Vittoria Assicurazioni

SOCIETÀ PER AZIONI
REGISTERED OFFICES: VIA IGNAZIO GARDELLA, 2 - 20149 MILAN - ITALY
SHARE CAPITAL: EURO 67,378,924 FULLY PAID-UP
FISCAL CODE AND MILAN COMPANIES REGISTER
NO. 01329510158 - REA NO. 54871
COMPANY REGISTERED TO REGISTER OF INSURANCE AND REINSURANCE COMPANIES – SECTION I NO.1.00014
COMPANY BEING PART OF VITTORIA ASSICURAZIONI GROUP REGISTERED TO REGISTER OF INSURANCE GROUPS NO.008
SUBJECT TO THE DIRECTION AND COORDINATION EXERCISED BY THE PARENT COMPANY YAFA S.P.A.

96th year of business

Consolidated financial report as at 31 December 2017

Board of Directors' meeting of 15 March 2018

(Translation from the Italian original which remains the definitive version)

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BOARD OF DIRECTORS

Carlo ACUTIS	Emeritus Chairman
Andrea ACUTIS	Chairman
Roberto GUARENA	Deputy Chairman
Cesare CALDARELLI	Chief Executive Officer
Adriana ACUTIS BISCARETTI di RUFFIA	Director
Marco BRIGNONE	Independent director
Giorgio Roberto COSTA	Director
Lorenza GUERRA SERÀGNOLI	Independent director
Giorgio MARSIAJ	Independent director
Maria Antonella MASSARI	Independent director
Marzia MORENA	Independent director
Luca PAVERI FONTANA	Director
Giuseppe SPADAFORA	Independent director
Roberta URBAN	Independent director
Laura MILANO	Secretary

BOARD OF STATUTORY AUDITORS

Giuseppe CERATI	President
Giovanni MARITANO	Standing statutory auditor
Francesca SANGIANI	Standing statutory auditor
Monica MANNINO	Substitute statutory auditor
Maria Filomena TROTTA	Substitute statutory auditor

GENERAL MANAGEMENT

Claudio RAMPIN	Joint General Manager
Matteo CAMPANER	Deputy Director
Paolo NOVATI	Deputy Director
Luca ARENSI	Central Manager
Adriano CHIOETTO	Central Manager
Maurizio MONTICELLI	Central Manager
Giuseppe TRAVERSO	Central Manager
Enzo VIGHI	Central Manager

INDEPENDENT AUDITOR

Deloitte & Touche S.p.A.

APPOINTMENTS AND REMUNERATION COMMITTEE

Maria Antonella MASSARI	Independent non-executive president
Giuseppe SPADAFORA	Independent non-executive member
Roberta URBAN	Independent non-executive member

INTERNAL CONTROL COMMITTEE

Giuseppe SPADAFORA	Independent non-executive president
Maria Antonella MASSARI	Independent non-executive member
Roberta URBAN	Independent non-executive member

FINANCE COMMITTEE

Andrea ACUTIS	Non-executive president
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive member
Carlo ACUTIS	Non-executive member
Cesare CALDARELLI	Executive member
Giorgio Roberto COSTA	Non-executive member
Luca PAVERI FONTANA	Non-executive member
Giuseppe SPADAFORA	Independent non-executive member

REAL ESTATE COMMITTEE

Andrea ACUTIS	Non-executive president
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive member
Carlo ACUTIS	Non-executive member
Cesare CALDARELLI	Executive member
Giorgio Roberto COSTA	Non-executive member
Marzia MORENA	Independent non-executive member
Luca PAVERI FONTANA	Non-executive member
Giuseppe SPADAFORA	Independent non-executive member

RELATED PARTIES COMMITTEE

Roberta URBAN	Independent non-executive president
Marco BRIGNONE	Independent non-executive member
Giuseppe SPADAFORA	Independent non-executive member

STRATEGIES COMMITTEE

Andrea ACUTIS	Non-executive president
Carlo ACUTIS	Non-executive member
Cesare CALDARELLI	Executive member
Luca PAVERI FONTANA	Non-executive member
Giuseppe SPADAFORA	Independent non-executive member
Roberta URBAN	Independent non-executive member

Note on Vittoria Assicurazioni Group

Vittoria Assicurazioni is part of the Vittoria Assicurazioni Group, registered in the Register of Insurance Groups envisaged in Article 85 of the Italian Code of Private Insurance Companies (with registration number 008).

Since 29 June 2017 Vittoria Assicurazioni S.p.A. is subject to management and coordination of Yafa S.p.A., the ultimate Italian parent company of the Vittoria Assicurazioni Group, and it is bound to ensure compliance of measures which the same Yafa S.p.A. adopts for the implementation of the current legislation and requirements issued by the IVASS in the interest of the stable and efficient management of the Group. Yafa S.p.A., controls Vittoria Assicurazioni through the participatory chain formed by Yafa Holding S.p.A. and Vittoria Capital S.p.A..

The areas under management and coordination of the Parent Company Yafa S.p.A. are set out in the Group Regulations, which governs the obligations of subsidiaries with reference to the activities required by the Parent Company to carry out the tasks provided by the current group solvency rules, control of intragroup transactions and risk concentration management. The Regulation also aims to leave the Vittoria Assicurazioni's Board of Directors' duties and responsibilities unmistakable with regard to the strategic guidelines of their competence, particularly for business strategy decisions, in accordance with the subjects provided by the Parent Company.
The Regulation provides a differentiated management of the scope of application of intergroup co-ordination by delegating to Vittoria Assicurazioni the management and coordination of its subsidiaries and of all its supervisory and risk management bodies currently implemented as set out in Regulation 20, while to Yafa SpA., the direct direction and direct coordination of the other subsidiaries.

This Report refers to the consolidated data of Vittoria Assicurazioni S.p.A., whose scope of consolidation is illustrated on page 95. Therefore, from now on in this report, the Group definition refers to Vittoria Assicurazioni S.p.A. and to companies consolidated by it.

Form and contents of report

As required by Article 3 of Italian Legislative Decree no. 38 of 28 February 2005, the consolidated financial statements have been prepared in compliance with the international financial reporting standards (IFRSs) issued by the International Accounting Standards Board and endorsed by the European Union (EC regulation no.1606/2002). IFRSs include all revised international accounting standards (IASs), all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly called the Standing Interpretations Committee (SIC).

The present set of year-end financial statements is also presented in compliance with the formats defined by ISVAP Regulation no. 7 of 13 2007 July (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows, and accounting schedules), and includes additional detailed tables as necessary to complete disclosure as required by IFRSs or useful for better understanding of the year-end financial statements.
The accounting schedules required by the IVASS in terms of minimum disclosure content are shown in the specific chapter “Appendices to Consolidated Financial Statements,” which is an integral part of the present set of year-end financial statements.

The disclosures presented take into account the specific items contained in Italian Legislative Decree no. 209 of 7 September 2005 (Private Insurance Code), as modified and integrated by Italian Legislative Decree no. 74 of 12 May 2015 and in CONSOB memorandum no. 6064293 of 28 July 2006.

The accounting and classification policies used to prepare year-end financial statements are detailed in the explanatory notes to accounts.

All amounts in this document are shown in thousand euros unless otherwise indicated.

Other relevant information

Vittoria Assicurazioni S.p.A. has decided to exercise its right as provided in article 70, paragraph 8 and article 71, paragraph 1-bis of the Regulations for Issuers, to waive the obligation to publish documents that are required in significant merger, split, share capital increase by transfer of assets in kind, acquisition or transfer operations.

Directors’ report

Economic and insurance scenario

The International Monetary Fund (IMF) has revised the growth estimates of the global economy for 2018 from 3.7% to 3.9% against an economic cycle that tends to strengthen in particular in advanced economies but which in 2017 has affected over three quarters of the world countries, something that has not happened since 2010. In particular, there has been a significant improvement in international trade, an increase in investments and production data mainly linked to the technology sector, in a context of recovery of employment and consumption. In 2018, growth should be driven by the United States (+ 2.7% compared to + 2.3% in 2017) and by emerging economies such as India (+ 7.4% compared to + 6.7% in 2017) , Brazil (+ 1.9% against + 1.1% in 2017) and Mexico (+ 2.3% against + 2.0% in 2017). The Eurozone and the United Kingdom, on the other hand, are expected to record a decrease in growth rates compared to 2017 (2.2% against 2.4% in 2017 and 1.5% against 1.7% respectively).

However, there are several risks that could materialize in the short and medium-long term. In particular, the possible unexpected increase in the rate of inflation, the revision of the monetary policies of the main central banks, the currency tensions, the difficulty of reaching new global trade agreements (for example the NAFTA treaty and the agreements between the United Kingdom and the European Union), the geopolitical tensions in Asia and the Middle East, as well as the uncertainty related to the outcome of the general elections that will affect not only Europe but also Latin America (Brazil, Colombia) and Mexico.

In the first few months of the year there was a reawakening of volatility in the financial markets, with a growth exceeding the expectations of wages in the United States, which fueled fears of a rise in interest rates that was faster than expected and which negatively impacted the value of risk assets. In general, the return of uncertainty reflects a potential change in context, ie the transition from an economic recovery without inflation, to global growth with inflation and rising interest rates. However, recent economic data have shown that the economic recovery appears solid and validated by an expanding world trade. The rise in oil prices and the decline in the unemployment rate justify expectations of a gradual rise in inflation, but the structural reasons for which inflation is historically low remain valid and recall the impact of international competition and technological development . Central banks, and especially the Fed in the United States, are believed to be able to adapt decisions to what the economy will be able to sustain. It therefore does not seem that there are grounds for invalidating the favorable scenario for the economy, at least for the current year.

The growth estimates for the United States have been revised upwards, in particular, in view of the economic impacts of the tax reform introduced by the Government, whose ambition is to reduce the taxes paid by American companies, encouraging, at the same time, the recovery of investments without particular negative effects on the financial statements. The reform also affects individuals and should therefore also support domestic consumption. The political agenda also provides for the launch of a plan for infrastructure spending whose approval process is not obvious. The main theme of attention will once again be the Federal Reserve's monetary policy, led by Jerome Powell since February. The declared plan provides for three rate hikes (expected above 2% at the end of the year 2018). Any accelerating monetary tightening plan could lead investors to question the holding of economic expansion. Interrogatives in this sense could emerge in the second half of 2018. The attention will finally focus on the election campaign for the mid-term elections of early November 2018 in which the members of the Chamber are renewed and about a third of the Senators.

As for the financial market, 2017 saw a significant increase in the S & P 500 index, which recorded + 18.8% in local currency and + 3.8% in Euro, compared to a depreciation of the dollar against the European currency of 14.9%. The current level of the dollar / euro exchange rate remains one of the most discussed aspects, not being particularly in line with the country's economic performance. The US interest rate curve (US Treasury) posted a significant flattening that brought rates up to one year from 0.8% to 1.7%, while it saw long-term rates (30 years) falling from 3% at 2.7%. A similar trend was recorded by the corporate interest rate curve (USD US Corporate IG), although less pronounced for short-term rates (1 year), which rose from 1.6% to 2.1%.

The economic expansion of the Euro Area should remain robust with a growth rate that, although down compared to 2017, should still be above potential. The projections of the European Central Bank (ECB), supported by steadily growing business confidence indices, indicate a growth of 0.6% in the third quarter of 2017 driven by strong domestic demand and the recovery in investment spending. Labor market conditions continued to improve and the unemployment rate fell below 9% (8.7%) at the end of December 2017, the lowest rate since 2008.

In the short to medium term, growth remains supported by the monetary policies that will remain accommodating, from the improvement of the labor market (unemployment down to 8.4%, productivity improvement from 0.8% to 1%, increase in wages from 1, 7% to 2.1%) and the context of global economic growth, which sees European companies above all benefit from the increase in international trade. The reduction in the level of indebtedness of companies and financial institutions should also encourage the recovery of spending. However, in the medium to long term, the growth rate has been slowed down with a less disruptive impact on monetary policies, the appreciation of the euro and the foreseeable reduction in external demand. Furthermore, the employment rate could slow down growth, due to the decrease in labor supply in some countries. The rate of inflation is seen to grow slightly over the next three years, up to 1.9% only in 2020.

With the decisions of last October, the ECB has given itself a plan until September 2018 which will probably see the first revisions starting from the second half of the year. Any excess of economic growth could put pressure to anticipate the reduction of monetary stimulus. From the summer onwards, however, attention should be paid to the probable end of "Quantitative Easing" by the end of the year. Attention also on the political agenda with the Italian elections and above all, after the definitive formation of the government in Germany, the debate on the reform projects of the European institutions. Particular attention is also given to the exchange rate trend towards the dollar, whose performance could influence monetary policy decisions.

With regard to the data recorded by the Eurozone financial markets in 2017, we note the positive performance of the Euro Stoxx 50 share index (+ 6.5%) driven by the financial sector (+ 2.75%), industrial (+ 2.24%) and discretionary consumption (+ 1.37%). The interest rate curve (Euro Swap Curve) saw yields rise over all maturities starting from 3 years by around 20 basis points, while yields on the short-term part decreased by around 5 basis points. In general, the performance of the government bond segment measured by the JPM EMU Government Bond index was -0.35%, while the index representing corporate issues (IBOXX Euro Corporates Overall TR index) increased by + 0.25%. With regard to the trend of the European currency in 2017, there was an appreciation of 14.9% against the US dollar, 10.23% against the Yen and 4.5% against the Pound.

As for Italy, in 2017 ISTAT expects an increase in gross domestic product (GDP) of 1.5% in real terms. The growth rate is accelerating compared to the one recorded in 2016 (+ 0.9%). The improvement in GDP is expected to continue at similar rates also in 2018 (+ 1.4%). Both in 2017 and predictably in 2018, domestic demand, net of inventories, would positively contribute to GDP growth by 1.5 percentage points; the contribution of net foreign demand would be marginally negative (-0.1 percentage points in both years) and the change in stocks slightly positive in 2017 (+0.1 percentage points) and nothing in 2018.

The increase in private spending in real terms is estimated by the Statistical Office slightly slowing compared to previous years, with an increase of 1.4% in 2017 and of 1.3% in 2018. The growth in consumption would continue to be supported by improvements in the labor market and available income, only partially limited by the rise in consumer prices. Investment activity is expected to recover, benefiting both from the improvement in expectations on the performance of the economy and from the positive effects on the credit market deriving from the continuation of the expansive monetary policy of the European Central Bank. Gross fixed capital formation is expected to grow 3.0% in 2017 and 3.3% in 2018. The continued the positive trend of the labor market would result in an increase in employment both in the current year (+ 1.2% in terms of work units) and in 2018 (+ 1.1%) contributing to a progressive decrease in the rate unemployment (respectively 11.2% and 10.9% in the two years). The growth prospects reported in the current expected framework could be further strengthened if the capital accumulation process continues at a faster pace, supported by a further and more widespread improvement in the expectations of companies on the evolution of production. Downside risks are represented by a more moderate evolution of international trade and the possible recovery of interest rates.

As regards the data recorded by the financial markets in 2017, we note the very positive performance of the FTSE MIB index of 12.6% and the positive performance of the bond market as measured by the FTSE MTS Italy Government 5 index. -7 years (1.57%).

With regard to the Italian insurance market, it is noted that the premiums (based on Italian GAAP) as at 30 September 2017 (Ania Trends statistic) show, compared with the same period last year, a decrease of 6.2% for the Life business and an increase in Non-Life business by 0.6% (including Third Party Liability -2.7%).
The comparison with the data of Vittoria Assicurazioni is as follows:

	Change	
Line of business	Market 30/09/17 - 30/09/16	Vittoria Assicurazioni 31/12/17 - 31/12/16
Life business (*)	-6.2%	+0.9%
Non-Life business	+0.6%	+6.2%
Of wich: Motor TPL	-2.7%	+4.3%

(*) Data referring to Life business include premiums collected for unit-linked contracts and those relating to the open-end pension fund (Lob III and VI), which are not considered premiums by international accounting standards.

REAL ESTATE SECTOR

The Italian real estate market seems to have definitively entered the recovery cycle. In the first nine months of 2017, the volume of investments reached 7.1 billion euro and the annual total could be over 10 billion euro, the highest figure ever recorded. The offices are confirmed as the most interesting asset class for investors, followed by the high street, but the transactions of recent months have shown a strong growth in the logistics sector which, thanks to the increase in e-commerce, could become the asset class to bet on for the next few years.
After the strong acceleration in real estate trade recorded in 2016 (+ 18.8%, after the growth of the two previous years, + 5.9% in 2015 and + 3.5% in 2014), in the third quarter of 2017, while maintaining a positive exchange rate (+ 1.5%), there was a slowdown in the recovery in the purchase and sale of homes during the year (trend change in the first quarter of 2017 + 8.6%, in the second quarter of 2017 +3 , 8%). However, by normalizing the transaction data available since 2011, the residential housing market shows a positive trend since 2014 and, considering the volumes traded, the effects of the contraction in 2012 now seems to have been absorbed.
The same phenomenon of the residential sector is also registered for business properties (positive change in the quarter, + 5.5%, but lower than the figures for the first quarter of 2017, + 10.8%, and for the second quarter of 2017, +6.2%).
During the first nine months of 2017, the most dynamic urban markets, on the residential front, are those of Rome and Milan, with over 55% of transactions registered among the major capitals. On the commercial front the vivacity of Milan and Genoa is confirmed.
The prices of the transactions are, as mentioned, substantially still: on average, in the 13 large Italian cities, in the last six months the new has lost 0.6% (-1.1% on an annual basis) and the used 0.6% (-1.2% on an annual basis).
The contraction in the sale times of homes began weakly in 2014 and is still consolidating. Today it is equal to 6.8 months for the new and 6.5 months for the used.

On the side of residential leases, demand is driven by short (temporary) rents, supporting the new mobility needs of young people (students or first-time employees).
Bologna is the city with the greatest liveliness in terms of turnover of the rented housing stock, followed by Florence, Milan and Turin. Rome is in line with the average of the eight main markets (10%).
Both Milan and Bologna express positive changes in rental rates; in general, the rental market has in a minor part blamed the effects of the crisis of the past few years.
The average rental rates show a positive trend in the residential areas of Milan and Rome (with changes in the last six months of the previous year, + 0.3% for Milan and close to zero percentage points for Rome); stable, compared to last semester, the Turin commercial market.

Summary of key performance indicators of the Group*

€/million

SPECIFIC SEGMENT RESULTS	31/12/2017	31/12/2016	Δ
Non Life business			
Gross Premiums written - direct Non Life business	1,148.1	1,081.1	6.2%
Non Life business pre-tax result	107.2	194.0	(44.7)%
(1) Loss Ratio - retained	65.1%	64.6%	0.5
(2) Combined Ratio - retained	90.0%	89.4%	0.6
(3) Expense Ratio - retained	24.5%	24.7%	(0.2)
Life business			
Gross Premiums written - direct Life business	173.2	184.7	(6.2)%
Life business pre-tax result	6.2	2.2	n.s.
(4) Annual Premium Equivalent (APE)	28.4	28.0	1.4%
Segregated funds portfolios	1,115.2	1,038.9	7.3%
Index/Unit - linked and Pension funds portfolios	76.6	56.9	34.7%
Segregated fund performance: Rendimento Mensile	2.93%	3.03%	(0.10)
Segregated fund performance: Obiettivo Crescita	3.29%	2.19%	1.10
Segregated fund performance: Valore Crescente	4.21%	4.61%	(0.40)
Total Agencies	444	430	14
Real Estate business			
Sales	33.9	29.9	13.4%
Trading and development margin	6.0	1.7	n.s.
Real Estate business net result	(0.8)	(4.5)	81.5%

CONSOLIDATED RESULTS	31/12/2017	31/12/2016	Δ
Total investments	3,614.0	3,348.9	7.9%
Net gains on investments	47.2	121.4	(61.1)%
Pre-tax result	110.8	188.6	(41.2)%
Consolidated profit (loss)	77.5	135.4	(42.8)%
Consolidated ROE	10.8%	21.6%	(10.8)
Group profit (loss)	77.5	135.4	(42.8)%
Equity attributable to the shareholders of the parent	828.6	745.6	11.1%
Equity attributable to the shareholders of the parent net of unrealised capital gains	751.7	687.0	9.4%
Average of employees	605	610	(5)

Legend

1) Loss Ratio – retained business: is the ratio of current year claims to current year earned premiums;
2) Combined Ratio – retained business: is the ratio of (current year claims + operating costs + intangible assets amortization + technical charges) to current year earned premiums;
3) Expense Ratio – retained business: is the ratio of (operating costs + intangible assets amortization + net technical charges) to current year gross premiums written;
4) APE: Annual Premium Equivalent, is a measure of the new business volume which includes 100% of sales of regular recurring premium business and 10% of sales of single premium business.

Technical data are determined in accordance with Italian accounting principles.

* In this document, the definition of the Group refers to Vittoria Assicurazioni S.p.A. and to companies consolidated by it.

Performance of the Group

As at 31 December 2017, Group net profit was 77,483 thousand euro. The year 2016 showed a net profit of 135,367 thousand euro, achieved also thanks to an extraordinary capital gains of Italian government securities allocated to the Non-life segment, which generated capital gains of 47,257 thousand euro, net of the tax effect. This transaction is therefore attributable to the decline in the gross result of the insurance segment, which amounts to 113,450 thousand euro, compared to the result of 196,146 thousand euro as at 31 December 2016 (-42.2%), as well as the reduction from 121,380 thousand euro as at 31 December 2016 to 47,210 thousand euro as at 31 December 2017 (-61.1%) of the net financial income, connected to investments with risk borne by the Group.

Thanks to the continuous actions aimed at the consolidation and development of the existing portfolio, insurance premiums written recorded an increase of 4.4%.

Total insurance premiums written in 2017 amounted to 1,321,352 thousand euro (1,265,913 thousand euro in 2016), with an increase of 6.2% in Non-Life business and a decrease of 6.2% in Life business, the latter due to the policy of containing products with revaluable single premiums linked to segregated funds.

The net result of the real estate segment, although still negative for 834 thousand euro, recorded a significant improvement compared to the previous year, in which there was a loss of 4,500 thousand euro. The positive trend, which began last year, continues to produce its effects: as at 31 December 2017, there were positive margins on sales of 6,041 thousand euro (1,725 thousand euro as at 31 December 2016), compared to operating costs in reduction of 41.1%, thanks to a careful rationalization of the same.

The comprehensive income of the Group as at 31 December 2017 amounted to 96,108 thousand euro, up by 40.0% compared to the result of 68,632 thousand euro as at 31 December 2016. In addition to the result for the year, the changes in unrealized capital gains mainly generated on securities belonging to the equity portfolio mainly contribute to the statement of comprehensive income.

Total investments recorded an increase of 7.9% compared to 31 December 2016, reaching the amount of 3,614,037 thousand euro, referring for 76,576 thousand euro (+34.7%) to investments with risk borne by policyholders and for 3,537,461 thousand euro (+7.5%) to investments with risk borne by the Group.

Group shareholders' equity totalled 828,636 thousand euro, up 11.1% compared to the amount of 745,611 thousand euro reported as at 31 December 2016.

The following table shows the contributions of the Group's various businesses to net profit.

Reclassified Profit and Loss by business segment	31/12/17	31/12/16	(€/000) Δ
Non life business - Gross Result (excluding investments result)	104,661	110,524	-5.3%
Non life business - Gross Investments Result	2,581	83,467	-96.9%
Life business - Gross Result	6,208	2,155	n.s.
Gross Insurance business Result	113,450	196,146	-42.2%
Elimination from consolidation	122	4,461	-97.3%
Insurance business: taxes	(34,621)	(61,213)	+43.4%
Insurance business net contribution to Profit attributable to parent company shareholders	78,951	139,394	-43.4%
Gains on property trading	6,041	1,725	n.s.
Real estate service revenues	2,320	2,812	-17.5%
Real estate business net costs	(9,778)	(16,601)	+41.1%
Gross Real estate business Result	(1,417)	(12,064)	+88.3%
Elimination from consolidation	(446)	(829)	+46.2%
Taxes and minority interests	1,266	8,062	+84.3%
Net Real estate business Result	(597)	(4,831)	+87.6%
Net profit attributable to Life business Policyholders	(237)	331	n.s.
Real estate business net contribution to Profit attributable to parent company shareholders	(834)	(4,500)	+81.5%
Service business net contribution to Profit attributable to parent company shareholders	(344)	473	n.s.
Gain (Loss) on discontinued operations	(290)	0	n.s.
Net Profit attributable to parent company shareholders	77,483	135,367	-42.8%
Other Comprehensive Income (Loss) net of tax	18,625	(66,735)	n.s.
Comprehensive Income attributable to parent company shareholders	96,108	68,632	+40.0%

As at 31 December 2017 Vittoria Assicurazioni registered net profit – based on Italian GAAPs – of 78,445 thousand euro (139,487 thousand euro as at 31 December 2016).

Reconciliation between the data in the unconsolidated and consolidated statements is illustrated in note 15 of this report.

The companies that make up the Group are listed in the chapter "Explanatory notes" – Consolidation scope.

Insurance business

Profit for the insurance business, before taxes and intersegment eliminations, amounted to 113,450 thousand euro (-42.2% with respect to 196,146 thousand euro as at 31 December 2016). The key operating items contributing to the period's result are described below.

Total insurance premiums in 2017 amounted to 1,339,317 thousand euro (+5.4% with respect to 1,270,731 thousand euro in 2016), of which 1,321,352 thousand euro for insurance premiums written and 17,965 thousand euro for unit-linked investment contracts and for the Vittoria Formula Lavoro open-ended pension fund.

Direct Life insurance premiums amounted to 173,179 thousand featuring a decrease of 6.2% vs. premiums in 2016.

Direct Non-Life premiums increased by 6.2%. Specifically:

- Motor premiums: +5.4%;
- Non-marine premiums: +8.6%;
- Specialty categories [i.e. marine & transport, aviation, credit & suretyship] premiums: -10.0%.

Overhead costs as a percentage of total direct insurance premiums decreased from 8.5% last year to 8.1%.

Non-Life business combined ratio and loss ratio retained at 31 December 2017, amounted respectively to 90.0% and 65.1% (Italian GAAP). The corresponding ratio at 31 December 2017 were respectively 89.4% and 64.6%.

In particular, the Motor and Non-Marine line of businesses continue to make a positive result, thanks to the continuous review of risks in the portfolio, a careful underwriting new risks policy and a steady pricing review.
Technical management trend, however positive, shows a slight decrease compared to the previous year, mainly due to the continuing reduction in the average premium paid by policyholders in the Motor TPL, a phenomenon that is registered at the market level.
Thanks to the operations undertaken in past years, aimed at achieving the technical balance in the Credit and Deposit Line of businesses, the Special Lob show a positive result, compared to the negative results recorded in previous years.

Life Businesses show a positive result, increased compared to the previous year.

Real Estate Business

The loss in the real estate business, before taxes and inter-segment eliminations, amounted to 1,417 thousand euro (against a loss of 12,064 thousand euro as at 31 December 2016) and featured contributions to the income statement that, before inter-segment eliminations, included:

- revenues from notarial deeds for 33,931 thousand euro (+13.5% compared to 29,894 thousand euro as at 31 December 2016);
- margins on properties from trading and development activities amounted to 6,041 thousand euro (1,725 thousand euro as at 31 December 2016);
- real estate brokerage and management service revenues of 984 thousand euro, administrative, contractual and technical service revenues of 1,336 thousand euro and rental income of 1,729 thousand euro for a total of 4,049 thousand euro (3,802 thousand euro as at 31 December 2016);
- interest expenses of 491 thousand euro (1,853 thousand euro as at 31 December 2016).

Capital redemption operations of the Companies in the real estate business, initiated over the past years, allowed the extinction of almost all mortgage loans outstanding, bringing the net financial exposure of the real estate business to a positive balance of 15,560 thousand euro (positive balance of 18,817 thousand euro as at 31 December 2016).
In this context, the transactions for the repayment of the share premium reserve have been carried out by Acacia 2000 for € 34,000 thousand euro and by Immobiliare Bilancia for € 6,000 thousand euro.

Service Business

This segment reported a profit, before tax and minority interests, of 669 thousand euro, compared with a profit of 239 thousand euro as at 31 December 2016.
The services and the fees received by the Group companies, gross of intercompany services, amounted to 2,810 thousand euro (1,149 thousand euro as at 31 December 2016).
These revenues include 2,751 thousand euro for commissions and services rendered to Vittoria Assicurazioni (1,059 thousand euro as at 31 December 2016).

Equity and dividend policy

Group shareholders' equity totalled 828,636 thousand euro (+11.1%) and minority interests amounted to 191 thousand euro (-1.5%), 745,611 and 194 thousand euro respectively as at 31 December 2016. The Group does not directly or indirectly hold shares in parent companies.

Proposed dividend per share

The board of directors of Vittoria Assicurazioni submits the following allocation of the year's earnings, equal to 78,445,162 euro, as follows:

To Legal Reserve	Euro	170,866
To Available Reserve	Euro	59,408,197
To Shareholders	Euro	18,866,099

corresponding to a dividend of Euro 0.28 for each of the 67,378,924 shares constituting the share capital (dividend equal to 14,149,574 in 2016).

After approval by shareholders, dividend distribution will be recognised in the 2018 statutory accounts.

Strategic goals

Vittoria Assicurazioni operates in all lines of insurance business, and founds its activities on a long experience in the insurance field, gained since 1921, for the protection of individuals, families and companies.
The main objective Vittoria Assicurazioni is to honour in proper time contractual commitments to policyholders, realizing a reasonable profit margin.
This goal is supported by the achievement of technical profitability, a policy of consolidation of the portfolio acquired, the loyalty of existing customers, but also by the increase in market share in non-life and the acquisition of new production in the Life business.
In carrying out its insurance activities, Vittoria Assicurazioni pays attention to the management of its risk profile, principally through:

- an accurate risk pricing;
- a careful diversification of risks based on customer segmentation. In particular, although preferring the risks of personal lines and small / medium businesses, it is not neglected segment of large companies, on which are provided adequate reinsurance covers;
- diversification of sales channels achieved through careful geographical segmentation of markets;
- the continuous training of the agency network that determines a careful portfolio selection and a constant search for common objectives.

Next to the insurance business, Vittoria Assicurazioni implements low-risk investment policies that ensure an adequate return without departing from its risk appetite goals. Investment management, led by the profile of the insurance liabilities, pays particular attention to the protection of the financial strength of Vittoria Assicurazioni (most of the profits are reinvested in Vittoria Assicurazioni), without disregarding the search for adequate returns.

Insurance business

Review of operations

Premiums as up to 31 December 2017 amounted to 1,321,352 thousand euro. Portfolio breakdown and the changes occurring by business segment and branch are shown in the following table:

COMPARISON BETWEEN GROSS PREMIUMS WRITTEN IN 2017 AND 2016
DIRECT AND INDIRECT BUSINESS

(€/000)

	Year 2017	Year 2016	YoY change %	% of total book 2017	% of total book 2016
Domestic direct business					
Life business					
I Whole- and term life	157,540	172,862	-8.9	11.9	13.7
IV Health (long-term care)	743	631	17.8	0.1	0.0
V Capitalisation	14,896	11,158	33.5	1.1	0.9
Total Life business	173,179	184,651	-6.2	13.1	14.6
Non-Life business					
Total non-marine lines (exc. specialty and motor)	321,717	296,310	8.6	24.3	23.3
Total specialty lines	6,916	7,686	-10.0	0.5	0.7
Total motor lines	819,439	777,149	5.4	62.1	61.4
Total Non-Life business	1,148,072	1,081,145	6.2	86.9	85.4
Total direct business	1,321,251	1,265,796	4.4	100.0	100.0
Domestic indirect business					
Non-Life business	101	117	-13.7	0.0	0.0
Total indirect business	101	117	-13.7	0.0	0.0
Grand Total	1,321,352	1,265,913	4.4	100.0	100.0

Revenues not qualified as premiums as defined by IFRS 4 (Unit Linked contracts and those relating to the Vittoria Formula Lavoro open-ended pension fund) amounted to 17,965 thousand euro (4,818 thousand euro in 2016).

Life business

Insurance and investment contracts in the Life business

The range of products currently distributed by Vittoria Assicurazioni covers all insurance line of businesses.
The persistence of low interest rates has induced the Company to review its policies through the progressive shift of distribution to those products with a predominantly financial component, compared to products of pure technical-insurance component.
Vittoria Assicurazioni distributes products ranging from savings ("revaluable" policies relating to segregated funds), protection (policies covering risks of death, disability and non-self-sufficiency – long-term care) and supplementary pension plans (individual pension schemes and open-ended pension fund). In the range offered there are also unit linked policies. The tariff types used are mixed, fixed term, entire life and temporary, both in the form of annual premium and in the single premium, as well as group rates for the case of death and / or disability. The commercialized segments include also policies that provide for the possibility of converting the accrued benefit into annuity: the conversion takes place at the conditions in force when the option is exercised. The contractual conditions are constantly updated and are in line with those commodity offered by the market.

Premiums

Direct insurance business premiums in 2017 totalled 173,179 thousand euro (184,651 thousand euro in 2016) split as follows:

(€/000)

	Year 2017	Year 2016	YoY change %	% of total book 2017	2016
Recurring premiums	58,977	55,746	5.8	34.1	30.2
Annual premiums	114,202	128,905	-11.4	65.9	69.8
Total Life business	173,179	184,651	-6.2	100.0	100.0

In 2017 the funds relating to segregated funds achieved the following returns:

(€/000)

	Rate of return 2017	Total Assets 2017	Rate of return 2016	Total Assets 2016
Vittoria Rendimento Mensile	2.93%	849,483	3.03%	840,048
Vittoria Valore Crescente	4.21%	82,564	4.61%	106,945
Vittoria Obiettivo Crescita	3.29%	91,455	2.19%	20,013
Vittoria Liquinvest**	4.51%	1,998	4.51%	1,996
Vittoria Previdenza*	2.97%	89,658	3.40%	69,861

* Observation period: 01/10/2016 - 30/09/2017

** Observation period: 01/10/2016 - 30/09/2017; from 01/10/2017 merger in Vittoria Obirttivo Crescita

Claims, accrued capital sums & annuities, and surrenders

The following table summarises data for direct business relating to claims, accrued capital sums and annuities and surrenders (net of liquidation expenses), compared with data of previous year.

(€/000)

	31/12/2017	31/12/2016	YoY change %
Claims	25,605	18,623	37.5
Accrued capital sums & annuities	46,154	71,041	(35.0)
Surrenders	40,155	39,700	1.1
Total	111,914	129,364	(13.5)

Non-life Business

Premiums

Direct premiums issued amounted 1,148,072 thousand euro (1,081,145 thousand euro as at 31 December 2016) and showed an increase of 6.2%.

Technical performance

The technical performance, however positive, featured an outcome with a slight decrease compared to the previous year, mainly due to the reduction in the average premium paid by policyholders in the Motor TPL. The result remains positive due to a continuous review of risks in the portfolio, a careful underwriting new risks policy and a steady pricing review.

The following sets out the considerations for the different lines of business:

NON MARINE BUSINESSES

Overall Non Marine line of business recorded an increase in premiums (+8.6%) due to the acquisition of new customers and to the effects of the development actions of the insurance coverage of monoline Motor customers.
The technical result is positive, in further improvement compared to the previous year, thanks to the positive contribution of the Accident, General TPL and Various pecuniary losses line of businesses.

More specifically, each line of business featured the following technical results:

Accident: premiums recorded an increase of 12.4%, thanks also to the development of the sale of the collateral injuries of the driver in combination with the motor policies.
The technical result, even in the presence of a greater incidence of serious claims, is positive, improving compared to the previous year.

Health: this Lob registered a 6.1% increase in premiums, with a positive technical result, improving compared to the previous year.

Fire and natural events: this line of business shows an increase in premiums of 5.0%.
The technical result, while remaining positive, decreased compared to the previous year, mainly due to a higher incidence of accidents from atmospheric phenomena and to exceptional serious fire accidents that have affected risks in progress over the past years.

Miscellaneous damages: premiums, including the risk of theft, hail and damage to electronic and technological equipment, recorded an increase compared to previous year (+14.0%). The technical result is negative as a result of the higher incidence of accidents from atmospheric phenomena.

General TPL: premiums increased by 10.1%. The technical balance improved compared to the previous year, thanks to the effects of the constant portfolio reform actions, in part relating to segment of Professional TPL.

Various pecuniary losses: premiums written, which mainly include ancillary guarantees related to the car, remain almost unchanged. This Lob presents a positive technical balance, with an improvement compared to the previous year.

Legal protection: premiums in this line of business registered an increase of 12.5%and the technical result is positive with an improvement compared to the previous year.

SPECIALTY BUSINESSES

The businesses showed a positive technical result, with a clear improvement compared to the one recorded in the previous year. Premiums recorded a decrease of 10.0%, mainly due to the Surety line of business.

In particular:

Watercraft (sea, lake and river) hulls and railway rolling stock: premiums rose by 11.5% with a slightly negative technical balance.

Goods in transit: premiums advanced by 29.3%, thanks also to the development actions on the transport companies already customers for the Motor business.
The technical result is positive, improving compared to the previous year.

Credit: this line of business includes exclusively the risks related to the Salary-Backed Loans for which it has retained the right of recourse against the borrowers.
Also in 2017 we see a decrease in premiums written, a consequence of the continuation of the significant downsizing of the line of business process, as well as the increasingly flexible repayment rules in the event of early repayment of the financing underlying the insurance coverage.
Technical result is positive, a marked improvement over the previous year, thanks also to an increase in the amounts recovered following the right to claim compensation from financed entities and a favorable technical provisions run-off related to previous years.

Surety: premiums written showed a decrease compared to the previous year (-25.0%), the result of a thorough review of the underwriting policy that led to the acquisition of smaller risks in terms of exposure and the consequent lower average pricing. The technical result is slightly negative but in significant improvement compared to the previous year.

MOTOR BUSINESSES

The business recorded an overall positive technical result.
Premiums written grew by 5.4%.

In particular:

Land motor vehicle hulls: premiums reported a growth on the previous year (+10.5%); the development policy of customers already acquired in the Motor TPL Lob continues.
The technical result was positive, recording an improvement over the previous year, despite the greater incidence of accidents arising from atmospheric phenomena.

Third-party liability for land motor vehicles and for watercraft (sea, lake, and river): premiums reported a growth on the previous year (+4.3%).
Dedicated portfolio selection, insurance pricing policies and careful claims management enabled the business to maintain a positive technical result. The decline in the result compared to the previous year is mainly attributable to the reduction in the average premium paid by policyholders (despite an overall increase in premiums written), phenomenon is recorded in the entire Motor market, as well as a greater incidence of serious claims.

Assistance: premiums grew by 11.0%, with a positive technical result, improving compared to the previous year.

Claims

Reported claims

The following chart, concerning reported numbers of claims for direct business, has been prepared using data from positions opened during the year. data are compared with those for 2016:

(€/000)

	Numer of Reported claims		YoY Change %	Numer of Reported claims without consequences		YoY Change %	Numer of Reported claims closed		YoY Change %
	31/12/2017	31/12/2016		31/12/2017	31/12/2016		31/12/2017	31/12/2016	
Total non-marine lines	50,293	48,516	3.7%	9,771	9,392	4.0%	31,359	29,864	5.0%
Total specialty lines	851	1,056	-19.4%	219	268	-18.3%	189	145	30.4%
Total motor lines	263,710	239,778	10.0%	21,886	20,827	5.1%	193,239	169,073	14.3%
Total Non-Life businesses	314,854	289,350	8.8%	31,876	30,487	4.6%	224,786	199,082	12.9%

As regards Motor TPL reported claims, has received n. 112,859 reports of claim events to be managed as originator (+3.2% compared to 2016) and the total cost, net of the recovery of the lump-sum paid by the debtor companies, amounted to 54,808 thousand euro (+8.0% compared to 2016).

Claims paid

The following table shows claims paid for direct business and the amount charged to reinsurers, with the data broken down by the period to which claims refer:

(€/000)

	Claims paid 31/12/2017			Claims recovered from reinsurers	Claims paid 31/12/2016			Claims recovered from reinsurers	Change gross claims %	Change claims recovered from reinsurers %
	Current year	Previous years	Total		Current year	Previous years	Total			
Total non-marine businesses	73,593	54,774	128,367	18,358	52,725	47,275	100,000	6,409	28.4	186.5
Total Special businesses	1,405	7,192	8,597	2,423	2,231	13,120	15,351	6,365	-44.0	-61.9
Total motor businesses	280,017	308,362	588,379	12,963	258,747	270,677	529,424	7,368	11.1	75.9
Total non-life businesses	355,015	370,328	725,343	33,745	313,703	331,072	644,775	20,142	12.5	67.5

The additional cost borne in 2017 for the road-accident victim guarantee fund was 15,845 thousand euro vs. 15,320 thousand euro in the previous year.

Claims settlement speed

The following table illustrates how quickly reported claims (by number) were paid net of claims eliminated without consequences, broken down by current generation and previous generation in reference to the principal lines of business:

(percentages)

	current generation		previous generations	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Accident insurance	58.84	57.58	60.19	66.31
Health insurance	85.25	83.74	77.04	77.56
Motor vehicle hulls	83.86	85.07	74.48	80.33
Fire and natural events	81.39	83.27	72.47	74.29
Miscellaneous damages - theft	88.40	87.53	84.53	86.20
Third-party motor liability	76.72	75.52	69.30	67.82
Third-party general liability	71.81	71.13	33.25	37.35

Anti-fraud activities

Claims which are presumed to be possible cases of fraud are handled with anti-fraud criteria established by the company's guidelines.
Savings for the year in relation to the Motor TPL business, quantified in accordance with Law 27/2012 implemented by Regulation ISVAP n. 44, amounted to 5,312 thousand euro.
As a result of the deepening in relation to fraud risk, savings of 4,773 thousand euro were achieved for claims that have been defined without result and 539 thousand euro for claims settled definitively, compared to the assessed value posted to technical provisions.

Reinsurance

LIFE BUSINESS

Outward reinsurance

In the Life business, with respect to Class "I", there are an excess of loss treaty and a pure commercial premiums treaty, the latter for the sale set up in 1996 and 1997.

Ceded premiums in FY17 amounted to 1,157 thousand euro (1,182 as at 31 December 2016).

Inward reinsurance

With respect to the life business, there is a traditional pure-premium treaty no longer fed with new business, which merely records changes occurring in the related portfolio.

NON-LIFE BUSINESS

Outward reinsurance

As far as outward reinsurance is concerned, the corporate policy is based on selective underwriting of risks and on book development and entity in relation to the risks covered. It aims to balance net retention. Transactions are undertaken internationally with players in the reinsurance markets featuring high ratings.

The main treaties in place are the following:

Excess claims: Accident, Motor vehicle Hulls, Marine Hulls, Cargo (goods in transit), Fire and natural events, Motor TPL and General TPL;

Pure premium: Suretyship, Legal protection, Assistance and Miscellaneous damage in relation to Hail, Engineering risks and ten year guarantees.

Ceded premiums in FY17 totalled 36,729 thousand euro (31,574 thousand euro in 2016).

Inward reinsurance

Acceptance of risks relating to the indirect business mainly arises from participation in syndicates and from acceptance of shares in Italian businesses, which are entered into voluntarily.

As regards credit risk, we highlight the fact that Vittoria Assicurazioni makes use of premier reinsurers. Rating companies of reference are Standard & Poor's, Moody's, Fitch and A.M. Best; the following table shows the balance sheet transactions in place as at reporting date, by rating:

(€/000)

S&P / Moody's Rating	Current and Deposit accounts	Reinsurers' share of technical reserves	Total net balance sheet items	% of breakdown
AA+	145	755	900	1.8
AA	-50	199	149	0.3
AA-***	-11,112	39,114	28,002	55.7
A+	-200	3,399	3,199	6.4
A*	-1,594	7,150	5,556	11.0
A3****	992	5,876	6,868	13.7
A-**	96	3,057	3,153	6.3
Not rated	-180	2,658	2,478	4.8
Total	-11,903	62,208	50,305	100.0

* provided by A.M. Best for 2,658 thousand euro

** provided by Fitch 250 thousand euro

*** provided by Fitch -3 thousand euro

**** provided by Moody's

Claims cost trend

As required in IFRS 4, paragraph 39, we present some information concerning the Non-Life claims trend.
The table below shows estimated costs of claims in the year when they were generated, from 2008 to 2017, and updates recorded in subsequent years following adjustment of claims and alignment of reserves based on the greater information received on the claims concerned and updating of observable historical series.
Each figure present on the triangle is the estimated generation cost at 31 December of the year observed. The total cost is the sum of the following components:

- Cumulative claim amounts paid from the year of the claim event up to 31 December of the year of observation
- Accrued provisions for open claims, as at 31 December of the year of observation
- Estimate of IBNR (incurred but not reported) claims of the event year as at 31 December of the year of observation

Cumulative claim amounts paid excludes the cost of the contribution to the road-accident victim guarantee fund.

This table shows the gross data; therefore, it does not report the amounts recovered and to be recovered from policyholders and third parties for recoupment, deductibles and, only in the Land Vehicle TPL line, claims settlements.

(€/000)

Year of event	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Totale
Cumulative claims cost											
At the end of year of event	349,709	403,347	440,586	520,561	567,376	614,689	651,383	684,774	700,163	767,916	5,700,505
1 year later	355,348	399,053	445,632	514,147	540,079	601,168	621,301	685,978	707,199		
2 years later	355,595	405,416	444,079	514,219	540,970	593,557	610,631	687,775			
3 years later	354,902	412,321	450,679	516,766	547,735	587,801	595,935				
4 years later	360,005	424,295	449,862	524,147	547,207	580,437					
5 years later	364,444	427,086	452,698	523,861	542,840						
6 years later	368,886	433,351	453,778	519,328							
7 years later	371,410	435,426	455,906								
8 years later	371,404	435,294									
9 years later	373,992										
Cumulative claims cost at 31/12/2017	373,992	435,294	455,906	519,328	542,840	580,437	595,935	687,775	707,199	767,916	5,666,623
Total cumulative claims paid in 2017	361,248	409,154	434,746	481,460	486,117	498,354	501,656	533,173	507,655	341,315	4,554,876
Claims paid in 2017	7,951	4,964	11,869	11,795	18,979	18,587	20,952	62,898	207,268	341,315	706,578
Claims reserve at 31 December 2017	12,745	26,140	21,161	37,868	56,724	82,084	94,279	154,602	199,544	426,601	1,111,747

From the comparison between what was posted in the first year of occurrence of claims - in the decade highlighted - amounting to 5,700,505 thousand euro and the evolution of the same at the date of the 2017 financial statements, amounting to 5,666,623 thousand euro, emerges a deviation equal to -0.6%.

For information purposes, we point out that the range of 1.0% in Loss Ratio, would lead to a result in profit and loss statement of approximately 11 million euros, before tax.

Commercial organisation

The development activity has resulted in the opening of 16 new agencies and the reorganization of other 26, while 2 agencies have been closed; as at 31 December 2017 Vittoria Assicurazioni was nationally present with 444 General Agencies (430 as at 31 December 2016) and 1,099 Sub-Agencies Professional (1,008 as at 31 December 2016).
The planned training activity continues for the primary sales network (General Agents), for “second level” sales agents (producers and sub-agents) and for agency employees in line with 2016.
In particular, in 2017 the focus of the training was aimed at acquiring skills related to business processes and tools for all levels of the network. As part of the professional update, 44 courses were delivered to the agency network and 5 titles were provided via webinars (virtual classrooms involving the presence of participants and trainer).
During 2017 training was provided by internal trainers, assisted for some courses and for a selected number of Agencies, by external suppliers, selected on the basis of the requisites required by Reg. 6/2014 art. 14.
The 2017 training plan was completed with the issue of modules for updating the products according to the following contents: Life Business - Savings and Investment Policies, in the thematic areas “On specific product” and with the issue of a new online training path of 60 hours dedicated to new beginners.

Products - Research and development

During the year, the review continued for technical interventions and adjustments to the sector regulations (IVASS, COVIP, CONSOB) of the products of the Non-life and Life business.

A new Other Motor Risks product called "Autosicura" was introduced as part of the Motor Lines business, which is flanked by the current product, Other Motor Risks, which provides for the repair of the vehicle uncovered by going to a contracted repair workshop.

In the Life business, the marketing of the following new products were launched, including those that according to IFRS 4 are not considered insurance products:

- the full-life multi-brand called Vittoria InvestiMeglio-MultiRamo OPEN, single premium rate and additional payments linked to the segregated fund "Vittoria Obiettivo Crescita" and to UCITS Funds;
- the full-life multi-brand called Vittoria InvestiMeglio-MultiRamo - Multiramo FLEX, single premium rate and additional payments, which invests part of the premium in the segregated fund “Vittoria Obiettivo Crescita” and in the Internal Funds “Vittoria Equilibrato” and “Vittoria Dinamico";
- Vittoria InvestiMeglio - EvoluzioneOC and Vittoria InvestiMeglio - EvoluzioneRM, mixed class I mixed-rate tariffs with profit sharing. The products invest the premium respectively in the segregated fund "Vittoria Obiettivo Crescita" and "Vittoria Rendimento Mensile";
- Vittoria Formula Rendita Plus, a single premium Class I product that guarantees a revalued income on the basis of the segregated fund “Obiettivo Crescita” in the event of survival, and a decreasing capital in the event of death consisting of the premium paid net of the annuity payments already received;
- “Vittoria Tutela Futuro - Doppia Protezione”, product of Class I with the option of choice between a constant capital coverage and variable annual premiums and a decreasing capital coverage and constant annual premiums;
- ”Vittoria Tutela Futuro – Classic Smart”, product of Class I case of death with capital and constant annual premium;
- “Vittoria In Azione Italia – PIR”, a single-premium Class III life product with additional payments, which invests in the Internal Fund "Vittoria Crescita Italia PIR cl. B ".

Overhead costs

Overhead costs – direct business

The total amount of insurance overhead costs (Non-Life and Life business) – consisting of personnel costs, various general expenses, plus depreciation of tangible assets and amortisation of intangible assets – totalled 107,910 thousand euro, substantially unchanged with the results of the previous year, equal to 107,520 thousand euro. Besides current operating expenses, these costs also include depreciation & amortisation costs for investments made in IT facilities and processes. These investments are intended to limit, in future years, the operating costs burdening corporate departments and the agency network, whilst at the same time improving services to policyholders as regards insurance coverage and claims settlement. Their breakdown is shown in the following table, where “Other costs” consist mainly of office running costs, IT costs, legal and legal-entity expenses, mandatory contributions, and association membership dues.

(€/000)

ANALYSIS OF COSTS	31/12/2017	31/12/2016	Change
Personnel expenses	55,622	54,056	2.9%
Other costs	42,287	41,551	1.8%
Amortisation/Depreciation	9,938	11,913	-16.6%
Total cost by nature	107,847	107,520	0.3%

Overhead costs as a percentage of total direct insurance premiums (direct business) decreased from 8.5% last year to 8.1%.

Operating costs

The following table shows the total amount of insurance operating costs (Non-Life and Life business), as shown in the income statement, by activity.

(€/000)

	31/12/2017	31/12/2016	Change
Gross commissions and other acquisition costs	247,357	226,835	9.0%
Profit participation and other commissions received from reinsurers	-5,686	-4,614	23.2%
Investment management costs	2,020	1,552	30.2%
Other administrative costs	38,692	42,695	-9.4%
Total	282,383	266,468	6.0%

Real estate business

The Group's real estate business includes mainly trading and development, brokerage, and management of own property. Below, we highlight the key operating results of the group companies.
During the year, the properties destined for leasing to the "Investments property" category were reclassified.

Trading, development and lease activities

The following companies operate in this segment:

Vittoria Immobiliare SpA – Milan

100% direct equity interest
This company operates in real-estate development and trading, both directly and via special-purpose real-estate companies. Revenues from the sale of property in 2017 amounted to 2,702 thousand euro (1,515 thousand euro in 2016). Closing inventory totalled 16,848 thousand euro (16,031 thousand euro in 2016).

Immobiliare Bilancia Srl - Milan

100% direct equity interest
This company is active in real-estate trading of properties in San Donato Milanese, Rome and Genoa and in the development of an area in Florence, Viale Michelangelo.
Revenues from the sale of property in 2017 amounted to 6,254 thousand euro (2,001 thousand euro in 2016). Closing inventory totalled 24,060 thousand euro (29,013 thousand euro in 2016).

Immobiliare Bilancia Prima Srl – Milan

100% direct equity interest
The company owns a building plot in the municipality of Parma, for which the development project is being defined, a building complex with a prevalent use destination as offices in Milan, Via Adamello 10, a building activity in Rome, a complex of residential buildings in Turin, Corso Cairoli and Corso Francia and a building area located in the Municipality of Peschiera Borromeo, on which the construction of four buildings is in progress.
The earnings during the financial year from the sale of property amounted to 253 thousand euro (1,783 thousand euro in 2016) and the final inventory amounted to 58,462 thousand euro (52,928 thousand euro in 2016).

Acacia 2000 Srl – Milan

71.60% direct equity interest and 28.40% indirect equity interest via Vittoria Immobiliare S.p.A.
The company owns a complex with a residential use destination, consisting of eight buildings and an two-level underground car park in an area located in the "Portello" area of Milan, called "Parco Vittoria Residenze". Commercialization and leasing activities are continuing regularly, the latter resulting from the reorganization of the real estate business, with the objective of pursuing returns over time that make it attractive to purchase, in particular from institutional investors.
Revenues for the sale of property during the year amounted to 21,233 thousand euro (22,690 thousand as at 31 December 2016), while rental income amounted to 359 thousand euro (110 thousand as at 31 December 2016). Final inventories amounted to 193,494 thousand euro (209,912 thousand euro as at 31 December 2016).

VRG Domus Srl. - Turin
100% indirect equity interest via Vittoria Immobiliare S.p.A.
The company, totalled a closing inventory of 12,271 thousand euro (12,306 thousand euro in 2016), related to the real estate operation named “Spina 1” in Turin and to a non-residential property in Rome, Via della Vignaccia.

Vaimm Sviluppo Srl – Milan
100% direct equity interest
The company owns building units located in Genoa Piazza De Ferrari, Via Orefici and Via Conservatori del Mare. The closing inventories amounted to 46,324 thousand euro, a decrease vs. 48,891 thousand euro in 2016, due to the reclassification to “Investments property” of portion of buildings in Genoa, Piazza De Ferrari 4 and via Orefici 7, rented in the year.

Valsalaria Srl – Rome
51% indirect equity interest via Vittoria Immobiliare S.p.A.
The company is managing a real-estate project in the municipality of Rome. Revenues from the sale of property in 2017 amounted to 325 thousand euro (1,138 thousand euro in 2016). Closing inventory amounted to 2,403 thousand euro (2,685 thousand euro in 2016).

VP Sviluppo Srl – Milan
100% direct equity interest
The company is managing a real-estate project in the municipality of Peschiera Borromeo (MI). Revenues from the sale of property in 2017 amounted to 3,164 thousand euro (768 thousand euro in 2016) and the closing inventories amounted to 49,360 thousand euro (50,865 thousand euro in 2016).

Real Estate Brokerage activities

Interimmobili Srl based in Rome (100% indirect equity interest via Vittoria Immobiliare S.p.A.), is active in this segment.
In its real-estate brokerage activities, the company achieved commission revenue of 2,005 thousand euro (2,172 thousand euro in 2016), before infragroup eliminations.
In the year the company continued to sell properties mainly in Rome, Turin and Milan based on sales mandates given by Group companies and premier institutional investors and private.

Property management

Gestimmobili Srl, based in Milan (100% indirect equity interest via Vittoria Immobiliare S.p.A.), is the company active in this segment, i.e. in the administrative and technical management of property assets.
Revenues achieved for this activity in 2017 totalled 2,528 thousand euro (1,544 thousand euro as at 31 December 2016). This improvement is mainly the result of the changes made to its operating structure, which led to an increase in the activities and management and consulting services that benefit the Group companies.

Overhead costs

Overhead costs for the real estate business, before elimination of infra-group services, are as shown in the table below:

(€/000)

ANALYSIS OF COSTS	31/12/2017	31/12/2016	Change
Personnel expenses	3,200	5,236	-38.9%
Other costs	6,805	8,574	-20.6%
Amortisation/Depreciation	620	862	-28.1%
Total cost by nature	10,625	14,672	-27.6%

Personnel and Other costs are allocated to Operating Costs (specifically to "Other administrative costs"). Depreciation and amortisation costs are allocated to the "Other costs" caption in the income statement.

Service business

This segment showed a profit in the period, as shown in the income statement by business and business line, of 669 thousand euro (profit of 239 thousand euro in 2016).
Revenues for services rendered in 2017 by group companies, before elimination of infra-group services, amounted to 2,810 thousand euro. These revenues included 2,751 thousand euro for commissions and services rendered to the direct operating Vittoria Assicurazioni (1,150 thousand euro and 1,059 thousand euro in 2016, respectively).

Overhead costs

The following table shows overhead costs for the service business, before intersegment eliminations:

(€/000)

ANALYSIS OF COSTS	31/12/2017	31/12/2016	Change
Personnel expenses	331	307	7.8%
Other costs	831	411	102.2%
Amortisation/Depreciation	32	1	n.s.
Total cost by nature	1,194	719	66.1%

The increase in costs is mainly due to the entry into full operation of the activities of companies belonging to this sector.
Personnel and Other costs are allocated to Operating Costs (specifically to "Other administrative costs"). Depreciation and amortisation costs are allocated to the "Other costs" caption in the income statement.

Investments – Cash & cash equivalents - Property

Investments, cash & cash equivalents, and property reached a value of 3,614,037 thousand euro with an increase of 7.9 % vs. 31 December 2016. The detailed breakdown is shown in the following table:

(€/000)

	INVESTMENTS - CASH AND CASH EQUIVALENTS - PROPERTY	31/12/2017	31/12/2016	Change
A	Investments in subsidiaries and associates and interests in joint ventures	19,357	20,138	-3.9%
B	Held to maturity investments	44,051	44,268	-0.5%
	Loans and receivables	192,126	128,677	49.3%
	- Reinsurance deposits	149	149	
	- Other loans and receivables	191,977	128,528	
C	Financial assets available for sale	2,556,399	2,208,766	15.7%
	- Equity investments	129,515	103,058	
	- OEIC units	399,154	82,430	
	- Bonds and other fixed-interest securities	2,027,730	2,023,278	
	Financial assets at fair value through profit or loss	76,589	56,872	34.7%
D	Financial assets held for trading	13	6	116.7%
	- Bonds and other fixed-interest securities held for trading	13	6	
E	Financial assets at fair value through profit or loss	76,576	56,866	34.7%
	- Investments where policyholders bear the risk	76,576	56,866	
	Cash and cash equivalents	113,650	262,936	-56.8%
F	Total Property	611,865	627,290	-2.5%
	Investment property	111,240	89,428	24.4%
	Property	500,625	537,862	-6.9%
	Property under construction	50,946	47,376	
	Property held for trading	352,276	375,256	
	Owner-occupied property	97,403	115,230	
	TOTAL INVESTMENTS	3,614,037	3,348,947	7.9%
	of which			
	investments where the Group bears the risk	3,537,461	3,292,081	7.5%
	investments where policyholders bear the risk	76,576	56,866	34.7%

Vittoria Assicurazioni continued the action aimed at diversification by asset classes of the investment portfolio during the year. Given the market conditions and the rates of return recognized on bonds, in order to guarantee an adequate return on the portfolio and a limited volatility, the share invested in UCITS units has increased.

The following table, shows a breakdown of investments, cash & cash equivalents and property by business type:

(€/000)

Investments - Cash and cash equivalents - Property	Insurance Business		Real Estate Business		Service Business		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
Investment property	94,016	89,428	17,224	-	-	-	-	-	111,240	89,428
Investments in subsidiaries	484,765	506,609	-	-	-	-	-484,765	-506,609	-	-
Investments in associates	18,369	19,071	55,072	64,329	621	654	-54,705	-63,916	19,357	20,138
Held to maturity investments	44,051	44,268	-	-	-	-	-	-	44,051	44,268
Reinsurance deposits	149	149	-	-	-	-	-	-	149	149
Other loans and receivables	193,562	128,986	11,415	19,542	-	-	-13,000	-20,000	191,977	128,528
Financial assets available for sale										
Equity investments	127,664	102,993	4	39	1,847	26	-	-	129,515	103,058
OEIC units	399,154	82,430	-	-	-	-	-	-	399,154	82,430
Bonds and other fixed-interest securities	2,027,730	2,023,278	-	-	-	-	-	-	2,027,730	2,023,278
Financial assets at fair value through profit or loss: Investments where policyholders bear the risk	76,576	56,866	-	-	-	-	-	-	76,576	56,866
Financial assets held for trading: Bonds and other fixed-interest securities	13	6	-	-	-	-	-	-	13	6
Cash and cash equivalents	84,071	225,576	26,625	34,243	2,954	3,117	-	-	113,650	262,936
Property under construction	-	-	50,946	47,376	-	-	-	-	50,946	47,376
Property held for trading	-	-	343,183	366,163	-	-	9,093	9,093	352,276	375,256
Owner-occupied property	81,345	85,436	16,058	29,794	-	-	-	-	97,403	115,230
Total	3,631,465	3,365,096	520,527	561,486	5,422	3,797	-543,377	-581,432	3,614,037	3,348,947

Investments with risk borne by Group

Investments with risks borne by the Group totalled 3,537,461 thousand euro (3,292,081 thousand euro as at 31 December 2016).

The following transactions took place during the 2017:

A) Investments in subsidiaries, associates and joint ventures:

Among the Group's principal associated companies we report the direct participation of 27.31% in Yarpa S.p.A., a company which carries out the role of the holding company, holding stable investment in portfolio and also provides financial advisory services. The company controls Yarpa Investimenti SGR S.p.A., an asset management company active in management of securities and real estate closed-end funds, as well as YLF S.p.A., created to manage in joint venture with LBO France private equity investments in the Italian market and targeting small and medium-sized companies. As at 31 December 2017, the company reported an net equity's Group amounted to 40,929 thousand euro (39,590 thousand euro as at 31 December 2016).

B) Held-to-maturity investments:

The main transaction during the period involved the redemption of bonds for 227 thousand euro.

C) Financial assets available for sale:

The main transactions during the period were as follows:

- redemption of bonds for 512,801 thousand euro;
- purchase of bonds for 560,266 thousand;
- redemption of Italian government bonds at fixed rate for 6,143 thousand euro realizing gains for 1,692 thousand euro;
- payments of 4,998 thousand euro in a specialized money market fund;
- purchases and sales during the year for 10,000 thousand euro in UCITS funds with long / short strategy, realizing net losses for 105 thousand euro;
- payments of 77,702 thousand euro in funds specialized in Infrastructure debt and repayments of 52 thousand euro;
- payments of 214,586 thousand euro in funds specializing in private debt / loans entirely allocated to the durable portfolio and repayments for 12,376 thousand euro, recognizing gains of 176 thousand euro;
- payments of 4,000 thousand euro in funds specialized in Corporate High Yield investments;
- purchase of High Yield bond ETFs for 1,501 thousands euro;
- purchase of Euro area equity ETFs for 23,132 thousand euro;
- payments of 14,681 thousand euro in private equity funds and repayments of 8,918 thousand euro, recognizing gains of 308 thousand euro;
- payments of 3,153 thousand euro in Infrastructure Equity funds and repayments of 324 thousand euro;
- total repayment of an investment in a closed-end real estate fund for 1,102 thousand euro, recording losses for 9 thousand euro;
- impairment of the investment in the “Fondo Atlante” of 2,766 thousand euro, recognizing the information of the management company;
- reclassification of the investment in the company Spefin Finanziaria SpA, from the item "Investments in associates and joint ventures" to the item "Financial assets available for sale", following the reduction in the shareholding (reference is made to the comment on changes in the Consolidation)

D) Financial assets held for trading:

During the year there were no transaction to report.

F) Property

As at 31 December 2017, properties totalled 611,865 thousand euro down 2.5% (627,290 thousand euro as at 31 December 2016).
The table below shows a breakdown of these properties and the changes for the period.

(€/000)

	Investment Property	Property under construction	Property held for trading	Owner-occupied property	Total
Balance as at 31/12/2016	89,428	47,376	375,256	115,230	627,290
Purchase and capitalised interests paid					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)			718		718
- TURIN - Pasteur Str. (via Vittoria Assicurazioni S.p.A.)	2,933				2,933
- TURIN - Corso Francia (via Vittoria Assicurazioni S.p.A.)	5,140				5,140
- SAN DONATO MILANESE (MI) - (via Vittoria Immobiliare S.p.A.)			39		39
- MILAN - Don Gnocchi Str. - (via Vittoria Immobiliare S.p.A.)			3,834		3,834
- ROME - Guattani Str. (via Immobiliare Bilancia S.r.l.)			245		245
- MILAN - Adamello Str. (via Immobiliare Bilancia Prima S.r.l.)			67		67
- PESCHIERA BORROMEO (MI) - (via VP Sviluppo S.r.l.)		1,379	41		1,420
- PESCHIERA BORROMEO (MI) - (via Immobiliare Bilancia I S.r.l.)			3,344		3,344
- FLORENCE - Michelangelo Str. (via Immobiliare Bilancia S.r.l.)			116		116
- ROME - Meliconi Str. (via Immobiliare Bilancia Prima S.r.l.)			62		62
- ROME - Della Vignaccia Str. (via VRG Domus S.r.l.)		213			213
- PARMA - (via Immobiliare Bilancia Prima S.r.l.)		1,978			1,978
- TURIN - (via Immobiliare Bilancia Prima S.r.l.)	688				688
- Miscellaneous	282		48	82	412
Total purchase and capitalised interests paid	9,043	3,570	8,514	82	21,209
Sales:					
- MILAN - Parco Vittoria (via Acacia 2000 S.r.l.)			(21,233)		(21,233)
- NAPLES - S. Carlo Str. (via Vittoria Assicurazioni S.p.A.)				(420)	(420)
- SAN DONATO MILANESE (MI) - (via Vittoria Immobiliare S.p.A.)			(1,414)		(1,414)
- TURIN - Barbaroux Str. (via Vittoria Immobiliare S.p.A.)			(1,236)		(1,236)
- ROME - (via Valsalaria S.r.l.)			(325)		(325)
- ROME - (via Immobiliare Bilancia I S.r.l.)			(210)		(210)
- TORINO - Cairoli Str. (via Immobiliare Bilancia I S.r.l.)			(43)		(43)
- TURIN - Villarfocchiardo (via Vittoria Immobiliare S.p.A.)			(52)		(52)
- PESCHIERA BORROMEO (MI) - (via VP Sviluppo S.r.l.)			(3,164)		(3,164)
- MILAN - San Donato Milanese (via Immobiliare Bilancia S.r.l.)			(3,122)		(3,122)
- FLORENCE - Michelangelo Str. (via Immobiliare Bilancia S.r.l.)			(3,132)		(3,132)
Total sales	-	-	(33,931)	(420)	(34,351)
Depreciations	(4,183)			(4,141)	(8,324)
Miscellaneous	16,952		(3,604)	(13,348)	-
Recognised gains			6,041		6,041
Balance as at 31/12/2017	111,240	50,946	352,276	97,403	611,865

The item "Investment property" mainly includes the properties held by Vittoria Assicurazioni and leased, such as those for tertiary destination in the Portello area in Milan, and two properties in Turin, purchased in 2017 for tertiary use. In addition, during the year, the properties held by the real estate companies belonging to the Group were reclassified, from the "Owner-occupied property" and "Property held for trading" items to the item "Investment property" as they were leased.

Securities portfolio breakdown

The following table shows the carrying value of the securities portfolio with risk borne by the Group, without considering investments in associates and joint venture, broken down by investment type (debt securities, equity securities and OEIC units). It also provides indications concerning financial risk exposure and uncertainties of flows.

NON-LIFE BUSINESS PORTFOLIO

(€/000)

Investment nature	Amount 31/12/2017	% of breakdown	Amount 31/12/2016	% of breakdown
DEBT SECURITIES	1,076,099	76.8%	1,043,713	88.2%
Listed treasury bonds:	934,405	66.7%	975,282	82.4%
Fixed-interest rate	934,405	66.7%	975,282	82.4%
Listed corporate bonds:	141,594	10.1%	68,290	5.8%
Fixed-interest rate	136,882	9.8%	67,275	5.7%
Variable interest rate	4,712	0.3%	1,015	0.1%
Unlisted corporate bonds:	100	0.0%	141	0.0%
Fixed-interest rate	100	0.0%	141	0.0%
of which				
Total fixed-interest securities	1,071,387	99.6%	1,042,698	99.9%
Total variable-interest securities	4,712	0.4%	1,015	0.1%
Total debt securities	1,076,099	100.0%	1,043,713	100.0%
of which				
Total listed securities	1,075,999	100.0%	1,043,572	100.0%
Total unlisted securities	100	0.0%	141	0.0%
Total debt securities	1,076,099	100.0%	1,043,713	100.0%
EQUITY INSTRUMENTS	129,515	9.2%	103,058	8.7%
listed shares	11,592	0.8%	9,503	0.8%
unlisted equity instruments	117,923	8.4%	93,555	7.9%
OEIC UNITS	196,151	14.0%	36,194	3.1%
TOTAL	1,401,765	100.0%	1,182,965	100.0%

The fixed-income securities portfolio of Non-Life business has a duration of 4.0 years.

LIFE BUSINESS PORTFOLIO

(€/000)

Investment nature	Amount 31/12/2017	% of breakdown	Amount 31/12/2016	% of breakdown
DEBT SECURITIES	995,695	83.1%	1,023,839	95.7%
Listed treasury bonds:	891,609	74.3%	983,527	91.9%
Fixed-interest rate	888,703	74.1%	951,792	88.9%
Variable interest rate	2,906	0.2%	31,735	3.0%
Unlisted treasury bonds:	-	0.0%	972	0.1%
Variable interest rate	-	0.0%	972	0.1%
Listed corporate bonds:	103,324	8.7%	39,340	3.7%
Fixed-interest rate	66,686	5.6%	35,938	3.4%
Variable interest rate	36,638	3.1%	3,402	0.3%
Unlisted corporate bonds:	762	0.0%	-	0.0%
Variable interest rate	762	0.0%	-	0.0%
of which				
Total fixed-interest securities	955,389	96.0%	987,730	96.5%
Total variable-interest securities	40,306	4.0%	36,109	3.5%
Total debt securities	995,695	100.0%	1,023,839	100.0%
of which				
Total listed securities	994,933	99.9%	1,022,867	99.9%
Total unlisted securities	762	0.1%	972	0.1%
Total debt securities	995,695	100.0%	1,023,839	100.0%
OEIC UNITS	203,003	16.9%	46,236	4.3%
TOTAL	1,198,698	100.0%	1,070,075	100.0%

The fixed-income securities portfolio of Life business has a duration of 5.7 years.

The following tables show the carrying value of fixed-rate securities by maturity and the carrying value of floating-rate securities by type of interest rate, indicated separately in the Non-Life business portfolio and in the Life business portfolio.

NON-LIFE BUSINESS PORTFOLIO

Fixed - interest securities (€/000)

Maturity	Amount	% of breakdown
< 1 year	129,396	12.1%
1<X<5	547,422	51.1%
5<X<10	359,775	33.6%
more	34,794	3.2%
Total	1,071,387	100.0%

Variable - interest securities (€/000)

Tipe of rate	Indexation	Amount	% of breakdown
Fixed to floater	Euroswap 5Y	3,701	78.5%
variabile	3 months Euribor	1,011	21.5%
Total		4,712	100.0%

LIFE BUSINESS PORTFOLIO

Fixed - interest securities (€/000)

Maturity	Amount	% of breakdown
< 1 year	38,217	4.1%
1<X<5	336,697	35.1%
5<X<10	407,178	42.7%
more	173,297	18.1%
Total	955,389	100.0%

Variable - interest securities (€/000)

Tipe of rate	Indexation	Amount	% of breakdown
Fixed to CMS	Euroswap 5Y	3,440	8.5%
Fixed to CMS	Euroswap 10Y	2,942	7.3%
Fixed to floater	3 months Euribor	4,319	10.7%
Fixed to floater	Euroswap 5Y	27,175	67.5%
Variabile	Infl linked	774	1.9%
Variabile	6 months Euribor	1,656	4.1%
Total		40,306	100.0%

In implementing its investment policy, the Group limits its credit risk by choosing issuers with a high credit rating.
As you can see from the table below, as at 31 December 2017, the nearly all corporate bonds held by the group were rated as investment grade.

(€/000)

Rating		Amounts	% of breakdown
AAA		249,438	12.0%
AA+ / AA-		351,340	17.0%
A+ / A-		265,753	12.8%
BBB+ / BBB-		1,194,937	57.7%
	Total investment grade	2,061,468	99.5%
Non investment grade		10,225	0.5%
Not rated		101	0.0%
Total		2,071,794	100.0%

Investments benefiting Life policyholders who bear related risk and relating to pension fund management

As at 31 December 2017 these investments amounted to 76,576 thousand euro, +34.7% against prior year. Of the total, 52,440 thousand euro are related to unit-linked policies and 24,136 thousand euro to the Vittoria Formula Lavoro open-ended pension fund.
Overall net return was positive and totalled 2,416 thousand euro (negative balance of 187 thousand euro in 2016).

Income and charges from investments

The following table shows the breakdown as at 31 December 2017 of net gains from investments.

(€/000)

Gains and losses on investments, Cash & cash equivalents and Property	Realised gains/ (losses)	Unrealised gains/ (losses)	31/12/2017 total net gains/(losses)	31/12/2016 total net gains/(losses)
Investments	47,563	-4,730	42,833	120,525
From:				
a investment property	4,082	-4,118	-36	260
b investments in subsidiaries and associates and interests in joint ventures	-870	-318	-1,188	-3,883
c held to maturity investments	1,758	-	1,758	1,764
d loans and receivables	630	-	630	653
e financial assets available for sale	42,020	-2,774	39,246	121,922
f financial assets held for trading	-	7	7	-4
g financial assets at fair value through profit or loss	-57	2,473	2,416	-187
Other receivables	230	-	230	179
Cash and cash equivalents	193	-	193	121
Financial liabilities	-342	-2,416	-2,758	-2,007
From:				
b financial liabilities at fair value through profit or loss	-	-2,416	-2,416	187
c other financial liabilities	-342	-	-342	-2,194
Total gains and losses on financial instruments	47,644	-7,146	40,498	118,818
Real estate business				
From:				
a Gains on property trading	6,041	-	6,041	1,725
b Rent income on owner-occupied property and property held for trading	671	-	671	837
Total real estate business	6,712	-	6,712	2,562
Total gains and losses on investments	54,356	-7,146	47,210	121,380

Net income with risk borne by the Group decreased from 121,380 thousand euro to 47,210 thousand euro, down by 61.1%. This decrease is mainly attributed to the extraordinary sale of Italian government securities allocated to the Non-life segment, which occurred in the previous year, which generated 47,257 thousand euro of extraordinary capital gains, net of the tax effect. Therefore, the weighted average return of the "Bonds and other fixed-income securities" decreased from 6.49% as at 31 December 2016 to 1.77% as at 31 December 2017.
The result also includes the impairment of the investment in the “Fondo Atlante” for an amount of 2,766 thousand euro, incorporating the information of the management company.

The margins on properties for trading and development, amounting to 6,041 thousand euro, resulting mainly from the margins on deed sales relating to the buildings of the residential complex "Parco Vittoria Residenze" located in the Portello area in Milan.

The following table shows the breakdown of investment gains and losses by business segment.

(€/000)

Net income on investments	Insurance Business		Real Estate Business		Service Business		Intersegment Eliminations		Total	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	7	-4	-	-	-	-	-	-	7	-4
Gains or losses on investments in subsidiaries and associates and interests in joint ventures	-1,309	-8,220	-15	540	461	165	-325	3,632	-1,188	-3,883
Gains or losses on other financial instruments and investment property	41,599	124,401	43	-1,700	36	5	1	-1	41,679	122,705
Gains on property trading	-	-	6,041	1,725	-	-	-	-	6,041	1,725
Revenue from work in progress (percentage of completion)	-	-	-	-	-	-	-	-	-	-
Rent income on owner-occupied property and pr	191	169	840	989	-	-	-360	-321	671	837
Total	40,488	116,346	6,909	1,554	497	170	-684	3,310	47,210	121,380

Financial liabilities

The following table shows the breakdown of financial liabilities by business segment.

(€/000)

Financial liabilities	Insurance Business		Real Estate Business		Service Business		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
Financial liabilities where the investment risk is borne by policyholders relating to index- and unit-linked policies	52,440	37,870	-	-	-	-	-	-	52,440	37,870
Financial liabilities where the investment risk is borne by policyholders relating to pension funds	24,136	18,996	-	-	-	-	-	-	24,136	18,996
Reinsurance deposits	6,418	12,933	-	-	-	-	-	-	6,418	12,933
Payables to banks	-	-	9,913	14,132	-	-	-	-	9,913	14,132
Other financial payables	-	-	1,152	1,294	-	-	-	-	1,152	1,294
Other financial liabilities	143,818	73,482	-	-	-	-	-	-	143,818	73,482
Total	226,812	143,281	11,065	15,426	-	-	-	-	237,877	158,707

Reference should be made to the Explanatory Notes for greater detail on the various items' breakdown.

The following table shows financial liabilities by maturity:

(€/000)

Financial liabilities: maturity	31/12/17	31/12/16
< 1 year	52,794	30,246
1 < X < 3	76,599	25,633
3 < X < 5	30,541	31,344
5 < X < 10	1,197	14,237
more	76,746	57,247
Total	237,877	158,707

Risk report

The Risk Report is intended to provide all the information required by IFRS 7 regarding risks arising from financial instruments and insurance products to which the Group is exposed, both information on the objectives, processes and capital management policies, according to the general principles of Solvency II regulations.

System of Internal Control and Risk Management

The risk monitoring is carried out primarily where the risk itself originates. Therefore, the implementation of activities aimed at limiting the risks is the specific duty of every person, according to their powers. In this sense, the corporate bodies of all Group companies are required to the application of appropriate control mechanisms for the mitigation of risks related to specific operations, which would assure to all levels a structured and regular course of business, internal and external regulatory compliance as well as the principles of sound and prudent management.
Vittoria Assicurazioni maintains and updates over time an internal documental complex consisting of procedures and organizational requirements, as well as arrays of activities and controls, aimed to making operational management principles, lines of general behavior, organizational models, roles and responsibilities on the management processes, then adjusting the internal operations and consequently the risk management.

Roles and responsibilities

The following are the main roles and responsibilities within the framework of Vittoria Assicurazioni's risk management system.

Government bodies

Vittoria Assicurazioni has adopted a traditional model of administration and control, where the Board of Directors is the central body of the system of corporate governance and the Board of Auditors performs control functions.
The Board is supported by specific committees created within it.

Board of Directors
Responsibility for the risk management system lies with the Board of Directors, which sets its guidelines and periodically verifies its adequacy and effectiveness, ensuring that the business risks are identified and properly managed.
The Board of Directors defines and approves policies and risk management strategies as well as the propensity, preferences and levels of tolerance to risk, defining performance targets consistent with the level of capital adequacy.
The Board ensures that senior management properly implements the risk management system in line with the guidelines provided and verify its efficiency, completeness, appropriateness and timeliness of information flows. The Board, in order to efficiently and effectively manage the risks, approves the model of powers and mandates, paying particular care to avoid an excessive concentration of powers in a single person, and puts in place monitoring tools on the exercise of delegated powers.
As a result of the identification of risks to which the Group is or could be exposed, the Board approves appropriate emergency plans in order to protect the assets and to ensure alignment with risk appetite.

Audit and Risk Committee
The main function of the Committee, as part of the management system and risk control, is to support, through adequate investigations, assessments and decisions of the Board of Directors regarding the establishment of guidelines and verification the adequacy of the management system and risk control.

Finance Committee
The main function of the Committee, as part of the risk management system, is to support the assessments and decisions of the Board of Directors with respect to the definition of investment risk management policies and strategies and in the supervision of the implementation of the same.

Strategy Committee
The Strategy Committee is responsible for supporting the Board and senior management in setting goals and business strategies.

Real Estate Committee
Real Estate Committee supervises the performance of the Group’s real-estate investments, defines development strategies for the segment and periodically assesses individual investment proposals submitted in the period.

Appointments and Remuneration Committee
The Appointments and Remuneration Committee assists the Board in defining the remuneration policy of Vittoria Assicurazioni in accordance with the principles of sound and prudent risk management and in line with the strategic objectives, ensuring that the incentive remuneration system does not encourage excessive risk exposure.

Committee for the assessment of transactions with related parties
The Committee, as part of the risk management system, expresses a motivated opinion regarding Vittoria Assicurazioni interest in making transactions with related parties and the convenience and substantial correctness of the relative conditions.

The following are the roles and responsibilities of the control functions, of the main non-Board Committees and of line functions within Vittoria Assicurazioni risk management system.

Line controls (so-called "first level controls")

They are performed from line functions, as part of the risk management system, carrying out direct control activities, each for the scope of its competence, aiming to apply the guidelines approved by the Board of Directors, in respect of:
- risk management;
- identification of risks related to its operations;
- assessment of their impact;
- monitoring of their progress on an ongoing basis;
- disclosure of information to the relevant departments;
- where necessary, activating all the required corrective actions.

Controls performed on risks and compliance (so-called "second-level controls")

Risk Management
Risk Management oversees the events included in the risk management process related to: insurance risks, market risks, credit risks, liquidity risk, reputational risk, operational risk and risks arising from belonging to the Group.
The Risk Management function supports the top management in the identification, implementation and monitoring of a system (methods and models) of assumption, assessment and management of business risks in line with the strategies, policies and risk appetite defined by the Board of Directors for Vittoria Assicurazioni and its subsidiaries.

Compliance
Compliance is the business function that oversees the risk of non-compliance, in order to prevent the risk of incurring legal or administrative sanctions, financial losses or reputational damage as a result of violations of laws, regulations or decisions of the Regulatory Authority or self-regulations.

Actuary
The Actuarial department coordinates the calculation of both Non-Life and Life technical reserves according to Solvency II principles, assesses the adequacy of both Non-Life and Life technical reserves calculated for the purposes of preparation of the Statutory Financial Statements and Solvency II and certifies the correctness of the procedures followed. The function also checks the appropriateness of the data used in support of the assumptions and the appropriateness of the methodologies, models and assumptions used and assesses the general underwriting policies and the reinsurance arrangements, giving specific opinions.

Anti-money Laundering Department
The Anti-Money Laundering department prevents and contrast money-laundering operations and the financing of terrorism, ensuring compliance with anti-money laundering laws.
With regard to the above, this department is responsible for preparing and managing the related information flows to the Supervisory Authority in the manner and timing provided about the identified doubtful operations.

Anti-fraud department
The Anti-Fraud department prevents and acts against, directly and indirectly, insurance fraud, also in cost containment perspective. To this end, the Anti-fraud department helps to define guidelines, rules and measures to prevent fraud to the detriment of Vittoria Assicurazioni, carrying out specific activities with the aim of identifying potential frauds.

Financial Reporting Officer
Financial Reporting Officer reports to the Board of Directors periodically, also via the Control and Risk Committee in which he participates, in relation to the activities performed in the exercise of his functions, aimed at ensuring the provision of appropriate administrative and accounting procedures for the preparation of financial statements, the consolidated financial statements and all other financial documents.

Risk Management Committee
Vittoria Assicurazioni has established a Risk Management Committee in order to ensure the implementation and monitoring of a system of risk assumption, evaluation and management, consistent with the operations carried out by individual departments.

Anti-money Laundering Committee
Vittoria Assicurazioni set up an Anti-Money Laundering Committee whose purpose is to evaluate the operations reported as unexpected by the application system or by the operational departments (Management and distribution network functions), in order to support the Head of Anti-Money Laundering department in the decision to dismiss the report or to proceed with sending it to the Financial Intelligence Unit (FIU).

Steering Committee for Disaster Recovery Emergency
Vittoria Assicurazioni has set up a special committee with the task of ensuring the presence of a disaster recovery plan, expected to meet serious emergencies that may affect the smooth business operations. The plan also is periodically updated depending on the outcome of the annual test of Recovery.

Internal audit (so-called "third-level controls")

Internal Audit
The Internal Audit function assists in the development of the risk management system by evaluating its design and monitoring its aspects of effectiveness and efficiency. It verifies the completeness, functionality, reliability and adequacy of the internal control and risk management (including the first and second level controls) as well as the company's operations to be consistent with it.

The risk management system

The risk management system is the set of rules, processes, resources (human, technological and organizational), and the tools used to support the Group's risk management strategy and allows an adequate understanding of the nature and significance of the risks to which the Group and the individual companies are exposed. The risk management system allows Vittoria Assicurazioni to have a single point of view and a holistic approach to risk management as a part of the running of business.
An integral part of the risk management system are the detailed policies that allow it to decline, consistently, the approach and methodology for the management of specific risk categories, risks within specific processes, risk mitigation techniques, methods for measuring individual risk factors, their correlations and the underlying principles, monitoring and analysis methodologies.
Such risk management policies are defined and implemented with reference to the integrated view of assets and liabilities, whereas the development of techniques and asset-liability management models is crucial for the proper understanding and management of risk exposures that may result from the interrelations and the mismatch between assets and liabilities.
The processes of identification and assessment of risks are performed on an ongoing basis, to take account both of the changes in the nature and size of the business and market environment, both in the occurrence of new risks or change of the existing ones.

The risk management process of Vittoria Assicurazioni allows to detect, measure, monitor and possibly mitigate risk and consists of the following stages:

- Risk identification;
- Assessment of exposure to risks;
- Risk monitoring;
- Risk treatment.

Risk Appetite and Risk Appetite Framework

The risk appetite is the level of risk that Vittoria Assicurazioni intends to take in total and by each of the areas, and ensures an adequate level of capitalization and the pursuit of defined strategic objectives. The Framework is a set of metrics, processes and systems that support the proper management of the level and the type of risk.

The Risk Appetite adopted and reviewed periodically by the Board of Directors is defined on the basis of three dimensions: Capital, Value and Profit and results operationally in key indicators (e.g. performance and/or risk) for which appropriate thresholds are defined. The indicators are subject to continuous monitoring and the recognition of violations of the thresholds, according to different levels of early warning, allows the activation of escalation processes and of business plans revisions.

The ORSA process

The Own Risk and Solvency Assessment is an assessment of the current and prospective risk profile of Vittoria Assicurazioni. The evaluation is based on methodologies, processes and techniques appropriate to the nature, scope and complexity of the risks inherent in the business exercised. The results achieved allow Vittoria Assicurazioni to take decisions in key areas such as capital management and allocation, strategic planning, product development and design and corporate risk management.

The ORSA, representing the projection of the overall solvency needs over a period coinciding with that of the strategic plan of Vittoria Assicurazioni, reflects the risk profile, the risk appetite and business strategy.

<u>Risk Identification</u>

Significant risks of Vittoria Assicurazioni, whose consequences can undermine the solvency or constitute a serious obstacle to the achievement of business objectives, are set periodically by the Board of Directors. The cases considered in the context of the risk management process are mainly related to insurance risks, market risks, credit risks, liquidity risk, concentration risk, risks of regulatory non-compliance, reputational risks, operational risks and risks arising from belonging to the group.

Major Insurance Risks included in the risk management process are related to the underwriting criteria, pricing models, the quantification of reserves and risk transfer techniques. The main risks to which Vittoria Assicurazioni is exposed are referred to:

a. Underwriting risk (underwriting and pricing): it reflects the risk that premiums are not sufficient to cover claims plus expenses and is derived from the selection of risks and the covered events (including catastrophe) as well as by results in the actual loss experience compared to that estimated.

b. Reservation Risk: derives from the quantification and runoff of technical provisions and considers the possibility that the asset will not be appropriate in respect of commitments to policyholders and injured parties.

c. Pricing risk of the Motor business: it is associated to the processes followed for the definition of the tariff to be applied to Motor policies, with particular reference to the Civil Liability guarantee.

d. Risk of Reinsurance Retention: it derives from the definition and implementation of an inadequate reinsurance policy that may result in a less than optimal level of retention and an inefficient mitigation of exposure to risks.

The main market risks included in the risk management process are referred to:

Interest rate risk: Vittoria Assicurazioni is exposed to interest rate risk with respect to the bond portfolio and insurance liabilities.
The debt securities are exposed to interest rate risk. The risk of the market value interest rate appears to be the risk that the value of a financial instrument will fluctuate because of changes in interest rates on the market. A decrease in interest rates would raise the market value of such securities, while an increase in rates would decrease the value.
The interest-rate risk on cash flows relates to possible changes in the coupons of floating-rate securities.

The debt securities, fixed and floating rate, exposed to the interest rate risk on market value are shown separately for the Non-Life and Life business, with indication of the duration, in the paragraph entitled "Investments, Cash & cash equivalents and Property – Securities portfolio breakdown", previously reported, together with the stratification of the portfolio by maturity.

The fair value sensitivity related to fixed rate debt securities is shown in the table below:

(€/000)

Non – Life portfolio	+100BP	-100BP
Fixed-rate debt securities	(41,888)	45,074
Life portfolio		
Floating-rate debt securities	(50,620)	55,670

The fair value sensitivity related to floating rate debt securities is shown in the table below

Non – Life portfolio	+100BP	-100BP
Fixed-rate debt securities	(34)	38
Life portfolio		
Floating-rate debt securities	(2,282)	2,850

Life insurance contracts provide a guaranteed minimum interest rate and have a direct link between investment income and benefits to be paid to policyholders, governed by the aforementioned assets/liabilities integrated management model.
In particular, the Group manages the risk of interest rate by matching the cash flows of assets and liabilities as well as keeping a balance between the duration of liabilities and that of the investment portfolio directly related to them.
Duration is an indicator of the sensitivity of the assets and liabilities market value to changes in interest rates.

The Equity risk reflects the possible adverse changes in the level and volatility of the market value of financial instruments and equities. Vittoria Assicurazioni is exposed to equity risk with reference to shares and interests in listed and unlisted companies and units in investment funds and mutual funds. If the listed shares classified as "Financial assets available for sale", reported in the previous paragraph "Investments, Cash & cash equivalents and Property - Securities portfolio breakdown" recorded at 31 December 2016 a loss of 10%, the Group's equity would decrease by 950 thousand euro.

The Real estate risk reflects the possible adverse changes in the level and volatility of market prices of real estate. The Group is exposed to real estate risk in reference to land, buildings, rights on property and the direct or indirect investments in real estate companies. The estate properties for own use of Vittoria Assicurazioni are included in this type of risk.

The Spread risk is the possible adverse change in the level and volatility of credit spreads. Vittoria Assicurazioni is exposed to the spread risk in reference to bonds, to finance, to mutual debt funds, non-residential mortgages and loans. The loans to associated companies and subsidiaries are included in this type of risk.

The Currency Risk derives from adverse changes in the level and volatility of currency exchange rates. Vittoria Assicurazioni is marginally exposed to currency risk in relation to financial instruments and bank accounts denominated in foreign currencies.

The Maturity mismatch risk arises from the possibility that Vittoria Assicurazioni is unable to generate cash inflows that have a time frame aligned with the cash outflows and its risk/return goals.

The Government risk is defined as the risk arising from the possibility that the issuers of Government securities are not able to efficiently fulfill their commitments, and the risk arising from a change in the implied spread.

The credit or default risk reflects potential losses generated by an unexpected default, or deterioration in the credit standing, of the counterparties and debtors of the Group. The Group exposure to credit risk, which are not included in the spread risk, mainly refer to: reinsurance agreements (see table above in the section on reinsurance), receivables from other companies, cash at bank or at post office, receivables from intermediaries (e.g. receivables from agents) and customers (e.g. for premiums, for deductibles) and loans (residential mortgage).

The liquidity risk reflects possible losses arising from the difficulty of honoring the cash commitments, expected or unexpected, owed to counterparties. The risk arises mainly from the "Liquidity Mismatch Risk " i.e. the mismatch between cash inflows and cash outflows or an inadequate treasury management and from the "Market Liquidity Risk", i.e. the sale of assets (such as less liquid assets) in unfair economic and timing conditions, accordingly influencing the Net Asset Value of Vittoria Assicurazioni.
As at 31 December 2017, as noted in the tables in the previous section “Investments, Cash and Properties - Securities portfolio breakdown”, more than 95% of financial assets held was listed on a regulated market.
The breakdown of financial liabilities by maturity is given in the relevant section.

The concentration risk is represented by all risk exposures with a potential loss, enough to threaten the solvency or the financial position of the Group.

The risk of non-compliance with standards is defined as the risk of incurring legal or administrative sanctions, significant financial losses or reputational damage as a result of violations of mandatory rules (laws, regulations), of self-regulatory standards (e.g. statutes, codes of conduct, self-regulatory codes, etc.) or the risk arising from adverse changes in the law or legal guidelines.

The reputational risk is defined as the risk of decrease in profits or capital arising from a negative perception of the Group by its main stakeholders (customers, shareholders, investors, lenders, regulatory authorities, employees, partners, distribution network, suppliers, general public, etc.). The appreciation judgment is usually tied to the organization's quality, the characteristics and behaviors that derive from experience, from hearsay or from the observation of past actions of the organization.

The risk related to the group or the risk of "contagion" is the risk that, as a result of the relationship between Vittoria Assicurazioni and other Group entities, difficult situations that arise in an entity of the same group can propagate with negative effects on the solvency of Vittoria Assicurazioni itself. In this type of risk is included the risk of conflict of interest which is regulated by the Related Parties Procedure adopted by Vittoria Assicurazioni which defines the rules, the procedures and principles necessary to ensure the transparency and substantial and procedural fairness of transactions undertaken with related parties of the Group.

Risk assessment

The assessment phase is aimed at measuring risks through quantitative methods, where it is possible, and/or qualitative methods. The quantitative measurement of risks is performed using several procedures, which are used to determine both the present situation both the medium to long-term situation.
In addition, in order to assess its vulnerability to extreme but plausible events, the Group makes use of specific quantitative techniques. In particular the stress tests allows to assess the effects on economic and financial conditions arising from specific events or from changes in a set of economic-financial and insurance variables in the event of adverse scenarios.
The quantitative techniques used by the Group determine the risk profile or the risk measure actually taken and detected at a given time instant. Any deviation from the level of risk appetite is monitored, as described in the following paragraph.
In addition, Vittoria Assicurazioni determines through quantitative measurement techniques the Solvency Capital, being the amount of equity that the Company must hold, for regulatory and capital soundness purposes, to cover risks arising from the business.

Risk Monitoring

The monitoring is based on controlling, on an ongoing basis, exposure to different types of risk and is performed by verifying:

- compliance with the principles / guidelines defined in the policies;
- compliance with risk and operational limits for specific risk categories;
- trend indicators such as those of capital value and liquidity.

The risk monitoring process is structured into three phases:

- production of a risk measurement report: the risk owner prepares reporting defined for the risk monitoring with the frequency and the operating procedures defined in the reference policy;
- analysis of the measured risk and proposal of mitigation plan: the risk owner examines data on the risk measurement report of its competence and prepares a report aimed at sharing its findings, at explaining certain phenomena encountered and possibly at proposing a plan of action to deal with the risk. The report and the reports are transmitted to the Risk Management;
- approval of a reaction and risk mitigation plan: the Risk Manager analyses information set out in reports, completes the exam with additional analysis deemed appropriate and makes the resulting evaluations. During the first meeting of the Risk Management Committee or, if deemed necessary, in a special session, mitigating/reacting plans, proposed by the responsible for the line of activity or the Risk Manager, are submitted for discussion and approval.

Risk treatment

The risk treatment of is to evaluate the possible options regarding the reaction to risk and then activate the one that is considered more appropriate. The choice, which also depends on the type and severity of the risk, is made between the following options: acceptance, avoidance, or attenuation and mitigation.
The acceptance option can result in the revision of risk targets, while avoidance can lead to re-examination of the objectives and business strategies.
The treatment that addresses the adverse consequences of action is called "risk mitigation"; while the one which affects the probability is defined action of "attenuation of risk." The risk treatment can create new risks or modify existing risks. Any violations of the risk profile, operating limits or tolerances are managed through the process of definition of recovery actions.
In particular the escalation process distinguishes stages and responsibilities depending on the severity of the violation:

- in cases of breach within the tolerance thresholds, the Vice President shall promptly inform the Audit and Risk Committee and, with the support of the Board Committees and the Risk Management Department and Senior Management, defines the eventual recovery plan;
- for breaches beyond the tolerance thresholds, the Vice President shall promptly inform the Board of Directors with the aim of establishing and approving the measures deemed necessary and the relative timing. In the definition of proposals to the Board of Directors the Board Committees, the Risk Management Department and the Senior Management are involved.

Reporting

The internal reporting system of the Group, designed for the purpose of communicating the information needed to make timely and effective decisions even in critical situations, follows the aim of promoting, at the appropriate hierarchical levels, all assumable, undertaken and future risks in the various business segments highlighting, in an integrated logic, the correlations of the risks and interrelations with the external environment.
Information flows provided by internal reporting system, as part of the risk management system, provide for the approach:

- from the top, in relation to communications from the Board of Directors to senior management and the company structures involved;
- from below, in reference to the flow of information, for the Board and the Committees, prepared especially by the control and top management functions;
- cross, alleging the information flows between the control functions and the various business units and senior management.

Information concerning Remuneration policy (pursuant to Article 123-ter of Italian Legislative Decree, No. 58/1998 and to IVASS Regulation No. 39)

The detail of the remuneration paid and/or accrued during the year to members of the management and supervisory bodies, General Manager and managers with strategic responsibilities is shown in the Remuneration Report prepared pursuant to art. 123-ter of Legislative Decree no. 58/1998 and available in the Governance section of the www.vittoriaassicurazioni.com Company website.

Report on corporate governance and ownership structure (pursuant to Article 123-ter of Italian Legislative Decree, No. 58/1998)

Under Article 89 bis, paragraph 2, of the Issuers' Regulations we can confirm that the Report on Corporate Governance and ownership structure envisaged by art. 123-bis of T.U.F be published in the Governance section of the www.vittoriaassicurazioni.com Company website.

Consolidated Non-Financial Statement for 2017 financial year (pursuant to articles 3 and 4 of Legislative Decree No. 254 of 2016)

Consolidated Non-Financial Statement, envisaged by Legislative Decree No. 254 of 2016, is published in the Investor Relations \ Sustainability Report section of the Company's website www.vittoriaassicurazioni.com.

Relations with the Supervisory Authority

On 11 May 2017, the Supervisory Authority approved the application for authorization to use the USP (Undertaking Specific Parameters) for the calculation of the SCR (Solvency Capital Requirement) for non-life pricing and reserving risks in Line on businesses 1, 2, 4 and 5 (Motor Liability, Other Motor Insurance, Fire and Other Property Damage and Third Party Liability).
The authorization came in good time to be implemented for the purposes of solvency calculations as of December 31, 2016.
Following the authorization, the U.S.P. are adjusted each year, depending on the results of the portfolio.

Solvency Capital Requirements

(pursuant to ISVAP Regulation n. 7/2007 amended and supplemented by IVASS Regulatory order n. 53/2016)

As required by the Supervisory regulations, we indicate assessments with regard to Vittoria Assicurazioni's Solvency II Capital Requirements:

Volatility Adjustment Evaluations	amounts in millions of euro
Solvency Capital Requirement	430
Minimum Capital Requirement	193
Solvency II Own Funds (net of dividend to be distributed in 2018)	905

Company's own funds belong to Tier 1 for 897 million euro and to Tier 3 for 8 million euro. The solvency ratio (ratio of equity and S.C.R.) is estimated at 210.5%.

Infragroup and related-party transactions

Transactions with group companies referred to the normal course of business, using specific professional skills at going market rates. There were no atypical or unusual transactions.

This section presents financial and business transactions occurring during 2017 with group companies, excluding those with companies consolidated on a 100% line-by-line basis and the compensation to the members of the administrative and control bodies.

The following table summarises the most significant economic and financial dealings with Group companies not included in the scope of consolidation and with administration and control bodies.

(€/000)

Related parties	Other receivables	Loans	Other payables	Revenues	Costs
Parents	11	-	38	34	62
Associates	9,850	11,415	148	132	8,851
Fees:					
Directors	-	-	1,394	-	4,472
Statutory auditors	-	-	439	-	439
Total	9,861	11,415	2,019	166	13,824

Relations and transactions with parent companies

In the period, with the direct parent company Vittoria Capital S.p.A. and with the Indirect parent Company Yafa Holding S.p.A. there have no financial or commercial relationships.

Since 1 July 2017, service contracts are in place between the Parent Company Yafa S.p.A and Vittoria Assicurazioni S.p.A., aimed at exploiting operational synergies at Group level.

Relations and transactions with associates

Mosaico S.p.A. – Turin
45.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate an interest bearing shareholder loan, which has a balance of 1,163 thousand euro (1,263 thousand euro as at 31 December 2016).

Pama & Partners S.r.l. – Genoa
25.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. granted the associate a non-interest bearing shareholder loan, which has a balance of 1,000 thousand euro, (877 thousand euro as at 31 December 2016).

VZ Real Estate S.r.l. – Turin
49.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of 2,322 thousand euro (2,540 thousand euro as at 31 December 2016).

Fiori di S. Bovio S.r.l. – Milan
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing shareholder loan, which has a balance of 2,126 thousand euro (2,011 thousand euro as at 31 December 2016).

Valsalaria A11 S.r.l. – Rome
40.00% equity interest via Vittoria Immobiliare S.p.A.
The subsidiary Vittoria Immobiliare S.p.A. gave the associate an interest bearing loan, which has a balance of 4,801 thousand euro, unchanged with respect to 31 December 2016).

Aspevi Milano S.r.l. – Roma
49.00% equity interest via Interbilancia S.r.l.
The services rendered during the year by the company to Vittoria Assicurazioni for commissions totalled 2,518 thousand euro.

Aspevi Roma S.r.l. – Roma
49.00% equity interest via Interbilancia S.r.l.
The services rendered during the year by the company to Vittoria Assicurazioni for commissions totalled 4,575 thousand euro (4,644 thousand euro as at 31 December 2016).

Human resources

As stated in the Company's Code of Ethics, Vittoria Assicurazioni is aware that the value of people, regardless of the level at which they operate, is a fundamental factor of success. It therefore recognizes the centrality of human resources and pursues the objective of their valorisation, encouraging the continuous development of skills and competences in the context of a work culture based on merit and on the ability to generate and maintain relationships focused on fairness, professionalism and respect for people.
The protection and enhancement of human resources that Vittoria Assicurazioni uses, guaranteeing respect for moral and professional dignity, are pursued through:

- careful evaluation of the applications, aimed at verifying the correspondence between the company needs and the professional profiles to be selected: the resources are identified primarily through internal selection processes, so as to promote their professional growth. Where it is not identifiable in the company applications consistent with the profile required, selection processes are activated aimed at the market to select particularly qualified candidates for academic career and / or professional experience gained in the sector;
- the commitment to training in line with the role played by each one, respecting the objectives and strategies of the Company: Vittoria Assicurazioni believes that resources play a fundamental role in the process of value creation and therefore pays particular attention to the planning of training and training;
- encourage forms of flexibility in the organization of work, respecting individual / family and company needs;
- prevention of all forms of discrimination;
- the adoption of a reward system that includes:
    - the constant professional development of resources, implemented through the performance evaluation system and the identification of growth paths;
    - the careful supervision of the remuneration system, implemented both through a careful remuneration policy, and through an incentive system that assigns corporate, team and individual objectives, which the Company is progressively extending to the entire corporate population;
- the constant commitment to the preparation of workplaces not only compliant with the safety standards required by law, to protect the health of those who use them, but also pleasant to live.

Performance in early months of FY2018 and business outlook

The company's performance in the first months of 2018 is in line with the targets of the 2017-2019 plan.

During the month of February, with a view to consolidating relations with the Consultinvest group, with which an exclusive distribution agreement was concluded for Life business policies, Vittoria Assicurazioni subscribed no. 2,500,000 newly issued shares of Consultinvest S.p.A. with an outlay of 2,500 thousand euro, acquiring a 9.62% stake in the company.

At the date of approval of the following Report, an IVASS audit is underway regarding the correctness of the liquidation procedures of the Motor business and the related aspects of governance.

The Board of Directors

Milan, 15 March 2018

Consolidated financial statements as at 31 December 2017

Balance Sheet

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

	BALANCE SHEET - ASSETS	Note	31/12/2017	31/12/2016
1	INTANGIBLE ASSETS		6,673	9,065
1.1	Goodwill	1	0	0
1.2	Other intangible assets	2	6,673	9,065
2	PROPERTY, PLANT AND EQUIPMENT		507,367	545,488
2.1	Property	2	500,625	537,862
2.2	Other items of property, plant and equipment	2	6,742	7,626
3	REINSURERS' SHARE OF TECHNICAL RESERVES	3	63,263	63,481
4	INVESTMENTS		2,999,762	2,548,149
4.1	Investment property	4	111,240	89,428
4.2	Investments in subsidiaries and associates and interests in joint ventures	5	19,357	20,138
4.3	Held to maturity investments	6	44,051	44,268
4.4	Loans and receivables	6	192,126	128,677
4.5	Financial assets available for sale	6	2,556,399	2,208,766
4.6	Financial assets at fair value through profit or loss	6	76,589	56,872
5	OTHER RECEIVABLES		190,581	188,720
5.1	Receivables relating to direct insurance	7	155,238	153,950
5.2	Receivables relating to reinsurance business	8	3,045	811
5.3	Other receivables	9	32,298	33,959
6	OTHER ASSETS		140,567	132,205
6.1	Non-current assets or assets of a disposal group classified as held for sale		0	0
6.2	Deferred acquisition costs	10	6,236	5,876
6.3	Deferred tax assets	11	91,506	103,774
6.4	Current tax assets	12	32,552	12,429
6.5	Other assets	13	10,273	10,126
7	CASH AND CASH EQUIVALENTS	14	113,650	262,936
	TOTAL ASSETS		4,021,863	3,750,044

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€/000)

BALANCE SHEET - EQUITY AND LIABILITIES		Note	31/12/2017	31/12/2016
1	EQUITY		828,827	745,805
1.1	attributable to the shareholders of the parent		828,636	745,611
1.1.1	Share capital	15	67,379	67,379
1.1.2	Other equity instruments	15	0	0
1.1.3	Equity-related reserves	15	33,874	33,874
1.1.4	Income-related and other reserves	15	572,926	450,642
1.1.5	(Treasury shares)	15	0	0
1.1.6	Translation reserve	15	0	0
1.1.7	Fair value reserve	15	76,985	58,612
1.1.8	Other gains or losses recognised directly in equity	15	-11	-263
1.1.9	Profit for the year attributable to the shareholders of the parent		77,483	135,367
1.2	attributable to minority interests	15	191	194
1.2.1	Share capital and reserves attributable to minority interests		194	199
1.2.2	Gains or losses recognised directly in equity		0	0
1.2.3	Profit for the year attributable to minority interests		-3	-5
2	PROVISIONS	16	16,549	12,829
3	TECHNICAL RESERVES	17	2,773,170	2,661,219
4	FINANCIAL LIABILITIES		237,877	158,707
4.1	Financial liabilities at fair value through profit or loss	18	76,576	56,866
4.2	Other financial liabilities	18	161,301	101,841
5	PAYABLES		83,042	78,258
5.1	Payables arising from direct insurance business	19	9,129	8,454
5.2	Payables arising from reinsurance business	20	8,676	7,504
5.3	Other sums payable	21	65,237	62,300
6	OTHER LIABILITIES		82,398	93,226
6.1	Liabilities of a disposal group held for sale		0	0
6.2	Deferred tax liabilities	22	45,645	50,335
6.3	Current tax liabilities	23	525	4,484
6.4	Other liabilities	24	36,228	38,407
	TOTAL EQUITY AND LIABILITIES		4,021,863	3,750,044

Income Statement

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017
SEPARATE INCOME STATEMENT

(€/000)

	Income Statement	Note	31/12/2017	31/12/2016
1.1	Net premiums		1,270,013	1,233,106
1.1.1	*Gross premiums*	25	1,311,685	1,266,110
1.1.2	*Ceded premiums*	25	41,672	33,004
1.2	Commission income	26	333	901
1.3	Gains or losses on remeasurement of financial instruments at fair value through profit or loss	27	7	-4
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	27	529	567
1.5	Gains on other financial instruments and investment property	27	51,650	132,063
1.5.1	*Interest income*		29,969	53,558
1.5.2	*Other income*		19,455	8,113
1.5.3	*Realised gains*		2,226	70,351
1.5.4	*Unrealised gains*		-	41
1.6	Other income	28	23,483	23,093
1	TOTAL REVENUE		1,346,015	1,389,726
2.1	Net charges relating to claims		900,482	872,542
2.1.1	*Amounts paid and change in technical reserves*	25	942,541	893,769
2.1.2	*Reinsurers' share*	25	-42,059	-21,227
2.2	Commission expense	29	117	53
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	27	1,717	4,450
2.4	Losses on other financial instruments and investment property	27	9,971	9,358
2.4.1	*Interest expense*		342	2,193
2.4.2	*Other expense*		2,588	2,085
2.4.3	*Realised losses*		149	9
2.4.4	*Unrealised losses*		6,892	5,071
2.5	Operating costs		289,860	278,946
2.5.1	*Commissions and other acquisition costs*	30	238,921	221,162
2.5.2	*Investment management costs*	30	2,019	1,552
2.5.3	*Other administrative costs*	30	48,920	56,232
2.6	Other costs	31	33,030	35,788
2	TOTAL COSTS		1,235,177	1,201,137
	PROFIT FOR THE YEAR BEFORE TAXATION		110,838	188,589
3	Income taxes	32	33,068	53,227
	PROFIT FOR THE YEAR		77,770	135,362
4	GAIN (LOSS) ON DISCONTINUED OPERATIONS		-290	-
	CONSOLIDATED PROFIT (LOSS)		77,480	135,362
	of which attributable to the shareholders of the parent		77,483	135,367
	of which attibutable to minority interests	15	-3	-5

Basic EARNINGS per share		1.15	2.01
Diluted EARNINGS per share		1.15	2.01

Statement of other comprehensive income

Vittoria Assicurazioni S.p.A.

Consolidated financial statements as at 31 December 2017

(€/000)

COMPREHENSIVE INCOME (LOSS)	31/12/2017	31/12/2016
CONSOLIDATED PROFIT (LOSS)	77,480	135,362
Other comprehensive income, net of taxes without reclassification to profit or loss	252	-165
Changes in the equity of investees	-	-
Changes in intangible asset revaluation reserve	-	-
Changes in tangible asset revaluation reserve	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-
Actuarial gains and losses and adjustments related to defined benefit plans	252	-165
Other items	-	-
Other comprehensive income, net of taxes with reclassification to profit or loss	18,373	-66,570
Change in translation reserve	-	-
Gains or losses on available for sale investments	18,373	-66,570
Gains or losses on hedging instruments	-	-
Gains or losses on hedging instruments of net investment in foreign operations	-	-
Changes in the equity of investees	-	-
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	-	-
Other items	-	-
TOTAL OTHER COMPREHENSIVE INCOME	18,625	-66,735
TOTAL CONSOLIDATED COMPREHENSIVE INCOME (LOSS)	96,105	68,627
of which attributable to the shareholders of the parent	96,108	68,632
of which attibutable to minority interests	-3	-5

Statement of changes in equity

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Balance at 31/12/2015	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Reclassifications	Changes in ownership interests	Balance at 31/12/2016
Equity attributable to the shareholders of the parent	Share capital	67,379	0	0		0		67,379
	Other equity instruments	0	0	0		0		0
	Equity-related reserves	33,874	0	0		0		33,874
	Income-related and other reserves	394,287	0	70,620		(13,475)	0	450,642
	(Treasury shares)	0	0	0		0		0
	Profit /(Loss) for the year	70,620	0	64,747		0		135,367
	Other comprehensive income	125,084	0	2,842	-69,577	0	0	58,349
	Total attributable to the shareholders of the parent	**691,244**	**0**	**138,209**	**-69,577**	**-13,475**	**0**	**745,611**
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	9,338	0	-25		0	-9,114	199
	Gains or losses recognised directly in equity	-25	0	20		0		-5
	Other comprehensive income	0	0	0	0	0	0	0
	Total attributable to minority interests	**9,313**	**0**	**-5**	**0**	**0**	**-9,114**	**194**
Total		**700,557**	**0**	**138,204**	**-69,577**	**-13,475**	**-9,114**	**745,805**

(€/000)

		Balance at 31/12/2016	Adjustment to closing balance	Allocation	Reclass. to profit or loss	Reclassifications	Changes in ownership interests	Balance at 31/12/2017
Equity attributable to the shareholders of the parent	Share capital	67,379	0	0		0		67,379
	Other equity instruments	0	0	0		0		0
	Equity-related reserves	33,874	0	0		0		33,874
	Income-related and other reserves	450,642	0	135,367		-13,083	0	572,926
	(Treasury shares)	0	0	0		0		0
	Profit /(Loss) for the year	135,367	0	-57,884		0		77,483
	Other comprehensive income	58,349	0	21,106	-2,481	0	0	76,974
	Total attributable to the shareholders of the parent	**745,611**	**0**	**98,589**	**-2,481**	**-13,083**	**0**	**828,636**
Equity attributable to minority interests	Share capital and reserves attributable to minority interests	199	0	-5		0	0	194
	Gains or losses recognised directly in equity	-5	0	2		0		-3
	Other comprehensive income	0	0	0	0	0	0	0
	Total attributable to minority interests	**194**	**0**	**-3**	**0**	**0**	**0**	**191**
Total		**745,805**	**0**	**98,586**	**-2,481**	**-13,083**	**0**	**828,827**

Reference should be made to Notes to the consolidated financial statement for further information.

Cash flow statement

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017
CONSOLIDATED STATEMENSTS OF CASH FLOW - INDIRECT METHOD

(€/000)

	31/12/2017	31/12/2016
Profif for the year before taxation	110,838	188,589
Change in non-monetary items	93,055	127,597
Change in non-life premium reserve	13,454	53
Change in claims reserve and other non-life technical reserves	23,354	51,327
Change in mathematical reserves and other life technical reserves	75,361	47,230
Change in deferred acquisition costs	-360	-85
Change in provisions	3,720	6,207
Non-monetary gains and losses on financial instruments, investment property and investments in subsidiaries and associates and interests in joint ventures	-3,644	-1,521
Other changes	-18,830	24,386
Change in receivables and payables arising from operating activities	2,923	9,992
Change in receivables and payables relating to direct insurance and reinsurance	-1,675	16,189
Change in other receivables and payables	4,598	-6,197
Taxes paid	-33,068	-53,227
Net cash flow generated by/used for monetary items from investing and financing activities	-7	4
Liabilities from financial contracts issued by insurance companies	19,710	-2,546
Payables to bank and interbank customers	0	0
Loans and receivables from bank and interbank customers	0	0
Other financial instruments at fair value through profit or loss	-19,717	2,550
NET CASH FLOW FROM OPERATING ACTIVITIES	173,741	272,955
Net cash flow generated by/used for investment property	-21,812	-3,844
Net cash flow generated by/used for investments in subsidiaries and associated companies and interests in joint ventures	1,903	3,780
Net cash flow generated by/used for loans and receivables	-63,449	-21,824
Net cash flow generated by/used for held to maturity investments	217	215
Net cash flow generated by/used for financial assets available for sale	-326,486	-90,554
Net cash flow generated by/used for property, plant and equipment	40,513	20,008
Other net cash flows generated by/used for investing activities	-290	0
NET CASH FLOW FROM INVESTING ACTIVITIES	-369,404	-92,219
Net cash flow generated by/used for equity instruments attributable to the shareholders of the parent	1,067	0
Net cash flow generated by/used for treasury shares	0	0
Dividends distributed to the shareholders of the parent	-14,150	-13,475
Net cash flow generated by/used for share capital and reserves attributable to minority interests	0	-9,904
Net cash flow generated by/used for subordinated liabilities and equity instruments	0	0
Net cash flow generated by/used for other financial liabilities	59,460	-61,558
NET CASH FLOW FROM FINANCING ACTIVITIES	46,377	-84,937
Effect of exchange rate gains/losses on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	262,936	167,137
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-149,286	95,799
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	113,650	262,936

Accounting policies principles

General valuation criteria

Statement of IFRS compliance

The consolidated financial statements have been prepared in compliance with the international accounting and financial reporting standards (IASs/IFRSs) issued by the IASB and endorsed by the European Union as per EU regulation 1606 of 19 July 2002 and Italian Legislative Decrees 38/2005, 32/2007 and 209/2005.

The Group has not applied IFRSs before the year when they actually came into force. New IFRSs applicable starting from next year are not expected to have any significant impact on Group's accounts.

The Group prepared its first set of IFRS-compliant year-end financial statements in FY2005. As permitted by IFRS 1 ("First-Time Adoption of International Financial Reporting Standards"), for preparation of the opening balance sheet as at 1 January 2004, the Group elected to apply a number of optional exemptions. For information on exemptions, reference should be made to the "Accounting Policies" section of the Consolidated Annual Report & Accounts for the year ending on 31 December 2005.

Basis of accounting

The basic criteria are the historical cost and fair-value measurement for available-for-sale financial assets and of financial assets or liabilities recognised at fair value in the income statement.

The financial report is exposed in a comparative format, stating the previous year figures. Where it was deemed necessary, in case of changes in accounting policies, accounting policies or reclassifications, the comparative figures are restated and reclassified to provide uniform and consistent disclosures.
Taking into account the Solvency II ratio, the profitability of the Group and its careful management of risks, the consolidated financial statements have been prepared on a going concern basis.

New accounting principles that are not yet effective

IFRS 9 Financial Instruments (replacement of IAS 39). On 24 July 2014, the International Accounting Standards Board (IASB) published the International Financial Reporting Standards (IFRS) 9 - Financial Instruments. The principle aims to emphasize on certain aspects:

- fair value for all instruments not only the ones remunerate the credit risk;
- logic of credit risk monitoring (including financial instruments consist of bonds), which enable the early detection and proper assessment of signs of impairment for evaluation purposes;
- adoption of predictive indicators (forward looking) and more stringent presumptions with respect to the practice;
- greater correlation between returns on financial instruments and risk (relative risk approach).

The application is mandatory as of 1st January 2018 following the approval of 29 November 2016. In September 2016, the amendment "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Amendments to IFRS 4" Which allows insurance companies to postpone the entry into force of IFRS 9 (so-called “deferral approach”) to a maximum of 2021 or allows to suspend the greater volatility introduced by the new principle on individual securities (so-called “overlay approach”).

Vittoria Assicurazioni, on the basis of the preliminary analysis, believed to be in a position to apply the “deferral approach” provided for IFRS9. In 2017, the Group undertook the necessary phases of study in order to verify the correct classification of the existing portfolio and the related impacts.

IFRS 15 Revenue from Contracts with Customers*.* Qualitative analysis showed no significant impact on the Group. Entry into force is fixed for the 1st January 2018.

IFRS 16 Leases (replacement of IAS 17). Qualitative analysis showed no significant impact on the Group. Entry into force is fixed for the 1st January 2019.

IFRS 17 Insurance contracts. On 28 May 2017, the IASB published the Standard on Insurance Contracts, IFRS 17. The standard valuation methodology is based on three accounting models that allow the estimation of insurance contracts at current values:

- “Building Block Approach” based on the expected future cash flows, weighted and corrected for a risk factor that includes the expected contractual service margin (“Contractual Service Margin”) at the time of the subscription of the contract;
- Premium Allocation Approach, an alternative and simplified model with respect to the general accounting model applicable to insurance contracts with a contractual coverage of less than one year;
- Variable Fee Approach, an alternative model to the general accounting model applicable to the direct participations contracts accounting to take into account the commissions for managing the underlying assets recognized by the Company.

The entry into force is set for the 1st January 2021, leaving the possibility of an early application (if IFRS 9 and IFRS 15 are applied). Vittoria Assicurazioni, in 2017, undertook the necessary stages of study and analysis of the issues.

Use of estimates

Application of IFRSs for the preparation of financial statements and related explanatory notes requires the Group to make estimates that affect the amounts of balance-sheet assets and liabilities and disclosure relating to contingent assets and liabilities as at balance sheet date. Actual results may differ from such estimates. Estimates are used to recognise provisions for insurance liabilities, doubtful debts, depreciation & amortisation, measurements of assets, employee benefits, taxes, and other provisions, funds and fair value informative.

The technical reserves evaluation is performed by the Company’s actuaries support and it is subjected to an examination by external actuaries.

More specifically, for items estimated (technical reserves, risk provision and activities and liabilities allocated to level 3 of fair value hierarchy) and whose carrying value is significantly affected by the assumptions, information is given in the detailed notes on the item concerned about the nature of such assumptions or any other uncertainties.

If significant, and in any case when required by IFRSs, indications are given of the sensitivity of carrying amounts to the fundamental methods, assumptions and estimates used to calculate them, together with the reasons for such sensitivity.

The estimates are reviewed regularly. The effects of each and any change are immediately recognised in the income statement or, in the case of financial assets available for sale and actuarial gains or losses, in equity.

Scope of consolidation

Subsidiaries

According to IFRS 10, are defined subsidiaries, those companies over which the Group is exposed to variable returns, or has rights of those returns, arising from their relationship with the same and at the same time has the ability to affect those returns exercising its power over its subsidiaries. In particular, in order to assess whether Vittoria Assicurazioni controls a company in which it invests, must be observed if the following conditions are met:

a) power over the undertaking is when there is the actual right to manage its core activities, i.e. activities that materially affect the results of the subsidiary;
b) the risk exposure or the rights arising from variable returns linked to his involvement;
c) the ability to influence the undertaking, so as to affect the results (positive or negative) to the investor.

The power arises from the rights. In some cases, the verification of the existence of power is immediate, such as when the power comes directly from the voting rights attached to the possession of capital securities. In other cases, the verification of the existence of power is more complex and therefore the analysis must take into account several factors such as when the power comes from contractual agreements.
Generally, the power exists when the other party has a majority of the voting rights, but in some circumstances may exist when the investor owns less than a majority of the voting rights. In this case, Vittoria Assicurazioni assesses whether this power can result from a wide range of rights, including voting rights or potential voting rights, the right to appoint or remove the key figures of the investee, including the right of veto in the facts of management and contractual rights. In addition, consider the practical ability to exercise that right; the presence of barriers for example, could jeopardize the existence of control (for example: existence of penalty, inability to obtain necessary information to exercise power, operational barriers such as lack of expertise for the replacement of management, regulatory barriers, etc.).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is assumed until the date such control ceases. Are also included in the consolidated subsidiaries that carry out diverse activities than Vittoria Assicurazioni.

Associates and Joint Ventures

Under IAS 28, associated companies are not subject to control by the Group, but the Group has significant influence on financial and operating policies of these companies. Significant influence is presumed when the investor holds, directly or indirectly through subsidiaries, at least 20% of the voting power. The consolidated financial statements include the Group's share of associates' gains and losses on an equity-accounted basis as from the date when significant influence commences until the date when the said significant influence ceases. When the Group's share of the associate's losses exceeds the carrying value of the investment, the latter is written down to zero and no share of any further losses is recognised, except to the extent that the Group has the obligation to answer for such losses.
The same accounting treatment is applied to the Joint Ventures, jointly controlled entities. In particular, IFRS 11 distinguishes between joint operations and joint ventures: a joint operation is an agreement in which both parties have rights to the assets and obligations for the liabilities resulting from the agreement. For accounting assets and liabilities being parties to the agreement are reflected in the financial statements using the relevant accounting standard. A joint venture is an

agreement in which the parties are entitled to a share of the equity of the companies covered by the agreement. For accounting purposes, the joint venture is consolidated using the equity method; is no longer expected the proportional method as optional in the previously existing IAS 31.

Business combinations

Business combinations are the union of separate entities or businesses in a single entity which is required to prepare financial statements.
The acquirer therefore recognises the acquiree's identifiable assets, liabilities and contingent liabilities at their respective fair value as at acquisition date. The acquiree also recognises goodwill which is regularly tested for impairment.

Consolidation method

1) The financial statements of all consolidated companies are prepared as at 31 December of the financial year concerned.
2) Figures shown in consolidated financial statements have been taken from individual companies' financial statements, duly restated to assure consistency of presentation and modified solely to align investee companies' accounting policies with those of Vittoria Assicurazioni.
3) Minority interests in subsidiaries are included in the specific liability and income statement captions of the consolidated financial statements.
4) The accounting currency used to prepare consolidated financial statements is the euro.
5) Acquisitions of subsidiaries are recognised using the purchase method whereby the identifiable assets, liabilities and contingent liabilities acquired are measured at fair value as at acquisition date, which is the date on which consideration is paid.

   Consolidated companies' adjusted equities are eliminated against the related equity investments recorded in holder companies' financial statements.
   The fair value initially set on the assets and liabilities acquired may be adjusted within twelve months after acquisition date, if it was originally measured on a provisional basis.

   In this case, any goodwill or profit recognised in the financial year when the acquisition took place is adjusted accordingly, recalculating comparative data presented in the previous set of accounts.
6) Any positive difference between the cost and the Group's interest in the fair value of the assets and liabilities acquired is classified as goodwill and recognised in accounts as an intangible asset. Any negative difference (negative goodwill) is instead recognised as revenue at the time of acquisition. Minority interests are measured according to the fair value of the assets and liabilities of the interest acquired.

   Goodwill is tested for impairment annually or more frequently if specific events or changes in circumstances make it necessary, in accordance with IAS 36 ("Impairment of Assets"). After initial recognition, goodwill is measured at cost net of any cumulative impairment losses.
7) Infragroup balances and transactions, including revenue, costs, and dividends, are eliminated in full. Gains or losses stemming from infragroup transactions and included in the carrying amount of assets, such as inventory, or non-current assets are also eliminated in full. Any intercompany losses are eliminated if they do not reflect enduring impairment of the intrinsic value of the assets transferred.
8) Differences arising from the measurement of investments in associates using the equity method are recognised in the value of equity investments shown among balance sheet investment assets and, as a balancing entry, in the equity account called "Earnings reserves and other financial reserves" as valuation adjustments to unconsolidated equity investments. The Group's share of associates' profit or loss is recognised under the income-statement caption "Gains (losses) on investments in subsidiaries and associates and interests in joint ventures". If the group's share of losses equals or exceeds the carrying value of the investment in that associate,

Vittoria Assicurazioni stops recognising its share of any further losses. After writing the investment in the associate down to zero, further losses are provisioned and recognised as liabilities only to the extent that Vitttoria Assicurazioni has incurred legal or constructive obligations or made payments on behalf of the associate. Should the associate subsequently make a profit, the Company resumes recognition of its share of profits only after such a share has covered all previously unrecognised shares of losses.

After it has recognised the associate's losses, Vittoria Assicurazioni applies the rule of IAS 39 to see whether it is necessary to recognise further losses due to impairment of the net interest (and net investment) in the associate.

Segment reporting

Primary segment reporting (business segments)

The income statement and balance sheet items relating to insurance contracts (as defined by IFRS 4), are allocated to the Life insurance business segment (which, very briefly, includes all contracts envisaging payment of a premium against the payment of benefits if the policyholder dies or survives) or to the Non-life business segment (which includes all other insurance contracts).
The Life insurance segment also includes all income statement and balance sheet items relating to investment contracts.
The Real Estate segment includes all income statement and balance sheet items relating to trading, development, and related services.
The Services segment includes the income statement balance sheet items relating to services rendered, mainly to Vittoria Assicurazioni.
The share of investments and profits or losses of associates that operate in more than one segment is classified in the segment where the investment in the associate is held.

The assets, liabilities, costs, and revenues attributed to each business segment are shown in the tables provided in the section "Appendices to Consolidated Financial Statements", prepared as per the formats recommended in IVASS ordinance no. 7 of 13 July 2007 and subsequent modifications.

Secondary segment reporting (geographical segments)

For the purposes of secondary segment reporting, we highlight the fact that:

- The main revenues (premiums and profits on real estate trading, development, and services) by geographical customer segment, as well as figures on deferred costs are mainly summed by Italian macro-region (i.e. North, Centre and South);
- Allocation of assets by geographical segment, i.e. based on assets' geographical location, has led to identification of three areas: Italy, Rest of Europe and Rest of World. This presentation permits effective representation of diversification of investments in securities.

Industry-specific accounting policies

Foreword

Insurance contracts and investment contracts – definition and accounting treatment

Based on the definition given IFRS 4, insurance contracts provide for the transfer of a significant insurance risk, other than a financial risk, by the policyholder to the contract issuer and compensation for the policyholder for damage arising from a specified uncertain future event. A threshold of 3% has been set for the identification of these contracts.
Subsequently, IFRS 4 has introduced limited improvements to the recognition and measurement of items relating to insurance contracts, substantially providing for continued application of most of the local GAAPs currently in force.

Based on analysis of the insurance policies in our portfolio, all non-life contracts are covered by IFRS 4. As regards the life business:

<u>Insurance contracts</u>

For contracts for which the insurance risk is rated as significant, current Italian accounting standards are applied (Italian GAAPs). In the case of insurance contracts with discretionary profit participation features, insurance liabilities are supplemented based on shadow accounting.

<u>Financial contracts with discretionary profit participation features</u>

Contracts of a financial nature that, although not having a significant insurance risk, envisage discretionary profit participation (policies linked to separately managed businesses), as allowed by IFRS, have been measured and recognised applying the same criteria as those envisaged for the insurance contracts mentioned above, with consistent recognition of the reserve based on shadow accounting. Capital-redemptions, for example, come into this category.

<u>Investment contracts</u>

Contracts of a financial nature that have neither a significant insurance risk nor discretionary profit participation features are accounted for according to the rules of IAS 39 (Financial instruments: recognition and measurement) and IAS 18 (Revenue).

Life contracts of the Class III type (index- and unit-linked) and Class VI type (pension funds) come within the scope of this treatment and are therefore accounted for as summarised below:

- Financial assets and liabilities relating to such contracts are measured at fair value through profit or loss;
- Revenue for fixed contract-issue costs incurred by the policyholder is recognised in full in profit in the year when the contract is acquired;
- Up-front loading and acquisition commissions paid to brokers and agents as at contract acquisition date are recognised respectively as other liabilities and other assets, as they relate to deferred income and prepaid costs concerning long-term services charged to profit or loss in line with the costs incurred over policies' actual or estimated term;
- Estimation of policies' term takes into account policyholders' propensity to require settlement based on the company's historical experience and, for new products, assessments made during new-product development work;
- Profit or loss items that occur annually, such as management fee income and commissions paid, together with portfolio management costs, are directly expensed in the year when they are generated.

Balance Sheet

ASSETS

1 Intangible assets

1.1 Goodwill

Initial recognition of goodwill is described in the Consolidation Method section.

Goodwill arising from purchase of line of business is subject to impairment test, as follows:

i) Goodwill is allocated to the CGU (Cash Generating Unit) represented by the new business generated by the sales network acquired;

ii) Goodwill carrying amount is compared with its recoverable amount, that in absence of a specific fair value estimate, is equal to its value in use.

iii) Value in use is determined on the following assumptions:

iii.1 new business assumptions (volumes and profitability) taken in consideration in the budget and in the 4/5 years strategic plan;

iii.2. projection of the expected cash inflows and outflows related to this new business (collection of premiums, payments for settlements, acquisition costs and handling expenses);

iii.3. discounting of the above cash flows on the basis of a rate, gross of taxes, that reflects an adequate risk premium.

1.2 Other intangible assets

Other intangible assets are recognised in balance sheet assets, as per IAS 38, when:
- It is likely that their use will generate future economic benefits;

- The Group has control or has the power to obtain these benefits;

- Assets' cost can be measured reliably.

Assets are measured at cost net of amortisation and cumulative impairment losses. Amortisation is calculated on a straight-line basis over the assets' estimated useful lives.

As required by IFRSs, they are tested for impairment at least annually with recognition as a loss of the excess of carrying value vs. recoverable value. A check is also performed of their residual useful lives.

The group's assets have finite useful lives.

Other intangible assets recognised after acquisition of a company are recognised separately from goodwill if their fair value can be measured reliably.

Vif (Value In Force) is amortized on the effective life basis of the acquired contracts, given that Life business portfolio's end.

2 Property, plant, and equipment

This item includes properties used in the ordinary business and other tangible assets.

2.1 Property

- ### Owner-occupied property

Property for own use is stated at cost less depreciation and cumulative impairment losses.

This includes costs directly attributable to bringing the asset to the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are directly expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and if they increase the future economic benefits of the assets to which they refer. All other costs are expensed.

Depreciation is applied on a straight-line basis over the property's estimated useful life of between 30 and 50 years.

As land has an indefinite useful life, it is not depreciated. Given this, land and buildings are recognised separately even when they are acquired together.

As required by IAS 36, buildings are tested for impairment at least annually with recognition of any excess of their carrying value over their recoverable value as a loss.

- ### Property held for trading - Property under construction

The item includes property under construction and that acquired for trading purposes by group companies.

The profit arising from property sales, purchases and promotion (which in real estate companies' statutory financial statements is the balance between sales revenue, purchases, improvement costs and changes in inventory) is reclassified to "Other income".

Until completion of buildings' construction, the Group's real estate companies capitalise all directly allocable improvement costs, including interest expense connected with financing of the initiative.

<u>Property held for trading or with specific features defined by the constructor</u>

Those properties held for trading are recognised at the lowest between cost and net realisable value based on market trends. This lower value is not maintained in subsequent years if the reasons for write-down cease to exist. The amount of the write-down of inventory to net realisable value is recognised as a cost in the year as is its possible adjustment.

The market value of the properties is estimated by means of appraisals drawn up by independent experts, based on financial variables, such as the discount rate used, (which incorporates the most recent market data, as well as the cost of capital) and non-financial nature, such as rents, realizable expectations and the relative timing.

2.2 Other items of property, plant, and equipment

Plant and equipment, publicly registered movable assets, furniture and fittings, and office machinery are stated at purchase or purchase cost less depreciation and cumulative impairment losses.

Cost includes costs directly attributable borne to bring the asset to the location and the condition necessary to enable it to operate as required by the company.

Ordinary maintenance costs are expensed when incurred.

Costs incurred after acquisition are capitalised only if they can be reliably measured and increase the future economic benefits of the assets to which they refer. All other costs are expensed.
Leasehold improvements are classified as an item of property, plant and equipment. If they can be separated from the asset to which they relate, they are recognised in the relevant category depending on the nature of the cost incurred. Otherwise, they are classified in a stand-alone category. The depreciation period is equal to the shortest between the item's remaining useful life and the residual term of the lease contract.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life.

Assets are tested for any impairment at least annually with the recognition of any excess of their carrying value over their recoverable value as a loss. A check is also performed of the consistency of their residual useful life.

3 Reinsurers' share of technical reserves

Reinsurers' obligations arising from reinsurance treaties governed by IFRS 4 are recognised in this item.
Reinsurers' share of technical reserves is recognised consistently with the criteria applicable to the underlying direct insurance contracts. It is adjusted to expected recoverable value at each financial reporting date.

4 Investments

<u>Initial recognition and subsequent measurement</u>

All financial assets are initially recognised at fair value.

Transaction costs are expensed for financial assets measured at fair value through profit or loss or included in initial recognition if related to other financial assets.

After initial recognition, financial instruments designated as available for sale and those designated at fair value through profit or loss are measured at fair value. Financial instruments held to maturity and loans and receivables are instead measured at amortised cost.

For securities traded in regulated markets, fair value is calculated based on the closing stock exchange price as at balance sheet date.

If a market valuation is not available for the investment, its fair value is measured on the basis of the current market value of other substantially similar financial instruments or by using appropriate valuation techniques. Such techniques include use of recent transactions, discounted cash flow analysis or models able to provide reliable estimates of prices practised in current market deals. If fair value cannot be measured reliably, the financial asset is measured at cost, adjusted for any impairment losses.

For CIUs (collective investment undertakings), fair value is the published unit value.

The fair value of non-interest bearing loans and of those featuring interest at other than market rates is estimated as the present value of all discounted inflows using the prevalent market rate for a similar instrument.

<u>Recognition date</u>

Purchases and sales of financial assets are recognised on transaction date.

<u>Impairment</u>

At each reporting date financial assets designated as available for sale, those designated as held to maturity and loans and receivables are subject to an impairment test. Financial instruments designated as held for trading and those designated at fair value through profit or loss are not subject to such a test, as their changes in fair value are already charged to profit and loss.

Impairment indicators

Depending on investment in equities or bonds, the following factors are assessed when determining an impairment of a financial asset:

1. Bonds
   1.1. Government Bonds

   State of default, breach of contract (failure to pay interests or capital), significant deterioration in their rating.

   1.2. Corporate Bonds

   State of default, breach of contract (failure to pay interests or capital), significant deterioration in their rating or significant financial troubles.

In addition, it is pointed out that our impairment procedure establishes that downgraded debt securities are not subjected to impairment if they are accompanied by guarantees or protective mechanisms instituted by supranational entities, by other sovereign countries or by other issuers with high credit ratings, such as to have a positive effect on the ability to repay at maturity, thus making the change of rating less significant.

2. Equities and strategic investments and mutual funds

Investments are to be impaired in case of a prolonged or significant decline, *i.e.*:

2.1. a decline for a continuative period of 36 months, or;

2.2. a decline in the value of an investment higher than 40% at the reporting date.

Apart from the above indicators, the need of an impairment is assessed when signals indicating a permanent loss occur.

Fair value definition

IFRS 13 defines fair value as the price that you would receive for the sale of an asset or that would be paid to transfer a liability in a regular transaction between market participants at the measurement date.

Information on the fair value hierarchy

The allocation to one of three levels of fair value under IFRS 13 follows the following criteria:

- Level 1: financial instruments listed in an active market;
- Level 2: financial instruments whose fair value was determined based on valuation techniques based on observable market inputs other than quoted prices of the financial instrument;
- Level 3: financial instruments whose fair value was determined based on valuation techniques based on non-observable on the market.

In the fair value definition are privileged observable market variables and assumptions, and are used other valuation methods only in the absence of such input.

Investments are classified as follows:

4.1 Real estate investments

As required by IAS 40, the item includes property held to earn rentals and / or for achieving objectives of capital appreciation. Real estate investments are valued using the cost model in IAS 40, adopts the depreciation criteria of IAS 16.

The properties used or selling ordinary course of business are classified as tangible assets. The presence of any loss in value is established by expert reports drawn up by independent experts, based on financial variables, such as the discount rate used, (which incorporates the most recent market data, as well as the cost of capital) and of a non-financial nature, as rents, realizable expectations and the relative timing.

4.2 Investments in subsidiaries, associates, and joint ventures

In determining the investment relationship, have been used definitions of control, significant influence and joint control as required by IFRS 10, 11 and IAS 28.
This item includes equity investments that are not consolidated on a line-by-line basis, measured using the equity method or at cost.
Immaterial investments in subsidiaries or associates are measured at cost, adjusted for any impairment losses.

Investments in subsidiaries are eliminated during the consolidation process.

Investments in subsidiaries, associates and joint ventures are derecognised when, following disposal or other events, missing the requirements of IFRS 10 and 11 for their detection.

Vittoria Assicurazioni does not hold a joint holding company, for which IAS 28 provides the equity method.

Impairment test for goodwill recorded in the financial statements in relation to the excess of the cost paid for the acquisition of subsidiaries over the share attributable to the equity method is performed by making a comparison between the carrying amount of the investment and the greater of fair value and value in use. In assessing value in use refers to recent plans approved and market variables.

4.3 Held-to-maturity investments

The assets classified as held-to-maturity are cash instruments (i.e. not derivatives) with fixed or determinable payments and fixed maturity that the Group effectively intends and is able to hold until maturity.

They do not include assets:

- Designated upon initial recognition as being at fair value going through profit or loss;
- Designated as available for sale;
- That qualify as loans and receivables.

These assets are measured at amortised cost using the effective interest method.

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

Gains and losses relating to amortisation and any difference between the carrying amount and consideration received at the time of derecognition are taken to profit or loss.

In case of significant sales before maturity or the change of intent and / or ability to hold, the so called *"tainting rule"* triggers (penalty clause), which requires the reclassification of the entire portfolio outside the HTM class and prevents reuse this portfolio category for the following two years.

4.4 Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not listed in an active market.

Assets held for trading, designated at fair value through profit or loss or as available for sale, are not classified in this category.

These assets are measured at amortised cost using the effective interest method.

This category includes mortgage loans, loans on life insurance policies, loans granted to employees and agents by Vittoria Assicurazioni, and inward reinsurance deposits.

If there is objective evidence of an impairment loss, the asset's carrying amount is written down, recognising the loss directly in the income statement.

4.5 Financial assets available for sale

This category comprises assets designated as available for sale or however not classified as:

- Financial assets at fair value going through profit or loss;
- Held-to-maturity investments;
- Loans and receivable.

These assets are measured at their fair value.

Unrealised gains and losses are recognised directly in equity, with the exception of impairment losses and foreign exchange gains and losses. At the time of sale or impairment of the financial asset, the cumulative gains or losses, including those previously recognised in equity, are taken to profit or loss. Any subsequent recovery of value, up to the value before recording the loss, are recorded respectively in the income statement in the case of debt instruments, in equity in the case of equity securities.

Interest pertaining to the year is recognised directly in profit or loss using the effective interest method. Dividends are recognised when the shareholders' right to payment arises.

4.6 Financial assets at fair value through profit or loss

This category includes assets held for trading, strategic possession of which aims to obtain a profit in the short term, or that are designated upon initial recognition at fair value through profit or loss.

More specifically, the Group classifies in this category its financial assets hedging investment contracts where the investment risk is borne by the policyholders and those relating to pension fund management.

These assets are measured at their fair value.

Any gains or losses are directly recognised in profit or loss.

5 Other receivables

This category consists of:

5.1 Receivables relating to direct insurance

These are receivables due from policyholders for unpaid premiums and from agents, insurance brokers and co-insurance companies. The item also includes amounts to be recovered from policyholders and third parties for claims payments on policies with "no claims bonus" clauses, and for deductibles and subrogations.

They are stated at nominal value and are adjusted on each financial reporting date to their presumed realisable value, calculated on the basis of historic trends of collections by individual business line.

5.2 Receivables relating to reinsurance

These are receivables due from reinsurers or insurers for reinsurance transactions. They are recognised at nominal value and thereafter are measured at presumed realisable value on each financial reporting date.

5.3 Sundry receivables

These are receivables relating neither to insurance nor tax. They include down payments to third parties. They are recognised at nominal value and thereafter measured at presumed realisable value on each financial reporting date.

6 Other assets

This category consists of:

6.1 Activities of a disposal group held for sale

In accordance with IFRS 5 are recorded under this item non-current assets or disposal groups classified as held for sale. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, the completion of which should be expected within one year from the date of classification. The assets are stated at the lower of carrying value and fair value, net of selling costs. The gain or loss resulting, net of taxes, are shown separately in the statement of comprehensive income.

6.2 Deferred acquisition costs

In compliance with IFRS 4, this item includes acquisition costs paid in advance upon signature of long-term contracts and amortised over contract duration.
As required by IFRS 4, such costs are accounted for in accordance with local GAAPs.

<u>Non-life business</u>: acquisition costs on long-term contracts, with specific reference to acquisition commissions, are capitalised and amortised in three years from the year when they occurred. Based on contract duration and regulations governing the applicability of commission charges, this amortisation period can be considered to be economically consistent.

<u>Life business:</u> acquisition costs relating to new contracts, for the part not outwardly reinsured, is capitalised within the limits of related loading and amortised on a straight-line basis over the term of the underlying contracts within the 10-year limit. The amortisation period is deemed to be economically consistent.

Residual commissions on policies cancelled during the amortisation period are expensed in the year when such policies are eliminated from the portfolio.

6.3 and 6.4 Current and deferred tax assets

These items include current and deferred tax assets, as defined and governed by IAS 12, including deferred tax assets relating to prepaid taxes on the life business mathematical reserves pursuant to Article 1, point 2, of Italian Decree Law no. 209/2002 as definitively enacted by Article 1 of Law no. 265/2002 and subsequent amendments.
These assets are recognised in line with current tax legislation on an accruals basis.
For items recognised as deferred tax assets, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation.
Reference should be made to the accounting policy referring to "Current and deferred taxation" in the Income Statement section.

6.5 Other assets

This item includes reinsurance suspense accounts, deferred commission expense on investment contracts, and accrued income and prepayments relating respectively to sundry income and general & administrative expenses.
Reference should be made to what has already been indicated in the earlier section "Insurance and Investment Contracts – definition and accounting treatment".

7 Cash and cash equivalents

Cash and cash equivalents include items that meet the requirements of availability on demand or in the extremely short term and the absence of collection expenses. They are recognised at their nominal value.

LIABILITIES

1 Equity

1.1 Equity attributable to the shareholders of the Group

1.1.1 Share capital

Ordinary shares are recognised as share capital (subscribed and paid in) at their par value.

1.1.2 Other equity instruments

This item includes instruments representing capital – but not included in share capital – consisting of special share categories and the equity portion of complex financial instruments. More specifically, it includes the equity portion stemming from valuation of the conversion option relating to the convertible subordinated bonds issued by Vittoria Assicurazioni.

1.1.3 Equity reserves

This item comprises the share premium reserve.

1.1.4 Earnings-related and other reserves

This item specifically includes:

- Retained earnings or losses carried forward, including the legal reserve;
- The reserve for gains or losses on IFRS first-time adoption;
- Consolidation reserves;
- Reserves for the reclassification of the catastrophe and equalisation reserves recognised under previous accounting standards (i.e. Italian GAAPs), which can no longer be recognised as technical liabilities under IFRS 4;
- Reserves – including the property revaluation reserve - recognised in compliance with the Italian Civil Code or specific Italian laws before adoption of IFRSs;
- Reserves for share-based payment transactions, settled using the company's own equity instruments (IFRS 2).

It also includes any gains or losses due to material errors or to changes in accounting policies or estimates (IAS 8).

1.1.6 Currency reserve

The item includes foreign exchange differences to be allocated to equity pursuant to IAS 21, arising both from foreign currency transactions and from translation into financial statements' presentation currency.

1.1.7 Fair value reserve

This item includes the unrealised gains or losses on investments classified as "Financial assets available for sale". Reference should be made to the relevant balance sheet item for details on the nature and accounting treatment of this type of assets.
Amounts are stated net of the portion attributable to policyholders and allocated to insurance liabilities, as better described in the "Shadow Accounting" section, and of related deferred taxation.

1.1.8 Other gains or losses recognised directly in equity

This item includes the gains or losses recognised directly in equity, with specific reference to the reserve for changes in investees' equity not recognised in their income statements as profit or loss.
It also includes any revaluation reserves for property, plant and equipment and intangible assets, as well as the gains or losses relating to defined benefit plans.

1.2 Minority interest

This caption includes the equity instruments and items and related equity reserves attributable to third-party shareholders, collectively defined as Minority Interest.
Any minority interest in the "fair value reserve" is also included.

2 Provisions

The Group recognises provisions or funds for risks and charges when:

- The Group has a constructive or legal obligation vis-à-vis third parties;
- It is likely that the Group resources will have to be used to meet the obligation;
- The amount of the obligation can be reliably estimated.

Changes in estimates are taken to profit or loss in the period in which the change occurs.

Provisions for charges to be borne made by the real estate companies include the costs of completion for apartments for which a notarial deed has already been signed, based on the principle of cost/revenue matching.

3 Technical reserves

This item comprises commitments stemming from insurance and inward reinsurance contracts gross of outward reinsurance. Commitments refer both to insurance products and to financial products with discretionary profit participation features.

- Premium reserve (Non-Life business)

The non-life premium reserve is calculated on a pro-rata temporis basis for each single contract, based on recognised premiums net of direct acquisition costs and of the fraction of premium pertaining to the period after 31 December of the financial year in question.

Where so required by the technical result, the premium reserve is also supplemented by the unexpired risk reserve, which is set up to cover risks incumbent upon the company after the balance sheet date. It is a technical provision, mandatorily required by Italian Legislative Decree of 7 September 2005 no. 209, article 37, which is made if, and to the extent that, the total amount of the presumed cost of expected claims for in-force policies is estimated to be higher than the unearned premiums reserve plus instalments outstanding net of acquisition costs, for instalment-premium policies.

- Claims reserve (Non-Life business)

The claims reserve reflects the prudent valuation of estimated indemnities and adjustment costs for claims relating to direct business that have been incurred and not yet paid, either totally or in part, as at balance sheet date. This valuation is performed considering the specific features of each line, based on all components forming the requirement for coverage of the claim's ultimate cost. "Ultimate cost" means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame and related inflation rates).

Assessment of each claim is performed according to the following phases:
- preparation of inventory estimates for each open position by non-life claims settlement inspectors through session during the year;
- analysis and checking of data through sessions during the year and review of documentation concerning major claims by corporate management together with the liquidators and with the support of external trustees;
- possible integration / update of the reserve initially allocated on the basis of the principle of "reserve continuously".

Activities performed as part of claims assessment procedures are based on the following general criteria:
- Accurate and complete basic year-end inventory of all claims partly or totally not settled, highlighting claims that are the subject of disputes
- Analysis of claims featuring several positions in order to ascertain that proper evidence exists supporting each individual position;
- Separate indication of the quantification of bodily injury and property damage;
- Inclusion of estimated direct and settlement costs in the claims reserve. Settlement costs include both amounts paid to professionals taking part in claims handling and internal company costs relating to the claims handling department;
- Assessment of claims relating to credit and suretyship insurance in compliance with the criteria laid down in paragraphs n. 32-33-34 Annex n. 15 of ISVAP Regulation no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016.

As regards current-generation claims, case documentation is examined at least quarterly to check the claim's progress and see whether the previous assessment was correct. In addition, the "continuous reserve" operating procedure is applied, which means that, when each partial payment is made or whenever new information is gathered, the claim is reviewed.

In support of the local settlement network, a technical review structure is in place, which checks the merits and the method for the correct application of the rules issued by the Management.

The claims reserve includes the estimate for IBNR claims, i.e. claims pertaining to the year that have been incurred but not yet reported by year-end but pertaining to the year. Amounts are calculated considering the average cost of the current generation.
For all line of business they are used actuarial statistical methods popular on the market for estimating the number and the amounts of late claims. For TPL line estimate in question is conducted separately for each type of risk. The TPL claims reserves are subject to verification by the Actuarial Function pursuant to ISVAP Regulation no. 22/2008 amended and supplemented by the IVASS Order n. 53/2016. In any case, the managerial structures perform quarterly back testing relative to the amount made in the previous budget.
The claims reserves thus calculated that relate to mass risks, insofar as they refer to positions settled in the medium-long term, are subjected to statistical and actuarial checks to assess their consistency with ultimate cost and, when necessary, are topped up.
The process for determining the claims reserve of the TPL Lib (including the Third-party liability for watercraft - sea, lake, and river) is based on a complex estimation activity that includes numerous variables. The main assumptions used in the control based on statistical-actuarial methodologies concern the technical variables, including the time interval for deferring payments, the elimination of

claims without follow-up, the re-opening and the evolution of the cost of claims connected to seniority. of payment as well as the prospective evaluation of the economic scenario, supplemented where necessary by the expert judgment which is also based on the analysis of the portfolio management events.

The claims reserve for Card and No Card of TPL line comply with the requirements by paragraphs no. 30 of Annex 15 ISVAP Regulation no. 22/2008, in the case of the company would be "managing" and paragraph 2 in the case of the company would be "indebted".

The total amount of claims reserve has been calculated in compliance with paragraph no. 31 of the above regulation.

- Reserves for payable amounts (Life business)

The item comprises Company's obligations to policyholders for settlement of claims, surrenders and, with respect to policies that have matured, for accrued principal and annuities. Consequently, the above amounts are not included in mathematical reserves.

- Mathematical reserves (Life business)

The life business technical reserves are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date when contracts were signed, insofar as they are still valid. Calculation of technical reserves is based on the rate of return determined on the basis of the related investments for respective "revaluable" benefits and on the mortality rate used to calculate pure premiums. In accordance with current regulations, the premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis.

The mathematical reserve is never lower than surrender value.

In compliance with the requirements of paragraph. 36 of Annex n. 14 of ISVAP regulation no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016 IVASS, the reserve for capital contracts relating to sums insured with a contractually guaranteed annuity conversion factor and to deferred and beneficial life annuities has been adjusted to reflect updated demographic survival assumptions.

Mathematical reserves are adjusted, when deemed necessary, to factor in the decrease in financial rates of return on assets covering such reserves.

In compliance with paragraphs n. 24-32 Annex n. 14 to ISVAP regulation no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016, an ALM (Asset-Liability Management) procedure has been implemented for joint analysis of the asset and liability portfolios in order to calculate the forecast returns for each segregated life account.

- Other reserves (Non-Life and Life businesses)

The item includes the following reserves:

- Ageing reserve for health insurance (Non-Life business) as required by Article 37 of Italian Legislative Decree no. 209 of 7 September 2005.
  Calculations include all the products that, in setting premiums, do not take into account changes in the policyholder's age and contain clauses that limit the Group's ability to withdraw, as outlined in paragraphs 42-43-44 Annex n. 15 to Regulation ISVAP no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016.
  The estimate is based on a comparison between estimated cash inflows (all premiums expected to be collected in future years on the contracts held in portfolio at December 2012) and

estimated cash outflows (all losses expected to be paid for the contracts held in portfolio at December 2012).
For consistency and as a comparison, the reserve was calculated on a lump-sum basis by setting aside 10% of gross premiums written, as envisaged by article 3 of paragraph 44 Annex n. 15 to Regulation ISVAP no. 22/2008 amended and supplemented by IVASS Regulatory order no. 53/2016.

- Profit participation and reversal reserve (Non-Life and Life businesses)
  Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or reduce future premiums, as long as they constitute distribution of technical profits arising from non-life and life insurance activities, after deduction of amounts accrued in previous years' that are no longer necessary.

  Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.

- Reserve for deferred liabilities to policyholders (Life business)

  This reserve shows the share of unrealised gains or losses attributable to policyholders, as described in the specific section on "Shadow Accounting".

- Reserve for management expenses (Life business)

  This reserve is calculated based on loading for management expenses and on the other technical bases of the insurance pricing applied.

- Complementary insurance premium reserve (Life business)

  The premium reserve for complementary accident insurance is calculated analytically by applying the premiums-brought-forward criterion to the related pure premiums.

- LAT (Liability Adequacy Test) reserve (Non-Life and Life business)

  This reserve includes any accruals made following the LAT, as better described in the "Liability Adequacy Test" section.

4 Financial liabilities

4.1 Financial liabilities at fair value through profit or loss

The item includes financial liabilities held for trading or designated at fair value through profit or loss. They include liabilities related to investment contracts governed by IAS 39, the fair value of which is calculated according to the asset's fair value of the asset plus the fair value of any guarantees and options existing in the contract (i.e., the financial liabilities relating to investment contracts where the investment risk is borne by policyholders and those relating to pension fund management).
Gains and losses are recognised directly in profit or loss.

4.2 Other financial liabilities

This item includes the financial liabilities defined and governed by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss", including deposits received from reinsurers, debt securities issued, bank borrowings and other financial liabilities other than trade payables.
Other financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Specifically, in the case of bonds convertible into the issuer's shares (compound financial instruments), the instrument's amount is split into the following two components:
- Conversion option, classified as an equity instrument;
- Debt component, classified as a financial liability among subordinated liabilities.

Initial measurement
When the bond loan is issued, the financial liability component is recognised at fair value, discounting expected future cash flows, considering any existing options, at the market rate applicable to a similar financial liability not associated with an equity component (conversion option). The equity component is calculated as the difference between the fair value of the entire financial instrument (nominal amount of the subordinated bond loan) and the amount calculated separately for the financial liability component.

The costs incurred to issue the convertible bond loan are split proportionally between the two components and are offset against them.

Subsequent measurement

Non-conversion
The financial liability component is recognised at amortised cost using the effective interest method. The equity component is not subject to changes in its original carrying amount.

Conversion
The financial liability component is reversed and charged to equity. The initially recognised equity reserve is transferred to the share premium reserve.

Reimbursement or call-up
At the time of reimbursement or call-up, the consideration paid and costs related to the transaction are split between the financial liability component and the equity component using criteria similar to those used for the original allocation.
Any related gain or loss is treated according to the accounting standards and policies applicable to the related component, as follows:
- The amount of the gain or loss relating to the liability component is recognised in profit or loss;
- The amount of the consideration relating to the equity component is recognised in equity.

5 Payables

This category consists of:

5.1 Payables arising from direct insurance transactions

The item includes balances not yet settled, indemnities to be paid upon termination of agency contracts, payables arising from the current accounts into which the balances of co-insurance technical results go, guarantee deposits on insurance sureties paid by policyholders and the amount payable to CONSAP (the state-owned public insurance services concessionaire) for the contribution to the guarantee fund for road accident victims.
These payables are recognised at nominal value.

5.2 Payables arising from reinsurance transactions

This item includes payables arising from current accounts into which the reinsurance technical result goes, plus reinsurers' share of amounts to be recovered.

These payables are recognised at nominal value.

5.3 Other payables

Other payables include accruals made for employee post-employment benefit obligations.
They also include trade payables, including payments on account collected by the real estate companies on signature of preliminary sales agreements, which are recognised at nominal value.

6 Other liabilities

6.1 Liabilities of a disposal group held for sale

In accordance with IFRS 5 are recorded in this items liabilities related to a disposal group held for sale.

6.2 and 6.3 Current and deferred tax liabilities

These items include current and deferred tax liabilities, as defined and governed by IAS 12.
These liabilities are recognised in accordance with current tax legislation on an accruals basis.
For deferred tax liabilities recognised in accounts, on each financial reporting date the Group checks whether any changes have occurred in relevant tax regulations, such as to lead to a different valuation.

Reference should also be made to the accounting policy concerning “Current and deferred taxation” in the Income Statement section.

6.4 Sundry liabilities

This item includes reinsurance suspense accounts, deferred commission income on investment contracts, accrued liabilities and liabilities relating to defined benefit plans and other long-term employee benefits (medical services and seniority bonuses). Reference should be made to the section on “Employee benefits” for details on the approach to measurement of these items.

Income Statement

1 REVENUES

Revenue recognition

Revenues are recognised to the extent it is probable that the group will receive economic benefits and their amount can be measured reliably. Revenue is recognised net of discounts, allowances and return sales.

Revenues from services are recognised when the services have been rendered or according to service completion status.

Revenues from construction work in progress are recognised based on progress status (percentage of completion method).

1.1 Net premiums

Premiums recognised include the amounts accruing during the year for insurance contracts, as defined by IFRS 4 ("Insurance Contracts).

Premiums, together with ancillary charges, gross of ceded premiums, are recognised as revenue upon maturity, regardless of the date of recording of documents and of actual collection.

With reference to the non-life business, cancellations of individual policies due to events of a technical nature are directly deducted from premiums as long as they were issued in the same year. With respect to the life business, the item includes all cancellations, except for those relating to first yearly instalments issued in previous years.

Recognition of premiums on an accruals basis is implemented for the non-life business via posting to the premiums reserve (see relevant accounting policy), whilst for the life business it is implicit in the calculation of mathematical reserves, complementary insurance premium reserve and other technical reserves.

Ceded and retroceded reinsurance premiums are accounted for as per contractual agreements with reinsurers.

1.2 Commission income

This item includes commission income for financial services provided not included in the calculation of a financial instrument's effective interest, as required by IAS 18.

It includes commission income relating to investment contracts not covered by IFRS 4, such as loading (explicit and implicit) and, for those contracts that provide for investment in an internal fund, management fee income and other similar items.

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

This item includes realised gains and losses, interest, dividends, charges and increases or decreases in the fair value of financial assets and liabilities measured at fair value through profit or loss, which include assets and liabilities relating to index-linked and unit-linked investments and to pension fund management.

1.4 Income from investments in subsidiaries, associates, and joint ventures

The item comprises income coming from investments in subsidiaries, associates and joint ventures entered in the corresponding asset item. More specifically, it includes the share of profits of the Group's equity-accounted companies.

1.5 Income from other financial instruments and investment property

This item includes income from investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly includes interest income on financial instruments measured using the effective interest method, and other investment income - comprising dividends and revenue from third-party use of investment property, gains made on the disposal of financial assets or liabilities or investment property, and increases arising from reversals of impairment losses, and from subsequent measurement of investment property measured at fair value and of financial assets and liabilities.

1.6 Other revenue

This item includes:

- Trading profits and revenue for completion status of construction work in progress of the real estate trading and promotion companies, recognised at the time of signature of the notarial deed and using the percentage of completion method, respectively;
- Revenues for the sale of goods and rendering of services other than those of a financial nature and for third-party use of items of property, plant and equipment, intangible assets or other Group assets, as established by IAS 18. In this respect, the real estate brokerage companies recognise commission income upon signature of the preliminary sale agreements;
- Other net technical income relating to insurance contracts;
- Realised profits on and write-backs of property, plant and equipment and intangible assets;
- Foreign exchange gains to be recognised in profit or loss under IAS 21;
- Capital gains on non-current assets or on disposal groups classified as held for sale other than discontinued operations.

More specifically, other technical income relating to insurance contracts includes commissions relating to cancelled premiums included in other technical charges for the non-life and life businesses and income arising from management of the knock-for-knock (i.e. direct settlement) agreement and from ANIA incentives for scrapping damaged vehicles in the non-life business.

2 COSTS

2.1 Claims costs

The overall category comprises – inclusive of settlement costs and excluding recoveries and outward reinsurance – the sums paid during the year for claims, maturities, surrenders and accrued annuities, as well as the amount relating to changes in technical reserves for contracts coming within the scope of IFRS 4 application.

It also includes the portion charged to the income statement of the change in deferred liabilities to policyholders (shadow accounting) as well as any change in the LAT reserve.

Specifically, Non-Life claims costs include damage compensation paid and direct expenses, plus settlement expenses and charges for contribution to the guarantee fund for road accident victims.

Direct expenses are those incurred to avoid or minimise claim damage, including litigation costs as per Article 1917, paragraph 3, of the Italian Civil Code, rescue costs in transport and aviation insurance, and fire-fighting costs in Fire and Natural events line of business.

Adjustment expenses include amounts paid to professionals involved, plus personnel expenses, logistics costs, and costs for services and goods of the company departments involved in claims settlement and handling.

The reinsurers' share is calculated in accordance with the provisions of treaties currently in force.

2.2 Commission expense

This item includes commission expense on financial services received not included in the calculation of a financial instrument's effective interest, as required by IAS 18. Specifically, it includes commission expense relating to investment contracts not coming within the scope of IFRS 4 application.

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

The item includes losses on investments in subsidiaries, associates and joint ventures recognised in the corresponding asset item. Specifically, it includes the share of loss for the year of the Group's equity-accounted companies.

2.4 Losses on other financial instruments and investment property

This item includes losses and charges on investment property and financial instruments that are not recognised at fair value through profit or loss. It mainly comprises interest expense on financial instruments measured using the effective interest method, other losses on investments and expenses on investment property, such as condominium expenses and maintenance and repair costs that have to be expensed. It also includes capital losses on disposal of financial assets or liabilities or investment property, depreciation charges, impairment losses and losses on the subsequent measurement of investment property measured at fair value and financial assets and liabilities.

2.5 Operating costs

This category comprises:

- Commissions and other acquisition costs, including acquisition costs, net of outward reinsurance, relating to insurance contracts.

  In particular, the item includes:

  - Commissions paid on acquisition and renewal, including tacit renewal, of contracts;
  - Extra commissions and commission bonuses;
  - Personnel expenses, logistics costs, costs for services and purchase of goods of the management departments involved in the assessment, issue and management of insurance contracts;
  - Medical check-up costs;
  - Amortisation charge, for the year, of acquisition commissions and other acquisition costs;
  - Commissions paid on the collection of premiums related to long-term contracts.

  Profit participation and other contractual commissions paid to reinsurers for premiums ceded and retroceded are accounted for on the basis of the relevant contractual agreements.

- Investment management costs, including G&A costs and personnel expenses allocated to management of financial instruments, investment property and equity investments. They also comprise custody and administration costs.
- Other administrative costs, including G&A costs and personnel expenses that are not allocated to claims costs, insurance contract acquisition costs or investment management costs. Specifically, the item includes G&A costs and personnel expenses incurred for the acquisition and administration of investment contracts as well as G&A costs and personnel expenses relating to non-insurance companies performing financial activities. It also includes charges incurred in connection with the termination of agency agreements for the part not subject to compensation.

  Commissions paid by real estate trading and promotion companies to brokers and agents when the preliminary sales agreements are signed are accounted for as prepayments and recognised in profit or loss when the notarial deeds are signed or according to contracts' completion status, in accordance with the cost/revenue matching principle.

2.6 Other costs

This category includes:

- Costs for the sale of goods and rendering of services other than of a financial nature and the third-party use of items of property, plant and equipment, intangible assets or other group assets, as required by IAS 18;
- Other net technical costs relating to insurance contracts;
- Additional provisions made during the year;
- Foreign exchange losses to be recognised in profit or loss as per IAS 21;
- Realised losses, impairment losses, depreciation charges relating to items of property, plant and equipment not allocated to other account items and amortisation of intangible assets;

- Losses on non-current assets or disposal groups classified as held for sale other than discontinued operations.

More specifically, other technical costs relating to insurance contracts comprise:

- Premiums cancelled, due to events of a technical nature, relating to single policies issued in previous years (non-life business);
- Cancellation of first yearly premium instalments issued in previous years (life business);
- Uncollectable premiums in amounts receivable from policyholders (non-life and life business);
- Costs relating to goods and services purchased to complement non-life insurance covers;
- Costs arising from the management of the knock for knock (i.e. direct settlement) agreement.

3 Income taxes

Income taxes include all taxes calculated on the basis of the estimated taxable income of each financial year and stated on an accruals basis in compliance with current relations.

Income taxes are taken to profit or loss except for those relating to items that are directly debited or credited to equity, in which case the tax effect is also recognised directly in equity.

Deferred taxes are calculated - except in the cases expressly envisaged by paragraphs 15 and 24 of IAS 12 - on all temporary differences that arise between the taxable base of an asset or liability and its carrying value in consolidated accounts, to the extent that it is probable that in future sufficient taxable income will be achieved against which to use them.

Deferred tax assets on tax losses and unused tax credits that can be carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered.

Deferred tax assets and liabilities are calculated applying the tax rates expected to be applicable - based on the tax rates and tax regulations in force as balance sheet date - in the financial years when the temporary differences will be realised or reversed.

Current and deferred tax assets and liabilities are offset when income taxes are applied by the same tax authority and when a legal right to offset them exists.

4 Gain/(Loss) on discontinued operations

In accordance with IFRS 5 are recorded in this account the costs and revenues net of tax, related to discontinued operations.

Additional information

Inward insurance

The effects of inward life reinsurance are recorded on an accruals basis.

If there are no specific negative indications, the effects of non-life inward reinsurance are accounted for one year later than the year to which they refer, as the necessary information is not available at balance sheet date. Related financial and balance sheet movements are recorded in the balance sheet under Other assets – Other liabilities in the reinsurance suspense accounts.

Treaties concerning aircraft hulls represent an exception to the above accounting treatment as the space risk business is accounted for on a strict accruals basis.

Indirect business claims reserves generally reflect those reported by the ceding insurer and the Company supplements them when they are deemed inadequate with respect to the commitments underwritten.

Retrocession

Retroceded business mainly relates to treaties concerning aircraft hulls (i.e. property).
Items relating retrocession are measured according to the same policies as those applied to inward reinsurance.

Shadow accounting

Paragraph 30 of IFRS 4 allows modification of accounting policies in such a way that an unrealised capital gain or loss on an asset affects measurement of insurance liabilities, related deferred acquisition costs, and of related intangible assets in the same way that a realised capital gain or loss does.
The related adjustment of insurance liabilities (or deferred acquisition costs or intangible assets) is recognised in equity if, and only if, the unrealised gains or losses are recognised directly in equity.
Similarly, unrealised capital gains or losses on assets, recognised in profit or loss (including impairment losses), lead to a corresponding adjustment through profit or loss of the insurance liability or of other insurance balance sheet items recognised in profit or loss.

The procedure envisages the following steps:

1) Net unrecognised gains as at balance sheet date on the assets measured at fair value are calculated for separately managed businesses;
2) Actual retrocession rates due to policyholders are calculated by splitting the entire portfolio into groups of like policies;
3) The amount of unrecognised net gain pertaining to policyholders is calculated by applying the retrocession rates indicated in point 2) to the unrecognised net gains measured in point 1);
4) If the assets allocated to separately managed businesses partly belong to the “fair value through profit or loss” category and partly to the “available for sale” category, the offsetting amount of the increase/decrease in insurance liabilities is split equally between the costs charged to profit or loss and equity reserves.

Furthermore, for the purposes of preparation of consolidated financial statements, the effect of the allocation to separately managed businesses of the investments in the subsidiaries Vittoria Immobiliare SpA and Immobiliare Bilancia Srl has been assessed.

Since dividends paid by such subsidiaries to Vittoria Assicurazioni SpA (or any capital gains recognised in the eventuality of sale of the equity investments) are retroceded to life policyholders in accordance with the relevant insurance contracts, an amount equal to the portion attributable to life policyholders of the subsidiaries' profits recorded in the consolidated financial statements, net of profits already paid to policyholders in the form of dividends, is added to Vittoria Assicurazioni's reserves calculated on an actuarial basis.

This accrual is not necessary in individual statutory financial statements because financial income relating to dividends arises at the same time as related costs, in terms of benefits accorded to policyholders.

Liability Adequacy Test (LAT)

As required by IFRS 4, the Group tests its insurance liabilities for adequacy using current estimates of future cash flows deriving from its insurance contracts. If this assessment shows that the carrying value of its insurance liabilities is inadequate, the entire deficit is recognised in the income statement.

If balance sheet liabilities have already undergone liability adequacy testing that meets local GAAPs consistent with IFRSs, IFRS 4 does not require any further checks. If they have not, current estimates of future cash flows must be calculated as envisaged by IAS 37.

Life business

Liability adequacy was tested by comparing technical reserves, less deferred acquisition costs, with the present value of the future cash flows obtained by projecting the expected cash flows generated by the portfolio in force as at assessment date and taking into account assumptions on mortality, surrenders, and expense trends.

Non-life business

Under Italian GAAPs, the claims reserve is measured at ultimate cost. This approach, which forbids the discounting process, means that provisioning is intrinsically higher than the current estimate of expected cash flows.

Based on Italian GAAPs, the premiums reserve is supplemented by the reserve for unexpired risks, if any. This treatment is compliant with paragraph 16 of IFRS 4.

Employee benefits

Actuarial valuation of termination benefits, seniority bonuses and healthcare benefits

Valuation was performed in accordance with IAS 19. Employee benefits and healthcare benefits can be assimilated with "post-employment benefits" of the "defined benefit plan" type, whilst the seniority bonuses can be assimilated with "other long-term benefits" once again of the "defined benefit plan" type.

For these benefits an assessment is made of the amounts that the company has undertaken to pay when certain events occur relating to the employee's working life and also, in special cases provided for by national collective labour contracts, his or her retirement period. These amounts are discounted using the projected unit credit method to calculate the interval of time that will elapse before actual payment takes place.

As far as post-employment benefits are concerned (currently known as "employee severance indemnities" in Italy), the calculation considers the amount already accruing as at the valuation date and takes future forecast provisions into account. Conversely, in the case of seniority bonuses and healthcare benefits only the future forecast provisions are included in the calculation.

Actuarial valuation of the provision for post-employment benefits, seniority bonuses and healthcare benefits during retirement was performed using the projected unit credit method - also known as the accrued benefit method pro-rated on service. This method requires "the entity to attribute the benefit to the current period (in order to determine current service cost) and to the current and prior periods (in order to determine the present value of defined benefit obligations). The entity attributes the benefit to the periods when the obligation to provide post-employment benefits arises".
Actuarial valuation was based on assumptions concerning length of service (i.e. exit from the Group) and also economic and financial assumptions. The latter relate to the theoretical lines of remuneration by contractual grade, the interest rate used to discount future employee service costs and the inflation rate based on which provision for post-employment benefits is revalued.
Where possible, the assumptions are based on Vittoria Assicurazioni's historical series, supplemented by and projected on the basis of market experience and relevant best practice.

The valuation component arising from actuarial results is charged to "Other comprehensive income".

Accrued, deferred, and prepaid items

Accrued income and liabilities recognise revenues and costs pertaining to periods after 31 December of the year being reported and are included in the specific balance sheet item to which they refer.

Prepayments and deferred income reallocate costs and income occurring before 31 December to the financial year to which they pertain. They are respectively posted among Other assets and Other liabilities.

Financial expense

Financial expenses directly attributable to the acquisition, construction or production of an asset that qualifies for capitalisation are capitalised as part of the cost of the asset in question when it is probable that they will generate future economic benefits and if they can be reliably measured.
All other financial expenses are expensed when they are incurred.

Conversion into euro

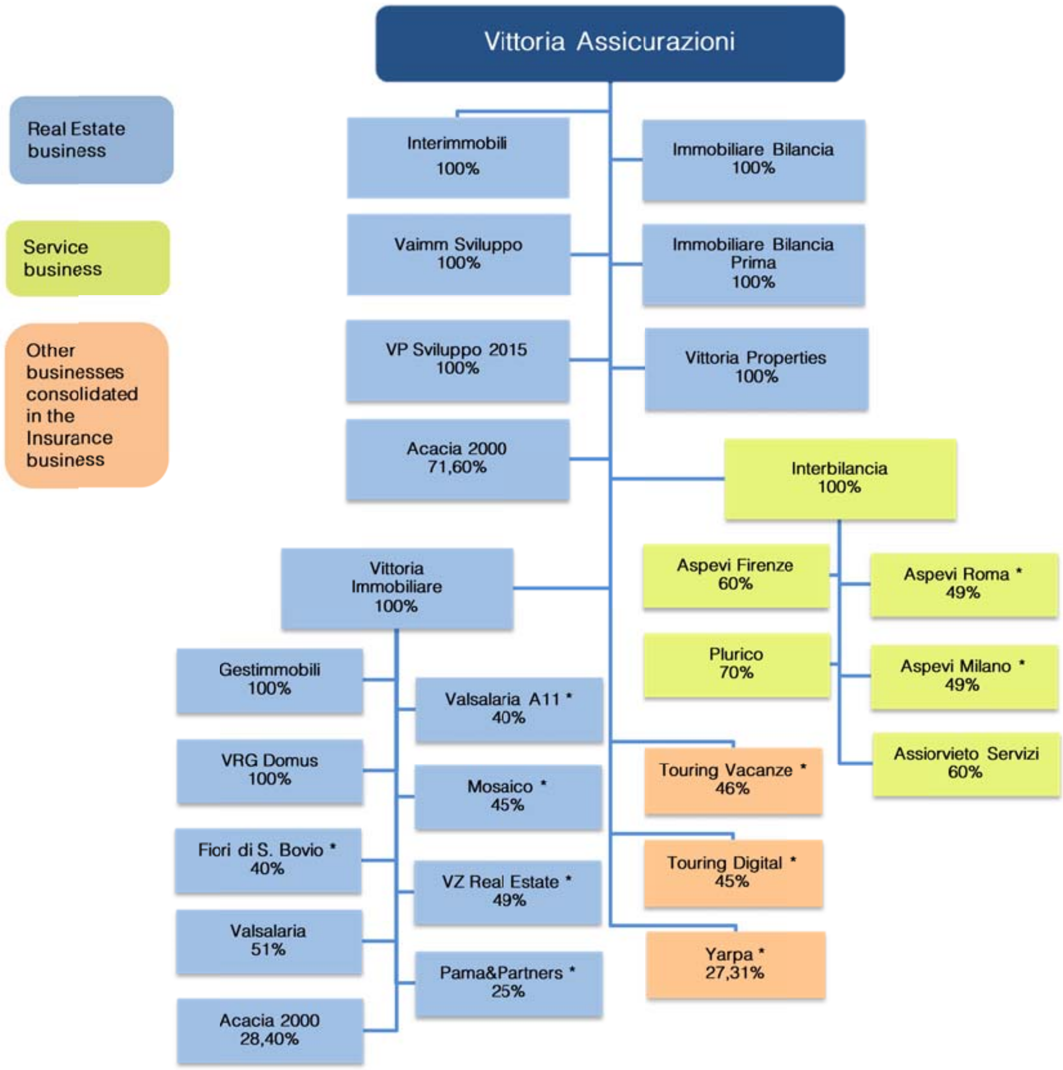
Items expressed in foreign currencies are converted into euro at spot rates. Balance sheet items still existing at year-end are converted at the exchange rate of the last working day of the financial year.

Notes of a general nature to the consolidated financial statements

The notes to the consolidated interim financial statements comprise:

- tables and notes of a general nature listed below in alphabetic order;
- tables and notes of a specific nature on the individual balance sheet, income statement, equity and cash flow statement captions, listed below in numerical order.

Consolidation scope



* Companies consolidated by the equity method

The table below lists the companies included in the consolidated financial statements with the full consolidation method under IFRS 10.

A) Consolidated investments

Name	Registered offices	Share Capital Euro	% Ownership Direct	% Ownership Indirect	Via
Vittoria Assicurazioni S.p.A.	Milan	67,378,924			
Vittoria Immobiliare S.p.A.	Milan	112,418,835	100.00		
Interimmobili S.r.l.	Rome	100,000	100.00		
Immobiliare Bilancia S.r.l.	Milan	6,650,000	100.00		
Immobiliare Bilancia Prima S.r.l.	Milan	3,000,000	100.00		
Vittoria Properties S.r.l.	Milan	8,000,000	100.00		
Interbilancia S.r.l.	Milan	80,000	100.00		
Vaimm Sviluppo S.r.l.	Milan	3,000,000	100.00		
VP Sviluppo 2015 S.r.l.	Milan	2,000,000	100.00		
Acacia 2000 S.r.l.	Milan	369,718	71.60	28.40	Vittoria Immobiliare S.p.A.
Gestimmobili S.r.l.	Milan	104,000		100.00	Vittoria Immobiliare S.p.A.
V.R.G. Domus S.r.l	Turin	800,000		100.00	Vittoria Immobiliare S.p.A.
Valsalaria S.r.l.	Rome	60,000		51.00	Vittoria Immobiliare S.p.A.
Assiorvieto Servizi S.r.l.	Orvieto	12,500		60.00	Interbilancia S.r.l.
Aspevi Firenze S.r.l.	Florence	25,000		60.00	Interbilancia S.r.l.
Plurico S.r.l.	Milan	10,000		70.00	Interbilancia S.r.l.

Main changes in ownership percentages and other changes during the year

Interimmobili S.r.l.

The Shareholders' Meeting of 11 April 2017, in order to repay the losses, resolved to fully use the share capital of €1,000 thousand, with the consequent cancellation of the same, as well as to proceed to its repayment for a maximum nominal value of €100 thousand, by issuing a share of the corresponding total nominal amount, to be released with a surplus of €1,400 thousand. Part of this share premium was therefore used to cover the remaining losses portion as at 31 December 2016.

The sole shareholder Vittoria Immobiliare S.p.A. waived its right to subscribe for the capital replenishment, which was instead subscribed in its entirety by Vittoria Assicurazioni S.p.A.. The latter, therefore, became the sole shareholder of Interimmobili S.r.l..

Acacia 2000 S.r.l.

The Shareholders' Meeting of 30 November 2017 resolved to return to the Shareholders (24,344 thousand euro to the shareholder Vittoria Assicurazioni and 9,656 thousand euro to the shareholder Vittoria Immobiliare) of part of the Share premium reserve, for a total amount of 34 million euro; the repayment was made in December.

Immobiliare Bilancia S.r.l.

The Shareholders' Meeting of 30 November 2017 approved to return part of the share premium reserve to the single shareholder Vittoria Assicurazioni for a total amount of 6,000 thousand euro.
The Shareholders' Meeting also approved the integration of the legal reserve up to the amount of one fifth of the share capital through the use of 995 thousand euro to be withdrawn from the share premium reserve.

Immobiliare Bilancia Prima S.r.l.
During the year, the sole shareholder Vittoria Assicurazioni paid the subsidiary 6,500 thousand euro to the future capital increase and waived the repayment of the loan for 500 thousand euro, with conversion into the future capital increase account.

With reference to the internal insurance funds "Unit Linked", Vittoria Assicurazioni does not control these funds inasmuch the conditions for control under IFRS 10 are not met.
In particular, it is not considered to be exposed significantly to variable returns of the entity making the investment, because the gains and losses related to the valuation of the assets included in the unit-linked funds are fully credited to policyholders through the change of the mathematical reserve.

The information required by IFRS 12, about companies with significant minority investments are reported in the "Consolidated Financial Statements Annexes".

The table below lists the companies included in the consolidated financial statements accounted for using the equity method in accordance with IAS 28.

B) Consolidated investments valued with the net equity method

Name	Registered offices	Share Capital Euro	% Ownership Direct	Indirect	Via
Yarpa S.p.A.	Genoa	30,000,000	27.31		
Touring Vacanze S.r.l.	Milan	12,900,000	46.00		
Touring Digital S.r.l.	Milan	1,800,000	45.00		
Aspevi Milano S.r.l.	Milan	100,000		49.00	Interbilancia S.r.l.
Aspevi Roma S.r.l.	Rome	50,000		49.00	Interbilancia S.r.l.
Mosaico S.p.A.	Turin	500,000		45.00	Vittoria Immobiliare S.p.A.
Pama & Partners S.r.l.	Genoa	1,200,000		25.00	Vittoria Immobiliare S.p.A.
Fiori di S. Bovio S.r.l.	Milan	30,000		40.00	Vittoria Immobiliare S.p.A.
Valsalaria A.11 S.r.l.	Rome	33,715		40.00	Vittoria Immobiliare S.p.A.
VZ Real Estate S.r.l.	Turin	100,000		49.00	Vittoria Immobiliare S.p.A.

Main changes in ownership percentages and other changes during the period

We note the liquidation of Consorzio Movincom S.c.r.l. and Movincom Servizi S.p.A., already cautiously impaired at 31 December 2016.

Spefin Finanziaria S.r.l.

Following the resolution to increase the share capital of the company Spefin Finanziaria S.p.A. fully subscribed by a third party, the Group's shareholding in the company goes from 21.00% to 17.18%, and therefore the company has been reclassified from the item "Investments in associates and joint ventures" to the item "Financial assets available for sale".

Aspevi Milano S.r.l.

On 15 November 2017 the subsidiary Interbilancia S.r.l. acquired 49% of the share capital of the insurance brokerage company Aspevi Milano S.r.l., at a price of 61 thousand euro.

C) Geographical segment reporting (secondary segment)

As regards primary segment reporting, the relevant balance sheet and income statement tables by business segment – compliant with the formats established by the IVASS ordinance already mentioned earlier – are shown in the specific section “Annexes to Consolidated financial statements”.

The following tables show the geographical split of total balance sheet assets, deferred costs, and of the main items of revenue.

(€/000)

Assets	Italy		Europe		Rest of the World		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
Debt instruments	875,652	1,013,949	1,157,842	1,051,776	38,300	1,826	2,071,794	2,067,551
Equity instruments and OEIC units	104,266	79,470	424,403	106,018	-	-	528,669	185,488
Property	611,865	627,290	-	-	-	-	611,865	627,290
Other assets	809,534	869,715	-	-	-	-	809,534	869,715
Total	2,401,318	2,590,424	1,582,246	1,157,794	38,300	1,826	4,021,863	3,750,044

(€/000)

Deferred costs	Italy						Total external deferred costs	
	North		Centre		South and Islands			
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Other property, plant and equipment	6,717	7,603	25	23	-	-	6,742	7,626
Other intangible assets	6,672	9,064	1	1	-	-	6,673	9,065
Owner-occupied property	96,676	114,559	727	538	-	133	97,403	115,230
Total	110,065	131,226	753	562	-	133	110,818	131,921

(€/000)

Revenue (gross of intersegment eliminations)	Italy						Europe		Total	
	North		Centre		South and Islands					
	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
Insurance premiums - direct business	660,153	644,325	432,450	410,863	228,522	210,520	126	88	1,321,251	1,265,796
Trading and construction profits	5,374	1,462	667	263	-	-	-	-	6,041	1,725
Services and rent income	4,673	3,912	904	1,216	1	3	-	-	5,578	5,131
Rentals on Investments properties	5,773	5,784	9	8	-	-	-	-	5,782	5,792
Total	675,973	655,483	434,030	412,350	228,523	210,523	126	88	1,338,652	1,278,444

Specific explanatory notes

Consolidated Balance Sheet

Note 1	31/12/2017	31/12/2016	Change
Goodwill	-	-	-

Note 2	31/12/2017	31/12/2016	Change
Other intangible assets	6,673	9,065	-2,392
Other items of property, plant and equipment	6,742	7,626	-884
Property	500,625	537,862	-37,237

Other intangible assets

The following table shows the breakdown of this item and changes occurred in the year.

(€/000)

	Software	Software under development	Other intangible assets	TOTAL OTHER INTANGIBLE ASSETS
Gross carrying amount at 31/12/2016	96,316	841	8,263	105,420
Acquisitions	2,337	178	-	2,515
Reclassification of assets under development	-	- 841	-	- 841
Others	-	-	24	24
Gross carrying amount at 31/12/2017	98,653	178	8,287	107,118
Accumulated Depreciation at 31/12/2016	88,091	-	8,263	96,354
Depreciation	4,067	-	-	4,067
Others	-	-	24	24
Accumulated Depreciation at 31/12/2017	92,158	-	8,287	100,445
Net value as at 31/12/2016	8,225	841	-	9,066
Net value as at 31/12/2017	6,495	178	-	6,673

The assets recognised in Group accounts have a finite useful life and depreciation & amortisation is applied on a straight-line basis during estimated useful life.

Specifically, the estimated useful life of each type intangible assets can be summarised as follows:

- Software: between 5 to 10 years;
- Other intangible assets: between 2 to 5 years;

Amortisation of intangible assets is recognised in the income statement under ''Other costs''.

Other items of property, plant, and equipment

The following table shows the breakdown of this item and changes occurred in the year.

(€/000)

	Renovations	Furniture, fittings, plant and equipment	Ordinary and electronic office machines	Cars	TOTAL OTHER ITEMS OF PROPERTY, PLANT AND EQUIPMENT
Gross carrying amount at 31/12/2016	4,699	18,837	6,233	382	30,151
Acquisitions	-	1,095	163	57	1,315
Disposals	-	-6	-	-52	-58
Gross carrying amount at 31/12/2017	4,699	19,926	6,396	387	31,408
Accumulated Depreciation at 31/12/2016	4,699	11,856	5,743	226	22,524
Depreciation	-	1,806	297	50	2,153
Decrease due to disposals	-	-4	-	-7	-11
Accumulated Depreciation at 31/12/2017	4,699	13,658	6,040	269	24,666
Net value as at 31/12/2016	-	6,981	490	156	7,627
Net value as at 31/12/2017	-	6,268	356	118	6,742

The estimated useful life of each type of property, plant and equipment can be summarised as follows:

- Furniture, fittings, plant and equipment: between 5 to 10 years;
- Ordinary and electronic office machines: between 3 to 5 years;
- Cars: between 4 to 5 years.

Property

The following table shows the breakdown of this item:

(€/000)

	31/12/2017	31/12/2016	Change
Owner-occupied property	97,403	115,230	-17,827
Property held for trading	352,276	375,256	-22,980
Property under construction	50,946	47,376	3,570
Total	500,625	537,862	-37,237

- Owner-occupied property (by nature)

The book value of real estate assets at 31 December 2017 refers for 14,419 thousand euro to property of the subsidiary Vittoria Properties Srl, for 1,639 thousand euro to property owned by Vittoria Immobiliare SpA and for 81,345 thousand euro to properties of Vittoria Assicurazioni, of which 74,009 thousand euro relating to its headquarters. The decrease in this item is mainly due to the reclassification of some properties in the "Iinvestments Property" category as they are held for the lease (as reported in the item "Other operations" in the table below).
The following table shows the reconciliation of changes occurring during 2017:

(€/000)

Owner-occupied property	31/12/2016	Acquisitions	Other operations	Sales	Amortization	31/12/2017
Gross carrying amount	142,292	82	-13,992	-420	-	127,962
Accumulated depreciation	27,062	-	-644	-193	4,334	30,559
Carrying amount	115,230	82	-13,348	-227	-4,334	97,403

Depreciation is applied on a straight-line basis during property's estimated useful life of between 30 and 50 years.
All of this property has been appraised by independent experts except those purchased recently or in an irrelevant amount. The owner-occupied property fair value, allocated to level 3 of the fair value hierarchy, as at 31 December 2017 is equal to 144,837 thousand euro and it has been determined using the comparative method and the income method of direct capitalization; no significant issues emerged from these analysis.

- Property held for trading and property under construction

The following table shows the reconciliation of changes occurring during 2017:

(€/000)

Property	Trading activities	Construction work	Total
Carrying amount as at 31/12/2016	375,256	47,376	422,632
Acquisitions, net of capitalised financial charges	8,514	3,570	12,084
Sales	-33,931	-	-33,931
Movement to Investment properties	-3,604	-	-3,604
Recognised gains (losses) - write off included	6,041	-	6,041
Carrying amount as at 31/12/2017	352,276	50,946	403,222

Please refer to the Report on Operations for details on the principal real estate activities carried out during the year. During the year, sales continued for the properties belonging to the residential complex "Parco Vittoria Residenze" located in the Portello area in Milan. As at 31 December 2017, the current value allocated to level 3 of the fair value hierarchy, is equal to 416,809 thousand euro and it has been determined using the comparative method, the income method of direct capitalization and the income methods of transformation and discounted cash flow.

In particular, the discount rate is the weighted average cost of capital (c.d. WACC), which takes account of a leverage ratio of 50%, prospective inflation assumptions and the return on government bonds. For this category of real estate, in order to assess any discrepancies between the value recognized in the balance sheet, it has been performed a sensitivity analysis concerning the change in the discount rate and the range of expected cash valued by the independent expert; from these analysis no significant issues has been reported.

Note 3	31/12/2017	31/12/2016	Change
Reinsurers' share of technical reserves	63,263	63,481	-218

The following table shows – separately for the Non-Life and Life insurance business – reinsurers' share of technical reserves:

(€/000)

	Direct business		Ceded business		Total carrying amount	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-life reserves	57,635	55,649	310	353	57,945	56,002
Premium reserve	13,403	17,190	-	-	13,403	17,190
Claims reserve	44,232	38,459	310	353	44,542	38,812
Life reserves	5,318	7,479	-	-	5,318	7,479
Reserve for payable amounts	3,037	-	-	-	3,037	-
Mathematical reserves	2,250	7,447	-	-	2,250	7,447
Other reserves	31	32	-	-	31	32
Total reinsurers' share of technical reserves	62,953	63,128	310	353	63,263	63,481

Note 4	31/12/2017	31/12/2016	Change
Investments properties	111,240	89,428	21,812

The item includes property which comes within the scope of IAS 40, i.e. which is held to earn rentals. This item includes properties owned by Vittoria Assicurazioni in the Portello area in Milan for tertiary destination, a property in Milan for residential use and two properties in Turin for tertiary use purchased during the year for rental.
The increase in this item is also attributable to the reclassifications made during the year of the properties owned by the real estate companies belonging to the Group, from the category "Owner-occupied property" to the category "Properties held for trading". Please refer to the table of the properties included in the Directors' Report in the chapter "Investments - Cash and cash equivalents- Property".
Real estate investments current value as at 31 December 2017, allocated to level 3 of the fair value hierarchy, is equal to 125,776 thousand euro and it is determined using the methods of direct income capitalization.

Note 5	31/12/2017	31/12/2016	Change
Investments in subsidiaries and associates and interests in joint-ventures	19,357	20,138	-781

The breakdown of this item was as follows:

(€/000)

Investments in associates	31/12/2017	31/12/2016
Yarpa. S.p.A.	11,177	12,164
Touring Digital S.r.l.	339	94
VZ Real Estate S.r.l.	-	-
Mosaico S.p.A.	67	112
Pama & Partners S.r.l.	293	288
Aspevi Roma S.r.l.	487	271
Aspevi Milano S.r.l.	133	-
Spefin Finanziaria S.p.A.	-	382
Fiori di S. Bovio S.r.l.	-	-
Valsalaria A.11 S.r.l.	7	14
Touring Vacanze S.r.l.	6,854	6,813
Total carrying amount	19,357	20,138

The Group interest of results of associates corresponds to a negative net balance of 870 thousand euro (529 thousand euro write-ups and write-downs of 1,399 thousand euro).

Due to the negative results, we confirmed to zero the investments in the associate companies VZ Real Estate S.r.l. and Fiori di S. Bovio S.r.l..

As described in the Directors' Report, following the share capital increase resolution, subscribed entirely by a third party, the shareholding of the Group in the company Spefin Finanziaria S.p.A. passes from 21.00% to 17.18%, and therefore the company has been reclassified from the item “Investments in associates and joint ventures” to the item “Financial assets available for sale”.
It should also be noted that during the year the subsidiary Interbilancia purchased 49% of the share capital of the insurance brokerage company Aspevi Milano S.r.l ..

The decreasing of the item in the financial statement with amount of -781 thousand euro reflects all investments and divestments made during the period and shown in the Directors' report, as well as the Group's interest in the change of equity of the associates carried at equity, as illustrated in the following table:

(€/000)

Carrying amount as at 31/12/2016	20,138
Acquisitions and subscriptions	826
VZ Real Estate S.r.l.	59
Mosaico S.p.A.	129
Aspevi Milano S.r.l.	61
Fiori di S. Bovio S.r.l.	29
Valsalaria A.11 S.r.l.	8
Touring Digital S.r.l.	540
Riclassification to available for sale investments	-343
Spefin Finanziaria S.p.A.	-343
Change due to equity method measurement	-870
Yarpa. S.p.A.	-933
VZ Real Estate S.r.l.	-154
Mosaico S.p.A.	-174
Pama & Partners S.r.l.	5
Aspevi Roma S.r.l.	216
Aspevi Milano S.r.l.	72
Spefin Finanziaria S.p.A.	196
Fiori di S. Bovio S.r.l.	-123
Valsalaria A.11 S.r.l.	-15
Touring Vacanze S.r.l.	40
Elimination of dividends	-55
Impairment	-318
Other changes	-22
Carrying amount as at 31/12/2017	19,357

The following table shows the latest financial and economic data available of the major associated companies:

(€/000)

	Main financial-economic data							
Denomination	Total asset	Cash and chash equvalents	Total equity and liabilities	Equity	Profit (loss) for the year	Dividends paid out	Costs	Revenues
Yarpa Group S.p.A.	44,195	12,058	686	43,509	1,991	201	1,410	2,336
Touring Vacanze S.r.l.	16,352	2	1,453	14,899	81	-	401	482

Note 6	31/12/2017	31/12/2016	Change
Held to maturity investments	44,051	44,268	-217
Loans and receivables	192,126	128,677	63,449
Financial assets available for sale	2,556,399	2,208,766	347,633
Financial assets at fair value through profit or loss	76,589	56,872	19,717

To complete the information disclosed below, reference should be made to the information already given in great detail in the Directors' Report in the sections "Investments – Cash & cash equivalents – Property" and "Risk Report".
The table detailing the breakdown of financial assets is shown in the specific section "Annexes to Consolidated interim financial statements".

<u>Investments held to maturity – Financial assets available for sale – Financial assets at fair value through profit or loss</u>

The following table shows changes in financial assets – for which risk is borne by Group companies – referring to shares and quotas, bonds and other fixed-income securities, units in UCITS (Undertakings for Collective Investment in Italian Transferable Securities) and units in AIF (Alternative Investment Funds).
In addition, changes in assets for which risk is borne by policyholder and those relating to pension-fund management are shown separately.

(€/000)

	Held to maturity investments	Financial assets available for sale				Financial assets at fair value through profit or loss	Financial assets held for trading	Total
		Equity investments	UCITS AIF units	Bonds and other fixed-interest securities	Total	Assets where the risk is borne by policyholders and related to pension funds	Bonds and other fixed-interest securities	
Carrying amount at 31/12/2016	44,268	103,058	82,430	2,023,278	2,208,766	56,866	6	2,309,906
Acquisitions and subscriptions		-	353,754	570,136	923,890	26,158		950,048
Sales and repayments	-227	-	-32,773	-528,814	-561,587	-10,510		-572,324
Other changes:								
- effective interest adjustments	10			-25,636	-25,636			-25,626
- fair value adjustments	-	26,492	-4,121	-7,531	14,840	347	7	15,194
- charged to P&L		-	-136	-3,204	-3,340			-3,340
- rate changes	-			-499	-499			-499
- other changes	-	-35	-	-	-35	3,715		3,680
Carrying amount at 31/12/2017	44,051	129,515	399,154	2,027,730	2,556,399	76,576	13	2,677,039

Loans and receivables

As at 31 December 2017 loans and receivables totalled 192,126 thousand euro (128,677 thousand euro as at 31 December 2016).

The item is principally comprised of the following:

- loans granted by Vittoria Immobiliare S.p.A. to the indirect associates Mosaico S.p.A., Fiori di San Bovio S.r.l., Pama & Partners S.r.l., VZ Real Estate S.r.l. and Valsalaria A11 S.r.l. for a total of 11,412 thousand euro;
- loans granted by Vittoria Assicurazioni to third parties and secured by mortgages for a total of 2,579 thousand euro;
- 640 thousand euro in loans against life insurance policies;
- loans and receivables from agents, the latter comprising recoveries of compensation paid to terminated agents, and loans granted to employees for a total of 27,274 thousand euro;
- 633 thousand euro in loans granted to the company Spefin Finanziaria S.p.A.;
- the corresponding entry for Vittoria Assicurazioni's commitments for payments to finance investments in private equity, private debt and infrastructure funds amounted to 143,818 thousand euro (73,482 thousand euro at 31 December 2016). The related commitments are recorded under "Other financial liabilities" in note 18;
- term deposit at the bank "Banca del Gran Sasso d'Italia" for a total amount of 3,000 thousand euro on behalf of Vittoria Assicurazioni;
- reinsurance deposit assets for 149 thousand euro.

The amount of 127,020 thousand euro is collectible after 12 months.

Disclosure concerning fair value

The following table indicates the fair value of investments discussed in the present note.

(€/000)

Financial assets	Carrying amount	Fair Value
Held to maturity investments	44,051	46,849
Loans and receivables	192,126	192,126
Financial assets available for sale	2,556,399	2,556,399
Financial assets held for trading	13	13
Financial assets at fair value through profit or loss	76,576	76,576
Total	2,869,165	2,871,963

For further information concerning to the "fair value hierarchy", please refer to the "Annexes to Consolidated financial statements". Investments allocated to "level 2" were assessed based on the latest transactions which are observed in the secondary market.
Investments allocated to "level 3", mainly referred to investments in Yam Invest N.V. (fair value at 31 December 2017 of 65,655 thousand euro) and Nuove Partecipazioni S.p.A. (fair value at 31 December 2017 amounting to 39,673 thousand euro), were also assessed using technical expertise edited by external leading appraisal firms. The main evaluation methods applied are:
- the Dividend Discount Model, in the variant of the Excess of Capital, establishes that the financial value of a financial company is given by discounting a dividend flow determined on the basis of compliance with the minimum capital requirements imposed by the Supervisory Authority;
- the market multiples method is based on the analysis of stock prices referring to a selected sample of companies operating in the reference sector (comparable listed companies) and on the subsequent application of multiples to the corresponding size of the company being valued;
- the Simple Capital Method based essentially on the principle of the expression, at current values, of the individual assets that make up the company's capital and the updating of passive elements;

- the method Sum of Parts ("SOP"), based essentially on the principle of the expression at fair value of activity that make up the capital of the company and deducting related liabilities and holding costs.
The main assumptions used in the methodologies are related to the holding costs, the liquidity discounting rates, discounting rates and stock exchange multiples. Sensitivity analysis of some input (rate of liquidity discount) has also been carried out; from these analysis no significant issues has been reported.
For loans and receivables, the carrying amount is a reasonable approximation of fair value.

Note 7	31/12/2017	31/12/2016	Change
Receivables relating to direct insurance	155,238	153,950	1,288

The breakdown of this item was as follows:

(€/000)

Receivables relating to direct insurance	31/12/2017	31/12/2016
Premiums due from policyholders	57,322	52,209
Receivables due from brokers and agents	64,396	71,474
Receivables due from insurance companies - current accounts	9,407	6,177
Amounts to be recovered from policyholders and third parties	24,113	24,090
Total	155,238	153,950

These receivables are stated net of related bad-debt provisions. Specifically, provision relating to receivables for premiums due from policyholders takes into account historical trends of cancellation of premiums written but not collected.

Note 8	31/12/2017	31/12/2016	Change
Receivables relating to reinsurance business	3,045	811	2,234

The item relates to receivables due from insurers and reinsurers. It includes receivables arising from the current accounts showing the technical result of reinsurance treaties.

Note 9	31/12/2017	31/12/2016	Change
Other receivables	32,298	33,959	-1,661

The most significant sub-item as up to 31 December 2017 consisted of receivables for advance taxes for non-life policyholders for an amount of 24,350 thousands of euro and other receivables mainly from clients and third parties paid by the real estate companies for 2,193 thousand euro.

Note 10	31/12/2017	31/12/2016	Change
Deferred acquisition costs	6,236	5,876	360

This item includes acquisition costs paid in advance upon signature of long-term insurance contracts of Life business.

Note 11	31/12/2017	31/12/2016	Change
Deferred tax assets	91,506	103,774	-12,268

The item included deferred tax assets pertaining to Vittoria Assicurazioni for 86,188 thousand euro, to the real estate segment and to the service segment for 6,490 thousand euro, plus those relating to consolidation adjustments for -1,172 thousand euro.

The following table reports the breakdown of the item:

(€/000)

Deferred tax assets	31/12/2017
Provision for bad debts	13,712
Change in Non-life technical reserves	41,756
Change in Life technical reserves	1,191
Provisions charges	5,612
Shadow Accounting	14,259
Tangible assets depreciation	744
Elimination of intragroup profits	496
Tax benefit appropriation of property revaluation	5,611
Tax benefits on Group's losses	788
Income tax on real estate	116
Prepaid commissions	399
Remunerations of Directors	310
Write-off on real estate	4,350
Employee benefits	1,200
Goodwill	624
Other	338
Total	91,506

Note 12	31/12/2017	31/12/2016	Change
Current tax assets	32,552	12,429	20,123

The item mainly includes tax receivables of Vittoria Assicurazioni of 32,140 thousand euro (including tax credits relating to taxes prepaid on the Life business mathematical reserves) and VAT receivables totalling 205 thousand euro of the real estate companies arising from the purchase of buildable areas and property.

Note 13	31/12/2017	31/12/2016	Change
Other assets	10,273	10,126	147

The item mainly includes 949 thousand euro of deferred commission expenses relating to investment contracts and 4,006 thousand euro of prepayments, mainly relating to G&A costs and to other assets mainly related to unavailable capital on bank account due to distraints from third parties for pending litigation for an amount of 3,142 thousand euro.

Note 14	31/12/2017	31/12/2016	Change
Cash and cash equivalents	113,650	262,936	-149,286

The item refers to bank balances of 113,567 thousand euro and cash amounts of 83 thousand euro. The figure in the previous year was significantly increased, as it included the liquidity deriving from the extraordinary sale of bonds in November 2016, which as at 31 December 2016 was awaiting to be reinvested.

Note 15	31/12/2017	31/12/2016	Change
Equity attributable to shareholders of the parent	828,636	745,611	83,025
Equity attributable to minority interests	191	194	-3

Changes in consolidated equity are detailed in chapter "Statement of Changes in Equity".

The following table details the breakdown of equity:

(€/000)

BREAKDOWN OF EQUITY	31/12/2017	31/12/2016	Change
Total equity attributable to the shareholders of the parent	828,636	745,611	11.1%
Share capital	67,379	67,379	0.0%
Equity-related reserves	33,874	33,874	0.0%
Income-related and other reserves	572,926	450,642	27.1%
Fair value reserve	76,985	58,612	31.3%
Other gains or losses recognised directly in equity	-11	-263	n.v
Group profit for the year	77,483	135,367	-42.8%
Total equity attributable to minority interests	191	194	-1.5%
Share capital and reserves attributable to minority interests	194	199	-2.5%
Minority interests' profit for the year	-3	-5	n.v
Total consolidated equity	828,827	745,805	11.1%

As at 31 December 2017 the Company's share capital consists of 67,378,924 fully subscribed and paid-up shares with a nominal value of Euro 1.00 each.

The Group does not hold either directly or indirectly any shares of its parent companies.

Dividends paid out by the Company, shown in the column "Transfers" in the statement of changes in equity, totalled 13,475,785 Euro for FY 2016 and 14,149,574 Euro for FY 2017.

Other gains or losses recognised directly in equity refer to actuarial results on Employee Benefits that will not be reclassified subsequently to profit or (loss).

Fair value reserve could be reclassified subsequently to profit or loss.

More specifically, changes in the “Fair value reserve” (i.e. gains or losses on available-for-sale financial assets”) are detailed in the following table:

(€/000)

A) Net unrealised gains	Gross amount	Tax impact	Net amount
31/12/2016	120,663	-24,437	96,226
Decrease due to sales	-3,340	859	-2,481
Decrease due to fair value changes	17,052	1,600	18,652
Total change for the period/year	13,712	2,459	16,171
31/12/2017	134,375	-21,978	112,397

(€/000)

B) Shadow accounting reserve	Gross amount	Tax impact	Net amount
31/12/2016	54,371	-16,757	37,614
Change in shadow accounting reserve	-3,183	981	-2,202
31/12/2017	51,188	-15,776	35,412

Gains or losses on financial assets AFS (€/000)

Combined effect A) - B)	Gross amount	Tax impact	Net amount
31/12/2016	66,292	-7,680	58,612
Decrease due to sales	-3,340	859	-2,481
Decrease due to fair value changes	17,052	1,600	18,652
Change in shadow accounting reserve	3,183	-981	2,202
Total change for the period/year	16,895	1,478	18,373
31/12/2017	83,187	-6,202	76,985

The following table, which refers to 31 December 2017, shows the reconciliation of profit and equity shown in Vittoria Assicurazioni's individual financial statements with the same items shown in consolidated financial statements. The IFRS adjustments made to Vittoria Assicurazioni's financial statements – prepared, as envisaged by current regulations, in compliance with Italian GAAPs – are specifically indicated.

(€/000)

	Equity attributable to the shareholders of the parent		Equity attributable to minority interest	
	Equity gross of profit of the year	2017 profit	Equity gross of profit of the year	2017 profit
Vittoria Assicurazioni's financial statements compliant with Italian GAAPs	651,085	78,445		
IFRS adjustments (net of related tax effects)	121,921	2,008	-	-
Vittoria Assicurazioni's financial statements based on IFRSs	773,006	80,453	-	-
Consolidated companies' equity	447,496	498	192	(3)
Allocation of consolidation differences and eliminations	9,431	(1,588)		
Consolidated companies' carrying value	(484,765)	-		
Minority interest	(2)	-	2	0
Profits not yet attributed to Life policyholders	3,643	(238)		
Deferred taxes on profits not yet attributed to Life policyholders	(1,623)	106		
Deferred taxes on consolidated companies' results	2,858	(1,315)		
Other items	(514)	(327)		
IFRS-compliant consolidated financial statements	751,153	77,483	194	(3)

Note 16	31/12/2017	31/12/2016	Change
Provisions	16,549	12,829	3,720

The item includes mainly provisions for costs of real estate contracts that have yet to be incurred, connected with properties for which closing has already taken place for 95 thousand euro and provisions accrued by the Company to face charges stemming from potential clawback actions, penalties and lawsuits in progress, due to normal business operations for 12,929 thousand euro.

The table below shows the changes in the item:

(€/000)

Provisions	31/12/2016	Accruals of the year	Utilisations of the year	31/12/2017
Provision for costs to be incurred	205	-	-110	95
Other provisions	12,624	5,984	-2,154	16,454
Total	12,829	5,984	-2,264	16,549

Note 17	31/12/2017	31/12/2016	Change
Technical reserves	2,773,170	2,661,219	111,951

The following table shows the breakdown of technical reserves.

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-life reserves	**1,545,372**	**1,506,557**	**905**	**969**	**1,546,277**	**1,507,526**
Premium reserve	398,108	388,435	43	49	398,151	388,484
Claims reserve	1,146,855	1,117,713	862	920	1,147,717	1,118,633
Other reserves	409	409	-	-	409	409
Life reserves	**1,226,741**	**1,153,541**	**152**	**152**	**1,226,893**	**1,153,693**
Reserve for payable amounts	23,988	25,810	3	3	23,991	25,813
Mathematical reserves	1,150,436	1,072,192	149	149	1,150,585	1,072,341
Other reserves	52,317	55,539	-	-	52,317	55,539
Total technical reserves	**2,772,113**	**2,660,098**	**1,057**	**1,121**	**2,773,170**	**2,661,219**

The Non-Life "Other reserves" item consists of the ageing reserve of the Health line.

The Life "Other reserves" item mainly consisted of:

- 5,921 thousand euro = management expenses;
- 46,266 thousand euro = reserve for deferred liabilities to policyholders (of which 51,188 thousand euro stemming from fair value measurement of available-for-sale financial assets and -4,922 thousand euro from reserving against subsidiaries' profits allocated to segregated funds).

The mathematical reserves comprise an additional reserve for longevity risk relating to annuity agreements and capital agreements with a contractually guaranteed coefficient of conversion to an annuity (paragraph n. 36 to the Annex n. 14 of ISVAP Regulation no. 22/2008) amounting to 1,644 thousand euro (1,746 in the previous year); in the case of capital agreements, account is taken of the propensity to convert to an annuity when it is calculated.

The mathematical reserves also include additional reserves for the guaranteed interest rate risk (paragraph n. 22 to the Annex n. 14 of ISVAP Regulation no. 22/2008) amounting to 500 thousand euro (643 thousand euro in the previous year), obtained by joint analysis of the asset and liability portfolios of the segregated internal funds "Vittoria Rendimento Mensile", "Vittoria Valore Crescente", "Vittoria Previdenza" and "Obiettivo Crescita". The average rates of return on segregated funds were used to assess the additional reserve for the portfolio of non-revaluable policies.

Finally, the mathematical reserves include the additional provisions for time lag (paragraph 23 of Annex 14 to ISVAP Regulation No. 22/2008) of 2,018 thousand euro (15 thousand euro in the previous year) due to a capital gain realized at end of 2017 on the segregated fund "Vittoria Rendimento Mensile" whose profits will be recognized to the insured after the end of the year.

Liability Adequacy Test (LAT)
Testing confirmed the adequacy of the book value of the technical reserves shown in accounts.
The key variable factors reviewed in terms of historical trends (where applicable) and estimated on a forecast basis in order to quantify insurance liabilities were as follows:

Claims reserve	- average costs - settlement rate - cancellations without pay-out - reopened claims - incurred but not reported
Unexpired risk premium reserve	- projected loss ratio
Mathematical reserves	- technical bases used (actuarial assumptions) - minimum guaranteed returns - annuity or surrender probability
Shadow accounting reserve	- average retrocession rate - proportion of unrealised gains on securities allocated to separately-managed business
LAT reserve	- market interest rate - return on separately-managed business

Non-Life business

The following table indicates the causes of changes in the claims reserve.

(€/000)

Claims Reserve	Carrying amount
Carrying amount at 31/12/2016	1,118,633
Change for the year	29,084
Carrying amount at 31/12/2017	1,147,717

Non-Life Business:

The claims reserve for the Motor TPL lob (including Third-party liability for watercraft - sea, lake, and river) totalled € 814.7 million.

In continuity with the previous year, in order to achieve an estimate of ultimate cost [for the purposes of reserving] closer to operating reality - which features a variety of cases featuring significant differences in the parameters used to measure the entity of claims - Vittoria Assicurazioni has decided to perform separate analysis of claims occurring before introduction of the knock-for-knock system (KFK for short) (i.e. events before 2007) and after its introduction. For this purpose, it was done a preliminary methodological work to identify actuarial methods that enable it to carry out an accurate estimate of the ultimate-cost reserves with the appropriate level of detail.
Different methods were identified, of a different nature in order to have a more precise monitoring of the evolving dynamics of claims:

- Paid Chain Ladder: this method estimates the amount of future payments, until run-off of generations, constructing – using the historical series available – the triangles of cumulative amounts paid (organised by event) and calculating on the latter the observable development factors. These factors are then applied to cumulative data up to the current balance-sheet year to calculate estimated future payments.

- Incurred Chain Ladder: this method is similar to the previous one, except that the coefficients of development for each year of the event are calculated on the total amount of claims (payments already observed + reserves) in the various financial years. The rates are applied to the data accumulated up to the end of the current financial year, in order to estimate the total amount of future claims.

- Fisher Lange: the method is based on the projection of the number of outstanding claims and the average cost estimate. This method consists to estimate for claim duration the vectors of claims settlement speed, rate of claims with follow-up, average cost of claims and future inflation trends. These performance measures are evaluated by the analysis of the triangles of run-off in the number of claims paid, reserved, without follow-up and reopened, and the average costs recorded for each generation / policy year.

- Bornhuetter Ferguson – Paid/Incurred: which method makes it possible to average the results obtained from the Chain Ladder methods described above and those of the Expected method Claims Technique. The latter provides an estimate of the total cost of claims starting from the identification of a Loss Ratio priori determined by the Expert judgment of the Company, possibly by reference to market data.

In order to obtain an adequate assessment, or rather less affected by possible modifications on shifting timing of the information in the "*room*", the above method has been also applied to IBNR payments observed, obtaining so a conjoint estimate of ultimate cost and IBNR reserve (the last one has been calculated directly with the method above mentioned).

For all the businesses, since they have sufficient historical depth, the queuing projection coefficients were estimated separately for each component analysed, in order to show the different developments (the time series were projected using appropriate regression functions).

Other risks:

For General TPL line, verifications on claims reserve (including IBNR) appropriateness have been made with Chain-Ladder method. For the valuation of risks for other businesses, the inventory was used. In addition, observable data were analysed and valued according to historical portfolio series.

IBNR claims:

Calculation of the reserve for IBNR (incurred but not reported) claims requires estimation for each business of both the number and average cost of late claims. The estimate was made using as its source the balance-sheet input forms for the years 2006-2017 taking in consideration possible gaps between prior year allocation and the final amount.

For Motor TPL, the estimate is made separately for each type of management.

Life business

The following table indicates the causes of changes in the mathematical reserves.

(€/000)

Mathematical Reserves	Carrying amount
Carrying amount at 31/12/2016	1,072,341
Portfolio transfers	-5,334
Change for the year	83,578
Carrying amount at 31/12/2017	1,150,585

Key actuarial assumptions concerning Life technical reserves are detailed below:

(€/000)

Risk category	Capital sums, annuities	Technical reserves	Year of issue	Technical basis financial	Technical basis demographic
Temporary	4,647,513	32,333	1990 - 1997	4%	SIM 81
			1998 - 2001	3% - 4%	SIM 91
			2001 - 2007	3%	SIM 91 al 70%
			2008 - 2011	3%	SI 91 al 50% e 70%
			2012 - 2014	3%	IM 2001 al 90%- 65%
			dal 2015	2%	IM 2001 al 90%- 65%
Adjustable	4	8	1969 - 1979	3%*	SIM 51
Indexed	4	5	1980 - 1988	3%*	SIM 51
Other types	400	12			
Revaluable	1,218,653	1,119,259	1988 - 1989	3%*	SIM 71
			1990 - 1996	4%*	SIM 81
			1997 - 1999	3%*	SIM 91
			2000 - 2011	1,5% - 2%*	SIM 81-91
			2012 - 2014	2%	SIM 2001 al 80%
			2014 - 2015	1%	SIM 2001 al 70%
			dal 2015	0%	SIM 2001 al 70%
L.T.C.	30,425	3,272	2001 - 2004	3%	(1)
			2004 - 2011	3%	(2)
			dal 2012	3%	(3)
Pension fund	24,026	24,026	dal 1999	---	---
Unit Linked	52,469	52,275	1998 - 2014	0%	SIM 91
			dal 2015	0%	SIM 2001
Total ordinary	5,973,494	1,231,190			
AIL revalutable	1,523	1,523	1986 - 1998	4% *	SIM 51
			1999 - 2004	3% *	SIM 81
Total business lines	5,975,017	1,232,713			

* Due to the effect of the contractually guaranteed revaluation, technical rates have increased to:

for indexed policies: 3.0% for adjustable policies: 3.0% for AIL revaluable policies: 2.47%

for revaluable policies: Vittoria Valore Crescente 3.46%; Vittoria Rendimento Mensile 2.51%; Vittoria Previdenza 2.20%; Vittoria Obiettivo Crescita 2.47%.

(1) SIM 91reduced to 62%; SIF 91reduced to 53%; mortality rates and LTC (long term care) rates taken from insurers' studies

(2) SIM 91reduced to 60%; mortality rates and LTC rates taken from insurers' studies

(3) SIU 2001indistinct; mortality rates and incidence rates LTC derived from reinsurers' studies

Note 18	31/12/2017	31/12/2016	Change
Financial liabilities at fair value through profit or loss	76,576	56,866	19,710
Other financial liabilities	161,301	101,841	59,460

To complete what is presented below, we point that the detailed breakdown of financial liabilities, compliant with the format established by the ISVAP ordinance already mentioned, is shown in the specific "Annexes to Consolidated financial statements" section.

Financial liabilities at fair value through profit or loss

The item "Financial liabilities at fair value through profit or loss" refers to financial liabilities relating to investment contracts for which policyholders bear the investment risk and those relating to pension-fund management.

The following table shows the cumulative change as at 31 December 2017:

(€/000)

	Benefits relating to unit-linked and index-linked policies	Benefits relating to pension fund management	Total
Carrying amount at 31/12/2016	37,870	18,996	56,866
Investment of net fund assets	15,429	4,975	20,404
Profits attributable to policyholders	1,499	917	2,416
Amounts paid	-2,358	-752	-3,110
Carrying amount at 31/12/2017	52,440	24,136	76,576

Other financial liabilities

The item includes:

- Reinsurance deposits of 6,418 thousand euro;
- Bank loans issued to the Group's real estate companies for a total of 11,065 thousand euro (of which 2,914 thousand euro backed by collateral);
- Vittoria Assicurazioni's commitment for payment of 143,818 thousand euro to companies active in private equity, private debt industry and infrastructure funds, against which the rights to receive the related financial instruments are posted in the "Loans & receivables" item.

As already described in the Directs' report, Vittoria Assicurazione continued the action aimed at diversification by asset classes of the investment portfolio during the year. This transaction therefore led to an increase in exposure mainly in UCIs in asset classes belonging to the private equity, private debt sectors and infrastructure funds.

Payables due beyond 12 months totalled 108,858 thousand euro.

Disclosure concerning fair value

The carrying value related to financial liabilities is a good approximation of fair value.

Note 19	31/12/2017	31/12/2016	Change
Payables arising from direct insurance business	9,129	8,454	675

The breakdown of the item was as follows:

(€/000)

Payables arising from direct insurance business	31/12/2017	31/12/2016
Payables to insurance brokers and agents	4,855	5,030
Payables to insurace companies - current accounts	2,671	2,066
Guarantee deposits paid by policyholders	1,143	1,118
Payables to guarantee funds in favour of policyholders	460	240
Total	9,129	8,454

Note 20	31/12/2017	31/12/2016	Change
Payables arising from reinsurance business	8,676	7,504	1,172

The item refers to amounts payable to insurers and reinsurers and reflects payables arising from the current accounts showing the technical results of reinsurance treaties.

Note 21	31/12/2017	31/12/2016	Change
Other sums payable	65,237	62,300	2,937

The breakdown of the item was as follows:

(€/000)

Other sums payable	31/12/2017	31/12/2016
Payments on accounts received by real estate companies for preliminary sales agreements	1,122	1,370
Trade payables	16,572	14,920
Payables to employees	3,445	2,794
Employee benefits - provisions for termination benefits	4,206	4,557
Policyholders' tax due	24,048	23,637
Sundry tax liabilities (withholdings)	2,772	2,857
Social security charges payable	3,339	3,050
Payables to associate companies	121	411
Sundry payables	9,612	8,704
Total	65,237	62,300

The other liabilities for employee benefits, particularly health benefits (P.S.) and seniority bonuses (P.A.) are classified in the account “Other liabilities” (note 24).

It is expected that the amount of the reserve for termination benefits (T.F.R.) will be collectible more than 12 months hence.

For the purpose of a better presentation clarity, the following table highlights the overall amount and movements of liabilities relating both to post-employment benefits ("supplementary" pension as described above and healthcare benefits) and to other long-term benefits (seniority bonuses).

(€/000)

Changes in defined benefit plans	Post-employment benefits		Other long-term benefits	Total
Charge	Healthcare services	Termination benefits	Seniority bonuses	
Carrying amount at 31/12/2016	1,932	4,556	1,885	8,374
Accruals	109	40	159	308
Utilisations	(52)	(310)	-	(362)
Other changes (exchange rate gains or losses, acquisitions)	(327)	(80)	-	(407)
Carrying amount at 31/12/2017	1,662	4,206	2,044	7,913

The following table, which refers to the increases in liabilities shown in the previous table, details the costs recognised in the income statement.

(€/000)

Charge	Healthcare services	Termination benefits	Seniority bonuses	Total
Current service cost	109	40	159	308
Interest	26	-	-	26
Net actuarial gains	(353)	(80)	-	(433)
Total charges	(218)	(40)	159	(99)

The main assumptions adopted for actuarial assessments were the following:

Demographic assumptions

- probability of death: assumptions determined by the General Accounting Office of Italy and identified as RG48, for males and females;
- probability of disability: separate assumptions by sex adopted by INPS (Italian social security institute) for projections in 2010;
- retiring age: for the generic active individual, the first opportunity as per the mandatory state national insurance conditions was assumed;
- probability of abandoning active work for causes other than death: annual frequency of 2.50%;
- probability of anticipation: 3.50% year after year

Economic and financial assumptions

- Inflation: 1.50%
- Annual technical actualization rate 1.30%
- Annual rate of severance payment increment 2.63%
- Annual rate of growth of remuneration (for the purpose of calculating seniority premiums) 2.50%
- Annual rate of growth of the average reimbursement (for the purpose of calculating health services) 1.50%

Sensitivity analysis of some input has been carried out (discounting rate, inflation rate and turnover rate); from these analysis no significant issues has been reported.

Note 22	31/12/2017	31/12/2016	Change
Deferred tax liabilities	45,645	50,335	-4,690

The item includes deferred tax liabilities allocated to the insurance business for 42,122 thousand euro, the real estate and services business for 668 thousand euro, and to reversals totalling 2,855 thousand euro, mainly in regard to fair value adjustment of the assets owned by associates and subsidiaries acquired over the past few years.

The breakdown of the item was as follows:

(€/000)

Deferred tax liabilities	31/12/2012
Alignment with fair value of assets held by investee companies acquired	3,947
Deferral of gains on the sale of financial instruments	9,152
Financial assets available for sale	27,891
Derecognition of the catastrophe reserves	4,488
Future dividends	17
Other	150
Total	45,645

Note 23	31/12/2017	31/12/2016	Change
Current tax liabilities	525	4,484	-3,959

This account refers to period income taxes net of tax prepayments. This payable reflects the options adopted by Vittoria Assicurazioni as part of the National Tax Consolidation Programme.

Note 24	31/12/2017	31/12/2016	Change
Other liabilities	36,228	38,407	-2,179

This account consists mainly of commissions to be paid on the bonuses being collected at the end of the period and provisions for agency awards totalling 15,071 thousand euro, the deferred commission income of 383 thousand euro connected with investment contracts, invoices and notes to be received from suppliers totalling 6,6577 thousand euro, and the liabilities for defined benefits and other long-term employee benefits (health benefits and seniority benefits) for 3,706 thousand euro.

Consolidated Income Statement

Note 25	31/12/2017	31/12/2016	Change
Gross premiums	1,311,685	1,266,110	45,575
Ceded premiums for reinsurance	41,672	33,004	8,668
Amounts paid and change in technical reserves	942,541	893,769	48,772
Reinsurers' share	-42,059	-21,227	-20,832

The following table provides information on the split between direct business, indirect business, outward reinsurance, and retrocession:

(€/000)

	31/12/2017				31/12/2016			
	Non-life business	Life business	Intersegment eliminations	Total	Non-life business	Life business	Intersegment eliminations	Total
NET PREMIUMS	1,097,991	172,022	-	1,270,013	1,049,636	183,470	-	1,233,106
Gross premiums	1,138,506	173,179	-	1,311,685	1,081,458	184,652	-	1,266,110
Gross premiums written	1,148,173	173,179	-	1,321,352	1,081,261	184,652	-	1,265,913
a Direct business	1,148,072	173,179	-	1,321,251	1,081,144	184,652	-	1,265,796
b Indirect business	101	-	-	101	117	-	-	117
Change in premium reserve	-9,667	-	-	-9,667	197	-	-	197
a Direct business	-9,673	-	-	-9,673	205	-	-	205
b Indirect business	6	-	-	6	-8	-	-	-8
Ceded premiums	40,515	1,157	-	41,672	31,822	1,182	-	33,004
Gross premiums ceded	36,728	1,157	-	37,885	31,573	1,182	-	32,755
a Outward reinsusrance	36,728	1,157	-	37,885	31,573	1,182	-	32,755
Change in premium reserve	3,787	-	-	3,787	249	-	-	249
a Outward reinsusrance	3,787	-	-	3,787	249	-	-	249
NET CHARGES RELATING TO CLAIMS	714,894	185,244	344	900,482	678,025	194,740	-223	872,542
Amounts paid and change in technical reserves	754,506	187,691	344	942,541	698,316	195,676	-223	893,769
Direct business	754,462	187,522	-	941,984	698,256	195,447	-	893,703
Indirect business	44	169	-	213	60	229	-	289
Shadow accounting of investee companies' profits	-	-	344	344	-	-	-223	-223
Reinsurers' share	39,612	2,447	-	42,059	20,291	936	-	21,227
Outward reinsurance	39,612	2,447	-	42,059	20,291	936	-	21,227

Net charges relating to claims (claims costs) – Non-Life segment

The item "Amounts paid and change in technical reserves" refers to:

- Amounts paid: definitive or partial indemnities for claims and related direct expenses and settlement costs;
- Change in claims reserve: estimated indemnities, direct expenses, and settlement costs that are forecast to be paid in future financial years for claims occurring in the current year, plus any adjustment of claims reserves made for claims occurring in previous years that were still outstanding as at 31 December;
- Change in other technical reserves: this refers to change in the ageing reserve for the Health Lob.

Net charges relating to claims (claims costs) – Life segment

The item "Amounts paid and change in technical reserves" refers to:

- Amounts paid: the amounts paid for claims, accrued capital, surrenders, and annuities;
- Change in the reserve for amounts to be paid: This refers to the change in amounts necessary to pay accrued capital sums and annuities, surrenders and claims to be settled;
- Change in mathematical reserves: this is the change in technical reserves, the content of which is illustrated in the Accounting Policies section;
- Change in other technical reserves: this comprises the change in the Reserve for profit participation and reversals, the Reserve for management expenses, and the Premiums reserve for complementary insurance, In addition, when consolidating accounts, "Intersegment eliminations" take in policyholders' share in the profits (net of dividends already distributed) of investee companies, the investment in which is allocated to segregated accounts;

For the geographical split of premiums, reference should be made to the table shown in the section "Geographical segment reporting (secondary segment)".

Note 26	31/12/2017	31/12/2016	Change
Commission income	333	901	-568

The item refers to commission income for the period for investment contracts classified as financial liabilities (unit-linked contracts and pension funds),

Note 27	31/12/2017	31/12/2016	Change
Gains or losses on financial instruments at fair value through profit or loss	7	-4	11
Gains on investments in subsidiaries and associates and interests in joint ventures	529	567	-38
Gains or losses on other financial instruments and investment property	51,650	132,063	-80,413
Losses on investments in subsidiaries and associates and interests in joint ventures	1,717	4,450	-2,733
Losses on other financial instruments and investment property	9,971	9,358	613

To complete the information disclosed below, we point out that the table detailing the breakdown of financial and investment income and charges/losses is shown in the specific section called "Annexes to Consolidated financial statements".

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

These are income and losses on financial assets held for trading; specifically, stemming from unrealised losses.

As regards financial assets designated at fair value through profit or loss – i.e. referring to investment contracts of the unit-linked and pension-fund type – income recognised in FY17 amounted to 2,416 thousand euro, set against losses of the same amount, due to the change in related financial liabilities designated at fair value through profit or loss.

Gains and losses on investments in subsidiaries, associates, and joint ventures

As up to 31 December 2017 these items referred entirely to the results of equity-accounted Group companies,

Reference should be made to Note 5 for further details,

Gains and losses on other financial instruments and investment property

The following table summarises the investments and financial assets and liabilities originating the gains and losses indicated above:

(€/000)

	Gains 31/12/17	Gains 31/12/16	Losses 31/12/17	Losses 31/12/16
Investment property	6,670	5,792	6,706	5,532
Held to maturity investments	1,758	1,764	-	-
Loans and receivables	630	653	-	-
Financial assets available for sale	42,169	123,554	2,923	1,632
Other receivables	230	179	-	-
Cash and cash equivalents	193	121	-	-
Other financial liabilities	-	-	342	2,194
Total	51,650	132,063	9,971	9,358

Note 28	31/12/2017	31/12/2016	Change
Other income	23,483	23,093	390

The following table details the breakdown of this item:

(€/000)

Other income	31/12/17	31/12/16
Trading profits	6,041	4,680
Revenue from owner-occupied property	420	421
Revenue from services: real estate brokerage	841	1,127
Revenue from services: real estate management	37	53
Revenue from services: administration, real estate appraisals and other income	31	36
Revenue from services: insurance commission income with third parties	57	91
Revenue from services: other revenue from services	994	939
Rent income	671	837
Technical income on insurance contracts	7,527	7,043
Gains on the sale of property, plant and equipment	-	7
Exchange rate gains	48	13
Incidental non-operating income	5,847	6,591
Other income	969	1,255
Total	23,483	23,093

Technical income on insurance contracts refer for 1,436 thousand euro (1,423 thousand euro at 31/12/2016) to reversal of commissions on cancelled premiums and for 5,288 thousand euro (4,589 thousand euro at 31/12/2016) to other technical items, mainly consisting of recovers on knock-for-knock claims settlement costs and ANIA contributions for cars scrapped following claim events.

Note 29	31/12/2017	31/12/2016	Change
Commission expense	117	53	64

The item includes commission expense, i,e, acquisition and maintenance costs incurred for investment contracts classified as financial liabilities (unit-linked and pension funds).

Note 30	31/12/2017	31/12/2016	Change
Commissions and other acquisition costs	238,921	221,162	17,759
Investment management costs	2,019	1,552	467
Other administrative costs	48,920	56,232	-7,312

To complete the information disclosed below, we point out that the table detailing insurance operating costs is shown in the specific section called "Annexes to Consolidated financial statements".

The following table details the breakdown of "Commissions and other acquisition costs".

(€/000)

Gross commissions and other acquisition costs net of profit participation and other commissions	31/12/2017	31/12/2016
Acquisition commissions	179,042	164,506
Other acquisition costs	54,380	50,482
Change in deferred acquisition costs	-360	-86
Premium collection commissions	11,545	10,877
Profit participation and other commissions received from reinsurers	-5,686	-4,617
Total	238,921	221,162

Note 31	31/12/2017	31/12/2016	Change
Other costs	33,030	35,788	-2,758

The breakdown of this item was as shown below:

(€/000)

Other costs	31/12/2017	31/12/2016
Technical costs on insurance contracts	11,989	13,001
Accruals to the provision for bad debts	1,049	-
Foreign-exchange losses	106	34
Incidental non-operating costs	389	283
Annual depreciation & amortisation	10,653	12,776
Losses on non insurance receivables	126	7
Negative margins from property depreciation	-	2,955
Accruals to the provision for risks and charges	5,984	6,337
Commissions from services sector	2,716	363
Other costs	18	32
Total	33,030	35,788

Technical costs on insurance contracts refer to technical write-offs and losses on unrecoverable premiums and related bad-debt provisioning for 9,893 thousand euro (10,118 thousand euro at 31/12/2016) and to services supporting insurance covers and costs for premiums under litigation for 2,096 thousand euro (2,883 thousand euro at 31/12/2016).

Note 32	31/12/2017	31/12/2016	Change
Income taxes	33,068	53,227	-2,758

Of this item 24,180 thousand euro related to current taxes and 8,888 thousand euro to deferred taxes.
Income taxes are recognised in profit or loss, with the exception of those relating to items directly charged or credited to equity, in which case the tax effect is recognised directly in equity.

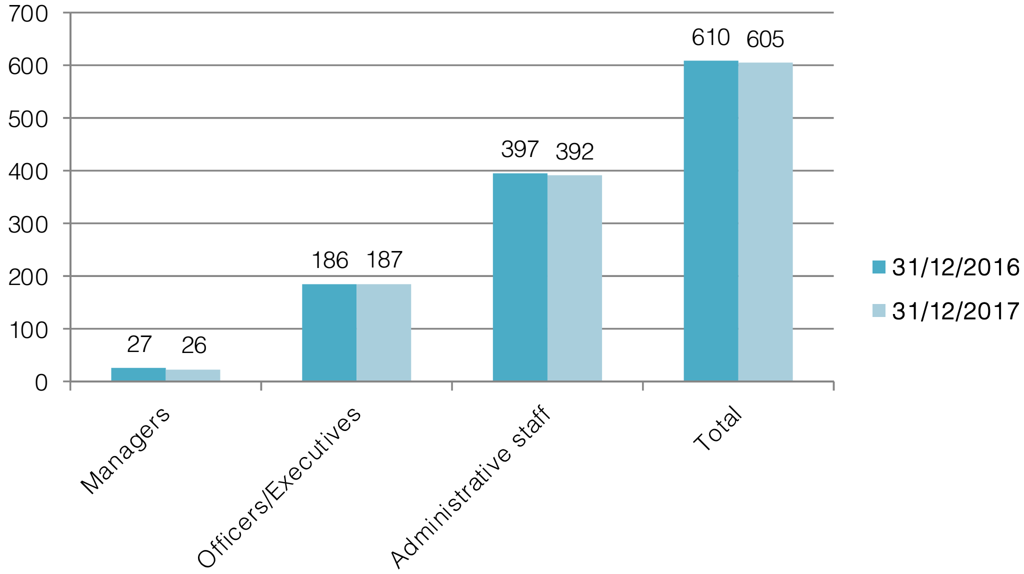
(€/000)

	Taxable base	Tax		
	IRES	actual	theoretical	tax rate
IRES				
Profit before taxation	110,838		26,601	24.00%
Temporary differences deductible in sunsequent yea	-68,446	-16,427		-14.82%
Revaluation of associates under the equity method	772	185		0.17%
Participating interest impairment	1,459	350		0.32%
Dividends received	-1,709	-410		-0.37%
Interests, expenses and other taxes indeductible	4,748	1,140		1.03%
Other captions	-15,824	-3,798		-3.43%
Total Change	-79,000	-18,960	26,601	-17.10%
Current ordinary taxable base	31,838	7,641		6.89%
IRES total current	31,838	7,641		6.89%

Other disclosures

Employees

Employees of Vittoria Assicurazioni and of fully consolidated companies numbered 599 as at 31 December 2017 vs. 609 present as at 31 December 2016.
The average number of in-force employees on the payroll, split by contractual grade, was as follows:



Key figures of the Parent Company

Pursuant to Article 2497-bis of the Italian Civil Code, as amended by the company law reform, the key figures of the latest approved financial statements of Yafa SpA, the parent company that exercises management and coordination activities on Vittoria Assicurazioni, are summarized below:

(€/000)

				Key figures for the last financial report approved as of 31 December 2016							
Denomination	Registered office	Share Capital	Sector	Total Assets	Fixed assets	Current assets	Liabilities	Equity	Profit (loss) for the year	Costs	Revenues
Yafa S.p.A.	Turin - Corso vittorio Emanuele II n. 72	15,000	Insurance	92,556	86,780	5,776	28,920	63,558	564	1,046	1,610

Tax status

Insurance Business

In the year 2017, Vittoria Assicurazioni confirmed or exercised the option for the National Tax Consolidation Regime (art. 117 and following of Presidential Decree 22 December 1986, n. 917) with the subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Acacia 2000 S.r.l., Vaimm Sviluppo S.r.l., Vittoria Properties S.r.l., Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili S.r.l., Interbilancia S.r.l., VRG Domus S.r.l., Valsalaria S.r.l. and VP Sviluppo 2015 S.r.l..
Consolidated IRES national tax with these subsidiaries will persist also in 2018.

With reference to the year 2017, Vittoria Assicurazioni exercised the option for VAT payment at the group level under D.M. 12.13.1979, together with its subsidiaries Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili S.r.l., Acacia 2000 S.r.l., VRG Domus S.r.l., Vittoria Properties S.r.l., Immobiliare Bilancia Prima S.r.l., Immobiliare Bilancia S.r.l., Vaimm Sviluppo S.r.l., Valsalaria S.r.l and VP Sviluppo 2015 S.r.l..
It is noted that for the year 2018, Vittoria Assicurazioni exercised this option, along with the same subsidiaries listed above.

In accordance with Law no. 147/2013, at the end of 2013 Vittoria Assicurazioni revalued the residential buildings in Milan and its registered office. The revaluation was declared in the UNICO 2014 tax return for the 2013 tax period. As a result, the Vittoria Assicurazioni will pay a substitute tax on the gains recorded and the gains will be recognised for IRES and IRAP purposes. The substitute tax is 16% for depreciable property and 12% for non-depreciable property.
The value recognised in the balance sheet was aligned to the fair value, determined by an independent evaluation expert. Against these greater values recognised in the balance sheet, Vittoria Assicurazioni recorded in equity a reserve equal to the revaluation less the substitute tax.

In 2009, Vittoria Assicurazioni was subject to a tax inspection by the Italian Tax Authorities for fiscal years 2004, 2005 and 2006, from which disputes related to IRES, IRAP and VAT have ensued.
Between 2009 and 2011 higher assessments for all three years under inspection were notified with details of higher IRES and IRAP, fines and interest for an overall amount of 101 thousand euro; regarding VAT, the higher tax rate, the fines and interest amount to 387 thousand euro.
Vittoria Assicurazioni has settled its tax obligations related to IRES and IRAP for all three years, while regarding VAT, has appealed against the assessments for the three years.
The Company obtained a favourable judgement in the first and second instance in relation to the three years (2004, 2005 and 2006), and appeals of the Tax Authorities with the Supreme Court of Cassation are pending.

The Board of Directors

Milan, 15 March 2018

Annexes to Consolidated 2017 financial statements

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017

Consolidation scope

	Country	Country operational headquarters (5)	Method (1)	Business (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	% of consolidation
Vittoria Assicurazioni S.p.A.	Italy		G	1				
Vittoria Immobiliare S.p.A.	Italy		G	10	100.00	100.00	100.00	100.00
Interimmobili S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Immobiliare Bilancia S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Immobiliare Bilancia Prima S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Vittoria Properties S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Interbilancia S.r.l.	Italy		G	9	100.00	100.00	100.00	100.00
Vaimm Sviluppo S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
VP Sviluppo 2015 S.r.l.	Italy		G	10	100.00	100.00	100.00	100.00
Acacia 2000 S.r.l.	Italy		G	10	71.60	100.00	100.00	100.00
Gestimmobili S.r.l.	Italy		G	11	-	100.00	100.00	100.00
V.R.G. Domus S.r.l	Italy		G	10	-	100.00	100.00	100.00
Valsalaria S.r.l.	Italy		G	10	-	51.00	51.00	100.00
Assiorvieto Servizi S.r.l.	Italy		G	11	-	60.00	60.00	100.00
Aspevi Firenze S.r.l.	Italy		G	11	-	60.00	60.00	100.00
Plurico S.r.l.	Italy		G	11	-	70.00	70.00	100.00

(1) Consolidation method: Line-by-line=L, Proportionate=P, Proportionate by common management=C

(2) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

(5) this disclosure is requested only when the country of operational headquarters is different from the country of legal and administrative headquarte

List of unconsolidated investments

	Country	Country operational headquarters (5)	Business (1)	Type (2)	% of direct holding	% of total investment (3)	% of voting rights in ordinary meetings (4)	Carrying amount
Yarpa S.p.A.	Italy		9	b	27.31	27.31	27.31	11,177
Touring Vacanze S.r.l.	Italy		10	b	46.00	46.00	46.00	6,854
Touring Digital S.r.l.	Italy		10	b	45.00	45.00	45.00	339
Mosaico S.p.A.	Italy		10	b	-	45.00	45.00	67
Pama & Partners S.r.l.	Italy		10	b	-	25.00	25.00	293
VZ Real Estate S.r.l.	Italy		10	b	-	49.00	49.00	-
Fiori di S. Bovio S.r.l.	Italy		10	b	-	40.00	40.00	-
Aspevi Milano S.r.l.	Italy		11	b	-	49.00	49.00	133
Aspevi Roma S.r.l.	Italy		11	b	-	49.00	49.00	487
Valsalaria A.11 S.r.l.	Italy		10	b	-	40.00	40.00	7

(1) 1=Italian insurance; 2=EU insurance; 3=Non-EU insurance; 4=insurance holding; 5=EU reinsurance; 6=non-EU reinsurance; 7=banking; 8=fund management; 9=other holding; 10=real estate; 11=other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=*joint ventures* (IAS 31); indicate with an asterisk (*) companies classified as held for sale in compliance with IFRS 5 and show the key at the foot of the table.

(3) the total of the stakes held by all the companies that, in the shareholding structure, are placed between the company that prepares the consolidated financial statements and the investee. If the latter is directly held by more than one subsidiary, the individual products should be added.

(4) total voting rights percentage available in ordinary meetings if different from the direct or indirect investment percentage.

(5) this disclosure is requested only when the country of operational headquarters is different from the country of legal and administrative headquar

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017

Balance sheet by business and business line

(€/000)

		Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Total	
		31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
1	INTANGIBLE ASSETS	4,490	4,870	1,889	3,778	294	417	0	0	0	0	6,673	9,065
2	PROPERTY, PLANT AND EQUIPMENT	70,451	74,460	17,583	18,540	410,230	443,383	11	12	9,092	9,093	507,367	545,488
3	REINSURERS' SHARE OF TECHNICAL RESERVES	57,946	56,002	5,317	7,479	0	0	0	0	0	0	63,263	63,481
4	INVESTMENTS	2,104,001	1,834,108	1,362,048	1,219,977	83,715	83,910	2,468	680	-552,470	-590,526	2,999,762	2,548,149
4.1	Investment property	56,675	50,572	37,341	38,856	17,224	0	0	0	0	0	111,240	89,428
4.2	Investments in subsidiaries and associates and interests in jo	456,490	474,988	46,644	50,693	55,072	64,329	621	654	-539,470	-570,526	19,357	20,138
4.3	Held to maturity investments	6,292	6,331	37,759	37,937	0	0	0	0	0	0	44,051	44,268
4.4	Loans and receivables	190,923	125,649	2,788	3,486	11,415	19,542	0	0	-13,000	-20,000	192,126	128,677
4.5	Financial assets available for sale	1,393,621	1,176,568	1,160,927	1,032,133	4	39	1,847	26	0	0	2,556,399	2,208,766
4.6	Financial assets at fair value through profit or loss	0	0	76,589	56,872	0	0	0	0	0	0	76,589	56,872
5	OTHER RECEIVABLES	175,389	167,234	16,503	16,908	5,895	8,682	757	212	-7,963	-4,316	190,581	188,720
6	OTHER ASSETS	94,770	88,516	39,244	37,065	7,470	7,783	1,452	204	-2,369	-1,363	140,567	132,205
6.1	Deferred acquisition costs	0	0	6,236	5,876	0	0	0	0	0	0	6,236	5,876
6.2	Other assets	94,770	88,516	33,008	31,189	7,470	7,783	1,452	204	-2,369	-1,363	134,331	126,329
7	CASH AND CASH EQUIVALENTS	61,355	145,531	22,716	80,045	26,625	34,243	2,954	3,117	0	0	113,650	262,936
	TOTAL ASSETS	2,568,402	2,370,721	1,465,300	1,383,792	534,229	578,418	7,642	4,225	-553,710	-587,112	4,021,863	3,750,044
1	EQUITY											828,827	745,805
2	PROVISIONS	14,456	9,494	34	62	1,835	2,853	224	420	0	0	16,549	12,829
3	TECHNICAL RESERVES	1,546,277	1,507,526	1,231,815	1,158,959	0	0	0	0	-4,922	-5,266	2,773,170	2,661,219
4	FINANCIAL LIABILITIES	147,955	78,936	78,857	64,345	11,065	15,426	0	0	0	0	237,877	158,707
4.1	Financial liabilities at fair value through profit or loss	0	0	76,576	56,866	0	0	0	0	0	0	76,576	56,866
4.2	Other financial liabilities	147,955	78,936	2,281	7,479	11,065	15,426	0	0	0	0	161,301	101,841
5	PAYABLES	76,103	74,143	6,233	6,497	19,112	21,094	2,558	843	-20,964	-24,319	83,042	78,258
6	OTHER LIABILITIES	50,021	54,241	25,619	26,931	3,778	9,115	125	85	2,855	2,854	82,398	93,226
	TOTAL EQUITY AND LIABILITIES											4,021,863	3,750,044

(€/000)

Income statement by business and business line	Non-life business		Life business		Real estate business		Service business		Intersegment eliminations		Net gains and costs/losses	
	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	31/12/2017	31/12/2016
Net premiums	1,097,991	1,049,636	172,022	183,470	-	-	-	-	-	-	1,270,013	1,233,106
Gross premiums	1,138,506	1,081,458	173,179	184,652	-	-	-	-	-	-	1,311,685	1,266,110
Ceded premiums	40,515	31,822	1,157	1,182	-	-	-	-	-	-	41,672	33,004
Commission income	-	-	333	901	-	-	-	-	-	-	333	901
Gains or losses on remeasurement of financial instruments at fair value through profit or loss	-	-	7	-4	-	-	-	-	-	-	7	-4
Gains on investments in subsidiaries and associates and interests in joint ventures	95	521	-	-	451	829	484	165	-501	-948	529	567
Gains on other financial instruments and investment property	10,649	95,534	40,284	36,665	1,031	153	36	6	-350	-295	51,650	132,063
Other income	14,834	14,670	251	426	9,202	8,482	2,810	1,150	-3,614	-1,635	23,483	23,093
TOTAL REVENUE	1,123,569	1,160,361	212,897	221,458	10,684	9,464	3,330	1,321	-4,465	-2,878	1,346,015	1,389,726
Net charges relating to claims	714,894	678,025	185,244	194,740	-	-	-	-	344	-223	900,482	872,542
Amounts paid and change in technical reserves	754,506	698,316	187,691	195,676	-	-	-	-	344	-223	942,541	893,769
Reinsurers' share	-39,612	-20,291	-2,447	-936	-	-	-	-	-	-	-42,059	-21,227
Commission expense	-	-	117	53	-	-	-	-	-	-	117	53
Losses on investments in subsidiaries and associates and interests in joint ventures	1,404	7,683	-	1,058	466	289	23	-	- 176	- 4,580	1,717	4,450
Losses on other financial instruments and investment property	6,759	4,905	2,575	2,893	988	1,853	-	1	-351	-294	9,971	9,358
Operating costs	267,413	248,681	14,970	17,787	10,005	13,810	1,162	717	-3,690	-2,049	289,860	278,946
Other costs	25,857	27,076	3,783	2,772	642	5,576	1,476	364	1,272	-	33,030	35,788
TOTAL COSTS	1,016,327	966,370	206,689	219,303	12,101	21,528	2,661	1,082	-2,601	-7,146	1,235,177	1,201,137
PROFIT FOR THE YEAR BEFORE TAXATION	107,242	193,991	6,208	2,155	-1,417	-12,064	669	239	-1,864	4,268	110,838	188,589

Breakdown of other comprehensive income

(€/000)

	Allocation		Reclassification to profit or loss		Other Changes		Total Changes		Taxes		Balance	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Other comprehensive income, net of taxes without reclassification to profit or loss	252	-165			0	0	252	-165	-41	-87	-11	-263
Changes in the equity of investees	0	0			0	0	0	0	0	0	0	0
Changes in intangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Changes in tangible asset revaluation reserve	0	0			0	0	0	0	0	0	0	0
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0			0	0	0	0	0	0	0	0
Actuarial gains and losses and adjustments related to defined benefit plans	252	-165			0	0	252	-165	-41	-87	-11	-263
Other items	0	0			0	0	0	0	0	0	0	0
Other comprehensive income, net of taxes with reclassification to profit or loss	20,854	3,007	-2,481	-69,577	0	0	18,373	-66,570	-1,478	-16,551	76,985	58,612
Change in translation reserve	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on available for sale investments	20,854	3,007	-2,481	-69,577	0	0	18,373	-66,570	-1,478	-16,551	76,985	58,612
Gains or losses on hedging instruments	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on hedging instruments of net investment in foreign operations	0	0	0	0	0	0	0	0	0	0	0	0
Changes in the equity of investees	0	0	0	0	0	0	0	0	0	0	0	0
Gains or losses on non-current assets or assets of a disposal group classified as held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER COMPREHENSIVE INCOME	21,106	2,842	-2,481	-69,577	0	0	18,625	-66,735	-1,519	-16,638	76,974	58,349

Breakdown of financial assets

(€/000)

	Held to maturity investments		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit or loss				Total carrying amount	
							Financial assets held for trading		Financial assets at fair value through profit or loss			
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Equity and derivative instruments measured at cost	0	0	0	0	8,439	8,474	0	0	0	0	8,439	8,474
Equity instruments at fair value	0	0	0	0	121,076	94,584	0	0	342	124	121,418	94,708
of which listed	0	0	0	0	11,592	9,503	0	0	342	124	11,934	9,627
Debt securities	44,051	44,268	0	0	2,027,730	2,023,278	13	6	11,622	12,634	2,083,416	2,080,186
of which listed	43,265	43,255	0	0	2,027,629	2,023,178	13	6	11,622	12,634	2,082,529	2,079,073
OEIC units	0	0	0	0	399,154	82,430	0	0	60,246	38,935	459,400	121,365
Loans and receivables from bank customers	0	0	0	0	0	0	0	0	0	0	0	0
Interbank loans and receivables	0	0	0	0	0	0	0	0	0	0	0	0
Deposits with ceding companies	0	0	149	149	0	0	0	0	0	0	149	149
Financial asset portion of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	47,570	53,814	0	0	0	0	0	0	47,570	53,814
Non-hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	144,407	74,714	0	0	0	0	4,366	5,173	148,773	79,887
Total	44,051	44,268	192,126	128,677	2,556,399	2,208,766	13	6	76,576	56,866	2,869,165	2,438,583

Financial and investment gains and losses/costs

(€/000)

		Interest	Other net income	Other costs	Realised gains	Realised losses	Net realised gains and losses	Valuation gains		Valuation losses		Net unrealised gains and losses	Net gains and costs/losses 31/12/2017	Net gains and costs/losses 31/12/2016
								Valuation capital gains	Write-backs	Valuation capital losses	Write-downs			
Investments		30,043	20,146	4,936	2,798	488	47,563	3,261	0	4,899	3,092	-4,730	42,833	120,525
a	Investment property	0	6,670	2,588	0	0	4,082	0	0	4,118	0	-4,118	-36	260
b	Investments in subsidiaries and associates and interests in joint ventures	0	333	1,399	196	0	-870	0	0	0	318	-318	-1,188	-3,883
c	Held to maturity investments	1,758	0	0	0	0	1,758	0	0	0	0	0	1,758	1,764
d	Loans and receivables	630	0	0	0	0	630	0	0	0	0	0	630	653
e	Financial assets available for sale	27,158	12,785	0	2,226	149	42,020	0	0	0	2,774	-2,774	39,246	121,922
f	Financial assets held for trading	0	0	0	0	0	0	7	0	0	0	7	7	-4
g	Financial assets at fair value through profit or loss	497	358	949	376	339	-57	3,254	0	781	0	2,473	2,416	-187
Other receivables		230	0	0	0	0	230	0	0	0	0	0	230	179
Cash and cash equivalents		193	0	0	0	0	193	0	0	0	0	0	193	121
Financial liabilities		-342	0	0	0	0	-342	0	0	2,416	0	-2,416	-2,758	-2,007
a	Financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b	Financial liabilities at fair value through profit or loss	0	0	0	0	0	0	0	0	2,416	0	-2,416	-2,416	187
c	Other financial liabilities	-342	0	0	0	0	-342	0	0	0	0	0	-342	-2,194
Payables		0	0	0	0	0	0	0	0	0	0	0	0	0
Total		30,124	20,146	4,936	2,798	488	47,644	3,261	0	7,315	3,092	-7,146	40,498	118,818

Breakdown of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Non-life reserves	**1,545,372**	**1,506,557**	**905**	**969**	**1,546,277**	**1,507,526**
Premium reserve	398,108	388,435	43	49	398,151	388,484
Claims reserve	1,146,855	1,117,713	862	920	1,147,717	1,118,633
Other reserves	409	409	0	0	409	409
of which posted following liability adequacy testing	0	0	0	0	0	0
Life reserves	**1,226,741**	**1,153,541**	**152**	**152**	**1,226,893**	**1,153,693**
Reserve for payable amounts	23,988	25,810	3	3	23,991	25,813
Mathematical reserves	1,150,436	1,072,192	149	149	1,150,585	1,072,341
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund managment	0	0	0	0	0	0
Other reserves	52,317	55,539	0	0	52,317	55,539
of which posted following liability adequacy testing	0	0	0	0	0	0
of which deferred liabilities to policyholders	46,265	49,105	0	0	46,265	49,105
Total technical reserves	**2,772,113**	**2,660,098**	**1,057**	**1,121**	**2,773,170**	**2,661,219**

Breakdown of reinsurers' share of technical reserves

(€/000)

	Direct business		Indirect business		Total carrying amount	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Non-life reserves	**57,635**	**55,649**	**310**	**353**	**57,945**	**56,002**
Premium reserve	13,403	17,190	0	0	13,403	17,190
Claims reserve	44,232	38,459	310	353	44,542	38,812
Other reserves	0	0	0	0	0	0
Life reserves	**5,318**	**7,479**	**0**	**0**	**5,318**	**7,479**
Reserves for payable amounts	3,037	0	0	0	3,037	0
Mathematical reserves	2,250	7,447	0	0	2,250	7,447
Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management	0	0	0	0	0	0
Other reserves	31	32	0	0	31	32
Total reinsurers' share of technical reserves	**62,953**	**63,128**	**310**	**353**	**63,263**	**63,481**

Breakdown of financial liabilities

(€/000)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total carrying amount	
	Financial liabilities held for trading		Financial liabilities at fair value through profit or loss					
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Participating non-equity instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0	0	0	0
Liabilities from financial contracts issued by insurers arising from:	0	0	76,576	56,866	0	0	76,576	56,866
Contracts where policyholders bear investment risk	0	0	52,440	37,870	0	0	52,440	37,870
Pension-fund management	0	0	24,136	18,996	0	0	24,136	18,996
Other contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	6,418	12,933	6,418	12,933
Negative financial components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities on issue	0	0	0	0	0	0	0	0
Bank customer deposits	0	0	0	0	0	0	0	0
Interbank liabilities	0	0	0	0	0	0	0	0
Other loans received	0	0	0	0	11,065	15,426	11,065	15,426
Non-hedging derivatives	0	0	0	0	0	0	0	0
Hedging derivatives	0	0	0	0	0	0	0	0
Other financial liabilities	0	0	0	0	143,818	73,482	143,818	73,482
Total	0	0	76,576	56,866	161,301	101,841	237,877	158,707

Assets and liabilities measured at fair value on a recurring basis: breakdown by level of fair value

(€/000)

		Level 1		Level 2		Level 3		Total	
		31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Assets and liabilities measured at fair value on a recurring basis									
Financial assets Available for sale		2,438,376	2,115,111	8,928	8,818	109,095	84,837	2,556,399	2,208,766
Financial assets at fair value through profit or loss	Financial assets held for trading	13	6	-	-	-	-	13	6
	Financial assets at fair value through profit or loss	76,576	56,866	-	-	-	-	76,576	56,866
Investment Property		-	-	-	-	-	-	-	-
Tangible assets		-	-	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-
Total assets measured at fair value on a recurring basis		2,514,965	2,171,983	8,928	8,818	109,095	84,837	2,632,988	2,265,638
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-	-	-	-	-	-	-	-
	Financial liabilities at fair value through profit or loss	76,225	56,349	351	517	-	-	76,576	56,866
Total liabilities measured at fair value on a recurring basis		76,225	56,349	351	517	-	-	76,576	56,866
Assets and liabilities measured at fair value on a non recurring basis									
Non-current assets or assets of a disposal group classified as held for sale		-	-	-	-	-	-	-	-
Liabilities of a disposal group classified as held for sale		-	-	-	-	-	-	-	-

Detail of changes in financial assets and liabilities allocated to Level 3 measured at fair value on a recurring basis

(€/000)

	Financial assets			Financial liabilities at fair value through profit or loss	
		Financial assets at fair value through profit or loss			
	Financial assets Available for sale	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss
Opening balance	84,837				
Purchases/ Issues	0				
Sales/Repurchases	0				
Redemptions	0				
Gains or losses charged to profit and loss	-35				
- of which unrealised gains/losses	0				
Gains or losses charged to other comprehensive income	24,293				
Moves to Level 3	0				
Moves to other Levels	0				
Other changes	0				
Closing balance	109,095				

Detail of insurance technical items

(€/000)

		31/12/2017			31/12/2016		
		Gross amount	Reinsurer's share of amount	Net amount	Gross amount	Reinsurers' share of amount	Net amount
Non-life business							
NET PREMIUMS		1,138,506	40,515	1,097,991	1,081,458	31,822	1,049,636
a	Premiums written	1,148,173	36,728	1,111,445	1,081,262	31,573	1,049,689
b	Change in premiums reserve	9,667	-3,787	13,454	-196	-249	53
NET CLAIMS COSTS		754,506	39,612	714,894	698,316	20,291	678,025
a	Amounts paid	742,335	33,746	708,589	660,029	20,142	639,887
b	Change in claims reserves	29,129	5,773	23,356	50,545	-780	51,325
c	Change in recoveries	16,958	-93	17,051	12,258	-929	13,187
d	Change in other technical reserves	-	-	-	-	-	-
Life business							
NET PREMIUMS		173,179	1,157	172,022	184,652	1,182	183,470
NET CLAIMS COSTS		187,691	2,447	185,244	195,676	936	194,740
a	Amounts paid	114,568	4,608	109,960	132,203	455	131,748
b	Change in reserve for amounts to be paid	-1,822	3,037	-4,859	-1,728	-	-1,728
c	Change in mathermatical reserves	75,342	-5,197	80,539	66,067	481	65,586
d	Change in technical reserves when investment risk is borne by policyholders and in reserves arising from pension fund management	-	-	-	-	-	-
e	Change in other technical reserves	-397	-1	-396	-866	0	-866

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017

Breakdown of insurance operating costs

(€/000)

		Non-life business		Life business	
		31/12/17	31/12/16	31/12/17	31/12/16
Gross commissions and other acquisition costs		237,393	216,108	9,963	10,730
a	Acquisition commissions	176,877	160,874	4,914	4,692
b	Other acquisition costs	49,697	45,122	4,683	5,360
c	Change in deferred acquisition costs	0	0	-360	-86
d	Premium collection commissions	10,819	10,112	726	764
Profit participation and other commissions received from reinsurers		-5,489	-4,452	-197	-165
Investment management costs		1,897	1,378	123	174
Other administrative costs		33,612	35,647	5,081	7,048
Total		267,413	248,681	14,970	17,787

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017

Breakdown of property, plant and equipment and intangible assets

(€/000)

	At cost	Deemed cost or fair value	Total carrying amount
Investment property	111,240	-	111,240
Other property	500,625	-	500,625
Other items of property, plant	6,742	-	6,742
Other intangible assets	6,673	-	6,673

Detail of assets and liabilities relating to insurance contracts with risk borne by policyholders or relating to pension-fund management

(€/000)

	Unit- and index-linked benefits		Benefits relating to pension-fund management		Total	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
On-balance sheet assets	52,440	37,870	24,136	18,996	76,576	56,866
Infragroup assets *	0	0	0	0	0	0
Total assets	52,440	37,870	24,136	18,996	76,576	56,866
On-balance sheet liabilities	52,440	37,870	24,136	18,996	76,576	56,866
On-balance sheet technical reserves	0	0	0	0	0	0
Infragroup liabilities*	0	0	0	0	0	0
Total Liabilities	52,440	37,870	24,136	18,996	76,576	56,866

* Assets and liabilities eliminated in consolidation process

Detail of reclassified financial assets and impacts on profit and loss and on other comprehensive income

(€/000)

Reclassified Financial assets categories		Activity class	Amount of Financial assets reclassified during the year at the reclassification date	Carrying amount at 31/12/2017 of reclassified assets		Fair Value at 31/12/2017 of reclassified assets		Reclassified Assets during 2017		Reclassified Assets up to 31/12/2017		Reclassified Assets during 2017		Reclassified Assets up to 31/12/2017	
from	to			Reclassified Assets during 2017	Reclassified Assets up to 31/12/2017	Reclassified Assets during 2017	Reclassified Assets up to 31/12/2017	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses charged to profit and loss	Gains or losses charged to other comprehensive income	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification	Gains or losses that would have been charged to profit and loss in absence of the reclassification	Gains or losses that would have been charged to other comprehensive income in absence of the reclassification
Total			0	0	0	0	0	0	0	0	0	0	0	0	0

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

	Valore di bilancio		*Fair value*							
			Livello 1		Livello 2		Livello 3		Totale	
	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	44,051	44,268	46,063	47,396	-	-	786	1,013	46,849	48,409
Loans and receivables	192,126	128,677	-	-	-	-	192,126	128,677	192,126	128,677
Investments in subsidiaries and associates and interests in joint ventures	19,357	20,138	-	-	-	-	19,357	20,138	19,357	20,138
Investment property	111,240	89,428	-	-	-	-	125,776	96,620	125,776	96,620
Tangible assets	500,625	537,862	-	-	-	-	561,646	608,547	561,646	608,547
Total assets	867,399	820,373	46,063	47,396	-	-	899,691	854,995	945,754	902,391
Liabilities										
Other financial liabilities	161,301	101,841	-	-	-	-	161,301	101,841	161,301	101,841

Consolitation scope: interests in subsidiaries with significant minority interests

(€/000)

					Main financial-economic datas							
Name	% minority interests	% of voting rights in ordinary meetings by minority interests	Consolidated profit (loss) attributable to minority interests	Equity attributable to minority interests	Total assets	Investments	Technical provisions	Financial liabilities	Equity	Profit (loss) for the year	Dividends paid out to minority interests	Gross written premium
			-	-	-	-	-	-	-	-	-	-

Vittoria Assicurazioni S.p.A.
Consolidated financial statements as at 31 December 2017
Interests in unconsolidated structured entities

(€/000)

Structured entity name	Revenues from structured entity during the year	Book value (at the date of the trasfer) of assets trasferred to the structured entity during the year	Book value of assets recognised in own financial statement and related to the structured entity	Balance sheet asset item	Book value of liabilities recognised in own financial statement and related to the structured entity	Balance sheet liabilities item	Maximum loss risk exposure

Note: this table is also requested for the porpuses of financial statement reporting IAS/IFRS (note 2) and half-yearly reporting (note 4) when IFRS 12.6 conditions are met.

Management Attestation

Financial statements certification pursuant to Art.81-ter of Consob Regulation N° 11971 dated May 14 1999, as amended

1. The undersigned Cesare Caldarelli (as Chief Executive Officer) and Luca Arensi (as the Manager Charged with preparing the financial reports), of Vittoria Assicurazioni S.p.A., taking into consideration Article 154-bis (subparagraph 3 and 4) of Italian Legislative Decree February 24th 1998 n.58, do hereby certify:

   - the adequacy in relation to the Legal Entity features and
   - the actual application

   of the administrative and accounting procedures employed to draw up consolidated financial statements during the period 1 January 2017 - 31 December 2017

2. In this respect no remarks emerged besides what already reported in Director's report to the Consolidated financial report as at 31 December 2017.

3. The undersigned also certify that:

   3.1 The consolidated financial statements as at 31 December 2017:

   a) was prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation no.1606/2002 of July 19, 2002;

   b) corresponds to results of the books and accounts records;

   c) is suitable to provide a fair and correct representation of the situation of the assets and liabilities, the economic and financial situation of the issuer and the group of companies included in the scope of consolidation.

   3.2 The directors' report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and group companies included in the scope of consolidation and a description of the main risks and uncertain situation to which they are exposed.

Milan, 15 March 2018

Cesare Caldarelli
Chief Executive Officer

Luca Arensi
Manager Charged with preparing the company's financial reports

Independent Auditors’s Report

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

RELAZIONE DELLA SOCIETÀ DI REVISIONE INDIPENDENTE AI SENSI DELL'ART. 14 DEL D. LGS. 27 GENNAIO 2010, N. 39, DELL'ART. 10 DEL REGOLAMENTO (UE) N. 537/2014 E DELL'ART. 102 DEL D. LGS. 7 SETTEMBRE 2005, N. 209

Agli Azionisti di
Vittoria Assicurazioni S.p.A.

RELAZIONE SULLA REVISIONE CONTABILE DEL BILANCIO CONSOLIDATO

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato di Vittoria Assicurazioni S.p.A. ("Società") e sue controllate (congiuntamente "Gruppo"), costituito dallo stato patrimoniale al 31 dicembre 2017, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalle relative note.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2017, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché al Regolamento emanato in attuazione dell'art. 90 del D. Lgs. 7 settembre 2005, n. 209.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione.
Siamo indipendenti rispetto alla società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Valutazione del patrimonio immobiliare

Descrizione dell'aspetto chiave della revisione

Nel bilancio consolidato chiuso al 31 dicembre 2017 risultano iscritti "Immobili" per € 500,6 milioni e "Investimenti immobiliari" per € 111,2 milioni (congiuntamente "patrimonio immobiliare").

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Come indicato dagli Amministratori nelle note nella sezione "Criteri di valutazione" gli immobili inclusi nelle sottovoci "attività materiali - immobili strumentali" ed "investimenti immobiliari" sono sottoposti alla verifica della presenza di eventuali perdite di valore. Inoltre gli Amministratori evidenziano che immobili inclusi nella sottovoce "attività materiali – immobili relativi ad attività di trading – immobili in costruzione" sono valutati al minore tra il costo e il valore netto di realizzo. Gli Amministratori, al fine di identificare le perdite di valore e il valore di realizzo del patrimonio immobiliare, hanno conferito l'incarico di svolgimento di perizie per la stima del valore degli immobili ad un esperto indipendente ("Esperto Indipendente").

Le principali ipotesi valutative e i parametri che sono stati elaborati dall'Esperto Indipendente riguardano variabili finanziarie, quali il tasso di attualizzazione utilizzato, e variabili non finanziarie, relative principalmente alla determinazione dei canoni di affitto attesi e alla previsione delle tempistiche e dei flussi di cassa derivanti dalle aspettative di realizzo del patrimonio immobiliare.

In considerazione della soggettività delle componenti di stima insite nei modelli valutativi utilizzati per la determinazione del valore del patrimonio immobiliare, dell'elevata aleatorietà delle ipotesi valutative e dei parametri adottati e della rilevanza dell'ammontare del patrimonio immobiliare iscritto nel bilancio consolidato, si ritiene che la valutazione del patrimonio immobiliare sia un elemento chiave dell'attività di revisione del bilancio consolidato del Gruppo chiuso al 31 dicembre 2017.

Procedure di revisione in risposta agli aspetti chiave della revisione contabile

Le procedure di revisione, svolte anche avvalendoci del supporto di esperti appartenenti al *network* Deloitte, hanno incluso, tra le altre, le seguenti attività:

- comprensione del processo utilizzato per l'identificazione delle perdite di valore e del valore di mercato del patrimonio immobiliare;
- comprensione dei modelli valutativi, delle relative ipotesi e dei parametri adottati dall'Esperto Indipendente per la determinazione del valore del patrimonio immobiliare;
- analisi critica, per una selezione di immobili ritenuta rappresentativa di una porzione significativa del patrimonio immobiliare, delle perizie valutative predisposte dall'Esperto Indipendente, anche mediante il confronto con i più recenti dati di mercato e con le informazioni storiche a disposizione;
- ottenimento di informazioni, tramite discussione e incontri con la Direzione della Società, in merito alle trattative commerciali in corso;
- esame dell'informativa fornita dagli Amministratori nel bilancio consolidato con quanto previsto dal quadro normativo di riferimento.

Valutazione della riserva sinistri del ramo RCA

Descrizione dell'aspetto chiave della revisione

Nel bilancio consolidato chiuso al 31 dicembre 2017 risulta iscritta nella voce "Riserve tecniche" dello stato patrimoniale la riserva sinistri afferente il ramo Responsabilità Civile Autoveicoli, inclusa la componente per Responsabilità Civile Veicoli Marittimi, Lacustri e Fluviali (congiuntamente "riserva sinistri del ramo RCA"), per € 814,7 milioni.

Come indicato dagli Amministratori nelle note nella sezione "Criteri di valutazione" "Riserva Sinistri (Rami Danni)" la riserva sinistri rappresenta la prudente valutazione dei risarcimenti e delle spese di liquidazione stimati per i sinistri avvenuti e non ancora pagati in tutto o in parte. Detta valutazione è effettuata tenendo conto di tutti gli elementi che concorrono alla determinazione del fabbisogno di copertura del costo ultimo del sinistro. In particolare con riferimento ai rischi di massa quale il ramo RCA, caratterizzato da processi liquidativi lenti, gli Amministratori sottopongono la relativa riserva sinistri al controllo basato su metodologie statistico-attuariali al fine di verificarne la congruità rispetto al costo ultimo comprensivo di tutti i futuri oneri prevedibili e, qualora necessario, procedono all'integrazione della stessa.

Come indicato dagli Amministratori il processo di determinazione della riserva sinistri del ramo RCA si basa su una complessa attività di stima che include numerose variabili. Le principali assunzioni utilizzate nel controllo basato su metodologie statistico-attuariali riguardano le variabili tecniche, tra cui l'intervallo temporale di differimento dei pagamenti, le eliminazioni dei sinistri senza seguito, le riaperture e l'andamento evolutivo del costo dei sinistri, connesso all'anzianità di pagamento nonché a valutazioni prospettiche dello scenario economico.

Nella sezione "Criteri di valutazione" "Riserva Sinistri (Rami Danni)" e nella nota 17 "Riserve tecniche - Rami Danni" si riportano i criteri di valutazione seguiti nella stima della riserva sinistri del ramo RCA e le metodologie statistico-attuariali applicate per la verifica di congruità del costo ultimo prevedibile, che si basano sulla proiezione di dati storici.

In considerazione della significatività delle componenti di stima della riserva sinistri del ramo RCA, dell'elevata aleatorietà delle ipotesi valutative e dei parametri adottati nello sviluppo delle metodologie valutative per il controllo statistico-attuariale e della rilevanza dell'ammontare della riserva sinistri del ramo RCA iscritta nel bilancio consolidato, si ritiene che la valutazione della riserva sinistri del ramo RCA sia un elemento chiave dell'attività di revisione del bilancio consolidato del Gruppo chiuso al 31 dicembre 2017.

Procedure di revisione in risposta agli aspetti chiave della revisione contabile

Le procedure di revisione, svolte anche avvalendoci del supporto di esperti appartenenti al *network* Deloitte, hanno incluso, tra le altre, le seguenti:

- comprensione del processo di formazione della riserva sinistri che ha incluso la conoscenza degli indirizzi gestionali, liquidativi e degli eventuali mutamenti intervenuti nel quadro normativo e regolamentare di settore;
- rilevazione e verifica dei controlli rilevanti posti in essere sul processo di stima della riserva sinistri del ramo RCA;
- svolgimento di procedure di verifica in relazione alla completezza e adeguatezza dei portafogli presi a riferimento e dei relativi dati di base;
- lettura ed analisi della relazione della Funzione Attuariale;
- svolgimento di analisi comparative attraverso il ricalcolo di opportuni indici osservati in serie storica e l'esame della loro correlazione con altri indicatori significativi. In particolare abbiamo analizzato opportuni indicatori tecnici e grandezze rilevanti confrontandoli con dati ed informazioni comparabili relativi a periodi precedenti e con dati di settore disponibili;
- confronto tra la stima della riserva sinistri effettuata nei periodi precedenti rispetto a quanto successivamente verificato ed analisi della natura dei relativi smontamenti;
- verifica, su una selezione di sinistri, della coerenza della stima della riserva alle evidenze gestionali e documentali e alle risultanze delle conferme scritte ottenute da parte dei legali esterni;
- analisi di ragionevolezza delle metodologie e delle principali ipotesi tecniche ed evolutive utilizzate per la stima della riserva sinistri del ramo RCA, anche mediante verifica di coerenza rispetto a quelle utilizzate nei precedenti esercizi, avuto riguardo a quanto disposto dalla normativa di riferimento;
- individuazione di un intervallo di valori ritenuti ragionevoli e verifica che la stima della riserva sinistri fosse inclusa in detto intervallo;
- esame dell'informativa fornita dalla Società nelle note al bilancio consolidato rispetto a quanto previsto dalla normativa applicabile.

Responsabilità degli Amministratori e del Collegio Sindacale per il bilancio consolidato

Gli Amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché al Regolamento emanato in attuazione dell'art. 90 del D. Lgs. 7 settembre 2005, n. 209 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli Amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo Vittoria Assicurazioni S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli Amministratori, inclusa la relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli Amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia,

eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di *governance*, identificati ad un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di *governance* anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di *governance*, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) 537/2014

L'Assemblea degli Azionisti di Vittoria Assicurazioni S.p.A. ci ha conferito in data 20 aprile 2012 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Società per gli esercizi dal 31 dicembre 2012 al 31 dicembre 2020.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al Collegio Sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

RELAZIONE SU ALTRE DISPOSIZIONI DI LEGGE E REGOLAMENTARI

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998 n. 58

Gli Amministratori di Vittoria Assicurazioni S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari del Gruppo al 31 dicembre 2017, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio consolidato del Gruppo al 31 dicembre 2017 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato del Gruppo al 31 dicembre 2017 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Dichiarazione ai sensi dell'art. 4 del Regolamento Consob di attuazione del D. Lgs. 30 dicembre 2016, n. 254

Gli Amministratori di Vittoria Assicurazioni S.p.A. sono responsabili per la predisposizione della dichiarazione non finanziaria ai sensi del D. Lgs. 30 dicembre 2016, n. 254.

Abbiamo verificato l'avvenuta approvazione da parte degli Amministratori della dichiarazione non finanziaria.

Ai sensi dell'art. 3, comma 10, del D.Lgs. 30 dicembre 2016, n. 254, tale dichiarazione è oggetto di separata attestazione di conformità da parte nostra.

DELOITTE & TOUCHE S.p.A.

Vittorio Frigerio
Socio

Milano, 29 marzo 2018