2017 Annual Report

Next to everyday life.

Unipol GRUPPO

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UnipolGruppo

Annual Report

2017

Unipol
GRUPPO

NEXT TO EVERYDAY LIFE

This is how we think, because by adopting a management model that addresses not only the protection of our assets and profitability, we are striving to be constantly close to people, to their security and their plans, attentive to the protection of their savings while favouring sustainable and balanced community development.

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

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

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

Next to everyday life.

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Company bodies

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

Introduction

Macroeconomic background and market performance

Macroeconomic background

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

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

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

In the United States, economic activity developed at a rate of close to 2.5%, higher than the 1.5% recorded in 2016. After a first quarter characterised by limited growth (GDP +1.2% on an annual basis), activity accelerated as the year continued thanks to good domestic demand trends, which were also encouraged by expectations surrounding the Trump administration's tax reform. In 2017, in light of the sustained growth being experienced by the US economy, full employment (the unemployment rate fell to 4.1% in December) and the change in consumer prices close to the target of 2%, the Federal Reserve (Fed) hiked the official discount rate on three occasions (25 basis points each time), bringing it to 1.5% in December. Furthermore, due to the strength of the United States economy, in October the Fed announced that it will begin to progressively reduce the amount of bonds held.

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

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

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

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

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

Financial markets

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

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

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

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

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

The iTraxx Senior Financial index, representing the average spread of financial sector companies with a high credit rating, fell by 15.6 basis points, from 59.6 to 44 at the end of the fourth quarter. In 2017, the index decreased from 93.6 to 44, equivalent to a 49.6 basis points reduction of the spread. This improvement can be attributed in large part to the strengthening of the European banking system within a context of robust economic growth and a steeper market yield curve which favours the profitability of credit institutions.

Insurance Sector

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

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

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

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

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

Pension funds

The data published by Covip for 2017 show over 8.3 million total subscribers of the different supplementary pension schemes, marking an increase of 7.1% compared to the end of 2016. The increases were not dissimilar amongst the main types: Occupational Pension Funds +8%, Open Pension Funds +9.2% and new Personal Pension Funds +8.1%. These results were supported by the launch of the contractual participation mechanism in four funds: the fund for motorway sector workers, the fund for employees of Ferrovie dello Stato group companies, the fund for motorway, railway and tramway workers and, with specific methods, the Veneto regional fund.

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

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

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

Banking Sector

In the course of 2017, Italian banks were quite busy on the impaired loans front, carrying out significant disposal transactions on this category of assets. In this context, various credit institutions completed share capital increases to improve their capital strength. However, new difficulties are on the horizon for the domestic banking system: on one hand, the Supervisory Authority within the European Central Bank issued a regulation requiring greater prudential provisions against NPEs (Non-Performing Exposures) classified as such starting from January 2018; on the other hand, there is a proposal to remove the "favourable" accounting treatment applied to government bonds in bank financial statements, requiring very specific limits to be placed on the quantity that may be acquired or, alternatively, for their risk weighting to be linked to the rating assigned to the sovereign debt of the issuing country. These are two aspects that see Italian banks generally more exposed with respect to their counterparties in other European countries.

In December 2017, loans to non-financial companies decreased by 6.3% on the end of 2016, while loans to households increased by 0.8% due to growth in the transactions in the real estate market and to the good health of the durable consumer goods market (primarily vehicle registrations). The overall stagnation of loans, as well as greater recourse to Eurosystem loans, also dragged down direct deposits, which declined by 8.9%. In this regard, there was a decline in the size of the bond component, which contracted by 38.8% compared to December 2016. Funding from overseas was down by 3.6%. Expectations that risk (based on ratings) will be attributed to the government bonds held by credit institutions contributed towards downsizing the securities portfolio to less than €524bn (-27.8%). As confirmation of the reasons for this decline, it is not out of place to highlight that the Italian government bond component was drastically reduced to €324bn (nearly €51bn less than the amount held in the portfolio in December 2016).

In November, the Italian banking system's gross bad and doubtful loans had fallen to €167.2bn, marking a €33.6bn decline since the end of 2016. Net of impairments, the total was €64.4bn.
Rates on new loans showed modest movement: borrowing costs for new loans to non-financial companies declined from 1.54% in December 2016 to 1.50% twelve months later and the rate applied on home purchase loans to households decreased by roughly 5 basis points to 2.27% at the end of 2017. The cost of money for consumer credit rose: from 7.63% in December 2016 to 8.03% in November 2017. With regard to interest on direct deposits, there was substantial decrease in the rates paid on newly acquired funds: on term deposits, they reached 0.56% at the end of 2017 (1.20% in December 2016); for repurchase transactions the figure was unchanged in December 2017 (0.35%) compared to the end of 2016. The average rate on the balance of the bonds issued declined from 2.74% in December 2016 to 2.60% in December 2017.

Real Estate market

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

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

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

Main regulatory developments

National accounting standards OIC

Directive 2013/34/EU (the "Accounting Directive"), transposed in the Italian system through the approval of Legislative Decree no. 139 of 18 August 2015 and Legislative Decree 136/2015, introduced several new elements with regard to the preparation of separate and consolidated financial statements which entailed a process of revision of the domestic accounting standards OIC, already applicable with reference to last year's financial statements.

Below is a summary of the amendments to the new OIC accounting standards promulgated on 29 December 2017, in force starting from the financial statements that start on or after 1 January 2017.

OIC 16 Property, plant and equipment and OIC 24 Intangible assets
Based on the recent amendment, any write-down of fixed assets, previously revalued on the basis of an appraisal, should always transit in the income statement (unless otherwise provided by law), without being allocated in the revaluation reserve, regardless of the ways the revaluation was effected. In the previous version of the standard, instead, it was assumed that the allocation to the income statements upon such an occurrence, should take place only in the cases of revaluation carried out according to pre-determined parameters (and not as a result of an appraisal).

OIC 19 Payables
Firstly, the OIC required the correct classification of an overdue trade payable, which, following a renegotiation, has to be qualified as long term, based on the nature (or on the origin) thereof with respect to ordinary operations, regardless of the period of time within which it must be extinguished. Secondly, the OIC repealed OIC 6 "Restructuring the debt and financial statements disclosure", and included some provisions in the new version of OIC 19 "Payables". The new version provides both the concept that companies that do not apply the amortised cost shall allocate the transaction costs of a debt restructuring to the income statement in the year in which the benefit is received, and the obligation of providing some additional detailed information on the debt restructuring.

OIC 21 Investments
The OIC clarified that, if payment of an equity investment is deferred at different conditions from those normally applied on the market, for similar or comparable transactions, shall be recognised in the financial statements at the value corresponding to the payable determined in accordance with OIC 19 "Payables", plus ancillary charges.

The application of the new accounting standards had no significant impact on the Financial Statements at 31 December 2017.

Main regulations and consultation papers issued by IVASS

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

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

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

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

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

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

Main publications issued by EIOPA with regard to Solvency II

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

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

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

Main changes regarding taxation

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

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

Decree Law no. 148 of 16 October 2017 converted with Law no. 172 of 4 December 2017 (“Connected to the 2018 Budget Law”), which extends the measures pertaining to the facilitated definition of overdue and as-yet unpaid amounts originally prescribed by Decree Law no. 193/2016 to the charges included in amounts entrusted to collection agents from 1 January 2017 to 30 September 2017, thus giving time continuity to the definition, in addition to extending the Split payment mechanism to all companies controlled by public Administrations.

Law no. 205 of 27 December 2017 (the "2018 Budget Law") which amongst its various provisions calls for the blocking of the growth of VAT rates for the year 2018; postpones from May to November the payment of the tax advance on insurance borne by insurance companies, increasing the rates to 58% as of 2018, to 59% as of 2019 and to 74% for subsequent years; introduces a system of exemption from the tax on insurance for natural disaster policies; introduces the obligation of electronic invoicing in B2B and B2C relationships as of 1 January 2019; amends the VAT Group regulations on intragroup transactions; extends and expands deductions for energy and earthquake-proofing upgrades; extends increased depreciation; provides for the re-opening of the terms for the revaluation of corporate assets and for the realignment of civil and fiscal values; expands the tax benefit provisions on welfare in favour of employees; extends the tax regime provided for private workers to public employees; introduces the specific tax treatment of the temporary supplementary advance annuity ("RITA").

Other regulations

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

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

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

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

The decree envisages that Consob will govern by regulation:

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

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

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


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MANAGEMENT
REPORT

Share performance

Information on share performance

At the end of December 2017, the official price of the Unipol share was €3.91, in the last 12 months recording growth of 14.2% against an increase in the FTSE Italia All-share banks index of 14.9% (the index with which the Unipol share is strongly associated).

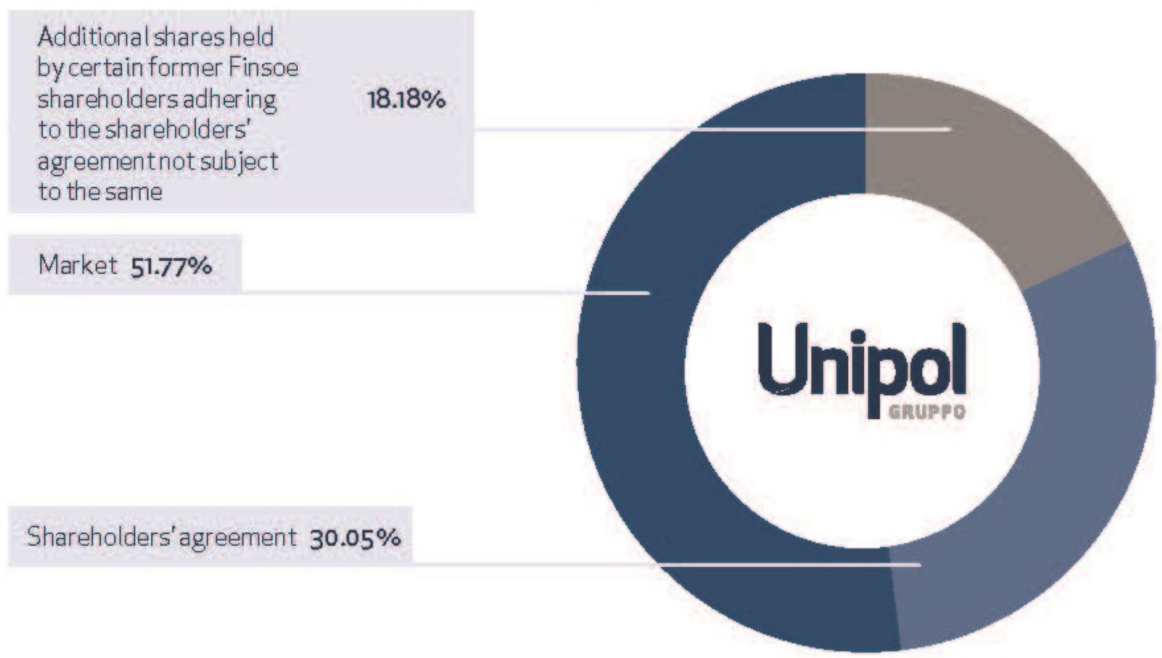
Capitalisation values

Total capitalisation was €2,805m at the end of December 2017 (€2,457m at 31/12/2016).

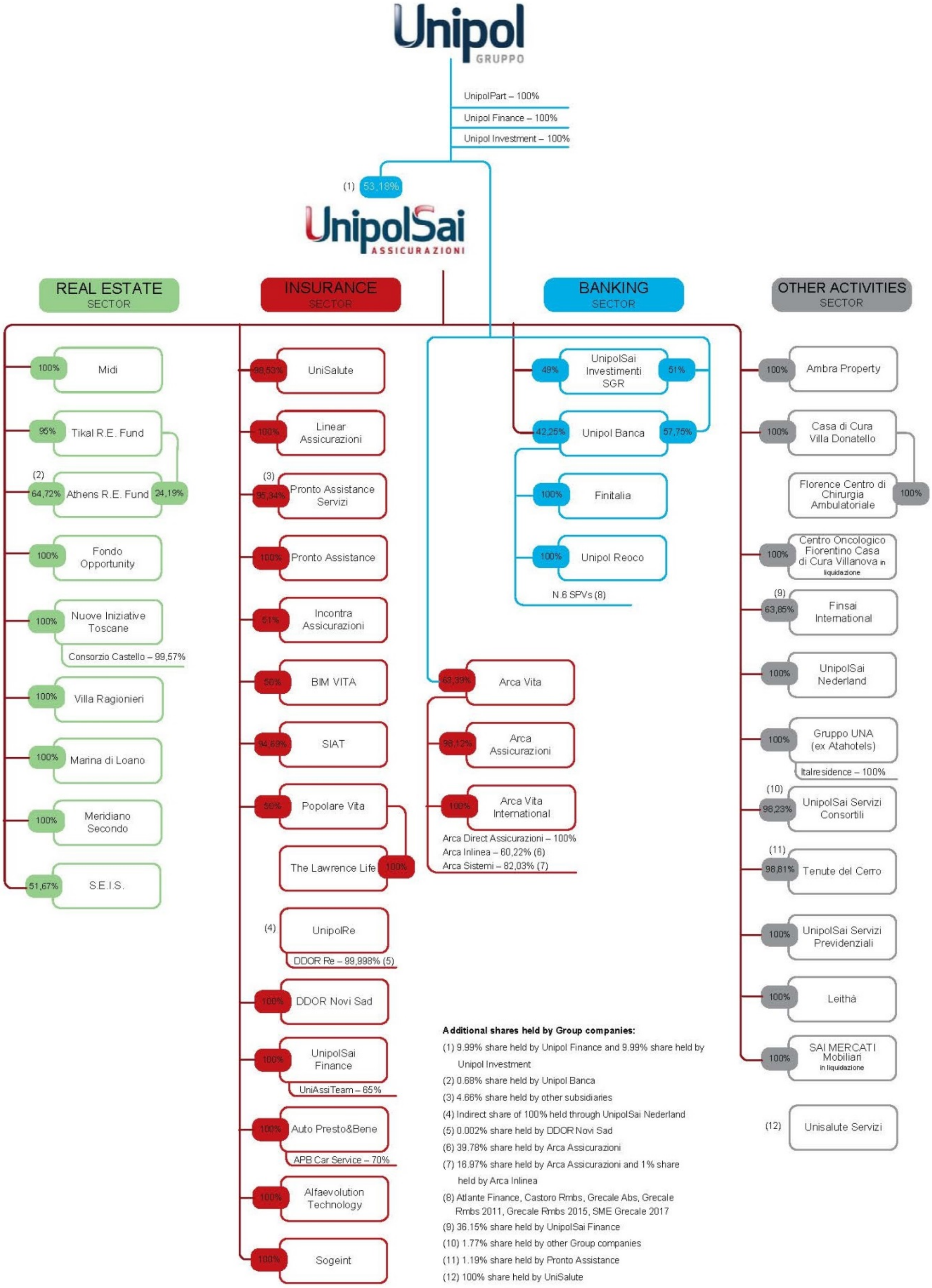
Shareholding structure

On 4 December 2017, Finsoe S.p.A. finalised its total non-proportional spin-off to 18 newly established beneficiary companies with legal effects from 15 December 2017. Finsoe was the holder of an investment in Unipol equal to 31.404%: this represents a controlling investment, as defined in Art. 2359, paragraph 1.2 of the Civil Code. As a result of the spin-off, each former Finsoe shareholder became the owner of 100% of the share capital of each beneficiary company which, in turn, became the holder of a percentage of the Unipol Gruppo shares previously held by Finsoe, in proportion to the percentage of investment of the related single shareholder of that beneficiary in the share capital of Finsoe immediately prior the spin-off taking effect.
On 13 December 2017, 16 beneficiary companies signed a shareholders' agreement relating to Unipol Gruppo. That agreement, which entered into force on 15 December 2017 concurrent with the spin-off taking effect, regards all Unipol Gruppo shares that the beneficiary companies participating in the agreement became holders of, amounting to 215,621,214 ordinary shares, representing 30.053% of the share capital of Unipol Gruppo.

The shareholding structure is shown in the chart below:



Group structure at 31 December 2017
(direct holding out of total share capital)



Additional shares held by Group companies:

(1) 9.99% share held by Unipol Finance and 9.99% share held by Unipol Investment
(2) 0.68% share held by Unipol Banca
(3) 4.66% share held by other subsidiaries
(4) Indirect share of 100% held through UnipolSai Nederland
(5) 0.002% share held by DDOR Novi Sad
(6) 39.78% share held by Arca Assicurazioni
(7) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea
(8) Atlante Finance, Castoro Rmbs, Grecale Abs, Grecale Rmbs 2011, Grecale Rmbs 2015, SME Grecale 2017
(9) 36.15% share held by UnipolSai Finance
(10) 1.77% share held by other Group companies
(11) 1.19% share held by Pronto Assistance
(12) 100% share held by UniSalute

Management Report

Dear Shareholders,

In 2017, the Group's operations continued to be focused on the consolidation of operating processes, relationships with customers and the distribution network and on product innovation, particularly with respect to the use of telematics. In terms of the structure, in 2017 two important projects were launched which involved the Group's insurance and banking businesses, of which extensive disclosure was provided to the market.

Note that the Shareholders' Meeting of 28 April 2017 resolved to change the company name from Unipol Gruppo Finanziario S.p.A. to "**Unipol Gruppo S.p.A.**", leaving the abbreviated form of the company name unchanged as "Unipol S.p.A.".

Project for streamlining the Group's insurance sector

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

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

The considerations for the above sales were determined within the range of values identified, with the support of Mediobanca - Banca di Credito Finanziario S.p.A. and JP Morgan Limited, as financial advisors for Unipol and UnipolSai, respectively, applying normally used estimation methods in accordance with Italian and international valuation best practices.

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

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

Banking sector restructuring plan

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

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

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

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

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

- an increase in rates of coverage of existing impaired loans, taking into account the changed outlooks for their realisation;
- signing on 3 August 2011 by Unipol and Unipol Banca of an agreement for the early dissolution of the indemnity agreement currently in place on non-performing loans meant to be included in the Bad and Doubtful Loans subject to transfer;
- following the completion of the transactions described above, the disbursement by Unipol and UnipolSai of capital account payments in favour of the Bank for a total of €900m, in proportion with the stakes in the share capital of Unipol Banca currently held by the same shareholders, in order to replenish the Bank's capital in line with the capital ratios existing before the adjustments pursuant to the previous point, also taking into account the capital of the bank that will be allocated to NewCo at the time of the Spin-Off;
- following the transactions described above, the proportional partial spin-off of Unipol Banca in favour of NewCo (the "**Spin-Off**"), through the spin-off in favour of the latter, with continuity of carrying amounts, of the Unipol Banca's Company Complex consisting essentially (i) in the assets: of Bad and Doubtful Loans (along with specialised personnel for the management and processing of such Bad and Doubtful Loans and the functional contracts), the 100% stake in Reoco and deferred tax assets relating to the Company Complex; and (ii) in the liabilities: of shareholders' equity and several payables relating to the Company Complex, including the payable deriving from the Shareholder Loan to be disbursed to Unipol Banca within the context of the Transaction, subsequent to obtaining the authorisation for the Spin-Off from the Bank of Italy and before the completion thereof.

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

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

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

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

- on 2 August 2017, Unipol Banca approved the Project for the proportional partial spin-off, in favour of a NewCo, of a company complex (the "Complex involved in the division") inclusive, *inter alia*, of a portfolio of bad and doubtful loans in the amount of €2,936m, gross of value adjustments, and €587m net of value adjustments. The amount of the Bad and Doubtful Loans included in the Complex involved in the division was determined on the basis of Unipol Banca's half-yearly accounting statement at 30 June 2017, after the (i) adjustment of the value of the Bad and Doubtful Loans, in accordance with conditions prevailing in the market for disposal transactions, and (ii) the strengthening of the average rate of coverage of unlikely to pay positions, which remained within Unipol Banca, to the best levels of the banking system;
- on 31 January 2018, before the Spin-Off became effective, Unipol and UnipolSai disbursed a **shareholder loan** to Unipol Banca for €173m and €127m, respectively, and therefore a **total of €300m** which, as envisaged in the Spin-Off Plan, was included in the Complex involved in the division transferred to NewCo;

- on 1 February 2018 (the "**Effective Date**"), once the Bank of Italy had released specific approval on 30 October 2017, the proportional spin-off took effect of Unipol Banca to UnipolReC S.p.A. ("**UnipolReC**"), a credit recovery company operating pursuant to Article 115 of Italian Royal Decree 773 of 18 June 1931 (TULPS), established on the same date. UnipolReC has the same shareholders as Unipol Banca in the same proportions, i.e., Unipol holds 57.75% and UnipolSai 42.25%, and is a special purpose vehicle of the Unipol Banking Group. The Complex involved in the division was transferred from Unipol Banca to UnipolReC for a shareholders' equity value of €313.2m, comprising €290.1m share capital and around €23m capital reserves. As a result of the Spin-Off, the share capital and capital reserves of Unipol Banca reduced by corresponding amounts, with no change in the number of Unipol Banca shares without nominal value outstanding. Pursuant to the contractual agreements in force, the put/call option referenced above, in place between Unipol and UnipolSai and involving Unipol Banca shares, was automatically extended to UnipolReC shares issued at the time of the Spin-Off for a share corresponding to 27.49%, without triggering any changes on the total put exercise price;

- on 15 march 2018 Unipol Banca and UnipolReC entered into a dedicated deed recognising the exact amount of the statement of financial position asset and liability elements transferred to the Beneficiary Company at the Effective Date, which lays out an adjustment in cash of €32.2 m, due to UnipolReC from Unipol Banca. Indeed, the Spin-Off deed calls for the differences arising in the amount of the statement of financial position asset and liability elements constituting the Complex involved in the division between 30 June 2017 and the Effective Date, resulting from company trends and/or a more specific identification of such elements, to be settled between the Company being divided and the Beneficiary Company with debit and credit items and/or with adjustments in cash, without entailing changes in the equity value of the Complex involved in the division. The amount of Bad and Doubtful Loans included in the Complex involved in the division at the Effective Date is equal to €2,901m gross of value adjustments and €553m net of value adjustments.

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

The value adjustments to loans (cash and unsecured) of Unipol Banca in 2017 amounted to €1,643m, added to which are €20m in losses on loan disposals. Partially offsetting these expenses are the Bank's recognition of income from

the indemnity agreement for a total of €696m, of which €670.4m to finalise the agreement. Net of this income, the impairment losses on receivables recorded by Unipol Banca totalled €967m at 31 December 2017.
Unipol Banca closed the financial statements at 31 December 2017 with a loss of €751.7m.

Other transactions

Repayment of the Senior Bond Loan issued by Unipol
On 11 January 2017, Unipol Gruppo carried out the repayment, based on maturity, of the *Senior Unsecured Bond Loan* listed on the Luxembourg Stock Exchange, issued in December 2009, for €298.6m. At the same time, loan-related interest was also paid for €14.9m.

Sale of the equity investment in Ambra Property
On 29 September 2017 (effective as of 30 September 2017) the sale of the investment in Ambra Property S.r.l., equal to 100% of the share capital, to the subsidiary UnipolSai Assicurazioni S.p.A. was finalised. The consideration, collected in full, for the sale of the equity investment amounted to €56.2m, with a capital loss of €0.3m.

Issue of a €500m Senior Convertible Loan
On 29 November 2017 Unipol issued a 10-year non-convertible, non-subordinate and non-guaranteed bond loan, exclusively targeted to qualified investors, for €500m with the following characteristics: maturity in November 2027, issue price equal to 99.842%, coupon of 3.50% and listed on the Luxembourg Stock Exchange.
Said loan was issued under the Company's bond issue program entitled "*€2,000,000,000 Euro Medium Term Notes*" established in 2009.

Purchase of shares of the holding company Finsoe S.p.A. and subsequent spin-off thereof
Following exercise of the call option in place with JP Morgan Securities on 30,646,000 shares of the holding company Finsoe, on 20 October 2017 Unipol acquired these shares at a strike price of €18.6m. The carrying amount of the Finsoe investment for Unipol, taking into account the write-downs on the option in previous years for €15.3m, was €3.3m.
As already noted in the chapter Shareholding structure, on 4 December 2017, Finsoe finalised its total spin-off to 18 newly established beneficiary companies with legal effects from 15 December 2017.
UnipolPart S.p.A., a single member company, is the beneficiary newco of the portion of the total non-proportional spin-off of Finsoe shares regarding the stake held in Finsoe by Unipol, to which 2,259,773 Unipol shares were assigned (then sold in February 2018). Concurrent with the spin-off, as envisaged in the related contractual documentation, Unipol disbursed to UnipolPart a non-interest bearing loan in the amount of €4.8m, for the purpose of repayment on maturity of the portion of the bond loan originally contracted by Finsoe and transferred to UnipolPart as part of the spin-off.

Operating performance

The Financial Statements of Unipol for the year ended 31 December 2017, hereby submitted for your review and approval, closed with **net profit of€213.4m** (€159.9m in 2016), to which, the following specifically contributed:

- capital gains on the sale to the subsidiary UnipolSai of the equity investments held in UniSalute and Linear for €743m;
- dividends received by the companies of the Group for €280m (€297m in 2016);
- write-down of €445m of the equity investment held in Unipol Banca (€37m in 2016);
- an allocation to provision for risks on options of €212m (€17m in 2016) in relation to the put/call option in place with UnipolSai, with a stake of 27.49% in the share capital of Unipol Banca as underlying;
- charges of €105m for the early termination of the credit indemnity agreement with the subsidiary Unipol Banca (provision for risks and charges of €30m recognised in 2016).

Moving on to examine the operating performance of the Group in the various businesses, note that for **Non-Life business** the direct premiums at 31 December 2017 amounted to €7,867m, up 0.7% compared to 2016. Premiums were driven by the Non-MV segment, with premiums reaching €3,698m, marking growth of 3.9%, and the Land Vehicle Hulls class, with premiums equal to €655m (+3.3% on 2016), which offset the downturn for the MV TPL class, where premiums reached €3,514m (-2.9% vs. 2016), influenced by persisting strong competition among insurance companies. With regard to the core companies, Non-Life direct premiums of UnipolSai alone, the Group's main company which - with around 2,800 agencies, the largest agency network in the country - stood at €6,901m (-0.8% compared to 2016), of which €3,937m in the MV classes (down -2.6% on 2016 as a result of competitive pressure on rates) and €2,964m in the Non-MV classes (+1.5%). The other Group companies operating in the Non-Life segment recorded significant increases in premiums earned. In particular:

- Linear, operating in the MV segment, earned premiums of €172m, with growth of 14.9%, the result of the work carried out in terms of *pricing* innovation, which made it possible to maintain a better presence in the direct channel and expand the customer base;
- Arca Assicurazioni, which operates in the Non-Life bancassurance channel, recorded premiums of €110m, up 5.6% on last year;
- UniSalute achieved premiums amounting to €371m, up 10.1%;
- SIAT, which specialises in the Sea Vehicles segment, recorded €128m in premiums, up by 10.7%;
- Incontra, the joint venture with Unicredit (specialised in *credit protection* products) achieved turnover of €107m, marking development of 54.3%.

In terms of Non-Life claims, although there was an improvement in the final quarter of the year, 2017 was characterised by a significant increase in claims from atmospheric events and a greater presence of claims of significant amounts. The MV TPL class posted positive performance in terms of frequency and cost curbing, even within a scenario complicated by a further drop in the average premium.
Overall, at 31 December 2017, the loss ratio for direct business of the Group (including the balance of other technical items) increased slightly to 67.5% from 67.1% in 2016.
The *expense ratio* for direct business was 27.5% of premiums written, against 27.9% in 2016. Overall, the Group's ***combined ratio*** of direct business stood at 95.1%, compared to 95% at 31 December 2016.
The *combined ratio* net of reinsurance, with the *expense ratio* in relation to premiums earned, was 96.4% (95.6% in 2016).

In the **Life sector**, 2017 was characterised by the offer across all the distribution channels of multisegment and *linked* products, which met with good commercial success within a market context in which interest rates were very low and negative in the short term. Direct premiums amounted to €4,424m at 31 December 2017 (-36.8% compared to 31/12/2016). The decline should be read in light of the limitation of financial risk associated with guaranteed capital products and especially in relation to the slowdown in bancassurance channel income. With regard to the latter, note that Arca Vita, with the subsidiary Arca Vita International, recorded direct premiums earned of €711m, a 58.6% decline compared to a particularly lively 2016, and Popolare Vita, which in 2017 terminated the distribution agreement in place and will soon be sold, closed the year with premiums equal to €706m (inclusive of the premiums of the subsidiary Lawrence Life), down 66.9%.
UnipolSai recorded direct premiums of €2,892m (-4.9%).
New business in terms of APE, net of non-controlling interests, amounted to €422m (€484m at 31/12/2016), of which €122m contributed by bancassurance companies and €300m by traditional companies.

As regards the **management of financial investments**, the general recovery in the global economy made it possible to overcome the numerous geopolitical tensions that arose in the course of 2017. The main stock markets recorded very positive performance and, despite the fact that the ECB has started to wind down its expansionary monetary policy, the Eurozone's government bond yields have remained at very limited levels.
In this context, the gross profitability of the Group's insurance financial investments portfolio produced a particularly significant return in the period in question, equal to 3.69% of invested assets, of which 3.32% relating to the coupons and dividends component, whereas the overall return recorded in 2016 totalled 3.53%.

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

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

The business of companies in the Group's **other business sectors** in 2017 saw further improvement thanks to the activities carried out in terms of intense commercial development, cost rationalisation and the closure of unprofitable businesses. As regards the hotel sector in particular, note the recent merger of the Atahotels and Una Hotels structures following the acquisition of the UNA S.p.A. hotel management business unit, as part of which Atahotels changed its company name to Gruppo UNA S.p.A. The company ended the year with revenues reaching €127m and a profit of more than €600k.

The Financial Statements of Unipol are audited by the independent auditors PricewaterhouseCoopers SpA (PwC), which has been appointed to audit the financial statements for the 2012-2020 period.

Salient aspects of business operations

The economic figures that best summarise the operating performance of the Company are the following:

A. Gains on investments: these were €1,025m (€298.7m in 2016) and mainly represent dividends agreed and collected during the year from subsidiaries (€280.5m) and capital gains realised on the sale to UnipolSai of the equity investments in Linear and UniSalute (€742.9m).
B. Other revenue and income: these amounted to €31.1m (€44.3m in 2016) and represent for €12.5m commissions collected from the subsidiary Unipol Banca (€26m at 31/12/2016) in connection with the credit indemnity agreement in force up to 30 June 2017, for €15.4m the recovery of costs for personnel seconded to Group companies (€15.2m at 31/12/2016) and for the remaining €3.2m mainly remuneration paid to Company executives holding corporate offices in other Group companies (€3.1m at 31/12/2016).
C. Costs of production: these were €158.1m (€77.7m in 2016) and included the operating costs deriving from ordinary holding operations and €105.4m in charges incurred for terminating the credit indemnity agreement stipulated with the subsidiary Unipol Banca.
D. Other financial income/expense: these came to -€60m (-€71.5m at 31/12/2016). The item includes interest expense on bond loans issued for €45.9m (€58.9m at 31/12/2016).
E. Value adjustments to financial assets: these were negative for €655.8m (-€55.6m at 31/12/2016), of which €445.1m relating to write-down of the investment directly held in the subsidiary Unipol Banca, in addition to €211.9m in adjustments due to the measurement of the put option on Unipol Banca shares granted to UnipolSai.
F. Pre-tax profit (loss): positive for €182.1m (€138.2m at 31/12/2016).
G. Income tax: this had a positive impact on the income statement for €31.2m (€21.7m at 31/12/2016).
H. 2017 profit for the year: €213.4m (€159.9m at 31/12/2016).

Shareholders' Equity of the Company at 31 December 2017, including profit for the year, was €5,567.3m (€5,475.5m at 31/12/2016). The change results from a €128.3m decrease in distributed dividends and a €213.4m increase in profits for the year, as well as a reduction in treasury shares held.

Asset and financial management

Property, plant and equipment and intangible assets

In 2017 the balance of property, plant and equipment and intangible assets, net of depreciation/amortisation, went from €6m to €4.2m, with a €1.8m decrease with respect to the previous year, due to the depreciation/amortisation for the year.

The breakdown of property, plant and equipment and intangible assets and the changes on the previous year is provided in the table below.

Amounts in €m

			Changes	
	31/12/2017	31/12/2016	*value*	*%*
Property, plant and equipment				
- Plant and equipment	0.1	0.2	(0.1)	(54.5)
- Other assets	0.9	1.1	(0.2)	(20.5)
Total	**1.0**	**1.3**	**(0.3)**	**(24.8)**
Intangible assets				
- Concessions, licences, trademarks and similar rights	3.0	3.8	(0.8)	(20.7)
- Fixed assets in progress and payments on account		0.0	(0.0)	(100.0)
- Other	0.2	0.8	(0.7)	(81.5)
Total	**3.2**	**4.7**	**(1.5)**	**(31.7)**
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**4.2**	**6.0**	**(1.8)**	**(30.2)**

For details of fixed assets, reference should be made to Annexes 4 and 5 of the Notes to the Financial Statements.

Financial fixed assets

The breakdown of financial fixed assets, with changes on the previous year, is provided in the following table.

Amounts in €m

	31/12/2017	31/12/2016	Changes value	%
Financial fixed assets				
-Investments				
-Subsidiares	6,412.7	6,301.2	111.5	1.8
Total	**6,412.7**	**6,301.2**	**111.5**	**1.8**
-Receivables				
-Other companies	0.3	5.2	(4.9)	(94.8)
Total	**0.3**	**5.2**	**(4.9)**	**(94.8)**
Other securities	8.8	113.8	(105.0)	(92.3)
TOTAL FINANCIAL FIXED ASSETS	**6,421.8**	**6,420.2**	**1.6**	**0.0**

For details of the investments, reference should be made to the table in the Notes to the Financial Statements (Annex 6).

The breakdown of investments by business segment and changes compared to the previous year was as follows:

Amounts in €m

	2017	*Changes compared to 2016*
Insurance	4,886.9	(126.7)
Banks and financial services	514.4	74.7
Other investments	1,011.4	163.5
	6,412.7	**111.5**

Other investments included Unipol Finance S.r.l. and Unipol Investment S.p.A.

Over the year, the investments held were subject to the following changes:

Contributions to future share capital increases and/or capital of subsidiaries

Unipol Investment S.p.A.
In 2017 payments were made for future capital increases for a total of €220m, in order to purchase 115,740,000 shares of the associate UnipolSai Assicurazioni, equal to 9.99% stake, for a total of €235.9m.

Unipol Banca S.p.A.
On 31 July 2017, Unipol made a non-repayable capital account contribution (which therefore will not be repeated and is not reimbursable) to the subsidiary Unipol Banca for a total of €519.7m, in order to replenish the capital of the company to no less than the Bank's capital ratios preceding the write-downs on loans recognised as part of the illustrated restructuring of the banking business.

Other increases in equity investments

Arca Vita S.p.A.
On 8 November 2017 Unipol Gruppo S.p.A., BPER Banca S.p.A. and Banca Popolare di Sondrio S.c.p.A. agreed to the early renewal of their strategic bancassurance partnership in the Life and Non-Life segments launched in 2009, the natural maturity of which was 31 December 2019.
As a result of that agreement, the potential consideration envisaged by the "*earn in/earn out*" clause in the contract to purchase a controlling interest in Arca Vita was defined at €5.4m. That amount was recognised as an increase in the related investment.

Disposal of controlling investments

Compagnia Assicuratrice Linear S.p.A.
On 16 November 2017, having obtained the necessary authorisations from IVASS, the sale of the investment in Compagnia Assicuratrice Linear S.p.A., equal to 100% of the share capital, to the subsidiary UnipolSai Assicurazioni S.p.A. was finalised. The consideration, collected in full, for the sale of the investment amounted to €160m, with a capital gain of €89.5m.

UniSalute S.p.A.
On 16 November 2017, having obtained the necessary authorisations from IVASS, the sale of the investment in UniSalute S.p.A., equal to 98.53% of the share capital, to the subsidiary UnipolSai Assicurazioni S.p.A. was finalised. The consideration, collected in full, for the sale of the investment amounted to €715m, with a capital gain of €653.4m.

Ambra Property S.r.l.
On 29 September 2017 (effective as of 30 September 2017) the sale of the investment in Ambra Property S.r.l., equal to 100% of the share capital, to the subsidiary UnipolSai Assicurazioni S.p.A. was finalised. The consideration, collected in full, for the sale of the investment amounted to €56.2m, with a capital loss of €0.3m.

Write-downs

Unipol Banca S.p.A.
The value of the investment in Unipol Banca at 31 December 2017 was written down for €445.1m. That value adjustment was necessary following the loss recorded by the subsidiary of €751.7m, as part of the banking business restructuring plan previously illustrated. At the same time the provision for liabilities and charges, created on 31 December 2013, was also increased by €211.9m against the put and call option contract taken on 27.49% of the investment currently held by UnipolSai Assicurazioni in Unipol Banca.

Treasury shares and shares of the holding company

At 31 December 2017, 2,753,466 treasury shares were held, for a value of €8.8m. These shares were purchased to serve the compensation plans based on financial instruments (*performance share* type) intended for Managers. In July the second tranche of shares was allocated in implementation of the compensation plan for the period 2013-2015.

At 31 December 2017, Unipol Gruppo also indirectly held a total of 4,789,772 treasury shares through:
- UnipolSai Assicurazioni: 2,374,398 Unipol shares;
- UniSalute: 15,690 Unipol shares;
- Linear Assicurazioni: 14,743 Unipol shares;
- Arca Vita: 5,962 Unipol shares;
- Arca Assicurazioni: 18,566 Unipol shares;
- SIAT: 31,384 Unipol shares;
- UnipolSai Servizi Consortili: 20,258 Unipol shares;
- Popolare Vita: 24,728 Unipol shares;
- Auto Presto & Bene: 5,462 Unipol shares;
- Finitalia: 18,808 Unipol shares;
- UnipolPart: 2,259,773 Unipol shares.

With regard to treasury shares, the Shareholders' Meeting of 28 April 2017 approved, pursuant to Art. 2359-*bis* of the Civil Code, the renewal for 18 months of the authorisation to purchase and use treasury shares within the limits set with a maximum expenditure limit of €100m.

Current financial assets

These amount to €164.7m, an increase of €59.4m on the previous year. This change was mainly the result of purchases of shares of the subsidiary UnipolSai on one hand, and the sale of listed bonds in 2017, on the other.

The breakdown of the item was as follows:

- listed corporate bonds for €40.2m (€100m at 31/12/2016);
- unlisted bonds for €0.4m (unchanged with respect to 31/12/2016);
- listed shares of UnipolSai for €118.5m (€1.5m at 31/12/2016);
- unlisted shares (private equity fund units) for €2.4m (€3.5m at 31/12/2016);
- unlisted shares of UnipolPart S.p.A. for €3.3m (none at 31/12/2016). UnipolPart S.p.A., a single member company, is the beneficiary newco of the portion of the total non-proportional spin-off of Finsoe regarding the Finsoe shares held by Unipol, deriving from the exercise of the put/call option in place with JP Morgan.

The list of shares and securities recognised as current assets at 31 December 2017 is provided in Annex 7 of the Notes to the Financial Statements.

Financial operations

Financial operations in 2017 were consistent with the Investment Policy guidelines adopted by the Company and with recommendations of the Group Investments Committee and Financial Investments Committee. The criteria of high liquidity of investments and prudence were the guidelines of the investment policy, which applied the criteria of optimising the portfolio's risk-return profile.
Operating activities were characterised by maintaining a strong level of liquidity at the end of the year and focused on the bond sector, where exposure to Euro Area government securities and corporate *financial* issuers decreased.
There was also a marginal decrease in exposure to alternative investments.
The volatility share prices throughout 2017 offered trading opportunities; these activities aimed to achieve the profitability objectives.
At 31 December 2017, the duration of the portfolio was equal to 0.13 years, down compared to the previous year (0.73 years) and within the limits set by the Investment Policy.

Cash and cash equivalents

At 31 December 2017, bank deposits and cash were €1,421m, with an increase of €356.2m with respect to the balance at 31/12/2016.

Share capital

No transactions were carried out on the share capital in 2017. At 31 December 2017, the breakdown of the share capital, subscribed and fully paid-up, was as follows:

	Share capital at 31/12/2017		Share capital at 31/12/2016	
	No. of shares	Euro	No. of shares	Euro
Ordinary shares	717,473,508	3,365,292,408.03	717,473,508	3,365,292,408.03
Total	**717,473,508**	**3,365,292,408.03**	**717,473,508**	**3,365,292,408.03**

Debt

At 31 December 2017, the bonds issued by Unipol were €1,802.3m (€1,608.6m at 31/12/2016) and represent three *senior unsecured* bond loans, listed on the Luxembourg Stock Exchange:
- €1,000m nominal value, 3% interest rate, 2025 maturity (same amount at 31/12/2016);
- €317.4m nominal value, 4.375% interest rate, 2021 maturity (same amount at 31/12/2016);
- €500m nominal value, 3.5% interest rate, 2027 maturity. That loan, which is non-convertible, non-subordinate and non-guaranteed, was issued on 29 November 2017 and is targeted exclusively to qualified investors.

The issues described above were implemented as part of the *Euro Medium Term Notes (EMTN Programme*), with a maximum total nominal amount of €2bn, established in December 2009 with the latest renewal in November 2017.
On 11 January 2017, the *senior* bond loan, previously listed on the Luxembourg Stock Exchange, with a 7-year duration and a fixed interest rate of 5% was repaid upon maturity for €298.6m.
Other non-current payables include the payable, contracted during the year, due to Unipol Banca for the deferred payment of the amount due following the early termination of the credit indemnity agreement. That payable, remunerated at fixed rate of 2.75% annually, amounted to €500m at 31 December 2017, plus interest, of which €450m classified as non-current because it is payable after 12 months.

There were also current financial payables to the subsidiary UnipolSai Assicurazioni S.p.A. for €267.8m (the same as in 2016), all or part of which repayable on demand at the request of UnipolSai Assicurazioni S.p.A., with an interest rate equal to 3M Euribor rate plus 100 b.p.
Taking account of the increase in liquidity (€1,585.9m at 31 December 2017 compared with €1,170.5m at 31 December 2016), net debt (summarised in Annex 9 to the Notes to the Financial Statements) rose from €763.4m in the previous year to €1,041.8m at the end of 2017.

Risk management policies (Art. 2428 of the Civil Code)

Financial risk is managed through the regular monitoring of the main indicators of exposure to interest rate risk, credit risk, equity risk, and liquidity risk.

Interest rate risk

The duration of the class C investment portfolio, an indicator of the Company's interest rate risk exposure, was 0.13 years at 31 December 2017. With specific reference to the bond portfolio, the duration was 4.25 years.
The table shows the *sensitivity* of the bond portfolio to a parallel shift in the yield curve of reference for the financial instruments.

Amounts in €

Risk Sector	Breakdown	Duration	10 bps increase	50 bps increase
Government	17.54%	6.86	(60,727)	(303,633)
Financial	82.46%	3.69	(153,744)	(768,721)
Bonds	**100%**	**4.25**	**(214,471)**	**(1,072,354)**

Credit risk

Credit risk is monitored by measuring the portfolio's *sensitivity* to changes in benchmark credit spreads.
With specific reference to the bond portfolio alone, as shown in the table below, the investments in the bond portfolio include investment grade securities with a BBB rating for 22.13% of the portfolio.

Credit risk is monitored by measuring the portfolio's *sensitivity* to changes in benchmark credit spreads. The following table shows the sensitivity at 31 December 2017.

Amounts in €

Rating	Breakdown	1 bps increase	10 bps increase	50 bps increase
BBB	22.13%	(6,895)	(68,954)	(344,769)
NIG	77.87%	(14,789)	(147,889)	(739,446)
Bonds	**100.00%**	**(21,684)**	**(216,843)**	**(1,084,215)**

Equity risk

Equity risk is monitored by analysing the equity portfolio's *sensitivity* to changes in the reference markets represented by sector indices.
The equities segment consists entirely of Private Equity Funds.
The following table shows the sensitivity at 31 December 2017.

Amounts in €

Sector	Breakdown	Beta coefficient	Shock -10%
Equity	100%	1.00	(240,714)

Liquidity risk

In the construction of the investment portfolio, priority is given to financial instruments that can be quickly transformed into cash and quantitative limits are specified for the purchases of securities that do not guarantee a rapid sale and/or a sale at fair conditions, because of their type or specific terms.

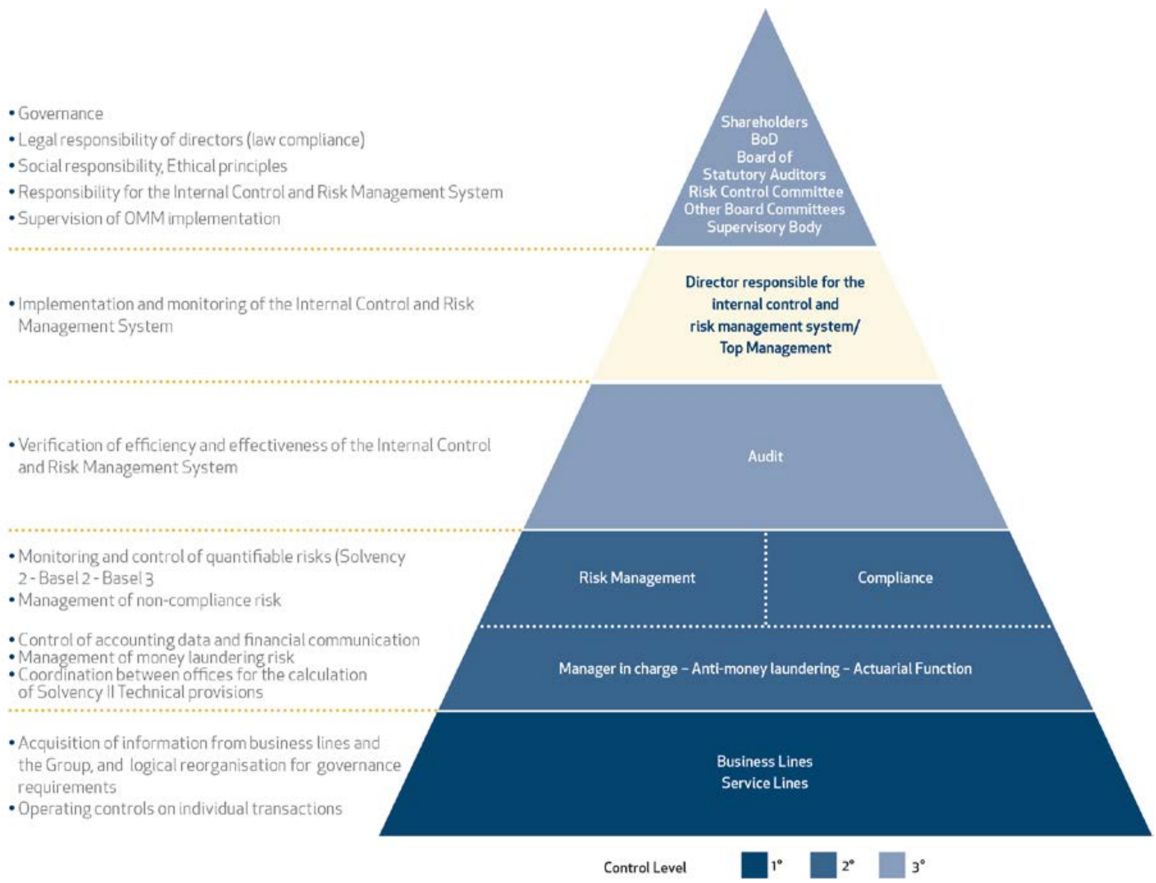
Internal Control and Risk Management System of the Unipol Group

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

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

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

By way of a non-exhaustive example, the Unipol Group's Risk and Control Governance model is shown below.



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

- The **Risk Control Committee** plays a propositional, advisory, investigative and support role to the Board of Directors in relation to the Board's assessments and decisions mainly concerning the Internal Control and Risk Management System.
- The **Director responsible** (identified as the Group CEO) for the Internal Control and Risk Management System, handles the identification of the main company risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, periodically subjecting them to review by the Board of Directors; he also implements the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness.
- **Top Management** supports the Director in charge of designing and implementing the Internal control and risk management system, including therein those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Board.
- The **Board committees** are formed within the Parent's Board of Directors. They offer advice and make suggestions, and play a role in the internal control and risk management system, particularly regarding relations with the Audit, Risk Management and Compliance functions.
- **Corporate Control Functions**: pursuant to applicable industry legislation, the Company's organisational structure requires that the Corporate Control Functions (Audit, Risk Management and Compliance) report directly to the Board of Directors and operate with the coordination of the Director responsible for the Internal Control and Risk Management System.
- **Audit** is independent from the operating structures, reports hierarchically and functionally to the Board of Directors and operates under the coordination of the Director responsible for the Internal Control and Risk Management System. The activity is carried out in compliance with the Code of Ethics of the Institute of Internal Auditors and operates within the scope of the duties and responsibilities defined in specific directives issued by the Board of Directors, as well as with respect for regulations in force (IVASS, Bank of Italy, Consob and Covip) on internal control and risk management. Audit is responsible for assessing the completeness, function, reliability and adequacy of the Internal Control and Risk Management System in relation to the nature of business activities and the level of risks undertaken, as well as its updating, also through support and advisory activities provided to other company departments.
- **Risk Management** is responsible for ensuring an integrated evaluation of the various risks at Group level. It supports the Board of Directors, the Director responsible for the Internal Control and Risk Management System and Top Management in the evaluation of the structure and effectiveness of the Risk Management System and reports its conclusions to said bodies, highlighting any deficiencies and suggesting ways of resolving them. The Risk Management Department carries out the Group risk profiling and assesses capital adequacy, respectively, as part of the process of *"Own Risk and Solvency Assessment"* (ORSA) for insurance business and the *"Internal Capital Adequacy Assessment Process"* (ICAAP) for banking business, ensuring that the work carried out by the various company departments dealing with risk management is coordinated. This work is carried out in line with best market practices and in accordance with regulations imposed by the Supervisory Authorities. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work.

  In this context the Risk Management Department, in concert with the other control departments, provide their support for the dissemination and strengthening of a culture of risk within the Group which, at all levels, make staff aware of their role, also in reference to the control activities, and encourages the complete involvement of all company departments in pursuing the Group business objectives. It also plays an active role in the debate on Solvency II in the main institutional areas under its responsibility.

Monitoring Procedures: Company committees

As part of the Group's Governance and Internal Control and Risk Management System, some internal company committees have been set up to support the Chief Executive Officer – Group CEO and General Manager while implementing and monitoring the policies on guidelines, coordination and operating strategy laid down by the Board of Directors and Top Management.

Risk Management System

The principles and processes of the System as a whole are governed by the following Group policies: "Risk management policy", "Current and Forward-looking Risk Assessment Policy", "Operational Risk Management Policy" and "Group-level Risk Concentration Policy".

The policies setting the principles and guidelines below are an integral part of this System: (i) management of specific risk factors (e.g. Investment Policy with regard to market and liquidity risks, and the "Credit Policy"), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.

The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and any insurgence of new risks or changes in existing risks.
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies.

Risk Appetite and Risk Appetite Framework

The Risk Management System adopted by the Group is inspired by an enterprise risk management logic. This means that is based on the consideration, with an integrated approach, of all the current and prospective risks the Group is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives and replies on a fundamental element, i.e. the Risk Appetite.
In quantitative terms, the Group's Risk Appetite is determined on the basis of the following elements:
- capital at risk;
- capital adequacy;
- Liquidity/ALM ratios.

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

The ORSA/ICAAP processes

Under their own risk management systems Unipol and the companies that fall within the scope of the Current and forward-looking risk assessment policy use the following to assess the effectiveness of the risk management system and assess capital adequacy:
- ORSA (*Own Risk and Solvency Assessment*) for the insurance business;
- ICAAP (*Internal Capital Adequacy Assessment Process*) for banking business.

The internal ORSA and ICAAP assessment processes allow the final and forward-looking risk profile analysis of the Insurance Group and the Banking Group based on strategy, the market context and business development. In addition, ORSA and ICAAP are an element of the assessments made to support operational and strategic decisions.

Capital management

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

The capital management and dividend distribution process is divided into five steps, in close relation with other corporate processes:
- final measurement of available capital and the capital required;
- preparation of the mid-term capital management plan;
- monitoring and reporting;
- management action on capital, including any contingency measures;
- distribution of dividends or other elements of own funds.

Insurance Sector

Solvency II framework

Activities by the competent corporate organisations of the Group were carried out in 2017 in compliance with Solvency II regulations and the supervisory provisions issued by IVASS.

Internal Model

Note that in February 2017, the Group companies UnipolSai Assicurazioni S.p.A. and Arca Vita S.p.A. received authorisation from the Supervisory Authority to use the Partial Internal Model for calculating the individual Solvency Capital Requirement with effect from 31 December 2016.

Undertaking Specific Parameters (USP)

Note that, with effect from 1 January 2016, IVASS authorised the Unipol Group as a whole and UnipolSai to use the specific parameters in place of the sub-set of parameters defined in the standard formula for the calculation of the Group's and the Company's Solvency Capital Requirement for the Non-Life and Health tariff-setting and provisions risks.

In particular, the use of the specific parameters concerns the tariff-setting and provisions risks in the segments of Non-Life insurance and reinsurance obligations under Annex II to EU Delegated Regulation 2015/35 of 10 October 2014, as specified below:

- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles;
- Segment 4, Proportional insurance and reinsurance against fire and other damage to property;
- Segment 5, Proportional insurance and reinsurance on general TPL.

The Group's **solvency ratio**, calculated according to **Solvency II** regulations (standard formula with the use of USP – Undertaking Specific Parameters), at 31 December 2017, reported a ratio of own funds to required capital of **152%**[1], up 141% compared to 31 December 2016.

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

Banking Sector

The Group has adopted a system also for the banking sector that is suitable for constantly identifying, measuring and verifying banking business risks.

With reference to Pillar I risks, in compliance with the provisions of Bank of Italy Circular no. 285 of 17 December 2013, standardised approaches were adopted for credit, counterparty and market risks, and the basic approach for operational risk.

In line with their class 2 allocation, the indications and approaches defined in the aforementioned Circular are adopted for Pillar II risks. The procedural solutions for easily calculating capital requirements available to banking intermediaries in its class were adopted, applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority. Internal approaches not used for regulatory purposes were also adopted to measure certain types of risk.

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

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

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

The Annual Corporate Governance Report is available in the "Corporate Governance" section of the Company's website (**www.unipol.it**).

[1] Value calculated on the basis of the information unavailable as of today. The definitive results will be reported to the Supervisory Authority with the timing required by regulations in force.

Performance of directly controlled companies

The key figures of directly controlled companies are provided below. Reference should be made to their respective financial statements for details of companies under their direct control.

The financial statements of (direct and indirect) subsidiaries and associates were filed pursuant to Art. 2429 of the Civil Code.

UnipolSai Assicurazioni S.p.A.

Registered office: Bologna
Share capital: €2,031,456k
Carrying amount: fixed assets €4,527,708k; current assets €118,456k
% holding: 73.16% - Direct holding of 53.18% and an indirect holding of 19.99% in the capital

The company is authorised to operate as insurer and reinsurer in the Non-Life, Life and Capitalisation sectors. It may also set up and manage open pension funds.

UnipolSai closed 2017 with a profit €577.2m (€458.5m at 31/12/2016). The aspects best characterising the operating performance in the year ended at 31 December 2017 were the following:

- Premiums in direct business down 2.1%. At the end of 2017, premiums were €9,803m, of which €9,793m in direct business, with breakdown as follows:

Amounts in €m

Premiums	Non-Life	Life	Total 2017	Total 2016	*% var.*	*Variation on 2016*
Direct business	6,901.1	2,891.8	9,792.9	10,001.9	(2.1)	(209.0)
Indirect business	9.2	0.4	9.5	8.6	11.3	1.0
	6,910.3	**2,892.2**	**9,802.5**	**10,010.5**	**(2.1)**	**(208.0)**
Premiums ceded	411.6	6.4	418.0	424.9	(1.6)	(6.9)
Premiums retained	**6,498.7**	**2,885.8**	**9,384.5**	**9,585.6**	**(2.1)**	**(201.1)**
% breakdown	69.2	30.8	100.0			

The net retention of acquired premiums was 95.7%, slightly down with respect to the previous year (95.8%).

- The loss ratio for direct business (including the balance of the other technical items) was equal to 68.1% against 67.9% at 31 December 2016.
- The result from technical insurance management, which also includes operating expenses and allocation of the share of gains on investments, was overall positive for €705.9m (€570.6m in 2016) of which €204.2m for the Life business and €501.7m for the Non-Life business.
- Total operating expenses (including acquisition and collection commissions and other acquisition and administrative expenses) came to a total of €2,100.3m (-1.5%), with an incidence on (Life and Non-Life) premiums of 21.4% (21.3% in 2016). Net of reinsurers' commissions, total operating expenses were equal to €1,950m (-2%).
- Total technical provisions for the Life and Non-Life sectors reached €43,107.5m at the end of 2017 (-1.3%). Net of the reinsurers' share, they came to €42,515.1m (-1.2%). The technical provisions-premiums ratio was 206% in the Non-Life business (211.9% in 2016) and 998.2% in the Life business (950.7% in 2016).

The shareholders' equity of UnipolSai, including the profit for the year, was €5,752.8m (€5,528.5m at 31/12/2016).

Arca Vita S.p.A.

Registered office: Verona
Share capital: €208,279k
Carrying amount: €359,158k
% holding: 63.39% held directly

The company is authorised to conduct Life insurance business.

The company's performance recorded profit for the year of €56.7m, compared to €35.1m in 2016. The aspects best characterising the operating performance in the year ended at 31 December 2017 were the following:

- A decrease in premiums, in terms of gross premiums written, equal to 62% on the previous year. Gross premiums written were €641m at 31 December 2017 (€1,689.1m at 31/12/2016). The net retention of premiums acquired was 98.8%, down on the previous year (99.6%).
- The result from technical insurance management, which also includes operating expenses and the allocation of the share of gains on investments, was equal to €63m (€37.6m at 31/12/2016).
- Operating expenses (including acquisition and collection commissions and other acquisition and administrative costs) were €26.7m (€27.7m at 31/12/2016), with an incidence on premiums written of 4.2% (1.6% at 31/12/2016).
- Gross technical provisions, at the end of 2017, were €6,791m (€6,818m at 31/12/2016) and €6,781m net of the reinsurers' share (€6,807m at 31/12/2016). The technical provisions-gross premiums written ratio was 1,059.5% (403.6% at 31/12/2016).

The shareholders' equity of the company, including profit for the year, was €351.8m (€323.2m at 31/12/2016).

Unipol Banca S.p.A.

Registered office: Bologna
Share capital: €897,384k
Carrying amount: €503,733k
% holding: 100% of ordinary share capital - 57.75% direct holding and 42.25% indirect holding

The company reported a loss for the year of €751.7m, against a profit of €3.5m in 2016. This is the result of the restructuring of the banking business, previously illustrated in this report. The aspects best characterising the operating performance in the year ended at 31 December 2017 were the following:

- Direct deposits reached €12bn, with a 14.1% increase on 31 December 2016 (€10.5bn), while net loans to customers were equal to €8.6bn, with a decrease of 5.4% on 31 December 2016 (€9.1bn).
- Following the write-downs made as part of the restructuring, net bad and doubtful loans amounted to €594m at 31 December 2017 (€1,669m in 2016), of which €555m relating to the company complex to be transferred to UnipolReC as part of the spin-off.
- Indirect deposits were €49.5bn (€50.6bn in 2016), of which €43.7bn from companies of the Group and €5.8bn from ordinary customers.
- Gross operating income was €315.2m (-0.2% compared to 2016).
- Value adjustments for impairment of receivables and other financial assets amounted to €1bn (€46.8m in 2016).

The shareholders' equity of the company, including the loss for the year, was €872.4m (€719.3m at 31/12/2016), due to a capital account contribution of €900m, carried out *pro-quota* by the shareholders Unipol and UnipolSai on 31 July 2017.

Unipol Investment S.p.A.

Registered office: Bologna
Share capital: €5,180k
Carrying amount: €528,577k
% holding: 100% held directly

The company has as object the acquisition of interests and investments in other companies, not from the public, as well as the trading of financial instruments in general, for investment purposes.
In 2017 payments were made for future capital increases for a total of €220m, in order to purchase shares of the associate UnipolSai Assicurazioni.

At 31 December 2017 the company recorded profit for the year of €36.5m (€9.8m at 31/12/2016), particularly due to dividends received from the associate UnipolSai Assicurazioni S.p.A., a subsidiary of Unipol Gruppo. The aspects best characterising the operating performance in the year ended at 31 December 2017 were the following:

- Gains on investments of €35.4m (€8.6m at 31/12/2016).
- Costs of production of €0.4m (€0.5m at 31/12/2016).
- Financial fixed assets of €534.1m (€298.2m at 31/12/2016), relating to the 9.99% investment in the associate UnipolSai Assicurazioni. During the year, 115,740,000 UnipolSai shares were acquired for consideration of €235.9m.

The shareholders' equity of the company, including profit (loss) for the year, was €565.6m (€318.3m at 31/12/2016).

Unipol Finance S.r.l.

Registered office: Bologna
Share capital: €5,000k
Carrying amount: €482,800k
% holding: 100% held directly

The company's corporate purpose is to acquire interests and investments in other companies, not from the public, and increase their value for long-term investment purposes, rather than for placement or brokerage with the public.

At 31 December 2017 the company recorded profit of €35m (€42.2m at 31/12/2016), particularly due to dividends received from the associate UnipolSai Assicurazioni S.p.A., a subsidiary of Unipol Gruppo. The aspects best characterising the operating performance in the year ended at 31 December 2017 were the following:

- Gains on investments of €35.3m (€42.4m at 31/12/2016).
- Costs of production of €0.2m (€0.3m at 31/12/2016).
- Financial fixed assets of €481.6m (unchanged on 31/12/2016), representing the 9.99% investment in UnipolSai Assicurazioni (unchanged on 31/12/2016).

The shareholders' equity of the company, including profit (loss) for the year, was €482.1m (€488.2m at 31/12/2016).

UnipolSai Investimenti SGR S.p.A.

Registered office: Turin
Share capital: €3,914k
Carrying amount: €10,710k
% holding: 100% - Direct holding of 51% and an indirect holding of 49% in the capital

UnipolSai Investimenti SGR manages the real estate investment funds Tikal and Athens and, since 24 November 2017, the new "Fondo Opportunity" fund.

The company's performance recorded profit for the year of €3.8m, compared to profit of €1.4m at 31 December 2016. The aspects best characterising the operating performance in the year ended at 31 December 2017 were the following:

- €7.3m commission income for fees received for the management of the two closed real estate investment funds Tikal and Athens (€3.7m at 31/12/2016).
- €2.1m costs for services and miscellaneous (in line with the 31/12/2016 figure), of which €1.7m due to UnipolSai Assicurazioni S.p.A. for seconded staff and miscellaneous services.
- €7.5m gross operating income (€3.9m at 31/12/2016, +91.6%).
- €5.4m net operating income (€1.9m at 31/12/2016).

The shareholders' equity of the company, including profit (loss) for the year, was €18.1m (€14.4m at 31/12/2016).

UnipolPart S.p.A.

Registered office: Bologna
Share capital: €300k
Carrying amount: €3,295k
% holding: 100% held directly

The corporate purpose of the company, incorporated on 15 December 2017 as a result of the total non-proportionate spin-off of Finsoe, is to acquire, manage and increase the value of interests and investments in other companies, not from the public.
Based on the deed of spin-off, UnipolPart is expected to close its first financial statements at 31 December 2018.

At the time of the spin-off to UnipolPart, the following were transferred:

- Assets totalling €22,610.6m, of which €22,492.9m referring to 2,259,773 Unipol Gruppo shares;
- Liabilities totalling €4,721.9m, of which €4,670.4m relating to the maturing bond loan;
- Shareholders' equity of €17,888.7m.

The bond loan was repaid on 19 December 2017, using the liquidity deriving from the shareholder loan of €4.8m, disbursed by Unipol Gruppo to UnipolPart at the time the spin-off took effect.
In February 2018, as UnipolPart lacked sufficient reserves as per legal requirements, it sold all of the shares it held in the holding company on the market, realising a capital loss of €13.2m.
The value attributed to UnipolPart's participation in the financial statements at 31 December 2017 of Unipol Gruppo is fair also in relation to the shareholders' equity of the investee which remained following the recognition of said capital loss.

Relations with Group companies and related party transactions

As the investment and services holding company and Parent of the Unipol Insurance Group (registration no. 046 in the Insurance Groups Register) and Parent of the Unipol Banking Group (entered in the Register with no. 20052 pursuant to Art. 64 of the Consolidated Law on Banking), Unipol carries out management and coordination activities pursuant to Art. 2497 et seq. of the Civil Code.

It should be noted that none of the shareholders of Unipol carries out management and coordination activities in accordance with Art. 2497 et seq. of the Civil Code.

The "Procedure for related party transactions" (the "Procedure"), prepared in accordance with Art. 4 of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments, was approved by Unipol's Board of Directors on 6 October 2016 with effect from that date. The Procedure is published on Unipol's website (www.unipol.it), in the Section Corporate Governance/ Related party transactions.
The Procedure defines the rules, methods and principles that ensure the transparency and substantive and procedural fairness of the transactions with related parties executed by Unipol, either directly or through its subsidiaries.

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

Considering that Unipol controls UnipolSai, both the Project as a whole and the Disposals were qualified:

- by both parties as transactions with related parties "of major significance" pursuant to Consob Regulation no. 17221 of 12 March 2010 and the procedures for transactions with related parties adopted, respectively, by Unipol and UnipolSai;
- by Unipol, also as transactions with an associated party pursuant to Bank of Italy Circular no. 263 of 27 December 2006, Title V, Chapter 5 and the "Procedure for the management of related party transactions" applicable to Unipol in its capacity as Parent of the Unipol Banking Group.

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

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

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

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

Exempt transactions included the following:

- on 10 May 2017, the disposal by Unipol of 100% of the share capital of Ambra Property to the subsidiary UnipolSai Assicurazioni was approved, for consideration of €56m. The transaction was finalised on 29 September 2017, effective as of 30 September;
- on 29 June 2017, an agreement was approved, *a latere* of that relating to the Unipol tax consolidation, which gives the holding company Unipol the right to ask UnipolSai to issue collateral through the establishment of a pledge restriction on Italian government bonds within the limits of the amount of the tax payable transferred to the tax consolidation and, in any event, up to a maximum amount of €100m. At 31 December 2017, there were no pledge restrictions on shares.

The types of intragroup services provided in 2017 and the providing company are summarised below.

UnipolSai Assicurazioni provided services relating to the following areas:

- *Governance* (services supporting internal control, risk management and compliance);
- Anti-money laundering and Anti-terrorism;
- Finance;
- Model 231 monitoring;
- Chief Economist & Innovation Officer;
- Communications and Media Relations;
- External Relations;
- Assessment of Investments;
- Human Resources and Organisation (external selection, training, development, remuneration systems, personnel management, trade union relations and disputes, employee welfare, safety, organisation, personnel administration);
- Claims Settlement;
- Insurance (regulatory management of distribution networks, MV tariffs and portfolio management, reinsurance, marketing, bancassurance Life business unit);
- Legal (corporate affairs, group legal, anti-fraud, institutional response, legal insurance consulting, privacy, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of investments);
- IT services;
- Actuarial Function Validation;
- Administration (accounting, tax, administrative and financial statements services, economic management control, purchases and general services);
- Real estate (coordination of urban planning processes, real estate asset and investment management, portfolio trading, value added, portfolio core, project & construction management, tenders and contracts, logistics and

real estate services, facility management, tax and duty property management, real estate appraisals and property management).

UniSalute provides the following services to the other companies of the Group:
- managing addressing services, providing medical advice and assistance by telephone, making bookings, managing and settling claims relating to specific guarantees/products on behalf of UnipolSai and Linear;
- policyholder record updating and administrative services associated with the payment of health policy claims for UnipolSai.

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

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

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

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

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

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

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

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

The consortium **UnipolSai Servizi Consortili** manages a few supply and service agreements:

- leasing of facilities;
- real estate logistics and organisational services;
- communications, image and Unipol Group brand management.

Arca Vita provides the following services to Group companies:
- human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control for Arca Inlinea, Arca Sistemi and Arca Direct Assicurazioni. The three agreements were reformulated using the standard Group formats; they were signed on 27 June and take effect as of 1 January 2017;
- provider of workstations and general services necessary and functional to the outsourcing of internal control, anti-money laundering and anti-terrorism functions for UnipolSai Assicurazioni;
- providing parking spaces in the car park in Via del Fante 21, Verona, to UnipolSai Assicurazioni;
- leasing of premises in the property in Via del Fante 21, Verona, and the related parking spaces in Lungadige Capuleti, Verona, to Arca Assicurazioni S.p.A., Arca Direct Assicurazioni S.r.l., Arca Sistemi and Arca Inlinea;
- The new lease agreements, effective as of 1 September 2017, were drawn up as a result of the transfer of the Arca Inlinea and Arca Assicurazioni call centre to the offices in Via del Fante 21, Verona and the necessary reallocation of spaces in the building.

Arca Inlinea provides sales support services to Arca Assicurazioni, Arca Vita, Arca Direct Assicurazioni and Arca Vita International.

Arca Sistemi provides the following services:
- design, development and management of IT systems for Arca Vita, Arca Assicurazioni, Arca Inlinea and Arca Direct Assicurazioni;
- design, development and management of alternative storage for Arca Vita and Arca Assicurazioni;
- services as IT architecture provider for Arca Vita International.

Unipol Banca provides the following services to the companies in the Group of which it is the holding company:
- Internal Auditing;
- Compliance;
- Risk Management;
- Human Resource Administration;
- External Relations and Communications;
- Organisation;
- Human Resources;
- Legal and Corporate Affairs;
- Finance.

No atypical or unusual transactions were carried out in the execution of these services.

Fees are mainly calculated on the basis of the external costs incurred, for example the costs of products and services acquired from suppliers, and the costs resulting from activities carried out directly, i.e. generated by their own staff, and taking account of:
- performance objectives set for the provision of the service to the company;
- strategic investments required to ensure the agreed levels of service.

The following elements are specifically taken into consideration:
- personnel costs;
- operating costs (logistics, etc.);
- general costs (IT, consultancy, etc.).

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

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

Both the Parent Unipol and its subsidiaries, including UnipolSai, Unipol Banca, Arca Vita and Arca Assicurazioni, second their staff to other Group companies to optimise the synergies within the Group.

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

It should be noted that, in accordance with Art. 2497 et seq. of the Civil Code, none of the shareholders of the Parent Unipol carries out management and coordination activities.

Credit indemnity agreement between Unipol and the subsidiary Unipol Banca

On 31 July 2017, Unipol and Unipol Banca signed a Termination Agreement of the credit indemnity agreement, effective from 30 June 2017, which set out the indemnity of €670.4m due by Unipol to Unipol Banca, with costs pertaining to 2017 amounting to €105.4m. The first tranche, equal to €170.4m, was paid by Unipol on 31 July 2017. The remaining €500m will be paid in 10 annual instalments of €50m each, on 31 July each year from 31 July 2018, plus deferred interest to be calculated at an annual rate of 2.75%.
Commissions accrued and due by Unipol Banca to Unipol were €12.5m.

Tax regime for taxation of group income (so-called "tax consolidation")

From 2015 the Parent Unipol opted, as consolidating company, for the tax consolidation governed by Title II, Chapter II, Section II of the Consolidated Income Tax Act (Articles 117-129) for the three-year period 2015-2017. All companies in the Unipol Group that meet the regulatory requirements take part in this regime as consolidated companies.

The information required by Consob Communication DEM/6064293/2006 is contained in the paragraph on transactions with related parties in the Notes to the financial statements.

Social and environmental responsibility

Sustainability is directly handled within the Unipol Group by the holding company for all Group companies in order to guarantee policy uniformity and consistency. The operating structure is made up of the staff reporting to the Chairman to guarantee conformity with the values and completeness of vision on the activities carried out, while the policy function is carried out by the Sustainability Committee of the Unipol Group Board of Directors, which examined and evaluated the path taken throughout the entire year, and issued its judgments on the process adopted and on the main sustainability decisions taken by the Group.
The Unipol Group's attention to social responsibility starts with the Charter of Values and the Code of Ethics of the Unipol Group, based on the Vision and Mission, illustrated anew in the **2016-2018 Business Plan**, which for the first time incorporates Sustainability objectives and action.
Convinced of the importance of integrating sustainability issues into business processes to develop long-term competitiveness, the Group integrated the non-financial activities, objectives and results with the economic and financial aspects both at planning stage and reporting stage.

Of particular note among the projects included in the Plan are:

- the commitment to increase the resilience of SMEs to climate change-related risks through the DERRIS project, funded through the European Life Fund, to define a model of public-private partnership to improve the resilience of industrial areas with a high concentration of SMEs against natural catastrophes. In 2017, as the pilot project in the Municipality of Turin was completed, the training and engagement process to define individual resilience plans based on future risk was extended to a further 10 cities;
- the *PerGiocoNonPerAzzardo* campaign to raise awareness among the public of the risk of indiscriminate and addictive gambling was developed further. The year features the exhibit-laboratory created in Milan, in partnership with the Municipality and Region of Emilia Romagna, which received over 6000 visitors;
- the activities of Eos, Conoscere l'Assicurazione addressed to schools were structured further. Since 2017 it has developed a specific offering for Work-Study programmes, as defined in the "Buona scuola" school reform plan.

In order to monitor compliance with the commitments undertaken, 10 *outcome* indicators have been identified. Among these, it is worth noting the Group's commitment to achieving and maintaining a sound reputation, through an

integrated approach which aims (i) on one hand, to identify and mitigate the risks deriving from events that could have a negative impact on reputation and, thus, on the value of the Unipol Group and, (ii) on the other, to contribute to the growth of that value, starting by measuring and analysing the current reputation, up to implementing an action plan in line with the Group's needs and objectives, capable of consolidating that reputation.
For more information, refer to the Annual Integrated Report of the Unipol Group drawn up pursuant to Legislative Decree no. 254/2016 for the purpose of strengthening the process of integrating the non-financial variables into periodic reporting, drawing up a single document to present the Group to the market.

Research and development activities

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

Investments in innovation support the development of analysis models and the use of *advanced analytics*, Big Data and *lean prototyping*, and make use of *scouting* and *open innovation* processes in relation to the system of *startups* and research networks.
The most significant innovations include, in particular, UnipolSai GO, the first micro-insurance that can be subscribed in real-time via smartphone, UnipolSai Move, the "*car sharing peer to peer*" platform integrated with the "workplace conventions" policies, and the Unica policy with MV included.

Privacy obligations (Legislative Decree 196/2003)

In order to guarantee the protection and integrity of customer, employee and partner data and, in general, the data of all those with whom the Company comes into contact, it adopted all measures necessary to ensure compliance with obligations deriving from personal data protection legislation (Legislative Decree 196/2003). Moreover, the activities are under way for alignment with the European Union Regulation 2016/679 of 27 April 2016, which will be applicable from 25 May 2018.

Human resources

The Company's workforce at 31 December 2017 numbered 22 employees (19 at 31/12/2016). Even if calculated as full time equivalent (FTE), that is, considering the number of hours actually worked, the number of employees would still be 22.

	31/12/2017			31/12/2016		
	Average	Final	FTE	Average	Final	FTE
Permanent	20	22	22	19	19	19
Total	**20**	**22**	**22**	**19**	**19**	**19**

Training

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

- development of new specialised courses required to support the enactment of the Unipol Group's business plan. Among these, we note the "Management and Subordinate Development" course, the new course in Risk management for SME Tutors, the course for Unipol Banca dedicated to the Affluent channel and the Family Welfare and Business Specialist courses dedicated to the agency network.

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

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

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

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

Share-based compensation plans

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

The compensation plan based on financial instruments (Unipol shares) for the period 2013-2015 ended on 31 December 2015. The first tranche, comprising 1,964,855 shares, was paid to those entitled on 1 July 2016, the second tranche, comprising 2,006,741 was paid to those entitled on 3 July 2017 and the third tranche will be paid on 1 July 2018.

The 2016-2018 compensation plan based on financial instruments (*performance share* type), if the prerequisites are met, envisages the assignment of UnipolSai and Unipol shares over three years with effect from April 2019.

The Information Documents, prepared pursuant to Art. 114-*bis* of the Consolidated Law on Finance and Art. 84-*bis* of the Consob Issuer's Regulation no. 11971/1999, are available on the relevant websites, in the Governance/Shareholders meetings section.

IT services

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

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

- <u>New IT architectures</u>

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

- <u>Mobility, Multi-Channel Approach and New "Digital *Touch Points*"</u>

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

- <u>Artificial Intelligence, Robotics and *Big Data Hub*</u>

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

- <u>Telematics, New Service Development and Unipol Ecosystem</u>

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

- <u>Completion of integration and Business evolution support</u>

- Interventions were completed on the Solvency II IT system, which in 2017 made it possible to conduct the first official Solvency II full year 2016 processing with the partial internal model.
- A number of regulatory adaptations were made and analyses were launched on regulatory requirements, particularly relating to the new European General Data Protection Regulation (GDPR), the introduction of the new IFRS 17 and the European Insurance Distribution Directive (IDD).

Internet

www.unipol.it is the website of Unipol, from which the user can access the websites of the different companies of the Group and obtain information on Unipol.

Business outlook

After 31 December 2017 there were no significant changes in the global macroeconomic scenario, which remains marked by a certain optimism.

At its meeting on 8 March 2018, the Governing Council of the European Central Bank decided to keep interest rates unchanged and confirmed that the securities purchase programme will continue, as previously announced.

In Italy, the political vote of 4 March could result in a phase of uncertainty which risks stoking tensions in financial markets, with the consequent resumption of the volatility of the spreads of Italian government bonds.

After positive performance in January, in the following weeks the stock markets saw greater volatility.
All this reflects on financial investments and on the financial management of the Group, which continues to be aimed at the consistency of assets and liabilities, optimising the risk-return profile of the portfolio and pursuing selectively an adequate diversification of the risks.

On 22 February 2018 UnipolSai Assicurazioni launched the placement of a 10-year subordinated bond loan for €500m, that can be calculated, for regulatory purposes, under Level 2 own funds (Tier 2). The loan, exclusively targeted to qualified investors, was considerably successful, which made it possible to reduce the coupon to a rate of 3.875% with a spread on the benchmark rate of 274.5 basis points.

With regard to the trends of the business sectors in which the Group operates, there are no particularly significant events to report. In the Non-Life business, in a market scenario that remains strongly competitive, the Group is carrying out sales initiatives and settlement policies aimed at maintaining positive technical margins, in line with the targets of the 2016-2018 Business Plan.
For Life business, excluding Popolare Vita for which disposal is being finalised based on values already agreed by the parties, February saw an in important increase in turnover.
In the Banking business, on 1 February 2018 the proportional partial spin-off by Unipol Banca in favour of a newly established company UnipolReC of a business unit containing, among others, a portfolio of gross bad and doubtful loans amounting to around €2.9bn was finalised. This transaction is an integral part of the Restructuring Plan for the business, announced to the market at the end of June 2017.

Excluding unforeseeable events also connected with the reference context, the consolidated operating result for 2018 is expected to remain positive.

Bologna, 22 March 2018

The Board of Directors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FINANCIAL STATEMENTS
FOR THE YEAR 2017

Unipol Gruppo S.p.A.
Statement of Financial Position

Amounts in €

ASSETS	31.12.2017		31.12.2016	
A) SUBSCRIBED CAPITAL, UNPAID				
- of which called				
B) FIXED ASSETS				
I Intangible assets				
4) Concessions, licences, trademarks and similar rights	3,047,040		3,842,642	
6) Fixed assets in progress and payments on account			19,764	
7) Other	151,752		822,110	
Total		**3,198,792**		**4,684,517**
II Property, plant and equipment				
2) Plant and equipment	74,396		163,562	
4) Other assets	902,173		1,134,520	
Total		**976,569**		**1,298,082**
III Financial fixed assets				
1) Investments in:				
a) subsidiaries	6,412,693,688		6,301,204,672	
Total investments		**6,412,693,688**		**6,301,204,672**
2) Receivables:				
d-bis) from others		267,761		5,174,106
- of which payable within 12 months	*52,308*		*201,184*	
Total receivables		**267,761**		**5,174,106**
3) Other securities		8,795,988		113,795,392
Total		**6,421,757,438**		**6,420,174,170**
TOTAL FIXED ASSETS		**6,425,932,799**		**6,426,156,769**

Unipol Gruppo S.p.A.
Statement of Financial Position

Amounts in €

ASSETS	31.12.2017	31.12.2016
C) CURRENT ASSETS		
II Receivables		
1) from customers	21,630	71,193
2) from subsidiaries	129,451,657	24,373,587
3) from associates	8,465	620
4) from holding companies		2,164,559
- of which payable after 12 months		*2,164,559*
5 - bis) tax receivables	66,473,673	30,199,132
- of which payable after 12 months	*66,473,673*	*2,853,850*
5 - ter) deferred tax assets	535,321,567	496,431,884
- of which payable after 12 months	*535,321,567*	*288,005,470*
5) quater) from others	660,616	400,892
Total	**731,937,608**	**553,641,867**
III Current financial assets		
1) Investments in subsidiaries	121,750,636	1,517,936
6) Other securities	42,952,515	103,792,443
Total	**164,703,150**	**105,310,379**
IV Cash and cash equivalents		
1) Bank and post office deposits	1,420,987,323	1,064,756,937
- of which from subsidiaries	*1,420,972,756*	*1,064,741,027*
3) Cash at bank and in hand	13,036	10,419
Total	**1,421,000,359**	**1,064,767,356**
TOTAL CURRENT ASSETS	**2,317,641,118**	**1,723,719,602**
D) ACCRUALS AND DEFERRALS		
1) Accruals	182,786	468,306
2) Deferrals	544,635	302,665
TOTAL ACCRUALS AND DEFERRALS	**727,421**	**770,971**
TOTAL ASSETS	**8,744,301,338**	**8,150,647,342**

Unipol Gruppo S.p.A.
Statement of Financial Position

Amounts in €

LIABILITIES			31.12.2017		31.12.2016
A)	**SHAREHOLDERS' EQUITY**				
I	Share capital		3,365,292,408		3,365,292,408
II	Share premium reserve		1,435,734,955		1,410,009,264
III	Revaluation reserves				20,700,874
IV	Legal reserve		561,665,518		545,676,981
VI	Other reserves				282,159,979
	- Extraordinary reserve			120,375,123	
	- Treasury/holding company share reserve			143,469,396	
	- Share swap reserve			18,315,460	
VIII	Retained profit (loss)				(292,743,600)
IX	Profit (loss) for the year		213,351,962		159,885,369
X	Negative reserve for treasury shares		(8,757,921)		(15,492,810)
TOTAL SHAREHOLDERS' EQUITY			**5,567,286,921**		**5,475,488,465**
B)	**PROVISIONS FOR RISKS AND CHARGES**				
3)	Financial derivative liabilities		339,248,385		142,978,058
4)	Other		3,358,983		594,268,006
TOTAL PROVISIONS FOR RISKS AND CHARGES			**342,607,368**		**737,246,065**
C)	**POST-EMPLOYMENT BENEFITS**		**36,533**		**35,888**
D)	**PAYABLES**				
1)	Bonds		1,802,257,799		1,608,576,521
	- of which payable after 12 months	*1,802,257,799*		*1,268,792,087*	
3)	Payables to shareholders		14,805		14,805
5)	Payables to other lenders		515,186		515,186
7)	Trade payables		4,269,348		3,886,993
9)	Payables to subsidiaries		1,006,501,025		312,214,271
	- of which payable after 12 months	*679,268,110*			
10)	Payables to associates				502
12)	Tax payables		4,111,456		1,041,747
13)	Social security charges payable		504,215		687,064
14)	Other payables		16,196,682		10,939,835
TOTAL PAYABLES			**2,834,370,516**		**1,937,876,924**
TOTAL LIABILITIES			**8,744,301,338**		**8,150,647,341**

Unipol Gruppo S.p.A.
Income Statement

Amounts in €

		31.12.2017		31.12.2016	
A)	**VALUE OF PRODUCTION**				
5)	Other revenue and income				
	b) sundries	31,121,986		44,345,722	
	Total other revenue and income		31,121,986		44,345,722
TOTAL VALUE OF PRODUCTION			**31,121,986**		**44,345,722**
B)	**COSTS OF PRODUCTION**				
6)	Raw materials, consumables and goods for resale		277,683		92,782
7)	Services		18,136,759		16,018,244
8)	Use of third party assets		897,546		892,481
9)	Personnel:				
	a) wages and salaries	22,147,794		20,439,911	
	b) social security expenses	3,758,534		3,166,215	
	c) post-employment benefits	631,029		578,472	
	e) other costs	1,674,431		1,505,658	
	Total personnel		28,211,789		25,690,256
10)	Amortisation, depreciation and write-downs:				
	a) amortisation of intangible assets	1,493,855		1,537,453	
	b) depreciation of property, plant and equipment	324,197		389,827	
	Total amortisation, depreciation and write-downs		1,818,052		1,927,280
12)	Provisions for risks		460,513		30,900,591
14)	Sundry operating expenses		108,305,650		2,211,692
TOTAL COSTS OF PRODUCTION			**158,107,993**		**77,733,325**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)			**(126,986,007)**		**(33,387,603)**
C)	**FINANCIAL INCOME AND CHARGES**				
15)	Gains on investments:				
	a) in subsidiaries	1,023,355,762		296,824,943	
	d) in other companies	1,657,311		1,905,502	
	Total gains on investments		1,025,013,072		298,730,445
16)	Other financial income:				
	a) from receivables recognised under fixed assets		401		2,265
	4) from others	401		2,265	
	b) from securities held as fixed assets				1,269,612
	c) from securities recognised under current assets		6,129,317		8,255,920
	d) other income		9,353		647,432
	1) from subsidiaries	9,349		98,531	
	4) from others	3		548,902	
	Total other financial income		6,139,071		10,175,229
17)	Interest and other financial charges:				
	a) subsidiaries	8,049,252		2,180,243	
	d) others	57,511,639		79,761,200	
	Total interest and other financial charges		65,560,891		81,941,443
17-bis)	Exchange gains (losses)		(622,611)		240,057
TOTAL FINANCIAL INCOME AND CHARGES			**964,968,641**		**227,204,288**

Unipol Gruppo S.p.A.
Income Statement

Amounts in €

	31.12.2017		31.12.2016	
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS				
18) Write-ups:				
c) of securities recognised under current assets	1,489,915		1,222,290	
Total write-ups		1,489,915		1,222,290
19) Write-downs:				
a) of investments	445,065,339		36,582,983	
c) of securities recognised under current assets	352,317		57,980	
d) of financial derivative instruments	211,915,300		20,170,907	
Total write-downs		657,332,955		56,811,870
TOTAL ADJUSTMENTS		**(655,843,040)**		**(55,589,580)**
PRE-TAX PROFIT (LOSS)		**182,139,594**		**138,227,104**
20) Income tax for the year: current and deferred				
a) Current taxes	(171,787,198)		(15,655,935)	
b) Taxes related to prior years	(322,905)		244,441	
c - bis) Deferred tax assets	140,897,735		(6,246,771)	
Total income tax for the year		(31,212,368)		(21,658,265)
PROFIT (LOSS) FOR THE YEAR		**213,351,962**		**159,885,369**

Unipol Gruppo S.p.A
Statement of cash flows

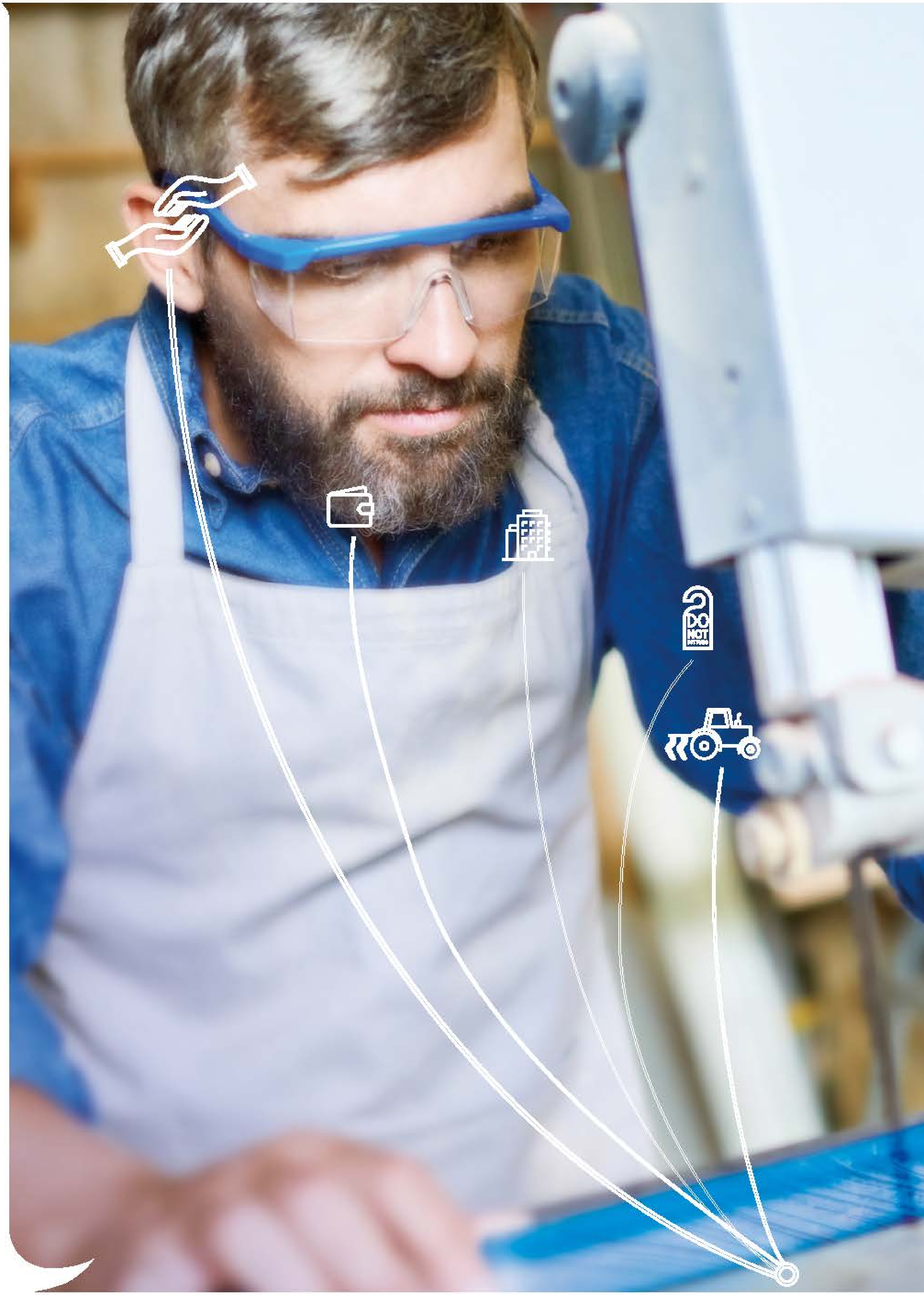
Amounts in €

	31.12.2017	31.12.2016
A. Cash flows arising from income management (indirect method)		
Profit (loss) for the year	**213,351,962**	**159,885,369**
Income tax	(31,212,368)	(21,658,265)
Interest expense/(interest income)	45,867,183	58,913,688
(Dividends)	(280,475,691)	(296,824,943)
(Capital gains)/losses arising from disposal of assets	(745,782,187)	7,856,169
1.Pre-tax profit (loss) for the year, interests, dividends and capital gains/losses on disposals	**(798,251,101)**	**(91,827,982)**
Adjustments for non-monetary items with no impact on net current assets		
Allocation to provisions	460,513	30,629,065
Depreciation of fixed assets	1,818,052	1,920,493
Write-downs for impairment losses	445,065,339	36,582,983
Value adjustments to financial assets and liabilities relating to financial derivatives, not involving monetary transactions	211,579,418	20,170,907
Other adjustments to non-monetary items	151,727,683	24,418,202
Total adjustments to non-monetary items	*810,651,004*	*113,721,650*
2. Cash flows before adjustments to net current assets	**12,399,903**	**21,893,669**
Change in net current assets		
Decrease (increase) in inventories		26,368
Decrease (increase) in receivables from customers	49,563	(29,997)
Decrease (increase) in trade payables	382,355	(371,380)
Decrease (increase) in prepayments and accrued income	43,549	796,012
Decrease (increase) in receivables from subsidiaries	(105,078,070)	145,342,605
Other changes in net current assets	(41,237,275)	50,870,384
Total changes in net current assets	*(145,839,877)*	*196,633,993*
3. Cash flows after adjustments to net current assets	**(133,439,974)**	**218,527,662**
Other adjustments		
Interest amounts collected (paid)	(45,867,183)	(58,913,688)
Dividends received	280,475,691	296,824,943
(Use of provisions)	(26,336,287)	(7,196,440)
Total other adjustments	*208,272,220*	*230,714,815*
Cash flows arising from income management (A)	**74,832,247**	**449,242,477**

Unipol Gruppo S.p.A
Statement of cash flows

Amounts in €

	31.12.2017	31.12.2016
B. Cash flows arising from investing activity		
Property, plant and equipments		
(Investments)	(2,684)	(12,964)
Disposals		9,491
Intangible assets		
(Investments)	(8,131)	(104,802)
Financial fixed assets		
(Investments)	(740,715,389)	(380,000,000)
Disposals	1,036,191,048	32,085,663
Financial current assets		
(Investments)	(120,232,699)	(1,517,936)
Income on disposals	50,326,355	212,160,422
Cash flows arising from investing activity (B)	**225,558,501**	**(137,380,126)**
C. Cash flows arising from financing activity		
Loans received		
Loans execution	497,710,000	
Repayment of loans	(313,579,350)	
Equity		
Sale (purchase) of treasury shares		5,717,323
(Dividends and interim dividends distributed)	(128,288,394)	(128,007,665)
Cash flows arising from financing activity (C)	**55,842,256**	**(122,290,342)**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	356,233,004	189,572,009
Cash and cash equivalents at 1 January	**1,064,767,356**	**875,195,347**
of which:		
Bank and post office deposits	1,064,756,937	875,185,638
Cash at bank and in hand	10,419	9,709
Cash and cash equivalents at 31 December	**1,421,000,359**	**1,064,767,356**
of which:		
Bank and post office deposits	1,420,987,323	1,064,756,937
Cash at bank and in hand	13,036	10,419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NOTES
TO THE FINANCIAL STATEMENTS

Structure and contents of the Financial Statements

Unipol 2017 Financial Statements were prepared in compliance with the provisions of the Civil Code and the national accounting standards approved by the OIC (Italian Accounting Standards Setter). In fact, since it qualifies as an insurance holding company pursuant to Art. 1, paragraph 1, letter aa) of Legislative Decree 209/2005 (Insurance Code), Unipol is required to prepare consolidated financial statements in compliance with international accounting standards but cannot apply these international accounting standards to the company's separate financial statements pursuant to Art. 4 of Legislative Decree 38/2005.
The financial statements include the Statement of Financial Position, the Income Statement, the Statement of Cash Flows and these Notes. They are also accompanied by the Management Report.
As stated in Art. 2423, paragraph 6 of the Civil Code, the amounts in the Statement of Financial Position and the Income Statement are expressed in Euro, without decimals, whilst amounts indicated in the Notes to the Financial Statements are expressed in €k, unless otherwise indicated, as permitted by the provisions of the Civil Code.
The measurement criteria were adopted on the basis of going concern assumptions, in application of the principles of accrual, materiality and significance of the transactions or contracts, pursuant to Articles 2423 and 2423-*bis* of the Civil Code.
No significant events occurred after year end that could affect the financial statement results. In any event, the nature and effect on the Statement of Financial Position, Income Statement and Statement of Cash Flows of the main significant events after year end are reported in a special chapter of these Notes.

In order to integrate disclosures provided in the aforementioned mandatory statements, the Income Statement figures were restated in the attached reclassification statement and were accompanied by the Statement of Changes in Shareholders' Equity and the Statement of Cash Flows.

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

Unipol administrative bodies and the manager in charge of financial reporting have provided the Statement on the financial statements pursuant to Art. 81-*ter*, Consob Regulation 11971 of 14 May 1999, with later amendments and integrations.

These financial statements were audited by PricewaterhouseCoopers SpA, appointed independent auditors by the Shareholders' Meeting for the years 2012-2020.

Measurement criteria

Intangible assets

Intangible assets are recognised at historical acquisition or production cost, including accessory charges, and are amortised over their residual useful lives (3-5-10 years). For projects under development, amortisation is suspended until the year in which they are first used.
Start-up and expansion costs are amortised on a straight-line basis over five years from the effective date of the related transaction, taking into account their future usefulness and their estimated useful life.
Other long-term costs are amortised over their estimated useful lives. If the intangible assets are no longer believed to have future usefulness, the assets are written off and charged to the Income Statement.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and adjusted for the corresponding accumulated depreciation. The carrying amount takes into consideration any accessory charges and direct/indirect costs in the portion reasonably attributable to the asset.

Depreciation is calculated according to the useful life of the asset:

- plant and equipment: useful life of 3 to 7 years;
- movable assets entered in public registers: useful life of 4 years;
- office furniture and machines: useful life of 3 to 8 years;
- data processing centre machines: useful life of 2 to 5 years;
- assets up to €516: fully depreciated over 1 year.

Financial fixed assets

These are mainly represented by controlling interests.
The investments concerned are recognised at purchase or subscription cost or at a value below cost if, on the basis of the financial position of the companies invested in, the investments show evidence of impairment.
The bonds held as investments in the Company's equity are measured at amortised cost, applying the internal effective rate of return (effective interest criterion). The value is adjusted for any impairment losses.
If the reasons for recognition of the value adjustment no longer apply, the value of the security is restored to the extent of the amortised cost, calculated as if the previous adjustments had not been recognised.

Receivables

Receivables are measured at amortised cost, applying the internal effective rate of return (effective interest criterion), taking into account the time factor, except for current receivables (due in less than 12 months).

Current financial assets

Shares classified as current assets and mutual investment fund units are recognised at the lower of average purchase cost and market value, which for listed securities is the average price recorded in the last month of the year and for unlisted securities a prudent estimated realisable value.
Furthermore, for listed securities, if the December average is not representative of the market value, the average believed to be more representative is used as a prudent measure.
Bonds classed as current are recognised at the lower of the purchase cost and the realisable value estimated from market trends, for listed securities based on the arithmetic mean of prices recorded in December and for unlisted securities on the estimated realisable value at 31 December, calculated on basis of the current value of securities traded on regulated markets and with similar characteristics. Write-downs in previous years are not maintained if the reasons giving rise to such write-downs should no longer apply.

Financial derivatives

Financial derivatives are recognised and measured at fair value. Changes in fair value are recognised in the income statement, or if the derivative hedges against the risk of changes in the expected cash flows of another financial instrument, directly in a positive or negative reserve in shareholders' equity. This reserve is recorded in the income statement to the extent and timing corresponding to cash flows occurring or changing from the hedged instrument or if the transaction hedged is performed.

Financial derivatives are used only for hedging purposes, to reduce the risk profile of the assets/liabilities hedged, i.e. to optimise their risk/return profile. Derivative contracts in place at the end of the year are measured in a manner consistent with the assets/liabilities hedged.
The current value of derivative contracts is calculated with the replacement cost method, using prices and rates at the end of the year for the same maturity and comparing these with contractual prices and rates.

Premiums collected or paid for options on securities, shares, currencies or interest rates in place at the end of the year are recognised in items C.III.5) "Financial derivative receivables" and B.3) "Provisions for risks and charges - Financial derivative payables", respectively.
On expiry of the option:

- if exercised, the premium is recorded as an adjustment to the purchase or sale price of the underlying asset;
- otherwise, the premium is recognised under item C) "Financial income and charges".

Income and charges deriving from derivative measurement are recognised in section D. Value adjustments to financial assets and liabilities.

Accruals and deferrals

Accruals and deferrals are calculated on an accrual basis.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of certain or probable existence, but for which the amount or contingency date cannot be reliably determined at the end of the year. The measurement of these provisions complies with general prudent and accrual criteria and the amounts allocated reflect the best possible estimate based on available information.

Post-employment benefits

Post-employment benefits reflect the liability accrued to employees at year end, net of amounts devolved to supplementary pension funds and to the INPS Treasury Fund in accordance with current regulations.

Payables

Payables recognised in the financial statements according to the amortised cost criterion, applying the internal effective rate of return (effective interest criterion) and taking into account the time factor. The amortised cost criterion does not apply to current payables (i.e. due in less than 12 months).

Dividends

Dividends are recognised at the moment in which, following a resolution of the Shareholders' Meeting of the investee to distribute profit or possibly reserves, the investor's entitlement to their collection arises.

Recognition of costs and revenues

Revenues and costs are recognised according to prudent and accrual principles.

Income tax for the year

Income tax for the year is calculated according to current tax regulations and recognised among costs for the year. These comprise charges/income for:

- current tax for the year;
- tax from previous years, the amount of which has changed at the initiative of the taxpayer or the Tax Administration, or due to the closure of disputes;
- deferred tax assets and liabilities arising during the year and usable in future years;
- the portion for the year of deferred tax assets and liabilities generated in previous years.

Pursuant to Art. 117 et seq. of Presidential Decree 917/1986 and Ministerial Decree of 9 June 2004, for the years 2015-2016-2017 the Company has chosen the IRES tax consolidation regime, with 38 companies, among which UnipolSai, taking part as consolidated companies in 2017. Unipol has signed an agreement with these companies regulating the financial and procedural aspects governing the regime in question, recognising in its financial position the effects of the transfer of the IRES taxable income of the consolidated companies, calculated pursuant to the law, keeping into account the applicable consolidation adjustments and the tax credits accrued.

Income tax also includes IRAP for the year, calculated on the basis of estimates believed to be accurate on the basis of the information available at the time of preparation of the financial statements and taking into consideration current tax regulations.
Lastly, in application of Accounting Principle no. 25 of the Italian Accounting Standards Setter, deferred tax assets and liabilities are recognised under Income tax, calculated on the temporary differences (arisen or deducted during the year) between profit (loss) for the year and taxable income, affecting assets and provision for deferred taxes, respectively. Deferred tax assets are recognised only if it is reasonably certain that they will be recovered in future years.
Deferred tax liabilities are calculated on the basis of the tax rates set by current tax regulations and applicable to the future years in which all or part of the temporary differences that produce them are expected to be reabsorbed.
The disclosure pursuant to Art. 2427, par. 1, no. 14 of the Civil Code, together with the statement of reconciliation between theoretical and effective tax charges, is provided in the section "Income Statement - Income tax for the year: current and deferred".

Translation of balances in foreign currencies

Items expressed in foreign currencies are treated in accordance with the principles of multicurrency accounting.
In compliance with Art. 2426, par. 8-*bis* of the Civil Code, property, plant and equipment, intangible assets and financial assets (held as investments) in foreign currencies are recognised at the spot rate at the time of purchase. Other items expressed in a foreign currency are recognised at the year-end rates. All translation differences are recognised in the Income Statement.
Any net unrealised gain after translation is recognised - at the time of the allocation of profit - to a non-distributable reserve until it is actually realised.

Exchange rates used

The main exchange rates used for the translation into euros are as follows:

Currencies	31/12/2017	31/12/2016
US Dollar	1.1993	1.0541
Pound Sterling	0.8872	0.8562
Swiss Franc	1.1702	1.0739
Yen	135.0100	123.4000
Danish Krone	7.4449	7.4344
Czech Republic Koruna	25.5350	27.0210
Swedish Krona	9.8438	9.5525

Exceptions pursuant to Art. 2423, paragraph 5 of the Civil Code

No exceptions pursuant to Art. 2423, paragraph 5 of the Civil Code were applied.

Uncertainty in the use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
As regards the 2017 financial statements, it is believed that the assumptions made are appropriate and, therefore, that the financial statements have been drafted clearly and give a true and fair view of the statement of financial position, income statement and statement of cash flows. The relevant paragraphs of the Notes to the Financial Statements provide full details of the reasons underlying the decisions made and the measurements performed. In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the case in question, based on all available information.

However, we cannot exclude that changes in these estimates and assumptions may have a significant effect on the statement of financial position and income statement as well as on the potential assets and liabilities reported in the financial statements for disclosure purposes, if different elements emerge with respect to those considered originally.

In particular, a greater use of subjective assessments by company management is required in the following cases:

- calculation of impairment losses on equity investments;

- calculation of the current value of financial assets and liabilities where this cannot be directly observed on active markets. In this case, the subjective elements lie in the choice of measurement models or input parameters that cannot be directly observed on the market;
- definition of parameters used in the analytical assessment of securities investments to verify any impairment. In particular, reference is made to the choice of measurement models and the main assumptions and parameters used;
- assessment of the recoverability of deferred tax assets;
- quantification of provisions for risks and charges where there is uncertainty about the amount required and the contingency periods.

In such cases an explanation is provided with the aim of providing investors with a better understanding of the main causes of uncertainty, but in no way is meant to suggest that alternative assumptions might be appropriate or more valid. In addition, the financial statements measurements are made on the basis of going concern assumptions, as no risks have been identified that could compromise orderly business operations.

Information on the Statement of Financial Position and Income Statement

The items in the Statement of Financial Position and the changes in corresponding balances with respect to the previous year are commented on below, with additional information as required by current regulations.

Statement of Financial Position - Assets

B. Fixed assets

B) I – Intangible assets

Intangible assets totalled €3,199k at 31 December 2017, down by €1,486k compared to the previous year's balance, almost exclusively due to amortisation for the year.
The intangible asset items are:
- Concessions, licences, trademarks and similar rights for €3,047k (€3,843k at 31/12/2016), referring to software user licences and accessory costs for related customisation;
- Other for €152k (€822k at 31/12/2016).

The above amounts were recognised as assets with the consent of the Board of Statutory Auditors, where necessary.

B) II – Property, plant and equipment

The item Property, plant and equipment was at 31 December 2017 €977k (€1,298k at 31/12/2016) and referred to 902k of furnishings, hardware and works of art (€1,135k at 31/12/2016) and €74k in plant and equipment (€164k at 31/12/2016).

The changes in intangible asset items, property, plant and equipment items and the related accumulated amortisation/depreciation are described in Annexes 4 and 5 to these Notes to the Financial Statements.

B) III – Financial fixed assets

1) Investments
The total value of investments at 31 December 2017 was €6,412,694k, compared to €6,301,205k at the end of the previous year, recording an increase of €111,489k (+1.8%).
Details are provided in the table below:

Amounts in €k

			% holding		
Company	Business activities	Share capital	direct	indirect	Carrying amount
UnipolSai Assicurazioni S.p.A.	Insurance and reinsurance	2,031,456	50.99	19.99	4,527,708
Unipol Investment S.p.A.	Investment holding	5,180	100.00		528,577
Arca Vita S.p.A.	Insurance and reinsurance	208,279	63.39		359,158
Unipol Banca S.p.A.	Bank	897,384	57.75	42.25	503,733
Unipol Finance S.r.l.	Investment holding	5,000	100.00		482,800
UnipolSai Investimenti SGR S.p.A.	Società di Gestione del Risparmio	3,914	51.00	49.00	10,710
UnipolSai Servizi Consortili S.c.r.l.	Other	5,200	0.02	99.98	7
Total					**6,412,694**

At 31 December 2017, Unipol also held 61,900,000 UnipolSai shares, classified among current financial assets. If these shares are also considered, the investment in UnipolSai is 53.18%.
The details of changes in item B.III.1) "Investments" are provided in Annex 6 to these Notes to the Financial Statements.

The change in the balance is due to the following transactions carried out in 2017:

- **Ambra Property S.r.l.**
  On 30 June 2017, in execution of the resolutions of the Boards of Directors of Unipol and UnipolSai of 10 May, a Preliminary Sale Agreement was signed relating to the sale to 100% of the units of Ambra Property S.r.l. held by Unipol.
  On 29 September 2017 (effective as of 30/9/2017) the sale was finalised. The consideration collected for the sale of the investment amounted to €56,150k, with a capital loss recorded of €335k.

- **UniSalute S.p.A.**
  On 16 November 2017, having obtained the necessary authorisations from IVASS, the sale of the investment held by Unipol in UniSalute S.p.A. (17,242,993 shares, equal to 98.53% of the share capital), to the subsidiary UnipolSai Assicurazioni S.p.A. at the price of €715,000k, including a capital gain of €653,387k was finalised.

- **Compagnia Assicuratrice Linear S.p.A.**
  On 16 November 2017, having obtained the necessary authorisations from IVASS, the sale of the investment held by Unipol in Compagnia Assicuratrice Linear S.p.A. (19,300,000 shares, equal to the entire share capital), to the subsidiary UnipolSai Assicurazioni S.p.A. at the price of €160,000k, including a capital gain of €89,493k was finalised.

- **Unipol Investment S.p.A.**
  In 2017 payments were made for future capital increases for a total of €220,000k, to provide the company with the funding necessary to purchase additional shares of UnipolSai.

- **Arca Vita S.p.A.**
  On 8 November 2017 Unipol Gruppo S.p.A., BPER Banca S.p.A. and Banca Popolare di Sondrio S.c.p.A. agreed to the early renewal of their strategic bancassurance partnership in the Life and Non-Life segments launched in 2009, the natural maturity of which was 31 December 2019. As a result of that agreement, the potential consideration envisaged by the "*earn in/earn out*" clause in the contract to purchase a controlling interest in Arca Vita was defined at €5,420k. That amount was recognised as an increase in the related investment.

- **Unipol Banca S.p.A.**
  Following the banking sector restructuring plan, described extensively in the Management Report, Unipol:
  - on 31 July 2017, made a non-repayable capital account contribution (which therefore will not be repeated and is not reimbursable) to Unipol Banca for a total of €519,739k, in order to replenish the capital to no less than the capital *ratios* of the Bank prior to the write-downs of receivables carried out, also taking account of the capital of the Bank that will be allocated to the Newco during the Spin-Off;
  - on 31 December 2017, made a write-down of the investment held of €445,065k.

The following table lists the subsidiaries, indicating the carrying amount and related percentage of shareholders' equity calculated on the basis of the last draft financial statements approved by the subsidiary's Board of Directors. Any recognised value of the investment in excess of the corresponding portion of the carrying amount of shareholders' equity, refers to the equity, economic and strategic value of the company together with its future profitability.

Amounts in €k

Company	Carrying amount	% holding	Shareholders' equity at 31/12/2017	Portion of shareholders' equity attributable
UnipolSai Assicurazioni S.p.A.	4,527,708	50.99	5,752,829	2,933,368
Unipol Investment S.p.A.	528,577	100.00	565,563	565,563
Arca Vita S.p.A.	359,158	63.39	351,765	222,984
Unipol Banca S.p.A.	503,733	57.75	872,426	503,826
Unipol Finance S.r.l.	482,800	100.00	482,147	482,147
UnipolSai Investimenti SGR S.p.A.	10,710	51.00	18,089	9,226
UnipolSai Servizi Consortili S.c.r.l.	7	0.02	36,150	7
Total	**6,412,694**		**8,078,968**	**4,717,120**

In particular, we note that:

- for UnipolSai Assicurazioni, an SOP (Sum of Parts) methodology was adopted, estimating separately the value assigned to assets in the Non-Life and Life businesses, using:
    - an excess capital version of a Dividend Discount Model (DDM) in relation to UnipolSai Assicurazioni – Non-Life:
    - an Appraisal Value methodology for UnipolSai Assicurazioni - Life.
- for Arca Vita and the subsidiaries Arca Vita International and Arca Assicurazioni, the results of the independent valuation by a leading financial and actuarial advisor, who issued an appraisal document, were taken into account.

The investment in **UnipolSai Investimenti SGR** shows a recognised value in excess of the corresponding portion of shareholders' equity, representing goodwill recognised at the time of the acquisition and justified by the profitability expected from that investment.

The investment in **Unipol Finance** shows a recognised value in excess of the corresponding portion of shareholders' equity, which is more than offset by the latent capital gains on the value of the subsidiary UnipolSai Assicurazioni, measured according to an SOP (Sum of the Parts) methodology, previously illustrated.

As a result of the banking sector restructuring plan, illustrated in detail in the Management Report, to which reference is made for more information, the subsidiary Unipol Banca closed 2017 with a loss for the period of €751.7m. As a result, Unipol Gruppo wrote down the investment held in Unipol Banca by €445,065k, prudently aligning the value of the investment recognised in the financial statements at 31 December 2017 with the stake of shareholders' equity held in the subsidiary. Unipol Gruppo consistently increased by €211,915k the provisions for risk set up in previous years for the put and call option contracts in place with UnipolSai pertaining to Unipol Banca shares for a stake of 27.49% of share capital.
In support of the valuation of the subsidiary, the value in use of the investment held in Unipol Banca was also determined, referring to SOP ("Sum of the Parts") method, as the sum (i) of the *pro-forma* value of Unipol Banca following the spin-off and (ii) the amount of equity envisaged for the complex being spun off to UnipolReC.
For the estimate of the value under point (i) an income-based methodology was adopted, just as in the previous years, using, for the period 2018-2022 the economic-financial projects as reference, for the purpose of defining the forecast profit for said years, calculated by the Bank.
Note that, following the write-downs made, the value of the investment in Unipol Banca at 31 December 2017 fell near the minimum of the valuation range selected.

2) <u>Receivables</u>
Receivables recognised as fixed assets were €268k, against €5,174k at 31 December 2016. The decrease is comprised of €4,444k for the definition of the amount due to the account transfer to the item investments of the advance paid by BPER Banca and Banca Popolare di Sondrio of the potential consideration, in application of the "*earn in/earn out*" contractual clause on the purchase of the controlling interest in Arca Vita, for which the agreement was renewed early.

This item, which consists entirely of "Receivables from others", includes:

- €202k for collateralised loans;
- €55k for loans granted to employees guaranteed by Life policies;
- €11k for utility guarantee deposits.

The amounts due after 31 December 2018 were equal to €215k, of which none due after 31 December 2022.

3) <u>Other securities</u>
The item Other securities amounted to €8,796k (€113,795k at 31/12/2016) and includes government bonds for €7,005k and other listed bonds for €1,791k. The decrease on 31 December 2016 is attributable to the sales of bonds in the portfolio during 2017.

C. Current assets

C) II – Receivables

The balance of this item at 31 December 2017 came to €731,938k, an increase of €178,296k compared to 31 December 2016. The breakdown for this item and the comparison with the previous year are shown in the following table:

Amounts in €k

	31/12/2017	31/12/2016
1) Receivables from customers	22	71
2) Receivables from subsidiaries	129,452	24,374
3) Receivables from associates	8	1
4) Receivables from holding companies		2,165
5 bis) Tax receivables	66,474	30,199
5 ter) Deferred tax assets	535,322	496,432
5 quater) Receivables from others	661	401
Total	**731,938**	**553,642**

The amounts due after 31 December 2018 were equal to €601,795k, of which none due after 31 December 2022.

The item "Receivables from subsidiaries", equal to €129,452k (€24,374k at 31/12/2016), mainly consists of receivables pertaining to the group tax consolidation, totalling €112,600k (€9,482k at 31/12/2016), due from the subsidiaries that individually have an IRES tax debt. The item includes the non-interest bearing loan without maturity, of €4,803k, disbursed to the subsidiary UnipolPart within the spin-off of Finsoe, as well as other items pertaining to the chargeback of costs for personnel seconded to Group companies and receivables from Group companies adopting the Group VAT consolidation.

The receivable recognised in the financial statements at 31 December 2016, for €2,165k, due from the former holding company Finsoe S.p.A., was extinguished due to a netting agreement entered into in November 2017, between:
- Unipol, which held said receivable for IRES reimbursement claims filed with the Tax Authority by Finsoe S.p.A. as consolidating company, for the deduction from 2004-2007 IRES taxable income of 10% of the IRAP payable pursuant to Art. 6 of Decree Law 185 of 29 November 2008;
- Finsoe, which held a receivable of the same amount, as consideration for the non-recourse assignment of tax receivables, following the "deed of assignment" entered into on 9 November 2017 between Finsoe and Unipol.

"Tax receivables" amounted to €66,474k (€30,199k at 31/12/2016), and mainly consisted of:
- €60,185k for tax receivables for IRES balance deriving from the 2017 Tax Consolidation (€25,104k at 31/12/2016), of which €2,737k relating to foreign tax receivables from previous years. The total receivable can be used to offset taxes within the limits set out by regulations in force;
- €1,194k in IRAP tax receivables from previous years (€1,894k at 31/12/2016), which can be used to offset taxes within the limits set out by regulations in force;
- €1,838k for other tax receivables, mainly relating to taxes paid in previous years on cases in litigation for which successful outcomes resulting in reimbursement are confidently expected.

The balance of the deferred tax assets at 31 December 2017, equal to €535,322k, shows an increase of €38,890k with respect to 31 December 2016. The changes during the year are summarised in the following table.

Amounts in €k

Opening balance at 1/1/2017	**496,432**
Increases in the year	184,964
Uses in the year	(146,074)
Closing balance at 31/12/2017	**535,322**

With regard to the statement of temporary differences which led to the recognition of deferred tax assets and liabilities (Art. 2427, paragraph 1, no. 14 of the Civil Code), as well as the movements during the period, reference should be made to Annex 8 to the Notes to the Financial Statements.

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies, taking into account the effects of the tax consolidation and current regulations both on unlimited carry-forward of tax losses to future years, and the transformation into tax receivables of deferred tax assets in cases of statutory loss and/or tax loss in the presence of amortisation of taxable goodwill.

The item "Receivables from others" under Current Assets went from €401k at 31 December 2016 to €661k at 31 December 2017.
This item includes:

- €121k sundry receivables from current and former employees (€94k at 31/12/2016);
- €75k receivables for utility guarantee deposits (€67k at 31/12/2016);
- receivables due from owners of properties for advances for €41k (€118k at 31/12/2016).

This item is recognised net of the related write-down provisions.

C) III – Current financial assets

The breakdown of this item, equal to €164,703k at 31 December 2017, is as follows:

Amounts in €k

	31/12/2017	31/12/2016
Investments in subsidiaries	121,751	1,518
Other securities	42,953	103,792
Total	**164,703**	**105,310**

"Investments in subsidiaries" are composed of shares of the subsidiary UnipolSai for €118,456k and for €3,295k of unlisted shares of the single member company UnipolPart S.p.A., created on 15 December 2017 as a result of the spin-off of Finsoe S.p.A. The investment was recognised with no change in values in relation to the value assigned to the Finsoe shares at the spin-off date.

"Other securities" refer to:

- listed bonds for €40,178k (€99,963k at 31/12/2016);
- unlisted bonds for €375k (unchanged with respect to 31/12/2016);
- foreign funds for €2,399k (€3,454k at 31/12/2016).

Details of the shares and securities recognised as current assets are provided in Annex 7 to the Notes to the Financial Statements.

C) IV - Cash and cash equivalents

Cash and cash equivalents, which at 31 December 2017 were €1,421,000k (€1,064,767k at 31/12/2016), consist almost entirely of bank and post office deposits, equal to €1,420,987k, of which €1,420,973k deposited with the subsidiary Unipol Banca S.p.A. (€1,064,757 at 31/12/2016, of which €1,064,741k deposited with the subsidiary Unipol Banca S.p.A.).

D. Accruals and deferrals

The Item "Accruals and deferrals" at 31 December 2017 was €727k (€771k at 31/12/2016), and consisted of the following:

Amounts in €k

	31/12/2017	31/12/2016
Accruals	183	468
Deferrals	545	303
Total	**727**	**771**

The accruals related entirely to interest on securities.

Statement of Financial Position - Liabilities

A. Shareholders' equity

Movements in shareholders' equity recognised during the year with respect to the previous year are set out in the attached Statement of Changes in Shareholders' Equity (Annex 2).

A statement of use and availability of equity reserves has also been prepared, as required by Art. 2427, par. 1, letter 7-bis of the Civil Code (Annex 3).

The share capital and equity reserves at 31 December 2017 (excluding the results for the year, totalled €5,353,935k (€5,315,603k at 31/12/2016). The increase of €38,332k was due to the following effects:
- allocation to profit reserves of the profit for the year 2016, net of dividends distributed in 2017;
- reduction of the negative reserve for treasury shares in portfolio for €6,735k following assignment to those entitled as part of the Long Term Incentive (LTI) Plans based on *performance share* type financial instruments.

At 31 December 2017 the share capital was €3,365,292k (unchanged with respect to 31/12/2016), subscribed and fully paid-up, and consisted of 717,473,508 shares, all ordinary shares.

The breakdown of equity reserves, €1,988,643k at 31 December 2017, is provided in the following table together with the previous year's values:

Amounts in €k

		31/12/2017	31/12/2016
A.II	Share premium reserve	1,435,735	1,410,009
A.III	Revaluation reserve pursuant to Law 413/91		20,701
A.IV	Legal reserve	561,666	545,677
A.VI	Extraordinary reserve		120,375
	Provision for purchase of treasury shares		98,469
	Provision for purchase of holding company shares		45,000
	Share swap reserve		18,315
A.VIII	Retained profit (loss)		(292,744)
A.X	Negative reserve for treasury shares	(8,758)	(15,493)
Total		**1,988,643**	**1,950,311**

The changes in the composition of the reserves, with the exception of the negative reserve for treasury shares in portfolio, are due to the execution of the resolutions of the Shareholders' Meeting of 28 April 2017 on the allocation of the profit for the year 2016, coverage of losses carried forward and authorisation to purchase treasury shares and shares of the holding company without setting up in advance specific provisions for future purchases.

B. Provisions for risks and charges

The following table summarises the changes during the year in "Provisions for risks and charges", which at 31 December 2017 were equal to €342,607k, (€737,246k at 31/12/2016).

Amounts in €k

		Increases	Decreases		
	31/12/2016	Provisions	Uses	Other	31/12/2017
3) Financial derivative liabilities					
Option on Unipol Banca shares	127,333	211,915			339,248
Option on Finsoe shares	15,645		(15,309)	(336)	
4) Other					
Provision for sundry risks and charges	592,478	461	(25,891)	(565,479)	1,569
Provision for taxes from previous years	1,790				1,790
	737,246	**212,376**	**(41,200)**	**(565,814)**	**342,607**

The item "Financial derivative payables" includes provisions recorded in connection with the put option contract outstanding on the 246,726,761 Unipol Banca shares held by UnipolSai, determined based on a valuation of the shares underlying the option, with the measurement of the investment held.
The option outstanding at the end of the previous year, which had as underlying shares of the then holding company Finsoe S.p.A., was exercised in October 2017, as previously illustrated in the Management Report. The related existing risk provisions, equal to €15,309k, were posted as an adjustment to the value of the investment acquired.

The decrease in "Provision for sundry risks and charges" is mainly due to the elimination of the risk provisions relating to the credit indemnity agreement in place with Unipol Banca. That provision, which at the end of 2016 amounted to €590,677, was used in the first half in the amount of €25,644k, for indemnities paid to the Bank in relation to losses that became definitive in application of the contract. On 31 July 2017, with effect on 30 June 2017, the early termination of the indemnity agreement was carried out which, having defined the amount due to Unipol Banca as €670,400k, resulted in the reclassification of the residual provision at that date, equal to €565,033k, among payables and the recognition of a higher payable for €105,367k, posting a balancing entry under the item "sundry operating charges" in the income statement.

The "Provision for taxes from previous years", unchanged with respect to the previous year, represents the provision made for the dispute of the former Aurora Assicurazioni for the 2007 tax year.

Relations with the Tax Authorities

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

C. Post-employment benefits

The balance of post-employment benefits at 31 December 2017, was equal to €37k, more or less unchanged with respect to the previous year.
The breakdown of the changes over the year is provided in the following table:

Amounts in €k

Balance at 1/1/2017		**36**
Increases in the year		
	Provisions in the year	625
Decrases in the year		
	Transfer to pension fund	(419)
	Transfers to INPS treasury fund	(139)
	Other decreases	(66)
Closing balance at 31/12/2017		**37**

The other decreases refer to personnel and the related provision transferred to other Group companies.

D. Payables

The balance of Payables at 31 December 2017 was equal to €2,834,371k (€1,937,877k at 31/12/2016). The breakdown and related comparison with the previous year are provided in the following table:

Amounts in €k

	31/12/2017	31/12/2016
Bonds	1,802,258	1,608,577
Payables to shareholders	15	15
Payables to other lenders	515	515
Trade payables	4,269	3,887
Payables to subsidiaries	1,006,501	312,214
Payables to associates		0.5
Tax payables	4,111	1,042
Social security charges payable	504	687
Other payables	16,197	10,940
Total	**2,834,371**	**1,937,877**

The amounts due after 31 December 2018 were equal to €2,481,526k, of which €1,733,228k due after 31 December 2022.

The item "Bonds" was €1,802,258k (€1,608,577k at 31/12/2016), and consists of the following:
- for a total of €319,029k (€315,954k at 31/12/2016) on the *senior* bond loan (nominal value of €317,352k), listed on the Luxembourg Stock Exchange, with a seven-year duration (March 2021 maturity) and 4.375% fixed interest rate;
- for a total of €984,884k (€979,509k at 31/12/2016) on the *senior* bond loan (nominal value of €1,000,000k), listed on the Luxembourg Stock Exchange, with a ten-year duration (March 2025 maturity) and 3% fixed interest rate;
- for a total of €498,345k on a new, non-convertible, non-subordinate and non-guaranteed *senior* bond loan (nominal value of €500,000k), issued on 29 November 2017, targeted exclusively to qualified investors and listed on the Luxembourg Stock Exchange, with a ten-year duration (November 2027 maturity) and 3.5% fixed interest rate.

The issues described above were implemented as part of the *Euro Medium Term Notes (EMTN Programme)*, with a maximum total nominal amount of €2bn, established in December 2009 with the latest renewal in November 2017. Total interest payments for the year were €45,867k (€58,914k at 31/12/2016).

On 11 January 2017, the *senior* bond loan, previously issued and listed on the Luxembourg Stock Exchange, with a 7-year duration and a fixed interest rate of 5% was repaid upon maturity for €298,647k.

The item "Trade payables" went from €3,887k at 31 December 2016 to €4,269k at 31 December 2017.

The balance of the item "Payables to subsidiaries" was €1,006,501k at 31 December 2017 (€312,214k at 31/12/2016), and consisted mainly of:
- €267,834k (€267,836k at 31/12/2016), for two outstanding loans with the subsidiary UnipolSai Assicurazioni S.p.A. granted at the time it took over the role of issuer of the bond loans originally issued by Unipol. The loans, repayable on demand either in full or in part at the request of UnipolSai Assicurazioni S.p.A. and in any event at least three days before the repayment date of the aforementioned bond loans, bear interest at the 3M Euribor rate plus 100 b.p. spread. In 2017 interest expense of €1,827k accrued;
- €229,268k due to subsidiaries for the current tax consolidation (€44,157k at 31/12/2016);
- €505,801k due to the subsidiary Unipol Banca, relating to the payment extension agreed in the deed of termination of the indemnity agreement, for an original amount of €500,000k, to be paid in ten annual instalments, plus interest at an annual rate of 2.75%. The amount recognised in the financial statements includes interest accrued at 31 December 2017, equal to €5,801k.

The balance of "Tax payables" at 31 December 2017 was €4,111k, an increase of €3,070k compared to the previous year, mainly attributable to the results of the Group VAT return which, at the end of 2016, had a credit balance.

The balance of the “Social security charges payable” at 31 December 2017 was €504k (€687k at 31/12/2016). This item represents outstanding payments due at the end of the year to welfare institutions for contributions payable by the Company and borne by employees on December salaries.

The balance of the “Other payables” at 31 December 2017 was €16,197k, up with respect to the previous year by €5,257k. The balance mainly refers to:

- €13,855k for estimated liabilities for employee salary incentives (€9,961k at 31/12/2016);
- €692k due to employees for leave not taken (€649k at 31/12/2016).

Guarantees, commitments and other contingent liabilities

The guarantees, commitments and other contingent liabilities, not recorded in the Statement of Financial Position, are illustrated (at their contractual value) in the following table:

Amounts in €k

	31/12/2017	31/12/2016
Guarantees		
Sureties to subsidiaries	6,511	14,181
Sureties and endorsements given in the interest of third parties	8	8
Other personal guarantees given in the interest of subsidiaries	561,689	791,425
Collateral received from third parties	72	105
Guarantees given by third parties in the interest of the company	1,666	1,666
Guarantees given by subsidiaries in the interest of the company	15	15
Total	**569,961**	**807,399**
Commitments		
Other commitments	1,331,497	736,590
Total	**1,331,497**	**736,590**
Grand total	**1,901,457**	**1,543,990**

“Other personal guarantees given in the interest of subsidiaries” include guarantees given for the subsidiary UnipolSai Assicurazioni S.p.A. in connection with the subordinated bond loans originally issued by Unipol, which UnipolSai Assicurazioni S.p.A. took over as issuer in 2009: UGF 7% 2021 maturity (for €300,000k) and UGF 5.66% 2023 maturity (for €261,689k);
The decrease is due to the previously mentioned early termination of the Credit Indemnity Agreement with the subsidiary Unipol Banca.

The item “Other commitments” included:

- the commitment connected with a put option on 246,726,761 Unipol Banca S.p.A. shares held by UnipolSai, with January 2019 maturity, at a price equal to 579,073k, with a corresponding call option on the same investment, with the same price but exercisable by Unipol at any time until maturity (January 2019). The exercise price of the option, equal to €331,627k at 31 December 2017, increased by €247,446k in 2017, as a result of the portion of the capital account payment made by UnipolSai in relation to the shares covered by the put option;
- the commitment to disburse a loan of €173,250k, taken on by Unipol, as part of the Banking Business Restructuring Plan, effectively disbursed to the subsidiary Unipol Banca in a lump-sum, with value date of 31 January 2018.

Information on financial derivatives

In compliance with the guidelines established by resolution of the Company’s Board of Directors on 10 May 2017, financial derivative transactions during the year were performed solely to achieve two objectives: reduce investment risk (hedging) or achieve effective management of the portfolio, excluding therefore purely speculative purposes.
These aims were achieved through the specific derivatives listed in the Board of Directors resolution and involved securities held in portfolio at the time of conclusion of the related contract and for its entire duration.
All transactions were performed with banking counterparties or similar.

The derivative positions open at the end of the year are described below.

A. Derivative contracts involving forward equity swaps

The value recognised is the settlement price of the contracts. For transactions in foreign currencies the agreed forward rate was applied:

Amounts in €k

Transaction description	No. of transactions	Notional value at 31/12/2017
Purchase of call options	1	579,073
Sale of put options	1	579,073

The amounts shown in the table refer to the put option contract on 246,726,761 Unipol Banca S.p.A. shares held by UnipolSai, with January 2019 maturity, at a price of €579,073k, with a corresponding call option on the same investment, with the same price but exercisable by Unipol at any time until maturity (January 2019).

Unipol exercised the call option in place with JP Morgan on 30,646,000 shares of the holding company Finsoe on 20 October 2017, acquiring these shares at a strike price of €18,604k.

B. Derivative contracts not involving forward equity swaps

At 31 December 2017 the Company did not hold contracts of this type.

Income Statement

The Income Statement is structured in accordance with the provisions of Art. 2425 of the Civil Code. Costs and revenues are recognised separately without netting.

A. Value of production

The total value of production at 31 December 2017 was €31,122k, against €44,346k at 31 December 2016.

A.5 Other revenue and income

"Other revenue and income" fell from €44,346k at 31 December 2016 to €31,122k at 31 December 2017.
The items included in the balance referred mainly to:

- commission income on the credit indemnity agreement of the subsidiary Unipol Banca S.p.A., for €12,531k (€25,977k at 31/12/2016). The decrease is due to the early termination of that agreement, entered into on 31 July with effect on 30 June 2017;
- recovery of costs for services of Unipol personnel seconded to Group companies, for €15,363k (€15,246k at 31/12/2016);
- remuneration charged back to the Company for Director duties performed by executives at other companies, for €2,264k (€2,130k at 31/12/2016).

At 31 December 2017 there was €566k in income, relating mainly to the surplus of provisions for legal actions and disputes with employees concluded during the year.

B. Costs of production

The total value of the costs of production at 31 December 2017 was €158,108k against €77,733k at 31/12/2016.

B.6 Raw materials, consumables and goods for resale

The item, equal to €278k (€93k at 31/12/2016) consists of purchase costs of printed materials and stationery for the offices.

B.7 Costs for services

The item was equal to €18,137k at 31 December 2017 (€16,018k at 31/12/2016), broken down as follows:

Amounts in €k

	31/12/2017	31/12/2016
Costs for IT services	44	41
Technical, legal and administrative consulting	5,966	2,673
Electricity, heating and cleaning	402	379
Corporate bodies	3,637	3,429
Seconded personnel services	83	309
Post and telephone	134	229
Other overheads	356	322
Corporate and Shareholders' Meeting costs	284	344
Advertising	1,278	1,467
Software maintenance, repairs and upgrades	163	206
Fees for auditing and other certification services	388	323
Conventions, meetings and corporate events	23	25
Subsidiary services	5,378	6,272
Total	**18,137**	**16,018**

The increase in costs for services is mainly due to the cost for consultancy received in relation to the Banking sector restructuring plan and other extraordinary transactions carried out during the year.

B.8 Costs for use of third party assets

The item, equal to €898k at 31 December 2017 (€892k at 31/12/2016), mainly refers to rents due on properties used by the Company (€483k at 31/12/2017). The item also includes €195k for car rental contracts of cars allocated to executives.

B.9 Personnel costs

The cost of labour at 31 December 2017 amounted to €28,212k, compared to €25,690k in the previous year.

The Company workforce went from 19 at 31 December 2016 to 22 at 31 December 2017, with changes as follows:

	31/12/2016	Recruitments	Terminations	31/12/2017
Admin. personnel - Permanent	19	3		22
Total	**19**	**3**		**22**

The average of employees is as follow:

Average employees broken down by category	2017	2016
Executives	19	18
Employees	1	1
Average employees	**20**	**19**

B.10 Amortisation, depreciation and write-downs

The balance of this item, which at 31 December 2017 was €1,818k (€1,927k at 31/12/2016), can be broken down as follows:

- amortisation of intangible assets for €1,494k;
- depreciation of property, plant and equipment for €324k.

Details of changes in intangible assets and property, plant and equipment are provided in Annexes 4 and 5 to these Notes.

B.12 Provisions for risks

The item went from €30,901k at 31 December 2016 to €461k at 31 December 2017. The previous year's amount referred to €30,000k for the Credit Indemnity Agreement with the subsidiary Unipol Banca.

B.14 Sundry operating expenses

The item amounted to €108,306k at 31 December 2017 (€2,212k at 31/12/2016) and refers mainly to. The increase is attributable to the termination of the credit indemnity agreement, which resulted in the recognition of expenses of €105,367k.

The item also includes:

- contributions paid to supervisory authorities and other associations, for €1,189k (€1,004k at 31/12/2016);
- donations for €755k (€514k at 31/12/2016).
- corporate and shareholders' meeting costs for €353k (€355k at 31/12/2016).

C. Financial income and charges

C.15 Gains on investments

The item was equal to €1,025,013k at 31 December 2017 (€298,730k at 31/12/2016), and mainly consists of:

- capital gains realised on the sale to UnipolSai of the equity investments in Linear and UniSalute (€89,493k and €653,387k, respectively);
- dividends resolved and collected during the year from the subsidiaries UnipolSai, UniSalute, Arca Vita, Unipol Investment and Unipol Finance for €280,476k (€296,825k at 31/12/2016).

C.16 Other financial income

The composition of this item, with a total amount equal to €6,139k (€10,175k at 31/12/2016), is summarised in the following table:

Amounts in €k

	31/12/2017	31/12/2016
A) Receivables recognised under fixed assets		
4. Others		2
Total		**2**
B) Securities held as fixed assets		**1,270**
C) Securities recognised under current assets	6,129	**8,256**
D) Other income		
1. Subsidiaries	9	99
4. Others		549
Total	9	**647**
Grand total	6,139	**10,175**

Income from securities recognised under current assets, equal to €6,129k , includes mainly interest on bonds for €1,857k (€3,162k at 31/12/2016) and capital gains on bond trading for €3,040k (€4,737k at 31/12/2016).

Other income, equal to €9k, is fully comprised of the interest income on current accounts open at the subsidiary Unipol Banca S.p.A. for (€99k at 31/12/2016).

C.17 Interest and other financial charges - C.17.bis Exchange gains (losses)

Interest and other financial charges for €65,561k were recognised at 31 December 2017 (€81,941k at 31/12/2016); the item Exchange gains (losses) was negative for €623k (positive for €240k at 31/12/2016).

Amounts in €k

	31/12/2017	31/12/2016
Interest and other financial charges:		
a. Subsidiaries	(8,049)	(2,180)
d. Others	(57,512)	(79,761)
Total	**(65,561)**	**(81,941)**
Exchange gains (losses)	(623)	240
Grand total	**(66,184)**	**(81,701)**

Interest and financial charges due to subsidiaries, equal to €8,049k (€2,180k at 31/12/2016), includes interest, commissions and charges due to Group banks and companies. The item mainly refers to interest expense on the payable due to Unipol Banca, which arose during the year following the early termination of the credit indemnity agreement (€5,801k) and that on the loan in place with UnipolSai which at 31 December 2017 was €1,827k (€2,066k at 31/12/2016).

Interest and other financial charges due to others totalled €57,512k (€79,761k at 31/12/2016) and mainly referred to:
- interest expense on bond loans for €45,867k (€58,914k at 31/12/2016);
- charges arising from the issue of bond loans for €8,495k (€9,046k at 31/12/2016).

D. Value adjustments to financial assets

At 31 December 2017 the item had a negative balance for €655,843k (negative for €55,590k at 31/12/2016), mainly due to the write-down of the investment in the subsidiary Unipol Banca S.p.A. (€445,065k).

In addition to this write-down, at 31 December 2017 the item included:
- write-backs of bonds recognised under current assets for €1,490k (€1,222k at 31/12/2016);
- unrealised losses on securities recognised under current assets for €352k (€58k at 31/12/2016);
- losses on valuation of financial derivatives for €211,915k (€20,171k at 31/12/2016). The entire amount related to the valuation of the put/call option on the investment in Unipol Banca S.p.A. (at 31/12/2016 the amount relating only to the Unipol Banca option was €17,417k).

Income tax for the year: current and deferred

Taxes for the year were equal to €31,212k (income of €21,658k at 31/12/2016) corresponding to the valuation of the tax loss for €171,787k, taxes relating to previous years for €323k and the net balance of deferred tax assets and liabilities for €140,898k, as shown in the following table:

Amounts in €k

	IRES	Total 2017	IRES	Total 2016
Current taxes	**171,787**	**171,787**	**15,656**	**15,656**
Taxes pertaining to prior years	**323**	**323**	**(244)**	**(244)**
Deferred tax assets and liabilities:				
- use of deferred tax assets	(146,074)	(146,074)	(4,535)	(4,535)
- recognition of deferred tax assets	5,176	5,176	10,781	10,781
Balance of deferred tax assets/liabilities	**(140,898)**	**(140,898)**	**6,247**	**6,247**
Total	**31,212**	**31,212**	**21,658**	**21,658**

No income or charges were recognised for IRAP tax, since the taxable income for IRAP purposes was negative and regulations do not allow IRAP losses to be carried forward.

The statement of reconciliation between theoretical and effective IRES tax charges is provided below.

Amounts in €k

	2017		2016	
Pre-tax profit (loss)		**182,140**		**138,227**
Taxes pertaining to prior years		323		(244)
Theoretical IRES - Income/(Expenses)		(43,714)		(37,945)
Tax effect deriving from taxable income permanent changes				
Increases:		(158,728)		(18,205)
- Derivatives - write-downs			(757)	
- Provisions for tax liabilities	(50,860)		(4,790)	
- Interest expense	(540)		(770)	
- PEX investments - write-downs	(106,896)		(10,060)	
- Other changes	(432)		(1,828)	
Decreases:		233,331		78,053
- Dividends excluded	63,948		78,000	
- PEX investments - gains exempt	169,377			
- Other changes	5		53	
IRES pertaining to the year - Income/(Expenses)		**30,889**		**21,902**
Profit (loss) after taxes		**213,352**		**159,885**

With regard to the statement of temporary differences which led to the recognition of deferred tax assets and liabilities (Art. 2427, paragraph 1, no. 14 of the Civil Code), reference should be made to Annex 8 to the Notes to the Financial Statements.

Other information

Consolidated Financial Statements

Unipol Gruppo, Parent of the Unipol Insurance Group (registered in the Insurance Groups Register with reg. no. 046), prepares the Consolidated Financial Statements in accordance with Art. 154-*ter* of Legislative Decree 58/1998 (Consolidated Law on Finance) and of ISVAP Regulation no. 7 of 13 July 2007, as amended. They conform to the IAS/IFRS standards issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of Regulation (EC) no. 1606/2002 in force on the closing date of the financial statements. A copy of the Consolidated Financial Statements at 31 December 2017 is available from the company's registered office and on the web site (www.unipol.it).

The layout, given the company's status as an insurance holding company pursuant to Art. 1, paragraph 1, letter aa) of Legislative Decree 209/2005 (Insurance Code), conforms to the provisions of ISVAP Regulation 7 of 13 July 2007, Part III as amended, relating to the layout of the consolidated financial statements of insurance and reinsurance companies that must adopt IFRS.

Unipol Gruppo also acts as the Parent of the Unipol Banking Group and the mixed financial holding company leading the Unipol conglomerate.

Fees for legally-required audit and non-audit services

Pursuant to Art. 149-*duodecies* of the Consob Issuer's Regulation, the following table shows the fees paid by the Unipol Group to the independent auditors, or a member of their network, for the provision of auditing and other services, by type or category.

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	293
Attestation services	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	8
Other professional services	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	40
Total Unipol Gruppo			**341**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	3,353
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	254
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	77
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	676
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	40
Other services: tax services	TLS Professional Association of Lawyers and Accountants	Subsidiaries	40
Other professional services	PricewaterhouseCoopers Dublin	Subsidiaries	54
Total subsidiaries			**4,493**
Grand total			**4,835**

(*) Fees do not include non-deductible VAT, if any, and recharged expenses

Transactions with related parties

Sale to UnipolSai of the investments held in UniSalute S.p.A. and Compagnia Assicuratrice Linear S.p.A.

On 16 November 2017 the sale to the subsidiary UnipolSai of the investments held by Unipol in the following was carried out:

- UniSalute, an insurance company specialised in the health segment, equal to 98.53% of the share capital, for consideration of €715,000k (including a net capital gain of €653,387k), and
- Linear, an insurance company specialised in the direct sale of Non-Life products, in particular MV, equal to the entire share capital, for consideration of €160,000k (including a net capital gain of €89,493k).

Sale to UnipolSai of the investment in Ambra Property S.r.l.

On 29 September 2017 (effective as of 30 September 2017) the sale of the investment in Ambra Property S.r.l., equal to 100% of the share capital, to the subsidiary UnipolSai Assicurazioni was finalised. The consideration collected for the sale of the investment amounted to €56,150k, with a capital loss recorded of €335k.

Agreement for Early Termination of the Unipol Banca S.p.A. Credit Indemnity Agreement

On 31 July 2017, Unipol and Unipol Banca entered into the Agreement for the early Termination of the credit indemnity agreement, signed on 3 August 2011, and as subsequently amended, effective as of 30 June 2017, defining the indemnity due from Unipol to Unipol Banca as €670,400k. A first tranche equal to €170,400k was paid by Unipol to Unipol Banca on the same date. The remaining €500,000k will be paid in 10 annual instalments of €50,000k each, on 31 July each year from 31 July 2018, plus deferred interested to be calculated at an annual rate of 2.75% per year and without prejudice, for Unipol, to the right to early payment of the residual amount in a lump sum on each annual interest payment date. Interest for 2017 amounted to €5,801k.

Purchase of shares of the holding company Finsoe S.p.A. and subsequent spin-off thereof

Following exercise of the call option in place with JP Morgan Securities on 30,646,000 shares of the holding company Finsoe, on 20 October 2017 Unipol acquired these shares at a strike price of €18,604k. The carrying amount of the Finsoe investment for Unipol, taking into account the write-downs on the derivative in previous years for €15,309k, was €3,295k.

On 4 December 2017, Finsoe, the holding company of Unipol, finalised its total spin-off to 18 newly established beneficiary companies with legal effects from 15 December 2017. As a result of the spin-off, each former Finsoe shareholder became the owner of 100% of the share capital of each beneficiary company which, in turn, holds a portion of the Unipol shares previously held by Finsoe.

UnipolPart S.p.A., a single member company, is the beneficiary newco for the proportional spin-off of Finsoe shares held by Unipol, to which 2,259,773 Unipol shares were assigned then sold in Febraury 2018.

Tax consolidation for the three-year period 2015-2017

Starting from 2015 and for the three-year period 2015-2017, a single tax consolidation was established with the consolidating company Unipol and all the companies belonging to the Unipol Group in their capacity as consolidated companies.

UnipolSai Assicurazioni S.p.A. loans payable

Two loan agreements are in place, arranged in 2009, for €267,785k (unchanged with respect to the previous year). Interest paid to UnipolSai Assicurazioni S.p.A. in 2017 was equal to €1,827k.

UnipolPart S.p.A. loan payable

A free shareholder loan, without maturity, is in place with the subsidiary UnipolPart, amounting to €4,802k. The company was incorporated on 15 December 2017 as a result of the total non-proportional spin-off of Finsoe (illustrated extensively in the Management Report), and the shareholder loan was used for the early repayment of the bond loan (repayment made on 19 December 2017).

In addition to the information provided in previous paragraphs of these Notes to the Financial Statements, the breakdown of assets, liabilities, costs and revenues involving related parties is provided below:

Amounts in €k

	Subsidiaries	Associates	Total	% impact			
Fixed shares and holdings	6,412,694		6,412,694	73.3	(1)	8,569.4	(3)
Other receivables	129,452	8	129,460	1.5	(1)	173.0	(3)
Bank deposits	1,420,973		1,420,973	16.3	(1)	1,898.9	(3)
Current shares and quotas	121,751		121,751	1.4	(1)	162.7	(3)
TOTAL ASSETS	**8,084,869**	**8**	**8,084,877**	**92.5**	**(1)**	**10,804.0**	**(3)**
Sundry payables	1,006,501		1,006,501	11.5	(1)	1,345.0	(3)
TOTAL LIABILITIES	**1,006,501**		**1,006,501**	**11.5**	**(1)**	**1,345.0**	**(3)**
Income from land and buildings	59		59	0.0	(2)	0.1	(3)
Dividends and other income from shares and holdings	1,023,356		1,023,356	561.9	(2)	1,367.5	(3)
Other financial income	9		9	0.0	(2)	0.0	(3)
Other revenue and income	29,909	1	29,909	16.4	(2)	40.0	(3)
TOTAL INCOME	**1,053,333**	**1**	**1,053,333**	**578.3**	**(2)**	**1,407.6**	**(3)**
Interest and financial charges	8,049		8,049	4.4	(2)	10.8	(3)
Costs for services	5,710		5,710	3.1	(2)	7.6	(3)
Costs for use of third party assets	504		504	0.3	(2)	0.7	(3)
Sundry operating expenses	106,132		106,132	58.3	(2)	141.8	(3)
TOTAL EXPENSES	**120,395**		**120,395**	**66.1**	**(2)**	**160.9**	**(3)**

(1) Percentage of total assets in the statement of financial position
(2) Percentage of pre-tax profit (loss)
(3) Percentage of total sources of funds in the statement of cash flows

Remuneration paid to members of the Administration and Control Bodies, the General Manager and Key Managers

Remuneration for 2017 due to Directors, Statutory Auditors and Key Managers of the Parent, for carrying out their duties in Unipol and in other consolidated companies, was €18,421k, with breakdown as follows:

Amounts in €k

Directors and General Manager	8,942
Statutory Auditors	288
Other Key Managers	9.191 (*)

(*) mainly includes compensation of employees.

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

In 2017 the Group companies paid Unipol the sum of €1,860k as remuneration for the activities carried out by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers of those companies.

Non-recurring significant transactions during the year

The non-recurring significant transactions carried out during 2017, all extensively illustrated in the Management Report, to which reference should be made, are summarised below:

– sale to the subsidiary UnipolSai of the investment in UniSalute, equal to 98.53% of the share capital, for consideration of €715,000k;
– sale to the subsidiary UnipolSai of the investment in Linear, equal to the entire share capital, for consideration of €160,000k.

Atypical and/or unusual transactions during the year

No atypical and/or unusual transactions were carried out in the year ending 31 December 2017.

Significant events after the reporting period

Spin-off of Unipol Banca

On 1 February 2018 the spin-off of Unipol Banca to the newco UnipolReC became effective. It involved the transfer of a company complex that included, amongst other things, bad and doubtful loans for a gross total of €2.900.8m and net total of €553m at the date of the spin-off.

Shareholder loan to Unipol Banca

On 31 January 2018, within the scope of the Plan for the restructuring of the banking sector, Unipol and UnipolSai disbursed a shareholder loan to Unipol Banca for €173m and €127m, respectively, for a total amount of €300m. This loan is part of the company complex transferred to UnipolReC on 1 February 2018 as a result of the spin-off.

Update to the UnipolSai Euro Medium Term Note (EMTN) Programme

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

Proposals to the Ordinary Shareholders' Meeting

Dear Shareholders,

We submit for your approval the following proposed resolution:

"The Ordinary Shareholders' Meeting of Unipol Gruppo S.p.A. (the "Company"),

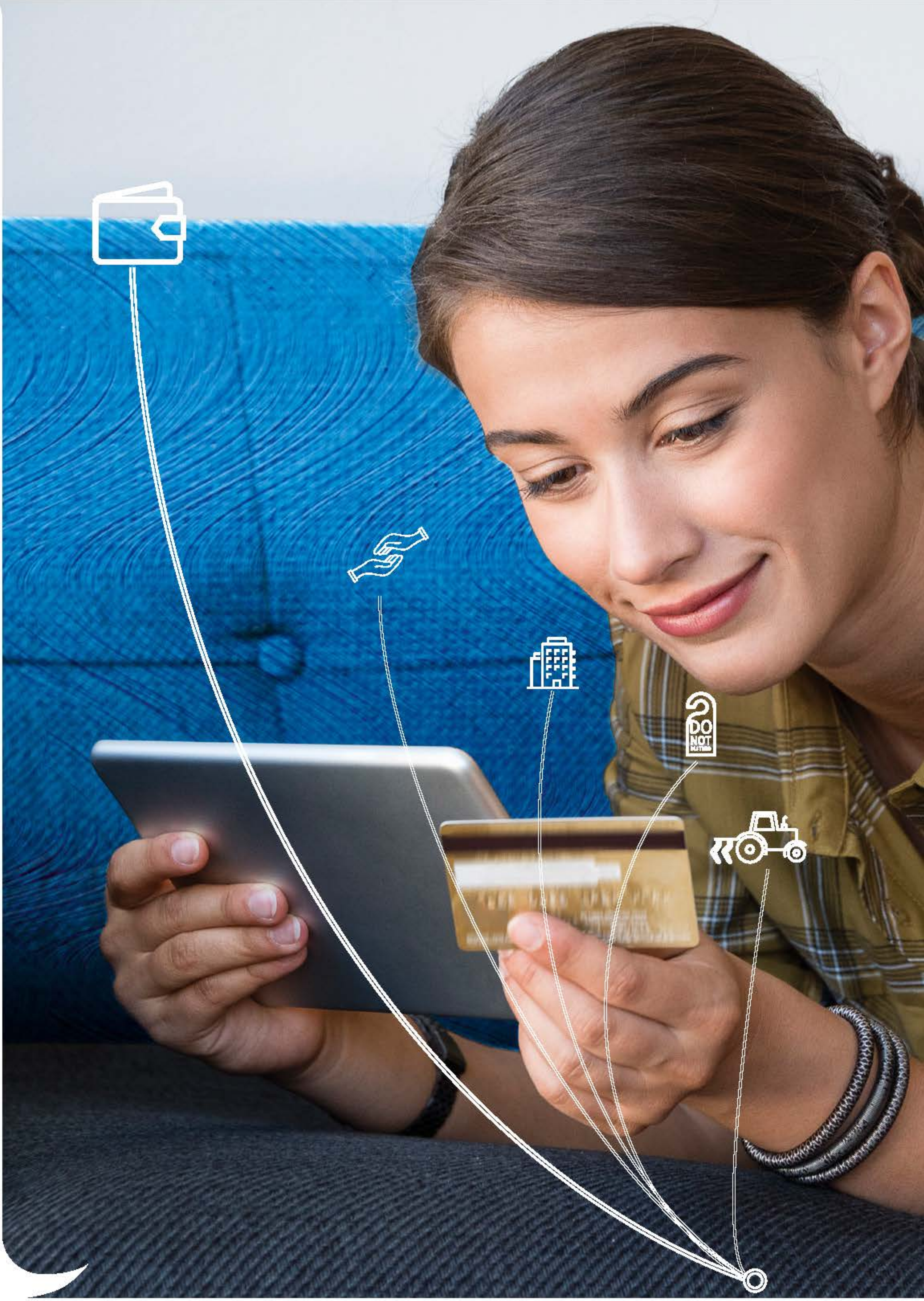
- having examined the draft financial statements at 31 December 2017;
- having examined the results of said draft financial statements, which close with profit for the year totalling €213,351,961.85;
- having viewed the report of the Board of Directors on operating performance at 31 December 2017;
- having accepted the Board of Statutory Auditors' Report and the report prepared by the company PricewaterhouseCoopers S.p.A. appointed to serve as the independent auditor;
- having acknowledged that as things currently stand, the Company holds directly 2,753,466 ordinary treasury shares,

hereby resolves

- to approve the financial statements of Unipol Gruppo at 31 December 2017, accompanied by the Management Report, recording profit for the year of €213,351,961.85;
- to approve the proposed allocation of the profit set forth in the financial statements of Unipol Gruppo at 31 December 2017, in compliance with Art. 19 of the By-Laws, as follows:
  - to the Legal reserve €21,335,196.19;
  - to the Extraordinary reserve €63,367,158.10;
  - the remainder of the profit, equal to 60.53% of the total, to the dividend for the 714,720,042 ordinary shares outstanding, for a total of €128,649,607.56 (€0.18 per share);
- to therefore approve the distribution of a unit dividend, also in consideration of the redistribution of the dividend pertaining to treasury shares, equal to €0.18 for each entitled ordinary share, for a total of €128,649,607.56, also with warning that the possible change in the number of treasury shares in the portfolio of the Company at the time of the distribution will have no incidence on the amount of the unit dividend as established above, but will increase or decrease the amount allocated to Extraordinary reserve;
- to set the dividend payment date as 23 May 2018 (ex-dividend date of 21 May 2018 and record date of 22 May 2018)."

Bologna, 22 March 2018

The Board of Directors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04

TABLES
APPENDED TO THE NOTES TO THE FINANCIAL STATEMENTS

1. Reclassified Income Statement
2. Statement of changes in shareholders' equity
3. Statement of use and availability of equity reserves at 31 December 2017
4. Statement of changes in intangible assets
5. Statement of changes in property, plant and equipment
6. Statement of changes in fixed investments
7. List of shares and securities included in current assets at 31 December 2017
8. Statement of temporary differences that involved the recognition of deferred tax assets and liabilities
9. Information on debt at 31 December 2017

Annex 1

Reclassified Income Statement

Amounts in €k

		31.12.2017		31.12.2016	
1)	Gains on investments:				
	in subsidiaries	1,023,356		296,825	
	in other companies	1,657		1,906	
	Total gains on investments		**1,025,013**		**298,730**
2)	Other financial income:				
	a) from receivables recognised under fixed assets				2
	from others			2	
	b) from securities held as fixed assets				1,270
	c) from securities recognised under current assets		6,129		8,256
	d) income other than above		9		647
	from subsidiaries	9		99	
	from others			549	
	Total other financial income		**6,139**		**10,175**
3)	Interest expense and other financial charges:				
	subsidiaries	(8,049)		(2,180)	
	other	(57,512)		(79,761)	
	Total interest expense and other financial charges		**(65,561)**		**(81,941)**
	Exchange gains (losses)		(623)		240
TOTAL FINANCIAL INCOME AND CHARGES			**964,969**		**227,204**
4)	Write-ups:				
	c) of securities recognised under current assets	1,490		1,222	
	Total write-ups		**1,490**		**1,222**
5)	Write-downs:				
	a) of investments	(445,065)		(36,583)	
	c) of securities recognised under current assets	(352)		(58)	
	d) of financial derivative instruments	(211,915)		(20,171)	
	Total write-downs		**(657,333)**		**(56,812)**
TOTAL ADJUSTMENTS			**(655,843)**		**(55,590)**
6)	Other operating income	31,122		44,346	
TOTAL OTHER OPERATING INCOME			**31,122**		**44,346**
7)	Costs for non-financial services	(18,414)		(16,204)	
8)	Costs for use of third party assets	(898)		(892)	
9)	Personnel costs	(28,212)		(25,690)	
10)	Amortisation, depreciation and write-downs	(1,818)		(1,927)	
11)	Provisions for risks	(461)		(30,901)	
13)	Sundry operating expenses	(108,306)		(2,212)	
TOTAL OTHER OPERATING COSTS			**(158,108)**		**(77,733)**
PRE-TAX PROFIT (LOSS)			**182,140**		**138,227**
16)	Income tax for the year	31,212		21,658	
17)	**PROFIT (LOSS) FOR THE YEAR**		**213,352**		**159,885**

Statement of changes in shareholders' equity

Amounts in €k

		Equity reserves			
	Share capital	Share premium reserve	Revaluation reserves	Legal reserve	Reserve for treasury/holding company shares
BALANCES AT 31 DECEMBER 2015	**3,365,292**	**1,410,009**	**20,701**	**529,127**	**145,000**
Shareholders' Meeting resolutions of 28 April 2016:					
Allocation of 2015 profit					
- legal reserve				16,550	
- extraordinary reserve					
- dividend to shareholders					
Loss reduction carried forward					
Allocation of treasury shares to third parties					
Purchase of treasury shares					(1,531)
Profit (loss) for the year 2016					
BALANCES AT 31 DECEMBER 2016	**3,365,292**	**1,410,009**	**20,701**	**545,677**	**143,469**
Shareholders' Meeting resolutions of 28 April 2017:					
Allocation of 2016 profit					
- legal reserve				15,989	
- extraordinary reserve					
- dividend to shareholders					
- cover of losses carried forward			(20,701)		(117,744)
Holding company shares residual fund release		25,725			(25,725)
Allocation of treasury shares to third parties					
Profit (loss) for the year 2017					
BALANCES AT 31 DECEMBER 2017	**3,365,292**	**1,435,735**		**561,666**	

Annex 2

and unallocated profit

Reserve for treasury shares in portfolio	Extraordinary reserve	Other reserves	Retained Profit (loss)	Profit (loss) for the year	Negative reserve for treasury shares	TOTAL
	97,902	**18,315**	**(370,757)**	**243,513**	**(21,210)**	**5,437,894**
				(16,550)		
	20,942			(20,942)		
				(128,008)		(128,008)
			78,013	(78,013)		
					7,248	7,248
	1,531				(1,531)	(1,531)
				159,885		159,885
	120,375	**18,315**	**(292,744)**	**159,885**	**(15,493)**	**5,475,489**
				(15,989)		
	15,608			(15,608)		
				(128,288)		(128,288)
	(135,984)	(18,315)	292,744			
					6,735	6,735
				213,352		213,352
				213,352	**(8,758)**	**5,567,287**

Annex 3

Statement of use and availability of equity reserves at 31/12/2017

Amounts in €k

Nature/Description	Amount	Possibility of use (*)	Available portion	Summary of uses made in the last three years: to cover losses	Summary of uses made in the last three years: for other reasons
Share capital	3,365,292				
Capital reserves					
Share premium reserve	1,435,735	A, B	1,435,735 (a)		
Legal reserve	365,499 (b)	B			
Extraordinary reserve				135,984[1]	
Provision for purchase of treasury shares				98,469[1]	
Provision for purchase of holding company shares				19,274[1]	
Revaluation reserve pursuant to Law 413/91				14,762[1]	
Property revaluation reserve				5,939[1]	
Share swap reserve (formerly revaluation Law 413/91)				18,315[1]	
Income-related reserves					
Legal reserve	196,167	B			
Extraordinary reserve					
Provision for purchase of treasury shares					
Retained Profit (loss)					
Negative reserve for treasury shares in portfolio	(8,758)		(8,758)		
Total	**5,353,935**		**1,426,977**		
Non-distributable portion			111,393 (c)		
Distributable portion			**1,315,584**		

(*) A: for share capital increase
B: to cover losses
C: for distribution to shareholders

(a) Distributable only if the legal reserve has reached the limit set forth in Art. 2430 of the Civil Code
(b) For transfer from share premium reserve
(c) Includes the residual amount required to top up the legal reserve to one-fifth of share capital pursuant to art. 2430 of the Italian Civil Code

[1] Cover of losses carried forward 2016

Statement of changes in intangible assets

Amounts in €k

	OPENING POSITION		
	Historical cost	Amortisation	Net amount at 31/12/2016
Start-up and expansion costs	73,835	(73,835)	
Research, development and advertising costs	9,259	(9,259)	
Concessions, licences, trademarks and similar rights	9,654	(5,812)	3,843
Fixed assets in progress and payments on account	20		20
Other	3,373	(2,550)	822
TOTAL	**96,141**	**(91,457)**	**4,685**

Statement of changes in property, plant and equipment

Amounts in €k

	OPENING POSITION		
	Historical cost	Accumulated depreciation	Net amount at 31/12/2016
Plant and equipment	618	(455)	164
Other assets	3,070	(1,936)	1,135
TOTAL	**3,688**	**(2,390)**	**1,298**

Annex 4

MOVEMENTS DURING THE PERIOD					CLOSING POSITION		
HISTORICAL COST			AMORTISATION				
Increases	Decreases		Increases	Decreases			
Purchases	Sales	Reversals	Pro-rata current portion	Sales	Historical cost	Amortisation	Net amount at 31/12/2017
					73,835	(73,835)	-
					9,259	(9,259)	-
8		20	(823)		9,682	(6,635)	3,047
		(20)				-	
			(670)		3,373	(3,221)	152
8			**(1,494)**		**96,149**	**(92,950)**	**3,199**

Annex 5

MOVEMENTS DURING THE PERIOD				CLOSING POSITION		
HISTORICAL COST		ACCUMULATED DEPRECIATION				
Increases	Decreases	Increases	Decreases			
Purchases	Sales	Current portion	Sales	Historical cost	Accumulated depreciation	Net amount at 31/12/2017
		(89)		618	(544)	74
3		(235)		3,073	(2,171)	902
3		**(324)**		**3,691**	**(2,715)**	**977**

Statement of changes in fixed investments

Amounts in €k

	CARRYNG AMOUNT AT 31/12/2016	
Name	No. of shares/ holdings	Value
UnipolSai Assicurazioni S.p.A.	1,442,912,800	4,527,708
UnipolSai Investimenti SGR S.p.A.	1,995,930	10,710
Arca Vita S.p.A.	22,005,690	353,739
Compagnia Assicuratrice Linear S.p.A.	19,300,000	70,507
Unipol Investment S.p.A.	3,430,535	308,577
Unisalute S.p.A.	17,242,993	61,613
Unipol Banca S.p.A	518,228,842	429,059
Ambra Property S.r.l.	1	56,485
Unipol Finance S.r.l.	1	482,800
UnipolSai Servizi Consortili S.c.a.r.l.	2,000	7
Total subsidiaries	**2,025,118,792**	**6,301,205**
TOTAL B.III.1)	**2,025,118,792**	**6,301,205**

Annex 6

INCREASES IN THE YEAR				DECREASES IN THE YEAR				**CARRYNG AMOUNT AT 31/12/2017**	
FOR PURCHASES/SUBSCRIPTIONS		OTHER		FOR SALES		OTHER			
No. of shares/ holdings	Value	No. of shares/ holdings	Value	No. of shares/ holdings	Value	No. of shares/ holdings	Value	**No. of shares/ holdings**	**Value**
								1,442,912,800	4,527,708
								1,995,930	10,710
			5,420					22,005,690	359,158
				(19,300,000)	(70,507)				
			220,000					3,430,535	528,577
				(17,242,993)	(61,613)				
			519,739				(445,065)	518,228,842	503,733
				(1)	(56,485)				
								1	482,800
								2,000	7
			745,159	**(36,542,994)**	**(188,605)**		**(445,065)**	**1,988,575,798**	**6,412,694**
			745,159	**(36,542,994)**	**(188,605)**		**(445,065)**	**1,988,575,798**	**6,412,694**

Annex 7

List of shares and securities included in current assets at 31/12/2017

Amounts in €k

ISIN Code	Security description	No. of shares/holdings at 31/12/2017	Carrying amount at 31/12/2017	Current value at 31/12/2017	Write-downs	Type
IT0004827447	UnipolSai Ord.	61,900,000	118,456	120,734		Listed Italian shares
	Total listed shares	**61,900,000**	**118,456**	**120,734**		
unipwcs9215	Banca di Rimini Credito Cooperativo Scrl	1				Unlisted foreign shares
UNIPOLPART	UnipolPart S.p.A.	3,000	3,295	3,295		Unlisted foreign shares
EQUINOXA	Equinox Two S.C.A. A shares	20	15	31		Unlisted foreign shares
EQUINOX	Equinox Two S.C.A. R shares	2,715	2,384	2,384	(352)	Unlisted foreign shares
	Total unlisted shares	**5,736**	**5,694**	**5,710**	**(352)**	

ISIN Code	Security description	Nominal value at 31/12/2017 (in €)	Carrying amount at 31/12/2017	Current value at 31/12/2017	Write-downs	Type
XS0272309385	Banco BPM 1,65% 15/11/2021	35,000,000	35,000	35,695		Other listed bonds
XS0555834984	Banco Popolare 6% 05/11/2020	2,000,000	1,998	2,153		Other listed bonds
XS1109765005	Intesa San Paolo 3,928% 15/09/2026	1,000,000	1,000	1,111		Other listed bonds
XS1072613380	Poste Vita 2,875% 30/05/2019 Sub	1,500,000	1,498	1,561		Other listed bonds
XS1195574881	Societè Generale 2,625% 27/02/2025 Sub	700,000	682	761		Other listed bonds
	Total listed bonds	**40,200,000**	**40,178**	**41,282**		
QS000212A0D3	Sns 6,25% 26/10/2020 Sub tmp	5,000,000	375	375		Other unlisted bonds
	Total unlisted bonds	**5,000,000**	**375**	**375**		
TOTAL SHARES AND SECURITIES INCLUDED IN CURRENT ASSETS			**164,703**	**168,101**	**(352)**	

Annex 8

Statement of temporary differences that involved the recognition of deferred tax assets and liabilities

Amounts in €k

DEFERRED TAX ASSETS	2016		INCREASES		DECREASES		2017	
	Taxable amount	Tax effect (*)	Taxable amount	Tax effect (*)	Taxable amount	Tax effect (*)	**Taxable amount**	**Tax effect (*)**
Unrealised losses relating to short-term investments	2,876	690					2,876	690
Excess amortisation/depreciation	25	6	6	1			31	8
Provisions for personnel expenses	10,104	2,425	21,102	5,065	17,088	4,101	14,118	3,388
Bad debt provision	13	3					13	3
Provision for future charges	595,965	143,032	461	111	591,370	141,929	5,056	1,213
Fees for auditing	185	44			185	44		
Past tax losses	11,892	2,854	749,114	179,787			761,006	182,642
Realigned goodwill	1,447,406	347,377					1,447,406	347,377
TOTAL	**2,068,466**	**496,432**	**770,683**	**184,964**	**608,643**	**146,074**	**2,230,507**	**535,322**

(*) IRES tax rate of 27.5% reduced to 24% for reversals after 31 December 2016.

Annex 9

Information on debt at 31 December 2017

Amounts in €k

		31/12/2017		31/12/2016	
A	Cash		13		10
B	Other cash and cash equivalents		1,420,987		1,064,757
	- of which subsidiaries	1,420,973		1,064,741	
	- of which others	15		16	
C	Securities held for trading		164,886		105,779
D	**Cash and cash equivalents (A) + (B) + (C)**		**1,585,886**		**1,170,546**
E	**Current financial receivables**				
F	Current bank payables				
G	Current portion of non-current debt		(92,457)		(49,604)
H	Other current financial payables		(267,834)		(268,300)
I	**Current financial debt (F) + (G) + (H)**		**(360,291)**		**(317,905)**
J	**Net current financial debt (I) - (E) - (D)**		**1,225,595**		**852,641**
K	Non-current bank payables				
L	Bonds issued		(1,817,352)		(1,615,999)
M	Other non-current payables		(450,000)		
N	**Non-current financial debt (K) + (L) + (M)**		**(2,267,352)**		**(1,615,999)**
O	**Net financial debt (J) + (N)**		**(1,041,757)**		**(763,358)**

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05

STATEMENT
ON THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ART.81 TER OF CONSOB REGULATION NO.11971/1999

STATEMENT ON THE FINANCIAL STATEMENTS
IN ACCORDANCE WITH ART. 81-ter, CONSOB REGULATION No. 11971
OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS

1. The undersigned, Carlo Cimbri, as Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of Unipol Gruppo S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998:
   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the administrative and accounting procedures for preparation of the financial statements for the period 1 January 2017-31 December 2017.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the financial statements for the year ended 31 December 2017 is based on a process defined by Unipol Gruppo S.p.A., inspired by the COSO Framework (Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organisations of the Treadway Commission and, as regards the IT component, by the COBIT Framework (Control Objectives for IT and related technology), unanimously recognised as the reference standards for the implementation and evaluation of internal control systems.

3. It is also certified that:

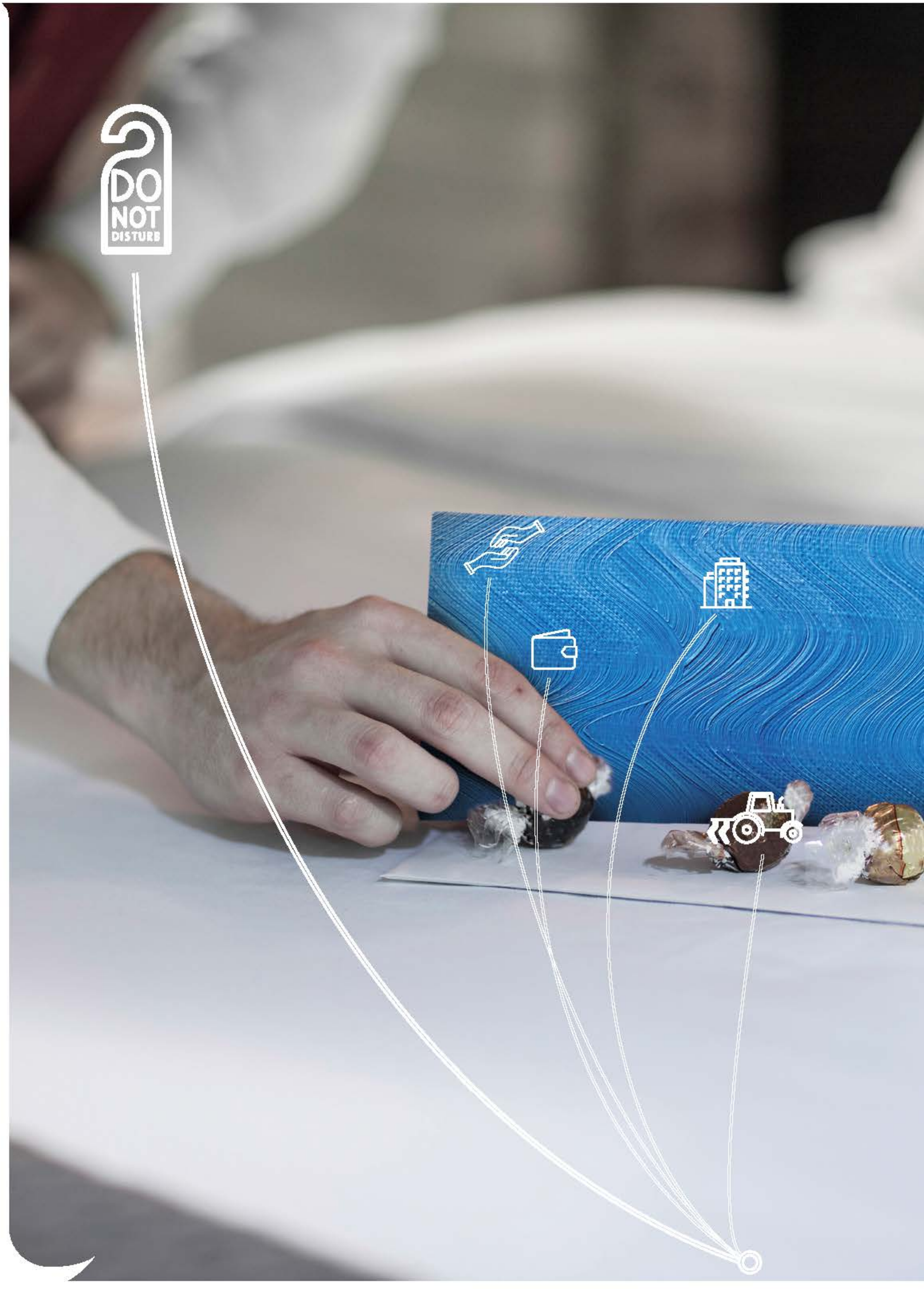
   3.1. The financial statements at 31 December 2017;
   - were prepared in compliance with provisions of the Civil Code and the national accounting principles approved by the OIC (Italian Accounting Standards Setter);
   - correspond to the book results and accounting records;
   - are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer;

   3.2. the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Bologna, 22 March 2018

The Chief Executive Officer Carlo Cimbri	Manager in charge of financial reporting Maurizio Castellina

(signed on the original)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06

BOARD OF STATUTORY AUDITORS' REPORT

Board of Statutory Auditors' Report of Unipol Gruppo S.p.A. to the Shareholders' Meeting

pursuant to Art. 153 of Legislative Decree 58 of 24 February 1998 and Art. 2429, paragraph 2 of the Civil Code

Dear Shareholders,

In the year ending on 31 December 2017, the Board of Statutory Auditors carried out the activities for which it is responsible, laid out in applicable legislative and regulatory provisions, also taking into account the principles of conduct of the Board of Statutory Auditors of listed companies issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants), the Consob recommendations on corporate controls and the activities of the board of statutory auditors (in particular, communications no. DAC/RM 97001574 of 20 February 1997 and no. DEM/1025564 of 6 April 2001 as amended), as well as the instructions laid out in the Corporate Governance Code for listed companies.

As regards the activities carried out, the Board of Statutory Auditors reports the following.

I. Preliminary evidence regarding the legal provisions governing the preparation of the Financial Statements of Unipol Gruppo S.p.A. at 31 December 2017.

The draft financial statements (the "**Financial Statements**") presented to you show the management activity carried out during the year and the equity, financial and economic position of Unipol Gruppo S.p.A. (also "**Unipol**" or the "**Company**") at 31 December 2017.

The Financial Statements at 31 December 2017 were prepared in compliance with provisions of the Civil Code and the accounting standards approved by the Organismo Italiano di Contabilità (Italian Accounting Standards Setter). Unipol which, at the date of this Report, qualifies as a mixed financial services group pursuant to Art. 1, paragraph 1, letter bb-bis) of Legislative Decree 209 of 7 September 2005 (the "**Insurance Code**") as well as an issuer of financial instruments listed on regulated markets, is required to prepare the consolidated financial statements (the "**Consolidated Financial Statements**") in compliance with International Accounting Standards, but cannot apply those standards to the company's Separate Financial Statements subject to your approval, in accordance with Art. 4 of Legislative Decree 38 of 28 February 2005.
The measurement criteria were adopted on the basis of going concern assumptions, in application of the principles of accrual, materiality and significance of the accounting data and of the transactions or contracts, pursuant to Articles 2423 and 2423-bis of the Civil Code.

No significant events occurred after year end that could affect the financial statement results.

II. Details of the control activity performed by the Board of Statutory Auditors.

During 2017, the Board exercised its supervisory activities, holding 20 meetings with an average duration of around one hour and thirty minutes.

The Board of Statutory Auditors also participated in the 10 meetings of the Board of Directors, the 5 meetings of the Remuneration Committee, the 9 meetings of the Committee for Transactions with Related Parties (the "**Related Parties Committee**") and the 9 meetings of the Control and Risk Committee, and received a disclosure in relation to the work done at the 5 meetings of the Appointments and Corporate Governance Committee.

As part of its duties and for the mutual exchange of information between the bodies and departments involved in the internal control and risks management system, the Board of Statutory Auditors also met with:

- the Head of the Audit Department, the Head of the Compliance and Anti-Money Laundering Department, the Head of Risk Management, the Chief Risk Officer, the Manager in charge of financial reporting (the "**Manager in charge of financial reporting**") and the Heads and/or representatives of the company departments concerned by the supervisory activity of the control body from time to time;
- the Supervisory Board established pursuant to Legislative Decree 231 of 8 June 2001 ("**Legislative Decree 231/2001**"), Art. 6, paragraph 1, letter b);

- the representatives of the company charged to audit the accounts, PricewaterhouseCoopers S.p.A., within the framework of relationships between the control body and the auditor required by regulations in force.

Pursuant to Art. 151 of Legislative Decree 58 of 24 February 1998 (the "**Consolidated Law on Finance**"), the Board of Statutory Auditors also held additional meetings and exchanged information with the control bodies of the subsidiaries.

In observance of the legal and regulatory provisions mentioned above, the Board acknowledges the outcome of its supervisory activities and verifications and therefore acknowledges that it has:

1. monitored observance of the law and the by-laws and compliance with the principles of proper administration, particularly with reference to the transactions mentioned herein of greatest economic, financial and equity significance;

2. obtained information from the Directors - including by participating in the meetings of the Board of Directors and the Board Committees - on the activity carried out and on the transactions of greatest economic, financial and equity significance performed by the Company, including through direct or indirect subsidiaries. On the basis of the information made available, the Board of Statutory Auditors can reasonably assert that the actions resolved and implemented conform to the law and the by-laws, and do not appear to be manifestly imprudent, hazardous, or in contrast with the resolutions adopted by the Shareholders' Meeting, or such to compromise the integrity of the company's assets. In addition, the transactions that involve a potential conflict of interests were resolved in compliance with the law, regulations and the codes of conduct adopted;

With reference to the transactions of greatest economic, financial and equity significance performed by the Company in 2017, the Board of Statutory Auditors reports as follows:

- **Repayment of the Senior Bond Loan 5% 2017 issued by Unipol.**
  On 11 January 2017, Unipol carried out the repayment, based on maturity, of the Senior Unsecured Bond Loan listed on the Luxembourg Stock Exchange, issued in December 2009, for €298.6m.

- **Authorisation for the subsidiaries UnipolSai S.p.A. ("Unipolsai") and Arca Vita S.p.A. ("Arca Vita") to use the Partial Internal Model.**
  On 7 February 2017 the Supervisory Authority authorised the subsidiaries UnipolSai and Arca Vita to use the Partial Internal Model for calculating the individual Solvency Capital Requirement with effect from 31 December 2016.

- **Project for streamlining the Group's insurance sector.**
  On 29 June 2017, the Boards of Directors of Unipol and UnipolSai approved a project that aims to definitively streamline the insurance sector of the Unipol Group, as part of which, on 16 November 2017, after obtaining the necessary authorisations from the Supervisory Authority, UnipolSai sold to the subsidiary UnipolSai the equity investments held by the holding company Unipol in:
    - UniSalute S.p.A., an insurance company specialised in the health segment, equal to 98.53% of the share capital, and
    - Compagnia Assicuratrice Linear S.p.A., an insurance company specialised in the direct sale of Non-Life products, in particular MV, equal to the entire share capital.

  The considerations for the above sales were determined within the range of values identified with the support of leading financial advisors, applying normally used estimation methods in accordance with Italian and international best valuation practices.
  In addition, it is established that, if the conditions and prerequisites are satisfied, the controlling interest, equal to 63.39% of the share capital, held by Unipol in Arca Vita may also be transferred to UnipolSai. In this regard, please note that in November 2017 Unipol, BPER Banca S.p.A. and Banca Popolare di Sondrio S.c.p.A. agreed to the early renewal of their strategic bancassurance partnership in the Life and Non-Life segments launched in 2009, the natural maturity of which was 31 December 2019. The new agreements entered into will have a duration of five years, starting on 1 January 2018, and will be renewable again upon agreement between the parties.

- **Banking sector restructuring plan.**
  On 29 June 2017, in its capacity as Parent of the Unipol banking group, the Unipol Board of Directors approved the guidelines of a Group banking sector restructuring plan (the "**Restructuring Plan**" or the "**Plan**"), which envisages the transfer by means of proportional partial spin-off of Unipol Banca S.p.A. ("**Unipol Banca**" or the "**Bank**") in favour of a newly established company, of a company complex inclusive, *inter alia*, of a portfolio of bad and doubtful loans of Unipol Banca, gross of valuation reserves, for an amount of roughly €3bn (equal to the Bank's entire portfolio of bad and doubtful loans at the date of approval of the half-yearly report at 30 June 2017, with the exclusion of those deriving from loans for leases and unsecured commitments), after:
  - the adjustment of their value in accordance with the conditions currently prevailing in the market for disposal transactions, and
  - the strengthening of the average rate of coverage of loans classified as "unlikely to pay" and those classified as "past due", to remain within Unipol Banca, to the best levels of the banking industry.

- **Evolution of the agreements relating to the subsidiary Popolare Vita S.p.A.**
  On 29 June 2017, the UnipolSai Board of Directors approved the termination of the Distribution Agreement in place between the subsidiary Popolare Vita S.p.A. ("**Popolare Vita**") and Banco BPM S.p.A. ("**Banco BPM**") and, consequently, the exercise of the put option available to UnipolSai on the basis of the shareholders' agreement in place with Banco BPM, concerning the equity investment held by UnipolSai in Popolare Vita, equal to 50% of its share capital plus one share.

- **Sale of the equity investment in Ambra Property S.r.l.**
  On 29 September 2017 (effective as of 30 September 2017) the sale to the holding company UnipolSai of the investment held in Ambra Property S.r.l., equal to 100% of the share capital of the above-mentioned company, was finalised.

- **Purchase of shares of the holding company Finsoe S.p.A. and subsequent spin-off thereof.**
  Unipol exercised the call option in place with JP Morgan Securities on 30,646,000 shares of the holding company Finsoe S.p.A. ("**Finsoe**") on 20 October 2017, acquiring these shares. On 4 December 2017, with legal effects from 15 December 2017, Finsoe finalised its total spin-off to 18 newly established beneficiary companies. Of these, UnipolPart S.p.A., a single member company ("**UnipolPart**"), is the beneficiary newco of the portion of the total non-proportional spin-off of Finsoe shares regarding the stake held in Finsoe by the Company. UnipolPart was therefore assigned 2,259,773 Unipol shares, which were sold in February 2018. Concurrent with the spin-off, as envisaged in the related contracts, Unipol disbursed to UnipolPart a non-interest-bearing loan for the purpose of repayment on maturity of the portion of the bond loan originally contracted by Finsoe and transferred to UnipolPart as part of the spin-off.

- **Issue of a €500m Senior Convertible Loan.**
  On 29 November 2017 Unipol issued a 10-year non-convertible, non-subordinate and non-guaranteed bond loan, exclusively targeted to qualified investors, for €500m, listed on the Luxembourg Stock Exchange. Said loan was issued under the Company's bond issue programme entitled "€2,000,000,000 Euro Medium Term Notes" established in 2009.

With reference to the significant events after the reporting period, the Board of Statutory Auditors reports as follows:

- **Evolution of the agreements relating to the subsidiary Popolare Vita S.p.A.**
  On 11 January 2018, UnipolSai and Banco BPM signed the contract for the disposal of Popolare Vita which - having obtained the necessary authorisations from the competent Supervisory Authorities - was finalised on 29 March 2018.

- **Shareholder loan to Unipol Banca.**
  On 31 January 2018, within the scope of the Plan for the restructuring of the banking sector, Unipol and UnipolSai disbursed a shareholder loan to Unipol Banca for €173m and €127m, respectively, for a total amount of €300m. This loan is included in the company complex transferred to the newco UnipolReC S.p.A. ("**UnipolReC**") on 1 February 2018 as a result of the spin-off.

- **Spin-off of Unipol Banca**
  On 1 February 2018 the spin-off from Unipol Banca to UnipolReC became effective. It involved the transfer of a company complex that included, amongst other things, bad and doubtful loans for a gross total of €2,900.8m and net total of €553m at the date of the spin-off. The transaction is part of the aforementioned banking sector restructuring plan.

- **Update to the UnipolSai Euro Medium Term Note (EMTN) Programme.**
  On 2 February 2018 UnipolSai published the update to the EMTN Programme established on 14 June 2014 for a nominal total of up to €3bn, as part of which 22 February 2018 saw the launch of the placement of a subordinated bond loan for €500m targeting qualified investors only. The loan, qualifying as Tier 2 own funds for the purpose of Solvency II regulations, was issued on 1 March 2018, is maturing in March 2028 and is listed on the market regulated by the Luxembourg Stock Exchange.

- **Project for streamlining the insurance sector.**
  On 22 March 2018, the Board of Directors approved the transfer to UnipolSai of the controlling interest, equal to 63.39% of the share capital, held by Unipol in Arca Vita. This transaction may be completed once the necessary authorisations are obtained from the Supervisory Authority.

3. acquired knowledge on and monitored, for matters within its competence, the adequacy of the Company's organisational structure and the instructions it gives to subsidiaries, pursuant to Art. 114, paragraph 2 of the Consolidated Law on Finance, in order to promptly obtain the information required to fulfil the obligations laid out in paragraph 1 of the same article, also by collecting information from managers of the competent company departments and through meetings with the Independent Auditors. No particular elements worth reporting emerged from these activities;

4. monitored - using (i) the information collected from the managers of the respective departments, (ii) the examination of the company documents, (iii) the analysis of the work plans and the results of the work of the Independent Auditors and the bodies and departments responsible for internal control - the adequacy of the internal control system and the administrative-accounting system, and the latter's reliability in correctly representing operating events. In addition - through both direct verification of the activities carried out by the Audit, Compliance and Anti-Money Laundering and Risk Management Departments (the "**Control Functions**") and by the Manager in charge of financial reporting, and by taking part in all meetings of the Control and Risk Committee - the activities performed by the company control functions were examined to verify their adequacy and to obtain an evaluation of the actual functioning of the overall internal control system. Based on the checks carried out in fulfilment of the monitoring obligations imposed, the control body highlights no elements to be reported in this regard. The Board of Statutory Auditors also believes that the Control Functions, just like the Manager in charge of financial reporting, are able to ensure significant coverage to guarantee a suitable control of the internal control system;

5. monitored, by having meetings with the Manager in charge of financial reporting and the Independent Auditors, the process of developing and distributing financial reporting, from which no significant gaps emerged which would be such so as to negatively impact the opinion on the adequacy and effective application of the administrative-accounting procedures for the purpose of providing an accurate economic, equity and financial representation of operating events in compliance with the applicable accounting standards;

6. monitored the activities implemented by Unipol as part of its role as Parent of the Banking Group. The Board of Statutory Auditors believes that the activities performed – at Banking Group level – by the control functions are suitable to control the completeness, adequacy, functionality and reliability of the internal control system and the Risk Appetite Framework (RAF);

7. examined the reflections of the Supervisory Board with respect to any update of the Organisational, Management and Control Model prepared pursuant to Legislative Decree 231/2001, Art. 6, paragraph 1, letter a), taking into account the entry into the scope of the above-mentioned decree of new types of offence or changes therein. The Board of Statutory Auditors also acquired the required information on the organisational and procedural activities carried out in compliance with Legislative Decree 231/2001, by meeting with the Supervisory Board in relation to the audit and control activities respectively performed. No facts and/or circumstances worth noting emerged from the disclosure provided by the Supervisory Board, including through its Annual Report, with respect to the activities carried out;

8. monitored, including by participating in Related Parties Committee meetings, that the transactions with related parties met the substantive and procedural correctness criteria and that they were not in conflict with the Company's interest pursuant to the Regulation introducing provisions pertaining to transactions with related parties, adopted by Consob in its Resolution no. 17221 of 12 March 2010 as amended (the "**Consob Regulation**"). To the extent of its duties, the Board of Statutory Auditors also confirmed compliance with instructions issued by the Bank of Italy for transactions with related parties. The Board of Statutory Auditors spent time in particular on the most significant transactions included within the Group's insurance sector streamlining project and the banking sector restructuring plan, verifying the fairness of the preliminary analysis and decision-making process adopted as well as compliance with regulations in force and internal regulations, by analysing available documentation as well as participating in meetings of the Related Parties Committee and the Board of Directors. The Board of Statutory Auditors also examined the transactions exempt from the application of the above-mentioned internal procedures;

9. verified the compliance of the Policy adopted by the Company pertaining to intra-group transactions with the new regulations issued by IVASS on 26 October 2016 through Regulation no. 30 ("Regulation 30/2016") pertaining to intra-group transactions and concentration of risks, which entered into force on 1 December 2016 and significantly changed the regulations previously in force. With regard to intra-group transactions, the activity performed by the Board brought to light that they were carried out in compliance with the Policy prepared in observance of IVASS Regulation 30/2016 and carried out under market conditions. In relation to the relations established with the Group companies and other related parties, the control body evaluates the disclosure provided in the Management Report as adequate. The Board of Statutory Auditors also verified that Unipol – which, in compliance with the organisational model selected for the Group, outsourced most of the company operating activities to UnipolSai – paid the latter the related fees calculated mainly on the basis of external costs incurred, except with regard to financing activities, the costs for which are calculated by applying a fee on managed volumes. Certain services instead envisage fees calculated at a fixed rate. Both the Parent Unipol and its subsidiaries second their staff to other Group companies to optimise the synergies within the Group. Financial and commercial transactions between the banking companies and the other companies in the Group were the usual types of transaction carried out within a complex group and related to services, deposit accounts or corporate financing and finance lease agreements. Agreements were also entered into for the sale and/or management of banking, financial and insurance products and services and the provision of auxiliary banking services in general. These transactions were usually carried out at the market terms applied to prime customers. The Board of Statutory Auditors believes that the agreements in question are compliant with applicable regulatory provisions. Relating to the overall context of the above-mentioned transactions performed in 2017, the absence was ascertained of atypical or unusual transactions, which may give rise to doubts relating to the accuracy and completeness of the information, conflicts of interest and the safeguard of the company's assets;

10. agreed with the reflections made in the meetings of the Related Parties Committee and the Board of Directors on the effects of the total spin-off of the former holding company Finsoe on the internal policies adopted in compliance with the applicable regulatory provisions on transactions with related parties, associated parties and intra-group counterparties. The Board of Statutory Auditors participated in meetings of the Related Parties Committee called to express its justified opinion in that regard, as well as the meetings of the Board of Directors, verifying the correctness of the preliminary analysis and decision-making procedures carried out by the Company and their compliance with the regulatory provisions applicable in this regard;

11. held periodic meetings with representatives of PricewaterhouseCoopers S.p.A., the independent auditors, pursuant to Art. 150, paragraph 3 of the Consolidated Law on Finance and - in relation to the Financial Statements for the year ended 31 December 2017 - no significant data or information worth reporting came to light. The Board of Statutory Auditors was also informed by the independent auditors on the regular updating of the company accounts and the proper recognition of operating events in the accounting entries. The Independent Auditors' Report to the Financial Statements at 31 December 2017 (the **"Independent Auditors' Report"**), prepared in accordance with the instructions pursuant to Article 10 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("**Regulation (EU) 537/2014**") as well as Art. 14 of Legislative Decree no. 39 of 27 January 2010 ("**Legislative Decree 39/2010**"), as amended by Legislative Decree no. 135 of 17 July 2016 ("**Legislative Decree 135/2016**") contains no remarks or information requests. In addition, it does not bring to light any significant errors with reference to the Management Report, or significant uncertainties relating to facts and circumstances that could give rise to significant doubts as to the Company's capacity to continue to operate on a going concern basis;

12. examined, as the internal control and auditing committee, the Additional Report prepared pursuant to Article 11 of Regulation (EU) 537/2014 by the Independent Auditors (the "**Additional Report**"), which brings to light no information worth reporting;

13. exchanged information with the Boards of Statutory Auditors of the subsidiaries, pursuant to Art. 151 of the Consolidated Law on Finance, being informed about the checks that were carried out by the same while exercising their supervisory activities. In this regard, no situations worthy of mention in this Report emerged;

14. supervised and monitored, based on the provision contained in Art. 19, paragraph 1 of Legislative Decree 39/2010, as amended by Legislative Decree 135/2016, the independence of the company charged with the audit of the accounts. In particular, the Board of Statutory Auditors examined and approved the further engagements assigned in the course of 2017 to PricewaterhouseCoopers S.p.A., the consideration for which is reported in detail in the Notes to the Financial Statements, to which reference is made, and in particular the engagement proposals inherent in:
    - the auditing activities, required by IVASS pursuant to Art. 47-*septies* of the Insurance Code with the letter to the market dated 7 December 2016, on the Solvency and Financial Condition Report for the year ended at 31 December 2016, required by Art. 216-*novies* of said Legislative Decree 209/2005;
    - the provision of professional services concerning the auditing activities to be carried out in relation to certain accounting and financial information to be included in the Basic Prospectus of the Euro Medium Term Notes Programme of Unipol.
    - the examination of the *pro-forma* consolidated statements prepared as part of the information document, to be drawn up pursuant to Art. 71 of the Issuer's Regulation, adopted by Consob Resolution no. 11971/1999, relating to the sale to UnipolSai of the equity investments held by Unipol in UniSalute S.p.A. and Compagnia Assicuratrice Linear S.p.A.

    The Board of Statutory Auditors also issued to the Board of Directors its favourable opinion on amending the contractual terms of the assignment granted at the time to PricewaterhouseCoopers S.p.A. to audit the accounts of the condensed consolidated half-yearly financial statements 2017, as a result of the changes in the activities to be carried out by independent auditors following the operations that were part of the reorganisation plan for the Group's insurance business and the reorganisation plan for the banking business, and due to the termination of the distribution agreement in place with Banco BPM.

    From an examination of the annual declaration confirming its independence, provided by PricewaterhouseCoopers S.p.A., as well as detailed analyses conducted with the collaboration of the competent corporate structures and the independent auditors, taking into account the nature of the engagements assigned to the latter and/or the companies in its network, no evidence or situations emerged such so as to lead one to believe that there are any risks for the independence of the company responsible for auditing the accounts or grounds for incompatibility pursuant to applicable regulations;

15. verified that the Company adopted all measures necessary to ensure compliance with obligations deriving from personal data protection legislation (Legislative Decree 196/2003) so as to guarantee the protection and integrity of customer, employee and partner data and, in general the data of all those with whom the Company comes into contact; in this respect, please note that activities are under way to come into compliance with European Union Regulation 2016/679 of 27 April 2016;

16. gave, during the year, the opinions, observations and/or certifications required by law and/or by regulations in force and the internal procedures. In addition to what is mentioned above, the Board of Statutory Auditors issued:
    - a favourable opinion on the resolutions pursuant to Art. 2386, paragraph 1 of the Civil Code in relation to the co-opting of a Director and the subsequent appointment of said Director to the Board Committees;
    - a favourable opinion on the appointment - due to ordinary internal turnover - of the Head of the Compliance and Anti-Money Laundering Department;
    - a favourable opinion with respect to the Annual plan of activities of the Control functions;
    - a favourable opinion on Unipol's compliance with the Bank of Italy Instructions of 23 October 2009, and in the part in which the Board of Directors is required to inform the Supervisory

Authority of its valuations of the coherence of Unipol Group strategies and policies in the asset management sector;

17. monitored, for matters within its competence, the observance of the legal provisions as regards the process of preparing the Financial Statements and the contents of the Management Report, which are believed to be exhaustive. Taking into account that - pursuant to Art. 14 of Legislative Decree 39 of 27 January 2010 as amended by Legislative Decree 135/2016 - the Independent Auditors provide in their report, inter alia, a judgment of consistency of the Management Report with the Financial Statements and its compliance with legal standards, the Board of Statutory Auditors verified that there are no findings in this respect in the report issued by PricewaterhouseCoopers S.p.A.;

18. evaluated along with the Independent Auditors the proper use of the accounting standards and the uniformity of their use for the purpose of preparing the consolidated financial statements;

19. gave its consent to the recognition - in Intangible Assets, under the Assets account of the Statement of Financial Position - of start-up and expansion costs and development costs with long-term benefit;

20. evaluated, insofar as it is responsible - taking into account that the Company complies with the Corporate Governance Code for listed companies - the content of the "Annual report on corporate governance and ownership structures" and has no observations to make in this regard. Referencing what is laid out pursuant to Art. 123-bis of the Consolidated Law on Finance in relation to the judgment of consistency that the Independent Auditors must express with regard to certain information included in the above-mentioned "Annual report on corporate governance and ownership structures", the Board of Statutory Auditors highlights that the Independent Auditors' Report issued by PricewaterhouseCoopers S.p.A. has no findings in this regard;

21. acknowledged that the Board of Directors evaluated its functioning, size and composition, also in relation to the board committees, relying on the support of a major consulting firm. The Board of Statutory Auditors also checked the proper application of the criteria and procedures carried out by the Board of Directors to assess the independence of non-executive directors, in compliance with the provisions established in the Corporate Governance Code for listed companies, and in accordance with Art. 147-ter, paragraph 4 of the Consolidated Law on Finance;

22. checked that the independence requirements of the members of the Board of Statutory Auditors itself were met, pursuant to the provisions of Art. 8 of the Corporate Governance Code for listed companies, acknowledging the checks carried out by the Board of Directors pursuant to Art. 144-novies of the Issuer's Regulation in relation to the fulfilment of the independence requirements laid out in Art. 148, paragraph 3, of the Consolidated Law on Finance by the members of the Board of Statutory Auditors;

23. checked the company processes that led to the definition of the remuneration policies adopted, without making any observations in relation to their consistency with the recommendations of the Corporate Governance Code for listed companies.

In 2017, the Board of Statutory Auditors received no complaints in accordance with Art. 2408 of the Civil Code or reports from third parties.

Obligation to draft the Consolidated Financial Statements and report of the control body.
The Board of Statutory Auditors - highlighting that Unipol, a mixed financial services group pursuant to Art. 1, paragraph 1, letter bb-bis) of the Insurance Code as well as an issuer of financial instruments listed on regulated markets, the Parent of the Unipol Insurance Group and the Unipol Banking Group, draws up pursuant to Art. 154-ter of the Consolidated Law on Finance and IVASS Regulation no. 7 of 13 July 2007 ("**Regulation 7/2007**"), as amended, the Consolidated Financial Statements - reports that it verified fulfilment of the obligation to draft the Consolidated Financial Statements by the Board of Directors on 22 March 2018.

The Board of Statutory Auditors also acknowledged that the Company decided to supplement the Non-Financial Statement, drawn up pursuant to Legislative Decree no. 254 of 30 December 2016, incorporating Directive 2014/95/EU, as part of the Integrated Management Report. Said document contains information pertaining to environmental and social matters as well as topics relating to personnel, respect for human rights and the fight against active and passive corruption, and monitored, for matters within its competence, also through meetings with the Manager in charge of financial reporting and the Independent Auditors, the process of developing reporting on the issue and on compliance with the laws on the matter.

Unipol's Consolidated Financial Statements conform to the IAS/IFRS standards issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of EC Regulation 1606/2002 in force on the closing date of the financial statements.

The Consolidated Financial Statements consist of:

- statement of financial position;
- income statement and comprehensive income statement;
- statement of changes in shareholders' equity;
- statement of cash flows;
- notes to the financial statements;
- tables appended to the notes to the financial statements.

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

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

The Consolidated Financial Statements are drawn up on the assumption that the company will continue as a going concern, in application of the principles of accrual accounting, materiality and truthfulness of accounting information, in order to provide a true and fair view of the equity-financial position and economic result, in compliance with the principle of the prevalence of the economic substance of transactions of their legal form.

With regard to the consolidation scope, the Unipol Group's Consolidated Financial Statements at 31 December 2017 have been drawn up by combining the figures of the Parent Unipol and those for the 62 direct and indirect subsidiaries (pursuant to the international accounting standard IFRS 10). Subsidiaries deemed to be too small to be of relevance are excluded from the line-by-line consolidation. The Consolidated Financial Statements report changes in the consolidation scope during the year.

Taking into account that - pursuant to Art. 14 of Legislative Decree 39/2010 as amended by Legislative Decree 135/2016 and Art. 41 of Legislative Decree 127 of 9 April 1991 - the Independent Auditors provide an opinion on coherence between the Management Report and the Consolidated Financial Statements, as well as its compliance with legal standards, the Board of Statutory Auditors - in performing its monitoring activities - exchanged information with the independent auditors regarding the outcomes of the work performed in relation to the Consolidated Financial Statements; it did not register any anomalies worthy of mention in this Report.

The Independent Auditors' Report issued by PricewaterhouseCoopers S.p.A. on the Consolidated Financial Statements for the year ended 31 December 2017 does not contain any remarks or information requests. In addition, it does not bring to light any significant errors with reference to the Management Report, or significant uncertainties relating to facts and circumstances that could give rise to significant doubts as to the Company's capacity to continue to operate on a going concern basis.

Conclusions

During the course of the supervisory activity performed by the Board of Statutory Auditors and based on the information obtained from the Independent Auditors, no omissions and/or censurable events and/or irregularities were recorded or, in any case, any significant events occurred that needed to be mentioned in this Report.

Based on the information acquired through its monitoring activities conducted during the year, the Board of Statutory Auditors did not become aware of operations not based on compliance with the principles of proper administration, decided and implemented in conflict with the law and/or the by-laws, that did not fulfil the interests of the Company, conflicted with the resolutions passed by the Shareholders' Meeting, manifestly imprudent or hazardous, lacking the necessary information in the case of interests of Directors or which could compromise the integrity of the company capital.

Taking account of that set out above, and acknowledging the content of the reports of the Independent Auditors and the certification issued jointly by the Chief Executive Officer and the Manager in charge of financial reporting, the Board of Statutory Auditors deems that the Financial Statements for the year ended 31 December 2017, as presented to you by the Board of Directors, may be approved, and expresses a favourable judgment on the proposal regarding the allocation of profit and the distribution of the dividend put forward by the same Board of Directors.

Bologna, 1 April 2018

On behalf of the Board of Statutory Auditors

Chairman Mario Civetta


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INDEPENDENT
AUDITORS' REPORTS

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Independent auditor's report

in accordance with article 14 of Legislative Decree n° 39 of 27 January 2010 and article 10 of Regulation (EU) n 537/2014

To the Shareholders of
Unipol Gruppo SpA

Report on the Audit of the Financial Statements as of 31 December 2017

Opinion

We have audited the financial statements of Unipol Gruppo SpA (the "Company"), which comprise the balance sheet as of 31 December 2017, the income statement, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*

Valuation of disposed investments

Notes to the Financial Statements, Information on the Statement of Financial Position and Income Statement, B) III – Financial fixed assets
Notes to the Financial Statements, Information on the Statement of Financial Position and Income Statement, C.15 Gains on investments

As part of the project for streamlining the group's insurance sector of the Unipol Group, on 16 November 2017, obtained the authorisation from the IVASS authority, the Company sold its shares of investment in UniSalute SpA (98.53 per cent of shareholders' equity) and in Compagnia Assicuratrice Linear SpA (100 per cent of the stakes) to the subsidiary UnipolSai Assicurazioni SpA.

Considerations obtained for the disposal of these investments have been determined in Euro 875 million, utilizing estimation methodologies with the support of financial advisors, leading to a gain recognized in the income statement of about Euro 743 million.

The methodologies and the assumptions valuation adopted by Company and financial advisors in the determination of the value of investments required a considerable professional judgement dependent also on the assumptions.

The valuation of such investments required significant estimates and, among other matters, the professional judgement is, for example, used in the future projections which have been utilised to develop discounted cash flow models and discount rates.

Our audit procedures on the valuation of the disposed investments included a critical review of the following documents:
- minutes of the Board of Directors' meetings where the decision of the disposal was approved;
- appraisal documents and fairness opinion of financial advisors on the fairness of the total consideration obtained and addressed to the Board of Directors and the Committee for transactions with related parties;
- external appraisal on the reasonableness of the estimate methodology and computations developed by the external advisors and issued by another financial advisor addressed to the Board of Directors and the Committee for transactions with related parties;
- legal opinion of the external advisor addressed to the Board of Directors and the Committee for transactions with related parties;
- info document relating to the significant operation put in place with related parties issued by the Committee for transactions with related parties.

We read the communication of the Insurance Authority with reference to the change of the main shareholder of UniSalute SpA and Compagnia Assicuratrice Linear SpA.

We further evaluated, with the support of PwC experts, the reasonableness of the assumptions and the methodologies used by management and financial advisors; we reperformed the calculation of the valuation of investments and performed a sensitivity

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
	analysis on the main assumptions and estimates used by the financial advisors and, finally, we compared our results to the conclusions reached by management and external financial advisors.

Banking sector restructuring plan

Notes to the Financial Statements, Information on the Statement of Financial Position and Income Statement, B) III – Financial fixed assets *Notes to the Financial Statements, Information on the Statement of Financial Position and Income Statement, B. Provisions for risks and charges* *Notes to the Financial Statements, Information on the Statement of Financial Position and Income Statement, D. Value adjustments to financial assets* *Management Report- paragraph Management Report* During the financial year 2017, the Company approved a restructuring plan with reference to the banking sector comprising the following main steps: 1 strengthening of the coverage average rate for NPE (Non Perfoming Exposures) held by the fully owned subsidiary Unipol Banca SpA; 2 agreement between the Company and Unipol Banca SpA for an early termination of the existing indemnity agreement: as a consequence a cost of Euro 105 million has been accounted for in the P/L account; 3 the payment from the Company and from UnipolSai Assicurazioni SpA of a non-repayable capital account contribution to Unipol Banca SpA; 4 the transfer, during the first month of 2018, from the Company and UnipolSai Assicurazioni SpA of a Shareholder Loan to Unipol Banca SpA; 5 the proportional spin-off of Unipol Banca SpA	Our audit procedures on the restructuring of the banking sector include the following: - Critical review of the following documents: • minutes of the Board of Directors' meetings where the restructuring plan has been approved; • restructuring plan of the banking sector of Unipol Group – Notes on the key elements of the operation – prepared by the Company for the Board of Directors of UnipolSai Assicurazioni SpA and Unipol Banca SpA; • external appraisal on the economic and financial implications of the early termination of the existing indemnity agreement with Unipol Banca SpA, and addressed to the Board of Directors of the Company; • external appraisal on the economic and financial implications of the valuation of the NPE portfolio of Unipol Banca SpA as of 30 June 2017, and addressed to the Board of Directors of the Company; • documentation concerning the impairment test of Unipol Banca SpA, prepared by the Company with the support of an external advisor. - communications with the Bank and listed companies Authorities; - evidence supporting the capital contribution paid by the Company and of the related accounting treatment;

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Key Audit Matters	*Auditing procedures performed in response to key audit matters*
in favour of UnipolRec of a company complex including, *inter alia*, an NPE portfolio. As a consequence of the above mentioned restructuring plan and the strengthening of the coverage average rate for NPE performed by Unipol Banca SpA, the Group has recognized an impairment loss of the investment in Unipol Banca SpA for an amount of some Euro 445 million. Moreover, a provision of about Euro 212 million has been accounted for in the financial statements. This provision derives from the restructuring plan, as described above, and from the valuation of the existing put/call option agreement between the Company and the subsidiary UnipolSai Assicurazioni SpA. In dealing with valuation, legal, tax and accounting matters the Group has been supported by several external advisors. The analysis of the restructuring plan of the banking sector has been considered a key audit matter due to the magnitude of the operation and the related accounting implications.	- review of the documentation relating to the early termination of the existing indemnity agreement and of the related accounting treatment; - review of the valuation of the investment in Unipol Banca SpA prepared by the Company and of the related accounting treatment; - review of the computation prepared by the Company on the existing put/call option agreement between the Company and the subsidiary UnipolSai Assicurazioni SpA relating to the Unipol Banca SpA shares owned by UnipolSai Assicurazioni SpA and of the related accounting treatment.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements,

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management uses the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by article 10 of Regulation (EU) n° 537/2014

On 28 April 2011, the Shareholders of Unipol Gruppo SpA in general meeting engaged us to perform the statutory audit of the Company and the consolidated financial statements audit for the years ending 31 December 2012 to 31 December 2020.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) n° 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with article 14, paragraph 2, letter e), of Legislative Decree n° 39/2010 and article 123-bis, paragraph 4, of Legislative Decree n° 58/1998

Management of Unipol Gruppo SpA is responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Unipol Gruppo SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) n° 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure, available in Unipol Gruppo SpA website section "*Governance*", referred to in article 123-bis, paragraph 4, of Legislative Decree n°

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58/1998, with the financial statements of Unipol Gruppo SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Unipol Gruppo SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree n° 39/2010, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 1 April 2018

PricewaterhouseCoopers SpA

Signed by

Angelo Giudici
(Partner)

This report has been translated into the English language from the original, which was issued in Italian and in accordance with Italian law, solely for the convenience of international readers.

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Share capital
€3,365,292,408.03 fully paid-up
Bologna Register of Companies
Tax and VAT No. 00284160371
R.E.A. No. 160304

Parent company of the Unipol Insurance Group
entered in the Register of the parent companies
at No. 046

Parent of the Unipol Banking Group
Entered in the Register of Banking Groups

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