2017 Integrated Consolidated Financial Statements

Next to everyday life.

Unipol
GRUPPO

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Unipol Gruppo SpA

Annual Integrated Report

and Consolidated Financial Statements 2017

NEXT TO EVERYDAY LIFE

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, to their security and their plans, attentive to the protection of their savings while favouring sustainable and balanced community development.

Close to people and to businesses as well, which we support in assessing risks that are becoming increasingly dependent on new weather trends.

Close to our country's economy, as proactive players in the area of development and supporting our artistic and cultural heritage, our social sphere and Italian sports as a point of reference for the younger generations.

Whether it's an insurance policy or a hotel room, welfare or savings, real estate or products from our farms, we always work with the same philosophy. Innovative, widespread, accessible.

Next to everyday life.

Company bodies

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

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

Contents

Letter from the Chairman 8

Letter from the Chief Executive Officer 9

1.Annual Integrated Report 11

Consolidated Non-Financial Statement pursuant to Italian Legislative Decree n. 254/2016 12

Annual Integrated Report preparation criteria and methods 14

Group Highlights 18

The Unipol Group 20

- Significant events during the year and after 31 December 2017 20
- Unipol Group Vision, Mission and Values 22
- The creation of value 24
- Activities and sectors 39
- Identity profile 41

Risks and opportunities 46

- Macroeconomic background and market performance 46
- Main regulatory developments 50
- Future orientation in the use of capital 53

Governance 57

- Corporate Governance 57
- Internal Control and Risk Management System 59
- Capital requirements 66
- Remuneration system and incentives 67

Business Model 70

Other information 107

- Transactions with related parties 107
- Solvency II solvency position 108
- Report on corporate governance and ownership structures pursuant to Art. 123-bis of Legislative Decree 58 of 24 February 1998. 108
- Ethics Report 109
- Business outlook 110

Summary chart of non-financial information 112

Glossary 114

2. Consolidated Financial Statements at 31 December 2017 119

Tables of Consolidated Financial Statements 119

Statement of Financial Position 120

Income Statement 122

Comprehensive Income Statement 123

Statement of Changes in Shareholders' equity 124

Statement of Cash Flows (indirect method) 125

3. Notes to the Financial Statements 127

1. Basis of presentation 129

2. Main accounting standards 134

3. Notes to the Statement of Financial Position 160

4. Notes to the Income Statements 175

5. Other Information 182

- 5.1 Hedge Accounting 182
- 5.2 Information relating to the actual or potential effects of netting agreements 182

5.3 Earnings (loss) per share 184
5.4 Dividends 184
5.5 Non-current assets or assets of a disposal group held for sale 184
5.6 Transactions with related parties 186
5.7 Fair value measurements – IFRS 13 190
5.8 Share-based compensation plans 193
5.9 Non-recurring significant transactions and events 193
5.10 Atypical and/or unusual positions or transactions 193
5.11 Criteria to determine the recoverable amount of goodwill with an indefinite useful life (impairment test) 194
5.12 Notes on Non-life business 197
5.13 Notes on Life business 200
5.14 Risk Report 2017 of the Unipol Group 201

4. Tables appended to the Notes to the Financial Statements 221

Consolidation scope 222
Consolidation scope: interests in entities with material non-controlling interests 228
Details of unconsolidated investments 228
Statement of financial position by business segment 232
Income statement by business segment 234
Details of property, plant and equipment and intangible assets 236
Details of financial assets 236
Details of assets and liabilities relating to insurance contracts where the investment risk is borne by policyholders and arising from pension fund management 238
Details of technical provisions – reinsurers' share 238
Details of technical provisions 239
Details of financial liabilities 240
Details of technical insurance items 241
Investment income and charges 242
Details of insurance business expenses 244
Details of the consolidated comprehensive income statement 244
Details of reclassified financial assets and their effects on the income statement and comprehensive income statement 246
Assets and liabilities at fair value on a recurring and non-recurring basis: breakdown by fair value level 248
Details of changes in level 3 financial assets and liabilities at fair value on a recurring basis 249

5. Summary of fees for the year services provided by the Independent Auditors 253

6. Disclosure as Parent of the Unipol Banking Group 257

7. Statement on the Consolidated Financial Statements in accordance with art. 81-Ter of Consob regulation 11971/1999 277

Letter from the Chairman

For over 20 years, the Unipol Group's non-financial reporting has been an essential tool for the transparent management of relations with stakeholders. With this experience and knowing that increasing the level of awareness makes for trusting relationships and, consequently, also market confidence, the Group has welcomed from the outset the proposal to establish regulatory requirements on non-financial reporting and has actively participated in the various consultation stages. 2017 was the first year that environmental, social and governance (ESG) reporting, for companies such as ours, has gone beyond voluntary.

Convinced that these elements represent the founding aspects for a company's generation of value and that to educate the market to take them into consideration it is important to speak the language of analysts and investors, in the places and ways they frequent, we have chosen to integrate the Non-Financial Statement, pursuant to Decree n. 254/16, into the Integrated Management Report.

For us, this is the only fundamental report that demonstrates the degree of integration to which the consideration of ESG aspects has been reached in our strategy, procedures and practices, as well as allowing our stakeholders to learn of the impact generated by our activities.

We also believe it is important to place the Non-Financial Statement in the overall model adopted by the organisation for planning, development and management of its activities so that it becomes part of a continuous improvement process rather than mere compliance with a regulatory requirement. For this reason, too, in this report we have chosen to further emphasise the assessment of our participation in the UN's 2030 Agenda for Sustainable Development Goals, considering the entry into force of the European Directive to be the perfect opportunity to stimulate businesses' competitive spirit in achieving the 2030 Agenda, in relation to which Italy has launched a major social movement, through ASVIS, that has also involved local public administrations with the Bologna Charter as well as seeing the businesses adopt the Milan Pact.

Pierluigi Stefanini

Letter from the Chief Executive Officer

For an Insurance Group, "Risk" management lies at the heart of its activities in business and social terms. The concept of Risk is highly varied and constantly changing, in relation to changes brought about by technological transformation, climate change and the overall evolution of our company.

The issue of climate change, for example, is one of those crucial topics debated by governments, institutions and businesses. The latest edition of the Global Risk Report presented at the World Economic Forum in Davos clearly illustrates the evolution seen in the risk culture of such phenomena. For those in the insurance business, this means extending your capabilities so as to identify, prevent and manage new risks to which your role needs to adjust.

In this respect, it is interesting to note that, over the last five years, social and environmental risks have overtaken economic risks in all the specific rankings, both in terms of their likelihood and their impact. The "ESG" dimension - environmental, social and governance - has taken on its own economic values and, consequently, has become strategic. It is therefore indispensable for businesses to report on these issues in compliance not only with the key accounting principles (completeness, comparability, etc.), but also with the "more sustainable" principles associated with the concept of intangible assets, suitably covered in regulations on Non-Financial Statements.

In such a fast and integrated world, in fact, it is important that both the investors and the companies they are investing in can understand the impacts and connections between a business and its stakeholders, but it is even more important that the company becomes aware of all this from within, and is ready to manage the potential risks and seize upon the business opportunities that could arise.
For this reason, during the year the Unipol Group implemented and leveraged a number of activities and tools it has developed over the years (for example, the UrbanUp urban requalification processes, or the integration of ESG principles into finance), outlining new solutions where necessary and adopting a Sustainability Policy to summarise them all.

This Integrated Report seeks to provide a wealth of information for all those operating in and with the Unipol Group, allowing a better interpretation and assessment of our capacity for creating value, in the broadest sense, that is sustainable and long term.

Carlo Cimbri


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01

ANNUAL
INTEGRATED REPORT

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

By this Report, the Group complies with the requirements of Italian Legislative Decree 254/2016 on non-financial reporting, in implementation of European Directive 2014/95.

To the extent necessary to ensure understanding of the Group's activities, performance, results and the impact it generates, the following issues are covered:

- environmental;
- social;
- human resources;
- human rights;
- fight against corruption

which, taking into account the Group's activities and characteristics, are material on the basis of the materiality matrix adopted.

The above issues are therefore reported in the Group's Annual Integrated Report, in accordance with Guidelines of the International <IR> Framework and in compliance with current regulations.
The scope of reporting of non-financial information, in line with what is required by Decree 254/2016, coincides with that of the Consolidated Financial Statements, i.e., it includes the companies consolidated line-by-line for financial reporting at 31 December 2017. The reporting area is consistent with the scope specified above, with the exception of the data relating to the environmental impacts that relate only to the properties located in Italy and data relating to the material topic of "regulatory compliance", which relates only to the Group's Italian companies. This exclusion is not significant to understand company activities, business trends and results and the impact the company generates.

The non-financial reporting indicators are defined in compliance with the "G4 Sustainability Reporting Guidelines" issued in 2013 by the Global Reporting Initiative (GRI). For the gathering and processing of data in the Integrated Report, a dedicated IT system (SapSuPM) was used in order to ensure traceability of the data gathering and consolidation process.

To facilitate traceability within the document, the following table was prepared and, to promote improved usability of the non-financial information subject to publication, these are clearly identifiable in this Report also through use of the following infographic: NFS

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

Issue indicated in Italian Legislative Decree 254/2016	Italian Legislative Decree 254/2016	Page reference in the Annual Integrated Report	SDGs *
Material topics	Art. 3, par. 1	P. 16-17: "Annual integrated report preparation criteria and methods" - "Material topics" P. 53-56: "Future orientation in the use of capital"	
Organisation and management model	Art. 3, par. 1a	P. 18-19: "Group highlights" P. 39-40: "The Unipol Group" - "Activities and sectors" P. 41-45: "Identity profile" P. 57-65: "Governance" - "Corporate Governance" - "Internal control and risk management system" P. 70-72: "Business model" - "Insurance" and "Banking"	
Business policies, results, indicators	Art. 3, par. 1b	P. 8-9: "Letter from the Chairman and Letter from the Chief Executive Officer" P. 53-56: "Future orientation in the use of capital" P. 59-65: "Governance" - "Internal control and risk management system" P. 24-25: "The Creation of Value" P. 70-72: "Business model" - "Insurance" and "Banking" P. 31-35: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" P. 36: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" P. 30-31: "The impacts generated by the Unipol Group" - "Satisfaction of security and social well-being requirements"	
Main risks	Art. 3, par. 1c	P. 16-17: "Annual integrated report preparation criteria and methods" - "Material topics" P. 53-56: "Future orientation in the use of capital" P. 59-65: "Governance" - "Internal control and risk management system"	
Energy resources, water resources, emissions	Art. 3, par. 2a Art. 3, par. 2b	P. 36-38: "The impacts generated by the Unipol Group" - "Contribution to reducing the effects of climate change" P. 56: "Future orientation in the use of capital" - "Climate change"	
Impact on the environment, health and safety	Art. 3, par. 2c	P. 32-34: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers" P. 70-71: "Business model" - "Insurance" P. 28: "Capital performance" - "Human capital" - "Mobility" P. 36-38: "The impacts generated by the Unipol Group" - "Contribution to reducing the effects of climate change" P. 36: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" P. 56: "Future orientation in the use of capital" - "Climate change"	
Human Resource management and gender balance	Art. 3, par. 2d	P. 27-28: "Capital performance" - "Human capital" P. 43-45: "Identity profile" - "Human resources" P. 67-68: "Governance" - "Remuneration system and incentives"	
Respect for human rights	Art. 3, par. 2e	P. 22-23: "Unipol Group Vision, Mission and Values" P. 109: "Ethics Report" P. 36: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" P. 53: "Future orientation in the use of capital" - "Instability and Polarisation" P. 32-34: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers"	
Fight against corruption	Art. 3, par. 2f	P. 22-23: "Unipol Group Vision, Mission and Values" P. 56-65: "Governance" - "Internal Control and Risk Management System" P. 70-72: "Business model" - "Insurance" and "Banking" - "Complaints management"	
Reporting standard adopted	Art. 3, par. 3, 4 and 5	P. 14-17: "Annual integrated report preparation criteria and methods"	
Diversity among members of the administration bodies	Art. 10, par. 1a	P. 57-58: "Governance" - "Corporate Governance" P. 67-68: "Governance" - "Remuneration system and incentives"	

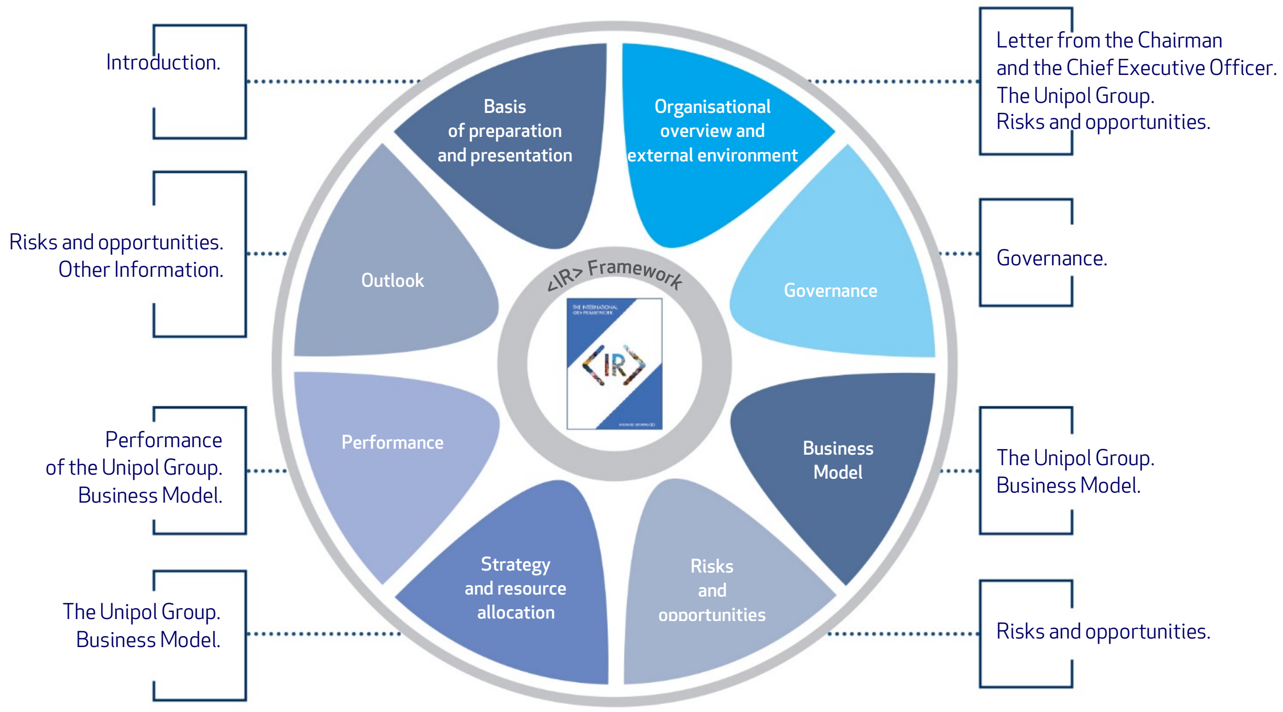
* For greater details of the Sustainable Development Goals (*SDGs*), reference should be made to the Glossary and to the website http://asvis.it/ for an up-to-date overview of their relationship to the business models of companies in Italy.

ANNUAL INTEGRATED REPORT PREPARATION CRITERIA AND METHODS

The “Annual Integrated Report” (or “Integrated Report”) aims to integrate the information contained in the traditional financial statements with an account of environmental, social and governance performance, within a single document that illustrates the business model on the basis of an analysis of different types of capital, so as to represent the factors that materially impact the capacity to generate value. Thus represented, the creation of value implies not only the commitment to protect the company’s assets and profitability, but also to protect the safety of people and their belongings, in addition to the dedication to protecting savings and promoting sustainable and balanced development in the communities in which Unipol operates.

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

Framework Content



Stakeholder engagement tools and processes NFS

In 2017, in line with its history, the Group consolidated its capacity to interact and dialogue with stakeholders to respond to essential, concrete needs, as well as improve its service capacity and make its operations accessible and transparent.
To this end, the processes launched in 2016, such as RepTrack and NetPromoterScore, were consolidated with further fine-tuning of the principles of dialogue and engagement in the new agency mandate signed at the end of 2017.

LISTENING/ENGAGEMENT

Stakeholders	Channels	Issues
EMPLOYEES	Focus Group	Construction of the materiality matrix
	Shareholders' meetings and trade union meetings	Regulatory, economic and support conditions
	#ilfuturo in gioco workshop	Identity profile
	Dinners with top management	Strategic objectives
	Intranet Community Platform	Training, Services and Utility
	Annual survey based on the Rep Trak® model	Reputation
SHAREHOLDERS	Shareholders' meeting	Performance and trends
	Periodic reporting	Performance and trends
	Website and social media	Performance and trends
CUSTOMERS	Individual interviews and Surveys	Construction of the materiality matrix
	Periodic Customer Satisfaction Index surveys	Listening and customer satisfaction levels
	Net Promoter Score	Customer experience assessment
	Website and social media	Products and services mix
	Annual survey based on the Rep Trak® model	Reputation
AGENTS	28 meetings with the Agent Group chairmen 30 Operations work groups 45 Technical Committees 6 Agent Groups	Strategic objectives and improvement of decision-making processes Product development Business initiatives
	Focus Group	Construction of the materiality matrix
	Business Roadshow	Results and Objectives Action Plan Business reliability
	Network satisfaction monitoring survey	Satisfaction and loyalty
	Annual survey based on the Rep Trak® model	Reputation
SUPPLIERS AND BUSINESS PARTNERS	Individual interviews	Construction of the materiality matrix
	Partnerships	Research and Innovation
	Suppliers portal	Management, Selection, Periodic Assessment and Monitoring
COMMUNITY	Individual interviews with NGOs	Construction of the materiality matrix
	Interviews with interest protection associations	Construction of the materiality matrix
	Partnerships with universities	Recruitment, Research and Innovation
	Annual survey based on the Rep Trak® model	Reputation
FINANCIAL COMMUNITY	Meetings with Investors	Strategy and Performance
	Questionnaires to SRI rating agencies	Sustainability Strategy and Performance
	Meetings with sector associations	Sector issues
	Annual survey based on the Rep Trak® model	Reputation
INSTITUTIONS	"Derris" project	Public-private partnership on damage from climate change
	"Welfare, Italia" project	Advocacy on White Economy opportunities
	Issue-specific meetings with the legislator and regulators	Legislation and Regulations
	Annual survey based on the Rep Trak® model	Reputation

Key: Inclusion Listening

Material topics NFS

The work done to analyse and select the content was particularly imprinted with the principle of materiality, as described in the GRI-G4 standard and as envisaged in Italian Legislative Decree 254/2016, with the objective of marking out the topics with regard to which, on the one hand, the interests and expectations of the stakeholders toward the Group and, on the other, the strategic priorities of the Top Management are concentrated. At the same time, the topics identified are consistent with the IIRC guidelines, which define as material those topics which significantly impact the organisation's capacity to create value in the short, medium and long term.

The analysis was started by building a 'tree' of sustainability topics important for the sector and for the company, starting with analyses emerging from the Unipol Group's Reputational & Emerging Risk Observatory using the meeting point methodology.
The order of the topics was determined according to two evaluation measurements: strategic importance for the Group and importance perceived by the stakeholders.
The Strategic importance for the Group was identified with one-to-one interviews with the Senior Executives of the Unipol Group and of UnipolSai and of the main insurance and banking Companies.
The relevance perceived by stakeholders was determined on the basis of the evidence gathered by listening to and discussing activities with the Group's stakeholders, designed specifically for understanding the business opportunities associated with the Sustainable Development Goals (SDGs) promoted by the United Nations. In particular, the following were involved in the period 2014-2016:

- individual customers (natural persons), through "CAWI" questionnaires (Computer Assisted Web Interviewing);
- business customers (legal entities), suppliers, community representatives, through individual interviews;
- employees and agents, through local focus groups.

In a rapidly changing context, however, the materiality of the issues is also determined by the emergence of important trends that are changing society and the market, as well as the insurance business itself, regardless of the willingness and awareness of stakeholders, which a company cannot avoid taking into account when identifying its material issues. The trends considered were identified (hybrid consumer, human society, etc.) in the Group's Emerging and Reputational Risks Observatory, using the methodology described in the "Future orientation in the use of capital" section of the chapter on "Risks and opportunities".
For this reason, in addition to the materiality matrix the figure below also shows the summary map of interconnections between the 11 emerging trends and the 23 material issues, in order to highlight the materiality of the issues identified not only in terms of the perception today of the management group and stakeholders, but also in the medium term, thereby giving the materiality matrix a more strategic and less contingent dimension.
At the same session, in line with the commitment assumed in the Sustainability Policy to support achievement of the Agenda 2030 SDGs, it was decided to connect these emerging trends with the UN objectives so as to show how the emerging risks to which Unipol is exposed are at the same time those underlying the 2030 Goals.
The approach summarised here represents the interpretational model adopted in the Integrated Report for discussing the reporting issues, related risks, and the social and environmental impact generated.

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

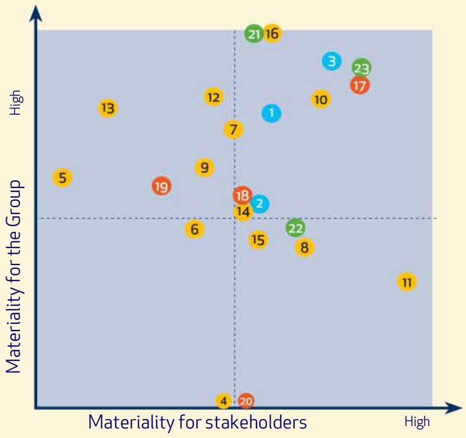
For greater consistency and transparency in connecting commitments-goals and expected results, it was considered to assign the same time horizon to the Matrix for less extraordinary events as in the Integrated Three-Year Plan. For this reason, a new cycle of engagements is envisaged between 2018 and 2019 at the time of preparing the next Plan.

The figure below shows the connections between the materiality of the topics for the Unipol Group and the significant trends that are changing insurance companies, the market and the business, even beyond the horizon of the Business Plan.

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

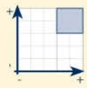
NFS

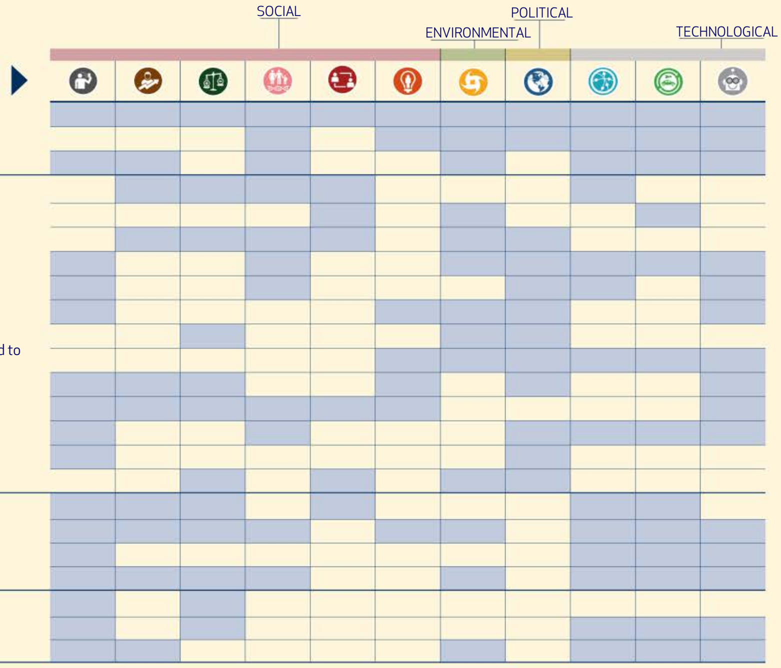
The materiality matrix



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

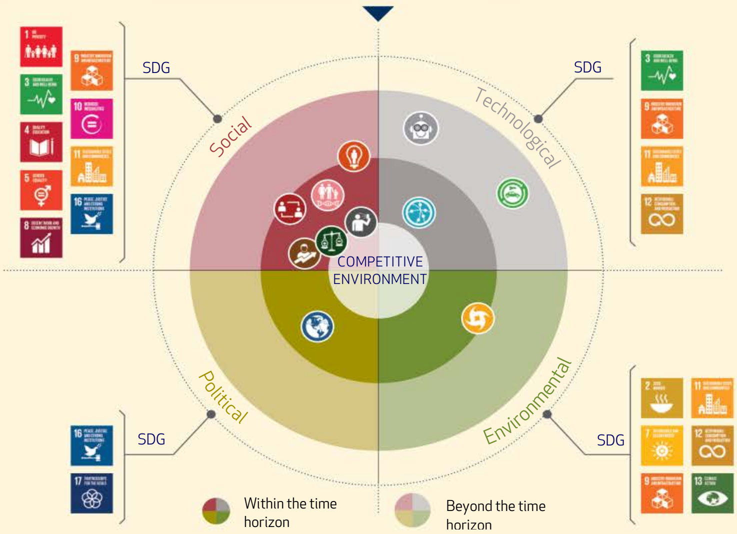
The survey area represented in the chart corresponds to the quadrants expressing the highest levels of materiality in absolute terms for the Group and for stakeholders.



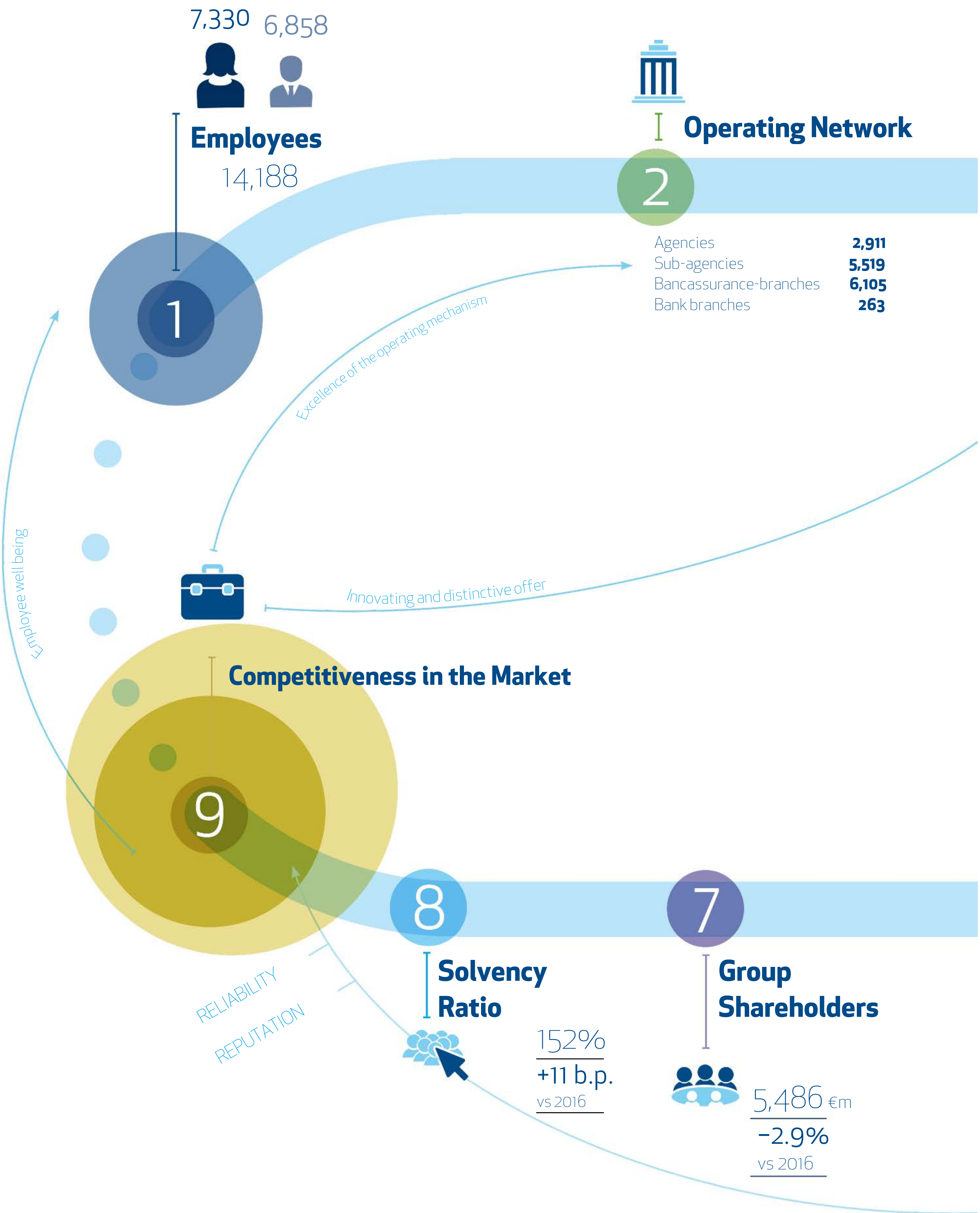


1. Product innovation
2. Partnerships
3. After-sales customer service
4. Financial inclusion
5. Reducing and optimising the corporate impact
6. Relations with the local community
7. Risk management, risk and control culture
8. Transparency and clarity in the shareholding and governance structure
9. Farsightedness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

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



GROUP HIGHLIGHTS



3 Customers and Policyholders

INDIVIDUALS
13.9 milion

LEGAL ENTITIES
1 milion

4 Performance

PREMIUMS	€m	Var. on 2016
Not Life direct insurance	7,867	0.7%
Life direct insurance	4,424	-36.8%
-of which Life investment products	*606*	*-13.1%*
Direct insurance premiums	**12,291**	**-17.0%**
Bank direct customer deposits	**12,008**	**14.0%**

INDEX	2017	2016
Loss Ratio Danni – net of reins	69.0%	68.1%
Expense Ratio Danni – net of reins	27.4%	27.5%
Combined Ratio Danni – net of reins	96.4%	95.6%
APE pro-quota Gruppo (€mln)	422	484
Expense Ratio Vita – net of reins	5.8%	4.1%

5

	€m	Var. on 2016
Investment and cash and cash equivalents [1]	**81,924**	**-2.0%**
Technical provisions [1]	**62,461**	**-2.6%**
•Non Lfe	15,461	-2.5%
•Life	47,000	-2.6%
Financial liabilities [1]	**17,304**	**2.4%**

Group profit
-169 €m

Normalized Result[*]
+655 €m

6 Valore for Shareholders [*]

ROE	8.4%
EPS	0.63
BVPS	8.76

[1] Values before reclassification, pursuant to Ifrs 5, of Popolare Vita and The Lawrence Life:
- Investiment and cash and cash equivalents 10,277 €m
- Technical provision Life 9,035 €m
- Financial liabilities 904 €m

(*) operating figures before *one-off adjustment* relating to the Banking sector restructuring plan

THE UNIPOL GROUP

Significant events during the year and after 31 December 2017

JAN

On **11 January 2017** the **Senior Bond Loan 5% 2017** issued by Unipol was repaid.

On **20 January 2017 the new partnership** was announced between UnipolSai Assicurazioni and Ducati Corse for the **2017 MotoGP World Championship.**

FEB

On **7 February 2017**, IVASS authorised use of the **Partial Internal Model** in the determination of the solvency capital requirement for the companies UnipolSai and Arca Vita with effect from 31 December 2016.

JUN

29 June 2017 - Launch of the project for streamlining the Unipol Group's insurance sector through Unipol's disposal to UnipolSai of its investments in UniSalute (98.53%) and Linear (100%) for €715m and €160m, respectively. These disposals were finalised on 16 November 2017.
The project also envisages Unipol's disposal to UnipolSai of the investment in Arca Vita (63.39%), if the conditions to do so are satisfied. *(Please refer to the chapter on Unipol Group Performance for a more complete illustration of the project).*

29 June 2017 - Launch of the banking sector restructuring plan, through transfer by means of proportional partial spin-off of Unipol Banca in favour of a newly established company of a company complex inclusive, inter alia, of a portfolio of bad and doubtful loans, gross of valuation reserves, for an amount of roughly €3bn.
(Please refer to the chapter on Unipol Group Performance for a more complete illustration of the project)

On **29 June 2017**, the UnipolSai Board of Directors resolved on the **termination of the Distribution Agreement in place with Banco BPM** and the consequent exercise of the put option pertaining to the entire equity investment held by UnipolSai in Popolare Vita (50% plus one share). On 14 November 2017, the independent expert set the sale price at €535.5m.

NOV

On **8 November 2017** the **strategic partnership** with the BPER Banca Group and Banca Popolare di Sondrio in the Life and Non-Life bancassurance sector was extended to 2022 through Arca Vita, Arca Vita International and Arca Assicurazioni.

From **6 to 17 November 2017**, Unipol Gruppo attended the **United Nations Climate Change Conference** (COP23, the 23rd annual Conference of the Parties) in Bonn, Germany, for its best practices in terms of resisting climate change**.**

On **29 November 2017** Unipol issued a 10-year **bond loan for €500m** with the following characteristics: issue price equal to 99.842%, coupon of 3.50%, maturity in November 2027 and listed on the Luxembourg Stock Exchange.

DEC

On **4 December 2017, Finsoe, the controlling entity of Unipol, finalised its total spin-off** to 18 newly established beneficiary companies with legal effects from 15 December 2017. As a result of the spin-off, each former Finsoe shareholder became the owner of 100% of the share capital of each beneficiary company which, in turn, holds a portion of the Unipol shares previously held by Finsoe. On the same date, the majority of the beneficiary companies signed a Shareholders' Agreement affecting 30.053% of Unipol shares. At the time of the spin-off, Unipol was assigned the newco UnipolPart, holder of 2,259,773 Unipol shares.

On **12 December 2017** UnipolSai obtained extension to the Previdenza line of its **Certification of compliance for product transparency, fairness and value** from the Bureau Veritas. This recognition came after the certification obtained in 2016 for the entire Investment range of UnipolSai Life Products. This was therefore 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.

On **20 December 2017** UnipolSai renewed its **partnership with CONI**, the Italian National Olympic Committee, and launched the **new "Young Italy Team".** UnipolSai and the Italian National Olympic Committee presented the new Young Italy Team, a team of young athletes created by the company and captained by Federica Pellegrini, standard-bearers of Italian sport's excellence and values in the world. Added to the 5 existing team members were Arianna Fontana (short track speed skater and flag bearer at the 2018 Winter Olympics in PyeongChang), Riccardo Bagaini (athletics), Italy's fastest young paralympics hope, and Simone Giannelli (volleyball), young setter for the Italian national volleyball team. The **Main sponsorship** was also renewed for the three-year period 2018-2020. The agreement, ratified following a public tender for the insurance sector that closed on 18 December, is based on continuing the positive, prestigious and mutual endorsement of the UnipolSai brands and CONI that began in January 2015.

2018

10 January 2018 - 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 (page xx) 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**".

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.

On **16 January 2018**, 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**.

20 January 2018 - UnipolSai Assicurazioni was included in the MSCI Europe ESG Leaders: recognition of its environmental, social and governance practices.

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**.

On **2 February 2018, UnipolSai** published the **update to the EMTN Programme** for a maximum nominal amount of €3bn (established on 14/6/2014), as part of which on **22 February 2018** a **subordinated bond loan was placed for €500m**, targeting qualified investors only. The loan, qualifying as Tier 2 own funds for Solvency II purposes, was issued on **1 March 2018** with the following characteristics: €500m principal, maturing March 2028, 100% issue price, coupon of 3.875% with a benchmark rate spread of 274.5 basis points, listed on the market regulated by the Luxembourg Stock Exchange.

Unipol Group Vision, Mission and Values NFS

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

VISION

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

MISSION

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

Our Sustainability Path

1993 – Publication of the first Unipol Assicurazioni Social Statement.

2008 – Approval of the Charter of Values.

2009 – Formation of the Ethics Committee within the Board of Directors and approval of the Code of Ethics.

2010 – Approval of the First Three-Year Sustainability Plan along with the 2010-2012 Business Plan.

Our Core Values are expressed in our Charter of Values and outlined in the Code of Ethics as behavioural principles towards the various stakeholders.

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

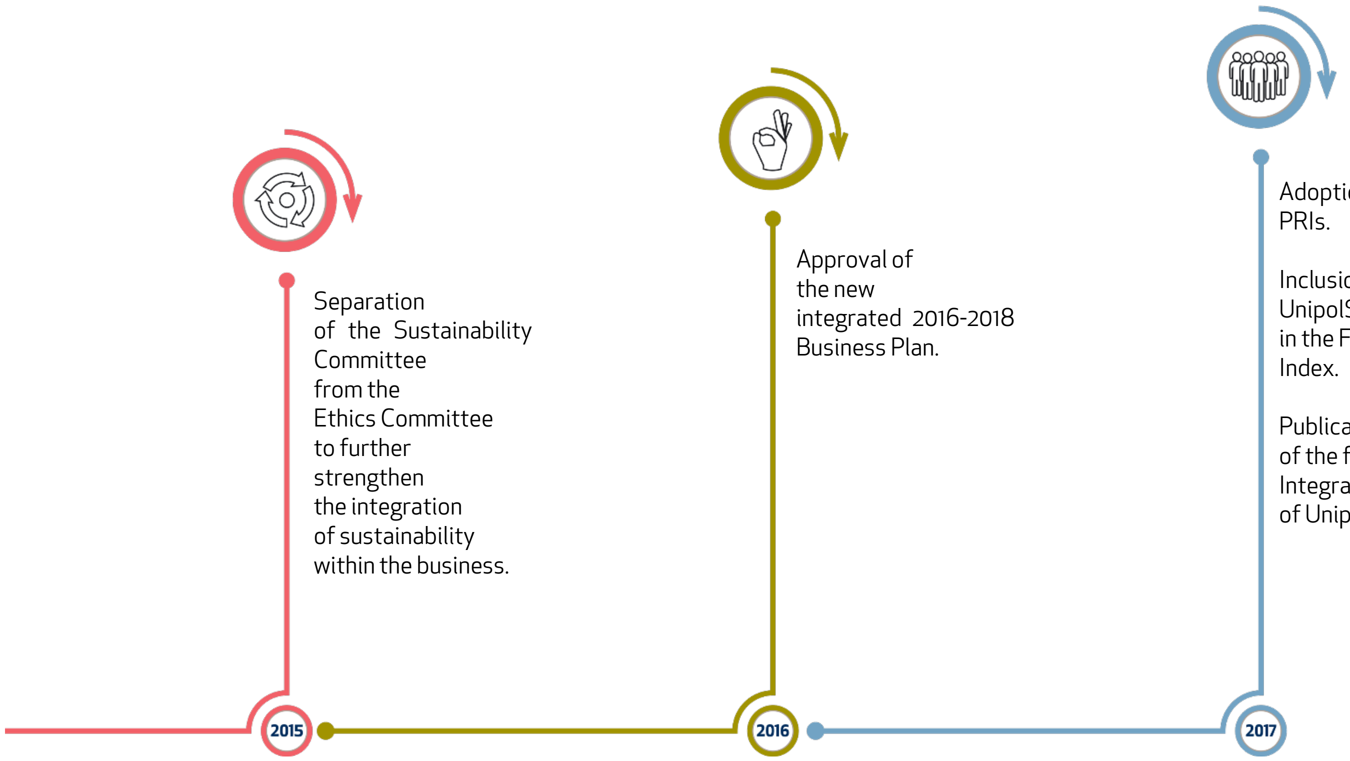
The Sustainability Policy, inspired by the Sustainable Development Goals and the Global Compact principles commits the company to respect for:

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

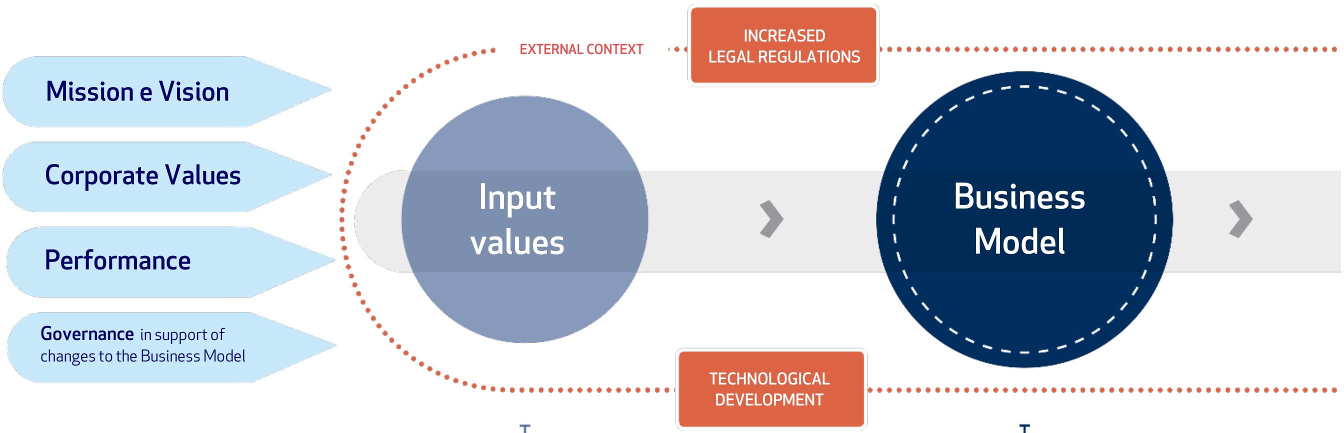
Our core values

- *Accessibility*
- *Farsightedness*
- *Respect*
- *Solidarity*
- *Responsibility*

Various employee engagements were carried out in 2017 to define the Values and Mission of Identity Principles that aid behavioural consistency and support the corporate culture.



The creation of value



Within an external context of rising complexity, the Unipol Business model supports the strategic policies of the 2016-2018 Business Plan, focused on the core insurance business, by leveraging the excellence and distinctive factors of the Group.
The Values that have continuously characterised Unipol's presence within the Italian insurance market and have accompanied its path of growth are at the basis of its strategic decisions.
The solutions it offers to customers are based on a model for the creation of value which entails the use of quantitatively and qualitatively characterised capital to obtain output capital consistent with Business Plan objectives.
Its market conduct has significant positive external effects, impacts that can be recognised by stakeholders, and drives the well-being of the communities in which the Group operates.
2017 saw the conclusion of the second year of the Group Strategic Plan, with reference to which action has been taken in line with the predefined objectives.

Financial capital

Direct insurance premiums: €12.3bn.
210 investors met from America, Asia and Europe.

Productive capital

Widespread network of 2,911 agencies, 263 Unipol Banca bank branches, 6,105 bancassurance branches of affiliated banks, 81 motor settlement centres throughout the country.
Real estate assets: 19 management offices.
€52.4m invested in ICT infrastructure and advanced telematics instruments.

Intellectual capital

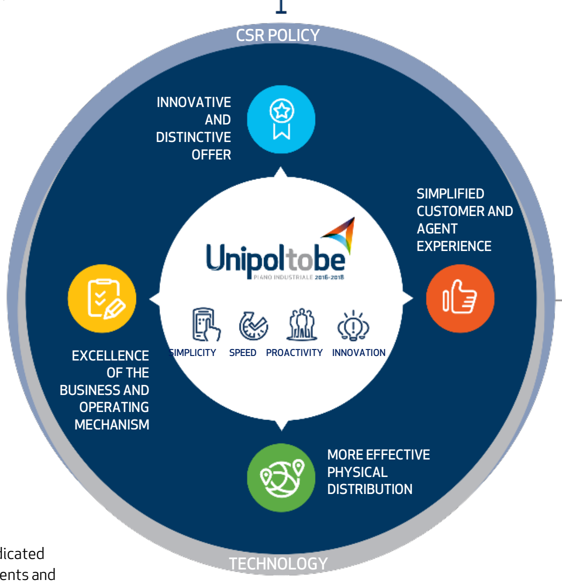
Business and technological know-how for the development of products and services.
Advanced software and applications.
Telematic management of data supporting the business and agency assistance.
Distinctive processes and procedures for the selection and management of networks of authorised repair shops,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

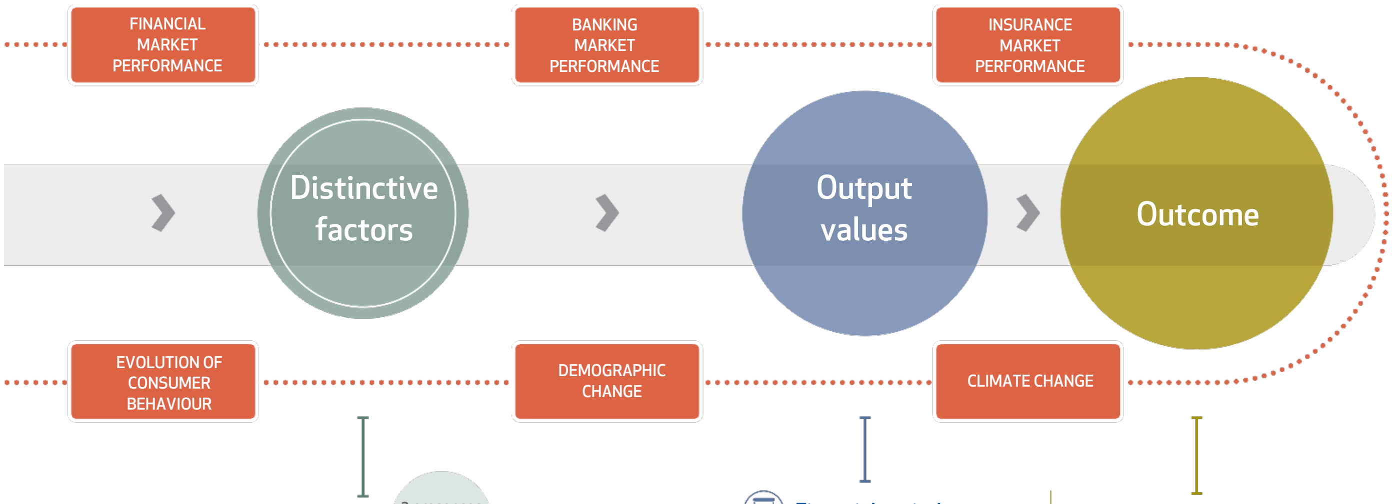
Human capital

Academy with 1,222 catalogue courses, dedicated to training 14,188 employees and 33,027 agents and partners in the primary network in Italy.

Social and Relational Capital

14.9 million customers and policyholders.
Consolidated Network of more than 53 thousand partners in the integrated services chain.
Continuity of the ownership structure.





Financial capital

Capital strength.
Prudent financial management.
Balance between premiums and bank loans.
Tax Responsibility.
Net profit for the year.
Asset management property.

Productive capital

Efficient network in an integrated multichannel model.

Intellectual capital

Product innovation.

Process innovation.

Business tools innovation.

Increasing awareness and knowledge of insurance and financial matters.

Expansion of the use of services.

Human capital

Growing knowledge, skills and professionalism.

Employee well-being.

Social and relational capital

Customer satisfaction.

Benefits from the integrated network.

Assistance service speed.

Opinion of financial analysts.

> Satisfaction of security and social well-being requirements.

> Equity in the distribution of the value created.

> Increase in trust and attractiveness for stakeholders.

> Support and promotion of sustainable companies through investment decisions.

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

> Contribution to reducing the effects of climate change.

Capital performance

Financial Capital

As an insurance and banking Group, Unipol's capital management strategy focuses on structurally sustaining financial returns in the medium and long term by means of policies that allow for the maintenance of an adequate level of solvency.
In 2017 the Unipol Group reached a **Solvency II ratio** (standard formula with the use of USP - Undertaking Specific Parameters) **of 1.52** (1.41 in 2016).
Furthermore, the Group calculated a solvency ratio for 2017 equal to 1.69 (1.61 in 2016) based on economic capital[1], and adopted a *Risk Appetite* assessment based on an *enterprise risk management* approach that considers all current and projected risks to which it is exposed.
In quantitative terms, the Group's *Risk Appetite* is determined on the basis of the following elements: capital at risk, capital adequacy and Liquidity/ALM ratios.
Quality objectives are also defined in reference to compliance, strategic, emerging, reputational and operational risks.
As part of its banking business, the Group recorded a **ratio of loans to bank direct customer deposits of 65.85%** (81.43% in 2016) and a **Common Equity Tier 1 (CET1) ratio of 31.5%.**

By means of prudent management again in 2017, the Unipol Group continued to diversify its investment *asset allocation* and maintain a stable level of liquidity sufficient to meet the operational requirements of the Group Companies.

Productive Capital

Investments in ICT (Information and Communications Technology) infrastructure and in advanced telematics instruments were aimed, inter alia, at the design of new products to integrate the black box with Big Data platforms in the KM&Servizi 2ruote, Casa&Servizi, Cane&Gatto and Impresa&Servizi products. In addition, the implementation of innovative distribution channels continued through the review of digital platforms to make information more accessible to customers, such as the new company websites and the area reserved for customers, as well as the inclusion of new app functions such as the option of opening and monitoring claims.

Intellectual Capital

The Unipol Group guarantees care and protection for businesses and households by providing products and services that also meet new insurance and banking needs.
Investments in innovation support the development of analysis models and the use of advanced analytics, to process and interpret Big Data, also through the involvement of innovative start-ups and research networks.

In particular in 2017, the monitoring of innovation processes to add distinction to the product mix continued by extending the integrated service model to new products; outsourcing of the Group's entire telematic portfolio to **AlfaEvolution**; testing of additional telematics devices for health and safety; development of predictive analysis in **Leithà;** the offer of non-insurance solutions in the health sector for the management of Corporate Welfare Plans and for the management and monitoring of chronic diseases by **UniSalute Servizi**, as well as through the testing of new non-insurance products and services integrated with the UnipolSai product mix.

The most significant innovations include, in particular, UnipolSai GO, the first micro-insurance that can be subscribed in real-time via smartphone and the Unica Policy with MV included that offers access to private leasing.
As regards the increased use of digital instruments to simplify the customer and agent experience, with a view to boosting network efficiency within an integrated, multi-channel model, the new mobile sales process, digitised from subscription up to signing of the contract and electronic payment of the premium.

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

[1] Economic capital is the measure of capital absorbed determined based on the principles and models applied in the Partial Internal Model and valid for operating purposes

Human Capital NFS

To achieve the strategic objectives envisaged for 2018, the Unipol Group makes use of various levers inherent in human capital, ranging from training to organisational model simplification, from development plans to contractual harmonisation.
With respect to training, the strengthening of internal skills supports the service model evolution plan. It is for this purpose that Unica was founded, the Unipol Group's **Corporate Academy**, with an investment in direct and indirect training of €15.2m (direct investments for employees and agents amounted to €6.2m, whilst indirect investments totalled roughly €9m), focusing on professional and skills training for all Unipol Group structures in Italy. The goal is to spread and increase knowledge and share the managerial model while strengthening the corporate culture. Overall, **926 thousand training hours** were completed, of which **75%** by the agency network and **25%** by employees.

857
Courses for employees

8,830 employees
through classroom and webinar training

46%
of open positions filled by internal candidates

59% **41%**

228,533
Total training hours completed

The learning content, in line with the Business Plan objectives, was of a technical nature, commercial, managerial and in-house tutor training. Note in particular the Management and Development course for partners (Masters and Advanced) targeting all 1,800 Group managers, with the aim of developing and enhancing skills in the role of manager, encouraging the creation of a common resource management style. For agents, the IMA Masters course is included in a managerial development path to provide learning tools capable of promoting innovation.

As a subscriber to the **Pact4Youth** initiative, the Group has also activated a young Masters course involving new graduates, recruited by the Group and selected through a national-level competition for a two-year course that integrates classroom learning with in-the-field training to promote new human capital and support young people's entry to the professional world.

Career enhancement is primarily through significant recourse to internal mobility, a solution adopted many years ago. This allows the company to satisfy most of its staffing needs, enhancing in-house professionalism and offering the chance to seize upon new job opportunities consistent with skills and aspirations.

The **development actions** include different tools to monitor and evaluate the professional abilities and skills available within the Group. Forming part of this scenario is the "Next Generation Programme", dedicated to graduates under 35 years of age who have already gained professional experience in the Group. This course saw the involvement of around 420 young employees, 90 of which were selected for an ad hoc career enhancement path through group dynamics useful to effectively measuring skills alongside development action. In order to actively promote internal growth, the "Back Bone" process was implemented to identify high-potential individuals with skills strategic to the organisation, fuelling promotion plans and enabling suitable training and organisational levers.

In addition, and even more strategically important to meet the need for new skills and new organisational models, the process of consolidating digital and innovative skills among the human capital continued through the recruitment of 46 new figures (of which 22 from internal and intercompany mobility) that enhanced the Leithà, AlfaEvolution, Digital Innovation and Unica business areas.

With the goal of improving the well-being of its employees, the Unipol Group invests in the development of work-life balance programmes and initiatives, thereby making it easier for employees to work, decreasing the risk of stress and protecting personnel throughout the lifecycle. The initiatives range from assistance in caring for relatives (frangibility) to the MaaM training course (Maternity as a Master) for new parents.

To support occupational health and safety, aside from routine activities such as workplace inspections (more than 480 in 2017 compared to over 650 in 2016), health monitoring and activities linked to properly following reference laws, voluntary health monitoring activity and work-related stress assessment continued in accordance with the INAIL 2017 Guidelines and the current **Health and Safety Management System** manual inspired by the **BS OHSAS 18001:2007** standard.

With regard to accidents in the workplace, the total number of accidents (233) was slightly higher than in 2016 due to the increase in accidents in transit (178), versus a slight decrease in workplace accidents. On the issue of safety, basic training courses have been available for some time to the insurance and banking sector companies operating in Italy. These courses were completed by 10,795 employees and 158 managers. Refresher courses are also available for employees on the basis of frequencies established by regulations. For the companies operating in Serbia, safety training focused on first aid and firefighting, involving 591 attendees for a total of 1,335 training hours provided. In the diversified companies, employee training focused strongly on occupational health and safety: in 2017, 747 employees were trained for a total of 7,715 training hours.

13 Pension Funds

85%

percentage of employees enrolled in the Pension Fund

€61m

total contributions made

19 Assistance Funds

93%

percentage of employees enrolled in the Welfare Fund

€25.6m

total contributions made.

The welfare system encompasses institutions existing for many years, such as the employee pension funds and the healthcare assistance funds.
More than 12,100 employees, including managers, are enrolled in the Pension Funds, while the Group's Assistance Funds have more than 13,100 participants, including managers.

Mobility: considering the complex distribution of the Group throughout the country, it has made a particular commitment to promoting sustainable mobility. In 2017, the Home-to-Work Travel Plan was extended to 10 cities to cover around 40 offices. This allowed the implementation of a management system common to the various entities and consolidation of the sustainable mobility action, such as increased use of public transport and conference calls, the use of carpooling, the identification of mobility cycle action, investment in infomobility and training sessions on safe driving for employees most at risk, as well as other activities designed to achieve the objective.

Development activities have been companied by an in-depth review of company processes, roles and procedures so as to increase speed, simplicity and proactivity. All activities with an impact on employees and the organisation of work were discussed with the trade unions.
This model of **union relations** led to the use during the contractual renewal phase in 2017 of zero hours of strikes (vs. almost 32 thousand hours in 2016), 196,304 hours of union leave (2% less than in 2016) as well as the organisation of 88 union meetings (+57% on 2016) for a total of 13,427 hours (a decrease of 26% compared to 2016).

In the banking sector, recourse to the Solidarity Fund as envisaged in the previous Business Plan was implemented and completed, and a new agreement on access to the Solidarity Fund was signed. The arrangement for renewing the Supplemental Corporate Agreement was also formalised, envisaging improvements in terms of healthcare assistance and the structural definition of a variable company bonus in compliance with new regulations on welfare.
The agreement adopted by the Group for the insurance companies was renewed in 2017.

All of this contributes to increasing the share of "ambassadors[2]" amongst employees, currently standing at 30% and so exceeding the 2016-18 Plan objective of 25%.

[2] see the Glossary for the definition.

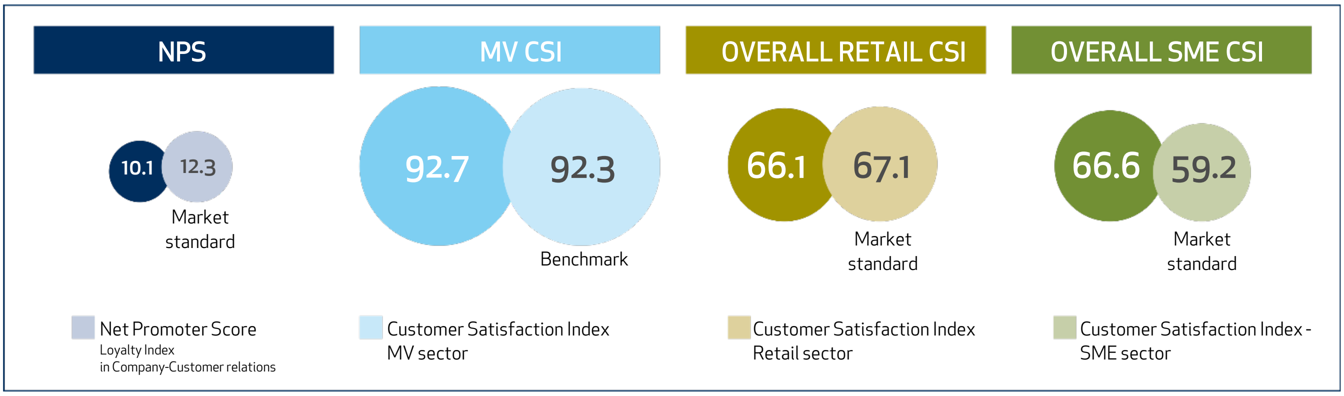
Social and Relational Capital

The capacity to engage, manage, control and help to grow the network of partners in the chain - who accompany the customer by providing solutions, not only compensation, for the damages suffered - is fundamental in the internalisation of the service model, which represents a distinctive element of Unipol's business model.
2017 saw the extension of the networks, in particular, for the medical centres and medical booking services that provide support to the settlement of personal injury claims.

This validity of the model is confirmed in the results of the **customer satisfaction and loyalty surveys**. Amongst the elements that were most appreciated is recourse to telematics for settlements, which constitutes another element characterising the Unipol Group's social and relational capital, making the process more objective and reliable while also speeding up timing, and therefore reducing any inconvenient delays.
The NPS customer satisfaction index was positive once again in 2017, though slightly lower than in 2016. Promoters exceeded detractors by 10 points and confirm the growing importance of correct claims handling support, a trend
that is obvious both in the MV TPL market as a whole and in UnipolSai. In 2017, UnipolSai also constructed an internal NPS detection process that correlates the service provision processes with customer satisfaction. The model, designed to seek opportunities for internal improvement, is currently active on 17 processes with 21 points of contact with customers. After the involvement of 26 thousand customers, 14 improvement actions were identified and adopted, but above all a growing attention to what the customer has to say in order to optimise processes and procedures.
Reputation amongst customers was also confirmed as good, at 73.2.

The relational capital created is also growing within the market, with positive opinions from financial analysts: eight buy recommendations and two neutrals have been issued for Unipol shares. Of note among these in 2017 were the prestigious new coverage launched by J.P. Morgan, with a positive recommendation for Unipol and a neutral for UnipolSai. In 2017, there were no negative ratings.

Customer satisfaction surveys



The impacts generated by the Unipol Group NFS

Satisfaction of security and social well-being requirements

€11,109m
payments to policyholders
(-0.8% compared to 2016)

€1,005m
loans disbursed
(+31% compared to 2016)

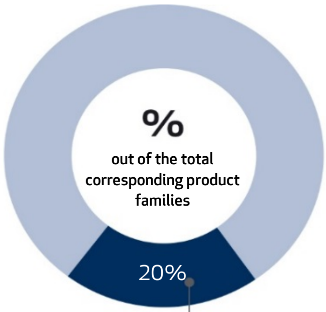
Unipol's leadership position, particularly in the Non-Life and Pension Funds segments, is in and of itself an important response to the increasingly significant welfare and security needs arising in the communities in which the Group carries on business.

One element characterising the Group's offer is **the integrated pension and social/healthcare assistance model**, to guarantee adequate tools and resources to residents to support their needs during old age in light of declining benefits from public pensions and the simultaneous increase in needs for healthcare services due to the ageing of the population.
The year-on-year penetration of welfare (Life and Health) coverage for Italian citizens reached 8.4% in 2017. The 2018 objective is to reach penetration of 10%.

In the Life Business, despite the difficult competitive environment, the Unipol Group plays a key role in all forms of supplementary pension schemes dedicated to employees and other workers, managing assets of €3,509m for 367,353 enrolees of the Occupational Pension Funds. As regards the Open Pension Funds, it manages €908m (+3% compared to last year) for 44,442 enrolees. In addition, a total of 102,906 people participate in personal pension funds and individual pension schemes, and there are 87,744 insured through the Pre-existing Pension Funds. As regards pension plans, the "Protezione Etica" segment, one of the four segments of the Unipol Insieme Open Pension Fund, invests in a diversified portfolio of primarily bonds and marginally equity instruments in the Eurozone which are fully managed according to ESG (*Environmental, Social and Governance*) criteria. The relative *assets* amount to €77.9m, down 5% compared to 2016, equal to 8.5% of the assets of the corresponding pension segment.

Note that UnipolSai has continued action to obtain Life Product Certification to ensure compliance with the values of transparency (complete, understandable and traceable information), fairness (clear and balanced cost) and product value (protection of capital and selected investments). The certification authority, Bureau Veritas, has in fact confirmed compliance with these values through the correct adoption of the "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. In 2017 UnipolSai's product certification was extended to the Previdenza range of products. This recognition came after the certification obtained in 2016 for the entire Investment range of products.
In order to improve the adequacy of Life product sales, a special IT advisory tool has been developed for the Agents.

The Group's commitment to supporting the SDGs (Sustainable Development Goals) takes shape first and foremost in its offering of products with a particular environmental and social slant, as seen in the following table where premiums from the sale these types of policies are allocated on the basis of the goal they are expected to reach.
In addition, the guarantees underlying such premiums are associated with emerging trends identified for the Group, in that they represent an initial and partial Group response to these risks to transform them into business opportunities.
In 2017, premiums from these types of policies reached €1,776m, 20% of total premiums from the corresponding product families (up one percentage point on 2016). The underlying products respond to immigration and multi-cultural trends, as well as the evolving composition of nuclear families, loss of spending power of the most vulnerable segments of our society, unemployment and unstable employment.



SDG	Trends	%	Premiums	SDG	Trends	%	Premiums
1 NO POVERTY	INSTABILITY AND POLARISATION HUMAN SOCIETY 2.0 SHARING ECONOMY	52.8%	€937m	3 GOOD HEALTH AND WELL-BEING	HUMAN SOCIETY 2.0 WELL BEING	29.2%	€518m
7 AFFORDABLE AND CLEAN ENERGY	CLIMATE CHANGE	0.5%	€9.7m	8 DECENT WORK AND ECONOMIC GROWTH	INSTABILITY AND POLARISATION HUMAN SOCIETY 2.0 NEW SKILLS	0.2%	€4.2m
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	INSTABILITY AND POLARISATION HYBRID CONSUMER CLIMATE CHANGE	12.6%	€224m	10 REDUCED INEQUALITIES	INSTABILITY AND POLARISATION HUMAN SOCIETY 2.0 NEW SKILLS	0.2%	€3m
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	WELL BEING	4.4%	€77.9m	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	INSTABILITY AND POLARISATION NEW FRONTIERS	0.1%	€1.7m

The Unipol Group products of particular social and environmental importance are integrated by banking products and services. In environmental terms, the loans refer to energy upgrading works on buildings and renewable energy infrastructures, including distributed energy, for a total loans value at 31 December 2017 of €88m, of which €54m agricultural loans.
Various initiatives were also established at social level, in particular for affidavits and financing of personal service infrastructures (burial, health, sport) for a total value of €28m in loans outstanding at the end of 2017. Lastly, note the loans granted to **"Libera Terra" cooperatives** for the management of land and assets confiscated from mafia organisations, coordinated by the Libera Terra Consortium. In this respect, the total value financed was €3.2m, of which €2.1m of funding used at 31 December 2017. The €4.6m in loans granted to **working buyout** and **cooperative start-up** projects were also particularly significant.

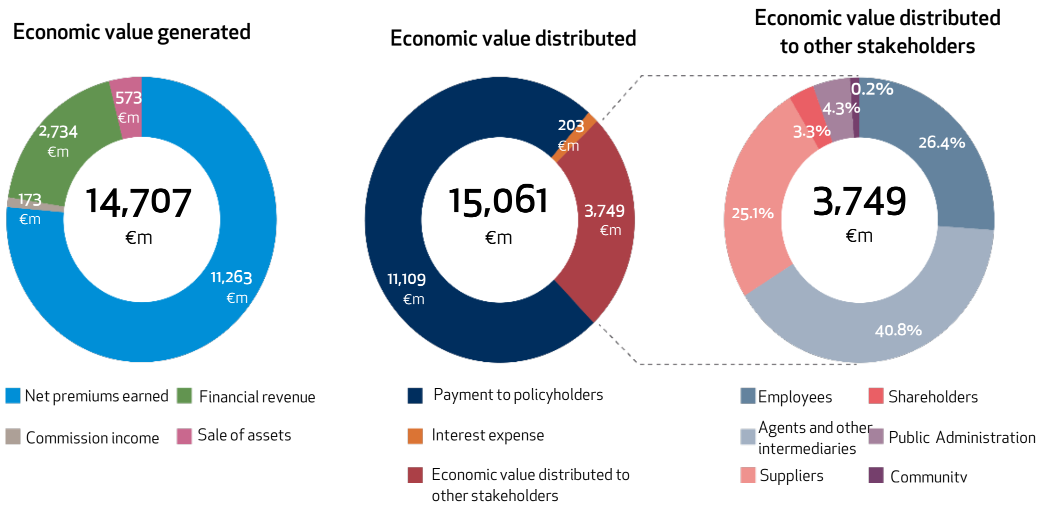
For the large corporations, the focus on satisfying security needs translates into the capacity to build innovative solutions for emerging risks that could cause deep crises with major repercussions on employment. Coverage for reputational damage, developed in 2017, is in this respect emblematic in that it involves the valuation of intangible assets using forecasting models that are new to the insurance world.

Equity in the distribution of the value created

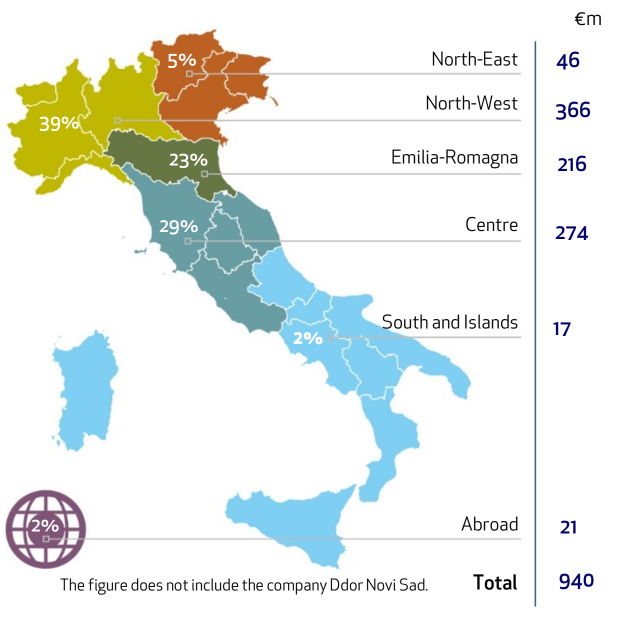
The fair distribution of the overall value generated by the business to stakeholders, value that they themselves contributed to producing, is represented in accordance with the model laid out in the EC1 standard of the Global Reporting Initiative, GRI G4, which was adapted to the reality of the Group's core insurance and banking business.

The "Direct economic value generated" components of the EC1 standard are taken from the Consolidated Income Statement of Unipol Gruppo. In particular, sales revenue was identified as premiums earned and commissions accrued.
The value generated in 2017 was distributed to banking and insurance customers in the form of claim payments and interest expense, and to other stakeholders as shown below.

Economic value generated and distributed



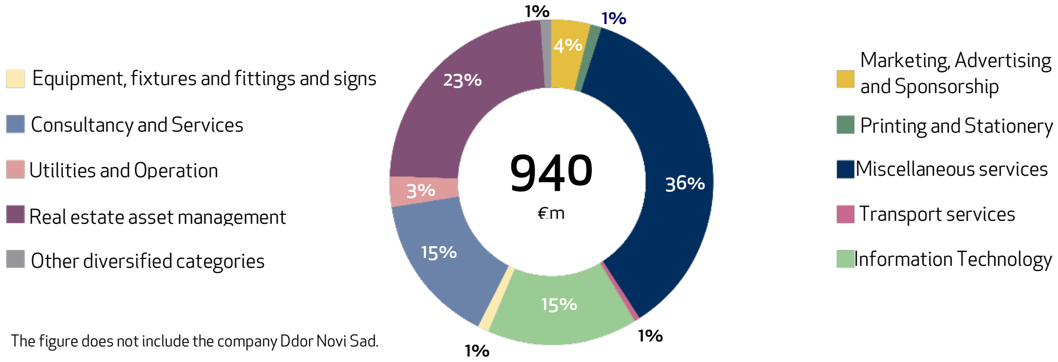
Value disbursed to suppliers by area



The figure does not include the company Ddor Novi Sad.

At the end of December 2017, the Group traded with roughly 7,000 companies. Overall, 98% of expenditure for supplies was in Italy.
The Group's Purchasing policy is meant to favour the creation of measurable value in the development of synergies and integration opportunities in risk management, cost containment and the limitation of social and environmental impacts. From this perspective, the Unipol Group operates by implementing supply assessment and measurement procedures based on transparency, fairness and reliability.

Breakdown of suppliers



The figure does not include the company Ddor Novi Sad.

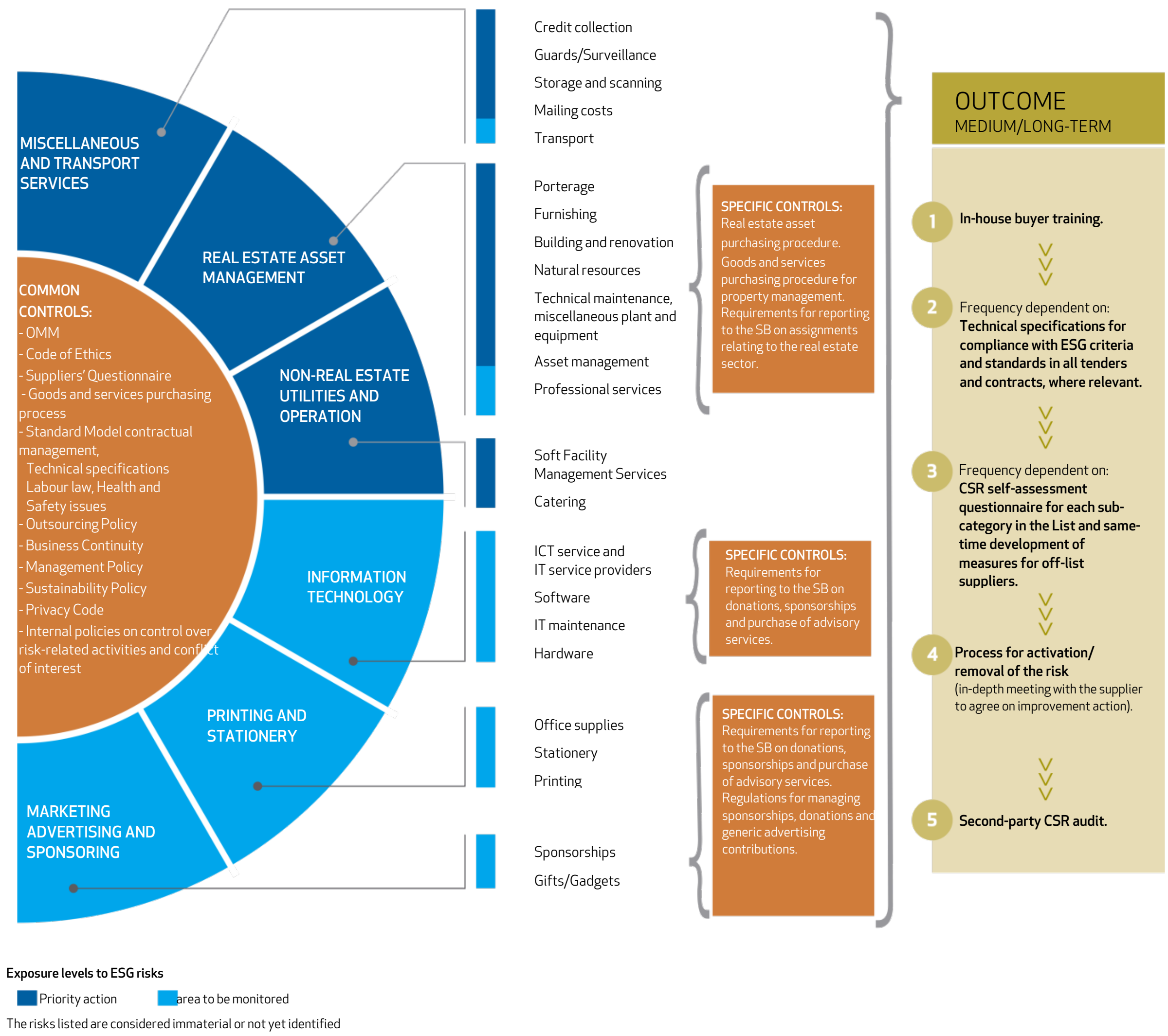
The Group's suppliers are regularly and accurately surveyed, monitored and selected with a view to establishing partnerships and long-term relationships that take shape in the **Supplier Portal** where, aside from highlighting economic and financial capacities and technical/organisational characteristics, the process also provides information to guarantee regulatory/legal compliance. This translates into commitments by the same suppliers to fight against all forms of discrimination, comply with anti-corruption measures, occupational safety regulations, current laws and National Labour Agreements and ensure to the Group that they have enacted the necessary protections which govern the assignment of activities to external individuals/businesses.

In 2017 the Group launched its own model for the reduction of environmental, social and governance (ESG) risks along the entire supply chain. The ESG risks identified according to UN *Global Compact* principles (Labour, Human Rights, Anti-corruption and Environment) were mapped for each product category, assessing the existing exposure and level of control. The risk and control mapping, regularly updated, led to the identification of twenty-four sub-categories that are high-risk for the Unipol Group in ESG terms. Within the high-risk sub-categories, a limited number of sensitive suppliers[3] was identified, to which the tools envisaged in the ESG risk management system will be applied. The tools, from self-assessment questionnaires to technical specifications for compliance with ESG criteria and second-party audits, will be implemented at year end in such a way as to make them gradually systematic for all purchases managed by the Group Purchasing Department.

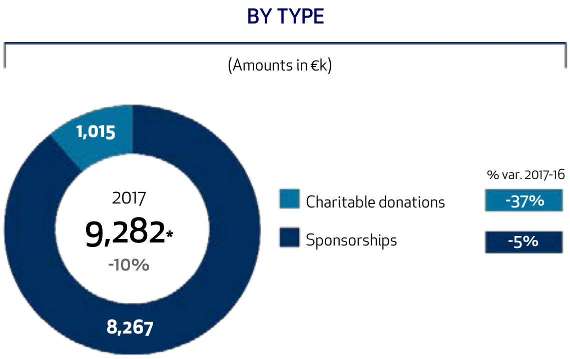
The chart below illustrates the role covered by the ESG risk management system with respect to the supply chain in the context of the sustainability strategy implemented by Unipol and the Group's responses to the UN SDGs, in particular the goals to ensure dignified employment and economic growth (Goal 8) and to maintain responsible consumption and production models (Goal 12).

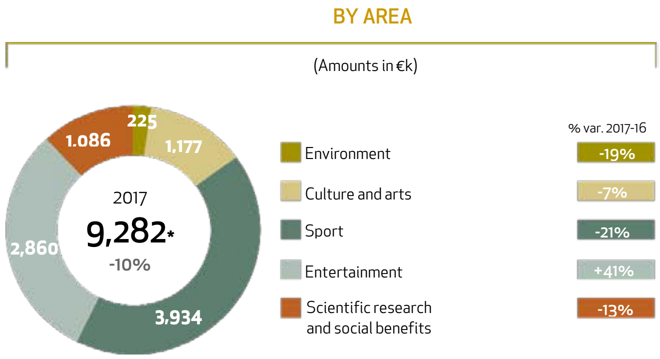
[3] suppliers identified as having a high-level reputational risk for Unipol Gruppo, due to their preferential relations associated with the brand or the type of product/service they offer.

The ESG risk management system in the supply chain



Contributions to the community





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

The Unipol Group stands out due to its deep roots in and focus on the community, and its continuous and significant **support of the areas** in which it operates. This support takes the form of various types of contributions in areas ranging from culture and arts, to the environment, scientific research and social benefits, to sports and *entertainment*, as governed by the relative policy.
In 2017, the contribution to the community came to €9.2m, down 10% and corresponding to an average contribution per employee of €655. Added to this are the more innovative action models with logic based on impact, such as the €1.6m investment for renovation of the public spa in Petriolo, located in property owned by the Group but used as a "Communal Asset" in partnership with Italia Nostra through a community investment process.

Increase in trust and attractiveness for stakeholders

Reputation represents the social and relational capital par excellence, especially for an insurance company, for which trust is a fundamental element of business development.
The reputational value of the Unipol Group in terms of public opinion, on the basis of the Reputation Institute's Rep Trak® analysis model, is confirmed to be higher than the 2017 sector average of 67.7 (on a scale of 1-100). The average monthly readings of public opinion in 2017 remained around the **69.0** level for the Unipol Group, a value that expresses a **"moderate" reputational performance**. The 2018 objective is to reach the "strong" level (equal to a minimum value of 70 out of 100).

The Group's main company, UnipolSai, has improved its relational capital amongst agents, as shown in the Reputation score among agents which reached 79.8 and by the **sentiment indicator** surveyed annually by Innovation Team (Mbs Consulting Group). The latter is a summary indicator that expresses the degree of network satisfaction with and loyalty to the Company and positioning with respect to the market benchmark. In 2017 UnipolSai confirmed its positive assessment by agents, improving its positioning compared to 2016 (3.28 in 2017 vs. 3.19 in 2016) and to the market benchmark (3.28 UnipolSai vs. 3.16 market).
Rising trust and loyalty within the sales network can also be measured based on **attractiveness for sub-agents**, which grew by 3% in 2017 compared to 2016 (by 18% on the 2015 figure).

Support and promotion of sustainable companies through investment decisions

An additional lever that the Unipol Group makes use of to enact its strategy of shared value regards *Asset Management* activities, which aim to combine economic and profitability targets with social, environmental and governance objectives (ESG – Environmental, Social and Governance approach). In this regard, for the sixth year, non-financial risks are monitored every quarter based on the ESG guidelines, in compliance with the adopted **Principles for Responsible Investment (PRIs)**.

For the selection and reporting of **private equity, real asset and hedge fund investments which also are relevant for SRI (Sustainable and Responsible Investment) purposes**, methodological *due diligence* was conducted which, alongside the usual financial analyses, calls for an analysis of social/environmental and governance (ESG) criteria which are continuously revised and updated, and the mapping of non-financial risks which could have a reputational impact.
The investments are classified on the basis of their contribution to the SDGs.

Issues	Value	SDGs	Issues	Value	SDGs
Residential care and social assistance	€9.9m	3	Renewable energy, eco-efficiency	€131.8m	7, 13
Digital networks and Infrastructures	€6.3m	9			
Sustainable mobility	€32.5m	11	Eco-innovation	€0.6m	13
Social housing	€10.0m	11	Sustainable forest management	€11.7m	15
TOTAL ISSUE-SPECIFIC AND HIGH-IMPACT INVESTMENTS €202.8m					

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

Within a particularly difficult economic and social environment for companies, especially SMEs, the Unipol Group has developed products and services for segments of business customers deemed most important within the social and economic fabric in which the Group operates: the organised world of employees, SMEs, the professions and cooperation.

The measures implemented to boost the productivity and competitiveness of business customers (7% of the total portfolio) leverage the specialisation of the agent network, process innovation and improved risk management.
These measures, along with the strengthening of coverage for production risks, to support credit and the financing of innovation and growth, aim to improve policyholder services and reduce the impact of losses. Indeed, to deal with an interruption in production activities, Unipol and its specialised partners have launched a service for businesses (particularly SMEs) which entails **prevention** activities based on the definition of *Disaster Recovery Plans* and **highly specialised support services** post claim, such as emergency intervention and rescue actions, which reduce recovery times to a minimum.

In particular, through its insurance products, UnipolSai proposes innovative solutions on the market - especially for the tourism and agricultural sectors - designed to offer the prevention of risks associated with climate change and post-event management.
The commitment to supporting the adoption of risk reduction behaviours at individual and company level is a fundamental lever to boost production system resilience. This is why in 2015 the Unipol Group launched a European project entitled **Life DERRIS** – *Disaster Risk Reduction Insurance* to try out an innovative multi-stakeholder collaboration model that involves municipal authorities, insurance companies, the world of research and businesses to reduce the risks caused by extraordinary weather events, developed in 2017 in 10 cities and involving 52 companies. To face the damages arising from the **catastrophes** that struck Italy in 2017, the Group incurred costs of around €80m.

Contribution to reducing the effects of climate change

As regards environmental impacts, responsibilities, objectives and the relative policy documents are distributed amongst the various functions whose activities directly impact the environment and in relation to direct and indirect impact, also through the involvement of employees, partners and suppliers.

Management of environmental impacts

DIRECT IMPACTS

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

INDIRECT IMPACTS

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

The Unipol Group's environmental performance has improved thanks to the increasing attention it dedicates to the topic of energy efficiency in all buildings owned by the Group and in particular in the main operating sites, where already for some time consumption governance and control measures have been launched to guarantee transparency and continuous monitoring capacity.

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

For the measurement of climate-changing emissions, the calculation methodology adopted is that laid out in Directive EU/86 of 2003 on the *emission trading scheme*, in addition to the international classification laid out by the *GHG Protocol* standard in *Scope 1, Scope 2 and Scope 3*. This decision was dictated by the desire to promote greater transparency and comparability of environmental data, including in comparison with other Companies.

-8.1%*

CO_2 emissions per employee

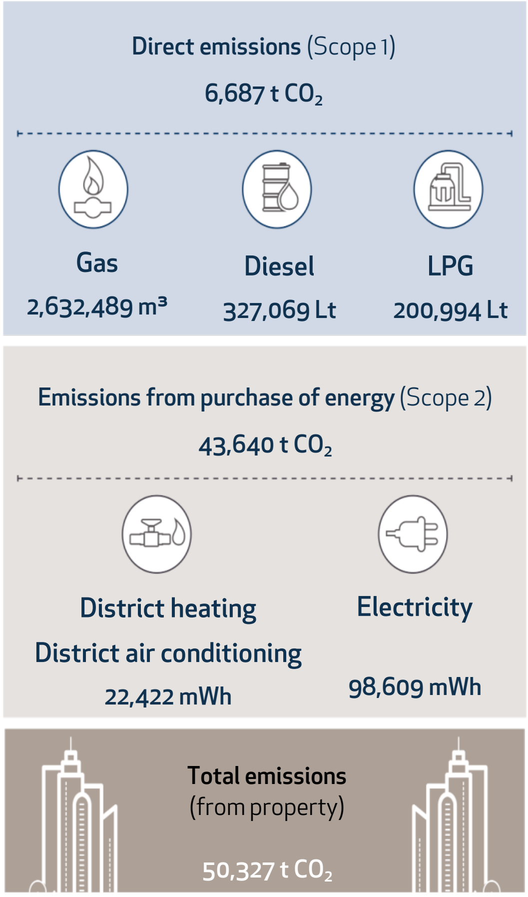
**on a like-for-like basis with 2016*

For all properties within its scope, the Group has committed to **reducing CO_2 emissions**, as reported in the 2016-2018 Plan, according to which the tonnes of CO_2 per employee should be reduced by 15% by the end of the three-year period. The decline was 8.1% in 2017, on a like-for-like basis with 2016, against a reduction in total heat and energy consumption.

The scope of reporting for electricity consumption is based on the concept of "control", as it was in last year's reporting. Therefore, consumption is reported for the buildings over which UnipolSai has direct control, from the business offices, to those of the Diversified companies like Tenute del Cerro and Marina di Loano, to the properties where the UNA Group (formerly Atahotels) activities are carried out. For other sources of energy, the scope includes only the large properties amongst the business offices.

In relation to emissions generated from employee travel (classified as *Scope 3* emissions), the total for 2017 was 6,556 tonnes of CO_2.

In 2017, UnipolSai's process of certifying consumption management in all owned buildings continued, and in particular the operating sites, in accordance with the **ISO 50001 standard**.
For the 19 buildings certified, the commitment is to reduce electricity and thermal energy consumption by 2% compared to 2014, and based on the certification of 2017 data, the objective was met and renewed for this year. The aim of this objective is to pursue standardisation in the activities carried out, to highlight the tracking and repeatability of the Energy Management System as an integral part of the Certification.
In the future, the Group will continue to be committed to maintaining its downward trend in direct emissions of CO_2 recorded in recent years by coming into line with what has been defined at European level with regard to the achievement of COP21 objectives.



As regards additional environmental impact, the use of **water** is primarily linked to civil uses; in limited cases it is also used for technological purposes in air conditioning systems. The water used comes from the mains system or other water service management companies. The total consumption came to around 900 thousand m^3 in 2017: water consumption was determined exactly for the diversified companies and for the large business office properties, and based on an estimation process for the other insurance and bank offices.

For **waste management**, the Group followed municipal directives for proper waste disposal, including by changing its processes and procedures to comply with separation rules. The majority of separated waste collected is paper and cardboard. For the Bologna offices, 65 tonnes of waste paper was sent for recycling in 2017. Waste toner (managed at central level also for 98% of the agencies in Italy) and other hazardous waste (neon tubes, batteries, etc.) are disposed of separately in the appropriate manner, in accordance with regulations in force, through specialised firms and in line with the rules on compulsory record keeping.

As a result of the action taken, in 2017 the environmental cost[4] attributable to the company reduced. For Unipol this amounted to €1.3m

[4] Data processed by The European House - Ambrosetti on European Commission forecasts. See Subsidies and costs of EU energy, 2014, Alberici et al., European Commission – Directorate General for Energy; External Costs - Research results on socio-environmental damages due to electricity and transport, 2003, European Commission Community Research; Shadow Prices Handbook - Valuation and weighting of emissions and environmental impacts, 2010, de Bruyn et al., CE Delft; Stern Review on the Economics of Climate Change, 2006; Endogenous growth, convexity of damage and climate risk: how Nordhaus' framework supports deep cuts in carbon emissions, 2015, Simon Dietz e Nicholas Stern, The Economic Journal; Social cost of carbon, 2016, US Government

Activities and sectors NFS

Unipol Gruppo ("Unipol", formerly Unipol Gruppo Finanziario) is the holding company at the top of both the Unipol Insurance Group, a leading insurance group in Italy, and the Unipol Banking Group. It is also a hybrid financial investment company at the head of the Unipol Conglomerate. Unipol is listed on the Milan Stock Exchange and manages and coordinates all the subsidiaries.

The sectors in which the Group carries out business are described below.

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

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

Unipol is also the second operator in the Serbian market with its subsidiary **DDOR Novi Sad**.

The Group presides over the bancassurance channel through the Unipol Banca branches and joint ventures with leading Italian banks. In particular, **Arca Assicurazioni** and **Arca Vita** which distribute their products through the branches of **6,105** banks with which dedicated agreements have been entered into, including Banca Popolare dell'Emilia Romagna and Banca Popolare di Sondrio; **BIM Vita**, Incontra Assicurazioni, Popolare Vita and Lawrence Life.

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

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

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

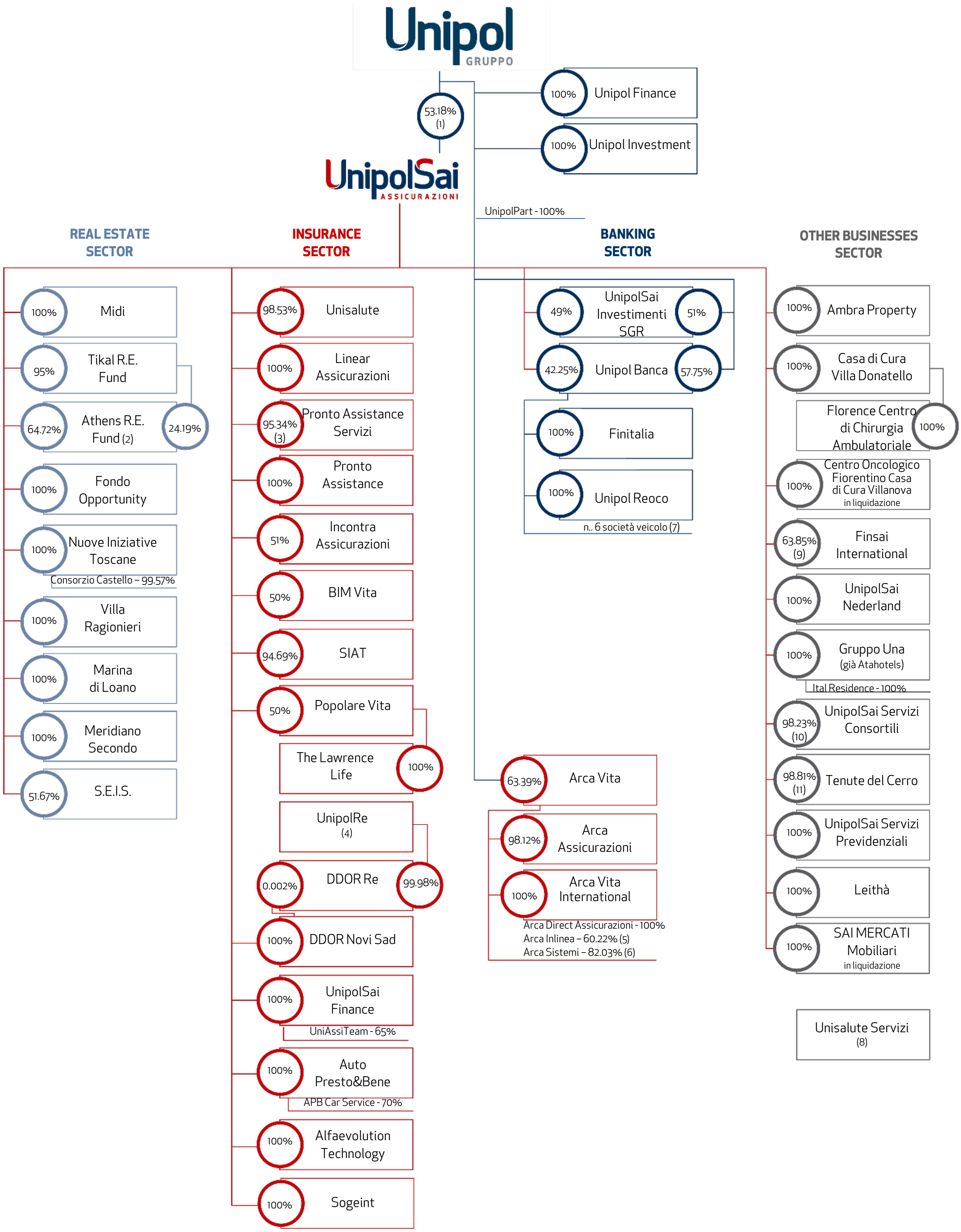
Banking Sector: the Group carries out traditional banking activity, portfolio management services and other investment services through **Unipol Banca**. Through the financial services of **Finitalia**, the Group is also active in consumer credit, particularly in providing personal loans and zero-rate financing services for the insurance premiums of Unipol Group customers.

Real Estate Sector: the Unipol Group manages real estate assets totalling €3.8bn, particularly through the company UnipolSai Assicurazioni, which directly holds roughly 63% of the Group's real estate.

Holding and Other Businesses Sector: the Group operates in the Italian hospitality sector thanks to the 41 resorts, hotels and apartments managed by the subsidiary Gruppo **UNA** (formerly Atahotels) in some of the main cities and most renowned tourist destinations in Italy. It is active in the agricultural sector with the company **Tenute del Cerro**, which owns roughly 5,000 hectares of land in central Italy for the production of high quality wine. In the healthcare sector, the Group is present through the Villa Donatello healthcare facility (Florence) and the Centri Medici Unisalute healthcare centre (Bologna) of the company **UniSalute Servizi**.
Leithà, the newly established company specifically dedicated to innovation.

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

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



Additional shares held by Group companies: (1) 9.99% share held by Unipol Finance and 9.99% by Unipol Investment. (2) 0.68% share held by Unipol Banca. (34.66% share held by other subsidiaries. (4)) indirect share of 100% through UnipolSai Nederland. (5) 39.78% share held by Arca Assicurazioni. (6) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea. (7)) Atlante Finance, Castoro Rmbs, Grecale Abs, Grecale Rmbs 2011, Grecale Rmbs 2015, SME Grecale 2017. (8) 100% share held by UniSalute. (9) 36.15% share held by UnipolSai Finance. (10) 1.77% share held by other Group companies. (11) quota dell'1,19% detenuta da Pronto Assistance.

Identity profile

The Unipol Group is an insurance group leader in the Italian market and the first in the Non-Life Business. At consolidated level, as at 31 December 2017 the Group earned direct insurance premiums of roughly €12.3bn, of which €7.9bn in Non-Life and €4.4bn in Life. Unipol adopts an integrated offer strategy to cover the entire range of insurance and financial products.

The Group's positioning is focused on the core insurance business, leveraging its excellence with a view to strengthening its leadership in the MV segment and further developing its offering dedicated to covering Health, Pension and Investment requirements, to offer customers innovative and distinctive products and services capable of combining the potential of mobile devices, assistance and the service companies. In the insurance sector, the Group provides its insurance services to nearly 15 million direct customers and policyholders through collective policies: of these, more than 90% are individuals, with a good rate of retention and cross selling with other Group companies.

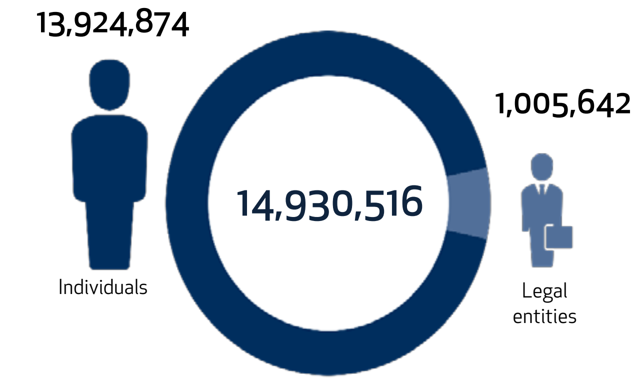
The banking sector is focused especially on the retail segment, which often consists of UnipolSai policyholders, in addition to family-owned companies, artisans or cooperatives, with the goal of working alongside small businesspeople in their activities and ensuring business continuity. The bank's customers, including individuals and legal entities, number roughly 1.4 million, for direct premiums at 31 December 2017 of around €12bn (+14% compared to the figure at the end of 2016).

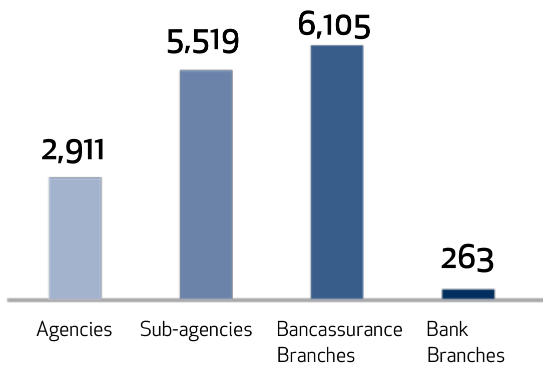
Commercial presence in the community

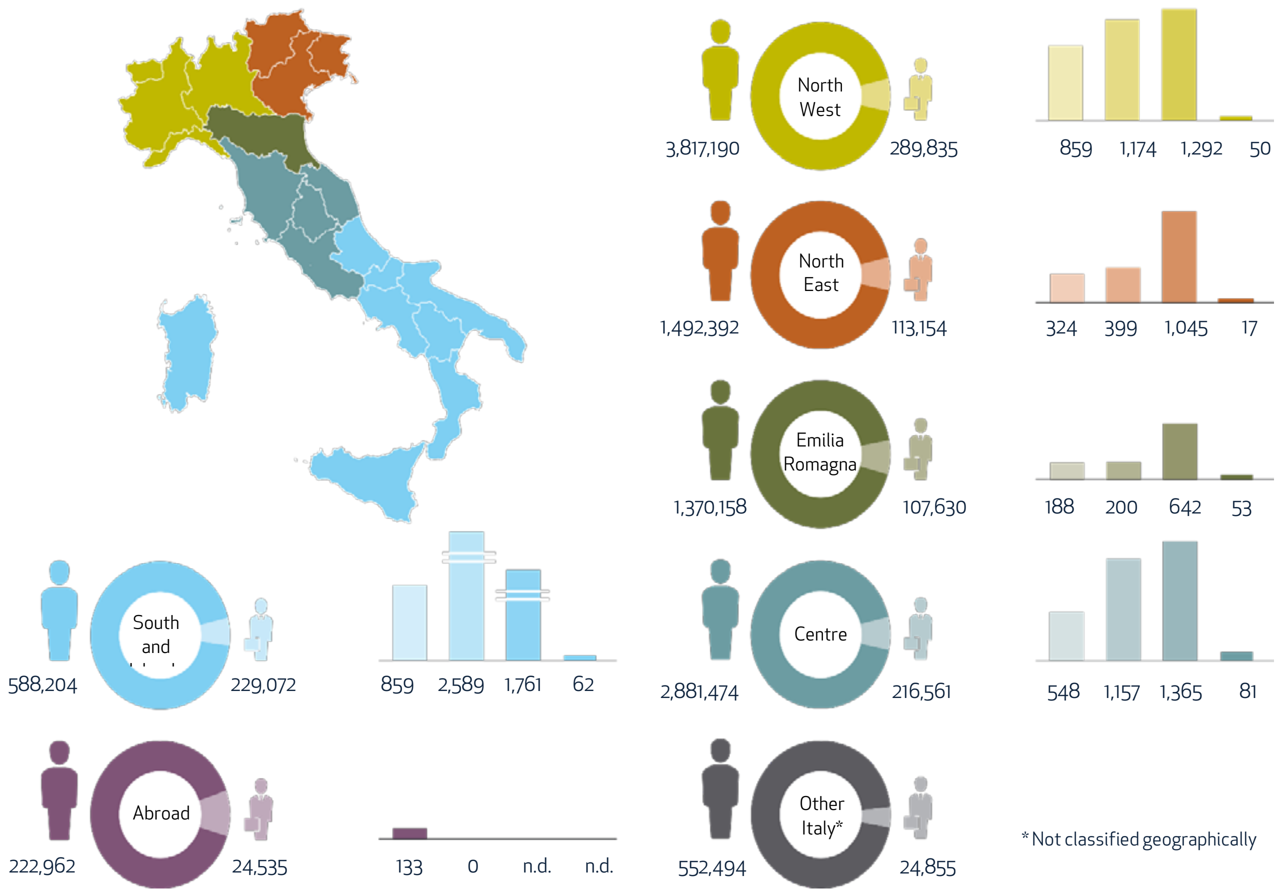
The Group provides its insurance and banking services to nearly 15 million direct customers and collective policyholders: of these, 13.9 million are individuals, with a good rate of retention and cross selling amongst the Group companies.

The segment of companies is broken down into two macro-categories based on characteristics and needs: small and medium-sized enterprises (SMEs) and Corporate. The former, as regards UnipolSai Assicurazioni and Unipol Banca, come to a significant extent from Member Organisations, autonomous workers' organisations and associations of small and medium-sized companies (CNA, Confesercenti, CIA) and cooperatives (Legacoop). In the Corporate segment, Unipol offers a full range of insurance products and solutions adequate for the needs and characteristics of large companies.
At the end of 2017, the Group's companies portfolio (Corporate and SMEs) counted over 1 million customers (equal to 7% of the total), of which roughly 98% in Italy.

Customers/Policyholders and Local distribution network







* Not classified geographically

Changes in Italian network 2017/2016

- 140
agencies

+84
sub-agencies

- 6
bank branches

- 157

2017 saw continuation of the reorganisation and consolidation of the Agency Network to optimise the nationwide coverage. With a reduction in numbers, consistent with the process of repositioning the agencies on the market, a growth in size was recorded for the Agencies and their development towards a more managerial model to make them more solid and better structured in organisational terms. The average size of the agencies rose by 10% in 2017. As a result of the promotion of corporate integration processes, the average number of sub-agents per agency increased by 2% and the average number of employees per agency by 3%.
In terms of geographical distribution, it is particularly notable that 28% of the Group's customers in Italy are from the North-West, whilst around 26% are from the South and Islands, demonstrating the Group's balanced coverage of the entire country. This coverage is guaranteed first and foremost by the widespread distribution of roughly 33 thousand qualified professionals (of which 504 multi-firm agents), which operate through 2,778 agencies and 5,519 sub-agencies, the intermediation of 651 brokerage firms and five Corporate Agencies (Assicoop), invested in by UnipolSai.
This extensive agency network guarantees complete geographical coverage of the Italian market, and is supported by 263 bank branches and 6,105 points of sale that are part of the bancassurance partnership.

The Group's presence throughout the country is also guaranteed by the presence of UnipolSai and Siat settlement units. UnipolSai's MV settlement centre has 4 head offices, 12 Macro Areas, which include 9 Metropolitan Areas and 81 Settlement Centres responsible for the individual Settlement Units; TPL and Accident Settlement overall comprises 3 Head Offices and 3 Regional Areas organised into 12 Hubs responsible for the individual Settlement Units.
In addition, the Siat settlement units are broken down into a head office and 2 settlement departments, one dedicated to Goods and one to Land Vehicle Hulls.

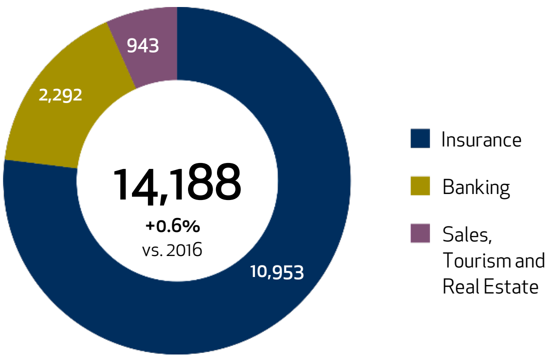
Outside Italy, the Group operates in Serbia through a multi-channel network made up of both internal and external structures. The 133 points of sale (stable with respect to 2016) rely on roughly one thousand external partners and employees to provide services mainly in the northern part of the country, supported by direct sales channels through the Internet.

Human Resources NFS

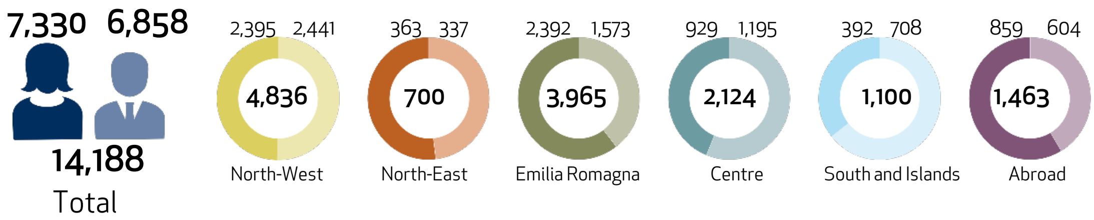
At 31 December 2017, there were 14,188 people employed by the Unipol Group Companies. With respect to last year, employees increased by 0.6%, concentrated in the insurance segment.

Women represent roughly 52% of the workforce, whilst there are 796 women in managerial positions (+6% compared to the previous year). Of the 7,330 women, 27% work part-time.

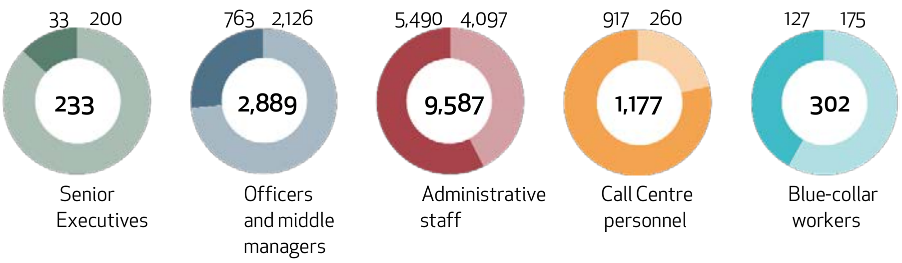
Number of employees by sector



Number of employees by geographical area



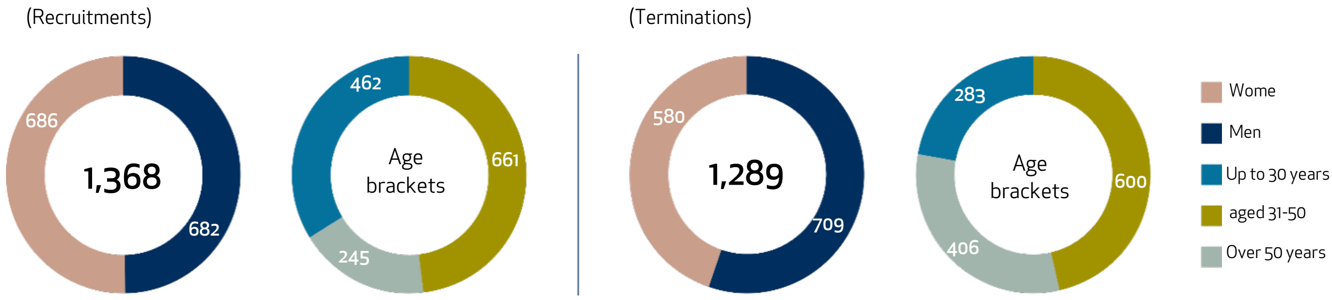
Number of employees by job-level category



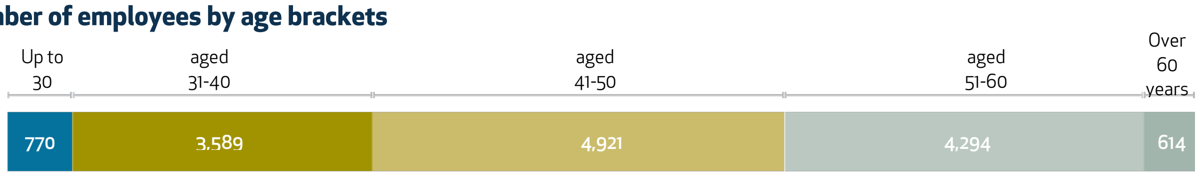
The turnover ratio, calculated as the ratio between the sum of the number of people taken on and those leaving and the total number of employees, was 12.5% in the insurance sector, around 7% lower than in the previous year. Of note particularly as a result of seasonal factors, was the turnover in the Sales/Real Estate segments and Foreign companies (147% and 24%, respectively, even if significantly lower than in the previous year). The turnover ratio in the banking sector was very limited, equal to 1.6%, this too down on the previous year.

The average age of personnel on staff at 31 December 2017 is 46 years, while the average seniority is just under 17 years, down compared to 2016. The percentage of personnel over 60 on staff rose from 2.6% to 4.8%. As regards education, 43.5% of the staff has a university degree and roughly 48% have completed high school. The Group currently employs 649 staff with disabilities.

Turnover by age brackets



Number of employees by age brackets

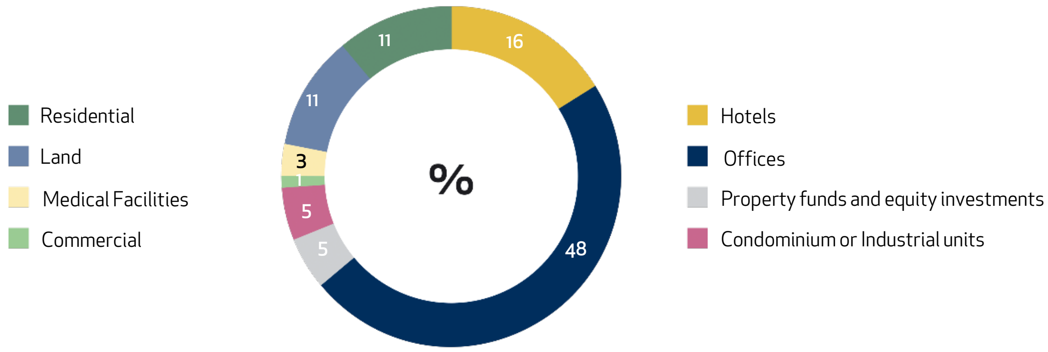


The Group's focus on stable employment is also confirmed by its marginal use of staff supply contracts: overall, 96% of employees have a permanent contract. Roughly 16% of the staff work part-time, of which 86% are women.

Real estate portfolio[5]

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

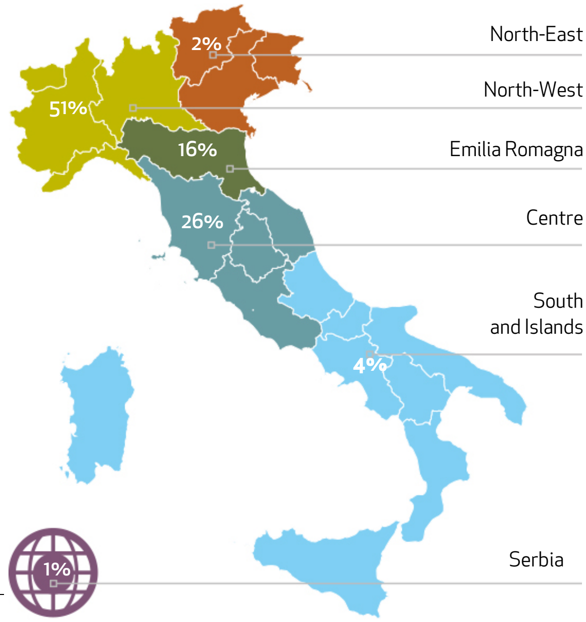
Real estate assets by intended use



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

- property "used by third parties", buildings owned by the Group but not used by Group Companies. These assets are leased primarily to third parties based on approximately 1,700 lease agreements;
- "instrumental" property, assets used mainly to carry out the business of the Group Companies.

Geographical breakdown of the real estate assets



[5] Operating figures

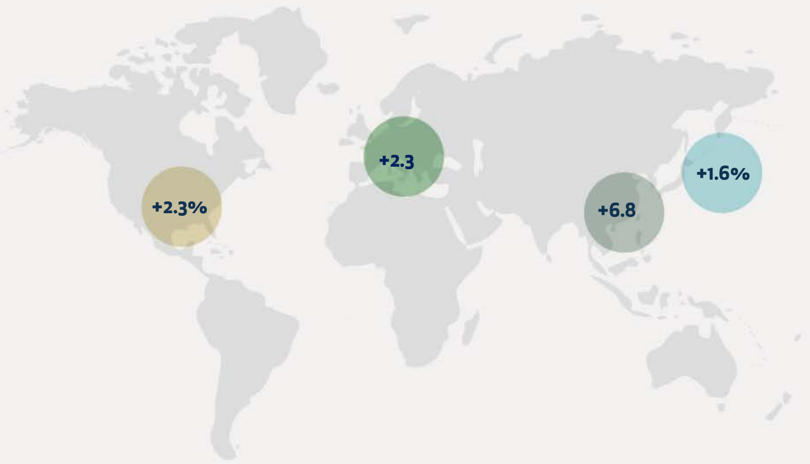
RISKS AND OPPORTUNITIES

Macroeconomic background and market performance

Macroeconomic background

Global economic growth

+3.5%



The **Euro Area** recorded GDP growth of around **2.3%**, up by about half a percentage point on 2016. Various factors contributed towards this result: the constant support of the 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.

The ECB maintained its expansionary monetary policy in a context of significant economic growth, despite the presence of inflation that is still far from the 2% target (1.4% in December).

The ECB recently confirmed that the official discount rate will remain anchored to the current level even beyond the end of Quantitative Easing.
From January 2018, bond purchases fell from €60bn to €30bn per month with a time horizon extended at least until next September.

- In the **United States**, economic activity developed at a rate of close to **2.3%** (1.5% in 2016), due to the good performance of domestic demand, also driven by the expected effects of the Trump Administration's tax reform. In an economic context of sustained growth, full employment (unemployment rate of 4.1% in December) and the change in consumer prices close to the target of 2%, the Federal Reserve hiked the official discount rate (1.5% in December) and in October announced the start of a progressive reduction in the total bonds held.

- In 2017 the **Italian economy** achieved a positive **growth rate** of around **1.5%** year on year. This result was due to 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, international trade which favoured exports and the ongoing ECB action that resulted in particularly favourable financial terms. Nevertheless, the level of public debt continues to remain high, unlike that of other Euro Area countries. The **inflation rate** in December was **1.2%**.

- For **Emerging countries**, 2017 was essentially positive from the economic perspective, supported by the recovery in oil prices and commodities within a context of strong development in international trade.

- **China** achieved economic growth exceeding government expectations (**+6.8%**), 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. The inflation rate stood at 2.9%.

- 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%). The inflation rate in December was 1%.

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 and the Catalan issue could represent elements of instability in Europe.

Financial markets

During 2017, the market rates curve was characterised by modest volatility. There were limited increases in the long-term part, 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 moved upwards on all maturities. Italian government rates experienced an upward trend concentrated on very long maturities, while the other yields rose less than the analogous German bonds. The **spread** between Italian and German bonds at the end of December 2017 was **153 b.p.**

The **EUR/USD exchange rate** at 31 December 2017 reached **1.199**.

The stock market performances were positive for all markets in 2017:

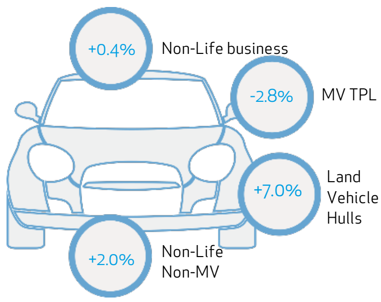
Eurostoxx 50: **+6.5%**	S&P 500: **+19.4%**
Ftse Mib: **+13.6%**	Nikkei: **+19.1%**
DAX **+12.5%**	MSCI EM **+27.8%**

Insurance Sector

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

There was an increase in activity on the **Non-Life business**, in the first three quarters of 2017, up **0.4%** on the same period in 2016. Income in the MV segment was down again, where MV **TPL declined by 2.8%**, attributable to the 3% decrease in the average premium (source: ANIA), while Land Vehicle Hulls **rose 7%**, also thanks to the 7.8% rise in vehicle registrations.

In the first nine months of 2017, **Non-Life Non-MV** market premiums **increased by 2%**. Of note was the higher-than-average growth recorded in the Health class (+6.5%) and in the Accident class (+2.8%).

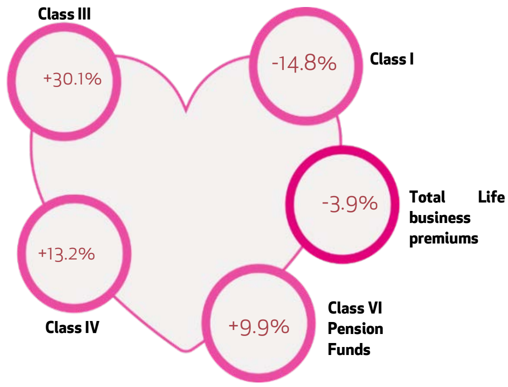


In the **Life business**, activities were impacted by increased confidence in domestic economic outlooks, which led Italian households to increase their expenditure, triggering a decline in their propensity to save. In this context, the **Life premiums** (Individual and Collective) have recorded, in 2017, a **3.9% decrease** compared to 2016, attributable to reduced placement of traditional products in view of the low interest rates. 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%**). There was appreciable growth in the class VI **Pension Funds (+9.9%)**. **Class IV (+13.2%)** was also up, albeit with limited volumes.

In distribution terms, the banking channel declined (-7.5%) as did agents (-3.2%). Only the financial advisors, among the leading market players, recorded an increase (+1.2%), though modest.

Net Life flows, i.e. the difference between premiums and benefits paid by insurers, remained positive (+€27bn), although at values significantly lower than those recorded in the same period of 2016 (+€39bn).

Lastly, technical provisions for the Life business increased by around €37bn in 2017, surpassing €658bn at the end of the year.



Banking Sector

In the course of 2017, the Italian banks carried out a good deal of activities on the impaired loans front with significant disposals and various credit institutions finalised share capital increases to strengthen their capital.

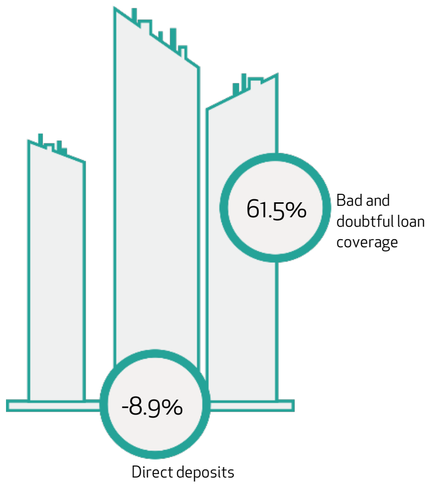
At the end of December 2017, **loans** to non-financial companies decreased by 6.3%, while loans to households increased by 0.8%, due to growth in the transactions in the real estate market and to the good health of the durable consumer goods market (primarily vehicle registrations).

Direct deposits were **down 8.9%**, with a significant decrease in the bond component (-38.8%). Funding from abroad fell by 3.6% and the expected assignment of a risk (rating-based) on government bonds held by the credit institutions contributed to the downsizing of bond portfolios, by 27.8%, with a drastic reduction in Italian government bonds to €324bn (-€51bn compared to 2016).

In December 2017 the total gross **bad and doubtful loans** had fallen to €167.2bn (-€33.6bn compared to 2016). Net of impairments, the total was €64.4bn, with a **rate of coverage** up to **61.5%**.

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 to 2.27% (compared to 2.32% at the end of 2016). The cost of money for consumer credit rose: from 7.63% in December 2016 to 8.03% in December 2017.

With regard to interest on direct deposits, differing performances were recorded for newly acquired funds: on term deposits, they reached 0.56% at December 2017 (1.20% in December 2016); for repurchase transactions the figure was again 0.35%, as in December 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 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, 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, shows that a majority expects prices to stabilise, a decrease in the average discount on the initial sale price to 10.2% in the third quarter of 2017 and selling times down to 7.5 months.

Social and environmental scenario

According to the ASviS 2017 Report "Italy and Sustainable Development Goals", Italy is still a long way off reaching the 2030 sustainable development goals.

Among the main critical issues are the difficulties in joining the labour market, especially for young people, which further increases the Inequalities reflected across education, poverty and access to healthcare and energy services.

In environmental terms, the main critical issues concern action that is still insufficient to fight climate change, poor dissemination of sustainable production and consumption models, ineffective land and sea environmental protection.

The trend in Italy compared to goals for the last three years is not positive across the board, but rather for certain elements (poverty, inequality, land and water usage) there has been a backward step.

Main regulatory developments

Main regulations and consultation papers issued by IVASS for the insurance sector

FEB

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.

JUL

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.

NOV

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.

DEC

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

JUL

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.

NOV

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.

DEC

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.

Main new aspects of tax regulations

APR

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.

NOV

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.

DEC

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).

JAN

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 Unipol Group prepared the integrated consolidated financial statements for the first time for the year ended 31 December 2016, adopting voluntary early adoption of the reporting areas envisaged in Legislative Decree 254/2016 on non-financial reporting.

Future orientation in the use of capital NFS

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

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

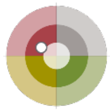
Launched in 2014, the Observatory has essentially completed its first full cycle, which accompanied the formation and implementation of the current 2016-2018 Business Plan and led to the identification of 11 emerging macro trends which will have a significant impact on the insurance sector over the 5-year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

The emerging macro trends on the Group Radar

SOCIAL MACRO TRENDS

INSTABILITY AND POLARISATION

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



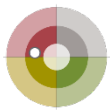
RISKS
- Reduction of disposable income with potential impacts on demand for insurance coverage.
- Increase in insurance fraud.
- Search for low prices and competitive pressure from low-cost channels.
- Extended scenario of low interest rates.

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

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

HUMAN SOCIETY 2.0

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



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

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

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

HYBRID CONSUMER

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

RISKS

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

OPPORTUNITIES

- Integrated multi-channel and multi-access strategy.
- Enhancement of the offer to provide customers with 360° service.
- Simplification of products and communications with a view to transparency.
- Improvement of the *customer experience*.
- Enhancement of good customer conduct based on a partnership approach.
- Offering protection against reputational risk.

GROUP RESPONSES

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

WELL BEING

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

RISKS

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

OPPORTUNITIES

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

GROUP RESPONSES

- New offer dedicated to health and welfare protection requirements.
- New partnerships with the public sector.
- Prevention and diagnostics tools linked to chronic illnesses.
- Sale of UniSalute healthcare plans through Unipol Banca bank branches and UnipolSai agencies.
- Establishment of SiSalute for the provision and management of non-insurance healthcare services.
- Launch of the welfare services platform for SME employees.

SHARING ECONOMY

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

RISKS

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

OPPORTUNITIES

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

GROUP RESPONSES

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

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

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

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

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

TECHNOLOGICAL MACRO TRENDS

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

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

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

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

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

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

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

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

ARTIFICIAL INTELLIGENCE AND ROBOTICS

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

RISKS

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

OPPORTUNITIES

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

GROUP RESPONSES

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

POLITICAL MACRO TRENDS

NEW FRONTIERS

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

RISKS

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

OPPORTUNITIES

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

GROUP RESPONSES

- Investments in UnipolRe, the Group reinsurance company, as a vehicle for growth on foreign markets.

ENVIRONMENTAL MACRO TRENDS

CLIMATE CHANGE

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

RISKS

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

OPPORTUNITIES

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

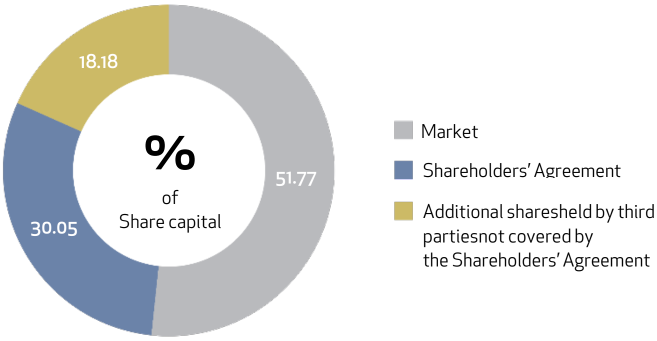
GROUP RESPONSES

- Reducing and optimising direct environmental impact (ISO 50001).
- Derris Project.
- Climate guarantees.
- Incentives in the *pricing* of policies for the virtuous conduct of policyholders in environmental profile terms.

GOVERNANCE

Corporate Governance NFS

In December 2017, the non-proportional global spin-off became effective of the holding company Finsoe S.p.A. in favour of as many beneficiary companies as there were Finsoe shareholders at the effective date, each of which became 100% owner of the share capital of just one of the beneficiary companies, attributable mainly to cooperatives set up in Italy. The list of direct and/or direct Shareholders with more than 3% of the ordinary share capital at 15 December 2017 is as follows: Coop Alleanza 3.0 Soc. Coop.; Holmo S.p.A.; Nova Coop Soc. Coop.; Cooperare S.p.A.; Coop Liguria Soc. Coop. di Consumo.



SHAREHOLDERS' MEETING
The Shareholders' Meeting is the body that expresses the will of the company via its resolutions; the resolutions it passes in compliance with the law and the By-Laws are binding for all shareholders, including those which are absent or dissenting. The Board of Directors considers the Shareholders' Meeting, even in the presence of a broad diversification of means of communication with Shareholders, to be an important event for profitable dialogue between Directors and Shareholders, also in accordance with rules on price sensitive information.

BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

Management Committee
A company committee with the objective of supporting the CEO and Group CEO in ensuring more structured control and more integrated supervision of the activities carried out by the companies belonging to the Group, verifying in particular operating performance, in terms of the budget and in terms of the maintenance of the economic, financial and capital balance parameters defined for each company, also in correlation with the risk profiles defined at individual company and Group level.

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

BOARD OF DIRECTORS

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

○	○▲	●
Chairman **Stefanini Pierluigi**	Vice Chairman **Pasquariello Maria Antonietta**	CEO / Group CEO / GM **Cimbri Carlo**

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

○▲	○	○▲	○ (a)	○ (a)	○▲
Balducci Gianmaria	**Berardini** Francesco	**Candini** Silvia Elisabetta	**Cattabiani** Paolo	**Dalle Rive** Ernesto	**De Luise** Patrizia

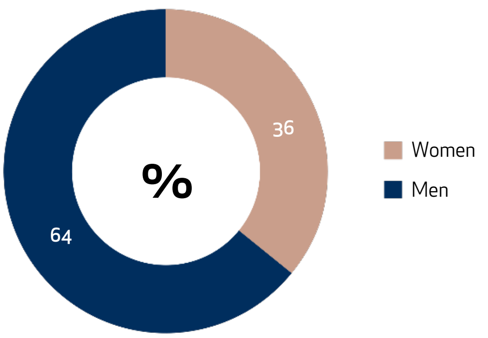
○▲ (*)	○▲	○▲	○▲	○ (a)	○▲	○▲
Desiderio Massimo	**Ferraboli** Anna Maria	**Ferré** Daniele	**Gualtieri** Giuseppina	**Levorato** Claudio	**Morara** Pier Luigi	**Mundo** Antonietta

○ (a)	○▲	○ (a)	○▲	○ (a)	○
Pacchioni Milo	**Trovò** Annamaria	**Turrini** Adriano	**Zambelli** Rossana	**Zini** Carlo	**Zucchelli** Mario

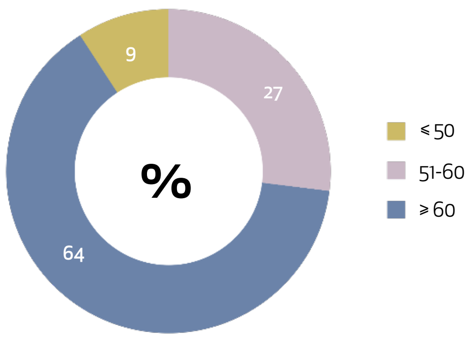
● Executive ○ Non-Executive ▲ Independent, per Code and Cons. Law on Finance (1)

(1) Indicates whether the Director is qualified as independent by the Board of Directors in accordance with criteria established in the Corporate Governance Code and meets the independence requirements specified in Art. 143, par. 3 of the Consolidated Law on Finance.
(a) Director excluded in 2017 from the independent directors due to being a corporate officer of the direct holding company Finsoe S.p.A., wound down with effect from 15 December 2017 as a result of its total non-proportional spin-off.
(*) Director co-opted by the Board of Directors on 3 August 2017 to replace Sandro Alfredo Pierri after his resignation.

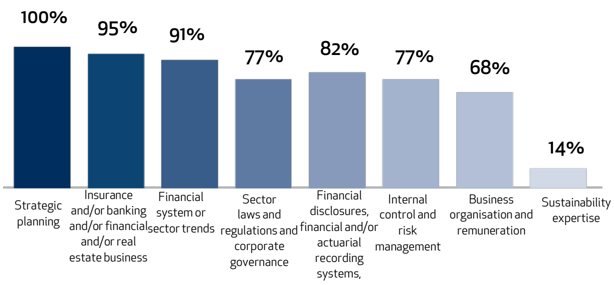
BoD – Members by gender (b)



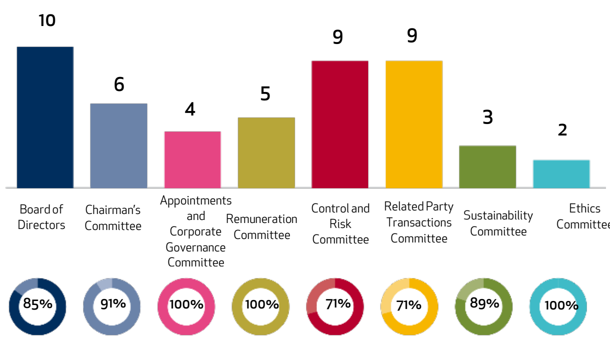
BoD – Members by age (b)



Skills (b)



Number of meetings and attendance rate (c)



(b) Refers to the Board of Directors in office from 28 April 2016 also taking into account the Director co-opted in 2017.
(c) Refers to all of 2017.

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

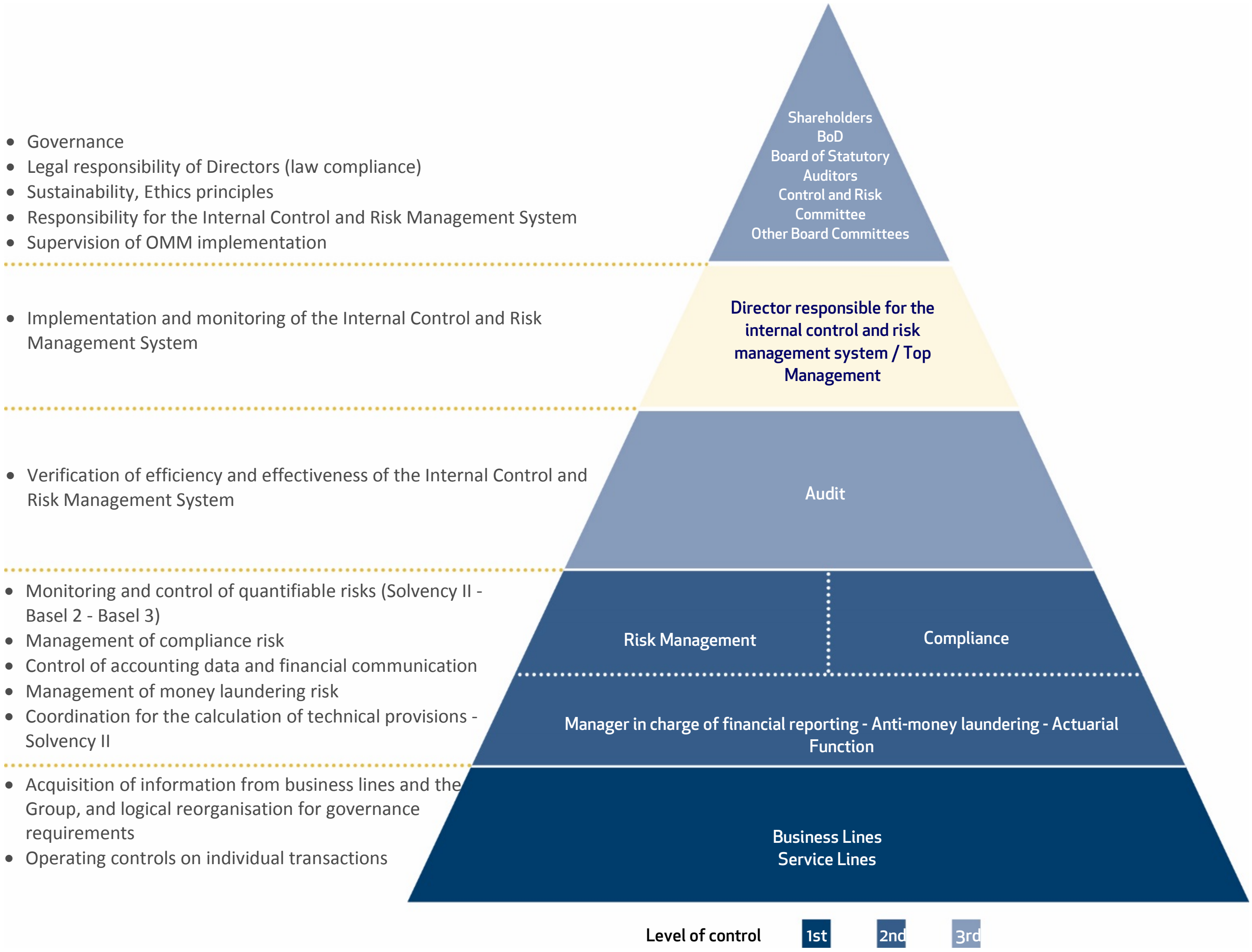
Internal Control and Risk Management System NFS

The internal control and risk management system (the "System") is a fundamental element in the overall corporate governance system. The System is defined in the relevant directives ("SCI Directives") approved by the Unipol Board of Directors in December 2008 and subsequently subject to periodic updates, the latest of which was approved by the Board of Directors' meeting in December 2016.

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

The System assigns suitable positioning to the organisational units that, through consistent articulation, guarantees the segregation of duties in the process activities and is divided across multiple levels.

Risk and Control Governance Model



Line controls (so-called "first-level controls"), aimed at ensuring transactions are carried out correctly, are performed by the same operating structures (e.g. hierarchical, systematic and sample controls), also through the different units which report to the managers of the operating structures, or carried out as part of back office activities.

Risk and compliance controls (so-called "second-level controls") aim to ensure, among other things, the correct implementation of the risk management process, the implementation of activities assigned to them by the risk management process, the observance of the operating limits assigned to the various departments, the compliance of company operations with the regulations.

Internal review (so-called "third-level controls") is the verification of the completeness, functionality and adequacy of the Internal Control and Risk Management System (including the first- and second-level controls) and that business operations comply with the System.

After obtaining opinion from the Control and Risk Committee, the **Board of Directors** defines i) the guidelines for the Internal Control and Risk Management System; ii) performs an assessment, at least annually, of the adequacy of the current and forward-looking Internal Control and Risk Management System with respect to the characteristics of the Parent and the Group and to the defined risk appetite, as well as its efficiency and capacity to adapt to evolving corporate risks and the interaction between them.

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

The **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 **Supervisory Board** ("SB") has the task of monitoring the functioning and updating of the Organisational, Management and Control Model ("OMM"), a well-structured and organic prevention, determent and control system aimed at developing awareness of being able to give rise to sanctions not only for themselves, but for the Unipol Group Companies as well, if offences are committed by parties who either directly or indirectly work on sensitive activities (directors, managers, employees and partners).
The Unipol Gruppo's Organisational, Management and Control Model, updated on 22 December 2016 with a view to incorporating recently introduced legislation, has a General Part as well as 11 Special Parts, each dedicated to a category of crime that could theoretically take place within the Company. The update was carried out with a view to implementing recently introduced legal provisions and also had the goal of conducting a general document review to guarantee that the Organisational, Management and Control Models are set up in a uniform manner within the Group, as well as to ensure internal consistency between the General and Special Parts.

In 2017, the training programme for Company employees was completed, with breakdown as follows:

- on-line distance course ("FAD") relating to Decree 231 and the OMM ("OMM Course") provided through the Unipol Web Academy platform for employees;
- meetings with Senior Management personnel – plan of specific meetings with the first line managers, their first subordinates and the *Risk Takers* (general managers, key managers and managers, and also personnel of the internal control functions of a higher level and the other personnel categories whose activity may significantly impact the company's risk profile);
- classroom-based training for employees in "sensitive areas" concerning specific risks/crimes identified following the analysis and mapping activities.

100%
percentage of employees informed of anti-corruption policies and procedures

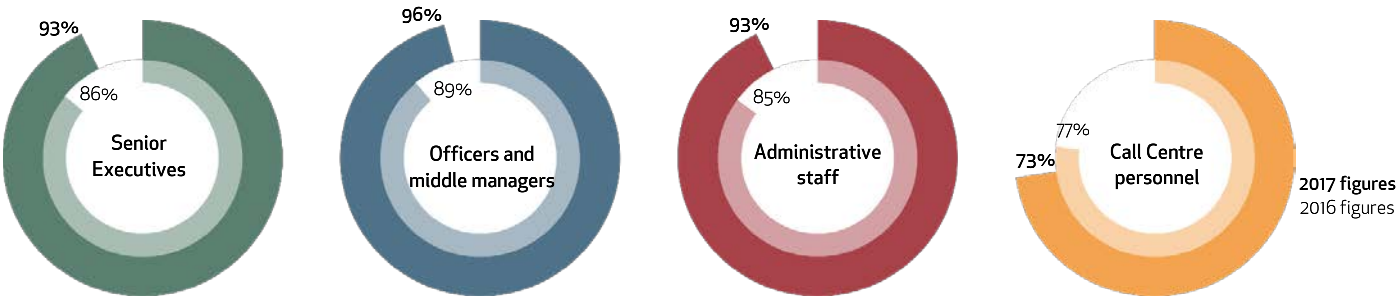
82%
percentage of agents informed about anti-corruption policies and procedures

38%
percentage of suppliers informed about anti-corruption policies and procedures

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

1. Offences against Public Administration
2. Corporate offences
3. Administrative crimes and offences relating to insider dealing, market abuse and market manipulation
4. Offences against Public Administration
5. Computer crimes
6. Negligent homicide or actual or serious bodily harm committed in violation of occupational health and safety regulations
7. Organised crime and transnational offences
8. Environmental offences
9. Copyright offences
10. Employment of third country citizens without a regular permit
11. Incitement to not give statements or provide false statements to judicial authorities

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



Overall, 91.6% of employees have received specific training on anti-corruption policies and procedures.

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

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

In 2017, the Unipol Group did not incur costs for any penalties pursuant to Legislative Decree 231/2001 deriving from crimes of corruption.

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

The **Director responsible** (identified as the Group CEO) for the Internal Control and Risk Management System, handles the identification of the main company risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, periodically subjecting them to review by the Board of Directors; he also implements the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness.

Top Management supports the Director in charge of designing and implementing the Internal control and risk management system, including therein those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Board.

The **Board committees** are formed within the Parent's Board of Directors. They offer advice and make suggestions, and play a role in the internal control and risk management system, particularly regarding relations with the Audit, Risk Management and Compliance functions.

Corporate Control Functions: pursuant to applicable industry legislation, the Company's organisational structure requires that the Corporate Control Functions (Audit, Risk Management and Compliance) report directly to the Board of Directors and operate with the coordination of the Director responsible for the internal control and risk management system.

Audit is independent from the operating structures, reports hierarchically and functionally to the Board of Directors and operates under the coordination of the Director responsible for the Internal Control and Risk Management System.
The activity is carried out in compliance with the Code of Ethics of the Institute of Internal Auditors and operates within the scope of the duties and responsibilities defined in specific directives issued by the Board of Directors, as well as with respect for regulations in force (IVASS, Bank of Italy, Consob and Covip) on internal control and risk management.
Audit is responsible for assessing the completeness, function, reliability and adequacy of the Internal Control and Risk Management System in relation to the nature of business activities and the level of risks undertaken, as well as its updating, also through support and advisory activities provided to other company departments.

Risk Management is responsible for ensuring an integrated evaluation of the various risks at Group level. It supports the Board of Directors, the Chairman 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 the Group risk profiling and assesses capital adequacy, respectively, as part of the process of "Own Risk and Solvency Assessment" (ORSA) for insurance business and the "Internal Capital Adequacy Assessment Process" (ICAAP) for banking business, ensuring that the work carried out by the various company departments dealing with risk management is coordinated. This work is carried out in line with best market practices and in accordance with regulations imposed by the Supervisory Authorities. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work.
In this context the Risk Management Department, in concert with the other control departments, provide their support for the dissemination and strengthening of a culture of risk within the Group which, at all levels, make staff aware of their role, also in reference to the control activities, and encourages the complete involvement of all company departments in pursuing the Group business objectives. It also plays an active role in the debate on Solvency II in the main institutional areas under its responsibility.

In 2017, the Risk Management training initiatives - particularly on Solvency II - involved 87 UnipolSai employees.

As part of the risk management system, the Risk Management Department aims to ensure that the main present and future risks associated with business activities are correctly identified, measured, managed and controlled, and are compatible with sound and proper management. The Internal Control and Risk Management System is an integral part of the company and must permeate all the business sectors and departments, involve every human resource, each to the extent of their own duties and responsibilities, with the aim of guaranteeing constant and effective risk control.
As part of the Group's Governance and Internal Control and Risk Management System, some internal company committees have been set up to support the Chief Executive Officer while implementing and monitoring the policies on guidelines, coordination and operating strategy laid down by the Board of Directors and Top Management.
Through this model and through the adoption of corporate policies and guidelines, the Group measures and manages the risks to which it is exposed, also as a result of its own strategic decisions, taking into account the various business areas and the different applicable regulations.
The **Emerging and Reputational Risks Observatory** is part of Risk Management and involves the main support departments for managing such risks, which meet as a specific Technical Panel, and the business divisions.
It identifies the organisation's risk appetite in relation to the types of risks identified and presents it to the Board of Directors for approval. The relative mapping activity, conducted on the basis of the analysis of internal and external drivers, entailed the identification of 52 basic risk scenarios, deriving from past experience or plans in place, which were enhanced with 10 "what if" scenarios, or risk/opportunity scenarios that can be useful for strategic purposes.
In accordance with the Sustainability policy, a technical panel for ESG risks was set up with the control departments to identify potential risks along the entire production chain and to map the present levels of control.
Given the essentially strong governance situation, a number of plans for improvement have been identified and will be implemented in 2018/19

ISSUE	RISK	TOPICS IN THE MATERIALITY MATRIX
Active and passive anti-corruption measures	Insufficiently transparent participation in public works tenders	Transparency toward the Market and the Authorities
	Transactions carried out that do not comply with Group policies due to personal interest	Risk management, risk and control culture
	Financial scandal (false financial reporting, insider trading, corruption, etc.)	Raising regulatory compliance awareness
	Strong political pressure upon Unipol Group management members that are able to influence Group decisions, e.g. in the choice of certain suppliers or investments	Risk management, risk and control culture
	Actions of managers to the benefit of related parties and to the detriment of the company	Risk management, risk and control culture
	Failure to comply with authorisation procedures during the construction of a building or in its management	Raising regulatory compliance awareness
	Arrangements with other insurance companies to keep their policy prices high	Fair and responsible competition
	Insufficiently transparent influence over public decision makers to ensure that a new ruling affecting certain aspects of daily life (Healthcare, MV TPL, Welfare, etc.) is decided to the benefit of the Unipol Group's interests rather than those of the Italian public	Fair and responsible competition
Equal opportunities	Discriminatory statements or conduct in human resources management or in the offer of products/services as regards gender, religion, race, nationality, gender or political beliefs	Well-being within the company
Respect for human rights and Environmental protection	Unfair actions taken by the Unipol Group or its investees as regards respect for human rights and workers' rights and in relation to environmental damage	Farsightedness in responsible capital management
	Inadequate procedures to prevent and combat money laundering and terrorism financing in accordance with law	Risk management, risk and control culture
	Unfair actions in relation to respect for human rights and workers' rights and in relation to environmental damage among investee companies	Farsightedness in responsible capital management
	Unfair actions in relation to respect for human rights and workers' rights and in relation to environmental damage by suppliers	Responsible supply chain management
	Unfair actions taken by the agents in relation to respect for human rights and workers' rights andin relation to environmental damage)	Group relations with the agency network
	Unfair actions taken by insured companies in relation to respect for human rights and in relation to environmental damage	Farsightedness in responsible capital management
Protection of customer rights	Delays in handling complaints	Fairness in the sale of products and services
	Use of misleading advertising tools	Fairness in the sale of products and services
	Unlawful and fraudulent taking of money from a customer by an employee or agent	Risk management, risk and control culture
	Infringement of certain privacy regulations and improper use of the personal data of customers/potential customers	Raising regulatory compliance awareness
	Failure to apply existing health and hygiene practices	Risk management, risk and control culture
	Lack of transparency in the sale process	Fairness in the sale of products and services
	Application of interest rates on proprietary products that are higher than those permitted by law	Raising regulatory compliance awareness
	Absent or insufficient clinical risk management	Risk management, risk and control culture
	Delayed settlement	After-sales customer service
	Difficulty in accessing information about a proprietary product/service	Fairness in the sale of products and services
	Inefficient service provided by the affiliated networks	Customer loyalty
Protection of workers' rights	Improper implementation of collective workforce downsizing	Development of resources
	No respect of rules concerning job safety or insufficient prevention activities in the case of an incidental infrastructure failure in a Group property	Well-being within the company
	Collective mobbing complaints by workers, or a widespread and substantial work-related stress	Well-being within the company
Protection of the community	New emerging risks: offering capacity of products for risks with a high social impact	Risk management, risk and control culture

An ex post control based on ESG considerations is currently envisaged as part of investment activities. To further strengthen this monitoring, from 2017 the Group pledged to comply with the Principles for Responsible Investment (PRI). In 2018 these criteria will be included in the Investment Policy Guidelines.
For the Group Credit Policy, "undesirable" types of transactions and counterparties were identified on the basis of ESG considerations (such as unconventional weapons, human rights violations, environmental damage, corruption). Periodic monitoring is performed of the impact of such positions on the total credit and bonds portfolio.
In 2018 it is planned to introduce an indication of undesirable transactions and counterparties to the Group subscription policies, in accordance with specific guidelines and with related ex post monitoring.

Compliance is responsible for evaluating the suitability and efficacy of procedures, processes, policies and internal organisation according to a risk-based approach; its objective is to prevent compliance risk, considered as the risk of judicial or administrative sanctions, sustaining losses or reputational damages as a result of failure to observe laws, regulations or measures of the Supervisory Authority or self-regulations such as By-Laws, codes of conduct or corporate governance codes; risk arising from unfavourable amendments to the legislative framework or case law decisions.

The Group's system is subject to periodic assessment and review in relation to developments in company operations and the reference context.

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.

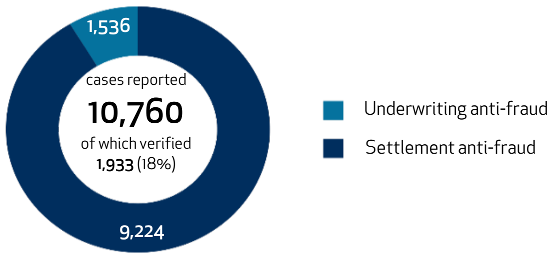
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies.

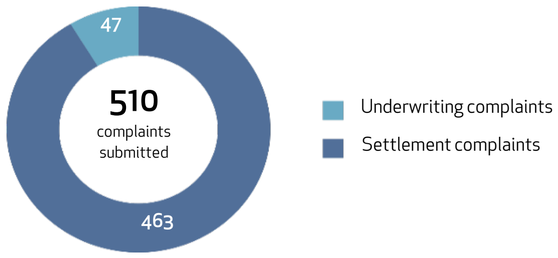
Anti-money laundering and Anti-terrorism is responsible for applying the Anti-money laundering regulations falling under Legislative Decree 231/2007, as amended by Legislative Decree 90 of 25 May 2017 (the "Decree"), that are implemented within the Unipol Group for the Insurance Companies operating in the Life Business (UnipolSai Assicurazioni, Popolare Vita, BIM Vita and Arca Vita), for the companies of the banking sector (Unipol Banca and Finitalia) and for the asset management company (UnipolSai Investimenti SGR). All of the Unipol Group Companies subject to the Decree have a dedicated structure responsible for managing the risk of money-laundering and terrorist financing. The anti-money laundering monitoring aims to guarantee correct compliance with the provisions of the Decree.
After issue of the Letter to the Market on 5 June 2017, in which IVASS asked insurance companies operating in the Life business to conduct an initial self-assessment to estimate the level of exposure to money laundering and terrorist financing risks, and assess the soundness of the related monitoring, the companies receiving the Letter to the Market - under the coordination of the parent Unipol Gruppo - arranged the action requested by the Supervisory Authority. The self-assessment of money laundering and terrorist financing risks carried out by Unipol Gruppo led to an assessment of "Immaterial" residual risk given:
- the "Medium-Low" level of intrinsic money laundering risk to which the Group is exposed in relation to the business model, nature and extent of activities actually exercised;
- the "Immaterial" vulnerability of the company controls - organisational structure and internal control system - with respect to threats identified at the intrinsic risk assessment stage, as well as to the elements considered for the vulnerability assessment.

The control measures adopted by the Group proved to be adequate and functional in mitigating the risk and effectively inhibit its involvement in money laundering transactions. Furthermore, the employees' level of awareness of the risk was confirmed as suitable.
However, with a view to continuous optimisation, a number of remedial actions and areas for potential improvement and development were identified in reference to the processes for adequate customer verification and data storage.

Anti-fraud carries out its activity of preventing, intercepting and combating fraudulent conduct perpetrated to the detriment of UnipolSai, as well as the Unipol Group Companies - without their own dedicated independent structure - on the basis of intragroup service contracts. As in previous years, again in 2017 significant efforts were made to combat fraud in the underwriting and settlement phases, privileging - when possible - the investigation "workflows", as well as to develop and fine-tune new IT methodologies and applications. In this respect, at settlement stage, and integrating the work carried out by the Group's Legal and Anti-fraud departments, in 2017 the Special Areas for Claims Management analysed around 29 thousand reports of suspect claims. The claims managed by the Special Areas, according to the results of the investigation, could be reported to the Anti-fraud Department for possible criminal action, closed with no further action, concluded with a reduced settlement or settled in full if proving genuine.

Anti-fraud: Cases reported, verifications, complaints





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

In order to guarantee that **personal data processing** (data of customers, employees and, in general, everyone who comes into contact with the various Group companies) complies with the provisions set forth in the Personal Data Protection Code, the Unipol Group has established dedicated organisational controls, in particular with regard to information security, access to data by third parties, generation of documents required by law, and targeted training for employees and agents.
With reference to Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of personal data (the "GDPR"), which enters into force from 25 May 2018, a special work group was set up to coordinate the project to adapt all Group companies to the regulatory provisions of the GDPR.
Lastly, note that for Unipol Group companies, e-learning courses continued to be provided to employees in 2017 (with a percentage attendance at the end of December of 85.2%) and to Group agents and their partners (with a percentage attendance at 31 December 2017 of 91.13%).

In 2017, 22 complaints were received relating to the Companies operating in Italy regarding the protection of personal data, which were appropriately answered.

278
number of IVASS sanctions

€1.5m
sanctions paid

3,299
IVASS measures

There was a 29% reduction in the trend of IVASS sanction activities against the Group compared to 2016. This is in line with the reduction in complaints (-7.3%) that occurred during the same time period. Considering IVASS measures by company area of only UnipolSai, the decrease was almost entirely attributable to the Claims Area, which has a 78% impact on the total and fell by 12%. In second place was the Sales Area with a 26% decline. Improvements were seen in the Administration (+14%) and IT (+83%) areas, but with a low percentage impact on total complaints.

Capital requirements

Capital management

Capital management policy

The capital management strategies and objectives of the Unipol Group are outlined in the "Capital management and dividend distribution policy", which describes the reference context and the process for managing capital and distributing dividends also in terms of the roles and responsibilities of the players involved. The document also identifies the principles of capital management and the distribution of dividends or other elements of own funds, in line with the capital return objectives and the risk appetite defined by the Board of Directors.

The general aims pursued by the "Capital management and dividend distribution policy" are:

- ex ante definition of the return objectives on allocated capital, consistent with the profitability targets and in line with the risk appetite;
- maintaining a sound and efficient capital structure, considering growth targets and risk appetite;
- outlining the capital management process for the definition of procedures to ensure that:
  - the elements of own funds, both at the time of issue and subsequently, satisfy the requirements of the applicable capital regime and are correctly classified;
  - the terms and conditions for each element of own funds are clear and unequivocal;
- ex ante definition of a sustainable flow of dividends, in line with the profit generated, free cash flow and risk appetite, identifying and documenting any situations in which the postponement or cancellation of distributions from an element of own funds could arise;
- outlining the dividend distribution process for the definition of procedures to ensure sound and efficient capital management, considering that the growth and profitability targets are in line with the risk appetite;
- defining the roles, responsibilities and reporting in relation to capital management and the distribution of dividends or other elements of own funds.

The capital management and dividend distribution process is divided into five steps, in close relation with other corporate processes:

- final measurement of available capital and the capital required;
- preparation of the mid-term capital management plan;
- monitoring and reporting;
- management action on capital, including any contingency measures;
- distribution of dividends or other elements of own funds.

Insurance Sector

Activities by the competent corporate organisations of the Group were carried out in 2017 in compliance with Solvency II regulations and the supervisory provisions issued by IVASS. In February 2017, the Group companies UnipolSai Assicurazioni and Arca Vita 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.

Banking Sector

The Group has adopted a System also for the banking sector that is suitable for constantly identifying, measuring and verifying banking business risks. With reference to Pillar I risks, in compliance with the provisions of Bank of Italy Circular no. 285 of 17 December 2013, standardised approaches were adopted for credit, counterparty and market risks, and the basic approach for operational risk. In line with their class 2 allocation, the indications and approaches defined in the aforementioned Circular are adopted for Pillar II risks. The procedural solutions for easily calculating capital requirements available to banking intermediaries in its class were adopted, applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority. Internal approaches not used for regulatory purposes were also adopted to measure certain types of risk.

Remuneration system and incentives NFS

The top objective of the Remuneration policies is to guarantee fair remuneration, adequate to the role, responsibilities, degree of professionalism and individual skillset, in compliance with legal and regulatory provisions and consistent with sustainable performance requirements.
To this end, the following principles are the essential parameters for the determination of remuneration:

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

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

Manager remuneration includes fixed and variable components.

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

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

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

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

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

VARIABLE COMPONENT

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

Short Term Monetary Incentive

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

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

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

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

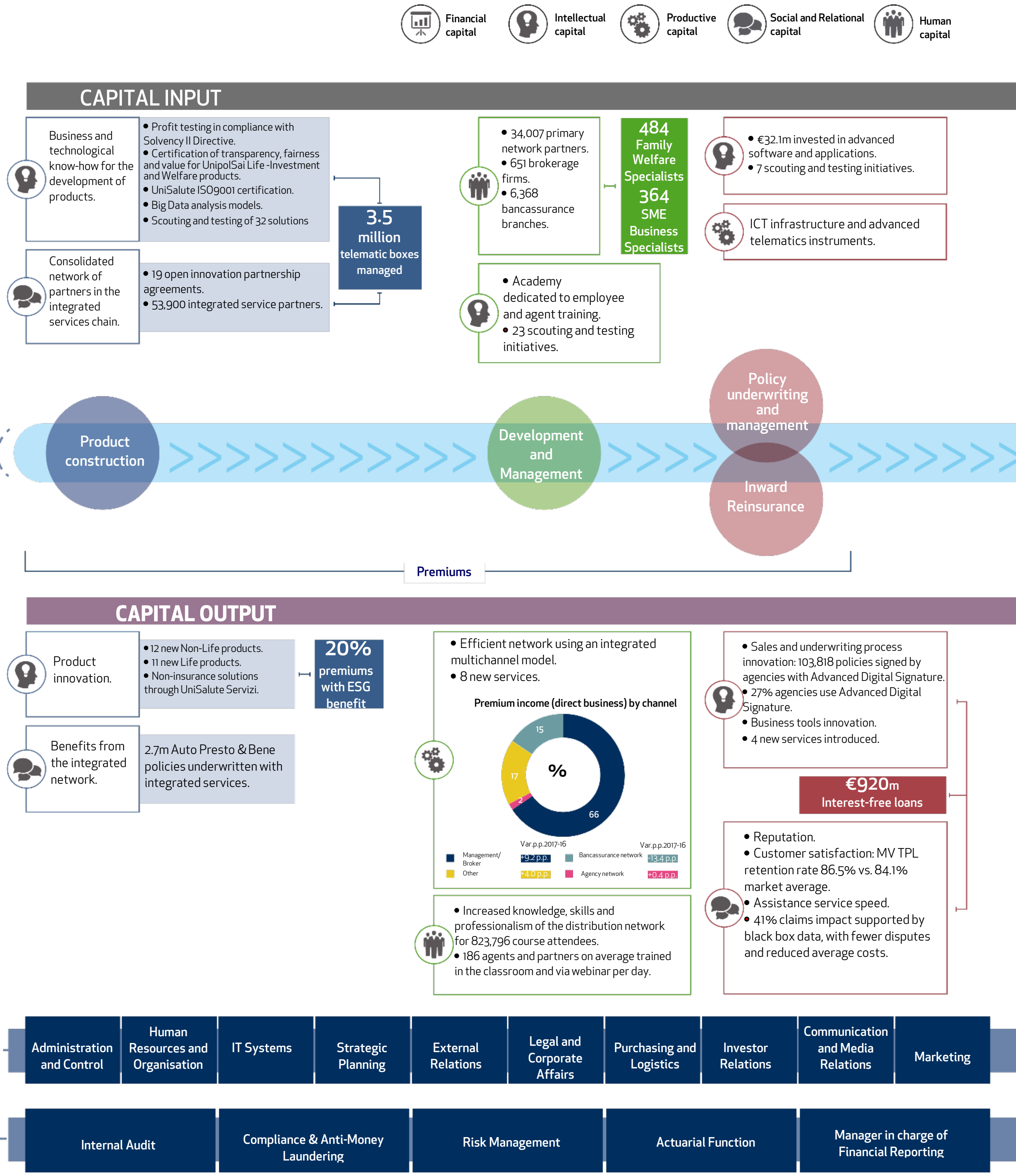
For detailed information, please refer to the Remuneration Report, available in the "Governance" section of the Unipol Group's website.

With regard to the **pay gaps between women and men**, the levels were calculated without including any type of variable compensation or the top management in the Board of Directors or the members of the Management Committee.
From the Group figures, at total group companies level, so also including foreign companies and considering the different pay practices, for the senior executives category the average fixed remuneration for female staff is around 9 percentage points below that of male staff, in the Officers and Middle Managers category the difference reduces to 8 percentage points, among administrative staff it stands at 7 percentage points, whilst for Call Centre personnel the figure is confirmed at 3 percentage points in favour of female personnel.
As regards the fixed remuneration paid in the Group's Italian insurance and banking segments, where almost 90% of all personnel are employed, in the senior executives category the average fixed remuneration for female staff is more or less in line with the average for male staff, whilst for the Officers, Middle Managers and Administrative staff the fixed remuneration averages for female staff are around 8 percentage points below the averages for male staff. This difference narrows to 3 percentage points in favour of female personnel of the Call Centre.

Remuneration differences by gender and by employment category

BUSINESS MODEL NFS

Insurance

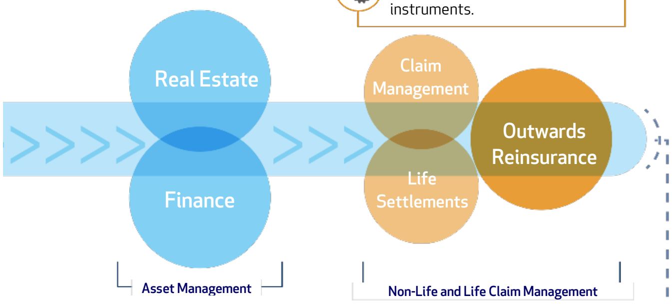


- Total volume of assets managed: €71.6bn.
- Total volume of property assets managed: €3.8bn.

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

- Advanced software and applications.
- Peculiar processes and procedures for selection and management of networks of authorised repair shops, medical facilities and affiliated craftsmen throughout the country.
- 12 scouting and testing initiatives.

ICT infrastructure and advanced telematics instruments.



DIVERSIFIED BUSINESS

Tourism | Agriculture | Medical

Real estate development and refurbishment: Urban Up.

Relations with the community and with stakeholders.

Financial management profitability.

- Settlement process innovation: 188 million crashes settled electronically.
- 6 additional settlement service investments.

- Reputation.
- Benefits from integrated network.
- Customer satisfaction.
- Assistance service speed.

86.7% Retention of Auto Presto & Bene customers

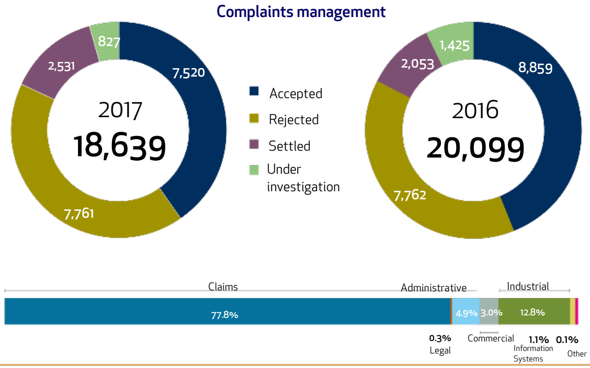
88.0% Retention of customers with policies financed interest-free

Direct repair and channelling

PRODUCTIVE CAPITAL | SOCIAL AND RELATIONAL CAPITAL

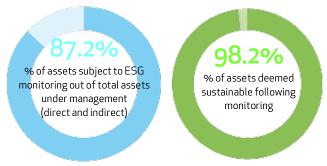
		% CLAIMS CHANNELLED	SAVING ON AVERAGE COST OF CLAIMS COMPARED TO MARKET RATES
2,749	repair shops in the Auto Presto & Bene network	31% (MV TPL)	-28.2% (MV TPL)
196	glass-fitting centres in the MvGlass network	73%	-13.2%
51.000	medical facilities in the UniSalute network in Italy and abroad	40%	-30%
23	companies for the autonomous management of a network of craftsmen distributed throughout the country for the direct repair of Non-MV claims		

Complaints management



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

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



€ 46.9bn Total assets deemed sustainable following monitoring

ESG CRITERIA FOR PORTFOLIO MONITORING

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

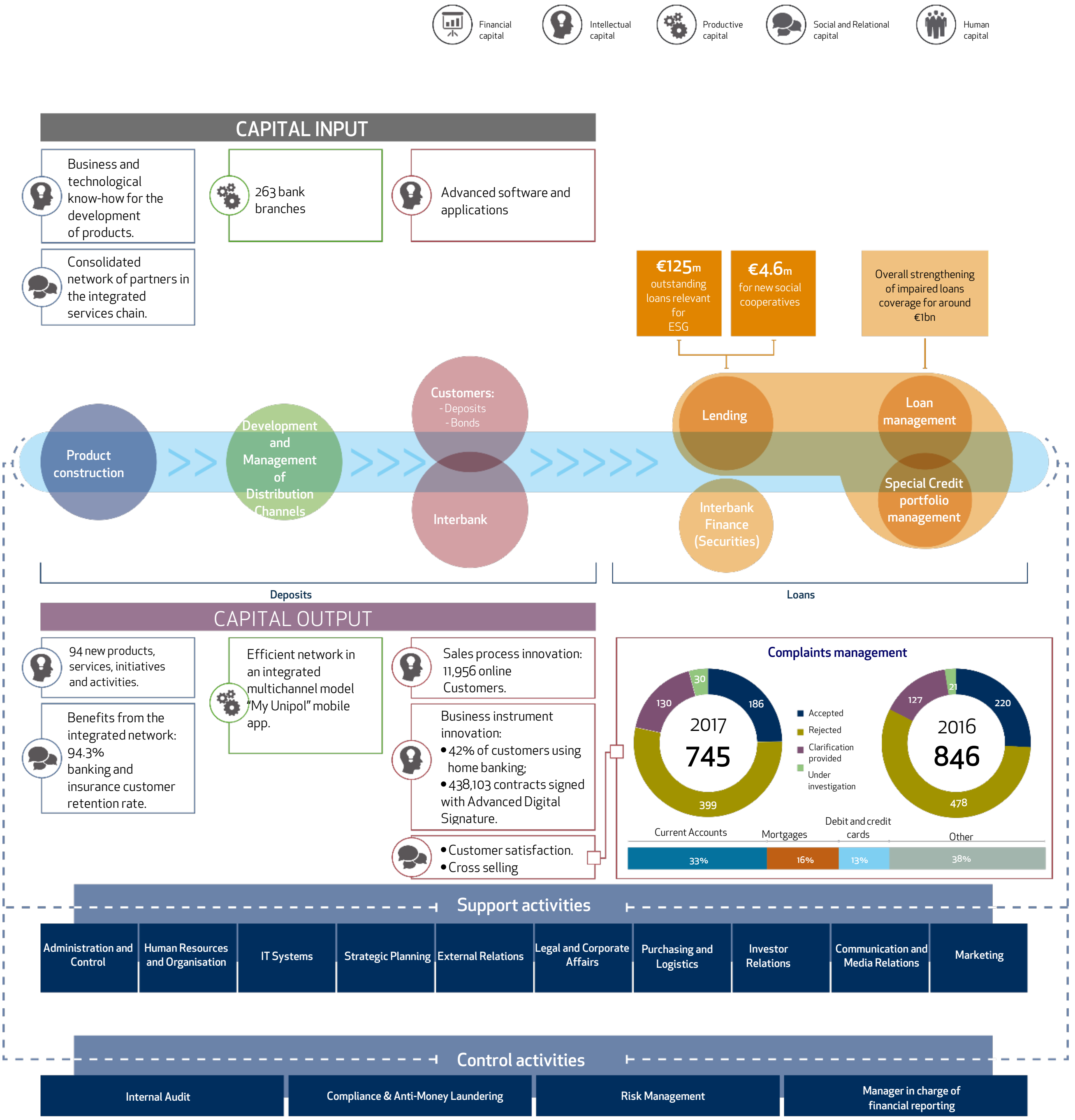
Country watchlist areas: Environmental protection; Human and workers' rights; Fight against corruption

Support activities

Control activities

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

Banking



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

UNIPOL GROUP PERFORMANCE

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, Unipol sold to the subsidiary UnipolSai the equity investments it held 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 S.p.A. 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, 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 sectors 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. At the same time, in advance with respect to the deadline set for 2019, the price adjustment clause was also defined, which is included in the contracts for the acquisition of the Arca Vita S.p.A. investment by Unipol and Arca Assicurazioni Spa by Arca Vita, entered into in 2010. On the basis of the results achieved by Arca Vita and by the subsidiary Arca Assicurazioni at 31 December 2017, the overall price adjustment due from the Unipol Group was defined as €12.8m, of which €9.7m already paid in advance in 2015. Taking into account what was already recorded when the business combination was recognised as well as subsequent provisions, the impact on the consolidated income statement for the year 2017 was limited to €0.5m.

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.

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 S.p.A. ("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", destined to 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 S.p.A. ("**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 S.p.A. ("**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 interested 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 S.p.A. ("**UnipolRe**C"), 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 m, 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 €2,901m gross of value adjustments and €553m 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. For further information on the adjustments introduced to the estimation criteria application in the valuation of loans, qualifying as estimation changes pursuant to IAS 8, please refer to the Notes to the Financial Statements/4 Notes to the income statement/2.4 Losses on other financial instruments and investment property.

The value adjustments to loans (cash and unsecured) of Unipol Banca in 2017 amounted to €1,643m, added to which are €20m in losses on loan disposals. Partially offsetting these expenses are the Bank's recognition of income from the indemnity agreement for a total of €696m, of which €670.4m to finalise the agreement. Net of this income, the impairment losses on receivables recorded by Unipol Banca totalled €967m at 31 December 2017.
At consolidated level, the adjustments on the portfolio of loans of the Bank impacted the income statement at 31 December 2017 in the amount of €1,072m, inclusive of €105m recognised by the Parent Unipol as a result of the termination of the Indemnity Agreement.

Please note that following the set of assessments conducted, the net carrying amount of the Bad and Doubtful loans is consistent with market values resulting from recent transactions for the assignment of similar portfolios and that the coverage of loans classified as Unlikely to Pay and Past Due is aligned with the best levels of the banking system.

Unipol Banca's NPL portfolio at 31 December 2017, including Bad and Doubtful Loans subject to transfer to UnipolReC, is broken down as follows:

Amounts in €m	**Gross value**	**Funds**	**Net value**	**% hedged**
Doubtfull loans	3,011	(2,417)	594	80.3%
Unlikely to pay	723	(290)	433	40.1%
Non-performing past due	85	(12)	73	14,4%
Total Non-performing loans	**3,819**	**(2,719)**	**1,100**	**71.2%**

As a result of what is laid out above, Unipol Banca closed the financial statements at 31 December 2017 with a loss of €752m.

Operating performance

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

The consolidated financial statements of the Unipol Group at 31 December 2017, with insurance profitability, *the Group's core business*, on the rise compared to the previous year, **closed with a consolidated loss of €169m** due to the transactions carried out as part of the Banking sector restructuring plan described in the previous paragraph.
Excluding the **one-off *effects* attributable to the banking sector restructuring plan**, on the basis of management figures **there would have been a consolidated profit of €655m**, significant growth compared to €535m at 31 December 2016 owing, in particular, to the improved contribution of financial management.

The Insurance sector closed with consolidated net profit of €748m (€645m at 31/12/2016, +16%), of which €513m related to Non-Life business (€381m at 31/12/2016, +34.6%) and €235m related to Life business (€263m at 31/12/2016, -10.9%).
The Banking sector recorded a loss of €747m, compared to a profit of €6m at 31/12/2016. Excluding the one-off effects correlated with the restructuring plan of Unipol Banca, the profit would have been €16m.
The Holding and Other Businesses sector recorded a loss of €148m (-€98m at 31/12/2016), after recognising €105m in losses for the holding company Unipol due to the closure of the credit indemnity agreement in place with the subsidiary Unipol Banca (€30m provision for credit indemnity risks and charges at 31/12/2016).
The Real Estate sector recorded a negative result of €22m (-€18m at 31/12/2016).

The Group's **solvency ratio**, calculated according to **Solvency II** regulations (standard formula with the use of USP – Undertaking Specific Parameters), at 31 December 2017, reported a ratio of own funds to required capital of **152%**[16], up 141% compared to 31 December 2016.

The Group also calculates a solvency ratio based on Economic capital (the measure of capital absorbed determined based on the principles and models applied in the Partial Internal Model and valid for operating purposes) which in 2017 was 1.69 (1.61 in 2016).

At the level of the Unipol Banking Group, the **CET 1** was **31.5%** (16.8% at 31/12/2016). The increase is mainly due to the change in prudential consolidation scope which at 31 December 2017 no longer included the former holding company, Finsoe. On a like-for-like basis, the CET 1 at 31 December 2016, calculated without considering the former Finsoe figures, was 29.1%.

Moving on to examine the various segments in greater detail, note that for **Non-Life business** the direct premiums as at 31 December 2017 amounted to €7,867m, up 0.7% compared to 2016. Premiums were driven by the Non-MV segment, with premiums reaching €3,698m, marking growth of 3.9%, and the Land Vehicle Hulls class, with premiums equal to €655m (+3.3% on 2016), which offset the downturn for the MV TPL class, where premiums reached €3,514m (-2.9% vs. 2016), influenced by persisting strong competition among insurance companies.

[16] 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.

With regard to the core companies, Non-Life direct premiums of UnipolSai alone, the Group's main company which - with around 2,800 agencies, the largest agency network in the country - 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 other Group companies operating in the Non-Life segment recorded significant increases in premiums earned. In particular:

- Linear, operating in the MV segment, earned premiums of €172m, 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;
- Arca Assicurazioni, which operates in the Non-Life bancassurance channel, recorded premiums of €110m, up 5.6% on last year;
- UniSalute achieved premiums amounting to €371m, up 10.1%;
- SIAT, which specialises in the Sea Vehicles segment, recorded €128m in premiums, up by 10.7%;
- Incontra, the joint venture with Unicredit (specialised in *credit protection* products) achieved turnover of €107m, marking development of 54.3%.

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 67.5% from 67.1% in 2016.
The *expense ratio* for direct business was 27.5% of premiums written, against 27.9% in 2016. Overall, the Group's ***combined ratio*** of direct business stood at 95.1%, compared to 95% at 31 December 2016.
The *combined ratio* net of reinsurance, with the *expense ratio* in relation to premiums earned, was 96.4% (95.6% in 2016).

In the **Life business**, 2017 was characterised by the offer across all the distribution channels 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 at 31 December 2017 amounted to €4,424m (-36.8% compared to 31/12/2016). The decline should therefore be read in light of the limitation of financial risk associated with guaranteed capital products and especially in relation to the slowdown in bancassurance channel income. With regard to the latter, note that Arca Vita, with the subsidiary Arca Vita International, recorded direct premiums earned of €711m, a 58.6% decline compared to a particularly lively 2016, and Popolare Vita, which in 2017 terminated the distribution agreement in place and will soon be sold, closed the year with premiums equal to €706m (inclusive of the premiums of the subsidiary Lawrence Life), down 66.9%.
UnipolSai recorded direct premiums of €2,892m (-4.9%).
New business in terms of APE, net of non-controlling interests, amounted to €422m (€484m at 31/12/2016), of which €122m contributed by bancassurance companies and €300m 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 3.69% of invested assets, of which 3.32% relating to the coupons and dividends component, whereas the overall return recorded in 2016 totalled 3.53%.

In the **Banking sector**, in a regulatory developments context that is increasingly strict on the management of impaired loans, the Group firmly decided upon a restructuring that led to a stronger coverage of impaired loans by around €1bn, preliminary to the disposal of most of the NPL portfolio of Unipol Banca through assignment of the bad and doubtful loans, as part of the Spin-Off that became effective on 1 February 2018, to UnipolReC, a separate company specialising in the recovery of such positions.
At the end of 2017, the degree of coverage of impaired loans was therefore high at 71% (from 46% at the end of 2016), covering around 80% of bad and doubtful loans now almost all transferred to UnipolReC, and 40% of unlikely to pay loans remaining in the Unipol Banca portfolio.

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. 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 companies in the Group's **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, note the recent merger 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 €600k.

Condensed Consolidated Operating Income Statement broken down by business segment

Amounts in €m	**Non-Life business** Dec-17	Dec-16	% var.	**Life business** Dec-17	Dec-16	% var.	**Insurance Sector** Dec-17	Dec-16	% var.
Net premiums	7,458	7,502	*(0.6)*	3,805	6,284	*(39.5)*	11,263	13,787	*(18.3)*
Net commission income	0	0	*48.3*	26	26	*(0.1)*	26	26	*(0.4)*
Financial income/expense (**)	557	378	*47.3*	1,342	1,446	*(7.2)*	1,898	1,823	*4.1*
Net interest income	*387*	*396*		*1,244*	*1,268*		*1,631*	*1,664*	
Other income and charges	*55*	*74*		*57*	*65*		*112*	*139*	
Realised gains and losses	*172*	*51*		*109*	*163*		*281*	*214*	
Unrealised gains and losses	*(57)*	*(142)*		*(69)*	*(51)*		*(126)*	*(193)*	
Net charges relating to claims	(4,989)	(4,979)	*0.2*	(4,480)	(6,991)	*(35.9)*	(9,469)	(11,969)	*(20.9)*
Operating expenses	(2,118)	(2,147)	*(1.4)*	(269)	(306)	*(12.0)*	(2,387)	(2,453)	*(2.7)*
Commissions and other acquisition costs	*(1,656)*	*(1,664)*	*(0.5)*	*(120)*	*(146)*	*(18.2)*	*(1,775)*	*(1,810)*	*(1.9)*
Other expenses	*(463)*	*(483)*	*(4.2)*	*(149)*	*(160)*	*(6.4)*	*(612)*	*(643)*	*(4.8)*
Other income/charges	(220)	(283)	*(22.4)*	(96)	(81)	*19.2*	(316)	(364)	*(13.2)*
Pre-tax profit (loss)	**687**	**471**	*46.0*	**328**	**379**	*(13.6)*	**1,015**	**850**	*19.4*
Income taxes	(174)	(90)	*94.6*	(93)	(116)	*(19.6)*	(267)	(205)	*30.2*
Profit (loss) from discontinued operations									
Consolidated profit (loss)	**513**	**381**	*34.6*	**235**	**263**	*(10.9)*	**748**	**645**	*16.0*
Profit (loss) attributable to the Group									
Profit (loss) attributable to non-controlling interests									

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

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

- **direct insurance premiums**, gross of reinsurance, were €12,291m (€14,806m at 31/12/2016, -17%). Non-Life direct premiums amounted to €7,867m (€7,809m at 31/12/2016, +0.7%) and Life direct premiums amounted to €4,424m (€6,997m at 31/12/2016, -36.8%), of which €606m related to investment products in the Life business (€698m at 31/12/2016);
- **net premiums earned**, net of reinsurance, amounted to €11,263m (€13,787m at 31/12/2016, -18.3%), of which €7,458m in the Non-Life business (€7,502m at 31/12/2016, -0.6%) and €3,805m in the Life business (€6,284m at 31/12/2016, -39.5%);
- **net charges relating to claims**, net of reinsurance, were €9,469m (€11,969m at 31/12/2016, -20.9%), of which €4,989m in the Non-Life business (€4,979m at 31/12/2016, +0.2%) and €4,480m in the Life business (€6,991m at 31/12/2016, -35.9%), including €152m of net gains on financial assets and liabilities at fair value (€125m at 31/12/2016);
- **operating expenses** amounted to €2,736m (€2,747m at 31/12/2016). In the Non-Life business, operating expenses amounted to €2,118m (€2,147m at 31/12/2016), €269m in the Life business (€306m at 31/12/2016), €343m in the Banking sector (€311m at 31/12/2016), €111m in the Holding and Other Businesses sector (€102m at 31/12/2016) and €26m in the Real Estate sector (€12m at 31/12/2016);
- the **combined ratio**, net of reinsurance, of Non-Life business was 96.4% (95.6% at 31/12/2016);

Banking Sector			Holding and Other business Sector			Real Estate Sector (*)			Intersegment elimination		Total Consolidated		
Dec-17	Dec-16	% var.	**Dec-17**	Dec-16	% var.	**Dec-17**	Dec-16	% var.	**Dec-17**	Dec-16	**Dec-17**	Dec-16	% var.
											11,263	13,787	(18.3)
143	104	37.1	12	26	(51.7)				(52)	(56)	129	100	29.0
(806)	182		(59)	(82)	(28.7)	(2)	4		(169)	(104)	863	1,823	(52.7)
203	*216*		*(52)*	*(58)*		*(6)*	*(3)*		*(49)*	*(43)*	*1,727*	*1,776*	
5	*6*		*(9)*	*(8)*		*15*	*20*		*(14)*	*(31)*	*109*	*125*	
(3)	*21*		*2*	*(5)*		*0*	*(2)*				*281*	*228*	
(1,012)	*(61)*		*0*	*(11)*		*(11)*	*(11)*		*(105)*	*(30)*	*(1,254)*	*(306)*	
											(9,469)	(11,969)	(20.9)
(343)	(311)	10.1	(111)	(102)	8.8	(26)	(12)	112.7	130	131	(2,736)	(2,747)	(0.4)
									55	*47*	*(1,721)*	*(1,763)*	(2.4)
(343)	*(311)*	10.1	*(111)*	*(101)*	9.0	*(26)*	*(12)*	112.7	*75*	*84*	*(1,016)*	*(983)*	3.3
20	32	(38.7)	(27)	30		4	(14)	(125.8)	91	29	(228)	(287)	(20.5)
(987)	**7**		**(183)**	**(128)**	(43.1)	**(24)**	**(22)**	(7.5)			**(179)**	**706**	
240	0		35	30	15.3	2	4	(40.8)			10	(171)	
(747)	**6**		**(148)**	**(98)**	51.7	**(22)**	**(18)**	18.3			**(169)**	**535**	
											(346)	*330*	
											177	*205*	

- **net gains on investments and financial income** from financial assets and liabilities (excluding net gains on financial assets and liabilities at fair value relating to Life business) amounted to €863m (€1,823m at 31/12/2016), after write-downs relating to the portfolio of loans of Unipol Banca of €1,072m;
- the **pre-tax result** was -€179m (+€706m at 31/12/2016);
- **taxes** for the period constituted a net income of €10m (net expense of €171m at 31/12/2016);
- net of the €177m profit attributable to non-controlling interests, the **loss attributable to the owners of the Parent** at 31 December 2017 was €346m. Without the *one-off* effects attributable to the banking sector restructuring, the profit attributable to the owners of the Parent would have been €407m (€330m at 31/12/2016);
- in the fourth quarter of 2017 gross profit was €113m (€67m in the fourth quarter of 2016).

Insurance Sector performance

The Group's insurance business closed the period with a **total pre-tax profit of €1,015m** (€850m at 31/12/2016), of which €687m relating to the Non-Life sector (€471m at 31/12/2016) and €328m relating to the Life sector (€379m at 31/12/2016).

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 the subsidiary Popolare Vita and 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, the companies 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, issued their final report, determining the total value of the company 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. The disposal should take place by the end of the first half of 2018, after the necessary legal authorisation has been obtained.
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.

At 31 December 2017, **Investments and cash and cash equivalents** of the Insurance sector totalled €59,098m (€71,336m at 31/12/2016), €16,410m of which was from Non-Life business (€17,162m at 31/12/2016) and €42,687m from Life business (€54,175m at 31/12/2016).
Following the application of IFRS 5, €10,376m was reclassified under Non-current assets or assets of a disposal group held for sale of which €10,277m relating to Popolare Vita and The Lawrence Life and €99m to properties for which disposal activities have begun (€191m at 31/12/2016 of properties pending disposal).

Technical provisions amounted to €53,427m (€64,110m at 31/12/2016), of which €15,461m in the Non-Life business (€15,862m at 31/12/2016) and €37,966m in the Life business (€48,248m at 31/12/2016). Technical provisions of €9,035m were reclassified pursuant to IFRS 5.

Financial liabilities amounted to €4,694m (€5,511m at 31/12/2016), of which €1,511m in the Non-Life business (€1,665m at 31/12/2016) and €3,183m in the Life business (€3,845m at 31/12/2016). Financial liabilities of €904m were reclassified pursuant to IFRS 5.

Total premiums (direct and indirect premiums and investment products) at 31 December 2017 amounted to €12,389m (€14,854m at 31/12/2016), down 16.6%. Non-Life premiums amounted to €7,964m (€7,856m at 31/12/2016, +1.4%) and Life premiums amounted to €4,425m (€6,997m at 31/12/2016, -36.8%), of which €606m related to investment products (€698m at 31/12/2016).
Total Life and Non-Life premiums for just the fourth quarter of 2017 amounted to €3,513m (€3,671m in the fourth quarter of 2016).

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 €606m, related to Class III (Unit- and Index-Linked policies) and Class VI (pension funds).

Direct premiums amounted to €12,291m (€14,806m at 31/12/2016, -17%), of which Non-Life premiums totalled €7,867m (+0.7%) and Life premiums €4,424m (-36.8%).

Amounts in €m	**31/12/2017**	*% comp.*	31/12/2016	*% comp.*	*% var.*
Non-Life direct premiums	7,867	*64.0*	7,809	*52.7*	*0.7*
Life direct premiums	4,424	*36.0*	6,997	*47.3*	*(36.8)*
Total direct premium income	**12,291**	***100.0***	**14,806**	***100.0***	***(17.0)***

Indirect Non-Life and Life premiums at 31 December 2017 were overall €97m (€47m at 31/12/2016), of which €97m (€47m at 31/12/2016) for the Non-Life business and roughly €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 of around €58m, of which €16m with Group companies.

Amounts in €m	**31/12/2017**	*% comp.*	31/12/2016	*% comp.*	*% var.*
Non-Life indirect premiums	97	*99.4*	47	*98.9*	*107.4*
Life indirect premiums	1	*0.6*	1	*1.1*	*7.0*
Total indirect premiums	**97**	***100.0***	**47**	***100.0***	***106.3***

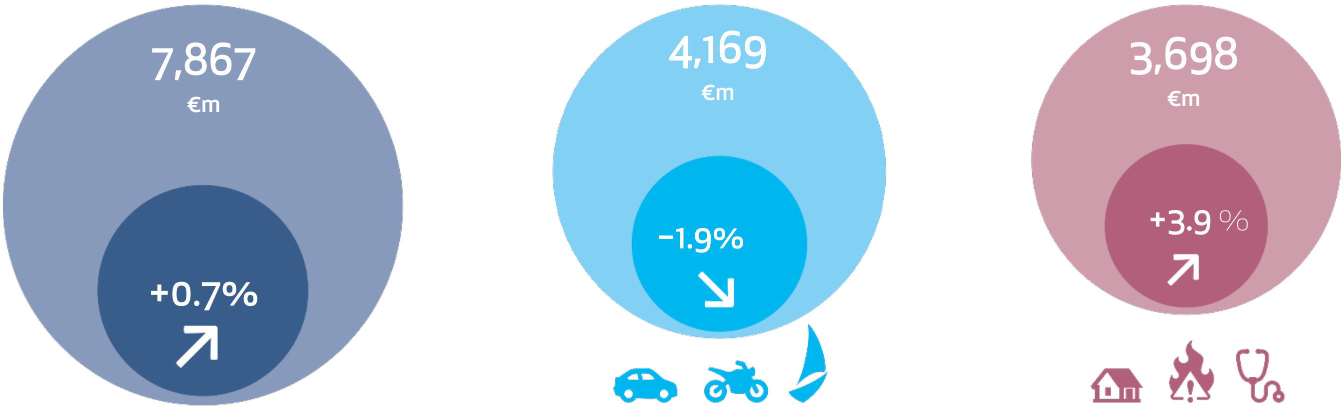
Group **premiums ceded** totalled €449m (€400m at 31/12/2016), €435m of which from Non-Life premiums ceded (€385m at 31/12/2016) and €14m from Life premiums ceded (€15m at 31/12/2016). The retention ratios saw a slight decline both in the Non-Life and Life businesses.

Amounts in €m	**31/12/2017**	*% comp.*	31/12/2016	*% comp.*	*% var.*
Non-Life ceded premiums	435	*96.9*	385	*96.1*	*13.0*
Retention ratio - Non-Life business (%)	*94.5%*		*95.1%*		
Life ceded premiums	14	*3.1*	15	*3.9*	*(10.3)*
Retention ratio - Life business (%)	*99.6%*		*99.8%*		
Total premiums ceded	**449**	***100.0***	**400**	***100.0***	***12.1***
Overall retention ratio (%)	*96.2%*		*97.2%*		

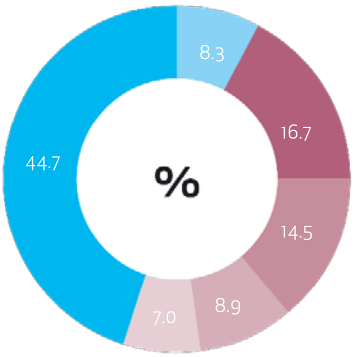
At 31 December 2017 the premiums ceded generated an overall positive result for reinsurers, both in the Non-Life and in the Life business.

Non-Life business

Total Non-Life premiums (direct and indirect) at 31 December 2017 were €7,964m (€7,856m at 31/12/2016, +1.4%). **Direct business** premiums alone amounted to €7,867m (€7,809m at 31/12/2016), up 0.7%.



Non-Life business direct premiums



Amounts in €m	31/12/2017	%	31/12/2016	%	% var.
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,514		3,617		*(2.9)*
Land Vehicle Hulls (class 3)	655		634		*3.3*
Total premiums - Motor Vehicles	**4,169**	**53.0**	**4,252**	**54.4**	**(1.9)**
Accident and Health (classes 1 and 2)	1,315		1,273		*3.3*
Fire and Other damage to property (classes 8 and 9)	1,137		1,095		*3.8*
General TPL (class 13)	699		690		*1.2*
Other classes	547		499		*9.6*
Total premiums - Non-M-V	**3,698**	***47.0***	**3,558**	***45.6***	***3.9***
Total Non-Life direct premiums	**7,867**	***100.0***	**7,809**	***100.0***	***0.7***

In the **MV segment**, MV TPL premiums were €3,514m, down by 2.9% on 31 December 2016. An increase of 3.3% was instead reported in the Land Vehicle Hulls class with premiums equal to €655m (€634m at 31/12/2016). The **Non-MV segment,** with premiums of €3,698m, recorded 3.9% growth.

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.

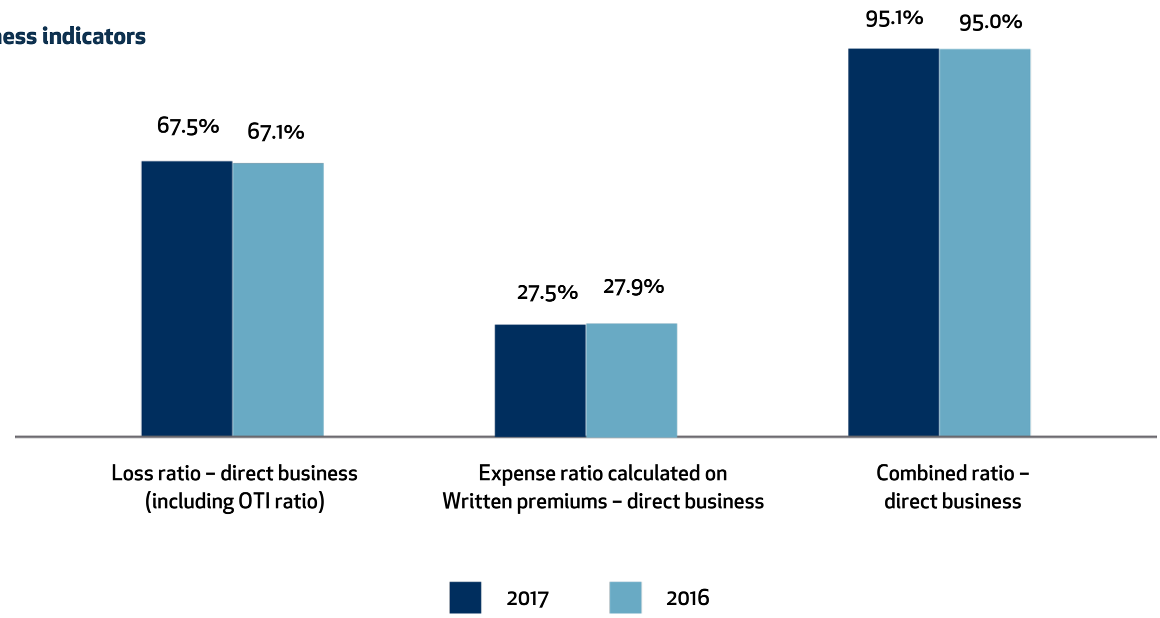
The number of claims reported, without considering the MV TPL class, reported a 5.8% increase, due to the Health classes (+7.6%), net of which the increase would have been 1.2%.

Number of claims reported (excluding MV TPL)

	31/12/2017	31/12/2016	*var.%*
Land Vehicle Hulls (class 3)	308,789	287,441	*7.4*
Accident (class 1)	132,582	146,600	*(9.6)*
Health (class 2)	3,544,848	3,293,955	*7.6*
Fire and Other damage to property (classes 8 and 9)	307,375	295,880	*3.9*
General TPL (class 13)	94,099	94,087	*0.0*
Other classes	488,775	491,557	*(0.6)*
Total	**4,876,468**	**4,609,520**	***5.8***

As regards the MV TPL class, where the CARD agreement is applied, in 2017 cases relating to "fault" claims (Non-Card, Debtor Card or Natural Card) reported totalled 662,864, up 1.7% (673,935 in 2016).
Claims that present at least one Debtor Card claims handling were 383,918, down (-2.5%) with respect to the same period of the previous year.
Handler Card claims were 506,665 (including 115,422 Natural Card claims, claims between policyholders at the same company), in line with the previous year. The settlement rate in 2017 was 82.1% 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 amounted to 84.5% (84.8% in 2016).
The average cost (amount paid plus amount reserved) for claims reported declined by 0.7% in 2017 (-1.5% in 2016). The average cost of the amount paid out rose by 2.0% (-0.1% in 2016).

Non-Life business indicators



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

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

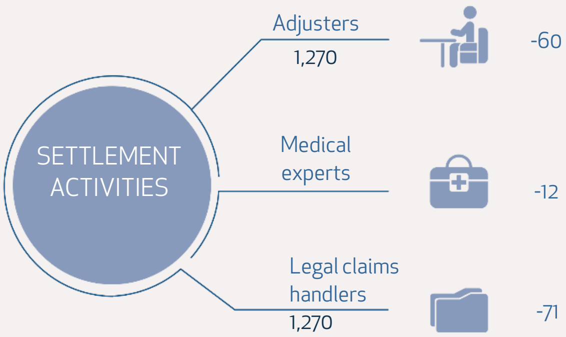
Settlement performance

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

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

Key values of our services

- FAIRNESS
- EFFICIENCY
- QUALITY



New products

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.

Non-Life premiums of the main Group insurance companies

The direct premiums attributable to **UnipolSai**, the Group's main company, stood at €6,901m (-0.8%), of which €3,937m in the MV classes (-2.6%) and €2,964m in the Non-MV classes (+1.5%).

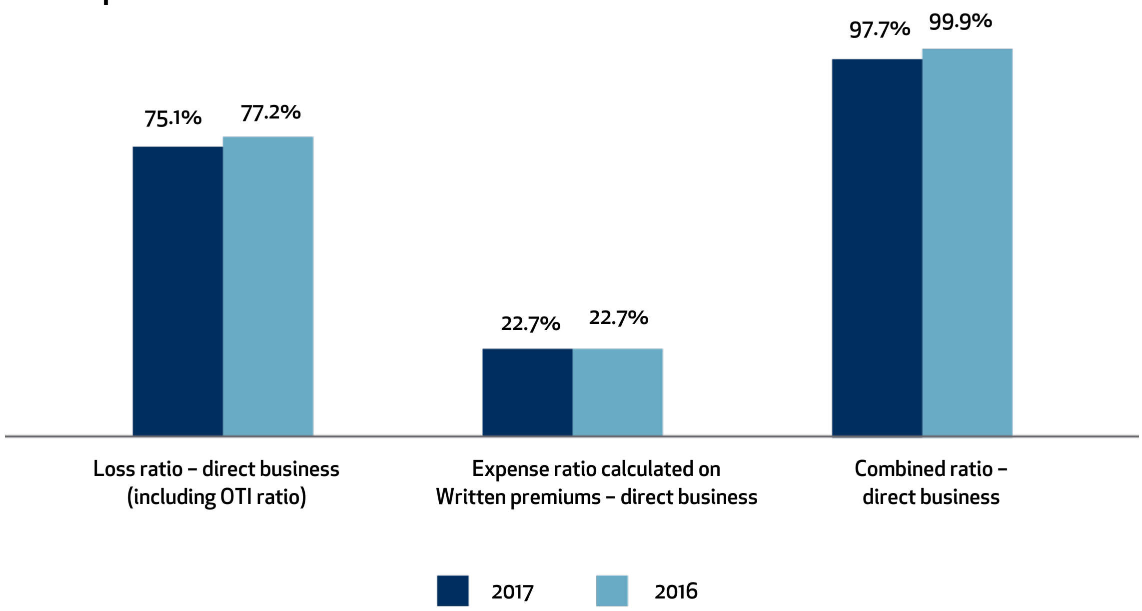
UnipolSai Assicurazioni Spa - Non-Life business direct premiums

Amounts in €m	**31/12/2017**	*% comp.*	31/12/2016	*% comp.*	*% var.*
Land, sea, lake and river motor vehicles TPL (classes 10 and 12)	3,314		3,434		*(3.5)*
Land Vehicle Hulls (class 3)	624		607		*2.7*
Total premiums - Motor Vehicles	**3,937**	***57.1***	**4,042**	***58.1***	***(2.6)***
Accident and Health (classes 1 and 2)	845		850		*(0.7)*
Fire and Other damage to property (classes 8 and 9)	1,088		1,050		*3.6*
General TPL (class 13)	685		678		*1.0*
Other classes	346		340		*1.8*
Total premiums - Non-M-V	**2,964**	***42.9***	**2,919**	***41.9***	***1.5***
Total Non-Life premiums	**6,901**	***100.0***	**6,960**	***100.0***	***(0.8)***

In the **MV** classes, €3,314m related to premiums in the MV TPL class and Sea, Lake and River Vessels TPL class (€3,434m at 31/12/2016, -3.5%). The 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 was confirmed (+1.5%), recorded already in the first half of the year, the only exceptions being the Accident and Health classes (-0.7%), 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.

MV TPL indicators - UnipolSai



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 €371m (€337m at 31/12/2016), marking growth of 10.1%. 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. The number of customers totalled 5.7m (5.4m at 31/12/2016), of which around 5m belong to the Health class (around 4.5m at 31/12/2016).
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.

Linear, a company specialised in direct sales (online and call centre) of MV products, with total gross premiums of €172m, 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.

The company **SIAT**, focusing on the Sea Vehicles segment, achieved direct premiums amounting to €128m (+10.7%). 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%).

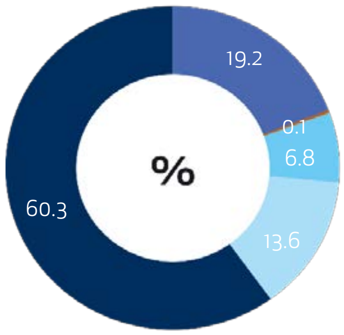
Arca Assicurazioni recorded direct premiums of €110m (+5.6%), with a considerable increase in the Non-MV classes (+10.4%) and a further reduction in MV segment premiums (-4.1%).

Incontra Assicurazioni, the joint venture specialising in *credit protection* products, recorded direct premiums of €107m at 31 December 2017, marking sharp growth compared to the previous year (€69m in 2016), mainly concentrated in the Health and Pecuniary Losses classes.

Life business

Total Life premiums (direct and indirect) were €4,425m (€6,997m at 31/12/2016, -36.8%). The **direct premiums**, which represent almost all of the premiums, are broken down as follows:

Life business direct premiums



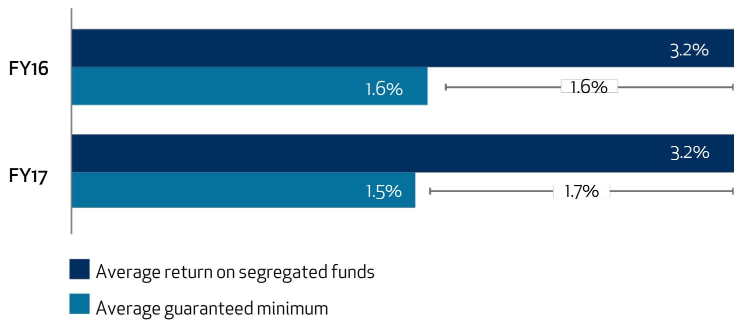
Amounts in €m	**31/12/2017**	%	31/12/2016	%	% var.
I - Whole and term Life insurance	2,670	*60.3*	4,964	*70.9*	*(46.2)*
III - Unit-linked/index-linked policies	850	*19.2*	1,180	*16.9*	*(28.0)*
IV - Health	2	*0.1*	2	*0.0*	*60.4*
V - Capitalisation insurance	300	*6.8*	340	*4.9*	*(11.8)*
VI - Pension funds	602	*13.6*	511	*7.3*	*17.8*
Total Life business direct premium income	**4,424**	***100.0***	**6,997**	***100.0***	***(36.8)***
- Total Life investment products	*606*		*698*		*(13.1)*

At 31 December 2017, the direct premium volume was equal to €4,424m, a decline of 36.8% with respect to 31 December 2016. The decrease is mostly attributable to the bancassurance channel (-61.5%), as a result of the heavy drop in premiums written by Popolare Vita (-66.9%), the bancassurance company that distributes policies through a joint venture with the Banco BPM Group that concluded at the end of December 2017. Investment products, totalling €606m (€698m at 31/12/2016), primarily related to class III. With the sole exception of the Class VI Pension Funds, which recorded a 17.8% increase over the previous year, all other classes declined, also as a result of the Group's strategic decision to limit flows of traditional products with returns linked to segregated funds and to orient sales network offers towards multisegment and linked products.

At 31 December 2017, new business in terms of **APE**, net of non-controlling interests, amounted to €422m (€484m at 31/12/2016, -12.9%), of which €122m contributed by bancassurance companies (-45.2%) and €300m by traditional companies (+14.4%).

The **expense ratio** for Life direct business stood at 5.9% (4.1% at 31/12/2016).

Returns on Segregated Funds and guaranteed minimums



Pension Funds

The Unipol Group retained its leading position in the supplementary pension market, despite a difficult competitive scenario.
With the subsidiary UnipolSai Assicurazioni, it 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, a total of 23 occupational pension funds were managed (16 of them for accounts "with guaranteed capital and/or minimum return") and resources came to €4,340m (of which €3,375m with guaranteed capital).

At 31 December 2017 the assets of the **Open Pension Funds** managed by the companies UnipolSai, Popolare Vita and BIM (UnipolSai Previdenza FPA, Fondo Pensione Aperto Popolare Vita, Fondo Pensione Aperto BIM Vita) reached a total of €908m with 44,442 members. At 31 December 2016, the assets of the Open Pension Funds amounted to €881m, with 45,133 members

Life premiums of the main Group insurance companies

Direct premiums for **UnipolSai** alone were equal to €2,892m (€3,042m at 31/12/2016, -4.9%). Class VI Pension Funds, with premiums of €595m, rose by 17.9%, while Class I Traditional Policies, which with €1,832m accounted for 63.4% of total premiums, declined by 16.5%. Class V Capitalisation policies were also down (-3.3%).

UnipolSai Assicurazioni Spa - Life business direct premiums

	Amounts in €m	**31/12/2017**	*% comp.*	31/12/2016	*% comp.*	*% var.*
I	Whole and term life insurance	1,832	*63.4*	2,195	*72.2*	*(16.5)*
III	Unit-linked/index-linked policies	195	*6.7*	64	*2.1*	*206.2*
	- of which investment products	*194*	*6.7*	*63*	*2.1*	*207.9*
IV	Health	2	*0.1*	2	*0.0*	*60.4*
V	Capitalisation insurance	267	*9.2*	277	*9.1*	*(3.3)*
VI	Pension funds	595	*20.6*	505	*16.6*	*17.9*
	- of which investment products	*27*	*0.9*	*27*	*0.9*	*(0.9)*
Total Life business		**2,892**	***100.0***	**3,042**	***100.0***	***(4.9)***
- of which investment products		*221*	*7.6*	*90*	*3.0*	*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.

In the bancassurance channel, the **Arca Group** (Arca Vita and Arca Vita International) recorded premiums of €711m (-58.6%).
Popolare Vita and **The Lawrence Life** closed 2017 with premiums recorded for €706m (-66.9%). As already noted, on 29 June 2017 UnipolSai approved the cancellation of the distribution agreement in place between Popolare Vita and Banco BPM SpA and the simultaneous exercise of the put option on the stake held in Popolare Vita.

Reinsurance

Unipol 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:

- new "Multipol" *Multiline Aggregate* Excess of Loss treaty, which maximises the efficiency and effectiveness of the most operational 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.

Banking Sector performance

As already illustrated extensively in previous pages, the Group's banking sector was subject to a Restructuring Plan which had a significant negative impact on its profit.

The following table shows the main items in the **income statement of the Banking sector**, set out in the layout specified for banks:

Banking business

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Net interest income	203	216	*(5.9)*
Net commission income	143	104	*37.1*
Other net financial income	3	25	*(90.0)*
Gross operating income	**348**	**345**	*0.9*
Net reversals due to impairment of financial assets	(1,012)	(59)	
Net financial income	**(664)**	**286**	
Operating expenses	323	279	*16.0*
of which provisions for risks and charges	*5*	*2*	
Cost/income	*92.9%*	*80.8%*	*14.9*
Pre-tax profit (loss)	**(987)**	**7**	

The pre-tax result of the Banking sector at 31 December 2017 was negative for €987m (positive for €7m at 31/12/2016), of which €1,003m as the *one-off* effect of the restructuring of the segment.

At 31 December 2017, investments and cash and cash equivalents of the sector totalled €13,292m (€11,873m at 31/12/2016), of which €8,635m in loans and receivables from bank customers (€9,165m at 31/12/2016).

Bank direct customer deposits amounted to €12,008m (€10,535m at 31/12/2016), of which:
€324m in subordinated loans (€491m at 31/12/2016);
€2,165m in debt securities issued (€1,999m at 31/12/2016);
€9,519m in payables to customers (€8,044m at 31/12/2016).

Interbank payables totalled €439m (€695m at 31/12/2016).

On 5 May 2017, Unipol Banca established the single member company Unipol Reoco SpA, with the task of managing and maximising the profitability of the properties underlying the bank's impaired loans, the value of which is considered to be interesting in economic terms on the reference market, also with a view to subsequent valuation and marketing. At 31 December 2017 the share capital amounted to €1.5m.

Operating performance of Unipol Banca

At 31 December 2017, increases were recorded both in the number of customers (510,525, +2.5% compared to the end of 2016) and in ordinary current accounts (371,974, +2.5% on the end of 2016). There was a decrease in the number of new accounts opened by the agencies (-8.7%) and by the multichannel bank (-72.8%), whilst the traditional branch channel recorded an increase (+1.2%). Overall, new current accounts numbered around 50,000, with an *acquisition rate* of 13.8% (15.7% in 2016), whilst account closures of around 40,000 during the year indicate a *churn rate* of 11.3% (11% in 2016). The rise in closures was in part due to portfolio "clean-up" transactions.

At 31 December 2017, the volumes of **direct deposits** increased significantly (+14.1% compared to 31/12/2016) to reach almost €12bn, due to the higher deposits of Unipol Group companies (+71.1%, €1.1bn), which represent 22.5% of the total direct deposits, almost all on demand (15% at the end of 2016). The residual growth refers to the market disposal to institutional customers of securities issued by the securitisation SPVs. During the year Unipol Banca bonds of €950m were repaid compared to €303m in new placements and €32m in repurchases from customers (net of sales).

Indirect deposits at 31 December 2017 totalled €49.5bn, down by €1.1bn (-2.2% compared to the end of 2016) as a result of the increase in ordinary customers, amounting to €5.8bn (€4.8bn at 31/12/2016, +21%), mitigating the drop in volumes attributable to Group companies from €45.8bn in 2016 to €43.7bn at 31 December 2017 (-4.6%). Within the assets under management of ordinary customers, equal to €2,804m (€2,386m in 2016, +17.5%), there was significant growth in mutual investment funds of €1.9bn (+34.7% compared to the end of 2016) while a more limited growth was seen for life policies, amounting to €811m (+1.4% compared to the end of 2016). Funds under custody amounted to €2,957m (€2,376m in 2016, +24.5%).

Gross loans to customers at 31 December 2017 increased by 10.3% to reach €11.3bn (€8.6bn net of valuation reserves, up as a result of the significant growth in coverage of impaired loans). The increase is due to higher loans to Group companies, in particular for the tax consolidation (€752m), early termination of the indemnity agreement (€670m) and investments in Group policies (€25m). Net of exposure to the Group, the gross loans increased by 1.7% due to the provisional excess liquidity of the SPVs following the securitisation of bad and doubtful loans in view of the subsequent disposal to UnipolReC.

In 2017, gross **impaired loans** rose by 2.2% (for a total of €82m) to reach €3.8bn. Bad and doubtful loans rose by €376m to €3bn, with €2.9bn relating to positions included in the spin-off complex. At 31 December 2017, the impaired loans, after applying significant adjustments, had an average coverage of 71.2% (80.3% bad and doubtful loans) and, net of funds, represent 12.9% of net loans (28.8% at the end of 2016). This percentage diminished further as a result of the spin-off (6.8% the proforma figure calculated by eliminating positions included among discontinued assets at 31 December 2017).
1 February 2018 was the effective date of the proportional partial spin-off of Unipol Banca to the newco UnipolReC, an investee of the holding company Unipol Gruppo with a 57.75% interest and of the affiliate UnipolSai with 42.25%. As a result of the spin-off, gross bad and doubtful loans for a total of €2,906m (carrying amount at 31/12/2017) were transferred to UnipolReC, with related valuation reserves for €2,352m, for a net value of €555m.
Net of assets and valuation reserves transferred to UnipolReC, the gross impaired loans at 31 December 2017 would total €913m.

At 31 June 2017 the **net balance towards the banking system** was positive for €2,966m, marking growth of €2,321m compared to €645m in December 2016, due to the deposit with the Bank of Italy of excess funds recognised during the year. Payables to banks totalled €438m (€694m at 31/12/2016), consisting of €400m in payables due to the ECB (residual amount from the TLTRO auction, after repaying another €240m received at the end of 2016) and €38m in current accounts and deposits (€54m at the end of 2016).

The 2017 **income statement performance** showed a loss of €752m (profit of €4m in 2016), particularly due to the value adjustments on the credit portfolio for €967m (€38m in 2016).
Gross operating income remained stable at €315m (-0.2%). In particular, the increase of €36m in net commissions offsets the decrease in the interest margin for €13m and financial management for €23m.
Operating expenses stood at €306m, up 13.8% on 2016, with allocations to provisions for €57m (€29m in 2016), of which €49m to the solidarity fund (€10m in 2016). Value adjustments to available-for-sale assets amounted to €43m (€11m in 2016).
The result gross of taxes was a loss of €996m (profit of €0.2m at 31/12/2016).

Real Estate Sector performance

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

Income Statement - Real Estate Sector

Amounts in €m	**31/12/2017**	31/12/2016	% var.
Gains (losses) on financial instruments at fair value through profit or loss	0	3	*(100.0)*
Gains on other financial instruments and investment property	25	37	*(33.2)*
Other revenue	36	7	*404.4*
Total revenue and income	**61**	**48**	***28.5***
Losses on other financial instruments and investment property	(27)	(36)	*(25.4)*
Operating expenses	(26)	(12)	*112.7*
Other costs	(33)	(21)	*53.3*
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 and depreciation of €31m (€18m at 31/12/2016).

Investments and cash and cash equivalents of the Real Estate sector (including instrumental properties for own use) totalled €1,274m at 31 December 2017 (€1,232m at 31/12/2016) and consisted of Investment property amounting to €554m (€491m at 31/12/2016) and Properties for own use totalling €611m (€658m at 31/12/2016).

Financial liabilities were, at 31 December 2017, €328m (€358m at 31/12/2016).
Please note that, on 4 January 2017, Unipol Banca took over from Mediobanca in the disbursement of the €112m loan in favour of the Tikal Closed Real Estate Fund (amount substantially unchanged with respect to 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.

Group real estate business[7]

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

The main projects, 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;

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

- the 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 on 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 on 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.

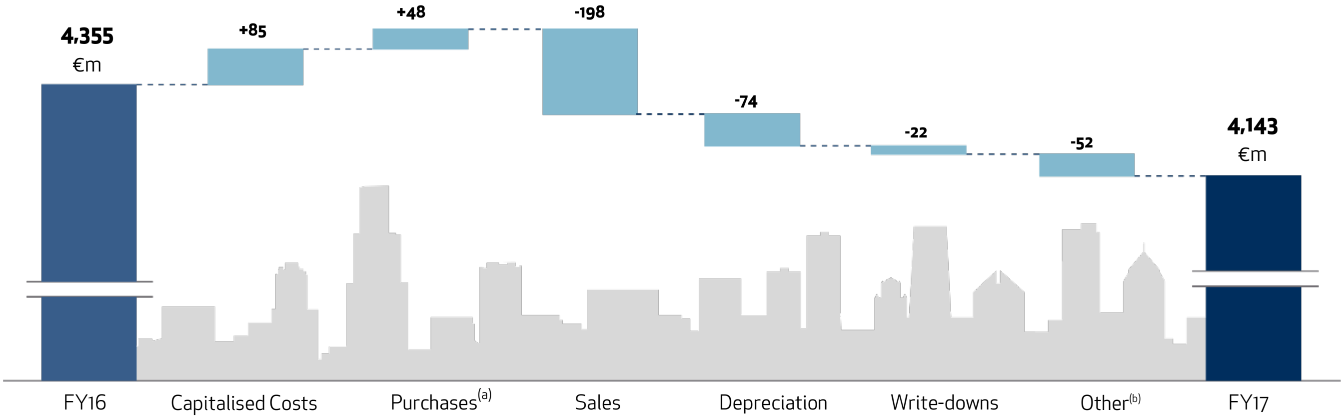
During the year, contracts were entered into for the sale of more than 500 property units, a part of which will be completed in the course of 2018, located in various areas of Italy. The transaction was carried out to further optimise the portfolio from the perspective of management costs, given the 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.

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.

Evolution of the real estate assets (*)

(*Amounts in €m*)



(a) 126 completed at 31 December 2017 (76 in 2016)

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

(*) Operating figures

The balance of €4,143m at 31 December 2017 includes properties managed directly by Group companies for €3,817m, properties held for sale for €104m and €222m investments in real estate funds managed by third parties.

Holding and Other Businesses Sector Performance

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

Income Statement - Holding and Other Businesses Sector

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Commission income	13	26	*(51.8)*
Gains (losses) on financial instruments at fair value through profit or loss	0	(2)	*(97.0)*
Gains on other financial instruments and investment property	7	11	*(37.4)*
Other revenue	228	171	*32.9*
Total revenue and income	**248**	**207**	***20.1***
Losses on investments in subsidiaries, associates and interests in joint ventures	0	0	*(74.2)*
Losses on other financial instruments and investment property	(66)	(91)	*(27.3)*
Operating expenses	(111)	(102)	*8.8*
Other costs	(255)	(142)	*79.6*
Total costs and expenses	**(432)**	**(335)**	***28.9***
Pre-tax profit (loss) for the year	**(183)**	**(128)**	***43.1***

The **pre-tax result** at 31 December 2017 was a loss of €183m (-€128m at 31/12/2016) due in particular to the cost recognised by the holding company Unipol as a result of the termination of the credit indemnity agreement with the subsidiary Unipol Banca for €105m (€30m was the allocation to the credit indemnity provision for risks and charges 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 the **investments and the cash and cash equivalents** of the Holding and Other Businesses sector (including properties for own use for €172m) were €1,763m (€1,600m at 31/12/2016).

Financial liabilities were €2,121m (€1,948m at 31/12/2016) and mainly consist of the following:

- for €1,802m by three senior bond loans issued by Unipol with a total nominal value of €1,817m (€1,609m at 31/12/2016, for a nominal value of €1,616m);
- for €268m by loans payable in place with the subsidiary UnipolSai (unchanged compared to 31/12/2016).

On 17 January 2017, the senior 5% bond loan with a 7-year duration was repaid upon maturity for a nominal value of €299m. Later, on 29 November 2017, Unipol issued a new non-convertible 10-year bond loan for a nominal €500m, at a fixed interest rate of 3.5% and listed on the Luxembourg Stock Exchange.
The bond loan was issued under the Euro Medium Term Notes Programme, with a total maximum nominal amount of €2bn, launched in December 2009.

The year 2017 ended with positive results in the other 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**, Villa Donatello earned revenues during the year from services of roughly €20m, compared to €19m in 2016. The positive revenue trend relates to 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 Tenute del Cerro rose by roughly 20% compared to 31 December 2016, from around €6.5m to €7.8m, achieving a net profit at 31 December 2017 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.

The pre-tax profit that the **holding company Unipol** recorded at 31 December 2017 was €187m (€136m at 31/12/2016) and included dividends collected from Group companies, eliminated in the consolidation process, of €280m (€297m at 31/12/2016), charges for €105m were recognised following the early termination of the credit indemnity agreement with the subsidiary Unipol Banca (€30m allocated to the related provision for risks at 31/12/2016), commission income on the cancelled credit indemnity agreement for €13m (€26m at 31/12/2016) and interest expense on the bond loans issued for €46m (€59m at 31/12/2016).

Asset and financial performance

Investments and cash and cash equivalents

At 31 December 2017, Group **Investments and cash and cash equivalents** totalled €71,647m (€83,428m at 31/12/2016), after reclassifying €10,381m pursuant to IFRS 5, 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	59,098	*82.5*	71,336	*85.5*	*(17.2)*
Banking sector	13,292	*18.6*	11,873	*14.2*	*12.0*
Holding and other business sector	1,763	*2.5*	1,600	*1.9*	*10.2*
Real Estate sector	1,274	*1.8*	1,232	*1.5*	*3.5*
Intersegment eliminations	(3,780)	*(5.3)*	(2,612)	*(3.1)*	*44.7*
Total Investments and cash and cash equivalents	**71,647**	***100.0***	**83,428**	***100.0***	***(14.1)***

The breakdown for investment category is the following:

Amounts in €m	**31/12/2017**	*% comp.*	31/12/2016	*% comp.*	*% var.*
Property (*)	**3,817**	***5.3***	**3,873**	***4.6***	***(1.4)***
Investments in subsidiaries, associates and interests in joint ventures	**90**	***0.1***	**86**	***0.1***	***5.5***
Held-to-maturity investments	**864**	***1.2***	**1,319**	***1.6***	***(34.5)***
Loans and receivables	**15,518**	***21.7***	**14,823**	***17.8***	***4.7***
Debt securities	3,886	5.4	4,358	5.2	(10.8)
Loans and receivables from bank customers	7,728	10.8	8,527	10.2	(9.4)
Interbank loans and receivables	3,405	4.8	1,335	1.6	155.0
Deposits with ceding companies	19	0.0	21	0.0	(7.7)
Other loans and receivables	480	0.7	583	0.7	(17.7)
Available-for-sale financial assets	**44,482**	***62.1***	**52,540**	***63.0***	***(15.3)***
Financial assets at fair value through profit or loss	**6,244**	***8.7***	**10,285**	***12.3***	***(39.3)***
of which held for trading	334	0.5	309	0.4	8.0
of which at fair value through profit or loss	5,911	8.2	9,976	12.0	(40.8)
Cash and cash equivalents	**631**	***0.9***	**503**	***0.6***	***25.5***
Total investments and cash and cash equivalents	**71,647**	***100.0***	**83,428**	***100.0***	***(14.1)***

Transactions carried out during the year[8]

Again in 2017, in line with previous years, investment policies adopted the general criteria of prudence and of preserving asset quality over the medium/long term.
In this respect, operations were geared towards reaching profitability targets consistent with the asset return profile and with the trend in liabilities over the long-term, and the maintenance of a high-quality portfolio through a process of selecting issuers on the basis of their diversification and strength, placing particular attention on the liquidity profile.

The **bond segment** was the main focus of operations, mainly affecting Italian government bonds and non-government bonds, applying a medium/long-term investment approach.
During the year, the exposure to government issuers recorded a decrease of €2,754m, of which €1,646m relating to the Life sector and around €1bn to the Non-Life sector. This reduction concerned primarily Italian government bonds and contributed to increasing the diversification of government issuers present in the portfolio.
In the Life sector, management action was in line with the ALM requirements of the Segregated Funds and to continue the rationalisation of the maturity dates of liabilities with covering assets. These operations, which took into account contractual commitments and the goals of the Business Plan, also included the investment in zero-coupon government bonds, which allow the monitoring of minimum guaranteed returns.
In the Non-Life portfolio, positions in derivatives were increased marginally to mitigate the risk of a rise in interest rates.
The non-government component of bonds saw a modest decrease in overall exposure by approximately €80m during the year. The decrease only affected the Non-Life sector. In the Life sector, the management policies for this asset class sought greater issuer diversification and optimising the risk/return profile of the existing portfolio. Transactions involved primarily financial and industrial securities, both senior and subordinated.
Asset portfolio simplification activities continued in 2017. There was a €352m overall reduction in exposure to Level 2 and 3 structured bonds.

	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	76	76		82	81	(1)	*(6)*	*(5)*
Structured securities - Level 2	673	632	(41)	947	904	(43)	*(274)*	*(272)*
Structured securities - Level 3	283	269	(14)	361	326	(35)	*(78)*	*(57)*
Total structured securities	**1,032**	**977**	**(54)**	**1,390**	**1,310**	**(80)**	***(358)***	***(333)***

Share exposure increased during 2017 by around €800m. 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. The put options on the Eurostoxx50 index were also revalued on the equity portfolio, by maturity and value for the year, in order to mitigate volatility and preserve the value of the portfolio.

Exposure to **alternative funds**, a category that includes Private Equity Funds, Hedge Funds and investments in Real Assets, amounted to €737m, a net increase of €194m. 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.

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

Breakdown of financial investments by type

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

Group Total **Insurance Sector**

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

The overall ***duration*** was 5.35 years for the Group, substantially unchanged with respect to 5.37 years at the end of 2016. The Non-Life *duration* in the Group insurance portfolio was 3.01 years (3.48 years at the end of 2016); the Life duration was 6.28 years (6.12 years at the end of 2016). The *Holding and Other Businesses sector duration* was 0.14 years, down compared to the end of last year (0.69 years) due to the higher liquidity held in the portfolio.

The fixed rate and floating rate components of the bond portfolio amounted respectively to 86.8% and 13.2%. The government component accounted for approximately 70.2% of the bond portfolio whilst the *corporate* component accounted for the remaining 29.8%, split into 22.8% *financial* and 7% *industrial* credit.
88.7% of the bond portfolio was invested in securities with ratings above BBB- 2% of the total is positioned in classes AAA to AA-, while 6.4% of securities had an A rating. The exposure to securities in the BBB rating class was 80.4% and includes Italian government bonds which make up 57.9% of the total bond portfolio.

Net gains on investments and financial income

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

Net investment income

Amounts in €	**31/12/2017**	31/12/2016	*% var.*
Investment property	(1)	(58)	*(97.9)*
Gains/losses on investments in subsidiaries and associates and interests in joint ventures	3	13	*(78.9)*
Net gains on held-to-maturity investments	45	59	*(23.2)*
Net gains on loans and receivables	(739)	366	*(302.0)*
Net gains on available-for-sale financial assets	1,783	1,764	*1.0*
Net gains on held-for-trading financial assets and at fair value through profit or loss (*)	(24)	(81)	*(70.4)*
Balance on cash and cash equivalents	1	1	*(31.0)*
Total net gains on financial assets, cash and cash equivalents	**1,067**	**2,063**	***(48.3)***
Net losses on held-for-trading financial liabilities and at fair value through profit or loss (*)	(2)	(3)	(29.2)
Net losses on other financial liabilities	(202)	(238)	(15.1)
Total net losses on financial liabilities	**(204)**	**(241)**	***(15.2)***
Total net gains (*)	**863**	**1,823**	***(52.7)***
Net gains on financial assets at fair value (**)	227	199	
Net losses on financial liabilities at fair value (**)	(75)	(74)	
Total net gains on financial instruments at fair value (**)	**152**	**125**	
Total net gains on investments and net financial income	**1,015**	**1,948**	***(47.9)***

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

Net income at 31 December 2017, totalling €863m compared to €1,823m at 31 December 2016, included the net charges of €1,072m relating to the portfolio of loans of Unipol Banca (€76m at 31/12/2016).

Impairment losses on financial instruments classified in the available-for-sale asset category amounted to €90m (€43m at 31/12/2016), of which €62m relating to the Atlante Fund. Investment property included €32m in depreciation and €15m in write-downs (respectively €36m and €60m at 31/12/2016).

Shareholders' equity

At 31 December 2017, shareholders' equity amounted to €7,453m (€8,134m at 31/12/2016), recording a decrease both in that attributable to the owners of the Parent (-€163m) and to non-controlling interests (-€518m).

Shareholders' equity attributable to the owners of the Parent amounted to €5,486m (€5,649m at 31/12/2016) and was broken down as follows:

Amounts in €m	**31/12/2017**	31/12/2016	*variation in amount*
Share capital	3,365	3,365	
Capital reserves	1,729	1,725	*5*
Income-related and other equity reserves	79	(282)	*360*
(Treasury shares)	(26)	(28)	*2*
Reserve for foreign currency translation differences	4	2	*1*
Gains/losses on available-for-sale financial assets	696	536	*160*
Other gains and losses recognised directly in equity	(15)	1	*(16)*
Profit (loss) for the year	(346)	330	*(675)*
Total shareholders' equity attributable to the owners of the Parent	**5,486**	**5,649**	*(163)*

The main changes over the year were as follows:
- a decrease of €128m due to dividend distribution;
- an increase of €143m as a result of the change in percentage interests in the subsidiaries UnipolSai, UniSalute and Linear;
- an increase of €160m as a result of the increase in the provision for gains and losses on available-for-sale financial assets;
- €16m decrease owing to the decrease in the reserve for Other gains or losses recognised directly in equity;
- €346m decrease due to the Group loss at 31 December 2017.

Shareholders' equity attributable to non-controlling interests was €1,967m (€2,485m at 31/12/2016). The main changes over the year were as follows:
- a decrease of €190m for payment of dividends to third parties;
- a decrease of €496m attributable to the change in percentage interests in the subsidiaries UnipolSai, UniSalute and Linear;
- €7m decrease owing to the decrease in gains or losses recognised directly in equity;
- €177m increase due to profit attributable to non-controlling interests.

Treasury shares

At 31 December 2017, the ordinary treasury shares held by Unipol and its subsidiaries totalled 7,543,238 (8,587,056 at 31/12/2016), of which 2,753,466 held directly. Changes concerned:
- 2,284,773 shares purchased during 2017, of which 2,259,773 attributable to UnipolPart (a 100% subsidiary of Unipol), the newco established as part of the spin-off of the holding company Finsoe;
- 3,328,591 shares assigned on 1 July 2017 to those entitled in executing the compensation plans based on financial instruments (second tranche of shares of the 2013-2015 Plan).

Treasury shares deriving from the winding-up of the holding company Finsoe
Following exercise of the call option in place with JP Morgan Securities on 30,646,000 shares of the holding company Finsoe, on 20 October 2017 Unipol acquired these shares at a strike price of €18.6m. The carrying amount of the Finsoe investment for Unipol, taking into account the write-downs on the option in previous years for €15.3m, was €3.3m.
On 4 December 2017, Finsoe, finalised its total spin-off to 18 newly established beneficiary companies with legal effects from 15 December 2017.
As a result of the spin-off, each former Finsoe shareholder (including Unipol) became the owner of 100% of the share capital of each beneficiary company which, in turn, holds a percentage of the Unipol shares previously held by Finsoe.
UnipolPart Spa, a single member company, is the beneficiary newco for the proportional spin-off of Finsoe shares held by Unipol, to which 2,259,773 Unipol shares were assigned. At the reporting date, all of the aforementioned shares had been sold.

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	**5,354**	**213**	**5,567**
IAS/IFRS adjustments to the Parent's financial statements	679	6	686
Differences between net carrying amount and shareholders' equity and profit (loss) for the year of consolidated investments, of which:	(1,760)	(208)	(1,968)
- Translation reserve	*4*		*4*
- Gains or losses on available-for-sale financial assets	*695*		*695*
- Other gains or losses recognised directly in equity	*(11)*		*(11)*
Consolidation differences	1,229		1,229
Difference posted to other assets (property, etc.)	5	(2)	2
Intragroup elimination of dividends	351	(351)	
Other adjustments (securities, etc.)	(26)	(5)	(30)
Consolidated balances - portion attributable to the owners of the Parent	**5,832**	**(346)**	**5,486**
Non-controlling interests	1,790	177	1,967
Consolidated total	**7,622**	**(169)**	**7,453**

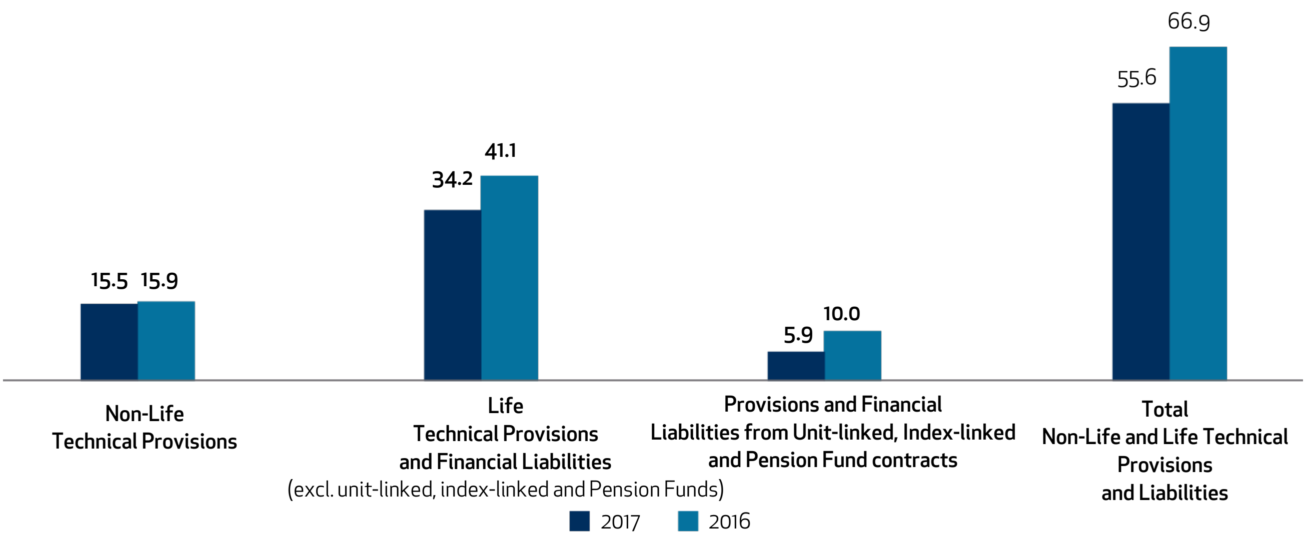
Technical provisions and financial liabilities

At 31 December 2017, technical provisions amounted to €53,427m (€64,110m at 31/12/2016) after reclassifying €9,035m in technical provisions almost exclusively relating to the Life business pursuant to IFRS 5. Financial liabilities amounted to €16,400m (€16,898m at 31/12/2016), after reclassifying financial liabilities for €904m pursuant to IFRS5.

Technical provisions and financial liabilities

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Non-Life technical provisions	15,461	15,862	*(2.5)*
Life technical provisions	37,966	48,248	*(21.3)*
Total technical provisions	**53,427**	**64,110**	***(16.7)***
Financial liabilities at fair value	**2,489**	**3,265**	***(23.8)***
Investment contracts - insurance companies	*2,210*	*2,820*	*(21.6)*
Other	*278*	*445*	*(37.4)*
Other financial liabilities	**13,911**	**13,633**	***2.0***
Subordinated liabilities	*2,353*	*2,519*	*(6.6)*
Payables to bank customers	*6,821*	*6,313*	*8.1*
Interbank payables	*439*	*695*	*(36.9)*
Other	*4,298*	*4,107*	*4.7*
Total financial liabilities	**16,400**	**16,898**	***(2.9)***
Total	**69,827**	**81,008**	***(13.8)***

Breakdown of Non-Life and Life reserves
(Amounts in €bn)



(*) Excluding Reserves and Financial liabilities for which investment risk is borne by policyholders and customers

Unipol Group Debt

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

Group debt structure (excluding net interbank business)

Amounts in €m	**31/12/2017**	31/12/2016	*variation in amount*
Subordinated liabilities issued by UnipolSai	2,028	2,027	*1*
Subordinated liabilities issued by Unipol Banca	324	491	*(167)*
Debt securities issued by Unipol Banca	2,165	1,996	*169*
Debt securities issued by Unipol	1,796	1,602	*194*
Other loans	164	275	*(111)*
Total debt	**6,477**	**6,392**	***85***

The **Subordinated liabilities issued by Unipol Banca** reduced by €167m as a result of the repayment of four loans on maturity. The decrease is offset by **Debt securities issued**, which increased by €169m.
Overall, transfers of securities (subordinated and otherwise) carried out during the year by Unipol Banca and the securitisation SPVs regarded redemptions for €950m, of which €234m issued against securitisations, repurchases from customers for €32m and new placements for €983m, of which €680m in securities issued by the SPVs for securitisations.

As regards the Debt securities issued by Unipol, which increased by €194m in the reporting period, these refer to the following transactions already reported under the Holding and Other Businesses sector:

- on 17 January 2017, the senior unsecured 5% bond loan with a 7-year duration was repaid upon maturity for a nominal value of €299m;
- on 29 January 2017, as part of the Euro Medium Term Notes Programme for a maximum nominal amount of €2bn (established in December 2009), the issue of a new non-convertible 10-year bond loan for a nominal €500m, at a fixed interest rate of 3.5% and listed on the Luxembourg Stock Exchange.

With respect to **Other loans**, equal to €164m (€275m at 31/12/2016), €159m related to the loan obtained by the Athens Real Estate Fund disbursed, through the company Loan Agency Service Srl, by a pool of 13 banks including Unipol Banca (the latter for a nominal value of €10m, eliminated during the consolidation process). The decrease of €111m referred to the repayment upon maturity of the Tikal Real Estate Fund loan, which was replaced by the loan subscribed in full with Unipol Banca on 4 January 2017 and therefore eliminated in the consolidation process.

OTHER INFORMATION

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, was approved by Unipol's Board of Directors on 6 October 2016 with effect from that date.
The Procedure defines the rules, methods and principles that ensure the transparency and substantive and procedural fairness of the transactions with related parties executed by Unipol, either directly or through its subsidiaries.

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

With respect to transactions "**of major significance**" with related parties, please note that, on 29 June 2017, the Boards of Directors of Unipol and UnipolSai approved the disposal to UnipolSai of the equity investments held by Unipol in UniSalute and Linear (the "Disposals") 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, both the Project as a whole and the Disposals 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;
- by Unipol, also as transactions with an associated party pursuant to Bank of Italy Circular no. 263 of 27 December 2006, Title V, Chapter 5 and the "Procedure for the management of related party transactions" applicable to Unipol in its capacity as Parent of the Unipol Banking Group.

Having assessed the characteristics of the Project, to further guarantee the substantive and procedural fairness of the entire decision-making process, Unipol decided to apply, on a voluntary basis, the corporate and procedural oversight mechanisms established for related party transactions of major significance and for transactions with associated parties, although it was specifically exempted from such procedures.
The Project and the Disposals were therefore submitted by Unipol and by UnipolSai to the respective Committees for transactions with related parties for approval, which were respectively supported, for valuation aspects, by Towers Watson Italia S.r.l. and by Deloitte Financial Advisory S.r.l., and for legal aspects by Chiomenti and BonelliErede.
With respect to the valuation activities and the determination of the Disposal consideration, Unipol also obtained the independent opinion of Colombo & Associati S.p.A., whereas UnipolSai obtained the opinion of Studio Laghi S.r.l.

The Unipol Related Parties Transactions Committee expressed its favourable opinion (i) on the Project and the Disposals, (ii) on the cost effectiveness and substantial fairness of the relative economic, financial and legal conditions and (iii) on the fairness of the preliminary investigation and decision-making procedures followed by the Company.

For further information, please refer to the Information Document on related party transactions of major significance required by Art. 5 of Consob Regulation no. 17221/2010, published on 7 July 2017 on the website www.UnipolSai.com in the Governance/Related Party Transactions section.

In 2017, no transactions "**of minor relevance**" were carried out with related parties.

Exempt transactions included the following:
- on 10 May 2017, the disposal by Unipol of 100% of the share capital of Ambra Property to the subsidiary UnipolSai Assicurazioni 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.

The information required by IAS 24 and Consob Communication DEM/6064293/2006 is contained in paragraph 5.6 - Transactions with related parties in the Notes to the financial statements.

Solvency II solvency position

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

	In €m	**Total**
Own funds eligible to cover the Solvency Capital Requirement		6,664.4
	Tier 1 - unrestricted	*4,426.8*
	Tier 1 - restricted	*894.0*
	Tier 2	*948.5*
	Tier 3	*395.1*
Solvency Capital Requirement		4,723.4
Ratio between Eligible own funds and Solvency Capital Requirement		**1.41**

The solvency situation of the Group will be subject to a specific disclosure to the market and to the Supervisory Authority by 18 June 2018, at the time of publication of the Solvency and Financial Condition Report (SFCR) envisaged in Art. 359 of Regulation (EU) 35/2015.

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

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

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

Ethics Report NFS

General considerations

The activity carried out by the Ethics Department in 2017 was primarily driven by the intention of providing a strong contribution to the Group Vision and Mission underlying the 2016-2018 Business Plan, in cooperation with other areas such as Sustainability (as regards the strategic decisions for sustainable development) and Communications (as regards the Identity Profile principles).
In this respect, the series of initiatives expected to disseminate full awareness of the Charter of Values and Code of Ethics has to be taken into consideration, such as the classroom training already in progress for managers, which from 2018 will be followed by a communications and sensitisation process extended to the entire Group population (currently at planning stage).
Therefore, the role of the Charter of Values and Code of Ethics is consolidated and strengthened as an inescapable point of reference for the growth and success of an innovative, transparent and socially responsible culture common to all employees, agents and partners within the Group and with all stakeholders.
As regards reports received of alleged violations of the Code of Ethics, in terms of numbers or content these were not sufficient to highlight particular critical situations, confirming the fact that company management has no critical ethics issues.

Activities carried out and launched in 2017 with reference to the Charter of Values and the Code of Ethics

The main activities carried out in 2017 related to the following issues:

- Group Charter of Values and Code of Ethics: approval of the updated versions at Unipol Board of Directors meeting of 23 March 2017, with subsequent adoption of the new texts by individual Group companies followed by the action necessary for related updates to the various websites;
- reports and requests: handling of the 43 reports and requests received in the dedicated e-mail inbox (down on the 107 received in 2016). 4 reports related to alleged, specific violations of the Code of Ethics and therefore were dealt with in accordance with the Code and with consolidated practices. As no situations materialised which required the assessment of the Ethics Committee, the Head of Ethics handled the reports alone, in accordance with powers granted by the Ethics Committee;
- opinions: handling of 6 opinions received in the dedicated e-mail inbox on (i) the consistency between activities closely associated with the business and the principles sanctioned in the Charter of Values (4), and (ii) information relating to the Code of Ethics (2). With reference to sub-paragraph (i), the Head of Ethics has reconfirmed his role to be one of "guidance" in business decisions, in accordance with the spirit of the Charter of Values and the Code of Ethics.
- inefficiencies, delays, disputes: handling of 26 reports regarding commercial or settlement inefficiencies, delays or disputes relating to Group companies. As addressee of the report, though not strictly responsible for such cases, the Head of Ethics has issued an initial response to the senders stating that the various questions will be answered by the specific departments, and that he has already forwarded the reports to them for this purpose;
- training: in line with 2016 course planning, at the beginning of 2017 the classroom training project envisaged in the Business Plan for all Group managers (in total around 1,800 executives, managers and middle managers) was launched with the aim of developing reasoned involvement in the Values and their firm translation into day-to-day work. In 2017 the courses involved 647 managers, with the remainder to be held in 2018

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

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, 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.

In the Banking sector, it should be remembered that 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

Summary chart of non-financial information

Issue indicated in Italian Legislative Decree 254/2016	Italian Legislative Decree 254/2016	GRI Aspect*	GRI-G4 Indicators
Material topics	Art. 3 par. 1	GENERAL DISCLOSURES Identified Material Aspects and Boundaries.	G4-17; G4-18; G4-19; G4-20; G4-21; G4-22; G4-23;
Corporate organisation and management model	Art. 3 par. 1a	GENERAL DISCLOSURES Organizational profile; Strategy and Analysis.	G4-03; G4-04; G4-05; G4-06; G4-07; G4-08; G4-09; G4-10; G4-11; G4-12; G4-13; G4-14; G4-15; G4-34; G4-38; G4-39; G4-45;
Business policies, results, indicators	Art. 3 par. 1b	GENERAL DISCLOSURES Strategy and Analysis; Governance.	G4-01; G4-EC01; G4-EC08; G4-EC09;
		ECONOMIC Economic Performance; Indirect Economic Impacts.	G4-EC01;
		SECTOR SPECIFIC ASPECT - SOCIETY Product Portfolio; Active Ownership; Local Communities.	G4-FS07; G4FS08; G4-FS11; G4-FS14
		SOCIAL - PRODUCT RESPONSIBILITY Product and Service Labelling	G4-PR05
Main risks	Art. 3 par.1c	GENERAL DISCLOSURES Identified Material Aspects and Boundaries.	G4-01; G4-02; G4-17; G4-18; G4-19; G4-20; G4-21; G4-22; G4-23; G4-34; G4-38; G4-39; G4-45;
Energy resources, water resources, emissions	Art. 3 par. 2a Art. 3par. 2b	ENVIRONMENTAL Energy; Emission; Water.	G4-EN03; G4-EN06; G4-EN15; G4-EN16; G4-EN08
Impact on the environment, health and safety	Art. 3 par. 2c	ECONOMIC Economic Performance; Indirect Economic Impacts; Procurement Practices.	G4-EC01; G4-EC08;; G4-EC09;
		ENVIRONMENTAL Effluent and Waste; Environmental overall; Transport.	G4-EN23; G4-EN30; G4-EN31;
Human Resource management and gender balance	Art. 3 par. 2d	SOCIAL - LABOR PRACTICES AND DECENT WORK: Employment; Labor/Management Relations; Training and Education; Diversity and Equal Opportunity; Equal Remuneration for Women and Man.	G4-LA01; G4-LA04; G4-LA09; G4-LA10; G4-LA12; G4-LA13; G4-51
Respect for human rights	Art. 3 par. 2e	GENERAL DISCLOSURES Ethics and Integrity.	G4-56 G4-HR01; G4-HR03; G4-HR05
		SOCIAL - HUMAN RIGHTS: Investment; Non discrimination; Child Labour.	
Fight against corruption	Art. 3 par. 2f	SOCIAL - SOCIETY: Anti-corruption; Anti-corruption behaviour; Compliance.	G4-SO04; G4-SO07; G4-SO08
		SOCIAL - PRODUCT RESPONSIBILITY Marketing Communications; Customer Privacy; Compliance.	G4-PR07; G4-PR08; G4-PR09
Reporting standard adopted	Art. 3 par. 3, 4, 5	GENERAL DISCLOSURES Report Profile; Stakeholder engagement.	G4-24; G4-25; G4-26; G4-27; G4-28; G4-29; G4-30; G4-31; G4-32; G4-33;
Diversity among members of the administration bodies	Art. 10 par. 1a	SOCIAL - LABOR PRACTICES AND DECENT WORK: Diversity and Equal Opportunity.	G4-34; G4-38; G4-51

* These also include the DMAs (*Disclosures on Management Approach*) reported in the Integrated Report or available in the "Sustainability" section of the website www.unipol.it for individual material aspects.

	Reference page in the Integrated Report	SDGs
	P. 16-17: "Preparation criteria and methods" - "Material topics" P. 53-56: "Future orientation in the use of capital"	
	P. 18-19: "Group highlights" P. 39-40: "The Unipol Group" - "Activities and sectors" P. 41-45: "Identity profile" P. 57-65: "Governance" - "Corporate Governance" "Internal Control and Risk Management System" P. 70-72: "Business model" - "Insurance" and "Banking"	
	P. 8-9: "Letter from the Chairman and Letter from the Chief Executive Officer" P. 53-56: "Future orientation in the use of capital" P. 59-65: "Governance" - "Internal Control and Risk Management System" P. 24-25: "The creation of Valure" and P. 70-72: "Business model" - "Insurance" and "Banking"	1 NO POVERTY 3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS
	P. 31-35: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created"	
	P. 36: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions"	
	P. 30-31: "The impacts generated by the Unipol Group" - "Satisfaction of security and social well-being requirements"	
	P. 16-17: "Preparation criteria and methods" - "Material topics" P. 53-56: "Future orientation in the use of capital" P. 59-65: "Governance" - "Internal Control and Risk Management System"	
	P. 36-68: "The impacts generated by the Unipol Group" - "Contribution to reducing the effects of climate change" P. 56: "Group response to macro trends" - "Climate change"	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION
	P. 32-34: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers" P. 70-71: "Business model" - "Insurance"	11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	P. 28: "Capital performance" - "Human capital" - "Mobility" P. 36-38: "The impacts generated by the Unipol Group" - "Contribution to reducing the effects of climate change" P. 36: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" P. 56: "Future orientation in the use of capital" - "Climate change"	
	P. 25-26: "Capital performance" - "Human capital" P. 41-43: "Identity profile" - "Human resources" P. 65-66: "Governance" - "Remuneration system and incentives"	4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
	P. 22-23: "Unipol Group Vision, Mission and Values" P. 109: "Ethics Report" P. 36: "The impacts generated by the Unipol Group" - "Support and promotion of sustainable companies through investment decisions" 53: "Future orientation in the use of capital" - "Instability and Polarisation"	8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	P. 22-23: "Unipol Group Vision, Mission and Values" P. 32-34: "The impacts generated by the Unipol Group" - "Equity in the distribution of the value created" - "Suppliers"	
	P. 22-23: "Unipol Group Vision, Mission and Values" P. 59-65: "Governance" - "Internal Control and Risk Management System" P. 70-72: "Business model" - "Insurance" and "Banking" - "Complaints management"	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
	P. 14-17: "Preparation criteria and methods"	
	P. 57-58: "Governance" - "Corporate Governance" P. 67-68: "Governance" - "Remuneration system and incentives"	5 GENDER EQUALITY

Glossary

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

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

APE – Annual Premium Equivalent: the new Life business expressed in APE is a measurement of the volume of business relating to new policies and corresponds to the sum of periodic premiums of new products and one tenth of single premiums. This indicator is used to assess the business along with the in force value and the Life new business value of the Group.
Premium retention ratio is the ratio of premiums retained (total direct and indirect premiums net of premiums ceded) to total direct and indirect premiums. Investment products are not included in calculating this ratio.

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

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

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

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

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

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

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

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

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

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

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

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

Non-Financial Statement (NFS): a separate or consolidated statement of a non-financial nature as envisaged in Italian Legislative Decree no. 254 of 30 December 2016, which introduced new transparency obligations to Italian law in line with the European regulations on environmental and social issues, human resources, human rights, active and passive corruption, considered material in view of the activities and characteristics of the business **Environmental, social and governance (ESG):** an acronym that refers to the organisational aspects of a company, linked to environmental, social and good governance policies, objectives and implementation procedures.

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

Expense ratio: percentage indicator of the ratio of total operating expenses to premiums written as far as direct business is concerned, and the premiums as far as retained business, net of reassurance, is concerned.

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

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

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

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

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

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

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

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

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

OTI (Other Technical Items) ratio: ratio of the sum of the balance of other technical charges/income and the change in other technical provisions to net premiums for the period.

Outcomes: the internal and external consequences (positive and negative) for the capitals as a result of an organisation's business activities and outputs. (International <IR> Framework).
Outputs: an organisation's products and services, and any by-products and waste. (International <IR> Framework).

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

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

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

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

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

Goal 1:
End poverty in all its forms everywhere.

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

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

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

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

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

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

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

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

Goal 10:
Reduce inequality within and among countries.

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

Goal 12:
Ensure sustainable consumption and production patterns.

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

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

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

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

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

TLTRO - Targeted Long Term Refinancing Operations: financial interventions carried out by the European Central Bank, introduced for the first time during the sovereign debt crisis that took place in Eurozone countries. Under the TLTRO programme, 4-year loans with very low interest rates are disbursed through auctions to Eurozone banks, with a view to injecting liquidity into the real economy. Indeed, banks are required to use this liquidity to support lending to small and medium sized enterprises.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CONSOLIDATED
FINANCIAL STATEMENTS
AT 31.12.2017

Statement of Financial Position

Assets

		Amounts in €m	31/12/2017	31/12/2016
1	**INTANGIBLE ASSETS**		**1,976.9**	**2,019.0**
1.1	Goodwill		1,581.7	1,591.7
1.2	Other intangible assets		395.1	427.3
2	**PROPERTY, PLANT AND EQUIPMENT**		**1,872.1**	**1,886.0**
2.1	Property		1,617.7	1,648.8
2.2	Other tangible assets		254.3	237.2
3	**TECHNICAL PROVISIONS - REINSURERS' SHARE**		**874.5**	**878.0**
4	**INVESTMENTS**		**69,397.7**	**81,276.0**
4.1	Investment property		2,199.1	2,223.8
4.2	Investments in subsidiaries, associates and interests in joint ventures		90.3	85.6
4.3	Held-to-maturity investments		864.2	1,319.3
4.4	Loans and receivables		15,517.5	14,822.9
4.5	Available-for-sale financial assets		44,482.3	52,539.6
4.6	Financial assets at fair value through profit or loss		6,244.3	10,284.8
5	**SUNDRY RECEIVABLES**		**2,854.3**	**3,324.9**
5.1	Receivables relating to direct insurance business		1,426.2	1,498.0
5.2	Receivables relating to reinsurance business		105.6	99.7
5.3	Other receivables		1,322.5	1,727.2
6	**OTHER ASSETS**		**12,366.0**	**2,010.0**
6.1	Non-current assets or assets of a disposal group held for sale		10,569.0	207.8
6.2	Deferred acquisition costs		85.0	90.5
6.3	Deferred tax assets		1,001.2	1,007.9
6.4	Current tax assets		14.0	36.1
6.5	Other assets		696.8	667.6
7	**CASH AND CASH EQUIVALENTS**		**631.5**	**503.1**
	TOTAL ASSETS		**89,972.9**	**91,896.9**

Statement of Financial Position

Shareholders' equity and liabilities

		Amounts in €m	**31/12/2017**	31/12/2016
1		**SHAREHOLDERS' EQUITY**	**7,453.0**	**8,133.6**
1.1		**attributable to the owners of the Parent**	**5,486.1**	**5,648.8**
1.1.1		Share capital	3,365.3	3,365.3
1.1.2		Other equity instruments	0	0
1.1.3		Capital reserves	1,729.4	1,724.6
1.1.4		Income-related and other equity reserves	78.5	(281.7)
1.1.5		(Treasury shares)	(25.7)	(27.8)
1.1.6		Reserve for foreign currency translation differences	3.5	2.2
1.1.7		Gains or losses on available-for-sale financial assets	695.5	535.5
1.1.8		Other gains or losses recognised directly in equity	(14.6)	1.0
1.1.9		Profit (loss) for the year attributable to the owners of the Parent	(345.8)	329.6
1.2		**attributable to non-controlling interests**	**1,966.9**	**2,484.8**
1.2.1		Share capital and reserves attributable to non-controlling interests	1,522.6	2,004.8
1.2.2		Gains or losses recognised directly in equity	267.6	274.6
1.2.3		Profit (loss) for the year attributable to non-controlling interests	176.8	205.4
2		**PROVISIONS**	**460.3**	**480.7**
3		**TECHNICAL PROVISIONS**	**53,426.8**	**64,109.8**
4		**FINANCIAL LIABILITIES**	**16,399.7**	**16,897.9**
4.1		Financial liabilities at fair value through profit or loss	2,488.7	3,264.8
4.2		Other financial liabilities	13,911.0	13,633.0
5		**PAYABLES**	**908.4**	**954.9**
5.1		Payables arising from direct insurance business	148.1	150.4
5.2		Payables arising from reinsurance business	96.6	76.4
5.3		Other payables	663.7	728.1
6		**OTHER LIABILITIES**	**11,324.6**	**1,320.0**
6.1		Liabilities associated with disposal groups	10,016.5	0
6.2		Deferred tax liabilities	29.4	33.2
6.3		Current tax liabilities	37.9	53.1
6.4		Other liabilities	1,240.8	1,233.6
		TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**89,972.9**	**91,896.9**

Income Statement

		Amounts in €m	31/12/2017	31/12/2016
1.1		Net premiums	11,262.9	13,786.8
	1.1.1	*Gross premiums earned*	*11,681.6*	*14,187.8*
	1.1.2	*Earned premiums ceded to reinsurers*	*(418.7)*	*(401.0)*
1.2		Commission income	172.9	142.7
1.3		Gains and losses on financial instruments at fair value through profit or loss	126.0	41.2
1.4		Gains on investments in subsidiaries, associates and interests in joint ventures	7.0	16.1
1.5		Gains on other financial instruments and investment property	2,625.9	2,762.7
	1.5.1	*Interest income*	*1,928.4*	*2,005.8*
	1.5.2	*Other income*	*174.3*	*162.7*
	1.5.3	*Realised gains*	*449.3*	*503.9*
	1.5.4	*Unrealised gains*	*73.9*	*90.3*
1.6		Other revenue	467.5	472.4
1		**TOTAL REVENUE AND INCOME**	**14,662.3**	**17,221.9**
2.1		Net charges relating to claims	(9,621.1)	(12,094.4)
	2.1.1	*Amounts paid and changes in technical provisions*	*(9,807.9)*	*(12,263.8)*
	2.1.2	*Reinsurers' share*	*186.7*	*169.4*
2.2		Commission expense	(43.9)	(42.6)
2.3		Losses on investments in subsidiaries, associates and interests in joint ventures	(4.3)	(3.2)
2.4		Losses on other financial instruments and investment property	(1,739.8)	(868.8)
	2.4.1	*Interest expense*	*(202.7)*	*(229.7)*
	2.4.2	*Other charges*	*(44.9)*	*(52.7)*
	2.4.3	*Realised losses*	*(152.7)*	*(295.7)*
	2.4.4	*Unrealised losses*	*(1,339.6)*	*(290.6)*
2.5		Operating expenses	(2,736.4)	(2,746.9)
	2.5.1	*Commissions and other acquisition costs*	*(1,720.5)*	*(1,763.4)*
	2.5.2	*Investment management expenses*	*(94.9)*	*(100.5)*
	2.5.3	*Other administrative expenses*	*(920.9)*	*(883.0)*
2.6		Other costs	(695.9)	(759.8)
2		**TOTAL COSTS AND EXPENSES**	**(14,841.3)**	**(16,515.6)**
		PRE-TAX PROFIT (LOSS) FOR THE YEAR	**(179.1)**	**706.3**
3		Income tax	10.0	(171.3)
		PROFIT (LOSS) FOR THE YEAR AFTER TAXES	**(169.0)**	**535.0**
4		PROFIT (LOSS) FROM DISCONTINUED OPERATIONS		
		CONSOLIDATED PROFIT (LOSS)	**(169.0)**	**535.0**
		of which attributable to the owners of the Parent	*(345.8)*	*329.6*
		of which attributable to non-controlling interests	*176.8*	*205.4*

Comprehensive Income Statement

Amounts in €m	**31/12/2017**	31/12/2016
CONSOLIDATED PROFIT (LOSS)	**(169.0)**	**535.0**
Other income items net of taxes not reclassified to profit or loss	**(14.7)**	**(12.2)**
Change in the shareholders' equity of the investees	7.0	(4.6)
Change in the revaluation reserve for intangible assets		
Change in the revaluation reserve for property, plant and equipment	(20.7)	0.0
Gains and losses on non-current assets or disposal groups held for sale		
Actuarial gains and losses and adjustments relating to defined benefit plans	(1.0)	(7.6)
Other items		
Other income items net of taxes reclassified to profit or loss	**153.4**	**(204.7)**
Change in the reserve for foreign currency translation differences	1.5	(0.7)
Gains or losses on available-for-sale financial assets	150.3	(168.0)
Gains or losses on cash flow hedges	1.6	(36.0)
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)	**138.7**	**(216.8)**
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (EXPENSE)	**(30.4)**	**318.2**
of which attributable to the owners of the Parent	*(200.2)*	*245.8*
of which attributable to non-controlling interests	*169.8*	*72.3*

Statement of Changes in Shareholders' equity

	Amounts in €m	**Balance at 31/12/2015**	Changes to closing balances	Amounts allocated	Adjustments from reclassificati on to profit or loss	Transfers 31/12/2016	Changes in investments	**Balance at**
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,724.6						1,724.6
	Income-related and other equity reserves	(426.0)	6.8	112.0		25.5	(0.0)	(281.7)
	(Treasury shares)	(34.7)		7.0				(27.8)
	Profit (loss) for the year	271.8		185.2		(127.4)		329.6
	Other comprehensive income (expense)	622.6	0.7	218.3	(231.3)	(5.3)	(66.2)	538.8
	Total attributable to the owners of the Parent	**5,523.6**	**7.5**	**522.5**	**(231.3)**	**(107.2)**	**(66.2)**	**5,648.8**
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	2,206.4	0.0	127.5			(329.1)	2,004.8
	Profit (loss) for the year	307.0		80.2		(181.7)		205.4
	Other comprehensive income (expense)	407.6	0.0	(85.4)	(113.6)	(0.3)	66.2	274.6
	Total attributable to non-controlling interests	**2,921.0**	**0.0**	**122.3**	**(113.6)**	**(182.0)**	**(262.9)**	**2,484.8**
Total		**8,444.5**	**7.5**	**644.8**	**(344.9)**	**(289.2)**	**(329.1)**	**8,133.6**

	Amounts in €m	**Balance at 31/12/2016**	Changes to	Amounts allocated closing balances	Adjustments from reclassificati	Transfers on to profit or loss	Changes in investments	**Balance at 31/12/2017**
Equity attributable to the owners of the Parent	Share capital	3,365.3						3,365.3
	Other equity instruments							
	Capital reserves	1,724.6		4.8				1,729.4
	Income-related and other equity reserves	(281.7)		259.9			100.3	78.5
	(Treasury shares)	(27.8)		2.1				(25.7)
	Profit (loss) for the year	329.6		(547.8)		(127.6)		(345.8)
	Other comprehensive income (expense)	538.8	0.0	225.5	(101.8)	(20.7)	42.7	684.4
	Total attributable to the owners of the Parent	**5,648.8**	**0.0**	**(55.5)**	**(101.8)**	**(148.3)**	**143.0**	**5,486.1**
Equity attributable to non-controlling interests	Share capital and reserves attributable to non-controlling interests	2,004.8		(29.1)			(453.1)	1,522.6
	Profit (loss) for the year	205.4		161.6		(190.2)		176.8
	Other comprehensive income (expense)	274.6	0.0	76.4	(40.7)		(42.7)	267.6
	Total attributable to non-controlling interests	**2,484.8**	**0.0**	**208.9**	**(40.7)**	**(190.2)**	**(495.8)**	**1,966.9**
Total		**8,133.6**	**0.0**	**153.3**	**(142.5)**	**(338.5)**	**(352.8)**	**7,453.0**

Statement of Cash Flows (indirect method)

Amounts in €m	**31/12/2017**	31/12/2016
Pre-tax profit (loss) for the year	**(179.1)**	**706.3**
Change in non-monetary items	**(221.9)**	**763.4**
Change in Non-Life premium provision	70.8	(42.4)
Change in claims provision and other Non-Life technical provisions	(486.0)	(665.0)
Change in mathematical provisions and other Life technical provisions	(970.6)	2,037.5
Change in deferred acquisition costs	(0.4)	(3.6)
Change in provisions	(19.9)	(69.4)
Non-monetary gains and losses on financial instruments, investment property and investments	855.7	35.9
Other changes	328.3	(529.6)
Change in receivables and payables generated by operating activities	**319.5**	**(84.2)**
Change in receivables and payables relating to direct insurance and reinsurance	89.3	68.7
Change in other receivables and payables	230.2	(152.9)
Paid taxes	**(93.6)**	**(81.9)**
Net cash flows generated by/used for monetary items from investing and financing activities	**(1,236.6)**	**564.8**
Liabilities from financial contracts issued by insurance companies	260.3	406.1
Payables to bank and interbank customers	252.7	1,065.4
Loans and receivables from banks and interbank customers	(2,357.7)	(582.4)
Other financial instruments at fair value through profit or loss	608.0	(324.3)
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	**(1,411.8)**	**1,868.4**
Net cash flow generated by/used for investment property	(29.8)	(25.9)
Net cash flow generated by/used for investments in subsidiaries, associates and interests in joint ventures	1.1	0.7
Net cash flow generated by/used for loans and receivables	77.5	84.5
Net cash flow generated by/used for held-to-maturity investments	457.8	204.4
Net cash flow generated by/used for available-for-sale financial assets	1,879.5	(1,212.6)
Net cash flow generated by/used for property, plant and equipment and intangible assets	(209.5)	(461.5)
Other net cash flows generated by/used for investing activities	154.5	12.4
TOTAL NET CASH FLOW GENERATED BY/USED FOR INVESTING ACTIVITIES	**2,331.1**	**(1,397.9)**
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	(0.1)	(4.4)
Dividends distributed attributable to the owners of the Parent	(127.6)	(127.4)
Net cash flow generated by/used for share capital and reserves attributable to non-controlling interests	(693.1)	(534.6)
Net cash flow generated by/used for subordinated liabilities and equity instruments	(166.3)	(46.8)
Net cash flow generated by/used for other financial liabilities	248.0	(128.7)
TOTAL NET CASH FLOW GENERATED BY/USED FOR FINANCING ACTIVITIES	**(739.2)**	**(841.9)**
Effect of exchange rate gains/losses on cash and cash equivalents		
CASH AND CASH EQUIVALENTS AT 1 JANUARY	503.1	874.4
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (*)	180.2	(371.4)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER (*)	683.2	503.1

(*) Cash and cash equivalents at 31/12/2017 include the cash and cash equivalents of non-current assets or assets of a disposal group held for sale (51.7 €m)


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NOTES
TO THE FINANCIAL STATEMENTS

1. Basis of presentation

The Unipol Group, consisting of the Parent Unipol Gruppo ("Unipol") and its subsidiaries, operates in all Non-Life and Life insurance and reinsurance and capitalisation business; it may issue investment contracts and may set up and manage open pension funds, in compliance with the provisions of Art. 9 of Legislative Decree 124 of 21 April 1993 and subsequent amendments.
It also carries out banking, real estate, and to a lesser extent, hotel, agricultural and healthcare activities.

The Parent Unipol is the parent of the Unipol Insurance Group. It is also parent of the Unipol Banking Group and is a hybrid financial investment company heading the Unipol Conglomerate.

Unipol's Consolidated Financial Statements were drawn up in accordance with Art. 154-ter of Legislative Decree 58/1998 (Consolidated Law on Finance) and of ISVAP Regulation no. 7 of 13 July 2007, as amended. They conform to the IAS/IFRS standards issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of Regulation (EC) no. 1606/2002 in force on the closing date of the financial statements.

The Consolidated Financial Statements consist of:
- statement of financial position;
- income statement and comprehensive income statement;
- statement of changes in shareholders' equity;
- statement of cash flows;
- notes to the financial statements;
- tables appended to the notes to the financial statements.

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

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

Following the exercise of the put option, by the subsidiary 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 Unipol Group continues to operate in the bancassurance business with the companies Bim Vita and Incontra of 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 Unipol Group have sufficient resources to ensure that they will continue to operate for the foreseeable future. In addition, the liquidity risk is deemed to be very remote.

The layout of the financial statements offers a comparison with the figures of the previous year. Where necessary, in the event of a change to the accounting standards, measurement or classification criteria, the comparative data are re-stated and reclassified in order to provide homogeneous and consistent information.
The presentation currency is the euro and all the amounts shown in the financial statements and these notes are in €m, except when specifically indicated, rounded to one decimal place; therefore, the sum of the individual amounts is not always identical to the total.

The Consolidated Financial Statements of Unipol are subject to an audit by the independent auditors PricewaterhouseCoopers SpA (PwC), the company tasked with performing the legally-required audit of the consolidated financial statements for the 2012/2020 period.

Consolidation scope

The Unipol Group's Consolidated Financial Statements at 31 December 2017 have been drawn up by combining the figures of the Parent Unipol and those of the 62 direct and indirect subsidiaries (IFRS 10). At 31 December 2016 a total of 57 companies were consolidated on a line-by-line basis. Subsidiaries deemed to be too small to be of relevance are excluded from the line-by-line consolidation.

There are no jointly-controlled interests.

Associates, in which the investment percentage ranges between 20% and 50%, and subsidiaries considered immaterial (24 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 5 May 2017, the company Unipol Reoco Spa with Sole Shareholder (held 100% by Unipol Banca Spa) was established, with registered office in Bologna. The company's scope is the purchase, management, exploitation, restructuring, rationalization, transformation and sale of real estate properties and assets and, more generally, the exercise of real estate activities of any kind whatsoever. In any case, the core business of the company is real estate business that is supplementary to the banking business of the Group to which it belongs. At 31 December 2017 the share capital amounted to €1.5m.

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 its 543 shares, for a total value €1.5m.

On 15 December 2017, as a result of the total spin-off of the holding company Finsoe SpA, the company Unipolpart SpA with Sole Shareholder (held 100% by Unipol Gruppo SpA) was established, with registered office in Bologna and share capital of €300,000. The company's purpose is the undertaking, management and enhancement of interests and investments in other businesses and companies. 2,259,773 Unipol Gruppo shares were assigned to Unipol Gruppo.

On 21 December 2017, Gruppo UNA SpA (formerly Atahotels SpA) transferred a portion of the nominal value of €15,300, representing 100% of the share capital of Hotel Terme di Saint Vincent SpA to a party outside the Group. The entire investment was sold at the price of €1.3m.

Transactions carried out on the share capital and other transactions

During the year, the holding company Unipol made three payments for a future capital increase in favour of the subsidiary Unipol Investment SpA, totalling €220m, for the purchase of 115,740,000 shares in UnipolSai, equal to 4.09% of the share capital. Therefore, at 31 December 2017, the percentage of share capital held by Unipol Investment in UnipolSai was 9.99%.

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

On 31 July 2017, Unipol and the subsidiary UnipolSai made a capital account contribution, pro quota, in favour of Unipol Banca SpA, respectively for a total of €900m.

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

- 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, allowing the subsidiary to pay 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 B.V. for €100m in order to provide the subsidiary with the liquidity needed to subscribe the capital increase for the same amount as resolved by UnipolRe Dac.

The Unipol Shareholders' Meeting of 28 April 2017 resolved to amend the company name from Unipol Gruppo Finanziario SpA to Unipol Gruppo SpA, leaving the short form Unipol SpA unchanged.

On 21 April 2017, the Centro Oncologico Fiorentino Srl in liquidazione sold the entire equity investment in the company Florence Centro di Chirurgia Ambulatoriale Srl to the associate Casa di Cura Villa Donatello SpA, at a price of €536,000.

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 SpA. The transaction led to an increase in capital of the merging entity and the interest of UnipolSai Finance in the company declined from 50% to 49.19%.

On 29 September 2017, Unipol Gruppo transferred 100% of its shares in Ambra Property SpA to the subsidiary UnipolSai, for a consideration of €56.2m.

In the third quarter of 2017, Unipol Gruppo had purchased a further 60.9 million shares of the subsidiary UnipolSai Assicurazioni SpA, classified as working capital, for a total value of €116.9m, taking its direct interest from 51.03% to 53.18%.

As of September 2017, Sme Grecale changed its company name to Sme Grecale 2017.

With reference to the project for streamlining the Unipol Group's insurance segment, on 16 November 2017 UnipolSai Assicurazioni SpA completed the acquisition of the equity investments held by Unipol Gruppo SpA 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, Arca Assicurazioni SpA purchased 0.1%, equal to 516 shares, in the company capital of Pronto Assistance Servizi Scarl, for a value of €2,745.

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

As regards the hotel business, at 31 December 2017 the final assessment process for initial recognition of the business combination had concluded without significant changes to the values assigned to assets and liabilities acquired compared to those recorded at 31 December 2016, except in relation to the valuation of the brand. In fact, in relation to the decision of the company and Group to enhance the UNA brand, changing the company name to Gruppo UNA SpA and arranging the rebranding of all ATA hotels to UNA hotels, an economic assessment of the brand was also carried out using a "Relief from Royalties" approach, based on which the UNA brand was recorded under intangible assets for an initial recognition value of €9m. The goodwill was consequently derecognised, previously recorded provisionally as an amount equal to the different between the price paid and the fair value of assets and liabilities acquired, calculated at 31 December 2016.
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.

Hotel business acquired by Atahotels:

Amounts in €m	**31/12/2017**	31/12/2016
Goodwill	0.0	9.9
Other intangible assets	10.5	0.6
Other tangible assets	19.3	19.3
Investments in subsidiaries, associates and interests in joint ventures	0.8	0.8
Other receivables	11.5	11.5
Other assets	0.7	0.7
Provisions	(0.2)	(0.2)
Other payables	(15.1)	(15.1)
Total Net identifiable assets	**27.5**	**27.5**

Reporting date

The reporting date of the Consolidated Financial Statements is 31 December 2017, the date the separate financial statements of the Parent Unipol closed. All the consolidated companies closed their financial statements at 31 December with the exception of the associate Pegaso Finanziaria SpA, which closed its latest financial statements at 30 June and for which interim financial statements up to the date of the Consolidated Financial Statements have been used.
With the exception of banking sector companies subject to supervision by the Bank of Italy, and the Irish company The Lawrence Life, the Consolidated Financial Statements were drawn up using restatements of the individual financial statements of the consolidated companies adjusted to comply with IAS/IFRS standards, as applied by the Parent Unipol and approved by the Boards of Directors of the companies concerned.
The companies in the Unipol Banca Group and the companies The Lawrence Life and Arca Vita International drew up separate financial statements according to IAS/ IFRS standards. The Irish company UnipolRe applies *local* Irish standards that, at the end of 2016, did not differ from IAS/IFRS standards.

Basis of consolidation

Companies consolidated on a line-by-line basis

This method provides for the consolidation on a line-by-line basis of the assets, liabilities, gains and losses of the consolidated companies as from the date they were acquired, with the carrying amount of the investment being offset against the corresponding amount of the shareholders' equity of each individual subsidiary and, in the case of investments not wholly owned, the separate recognition of the amount of the equity and the profit or loss for the year attributable to non-controlling interests.
The amount of equity attributable to non-controlling interests is recognised under shareholders' equity as "Share capital and reserves attributable to non-controlling interests", whilst the corresponding share of consolidated profit or loss is shown under "Profit (loss) for the year attributable to non-controlling interests".
The financial statements of the subsidiaries are consolidated on a line-by-line basis with the exception of small subsidiaries, for which the equity method is used. Five special-purpose companies were also consolidated on a line-by-line basis. These were the vehicles used by Unipol Banca to carry out securitisations which, although not subsidiaries, are consolidated as set forth in IFRS 10.

Goodwill

If the cost of acquiring investments in subsidiaries and associates exceeds the *fair value* of the identifiable assets, liabilities and contingent liabilities, the excess amount is recognised as goodwill under intangible assets.
This goodwill represents a payment made in the expectation of future economic benefits arising from assets that cannot be identified individually and recognised separately.
In the years after the year of acquisition, goodwill is measured at cost, net of any impairment losses accumulated.
Ancillary acquisition costs are recognised in the income statement during the year in which the costs are incurred or the services provided.
Under IFRS 10.23 changes in investments in subsidiaries that do not lead to a loss of control are recognised as equity transactions. Any 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;
- Banking business;
- Real estate business;
- Holding and Other Businesses.

Segment reporting is carried out by separately consolidating the accounting items for the individual subsidiaries and associates that belong to each identified segment, eliminating intragroup balances between companies in the same segment and cancelling, where applicable, the carrying amount of the investments against the corresponding portion of shareholders' equity.
In the column "Intersegment eliminations", the intragroup balances between companies in different sectors are eliminated.
This rule does not apply in the following cases:
- investment relations between companies in different sectors, since the elimination of the investment takes place directly in the sector of the company that holds the investment, while any consolidation difference is attributed to the sector of the investee;
- collected dividends, eliminated in the sector of the company that collects the dividend;
- realised profits and expenses, since the elimination takes place directly in the sector of the company that realises the capital gain or loss.

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

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

2. Main accounting standards

New accounting standards

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 the 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:

- no transfers of financial instruments need to be carried out between the insurance sector and the other sectors of the financial conglomerate, 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.

As it meets the conditions envisaged in the aforementioned Regulation (EU) 2017/1988 on financial conglomerates, the Unipol Group will exercise the right to defer the application of IFRS 9, preparing the consolidated financial statements on the basis of non-standard accounting principles. In particular, from 1 January 2018, IFRS 9 will be applied solely in reference to financial assets and liabilities of companies in the consolidation scope of the Unipol Banking Group or those not under the control of UnipolSai, whilst IAS 39 will continue to apply to the remaining financial assets and liabilities.
Based on information available to date, it is considered that the effects of application of IFRS 9 on the scope identified will have a limited impact overall.

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:

a) change in aggregation criteria of insurance contracts: the new accounting model envisages an increase in the number of portfolios of insurance contracts that bear similar characteristics (so-called Units of Account), according to which the financial and equity components should be determined;
b) market-consistent values: insurance liabilities shall be measured at current values (based on updated information), weighted for their possible realisation;
c) explicit measurement of risk adjustment: it shall be estimated in a distinct way from liabilities related to cash flows estimated to fulfil contract obligations undertaken;
d) recognition of the estimated profit that is implicit in the insurance contracts in portfolio: the so-called "Contractual service margin" (CSM), estimated as the difference between the premiums collected by the company and the aggregate contract charges undertaken, including risk adjustment. This amount, if positive, i.e. in case of non-onerous contracts at the subscription date, will be recognised in the income statement over the entire period of the insurance coverage, with the function of suspending the expected profit;
e) profit or loss based on margins: a new way of disclosing profit in the income statement was introduced by envisaging a recognition based on margin (divided by subscription assets and investment assets);
f) disclosure: to complete information reported in the Income Statement and in the Statement of Financial Position, various statements shall be drawn up showing the changes occurred during the year related to the single components making up the insurance liabilities.

The 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 Gazette 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 described below.

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

Statement of financial position

Assets

1 Intangible assets - IAS 38

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

The following assets are recognised as intangible assets with a finite life:

- goodwill paid for the acquisition of Non-Life and Life portfolios: the value of the policies acquired is calculated by estimating the present value of the future cash flows of the existing policies. The Group amortises this value throughout the expected average residual life. This valuation is reviewed annually;
- costs incurred for the acquisition of software licences, amortised over three years;
- trademarks acquired as part of business combinations;
- costs incurred for consultancy on major projects for the development and implementation of IT systems, including customisation of the corresponding software, amortised over five or ten years according to its estimated useful life.

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

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

2 Property, plant and equipment - IAS 16 and 17

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

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

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

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

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

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

3 Technical provisions - Reinsurers' share - IFRS 4

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

4 Investments

4.1 Investment property - IAS 40

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

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

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

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

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

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

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

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

- 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 item consists mainly of loans to customers and banks of the Banking Group. 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.
In particular, in the case of loans and receivables in the banking sector, which make up a large part of this category, measurement procedures differ depending on whether the loans are impaired or performing.

Loans are considered to be impaired if they are deemed to be bad and doubtful, substandard or restructured loans, or if they are more than 90 days overdue, in accordance with current Bank of Italy guidelines. Impaired loans are subjected to a process of analytical valuation consisting in discounting (at the original effective interest rate) the cash flows expected by way of principal and interest, taking account of any guarantees assisting the loan. The negative difference between the present value of the loan and its carrying amount (amortised cost) at the time it is measured constitutes an adjustment, which is recognised in the income statement.
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.

Receivables for which there is no individual objective evidence of impairment are measured collectively according to standardised categories of credit risk based on a matrix breakdown of customers by segment and rating classes assigned by the *Credit Rating System* (CRS) designed by the IT outsourcer, CEDACRI. The value of the intrinsic loss for each standardised category is calculated by applying Probability of *Default* (PD) and *Loss Given Default* (LGD) ascertained through analyses and estimates made available by CEDACRI on a consortium basis.

The adjustments made in accordance with the collective method are recognised in the income statement. In subsequent periods any additional adjustments or reversals of impairment losses are determined using the differential method by reference to the entire loan portfolio measured as a whole.
Receivables assigned are eliminated only if the assignment involves the substantial transfer of the risks and rewards pertaining to the receivables. If this is not the case, receivables continue to be recognised even though ownership of them has been legally transferred.

The presumption is that all the risks and rewards are substantially transferred if the assignment involves transferring at least 90% of them. On the other hand, the presumption is that all the risks and rewards are substantially retained if the assignment involves transferring no more than 10% of them.
If the assignment does not involve either transferring or retaining a substantial percentage of the risks and rewards (in the event that the Group retains more than 10% but less than 90% of the risks/rewards), the receivables are eliminated provided the Group retains no control over them. Otherwise, the fact that some control over the receivables assigned is retained means that they are maintained in the financial statements in proportion to the level of residual involvement.

4.5 Available-for-sale financial assets

Investments classified as available-for-sale financial assets are measured at *fair value*. The differences with respect to the carrying amount must be recognised in the shareholders' equity in a specific reserve for unrealised gains/losses (net of tax). In the event of sale or impairment established as a result of impairment testing, unrealised gains or losses accumulated in the shareholders' equity until that time are transferred to the income statement.
Information on how the *fair value* is determined is provided in the section "*Fair value* measurement criteria – IFRS 13".

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

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

Impairment policy for financial assets adopted by the Unipol Group

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

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

Therefore, for equity instruments, the impairment test is carried out by selecting all the instruments to which at least one of the following conditions applies:

a) the market price has remained below the initially recognised amount for the last 36 months;
b) the impairment on the reporting date is more than 50% of the initial recognition amount.

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

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

4.6 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, asset items in derivative agreements 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 the 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 Unipol Group classifies and records the bonds issued by SPVs based on the instructions provided in IAS 39, deeming the circumstance that they have been issued by SPVs irrelevant[9], in consideration of the fact that the SPV is, in fact, considered merely a technical instrument through which to structure complex financial instruments whose risk/return profile is essentially evaluated by jointly taking into consideration the contracts that govern the notes issued by the SPV, the associated derivative contracts (generally *swap agreements*) and any other contractual clauses such as financial guarantee or similar clauses, or yet other "ancillary" clauses which may, in theory, make provision, when given conditions are satisfied, for the liquidation of the securities. The SPVs whose bonds are held by the Unipol Group in fact, consistently replicate, with the arranger, the positions they assume with noteholders, as the risks or returns of the transaction cannot be retained within it.

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

The Unipol Group, with regard to bonds issued by SPVs in the portfolio at 31 December 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 Unipol 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

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

case of consolidation of segments in which the risks/benefits of the asset pertain fully to the Unipol Group, there would be no substantive effects on the accounting representation of the transaction, essentially confirming the fact that, in effect, the SPVs are technical instruments for realising an investment in financial assets with characteristics which are, for all intents and purposes, equivalent to those of the notes issued by the SPV itself and segregated in the segment.

5 Sundry receivables

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

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

6 Other assets

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

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

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

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

6.2 Deferred acquisition costs

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

6.3 Deferred tax assets - IAS 12

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

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

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

6.4 Current tax assets - IAS 12

This item includes assets related to current taxation.

6.5 Other assets

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

7 Cash and cash equivalents - IAS 7

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

Liabilities

1 Shareholders' equity - IAS 32

1.1.1 Share capital

The item includes the share capital of the ultimate parent.

1.1.3 Capital reserves

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

1.1.4 Income-related and other equity reserves

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

1.1.5 Treasury shares

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

1.1.6 Reserve for foreign currency translation differences

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

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

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

1.1.8 Other gains or losses recognised directly in equity

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

2 Provisions - IAS 37

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

3 Technical provisions - IFRS 4

Classification of insurance contracts

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

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

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

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

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

However, the following types of contract were classified as investment contracts with no DPFs. For this reason, according to paragraph 3 of IFRS 4, contracts of this type do not produce premiums but are measured and recognised in accordance with IAS 39:
- index-linked, where the sum insured in the event of death corresponds to the value of the asset plus a small percentage;
- unit-linked, where the sum insured in the event of death corresponds to the NAV plus a small percentage;
- mixed, where funding is specific and the technical rate is zero;
- capital redemption, where funding is specific and the technical rate is zero;
- pension funds with guaranteed benefit when the policy matures or when certain events occur.

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

Non-Life business technical provisions

Premium provision

The direct insurance premium provision is established analytically for each policy using the pro rata temporis method, as provided by paragraph 5 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008 (former ISVAP Regulation no. 16 of 4 March 2008 as amended), on the basis of the gross premiums written less acquisition commissions and the other acquisition costs that are chargeable directly, with the exception of risks included in the Credit class for contracts stipulated or renewed on or before 31 December 1991, for which the calculation criteria provided in Annex 15-bis to the same Regulation no. 22 as amended. In the case of long-term contracts, the amount of amortisation for the year is deducted.

Under certain conditions the premium provision also includes the premium provision for unexpired risks, calculated in accordance with the simplified method laid down in paragraph 6 of Annex no. 15 to ISVAP Regulation no. 22 of 4 March 2008, which is based on the expected loss ratio for the year, adjusted on a prospective basis.
The total amount allocated to this provision is sufficient to meet costs arising from the portion of risk pertaining to subsequent years.
The reinsurers' share of the premium provisions is calculated by applying to the premiums ceded the same criteria as those used for calculating the premium for direct insurance business provision.

Ageing provision

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

Claims provision

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

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

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

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

Life Business Technical Provisions

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

Mathematical provisions

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

Under Art. 38, paragraph 3, of Legislative Decree 173/1997, the mathematical provision includes provisions set up to hedge the risk of mortality in insurance contracts in Class III (as laid down in Art. 2, paragraph 1, of Legislative Decree 209 of 7/9/2005), which provide a benefit should the insured party die during the term of the contract.

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

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

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

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

The liability adequacy test required by IFRS 4 was also carried out to verify that the technical provisions are adequate to cover the present value of future cash flows related to insurance contracts.
The test was performed by projecting the cash flows and taking into account the following elements:

- guaranteed services by guarantee line, projected on the basis of contractual conditions;
- trend in the existing portfolio relating to recurring payment aspects, contract expiry, policyholder mortality and propensity to redemption;
- costs and revenues associated with portfolio management and liquidation.

Provision for shadow accounting

The shadow accounting technique set out in IFRS 4 enables the unrealised losses and/or gains on the underlying assets to be recognised as technical provisions for insurance or investment contracts that offer discretionary participation features as if they had been realised. This adjustment is recognised in shareholders' equity or in the income statement depending on whether the losses or gains in question are recognised in shareholders' equity or in the income statement.
Net losses are recognised in the provision for deferred financial liabilities to policyholders only after the guaranteed minimum has been reached, otherwise the company continues to bear them in full. Losses are quantified using a financial prospective method in line with Annex 14, paragraph 32 of ISVAP Regulation no. 22 of 4 April 2008, amended and supplemented by IVASS measure no. 53 of 6 December 2016.
Applying *shadow accounting* enables the value mismatch between technical provisions and related assets to be mitigated and is therefore deemed to be more representative of the economic substance of the transactions in question.

4 Financial liabilities - IAS 39

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

4.1 Financial liabilities at *fair value* through profit or loss

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

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

4.2 Financial liabilities 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

Pursuant to Art. 117 et seq. of Presidential Decree 917/1986, for the years 2015-2016-2017, the Parent Unipol has chosen the IRES tax consolidation regime, as consolidating company, with UnipolSai and other subsidiaries, meeting legal requirements, taking part as consolidated companies. Unipol has signed an agreement with these companies regulating the financial and procedural aspects governing the regime in question, recognising in its financial position the effects of the transfer of the IRES taxable income of the consolidated companies, calculated pursuant to the law, keeping into account the applicable consolidation adjustments and the tax credits accrued.

Tax for the year is calculated according to current tax regulations and recognised among costs for the year on an accrual basis and represents:

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

Deferred tax assets and liabilities are calculated on the basis of the temporary differences (arisen or deducted during the year) between the profit (loss) for the year and the taxable income and on the consolidation adjustments. In respect of tax losses prior to the applicable period of tax consolidation, deferred tax assets are recognised to the extent in which said losses can be reasonably used against future IRES income. IRAP for the year is also recognised under Income tax.

Foreign currency transactions - IAS 21

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

Share-based payments - IFRS 2

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

Earnings per share - IAS 33

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

Use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
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.

<table>
<tr><th colspan="2"></th><th>Mark to Market</th><th>Mark to Model and other</th></tr>
<tr><td rowspan="6">Financial Instruments</td><td>Bonds</td><td>CBBT contributor - Bloomberg
Other contributor - Bloomberg</td><td>Mark to Model
Counterparty valuation</td></tr>
<tr><td>Listed shares and investments, ETFs</td><td>Reference market</td><td></td></tr>
<tr><td>Unlisted shares and investments</td><td></td><td>DCF
DDM
Multiples</td></tr>
<tr><td>Listed derivatives</td><td>Reference market</td><td></td></tr>
<tr><td>OTC derivatives</td><td></td><td>Mark to Model</td></tr>
<tr><td>UCITS</td><td colspan="2">Net Asset Value</td></tr>
<tr><td>Receivables</td><td></td><td></td><td>Trade receivables (Mark to Model)
Other receivables (carrying amount)</td></tr>
<tr><td>Property</td><td></td><td></td><td>Appraisal value</td></tr>
</table>

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

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

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

Mark to Market valuations

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

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

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

Mark to Model valuations

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

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

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

Securities and interest rate derivatives:
- Discounted cash flows;
- Black;
- Black-Derman-Toy;
- Hull & White 1, 2 factors;
- Libor Market Model;
- Longstaff & Schwartz;
- Kirk.

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

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

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

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

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

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

For OTC derivative contracts, the models used are consistent with the risk factor underlying the contract. The *fair value* of OTC interest rate derivatives and OTC inflation-linked derivatives is calculated on the basis of Mark to Model type valuations, acknowledging the rules set in IFRS 13.
As regards derivatives on which a collateralisation agreement is provided (Credit Support Annex) between the companies of the Unipol Group and the authorised market counterparties, the EONIA (Euro OverNight Index Average) discount curve is used.
As regards uncollateralised derivatives, CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment) adjustments are made. It should be noted that, at 31 December 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 the portfolio of loans to bank customers, the *fair value* is calculated on the basis of Mark to Model valuations, by using a Discounted Cash Flow method with the proper discount rate for counterparty or transaction risk. The carrying amount is used for other loans.

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

Counterparty valuations

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

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

Bond issues that incorporate a derivative contract which modifies the cash flows generated by the host contract are considered structured bonds. The measurement of structured bonds requires the representation and separate valuation of the host contract and of embedded derivative contracts.
The measurement of structured bonds makes use of models consistent with the breakdown into elementary components (host contract and embedded derivatives) and with the risk factor underlying said contract.

For structured bonds, the valuation of elementary components follows the criteria defined above for the calculation of *fair value*, which makes provision for use of Mark to Market valuation if available, or of the Mark to Model approach or counterparty price in the case in which the Mark to Market-type price is not available.
Bonds issued by a Special Purpose Vehicle secured by collateral and whose flows paid are generated by an interest rate swap contract in place between the vehicle and the swap counterparty (usually the arranger of the transaction) are considered structured SPV bonds. The measurement of SPV structured bonds requires the representation and separate valuation of the following elements:

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

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

Criteria for determining the fair value hierarchies

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

Fair value measurement on a recurring basis

<u>Process for *fair value* measurement on a recurring basis</u>

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.

<u>*Fair value* measurement on a recurring basis through non-observable parameters (Level 3)</u>

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

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

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

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

- bond issues valued on a Mark to Market basis (level 1);
- bond issues and loans valued on a Mark to Model basis using non-observable parameters (benchmark spread curves) (level 3);
- short-term payables with a duration of less than 18 months and Certificates of Deposit at amortised cost (level 3);

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

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3. Notes to the Statement of Financial Position

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

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

ASSETS

1.1 Intangible assets

Amounts in €m	**31/12/2017**	31/12/2016	*variation in amount*
Goodwill	**1,581.7**	**1,591.7**	***(9.9)***
resulting from business combinations	1,581.6	1,591.4	*(9.9)*
other	0.2	0.2	*(0.0)*
Other intangible assets	**395.1**	**427.3**	***(32.2)***
portfolios acquired under business combinations	174.0	240.7	*(66.7)*
software and user licences	197.1	177.1	*20.0*
other intangible assets	24.0	9.5	*14.5*
Total intangible assets	**1,976.9**	**2,019.0**	***(42.1)***

With respect to the item Goodwill from business combinations, there was 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 activity, as a result of the valuation of the "Gruppo UNA" trademark 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 the Parent Unipol's Board of Directors and no impairment was found. For further information, please refer to paragraph 5.11 of Chapter 5 "Other information" of this document.

1.2 Other intangible assets

The item, totalling €395.1m (€427.3m in 2016), is composed primarily of the residual value of the Life and Non-Life portfolios acquired through of business combinations, equal to €174m (€240.7m in 2016), and costs incurred for purchasing software, licences, consultancy and the customisation of software programs for €197.1m (€177.1m in 2016) and other intangible assets for €24m (€9.5m at 31/12/2016), of which €8.6m relating to the „Gruppo UNA" brand.

In relation to the item Portfolios acquired as a result of business combinations, the decrease with respect to 31 December 2016, amounting to €66.7m, is due for €31.7m to annual amortisation on amounts of the Non-Life portfolios (€40.1m at 31/12/2016) and €27.1m on the Life portfolios (€31.7m at 31/12/2016), 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.

2. Property, plant and equipment

At 31 December 2017 Property, plant and equipment, net of accumulated depreciation, amounted to €1,872.1m (€1,886m in 2016), €1,617.7m of which was property for own use (€1,648.8m in 2016) and €254.3m was other tangible assets (€237.2m in 2016).

Properties for own use

Amounts in €m	Gross carrying amount	Accumulated depreciation	**Net carrying amount**
Balance at 31/12/2016	**1,885.3**	**(236.6)**	**1,648.8**
Increases	76.1		76.1
Decreases	(57.2)		(57.2)
Depreciation for the year		(43.2)	(43.2)
Other changes in provisions		(6.8)	(6.8)
Balance at 31/12/2017	**1,904.3**	**(286.6)**	**1,617.7**

The increases include €48.5m in purchases by a number of Group companies of residential properties in Florence and Padua, in addition an accommodation facility which will be temporarily leased, located in a particularly high-value area of Rome. Expenses increasing the value of the properties totalling €22m were also incurred.
The decreases refer mainly to transfers to the items Investment property and/or Assets held for disposal.

The current value of properties for own use, €1,768.9m, was based on independent expert appraisals.

Other tangible assets

Amounts in €m	Office furniture and machines	Movable assets entered in public Registers	Plant and equipment	Other tangible assets	**Total**
Balance at 31/12/2016	**368.4**	**4.4**	**324.9**	**0.0**	**697.7**
Increases	19.0	0.3	62.5	1.3	83.2
Decreases	(11.0)	(0.3)	(16.4)	(0.8)	(28.4)
Balance at 31/12/2017	**376.4**	**4.5**	**371.1**	**0.5**	**752.5**
Accumulated depreciation at 31/12/2016	**281.3**	**3.5**	**175.7**	**0.0**	**460.5**
Increases	25.5	0.1	25.5	0.2	51.3
Decreases	(10.2)	(0.2)	(3.3)	0.0	(13.6)
Accumulated depreciation at 31/12/2017	**296.6**	**3.4**	**197.9**	**0.2**	**498.1**
Net amount at 31/12/2016	**87.1**	**1.0**	**149.2**	**0.0**	**237.2**
Net amount at 31/12/2017	**79.8**	**1.1**	**173.2**	**0.3**	**254.3**

3. Technical provisions - Reinsurers' share

The balance of the item at 31 December 2017 amounted to €874.5m (€878m in 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 €69,397.7m (€81,276m in 2016), broken down as follows:

Amounts in €m	**31/12/2017**	*% comp.*	*31/12/2016*	*% comp.*	*% var.*
Investment property	**2,199.1**	*3.2*	**2,223.8**	*2.7*	*(1.1)*
Investments in subsidiaries, associates and interests in joint ventures	**90.3**	*0.1*	**85.6**	*0.1*	*5.5*
Financial assets (excl. those at fair value through profit or loss)	**61,197.5**	*88.2*	**68,990.5**	*84.9*	*(11.3)*
Held-to-maturity investments	*864.2*	1.2	*1,319.3*	1.6	(34.5)
Loans and receivables	*15,517.5*	22.4	*14,822.9*	18.2	4.7
Available-for-sale financial assets	*44,482.3*	64.1	*52,539.6*	64.6	(15.3)
Held-for-trading financial assets	*333.5*	0.5	*308.7*	0.4	8.0
Financial assets at fair value through profit or loss	**5,910.8**	***8.5***	**9,976.1**	***12.3***	***(40.8)***
Total Investments	**69,397.7**	***100.0***	**81,276.0**	***100.0***	***(14.6)***

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 as follows: €145.4m in Loans and receivables, €6,664.9m in Financial assets available for sale and €3,415m in Financial assets at fair value through profit or loss.

4.1 Investment property

Amounts in €m	Gross carrying amount	Accumulated depreciation	**Net carrying amount**
Balance at 31/12/2016	**2,430.9**	**(207.1)**	**2,223.8**
Increases	64.8		64.8
Decreases	(76.1)		(76.1)
Depreciation for the year		(32.0)	(32.0)
Other changes in provisions		18.5	18.5
Balance at 31/12/2017	**2,419.6**	**(220.6)**	**2,199.1**

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 €14.7m; the residual mainly refers to class transfers.

The current value of Investment property, €2,317.1m, 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 €90.3m (€85.6m in 2016).

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	**864.2**	***1.4***	**1,319.3**	***1.9***	***(34.5)***
Listed debt securities	832.2		1,175.2		*(29.2)*
Unlisted debt securities	32.0		144.0		*(77.8)*
Loans and receivables	**15,517.5**	***25.4***	**14,822.9**	***21.5***	***4.7***
Unlisted debt securities	3,886.2		4,357.6		*(10.8)*
Loans and receivables from bank customers	7,727.6		8,526.9		*(9.4)*
Interbank loans and receivables	3,405.1		1,335.1		*155.0*
Deposits with ceding companies	19.1		20.6		*(7.7)*
Other loans and receivables	479.6		582.7		*(17.7)*
Available-for-sale financial assets	**44,482.3**	***72.7***	**52,539.6**	***76.2***	***(15.3)***
Equity instruments at cost	29.3		73.2		*(59.9)*
Listed equity instruments at fair value	700.2		445.4		*57.2*
Unlisted equity instruments at fair value	197.1		169.2		*16.5*
Listed debt securities	40,590.2		49,461.0		*(17.9)*
Unlisted debt securities	649.7		836.7		*(22.3)*
UCITS units	2,315.7		1,554.1		*49.0*
Held-for-trading financial assets	**333.5**	***0.5***	**308.7**	***0.4***	***8.0***
Listed equity instruments at fair value	16.3		2.1		*687.8*
Listed debt securities	80.0		92.9		*(13.9)*
Unlisted debt securities	60.5		56.9		*6.2*
UCITS units	14.1		28.3		*(50.0)*
Derivatives	162.7		128.6		*26.5*
Total financial assets	**61,197.5**	***100.0***	**68,990.5**	***100.0***	***(11.3)***

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	**5,910.8**	**100.0**	**9,976.1**	**100.0**	**(40.8)**
Listed equity instruments at fair value	185.6	*3.1*	226.0	*2.3*	*(17.9)*
Listed debt securities	2,998.4	*50.7*	4,395.4	*44.1*	*(31.8)*
Unlisted debt securities	2.5	*0.0*	130.2	*1.3*	*(98.1)*
UCITS units	2,222.8	*37.6*	4,684.3	*47.0*	*(52.5)*
Derivatives	2.8	*0.0*	0.0	*0.0*	
Other financial assets	498.6	*8.4*	540.2	*5.4*	*(7.7)*

The information required by paragraphs 12 and 12A of IFRS 7 is contained in the appendix "Details of reclassified financial assets and their effects on the income statement and comprehensive income statement".
For information on fair value, reference should be made to paragraph 5.7 of Section 5 "Other information" of these Notes to the financial statements.

5. Sundry receivables

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Receivables relating to direct insurance business	1,426.2	1,498.0	*(4.8)*
Receivables relating to reinsurance business	105.6	99.7	*6.0*
Other receivables	1,322.5	1,727.2	*(23.4)*
Total sundry receivables	**2,854.3**	**3,324.9**	***(14.2)***

The item Other receivables included:
- tax receivables amounting to €485.4m (€512.4m at 31/12/2016);
- payments made as cash collateral to safeguard derivatives totalling €206.6m (€352.6m at 31/12/2016);
- trade receivables amounting to €144.3m (€188m at 31/12/2016);
- substitute tax receivables on the mathematical provisions totalling €283.8m (€329.2m 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.

6. Other assets

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Non-current assets or assets of a disposal group held for sale	10,569.0	207.8	
Deferred acquisition costs	85.0	90.5	*(6.0)*
Deferred tax assets	1,001.2	1,007.9	*(0.7)*
Current tax assets	14.0	36.1	*(61.3)*
Other assets	696.8	667.6	*4.4*
Total other assets	**12,366.0**	**2,010.0**	

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 for €10,465.12m. 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.

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

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

7. Cash and cash equivalents

At 31 December 2017, Cash and cash equivalents amounted to €631.5m (€503.1m at 31/12/2016).

LIABILITIES

1. Shareholders' equity

At 31 December 2017, Shareholders' equity amounted to €7,453m (€8,133.6m at 31/12/2016), recording a decrease both in that attributable to the owners of the Parent (-€162.7m) and to non-controlling interests (-€517.9m).

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	variation in amount
Share capital	3,365.3	3,365.3	
Capital reserves	1,729.4	1,724.6	4.8
Income-related and other equity reserves	78.5	(281.7)	360.2
(Treasury shares)	(25.7)	(27.8)	2.1
Reserve for foreign currency translation differences	3.5	2.2	1.3
Gains/losses on available-for-sale financial assets	695.5	535.5	160.0
Other gains and losses recognised directly in equity	(14.6)	1.0	(15.7)
Profit (loss) for the year	(345.8)	329.6	(675.4)
Total shareholders' equity attributable to the owners of the Parent	**5,486.1**	**5,648.8**	**(162.7)**

At 31 December 2017, the Parent Unipol's share capital amounted to €3,365.3m, fully paid-up, and was made up of 717,473,508 ordinary shares (unchanged compared with 31/12/2016).

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. The main changes were as follows:

- a decrease of €127.6m due to dividend distribution;
- an increase of €143m as a result of the change in percentage interests in the subsidiaries UnipolSai, UniSalute and Linear;
- an increase of €160m as a result of the increase in the provision for gains and losses on available-for-sale financial assets;
- €15.7m decrease owing to the decrease in the reserve for Other gains or losses recognised directly in equity;
- €345.8m decrease due to the Group loss at 31 December 2017.

1.2 Shareholders' equity attributable to non-controlling interests

Shareholders' equity attributable to non-controlling interests was €1,966.9m (€2,484.8m at 31/12/2016). The main changes over the year were as follows:

- a decrease of €190.2m for payment of dividends to third parties;
- a decrease of €495.8m attributable to the change in percentage interests in the subsidiaries UnipolSai, UniSalute and Linear;
- €7m decrease owing to the decrease in gains or losses recognised directly in equity;
- €176.8m increase due to profit attributable to non-controlling interests.

Treasury shares or quotas

At 31 December 2017, the ordinary treasury shares held by Unipol and its subsidiaries totalled 7,543,238 (8,587,056 at 31/12/2016), of which 2,753,466 shares were held directly and 4,789,772 held by the following subsidiaries:

- UnipolPart held 2,259,773, as beneficiary of Unipol shares of the former holding company Finsoe, which on 15 December 2017 was wound down through a proportional spin-off;
- UnipolSai Assicurazioni held 2,374,398;
- UniSalute held 15,690;
- Linear Assicurazioni held 14,743;
- Arca Vita held 5,962;
- Arca Assicurazioni held 18,566;

- SIAT held 31,384;
- Auto Presto & Bene held 5,462;
- Popolare Vita held 24,728;
- Finitalia held 18,808;
- Unipolsai Servizi Consortili held 20,258.

On 3 July 2017, 3,328,591 ordinary shares were allocated to Managers of the Unipol Group in accordance with the compensation plans based on financial instruments for the period 2013-2015.

2. Provisions

The item "Provisions" totalled €460.3m at 31 December 2017 (€480.7m 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

Unipol
The IRES and IRAP dispute for the tax periods between 2005 and 2007 of the former Aurora Assicurazioni, merged by incorporation into Unipol in 2007, pertaining mostly to findings relating to specific insurance provisions, is still pending for 2005 and 2006. For 2007, however, a hearing is pending before the Regional Tax Commission following the Tax Office's appeal against the decision in favour of the company by the Provincial Tax Commission. The provisions made at 31 December 2017 are believed to be adequate against the risks arising from these disputes.

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.

Arca Vita
At the end of 2017, the company was served an IRES notice of assessment for the years 2012-2014, as the consolidated and consolidating entity, issued following the general audit carried out by the Veneto Regional Tax Authority during the year, which ended with delivery of the related report on findings in May 2017. The main findings refer to the calculation of a decrease for IRES purposes and relations with the Irish subsidiary.
The company, which believes it has acted correctly, will verify the option of finalising these findings or of taking legal action. In any event, it has arranged the allocation in the financial statements of a provision deemed reasonable to covering the resulting risks.

Tenute del Cerro
In 2017, the company submitted a settlement request pursuant to Art. 11 of Law Decree 50/2017 for the tax dispute pending before the 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

At the end of the previous year, two proceedings had been pending with the Antitrust Authority, both successfully concluded in the first few months of 2017.

As regards the first of these, pursuant to the Order of 14 November 2012 relating to preliminary proceedings no. I/744 against UnipolSai for alleged violation of Art. 2, Law 287/1990 and/or Art. 101 of the Treaty on the Functioning of the European Union, the State Council rejected the Antitrust Authority's appeal before the Regional Tax Commission 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.

In relation to proceedings PS10295 brought against Unipol Banca by Order no. 36446 concerning alleged violation of articles 20-22, Legislative Decree no. 206 of 6 September 2005 (the Consumer Code), with a measure adopted at the hearing held on 7 February 2017 and notified on 16 February 2017, the Authority accepted the proposal of undertakings submitted by the Bank and, as a result, closed the proceedings without ascertaining any infractions and without imposing any penalties on the Bank.

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.

Unipol Banca execution of orders on financial transactions

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

- two of the counterparties involved for minor amounts expressed their willingness to reach a compromise agreement to settle the dispute. The compromise deeds were finalised in April 2015, and the parties waived any mutual request and/or claim.
- as regards cases of a more relevant amount and a case of a minor amount, on 8 June 2015 the partial judgments were published in which the Court of Bologna rejected all requests filed by plaintiffs with respect to the Bank.

- in the meantime, the counterparties proposed the challenge against the judgement published in June 2015 by the Court of Bologna for a new total claim of €117m. In the appeal, the same plaintiffs reiterated some of the claims made in the first instance proceedings (damage to reputation, loss of earnings, etc.), quantifiable in €125.6m for the higher-value cases and in €300k for those of a lower amount;
- at the first instance hearing for the case of considerable amount, held on 1 March 2016, the Bank insisted for the rejection of the opposing challenges, objecting to the inadmissibility of the new claims and opposing arguments. At the hearing on 4 April 2017, in which the conclusions were specified, the court granted legal terms to the parties for the submission of pleadings and the filing of the reply briefs (with deadlines of 5 and 23 June 2017, respectively). Then on 25 July 2017, the Judge ordered official technical expertise on accounts, aimed at assessing the correct application of interest on the plaintiffs' bank relations;
- for the other case of lower amount being challenged, having acknowledged the requests to reject the opposing appeal filed by Unipol Banca and the objections of inadmissibility of the new claims, the court postponed the hearing of 17 April 2018 to clarify the conclusions.

Given that the first instance sentences were provisionally enforceable, the Bank served the claimants with the injunction and the distraint to third parties in order to obtain the recovery of the amounts receivable. In addition, the Bank obtained the issue of the provisionally enforceable interim order on further receivables from one of the aforesaid claimants that objected the sentence. In the proceedings challenging the interim order, at the hearing on 29 September 2016 the Judge rejected the counterparty's request to suspend the provisional enforceability of the order. By decision of 29 December 2017, in accepting the arguments, the Court rejected the opposing party's claims and also ordered them to pay proceedings costs.

As regards the objection to enforcement initiated on the basis of the cited interim order, at the hearing of 11 July 2016 the Bank appeared before the Court and asked the rejection of the counterparty's claims and also asked the assignment of some amounts from garnishees.

With respect to one of the judgements in the first instance, by an unappealable order published on 4 November 2016, the Court of Appeals ordered the suspension of its enforceability. This resulted in the subsequent suspension of the executive proceedings launched on the basis of the above-mentioned judgement within the scope of one of which the Bank in the meantime had garnished several sums.

Ongoing disputes with investors

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 €200,000.00, in addition to the payment of the legal expenses borne by the civil claimants.

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

(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) and, for Fulvio Gismondi only, in which 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, and 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	31/12/2016	% var.
Non-Life premium provisions	2,974.2	2,873.9	
Non-Life claims provisions	12,434.6	12,936.1	
Other Non-Life technical provisions	52.3	51.7	
Total Non-life provisions	**15,461.0**	**15,861.7**	***(2.5)***
Life mathematical provisions	31,165.5	37,343.5	
Provisions for amounts payable (Life business)	396.5	446.7	
Technical provisions where the investment risk is borne by policyholders and arising from pension fund management	3,715.9	7,167.9	
Other Life technical provisions	2,687.8	3,290.0	
Total life provisions	**37,965.8**	**48,248.1**	***(21.3)***
Total technical provisions	**53,426.8**	**64,109.8**	*(16.7)*

4. Financial liabilities

Financial liabilities were, at 31 December 2017, €16,399.7m (€16,897.9m at 31/12/2016).

4.1 Financial liabilities at fair value through profit or loss

The item, which amounted to €2,488.7m (€3,264.8m at 31/12/2016), is broken down as follows:

- Financial liabilities held for trading totalled €278.4m (€431.8m at 31/12/2016);
- Financial liabilities designated at *fair value* through profit or loss totalled €2,210.3m (€2,833.1m at 31/12/2016). This category included investment contracts issued by insurance companies where the investment risk was borne by the policyholders, which do not contain a significant insurance risk borne by the Group (some types of Class III, Class V and Class VI contracts).

4.2 Other financial liabilities

Amounts in €m	31/12/2017	31/12/2016	% var.
Subordinated liabilities	2,352.6	2,518.7	(6.6)
Liabilities from financial contracts issued by insurance companies	0.1	0.3	(81.3)
Deposits received from reinsurers	173.6	233.1	(25.5)
Debt securities issued	3,960.2	3,598.0	10.1
Payables to bank customers	6,821.3	6,312.6	8.1
Interbank payables	438.6	694.5	(36.9)
Other loans obtained	159.3	270.4	(41.1)
Sundry financial liabilities	5.4	5.3	0.7
Total other financial liabilities	**13,911.0**	**13,633.0**	**2.0**

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

Issuer	Nominal amount outstanding	Subord. level	Year of maturity	call	Rate	L/NL
UnipolSai	€300.0m	tier II	2021	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€261.7m	tier II	2023	every 3 months	3M Euribor + 250 b.p.	Q
UnipolSai	€400.0m	tier I	2023	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€100.0m	tier II	2025	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€150.0m	tier II	2026	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€50.0m	tier II	2026	every 6 months	6M Euribor + 180 b.p. (**)	NQ
UnipolSai	€750.0m	tier I	in perpetuity	every 3 months from 18/06/2024	fixed rate 5,75% (*)	Q
Unipol Banca	€23.4m	tier II	2019		fixed rate 4,5%	NQ
Unipol Banca	€47.0m	tier II	2019		fixed rate 4,5%	NQ
Unipol Banca	€253.0m	tier II	2019		quarterly average 3M Euribor + 640 b.p.	NQ

(*) 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.

The **Subordinated liabilities** of the UnipolSai Group amounted to €2,028.1m at 31 December 2017 (€2,027.3m at 31/12/2016), whilst Unipol Banca outstanding subordinated liabilities totalled €324.5m (€491.4m at 31/12/2016). 4 subordinated bond loans were repaid on maturity during the year.

The item **Interbank payables** included €400m in subsidised loans obtained by Unipol Banca through participation in the ECB's TLTRO auctions (€640m at 31/12/2016), having repaid €240m early in 2017.

Debt securities issued - Other loans obtained - Sundry financial liabilities

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Debt securities issued - Other loans obtained - Sundry financial liabilities

At 31 December 2017, **Debt securities issued by Unipol**, net of intragroup subscriptions, totalling €1,795.6m (€1,601.9m at 31/12/2016) were related to three *senior unsecured* bonds listed on the Luxembourg Stock Exchange, with a total nominal value of €1,817m (€1,616m at 31/12/2016):

- €317m of nominal value, 4.375% fixed rate, 7-year duration, maturity in 2021 (unchanged with respect to 31/12/2016);
- €1,000m of nominal value, 3% fixed rate, 10-year duration, maturity in 2025 (unchanged with respect to 31/12/2016).
- €500m of nominal value, 3.5% fixed rate, 10-year duration, maturity in 2027. The loan - not convertible, subordinated or covered - was issued on 29 November 2017 under the *Euro Medium Term Notes* Programme, with a total maximum nominal amount of €2bn (launched in December 2009) and reserved solely for qualified investors.

The **outstanding debt securities issued by Unipol Banca** amounted to €2,165m (€1,996.1m at 31/12/2016).

As regards **Other loans obtained** and **Sundry financial liabilities**, totalling €164.7m (€275.7m at 31/12/2016), €159.1m were related to the loan entered by Fondo Immobiliare Athens and supplied, through the company Loan Agency Service Srl, by a pool of 13 banks, including Unipol Banca (the latter for a nominal value of €10m, written off within the consolidation process). The decrease of €111m referred to the repayment upon maturity of the Tikal Real Estate Fund loan, which was replaced by the loan subscribed in full with Unipol Banca on 4 January 2017 and therefore eliminated in the consolidation process.

5. Payables

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Payables arising from direct insurance business	**148.1**	**150.4**	***(1.5)***
Payables arising from reinsurance business	**96.6**	**76.4**	***26.4***
Other payables	**663.7**	**728.1**	***(8.8)***
Policyholders' tax due	157.7	164.9	*(4.3)*
Sundry tax payables	61.5	67.7	*(9.1)*
Trade payables	190.5	217.3	*(12.3)*
Post-employment benefits	78.1	80.4	*(2.9)*
Social security charges payable	44.0	44.4	*(1.0)*
Sundry payables	131.8	153.4	*(14.1)*
Total payables	**908.4**	**954.9**	***(4.9)***

At 31 December 2017, Popolare Vita and The Lawrence Life recorded €24.4m in Payables, reclassified as Liabilities associated with disposal groups.

6. Other liabilities

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Current tax liabilities	37.9	53.1	*(28.6)*
Deferred tax liabilities	29.4	33.2	*(11.6)*
Commissions on premiums under collection	106.0	103.8	*2.1*
Deferred commission income	2.2	24.2	*(90.9)*
Accrued expense and deferred income	54.2	46.8	*15.7*
Other liabilities	1,078.4	1,058.8	*1.9*
Total other liabilities	**11,324.6**	**1,320.0**	***757.9***

The item Deferred tax liabilities is shown net of the compensation carried out, pursuant to IAS 12, with the corresponding taxes (IRES or IRAP) recorded in deferred tax assets.
For details of the item Liabilities associated with disposal groups, please refer to paragraph 5.5 of these Notes.

4. Notes to the Income Statements

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

REVENUE

1.1 Net premiums

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Non-life earned premiums	**7,862.9**	**7,888.1**	***(0.3)***
Non-Life written premiums	7,964.0	7,856.0	*1.4*
Changes in Non-Life premium provision	(101.1)	32.0	*(415.4)*
Life written premiums	**3,818.7**	**6,299.8**	***(39.4)***
Non-life and life gross earned premiums	**11,681.6**	**14,187.8**	***(17.7)***
Non-life earned premiums ceded to reinsurers	**(404.8)**	**(385.6)**	***5.0***
Non-Life premiums ceded to reinsurers	(434.8)	(384.7)	*13.0*
Changes in Non-Life premium provision - reinsurers' share	30.0	(0.9)	
Life premiums ceded to reinsurers	**(13.9)**	**(15.4)**	***(10.3)***
Non-life and life earned premiums ceded to reinsurers	**(418.7)**	**(401.0)**	***4.4***
Total net premiums	**11,262.9**	**13,786.8**	***(18.3)***

1.2 Commission income

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Commission income from banking business	124.7	98.7	*26.3*
Commission income from investment contracts	42.9	37.3	*15.1*
Other commission income	5.4	6.7	*(20.2)*
Total commission income	**172.9**	**142.7**	***21.2***

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

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Net gains/losses:			
on held-for trading financial assets	(24.1)	(81.3)	
on held-for trading financial liabilities	(2.0)	(2.8)	
on financial assets/liabilities at fair value through profit or loss	152.0	125.3	
Total net gains/losses	**126.0**	**41.2**	***205.5***

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

These totalled €7m (€16.1m at 31/12/2016).

1.5 Gains on other financial instruments and investment property

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Interest	**1,928.4**	**2,005.8**	**(3.9)**
on held-to-maturity investments	45.1	58.8	*(23.2)*
on loans and receivables	358.9	406.0	*(11.6)*
on available-for-sale financial assets	1,520.7	1,537.4	*(1.1)*
on sundry receivables	2.8	2.5	*13.2*
on cash and cash equivalents	0.7	1.2	*(37.6)*
Other income	**174.3**	**162.7**	**7.1**
from investment property	66.6	76.4	*(12.9)*
from loans and receivables	0.0	1.5	*(100.0)*
from available-for-sale financial assets	107.7	84.8	*27.0*
Realised gains	**449.3**	**503.9**	**(10.8)**
on investment property	13.8	3.4	*301.7*
on loans and receivables	1.9	14.9	*(87.6)*
on available-for-sale financial assets	433.4	485.0	*(10.6)*
on other financial liabilities	0.2	0.6	*(57.9)*
Unrealised gains and reversals of impairment losses	**73.9**	**90.3**	**(18.1)**
on available-for-sale financial assets	0.6	0.0	
on other financial assets and liabilities	73.3	90.3	*(18.8)*
Total item 1.5	**2,625.9**	**2,762.7**	***(5.0)***

1.6 Other revenue

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Sundry technical income	88.9	124.5	*(28.6)*
Exchange rate differences	16.9	9.3	*80.8*
Extraordinary gains	34.9	26.5	*31.7*
Other income	326.8	312.1	*4.7*
Total other revenue	**467.5**	**472.4**	***(1.0)***

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	**9,807.9**	**12,263.8**	***(20.0)***
Non-life business	**5,169.1**	**5,139.6**	***0.6***
Non-Life amounts paid	5,786.9	5,949.6	
changes in Non-Life claims provision	(491.7)	(692.8)	
changes in Non-Life recoveries	(130.9)	(116.5)	
changes in other Non-Life technical provisions	4.9	(0.8)	
life business	**4,638.8**	**7,124.2**	***(34.9)***
Life amounts paid	5,517.4	5,437.4	
changes in Life amounts payable	2.1	(399.8)	
changes in mathematical provisions	(26.6)	2,422.4	
changes in other Life technical provisions	15.7	32.5	
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	**(186.7)**	**(169.4)**	***10.2***
Non-life business	**(180.2)**	**(161.0)**	***11.9***
Non-Life amounts paid	(195.7)	(184.9)	
changes in Non-Life claims provision	(5.2)	16.5	
changes in Non-Life recoveries	20.7	7.4	
life business	**(6.5)**	**(8.3)**	***(21.5)***
Life amounts paid	(14.4)	(22.5)	
changes in Life amounts payable	(0.4)	2.1	
changes in mathematical provisions	8.2	12.0	
Total net charges relating to claims	**9,621.1**	**12,094.4**	***(20.4)***

2.2 Commission expense

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Commission expense from banking business	13.8	17.1	*(19.5)*
Commission expense from investment contracts	21.3	16.7	*27.9*
Other commission expense	8.9	8.9	*(0.0)*
Total commission expense	**43.9**	**42.6**	***3.1***

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

At 31 December 2017 these totalled €4.3m (€3.2m at 31/12/2016).

2.4 Losses on other financial instruments and investment property

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Interest:	202.7	229.7	***(11.8)***
on other financial liabilities	192.1	226.2	*(15.1)*
on payables	10.5	3.5	*197.6*
Other charges:	44.9	52.7	***(14.9)***
from investment property	32.9	39.9	*(17.4)*
from available-for-sale financial assets	2.3	2.6	*(9.1)*
from cash and cash equivalents	0.0	0.1	*(93.3)*
from other financial liabilities	9.5	10.1	*(5.8)*
from sundry payables	0.1	0.1	*0.5*
Realised losses:	152.7	295.7	***(48.4)***
on investment property	2.0	1.9	*7.4*
on loans and receivables	5.1	7.2	*(30.0)*
on available-for-sale financial assets	145.0	285.9	*(49.3)*
on other financial liabilities	0.5	0.7	*(17.6)*
Unrealised losses and impairment losses:	1,339.6	290.6	***361.0***
on investment property	46.7	96.4	*(51.6)*
on loans and receivables	1,160.1	138.0	*740.4*
on available-for-sale financial assets	132.5	54.2	*144.2*
on other financial liabilities	0.3	1.9	*(84.3)*
Total item 2.4	**1,739.8**	**868.8**	***100.3***

Interest on other financial liabilities amounting to €192.1m relates in particular to interest expenses accrued on bonds issued by Group companies (subordinated and non-subordinated), €69m of which relating to the banking sector. At 31 December 2016 they totalled €226.2m, of which €89m relating to the banking sector.
At 31 December 2017 the unrealised losses and impairment losses totalled €1,339.6m (€290.6m in 2016), due in particular to write-downs of loans and receivables attributable to the banking sector for €1,141.6m (€131.8m at 31/12/2016), write-downs due to impairment of financial instruments recognised as available-for-sale assets (shares and UCITS) for €90m (€43.4m at 31/12/2016), write-downs on investment property for €14.7m (€60.1m at 31/12/2016), carried out on the basis of updated valuations performed by independent experts, and to investment property depreciation for €32m (€36.3m in 2016).

In detail, impairment losses on loans and receivables were due for €1,141.6m to write-downs relating to the loan portfolio of Unipol Banca, carried out within the Restructuring Plan of the banking business, as thoroughly described in the Management Report. Also considering losses on disposal recorded under Realised losses - on loans and receivables for €3.4m and net of value reversals, shown in item 1.5 Gains on other financial instruments for €72.8m, losses relating to the Unipol Banca loan portfolio amounted to €1,072.2m.
As already stated in the Management Report, to which reference should be made, as a result of decisions adopted and transactions carried out as part of the restructuring of the banking sector, 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 the Newco, but also to the remaining NPL portfolio existing at the same date and meant to remain with the Bank 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.
This led Unipol Banca to carry out an even more careful analysis of impaired loans, also with a view to identifying specific portfolios in relation to which it could express evaluations concerning any assignments to third parties, determining discontinuity in the cases in which the estimation of collectability of the impaired loans was carried out in previous periods.
In line with the changed model for the management of the existing NPL portfolio, the half-yearly report at 30 June 2017 already revised the estimation criteria applied in the valuation of loans at that date.
In this regard, it also incorporated the indications received from Bank of Italy inspectors during the inspection launched by the Supervisory Authority in the second quarter of 2017, with reference to Unipol Banca and with a specific focus on policies for the

management of loans in general and impaired loans in particular. Specifically, the inspection team asked Unipol Banca to revise several classifications in the NPL categories, to supplement the bad and doubtful position coverage levels, to adjust the methodology for calculating the discounting in relation to a more updated estimate of recovery times and to review more in general the impaired loan management and valuation policies.

The overall adjustments introduced in the estimation criteria applied in the valuation of loans in 2017 were:

- updating of the criteria for the classification of impaired loans amongst the various categories (Bad and Doubtful, Unlikely to Pay and Past Due), taking into account the most recent available information concerning the debtor's financial situation, also in light of the experience gained in recent years concerning the foreseeable evolution of such classifications as well as the continuation of situations of economic difficulty in certain production sectors;
- adjustment of recovery estimates in relation to the new model for the management of the impaired loans portfolio, particularly with regard to positions classified as Bad and Doubtful and Unlikely to Pay, taking into account the objective of significantly reducing these assets, within the shortest period of time possible, with the utmost attention paid to not losing value, also on the basis of updates obtained concerning the estimated presumable value of immediate realisation of the assets pledged as collateral against the loans;
- updating of the method for calculating the discounting for the purpose of determining the recoverable amount of the loans, particularly with reference to positions classified as Unlikely to Pay.

Lastly, please note that the amendments introduced in the methods for evaluating impaired loans (Bad and Doubtful, Unlikely to Pay, Past Due) constitute, as specified previously, a factor of change resulting from the new information and experience acquired in the changed circumstances outside and within the Group, applicable as noted starting from 2017, and as a result are classified as a change in accounting estimates pursuant to IAS 8 (specifically par. 5, 34 and 35).
The external circumstances also include the orientation expressed by the ECB in the recently issued document "Guidance to banks on non-performing loans".

2.5 Operating expenses

Amounts in €m	**31/12/2017**	*% comp.*	31/12/2016	*% comp.*	*% var.*
Insurance sector	2,387.2	*87.2*	2,453.1	*89.3*	*(2.7)*
Banking sector	342.8	*12.5*	311.4	*11.3*	*10.1*
Holding and Other Businesses Sector	110.6	*4.0*	101.6	*3.7*	*8.8*
Real Estate Sector	25.5	*0.9*	12.0	*0.4*	*112.7*
Intersegment eliminations	(129.8)	*(4.7)*	(131.2)	*(4.8)*	*(1.1)*
Total operating expenses	**2,736.4**	***100.0***	**2,746.9**	***100.0***	***(0.4)***

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

Amounts in €m	Non- Life			Life			Total		
	Dec-17	Dec-16	*% var.*	Dec-17	Dec-16	*% var.*	Dec-17	Dec-16	*% var.*
Acquisition commissions	1,283.5	1,283.1	*0.0*	70.0	98.1	*(28.7)*	1,353.5	1,381.2	*(2.0)*
Other acquisition costs	360.2	343.4	*4.9*	47.2	49.1	*(3.9)*	407.3	392.5	*3.8*
Changes in deferred acquisition costs	5.7	4.2	*35.1*	(2.5)	(7.6)	*(66.6)*	3.1	(3.4)	*(192.2)*
Collection commissions	152.1	158.5	*(4.0)*	8.0	8.9	*(10.6)*	160.1	167.4	*(4.4)*
Profit sharing and other commissions from reinsurers	(145.7)	(124.9)	*16.7*	(3.1)	(2.5)	*25.4*	(148.8)	(127.3)	*16.9*
Investment management expenses	76.1	83.4	*(8.8)*	47.6	49.5	*(3.9)*	123.7	133.0	*(6.9)*
Other administrative expenses	386.4	399.6	*(3.3)*	101.9	110.2	*(7.5)*	488.3	509.8	*(4.2)*
Total operating expenses	**2,118.3**	**2,147.4**	***(1.4)***	**269.0**	**305.7**	***(12.0)***	**2,387.2**	**2,453.1**	***(2.7)***

2.6 Other costs

Amounts in €m	**31/12/2017**	31/12/2016	*% var.*
Other technical charges	293.1	302.6	*(3.1)*
Impairment losses on receivables	14.3	34.2	*(58.2)*
Other charges	388.4	422.9	*(8.1)*
Total other costs	**695.9**	**759.8**	***(8.4)***

3. Income tax

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

Amounts in €m	31/12/2017			31/12/2016		
	Ires	Irap	Total	Ires	Irap	Total
Current taxes	**(40.7)**	**(52.9)**	**(93.6)**	**(167.1)**	**(18.1)**	**(185.2)**
Deferred assets and liabilities:	**100.4**	**3.2**	**103.6**	**19.6**	**(5.8)**	**13.9**
Use of deferred tax assets	(275.1)	(8.6)	(283.7)	(115.4)	(11.9)	(127.3)
Use of deferred tax liabilities	65.1	3.2	68.3	61.9	3.7	65.6
Provisions for deferred tax assets	369.3	8.7	378.0	140.4	18.5	158.9
Provisions for deferred tax liabilities	(58.8)	(0.1)	(58.9)	(67.3)	(16.1)	(83.4)
Total	**59.7**	**(49.7)**	**10.0**	**(147.4)**	**(23.9)**	**(171.3)**

Against pre-tax income of -€179.1m, positive taxes for the period of €10m were recorded. The comprehensive tax rate is heavily affected by IRAP due from the subsidiaries which closed the year with a profit not recoverable against the loss recorded by Unipol Banca.

The following statement illustrates the breakdown of deferred tax assets and liabilities recognised, with separate indication of offsetting performed for adjusted financial statements presentation purposes. In 2016, the individual items were presented after netting.

	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	411.8	332.2	79.6	122.7
Technical provisions – Reinsurers' share	168.5	168.4	0.0	167.4
Investment property	219.1	174.0	45.1	179.6
Financial instruments	211.5	157.9	53.6	(423.2)
Sundry receivables and other assets	242.3	218.4	23.9	267.4
Provisions	182.3	179.3	3.0	324.4
Technical provisions	907.6	756.8	150.8	179.9
Financial liabilities	1.0	1.0	0.0	(22.3)
Payables and other liabilities	6.7	6.3	0.4	(1.6)
Other deferred tax assets	630.2	616.9	13.2	213.6
Netting as required by IAS 12	(1,979.8)	(1,646.4)	(333.4)	
Total deferred tax assets	**1,001.2**	**964.9**	**36.2**	**1,007.9**
DEFERRED TAX LIABILITIES				
Intangible assets and property, plant and equipment	183.9	148.0	35.9	(104.5)
Technical provisions – Reinsurers' share	0.8	0.8	0.0	(13.8)
Investment property	10.4	2.2	8.1	4.2
Financial instruments	1,462.6	1,191.9	270.7	1,034.2
Sundry receivables and other assets	0.3	0.3	0.1	(2.7)
Provisions	21.2	17.1	4.0	(2.4)
Technical provisions	219.6	185.5	34.0	(761.5)
Financial liabilities	0.7	0.6	0.1	0.2
Payables and other liabilities	0.8	0.8	0.0	1.1
Other deferred tax liabilities	109.0	103.1	5.9	(121.5)
Netting as required by IAS 12	(1,979.8)	(1,646.4)	(333.4)	
Total deferred tax liabilities	**29.4**	**3.9**	**25.5**	**33.2**

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.

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 €250m were terminated early to hedge bonds classified under Loans and receivables for a synthetic notional value of €130.4m.
As regards the closed positions, gains on trading were realised for €8m on hedging derivatives, and losses of €12.2m due to the change in *fair value* of the underlying assets, still held 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 €72m, 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 from a floating rate to a fixed rate, stabilising the cash flows. The details by company of existing positions are provided below:

Amounts in €m

Company	Hedged financial instruments	Notional amount hedged	Derivative	Gross effect recognised in shareholders' equity	Net tax effect
UnipolSai	AFS bonds	1,013.5	IRS	(8.8)	(6.1)
UnipolSai	Bond loans issued	250.0	IRS	(3.0)	(2.1)
Arca Vita	AFS bonds	30.0	IRS	(0.0)	(0.0)
Total				**(11.8)**	**(8.2)**

In 2017, two IRS of Unipol Banca expired, for a notional value of €132m as bond loan hedges.

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

In order to allow an evaluation of the actual or potential effects of netting agreements on the Unipol Group, the information relating to the financial instruments involved in master netting arrangements are reported below. The transactions shown in the tables below concern:

- derivatives;
- repurchase agreements.

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.

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

Financial assets

Amounts in €m

Type	Gross amount (A)	Total financial liabilities offset in the financial statements (B)	Net total financial assets recognised in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements: 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)	322.3		322.3	262.4	46.8	13.1
Repurchase agreements (2)	0.0		0.0	0.0		
Securities lending						
Other						
Total	**322.3**		**322.3**	**262.4**	**46.8**	**13.1**

Financial liabilities

Amounts in €m

Type	Gross amount (A)	Total financial assets offset in the financial statements (B)	Net total financial liabilities recogni-sed in the financial statements (C)= (A) - (B)	Related amounts not subject to offsetting in the financial statements: 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)	313.6		313.6	107.6	201.6	4.5
Repurchase agreements (2)	0.0		0.0	0.0		
Securities lending						
Other						
Total	**313.6**		**313.6**	**107.6**	**201.6**	**4.5**

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

(2) The amounts indicated include the financial receivable/payable relating to the repurchase agreement and the value of the financial asset involved in the forward purchase.

5.3 Earnings (loss) per share

Amounts in €m	**31/12/2017**	31/12/2016
Profit/loss allocated to ordinary shares (€m)	(345.8)	329.6
Weighted average of ordinary shares outstanding during the year (no./m)	710.3	708.7
Basic earnings (loss) per share (€ per share)	**(0.49)**	**0.47**

5.4 Dividends

In view of the profit for the year made by the Parent Unipol at 31 December 2016 of €159.9m (as shown in the financial statements drawn up in accordance with Italian GAAP), the Shareholders' Meeting of Unipol held on 28 April 2017, resolved on the distribution of dividends totalling €128.3 m (€0.7 m paid to Group companies), corresponding to €0.18 m per Ordinary Share, taking account of treasury shares. The Shareholders' Meeting also set the dividend payment date for 24 May 2017 (ex-dividend date 22/05/2017).

The financial statements of the Parent Unipol at 31 December 2017, drawn up in accordance with Italian GAAP, posted a profit for the year of €213.4m. Unipol's Board of Directors proposes that the Ordinary Shareholders' Meeting allocate as dividends €0.18 per Ordinary Share. The total amount set aside for dividends, including treasury shares, came to €128.6m. Net of Unipol shares held by subsidiaries, the dividend payable to third parties is estimated at €128.2m.

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

On 29 June 2017, UnipolSai resolved on the termination of the Distribution Agreement in place with Banco BPM S.p.A. 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 €103.9 m 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 disposal groups classified as held for sale

		Popolare Vita	The Lawrence Life	Other reclass. IFRS 5	**Total reclass. IFRS 5**
	Amounts in €m	**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	**8,551.5**	**1,673.7**	**84.9**	**10,310.1**
4.1	Investment property			84.9	84.9
4.4	Loans and receiv ables	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	1,787.2	1,627.7		3,414.9
5	SUNDRY RECEIVABLES	**98.5**	**29.2**		**127.8**
5.1	Receivables relating to direct insurance operations	0.1			0.1
5.3	Other receiv ables	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**
NON-CURRENT ASSETS OR ASSETS OF A DISPOSAL GROUP HELD FOR SALE		**8,722.4**	**1,742.7**	**103.9**	**10,569.0**

Liabilities associated with disposal groups held for sale

		Popolare Vita	The Lawrence Life	Other reclass. IFRS 5	**Total reclass. IFRS 5**
	Amounts in €m	**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 v alue through profit or loss	523.7	380.5		904.3
4.2	Other financial liabilities				
5	PAYABLES	**7.1**	**17.3**		**24.4**
5.1	Payables arising from direct insurance operations	3.7	1.9		5.6
5.2	Payables arising from reinsurance operations		0.0		0.0
5.3	Other payables	3.4	15.4		18.8
6	OTHER LIABILITIES	**44.1**	**8.5**		**52.6**
6.1	Passività di un gruppo in dismissione posseduto per la vendita				
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.

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

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

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

Pronto Assistance Servizi (PAS) provides the following services for the Companies of the consortium:

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

The consortium **UnipolSai Servizi Consortili** manages a few supply and service agreements:

- leasing of facilities;
- real estate logistics and organisational services;
- communications, image and Unipol Group brand management.

Arca Vita provides the following services to Group companies:

- human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control for Arca Inlinea, Arca Sistemi and Arca Direct Assicurazioni. The three agreements were reformulated using the standard Group formats; they were signed on 27 June and take effect as of 1 January 2017;
- provider of workstations and general services necessary and functional to the outsourcing of internal control, anti-money laundering and anti-terrorism functions for UnipolSai Assicurazioni;
- providing parking spaces in the car park in Via del Fante 21, Verona, to UnipolSai Assicurazioni;
- leasing of premises in the property in Via del Fante 21, Verona, and the related parking spaces in Lungadige Capuleti, Verona, to Arca Assicurazioni S.p.A., Arca Direct Assicurazioni S.r.l., Arca Sistemi and Arca Inlinea;
  The new lease agreements, effective as of 1 September 2017, were drawn up as a result of the transfer of the Arca Inlinea and Arca Assicurazioni call centres to the offices in Via del Fante 21, Verona and the necessary reallocation of spaces in the building.

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

Arca Sistemi provides the following services:

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

Unipol Banca provides the following services to the companies in the Group of which it is the holding company:

- Internal auditing;
- Compliance;
- Risk Management;
- Human Resource Administration;
- External Relations and Communications;
- Organisation;

- Human Resources;
- Legal and Corporate Affairs;
- Finance.

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.

Both the Parent Unipol and its subsidiaries, including UnipolSai, Unipol Banca, Arca Vita and Arca Assicurazioni, second their staff to other Group companies to optimise the synergies within the Group.

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

It should be noted that, in accordance with Art. 2497 et seq. of the Civil Code, none of the shareholders of the Parent Unipol carries out management and coordination activities.

Credit indemnity agreement between Unipol and the subsidiary Unipol Banca

On 31 July 2017, Unipol and Unipol Banca signed a Termination Agreement of the credit indemnity agreement, effective from 30 June 2017, which set out the indemnity of €670.4m due by Unipol to Unipol Banca, with costs pertaining to 2017 amounting to €105.4m. The first tranche, equal to €170.4m, was paid by Unipol on 31 July 2017. 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%. Commissions accrued and due by Unipol Banca to Unipol were €12.5m.

Tax regime for taxation of group income (so-called "tax consolidation")

From 2015 the Parent Unipol opted, as consolidating company, for the tax consolidation governed by Title II, Chapter II, Section II of the Consolidated Income Tax Act (Articles 117-129) for the three-year period 2015-2017. All companies in the Unipol Group that meet the regulatory requirements take part in this regime as consolidated companies.

The following table shows transactions with related parties (associates and others) carried out during 2017, as laid down in IAS 24 and in Consob Communication DEM/6064293/2006.

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

Information on transactions with related parties

Amounts in €m	Associates	Others	**Total**	*% inc. (1)*	*% inc. (2)*
Loans and receivables	29.5	148.2	177.7	*0.2*	*(12.6)*
Available for sale		27.3	27.3	*0.0*	*(1.9)*
Sundry receivables	32.5	0.0	32.5	*0.0*	*(2.3)*
Other assets	0.0		0.0	*0.0*	*(0.0)*
Total assets	**62.0**	**175.6**	**237.5**	***0.3***	***(16.8)***
Other financial liabilities	26.6	205.9	232.5	*0.3*	*(16.5)*
Sundry payables	0.1		0.1	*0.0*	*(0.0)*
Other liabilities	0.2		0.2	*0.0*	*(0.0)*
Total liabilities	**26.9**	**205.9**	**232.8**	***0.3***	***(16.5)***
Net premiums	0.2		0.2	*(0.1)*	*(0.0)*
Commission income	0.1	0.2	0.3	*(0.2)*	*(0.0)*
Gains on other financial instruments and investment property	6.8	4.7	11.5	*(6.4)*	*(0.8)*
Other revenue	0.4		0.4	*(0.2)*	*(0.0)*
Total revenue and income	**7.4**	**5.0**	**12.4**	***(6.9)***	***(0.9)***
Losses on other financial instruments and investment property	0.0	8.2	8.2	*(4.6)*	*(0.6)*
Operating expenses	93.6	0.5	94.0	*(52.5)*	*(6.7)*
Other costs	1.5		1.5	*(0.9)*	*(0.1)*
Total costs and expenses	**95.1**	**8.7**	**103.7**	***(57.9)***	***(7.3)***

(1) Percentage based on total assets in the consolidated statement of financial position recognised under Shareholders' Equity, and on pre-tax profit/(loss) for income statement items.
(2) Percentage on total net cash flow from operating activities mentioned in the statement of cash flows.

Loans and receivables for €177.7m refer, in the amount of €29.5m, to the loans granted to associates by Unipol Banca (€13.2m) and by UnipolSai (€16.2m), in the amount of €87.1m to loans granted by Unipol Banca to the Goethe Fund (Mutual Real Estate Investment Fund) and €60.3m in loans granted by Unipol Banca to Coop Alleanza 3.0.
The item Available-for-sale financial assets amounted to €27.3, including €16.1m of UCITS units related to Alpha Amber Equity Ucits and Core Italian Properties Fund, subscribed by the Arca Group companies, and €11.2m of fund units of Uni Hs Abitare A-PT and Uno Fondo Sviluppo, subscribed by Unipol Banca.
The item Sundry receivables from associates, totalling €32.5m, included €32.2m in receivables due from insurance brokerage agencies for commissions.
The item Other financial liabilities due to associates, amounting to €232.5m, included €26.6m in bank deposits held by associates in Unipol Banca, €122.3m in debt securities issued by Unipol Banca and held by Coop Alleanza 3.0, and €73.9m in bank deposits held by other related parties with Unipol Banca.

Gains on other financial instruments and investment property totalling €11.5m included rent income of €6.4m from associates, gains realised for the sale of available-for-sale assets of €2.4m from other related parties and interest income for loans and receivables due from the Goethe Fund of €2.1m.
The item Losses on other financial instruments and investment property, amounting to €8.2m, included €8.1m in interest expense on bond loans issued by Unipol Banca and held by Coop Alleanza 3.0.
Operating expenses due to associates for €94m included €93.4m in costs on commissions payable to insurance brokerage agencies.

Remuneration for 2017 due to the Directors, Statutory Auditors and Key Managers of the Parent, for carrying out their duties in Unipol and in other consolidated companies amounted to €18.4m, details of which are as follows:

Amounts in €m	*Valori in Milioni di euro*
Directors and General Manager	8.9
Statutory auditors	0.3
Other key managers	9.2(*)

(*) mainly includes compensation of employees.

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

In 2017 the companies in the Group paid Unipol the sum of €1.9m as remuneration for the activities carried out by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers, eliminated during the consolidation process.

5.7 Fair value measurements – IFRS 13

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

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

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

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

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

Fair value measurement on a recurring basis

The table below shows a comparison between the assets and liabilities measured at *fair value* at 31 December 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

Amounts in €m	Level 1		Level 2		Level 3		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Assets and liabilities at fair value on a recurring basis								
Available-for-sale financial assets	42,901.4	50,874.9	517.4	686.5	1,063.5	978.2	44,482.3	52,539.6
Financial assets at fair value through profit or loss:								
- held for trading	106.9	117.8	157.1	148.8	69.6	42.1	333.5	308.7
- at fair value through profit or loss	5,896.8	9,831.8	11.5	10.2	2.4	134.2	5,910.8	9,976.1
Total assets at fair value on a recurring basis	***48,905.0***	***60,824.5***	***686.0***	***845.5***	***1,135.6***	***1,154.4***	***50,726.6***	***62,824.4***
Financial liabilities at fair value through profit or loss:								
- held for trading	17.6	6.6	254.1	316.7	6.7	108.5	278.4	431.8
- at fair value through profit or loss					2,210.3	2,833.1	2,210.3	2,833.1
Total liabilities at fair value on a recurring basis	***17.6***	***6.6***	***254.1***	***316.7***	***2,217.0***	***2,941.6***	***2,488.7***	***3,264.8***

The amount of financial assets classified in Level 3 at 31 December 2017 stood at €1,135.6m. Details of changes in Level 3 financial assets and liabilities in the same period are shown below.

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

Amounts in €m	**Available-for-sale financial assets**	**Financial assets at fair value through profit or loss**		**Investment property**	**Property, plant and equipment**	**Intangible assets**	**Financial liabilities at fair value through profit or loss**	
		held for trading	at fair value through profit or loss				held for trading	at fair value through profit or loss
Opening balance	**978.2**	**42.1**	**134.2**				**108.5**	**2,833.1**
Acquisitions/Issues	313.7	21.8						
Sales/Repurchases	(85.7)	(4.0)	(1.4)					
Repayments	(20.3)	(0.0)					(16.7)	
Gains or losses recognised through profit or loss	(39.7)	8.2	(1.4)				(85.0)	
- of which unrealised gains/losses	*(39.7)*	*8.2*	*(1.4)*				*(85.0)*	
Gains or losses recognised in the statement of other comprehensive income statement	(51.5)							
Transfers to level 3		0.0						
Transfers to other levels	(28.0)							
Other changes	(3.2)	1.6	(128.9)					(622.8)
Closing balance	**1,063.5**	**69.6**	**2.4**				**6.7**	**2,210.3**

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 €79.6m 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	**(0.49)**	**0.53**	**(2.41)**	**2.61**
Fair Value delta %	*(0.01)*	*0.01*	*(0.03)*	*0.03*

Fair value measurement on a non-recurring basis

IFRS 13 governs the *fair value* measurement and the associated disclosure also for assets and liabilities not measured at *fair value* on a recurring basis.

For these assets and liabilities, *fair value* is calculated only for the 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*

			Fair value							
	Carrying amount		Level 1		Level 2		Level 3		Total	
Amounts in €m	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Assets										
Held-to-maturity investments	864.2	1,319.3	956.7	1,337.8	32.8	148.1			989.5	1,485.9
Loans and receivables	15,517.5	14,822.9		5.0	3,372.4	4,093.1	12,807.6	11,220.1	16,180.0	15,318.2
Investments in subsidiaries, associates and interests in joint	90.3	85.6					90.3	85.6	90.3	85.6
Investment property	2,199.1	2,223.8					2,317.1	2,300.6	2,317.1	2,300.6
Property, plant and equipment	1,872.1	1,886.0					2,023.2	1,994.4	2,023.2	1,994.4
Total assets	**20,543.2**	**20,337.6**	**956.7**	**1,342.8**	**3,405.2**	**4,241.2**	**17,238.2**	**15,600.7**	**21,600.1**	**21,184.6**
Liabilities										
Other financial liabilities	**13,911.0**	**13,633.0**	**3,290.9**	**2,935.8**			**11,345.9**	**10,929.6**	**14,636.8**	**13,865.4**

5.8 Share-based compensation plans

The Unipol Group pays additional benefits (long-term incentives) to the Chief Executive Officer and Key Managers and other senior executives under closed three-year, share-based compensation plans by which Unipol and UnipolSai shares (performance shares) are granted if specific targets of Gross Profit and solvency capital requirements, as well as individual targets are achieved.

The compensation plan based on financial instruments (Unipol shares) for the period 2013-2015 ended on 31 December 2015. The first tranche, comprising 3,691,319 shares, was paid to those entitled on 1 July 2016, the second tranche, comprising 3,328,591 on 3 July 2017 and the third and final 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.

The total cost recorded in 2017 came to €13.3m (€12.9m in 2016), €6.7m of which with a contra-item in shareholders' equity as calculated in relation to the potential assignment of Unipol shares, and €6.7m with a contra-item in financial liabilities as calculated in relation to the potential assignment of shares of the subsidiary UnipolSai.

5.9 Non-recurring significant transactions and events

Non-recurring significant transactions carried out over the period are related to the plan to rationalise the Group's insurance business and to the Restructuring Plan of the banking business. An illustration of the financial and equity impact of these transactions can be found in the Annual Integrated Report/Unipol Group performance.

5.10 Atypical and/or unusual positions or transactions

In 2017 there were no atypical and/or unusual transactions 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)

As in previous years, in accordance with IAS 36.10, which provides for the Impairment of Intangible Assets that have an indefinite useful life, the impairment test was carried out on the goodwill recognised in the consolidated financial statements with reference to insurance subsidiaries.

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.

As part of the rationalisation plan for the Group's insurance business, note that the disposal of investments in Linear and UniSalute to UnipolSai was finalised in November 2017. Afterwards there was a reorganisation of the Non-Life CGU structure, incorporating the Linear and UniSalute sub-CGUs. There was no change in the Life CGU compared to the previous year and it still comprises UnipolSai Assicurazioni - Life and Arca Vita.

Given the above, the CGUs to which the residual goodwill was allocated, were impairment tested at 31 December 2017, were:
- Non-Life CGU: UnipolSai Assicurazioni - Non-Life
- Life CGU: UnipolSai Assicurazioni - Life, Arca Group

In relation to the measurement methods and benchmarks adopted to estimate the recoverable value of goodwill, note that, as specified below, the same measurement criteria were adopted as for the previous year, with benchmark updating arranged at the end of 2017.

The impairment testing of the Non-Life CGU was performed as follows:
- the recoverable value of UnipolSai Assicurazioni - Non-Life goodwill was measured using the "excess capital" version of a DDM (Dividend Discount Model).
- to calculate this value the final figures for 2017 were considered and, for the years 2018-2022, the economic and financial projections were taken as reference, useful in defining the profit forecasts for these years, prepared by the company in question and approved by the Board of Directors.

The results obtained from application of the *impairment* procedure show that no situations emerged requiring 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 (i) the *Embedded Value* and (ii) the value of the portfolio of new products based on the discounting of related future cash flows (*Value of New Business*);
- for the Arca Group, the results of the independent valuation by a leading financial and actuarial advisor, who issued an appraisal document, were taken into account. The Arca Group was considered as a whole since Arca Vita, Arca Vita International and Arca Assicurazioni all use the same sales channel (banking).

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 defined taking into account the estimates of said parameters made by top contributors.
Long term growth rate (*g* factor)	Several significant growth indicators relating to the reference market and to the macroeconomic scenario 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 what was deemed appropriate, a g factor equal to 2% was kept, 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. For the Arca Group, the results of the independent valuation by a leading financial and actuarial advisor, who issued an appraisal document, were taken into account. The Arca Group was considered as a whole since Arca Vita, Arca Vita International and Arca Assicurazioni all use the same sales channel (banking).

Below are the **results of the impairment tests** along with the relevant **sensitivity analyses**:

Amounts in €m	**Pro-rata recoverable amount (a)**	**Allocation of goodwill**	**Goodwill included in equity per recoverable amount (b)**	**Goodwillto be tested**	**Excess**
Non-Life CGU	3,493	1,198	(198)	1,000	2,493
Life CGU	998	384	(130)	254	744
Total	**4,491**	**1,582**	**(328)**	**1,254**	**3,237**

(a): Recoverable value obtained as the difference between CGU pro-rata amount and Adjusted Shareholders' equity pro-rata
(b): Goodwill included in Adjusted Shareholders' equity assessed upon recoverable amount

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	Value	g	Discounting rate	Value	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	2,493	1,827	1.5%	7.06%	3,517	2.5%	6.06%

Amounts in €m				Recoverable Amount - Goodwill Delta = 0			
		Sensitivity (Value range)		Hp. 1 (g rate = that used for impairment)		Hp. 2 (g rate assumed to be 0)	
CGU	Recoverable Amount - Goodwill Delta	Min	Max	g	Discounting rate	g	Discounting rate
UnipolSai Assicurazioni - Non-Life	2,493	1,827	3,517	2%	10.9%	0%	10.8%

Amounts in €m		Sensitivity - Recoverable Amount - Goodwill Delta	
Company	Recoverable Amount - Goodwill Delta	Min	Max
UnipolSai Assicurazioni - Life	585	559	622

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 the adoption of prudent assumptions.
The very nature of insurance business makes it highly complex to estimate the cost of settling a claim with any certainty, and the elements of complexity vary according to the class involved. The provision for each claim reported is set by an adjuster and is based on the information in his possession and on experience gained in similar cases. The forecasts fed into the system are periodically updated on the basis of new information about the claim. The final cost may vary as the claim proceeds (for example deterioration in the condition in the event of injury) or in the event of catastrophes.
As the Group's work is concentrated in Italy the major exposure to catastrophe risks is represented by natural disasters such as Earthquake, Flood and Hail.
Reinsurance cover is taken out to cover this type of risk, at levels differentiated with respect to the individual portfolios of the companies in the Group. The identified thresholds, with particular reference to the Earthquake risk, have been judged sufficiently prudent on the basis of calculations made using statistical models that simulate the company's exposures in detail.

The provisions for claims 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, giving an estimate of the final cost per year of occurrence if the claims for that year have not been paid in full.
The Chain Ladder method is suitable for sectors in which the figures are stable and is therefore not suitable in cases in which there are no significantly stable previous periods and in cases of significant changes in the settlement rate.
The Bornhuetter Ferguson method uses a combination of a benchmark (or estimates of the ratio of losses to 'a priori' premium) and an estimate based on claims incurred (Chain Ladder).
The two estimates are combined using a formula that gives greater weight to experience. This technique is used in situations in which the figures are not suitable for making projections (recent years and new classes of risk).

The ACPC method is based on a projection of the number of claims to be paid and the respective average costs. This method is based on three fundamental assumptions: settlement rate, basic average costs and exogenous and endogenous inflation.

These methods extrapolate the final cost according to the year in which the claim is incurred and according to similar groups of risk on the basis of the trends in claims recognised in the past. Should there be a reason for deeming the trends recognised to be invalid some of the factors are modified and the projection adapted to fit the available information. Some examples of what affects the trends could be:

- changes in the claims handling procedures involving different approaches to settlement/making allocations to provisions;
- market trends showing increases higher than inflation (may be linked to the economic situation or to political, legal or social developments);
- random fluctuations including the impact of "major" claims.

Claims incurred but not yet reported are estimated on the basis of the historical trends within the company, with the number and the average costs of the claims being estimated separately.

As allowed by IFRS 4, the provisions were not discounted.

Scope of analysis

The Unipol Group companies operating in the Non-Life market are: UnipolSai, Siat, Incontra, Pronto Assistance, Ddor, Ddor Re, Popolare Vita, Arca, Linear and UniSalute. The scope considered in the following analysis refers only to the provisions for claims for direct business (excluding Assistance) of UnipolSai, Siat, Arca, Linear and UniSalute. The incidence of the amount of provisions of excluded companies on the Unipol Group total stands at 0.5%.

Trend in claims (claims experience)

The tables below, which illustrate the trend in claims, show the estimated first-year costs for each year in which claims were incurred from 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 opinions on the adequacy or inadequacy of provisions from the results found in the following table.
The Group considers the provisions for claims reported or yet to be reported incurred by 31 December 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	8,448	9,173	8,626	7,890	7,250	6,503	6,210	5,221	5,283	5,398	**70,002**
one year later	8,672	9,162	8,570	7,722	7,049	6,400	6,175	5,174	5,210		
two years later	8,898	9,487	8,845	7,783	7,037	6,352	6,103	5,109			
three years later	9,126	9,642	8,888	7,801	7,018	6,309	6,024				
four years later	9,264	9,718	8,916	7,776	6,976	6,269					
five years later	9,318	9,716	8,929	7,757	6,950						
six years later	9,333	9,728	8,913	7,732							
seven years later	9,331	9,713	8,891								
eight years later	9,345	9,705									
nine years later	9,327										
Estimate of claims accumulated	**9,327**	**9,705**	**8,891**	**7,732**	**6,950**	**6,269**	**6,024**	**5,109**	**5,210**	**5,398**	**70,614**
Accumulated payments	8,939	9,245	8,313	7,130	6,223	5,342	4,900	3,977	3,568	2,193	**59,830**
Change compared to assessment at year 1	879	533	264	(158)	(300)	(234)	(185)	(113)	(74)		
Outstanding at 31/12/2017	**389**	**461**	**577**	**601**	**727**	**927**	**1,124**	**1,132**	**1,641**	**3,205**	**10,785**
Discounting effects											
Carrying amount	**389**	**461**	**577**	**601**	**727**	**927**	**1,124**	**1,132**	**1,641**	**3,205**	**10,785**

The data contained in the trend in claims table as inputs for actuarial models like the Chain-Ladder model must be used with extreme care. Future replication of changes in cost recorded in the past, in the case of provision strengthening, could lead to paradoxical situation whereby the higher the strengthening the greater the insufficiency which may be inaccurately forecast by these methods.

The IBNR claims experience estimated at 31 December 2016 showed an overall sufficiency of €46.2m or 4.5% of the estimate in 2017.

Change in the assumptions made and sensitivity analysis of the model

The estimated cost for 2008-2016 at 31 December 2017 was €65,217m, down compared to the valuation carried out at 31 December 2016 for the same years (€65,573m).
The new figure takes account of the savings recognised on claims that have been settled and of the revaluations required on claims that are still outstanding.

The risks arising from insurance policies are complex and subject to numerous variables that make the task of quantifying the sensitivity of the model complex.
The incidence of the amount of the 2,403 major claims net of claims handled by others (above €800,000 in the case of MV TPL, above €400,000 in the case of General TPL and €350,000 in the case of Fire) on the total provisions of the three classes was 23.5%. A 10% increase in the number of major claims would have led to a rise 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 92.9% of the total of the Unipol Group). The two scenarios were obtained with the following assumptions:
- Favourable: for MV TPL, a decline in inflation by one and a half point (1.5% instead of 3% of the baseline method) was assumed for the ACPC method, whilst reference was made to the provision corresponding to the tenth percentile for the Chain Ladder Paid method (*). For General TPL, reference was made to the provision corresponding to the tenth percentile (*).
- Unfavourable: for MV TPL, an increase in inflation by one and a half point (4.5% instead of 3.5% of the baseline method) was assumed for the ACPC method, whilst reference was made to the provision corresponding to the ninetieth percentile for the Chain Ladder Paid method (*). For General TPL, reference was made to the provision corresponding to the ninetieth percentile (*).

(*) Assuming that the provision is distributed according to a log-normal function with parameter relating to standard deviation calculated with the Mack method

The sensitivity analysis also includes the pre-2006 generations.

The following table shows the LAT's numbers:

Amounts in €m	Pre 2006	2006-2017	Total	% Delta
Provision requirements	840	10,335	11,175	
Unfavourable LAT assumption	870	10,659	11,529	*0.03*
Favourable LAT assumption	811	10,021	10,833	*(0.03)*

In assessing the results of these variations, note that these analyses are of the deterministic type and no account is taken of any correlations. Overall, the verified provisions (€12,153m relating to the consolidation scope examined) in the financial statements are higher than the top end, i.e. the unfavourable scenario assumption.

5.13 Notes on Life business

Breakdown of the insurance portfolio

Consolidated Life direct premiums at 31 December 2017 totalled €4,424.3m (insurance and investment products), down 36.8% on the previous year and with breakdown as follows:

Consolidated Life direct premiums

Amounts in €m	Gruppo Arca	Gruppo UnipolSai	**Total**
Insurance premiums (IFRS4)	366.0	3,452.2	3,818.1
% var.	*(77.2)%*	*(26.5)%*	*(39.4)%*
Investment products (IAS39)	345.4	260.8	606.1
% var.	*205.8%*	*(55.4)%*	*(13.1)%*
Total life business premium income	**711.3**	**3,712.9**	**4,424.3**
% var.	(58.6)%	(29.7)%	(36.8)%
Breakdown:			
Insurance premiums (IFRS4)	*51.4%*	*93.0%*	*86.3%*
Investment products (IAS39)	*48.6%*	*7.0%*	*13.7%*

The Life direct premiums of the Unipol Group came from both the traditional companies (UnipolSai Assicurazioni and DDOR) and bancassurance companies (Popolare Vita Group, Bim Vita and the Arca Group).
The UnipolSai Group contributes with €3,712.9m, equal to 83.9% of the total (-29.7% compared to 2016), while the remaining 16.1% is generated by the Arca Group with €711.3m (-58.6% compared to 2016).

Insurance premiums totalling €3,818.1m accounted for 86.3% of total premiums, down on the previous year's figure (90%). Non-insurance premiums amounted to €606.1m (-13.1%) and related to unit-linked policies and open pension funds.

Direct insurance premiums: income type

Amounts in €m	Gruppo Arca	Gruppo UnipolSai	**Total**
Traditional premiums	365.9	2,606.5	2,972.4
Financial premiums	0.1	277.2	277.3
Pension funds		568.5	568.5
Insurance premiums (IFRS4)	**366.0**	**3,452.2**	**3,818.1**
of which investments with DPF	*327.4*	*1,815.2*	*2,142.6*
% investment with DPF	*89.5%*	*52.6%*	*56.1%*

The insurance premiums of the Unipol Group continued to be composed primarily of traditional policies, which account for 77.8% of total consolidated premiums (down on the 84.2% recorded in 2016), compared to 7.3% represented by financial premiums (8.2% in 2016) and, finally, 14.9% by pension funds (7.6% in 2016).

5.14 Risk Report 2017 of the Unipol Group

The Risk Report aims to provide an overview of the risk management system, the internal risk assessment and solvency assessment processes and the Unipol Group risk profile, in compliance with the principles introduced in the European Solvency II regulations that entered into force from 1 January 2016.

Activities by the competent corporate organisations of the Group were carried out in 2017 in compliance with Solvency II regulations and the supervisory provisions issued by IVASS.

Note that in February 2017, the Group companies UnipolSai Assicurazioni SpA and Arca Vita 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.

On 12 February 2018, Unipol Gruppo SpA, as parent of the Unipol Insurance Group and following the spin-off of Finsoe SpA, submitted an application to the Supervisory Authority for authorisation to use the Partial Internal Model for calculating the consolidated Solvency Capital Requirement of the Group.

Internal Control and Risk Management System

The Unipol Group's Risk Management structure and process are part of the wider internal control and risk management system already illustrated in the Annual Integrated Report, to which reference is made.

The principles and processes of the System as a whole are governed by the following Group policies: “Risk management policy”, “Current and Forward-looking Risk Assessment Policy”, “Operational Risk Management Policy” and “Group-level Risk Concentration Policy”.
The policies setting the principles and guidelines below are an integral part of this System: (i) management of specific risk factors (e.g. Investment Policy with regard to market and liquidity risks, and the “Credit Policy”), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.

The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and any insurgence of new risks or changes in existing risks.
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies.

Risk Appetite and Risk Appetite Framework

The Risk Management System adopted by the Group is inspired by an enterprise risk management logic. This means that is based on the consideration, with an integrated approach, of all the current and prospective risks the Group is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives and replies on a fundamental element, i.e. the Risk Appetite.
In quantitative terms, the Group's Risk Appetite is determined on the basis of the following elements:
- capital at risk;
- capital adequacy;
- Liquidity/ALM ratios.

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

The Risk Appetite is formalised in the Risk Appetite Statement (with criteria that are differentiated for the insurance business and for the banking business, in compliance with applicable regulations), which indicates the risks that the Group and/or the individual company intends to assume or avoid, sets the quantitative limits and the qualitative criteria to be taken into account for the management of unquantified risks.

The Risk Appetite forms part of a reference framework - the Risk Appetite Framework (RAF). The RAF is defined in strict compliance and prompt reconciliation with the business model, the strategic plan, the ORSA process for the insurance segment and ICAAP for the banking segment, 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/ICAAP processes

Under their own risk management systems Unipol and the companies that fall within the scope of the Current and forward-looking risk assessment policy use the following to assess the effectiveness of the risk management system and assess capital adequacy:

- ORSA for the insurance business;
- ICAAP for the banking business.

The internal ORSA and ICAAP assessment processes allow the final and forward-looking risk profile analysis of the Insurance Group and the Banking Group based on strategy, the market context and business development. In addition, ORSA and ICAAP are an element of the assessments made to support operational and strategic decisions.

Risk Management System

The risk management process involves the following steps:

- risk identification;
- current and forward-looking assessment of risk exposure;
- risk monitoring and reporting;
- risk mitigation.

The process is performed in compliance with the Risk Appetite Framework.

Risk identification

Risk identification consists in identifying the risks considered significant, i.e. those with consequences capable of compromising the solvency or reputation of the Insurance Group and its companies, or constitute a serious obstacle to achieving strategic objectives. These risks are classified according to a methodology that takes into consideration the Group structure, the specific nature of the types of business managed by the various operating Companies and the classifications proposed by Italian and European supervisory regulations.

With reference to the insurance sector, the categories of risk identified are as follows:

- Technical-Insurance risks (Non-Life and Health);
- Technical-Insurance risks (Life);
- Market risk;
- Credit risk;
- Liquidity and ALM risk;
- Operational risk;

- Standard compliance risk;
- Strategic risk and emerging risks;
- Reputational risk;
- Other risks.

With reference to the banking sector, the categories of risk identified are as follows:
- Credit risk and Counterparty risk;
- Market risk;
- Liquidity risk;
- Banking book interest rate risk;
- Operational risk;
- Strategic risk and emerging risks;
- Reputational risk.

This identification and its constant updating are the result of meticulous and continuous activity performed through:
- continuous monitoring of business operations;
- continuous monitoring of the reference regulatory framework;
- the exercise of Profit and Loss attribution that compares profit and loss recorded at year end with those estimated by the Internal Model, in order to verify whether it correctly represents all risk factors.

An assessment is performed at least annually to verify that the risks identified actually represent the risk profile of the Group and its companies.

Current and forward-looking assessment of risk exposure

At least annually and in any event every time circumstances arise that could significantly alter the risk profile, the Group assesses the risks to which the insurance group and the individual companies are exposed, at present and prospectively, documenting the methods used and the related results. In the Current and Forward-looking Risk Assessment Policy, the process for the current and forward-looking assessment of risks is also defined, including risks deriving from companies included in the scope of 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 for the insurance sector) and the Internal Capital Adequacy Assessment (ICAAP for the banking sector) are used to support strategic business decisions.

Stress test analysis
The Insurance Group, the Companies and the Banking Group periodically carry out stress tests in accordance with the regulations of the national Supervisory Authority and participate, when required, to the performance of the system stress test exercises established by supranational Authorities.
In addition, the Group, Companies and banking sector entities carry out the stress test exercises ad hoc upon the occurrence of such situations of the economic and financial context as to compromise the solvency situation of the Group, Companies and banking sector entities 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)[10];
- quarterly, a report with the results of controls performed on observance of the Risk Appetite for the current year (Risk Appetite Monitoring);
- quarterly, a report with the results of controls performed on observance of the operational risk limits defined in the specific risk management policies;
- at least annually, the results of stress testing.

Risk escalation and mitigation process

With regard to Risk Appetite monitoring, detection of any of the defined thresholds being exceeded triggers the escalation process described below:

- if the Risk Appetite and the Risk Tolerance, when defined, are exceeded, the Board of Directors is informed. The Board of Directors assesses whether the approval of a new Risk Appetite or Risk Tolerance level is appropriate or defines action to be taken to restore the Risk Appetite or Risk Tolerance level;
- if the Risk Capacity is exceeded, the Board of Directors is notified and defines the actions to be taken.

If the Risk Appetite and/or Risk Tolerance and/or Risk Capacity of individual companies is exceeded, the Parent Board of Directors is informed, indicating any corrective action taken.

In order to mitigate existing or prospective levels of risk not in line with the defined risk objectives, the following measures can be adopted:

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[11]. 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).

[10] In reference to the Parent, at consolidated level and at individual company level.
[11] The CSA requires the delivery of a collateral asset when the value of the contract exceeds the set threshold.

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.

A Insurance Sector

This paragraph contains a summary of the calculation methodologies used within the Unipol Group, whilst the subsequent paragraphs provide additional information on the calculation procedure and the principal results for each risk.

Internal Model

The Group companies UnipolSai Assicurazioni and Arca Vita received authorisation 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;
- 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 Formula Standard components.

The **Life underwriting and provisions risk** of the securities portfolio other than that in which investment risk is borne by customers is measured using a Partial Internal Model based on an ALM-type stochastic approach in line with the standards laid down in the Solvency II regulations, 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 securities portfolio for which investment risk is borne by customers and Life catastrophe risk are measured using the Market Wide Standard Formula.

Market risk of the securities portfolio for which investment risk is not borne by customers 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. Market risk of the securities portfolio for which investment risk is borne by customers and concentration risk are measured using the Market Wide Standard Formula.

Credit risk is measured using the Partial Internal Model that adopts a CreditRisk+ approach.
This model makes it possible to measure the risk of default relating to bank counterparties, concerning exposures deriving from cash available at banks and financial risk mitigation operations through derivative contracts, and to the insurance and reinsurance 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.

Undertaking Specific Parameters (USP)

Note that, with effect from 1 January 2016, IVASS authorised the Unipol Group as a whole and UnipolSai to use the specific parameters in place of the sub-set of parameters defined in the standard formula for the calculation of the Group's and the Company's Solvency Capital Requirement for the Non-Life and Health tariff-setting and provisions risks.
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.

Market Wide Standard Formula

For Group companies other than UnipolSai Assicurazioni and Arca Vita, risk is measured using the Market Wide Standard Formula.

Below is additional information on the calculation procedure and the principal results for each risk at 31 December 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.
At 31 December 2017 the duration mismatch for Life business stood at -0.72 and at +1.07 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 +€321m, whilst for the Non-Life business the sensitivity +100 basis points equals -€212m.

Equity risk is the risk connected with a potential variation in the value of share assets, as a result of market volatility of the reference indexes.

Real estate risk is the risk connected with the occurrence of losses as a result of unfavourable changes in the market value of real estate assets.
The assets falling under the calculation of real estate risk include property funds, directly-owned properties and direct and indirect investments in real estate projects.
In particular, with reference to directly-owned properties, the value used to calculate the risk (fair value) is that deriving from the estimate made by independent experts.

Currency risk for ALM purposes is defined as the risk of a possible variation in the value of financial statement assets and liabilities and the Net Asset Value as a result of unfavourable changes in exchange rates. Based on the Investment Policy, the total exposure to non-Euro currencies, net of currency hedging, must be limited to 3% of total investments.
The Unipol Group's exposure to currency risk was not significant at 31 December 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 portfolios of financial assets to the main market risk factors is shown below by Group sector.

Sensitivity is calculated as a variation in the market value of the assets at 31 December 2017, following the shocks resulting from a:
- parallel change in the interest rate curve of +10 bps;
- 20% change in the share prices;
- +10 bps change in the credit spread.

	Insurance Business	
Amounts in €m	**Impact on income statement**	**Impact on statement of financial position**
Unipol Group		
Interest rate sensitivity (+10 bps)	18.22	(300.49)
Credit spread sensitivity (+10 bps)	(1.89)	(324.41)
Equity sensitivity (-20%)	24.40	(585.64)

Amounts in €m	Banking Business Impact on income statement	 Impact on statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	0.00	(2.84)
Credit spread sensitivity (+10 bps)	0.00	(4.10)
Equity sensitivity (-20%)	0.00	(3.88)

Amounts in €m	Holding and Other Business Impact on income statement	 Impact on statement of financial position
Unipol Group		
Interest rate sensitivity (+10 bps)	0.00	(0.12)
Credit spread sensitivity (+10 bps)	0.00	(0.12)
Equity sensitivity (-20%)	0.00	(6.64)

The values include the hedging derivatives.

Liquidity risk

Liquidity risk is the risk of not having the liquid resources necessary to meet the assumed obligations, in the financial statements and off-balance sheet, pertaining to their business, without undergoing economic losses deriving from forced sales of assets in case of adverse scenarios.
The liquid resources functional for the core business deriving from cash and cash equivalents, from the sale of securities that can be swiftly turned into cash and from any financing activities.
The main principles on which the liquidity risk management model within the Unipol Group is based may be summarised as follows:

- punctual measurement of the contractual and forecast cash flows on different maturity dates;
- definition and approval of the liquidity risk tolerance in terms of "survival time" in ordinary and stress conditions;
- managing structural liquidity by keeping a balance between maturities of medium-term assets and liabilities in order to avoid critical situations in the short-term liquidity positions;
- managing short-term liquidity in order to have the necessary liquidity to fulfil short-term commitments, both foreseeable and unforeseeable, deriving from any stress scenarios, by keeping a suitable balance between cash in-flows and outflows;
- defining and periodically applying stress scenarios relating to the technical and financial variables in order to verify the ability of the individual Companies and of the Group as a whole to address these situations;
- maintaining an adequate amount of assets that can be swiftly turned into cash on the market, so as to avoid significant economic impact if adverse scenarios occur, or able to be financed with repurchase agreements.

Credit risk

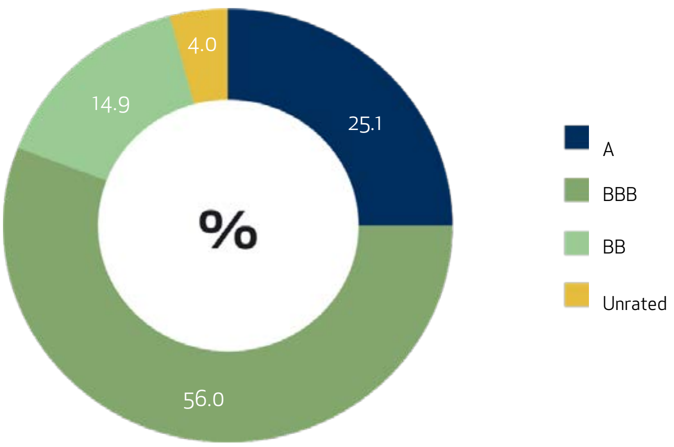
Counterparty Default Risk identifies the risk that a debtor or guarantor under an enforcement order may wholly or partially fail to honour its accrued monetary commitment to the Parent or one of the Group companies.
Credit risk therefore reflects the potential losses from an unexpected default by counterparties and debtors of the insurance and reinsurance companies in the next twelve months. Counterparty default risk includes the risk mitigation contracts, e.g. reinsurance agreements, securitisations and derivatives, and likewise every other credit exposure not included among the financial risks (credit spread risk).
Credit risk management is defined in the Credit Policy which describes the roles and responsibilities of the parties involved, the risk assessment principles, the operating limits imposed for monitoring purposes and the mitigation principles.
In relation to credit risk, the Risk Management Department monitors compliance with the limits defined in the Group Credit Policy and prepares reports to the administrative bodies, Top Management and the operating structures on developments in this risk.

In the insurance sector, credit risk is mainly found in exposures to banks, to the bond classes of the Group's insurance companies and to outwards reinsurance. Note that as part of the risk measurement system, the bond classes are included under Non-Life technical-insurance risk and the related exposures are also monitored as part of credit risk.

Banks

Existing exposure to banks refers to deposited liquidity and exposures in OTC derivatives. In particular, the derivatives exposure considered for risk management and monitoring purposes is equal to the sum of market values of the individual contracts in portfolio and takes into account any risk mitigation arrangements (collateralisation) covered in the CSAs signed with individual counterparties.
The following table shows the distribution of Unipol Group receivables from banks, broken down by rating class, recognised at 31 December 2017.

Receivables from banks by rating class



Bond classes of the insurance companies in the Group

This risk is calculated as a technical insurance risk (see relevant section) and monitored by the Group Credit Risk Committee.

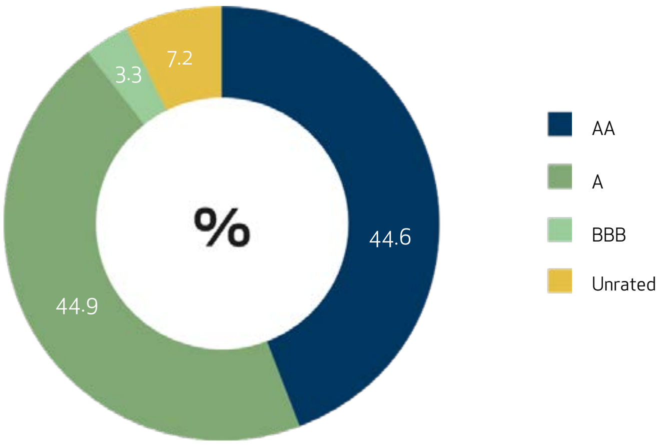
Outwards reinsurance

In this area, the existing exposure to credit risk is divided into:

- liquid receivables already due arising out of the bordereaux sent to the reinsurer listing the balances on each policy during the period and those still outstanding;
- potential estimated receivables for the provisions borne by the reinsurer (which will become due at the time of the payment to the policyholder and for the relative amounts). The exposure for provisions is always deemed to be net of any deposits retained or other collateral guarantees (e.g. Banking LOC, reinsurers' and Parent's commitment, etc.).

The following table shows the distribution of Unipol Group receivables from reinsurers and provisions for claims borne by them, broken down by rating class, recognised at 31 December 2017 net of intragroup reinsurance.

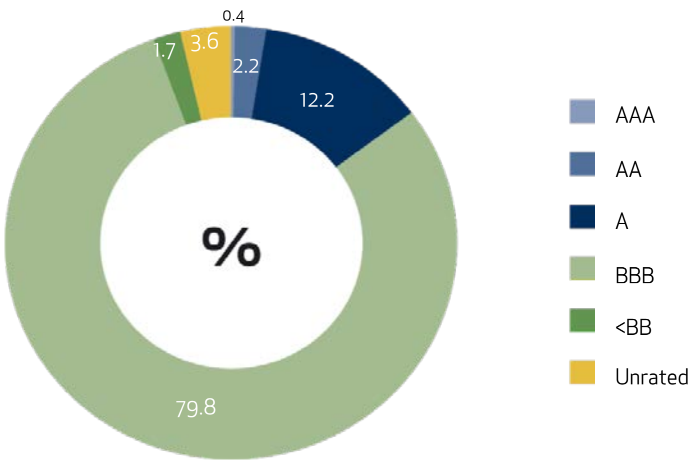
Receivables and reserves from reinsurers by rating class



Debt security Issuer Risk

The credit risk of debt securities is monitored within market risk based on credit spread volatility. The following table shows the distribution of the Unipol Group's bonds portfolio, insurance business and holding business, broken down by rating class (figures at 31/12/2017).

Breakdown of debt securities by rating class



Information relating to exposure to sovereign debt securities

In accordance with Consob Communication DEM/11070007 of 5 August 2011 and ESMA document 2011/397 of 25 November 2011, relating to information to be provided in annual and interim financial reports on listed companies' exposures to Sovereign debt securities and current trends in international markets, details are provided of Sovereign exposures (i.e. bonds issued by central and local governments and by government organisations and loans granted to them) held by the Unipol Group at 31 December 2017.
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	**30,758.8**	**31,690.1**	**31,904.0**
Available-for-sale financial assets	27,783.0	28,877.7	28,877.7
Financial assets at fair value through profit or loss	133.9	35.8	35.8
Held-to-maturity investments	680.6	675.3	796.3
Loans and receivables	2,161.4	2,101.3	2,194.2
Spain	**3,972.9**	**3,964.7**	**3,963.4**
Available-for-sale financial assets	3,619.1	3,610.0	3,610.0
Financial assets at fair value through profit or loss	20.0	21.8	21.8
Held-to-maturity investments	31.0	31.5	32.4
Loans and receivables	302.8	301.4	299.2
Portugal	**433.9**	**494.6**	**496.6**
Available-for-sale financial assets	363.5	423.5	423.5
Held-to-maturity investments	53.0	54.1	55.4
Loans and receivables	17.4	17.0	17.7
Ireland	**284.7**	**311.1**	**311.1**
Available-for-sale financial assets	284.7	311.1	311.1
Germany	**52.1**	**58.7**	**58.7**
Available-for-sale financial assets	52.1	58.7	58.7
Canada	**31.0**	**33.3**	**33.3**
Available-for-sale financial assets	31.0	33.3	33.3
Belgium	**77.0**	**79.3**	**79.3**
Available-for-sale financial assets	77.0	79.3	79.3
Slovenia	**239.0**	**258.0**	**258.0**
Available-for-sale financial assets	239.0	258.0	258.0
Serbia	**69.2**	**71.4**	**73.6**
Held-to-maturity investments	69.2	71.4	73.6
Israel	**62.0**	**65.3**	**65.3**
Available-for-sale financial assets	62.0	65.3	65.3
Mexico	**15.0**	**17.5**	**17.5**
Available-for-sale financial assets	15.0	17.5	17.5
Poland	**6.3**	**6.8**	**6.8**
Available-for-sale financial assets	6.3	6.8	6.8
Latvia	**41.5**	**45.7**	**45.7**
Available-for-sale financial assets	41.5	45.7	45.7
Chile	**14.1**	**15.2**	**15.2**
Available-for-sale financial assets	14.1	15.2	15.2

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Amounts in €m	Balance at 31 December 2017 Nominal value	Carrying amount	Market value
Cyprus	**62.2**	**71.0**	**71.0**
Available-for-sale financial assets	62.2	71.0	71.0
France	**448.3**	**409.1**	**409.1**
Available-for-sale financial assets	448.3	409.1	409.1
Austria	**14.0**	**15.0**	**15.0**
Available-for-sale financial assets	14.0	15.0	15.0
Lithuania	**10.0**	**10.6**	10.6
Available-for-sale financial assets	10.0	10.6	10.6
Finland	**5.3**	**5.4**	**5.4**
Available-for-sale financial assets	5.3	5.4	5.4
Netherlands	**8.9**	**9.6**	**9.6**
Available-for-sale financial assets	8.9	9.6	9.6
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
Slovakia	**98.1**	**103.9**	**103.9**
Available-for-sale financial assets	98.1	103.9	103.9
Singapore	**4.0**	**4.1**	**4.1**
Available-for-sale financial assets	4.0	4.1	4.1
China	**33.1**	**33.2**	**33.2**
Available-for-sale financial assets	33.1	33.2	33.2
New Zeland	**0.2**	**0.2**	**0.2**
Available-for-sale financial assets	0.2	0.2	0.2
Iceland	**0.4**	**0.4**	**0.4**
Available-for-sale financial assets	0.4	0.4	0.4
Denmark	**0.5**	**0.5**	**0.5**
Available-for-sale financial assets	0.5	0.5	0.5
Australia	**0.2**	**0.2**	**0.2**
Available-for-sale financial assets	0.2	0.2	0.2
TOTAL	**36,750.0**	**37,783.1**	**38,000.0**

The carrying amount of the sovereign exposures represented by debt securities at 31 December 2017 totalled €37,783.1m, 84% being accounted for by securities issued by the Italian State (88% in 2016). Moreover, the bonds issued by the Italian State account for 50% of total investments of the Unipol Group, down 6% compared to 31 December 2016.

Technical-insurance risks

Risks relating to Life portfolios

With regard to risk assessment relating to the Life portfolio, the guidelines of the underwriting and provisions activities are defined in the "Underwriting Policy - Life Business" and in the "Provisions Policy - Life Business".

The Underwriting Policy defines the guidelines addressing underwriting activities and the related risk management, governing the assumption principles and logic of Unipol Group insurance companies based in Italy and operating in the Life business.

The Provisions Policy defines the guidelines addressing provisioning activities for direct business and the related risk management, governing the provisioning principles and logic of Unipol Group insurance companies based in Italy and operating in the Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.

Life risks are estimated 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.

Surrender
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.

Conversion to annuity
In individual products where the benefit is expressed in the form of capital, there is often the option to accept disbursement as an annuity.
Among the individual policies portfolio there are products for which the conversion ratios are determined at the time of issue of the contract and others, the majority of which (generally those issued after 2000) with the amount of the annuity determined only at the time of the option. In this case the demographic risk is considerably mitigated.
In the supplementary pensions segment, especially collective, the ratios are often associated with each sum paid in, but the risk is mitigated by the frequency at which the offer conditions can be reviewed.

Maturity deferment
The portfolio includes individual term life products (not "whole-life") that in many cases provide the option to extend the validity of the contract after its original maturity date. During maturity deferment the payment of further premiums is not normally allowed.
The conditions applied during deferment vary according to the contractual terms, and continuation of the contract's financial guarantees or the application of those used at the time of the option can be granted. Depending on the conditions, even the duration of the maturity deferment can be determined or extended year by year.
The impact on the portfolio of exercising the maturity deferment option is not particularly significant at present.

Risks relating to Non-Life portfolios

With regard to risk assessment relating to the Non-Life portfolio, the reference guidelines are contained in the "Policy for the governance and amendment of the Undertaking Specific Parameters to calculate the SCR of the Technical-Insurance Non-Life and Health risks", the "Underwriting Policy - Non-Life Business" 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 Unipol Group insurance companies based in Italy and operating in the Non-Life business.

The Provisions Policy defines the guidelines addressing provisioning activities and the related risk management, governing the provisioning principles and logic of Unipol Group insurance companies based in Italy and operating in the Non-Life business, in compliance with national and international accounting standards and the Solvency II prudential supervisory system.

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.

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:
- <u>Hazard</u>, 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);
- <u>Vulnerability</u>, 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;
- <u>Financial</u>, 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

In order to ensure a complete analysis of company risks, the Unipol Group has an "Operational Risk Management Policy", updated annually, and has drafted a framework to identify, measure, monitor and manage Operational Risk. This term means "the risk of losses deriving from the inadequacy or malfunctioning of processes, human resources and internal systems, or from external events". Based on the Operational Risk Management framework, relations and reciprocal impacts between operational and other risks are also considered, with the objective of understanding the direct and indirect effects of events linked to operational risk. In particular, the analysis schemes adopted are aimed at understanding, based on a causal approach, the risk factors, events and effects, both financial and non-financial, and the impacts these can have on the Group's solvency and on the achievement of the objectives set.

Within the Group governance structure, the monitoring of Operational Risks is entrusted to the Operational Risks function of the Risk Management Department. The objectives assigned to this unit, within the internal control system, are aimed at ensuring the Group's assets are safeguarded and at adequate risk control.
Operational risk identification consists in gathering as much information as possible about the risk event, its possible causes and effects with a view to increasing awareness of the specific exposure of the various company areas. In addition, this activity also aims to assess the adequacy of controls and identify the best management solutions for any critical situations.

The data collected refers to:

- internal and external events that have actually happened, generating a negative impact on income statement. This data gathering process is known as Loss Data Collection;
- potential internal events that could happen within the context of a process and which are assessed using the Risk Self-Assessment method based also on expert judgement. The data collected in this respect includes an estimate of the average and maximum impact on income statement of the risk event and an estimate of the expected frequency of the event on an annual basis.

The organisational model for operational risk governance and control envisages a network of analysts in a number of UnipolSai Assicurazioni Divisions and the main Group companies which, after following a specific training course on operational risk management, provide support to the Risk Management Department in identifying operational risk and monitoring this risk within their own areas of operations.

Operational risk assessment is performed annually by the main Group companies.

Standard compliance risk

With regard to the Standard compliance risk, the Unipol Group's compliance risk management process is transversal and comprises organisational and operating monitoring activities carried out by resources from the various company functions. The Compliance Function is tasked with assessing whether the organisation and the internal corporate procedures are suitable to reach the objective of preventing this risk, according to a risk-based approach.

Strategic, emerging and reputational risks

With regard to 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.

Concentration risk

The Group has adopted the "Group-level Risk Concentration Policy" in accordance with the provisions of IVASS Regulation no. 30 of 26 October 2016 on the supervision of intragroup transactions and risk concentrations.
With specific reference to the purpose and contents of the Policy, note that it:

- illustrates the criteria and methods adopted, for each risk category (Non-Life and Health technical insurance risks, Life technical insurance risks, Market risk and Credit risk), to identify and measure the exposures, concentrations, their mitigation and operating limits, also through reference to other corporate policies on risk management;
- illustrates the methods by which the risk concentrations are considered in assessing the Group's risk profile;
- defines the limits and types of risk concentrations material to annual reporting to IVASS;
- defines the limits and types of risk concentrations in any event subject to monthly reporting to the Supervisory Authority.

The results of monitoring carried out on the risk concentrations significant at Group level and on concentrations to be reported in any event are submitted quarterly to the Board of Directors of the company for examination.

B Banking Sector

With reference to Pillar I risks, in compliance with the provisions of Bank of Italy Circular no. 285 of 17 December 2013, standardised approaches were adopted for credit, counterparty and market risks, and the basic approach for operational risk.
In line with their class 2 allocation, the indications and approaches defined in the aforementioned Circular are adopted for Pillar II risks.
The procedural solutions for easily calculating capital requirements available to banking intermediaries in its class were adopted, applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority. Internal approaches not used for regulatory purposes were also adopted to measure certain types of risk.
The main aspects of the risks assumed and managed in the Unipol Group's banking sector are described below.

Unipol Group banking sector restructuring plan

On 27 July 2017, the Boards of Directors of Unipol Gruppo and UnipolSai Assicurazioni and, on 28 July 2017, that of Unipol Banca approved the guidelines of a Unipol Group banking business restructuring plan which, inter alia, involved the transfer in February 2018 - through proportional partial spin-off of Unipol Banca to a newco (UnipolReC S.p.A.) - of a company complex including the entire bad and doubtful loans portfolio of the bank at the date of approval of the financial position at 30 June 2017, for a total of around €3bn, excluding those deriving from loans for leases and unsecured loans. The newco joined the banking group as a company instrumental to the credit collection process pursuant to Art. 115, Royal Decree no. 773 of 18 June 1931 and in the framework defined in Art. 2, paragraph 2.b) of Ministerial Decree no. 53/2015.

Credit risk

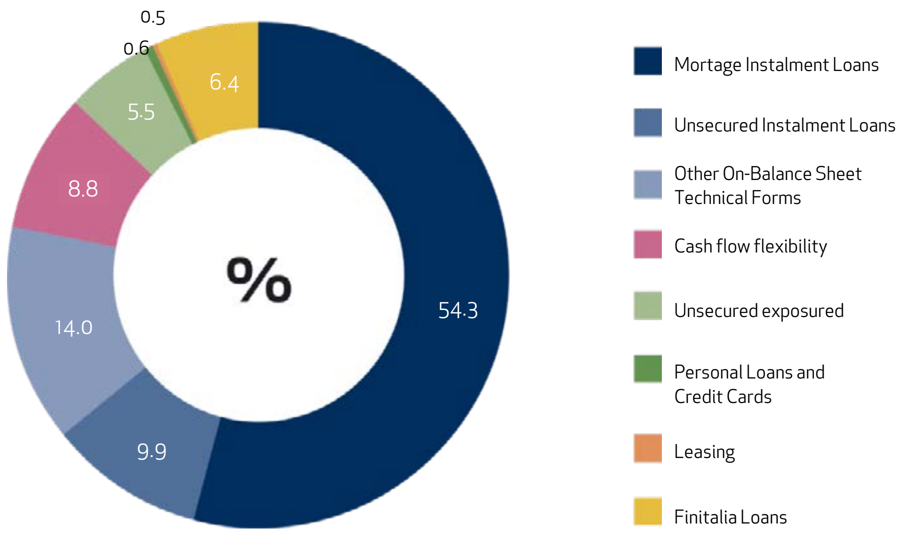
This risk arises mainly as a consequence of lending to customers and is governed on the basis of principles defined in the Group Credit Policy. In particular, this document defines the guidelines for underwriting and monitoring the credit risk in such a way as to ascertain total exposure to the individual counterparty, in line with the "risk appetite" expressed in the Group's strategic objectives, thus ensuring sufficient portfolio diversification.

The development of credit risk trends is currently monitored using asset quality indicators and by analysing the level of concentration for the sector in significant exposures and *large corporate*. The results of monitoring and analysing the Group's credit portfolio are sent to the administrative bodies, relevant risk committees and the operating structures, with a particular focus on the most significant exposures and the sectors of greatest concentration.
In 2017, credit rating models for companies and private parties developed at consortium level were used to measure credit risk referred to performing loans. The non-static rating models, again developed by the consortium, continued to be used for a number of residual segments.

The same rating was used in the disbursement process referred to the retail counterparties, together with CRIF scoring systems.

Net of bad and doubtful loans, approximately 54.3% of Unipol Banca and Finitalia loans were made up of mortgage loans (exposure entirely attributable to the Unipol Banca portfolio).

Breakdown of loans (net of bad and doubtful loans)



As regards risk mitigation techniques, support was obtained in the form of traditional guarantees recognised by law (liens, enforcement and sureties), including recourse to the guarantees provided by Confidi.

Liens and related monitoring are particularly important in containing the "Residual Risk". For this purpose, the provisions on prudential supervision of banks were adopted (Bank of Italy Circular no. 285/13).
Fluctuations in value of the financial instruments accepted as guarantees on credit facilities granted (mainly government securities, Bank-issued bonds and policies) are monitored.

The management of critical positions is also strengthened through specific company monitoring procedures.
Also highlighted is the constant commitment to guaranteeing the systematic monitoring of the watchlist positions showing early performance anomalies, with the aim of curbing the potential ensuing credit risk by taking timely actions to restore conditions of normality.

Market risks

In December 2017 the exposure to market risks was purely residual. Positions held for trading are those subject to intentional short-term disposal and/or assumed in order to benefit, in the short term, from purchase and sale price spreads or other changes in price or interest rate.

In 2017 the Investment Policy was updated. The Policy establishes guidelines for the investment process, investment policy criteria, types of assets in which investment is considered appropriate and the structure of limits.
Market risk measurement and monitoring of the limits defined in the Investment Policy is performed monthly through the preparation of Market Risk Reports discussed at special committee meetings.

Interest Rate risk and Price risk

The entire Group banking book is analysed, comparing total loans against deposits sensitive to interest rate risk, thereby providing a comprehensive view and detecting any mismatches, both in terms of duration and the imbalance in items positioned in the various repricing segments. At 31 December 2017 the duration mismatch stood at -0.84. The impact in terms of sensitivity to a parallel change in the curve of -200 bps in Equity was €216m (5.75% of Equity).

Liquidity risk

Bi-weekly operations meetings are held on ALM and Liquidity Management at which, in addition to monitoring the overall liquidity position of banking assets, other action is defined if necessary to meet emerging liquidity needs.
The gap between structural and tactical liquidity, using the cash flows maturity structure as an operating tool, is analysed at the meeting.
The liquidity gap is calculated on the basis of contractual and forecast cash flows, then compared against the reserves of liquid assets or assets than can be liquidated quickly.
This analysis is conducted under "business as usual" conditions and in idiosyncratic, market and combined stress conditions (the "worst case scenario").
In particular, with reference to the Banking Group, at 31 December 2017 the 3M "business as usual" gap was positive for €2,672m and the 1M stressed gap was positive for €2,145m.
Lastly, as part of the Prudential Supervisory Reports, the Liquidity Coverage Ratio (LCR), is calculated monthly. The ratio calculation is agreed by the Finance Committees and funding strategies are outlined that offer full compliance with regulatory requirements. At 31 December 2017 the LCR for the Unipol Banking Group was 176.35%, much higher than the regulatory requirement.

Operational risks

The Risk Self-Assessment is performed annually, representing a forward-looking qualitative and quantitative analysis which - through subjective indications provided by interviewees - aims to identify and assess potential operational risks associated with operations and related existing controls.
A specific annual analysis is also performed on the effects of IT risk scenarios on company processes, based on the document Group IT risk methodology, and in compliance with the provisions of Circular no. 285 of 17 December 2013, 11th update "Supervisory provisions for banks". The outcomes of this activity are examined and approved by the Boards of Directors of Unipol Banca and Unipol through the preparation of the "Summary report on Unipol Banca's IT risk situation" and the analogous document for Unipol as parent of the Unipol Banking Group.

Lastly, operating loss data is collected and analysed quarterly (Loss Data Collection - LDC), and the results are submitted to the Board of Directors of Unipol Banca.

Reputational and Strategic risk

Each year the Risk Management department conducts an assessment cycle that involves the company functions to a greater extent, making it an important tool to raise awareness on and spread the culture of the reputational and strategic risk within the Bank.
As regards the reputational risk, the assessment includes the monitoring of a set of listening and monitoring indicators. Monitoring of the strategic risk is carried out based on a specific framework comprising the main strategic drivers of the Bank's Plan.

Bologna, 22 March 2018

The Board of Directors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TABLES APPENDED
TO THE NOTES TO THE FINANCIAL STATEMENTS

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Method (1)	Business activity (2)
Unipol Gruppo Spa	086	Italy	Bologna		G	4
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna		G	1
UniSalute Spa	086	Italy	Bologna		G	1
Midi Srl	086	Italy	Bologna		G	10
Unipol Banca Spa	086	Italy	Bologna		G	7
Unisalute Servizi Srl	086	Italy	Bologna		G	11
UnipolSai Finance Spa	086	Italy	Bologna		G	9
Grecale Abs Srl (*)	086	Italy	Bologna		G	11
Unipol Investment Spa	086	Italy	Bologna		G	9
Castoro Rmbs Srl (*)	086	Italy	Milan		G	11
Atlante Finance Srl (*)	086	Italy	Milan		G	11
Ambra Property Srl	086	Italy	Bologna		G	11
Arca Vita Spa	086	Italy	Verona		G	1
Arca Assicurazioni Spa	086	Italy	Verona		G	1
Arca Vita International Dac	040	Ireland	Dublin (Ireland)		G	2
Arca Direct Assicurazioni Srl	086	Italy	Verona		G	11
Arca Inlinea Scarl	086	Italy	Verona		G	11
Arca Sistemi Scarl	086	Italy	Verona		G	11
Grecale RMBS 2011 srl (*)	086	Italy	Bologna		G	11
SME Grecale 2017 Srl (*)	086	Italy	Bologna		G	11
UnipolSai Assicurazioni Spa	086	Italy	Bologna		G	1
BIM Vita Spa	086	Italy	Turin		G	1
Incontra Assicurazioni Spa	086	Italy	Milan		G	1
Pronto Assistance Spa	086	Italy	Turin		G	1
Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni	086	Italy	Genoa		G	1
Ddor Novi Sad	289	Serbia	Novi Sad (Serbia)		G	3

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
					100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
	98.53%	UnipolSai Assicurazioni Spa	73.53%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
57.75%	42.25%	UnipolSai Assicurazioni Spa	89.28%		100.00%
	100.00%	UniSalute Spa	73.53%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
	0.00% 10.00%	Unipol Banca Spa UnipolSai Finance Spa	7.46%		100.00%
100.00%			100.00%		100.00%
	0.00%	Unipol Banca Spa			100.00%
	0.00%	Unipol Banca Spa			100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
63.39%			63.39%		100.00%
	98.12%	Arca Vita Spa	62.20%		100.00%
	100.00%	Arca Vita Spa	63.39%		100.00%
	100.00%	Arca Vita Spa	63.39%		100.00%
	60.22% 39.78%	Arca Vita Spa Arca Assicurazioni Spa	62.92%		100.00%
	82.03% 16.97% 1.00%	Arca Vita Spa Arca Assicurazioni Spa Arca Inlinea Scarl	63.19%		100.00%
	0.00%	Unipol Banca Spa			100.00%
	0.00%	Unipol Banca Spa			100.00%
53.31%	1.36% 10.02% 0.01% 0.004% 0.33% 10.02%	UnipolSai Finance Spa Unipol Investment Spa Pronto Assistance Spa Popolare Vita Spa UnipolSai Nederland Bv Unipol Finance Srl	74.63%		100.00%
	50.00%	UnipolSai Assicurazioni Spa	37.31%		100.00%
	51.00%	UnipolSai Assicurazioni Spa	38.06%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
	94.69%	UnipolSai Assicurazioni Spa	70.67%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Method (1)	Business activity (2)
Ddor Re	289	Serbia	Novi Sad (Serbia)		G	6
Popolare Vita Spa	086	Italy	Novara		G	1
The Lawrence Life Assurance Company Dac	040	Ireland	Dublin (Ireland)		G	2
UnipolRe Dac	040	Ireland	Dublin (Ireland))		G	5
Finitalia Spa	086	Italy	Milan		G	11
UnipolSai Nederland Bv	050	Nederland	Amsterdam (NL)		G	11
Finsai International Sa	092	Luxembourg	Luxembourg		G	11
UnipolSai Investimenti Sgr Spa	086	Italy	Turin		G	8
SAI MERCATI Mobiliari Spa in Liquidazione	086	Italy	Milan		G	11
Apb Car Service Srl	086	Italy	Turin		G	11
Auto Presto & Bene Spa	086	Italy	Turin		G	11
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
Florence Centro di Chirurgia Ambulatoriale Srl	086	Italy	Florence		G	11
UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata	086	Italy	Bologna		G	11
Tenute del Cerro Spa - Societa' Agricola	086	Italy	Bologna		G	11

% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
	0.002%	Ddor Novi Sad	74.63%		100.00%
	100.00%	UnipolRe Dac			
	50.00%	UnipolSai Assicurazioni Spa	37.31%		100.00%
	100.00%	Popolare Vita Spa	37.31%		100.00%
	100.00%	UnipolSai Nederland Bv	74.63%		100.00%
	100.00%	Unipol Banca Spa	89.28%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
	36.15%	UnipolSai Finance Spa	74.63%		100.00%
	63.85%	UnipolSai Assicurazioni Spa			
51.00%			87.57%		100.00%
	49.00%	UnipolSai Assicurazioni Spa			
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
	70.00%	Auto Presto & Bene Spa	52.24%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
	100.00%	UnipolSai Assicurazioni Spa	74.63%		100.00%
	100.00%	Casa di Cura Villa Donatello - Spa	74.63%		100.00%
0.02%			74.60%		100.00%
	0.20%	Compagnia Assicuratrice Linear Spa			
	0.20%	UniSalute Spa			
	0.02%	Unipol Banca Spa			
	0.20%	Arca Vita Spa			
	98.23%	UnipolSai Assicurazioni Spa			
	0.02%	BIM Vita Spa			
	0.02%	Incontra Assicurazioni Spa			
	0.90%	Pronto Assistance Spa			
	0.11%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
	0.02%	UnipolRe Dac			
	0.02%	Finitalia Spa			
	0.02%	Auto Presto & Bene Spa			
	0.02%	Pronto Assistance Servizi Scarl			
	98.81%	UnipolSai Assicurazioni Spa	74.63%		100.00%

Consolidation scope

Name	Country of registered office		Registered office	Country of operations (5)	Method (1)	Business activity (2)
UnipolSai Servizi Previdenziali Srl	086	Italy	Florence		G	11
Sogeint Societa' a Responsabilita' Limitata	086	Italy	San Donato Milanese		G	11
Pronto Assistance Servizi Scarl	086	Italy	Turin		G	11
Gruppo UNA Spa	086	Italy	Milan		G	11
Consorzio Castello	086	Italy	Florence		G	10
Italresidence Srl	086	Italy	Milan		G	11
Marina di Loano Spa	086	Italy	Loano (SV)		G	10
Meridiano Secondo Srl	086	Italy	Turin		G	10
Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	086	Italy	Florence		G	10
Societa' Edilizia Immobiliare Sarda - S.E.I.S. Societa' per Azioni	086	Italy	Bologna		G	10
Villa Ragionieri Srl	086	Italy	Florence		G	10
Tikal R.E. Fund	086	Italy			G	10
Athens R.E. Fund	086	Italy			G	10
Unipol Finance Srl	086	Italy	Bologna		G	9
Grecale RMBS 2015 srl (*)	086	Italy	Bologna		G	11
Alfaevolution Technology Spa	086	Italy	Bologna		G	11
Leithà Srl	086	Italy	Bologna		G	11
UniAssiTeam Srl	086	Italy	Bologna		G	11
Unipol Reoco Spa	086	Italy	Bologna		G	11
Fondo Opportunity	086	Italy			G	10
UnipolPart Spa	086	Italy	Bologna		G	9

(1) Consolidation method: G=on a line-by-line basis; P=proportional; U=on a line-by-line basis as per unitary management.

(2) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(3) The product of investment relations concerning all companies which, positioned in an investment chain, may be between the company responsible for the consolidated financial statements and the company in question. If the latter is a direct investee of multiple subsidiaries, add together the individual products first.

(4) Total % availability of votes at ordinary general meetings if different from the direct or indirect investment.

(5) This disclosure is required only if the country of operations is different from the country of the registered office.

(*) Securitisation SPVs which, though not subsidiaries, are consolidated as essentially all risks and benefits are retained.

% Direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	% Consolidation
	1.19% Pronto Assistance Spa			
	100.00% UnipolSai Assicurazioni Spa	74.63%		100.00%
	100.00% UnipolSai Assicurazioni Spa	74.63%		100.00%
	3.00% Compagnia Assicuratrice Linear Spa 0.25% UniSalute Spa 0.10% Arca Assicurazioni Spa 95.34% UnipolSai Assicurazioni Spa 0.15% Incontra Assicurazioni Spa 0.31% Pronto Assistance Spa 0.25% Apb Car Service Srl 0.25% Auto Presto & Bene Spa 0.10% UnipolSai Servizi Consortili Societa' Consortile a Responsabilita' Limitata 0.25% Alfaevolution Technology Spa	74.50%		100.00%
	100.00% UnipolSai Assicurazioni Spa	74.63%		100.00%
	99.57% Nuove Iniziative Toscane - Societa' a Responsabilita' Limitata	74.31%		100.00%
	100.00% Gruppo UNA Spa	74.63%		100.00%
	100.00% UnipolSai Assicurazioni Spa	74.63%		100.00%
	100.00% UnipolSai Assicurazioni Spa	74.63%		100.00%
	100.00% UnipolSai Assicurazioni Spa	74.63%		100.00%
	51.67% UnipolSai Assicurazioni Spa	38.56%		100.00%
	100.00% UnipolSai Assicurazioni Spa	74.63%		100.00%
	95.00% UnipolSai Assicurazioni Spa	70.90%		100.00%
	0.68% Unipol Banca Spa 64.72% UnipolSai Assicurazioni Spa 24.19% Tikal R.E. Fund	66.06%		100.00%
100.00%		100.00%		100.00%
	0.00% Unipol Banca Spa			100.00%
	100.00% UnipolSai Assicurazioni Spa	74.63%		100.00%
	100.00% UnipolSai Assicurazioni Spa	74.63%		100.00%
	65.00% UnipolSai Finance Spa	48.51%		100.00%
	100.00% Unipol Banca Spa	89.28%		100.00%
	100.00% UnipolSai Assicurazioni Spa	74.63%		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
UnipolSai Assicurazioni Spa	25.37%		119.0	1,560.7
Popolare Vita Spa	62.69%		31.5	236.2
The Lawrence Life Assurance Company Ltd	62.69%		0.4	45.1

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Business activity (1)
Hotel Villaggio Citta' del Mare Spa in Liquidazione	086	Italy	Modena		11
Assicoop Modena & Ferrara Spa	086	Italy	Modena		11
Assicoop Bologna Metropolitana Spa	086	Italy	Bologna		11
Fondazione Unipolis	086	Italy	Bologna		11
Uci - Ufficio Centrale Italiano	086	Italy	Milan		11
Assicoop Toscana Spa	086	Italy	Siena		11
Pegaso Finanziaria Spa	086	Italy	Bologna		9
SCS Azioninnova Spa	086	Italy	Bologna		11
Promorest Srl	086	Italy	Castenaso (BO)		11
Assicoop Grosseto Spa in Liquidazione	086	Italy	Grosseto		11
Assicoop Emilia Nord Srl	086	Italy	Parma		11
Assicoop Romagna Futura Srl	086	Italy	Ravenna		11
Garibaldi Sca	092	Luxembourg	Luxembourg		11
Isola Sca	092	Luxembourg	Luxembourg		11
Fin.Priv. Srl	086	Italy	Milan		11
Ddor Auto - Limited Liability Company	289	Serbia	Novi Sad		3
Funivie del Piccolo San Bernardo Spa	086	Italy	La Thuile (AO)		11
Ddor Garant	289	Serbia	Beograd		11
Ital H&R Srl	086	Italia	Bologna		11

Summary income and financial position data							
Total assets	Investments	Technical provisions	Financial liabilities	Shareholders' equity	Profit (loss) for the year	Dividends distributed to non-controlling interests	Gross premiums written
55,772.2	49,639.6	43,933.9	3,286.1	6,656.8	585.7	95.6	9,581.9
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

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
b		49.00%	UnipolSai Assicurazioni Spa	36.57%		
b		43.75%	UnipolSai Finance Spa	32.65%		6.8
b		49.19%	UnipolSai Finance Spa	36.71%		8.5
a		100.00%	UnipolSai Assicurazioni Spa	74.63%		0.3
b		0.0002%	Compagnia Assicuratrice Linear Spa	28.25%		0.2
		0.01%	Arca Assicurazioni Spa			
		37.76%	UnipolSai Assicurazioni Spa			
		0.002%	Incontra Assicurazioni Spa			
		0.09%	Siat-Societa' Italiana Assicurazioni e Riassicurazioni - per Azioni			
b		46.77%	UnipolSai Finance Spa	34.90%		1.3
b		45.00%	UnipolSai Finance Spa	33.58%		5.2
b		42.85%	Unipol Banca Spa	38.26%		2.2
b		49.92%	Unipol Banca Spa	44.57%		5.1
b		50.00%	UnipolSai Finance Spa	37.31%		0.8
b		50.00%	UnipolSai Finance Spa	37.31%		6.2
b		50.00%	UnipolSai Finance Spa	37.31%		6.3
b		32.00%	UnipolSai Assicurazioni Spa	23.88%		3.7
b		29.56%	UnipolSai Assicurazioni Spa	22.06%		
b		28.57%	UnipolSai Assicurazioni Spa	21.32%		39.0
a		100.00%	Ddor Novi Sad	74.63%		0.0
b		23.55%	UnipolSai Assicurazioni Spa	17.57%		2.4
b		32.46%	Ddor Novi Sad	29.85%		0.6
		7.54%	Ddor Re			
a		100.00%	UnipolSai Assicurazioni Spa	74.63%		0.1

Details of unconsolidated investments

Name	Country of registered office		Registered office	Country of operations (5)	Business activity (1)
Borsetto Srl	086	Italy	Turin		10
Butterfly Am Sarl	092	Luxembourg	Luxembourg		11
Servizi Immobiliari Martinelli Spa	086	Italy	Cinisello Balsamo (MI)		10
Penta Domus Spa	086	Italy	Turin		10
Golf Club Poggio dei Medici Spa Societa' Dilettantistica Sportiva	086	Italy	San Piero (FI)		11

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 4.1=mixed financial holding companies; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=other holdings; 10=real estate companies; 11=other.

(2) a=subsidiaries (IFRS10); b= associates (IAS28); c=joint ventures (IFRS11). 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.

Type (2)	% Direct holding	% Indirect holding		% Total participating interest (3)	% Votes available at ordinary General Meetings (4)	Carrying amount (€m)
b		44.93%	UnipolSai Assicurazioni Spa	33.53%		0.6
b		28.57%	UnipolSai Assicurazioni Spa	21.32%		0.0
b		20.00%	UnipolSai Assicurazioni Spa	14.93%		0.2
b		24.66%	UnipolSai Assicurazioni Spa	18.40%		
b		40.32%	Gruppo UNA Spa	30.09%		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	1,457.4	1,464.8	497.0	529.7
2	PROPERTY, PLANT AND EQUIPMENT	934.8	909.3	74.9	76.7
3	TECHNICAL PROVISIONS - REINSURERS' SHARE	813.9	799.3	60.6	78.7
4	INVESTMENTS	15,266.5	16,119.2	41,593.9	53,637.7
4.1	Investment property	1,606.1	1,690.5	4.4	7.9
4.2	Investments in subsidiaries, associates and interests in joint ventures	78.5	73.4	3.7	4.1
4.3	Held-to-maturity investments	53.5	192.2	486.1	700.1
4.4	Loans and receivables	1,828.0	2,038.4	2,878.2	3,213.3
4.5	Available-for-sale financial assets	11,569.5	12,015.8	32,108.6	39,535.5
4.6	Financial assets at fair value through profit or loss	130.9	108.8	6,112.8	10,176.9
5	SUNDRY RECEIVABLES	2,165.1	2,487.4	558.2	724.0
6	OTHER ASSETS	845.2	1,055.6	10,558.6	134.4
6.1	Deferred acquisition costs	30.5	32.6	54.6	57.9
6.2	Other assets	814.7	1,023.0	10,504.0	76.4
7	CASH AND CASH EQUIVALENTS	405.3	305.8	1,022.0	465.2
	TOTAL ASSETS	21,888.3	23,141.4	54,365.3	55,646.5
1	SHAREHOLDERS' EQUITY				
2	PROVISIONS	352.9	403.9	18.1	21.5
3	TECHNICAL PROVISIONS	15,461.0	15,861.7	37,965.8	48,248.1
4	FINANCIAL LIABILITIES	1,510.5	1,665.2	3,183.0	3,845.5
4.1	Financial liabilities at fair value through profit or loss	42.5	153.1	2,446.3	3,093.3
4.2	Other financial liabilities	1,468.1	1,512.0	736.8	752.2
5	PAYABLES	785.5	634.6	151.5	225.5
6	OTHER LIABILITIES	692.7	723.8	10,223.9	298.0
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES				

Banks		Holding and 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	31/12/2017	31/12/2016
7.8	**7.7**	**14.6**	**17.3**	**0.2**	**0.2**	**(0.2)**	**(0.8)**	**1,976.9**	**2,019.0**
38.5	**14.6**	**206.9**	**220.8**	**616.8**	**663.7**	**0.2**	**0.8**	**1,872.1**	**1,886.0**
								874.5	**878.0**
13,166.9	**11,782.3**	**86.9**	**261.6**	**556.4**	**513.8**	**(1,272.9)**	**(1,038.6)**	**69,397.7**	**81,276.0**
1.0	1.2	33.1	33.2	554.4	491.1			2,199.1	2,223.8
7.3	7.0	0.8	1.0					90.3	85.6
324.7	426.9							864.2	1,319.3
12,039.9	10,505.6	35.6	87.6	2.0	7.0	(1,266.2)	(1,028.9)	15,517.5	14,822.9
793.5	841.5	17.3	137.7	0.0	15.8	(6.7)	(6.7)	44,482.3	52,539.6
0.7	0.1		2.0				(2.9)	6,244.3	10,284.8
85.3	**82.2**	**270.9**	**138.0**	**15.9**	**38.2**	**(241.2)**	**(145.1)**	**2,854.3**	**3,324.9**
587.3	**461.3**	**563.8**	**519.6**	**42.4**	**47.0**	**(231.3)**	**(207.8)**	**12,366.0**	**2,010.0**
								85.0	90.5
587.3	461.3	563.8	519.6	42.4	47.0	(231.3)	(207.8)	12,281.0	1,919.5
99.8	**89.5**	**1,504.4**	**1,157.9**	**106.9**	**59.3**	**(2,507.0)**	**(1,574.7)**	**631.5**	**503.1**
13,985.7	**12,437.6**	**2,647.5**	**2,315.3**	**1,338.6**	**1,322.3**	**(4,252.4)**	**(2,966.1)**	**89,972.9**	**91,896.9**
								7,453.0	**8,133.6**
74.7	**28.2**	**9.6**	**608.4**	**5.0**	**5.6**		**(586.9)**	**460.3**	**480.7**
								53,426.8	**64,109.8**
12,446.5	**11,232.3**	**2,120.5**	**1,948.4**	**327.9**	**357.7**	**(3,188.7)**	**(2,151.1)**	**16,399.7**	**16,897.9**
0.0	2.8		15.6					2,488.7	3,264.8
12,446.5	11,229.5	2,120.5	1,932.7	327.9	357.7	(3,188.7)	(2,151.1)	13,911.0	13,633.0
67.2	**65.3**	**806.3**	**118.6**	**37.0**	**31.2**	**(939.2)**	**(120.2)**	**908.4**	**954.9**
499.1	**369.5**	**20.4**	**25.4**	**12.9**	**11.2**	**(124.5)**	**(107.9)**	**11,324.6**	**1,320.0**
								89,972.9	**91,896.9**

Income statement by business segment

	Amounts in €m	Non-Life business		life busuness	
		31/12/2017	31/12/2016	31/12/2017	31/12/2016
1.1	Net premiums	7,458.1	7,502.5	3,804.8	6,284.3
	1.1.1 Gross premiums earned	*7,862.9*	*7,888.1*	*3,818.7*	*6,299.8*
	1.1.2 Earned premiums ceded to reinsurers	*(404.8)*	*(385.6)*	*(13.9)*	*(15.4)*
1.2	Commission income	6.6	6.2	48.2	44.1
1.3	Gains and losses on financial instruments at fair value through profit or loss	(32.2)	(71.9)	162.2	116.4
1.4	Gains on investments in subsidiaries, associates and interests in joint ventures	5.7	5.4	0.0	10.4
1.5	Gains on other financial instruments and investment property	811.3	838.9	1,494.7	1,554.1
1.6	Other revenue	331.9	271.3	45.5	64.3
	TOTAL REVENUE AND INCOME	**8,581.4**	**8,552.3**	**5,555.5**	**8,073.6**
2.1	Net charges relating to claims	(4,988.9)	(4,978.5)	(4,632.2)	(7,115.8)
	2.1.1 Amounts paid and changes in technical provisions	*(5,169.1)*	*(5,139.6)*	*(4,638.8)*	*(7,124.2)*
	2.1.2 Reinsurers' share	*180.2*	*161.0*	*6.5*	*8.3*
2.2	Commission expenses	(6.8)	(6.3)	(21.9)	(17.8)
2.3	Losses on investments in subsidiaries, associates and interests in joint ventures	(3.2)	(1.8)	(1.0)	(0.7)
2.4	Losses on other financial instruments and investment property	(225.0)	(392.7)	(162.0)	(109.4)
2.5	Operating expenses	(2,118.3)	(2,147.4)	(269.0)	(305.7)
2.6	Other costs	(551.8)	(554.8)	(141.7)	(144.9)
2	**TOTAL COSTS AND EXPENSES**	**(7,893.9)**	**(8,081.5)**	**(5,227.8)**	**(7,694.3)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**687.4**	**470.8**	**327.7**	**379.3**

banks		Holding and 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	**31/12/2017**	31/12/2016
								11,262.9	13,786.8
								11,681.6	*14,187.8*
								(418.7)	*(401.0)*
176.4	151.6	12.5	26.0			(70.8)	(85.2)	172.9	142.7
(3.9)	(4.4)	(0.1)	(2.0)	0.0	3.0			126.0	41.2
0.2	0.1	1.0	0.3					7.0	16.1
364.0	404.2	6.8	10.9	25.0	37.4	(75.9)	(82.6)	2,625.9	2,762.7
36.0	46.6	227.9	171.4	36.1	7.2	(209.9)	(88.4)	467.5	472.4
572.8	**598.0**	**248.1**	**206.5**	**61.1**	**47.6**	**(356.6)**	**(256.2)**	**14,662.3**	**17,221.9**
								(9,621.1)	(12,094.4)
								(9,807.9)	*(12,263.8)*
								186.7	*169.4*
(33.8)	(47.5)	(0.0)	(0.1)	(0.0)	(0.0)	18.7	29.2	(43.9)	(42.6)
(0.0)	(0.2)	(0.0)	(0.2)	0.0	(0.4)			(4.3)	(3.2)
(1,166.8)	(218.0)	(66.2)	(91.1)	(27.0)	(36.2)	(92.8)	(21.4)	(1,739.8)	(868.8)
(342.8)	(311.4)	(110.6)	(101.6)	(25.5)	(12.0)	129.8	131.2	(2,736.4)	(2,746.9)
(16.1)	(14.2)	(254.7)	(141.8)	(32.5)	(21.2)	300.9	117.2	(695.9)	(759.8)
(1,559.6)	**(591.4)**	**(431.5)**	**(334.7)**	**(85.1)**	**(69.8)**	**356.6**	**256.2**	**(14,841.3)**	**(16,515.6)**
(986.9)	**6.7**	**(183.4)**	**(128.2)**	**(23.9)**	**(22.2)**	**0.0**	**0.0**	**(179.1)**	**706.3**

Details of property, plant and equipment and intangible assets

Amounts in €m	At cost	At restated or fair value	Total carrying amount
Investment property	2,199.1		2,199.1
Other properties	1,617.7		1,617.7
Other tangible assets	254.3		254.3
Other intangible assets	395.1		395.1

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					29.3	73.2
Equity instruments at fair value					897.3	614.7
of which: listed securities					*700.2*	*445.4*
Debt securities	864.2	1,319.3	3,886.2	4,357.6	41,240.0	50,297.7
of which: listed securities	*832.2*	*1,175.2*			*40,590.2*	*49,461.0*
UCITS units					2,315.7	1,554.1
Loans and receivables from bank customers			7,727.6	8,526.9		
Interbank loans and receivables			3,405.1	1,335.1		
Deposits with ceding companies			19.1	20.6		
Financial receivables on insurance contracts						
Other loans and receivables			479.6	582.7		
Non-hedging derivatives						
Hedging derivatives						
Other financial investments						
Total	**864.2**	**1,319.3**	**15,517.5**	**14,822.9**	**44,482.3**	**52,539.6**

Financial assets at fair value through profit or loss				Total	
Held-for-trading financial assets		Financial assets at fair value through profit or loss		carrying amount	
31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
0.0	0.0			29.3	73.2
16.3	2.1	185.6	226.0	1,099.2	842.7
16.3	*2.1*	*185.6*	*226.0*	*902.1*	*673.5*
140.4	149.8	3,001.0	4,525.6	49,131.8	60,650.0
80.0	*92.9*	*2,998.4*	*4,395.4*	*44,500.8*	*55,124.5*
14.1	28.3	2,222.8	4,684.3	4,552.6	6,266.6
				7,727.6	8,526.9
				3,405.1	1,335.1
				19.1	20.6
		498.6	462.3	498.6	462.3
				479.6	582.7
60.9	127.8	2.8	0.0	63.7	127.8
101.8	0.8			101.8	0.8
		0.0	77.9	0.0	77.9
333.5	**308.7**	**5,910.8**	**9,976.1**	**67,108.3**	**78,966.6**

Details of assets and liabilities relating to insurance contracts where the investment risk is borne by policyholders and arising from pension fund management

	Benefits linked to investment funds and market indices		Benefits linked to pension fund management		Total	
Amounts in €m	**31/12/2017**	31/12/2016	**31/12/2017**	31/12/2016	**31/12/2017**	31/12/2016
Recognised assets	5,517.8	5,708.6	3,804.3	4,255.3	9,322.2	9,963.8
Intragroup assets *						
Total Assets	**5,517.8**	**5,708.6**	**3,804.3**	**4,255.3**	**9,322.2**	**9,963.8**
Recognised financial liabilities	2,607.7	2,332.0	483.6	466.5	3,091.2	2,798.4
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	**5,519.6**	**5,711.1**	**3,804.3**	**4,255.3**	**9,323.9**	**9,966.3**

* Assets and liabilities eliminated on consolidation

Details of technical provisions – reinsurers' share

	Direct business		Indirect 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	**779.0**	**764.1**	**34.9**	**35.2**	**813.9**	**799.3**
Premium provisions	219.1	190.4	1.8	1.0	220.9	191.4
Claims provision	559.9	573.7	33.1	34.2	593.0	607.8
Other technical provisions						
Life provisions	**54.9**	**71.7**	**5.7**	**7.1**	**60.6**	**78.7**
Provision for amounts payable	4.2	4.7	0.5	0.1	4.7	4.8
Mathematical provisions	50.7	67.0	5.2	7.0	55.9	73.9
Technical provisions where the investment risk is borne by policyholders and provisions arising from pension fund management						
Other technical provisions						
Total technical provisions - reinsurers' share	**833.9**	**835.8**	**40.6**	**42.2**	**874.5**	**878.0**

Details of technical provisions

	Direct business		Indirect 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	**15,241.1**	**15,692.1**	**219.9**	**169.6**	**15,461.0**	**15,861.7**
Premium provision	2,951.9	2,861.7	22.3	12.2	2,974.2	2,873.9
Claims provision	12,237.3	12,778.7	197.3	157.4	12,434.6	12,936.1
Other technical provisions	52.0	51.7	0.3	0.0	52.3	51.7
including provisions allocated as a result of the liability adequacy test						
Life provisions	**37,955.0**	**48,234.4**	**10.8**	**13.7**	**37,965.8**	**48,248.1**
Provision for amounts payable	394.4	445.2	2.1	1.5	396.5	446.7
Mathematical provisions	31,156.8	37,331.3	8.7	12.2	31,165.5	37,343.5
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 technical provisions	2,687.8	3,290.0			2,687.8	3,290.0
including provisions allocated as a result of the liability adequacy test						
including deferred liabilities to policyholders	*2,555.9*	*3,155.4*			*2,555.9*	*3,155.4*
Total technical provisions	**53,196.1**	**63,926.5**	**230.7**	**183.3**	**53,426.8**	**64,109.8**

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					2,352.6	2,518.7	2,352.6	2,518.7
Liabilities from financial contracts issued by insurance companies			2,210.3	2,820.2	0.1	0.3	2,210.3	2,820.5
Arising from contracts where the investment risk is borne by policyholders			*1,734.6*	*2,352.6*			*1,734.6*	*2,352.6*
Arising from pension fund management			*475.7*	*467.6*			*475.7*	*467.6*
Arising from other contracts					*0.1*	*0.3*	*0.1*	*0.3*
Deposits received from reinsurers					173.6	233.1	173.6	233.1
Financial items payable on insurance contracts								
Debt securities issued					3,960.2	3,598.0	3,960.2	3,598.0
Payables to bank customers					6,821.3	6,312.6	6,821.3	6,312.6
Interbank payables					438.6	694.5	438.6	694.5
Other loans obtained					159.3	270.4	159.3	270.4
Non-hedging derivatives	24.7	168.2	0.0	12.9			24.7	181.1
Hedging derivatives	253.7	263.5					253.7	263.5
Sundry financial liabilities					5.4	5.3	5.4	5.3
Total	**278.4**	**431.8**	**2,210.3**	**2,833.1**	**13,911.0**	**13,633.0**	**16,399.7**	**16,897.9**

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		**7,862.9**	**(404.8)**	**7,458.1**	**7,888.1**	**(385.6)**	**7,502.5**
a	Written premiums	7,964.0	(434.8)	7,529.2	7,856.0	(384.7)	7,471.4
b	Change in premium provision	(101.1)	30.0	(71.1)	32.0	(0.9)	31.1
NET CHARGES RELATING TO CLAIMS		**(5,169.1)**	**180.2**	**(4,988.9)**	**(5,139.6)**	**161.0**	**(4,978.5)**
a	Amounts paid	(5,786.9)	195.7	(5,591.2)	(5,949.6)	184.9	(5,764.7)
b	Change in claims provision	491.7	5.2	496.9	692.8	(16.5)	676.2
c	Change in recoveries	130.9	(20.7)	110.3	116.5	(7.4)	109.1
d	Change in other technical provisions	(4.9)		(4.9)	0.8		0.8
Life business							
NET PREMIUMS		**3,818.7**	**(13.9)**	**3,804.8**	**6,299.8**	**(15.4)**	**6,284.3**
NET CHARGES RELATING TO CLAIMS		**(4,638.8)**	**6.5**	**(4,632.2)**	**(7,124.2)**	**8.3**	**(7,115.8)**
a	Amounts paid	(5,517.4)	14.4	(5,503.0)	(5,437.4)	22.5	(5,415.0)
b	Change in provision for amounts payable	(2.1)	0.4	(1.7)	399.8	(2.1)	397.7
c	Change in mathematical provisions	26.6	(8.2)	18.4	(2,422.4)	(12.0)	(2,434.4)
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	(15.7)	(0.0)	(15.7)	(32.5)	(0.0)	(32.5)

Investment income and charges

Amounts in €m		Interest	Other income	Other charges	Realised gains	Realised losses
Balance on investments		**2,002.2**	**363.5**	**(245.0)**	**536.1**	**(230.9)**
a	Arising from investment property		66.6	(32.9)	13.8	(2.0)
b	Arising from investments in subsidiaries, associates and interests in joint ventures		6.0	(4.2)	1.0	
c	Arising from held-to-maturity investments	45.1		(0.0)		
d	Arising from loans and receivables	358.9		(0.0)	1.9	(5.1)
e	Arising from available-for-sale financial assets	1,520.7	107.7	(2.3)	433.4	(145.0)
f	Arising from held-for-trading financial assets	3.9	88.7	(110.8)	26.4	(43.6)
g	Arising from financial assets at fair value through profit or loss	73.5	94.5	(94.8)	59.6	(35.1)
Balance on sundry receivables		**2.8**				
Balance on cash and cash equivalents		**0.7**		**(0.0)**		
Balance on financial liabilities		**(194.3)**		**(50.4)**	**0.5**	**(0.5)**
a	Arising from held-for-trading financial liabilities	(2.2)			0.2	
b	Arising from financial liabilities at fair value through profit or loss			(41.0)		
c	Arising from other financial liabilities	(192.1)		(9.5)	0.2	(0.5)
Balance on payables		**(10.5)**		**(0.1)**		
Total		**1,800.9**	**363.5**	**(295.6)**	**536.6**	**(231.4)**

Total realised gains and losses	Unrealised gains		Unrealised losses		Total unrealised gains and losses	Total gains and losses 31/12/2017	Total gains and losses 31/12/2016
	Unrealised capital gains	Write-backs	Unrealised capital losses	Impairment			
2,425.9	**364.8**	**0.3**	**(1,367.2)**	**(123.3)**	**(1,125.3)**	**1,300.5**	**2,262.5**
45.4			(32.0)	(14.7)	(46.7)	(1.2)	(58.3)
2.8				(0.1)	(0.1)	2.7	12.9
45.1						45.1	58.8
355.7	72.8	0.3	(1,141.6)	(18.6)	(1,087.1)	(731.3)	367.0
1,914.5	0.6		(42.5)	(90.0)	(131.9)	1,782.6	1,764.4
(35.4)	68.3		(57.0)		11.3	(24.1)	(81.3)
97.7	223.2		(94.2)		129.0	226.7	199.0
2.8						**2.8**	**2.5**
0.7						**0.7**	**1.0**
(244.8)	**0.2**		**(34.1)**		**(33.8)**	**(278.7)**	**(314.4)**
(2.0)						(2.0)	(2.8)
(41.0)	0.0		(33.8)		(33.7)	(74.7)	(73.8)
(201.9)	0.2		(0.3)		(0.1)	(202.0)	(237.8)
(10.6)						**(10.6)**	**(3.6)**
2,174.0	**365.1**	**0.3**	**(1,401.3)**	**(123.3)**	**(1,159.2)**	**1,014.8**	**1,948.1**

Details of insurance business expenses

Amounts in €m	Non-Life business		Life business	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Gross commissions and other acquisition costs	**(1,801.4)**	**(1,789.2)**	**(122.6)**	**(148.5)**
a Acquisition commissions	(1,283.5)	(1,283.1)	(70.0)	(98.1)
b Other acquisition costs	(360.2)	(343.4)	(47.2)	(49.1)
c Change in deferred acquisition costs	(5.7)	(4.2)	2.5	7.6
d Collection commissions	(152.1)	(158.5)	(8.0)	(8.9)
Commissions and profit-sharing received from reinsurers	**145.7**	**124.9**	**3.1**	**2.5**
Investment management expenses	**(76.1)**	**(83.4)**	**(47.6)**	**(49.5)**
Other administrative expenses	**(386.4)**	**(399.6)**	**(101.9)**	**(110.2)**
Total	**(2,118.3)**	**(2,147.4)**	**(269.0)**	**(305.7)**

Details of the consolidated comprehensive income statement

Amounts in €m	Amounts allocated		Adjustments from reclassification to profit or loss	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Other income items not reclassified to profit or loss	**6.0**	**(10.9)**		
Reserve deriving from changes in the shareholders' equity of the investees	7.0	(4.6)		
Revaluation reserve for intangible assets				
Revaluation reserve for property, plant and equipment				
Gains and losses on non-current assets or assets of a disposal group held for sale				
Actuarial gains and losses and adjustments relating to defined benefit plans	(1.0)	(6.3)		
Other items	0.0	0.0		
Other income items reclassified to profit or loss	**295.9**	**143.8**	**(142.5)**	**(344.9)**
Reserve for foreign currency translation differences	1.5	(0.8)		
Gains or losses on available-for-sale financial assets	294.1	183.8	(143.9)	(345.0)
Gains or losses on cash flow hedges	0.2	(39.2)	1.4	0.0
Gains or losses on hedges of a net investment in foreign operations				
Reserve deriving from changes in the shareholders' equity of the investees				
Gains and losses on non-current assets or assets of a disposal group held for sale				
Other items				
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)	**301.9**	**132.9**	**(142.5)**	**(344.9)**

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
(20.7)	**(1.3)**	**(14.7)**	**(12.2)**	**0.2**	**3.0**	**(8.7)**	**6.0**
0.0	(0.0)	7.0	(4.6)			19.5	12.5
(20.7)	0.0	(20.7)	0.0			0.0	20.7
	(1.3)	(1.0)	(7.6)	0.2	3.0	(28.2)	(27.2)
			0.0			0.0	0.0
0.0	**(3.5)**	**153.4**	**(204.7)**	**(66.7)**	**90.4**	**960.7**	**807.3**
0.0	0.1	1.5	(0.7)			4.7	3.2
0.0	(6.8)	150.3	(168.0)	(66.0)	75.9	964.1	813.9
0.0	3.2	1.6	(36.0)	(0.8)	14.5	(8.2)	(9.7)
(20.7)	**(4.9)**	**138.7**	**(216.8)**	**(66.5)**	**93.4**	**952.0**	**813.3**

Details of reclassified financial assets and their effects on the income statement and comprehensive income statement

Categories of financial assets subject to reclassification		Type of asset	Amount of assets reclassified in 2017 at the reclassification date	Carrying amount at 31/12/2017 of reclassified assets		Fair value at 31/12/2017 of reclassified assets	
from	to			Assets reclassified in 2017	Assets reclassified up to 2017	Assets reclassified in 2017	Assets reclassified up to 2017
At FV through profit or loss	Loans and receivables	debt securities			200.4		188.7
At FV through profit or loss	Loans and receivables	other fin. instr.					
Available-for-sale	Loans and receivables	debt securities			210.1		194.3
Available-for-sale	Loans and receivables	other fin. instr.					
At FV through profit or loss	Available-for-sale	equity instruments					
At FV through profit or loss	Available-for-sale	debt securities					
At FV through profit or loss	Available-for-sale	other fin. instr.					
At FV through profit or loss	Held-to-maturity investments	debt securities					
At FV through profit or loss	Held-to-maturity investments	other fin. instr.					
Available-for-sale	Held-to-maturity investments	debt securities					
Available-for-sale	Held-to-maturity investments	other fin. instr.					
Total					**410.5**		**383.1**

Amounts in €m

Assets reclassified in 2017		Assets reclassified up to 2017		Assets reclassified in 2017		Assets reclassified up to 2017	
Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Gains or losses recognised through profit or loss	Gains or losses recognised in the statement of other comprehensive income	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in the statement of other comprehensive income if there had been no reclassification	Profit or loss that would have been recognised through profit or loss if there had been no reclassification	Profit or loss that would have been recognised in statement of other comprehensive income if there had been no reclassification
			0.0			22.9	0.0
							6.3
			0.0			**22.9**	**6.3**

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		42,901.4	50,874.9	517.4	686.5	1,063.5	978.2	44,482.3	52,539.6
Financial assets at fair value through profit or loss	Held for trading financial assets	106.9	117.8	157.1	148.8	69.6	42.1	333.5	308.7
	Financial assets at fair value through profit or loss	5,896.8	9,831.8	11.5	10.2	2.4	134.2	5,910.8	9,976.1
Investment property									
Property, plant and equipment									
Intangible assets									
Total assets at fair value on a recurring basis		***48,905.0***	***60,824.5***	***686.0***	***845.5***	***1,135.6***	***1,154.4***	***50,726.6***	***62,824.4***
Financial liabilities at fair value through profit or loss	Held for trading financial liabilities	17.6	6.6	254.1	316.7	6.7	108.5	278.4	431.8
	Financial liabilities at fair value through profit or loss					2,210.3	2,833.1	2,210.3	2,833.1
Total liabilities measured at fair value on a recurring basis		***17.6***	***6.6***	***254.1***	***316.7***	***2,217.0***	***2,941.6***	***2,488.7***	***3,264.8***
Assets and liabilities at fair value on a non-recurring basis									
Non-current assets or assets of disposal groups held for sale									
Liabilities associated with disposal groups									

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

		Financial assets at fair value through profit or loss					Financial liabilities at fair value	
Amounts in €	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	**978.2**	**42.1**	**134.2**				**108.5**	**2,833.1**
Acquisitions/Issues	313.7	21.8						
Sales/Repurchases	(85.7)	(4.0)	(1.4)					
Repayments	(20.3)	(0.0)					(16.7)	
Gains or losses recognised through profit or loss	(39.7)	8.2	(1.4)				(85.0)	
of which unrealised gains/losses	*(39.7)*	*8.2*	*(1.4)*				*(85.0)*	
Gains or losses recognised in the statement of other comprehensive income	(51.5)							
Transfers to level 3		0.0						
Transfers to other levels	(28.0)							
Other changes	(3.2)	1.6	(128.9)					(622.8)
Closing balance	**1,063.5**	**69.6**	**2.4**				**6.7**	**2,210.3**

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	864.2	1,319.3	956.7	1,337.8	32.8	148.1			989.5	1,485.9
Loans and receivables	15,517.5	14,822.9		5.0	3,372.4	4,093.1	12,807.6	11,220.1	16,180.0	15,318.2
Investments in subsidiaries, associates and interests in joint ventures	90.3	85.6					90.3	85.6	90.3	85.6
Investment property	2,199.1	2,223.8					2,317.1	2,300.6	2,317.1	2,300.6
Property, plant and equipment	1,872.1	1,886.0					2,023.2	1,994.4	2,023.2	1,994.4
Total assets	**20,543.2**	**20,337.6**	**956.7**	**1,342.8**	**3,405.2**	**4,241.2**	**17,238.2**	**15,600.7**	**21,600.1**	**21,184.6**
Liabilities										
Other financial liabilities	13,911.0	13,633.0	3,290.9	2,935.8			11,345.9	10,929.6	14,636.8	13,865.4


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SUMMARY
OF FEES FOR THE YEAR FOR SERVICES PROVIDED BY THE INDEPENDENT AUDITORS

Summary of fees for the year for services provided by the Independent Auditors (Art. 149-duodecies of Issuer's Regulation)

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	293
Attestation services	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	8
Other professional services	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	40
Total Unipol Gruppo			**341**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	3,353
Legally-required audit	PricewaterhouseCoopers Dublino	Subsidiaries	254
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	77
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	676
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	40
Other services: tax services	TLS Associazione Professionale di Avvocati e Commercialisti	Subsidiaries	40
Other professional services	PricewaterhouseCoopers Dublino	Subsidiaries	54
Total subsidiaries			**4,493**
Grand total			**4,835**

(*) the fees do not include any non-deductible VAT or charged back expenses


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DISCLOSURE
AS PARENT OF THE UNIPOL BANKING GROUP

Disclosure as Parent of the Unipol Banking Group

This disclosure is provided pursuant to Directive 2013/36/EU of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV), and Directive 2011/89/EU of 16 November 2011, on supplementary supervision of financial entities in a financial conglomerate ("FICOD1"). This regulation, which amended the scope of consolidated supervision of banks, envisages that such supervision should also be performed of "mixed financial services groups" (MFSG) which head a financial conglomerate identified as such by the relevant supervisory authorities.

The activities of the corporate group headed by Unipol Gruppo (Unipol) are largely related to insurance both in terms of volumes of assets invested and of product revenue and margins. The banking business is ancillary to the insurance business. However, the assignment of Banking Group Parent status, in addition to that of Insurance Group Parent, implies that Unipol is responsible for all obligations envisaged in current regulations for the banking Parent, and in particular those indicated in EU Regulation no. 575/2013 (CRR) on prudential requirements, relating to reporting and public disclosures.

In order to comply with the minimum disclosure requirements envisaged in Part Eight of the CRR (Basel 3, Pillar III), this report - attached to the 2017 Consolidated Financial Statements of the Unipol Group - provides information on:

- Consolidated financial statements of the Unipol Banking Group prepared for prudential purposes;
- Restatement of the Unipol consolidated financial statements based on the Unipol Banking Group prudential consolidation scope (presented for the purpose of reconciling the Unipol Banking Group consolidated values prepared for prudential purposes);
- Equity and solvency ratios of the Unipol Banking Group;
- Equity: breakdown and related reconciliation with the statement of financial position prepared for prudential purposes;
- Capital requirements;
- Value adjustments to loans.

With regard to the remuneration policy adopted by the Parent for 2017, reference should be made to the First Section of the "Remuneration Report of Unipol Gruppo SpA - 2017" (available in the Governance/Shareholders meetings section of the corporate website **www.unipol.it**).
With reference to the diversity policy for the selection of members of the corporate bodies (currently not adopted), reference is instead made to the descriptions in Part III, paragraph 2 of the "Report on corporate governance and ownership structures for 2017" (available in the Governance/Shareholders meetings section of the corporate website **www.unipol.it**).
Lastly, reference should be made to Disclosure on the implementation of 2017 remuneration policies, published by Unipol Banca on the website **www.unipolbanca.it**, About Us/Corporate Governance section.
For information on the risk management policies, reference should be made to chapter 5.14 "Risk Report" in the Notes to the 2017 Consolidated Financial Statements of the Unipol Group.

The Unipol Banking Group applies the option envisaged in Art. 432, paragraph 1 of the CRR of not disclosing additional information pursuant to Title II, Part Eight of the CRR as it is considered immaterial[12].

[12] Pursuant to Art. 432, paragraph 2 of the CRR, a disclosure is considered material in terms of public disclosure if its omission or inaccurate indication can change or influence the opinion or decisions of users that rely upon such information in adopting their economic decisions.

Consolidated financial statements of the Unipol Banking Group prepared for prudential purposes

Pursuant to Art. 11 of the CRR, the Unipol Banking Group is required to comply with obligations relating to consolidated supervision, as envisaged in the aforementioned Regulation, based on the consolidated financial position of the controlling MFSG. For this purpose, a consolidated position relating to the prudential banking consolidation scope comprising companies in the Unipol Banking Group has been prepared.

The companies consolidated on a line-by-line basis at 31 December 2017 are:

- Unipol Gruppo SpA (Parent of the Unipol Banking Group);
- Unipol Banca SpA and related directly controlled companies (Finitalia SpA, Unipol Reoco SpA and 6 securitisation companies);
- UnipolSai Investimenti SGR SpA.

All other companies, direct or indirect subsidiaries or associates of Unipol operating in other sectors and not instrumental to banking activities, are consolidated using the equity method.

Changes in the prudential banking consolidation scope compared to 31 December 2016

On 4 December 2017, Finsoe, the controlling MSFG of the Parent Unipol, finalised its total spin-off to 18 newly established beneficiary companies with legal effects from 15 December 2017. Finsoe's exit from the consolidation scope at the end of 2017 resulted in a significant change in the composition of the shareholders' equity of the Banking Group, with a significant increase in the shareholders' equity attributable to the Parent and an almost corresponding reduction in shareholders' equity attributable to non-controlling interests. Considering the calculation limits envisaged in current regulations with reference to own funds attributable to non-controlling interests, the change in the consolidation scope led to a significant increase in own funds and a resulting improvement in the capital adequacy position of the Unipol Banking Group.

On 5 May 2017, Unipol Banca established the single member company Unipol Reoco SpA, with the task of managing and maximising the profitability of the properties underlying the bank's impaired loans, the value of which is considered to be interesting in economic terms on the reference market, also with a view to subsequent valuation and marketing.

The consolidated statement of financial position and consolidated income statement of the Unipol Banking Group at 31 December 2017 are provided below in the format envisaged in Bank of Italy Circular no. 262/2005, prepared by applying the line-by-line consolidation method only for Banking Group companies, in reference to the prudential banking supervision scope described above, and the equity method for all other Unipol Group companies.

The comparison with 31 December 2016 is over three columns:

- the first column, "Unipol Consolidated Financial Statements at 31/12/2016 (restated for banking regulatory purposes)", indicates the consolidated amounts for the Unipol Group at 31 December 2016 (data on a like-for-like basis with those referring to 31/12/2017);
- the central column indicates the adjustments necessary to extend the consolidation scope to Finsoe;
- the third column, "Unipol Banking Group Consolidated Financial Statements at 31/12/2016 for prudential purposes", indicates the consolidated figures of the Unipol Banking Group determined for prudential purposes and including the holding company Finsoe in the consolidation.

Unipol Banking Group - Consolidated Statement of Financial Position

	Amounts in €m	**Unipol Banking Group Consolidated for prudential purposes at 31/12/2017**	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2016	Adjustments	Unipol Banking Group Consolidated for prudential purposes at 31/12/2016
10	Cash and cash equivalents	99.8	89.5	0.0	89.5
20	Held-for-trading financial assets	0.1	2.1	0.0	2.1
30	Financial assets at fair value				
40	Available-for-sale financial assets	810.8	979.0	0.0	979.0
50	Held-to-maturity financial assets	324.7	426.9		426.9
60	Receivables from banks	3,440.1	1,429.7	0.0	1,429.8
70	Receivables from customers	7,911.4	8,568.0	39.5	8,607.6
80	Hedging derivatives	0.6			
100	Investments	5,831.5	5,979.7	(14.9)	5,964.8
120	Property, plant and equipment	16.5	17.1	0.0	17.1
130	Intangible assets	3.4	5.1	343.3	348.4
	of which: goodwill			*343.3*	*343.3*
	of which: other	*3.4*	*5.1*		*5.1*
140	Tax assets	769.1	718.0	0.0	718.0
	a) current	*4.6*	*4.6*	*0.0*	*4.6*
	b) deferred	*764.5*	*713.4*	*0.0*	*713.4*
	of which Law 214/2011	*550.6*	*558.7*		*558.7*
160	Other assets	657.0	380.0	(0.6)	379.4
	Total assets	**19,865.0**	**18,595.2**	**367.4**	**18,962.5**

	Amounts in €m	**Unipol Banking Group Consolidated for prudential purposes at 31/12/2017**	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2016	Adjustments	Unipol Banking Group Consolidated for prudential purposes at 31/12/2016
10	Payables to banks	439.3	694.5	53.8	748.3
20	Payables to customers	8,944.3	7,578.0	(16.8)	7,561.2
30	Outstanding securities	4,291.7	4,099.1	475.0	4,574.1
40	Held-for-trading financial liabilities	0.0	15.7	(15.6)	0.0
60	Hedging derivatives		2.8		2.8
80	Tax liabilities	11.5	12.2		12.2
	a) current	*11.4*	*7.1*		*7.1*
	b) deferred	*0.2*	*5.0*		*5.0*
100	Other liabilities	569.0	460.4	2.8	463.2
110	Post-employment benefits	11.5	13.5	0.0	13.6
120	Provisions for risks and charges:	76.3	33.8		33.8
	a) pension funds and similar obligations				
	b) other provisions	*76.3*	*33.8*		*33.8*
140	Valuation reserves	684.4	538.8	(367.5)	171.2
170	Provisions	102.3	(237.0)	252.3	15.4
180	Share premium reserve	1,705.6	1,679.9	(1,396.9)	283.0
190	Share capital	3,365.3	3,365.3	(2,265.3)	1,100.0
200	Treasury shares	(25.7)	(27.8)	27.8	
210	Shareholders' equity attributable to non-controlling interests (+/-)	35.3	36.4	3,864.5	3,900.9
220	Profit (loss) for the year (+/-)	(345.8)	329.6	(246.8)	82.8
	Total liabilities and shareholders' equity	**19,865.0**	**18,595.2**	**367.4**	**18,962.5**

Unipol Banking Group - Consolidated Income Statement

	Amounts in €m	**Unipol Banking Group Consolidated for prudential purposes at 31/12/2017**	Unipol Consolidated (restated for banking regulatory purposes) at 31/12/2016	Adjustments	Unipol Banking Group Consolidated for prudential purposes at 31/12/2016
10	Interest and similar income	279.3	314.5	0.2	314.7
20	Interest and similar expense	(135.3)	(165.5)	(21.1)	(186.6)
30	Net interest income	144.0	149.0	(20.9)	128.1
40	Commission income	176.1	151.1	(0.0)	151.1
50	Commission expense	(21.5)	(21.8)	(0.0)	(21.8)
60	Net commission income	154.6	129.3	(0.0)	129.3
70	Dividends and similar income	4.9	5.6	0.0	5.6
80	Net gains on trading	(2.4)	(16.5)		(16.5)
90	Net gains on hedges				
100	Gains (losses) on disposal or repurchase of:	0.1	15.1		15.1
	a) receivables	*(3.4)*	*(2.4)*		*(2.4)*
	b) available-for-sale financial assets	*3.8*	*17.6*		*17.6*
	c) held-to-maturity financial assets				
	d) financial liabilities	*(0.3)*	*(0.1)*		*(0.1)*
110	Net gains (losses) on financial assets and liabilities at fair value	(0.6)	(3.1)	2.8	(0.4)
120	Gross operating income	300.5	279.5	(18.2)	261.3
130	Net impairment losses/reversals on:	(1,117.4)	(89.1)		(89.1)
	a) receivables	*(1,072.7)*	*(80.0)*		*(80.0)*
	b) available-for-sale financial assets	*(42.5)*	*(10.8)*		*(10.8)*
	c) held-to-maturity financial assets				
	d) other financial transactions	*(2.1)*	*1.7*		*1.7*
140	Net financial income	(816.8)	190.3	(18.2)	172.1
180	Administrative expenses:	(374.7)	(337.9)	(3.5)	(341.4)
	a) personnel expenses	*(226.7)*	*(183.3)*	*(0.9)*	*(184.2)*
	b) other administrative expenses	*(148.0)*	*(154.6)*	*(2.6)*	*(157.2)*
190	Net provisions for risks and charges	(5.1)	15.0		15.0
200	Net impairment losses/reversals on property, plant and equipment	(5.3)	(5.4)	(0.1)	(5.5)
210	Net impairment losses/reversals on intangible assets	(1.8)	(2.1)		(2.1)
220	Other operating expenses/income	37.5	40.5	1.5	42.0
230	Operating expenses	(349.5)	(289.9)	(2.1)	(292.0)
240	Gains (losses) on investments	521.4	408.1	(0.0)	408.1
250	Net gains/losses on FV measurement of property, plant and equipment and intangible assets				
260	Value adjustments to goodwill				
270	Gains (losses) on disposal of investments		(0.2)		(0.2)
280	Pre-tax profit (loss) on continuing operations	(644.9)	308.3	(20.3)	288.0
290	Income tax for the year on continuing operations	271.5	21.9	0.8	22.6
300	Profit (loss) for the year on continuing operations after taxes	(373.5)	330.2	(19.6)	310.6
320	Profit (loss) for the year	(373.5)	330.2	(19.6)	310.6
330	Profit (loss) for the year attributable to non-controlling interests	(27.6)	(0.6)	(227.2)	(227.8)
340	**Profit (loss) for the year attributable to the Parent**	**(345.8)**	**329.6**	**(246.8)**	**82.8**

Restatement of the Unipol consolidated financial statements based on the Unipol Banking Group consolidation scope

Provided below are the consolidated statement of financial position and consolidated income statement of Unipol at 31 December 2017, prepared in the format pursuant to IVASS Regulation no. 7/2007, indicating the adjustments made following the change in consolidation method for subsidiaries not included in the Unipol Banking Group consolidation scope (change from line-by-line method to equity method) and subsequent post-adjustments restatement of the Unipol consolidated statements at 31 December 2017.

The first column, "Unipol Consolidated Financial Statements at 31/12/2017", shows the values taken from the Unipol Group Consolidated Financial Statements at 31 December 2017, prepared according to the usual formats envisaged in IVASS Regulation no. 7/2007 and applying the consolidation criteria illustrated in the notes to the financial statements (line-by-line consolidation for all subsidiaries except those considered insignificant; equity method for all others). The third column, "Unipol Consolidated Financial Statements at 31/12/2017 restated due to consolidation method changes", indicates the consolidated amounts calculated in reference to the same consolidation scope but with application of the line-by-line consolidation method only for companies in the Unipol Banking Group (the values in this column, except for appropriate reclassifications for statements in different formats, correspond to the values seen in the column "Unipol Consolidated Financial Statements at 31/12/2017 (restated for banking regulatory purposes)" included in the Unipol Group's consolidated statements provided in the previous paragraph). The central column shows the adjustments due to the different consolidation methods.

Consolidated Statement of Financial Position - Assets

		Amounts in €m	**Unipol Consolidated Financial Statements at 31/12/2017**	**adjustments for consolidation using the equity method**	**Unipol Consolidated Financial Statements at 31/12/2017 restated due to consolidation method changes**
1		**INTANGIBLE ASSETS**	**1,976.9**	**(1,965.9)**	**11.0**
	1.1	Goodwill	1,581.7	(1,581.7)	
	1.2	Other intangible assets	395.1	(384.2)	11.0
2		**PROPERTY, PLANT AND EQUIPMENT**	**1,872.1**	**(1,832.6)**	**39.5**
	2.1	Property	1,617.7	(1,592.7)	25.1
	2.2	Other tangible assets	254.3	(239.9)	14.4
3		**TECHNICAL PROVISIONS - REINSURERS' SHARE**	**874.5**	**(874.5)**	
4		**INVESTMENTS**	**69,397.7**	**(51,077.3)**	**18,320.4**
	4.1	Investment property	2,199.1	(2,198.1)	1.0
	4.2	Investments in subsidiaries, associates and interests in joint ventures	90.3	5,741.2	5,831.5
	4.3	Held-to-maturity investments	864.2	(539.6)	324.7
	4.4	Loans and receivables	15,517.5	(4,165.8)	11,351.7
	4.5	Available-for-sale financial assets	44,482.3	(43,671.5)	810.8
	4.6	Financial assets at fair value through profit or loss	6,244.3	(6,243.7)	0.7
5		**SUNDRY RECEIVABLES**	**2,854.3**	**(2,584.5)**	**269.8**
	5.1	Receivables relating to direct insurance business	1,426.2	(1,426.2)	
	5.2	Receivables relating to reinsurance business	105.6	(105.6)	
	5.3	Other receivables	1,322.5	(1,052.6)	269.8
6		**OTHER ASSETS**	**12,366.0**	**(11,241.2)**	**1,124.8**
	6.1	Non-current assets or assets of a disposal group held for sale	10,569.0	(10,569.0)	
	6.2	Deferred acquisition costs	85.0	(85.0)	
	6.3	Deferred tax assets	1,001.2	(236.6)	764.5
	6.4	Current tax assets	14.0	(9.4)	4.6
	6.5	Other assets	696.8	(341.2)	355.6
7		**CASH AND CASH EQUIVALENTS**	**631.5**	**(531.6)**	**99.9**
		TOTAL ASSETS	**89,972.9**	**(70,107.6)**	**19,865.3**

Consolidated Statement of Financial Position - Shareholders' Equity and Liabilities

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2017	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2017 restated due to consolidation method changes
1	**SHAREHOLDERS' EQUITY**	**7,453.0**	**(1,931.6)**	**5,521.4**
1.1	**attributable to the owners of the Parent**	**5,486.1**	**0.0**	**5,486.1**
	Share capital and reserves attributable to the owners of the Parent	5,147.5	(0.0)	5,147.5
	Gains or losses recognised directly in equity	338.6	0.0	338.6
1.2	**attributable to non-controlling interests**	**1,966.9**	**(1,931.6)**	**35.3**
2	**PROVISIONS**	**460.3**	**(384.0)**	**76.3**
3	**TECHNICAL PROVISIONS**	**53,426.8**	**(53,426.8)**	
4	**FINANCIAL LIABILITIES**	**16,399.7**	**(2,725.7)**	**13,674.1**
4.1	Financial liabilities at fair value through profit or loss	2,488.7	(2,488.7)	0.0
4.2	Other financial liabilities	13,911.0	(236.9)	13,674.1
5	**PAYABLES**	**908.4**	**(824.6)**	**83.9**
5.1	Payables arising from direct insurance business	148.1	(148.1)	
5.2	Payables arising from reinsurance business	96.6	(96.6)	
5.3	Other payables	663.7	(579.8)	83.9
6	**OTHER LIABILITIES**	**11,324.6**	**(10,815.0)**	**509.6**
6.2	Deferred tax liabilities	29.4	(29.2)	0.2
6.3	Current tax liabilities	37.9	(26.6)	11.4
6.4	Other liabilities	1,240.8	(742.7)	498.1
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**89,972.9**	**(70,107.6)**	**19,865.3**

Consolidated Income Statement

	Amounts in €m	Unipol Consolidated Financial Statements at 31/12/2017	adjustments for consolidation using the equity method	Unipol Consolidated Financial Statements at 31/12/2017 restated due to consolidation method changes
1.1	Net premiums	11,262.9	(11,262.9)	
1.2	Commission income	172.9	3.1	176.1
1.3	Gains/losses on financial instruments at fair value through profit or loss	126.0	(129.9)	(3.9)
1.4	Gains on investments in subsidiaries, associates and interests in j-v	7.0	517.4	524.3
1.5	Gains on other financial instruments and investment property	2,625.9	(2,261.7)	364.1
1.6	Other revenue	493.5	(432.0)	61.5
1	**TOTAL REVENUE AND INCOME**	**14,688.2**	**(13,566.1)**	**1,122.1**
2.1	Net charges relating to claims	(9,621.1)	9,621.1	
2.2	Commission expense	(43.9)	22.6	(21.3)
2.3	Losses on investments in subsidiaries, associates and interests in j-v	(4.3)	1.3	(3.0)
2.4	Losses on other financial instruments and investment property	(1,739.8)	408.6	(1,331.2)
2.5	Operating expenses	(2,736.4)	2,345.1	(391.3)
2.6	Other costs	(721.8)	701.5	(20.3)
2	**TOTAL COSTS AND EXPENSES**	**(14,867.3)**	**13,100.3**	**(1,767.0)**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**(179.1)**	**(465.9)**	**(644.9)**
3	Income tax	10.0	261.5	271.5
	CONSOLIDATED PROFIT (LOSS)	**(169.0)**	**(204.4)**	**(373.5)**
	of which attributable to the owners of the Parent	**(345.8)**	**0.0**	**(345.8)**
	of which attributable to non-controlling interests	176.8	(204.4)	(27.6)

Equity and solvency ratios of the Unipol Banking Group

The following table summarises Equity and the solvency ratios of the Unipol Banking Group, calculated in accordance with the current supervisory regulations for banking groups (EU Regulation no. 575/2013) at 31 December 2017.
The comparison with the previous year is shown with reference to the values actually determined at 31 December 2016, with reference to the values that would be determined on a like-for-like basis, i.e., excluding the consolidation of Finsoe.

Amounts in €m	**31/12/2017**	**31/12/2016**	**31/12/2016 like-for-like basis**
Equity			
CET1 capital net of regulatory adjustments	3,599.7	2,236.4	3,862.2
Additional Tier1 capital net of regulatory adjustments	2.7	83.4	3.1
TOTAL TIER 1 CAPITAL	**3,602.4**	**2,319.7**	**3,865.3**
T2 capital net of regulatory adjustments	153.0	256.4	275.4
TOTAL EQUITY	**3,755.5**	**2,576.1**	**4,140.7**
Risk-weighted assets			
Credit and counterparty risks	10,822.8	12,687.2	12,641.2
Market and regulatory risks	0.2	4.2	4.2
Operational risks	618.9	620.9	649.2
Other specific risks	0.0	0.0	0.0
TOTAL RISK-WEIGHTED ASSETS	**11,441.9**	**13,312.2**	**13,294.6**
Solvency ratios			
CET1 ratio	31.5%	16.8%	29.1%
TIER1 ratio	31.5%	17.4%	29.1%
TOTAL CAPITAL RATIO	32.8%	19.4%	31.1%

CET1 takes into consideration the 2017 profit for the year, net of dividends planned in the proposed allocation of profit approved by the Board of Directors for the consolidated companies.

Following the supervisory review and evaluation process (SREP), the Bank of Italy, with its Measure of 4 April 2017, asked the Unipol Banking Group to meet consolidated capital requirements slightly higher (+2%) than the regulatory minimums, raising the individual coefficients to the following percentage values (inclusive of the 1.25% capital conservation buffer):

- CET 1 ratio of at least 7.75% (rather than 5.75%);
- Tier 1 ratio of at least 9.25% (rather than 7.25%);
- Total capital ratio of at least 11.25% (rather than 9.25%).

Equity

Regulations in force for the supervision of banks and banking groups envisage that equity should be broken down into the following capital tiers:

- Tier 1 capital, in turn broken down into:
  - Common Equity Tier 1 (or CET1);
  - Additional Tier 1 (or AT1);
- Tier 2 capital.

The most important in significance and quality terms is CET1, mainly comprising equity instruments (ordinary shares subscribed and paid, net of any treasury shares), related issue premiums, income-related reserves, other comprehensive income, with the exclusion, in 2017, of 20% of the valuation reserves for available-for-sale financial instruments, which will be fully included from 2018 onwards. The equity instruments included in the CET1 calculation must be readily usable without restrictions or delay to hedge risks or cover losses as and when they arise. The characteristics necessary for qualification as CET1 capital include the following:

- maximum level of subordination;

- irredeemability;
- absence of reimbursement privileges and incentives;
- option of suspending coupon and dividend payments at the discretion of the issuer, excluding cumulative rights, and without this being a cause of issuer default.

Prudential filters are applied to CET1 which aim to exclude the effect of certain types of profit and loss. For the Unipol Banking Group these exclude those deriving from cash flow hedge measurement.

The regulations also require that certain elements are deducted from CET1, of which the most important applicable to the Unipol Banking Group include:

- Goodwill, including that implicit in the value of investments, and other intangible assets net of related tax liabilities;
- Deferred tax assets, the recovery of which depends on future profitability deriving from temporary differences (less the part that exceeds the regulatory limit);
- Deferred tax assets, the recovery of which depends on future profitability and which does not derive from temporary differences (full deduction after entry into force, partial deduction in the transition period).

Breakdown of equity

The table below illustrates the breakdown of Equity at 31 December 2017, with separate indication of the effects of the transitional system.

Amounts in €m	**31/12/2017**	**31/12/2016**	**31/12/2016 like-for-like basis**
A. Common Equity Tier 1 (CET1) before application of prudential filters	**5,376.0**	**3,314.0**	**5,546.9**
of which CET1 instruments subject to transitional rules			
B. CET1 prudential filters (+/-)	(0.8)	(0.1)	0.7
C. CET1 gross of deductible items and the effects of the transition system (A+/-B)	5,375.3	3,313.9	5,547.7
D. Items to be deducted from CET1	1,675.9	1,799.2	1,475.0
E. Transitionl system - Impact on CET1 (+/-), including non-controlling interests subject to transitional rules	(99.6)	721.6	(210.5)
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	**3,599.7**	**2,236.4**	**3,862.2**
G. Additional Tier 1 capital (AT1) gross of deductible items and the effects of the transition system	**3.4**	**136.9**	**5.2**
of which AT1 instruments subject to transition rules			
H. Items to be deducted from AT1			
I. Transition system - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to the effect of transition rules	(0.7)	(53.5)	(2.1)
L. Total Additional Tier1 (AT1) (G - H +/- I)	**2.7**	**83.4**	**3.1**
M. Tier 2 capital (T2) gross of deductible elements and the effects of the transition system	**75.8**	**144.8**	**158.1**
of which T2 instruments subject to transition rules			
N. Items to be deducted from T2			
O. Transition system - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to the effect of transition rules	77.2	111.5	117.3
P. Total Tier 2 capital (T2) (M - N +/- O)	**153.0**	**256.4**	**275.4**
Q. Total own funds (F + L + P)	**3,755.5**	**2,576.1**	**4,140.7**

As mentioned previously, the significant changes in the total Equity is largely attributable to the change in the prudential consolidation scope following the winding-up of Finsoe.

A statement of reconciliation between regulatory equity and items of the consolidated statement of financial position used for the related calculation is provided below. For every equity component used in the calculation of Equity, the column "Financial statement item" indicates the reference item in the consolidated statement of financial position of the Unipol Banking Group in which the component is recognised.

Reconciliation between own funds and Consolidated Statement of Financial Position of the Unipol Banking Group

Financial statement item	*Amounts in €m*	31/12/2017	31/12/2016
Liabilities 190	Share capital (ordinary shares)	3,365.3	1,100.0
Liabilities 180	Share premium reserve	1,705.6	283.0
Liabilities 170	Reserves	102.3	15.4
Liabilities 140	Valuation reserves	684.4	171.2
Liabilities 200	Own Cet 1 instruments	(25.7)	0.0
Liabilities 210	Non-controlling interests included in Tier1 (excluding transitional effects)	17.8	1,679.3
Liabilities 220	Profit for the period	(345.8)	82.8
	Proposed dividends	(127.9)	(17.7)
	CET1 before regulatory adjustments	**5,376.0**	**3,314.0**
Liabilities 140	Exclusion of profit reserves generated by cash flow hedges		0.4
	Additional valuation adjustment (European Commission Delegated Reg. No. 101/2016)	(0.8)	(0.5)
	CET1 prudential filters	**(0.8)**	**(0.1)**
Assets 130	Deduction of intangible assets	(3.4)	(348.4)
Assets 100	Deduction of goodwill implicit in investments, net of related taxes	(1,476.5)	(1,442.7)
Assets 140b)	Deduction of deferred tax assets dependent on future profitability, excluding those deriving from temporary differences	(196.1)	(8.1)
Assets 140b)	Deduction of deferred tax assets deriving from temporary differences (amount higher than the limit set in Art. 48, paragraph 1, letter a) of the CRR)		
	Items to be deducted from CET1	**(1,675.9)**	**(1,799.2)**
Assets 140b)	Recovery of deferred tax assets deriving from temporary differences		
Assets 140b)	Partial recovery of other deferred tax assets dependent on future profitability	39.2	3.3
Liabilities 140	Exclusion of available-for-sale unrealised gains and losses	(141.8)	(69.0)
Liabilities 210	Non-controlling interests included in Tier1 as a result of the transition system	3.1	787.4
	Effects of transition system on CET1	**(99.6)**	**721.6**
	Common Equity Tier 1 - CET1	**3,599.7**	**2,236.4**
Liabilities 210	Tier 1 capital issued by subsidiaries and held by third parties	3.4	136.9
Liabilities 210	Tier 1 instruments issued by subsidiaries and included as a result of the transition system	(0.7)	(53.5)
	Additional Capital 1 - AT1	**2.7**	**83.4**
	Tier 1 capital (T1 = CET1 + AT1)	**3,602.4**	**2,319.7**
Liabilities 30	Tier 2 instruments issued by subsidiaries and held by third parties	75.8	144.8
	Tier 2 capital before regulatory adjustments	**75.8**	**144.8**
	Tier 2 instruments issued by associates and included in the transition system calculation	6.3	8.8
	Share of AFS unrealised gains and losses, including portion attributable to non-controlling interests, included as a result of the transition system	70.9	102.8
	Effects of transition system on T2	**77.2**	**111.5**
	Tier 2 capital (T2)	**153.0**	**256.4**
	Total Shareholders' Equity - Total Capital (TC = T1 + T2)	**3,755.5**	**2,576.1**

Tier 2 equity instruments are subordinated liabilities issued by Unipol Banca and held by third parties, the characteristics of which are summarised in the following table.

Tier 2 equity instruments

Issuer	Issue date	Maturity	Nominal issue value (amounts in €)	Fixed/floating coupons	Coupon rate (annual gross)	First early repayment date	Contribution to consolidated Shareholders' Equity (in €m)
Unipol Banca	24/08/2009	24/08/2019	25,000,000	Fixed rate	4.50%	24/08/2014	5.1
Unipol Banca	12/10/2009	12/10/2019	50,000,000	Fixed rate	4.50%	12/10/2014	11.0
Unipol Banca	17/12/2009	17/12/2019	300,000,000	Variable rate	Quarterly average Euribor 3-m (act/365) + 6.40%	N/A	66.0
Total Tier 2 instruments							**82.1**

Capital requirements

Qualitative information

The Unipol Banking Group is subject to the minimum regulatory capitalisation requirements defined in European and Italian regulations on prudential supervision.
A preliminary measure in the risk management process is the *Risk Appetite* definition, by which the Parent defines and formalises the risk objectives and any tolerance thresholds at Banking Group level, and - if considered appropriate for consistent pursuit and maintenance of the desired risk profile as part of the capital allocation process - also at the level of each company in the Banking consolidation. These indicators are governed in a specific document known as the *Risk Appetite Statement* and envisage at least the following elements:

- Capital at risk;
- Capital adequacy;
- Liquidity;
- Financial leverage;
- Compliance;
- Reputational and strategic risks;
- Operational risk.

The *Risk Appetite* definition process is associated with the definition process for the Business Plan and the Budget. This is an iterative process designed to gradually align the multi-year developments in income and equity variables with the risk management objectives.

Risk Appetite monitoring is performed quarterly and the results are reported to the Board of Directors. The *Risk Appetite* is determined in line with the current and forward-looking capital adequacy assessment process contained in the ICAAP report.

The self-assessment process involves the following steps:

- risk identification: identification of the risks to which every company in the Banking Group is, or could be, exposed in relation to conducting its own business activities and to the reference markets, and identification of the significant risks to be assessed. This activity is performed in line with the RAF (*Risk Appetite Framework*);
- current and forward-looking measurement of risks and the internal capital: measurement of significant Pillar I and II risks and the performance of stress tests, with subsequent calculation of the internal capital for each significant risk, or the capital requirement deemed necessary to cover potential losses correlated with each individual risk identified;
- current and forward-looking determination of the total internal capital: aggregation of the capital components of every risk to determine both the current and forward-looking total internal capital; the total internal capital represents the internal valuation of the total capital requirement in relation to all risks identified, integrated on a forward-looking basis to take into account strategic policies or actions in place or planned;
- reconciliation between total capital and regulatory capital: identification of the accounting items that make up the total capital and reconciliation with the equity components;

- current and forward-looking capital adequacy assessment: assessment of the capital ratios in line with the Supervisory Authority's regulatory instructions and verification that equity is sufficient to cover the total internal capital, and assessment of the forward-looking capital adequacy;
- self-assessment of risk undertaking and management processes: indication of the governance, organisational and operational aspects underlying the risk undertaking-management process and definition of a summary opinion on the adequacy of the process;
- report preparation: gathering of information from the functions involved in the process and preparation of the final summary report;
- process compliance assessment: ongoing verification of the compliance of the entire process with external regulations;
- process review: verification of the approach, correct application of the process and its compliance with regulatory instructions;
- report examination: examination of the report by the Group's Risks Committee;
- report approval: presentation of the report to the Board of Directors for approval;
- reporting/monitoring: periodic monitoring of the actions taken to solve critical issues emerging from the self- assessment; periodic monitoring of the capital absorption level and the preparation of reports on control of the operating limits set after definition of the *Risk Appetite* and the strategic guidelines approved by the Board of Directors.

Significant risks, or those risks whose consequences can undermine Banking Group solvency or constitute a serious obstacle to achieving its objectives, are classified according to a method that takes account both of Group structure and the specific nature of the business managed by the Bank. These risks are:
- credit risk;
- counterparty risk;
- market risk;
- operational risk;
- banking book interest rate risk;
- liquidity risk;
- concentration risk;
- residual risk;
- compliance risk;
- strategic risk;
- reputational risk;
- excess financial leverage risk.

Risk identification starts with meticulous work performed continuously by the Parent's Risk Management department in coordination with the structures of the Banking Group companies, through:
i) continuous monitoring of business operations, the organisational structure, strategies and the adopted business model; *ii)* careful examination of the internal and external regulations, suitably enhanced by ongoing information gathering performed internally and externally by the department also through participation in trade and sector associations, specialist conferences, studies and research.

In order to determine the Total Internal Capital, the Banking Group deemed it appropriate to comply with the guidelines issued in Bank of Italy Circular 285/13, adopting the easiest calculation methods permitted to intermediaries in their class[13] for ICAAP purposes and applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority.

The capital adequacy assessments are performed in reference to the year-end position and the forward-looking position in line with budget forecasts. These assessments are conducted on three different levels, namely:
- Pillar I
- Pillar I + Pillar II
- Pillar I + Pillar II + Stress Test

The Total Internal Capital is determined by means of a building block approach, which consists in adding together the regulatory requirements for Pillar I risks, the internal capital for Pillar II risks and the results of stress tests (conducted on both risk classes).

[13] The Group qualifies as class 2: Banking groups and banks that use standardised procedures, with consolidated or individual assets exceeding €3.5bn.

With reference to the year-end position for 2017, the capital adequacy assessment shows the following position at Banking Group level:

- the capital ratios calculated according to prudential supervisory regulations show the following values (including conservation capital and further additional capital):
  - CET1 ratio 31.5%, against a requirement of 7.75%, of which 4.5% as the minimum regulatory requirement and 3.25% for the additional requirement (1.25% capital conservation buffer and 2% required by the Bank of Italy as a result of the periodic supervisory review and evaluation process - SREP);
  - Tier 1 ratio of 31.5% against a requirement of 9.25%;
  - Total capital ratio of 32.8% against a requirement of 11.25%.

With regard to 2017, the capital requirements were calculated by taking into account - amongst other things - the effects of transitional rules in application in the period under review.

Quantitative information

The table below shows the breakdown of capital requirements at 31 December 2017.

Capital requirements

Amounts in €m	Amounts not weighted	Amounts weighted	**Requirements**
A. REGULATORY CAPITAL REQUIREMENTS			
A.1 Credit risk and counterparty risk	**18,728.2**	**10,822.8**	**865.8**
1. Standardised approach	18,728.1	10,822.7	865.8
4. Securitisations	0.1	0.1	0.0
A.2 Credit risk - credit assessment adjustment		**0.0**	**0.0**
A.3 Regulatory risk			
A.4 Market risk		**0.2**	**0.0**
1. Standardised approach		0.2	0.0
A.5. Concentration risk			
A.6 Operational risk		**618.9**	**49.5**
1. Basic approach		618.9	49.5
A.7 Other prudential requirements			
A.8 Total prudential requirements		11,441.9	915.4
B. SOLVENCY RATIOS (%)			
B.1 Common Equity Tier 1 ratio			**31.5%**
B.2 Tier 1 ratio			**31.5%**
B.3 Total capital ratio			**32.8%**

As regards the calculation of credit and market risks, the Unipol Banking Group uses the standardised approach. Operational risk is instead calculated using the basic approach.

Capital requirements for Credit Risk and Counterparty Risk

The Unipol Banking Group uses the ECAI Moody's to calculate credit risk according to the standardised approach.

With regard to counterparty risk generated by OTC derivative transactions, the Group only uses hedging derivatives with leading counterparties on the market with which it has signed ISDA Master Agreements and attached Credit Support *Annex agreements*.

The banking counterparty assignment process envisages that the proposal is assessed using a model that contemplates country risk, the counterparty rating, the credit derivative spread (if available) and the counterparty's capitalisation level. The assignment proposals and counterparty assessment are submitted to the Unipol Group's Credit Risks Committee, which expresses its mandatory but not binding opinion. The proposal then follows the normal decision-making process.

Regulatory portfolio

Amounts in €m	Capital requirements 31/12/2017	Capital requirements 31/12/2016
Exposure to or guaranteed by central administrations and central banks	47.7	74.0
Exposure to or guaranteed by regional administrations or local authorities	0.1	0.1
Exposure to or guaranteed by public sector entities	2.3	2.7
Exposure to or guaranteed by multilateral development banks		
Exposure to or guaranteed by international organisations		
Exposure to or guaranteed by supervised intermediaries	5.5	14.6
Exposure to or guaranteed by businesses	166.9	174.3
Retail exposures	87.7	81.4
Exposures guaranteed by property	85.7	85.6
Exposures with default status	91.8	190.6
High-risk exposures	3.5	5.7
Exposures in the form of covered bonds		
Short-term exposures to businesses or supervised intermediaries		
Exposures to UCITS	3.8	1.1
Exposures to equity instruments	350.5	367.5
Other exposures	20.2	17.3
Exposures to central counterparties in the form of pre-financed contributions to the guarantee fund	0.0	0.0
Securitisation: positions towards securitisations		0.0
Total capital requirements for credit risk and counterparty risk (Standardised Approach)	**865.8**	**1,015.0**

Value adjustments to loans

Qualitative disclosure

Consistent with Supervisory regulations, "performing past due loans" are defined as cash and off-balance sheet exposures that are past due or unpaid for no more than 90 days, or past due or unpaid by more than 90 days provided that the past due portion does not exceed the significance threshold of 5% of exposure, calculated in accordance with applicable supervisory instructions governing the detailed technical calculation methods.

On the other hand, "impaired loans" are divided into the following risk categories:
- past due and/or unpaid (*past due*) by more than 90 days (other than exposures classed as bad and doubtful or unlikely to pay), with a past due portion exceeding the significance level of 5% (as determined above);
- unlikely to pay;
- bad and doubtful.

The recognition and classification of loans in certain risk categories is performed automatically by the Unipol Banca operating system, in accordance with criteria dictated by the Bank of Italy: these automated procedures refer to: *(i)* performing past due exposures; (*ii)* impaired past due exposures.
Classification as unlikely to pay, applied on the basis of additional criteria established by the Bank of Italy, is instead proposed and decided by the relevant corporate structures, as identified in internal regulations, based on specific customer position assessments. When the classification decision is made, a further estimate is made regarding the extent of expected losses based on available valuation elements (the equity, financial and economic position of the customer and the joint debtors, market trends, the deposit value of any guarantees, etc.) and on criteria established in internal *provisioning* regulations. The structures responsible for position management arrange periodic updates to the loss estimates as the position develops. The estimates form the calculation basis for any value adjustments to be recognised in the financial statements.

Unlike the action taken for impaired loans, the loss estimates for which originate from analytical valuation, performing exposures are subject to collective measurement.

The analytical valuation process for impaired loans consists in discounting (at the original effective interest rate) of cash flows expected by way of principal and interest, taking into account any guarantees assisting the loan. The negative difference between the present value of the loan and its carrying amount (amortised cost) at the time it is measured constitutes the estimated loss that results in a subsequent value adjustment being recognised in the income statement.

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

Receivables for which there is no individual objective evidence of impairment are measured collectively according to standardised category of credit risk based on a matrix breakdown of customers by segment and rating classes assigned by the *Credit Rating System* (CRS) of CEDACRI (Unipol Banca *outsourcer*). The value of the intrinsic loss for each standardised category is calculated by applying Probability of *Default* (PD) and *Loss Given Default* (LGD) ascertained through analyses and estimates made available by CEDACRI on a consortium basis.

For Group companies that do not make use of the *outsourcer* CEDACRI, *performing* loans are measured collectively by standardised category of credit risk, identified on the basis of a matrix breakdown by customer segment and product type. The value of the intrinsic loss for each standardised category is calculated by applying percentage loss indices ascertained through time-series performance analysis of that category.

The loss estimates and subsequent value adjustments determined according to the collective measurement method are recognised in item 130 of the income statement. In subsequent periods any additional adjustments or reversals of impairment losses are determined using the differential method by reference to the entire loan portfolio measured as a whole.

The guarantees given by the Bank and commitments undertaken with third parties are measured analytically and collectively in a manner similar to that used for loan valuation.

Banking sector restructuring plan

As extensively illustrated in the Annual Integrated Report/Group Performance, 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 S.p.A. ("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 the 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 Boards of Directors of UnipolSai and Unipol Banca, which met on 27 and 28 July 2017, respectively, examined and approved the assets and implementation stages of the aforementioned Plan and, after the adoption of resolutions, the following transactions were finalised:

- 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).
- 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 S.p.A. ("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.

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.

This led Unipol Banca to carry out an even more careful analysis of impaired loans, also with a view to identifying specific portfolios in relation to which it could express evaluations concerning any assignments to third parties, determining discontinuity in the cases in which the estimation of collectability of the impaired loans was carried out in previous periods.
In line with the changed model for the management of the existing NPL portfolio, the half-yearly report at 30 June 2017 already revised the estimation criteria applied in the valuation of loans outstanding at that date.
In this regard, it also incorporated the indications received from Bank of Italy inspectors during the inspection launched by the Supervisory Authority in the second quarter of 2017, with reference to Unipol Banca and with a specific focus on policies for the management of loans in general and impaired loans in particular. Specifically, the inspection team asked Unipol Banca to revise several classifications in the NPL categories, to supplement the bad and doubtful position coverage levels, to adjust the methodology for calculating the discounting in relation to a more updated estimate of recovery times and to review more in general the impaired loan management and valuation policies.

The overall adjustments introduced in the estimation criteria applied in the valuation of loans in 2017 were:

i) updating of the criteria for the classification of impaired loans amongst the various categories (Bad and Doubtful, Unlikely to Pay and Past Due), taking into account the most recent available information concerning the debtor's financial situation, also in light of the experience gained in recent years concerning the foreseeable evolution of such classifications as well as the continuation of situations of economic difficulty in certain production sectors;
ii) adjustment of recovery estimates in relation to the new model for the management of the impaired loans portfolio, particularly with regard to positions classified as Bad and Doubtful and Unlikely to Pay, taking into account the objective of significantly reducing these assets, within the shortest period of time possible, with the utmost attention paid to not losing value, also on the

basis of updates obtained concerning the estimated presumable value of immediate realisation of the assets pledged as collateral against the loans;

iii) updating of the method for calculating the discounting for the purpose of determining the recoverable amount of the loans, particularly with reference to positions classified as Unlikely to Pay.

The amendments introduced in the methods for evaluating impaired loans (Bad and Doubtful, Unlikely to Pay, Past Due) constitute a factor of change resulting from the new information and experience acquired in the changed circumstances outside and within the Group, applicable as noted starting from 2017, and as a result are classified as a change in accounting estimates pursuant to IAS 8 (specifically par. 5, 34 and 35).
The external circumstances also include the orientation expressed by the ECB in the recently issued document "Guidance to banks on non-performing loans".

Quantitative disclosure

Breakdown of credit exposure by portfolio and by credit quality (carrying amounts):

Amounts in €m

Portfolio/Quality	bad and doubtful	unlikely to pay	restructured exposures	impaired past due exposures	performing assets	**Total**
1. Available-for-sale financial assets					776.6	776.6
2. Held-to-maturity investments					324.7	324.7
3. Receivables from banks					3,440.1	3,440.1
4. Receivables from customers	598.3	435.2	75.4	96.1	6,706.4	7,911.4
5. Financial assets at fair value						
6. Discontinued financial assets						
Total 2017	**598.3**	**435.2**	**75.4**	**96.1**	**11,247.7**	**12,452.8**
Total 2016	1,127.4	767.4	145.3	168.2	9,155.4	11,363.7

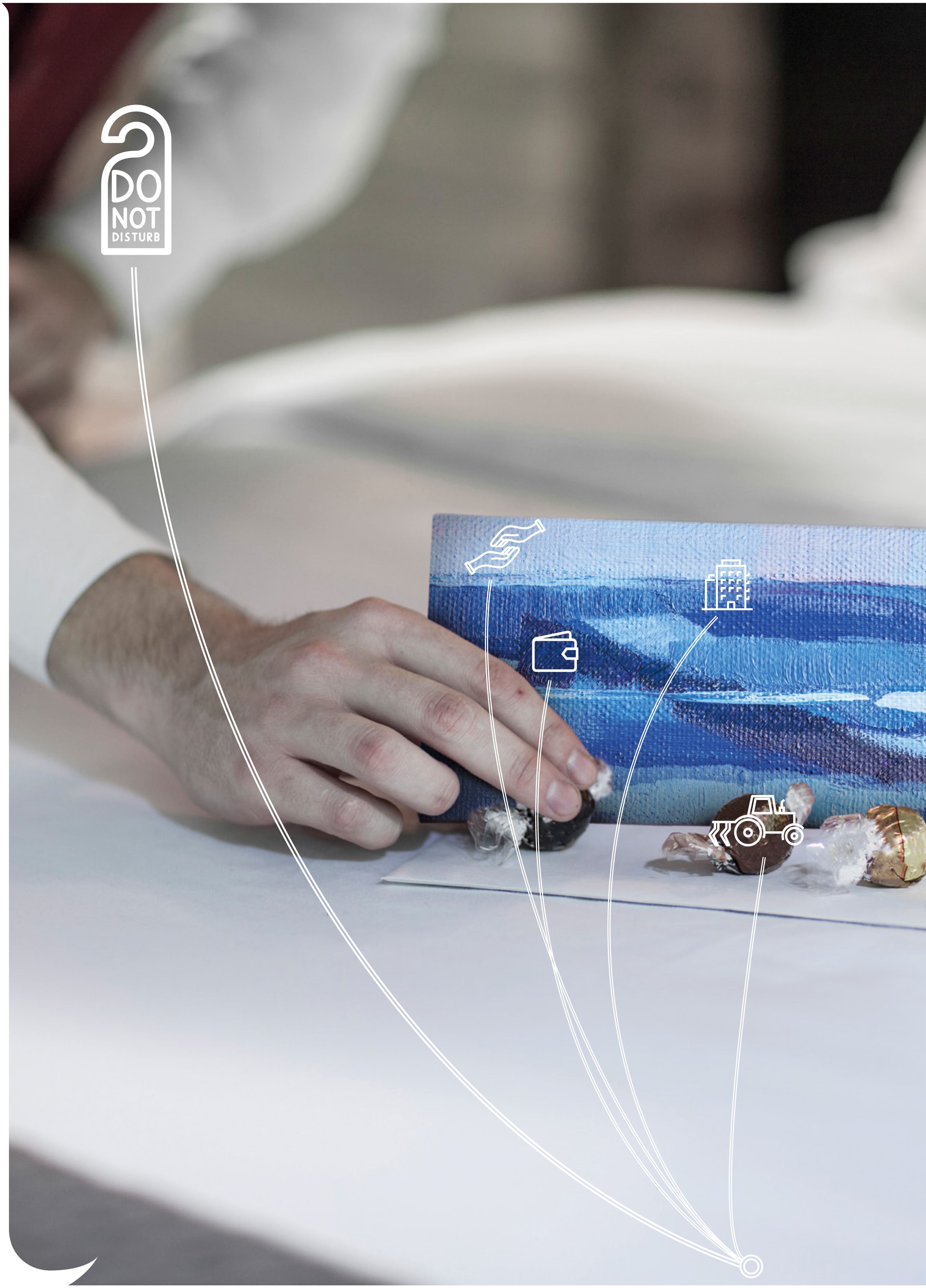
Cash credit exposure to customers: total value adjustments trend

Amounts in €m	**Bad and doubtful**		**Unlikely to pay**		**Past due exposures**	
Reason/Category	Total	- of which subject to concession	Total	- of which subject to concession	Total	- of which subject to concession
Total adjustments - opening balance	**1,524.1**	**57.3**	**195.5**	**64.2**	**5.3**	**1.9**
- of which: exposures transferred but not written off	41.7	0.0	0.9	0.0	0.0	0.0
B. Increases	**1,031.0**	**101.1**	**213.3**	**141.1**	**13.0**	**7.2**
B.1 value adjustments	934.6	72.8	208.4	140.5	12.6	7.2
B.2 losses on disposal	0.9	0.9	2.3		0.2	
B.3 transfers from other classes of impaired exposures	95.2	27.4	2.5	0.6	0.0	0.0
B.4 other increases	0.3	0.0	0.1	0.0	0.2	0.0
C. Decreases	**128.6**	**3.0**	**112.5**	**33.1**	**5.6**	**1.6**
C.1 reversals of unrealised losses	35.9	0.7	8.9	5.9	2.1	0.9
C.2 reversals on collection	2.8	0.1	0.2	0.0	0.0	0.0
C.3 gains on disposal						
C.4 write-offs	87.6	1.2	6.4		0.1	
C.5 transfers to other classes of impaired exposures	0.9		93.8	27.1	3.0	0.7
C.6 other decreases	1.5	0.9	3.3	0.0	0.4	0.0
D. Total adjustments - closing balance	**2,426.5**	**155.4**	**296.3**	**172.2**	**12.7**	**7.5**
- of which: exposures transferred but not written off	*2.3*	*0.4*	*8.1*	*1.0*	*1.1*	*0.5*

Cash credit exposure to customers: coverage ratio

The following table illustrates the coverage ratio of cash credit exposure to customers.

Amounts in €m	**Gross exposure**	**Total value adjustments**	**Net exposure**	**Coverage ratio**
Bad and doubtful	3.0	2.4	0.6	80.2%
- of which subject to concession	*0.2*	*0.2*	*0.0*	*76.1%*
Substandard	0.7	0.3	0.4	40.0%
- of which subject to concession	*0.5*	*0.2*	*0.3*	*37.4%*
Impaired past due exposures	0.1	0.0	0.1	14.4%
- of which subject to concession	*0.0*	*0.0*	*0.0*	*16.3%*
Other loans	6.8	0.0	6.8	0.5%
- of which subject to concession	*0.1*	*0.0*	*0.1*	*1.5%*
Total receivables from customers	**10.7**	**2.8**	**7.9**	**25.9%**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STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81 TER OF CONSOB REGULATION NO. 11971/1999

STATEMENT ON THE INTEGRATED CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-ter, CONSOB REGULATION No. 11971 OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned, Carlo Cimbri, as Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of Unipol Gruppo S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
    - the adequacy in relation to the characteristics of the company and
    - the effective application,

    of the administrative and accounting procedures for preparation of the integrated consolidated financial statements for the period 1 January 2017-31 December 2017.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the integrated consolidated financial statements for the year ended 31 December 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 integrated 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 Chief Executive Officer
Carlo Cimbri

Manager in charge
of financial reporting
Maurizio Castellina

(signed on the original)

Unipol Gruppo S.p.A.

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Share capital
€3,365,292,408.03 fully paid-up
Bologna Register of Companies
Tax and VAT No. 00284160371
R.E.A. No. 160304

Parent company of the Unipol Insurance Group
entered in the Register of the parent companies
at No. 046

Parent of the Unipol Banking Group
Entered in the Register of Banking Groups

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Insurance / Banking / Real Estate / Hotels / Agricolture

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