***

At 31 December 2017, Popolare Vita and The Lawrence Life held technical reserves amounting to €9,034.7m, reclassified under item Liabilities associated with disposal groups.

The contribution to the Technical provisions due to the acquisition of Linear and UniSalute totalled €613.8m.

4. Financial liabilities

Financial liabilities amounted to €3,663.0m (€4,680.7m at 31/12/2016).

4.1 Financial liabilities at fair value through profit or loss

The item, which amounted to €1,172.3m (€2,140.1m at 31/12/2016), is broken down as follows:

- Held-for-trading financial liabilities totalled €276.8m (€411.3m at 31/12/2016);
- Financial liabilities designated at fair value through profit or loss totalled €895.5m (€1,728.8m at 31/12/2016). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders and the insurance risk borne by the Group did not exceed 10% (some types of Class III, Class V and Class VI contracts).

At 31 December 2017, Popolare Vita and The Lawrence Life owned €904.3m of Financial liabilities designated to be measured at fair value recognised in the Income Statement and reclassified as Liabilities associated with disposal groups.

4.2 Other financial liabilities

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Subordinated liabilities	2,028.1	*81.4*	2,027.3	*79.8*	*0.0*
Deposits received from reinsurers	161.7	*6.5*	220.7	*8.7*	*(26.7)*
Other loans obtained	296.0	*11.9*	287.8	*11.3*	*2.8*
Sundry financial liabilities	4.9	*0.2*	4.8	*0.2*	*0.7*
Total other financial liabilities	**2,490.7**	***100.0***	**2,540.6**	***100.0***	***(2.0)***

The contribution to Other financial liabilities of the companies acquired during the year amounted to €11.9m.

Details of Subordinated liabilities are shown in the table below:

Issuer	Nominal amount outstanding	Subordination level	Year of maturity	Call	Rate	L/NL
UnipolSai	€300.0m	tier II	2021	every 3 months	3M Euribor + 250 b.p.	L
UnipolSai	€261.7m	tier II	2023	every 3 months	3M Euribor + 250 b.p.	L
UnipolSai	€400.0m	tier I	2023	every 6 months	6M Euribor + 180 b.p. (**)	NL
UnipolSai	€100.0m	tier II	2025	every 6 months	6M Euribor + 180 b.p. (**)	NL
UnipolSai	€150.0m	tier II	2026	every 6 months	6M Euribor + 180 b.p. (**)	NL
UnipolSai	€50.0m	tier II	2026	every 6 months	6M Euribor + 180 b.p. (**)	NL
UnipolSai	€750.0m	tier I	in perpetuity	every 3 months from 18/06/2024	fixed rate 5.75% (*)	L

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

(**) since September 2014, in application of the contractual clauses ("Additional Costs Clauses"), UnipolSai and Mediobanca signed an agreement to amend some Loan Agreements covering medium-term subordinated loans amounting to €700m. This agreement provides for the amendment of several economic terms, including payment by way of compromise, of an annual indemnity (additional spread) equal to 71.5 basis points, which increases the previous spread (thereby raising the total spread from 1.80 to 2.515 basis points) provided for in the Loan Agreements.

5. Payables

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Payables arising from direct insurance business	104.7	*11.4*	107.4	*12.4*	*(2.5)*
Payables arising from reinsurance business	93.6	*10.2*	92.3	*10.7*	*1.3*
Other payables	717.0	*78.3*	665.2	*76.9*	*7.8*
Policyholders' tax due	156.3	*17.1*	161.2	*18.6*	*(3.0)*
Sundry tax payables	32.0	*3.5*	41.3	*4.8*	*(22.7)*
Trade payables	174.2	*19.0*	189.5	*21.9*	*(8.0)*
Post-employment benefits	65.1	*7.1*	64.5	*7.5*	*0.9*
Social security charges payable	36.9	*4.0*	35.0	*4.0*	*5.4*
Sundry payables	252.6	*27.6*	173.7	*20.1*	*45.4*
Total payables	**915.3**	***100.0***	**864.9**	***100.0***	***5.8***

At 31 December 2017, Popolare Vita and The Lawrence Life recorded €24.4m in Payables, reclassified as Liabilities associated with disposal groups.
The contribution to Payables of the companies acquired during the year amounted to €27.1m.

6. Other liabilities

Amounts in €m	31/12/2017	*% comp.*	31/12/2016	*% comp.*	*% var.*
Current tax liabilities	24.1	*0.2*	45.1	*5.0*	*(46.6)*
Deferred tax liabilities	25.1	*0.2*	26.0	*2.9*	*(3.3)*
Liabilities associated with disposal groups held for sale	10,016.5	*92.4*			
Commissions on premiums under collection	105.6	*1.0*	99.7	*11.0*	*5.9*
Deferred commission income	1.0	*0.0*	23.2	*2.6*	*(95.7)*
Accrued expenses and deferred income	53.6	*0.5*	45.4	*5.0*	*18.2*
Other liabilities	613.2	*5.7*	669.9	*73.7*	*(8.5)*
Total other liabilities	**10,839.1**	***100.0***	**909.2**	***100.0***	***n.s.***

The item Deferred tax liabilities is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax assets, as described in Chapter 2 Main accounting standards.
For the details of the sub-item Liabilities associated with disposal groups, please refer to paragraph 5.5 of these Notes.
The contribution to Other liabilities of the companies acquired during the year amounted to €13.4m.

4. Notes to the Income Statement

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

The Income Statement items include the data from the last quarter of 2017 of the companies Ambra Property, Linear, UniSalute and Unisalute Servizi.

REVENUE

1.1 Net premiums

Amounts in €m	31/12/2017	31/12/2016	*% var.*
Non-Life earned premiums	7,380.7	7,304.2	*1.0*
Non-Life written premiums	7,456.0	7,265.3	*2.6*
Changes in Non-Life premium provision	(75.3)	38.8	*n.s.*
Life written premiums	3,452.7	4,694.6	*(26.5)*
Non-Life and Life gross earned premiums	10,833.4	11,998.8	*(9.7)*
Non-Life earned premiums ceded to reinsurers	(424.8)	(432.7)	*(1.8)*
Non-Life premiums ceded to reinsurers	(450.9)	(431.0)	*4.6*
Changes in Non-Life premium provision - reinsurers' share	26.1	(1.7)	*n.s.*
Life premiums ceded to reinsurers	(6.4)	(8.3)	*(23.2)*
Non-Life and Life earned premiums ceded to reinsurers	(431.2)	(441.0)	*(2.2)*
Total net premiums	10,402.2	11,557.7	*(10.0)*

The contribution of the consolidation of Linear and UniSalute to Net premiums amounted to €156.2m.

1.2 Commission income

Amounts in €m	31/12/2017	31/12/2016	*% var.*
Commission income from investment contracts	23.4	20.9	*12.0*
Other commission income	11.8	11.3	*4.0*
Total commission income	35.2	32.2	*9.2*

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

Amounts in €m	31/12/2017	31/12/2016	*% var.*
on held-for trading financial assets	(17.4)	(82.2)	
on held-for trading financial liabilities		2.2	
on financial assets/liabilities at fair value through profit or loss	151.7	124.7	
Total net gains/losses	134.3	44.7	*n.s.*

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

These amounted to €8.6m (€17.3m in 2016).

1.5 Gains on other financial instruments and investment property

Amounts in €m	31/12/2017	31/12/2016	*% var.*
Interest	1,483.1	1,521.5	*(2.5)*
on held-to-maturity investments	33.5	43.8	*(23.6)*
on loans and receivables	150.3	157.5	*(4.6)*
on available-for-sale financial assets	1,295.7	1,316.7	*(1.6)*
on sundry receivables	2.8	2.5	*15.3*
on cash and cash equivalents	0.8	1.0	*(19.1)*
Other income	178.2	166.0	*7.3*
from investment property	79.0	90.5	*(12.6)*
from available-for-sale financial assets	99.1	75.5	*31.2*
Realised gains	442.1	452.0	*(2.2)*
on investment property	13.8	3.4	*n.s.*
on loans and receivables	1.9	14.9	*(87.6)*
on available-for-sale financial assets	426.4	433.7	*(1.7)*
Unrealised gains and reversals of impairment losses	0.2	38.9	*(99.4)*
on available-for-sale financial assets		0.0	*(100.0)*
on other financial assets and liabilities	0.2	38.9	*(99.4)*
Total item 1.5	2,103.6	2,178.5	*(3.4)*

The contribution of the consolidation of Ambra Property, Linear, UniSalute and Unisalute Servizi to Gains on other financial instruments and investment property amounted to €2.5m.

1.6 Other revenue

Amounts in €m	31/12/2017	31/12/2016	var.%
Income from non-current assets held for sale		0.0	*(100.0)*
Sundry technical income	86.9	122.0	*(28.8)*
Exchange rate differences	14.4	4.4	*n.s.*
Extraordinary gains	33.0	22.4	*47.1*
Other income	406.6	277.5	*48.2*
Total other revenue	**540.9**	**426.3**	***26.9***

The contribution of the consolidation of Ambra Property, Linear, UniSalute and Unisalute Servizi to Other revenue amounted to €1.5m.

COSTS

2.1 Net charges relating to claims

Amounts in €m	31/12/2017	31/12/2016	% var.
Net charges relating to claims - direct and indirect business	9,033.2	10,191.3	*(11.4)*
Non-Life business	4,859.7	4,770.0	*1.9*
Non-Life amounts paid	5,472.0	5,551.1	
changes in Non-Life claims provision	(488.0)	(665.8)	
changes in Non-Life recoveries	(129.0)	(114.1)	
changes in other Non-Life technical provisions	4.8	(1.2)	
Life business	4,173.5	5,421.3	*(23.0)*
Life amounts paid	5,018.0	4,991.0	
changes in Life amounts payable	7.8	(397.1)	
changes in mathematical provisions	2.9	1,166.4	
changes in other Life technical provisions	14.6	29.3	
changes in provisions where the investment risk is borne by policyholders and arising from pension fund management	(869.7)	(368.3)	
Charges relating to claims - reinsurers' share	(197.2)	(216.8)	*(9.0)*
Non-Life business	(193.7)	(211.5)	*(8.4)*
Non-Life amounts paid	(207.9)	(223.1)	
changes in Non-Life claims provision	(6.4)	4.2	
changes in Non-Life recoveries	20.6	7.4	
Life business	(3.5)	(5.3)	*(34.1)*
Life amounts paid	(10.9)	(19.7)	
changes in Life amounts payable	(0.2)	3.1	
changes in mathematical provisions	7.6	11.2	
Total net charges relating to claims	8,836.0	9,974.5	*(11.4)*

The contribution of the consolidation of Linear and UniSalute to Net charges relating to claims amounted to €107.4m.

2.2 Commission expense

Amounts in €m	31/12/2017	31/12/2016	% var.
Commission expense from investment contracts	10.3	7.4	38.7
Other commission expense	7.4	7.5	(1.4)
Total commission expense	17.7	15.0	18.5

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

They amounted to €114.5m (€3.0m in 2016) and mainly relate to the portion of loss attributable to UnipolSai reported by Unipol Banca as part of the above-mentioned Banking sector restructuring plan of the Unipol Group.

2.4 Losses on other financial instruments and investment property

Amounts in €m	31/12/2017	31/12/2016	% var.
Interest:	83.8	80.6	3.9
on other financial liabilities	80.8	78.8	2.6
on payables	3.0	1.8	62.4
Other charges:	35.9	46.4	(22.7)
from investment property	32.9	43.0	(23.5)
from available-for-sale financial assets	1.8	2.1	(13.1)
from cash and cash equivalents	0.0	0.1	(93.3)
from other financial liabilities	1.0	1.0	(0.6)
from sundry payables	0.1	0.1	0.5
Realised losses:	136.9	249.8	(45.2)
on investment property	2.0	1.9	7.4
on loans and receivables	1.1	4.8	(76.6)
on available-for-sale financial assets	133.8	243.1	(45.0)
Unrealised losses and impairment losses:	155.8	155.6	0.1
on investment property	51.0	101.7	(49.9)
on available-for-sale financial assets	90.1	52.8	70.5
on other financial liabilities	2.5	1.0	143.5
Total item 2.4	412.4	532.4	(22.5)

The Unrealised losses and impairment losses relating to investment property included amortisation that totalled €36.5m (€41.6m at 31/12/2016) and write-downs amounting to €14.5m (€60.1m at 31/12/2016), carried out on the basis of updated valuations performed by independent experts.

The contribution of the consolidation of Ambra Property, Linear, UniSalute and Unisalute Servizi to Losses on other financial instruments and investment property amounted to €1.5m.

2.5 Operating expenses

Amounts in €m	31/12/2017	31/12/2016	*% var.*
Insurance Sector	2,260.6	2,309.1	*(2.1)*
Other Businesses Sector	58.6	54.4	*7.7*
Real Estate Sector	25.5	12.0	*112.7*
Intersegment eliminations	(13.6)	(16.0)	*(14.9)*
Total operating expenses	**2,331.0**	**2,359.4**	***(1.2)***

Below are details of Operating expenses in the Insurance sector:

	Non-Life			Life			Total		
Amounts in €m	31/12/2017	31/12/2016	*% var.*	31/12/2017	31/12/2016	*% var.*	31/12/2017	31/12/2016	*% var.*
Acquisition commissions	1,251.9	1,247.5	*0.4*	65.2	91.4	*(28.7)*	1,317.1	1,338.9	*(1.6)*
Other acquisition costs	336.0	312.7	*7.4*	42.1	43.7	*(3.6)*	378.1	356.4	*6.1*
Change in deferred acquisition costs	5.7	4.2	*35.1*	(2.5)	(7.6)	*66.6*	3.1	(3.4)	*n.s.*
Collection commissions	151.5	158.0	*(4.2)*	7.2	8.2	*(11.4)*	158.7	166.2	*(4.5)*
Profit sharing and other commissions from reinsurers	(148.3)	(126.1)	*17.5*	(0.4)	(0.4)	*(10.0)*	(148.7)	(126.6)	*17.4*
Investment management expenses	75.0	81.9	*(8.4)*	42.2	44.3	*(4.9)*	117.1	126.2	*(7.2)*
Other administrative expenses	354.7	360.5	*(1.6)*	80.3	90.8	*(11.5)*	435.0	451.3	*(3.6)*
Total operating expenses	**2,026.6**	**2,038.8**	***(0.6)***	**234.0**	**270.3**	***(13.4)***	**2,260.6**	**2,309.1**	***(2.1)***

The contribution of the consolidation of Ambra Property, Linear, UniSalute and Unisalute Servizi to Operating expenses amounted to €30.1m.

2.6 Other costs

Amounts in €m	31/12/2017	31/12/2016	*% var.*
Other technical charges	251.8	256.4	*(1.8)*
Impairment losses on receivables	14.3	34.2	*(58.3)*
Other charges	486.9	401.0	*21.4*
Total other costs	**752.9**	**691.6**	***8.9***

The contribution of the consolidation of Ambra Property, Linear, UniSalute and Unisalute Servizi to Other costs amounted to €9.1m.

3. Income tax

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

	31/12/2017			31/12/2016		
Amounts in €m	Ires	Irap	Total	Ires	Irap	Total
Current taxes	(177.7)	(42.7)	(220.4)	(140.1)	(6.6)	(146.6)
Deferred assets and liabilities:	(4.0)	1.0	(3.0)	0.1	(6.8)	(6.7)
Use of deferred tax assets	(107.0)	(4.7)	(111.7)	(114.7)	(11.4)	(126.1)
Use of deferred tax liabilities	42.7	2.3	45.0	57.5	2.7	60.2
Provisions for deferred tax assets	108.1	3.4	111.6	117.5	17.3	134.8
Provisions for deferred tax liabilities	(47.8)	(0.0)	(47.8)	(60.2)	(15.3)	(75.6)
Total	(181.7)	(41.7)	(223.4)	(140.0)	(13.3)	(153.3)

Against a pre-tax profit of €760.2m, taxes pertaining to the year of €223.4m were recorded, corresponding to a tax rate of 29.4% (22.5% at 31/12/2016), 23.9% of which for IRES and 5.5% for IRAP. The tax rate benefitted from income of roughly €7.6m deriving from the payment of substitute tax on the merger deficit of the former Liguria Assicurazioni recognised in the financial statements of the Parent UnipolSai.

The following table shows the breakdown of deferred tax assets and liabilities following the compensation transaction, showing the major differences for taxation purposes:

	31/12/2017			31/12/2016
Amounts in €m	Total	Ires/Corp. tax	Irap	Total
DEFERRED TAX ASSETS				
Intangible assets and property, plant and equipment	346.8	277.4	69.4	57.6
Technical provisions – Reinsurers' share	168.5	168.4	0.0	167.4
Investment property	219.1	174.0	45.1	179.6
Financial instruments	183.9	147.9	36.0	(413.2)
Sundry receivables and other assets	118.4	108.7	9.7	125.2
Provisions	176.9	174.1	2.9	177.0
Technical provisions	880.5	729.7	150.8	146.0
Financial liabilities	1.0	1.0		(22.3)
Payables and other liabilities	0.4	0.3	0.1	(3.2)
Other deferred tax assets	36.5	34.4	2.1	(154.2)
Netting as required by IAS 12	(1,914.9)	(1,601.5)	(313.4)	
Total deferred tax assets	**217.1**	**214.5**	**2.6**	**259.8**
DEFERRED TAX LIABILITIES				
Intangible assets and property, plant and equipment	174.4	144.9	29.6	(115.7)
Technical provisions – Reinsurers' share	0.8	0.8		(13.8)
Investment property	10.4	2.2	8.1	4.2
Financial instruments	1,446.6	1,176.9	269.7	1,047.3
Sundry receivables and other assets	0.3	0.3	0.1	(2.7)
Provisions	21.2	17.1	4.0	(2.3)
Technical provisions	203.2	185.5	17.7	(777.8)
Financial liabilities	0.1	0.1		2.4
Payables and other liabilities	0.0	0.0	0.0	1.3
Other deferred tax liabilities	83.1	77.4	5.7	(116.9)
Netting as required by IAS 12	(1,914.9)	(1,601.5)	(313.4)	
Total deferred tax liabilities	**25.1**	**3.6**	**21.5**	**26.0**

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

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

5. Other information

5.1 Hedge Accounting

Fair value hedges

There were no fair value hedges at 31 December 2017.

Fair value hedges terminated in the course of the year concerned bonds linked to European inflation, for which the actual interest rate risk was hedged through Inflation Swap IRSs and bond forwards.

UnipolSai Assicurazioni: as regards hedging through Interest Rate Swaps, note that in the fourth quarter of 2017, all contracts in place at 31 December 2016 for a nominal value of €250.0m were terminated early to hedge bonds classified under Loans and receivables for a synthetic notional value of €130.4m.
With respect to the terminated positions, gains on trading of €8.0m were realised on hedging derivatives in addition to losses of €12.2m due to the change in the fair value of the underlying assets, still in the portfolio.
The net effect on income is negative by €4.2m.

UnipolSai Assicurazioni: as regards hedging through Bond Forwards, note that in the fourth quarter of 2017, derivative contracts in place were terminated early for a total nominal value of €72.0m, achieving a loss on trading of €5.8m. At the same time, the disposal of bonds hedged and classified under Available-for-sale assets was arranged, achieving a gain on trading of €32.4m.

Cash flow hedges

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

UnipolSai Assicurazioni: cash flow hedges on bond securities recorded in the Available-for-sale asset portfolio through the sale of IRSs for a notional value of €1,013.5m (€1,053.8m at 31/12/2016).
The cumulative negative effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was €8.8m (€8.9m negative effect at 31/12/2016): net of tax, the impact was €6.1m (€6.2m negative effect at 31/12/2016).

UnipolSai Assicurazioni: cash flow hedges on bond securities recorded in the Loans and Receivables portfolio through IRSs for a notional value of €250.0m (€250.0m at 31/12/2016).
The cumulative negative effect on Shareholders' Equity in the Hedging reserve for gains or losses on cash flow hedges was €3.0m (€3.1m negative effect at 31/12/2016): net of tax, the impact was €2.1m (€2.2m negative effect at 31/12/2016).

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

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

Financial assets

(Amounts in €m)

Type	Gross amount (A)	Total financial liabilities offset in the financial statements (B)	Net total financial assets recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements: Financial instruments (D)	Related amounts not subject to offsetting in the financial statements: Cash deposits received as guarantees (E)	Net total (F)=(C)-(D)-(E)
Derivative transactions (1)	320.3		320.3	260.7	46.8	12.8
Repurchase agreements (2)						
Securities lending						
Other						
Total	**320.3**		**320.3**	**260.7**	**46.8**	**12.8**

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

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

Financial liabilities

(Amounts in €m)

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements: Financial instruments (D)	Related amounts not subject to offsetting in the financial statements: Cash deposits given as guarantees (E)	Net total (F)=(C)-(D)-(E)
Derivative transactions (1)	312.0		312.0	107.3	200.3	4.5
Repurchase agreements (2)						
Securities lending						
Other						
Total	**312.0**		**312.0**	**107.3**	**200.3**	**4.5**

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

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

5.3 Earnings (loss) per share

Ordinary shares - basic and diluted

	31/12/2017	31/12/2016
Profit/loss allocated to ordinary shares (€m)	504.2	497.4
Weighted average of ordinary shares outstanding during the year (no./m)	2,774.4	2,775.4
Basic and diluted earnings (loss) per share (€ per share)	**0.18**	**0.18**

5.4 Dividends

In view of the profit for the year made by the Company at 31 December 2016 (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of UnipolSai SpA held on 27 April 2017, resolved on the distribution of dividends corresponding to €0.125 per Ordinary Share. The total amount set aside for dividends, including treasury shares held by UnipolSai, amounted to €352.8m.
The Shareholders' Meeting also set the dividend payment date for 24 May 2017 (ex-dividend date 22 May 2017 and record date 23 May 2017).

The financial statements at 31 December 2017 of UnipolSai, drawn up in accordance with Italian GAAP, posted a profit of €577.2m.
UnipolSai's Board of Directors proposes that the Ordinary Shareholders' Meeting allocate as dividends €0.145 per Ordinary Share.
The total amount set aside for dividends, including treasury shares, came to €410m.

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

As noted multiple times, on 29 June 2017, UnipolSai resolved on the termination of the Distribution Agreement in place with Banco BPM SpA and the consequent exercise of the put option, pertaining to the entire equity investment held in Popolare Vita.
Pursuant to IFRS 5, assets and liabilities from Popolare Vita (which holds 100% of The Lawrence Life) were reclassified, respectively, in the Assets, under item 6.1 "Non-current assets or assets of a disposal group held for sale" and in the Liabilities, under item 6.1 "Liabilities associated with disposal groups".

At 31 December 2017, reclassifications made in application of IFRS 5, under item 6.1 of the Assets, amounted to €10,569.1m (€207.8m at 31/12/2016, exclusively related to real estate properties) and are related, in the amount of €10,465.2m, to assets attributable to Popolare Vita and The Lawrence Life, and in the amount of €103.9m to properties held for sale.
Liabilities reclassified under item 6.1 Liabilities associated with disposal groups, amounted to €10,016.5m, entirely from discontinued operations.

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

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

	Amounts in €m	Popolare Vita	The Lawrence Life	Other reclass. IFRS 5	Total reclassifications IFRS 5
		31/12/2017	31/12/2017	31/12/2017	31/12/2017
1	INTANGIBLE ASSETS	7.8	(0.0)		7.8
1.2	Other intangible assets	7.8	(0.0)		7.8
2	PROPERTY, PLANT AND EQUIPMENT	0.0	0.3	19.0	19.3
2.1	Property			19.0	19.0
2.2	Other tangible assets	0.0	0.3		0.3
4	INVESTMENTS	8,551.6	1,673.7	84.9	10,310.2
4.1	Investment property			84.9	84.9
4.4	Loans and receivables	145.4			145.4
4.5	Available-for-sale financial assets	6,618.9	46.0		6,664.9
4.6	Financial assets at fair value through profit or loss	1,787.3	1,627.7		3,415.0
5	SUNDRY RECEIVABLES	98.5	29.2		127.8
5.1	Receivables relating to direct insurance business	0.1			0.1
5.3	Other receivables	98.5	29.2		127.7
6	OTHER ASSETS	42.5	9.7		52.2
6.2	Deferred acquisition costs	5.6	0.2		5.8
6.3	Deferred tax assets	5.5			5.5
6.4	Current tax assets	17.7	0.1		17.8
6.5	Other assets	13.6	9.4		23.1
7	CASH AND CASH EQUIVALENTS	22.0	29.7		51.7
TOTAL NON-CURRENT ASSETS OR ASSETS OF A DISPOSAL GROUP HELD FOR SALE		8,722.5	1,742.7	103.9	10,569.1

Liabilities associated with disposal groups held for sale

		Amounts in €m Popolare Vita	The Lawrence Life	Other reclass. IFRS 5	Total reclassifications IFRS 5
		31/12/2017	31/12/2017	31/12/2017	31/12/2017
2	PROVISIONS	0.5			0.5
3	TECHNICAL PROVISIONS	7,770.2	1,264.5		9,034.7
4	FINANCIAL LIABILITIES	523.7	380.5		904.3
4.1	Financial liabilities at fair value through profit or loss	523.7	380.5		904.3
5	PAYABLES	7.1	17.3		24.4
5.1	Payables arising from direct insurance operations	3.7	1.9		5.6
5.3	Other payables	3.4	15.4		18.8
6	OTHER LIABILITIES	44.1	8.5		52.6
6.2	Deferred tax liabilities	5.2	0.3		5.5
6.3	Current tax liabilities	21.2			21.2
6.4	Other liabilities	17.7	8.2		25.9
	LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS HELD FOR SALE	8,345.7	1,670.8		10,016.5

5.6 Transactions with related parties

UnipolSai Assicurazioni provided services relating to the following areas:

- Governance (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism;
- Finance;
- Model 231 monitoring;
- Chief Economist & Innovation Officer;
- Communications and Media relations;
- External Relations;
- Assessment of Investments;
- Human Resources and Organisation (external selection, training, development, remuneration systems, personnel management, trade union relations and disputes, employee welfare, safety, organisation, personnel administration);
- Claims Settlement;
- Insurance (regulatory management of distribution networks, MV tariffs and portfolio management, reinsurance, marketing, bancassurance Life business unit);
- Legal (corporate affairs, group legal, anti-fraud, institutional response, legal insurance consulting, privacy, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of investments);
- IT services;
- Actuarial Function Validation;
- 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 and Linear;
- Policyholder record updating and administrative services associated with the payment of health policy claims for UnipolSai.

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

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

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

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

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

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

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

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

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

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, the consideration was determined to the extent equal to costs, as previously defined, to which a 5% mark-up was applied, which is the operating margin for the service rendered.

The costs for financing activities are calculated by applying a fee on managed volumes. The services provided by UnipolSai (for real estate asset management), UniSalute (except operating services provided to Unisalute Servizi for which the costs are split), Auto Presto & Bene, UnipolSai Investimenti SGR and UnipolRe involve fixed prices.

Unipol Gruppo, UnipolSai and Unipol Banca second staff to the Group companies in order to optimise synergies within the Group.

Financial and commercial transactions between Unipol Banca, Finitalia and other Group companies, were the usual types of transaction carried out by a complex group and related to services, deposit accounts or corporate financing and finance lease agreements. Agreements were also entered into for the sale and/or management of banking, financial and insurance products and services and the provision of auxiliary banking services in general. These transactions were usually carried out at the market terms applied to prime customers.

Starting from 2015, and for the 2015-2017 three-year period, the holding company Unipol Gruppo set out the tax consolidation as consolidating company.

The following table shows transactions with related parties (holding company, associates, affiliates and others) carried out during 2016, as laid down in IAS 24 and in Consob Communication DEM/6064293/2006.

Transactions with subsidiaries have not been recognised since in drawing up the consolidated financial statements transactions among Group companies consolidated using the line-by-line method have been eliminated as part of the normal consolidation process.

Information on transactions with related parties

Amounts in €m	Holding company	Associates	Affiliates	Total	*% inc. (1)*	*% inc. (2)*
Loans and receivables	267.8	26.6		294.4	*0.4*	*56.1*
Sundry receivables	28.5	67.4	4.5	100.4	*0.1*	*19.1*
Other assets	0.0	44.1	(0.0)	44.2	*0.1*	*8.4*
Cash and cash equivalents		1,014.1		1,014.1	*1.5*	*193.3*
Total Assets	**296.4**	**1,152.2**	**4.5**	**1,453.1**	***2.1***	***276.9***
Technical provisions			1.5	1.5	*0.0*	*0.3*
Other financial liabilities	1.1	135.6		136.7	*0.2*	*26.1*
Sundry payables	124.8	9.2	0.0	134.0	*0.2*	*25.5*
Other liabilities	0.0	25.6		25.6	*0.0*	*4.9*
Total Liabilities	**125.9**	**170.5**	**1.5**	**297.8**	***0.4***	***56.8***
Net premiums		0.0	(36.1)	(36.1)	*(4.7)*	*(6.9)*
Commission income		6.4		6.4	*0.8*	*1.2*
Gains and losses on financial instruments at fair value through profit or loss	0.7	0.1		0.7	*0.1*	*0.1*
Gains on other financial instruments and investment property	2.2	5.9	4.3	12.5	*1.6*	*2.4*
Other revenues	5.2	5.1	8.4	18.8	*2.5*	*3.6*
Total Revenues and Income	**8.1**	**17.6**	**(23.4)**	**2.3**	***0.3***	***0.4***
Net charges relating to claims			(15.1)	(15.1)	*(2.0)*	*(2.9)*
Losses on other financial instruments and investment property		3.9	(0.0)	3.9	*0.5*	*0.7*
Operating expenses	13.2	186.6	(14.1)	185.6	*24.4*	*35.4*
Other costs	0.1	9.1	0.3	9.5	*1.3*	*1.8*
Total Costs and Expenses	**13.3**	**199.6**	**(28.8)**	**184.0**	***24.2***	***35.1***

(1) Percentage based on total assets in the consolidated statement of financial position recognised under Shareholders' Equity and on the pre-tax profit (loss) for income statement items.

(2) The percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

Loans and receivables due from the holding company relate to two loan agreements between the former Unipol Assicurazioni and the holding company Unipol Gruppo executed during 2009 after Unipol Assicurazioni's takeover of the role of issuer for the UGF 7% and UGF 5.66% subordinated bond loans issued by UGF.
Loans and receivables from associates comprise €10.0m of time deposits above 15 days held by the companies of the Group with Unipol Banca, €9.3m relating to receivables from Assicoops (Corporate Agencies) for agents' reimbursements and €6.7m of interest-free loans disbursed by UnipolSai to the associates Borsetto (€6.3m) and Penta Domus (€0.4m).
Sundry receivables from the holding company comprised amounts related to the tax consolidation.
The item Sundry receivables from associates included €32.2m in receivables due from insurance brokerage agencies for commissions and €29.5m in receivables due from Finitalia for premiums it had advanced for the service concerning the split payment of policies.

The item Sundry receivables from affiliates included receivables for seconded staff and services supplied by UnipolSai.
Other assets related to current accounts, temporarily unavailable, that UnipolSai has opened with Unipol Banca.
Cash and cash equivalents included the balances of current accounts opened by Group companies at the associate Unipol Banca.
Technical provisions regard the reinsurance business of UnipolSai with Unipol Gruppo subsidiaries.
Other financial liabilities due to associates referred to mortgages provided by Unipol Banca to Group companies.
Sundry payables included:

- as for relations with the holding company, the payable for IRES on the income for the year of the companies participating in the tax consolidation and the payable for Unipol Gruppo staff seconded to Group companies;
- as for relations with associates, the payable due for interest to Finitalia for the split payment of policies;
- as for relations with the affiliates, the payables for reinsurance and coinsurance transactions.

The items Net premiums and Net charges for claims regard the reinsurance business of UnipolSai at Unipol Gruppo's subsidiaries.
Commission income refers to the bank relations between the Group companies and the associate Unipol Banca.
Gains on other financial instruments and investment property include:

- as for relations with the holding company, the interest income on loans provided by UnipolSai to Unipol Gruppo;
- as for relations with associates, the interest income on bank deposits held by the Group companies at Unipol Banca and rents paid to UnipolSai for use of the properties where their business is conducted.

The item Other revenue due from the holding company and from the affiliates mainly included income for staff secondment; other revenue due from associates relates mainly to relations of the Group companies with Unipol Banca and Finitalia for banking services and policy premium instalments.
Operating expenses comprise:

- as for associates, costs on commissions paid to insurance brokerage agencies (€97.0m), costs paid to Finitalia for instalments of policies issued by the Group companies (€51.0m) and bank relations operating costs (€36.0m).
- as for transactions with affiliates, the revenues for commissions deriving from reinsurance.

The item Other costs primarily relates to staff secondment.

Remuneration payable for 2017 to the UnipolSai Directors, Statutory Auditors, General Managers and Key Managers for carrying out their duties within the Company and in other consolidated companies amounted to €14.1m, details of which are as follows (in €m):

- Directors and General Manager	3.6
- Statutory auditors	0.3
- Other key managers	10.2(*)

The remuneration of the General Manager and the Key Managers relating to benefits granted under the capital participation plans (performance shares), is duly represented in the Remuneration Report, prepared according to Art. 123-ter of the Consolidated Law on Finance and made available, pursuant to current regulations, on the Company website.

During 2017, the companies in the Group paid Unipol Gruppo and UnipolSai the sum of €708k as remuneration for the posts held in them by the General Manager and by the Key Managers.

(*) The amount mainly comprises compensation of employees and it includes the amount paid to Unipol Gruppo as the consideration for the secondment of some Key Managers.

5.7 Fair value measurements – IFRS 13

IFRS 13:
a) defines the *fair value*;
b) groups into a single accounting standard the rules for measuring *fair value*;
c) enriches financial statement information.

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

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

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

Chapter 2, Main accounting standards, outlines the fair value measurement policies and criteria adopted by the UnipolSai Group.

Fair value measurement on a recurring and non-recurring basis

The table below shows a comparison between the assets and liabilities measured at fair value at 31 December 2017 and 31 December 2016, broken down based on fair value hierarchy level.

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

		Level 1		Level 2		Level 3		Total	
	Amounts in €m	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		34,737.3	41,891.7	382.0	495.1	923.3	784.9	36,042.7	43,171.7
Financial assets at fair value through profit or loss	Held for trading financial assets	112.6	125.4	157.0	147.9	60.4	32.8	330.0	306.1
	Financial assets at fair value through profit or loss	4,594.3	8,735.7	11.5	10.2	2.4	134.2	4,608.2	8,880.0
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*39,444.2*	*50,752.8*	*550.6*	*653.2*	*986.1*	*951.9*	*40,981.0*	*52,357.9*
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	17.3	6.3	252.8	312.6	6.7	92.4	276.8	411.3
	Financial liabilities at fair value through profit or loss					895.5	1,728.8	895.5	1,728.8
Total liabilities measured at fair value on a recurring basis		*17.3*	*6.3*	*252.8*	*312.6*	*902.2*	*1,821.3*	*1,172.3*	*2,140.1*
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of disposal groups held for sale									
Liabilities associated with disposal groups									

The amount of financial assets classified in Level 3 at 31 December 2017 stood at 986.1m.

Details of changes in Level 3 financial assets and liabilities in the same period are shown below.

Details of changes in level 3 financial assets and liabilities at fair value on a recurring basis

	Available-for-sale financial assets	Financial assets at fair value through profit or loss		Investment property	Property, plant and equipment	Intangible assets	Financial liabilities at fair value through profit or loss	
Amounts in €m		Held for trading financial assets	Financial assets at fair value through profit or loss				Held for trading financial liabilities	Financial liabilities at fair value through profit or loss
Opening balance	784.9	32.8	134.2				92.4	1,728.8
Acquisitions/Issues	294.5	14.2						
Sales/Repurchases	(71.7)	(1.1)	(1.4)					
Repayments	(20.3)	(0.0)					(1.1)	
Gains or losses recognised through profit or loss		13.0	(1.4)				(84.6)	
- of which unrealised gains/losses		13.0	(1.4)				(84.6)	
Gains or losses recognised in the statement of other comprehensive income	(41.2)							
Transfers to level 3								
Transfers to other levels	(20.6)							
Other changes	(2.3)	1.6	(128.9)					(833.4)
Closing balance	923.3	60.4	2.4				6.7	895.5

The transfers from Level 1 to Level 2 which occurred during the reference period were insignificant.

Analysis and stress testing of non-observable parameters (Level 3)

The table below shows, for Level 3 financial assets and liabilities measured at fair value, the effects of the change in the non-observable parameters used in the fair value measurement.

With reference to "assets measured at fair value on a recurring basis" and belonging to Level 3, the stress test of non-observable parameters is performed with reference to financial instruments valued on a Mark to Model basis and on which the measurement is carried out through one or more non-observable parameters.
The portion of securities subject to analysis has a market value of €34.1m at 31 December 2017.
The non-observable parameters subject to a shock are benchmark spread curves constructed to assess bonds of issuers for which the prices of the bonds issued or Credit Default Swap curves are unavailable.

The following table shows the results of the shocks:

Amounts in €m	Curve Spread			
Fair value				
Shock	+10 bps	-10 bps	+50 bps	-50 bps
Fair Value delta	(0.23)	0.28	(1.13)	1.32
Fair Value delta %	*(0.69)*	*0.81*	*(3.31)*	*3.88*

Fair value measurements in compliance with the disclosure requirements of other standards

IFRS 13 governs the *fair value* measurement and the associated disclosure also for assets and liabilities not measured at *fair value* on a recurring basis.
For these assets and liabilities, *fair value* is calculated only for the purposes of information requirements for the market. Furthermore, since these assets and liabilities are not typically traded, their fair value is largely based on the use of internal parameters that cannot be directly observed in the market, with the sole exception of listed securities classified as Held-to-maturity investments.

Assets and liabilities not measured at fair value: breakdown by fair value level

	Carrying amount		*Fair value*							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets										
Held-to-maturity investments	539.6	892.3	605.8	876.2	32.8	148.1			638.6	1,024.3
Loans and receivables	4,489.1	5,049.6			3,231.8	3,934.6	1,368.8	1,254.1	4,600.7	5,188.6
Investments in subsidiaries, associates and interests in joint ventures	803.8	527.3					803.8	527.3	803.8	527.3
Investment property	2,271.4	2,387.8					2,389.0	2,478.2	2,389.0	2,478.2
Property, plant and equipment	1,719.3	1,595.9					1,861.6	1,686.8	1,861.6	1,686.8
Total assets	**9,823.1**	**10,453.0**	**605.8**	**876.2**	**3,264.7**	**4,082.6**	**6,423.2**	**5,946.4**	**10,293.6**	**10,905.2**
Liabilities										
Other financial liabilities	2,490.7	2,540.6	1,390.3	1,268.4			1,189.0	1,159.5	2,579.3	2,427.9

5.8 Information on personnel

Share-based compensation plans

The UnipolSai Group pays additional benefits (long-term incentives) to senior executives under closed share-based compensation plans by which Unipol and UnipolSai shares (performance shares) are granted if specific targets of Gross Profit and solvency capital requirement, as well as individual targets are achieved.

The compensation plan based on financial instruments (Unipol shares) for the period 2013-2015 ended on 31 December 2015. The first tranche, comprising 1,474,940 shares, was paid to those entitled on 1 July 2016, the second tranche, comprising 1,262,690 was paid on 3 July 2017 and the third tranche will be paid on 1 July 2018.

The 2016-2018 compensation plan based on financial instruments (performance share type), if the prerequisites are met, envisages the assignment of UnipolSai and Unipol shares over three years with effect from April 2019.
The Information Documents, prepared pursuant to Art. 114-bis of the Consolidated Law on Finance and Art. 84-bis of the Consob Issuer's Regulation no. 11971/1999, are available on the relevant websites, in the Governance/Shareholders meetings section.

Trade union relations

Insurance business
In 2017, trade union relations focused on the ongoing negotiations to renew the National Agreement and the subsequent acceptance of Unipol Gruppo of the contractual text defined by the Parties at national level.
In addition, meetings continued with the company trade union representatives for the submission to the trade unions of the organisational developments impacting the main business areas with a view to "improving the operating mechanism", as laid out in the Business Plan.
Lastly, a dedicated meeting was held with the trade unions for a disclosure on the progress status of the Business Plan and company performance.

Diversified Companies Segment
The companies Auto Presto & Bene and APB Car Service entered into a second-level trade union agreement to define some supplementary benefits, particularly as regards the introduction of a variable bonus, also in the form of welfare and healthcare coverage improvements.

Training

In the course of 2017, its second year of activities, Unica - Unipol Corporate Academy worked on the basis of its four main pillars:
- launch, in the second part of the year, of the new UNICA Portal, an advanced environment for "doing training" with a simpler and more flexible and customised approach,
- completion of the entire instructor selection and recruitment process and launch of the certification process. During the year, an additional 174 instructors were trained, who now join the 116 already trained in 2016;
- expansion of the Catalogue training offering, which now features 253 courses differentiated based on level of detail and has been made more accessible thanks to new self-enrolment procedures implemented for Group employees;
- development of new specialised courses required to support the enactment of the Unipol Group's business plan.

During 2017, the training activities dedicated to all Unipol Group companies recorded a total of 892,455 man-hours, with breakdown as follows:
- 204,280 man-hours for Group employees;
- 688,175 man-hours for the sales network (including bancassurance companies).

During the year 84% of the potential recipients were involved in training activities organised by Unica, up compared to the previous year. In particular:
- 10,208 employees, equal to 72% of staff;
- 30,209 secondary network agents and co-operators, equal to 90% of the total.

Traditional classroom training methods were used in addition to webinars and the digital learning format. Overall the man-hours of classroom training and distance learning are distributed differently between employees and network intermediaries:
- for employees the classroom man-hours are prevalent (145,637 man-hours, 71% of total hours) versus 58,643 man-hours (29% of total hours) for distance learning, with a significant increase compared to 26,451 man-hours in the previous year:
- for intermediaries, the distance learning man-hours remain prevalent (508,575 man-hours, 74% of total hours) versus 179,600 man-hours (26% of total hours) for classroom training.

The average daily participation was:
- 264 in classroom mode or through webinars (of which 78 employees and 186 intermediaries);
- 1,035 users in distance training mode (of which 120 employees and 915 intermediaries).

A total of 922 courses were created and held, using the above-mentioned instructional methods, many of which were shared between employees and network intermediaries.

Main Training Projects for Unipol Group employees

The training activities that mostly concerned the employees were those of a managerial, regulatory and technical-insurance nature. During the year, 747 courses required to update technical knowledge and skills were created and held. Among these were the hours provided to meet obligatory requirements and those provided compliance with IVASS Regulation no. 6/2014, necessary to spread knowledge on insurance products and revised industry regulations. A good deal of the projects were carried out with training financed by the Bank Insurance Fund.

Some of the main projects were:
- the Advanced Course in Management and Subordinate Development, dedicated to the development of the competencies of roughly 1,800 structure Managers of the different companies of the Group. Launched in 2016, this program involved an additional 560 managers, joining the 105 trained in 2016;
- The SME Risk Management course, useful for developing the skills of the new specialised SME Tutor added to the sales organisation to support the commercial development of the insurance business of agencies operating in the SME segment;
- the Course dedicated to Affluent and Small Business Managers, which involved a total of 152 bank employees with a view to fostering progressive engagement in "high performance advisory services".

On Unica's first anniversary, celebrated on 14 March 2017, the "Le ali ai piedi" ("Wings on our heels") communication campaign (linked the 2016-2018 Business Plan) and the "Unica per tutti" ("Unica for everyone") initiative were also launched, which include all of Unica's transversal projects dedicated to the continuous education of everyone working within the Group, with activities focusing on smart training, office training, digital library and training events.

Main Training Projects for the Sales Network

The training intended for the sales network referred to building courses useful to further increasing the skills of the entire sales network, also in compliance with training obligations envisaged in the IVASS Regulation.
Aside from the usual training offering tied to regulatory updates and new products, a training offering intended to support the development of the skills of intermediaries within a continuously evolving market was also implemented.

Classroom training was provided on the new product Casa&Servizi (13,223 intermediaries: 3,632 Agents and 9,591 partners), the new product Impresa&Servizi (1,347 intermediaries: 774 Agents and 573 partners) and lastly on the Personal Pension Fund (PIP) and the Individual Savings Plan (PIR) products (1,652 intermediaries: 1,224 Agents and 428 partners).

Some of the main projects were:
- the Family Welfare course, dedicated to a total of roughly 500 intermediaries. The programme involves 3 different training areas (Professional, Evolution and Top Performer) intended, based on the professional level of the participant, to increase advisory expertise and consolidate the relationship of trust with the "family" customer;
- the IMA - Agency Innovation Manager Advanced Course, which began in 2016 and is dedicated to 24 high-potential agents for the development of an innovative business model. This course won the Adriano Olivetti prize as the best course in the One-to-One category;

the Advanced Course in Risk Management for SME Business Specialists.

5.9 Non-recurring significant transactions and events

The non-recurring significant transactions carried out during the period, all extensively illustrated in the Management Report, to which reference should be made, are summarised below.

- Unipol Group banking sector restructuring plan;
- acquisition by the holding company Unipol of investments in Linear and UniSalute as part of the Project for streamlining the Group's insurance sector;
- acquisition by the holding company Unipol of the investment in Ambra Property.

5.10 Atypical and/or unusual positions or transactions

In 2017 there were no atypical and/or unusual transactions aside from those mentioned amongst the significant events during the period that, because of their significance, importance, nature of the counterparties involved in the transaction, transfer pricing procedures, or occurrence close to the end of the year, could give rise to doubts relating to: the accuracy and completeness of the information in these Consolidated Financial Statements, a conflict of interest, the safeguarding of the company's assets or the protection of non-controlling shareholders.

5.11 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test)

In accordance with IAS 36.10, the impairment test was carried out on the goodwill recognised in the Consolidated Financial Statements of UnipolSai Assicurazioni.

In determining the parameters used for the assessments, criteria were adopted that are in line with the market practice, in consideration of the overall economic scenario and, in particular, of the high volatility of the financial markets, despite the recovery expected in the coming years.

Appropriate Sensitivity Analyses were also developed to test the stability of the recoverable amounts of goodwill if there was a variation in the main parameters used in the tests.

The goodwill recognised with reference to the acquisition of the Linear and UniSalute investments was allocated to the Non-Life CGU; there were no changes in the Life CGU compared to the previous year.
Given the above, the CGUs to which the residual goodwill was allocated, impairment tested at 31 December 2017, were:

- Non-Life CGU UnipolSai Assicurazioni - Non-Life
- Life CGU UnipolSai Assicurazioni – Life

In relation to the measurement methods and benchmarks adopted to estimate the recoverable value of goodwill, note that, as specified below, the same measurement criteria were adopted as for the previous year for the Non-Life and Life segments, with benchmark updating arranged at the end of 2017.

The impairment testing of the Non-Life CGUs was performed as follows: with regard to UnipolSai Assicurazioni - Non-Life the recoverable value of goodwill was determined by using an excess capital version of the Dividend Discount Model (DDM): note in particular that, taking into account the actual 2017 data, for the years 2018-2022 economic-financial projections, functional to the definition of the profit forecasts for these years, were considered, as developed by the company and approved by its Board of Directors.

The results obtained from application of the impairment procedure show that there is no need to make any adjustments to the goodwill of the Non-Life CGU recorded in the consolidated financial statements at 31 December 2017.

The impairment testing of the Life CGU was performed as follows: in relation to UnipolSai Assicurazioni - Life, the recoverable amount of goodwill was calculated using the “Appraisal Value” method, by considering the Embedded Value and the value of the portfolio of new products based on the discounting of related future cash flows (Value of New Business);

The results obtained from application of the impairment procedure show that there is no need to make any adjustments to the goodwill of the Life CGU recorded in the consolidated financial statements at 31 December 2017.

Non-Life CGU	
Valuation method used	The method used, similar to that carried out last year, was an "excess capital" type of DDM (Dividend Discount Model) and focused on the future cash flows theoretically available for shareholders, without drawing on the assets needed to support the expected growth and in accordance with the capital requirements imposed by the Supervisory Authority. According to this method the value of the economic capital is the sum of the current value of potential future cash flows and the current terminal value.
Net profits used	The above net profits were considered.
Projection period	Five prospective flows were considered.
Rate of discounting	A rate of discounting of 6.56% was used, broken down as follows: - risk-free rate: 2.15% - beta coefficient: 0.86 - risk premium: 5.14% The average figure for the 10-year Long-Term Treasury Bond for the period January-December 2017 was used for the risk-free rate. A 5-year adjusted Beta coefficient for a sample of companies listed on the European market and deemed to be comparable was used. The risk Premium was determined taking into account the estimates of said parameters made by various contributors.
Long term growth rate (g factor)	Several significant growth indicators relating to the reference market and to the macroeconomic situation were taken into account. In particular, the annual average rate of growth of the Non-Life insurance market for 2018-2022 is expected to be 2.13%. The average variation in GDP, for the same time interval, was expected to be 2.3% in nominal terms. Considering the above, a g factor of 2% was deemed appropriate, as in the previous year.
Life CGU	
Goodwill recoverable amount	With regard to UnipolSai Assicurazioni - Life, the recoverable value of goodwill was determined using the "Appraisal Value" method.

Below are the results of the impairment tests along with the relevant sensitivity analyses:

Amounts in €m	Recoverable amount (a)	Allocation of goodwill	Excess
Non-Life CGU	4,879	198	4,681
Life CGU	1,071	130	942
Total	**5,950**	**328**	**5,622**

(a) Recoverable value obtained as the difference between CGU Value and Adjusted Shareholders' Equity (net of goodwill therein included)

Parameters used	Non-Life
Risk Free	2.15%
Beta	0.86
Risk premium	5.14%
Short-term discounting rate	6.56%
Range	*6.06% - 7.06%*
Pass	*0.5%*
g factor	2%
Range	*1.5% - 2.5%*
Pass	*0.5%*

	Amounts in €m	Sensitivity (Value range)					
		Min			Max		
CGU	Recoverable Amount - Goodwill Delta	Amount	g	ke	Amount	g	ke
UnipolSai - Non-Life	4,681	3,788	1.5%	7.06%	6,052	2.5%	6.06%

	Amounts in €m	Sensitivity Recoverable Amount - Goodwill Delta	
CGU	Recoverable Amount - Goodwill Delta	Min	Max
UnipolSai - Life	942	906	991

5.12 Notes on Non-Life business

Procedural note on fixing the level of provisions and assumptions made

The process that leads to making the assumptions is carried out in such a way as to make a valuation of the liabilities with the intention of coming up with an estimate that is as realistic as possible.
The source of the figures is internal and the trends are based on annual statistics and monitored monthly throughout the year.
As far as possible assumptions are checked against market statistics.
If any information is missing, incomplete or unreliable the estimate of the final cost is based on prudent assumptions.
The very nature of insurance business makes it very difficult to estimate the cost of settling a claim with any certainty. The provision for each claim reported is set by an adjuster and is based on the information in his possession and on experience gained in similar cases. The forecasts fed into the system are periodically updated on the basis of new information about the claim. The final cost may vary as the claim proceeds (for example deterioration in the condition in the event of injury) or in the event of catastrophes. Estimating the final cost appears to be very difficult and the various elements that make it so complex vary depending on the class in question.
As the Group's work is concentrated in Italy the major exposure to catastrophe risks is represented by natural disasters such as Earthquake, Flood and Hail.
Reinsurance cover is taken out to cover this type of risk, at different levels with respect to the individual portfolios of the companies in the Group. The identified thresholds, with particular reference to the Earthquake risk, have been judged sufficiently prudent on the basis of calculations made using statistical models that simulate the Company's exposures in detail.

The provisions for claims are estimated using the inventory method and the adjusters' estimates are also combined, where application conditions are satisfied, with the results of statistical methods such as the Chain Ladder, the Bornhuetter Ferguson and the ACPC (Average Cost Per Claim) and with valuations based on the average costs for the year (for similar groups covering a sufficiently large number of claims).
These methods were applied after consistency of the underlying data had been verified using the model assumptions.

The Chain Ladder method is applied to the amount paid out and the loading. The method is based on historical analysis of the factors that affect the trend in claims. The selection of these factors is based on the figures for the accumulated amounts paid out, which produces an estimate of the final cost per year of occurrence if the claims for that year have not been paid in full.
The Chain Ladder method is suitable for sectors in which the figures are stable and is therefore not suitable in cases in which there are no significantly stable previous periods and in cases of significant changes in the settlement rate.
The Bornhuetter Ferguson method uses a combination of a benchmark, or estimates of the ratio of losses to 'a priori' premium and an estimate based on claims incurred (Chain Ladder).
The two estimates are combined using a formula that gives greater weight to experience. This technique is used in situations in which the figures are not suitable for making projections (recent years and new classes of risk).

The ACPC method is based on a projection of the number of claims to be paid and the respective average costs. This method is based on three fundamental assumptions: settlement rate, basic average costs and exogenous and endogenous inflation.

These methods extrapolate the final cost according to the year in which the claim is incurred and according to similar groups of risk on the basis of the trends in claims recognised in the past. When there was reason for deeming the trends recognised to be invalid some of the factors were modified and the projection adapted to fit the available information.
Some examples of what affects the trends could be:

- changes in the claims handling procedures involving different approaches to settlement/making allocations to provisions;
- market trends showing increases higher than inflation (may be linked to the economic situation or to political, legal or social developments);
- random fluctuations including the impact of "major" claims.

Claims incurred but not yet reported are estimated on the basis of the historical trends within the company, with the number and the average costs of the claims being estimated separately.
As allowed by IFRS 4, the provisions were not discounted.

Scope analysed

The UnipolSai Group companies operating in the Non-Life market are: UnipolSai, Siat, Incontra, Linear, UniSalute, Pronto Assistance, DDOR, DDOR Re and Popolare Vita. The scope considered in this analysis makes reference to the UnipolSai Group's most significant companies: UnipolSai, Linear, UniSalute and Siat. The incidence of the amount of provisions of excluded companies stands at 0.5%.

Trend in claims

The tables below, which illustrate the trend in claims, show the estimated first-year costs for each year in which claims were incurred from 2008 until 2017 and the adjustments made in subsequent years as a result of the claim being settled or the budget being adjusted as a result of more information about the claim being received.
The line showing the variation compared with the first-year provision must be considered separately since subsequent adjustments may already have been incorporated into the provisions figures for later years.
Maximum caution must be exercised when extrapolating from the figures in the following tables for the purpose of ascertaining the adequacy or inadequacy of provisions.

The Group considers the provisions for claims reported or yet to be reported incurred by 31 December 2017 to be adequate in light of available information. Of course, as they are estimates there is no absolute certainty that the provisions are in fact adequate.

Trend in claims (all classes except Assistance)

Amounts in €m

Year of Event	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimate of claims accumulated											
at the end of the year of event	8,364	9,044	8,455	7,753	7,180	6,448	6,155	5,173	5,240	5,353	**69,166**
one year later	8,589	9,033	8,394	7,587	6,982	6,343	6,121	5,125	5,165		
two years later	8,813	9,358	8,664	7,641	6,970	6,295	6,049	5,062			
three years later	9,045	9,519	8,708	7,660	6,951	6,254	5,971				
four years later	9,185	9,596	8,738	7,639	6,911	6,216					
five years later	9,239	9,595	8,752	7,621	6,885						
six years later	9,255	9,609	8,737	7,598							
seven years later	9,253	9,597	8,716								
eight years later	9,267	9,591									
nine years later	9,251										
Estimate of claims accumulated	9,251	9,591	8,716	7,598	6,885	6,216	5,971	5,062	5,165	5,353	**69,807**
Accumulated payments	8,867	9,141	8,162	7,024	6,175	5,305	4,863	3,946	3,544	2,178	**59,205**
Change compared to assessment at year 1	887	547	261	(155)	(295)	(232)	(184)	(111)	(75)		
Outstanding at 31/12/2017	384	450	554	573	710	911	1,108	1,116	1,621	3,176	**10,602**
Discounting effects											
Carrying amount	384	450	554	573	710	911	1,108	1,116	1,621	3,176	**10,602**

The data contained in the trend in claims table as inputs for actuarial models like the Chain-Ladder model must be used with extreme care.
Future replication of changes in cost recorded in the past, in the case of provision strengthening, could lead to the paradoxical situation whereby the higher the strengthening the greater the insufficiency which may be inaccurately forecast by these methods.

The breakdown of the IBNR estimated at 31 December 2016 showed an overall sufficiency in 2017 of €45.3m or 4.5% of the estimate.

Change in the assumptions made and sensitivity analysis of the model

The estimated cost for 2008-2016 at 31 December 2017 was €64,454m, a decrease from the valuation carried out at 31 December 2016 for the same years (€64,801m).
The new figure takes account of the savings recognised on claims that have been settled and of the revaluations required on claims that are still outstanding.

The risks arising from insurance policies are complex and subject to numerous variables that make the task of quantifying the sensitivity of the model very complicated.
The incidence of the amount of the 2,403 major claims net of claims handled by others (above €800k in the case of MV TPL, above €400k in the case of General TPL and €350k in the case of Fire) on the total provisions of the three classes was 23.6%. A 10% increase in the number of major claims would have led to a fall in provisions of €205m.
The incidence on total provisions of claims handled by others was 2.7%. If reinsurers had revalued these claims by 5.0%, costs would have risen by €14.1m.

The sensitivity analysis of the models directed at determining two scenarios, one favourable and one unfavourable, was conducted on the MV TPL (Non-Card and Handler Card separately) and General TPL classes of UnipolSai Assicurazioni (whose provisions represent 94.4% of the total of the UnipolSai Group).
The two scenarios were obtained with the following assumptions:

- Favourable: for MV TPL, a decline in inflation by one and a half point (1.5% instead of 3.0% of the baseline method) was assumed for the ACPC method, whilst reference was made to the provision corresponding to the tenth percentile for the Chain Ladder Paid method[6]. For General TPL, reference was made to the provision corresponding to the tenth percentile[4].
- Unfavourable: for MV TPL, an increase in inflation by one and a half point (4.5% instead of 3.0% of the baseline method) was assumed for the ACPC method, whilst reference was made to the provision corresponding to the ninetieth percentile for the Chain Ladder Paid method[4]. For General TPL, reference was made to the provision corresponding to the ninetieth percentile[4].

The sensitivity analysis also includes the pre-2006 generations.

The following table shows the LAT's numbers.

Amounts in €m	Pre 2005	2006-2017	Total	*Delta %*
Provision requirements	837	10,151	10,988	
Unfavourable LAT assumption	867	10,475	11,341	*3.22*
Favourable LAT assumption	809	9,836	10,645	*(3.12)*

In assessing the results of these variations, it should be taken into account that these analyses are of the deterministic type and no account is taken of any correlations.
Overall, the verified provisions (€11,965m relating to the scope analysed and excluding Assistance) in the financial statements are substantially aligned to the top end, i.e. to the unfavourable scenario assumption.

[6] Assuming that the provision is distributed according to a log-normal function with parameter relating to standard deviation calculated with the Mack method

5.13 Notes on Life business

Breakdown of the insurance portfolio

Consolidated direct Life premiums generated €3,712.9m in 2017 (insurance and investment products).
The Life direct premiums of the Group came from both the traditional channel and bancassurance companies (Popolare Vita Group and BIM Vita).
The Life direct premiums of the UnipolSai Group at 31 December 2017 are broken down as follows:

Consolidated Life direct premium income

Amounts in €m	UnipolSai Assicurazioni	Bim Vita	Ddor Novi Sad	Popolare Vita	The Lawrence Life	Total
Insurance premiums (IFRS4)	2,671.2	83.4	11.6	635.1	50.8	3,452.2
var. %	*(9.5)*	*7.6*	*38.4*	*(54.2)*	*(81.1)*	*(26.5)*
Investment Products (IAS39)	220.6	20.4		18.0	1.7	260.8
var. %	*145.3*	*(2.9)*		*(83.0)*	*(99.5)*	*(55.4)*
Total Life business premium income	2,891.8	103.8	11.6	653.1	52.6	3,712.9
var. %	*(4.9)*	*5.4*	*38.4*	*(56.3)*	*(91.7)*	*(29.7)*
Breakdown:						
Insurance premiums (IFRS4)	*92.4%*	*80.3%*	*100.0%*	*97.2%*	*96.7%*	*93.0%*
Investment Products (IAS39)	*7.6%*	*19.7%*	*0.0%*	*2.8%*	*3.3%*	*7.0%*

Group Life direct premiums at 31 December 2017 amounted to €3,712.9m (insurance products and investment products), a decrease of -29.7% compared to the previous year, of which €2,903.4m originated from traditional companies, -4.8% compared to the 2016 figure, and €809.5m from bancassurance companies, -63.7%.
Direct premiums recorded by the company UnipolSai Assicurazioni amounted to €2,891.8m (77.9% of the Total) whilst direct premiums achieved by the Popolare Group amounted to €705.7m (19.0% of the Total).
Insurance premiums totalling €3,452.2m accounted for 93.0% of total premiums, up compared to the previous year (88.9%), whilst non insurance premiums, amounting to €260.8m, dropped compared to the previous year and are tied both to the sale of financial products (unit linked) and of some lines of open pension funds.

Direct insurance premiums: income type

Amounts in €m	UnipolSai Assicurazioni	Bim Vita	Ddor Novi Sad	Popolare Vita	The Lawrence Life	Total
Traditional premiums	2,102.0	20.9	11.6	471.9		2,606.5
Financial premiums	0.7	62.5		163.2	50.8	277.2
Pension funds	568.5					568.5
Insurance premiums (IFRS4)	2,671.2	83.4	11.6	635.1	50.8	3,452.2
of which investments with DPF	1,434.2	0.0		381.0		1,815.2
% investment with DPF	*53.7%*	*0.0%*	*0.0%*	*60.0%*	*0.0%*	*52.6%*

The insurance premiums of the UnipolSai Group were composed primarily of traditional policies, which account for 75.5% of total consolidated premiums, compared to 8.0% represented by financial premiums and, finally, 16.5% by pension funds marketed mainly by UnipolSai.

5.14 Risk Report

The Risk Report aims to provide an overview of the risk management system, the internal risk assessment and solvency assessment processes and the UnipolSai Group risk profile, in compliance with the principles introduced in the European Solvency II regulations that entered into force from 1 January 2016.

Activities by the competent corporate organisations of the Group were carried out in 2017 in compliance with Solvency II regulations and the supervisory provisions issued by IVASS.

In February 2017, UnipolSai Assicurazioni SpA received authorisation from the Supervisory Authority to use the Partial Internal Model for calculating the individual Solvency Capital Requirement with effect from 31 December 2016.

Internal Control and Risk Management System

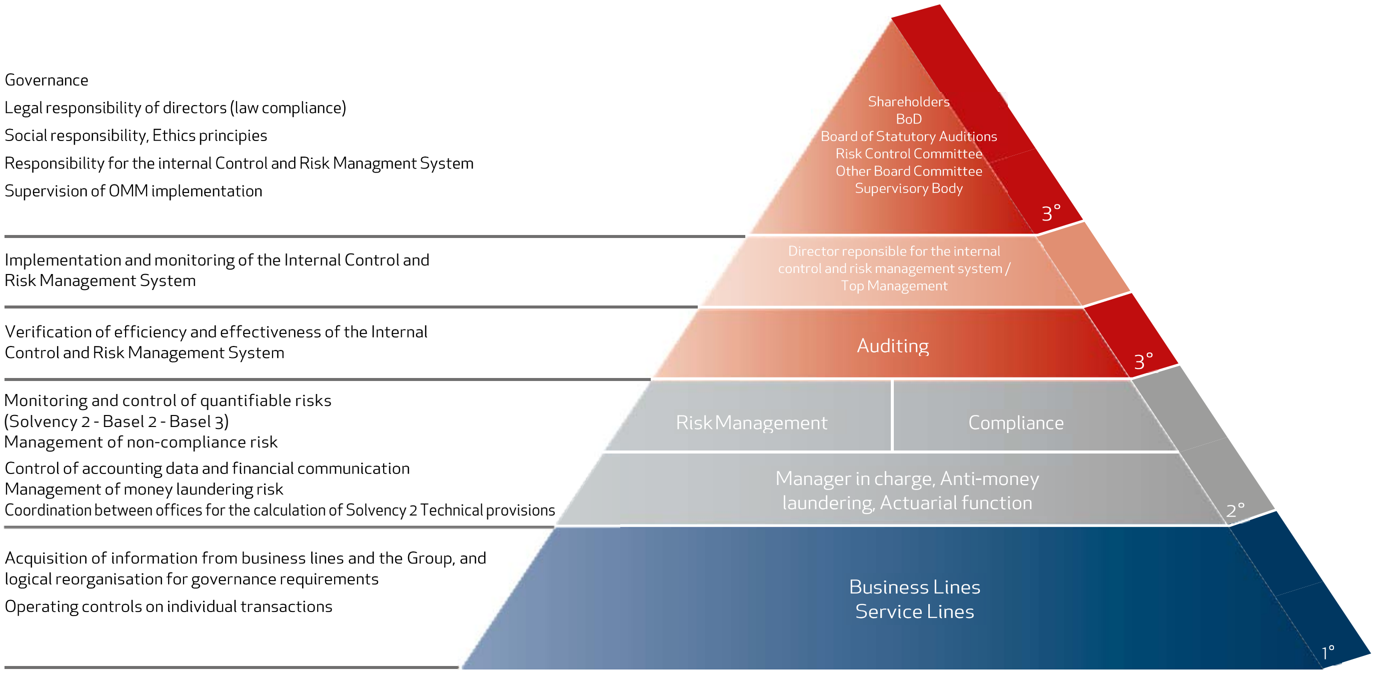
The Unipol Group and the UnipolSai Group's Risk Management structure and process are part of the wider internal control and risk management system which operates on several levels:

- line controls (so-called "first-level controls"), aimed at ensuring transactions are carried out correctly. These are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the managers of the operating structures, or carried out as part of back office activities; as far as possible, they are incorporated in IT procedure. The operating structures are the primary bodies responsible for the risk management process and must ensure compliance with the adopted procedures and compliance with the established risk tolerance level;
- risk and compliance controls (so-called "second-level controls"), which aim to ensure, among other things:
  - the correct implementation of the risk management process;
  - the implementation of activities assigned to them by the risk management process;
  - the observance of the operating limits assigned to the various departments;
  - the compliance of company operations with the regulations.

The departments responsible for these controls are separate from the operating functions; they help define the risk governance policies and the risk management policy;

- internal review (so-called "third-level controls") verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls) and that business operations comply with the System.

By way of a non-exhaustive example, the UnipolSai Group's Risk and Control Governance model is shown below.



Within UnipolSai:

- The **Board of Directors**, in observance of and consistent with the policies and guidelines of the Parent and based on prior judgment of the Control and Risk Committee, defines the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and its subsidiaries are correctly identified, and adequately measured, managed and monitored. The Board performs an assessment, at least annually, of the adequacy of the current and forward-looking Internal Control and Risk Management System with respect to the characteristics of the Company and its subsidiaries and to the defined risk appetite, as well as its efficiency and capacity to adapt to evolving corporate risks and the interaction between them.
- The **Risk Control Committee** plays a propositional, advisory, investigative and support role to the Board of Directors in relation to the Board's assessments and decisions mainly concerning the Internal Control and Risk Management System.
- The **Director Responsible** for the internal control and risk management system, handles the identification of the main company risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, periodically subjecting them to review by the Board of Directors.
- **Top Management** supports the Director in charge of designing and implementing the Internal control and risk management system, including therein those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Administrative Body and with the guidelines provided by the Parent.
- **Corporate Control Functions**: consistent with the organisational structure of the Group, UnipolSai's organisational structure requires that the Governance Control Functions (Audit, Risk Management and Compliance) report directly to the Board of Directors and operate under the coordination of the Director responsible for the internal control and risk management system.
  Since 15 January 2014, the "Risk Management" and "Compliance and Anti-money laundering" functions report hierarchically to the "Chief Risk Officer" (who reports to the Board of Directors). This arrangement makes it possible to strengthen the integrated oversight of the risks to which the Group is exposed.
- The **Risk Management Department** supports the Board of Directors, the Director responsible for the internal control and risk management system and Top Management in the evaluation of the structure and effectiveness of the Risk Management System and reports its conclusions to said bodies, highlighting any deficiencies and suggesting ways of resolving them. The Risk Management Department carries out this work as part of the process of "Own Risk and Solvency Assessment" (ORSA), ensuring that the work carried out by the various company departments dealing with risk management is coordinated. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work since the departments themselves must have the necessary tools and expertise.

Within the Risk management system, the Risk Management Department is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at individual and aggregated level which the Company is or may be exposed to and the relevant interdependencies.
In this respect, Risk Management also contributes to the dissemination of a risk culture extended to the entire Group.

Monitoring Procedures: Company committees

Some internal company committees have been set up within UnipolSai to support the General Manager in implementing and monitoring the policies on guidelines, coordination and operating strategy laid down by the Board of Directors.

Risk Management System

The Internal Control and Risk Management System (hereafter, the "System") is defined in the relevant Directives ("SCI Directives") adopted by the UnipolSai Board of Directors and subject to periodic updates, the latest of which was approved in December 2016.
The principles and processes of the System as a whole are governed by the following Group policies: "Risk management policy", "Current and Forward-looking Risk Assessment Policy", "Operational Risk Management Policy" and "Group-level Risk Concentration Policy".
The policies setting the principles and guidelines below are an integral part of this System: (i) management of specific risk factors (e.g. Investment Policy with regard to market and liquidity risks, and the "Credit Policy"), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.
A risk management process is defined within the Risk management system to allow for risk identification, measurement, monitoring and mitigation.
The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and any insurgence of new risks or changes in existing risks.
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies.

Risk Appetite and Risk Appetite Framework

The Risk Management System is inspired by an enterprise risk management logic. This means that is based on the consideration, with an integrated approach, of all the current and prospective risks the Group is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives and replies on a fundamental element: the Risk Appetite.
In quantitative terms, Risk Appetite is determined on the basis of the following elements:

- capital at risk;
- capital adequacy;
- Liquidity/ALM ratios.

Furthermore, quality objectives are defined in reference to compliance, strategic, emerging, reputational and operational risks.
The Risk Appetite is formalised in the Risk Appetite Statement, which indicates the risks that the Company intends to assume or avoid, sets their quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.
The Risk Appetite forms part of a reference framework - the Risk Appetite Framework (RAF).
The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the Own Risk and Solvency Assessment (ORSA) process, the budget, company organisation and the internal control system.
The RAF defines the Risk Appetite and other components ensuring its management, both in normal and stress conditions. These components are:

- Risk Capacity;
- Risk Tolerance;
- Risk Limits (or operational risk limits);
- Risk Profile.

The activity to define RAF components is dynamic and progressive, and reflects the risk management objectives associated with the objectives of the Strategic Plan. Verification is performed annually as part of the process of assigning budget objectives. Further analyses for preventive control of the Risk Appetite, and capital adequacy in particular, are performed when studying extraordinary transactions (such as mergers, acquisitions, disposals).
The RAF is broken down into several analysis macro areas with the aim of guaranteeing continuous monitoring of risk trends. The main analysis macro areas are risk type, total risk, individual company and group.
Lastly, the solvency objectives are defined.

The ORSA process

Under its own risk management systems, the Company uses the ORSA process to assess the effectiveness of the risk management system and its capital adequacy.
The internal ORSA assessment process allows the analysis of the current and prospective risk profile analysis of the Company, based on strategy, the market context and business development; in addition, the ORSA is an assessment element to support operational and strategic decisions.

The risk management process

The risk management process involves the following steps:
- risk identification;
- current and forward-looking assessment of risk exposure;
- risk monitoring and reporting;
- risk mitigation.

The process is performed in compliance with the Risk Appetite Framework.

Risk identification

Risk identification consists in identifying the risks considered significant, i.e. those with consequences capable of compromising the solvency or reputation of the Group and of the Company, or constitute a serious obstacle to achieving strategic objectives. These risks are classified according to a methodology that takes into consideration the Group structure, the specific nature of the types of business managed by the various operating Companies and the classifications proposed by Italian and European supervisory regulations. The categories of risk identified are as follows:
- Technical-Insurance Risks (Non-Life and Health);
- Technical-Insurance Risks (Life);
- Market Risk;
- Credit Risk;
- Liquidity and ALM Risk;
- Operational Risk;
- Standard Compliance Risk;
- Strategic Risk and Emerging Risks;
- Reputational Risk;
- Other risks.

This identification and its constant updating are the result of meticulous and continuous activity performed through:
- continuous monitoring of business operations;
- continuous monitoring of the reference regulatory framework;
- the exercise of Profit and Loss attribution that compares profit and loss recorded at year end with those estimated by the Internal Model, in order to verify whether it correctly represents all risk factors.

An assessment is performed at least annually to verify that the risks identified actually represent the risk profile of the Group and its companies.

Current and forward looking assessment of risk exposure

At least annually and in any event every time circumstances arise that could significantly alter the risk profile, the Group assesses the risks to which the Group and the individual Companies are exposed, at present and prospectively, documenting the methods used and the related results. In the Current and Forward-looking Risk Assessment Policy, the process for the current and forward-looking assessment of risks is also defined, including risks deriving from companies included in the scope of additional supervision and taking into account the risk interdependencies.
The current and forward-looking assessment also includes stress testing to verify the company's vulnerability to extreme but plausible events.
Current assessment of risks
The current assessment of risks identified is performed through methods envisaged in regulations and best practices as regards risks for which measurement is not regulated or defined by high-level principles.
Forward-looking assessment of risks
The Own Risk Solvency Assessment (ORSA) is used to support strategic business decisions.

Stress test analysis

The Insurance Group and the Company periodically carry out stress tests in accordance with the regulations of the national Supervisory Authority and participate, when required, to the performance of the system stress test exercises established by supranational Authorities.
In addition, the Group and the Company carry out the stress test exercises ad hoc upon the occurrence of such situations of the economic and financial context as to compromise the solvency situation of the Group and of the Company in case of prolonged and persisting crisis situation or upon specific requests by the Board of Directors.

Risk monitoring and reporting

In order to ensure prompt and constant monitoring of the evolution of the Risk Profile and compliance at the different levels of company responsibility with the defined Risk Appetite, a reporting system was implemented based on the principles of completeness, promptness and disclosure efficiency.
This system guarantees that the quality and quantity of information provided is commensurate with the needs of the various recipients and with the complexity of the business managed, in order for it to be used as a strategic and operating tool in assessing the potential impact of decisions on the company's risk profile and solvency.
In relation to the recipients, reporting is divided into "internal" and "external". "Internal" reporting is addressed to the bodies and internal structures of the Group and its companies, with the aim of steering strategic and business decisions and verifying sustainability over time. "External" reporting is directed to Supervisory Authorities and the market and meets the disclosure and transparency requirements of regulations in force.

With regard to "internal" reporting, in consideration of the recipients of the various requirements and uses, two types of reporting are provided:
– Strategic reporting on risk management, containing information important in supporting strategic decisions;
– Operational reporting on risk management with an adequate granularity in supporting business operations.

As part of the strategic reporting, the following are provided to the Board of Directors, the Control and Risk Committee, Top Management and the Group Risk Committee:
– annually, a proposal for approval of the Risk Appetite (Risk Appetite Statement)[7];
– quarterly, a report with the results of controls performed on observance of the Risk Appetite for the current year (Risk Appetite Monitoring);
– quarterly, a report with the results of controls performed on observance of the operational risk limits defined in the specific risk management policies;
– at least annually, the results of stress testing.

[7] In reference to the Parent, at consolidated level and at individual company level.

Risk escalation and mitigation process

With regard to Risk Appetite monitoring, detection of any of the defined thresholds being exceeded triggers the escalation process described below:

- if the Risk Appetite and the Risk Tolerance, when defined, are exceeded, the Board of Directors is informed. The Board of Directors assesses whether the approval of a new Risk Appetite or Risk Tolerance level is appropriate or defines action to be taken to restore the Risk Appetite or Risk Tolerance level;
- if the Risk Capacity is exceeded, the Board of Directors is notified and defines the actions to be taken.

If the Risk Appetite and/or Risk Tolerance and/or Risk Capacity of individual companies is exceeded, the Parent Board of Directors is informed, indicating any corrective action taken.

In order to mitigate existing or prospective levels of risk not in line with the defined risk objectives, the following measures can be adopted:

a) Financial hedges: these measures may take the form of hedging transactions on the market using financial derivatives. The Investment Policy defines the principles for the use and management of hedging instruments;
b) Reinsurance: transfers part of the underwriting risk outside the Group, providing more possibility for business growth, both by proportionally reducing the amounts at risk (e.g. proportional treaties) and by limiting even further the amounts of major claims (e.g. non-proportional treaties). The "Reinsurance and Other Risk Mitigation Techniques Policy" defines the guidelines on reinsurance cover management;
c) Guarantees held as a hedge against credit risks: the main type of guarantee available on exposures to reinsurers comprises deposits with the Group for the risks ceded and retroceded that are generally moved (placed and repaid) annually or half-yearly. Their duration largely depends on the specific nature of the underlying insurance benefits and on the actual duration of the reinsurance agreements, which are renegotiated at the end of each year. For exposures to reinsurers the Group also makes use of a limited number of guarantees consisting mainly of Letters of credit and Securities. Collateral deposited by the counterparties for operating in derivatives under CSA-type (Credit Support Annex) agreements is also used as guarantees on credit risks[8]. *If the Internal Model for measuring risks includes mitigation techniques, their compatibility and constant updating in line with performance must be guaranteed;*
d) Management action: corrective action to be applied if certain events occur, such as the restructuring of assets and/or liabilities under management or the disposal of assets and/or liabilities (position closures);
e) Operational risk mitigation actions: mitigation plans with the aim of preventing or mitigating the effects should a risk event occur. The implementation of mitigation plans is based on decisions made on a continual basis during the entire operational risk monitoring stage.
f) Emergency and contingency plans: extraordinary ex-ante measures to be activated if certain catastrophes or emergency events should occur, such as those envisaged in the Business Continuity Plan and Disaster Recovery Plan which govern operating procedures for declaring a crisis situation arising from catastrophes and managing the effects.

Internal Model

As mentioned, on 7 February 2017 the IVASS, following the application for authorisation submitted by UnipolSai Assicurazioni SpA, authorised the Company to use the Partial Internal Model for calculating the individual solvency Capital Requirement with effect from 31 December 2016.

The Partial Internal Model approved includes the following risk modules:

- Non-Life underwriting and provisions risk;
- Life underwriting and provisions risk;
- Market risk;
- Credit risk;
- Risk aggregation.

The modules currently included in the Partial Internal Model were defined on the basis of the following criteria:

- Relevance of the module, taking into account the specific characteristics of the Companies;

8 The CSA requires the delivery of a collateral asset when the value of the contract exceeds the set threshold.

- Level of progress reached in the development of measurement methodologies for the individual risk modules.

There is a plan for the extension of the Partial Internal Model to include all measurable risk modules and reach a Full Internal Model type configuration.

Non-Life underwriting and provisions risk is measured using the Partial Internal Model, consistent with the standards set out by Solvency II legislation, characterised by a component valued using the Internal Model (Catastrophe and Earthquake Risk), the use of Group specific parameters (relating to tariff-setting and provisions risks in the Non-Life insurance and reinsurance obligations segments 1, 4 and 5) and Standard Formula components.

The Life underwriting and provisions risk of the class C portfolio is measured using a Partial Internal Model based on an ALM-type stochastic approach in line with new standards laid down in Solvency II, which allow an integrated "fair value" measurement of assets and liabilities. This approach uses the Least Square Monte Carlo method. Life underwriting and provisions risk of the class D portfolio and the Life catastrophe risk are measured using the Market Wide Standard Formula.

Market risk of class C portfolio is measured using a Partial Internal Model that adopts a Monte Carlo VaR approach. As part of the internal market model, Life liabilities are replicated through cash flows with a maturity equivalent to the breakdown of Life provisions and polynomial functions (the Least Square Monte Carlo approach) to represent the Future Discretionary Benefits component. The market risk of the class D portfolio and the concentration risk are measured using the Market Wide Standard Formula.

The table in the following paragraph analyses the main sensitivities to market risk factors.

Credit risk is measured using the Partial Internal Model that adopts a CreditRisk+ approach. This model makes it possible to measure the risk of default relating to bank counterparties, concerning exposures deriving from cash available at banks and financial risk mitigation operations through derivative contracts, and to the insurance and reinsurance counterparties. Furthermore, the model allows the risk of default deriving from exposures to intermediaries and policyholders to be measured.

Risk aggregation is measured using the Partial Internal Model. The risk aggregation process defined by the Group calls for a bottom-up approach and may be broken down into two phases:

- aggregation of the risk sub-modules which make up Market risks, Non-Life and Health Technical Insurance risks, Life technical insurance risks and Credit risks so as to obtain the Probability Distribution Forecast ("PDF") of each risk module;
- aggregation of the risk modules of Market risks, Non-Life and Health Technical Insurance risks, Life technical insurance risks and Credit risks in order to calculate the Basic SCR.

The aggregation of the sub-modules involves three distinct approaches:

- joint sampling of risk factors;
- aggregation by means of the Var-Covar method (with a posteriori determination of the PDF);
- aggregation of multiple marginal distributions through coupling functions.

Below is additional information on the calculation procedure and the principal results for each risk at 31 December 2017.

Financial Risks

The Group's Investment Policy establishes the criteria forming the basis of the investment policy, the types of activities considered correct to invest in, the breakdown of the portfolio of medium/long-term investments and fixes the limits on the underwriting and monitoring of market risk in such a way as to ascertain total exposure, in line with the "risk appetite" expressed in the Group's strategic objectives, guaranteeing an adequate portfolio diversification.

Market risk

Market risk refers to all risks which have the effect of diminishing investments of a financial or real estate nature as a result of adverse trends in the relevant market variables. The market risk modules are:

- Interest rate risk;
- Equity risk;
- Real estate risk;
- Exchange rate risk;
- Spread risk.

In the Partial Internal Model, the Value at Risk method is used to measure the market risk, calculated over a 1-year time period and with a confidence interval of 99.5%. In addition, sensitivity and stress test measurements are determined for each risk factor.

Interest rate risk for ALM purposes is quantified in terms of duration mismatch and net sensitivity against parallel changes in the forward interest rates structure. The assets falling under the calculation of the duration mismatch and net sensitivity include securities, cash, receivables and properties; the liabilities include the financial liabilities and technical provisions. The market value is used for financial assets and liabilities, whilst best estimates are used for the technical provisions. The duration mismatch is calculated as the difference between the duration of assets and the duration of liabilities weighted for the assets value, considering the adjusting effect of the derivatives.
For the UnipolSai Group, at 31 December 2017 the duration mismatch for Life business stood at -0.79, and at +1.05 for Non-Life business.

With reference to net sensitivity to a parallel change in the forward interest rate curve for the Life business, the sensitivity +100 basis points equals +€291m, whilst for the Non-Life business the sensitivity +100 basis points equals -€196m.

Equity risk is the risk connected with a potential variation in the value of share assets, as a result of market volatility of the reference indexes.

Real estate risk is the risk connected with the occurrence of losses as a result of unfavourable changes in the market value of real estate assets.
The assets falling under the calculation of real estate risk include property funds, directly-owned properties and direct and indirect investments in real estate projects.
In particular, with reference to directly-owned properties, the value used to calculate the risk (fair value) is that deriving from the estimate made by independent experts.

Currency risk for ALM purposes is defined as the risk of a possible variation in the value of financial statement assets and liabilities and the Net Asset Value as a result of unfavourable changes in exchange rates. Based on the Investment Policy, the total exposure to non-Euro currencies, net of currency hedging, must be limited to 3% of total investments. The UnipolSai Group's exposure to currency risk was not significant at 31 December 2017.

Spread risk is the risk connected with a variation in the value of bond assets following a change in spreads representing the credit rating of individual issuers. In light of the policies and processes adopted to monitor and manage liquidity risk and the objective difficulty in quantifying the default risk of government bonds issued by European Union Member States, spread risk on government bonds has been excluded from the measurement of the market SCR based on the Partial Internal Model. It is not included because of:

- the nature of the business of the insurance companies, characterised by primarily buy and hold type long-term investment strategies and restrictions regarding the matching of liabilities expressed in terms of ALM;
- the objective difficulty of quantifying the probability of default and loss given default of developed countries, which represent the reference investment area for government bonds for risk measurement purposes;

The assessment of spread risk on government bonds is included within Pillar II risks and the relative measurement is carried out based on a stress testing type approach.

The level of sensitivity of the UnipolSai Group's portfolios of financial assets to the main market risk factors is shown below.
Sensitivity is calculated as a variation in the market value of the assets at 31 December 2016, following the shocks resulting from a:
– parallel change in the interest rate curve of +10 bps;
– -20% change in the share prices;
– +10 bps change in the credit spread.

31/12/2017	INSURANCE BUSINESS		REAL ESTATE AND OTHER BUSINESSES		TOTAL	
Amounts in €m	Impact on Income Statement	Impact on Statement of financial position	Impact on Income Statement	Impact on Statement of financial position	Impact on Income Statement	Impact on Statement of financial position
UnipolSai Group						
Interest rate sensitivity (+10 bps)	18.21	(246.35)		(0.00)	18.21	(246.35)
Credit spread sensitivity (+10 bps)	(1.82)	(265.02)		(0.00)	(1.82)	(265.02)
Equity sensitivity (-20%)	24.40	(575.63)		(6.15)	24.40	(581.78)

The values include the hedging derivatives.

Liquidity risk

Liquidity risk is the risk of not having the liquid resources necessary to meet the assumed obligations, in the financial statements and off-balance sheet, pertaining to their business, without undergoing economic losses deriving from forced sales of assets in case of adverse scenarios.
The liquid resources functional for the core business deriving from cash and cash equivalents, from the sale of securities that can be swiftly turned into cash and from any financing activities.
The main principles on which the liquidity risk management model within the UnipolSai Group is based may be summarised as follows:
- punctual measurement of the contractual and forecast cash flows on different maturity dates;
- definition and approval of the liquidity risk tolerance in terms of Survival time in ordinary and stress conditions;
- managing structural liquidity by keeping a balance between maturities of medium-term assets and liabilities in order to avoid critical situations in the short-term liquidity positions;
- managing short-term liquidity in order to have the necessary liquidity to fulfil short-term commitments, both foreseeable and unforeseeable, deriving from any stress scenarios, by keeping a suitable balance between cash in-flows and outflows;
- defining and periodically applying stress scenarios relating to the technical and financial variables in order to verify the ability of the individual Companies and of the Group as a whole to address these situations;
- maintaining an adequate amount of assets that can be swiftly turned into cash on the market, so as to avoid significant economic impact if adverse scenarios occur, or able to be financed with repurchase agreements.

Credit risk

Counterparty Default Risk identifies the risk that a debtor or guarantor under an enforcement order may wholly or partially fail to honour its accrued monetary commitment to the Parent or one of the Group companies.
Credit risk therefore reflects the potential losses from an unexpected default by counterparties and debtors of the insurance and reinsurance companies in the next twelve months. Counterparty default risk includes the risk mitigation contracts, e.g. reinsurance agreements, securitisations and derivatives, and likewise every other credit exposure not included among the financial risks (credit spread risk).
Credit risk management is defined in the Credit Policy which describes the roles and responsibilities of the parties involved, the risk assessment principles, the operating limits imposed for monitoring purposes and the mitigation principles.

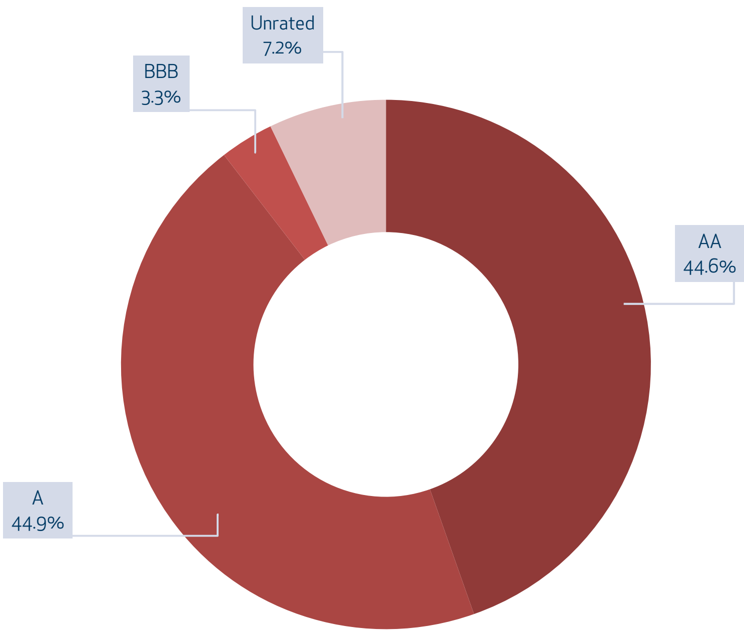
In relation to credit risk, the Risk Management Department monitors compliance with the limits defined in the Group Credit Policy and prepares reports to the administrative body, Top Management and the operating structures on developments in this risk.

Within the scope of the UnipolSai Group, the credit risk is mainly in the exposures to banks, in the insurance and outwards reinsurance areas.

<u>Bond classes of the insurance companies in the Group</u>
This risk is calculated within the technical insurance risks (see relevant section) and monitored by the Group Credit Risk Committee.

<u>Outwards reinsurance</u>
In this area, the existing exposure to credit risk is divided into:
- liquid receivables already due arising out of the bordereaux sent to the reinsurer listing the balances on each policy during the period and those still outstanding;
- potential estimated receivables for the provisions borne by the reinsurer (which will become due at the time of the payment to the policyholder and for the relative amounts). The exposure for provisions is always deemed to be net of any deposits retained or other collateral guarantees (e.g. Banking LOC, reinsurers' and Parent's commitment, etc.).

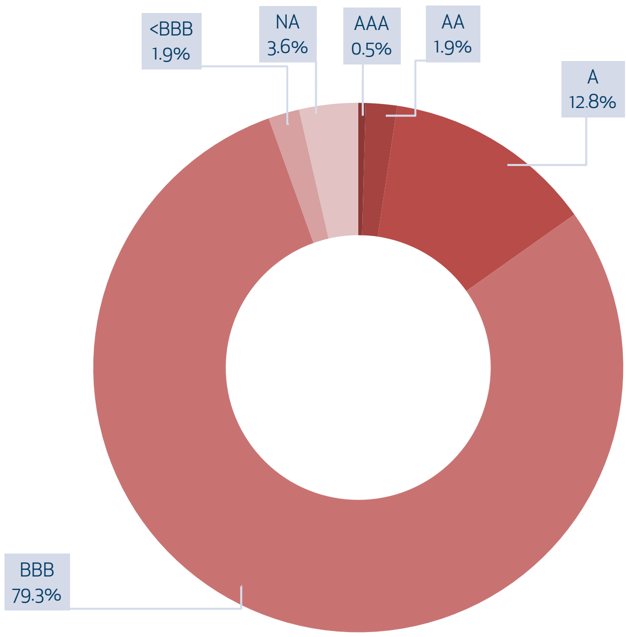
The following table shows the distribution of UnipolSai Group receivables from reinsurers and provisions for claims borne by them, broken down by rating class, recognised at 31 December 2017 (net of intragroup reinsurance).



Debt security Issuer Risk

The credit risk of debt securities is monitored within market risk based on credit spread volatility.
The following table shows the distribution of the UnipolSai Group's bonds portfolio, Insurance business and Real Estate and Other Businesses, broken down by rating class (figures at 31/12/2017).

Breakdown of debt securities by rating class



Information relating to exposure to sovereign debt securities referred to in Consob Communication DEM/11070007 of 5 August 2011

In accordance with Consob Communication DEM/11070007 of 5 August 2011 and ESMA document 2011/397 of 25 November 2011, relating to information to be provided in annual and interim financial reports on listed companies' exposures to Sovereign debt securities and current trends in international markets, details are provided of Sovereign exposures (i.e. bonds issued by central and local governments and by government organisations and loans granted to them) held by the UnipolSai Group at 31 December 2017, broken down by type of portfolio, nominal value, carrying amount and fair value. Securities of Popolare Vita and The Lawrence Life are included, before reclassification under item 6.1 Non-current assets or assets of a disposal group held for sale, pursuant to IFRS 5.

	Balance at 31 December 2017		
Amounts in €m	Nominal value	Carrying amount	Market value
Italy	20,865.0	21,315.9	21,479.6
Available-for-sale financial assets	18,354.2	18,973.6	18,973.6
Financial assets at fair value through profit or loss	133.9	35.8	35.8
Held-to-maturity investments	365.6	350.6	445.4
Loans and receivables	2,011.4	1,955.9	2,024.8
Spain	2,879.7	2,863.2	2,861.1
Available-for-sale financial assets	2,544.9	2,527.5	2,527.5
Financial assets at fair value through profit or loss	13.0	14.2	14.2
Held-to-maturity investments	31.0	31.5	32.4
Loans and receivables	290.8	290.0	287.0
Portugal	330.0	376.7	378.5
Available-for-sale financial assets	265.6	311.5	311.5
Held-to-maturity investments	53.0	54.1	55.4
Loans and receivables	11.4	11.1	11.6
Ireland	210.2	229.7	229.7
Available-for-sale financial assets	210.2	229.7	229.7
France	187.4	177.5	177.5
Available-for-sale financial assets	187.4	177.5	177.5
Slovenia	152.0	163.3	163.3
Available-for-sale financial assets	152.0	163.3	163.3
Belgium	77.0	79.3	79.3
Available-for-sale financial assets	77.0	79.3	79.3
Serbia	69.2	71.4	73.6
Available-for-sale financial assets	69.2	71.4	73.6
Cyprus	62.2	71.0	71.0
Available-for-sale financial assets	62.2	71.0	71.0
Slovakia	58.6	62.1	62.1
Available-for-sale financial assets	58.6	62.1	62.1
Germany	50.9	57.4	57.4
Available-for-sale financial assets	50.9	57.4	57.4
Israel	42.0	44.4	44.4
Available-for-sale financial assets	42.0	44.4	44.4
China	33.1	33.2	33.2
Available-for-sale financial assets	33.1	33.2	33.2
Canada	31.0	33.3	33.3
Available-for-sale financial assets	31.0	33.3	33.3
Latvia	26.5	30.7	30.7
Available-for-sale financial assets	26.5	30.7	30.7
Mexico	15.0	17.5	17.5
Available-for-sale financial assets	15.0	17.5	17.5
Chile	14.1	15.2	15.2
Available-for-sale financial assets	14.1	15.2	15.2

Amounts in €m	Balance at 31 December 2017		
	Nominal value	Carrying amount	Market value
Austria	14.0	15.0	15.0
Available-for-sale financial assets	14.0	15.0	15.0
Netherlands	8.9	9.6	9.6
Available-for-sale financial assets	8.9	9.6	9.6
Poland	6.3	6.8	6.8
Available-for-sale financial assets	6.3	6.8	6.8
Finland	5.3	5.4	5.4
Available-for-sale financial assets	5.3	5.4	5.4
Lithuania	5.0	5.3	5.3
Available-for-sale financial assets	5.0	5.3	5.3
Singapore	4.0	4.1	4.1
Available-for-sale financial assets	4.0	4.1	4.1
Switzerland	3.4	3.7	3.7
Available-for-sale financial assets	3.4	3.7	3.7
USA	2.2	2.8	2.8
Available-for-sale financial assets	2.2	2.8	2.8
Sweden	2.0	2.0	2.0
Available-for-sale financial assets	2.0	2.0	2.0
Denmark	0.5	0.5	0.5
Available-for-sale financial assets	0.5	0.5	0.5
Iceland	0.4	0.4	0.4
Available-for-sale financial assets	0.4	0.4	0.4
New Zealand	0.2	0.2	0.2
Available-for-sale financial assets	0.2	0.2	0.2
Australia	0.2	0.2	0.2
Available-for-sale financial assets	0.2	0.2	0.2
TOTAL	25,156.1	25,697.6	25,863.2

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2017 totalled €25,697.6m, 83% of which is concentrated on securities issued by the Italian State (90% in 2016). Moreover, the bonds issued by the Italian State account for 40% of total investments of the UnipolSai Group, down 15.5% compared to 31 December 2016.

Technical-insurance risks

Risks relating to Life portfolios

The guidelines of the underwriting and provisions activities of the Life business are defined in the "Underwriting Policy - Life Business" and in the "Provisions Policy - Life Business", the latest update of which was approved by the UnipolSai Board of Directors in December 2016.

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Life business.

The Provisions Policy defines the guidelines addressing provisioning activities for direct business and the related risk management, governing the provisioning principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.

Life risks are measured using the Partial Internal Model based on an ALM type stochastic approach which measures all assets and liabilities at fair value by considering the risks and correlation between them, consistent with Solvency II principles.

Technical-insurance risks relating to Life business underwriting are divided into:
- mortality risk: associated with an unfavourable change in demographic bases resulting from experience (higher death rate) compared to those used in determining the tariff;
- longevity risk: associated with an unfavourable change in demographic bases resulting from experience (lower death rate) compared to those used in determining the tariff;
- surrender risk: associated with adverse changes in the level or volatility of the incidence of surrenders, withdrawals, early settlements and terminations in premium payments;
- expense risk: associated with adverse changes in the value of expense linked to policies compared to the values used to determine the tariff;
- catastrophe risk: deriving from an unforeseeable event, the consequence of which is to affect multiple individuals at the same time, generating a number of claims for amounts significantly higher than expected.

The options included in the tariffs that can affect the assessment of risks present in the portfolio are monitored. The most significant of these are illustrated below.

<u>Surrender</u>
This option allows the customer to surrender the contract and receive the surrender value (does not apply to the pure-risk tariffs and returns currently being distributed). Depending on the contract type, more or less significant penalties can be applied, often based on claim seniority.

<u>Conversion to annuity</u>
In individual products where the benefit is expressed in the form of capital, there is often the option to accept disbursement as an annuity.
Among the individual products portfolio there are products for which the conversion ratios are determined at the time of issue of the contract and others, the majority of which (generally those issued after 2000) with the amount of the annuity determined only at the time of the option. In this case the demographic risk is considerably mitigated.
In the supplementary pensions segment, especially collective, the ratios are often associated with each sum paid in, but the risk is mitigated by the frequency at which the offer conditions can be reviewed.

Maturity deferment
The portfolio includes individual term life products (not "whole-life") that often provided the option to extend the validity of the contract after its original maturity date. During maturity deferment the payment of further premiums is not normally allowed.
The conditions applied during deferment vary according to the contractual terms, and continuation of the contract's financial guarantees or the application of those used at the time of the option can be granted.
Depending on the conditions, even the duration of the maturity deferment can be determined or extended year by year.
The impact on the portfolio of exercising the maturity deferment option is not particularly significant at present.

Risks relating to Non-Life portfolios

With regard to risk assessment relating to the Non-Life portfolio, the reference guidelines are contained in the "Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks", the "Underwriting Policy - Non-Life Business" and the "Provisions Policy - Non-Life Business".

The Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks defines guidelines on the governance and amendment of the USP methodology by defining the roles and responsibilities of the corporate bodies and functions involved.

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Non-Life business.

The Provisions Policy defines the guidelines addressing provisioning activities and the related risk management, governing the provisioning principles and logic of UnipolSai Group insurance companies based in Italy and operating in the Non-Life business, in compliance with national and international accounting standards and the new Solvency II prudential supervisory system.

During 2017 the Non-Life technical-insurance risks were calculated using the Non-Life Partial Internal Model, consistent with the standards of Solvency II.

With regard to the assessment of Non-Life and Health underwriting and provisions risks, in the initial transition phase it was decided to adopt the use of parameters calculated by Undertaking Specific Parameter methods (USP) for the high-volume business lines, in place of market parameters. These methods allow a more accurate representation of the Group's risk characteristics, which have specific features in terms of dimension, business type and reference market, that cannot be captured by average estimates performed on the European market.

In particular, the use of the specific parameters concerns the tariff-setting and provisions risks in the segments of Non-Life insurance and reinsurance obligations under Annex II to EU Delegated Regulation 2015/35 of 10 October 2014, as specified below:
- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles;
- Segment 4, Proportional insurance and reinsurance against fire and other damage to property;
- Segment 5, Proportional insurance and reinsurance on general TPL.

With reference to Earthquake risk, the Group adopts one of the main global models for the analytical evaluation of such risk. This tool consists of three modules:
- Hazard, which assesses the uncertainty associated with the possibility of an earthquake occurring in a given area (frequency) and the uncertainty relating to its magnitude (intensity). The following chance variables are modelled in this module:
    - Location (uncertainty associated with determining the possible point of origin of the event);
    - Frequency (period of recurrence of the events);
    - Intensity (the severity of the event in terms of energy released).

- Vulnerability, which assesses the seismic vulnerability of different types of insurable assets to a seismic event of a given intensity. The assessment is based on specific parameters such as the type of building (residential, commercial, etc.), the construction quality, the number of floors in the building and the type of assets present;
- Financial, which identifies the economic loss to the insurance company (in terms of deductibles, the sum insured, reinsurance cover, etc.).

In 2017 this tool also provided support to the Group in the Underwriting and Tariff-setting processes and in defining the reinsurance strategy.

With reference to other Catastrophe Risks, the assessments were performed using the standardised scenario approach proposed by EIOPA, in which the following events are taken into consideration:
- natural disasters such as earthquake, flood and hail;
- man-made disasters such as large-scale fires and acts of terrorism;
- "health" risks, such as the risk of a pandemic.

The Risk Management department continued to collaborate with the Non-Life Technical Area to define tariffs on a risk-adjusted basis which ensures not only the proper coverage of expected costs but the return on the capital absorbed in line with the risk profile and the Group's performance objectives.

Operational risks

The Framework of Operational Risk Management

In order to ensure a complete analysis of company risks, the UnipolSai Group has an "Operational Risk Management Policy", updated annually, and has drafted a framework to identify, measure, monitor and manage Operational Risk. This term means "*the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events*". Based on the Operational Risk Management framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk. In particular, the analysis schemes adopted are aimed at understanding, based on a causal approach, the risk factors, events and effects, both financial and non-financial, and the impacts these can have on the Group's solvency and on the achievement of the objectives set.

Within the Group governance structure, the monitoring of Operational Risks is entrusted to the Operational Risks function of the Risk Management Department. The objectives assigned to this unit, within the internal control system, are aimed at ensuring the Group's assets are safeguarded and at adequate risk control.

Operational risk identification consists in gathering as much information as possible about the risk event, its possible causes and effects with a view to increasing awareness of the specific exposure of the various company areas. In addition, this activity also aims to assess the adequacy of controls and identify the best management solutions for any critical situations.
The data collected refers to:
- internal and external events that have actually happened, generating a negative impact on income statement. This data gathering process is known as Loss Data Collection;
- potential internal events that could happen within the context of a process and which are assessed using the Risk Self-Assessment method based also on expert judgement. The data collected in this respect includes an estimate of the average and maximum impact on income statement of the risk event and an estimate of the expected frequency of the event on an annual basis.

The organisational model for operational risk governance and control envisages a network of analysts in a number of UnipolSai Assicurazioni SpA Divisions and the main Group companies which, after following a specific training course on operational risk management, provide support to the Risk Management Department in identifying operational risk and monitoring this risk within their own areas of operations.
Operational risk assessment is performed annually by the main Group Companies.

Standard compliance risk

With regard to the Standard compliance risk, the Group's compliance risk management process is transversal and comprises organisational and operating monitoring activities carried out by resources from the various company functions. The Compliance Function is tasked with assessing whether the organisation and the internal corporate procedures are suitable to reach the objective of preventing this risk, according to a risk-based approach.

Strategic risks, emerging risks and reputational risk

With regard to the strategic risk, the emerging risks and the reputational risk, within the dedicated structure present within the Risk Management Department, a dedicated Observatory was created at Group level, called "Reputational & Emerging Risk Observatory", whose key elements are the involvement of an interfunctional Technical Panel and of all the main Business Departments, the use of a consolidated predictive model and methodologies based on futures studies to ensure a forward-looking view of the medium/long-term in order to anticipate the risks and future opportunities, and a holistic approach aimed at grasping and governing the interconnections, both in reading the external context for an integrated vision of the different emerging macro trends (social, technological, political and environmental), and in the internal response for a unified view of the different corporate areas and of the different steps of the value chain.
The purpose of the Observatory is to assure effective monitoring of the emerging risks and of the reputational risk, verifying the constant alignment between stakeholders' expectations and the Group's responses and anticipating the most significant phenomena to catch new business opportunities and prevent potential emerging risks.
With specific reference to the reputational risk, within the frame of the Observatory, a Reputation Management framework was developed at the Group level, which operates in the dual mode of construction and protection of the reputational capital, through two work sites that rely on dedicated corporate competencies and structures in a path of constant mutual alignment, under the joint leadership of the "Corporate Communication and Media Relations" and "Risk Management" functions, with the goal of stably integrating these assets in the strategic planning processes.

Capital management

The capital management strategies and objectives of the Group are outlined in the "Capital management and dividend distribution policy", which describes the reference context and the process for managing capital and distributing dividends also in terms of the roles and responsibilities of the players involved. The document also identifies the principles of capital management and the distribution of dividends or other elements of own funds, in line with the capital return objectives and the risk appetite defined by the Board of Directors.

The general aims pursued by the "Capital management and dividend distribution policy" are:
- ex ante definition of the return objectives on allocated capital, consistent with the profitability targets and in line with the risk appetite;
- maintaining a sound and efficient capital structure, considering growth targets and risk appetite;
- outlining the capital management process for the definition of procedures to ensure that:
  - the elements of own funds, both at the time of issue and subsequently, satisfy the requirements of the applicable capital regime and are correctly classified;
  - the terms and conditions for each element of own funds are clear and unequivocal;
- ex ante definition of a sustainable flow of dividends, in line with the profit generated, free cash flow and risk appetite, identifying and documenting any situations in which the postponement or cancellation of distributions from an element of own funds could arise;
- outlining the dividend distribution process for the definition of procedures to ensure sound and efficient capital management, considering that the growth and profitability targets are in line with the risk appetite;
- defining the roles, responsibilities and reporting in relation to capital management and the distribution of dividends or other elements of own funds.

The capital management and dividend distribution process is divided into five steps, in close relation with other corporate processes:
- final measurement of available capital and the capital required;
- preparation of the mid-term capital management plan;

- monitoring and reporting;
- management action on capital, including any contingency measures;
- distribution of dividends or other elements of own funds.

Bologna, 22 March 2018

The Board of Directors

04

TABLES APPENDED
TO THE NOTES TO THE FINANCIAL STATEMENTS

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Method(1)	Assets (2)
UnipolSai Assicurazioni Spa	086	Italy	Bologna			G	1
Pronto Assistance Spa	086	Italy	Turin			G	1
Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni	086	Italy	Genoa			G	1
BIM Vita Spa	086	Italy	Turin			G	1
Finsai International Sa	092	Luxembourg	Luxembourg			G	11
Tenute del Cerro Spa - Societa' Agricola	086	Italy	Bologna			G	11
Consorzio Castello	086	Italy	Florence			G	10
UnipolSai Nederland Bv	050	Netherlands	Amsterdam (NL)			G	11
UnipolSai Servizi Previdenziali Srl	086	Italy	Florence			G	11
Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	086	Italy	Florence			G	10
UnipolRe Dac	040	Ireland	Dublin (Ireland)			G	5
The Lawrence Life Assurance Company Dac	040	Ireland	Dublin (Ireland)			G	2
UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata	086	Italy	Bologna			G	11
Villa Ragionieri Srl	086	Italy	Florence			G	10
Meridiano Secondo Srl	086	Italy	Turin			G	10
Casa di Cura Villa Donatello - Spa	086	Italy	Florence			G	11
Centro Oncologico Fiorentino Casa di Cura Villanova Srl in Liquidazione	086	Italy	Sesto Fiorentino (FI)			G	11
Apb Car Service Srl	086	Italy	Turin			G	11
Marina di Loano Spa	086	Italy	Milan			G	10
Pronto Assistance Servizi Scarl	086	Italy	Turin			G	11

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	% Consolidation
					100.00%
100.00%			100.00%		100.00%
94.69%			94.69%		100.00%
50.00%			50.00%		100.00%
63.85%			100.00%		100.00%
	36.15%	UnipolSai Finance Spa			
98.81%			100.00%		100.00%
	1.19%	Pronto Assistance Spa			
	99.57%	Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	99.57%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
	100.00%	UnipolSai Nederland Bv	100.00%		100.00%
	100.00%	Popolare Vita Spa	50.00%		100.00%
98.23%			99.71%		100.00%
	0.20%	UniSalute Spa			
	0.20%	Compagnia Assicuratrice Linear Spa			
	0.90%	Pronto Assistance Spa			
	0.11%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.02%	Bim Vita Spa			
	0.02%	UnipolRe Dac			
	0.02%	Pronto Assistance Servizi Scarl			
	0.02%	Incontra Assicurazioni Spa			
	0.02%	Auto Presto & Bene Spa			
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
100.00%			100.00%		100.00%
	70.00%	Auto Presto & Bene Spa	70.00%		100.00%
100.00%			100.00%		100.00%
95.34%			99.75%		100.00%
	0.25%	UniSalute Spa			
	3.00%	Compagnia Assicuratrice Linear Spa			
	0.31%	Pronto Assistance Spa			
	0.10%	UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata			
	0.25%	Apb Car Service Srl			
	0.15%	Incontra Assicurazioni Spa			
	0.25%	Auto Presto & Bene Spa			
	0.25%	Alfaevolution Technology Spa			

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Method(1)	Assets (2)
SAI MERCATI Mobiliari Spa in Liquidazione	086	Italy	Milan			G	11
Sogeint Societa' a Responsabilita' Limitata	086	Italy	San Donato Milanese (MI)			G	11
Tikal R.E. Fund	086	Italy				G	10
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence			G	11
Incontra Assicurazioni Spa	086	Italy	Milan			G	1
Popolare Vita Spa	086	Italy	Novara			G	1
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' per Azioni	086	Italy	Milan			G	10
Ddor Novi Sad	289	Serbia	Novi Sad (Serbia)			G	3
Auto Presto & Bene Spa	086	Italy	Turin			G	11
Gruppo UNA Spa	086	Italy	Milan			G	11
Athens R.E. Fund	086	Italy				G	10
Ddor Re	289	Serbia	Novi Sad (Serbia)			G	6
Italresidence Srl	086	Italy	Milan			G	11
UnipolSai Finance Spa	086	Italy	Bologna			G	9
Midi Srl	086	Italy	Bologna			G	10
Alfaevolution Technology Spa	086	Italy	Bologna			G	11
Leithà Srl	086	Italy	Bologna			G	11
UniAssiTeam Srl	086	Italy	Bologna			G	11
Fondo Opportunity	086	Italy				G	10
UniSalute Spa	086	Italy	Bologna			G	1
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna			G	1
Unisalute Servizi Srl	086	Italy	Bologna			G	11
Ambra Property Srl	086	Italy	Bologna			G	11

(1) Consolidation method: G=on a line-by-line basis; P=proportional=P; U=on a line-by-line basis as per unitary management.

2) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(3) The product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first.

4) Total % availability of votes at ordinary general meetings if different from the direct or indirect investment.

(5) This disclosure is required only if the country of operations is different from the country of the registered office.

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	% Consolidation
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
95.00%		95.00%		100.00%
	100.00% Casa di Cura Villa Donatello - Spa	100.00%		100.00%
51.00%		51.00%		100.00%
50.00%		50.00%		100.00%
51.67%		51.67%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
64.72%		87.70%		100.00%
	24.19% Tikal R.E. Fund			
	100.00% UnipolRe Dac	100.00%		100.00%
	0.00% Ddor Novi Sad			
	100.00% Gruppo UNA Spa	100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
100.00%		100.00%		100.00%
	65.00% UnipolSai Finance Spa	65.00%		100.00%
100.00%		100.00%		100.00%
98.53%		98.53%		100.00%
100.00%		100.00%		100.00%
	100.00% UniSalute Spa	98.53%		100.00%
100.00%		100.00%		100.00%

Consolidation scope: interests in entities with material non-controlling interests

Amounts in €m

Name	% non-controlling interests	% Votes available at Ordinary General Meetings to non-controlling interests	Consolidated profit (loss) attributable to non-controlling interests	Shareholders' Equity attributable to non-controlling interests
Popolare Vita Spa	50.00%	50.00%	28.1	217.9
The Lawrence Life Assurance Company Dac	50.00%	0.00%		

Summary income and financial position data							
Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' equity	Profit (loss) for the year	Dividends distributed to non-controlling interests	Gross premiums written
8,786.9	8,623.7	7,770.2	523.7	439.6	58.9	76.0	635.2
1,742.9	1,673.7	1,264.5	380.5	72.0	0.6		50.8

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Operating office	Assets (1)	Type (2)
UnipolSai Investimenti Sgr Spa	086	Italy	Turin			8	b
Fin.Priv. Srl	086	Italy	Milan			11	b
Uci - Ufficio Centrale Italiano	086	Italy	Milan			11	b
Funivie del Piccolo San Bernardo Spa	086	Italy	La Thuile (AO)			11	b
Borsetto Srl	086	Italy	Turin			10	b
Garibaldi Sca	092	Luxembourg	Luxembourg			11	b
Servizi Immobiliari Martinelli Spa	086	Italy	Cinisello Balsamo (MI)			10	b
Penta Domus Spa	086	Italy	Turin			10	b
Ddor Auto - Limited Liability Company	289	Serbia	Novi Sad (Serbia)			3	a
Ddor Garant	289	Serbia	Beograd (Serbia)			11	b
Butterfly Am Sarl	092	Luxembourg	Luxembourg			11	b
Ital H&R Srl	086	Italy	Bologna			11	a
Isola Sca	092	Luxembourg	Luxembourg			11	b
Assicoop Toscana Spa	086	Italy	Siena			11	b
Pegaso Finanziaria Spa	086	Italy	Bologna			9	b
Fondazione Unipolis	086	Italy	Bologna			11	a
Assicoop Grosseto Spa in Liquidazione	086	Italy	Grosseto			11	b
Unipol Banca Spa	086	Italy	Bologna			7	b
Assicoop Bologna Metropolitana Spa	086	Italy	Bologna			11	b
Hotel Villaggio Citta' del Mare Spa in Liquidazione	086	Italy	Modena			11	b
Assicoop Modena & Ferrara Spa	086	Italy	Modena			11	b
Assicoop Romagna Futura Srl	086	Italy	Ravenna			11	b
Assicoop Emilia Nord Srl	086	Italy	Parma			11	b
Golf Club Poggio dei Medici Spa Societa' Dilettantistica Sportiva	086	Italy	San Piero (FI)			11	b

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(2) a=subsidiaries (IFRS10); b= associates (IAS28); c=joint ventures (IFRS11). Please mark with an asterisk (*) any companies classified as held for sale pursuant to IFRS 5 and add the key below the statement.

(3) the product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first.

4) total % availability of votes at ordinary general meetings if different from the direct or indirect investment.

(5) this disclosure is required only if the country of operations is different from the country of the registered office.

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at Ordinary General Meetings (4)	Carrying amount (€m)
49.00%			49.00%		11.6
28.57%			28.57%		39.0
37.76%			37.85%		0.2
	0.09%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.00%	Incontra Assicurazioni Spa			
	0.00%	Compagnia Assicuratrice Linear Spa			
23.55%			23.55%		2.4
44.93%			44.93%		0.6
32.00%			32.00%		3.7
20.00%			20.00%		0.2
24.66%			24.66%		
	100.00%	Ddor Novi Sad	100.00%		0.0
	32.46%	Ddor Novi Sad	40.00%		0.6
	7.54%	Ddor Re			
28.57%			28.57%		
100.00%			100.00%		0.1
29.56%			29.56%		
	46.77%	UnipolSai Finance Spa	46.77%		1.3
	45.00%	UnipolSai Finance Spa	45.00%		5.2
100.00%			100.00%		0.3
	50.00%	UnipolSai Finance Spa	50.00%		0.8
42.25%			42.25%		709.2
	49.19%	UnipolSai Finance Spa	49.19%		8.5
49.00%			49.00%		
	43.75%	UnipolSai Finance Spa	43.75%		6.8
	50.00%	UnipolSai Finance Spa	50.00%		6.3
	50.00%	UnipolSai Finance Spa	50.00%		6.2
	40.32%	Gruppo UNA Spa	40.32%		0.8

Statement of financial position by business segment

		Non-Life business		Life business	
	Amounts in €m	31/12/2017	31/12/2016	31/12/2017	31/12/2016
1	INTANGIBLE ASSETS	457.6	440.6	222.1	250.3
2	PROPERTY, PLANT AND EQUIPMENT	868.2	748.7	33.4	34.0
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	796.0	781.2	49.9	67.6
4	INVESTMENTS	15,474.2	15,624.1	33,093.3	45,146.6
4.1	Investment property	1,672.6	1,849.3	3.8	6.7
4.2	Investments in subsidiaries, associates and interests in joint ventures	543.3	366.3	259.7	160.0
4.3	Held-to-maturity investments	53.5	192.2	486.1	700.1
4.4	Loans and receivables	1,820.2	2,026.0	2,747.5	3,128.3
4.5	Available-for-sale financial assets	11,244.4	11,069.2	24,798.3	32,086.6
4.6	Financial assets at fair value through profit or loss	140.2	121.1	4,797.9	9,064.9
5	SUNDRY RECEIVABLES	2,153.0	2,396.0	455.0	643.3
6	OTHER ASSETS	834.8	1,014.1	10,555.4	131.3
6.1	Deferred acquisition costs	30.5	32.5	54.6	57.9
6.2	Other assets	804.3	981.5	10,500.9	73.4
7	CASH AND CASH EQUIVALENTS	379.3	183.7	846.0	353.6
	TOTAL ASSETS	20,963.0	21,188.2	45,255.2	46,626.9
1	SHAREHOLDERS' EQUITY				
2	PROVISIONS	352.6	400.0	16.7	20.9
3	TECHNICAL PROVISIONS	15,219.6	15,036.2	30,537.5	40,780.3
4	FINANCIAL LIABILITIES	1,510.5	1,664.5	1,854.7	2,727.1
4.1	Financial liabilities at fair value through profit or loss	42.4	152.7	1,129.8	1,987.4
4.2	Other financial liabilities	1,468.1	1,511.8	724.8	739.7
5	PAYABLES	766.8	635.0	85.1	171.9
6	OTHER LIABILITIES	699.9	696.5	10,224.6	295.3
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY				

Other businesses		Real Estate		Inter-segment eliminations		Total	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
11.5	12.1	0.2	0.2			691.3	703.2
205.9	154.5	611.8	658.7			1,719.3	1,595.9
						846.0	848.8
34.3	36.0	563.9	521.4	(80.9)	(113.2)	49,084.8	61,214.9
33.1	33.2	561.9	498.7			2,271.4	2,387.8
0.8	1.0					803.8	527.3
						539.6	892.3
0.3	1.4	2.0	7.0	(80.9)	(113.2)	4,489.1	5,049.6
0.0	0.2	0.0	15.8			36,042.7	43,171.7
0.1	0.2					4,938.2	9,186.1
88.0	85.4	15.9	38.2	(49.1)	(48.4)	2,662.8	3,114.4
14.5	28.3	42.4	47.0	(104.5)	(110.1)	11,342.7	1,110.5
						85.0	90.4
14.5	28.3	42.4	47.0	(104.5)	(110.1)	11,257.6	1,020.1
71.4	64.0	106.9	59.3			1,403.6	660.6
425.7	380.2	1,341.1	1,324.8	(234.5)	(271.7)	67,750.4	69,248.4
						6,193.7	6,534.7
8.0	15.9	5.0	5.6			382.3	442.4
						45,757.0	55,816.4
51.0	44.6	327.9	357.7	(81.0)	(113.1)	3,663.0	4,680.7
						1,172.3	2,140.1
51.0	44.6	327.9	357.7	(81.0)	(113.1)	2,490.7	2,540.6
68.7	77.8	37.0	31.2	(42.3)	(51.0)	915.3	864.9
12.9	13.8	12.9	11.2	(111.2)	(107.6)	10,839.1	909.2
						67,750.4	69,248.4

Income statement by business segment

	Amounts in €m	Non-Life business		Life business	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016
1.1	Net premiums	6,955.9	6,871.5	3,446.3	4,686.3
1.1.1	*Gross premiums earned*	*7,380.7*	*7,304.2*	*3,452.7*	*4,694.6*
1.1.2	*Earned premiums ceded to reinsurers*	*(424.8)*	*(432.7)*	*(6.4)*	*(8.3)*
1.2	Commission income	6.6	6.2	28.6	26.0
1.3	Gains and losses on financial instruments at fair value through profit or loss	(29.7)	(74.1)	164.0	115.7
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	5.7	6.0	1.9	11.0
1.5	Gains on other financial instruments and investment property	796.0	820.3	1,290.7	1,349.7
1.6	Other revenue	333.5	275.4	43.8	53.2
	TOTAL REVENUE AND INCOME	8,068.0	7,905.2	4,975.4	6,241.9
2.1	Net charges relating to claims	(4,666.0)	(4,558.4)	(4,170.0)	(5,416.0)
2.1.1	*Amounts paid and changes in technical provisions*	*(4,859.7)*	*(4,770.0)*	*(4,173.5)*	*(5,421.3)*
2.1.2	*Reinsurers' share*	*193.7*	*211.5*	*3.5*	*5.3*
2.2	Commission expenses	(6.8)	(6.3)	(10.9)	(8.5)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(93.2)	(1.8)	(21.2)	(0.7)
2.4	Losses on other financial instruments and investment property	(228.4)	(392.1)	(155.7)	(97.1)
2.5	Operating expenses	(2,026.6)	(2,038.8)	(234.0)	(270.3)
2.6	Other costs	(545.8)	(543.2)	(97.6)	(92.1)
2	TOTAL COSTS AND EXPENSES	(7,566.7)	(7,540.6)	(4,689.5)	(5,884.7)
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	501.3	364.6	285.9	357.2

Other businesses		Real Estate		Intersegment eliminations		Total	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
						10,402.2	11,557.7
						10,833.4	*11,998.8*
						(431.2)	*(441.0)*
						35.2	32.2
0.0	0.0		3.0			134.3	44.7
1.0	0.3					8.6	17.3
0.8	0.9	25.0	37.4	(8.9)	(29.8)	2,103.6	2,178.5
193.6	142.6	36.1	7.2	(66.2)	(52.1)	540.9	426.3
195.5	143.8	61.1	47.6	(75.2)	(81.9)	13,224.8	14,256.6
						(8,836.0)	(9,974.5)
						(9,033.2)	*(10,191.3)*
						197.2	*216.8*
(0.0)	(0.1)	(0.0)	(0.0)			(17.7)	(15.0)
(0.0)	(0.2)		(0.4)			(114.5)	(3.0)
(1.5)	(8.5)	(27.2)	(36.8)	0.5	2.1	(412.4)	(532.4)
(58.6)	(54.4)	(25.5)	(12.0)	13.6	16.0	(2,331.0)	(2,359.4)
(138.3)	(99.4)	(32.4)	(20.7)	61.1	63.8	(752.9)	(691.6)
(198.4)	(162.5)	(85.2)	(69.9)	75.2	81.9	(12,464.6)	(13,575.8)
(2.9)	(18.7)	(24.0)	(22.3)			760.2	680.8

Details of property, plant and equipment and intangible assets

Amounts in €m	At cost	At restated value or at fair value	Total carrying amount
Investment property	2,271.4		2,271.4
Other property	1,482.9		1,482.9
Other tangible assets	236.4		236.4
Other intangible assets	363.5		363.5

Details of financial assets

	Held to maturity Investments		Loans and receivables		Available-for-sale financial assets	
Amounts in €m	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Equity instruments and derivatives at cost					9.1	38.2
Equity instruments at fair value					893.4	605.0
of which listed securities					*696.2*	*436.7*
Debt securities	539.6	892.3	3,712.8	4,172.3	32,927.3	41,109.7
of which listed securities	*507.6*	*748.3*			*32,462.4*	*40,536.4*
UCITS units					2,212.9	1,418.8
Loans and receivables from bank customers						
Interbank loans and receivables						
Deposits with ceding companies			19.1	20.6		
Financial receivables on insurance contracts						
Other loans and receivables			757.2	856.7		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments						
Total	539.6	892.3	4,489.1	5,049.6	36,042.7	43,171.7

Financial assets at fair value through profit or loss				Total carrying amount	
Held-for-trading financial assets		Financial assets at fair value through profit or loss			
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
0.0				9.1	38.2
25.7	12.7	185.6	226.0	1,104.7	843.7
25.7	*12.7*	*185.6*	*226.0*	*907.5*	*675.4*
128.7	137.9	2,997.3	4,525.3	40,305.7	50,837.5
77.1	*90.1*	*2,994.8*	*4,395.0*	*36,041.9*	*45,769.9*
14.1	28.3	935.0	3,596.8	3,162.0	5,043.9
				19.1	20.6
		487.5	454.1	487.5	454.1
				757.2	856.7
60.5	126.4	2.8		63.3	126.4
101.0	0.8			101.0	0.8
			77.9		77.9
330.0	306.1	4,608.2	8,880.0	46,009.6	58,299.8

Details of assets and liabilities relating to insurance contracts where the investment risk is borne by policyholders and arising from pension fund management*

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
Amounts in €m	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Recognised assets	4,218.8	4,611.9	3,804.3	4,255.3	8,023.1	8,867.2
Intragroup assets **						
Total assets	**4,218.8**	**4,611.9**	**3,804.3**	**4,255.3**	**8,023.1**	**8,867.2**
Recognised financial liabilities	1,308.6	1,235.3	483.6	466.5	1,792.2	1,701.8
Recognised technical provisions	2,911.9	3,379.1	3,320.8	3,788.8	6,232.7	7,167.9
Intragroup liabilities **						
Total liabilities	**4,220.5**	**4,614.4**	**3,804.3**	**4,255.3**	**8,024.9**	**8,869.7**

* Including the values of Popolare Vita and The Lawrence Life (in the Balance Sheet these values are recorded under Assets / Liabilities held for sale)
** Assets and liabilities eliminated on consolidation.

Details of technical provisions – reinsurers' share

	Direct business		Non Direct business		Total carrying amount	
Amounts in €m	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-Life provisions	761.1	746.0	34.9	35.2	796.0	781.2
Premium provisions	214.5	186.0	1.8	1.0	216.3	187.0
Claims provision	546.6	560.1	33.1	34.2	579.7	594.2
Other provisions						
Life provisions	44.2	60.6	5.7	7.1	49.9	67.6
Provision for amounts payable	1.1	1.8	0.5	0.1	1.6	1.9
Mathematical provisions	43.2	58.7	5.2	7.0	48.3	65.7
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management						
Other provisions						
Total technical provisions - reinsurers' share	805.3	806.6	40.6	42.2	846.0	848.8

Details of technical provisions

	Direct business		Non Direct business		Total carrying amount	
Amounts in €m	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-Life provisions	14,998.2	14,855.9	221.4	180.3	15,219.6	15,036.2
Premium provision	2,896.5	2,696.3	23.2	12.2	2,919.8	2,708.5
Claims provision	12,049.6	12,142.0	197.9	168.1	12,247.5	12,310.1
Other provisions	52.0	17.6	0.3	0.0	52.3	17.6
including provisions allocated as a result of the liabilityadequacy test						
Life provisions	30,526.6	40,766.6	10.8	13.7	30,537.5	40,780.3
Provision for amounts payable	332.8	377.8	2.1	1.5	334.9	379.3
Mathematical provisions	24,462.4	30,610.3	8.7	12.2	24,471.2	30,622.5
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management	3,715.9	7,167.9			3,715.9	7,167.9
Other provisions	2,015.5	2,610.6			2,015.5	2,610.6
including provisions allocated as a result of the liability adequacy test						
including deferred liabilities to policyholders	*1,912.6*	*2,502.4*			*1,912.6*	*2,502.4*
Total technical provisions	45,524.9	55,622.5	232.2	193.9	45,757.0	55,816.4

Details of financial liabilities

Amounts in €m	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Held-for-trading financial liabilities		Financial liabilities at fair value through profit or loss					
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Equity instruments								
Subordinated liabilities					2,028.1	2,027.3	2,028.1	2,027.3
Liabilities from financial contracts issued by insurance companies			895.5	1,716.0			895.5	1,716.0
Arising from contracts where the investment risk is borne by policyholders			*419.8*	*1,248.3*			*419.8*	*1,248.3*
Arising from pension fund management			*475.7*	*467.6*			*475.7*	*467.6*
Arising from other contracts								
Deposits received from reinsurers					161.7	220.7	161.7	220.7
Financial items payable on insurance contracts								
Debt securities issued								
Payables to bank customers								
Interbank payables								
Other loans obtained					296.0	287.8	296.0	287.8
Non-hedging derivatives	24.7	151.7		12.9			24.7	164.5
Hedging derivatives	252.1	259.6					252.1	259.6
Sundry financial liabilities					4.9	4.8	4.9	4.8
Total	276.8	411.3	895.5	1,728.8	2,490.7	2,540.6	3,663.0	4,680.7

Details of technical insurance items

	31/12/2017			31/12/2016		
Amounts in €m	Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-Life business						
NET PREMIUMS	7,380.7	(424.8)	6,955.9	7,304.2	(432.7)	6,871.5
a Written premiums	7,456.0	(450.9)	7,005.0	7,265.3	(431.0)	6,834.3
b Change in premium provision	(75.3)	26.1	(49.1)	38.8	(1.7)	37.2
NET CHARGES RELATING TO CLAIMS	(4,859.7)	193.7	(4,666.0)	(4,770.0)	211.5	(4,558.4)
a Amounts paid	(5,472.0)	207.9	(5,264.0)	(5,551.1)	223.1	(5,328.0)
b Change in claims provision	488.0	6.4	494.4	665.8	(4.2)	661.6
c Change in recoveries	129.0	(20.6)	108.4	114.1	(7.4)	106.7
d Change in other technical provisions	(4.8)		(4.8)	1.2		1.2
Life business						
NET PREMIUMS	3,452.7	(6.4)	3,446.3	4,694.6	(8.3)	4,686.3
NET CHARGES RELATING TO CLAIMS	(4,173.5)	3.5	(4,170.0)	(5,421.3)	5.3	(5,416.0)
a Amounts paid	(5,018.0)	10.9	(5,007.1)	(4,991.0)	19.7	(4,971.3)
b Change in provision for amounts payable	(7.8)	0.2	(7.6)	397.1	(3.1)	394.0
c Change in mathematical provisions	(2.9)	(7.6)	(10.5)	(1,166.4)	(11.2)	(1,177.7)
d Change in technical provisions where the investment risk is borne by policyholders and arising from pension fund management	869.7		869.7	368.3		368.3
e Change in other technical provisions	(14.6)		(14.6)	(29.3)		(29.3)

Investment income and charges

Amounts in €m	Interest	Other income	Other charges	Realised gains	Realised losses
Balance on investments	**1,556.4**	**352.0**	**(339.6)**	**514.5**	**(211.2)**
a Arising from investment property		79.0	(32.9)	13.8	(2.0)
b Arising from investments in subsidiaries, associates and interests in joint ventures		7.6	(114.4)	1.0	
c Arising from held to maturity investments	33.5		(0.0)		
d Arising from loans and receivables	150.3		(0.0)	1.9	(1.1)
e Arising from available-for-sale financial assets	1,295.7	99.1	(1.8)	426.4	(133.8)
f Arising from held-for-trading financial assets	3.4	88.0	(109.3)	26.1	(40.6)
g Arising from financial assets at fair value through profit or loss	73.5	78.2	(81.1)	45.3	(33.7)
Balance on sundry receivables	**2.8**				
Balance on cash and cash equivalents	**0.8**		**(0.0)**		
Balance on financial liabilities	**(80.8)**		**(1.0)**		
a Arising from held-for-trading financial liabilities					
b Arising from financial liabilities at fair value through profit or loss					
c Arising from financial liabilities	(80.8)		(1.0)		
Balance on payables	**(3.0)**		**(0.1)**		
Total	**1,476.2**	**352.0**	**(340.8)**	**514.5**	**(211.2)**

Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses	Total gains and losses
	Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment		31/12/2017	31/12/2016
1,872.1	241.7	0.0	(160.0)	(116.8)	(35.1)	1,836.9	1,809.5
57.9			(36.5)	(14.5)	(51.0)	6.9	(52.7)
(105.8)				(0.0)	(0.0)	(105.9)	14.2
33.5						33.5	43.8
151.0		0.0		(12.3)	(12.2)	138.8	199.3
1,685.6				(90.1)	(90.1)	1,595.6	1,527.9
(32.3)	68.8		(53.9)		14.9	(17.4)	(82.2)
82.2	172.9		(69.6)		103.3	185.5	159.2
2.8						2.8	2.5
0.8						0.8	0.9
(81.8)	0.2		(36.2)		(36.0)	(117.8)	(105.9)
							2.2
	0.0		(33.8)		(33.7)	(33.7)	(34.4)
(81.8)	0.2		(2.5)		(2.3)	(84.1)	(73.6)
(3.1)						(3.1)	(1.9)
1,790.8	241.9	0.0	(196.3)	(116.8)	(71.1)	1,719.7	1,705.0

Details of insurance business expenses

	Non-Life business		Life business	
Amounts in €m	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Gross commissions and other acquisition costs	(1,745.1)	(1,722.5)	(112.0)	(135.6)
a Acquisition commissions	(1,251.9)	(1,247.5)	(65.2)	(91.4)
b Other acquisition costs	(336.0)	(312.7)	(42.1)	(43.7)
c Change in deferred acquisition costs	(5.7)	(4.2)	2.5	7.6
d Collection commissions	(151.5)	(158.0)	(7.2)	(8.2)
Commissions and profit-sharing received from reinsurers	148.3	126.1	0.4	0.4
Investment management expenses	(75.0)	(81.9)	(42.2)	(44.3)
Other administrative expenses	(354.7)	(360.5)	(80.3)	(90.8)
Total	(2,026.6)	(2,038.8)	(234.0)	(270.3)

Details of other consolidated comprehensive income

Amounts in €m	Amounts allocated 31/12/2017	31/12/2016	Adjustments from reclassification to profit or loss 31/12/2017	31/12/2016
Other income items not reclassified to profit or loss	6.4	(10.5)		
Reserve deriving from changes in the shareholders' equity of the investees	7.7	(4.9)		
Revaluation reserve for intangible assets				
Revaluation reserve for property, plant and equipment				
Gains or losses on non-current assets or disposal groups held for sale				
Actuarial gains and losses and adjustments relating to defined benefit plans	(1.2)	(5.6)		
Other items				
Other income items reclassified to profit or loss	303.9	146.7	(144.9)	(339.0)
Reserve for foreign currency translation differences	1.7	(0.8)		
Gains or losses on available-for-sale financial assets	302.0	186.4	(144.9)	(339.0)
Gains or losses on cash flow hedges	0.2	(38.9)		
Gains or losses on hedges of a net investment in foreign operations				
Reserve deriving from changes in the shareholders' equity of investees				
Gains or losses on non-current assets or disposal groups held for sale				
Other items				
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	310.4	136.2	(144.9)	(339.0)

Other changes		Total changes		Income tax		Balance	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	(0.0)	6.4	(10.5)	0.2	2.8	(0.7)	(7.1)
	(0.0)	7.7	(4.9)			18.4	10.7
		(1.2)	(5.6)	0.2	2.8	(19.0)	(17.8)
						0.0	0.0
0.0	0.0	159.1	(192.3)	(70.0)	84.7	936.7	777.6
	0.0	1.7	(0.8)			4.8	3.1
0.0		157.2	(152.6)	(69.9)	68.7	940.1	782.9
		0.2	(38.9)	(0.1)	16.0	(8.2)	(8.4)
0.0	0.0	165.5	(202.8)	(69.8)	87.4	936.0	770.5

Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level

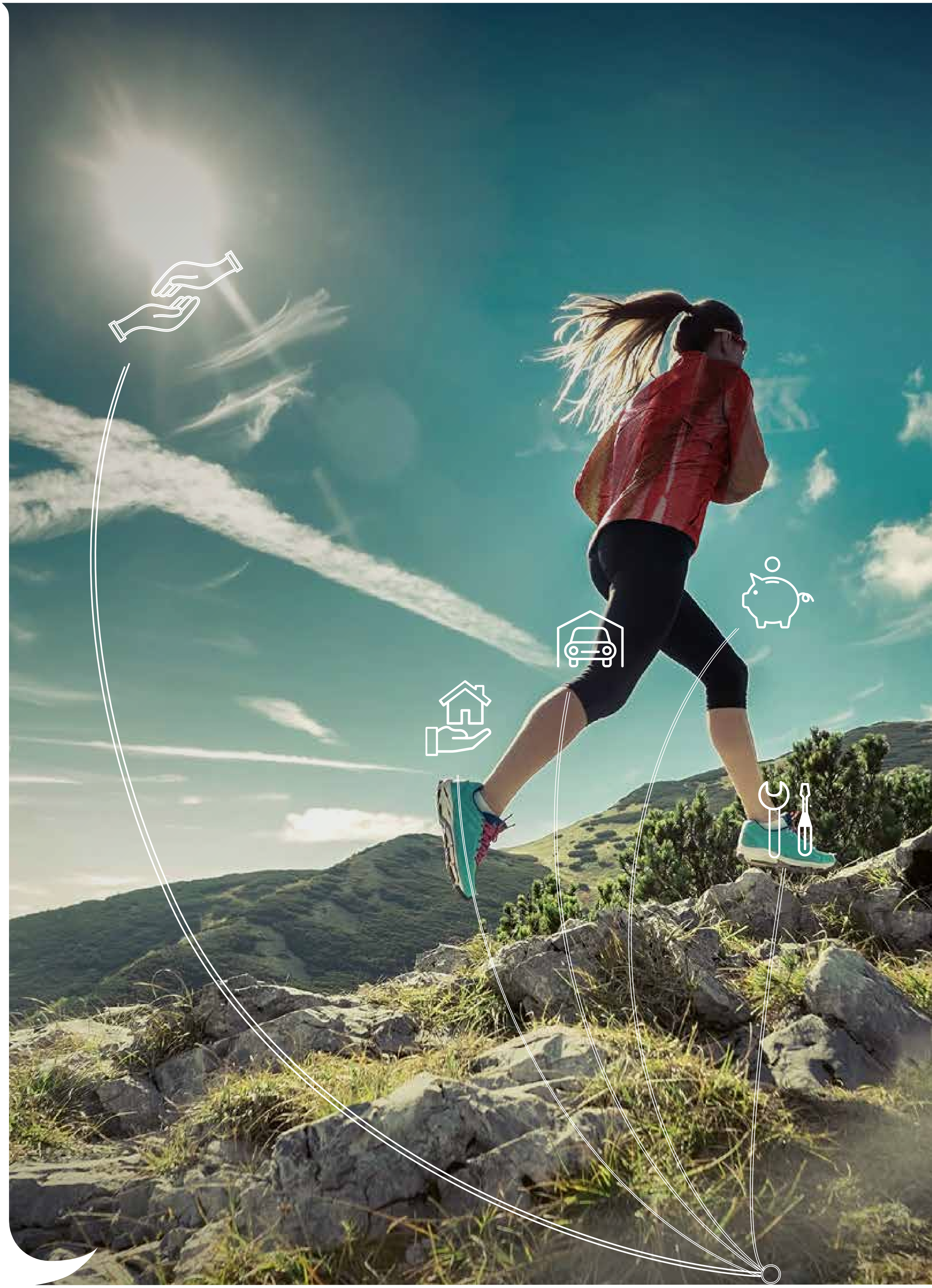
		Level 1		Level 2		Level 3		Total	
Amounts in €m		31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets and liabilities at fair value on a recurring basis									
Available-for-sale financial assets		34,737.3	41,891.7	382.0	495.1	923.3	784.9	36,042.7	43,171.7
Financial assets at fair value through profit or loss	Held for trading financial assets	112.6	125.4	157.0	147.9	60.4	32.8	330.0	306.1
	Financial assets at fair value through profit or loss	4,594.3	8,735.7	11.5	10.2	2.4	134.2	4,608.2	8,880.0
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		*39,444.2*	*50,752.8*	*550.6*	*653.2*	*986.1*	*951.9*	*40,981.0*	*52,357.9*
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	17.3	6.3	252.8	312.6	6.7	92.4	276.8	411.3
	Financial liabilities at fair value through profit or loss					895.5	1,728.8	895.5	1,728.8
Total liabilities measured at fair value on a recurring basis		*17.3*	*6.3*	*252.8*	*312.6*	*902.2*	*1,821.3*	*1,172.3*	*2,140.1*
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of disposal groups held for sale									
Liabilities associated with disposal groups									

Details of changes in level 3 assets and liabilities at fair value on a recurring basis

		Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss	
Amounts in €m	Available-for-sale financial assets	held for trading financial assets	Financial assets at fair value through profit or loss	Investment property	Property, plant and equipment	Intangible assets	held for trading financial liabilities	Financial liabilities at fair value through profit or loss
Opening balance	784.9	32.8	134.2				92.4	1,728.8
Acquisitions/Issues	294.5	14.2						
Sales/Repurchases	(71.7)	(1.1)	(1.4)					
Repayments	(20.3)	(0.0)					(1.1)	
Gains or losses recognised through profit or loss		13.0	(1.4)				(84.6)	
- of which unrealised gains/losses		13.0	(1.4)				(84.6)	
Gains or losses recognised in the statement of other comprehensive income	(41.2)							
Transfers to level 3								
Transfers to other levels	(20.6)							
Other changes	(2.3)	1.6	(128.9)					(833.4)
Closing balance	923.3	60.4	2.4				6.7	895.5

Assets and liabilities not measured at fair value: breakdown by fair value level

	Carrying amount		Fair value							
			Level 1		Level 2		Level 3		Total	
Amounts in €m	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Assets										
Held-to-maturity investments	539.6	892.3	605.8	876.2	32.8	148.1			638.6	1,024.3
Loans and receivables	4,489.1	5,049.6			3,231.8	3,934.6	1,368.8	1,254.1	4,600.7	5,188.6
Investments in subsidiaries, associates and interests in joint ventures	803.8	527.3					803.8	527.3	803.8	527.3
Investment property	2,271.4	2,387.8					2,389.0	2,478.2	2,389.0	2,478.2
Property, plant and equipment	1,719.3	1,595.9					1,861.6	1,686.8	1,861.6	1,686.8
Total assets	**9,823.1**	**10,453.0**	**605.8**	**876.2**	**3,264.7**	**4,082.6**	**6,423.2**	**5,946.4**	**10,293.6**	**10,905.2**
Liabilities										
Other financial liabilities	2,490.7	2,540.6	1,390.3	1,268.4			1,189.0	1,159.5	2,579.3	2,427.9



05

STATEMENT
ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-*TER* OF CONSOB REGULATION NO. 11971/1999

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-ter, CONSOB REGULATION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned, Carlo Cimbri, as designated Chairman, and Maurizio Castellina, as Manager in charge of financial reporting of UnipolSai Assicurazioni S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the administrative and accounting procedures for preparation of the consolidated financial statements for the period 1 January 2017-31 December 2017.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the consolidated financial statements for the year ended 31 December 2017 is based on a process defined by Unipol Gruppo S.p.A., inspired by the COSO Framework (Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission and, as regards the IT component, by the COBIT Framework (Control Objectives for IT and related technology), internationally recognised as the reference standards for the implementation and evaluation of internal control systems.

3. It is also certified that:

   3.1 the consolidated financial statements at 31 December 2017:
   - were prepared in compliance with the International Accounting Standards recognised in the European Community in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002, Legislative Decree 38/2005, Legislative Decree 209/2005 and applicable IVASS measures, regulations and circulars;
   - correspond to the book results and accounting records;
   - are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer and of the consolidated companies;

   3.2 the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer and of the consolidated companies, together with a description of the main risks and uncertainties to which they are exposed.

Bologna, 22 March 2018

The Chairman
Carlo Cimbri

Manager in charge
of financial reporting
Maurizio Castellina

(signed on the original)

06

SUMMARY
OF FEES FOR THE YEAR FOR SERVICES PROVIDED BY THE INDEPENDENT AUDITORS

Summary of fees for the year for services provided by the Independent Auditors (Art. 149-duodecies of Issuer's Regulation)

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	2,340
Attestation services	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	609
Other professional services	PricewaterhouseCoopers S.p.A.	UnipolSai S.p.A.	40
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	UnipolSai S.p.A.	54
Other professional services	TLS Associazione Professionale di Avvocati e Commercialisti (Professional Association of Lawyers and Accountants)	UnipolSai S.p.A.	
Total UnipolSai			**3,043**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	647
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	254
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	77
Attestation services	PricewaterhouseCoopers SpA	Subsidiaries	15
Other professional services	TLS Associazione Professionale di Avvocati e Commercialisti (Professional Association of Lawyers and Accountants)	Subsidiaries	
Total subsidiaries			**992**
Grand total			**4,035**

(*) fees do not include any non-deductible VAT nor charged back expenses

UnipolSai Assicurazioni S.p.A.

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Share capital
€2,031,456,338.00 fully paid-up
Bologna Register of Companies
Tax and VAT No. 00818570012
R.E.A. No. 511469

A company subject
to management and coordination
by Unipol Gruppo S.p.A.,
entered in Section I of the Insurance
and Reinsurance Companies List
at No. 1.00006
and a member of the
Unipol Insurance Group,
entered in the Register of
the parent companies – No. 046

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