EUROVITA HOLDING

IAS/IFRS CONSOLIDATED FINANCIAL STATEMENTS 2017

Eurovita Holding S.p.A.
(già Phlavia Investimenti S.p.A.)

Sede e Direzione Generale:
20123 Milano, Italia
Via Pampuri, 13

Capitale sociale € 1.000.000 interamente versato

TABLE OF CONTENTS

EUROVITA HOLDING

REPORT ON OPERATIONS

Shareholders,

The financial statements at 31 December 2017 of the Group Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.), which we submit for your approval, show a Group profit of €35.4 million, compared to a profit of €200.8 million for the Group in financial year 2016.

The most significant data that emerge from the end of financial year 2017 are shown in the following table:

(amounts in Euro thousand)

	31 DECEMBER 2017	31 DECEMBER 2016
Gross earned premiums	**521,4**	162,2
Acquisition costs and admin. exp.	**83,6**	23,6
Net insurance benefits and claims	**382,4**	54,6
Gross earned premiums pertaining to the Life segment	**521,4**	140,8
Acquisition costs and admin. exp. - Life	**81,2**	16,2
Impact on premiums	**15,6%**	11,5%
Gross earned premiums pertaining to the Non-Life segment	**-**	21,4
Acquisition costs and admin. exp. - Non-Life	**-**	8,7
Impact on premiums	**0,0%**	40,5%
Total financial income	**79,6**	16,2
Total financial charges	**61,0**	35,9
Investments	**17.726,5**	4.516,6
Capital and reserves of the Group	**424,7**	240,9
Net profit for the Group	**35,4**	200,8
Number of employees	**291**	185

1. Introduction

New Presentation of Data from the Previous Financial Year Arising from the Final Recognition of the Business Combination

In June 2016, Cinven, the new reference shareholder, took control of the Ergo Italia Group, subsequently changing its name to Gruppo Assicurativo Flavia. All the companies belonging to the Group were subject to management and control by the Parent Company Phlavia Investimenti S.p.A., which took on the role of ultimate Italian parent company, pursuant to Article 20-*ter* of the Private Insurance Code. With effect from 1 January 2017, Phlavia Investimenti S.p.A. (now Eurovita Holding S.p.A.) acquired the investee company Ergo Italia S.p.A.

As a result of the acquisition of the Ergo Italia Group by Phlavia Investimenti, the consolidated financial statements at 31 December 2016 were subject to the adoption of accounting standard IFRS 3 "Purchase

Price Allocation" or "PPA", measuring the assets acquired and liabilities assumed at their respective fair values at the acquisition date (30 June 2016).

The measurement period for the business combination transaction relating to the acquisition of the Ergo Italia Group was completed at the end of the first half of 2017, i.e. within the twelve-month period following acquisition as required by IFRS 3. The final values were recognized as if the initial recognition of the combination had been completed at the acquisition date, in compliance with paragraph 49 of IFRS 3, thus modifying the comparative figures for the previous financial year referring to 31 December 2016.

During the first half of 2017, the management team acquired new and more accurate information in relation to the fair value of the assets and liabilities acquired, which entailed the need to adjust the provisional amount recognized at the acquisition date. The values for the previous financial year shown in these consolidated financial statements at 31 December 2017 differ from those originally approved in the consolidated financial statements at 31 December 2016, due to the retrospective adoption of the final recognition of the business combination, as previously illustrated.

For more information on the restatement of values, please refer to the Explanatory Notes - Basis of Preparation.

The table below shows a summary of the changes due to the recalculation of the fair value on the balances at 31 December 2016, based on the foregoing:

(amounts in Euro thousand)

	31 DECEMBER 2016	CHANGE FOR FV CALCULATION	31 DECEMBER 2016 NEW
Intangible assets	105.545	56.390	161.936
Investments	4.516.797	-166	4.516.632
AFS reserve	7.894	-6.187	1.707
Technical Provisions	-4.592.093	2.112	-4.589.980
Deferred tax liabilities	-70.430	-17.979	-88.409
Financial income	13.704	4.339	18.043
Other revenues	180.793	49.586	230.379
Net insurance benefits and claims	-45.177	-9.397	-54.574
Financial charges	-33.915	-1.939	-35.854
Other costs	-39.059	6.804	-32.255
Taxes	-6.170	-15.223	-21.393
Profit for the year	**166.687**	**34.170**	**200.857**

For more details, please refer to the Explanatory Notes, section "Final situation of the initial recognition of the business combination relating to the acquisition of the Ergo Italia Group".

Description of the 2017 Business Combination

During financial year 2017, the Group completed the following extraordinary transactions.

On 9 January 2017, with the prior authorization of I.V.A.S.S. (Italian insurance supervisory authority) by Measure No. 0228541/16 of 7 December 2016, the acquisition of the entire share capital of Old Mutual Wealth Italy S.p.A. (hereinafter also "Old Mutual" or "OMWI") by the company ERGO Previdenza S.p.A. (hereinafter also "Ergo" or "EP") was completed.

On 11 August 2017, with the prior authorization of I.V.A.S.S. by Measure No. 0150511/17 of 3 August 2017, the acquisition of the share capital of Eurovita Assicurazioni S.p.A. (hereinafter also "Eurovita Ass." or "EVA") by ERGO Previdenza S.p.A. was completed.

In this regard, the following should be specified:

- On 7 April 2017, Ergo Previdenza S.p.A. and JCF III Eurovita Holdings S.a.r.l. signed a sale and purchase agreement concerning a stake of 78.88% in the share capital of Eurovita Assicurazioni;
- On 4 August 2017, Ergo Previdenza acquired a further stake of 19% in the share capital of Eurovita Assicurazioni and in September a further 0.4% from minority shareholders.

Following the transactions described above, the percentage of ownership of Ergo Previdenza in Eurovita Assicurazioni before the merger by acquisition was 97.28%.

The Boards of Directors of Ergo, Old Mutual, and Eurovita Assicurazioni, respectively on 27 April 2017 (for EP and OMWI) and on 24 April 2017 (for EVA), approved the merger plan in adoption of Articles 2501-*ter* and 2505-*bis* of the Italian Civil Code, subordinating it to the completion of the operations referred to above.

On 27 September 2017, the General Meetings of Shareholders of Ergo, Old Mutual, and Eurovita Assicurazioni resolved to merge through the acquisition of the companies Old Mutual Wealth Italy and Eurovita Assicurazioni by the company Ergo Previdenza, approving the related merger plan.

Given the presence of minority shareholders of the merged company Eurovita Assicurazioni (2.72% of the share capital), the share capital of the merging company was increased in order to allocate a sufficient number of shares to such shareholders, based on the exchange ratio defined during the Merger Plan. The shares of EVA were canceled and exchanged with shares of the merging company, which increased its share capital by €498,908 through the issue of 498,908 new shares with a nominal value of €1 each, based on the following exchange ratio: 7.24 Ergo shares for every 1 EVA share.

Pursuant to Article 2505-*bis* of the Italian Civil Code, EVA minority shareholders were granted the right to sell their shares representative of the EVA share capital to EP, for a consideration calculated on the basis of the criteria required for withdrawal. On 31 December 2017, (with the prior authorization of I.V.A.S.S. pursuant to Resolution No. 82/2017, Ref. No. 0150505/17 of 3 August 2017) the merger by acquisition of Old Mutual Wealth Italy and Eurovita Assicurazioni into Ergo Previdenza, which at the same time assumed the name Eurovita S.p.A. ("Eurovita"), became effective. The relevant accounting and tax effects also commenced as of the same date.

The Merger Deed, signed by Notary Marco Borio of Milan, Reference No. 2161, Collection No. 1001, dated 6 December 2017, was properly filed with the relevant Registers of Companies on 22 December 2017 and registered on 28 December 2017.

Initial Recognition of the 2017 Business Combination

Based on IFRS 3-Business Combinations, the acquirer must recognize the assets acquired and liabilities assumed separately from goodwill and must classify or designate them on the basis of the contractual terms, economic conditions, operating or accounting principles, and other relevant conditions existing at the acquisition date. The acquirer must also measure and recognize the assets acquired and liabilities assumed at their respective fair values at the acquisition date. IFRS 3 provides for a valuation period of one year during which one may, with retrospective effect at the acquisition date, adjust the initial provisional recognition of the assets acquired and liabilities assumed on the basis of information that may have become available over time concerning facts and current circumstances in place at the acquisition date. Therefore, the preparation of the consolidated financial statements at 31 December 2017 was carried out by recognizing the effects of the accounting allocation process carried out at the time of acquisition of the control of Old Mutual (9 January 2017) and Eurovita Ass. (11 August 2017) by Ergo Previdenza (now Eurovita).

The table below provides details, at the respective acquisition dates, of the book values of the assets acquired and liabilities assumed, calculated in accordance with the IFRS immediately before the combination and the related fair value, for the most significant components.

(amounts in Euro thousand)

EUROVITA ASS. at 11 August 2017	IAS/IFRS book value	FV	Difference
Tangible and intangible assets	2.525	2.525	-
Technical provisions borne by reinsurers	8.371	8.371	-
Investments	6.034.171	6.050.396	16.225
Receivables and Payables	10.796	10.796	-
Tax assets and liabilities	52.507	117.177	64.670
DAC and Other assets	7.561	7.561	-
Cash and cash equivalents	55.595	55.595	-
Provisions	-4.450	-4.450	-
Technical provisions	-5.462.241	-5.688.299	-226.058
Financial liabilities	-401.385	-401.385	-
Other liabilities	-4.430	-4.430	-

(amounts in Euro thousand)

OLD MUTUAL at 9 January 2017	IAS/IFRS book value	FV	Difference
Tangible and intangible assets	36	149.072	149.036
Technical provisions borne by reinsurers	12	12	-
Investments	7.246.296	7.246.296	-
Receivables and Payables	-14.224	-14.224	-
Tax assets and liabilities	72.377	33.240	-39.137
DAC and Other assets	80.297	80.297	-
Cash and cash equivalents	16.793	16.793	-
Provisions	-2.776	-2.776	-
Financial liabilities	-7.236.434	-7.236.434	-
Other liabilities	-6.422	-6.422	-

The consideration transferred at the respective acquisition dates was paid in cash and matches the price paid by EP for the acquisition of Old Mutual shares (€268.85 million) and Eurovita Assicurazioni shares (€128.55 million). The value of minority interests was calculated on the basis of the portion of equity attributable to the same, taking into account direct and indirect equity investments held.

The ancillary costs related to the purchase transaction for legal expenses, advisors, and sundry consultancy services, amounting to €1.86 million, were fully charged to financial year 2017, in which these costs were incurred.

The acquired company EVA contributed €13.6 million to the result for the year relating to the period 11 August 2017 - 31 December 2017, while the acquired company OMWI contributed €3.5 million to the result for the year relating to the period 9 January 2017 - 31 December 2017. The acquisition of EVA on 11 August 2017 generated a so-called “good business deal” of €21.1 million. This amount was recognized under the item “other revenues”.

The surplus in the acquisition cost of the investment in Old Mutual Wealth Italy, compared to the interest at fair value of assets and liabilities, was accounted for as goodwill of €22,050 thousand and represents a payment made in anticipation of future economic benefits from assets that could not be identified individually and were recognized separately. The ancillary costs incurred at the time of acquisition were expensed in the Income Statement for the year.

In order to allow the assessment of the nature and the financial effects of the business combinations, the following is a summary table of revenues and operating result of Eurovita Holding at 31 December 2017, assuming that the date of acquisition of EVA and OMWI realized during the course of 2017 coincided with the beginning of the same, i.e. 1 January 2017. The values shown include the good business deal calculated at the time of the acquisition of the former company EVA, equal to €21 million.

(amounts in Euro thousand)

Net earned premiums	900.714
Fee and commission income and income from financial service activities	217.906
Income and charges from financial instruments at FV through profit or loss	16.276
Income arising from other financial instruments and real property investments	156.753
Other revenues	46.085
Total Revenues and Income	**1.337.734**
Total Costs and Charges	**1.296.635**
Profit (loss) for the year before taxation	41.099
Taxes	-5.677
Profit (loss) for the year	**35.422**

Comparative Analysis of Data with Respect to the Previous Financial Year

The comparative analysis of the economic and financial data for the year compared to those of the previous financial year is significantly affected by the acquisition transactions and subsequent mergers, which had a considerable impact on all Balance Sheet and Income Statement items.

In order to facilitate the comparative analysis of the Balance Sheet and Income Statement data, the comments and detailed tables contain evidence of the changes compared to 31 December 2016 separately due to acquisition transactions and subsequent mergers and other changes for the period related to operations.

For a better understanding of the changes in capital compared to the previous financial year, the comments, where deemed appropriate, also describe the changes compared to the values on a like-for-like basis, i.e. the comparison with the aggregate post-merger data (aggregate 2016 on a like-for-like basis) calculated as follows:

- values at 31 December 2016 of Eurovita Holding S.p.A.;
- values resulting from the Balance Sheet of the acquired companies OMWI and EVA at 1 January 2017 restated according to IAS international accounting standards.

2. Overview of the Economic Situation

The expansion of the global economy remains solid and widespread; however, the general underlying weakness of inflation remains. Short-term growth prospects are favorable.

Growth prospects have improved in the Euro area. According to the latest forecast of the Eurosystem, product should grow by 2.3% in the current year. Deflation expectations have not been kept, but inflation remains low, at 1.4% in December; the underlying component remains weak, hampered by still moderate wage growth in many economies of the area. The Governing Council of the ECB has recalibrated its monetary policy instruments, while, on a forward-looking basis, also preserving extremely expansive monetary conditions, which remain necessary for a return of inflation to levels below, but close to, 2 percent in the long term.

According to our estimates, in Italy in the fourth quarter of last year, GDP should have grown by around 0.4 percent; the favorable trend has been confirmed, but still below the European average, over the last quarter. The increase should have affected services and industry in the strict sense. Surveys report a return of business confidence to pre-recession levels; they also indicate favorable conditions for capital accumulation. These assessments have been confirmed by the acceleration of investment spending observed in the second half of the year.

Exports grew in the third quarter of 2017; the opinions of companies on the progress of orders from abroad are also favorable. The current account surplus remains at high levels, representing 2.8 percent of GDP in the four quarters ending in September; the surplus contributes to the improvement of the country's net debt position, which fell to 7.8 percent of the product.

Employment continued to increase both in the third quarter and, according to the most recent economic indicators, in the last months of last year; the hours worked per person also increased. However, these still remain below pre-crisis levels. According to the workforce Survey, the unemployment rate stood at 11.0 percent in November. The wage trend remains moderate even if, on the basis of employment contracts that were renewed in the second half of last year, it shows some signs of recovery.

Despite a recovery in prices at source, consumer price inflation in Italy remains weak, at 1.0 percent in December; underlying inflation was at very low values, i.e. 0.5. According to the surveys, the companies' expectations for inflation are contained, even if higher than the minimum levels reached at the end of 2016. The companies interviewed expect increases in their price lists just above 1 percent in the current year.

The growth of loans to households is lively; loans to businesses, especially manufacturing companies, are also increasing. The wide availability of internal resources and the greater recourse to bond issues contribute to limiting demand for bank debt on the part of the companies.

The quality of bank debt continues to improve, favored by the consolidation of growth. The flow of new non-performing loans in proportion to loans fell to 1.7 percent, below the levels recorded before the global crisis; the impact of the amount of non-performing loans on total loans decreased (for the significant groups from 8.2 to 7.8 percent, net of value adjustments), largely due to the conclusion of transactions for the assignment of non-performing loans. The banks' capital ratios were strengthened.

GDP, which in 2017 possibly increased by 1.5 percent (based on the quarterly data corrected by the number of working days, 1.4 excluding this correction), should grow by 1.4 percent in the current year, 1.2 in 2019-2020. Economic activities are purportedly driven primarily by domestic demand.

Inflation should temporarily fall this year and then gradually rise again. The projection of a downturn in 2018 (to 1.1 percent on average for the year) is mainly due to the exhaustion of the effect of the energy and food price increases at the beginning of 2017. In the next two years, prices should start rising again by 1.5 percent on an annual average, reflecting a gradual strengthening of wage growth.

This picture presupposes accommodative financial conditions, with a very gradual adjustment of short and long-term interest rates, orderly conditions on government bond markets, and relatively stable credit supply criteria. Overall, the performance of the product should continue to depend on the support of expansive economic policies, but to a lesser extent than in the past.

Among the risks that weigh on this scenario, there are risks originating from the international context and the performance of the financial markets. Worsening global tensions or greater uncertainties as to economic policies in various areas could result in increased volatility of financial markets and risk premiums, negatively affecting the economy of the Euro area.

Among the risks of domestic origin, compared to the latest forecast scenarios, those associated with the weakness of the credit system have been reduced with a possible aggravation of the uncertainty of households and corporations as to the intensity of the current recovery. The picture outlined above, however, depends on the continuation of economic policies that, on the one hand, will favor long-term economic growth, supporting investment and consumption choices and, on the other, will ensure credibility to the path of public debt reduction, taking advantage of the favorable situation of the global economy.

(Source: Bollettino Economico Banca d'Italia no. 1/2018)

3. Situation of the Italian Insurance Market – Life Business

In 2017, the new production of individual and collective life policies of Italian and non-EU companies, including additional single premiums, reached €82.4 billion in premiums, a further 5.2% drop compared to the previous year, when the contraction was 12.4%. The new premiums for individual policies alone amounted to €79.6 billion, 97% of total new business, down 5.5% compared to 2016, when the decline was 12.9%.

Considering new life premiums of the sample of EU companies, equal to €17.6 billion, down 5.3% compared to the amount earned in 2016, the new total life business amounted to €99.9 billion, i.e. 5.2% less than the previous year.

Analyzing the trend by type of class / product, it should be noted that Class I also maintained its main role among life classes in 2017, although with an impact on total new business that went down to 62%, 10 percentage points less than in 2016. Against a total of €51.4 billion in premiums, Class I confirmed the gradual reduction in volumes issued since 2015, recording a larger drop than the previous years, i.e. 18.1% (there was a drop of 5.3% in 2015 and of 4.0% in 2016).

However, this result was partially offset by higher premium income in Class III, which throughout 2017 recorded positive changes compared to the same months of 2016 and consolidated a 32.9% increase, for a total amount of new premiums equal to €28.0 billion. The impact of Class III on the entire new business reached 34%, from 24% in 2016. With regard to Class V, in 2017 there was a further decrease (drop of 8.1% compared to 2016) of new premium income, going from €3.0 billion in 2015 to €2.3 billion in 2016, up to €2.1 billion (3% of total new business).

The new individual and collective production pertaining to the management of pension funds (Class VI) was equal to €851m in 2017, up 16.8% compared to 2016; there was also a positive performance in the volume of premiums / contributions for new individual pension schemes, referred to as PIP (*Piani Individuali Pensionistici*), which, against an amount of €1.5 billion, recorded a 3.7% increase over 2016.

With regard to the new life business by distribution channel, in relation to the activities of Italian and non-EU companies, over two-thirds thereof was brokered through bank and post office branches, with a premium volume of €55.5 billion and a decrease of 7.5% compared to 2016 and 18.6% compared to 2015.

On the other hand, the income performance of new policies through the channel of qualified financial advisers was positive. Against a premium amount of €12.8 billion, there was an increase of 1.2% compared to 2016 and a market share that rose from 15% to 16% of the entire new business. The volume of new business distributed by the agents' channel in 2017 was €9.3 billion (11% of total new business), which deceased (by 3.2%), for the second consecutive year, compared to previous year, while the directly operated agencies channel registered an opposite trend, growing by 5.8% for a total of new premiums of €4.1 billion (5% of the total). Adding individual and collective policies of subsequent years, in relation to policies subscribed in previous years, to the new business premiums, it is estimated that total life premiums (gross amounts) should reach an amount of approximately €98.5 billion in 2017, i.e. a decrease of 3.7% compared to 2016. This result is, as already noted for the new business of the current year, due to the significant decline (drop of 14.7%) of premiums relating to Class I, equal to approximately €63 billion (64% of total life premiums), offset only in part by the increase in Class III policies (unit-linked), which in 2017 should reach a premium volume of over €31 billion, representing 32% of total income and an increase that will nearly touch 30% compared to 2016.

Annual new business by distribution channel

Italian and non-EU enterprises (€million)

(individual and collective)	2015		2016		2017	
DISTRIBUTION CHANNEL	**Premiums**	**15/14 (%) change**	**Premiums**	**16/15 (%) change**	**Premiums**	**17/16 (%) change**
Bank and post office branches	68.262	4,3%	60.047	-12,0%	**55.540**	**-7,5%**
Agents	9.712	0,5%	9.593	-1,2%	**9.290**	**-3,2%**
Directly Operated Agencies	3.786	-20,0%	3.844	1,5%	**4.069**	**5,8%**
Qualified Financial Advisers	16.813	21,9%	12.667	-24,7%	**12.818**	**1,2%**
Other forms (including Brokers)	576	-2,2%	679	18,1%	**637**	**-6,3%**
Italian and non-EU enterprises	**99.149**	**5,2%**	**86.830**	**-12,4%**	**82.354**	**-5,2%**

N.B.: Percentage changes are calculated with reference to figures in Euro thousand.

Breakdown of premiums by type and distribution channel

(individual and collective)		BREAKDOWN					
TYPE OF PREMIUMS	**No. of policies / adhesions**	**Bank and post office branches**	**Agents**	**Directly operated agencies**	**Qualified Financial Advisers**	**Other forms (including Brokers)**	**Total**
Annual	15,3%	0,9%	2,6%	5,1%	0,1%	1,4%	1,1%
Single	62,2%	93,9%	87,3%	80,9%	98,7%	80,7%	93,5%
Recurring	22,5%	5,2%	10,1%	13,9%	1,2%	17,9%	5,4%
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

(Source: ANIA – Trends - January 2018)

4. The Group's Performance

4.1 General Performance

As already noted above, the Group recorded a consolidated Group profit of €35.35 million, compared to the Group's extraordinary income of €200.86 million for 2016.

This result was influenced by the results obtained by the Subsidiaries as analyzed below (€38.65 million, a result influenced by the acquisition of the former companies EVA and OMWI in 2017 and including the related "PPA" effect), by the capital gain from the "good business deal" calculated as the difference between the purchase price and the fair value of the assets and liabilities of Eurovita Assicurazioni at the acquisition date (€21.13 million), the negative result of Eurovita Holding for €5.91 million (net of the investment revaluation effect), and by the negative effect deriving from the reversal to the Income Statement of the effects arising from the adoption of the allocation process of the price paid for the acquisition of the ex-Ergo Previdenza S.p.A. according to accounting standard IFRS 3 ("Purchase Price Allocation" or "PPA", totaling €18.52 million).

To sum up, with regard to capital management, the Company's objectives are the following:

- ensure compliance with the Group's solvency requirements laid down by legislation governing the operating sectors in which the investee companies operate;
- safeguard the going-concern assumption and the Group's ability to develop business;
- continue to ensure an adequate return on capital to the shareholder;
- set adequate pricing policies that are proportional to the level of risk arising from the investee companies' activities.

The Board of Directors has the reasonable expectation that both the Company and the other investee companies will continue with their operations in the foreseeable future. The Company prepared the consolidated Financial Statements on a going-concern assumption; it is believed that the current market situation will not lead to significant uncertainties regarding events or conditions that could compromise the Group's existence.

On 1 January 2017, the merger by acquisition of ERGO Italia S.p.A. into the Parent Company Phlavia Investimenti S.r.l. took place. At the time of the merger, the transformation of Phlavia Investimenti S.r.l. into a joint-stock corporation was decided with a simultaneous increase in share capital to a total amount of €1 million, with effects - as mentioned - as from 1 January 2017.

On 31 December 2017, Phlavia Investimenti S.p.A. changed its name to Eurovita Holding S.p.A. Consequently, the name of all the other Subsidiaries changed as follows:

- from ERGO Previdenza S.p.A. to Eurovita S.p.A.;
- from ERGO Italia Direct Network S.r.l. to Agenzia Eurovita S.r.l.;
- from ERGO Italia Business Solutions S.c.r.l. to Eurovita Service S.c.r.l.

Moreover, as stated above, on 31 December 2017, (with the prior authorization of I.V.A.S.S. pursuant to Resolution No. 82/2017, Ref. No. 0150505/17 of 3 August 2017) the merger by acquisition of Old Mutual Wealth Italy and Eurovita Assicurazioni into ERGO Previdenza, which at the same time took the name Eurovita S.p.A. became effective. The accounting and tax effects also commenced as of the same date. With effect as of the merger effective date, the Company changed its name to "Eurovita S.p.A.".

The investee companies' minimum levels of capital required by specific regulations were complied with and were maintained continuously during the financial year. The insurance investee company is subject to the supervision of the supervisory authority (I.V.A.S.S.) and meets the required solvency requirements.

The Group has a significant capital solidity assessed in accordance with the provisions of Directive 2009/138/EC (Solvency II): against a solvency capital requirement (SCR) of €276.8 million, own funds are equal to €581.6 million, which implies a Solvency II Ratio of 210.14%.

Based on the requirements of ISVAP regulation No. 7/2007, the following is the mandatory information on compliance with Solvency Capital Requirements, in particular the amount of the Solvency Capital Requirement and the Minimum Capital Requirement, as well as the eligible amount of own funds to cover the aforementioned requirements classified by levels:

(amounts in thousand Euro)

Available own funds eligible to cover SCR	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	419.986	-	419.986
Tier 1 restricted	115.511	-10.514	104.997
Tier 2	46.147	10.514	56.661
Tier 3	-	-	-
Total OF	**581.644**	**-**	**581.644**
Total SCR			**276.795**
Surplus (shortage)			**304.849**

(amounts in thousand Euro)

Available own funds eligible to cover MCR	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	419.986	-	419.986
Tier 1 restricted	115.511	-10.514	104.997
Tier 2	46.147	-21.236	24.911
Tier 3	-	-	-
Total OF	**581.644**	**-31.750**	**549.894**
Total MCR			**124.588**
Surplus (shortage)			**425.336**

According to the provisions of Article 62 - Transitional provisions of I.V.A.S.S. Measure No. 53/2016 -, it should be noted that the data relating to the Solvency Capital Requirement and Minimum Capital Requirement set out above should be understood as estimates. The corresponding final data will be communicated to the supervisory authority and included in the Solvency and Financial Condition Report (SFCR) within the timeframe established by I.V.A.S.S. regulations on Solvency II.

The Parent Company continued its coordination work and support for all Group companies. With regard to the risks to which the Group is exposed, please refer to the specific section of the Explanatory Notes.

The following is an analysis of the results that were determined by adopting the IAS / IFRS standards.

4.1.1 – Main Subsidiaries

The summary of most significant data of the three subsidiaries is provided hereunder:

The financial statements at 31 December 2017 of Eurovita S.p.A. show a net profit of €19.1 million (relating only to the subsidiary Ergo, as the merger by acquisition of OMWI and EVA occurred on 31 December 2017, thereby showing effects on the shareholders' equity without being backdated from an accounting and fiscal standpoint), compared to a profit of €29.9 million earned at the end of 2016. The reduction in profit compared to 2016 is mainly due to the reduction of €21.8 million in net financial income, a reduction of €10.5 million in production net of reinsurance, and an increase of €1.8 million in operating expenses. These effects were partially offset by the tax benefit of €9.9 million and other costs and revenues which brought a benefit of €12.9 million.

The most significant data that emerge from the end of financial year 2017 can be summarized as follows:

- premium income, in relation to products classified as insurance contracts or as investment contracts with profit sharing, was €240.5 million, i.e. decrease of 6.6% compared to 2016.

  New business, equal to €53.68 million, showed an increase of 5.6% compared to the previous financial year, originating from an increase in single premiums, which went from €38.08 million to €43.11 million, offset by a reduction in annual premiums, which stood at €10.56 million compared to €12.77 million in 2016.

  The peculiarity of the insurance portfolio of the former company Ergo should be highlighted, as it was characterized, in terms of premiums issued, by 81.6% of annual premium contracts (84.8% in 2016) and 18.4% of single premium contracts (15.2% in 2016), without considering indirect business.
- Premium income of financial products, thusly classified in compliance with the IAS / IFRS standards, was not significant (€1.24 million in 2017 compared to €0.21 million in 2016), although increasing;
- In 2017, indirect business, concentrated on run-off treaties with Spanish and Belgian companies, resulted in premium income of €6.79 million, compared to €7.38 million earned in the previous financial year, i.e. a decrease of 8%;
- Premiums ceded decreased by 10.3% due to the effect of the decrease in premiums for the subsequent years ceded under treaties relating to pre-2001 business (premiums ceded of €57.66 million compared to €64.25 million in the previous financial year);
- Investment income, net of related charges (including interest expense on reinsurers' deposits) stood at €85.1 million, compared to a 2016 result of €106.9 million.

It should be recalled that the volatility of the investment portfolio caused by the adoption of the IAS / IFRS accounting criteria for measurement purposes, (even if it appears in a limited manner in the Income Statement given the classification of securities portfolio as Available for sale) did not have similar results in returns of the Separate Management funds. Separate Management funds, and therefore the associated products and related provisions, were valued by only taking into account the realized capital gains or losses and consequently were not directly influenced by the performance of the market rates but by the realized return of the assets that constitute them.

The Company Eurovita is however aware of the uncertainty of net latent capital gains in its investment portfolio and monitors the performance of financial markets. It is believed that the intrinsic volatility in the measurement of assets at fair value does not currently require the Company to carry out any other market operations and hedges as further specified below.

Gross technical provisions, also considering the recognition of provisions computed using the shadow accounting method, increased considerably, going from €4,559.7 million to €9,988 million, due to the merger (total contribution of €5,837 million), while the technical provisions of Ergo alone recorded a reduction of €408.6 million compared to the end of the previous financial year.

Operating expenses increased by 4.7%, going from €38.23 million at the end of 2016 to €40.03 million at the end of the current financial year, mainly due to the increase in other administration expenses, which increased by 21% (€3.8 million in absolute value) mainly due to the portion of the personnel early retirement incentive recovered with the withdrawal from the related provisions set aside in 2016, partly offset by the reduction in investment management expenses, which fell by €2.8 million mainly due to changing the investment manager in the second half of 2016, which led to savings in operating costs.

The pre-tax result, amounting to €24.29 million, was lower than the previous financial year (€45.04 million) for a total of €20.75 million. The income statement was negatively affected by the reduction in net financial income of € 21.8 million and the reduction in technical income net of reinsurance for € 10.5 million. Effects partially offset by the benefit of other costs and revenues which bring a benefit of Euro 12.9 million. Taxes were calculated according to applicable tax laws and regulations and went from €15.1 million to €5.2 million, bringing a benefit of €9.9 million.

It should be noted that Agenzia Eurovita S.r.l. (formerly ERGO Italia Direct Network S.r.l.), a wholly owned company, obtained positive economic and financial results thanks to the management of the insurance portfolio entrusted to it by Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) and by Darag Italia S.p.A., recording a net profit of €1.5 million.

With regard to the year's results, the 2017 operations led to revenues of €2,894 thousand, relating to commissions from insurance brokerage. Overhead costs and operating expenses of €871 thousand were incurred against the above revenues.

Financial income of €622 thousand was recognized, essentially relating to interest income accrued on the I.R.E.S. / I.R.A.P. refund.

It should be noted that a 93.27% stake is held directly and a 6.73% stake is held indirectly, through the other investee companies, in the subsidiary Eurovita Service S.c.r.l. (formerly ERGO Italia Business Solutions S.c.r.l.).

The profit for the year amounted to €1.1 million, absolutely exceptional and linked to recognized capital gains following the disposal of real property during 2017.

At 31 December 2017, the composition of the share capital of the consortium company was as follows:

- Eurovita Holding S.p.A. (formerly ERGO Italia S.p.A.) 93.27%;
- Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) 6.21%;
- Agenzia Eurovita S.r.l. (formerly ERGO Italia Direct Network S.r.l.) 0.52%.

The investment of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) during the course of 2017 rose from 1.82% to 6.21% following the acquisition of the stake held by Darag Italia S.p.A.

4.2 Transactions with Group Companies

Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.) is the parent company of the Insurance Group Eurovita and carries out the management and coordination of Eurovita S.p.A. (formerly ERGO Previdenza

S.p.A.), Agenzia Eurovita S.r.l. (formerly ERGO Italia Direct Network S.r.l.), and Eurovita Service S.c.r.l. (formerly ERGO Italia Business Solutions S.c.r.l.).

Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.) and its subsidiaries do not hold, or held during the year, treasury shares or shares of its parent company, either directly or indirectly.

All transactions of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) with the entity that carries out coordination and control activities and with all the Group companies are detailed hereunder:

Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.): in 2017, recoveries were received for services amounting to €102 thousand and personnel expenses of €1.6 million were charged back.

Agenzia Eurovita S.r.l. (formerly ERGO Italia Direct Network S.r.l.) maintains regular agency relationships and holds a significant portion of the PPB client portfolio, assigned to it by Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.). In relation to such transactions, Agenzia Eurovita S.r.l. pays the Company's compensation to Agents by installments, in accordance with the National Bargaining Agreement for Agents. Agenzia Eurovita follows the centralized collection of the portfolio assigned to it by the Company. At the end of 2017, Agenzia Eurovita accrued commissions of €2.85 million from Eurovita S.p.A. and recoveries of €248 thousand were made. The commission rates paid by Eurovita were reduced starting from the second half of 2012 to take into account the fact that part of the collection activities was being carried out directly by the Company, while the reimbursement of portfolio recoveries that the Company charged at the end of the financial year is governed by the National Bargaining Agreement for Agents.

Eurovita Service S.c.r.l. (formerly ERGO Italia Business Solutions S.c.r.l.) is the Group's consortium company, which provided real property management services for the building sold during 2017. In 2017, charges of €1.05 million were received and recoveries of €216 thousand made.

All the contractual relationships described above, unless specifically noted, were settled at market conditions.

At the end of financial year 2017, Eurovita S.p.A. did not hold, in its portfolio, investments in shares of the parent company or of associated companies, nor treasury shares, with the exception of a limited investment in the share capital in force in the consortium Eurovita Service S.c.r.l., representing 1.82% and acquired in 2009 through a capital increase with the contribution of its tangible and intangible assets. During the course of 2017, the equity investment increased from 1.82% to 6.21% following the acquisition by Eurovita S.p.A. of the shares held by Darag Italia (formerly ERGO Assicurazioni S.p.A.) in the consortium acquired at market value.

With regard to other related parties not included in the list, Eurovita Group companies maintained normal transactions for the payment of social security contributions with the "Pension Fund for employees and executives of the Eurovita Group".

In addition to the aforementioned transactions, Eurovita Holding S.p.A. maintains relations with Agenzia Eurovita S.r.l. and with Eurovita Service S.c.r.l. for sharing costs relating to the services provided. From Eurovita Service S.c.r.l., charges for services of €117.5 thousand were received.

4.3 Other Information

The Company continued its coordination work and support for all investee companies.

Transactions with Reinsurers

In 2017, the reinsurance policy of the Company Eurovita was confirmed. In recent financial years, it had witnessed a declining participation of reinsurers in the Group's positive results, with a consequent lower reinsurance.

The main reinsurance treaties are:

1. Risk premium reinsurance, which operates on products with mortality or disability risk component (with Munich RE Italy) relating to the merging company;
2. Risk premium quota reinsurance of 90% of the death risk (with SWISS RE) relating to the merged company OMWI;
3. Risk premium reinsurance, which operates on products with mortality or disability risk component (100% reinsurance with Scor Italia and RGA International with a 50% stake in excess of the capital retained) relating to the merged company Eurovita Assicurazioni;
4. Commercial premium quota reinsurance on fixed-term revaluable product with provisional commission account (reinsurance of 70% with Hannover Ruck) relating to the merged company Eurovita Assicurazioni;
5. Commercial premium quota reinsurance on collective policies combined with repayable loans by transferring one-fifth of the pension (95% reinsurance with Toa RE - at 50% - and Mapfre RE - at 45%) relating to the merged company Eurovita Assicurazioni;
6. New commercial premium quota reinsurance Treaty on collective policies in the event of death and permanent disability, relating to the merged company Eurovita Assicurazioni.

Capital and Financial Management

In 2017, the European bond markets, the main investment area of the strategies of the Company Eurovita despite the marked diversification that characterizes its investments, continued to be influenced by the volatility driven, among other things, by the various electoral rounds in member countries of the Euro Area (the Netherlands, France, Germany, and lastly Italy at the beginning of 2018) and by pressures on the EU (already taxed by the Brexit affair) and on the public debts of the peripheral countries and links with the banking system. Despite some bullish trends also linked to the increase in US interest rates and the higher spreads between the various countries, mostly linked to the mentioned political factors, the umbrella provided by the ECB through its accommodative monetary policies (extended even if with reduced volumes until at least a good part of 2018) in any case guaranteed substantial stability both in the rate curve and in the value of spreads. However, Italy was more exposed than the other peripheral countries due to its high public debt against a weak growth even in a positive environment throughout all countries (including Spain and Portugal) and to the stress to which the national banking system was subjected with the final breakout of the numerous banking crises that were resolved more or less positively with the nationalization of Banca MPS, the disappearance of two Veneto Banks acquired by Banca Intesa, and the various more or less final solutions regarding the other minor banking crises (starting from Carige up to Banca Etruria etc.).

The Fed instead was the first to go towards a definitive exit from an accommodative policy and, after the suspension of the QE programs, embarked on a path of interest rate increase (four increases are expected in 2018), which led to a rise in US Treasury rates along the curve.

Despite a more marked volatility and a bullish tendency, the year 2017 was also characterized by a situation of low interest rates along the curve including the middle part, i.e. the main investment objective for the company Eurovita considering its ALM investment strategy. This situation continued to adversely affect the returns on new investments and therefore the ordinary profitability of the bond portfolio, although at the same time it continued to favor the level of latent market capital gains.

The investing activities carried out by the merging company during the financial year were directed towards government and corporate issues seeking returns consistent with the commitments undertaken with policyholders by paying particular attention to asset quality: exposures to Italian government bonds were kept substantially stable (however, historically they were appreciably contained compared to the market), while exposures to the Spanish BONOS slightly increased and, on the wake of improvements, exposures to the Portuguese government bonds were opened seeking returns consistent with the commitments undertaken and at the same time confirming and increasing the strong diversification of the portfolio thanks to the improved European scenario. In order to ensure greater risk diversification and reduce direct exposures to individual issues, the investment in UCI units and ETF shares specialized in corporate bonds of the Euro area was also maintained. These investments always meet the requirements set by the corporate directives.

The extraordinary activity carried out on the portfolio of the former company Eurovita Assicurazioni starting from September 2017 is worthy of note. The Company Eurovita had an exposure to Italian government securities of approximately 80%, considered not in line with the Group's investment policies, as well as excessively risky in terms of impacts on the Solvency II Own Funds due to the excessive volatility of the spread. Italian government securities exceeding the Group's target were therefore sold either through spot transactions (approximately €1.8 billion) or forward transactions (€0.6 billion). The liquidity generated was reinvested in government bonds in the Euro Area, immediately diversifying the risk and safeguarding the company's capital strength. This necessarily led to a reduction in the returns of the separate management funds involved, as well as a contraction of the result. In order to guarantee an adequate profitability for the shareholder and remunerate the commitments undertaken with policyholders, the Company is taking steps to find more remunerative investments, through a targeted strategic asset allocation, which are in any case included in the Company's investment policies. All the effects of these transactions impacted the merged company's Income Statement. After the merger, the company Eurovita posted such result in shareholders' equity directly.

During the course of 2017, the front-office of the investment portfolio management of the merging company ERGO Previdenza S.p.A. was, under new specific Management Mandates and in regard of almost all of its portfolios, delegated to BNP Asset Management Paris and Goldman Sachs Asset Management London. The investment strategy, as well as the risk control measures, are in accordance with the guidelines issued by the Board of Directors, under the strict supervision of the Investment Committee, and carried out in coordination with the Strategic Asset Allocation policy.

Class I activities in the portfolio of the merged company Eurovita Assicurazioni S.p.A. were mainly delegated to Black Rock Asset Management, while Class III activities are either being managed internally or through management agreements with third parties. Class III activities in the portfolio of the merged company Old Mutual Wealth Italy S.p.A. are managed internally.

It should be noted that, following the change in the Group to which it belonged in 2017, during the course of 2018 the front office of the investment portfolio management of Class I products from Eurovita

Assicurazioni S.p.A. was almost entirely delegated, by supplementing the specific Management Mandates already in place with the new external Asset Managers, to BNP Paribas Asset Management Paris and Goldman Sachs Asset Management London.

The Group's total investment portfolio at book value, after acquisitions, amounted to €17,726 million at December 31, 2017 (€4,517 million at December 31, 2016, and €17,663 million on a like-for-like basis). Please refer to the Explanatory Notes for further details on the composition of the portfolio.

Personnel and Specific Training

In 2017, the companies ERGO Previdenza, Old Mutual Wealth Italy, and Eurovita Assicurazioni were involved in the integration process that enabled the new company Eurovita S.p.A. to be established on 31 December.

In this context, in the first months of the year, the Group's personnel was involved in specific and cross-departmental training activities, based on the training needs identified by the individual Companies. Eurovita Assicurazioni completed the training activities set out in the corporate plan funded by *Fondo Banche Assicurazioni* (FBA, Banking and Insurance Fund), approved in 2016, which provided for training courses to be given in the period between June 2016 and June 2017 to support the evolution of human capital and the main business projects (governance, innovation, etc.). ERGO Previdenza and Old Mutual Wealth Italy carried out individual training initiatives mainly focusing on regulatory aspects.

In August, the companies ERGO Previdenza and Eurovita Assicurazioni submitted two separate but coordinated corporate training plans to *Fondo Banche Assicurazioni*. The plans, shared with management, were prepared in line with the Group's needs and taking into account the operations in progress. Both plans were admitted to funding.

These plans include training courses in technical, managerial, IT matters, and foreign languages. They also include initiatives on equal opportunities and on wellness, such as *Lego Serious Play* for parents and children, and the information desk for families.

In the last part of the year, courses on communication, corporate processes, and time and resource management were activated. Technical courses were also provided on digital innovation, management control, and any skills deemed useful for people that would be holding new positions within the Company.

During the year, Business English courses were provided to the Company's management team.

Information Systems, Organization and Relevant Projects

During the course of 2017, the subsidiary Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) initiated a system and process evolution plan in order to achieve the full integration of Eurovita in respect of the three companies merged as of 31 December, as well as to be fully compliant with the levels required by legislation and the market and support strategic developments.

As part of the merger plan, the systems and processes governing general accounting, securities management, anti-money laundering, and complaints management were unified. A new site, an integrated restricted area, and the corporate Intranet were also developed.

An analysis aimed at defining the Company's target applications was also carried out, in particular with the identification of the portfolio system of Eurovita Assicurazioni as the solution to which all the portfolios should migrate during the course of 2018 and 2019.

The projects aimed at terminating the IT services provided by the previous groups continued and ended during the course of 2017. This resulted in the completion of the necessary instruments to fulfill the requirements of the Solvency 2 rules and the migration of the IT infrastructure of Old Mutual Wealth Italy S.p.A. to the IBM data center, in line with the Company's strategy.

Moreover, the following activities aimed at improving operational effectiveness and efficiency, and regulatory compliance were conducted:

- Completion of the operational separation from Darag Italia S.p.A. (formerly ERGO Assicurazioni sold by Ergo Previdenza on 1 December 2016) with the migration of the IT infrastructure;
- Adaptation to MIFID regulations;
- Improvement of controls in anti-money laundering processes;
- Technology upgrade of agents' front end.

Research and Development

It was not necessary to carry out any research and development activities in 2017 in order to pursue the Company's corporate purpose and strategic objective

However, in early 2017, the former company Ergo was engaged in the usual updating of the contract material relating to the portfolio products, as required by the applicable Insurance Regulations, with particular reference to the annual update of data relating to Class III products, as per C.O.N.S.O.B. (stock exchange authority) regulation - deadline 31 March - and the insurance Individual Pension Plans, as per C.O.V.I.P. (supervisory authority on pension funds) regulations - deadline 31 March -, and Class I and multi-class products, as required by I.V.A.S.S. (insurance supervisory authority) - deadline 31 May -.

With regard to the strategic evolution of the product range relating to the banking channel, the development of PPI products through key intermediaries took shape.

Simultaneously with the development of standard multi-class products, the former company EVA launched the products *Eurovita Investi e Consolida*, which was a novelty due to its functional characteristics, with a quarterly activation of *Transfer*, *Take Profit*, and *Installment Doubling* services.

Another great new product was represented by *Superpir* and *Superpir Custom* unit products, which are contractual relationships (Law No. 232 of 11 December 2016) that allow the Investor / Contracting party to pay sums of money into a long-term Individual Savings Plan and offers the opportunity to benefit from a total exemption from withholding taxes and substitute taxes on any capital gains, provided that they are held in the same plan without any interruption for at least 5 years.

With regard to the strategic evolution of the agency network's product range, the streamlining of savings products available in the catalog took place in the first half of 2017, which led to the decision to suspend the placement of "historic" products such as *Traguardi Unici*, *Solidamente*, *Dimensione Futuro* and *Pianificare 2.0*, shifting the commercial interest for Class I savings products exclusively towards the new product called "*Solido Futuro*", launched in the month of May. The great new feature of *Solido Futuro* consists in the introduction of the "best-of" mechanism, which has never been used until now and makes it possible to "quantify" the return obtained for the customer only at the time of the benefit, without consolidating annually. Therefore, the return is obtained by the Separate Management fund year by year, as was the case with previous products (referred to as ratchet funds).

In the period between the beginning of March and the end of November, the former company Ergo managed the Merger Plan second phase for individual pension schemes in its portfolio currently being placed and called *ERGO Pensione Domani*: with this project, called "2017 Merger Plan", ERGO Previdenza effectively completed the streamlining process of individual pension schemes in its portfolio (at the beginning of 2017 it was made up of 7 different products, including *ERGO Pensione Domani*), agreed with C.O.V.I.P. as early as 2015 at the time of the submission of the application for the new individual pension scheme. Phase 2 of the 2017 Merger Plan involved two different products (*Futuro per Te* and *Stilnovo*), for which the positions in place were transferred from the original product to the new *ERGO Pensione Domani* at no cost with prior notice to the customer and his/her subsequent acceptance. The transaction ended around mid-November 2017, with the effective transfer of all the participating positions and simultaneous closure of the two directly involved individual pension schemes in the portfolio.

With regard to the product range of the advisers' network, in the first half of 2017, product development activities of the former company OMWI focused on the creation of new internal fund financial solutions created specifically for the FinecoBank S.p.A. network. In particular, two new unit-linked products called *Core Unit Target* and *Advice Unit Target* were created. They allow the customer to access the investment by initially paying capital into a low-risk internal fund and then gradually transferring it through automatic switch operations into other internal funds at the customer's choice. At the same time, the investment solutions of FinecoBank external fund products being placed were completed with the inclusion of internal funds.

During the year, the former company OMWI consolidated its customized product development activities for the Private customer segment, both internal and external funds, which resulted in sales of approximately €30 million.

Furthermore, in order to continue offering its customers an increasingly diversified and high-quality range of external funds, the open architecture platform was enriched with the addition of new UCIs and new asset management companies.

At the end of 2017, the Company made a further update of the contractual materials relating to all products, which became necessary as a result of the merger by acquisition of Old Mutual Wealth Italy and Eurovita Assicurazioni into ERGO Previdenza S.p.A. with the resulting creation of the new insurance company called Eurovita S.p.A. The updating of texts, in parallel with the rebranding of the contractual materials, successfully occupied the entire last quarter of 2017, in order to have everything at disposal by 31 December 2017, i.e. the formal effective date of the merger.

Finally, it should be reported that a considerable effort was made by the Company in defining and implementing the KID (Key Information Document), i.e. the new pre-contractual document prepared in adoption of the European legislation called PRIIPS (Packaged Retail Investment Insurance-Based Products), whose entry into force was initially scheduled for 1 January 2017, but was later postponed to 1 January 2018.

Throughout 2017, the company Eurovita analyzed the reference legislation and prepared the required new disclosures by implementing a strategic project that, being well-structured within the corporate priorities, allowed the Company to meet the European legislation requirements with success, fully respecting the deadline.

The acquisition of Eurovita Assicurazioni by the Group, already comprising the companies Ergo Previdenza and Old Mutual Wealth Italy, which took place in August 2017, and the merger of those three companies into a single company, Eurovita S.p.A., at the end of the year laid the foundations for the establishment of a new insurance enterprise of primary importance in the Italian market, increasingly involved in expanding its distribution network and developing new products in the life sector. As early as the last quarter of the year, the commitment to prepare ideas, both in terms of business and in terms of product development, for the 2018 plan was remarkable.

4.4. Exposure to Risks

Please refer to the specific section of the Explanatory Notes.

4.5 Business Outlook

The Group will continue to develop and work to streamline internal processes with a view to containing costs and creating a solid and independent group leader in the Italian life products market.

4.6 Significant Events after the End of the Financial Year

In order to maximize efficiency in terms of processes and costs, the company Eurovita S.p.A. will centralize all operations on Milan by closing the Rome office of the former company Eurovita Assicurazioni S.p.A. by the end of the third quarter of 2018. On 15 March 2018, the Company started discussions with the trade unions in accordance with the procedures set out in the collective bargaining agreement of the insurance sector.

Concluding this report, we would like to thank the Shareholder for the trust granted to all Group companies.

Moreover, we are particularly grateful to the Directors and all our sales networks, their collaborators, and all the employees, who made it possible to reach the results described above thanks to their work and commitment.

Milan, 28 March 2018

FOR THE BOARD OF DIRECTORS

Erik STATTIN

Chief Executive Officer

EUROVITA HOLDING

FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS

(amounts in Euros)

	31/12/17	31/12/16
INTANGIBLE ASSETS	**266.245.034**	**161.935.511**
Goodwill	**22.050.297**	0
Other intangible assets	**244.194.737**	161.935.511
TANGIBLE ASSETS	**684.696**	**16.071.969**
Land and buildings (self used)	**0**	15.284.396
Other tangible assets	**684.696**	787.573
AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS	**1.522.997.659**	**1.611.454.695**
INVESTMENTS	**17.726.502.908**	**4.516.631.620**
Land and buildings (investment properties)	**0**	0
Investments in subsidiaries, associated companies and joint ventures	**0**	0
Held to maturity investments	**0**	0
Loans and receivables	**547.630.342**	340.866.469
Available for sale financial assets	**9.337.103.345**	4.150.288.033
Financial assets at fair value through profit or loss	**7.841.769.221**	25.477.118
RECEIVABLES	**97.006.368**	**42.298.201**
Receivables arising out of direct insurance operations	**39.208.925**	23.276.289
Receivables arising out of reinsurance operations	**7.073.857**	7.774.303
Other receivables	**50.723.585**	11.247.609
OTHER ASSETS	**421.011.411**	**174.748.667**
Non-current assets or disposal groups classified as held for sale	**0**	0
Deferred acquisition costs	**28.921.980**	22.160.429
Deferred tax assets	**0**	0
Tax receivables	**311.321.367**	79.770.216
Other assets	**80.768.065**	72.818.021
CASH AND CASH EQUIVALENTS	**125.805.175**	**252.688.322**
TOTAL ASSETS	**20.160.253.251**	**6.775.828.985**

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

(amounts in Euros)

	31/12/17	31/12/16
SHAREHOLDERS' EQUITY	**462.402.431**	**442.652.884**
Group capital	**459.947.385**	441.793.230
Share capital	**1.000.000**	10.000
Other equity instruments	**0**	0
Capital reserves	**250.493.636**	242.552.748
Revenue reserves and other reserves	**203.304.476**	0
(Own shares)	**0**	0
Reserve for currency translation differences	**0**	0
Reserve for unrealized gains and losses on available for sales financial assets	**-21.255.027**	-1.706.883
Reserve for other unrealized gains and losses through equity	**-8.948.806**	88.826
Result of the period	**35.353.106**	200.848.539
Third parties capital	**2.455.046**	**859.655**
Third parties capital and reserves	**2.277.753**	851.019
Reserve for other unrealized gains and losses through equity	**72.036**	0
Result of the period	**105.257**	8.636
OTHER PROVISIONS	**17.187.969**	**9.830.631**
INSURANCE PROVISIONS	**10.008.625.049**	**4.589.980.342**
FINANCIAL LIABILITIES	**9.297.281.588**	**1.570.659.637**
Financial liabilities at fair value through profit or loss	**7.793.899.983**	8.096.252
Other financial liabilities	**1.503.381.606**	1.562.563.385
PAYABLES	**200.749.194**	**74.296.090**
Payables arising out of direct insurance operations	**29.889.997**	651.482
Payables arising out of reinsurance operations	**17.898.774**	12.512.416
Other payables	**152.960.424**	61.132.193
OTHER LIABILITIES	**174.007.020**	**88.409.401**
Liabilities directly associated with non-current assets and disposal groups classified as held for sale	**0**	0
Deferred tax liabilities	**68.809.217**	74.796.936
Tax payables	**72.760.762**	5.196.237
Other liabilities	**32.437.040**	8.416.227
TOTAL EQUITY AND LIABILITIES	**20.160.253.251**	**6.775.828.986**

INCOME STATEMENT

(amounts in Euros)

	31/12/17	31/12/16
Net earned premiums	**460.245.158**	**125.004.401**
Gross earned premiums	**521.430.856**	162.239.735
Earned premiums ceded	**-61.185.698**	-37.235.335
Fee and commission income and income from financial service activities	**214.671.070**	-289.966
Net income from financial instruments at fair value through profit or loss	**12.281.324**	-1.862.210
Income from subsidiaries, associated companies and joint ventures	**0**	0
Income from other financial instruments and land and buildings (investment properties)	**67.295.918**	18.043.425
Interest income	**54.016.501**	7.683.760
Other income	**2.234.647**	4.057.262
Realized gains	**11.044.770**	6.302.403
Unrealized gains and reversal of impairment losses	**0**	**0**
Other income	**45.035.220**	**230.379.064**
TOTAL INCOME	**799.528.690**	**371.274.714**
Net insurance benefits and claims	**382.432.873**	54.573.665
Claims paid and change in insurance provisions	**475.971.673**	106.077.718
Reinsurers' share	**-93.538.799**	**-51.504.053**
Fee and commission expenses and expenses from financial service activities	**154.678.992**	27.101
Expenses from subsidiaries, associated companies and joint ventures	**0**	0
Expenses from other financial instruments and land and buildings (investment properties)	**61.043.257**	35.853.754
Interest expenses	**55.081.516**	**32.743.660**
Other expenses	**0**	0
Realized losses	**5.961.741**	3.110.094
Unrealized losses and impairment losses	**0**	0
Acquisition and administration costs	**88.987.077**	26.314.418
Commissions and other acquisition costs	**36.077.041**	10.244.756
Investment management expenses	**5.433.166**	2.683.746
Other administration costs	**47.476.870**	13.385.916
Other expenses	**70.497.200**	32.255.434
TOTAL EXPENSES	**757.639.400**	**149.024.373**
EARNINGS BEFORE TAXES	**41.889.290**	**222.250.341**
Income taxes	**6.430.928**	**21.393.167**
Current taxes	**0**	7.651.930
Deferred taxes	**0**	13.741.237
EARNINGS AFTER TAXES	**35.458.363**	**200.857.174**
RESULT OF DISCONTINUED OPERATIONS	**0**	**0**
CONSOLIDATED RESULT OF THE PERIOD	**35.458.363**	**200.857.174**
Attributable to the Group	**35.353.106**	**200.848.539**
Attributable to Minority Interests	**105.257**	**8.636**

STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro)

	31/12/17	31/12/16
CONSOLIDATED RESULT OF THE PERIOD	**35.458.363**	**200.857.174**
Items that may not be reclassified to profit and loss in future periods	**-86.644**	**88.826**
Share of other comprehensive income of associates		
Reserve for revaluation model on intangible assets		
Reserve for revaluation model on tangible assets		
Result of discontinued operations		
Actuarial gains or losses arising from defined benefit plans	**-86.644**	88.826
Other		
Items that may be reclassified to profit and loss in future periods	**-28.376.888**	**-1.706.883**
Foreign currency translation differences		
Net unrealized gains and losses on investments available for sale	**-19.426.498**	-1.706.883
Net unrealized gains and losses on cash flows hedging derivatives	**-8.950.390**	
Net unrealized gains and losses on hedge of a net investment in foreign operations		
Share of other comprehensive income of associates		
Result of discontinued operations		
Other		
OTHER COMPREHENSIVE INCOME	**-28.463.532**	**-1.618.057**
TOTAL COMPREHENSIVE INCOME	**6.994.830**	**199.239.117**
attributable to the Group	**6.817.537**	**199.230.482**
attributable to minority interests	**177.293**	**8.636**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in Euros)

		Amount as at 31.12.2015	Change in amounts	Allocation	Transfer to profit or loss account	Other transfer	Amount as at 31.12.2016
Shareholders' Equity attributable to the Group	Share capital	10.000		0			10.000
	Other equity instruments	0					0
	Capital reserves	**1.133**		242.551.615			242.552.748
	Revenue reserves and other reserves	**0**		0		0	0
	(Own shares)	**0**					0
	Result of the period	**-2.917**		200.851.456			200.848.539
	Other comprehensive income	**0**		-1.618.057		0	-1.618.057
	Total shareholders' equity attributable to the group	**8.216**	**0**	**441.785.013**	**0**	**0**	**441.793.229**
Shareholders' Equity attributable to minority interests	Share capital and reserves	**0**		851.020		0	851.020
	Result of the period	**0**		8.636		0	8.636
	Other comprehensive income	**0**		0		0	0
	Total shareholders' equity attributable to minority interests	**0**	**0**	**859.656**	**0**	**0**	**859.656**
Total		**8.216**	**0**	**442.644.669**	**0**	**0**	**442.652.885**

(amounts in Euros)

		Amount as at 31.12.2016	Change in amounts	Allocation	Transfer to profit or loss account	Other transfer	Amount as at 31.12.2017
Shareholders' Equity attributable to the Group	Share capital	10.000		0		990.000	1.000.000
	Other equity instruments	0		0			0
	Capital reserves	**242.552.748**		14.130.889		-6.190.000	250.493.637
	Revenue reserves and other reserves	**0**		203.304.476			203.304.476
	(Own shares)	**0**		0			0
	Result of the period	**200.848.539**		-165.495.433		0	35.353.106
	Other comprehensive income	**-1.618.057**		-28.585.776	0		-30.203.833
	Total shareholders' equity attributable to the group	**441.793.229**	**0**	**23.354.156**	**0**	**-5.200.000**	**459.947.385**
Shareholders' Equity attributable to minority interests	Share capital and reserves	**851.020**		1.426.733			2.277.753
	Result of the period	**8.636**		96.621			105.257
	Other comprehensive income	**0**		72.036			72.036
	Total shareholders' equity attributable to minority interests	**859.656**	**0**	**1.595.390**	**0**	**0**	**2.455.046**
Total		**442.652.885**	**0**	**24.949.546**	**0**	**-5.200.000**	**462.402.431**

CASH FLOW STATEMENT (indirect method)

(amounts in Euros)

	DIC 2017	DIC 2016
Earnings before taxes	**44.203.325**	**222.250.341**
Changes in non-cash items	**-80.055.360**	**-540.534.528**
Change in the provisions for unearned premiums and for unexpired risks for non-life segment	-	-23.435.904
Change in the provisions for outstanding claims and other insurance provisions for non-life segment	-	-127.902.194
Change in the mathematical provisions and other insurance provisions for life segment	-172.814.311	-155.434.207
Change in deferred acquisition costs	-2.030.997	13.436
Change in other provisions	386.291	-1.302.644
Other non-cash expenses and revenues arising out of financial instruments, investment properties and investments in subsidiaries, associated companies and joint ventures	-	-3.168.242
Other changes	94.403.657	-229.304.773
Change in receivables and payables from operating activities	48.539.989	65.075.837
Change in receivables and payables arising out of direct insurance and reinsurance operations	-2.565.333	10.398.629
Change in other receivables and payables	**51.105.322**	**54.677.208**
Income taxes paid	-	-
Net cash flows from cash items related to investing or financing activities	196.347.365	274.511
Financial liabilities related to investment contracts	**196.347.365**	**274.511**
Payables to banks and customers	**-**	**-**
Loans and receivables from banks and customers	-	-
Other financial instruments at fair value through profit or loss	-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	**209.035.319**	**-252.933.840**
Net cash flows from investment properties	-	98.689
Net cash flows from investment in subsidiaries, associated companies and joint ventures	-	-
Net cash flows from loans and receivables	53.858.871	11.149.340
Net cash flows from held to maturity investments	-	-
Net cash flows from available for sale financial assets	-3.471.371	527.465.837
Net cash flows from tangible and intangible assets	35.448.466	6.752.222
Net cash flows from other investing activities	-210.202.167	5.004.048
NET CASH FLOWS FROM INVESTING ACTIVITIES	**-124.366.201**	**550.470.136**
Net cash flows from shareholders' equity attributable to the Group	-104.008.010	-7.805.332
Net cash flows from own shares	-	-
Dividends payment	-	-
Net cash flows from shareholders' equity attibutable to minority interests	-	-
Net cash flows from subordinated liabilities and other similar liabilities	-	-
Net cash flows from other financial liabilities	-107.544.256	-37.042.643
CASH FLOW FROM FINANCING ACTIVITIES	**-211.552.266**	**-44.847.975**
Effect of exchange rate changes on cash and cash equivalents	**-**	**-**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	252.688.322	-
CHANGE IN CASH AND CASH EQUIVALENTS	-126.883.148	252.688.322
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**125.805.175**	**252.688.322**

EUROVITA HOLDING

EXPLANATORY NOTES

Explanatory Notes

Basis of Preparation

The Consolidated Financial Statements at 31 December 2017 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union. International Financial Reporting Standards (IFRS) refers to all international accounting standards called "International Financial Reporting Standards" (IFRS) and "International Accounting Standards" (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standard Interpretations Committee (SIC).

With regard to the entry into force of new accounting standards, it should be noted that the new accounting standard IFRS 9, issued by IASB in July 2014 and approved by the European Commission under Regulation No. 2067/2016, will, starting from 1 January 2018, replace IAS 39, which currently regulates the classification and measurement of financial instruments.

Starting on 1 January 2021, the standard IFRS 17 will come into force. This new standard, relating to the liabilities of insurance contracts, was published by IASB in May 2017 and is being analyzed by EFRAG for approval by the European Commission.

In September 2016, the International Accounting Standards Board (IASB) published an amendment to IFRS 4, which provides for two options for insurance groups: Temporary Exemption and Overlay Approach.

- Temporary Exemption allows for a complete departure from IFRS 9, maintaining the adoption of IAS 39 up to the Financial Statements at 31/12/2020;
- Overlay Approach makes it possible to remove any volatility from the Income Statement by suspending it as OCI, which could arise before the implementation of IFRS17 from some financial instruments that, following the adoption of IFRS 9, no longer meet the requirements for cost or FVOCI.

The two provisions were introduced in order to avoid the volatility of results deriving from a misalignment between the date of entry into force of the new accounting standard IFRS17 regarding insurance liabilities, in place of the current IFRS 4, and the new standard IFRS 9.

The Group opted for the adoption of the Temporary Exemption, which differs from the adoption of IFRS 9 at 1 January 2021, so as to provide for its joint implementation for the insurance segment together with IFRS 17.

As of 1 January 2018, the new accounting standard IFRS 15 has also entered into force, replacing the previous IAS 18 Revenues and IAS 11 Work in progress on order, and will be adopted by the Company as of such date. Furthermore, as of 1 January 2019 the new accounting standard IFRS 16 will come into force replacing the previous standard IAS 17 Leasing. It is deemed that neither standard, IFRS 15 and IFRS 16, will have particularly significant effects on the group.

These Consolidated Financial Statements were prepared in compliance with I.S.V.A.P. (Italian supervisory authority on insurance) Regulation No. 7/2007.

The Consolidated Financial Statements comprise:

- Consolidated Balance Sheet (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Consolidated Income Statement (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Consolidated Comprehensive Income Statement (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Statement of Changes in Shareholders' Equity (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Cash Flow Statement (prepared in accordance with the templates set out in I.S.V.A.P. Regulation No. 7/2007);
- Explanatory Notes to the Consolidated Financial Statements (including the tables required by I.S.V.A.P. Regulation No. 7/2007).

They are accompanied by the Directors' Report on Operations, drawn up in compliance with Article 100 of Legislative Decree No. 209/05 and Article 2428 of the Italian Civil Code.

The reporting date of the Consolidated Financial Statements is 31 December 2017, the closing date of the Financial Statements of the parent company Eurovita Holding S.p.A.

All the companies falling within the scope of consolidation close their Financial Statements as at 31 December.

The Consolidated Financial Statements were prepared in Euro, which is also the functional currency of all the companies included in the consolidation; the amounts in the Explanatory Notes are shown in Euro thousand, unless otherwise specified.

The measurement criteria were adopted on a going concern assumption, using the accrual methods, and the principles of relevance and significance of accounting information.

After the end of the financial year, no significant events occurred that could affect the data presented in the Financial Statements.

Scope of Consolidation, Reconciliation Tables, and Explanatory Notes

The consolidated Financial Statements include the data of the Parent Company and of all the Companies directly or indirectly controlled by the same.

Consolidation methods

Equity investments in subsidiaries were consolidated on a line-by-line basis.

Consolidation on a Line-by-line Basis

A controlling stake will be presumed when the parent company, directly or indirectly, holds more than half of the votes that can be cast at the General Meeting, or, a lower share if it exercises a dominant influence over the investee company, i.e. if it has the ability to guide the corporate decision-making process through the choice of financial and operational policies.

In the preparation of the consolidated Financial Statements:

a) the Financial Statements of the Parent Company and its subsidiaries were acquired on a line-by-line basis;

b) the book value of the equity investments was eliminated with the corresponding portion of shareholders' equity of each subsidiary at the reporting date;

c) the portions of shareholders' equity attributable to minority interests were highlighted, together with the respective portions of profit for the period, in specific items;

d) balances of intercompany transactions were eliminated.

IFRS 3 Business Combinations

The transfer of control of a company (or group of assets and integrated assets, conducted and managed as a unit) constitutes a business combination that will be accounted for in accordance with accounting standard IFRS 3.

For this purpose, control will be considered to have been transferred when the investor is exposed to variable returns, or holds rights on such returns, arising from a contract entered into with the investee company and, at the same time, has the ability to affect returns by exercising its power over such entity.

IFRS 3 requires an acquirer to be identified for all the business combinations. The latter must be identified as the entity that obtains control over another entity or group of assets. The consideration transferred as part of a business combination must be calculated as the sum of the fair value, at the transaction date, of assets sold, liabilities incurred or assumed, and capital instruments issued by the acquirer in exchange for control.

In transactions involving payment in cash, the price will be the agreed consideration, possibly discounted if a deferred payment is made with reference to a period exceeding the short term. Adjustments subordinated to future events are included in the consideration for the business combination at the acquisition date if required by the agreements and only if they are probable, reliably determinable, and realized within twelve months following the date of acquisition of control, while indemnities for the reduction of the value of the assets used are not considered, since they are already considered either in the fair value of the instruments representing capital or as a premium reduction, or increase in the discount on the initial issue, in case of issue of debt instruments.

The costs related to the acquisition are charges that the acquirer incurs for carrying out the business combination; these include, but are not limited to, the professional fees paid to auditors, experts, legal consultants, costs for appraisals and auditing of accounting records, as well as for the preparation of the disclosures required by the regulations. The acquirer must account for the costs related to the acquisition as charges for the periods in which such costs were incurred and the services received.

Business combinations are accounted for according to the “acquisition method”, based on which the identifiable assets acquired (including any intangible assets previously not recognized by the acquired company) and the identifiable liabilities assumed (including contingent liabilities) must be recorded at their respective fair values at the acquisition date.

The surplus between the consideration transferred (represented by the fair value of the assets transferred, liabilities incurred, or the equity instruments issued by the acquirer) and the fair value of the assets and liabilities acquired must be recorded as goodwill.

The accounting for the business combination can take place provisionally by the end of the financial year in which the combination is carried out and must be completed within twelve months from the acquisition date, as opted for by the Company.

With regard to the recognition of the acquisition, under IFRS 3-Business Combinations, the acquirer must, separately from goodwill, recognize the assets acquired and liabilities assumed, and must classify or designate them on the basis of the contractual terms, economic conditions, its operating or accounting principles, as well as other relevant conditions existing at the acquisition date. The acquirer must also measure and record the assets acquired and liabilities assumed at their respective fair values at the acquisition date. IFRS 3 provides for a valuation period of one year during which the company may, with retrospective effect on the acquisition date, adjust the initial provisional recognition of the assets acquired and liabilities assumed on the basis of information that may have become available over time concerning facts and current circumstances at the acquisition date.

With regard to the acquisition transactions carried out during the year, on 9 January 2017, with the prior authorization of I.V.A.S.S. by Measure No. 0228541/16 dated 7 December 2016, the acquisition of the entire share capital of Old Mutual Wealth Italy S.p.A. (hereinafter also "Old Mutual" or "OMWI") by the company Ergo Previdenza (hereinafter also "Ergo" or "EP") was finalized.

On 11 August 2017, with the prior authorization of I.V.A.S.S. by Measure No. 0150511/17 of 3 August 2017, the acquisition of the share capital of Eurovita Assicurazioni S.p.A. (hereinafter also "Eurovita Ass." or "EVA") by Ergo was finalized.

On 31 December 2017, following the authorization of I.V.A.S.S., the merger by acquisition of Old Mutual Wealth Italy S.p.A. and Eurovita Assicurazioni S.p.A. into Ergo Previdenza S.p.A., which simultaneously changed its name to Eurovita S.p.A., became effective.

The consolidated Financial Statements for the year ended 31 December 2017 were prepared by recognizing the effects of the accounting allocation process carried out at the time of acquisition of control of Old Mutual Wealth Italy S.p.A. (9 January 2017) and Eurovita Assicurazioni S.p.A. (11 August 2017) on the part of Ergo Previdenza S.p.A. (now Eurovita). For further details on these business combinations, please also refer to the contents of the Directors' Report on Operations.

Final Situation of the Initial Recognition of the Business Combination Relating to the Acquisition of the Ergo Italia Group

At 30 June 2017, the process for the recognition of the business combination transaction relating to the acquisition of the Ergo Italia Group, which took place on 30 June 2016, was completed within the one-year time limit laid down in IFRS 3. In particular, with reference to 31 December 2016, the fair value of intangible assets related to the acquired Life business, attributable to the company Ergo Previdenza (now Eurovita S.p.A.) was set: the value relating to the policy portfolio in place at the acquisition date was set (fair value of future profits generated by contracts in force at the time of measurement). The fair value at the acquisition date was €159.3 million (Value in Force or "VIF").

Furthermore, in consideration of additional information acquired as a result of in-depth analyses and auditing activities, additions and/or adjustments were made with respect to the values found in the initial provisional recognition shown in the 2016 Consolidated Financial Statements, with reference to the items Loans and Receivables, Technical Provisions, and Gains or losses on financial assets available for sale, and related tax effects. With reference to Income Statement items, additions and/or adjustments were made with reference to the items Income from other financial instruments and real property investments, Charges arising from other financial instruments and real property investments, Net charges relating to claims, Other costs, and Other revenues, and related economic effects.

The table below provides details of the final values at 31 December 2016, with reference to the acquisition date, assigned to identifiable assets acquired and liabilities assumed, compared with the values presented in the Consolidated Financial Statements at 31 December 2016:

(amounts in Euros)

		31 DECEMBER 2016	CHANGE FOR FV COMPUTATION	31 DECEMBER 2016 NEW
1	**INTANGIBLE ASSETS**	**105.545.247**	**56.390.264**	**161.935.511**
1.1	Goodwill	0	0	0
1.2	Other intangible assets	105.545.247	56.390.264	161.935.511
2	**TANGIBLE ASSETS**	**16.071.969**	**0**	**16.071.969**
2.1	Land and buildings (self used)	15.284.396	0	15.284.396
2.2	Other tangible assets	787.573	0	787.573
3	**AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**1.611.454.695**	**0**	**1.611.454.695**
4	**INVESTMENTS**	**4.516.797.309**	**-165.689**	**4.516.631.620**
4.1	Land and buildings (investment properties)	0	0	0
4.2	Investments in subsidiaries, associated companies and joint ventures	0	0	0
4.3	Held to maturity investments	0	0	0
4.4	Loans and receivables	341.032.157	-165.688	340.866.469
4.5	Available for sale financial assets	4.150.288.033	0	4.150.288.033
4.6	Financial assets at fair value through profit or loss	25.477.118	0	25.477.118
5	**RECEIVABLES**	**42.298.201**	**0**	**42.298.201**
5.1	Receivables arising out of direct insurance operations	23.276.289	0	23.276.289
5.2	Receivables arising out of reinsurance operations	7.774.303	0	7.774.303
5.3	Other receivables	11.247.609	0	11.247.609
6	**OTHER ASSETS**	**174.748.667**	**0**	**174.748.667**
6.1	Non-current assets or disposal groups classified as held for sale	0	0	0
6.2	Deferred acquisition costs	22.160.429	0	22.160.429
6.3	Deferred tax assets	0	0	0
6.4	Tax receivables	79.770.216	0	79.770.216
6.5	Other assets	72.818.021	0	72.818.021
7	**CASH AND CASH EQUIVALENTS**	**252.688.322**	**0**	**252.688.322**
TOTAL ASSETS		**6.719.604.410**	**56.224.575**	**6.775.828.985**

		31 DECEMBER 2016	CHANGE FOR FV COMPUTATION	31 DECEMBER 2016 NEW
1	**SHAREHOLDERS' EQUITY**	**402.295.383**	**40.357.501**	**442.652.884**
1.1	Group capital	401.435.728	40.357.502	441.793.230
1.1.1	Share capital	10.000	0	10.000
1.1.2	Other equity instruments	0	0	0
1.1.3	Capital reserves	242.552.748	0	242.552.748
1.1.4	Revenue reserves and other reserves	0	0	0
1.1.5	(Own shares)	0	0	0
1.1.6	Reserve for currency translation differences	0	0	0
1.1.7	Reserve for unrealized gains and losses on available for sales financial assets	-7.894.158	6.187.275	-1.706.883
1.1.8	Reserve for other unrealized gains and losses through equity	88.826	0	88.826
1.1.9	Result of the period	166.678.313	34.170.226	200.848.539
1.2	**Third parties capital**	**859.655**	**0**	**859.655**
1.2.1	Third parties capital and reserves	851.019	0	851.019
1.2.2	Reserve for other unrealized gains and losses through equity	0	0	0
1.2.3	Result of the period	8.636	0	8.636
2	**OTHER PROVISIONS**	**9.830.631**	**0**	**9.830.631**
3	**INSURANCE PROVISIONS**	**4.592.092.715**	**-2.112.373**	**4.589.980.342**
4	**FINANCIAL LIABILITIES**	**1.570.659.637**	**0**	**1.570.659.637**
4.1	Financial liabilities at fair value through profit or loss	8.096.252	0	8.096.252
4.2	Other financial liabilities	1.562.563.385	0	1.562.563.385
5	**PAYABLES**	**74.296.090**	**0**	**74.296.090**
5.1	Payables arising out of direct insurance operations	651.482	0	651.482
5.2	Payables arising out of reinsurance operations	12.512.416	0	12.512.416
5.3	Other payables	61.132.193	0	61.132.193
6	**OTHER LIABILITIES**	**70.429.953**	**17.979.448**	**88.409.401**
6.1	Liabilities directly associated with non-current assets and disposal groups classified as held for sale	0	0	0
6.2	Deferred tax liabilities	56.817.489	17.979.447	74.796.936
6.3	Tax payables	5.196.237	0	5.196.237
6.4	Other liabilities	8.416.227	0	8.416.227
TOTAL EQUITY AND LIABILITIES		**6.719.604.410**	**56.224.576**	**6.775.828.986**

(amounts in Euros)

		31 DECEMBER 2016	CHANGE FOR FV COMPUTATION	31 DECEMBER 2016 NEW
1.1	Net earned premiums	125.004.401	0	125.004.401
1.1.1	*Gross earned premiums*	162.239.735	0	162.239.735
1.1.2	*Earned premiums ceded*	37.235.335	0	37.235.335
1.2	Fee and commission income and income from financial service activities	-289.966	0	-289.966
1.3	Net income from financial instruments at fair value through profit or loss	-1.862.210	0	-1.862.210
1.4	Income from subsidiaries, associated companies and joint ventures	0	0	0
1.5	Income from other financial instruments and land and buildings (investment properties)	13.704.191	4.339.234	18.043.425
1.5.1	*Interest income*	4.515.518	3.168.242	7.683.760
1.5.2	*Other income*	4.057.262	0	4.057.262
1.5.3	*Realized gains*	5.131.411	1.170.992	6.302.403
1.5.4	*Unrealized gains and reversal of impairment losses*	0	0	0
1.6	Other income	180.792.696	49.586.368	230.379.064
1	**TOTAL INCOME**	**317.349.111**	**53.925.602**	**371.274.714**
2.1	Net insurance benefits and claims	45.176.609	9.397.056	54.573.665
2.1.1	*Claims paid and change in insurance provisions*	96.680.662	9.397.056	106.077.718
2.1.2	*Reinsurers' share*	-51.504.053	0	-51.504.053
2.2	Fee and commission expenses and expenses from financial service activities	27.101	0	27.101
2.3	Expenses from subsidiaries, associated companies and joint ventures	0	0	0
2.4	Expenses from other financial instruments and land and buildings (investment properties)	33.914.526	1.939.228	35.853.754
2.4.1	*Interest expenses*	32.743.660	0	32.743.660
2.4.2	*Other expenses*	0	0	0
2.4.3	*Realized losses*	787.194	2.322.900	3.110.094
2.4.4	*Unrealized losses and impairment losses*	383.672	-383.672	0
2.5	Acquisition and administration costs	26.314.418	0	26.314.418
2.5.1	*Commissions and other acquisition costs*	10.244.756	0	10.244.756
2.5.2	*Investment management expenses*	2.683.746	0	2.683.746
2.5.3	*Other administration costs*	13.385.916	0	13.385.916
2.6	Other expenses	39.059.330	-6.803.896	32.255.434
2	**TOTAL EXPENSES**	**144.491.984**	**4.532.389**	**149.024.373**
	EARNINGS BEFORE TAXES	**172.857.127**	**34.110.695**	**206.967.822**
3	**Income taxes**	**6.170.178**	**15.222.988**	**21.393.166**
	Current taxes	7.651.930	0	7.651.930
	Deferred taxes	-1.481.752	15.222.989	13.741.237
	EARNINGS AFTER TAXES	**166.686.948**	**34.170.226**	**200.857.174**
4	**RESULT OF DISCONTINUED OPERATIONS**	**0**	**0**	**0**
	CONSOLIDATED RESULT OF THE PERIOD	**166.686.948**	**34.170.226**	**200.857.174**
	Attributable to the Group	**166.678.313**	**34.170.225**	**200.848.539**
	Attributable to Minority Interests	**8.636**	**0**	**8.636**

Scope of Consolidation

IFRS 10 requires the consolidation of all subsidiaries regardless of the business activity being carried on.

The table below shows the list of companies consolidated on a line-by-line basis, in which the Parent Company Eurovita Holding S.p.A. directly and indirectly holds the majority of voting rights that may be cast at the Annual General Meeting of Shareholders.

Company	Direct and indirect % of shares	Share Capital in Euro million	Address	Business
Eurovita S.p.A.	99,45%	90,50	Milan	Life insurance
Eurovita Service S.c.r.l.	100,00%	8,50	Milan	Consortium
Agenzia Eurovita S.r.l.	100,00%	0,26	Milan	Insurance agency

In preparing the consolidated Financial Statements:

- the accounting statements of the Companies included in the scope of consolidation were used as at 31 December 2017, prepared in accordance with the IFRS standards adopted by the European Union;
- all balances and significant transactions between Group Companies were eliminated, as well as any unrealized gains and losses in intercompany transactions;
- the Income Statement was consolidated starting from the date of entry into the Group. This concerns the companies acquired by and merging into Eurovita S.p.A. with effect as of 31 December 2017, namely Old Mutual Wealth Italy acquired on 9 January 2017 and Eurovita Assicurazioni S.p.A. acquired on 11 August 2017.

Accounting Standards and Measurement Criteria

The Board of Directors reasonably expects the Group companies to continue with their operational existence in the foreseeable future and prepared the consolidated Financial Statements on a going concern assumption. It is believed that the current market situation will not lead to significant uncertainties regarding events or conditions that may generate doubts about the Group's going concern.

The consolidated Financial Statements at 31 December 2017 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union. International Financial Reporting Standards (IFRS) refer to all international accounting standards called "International Financial Reporting Standards" (IFRS) and "International Accounting Standards" (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor the Standing Interpretations Committee (SIC).

No new issues and amendments to the IAS / IFRS were adopted by the Group in advance.

Balance Sheet

Intangible Assets

Goodwill

Intangible assets include goodwill (also provisionally calculated on the basis of the provisions of IFRS 3) paid in corporate acquisitions / integrations. Since such goodwill is with an indefinite useful life, it is not amortized, but is valued at least once a year, or in any case whenever there are indicators of potential permanent loss in value, by means of an impairment test; if the loss in value is confirmed as permanent, it is recognized in the Income Statement and will not be recovered in subsequent financial years.

Other Intangible Assets

In accordance with IAS 38, an intangible asset should only be recognized if it is identifiable and controllable by the company, if future business benefits are expected from its use and its cost can be determined and/or is reasonably determinable.

These assets are valued at purchase or production cost net of amortization and accumulated impairment losses. Amortization on a straight-line basis is calculated according to the estimated expected useful life and begins when the asset is available for use.

Other intangible assets include goodwill paid for the acquisition of Life portfolios (value in force, or VIF): the value of the contracts acquired is determined by estimating the present value of future cash flows of existing contracts. VIF is amortized on the basis of the actual life of the contracts acquired. This assessment is reviewed every year.

Tangible Assets

Land and buildings (self used)

In compliance with IAS 16, these are recognized at purchase cost including ancillary charges and are shown net of depreciation and any accumulated impairment losses. They are depreciated on a straight-line basis using rates considered fair in relation to the technical and business evaluation of the residual possibility of using the real property. The rate applied is 2%.

The value of land, separated from that of buildings, should not be amortized. The real property presented in the consolidated Financial Statements at 31 December 2016 was sold during 2017.

Other Tangible Assets

In compliance with IAS 16, these should be recognized at purchase cost including ancillary charges and are shown net of depreciation and any accumulated impairment losses. They are depreciated on a straight-line basis using rates considered fair in relation to the technical and business evaluation as to the residual possibility of use of the assets.

The value of other tangible assets and their residual life are reviewed at the end of each financial year.

The depreciation rates used during the financial year, unchanged with respect to the previous period, are as follows:

	Furniture	Ordinary office machines	Electronic office machines	Plants and equipment
Depreciation rate	12%	20%	20%	10%

Ordinary maintenance and repair costs are expensed in the financial year in which they are incurred.

Amounts ceded to reinsurers from insurance provisions

This macro-item includes the commitments of reinsurers that derive from reinsurance contracts governed by IFRS 4. They should be calculated and recognized according to the contractual conditions provided for in the reinsurance treaties, unless otherwise assessed in regard to the recoverability of the loan.

Investments

Group companies record investments by trading date and not by settlement date, as permitted by IAS standards.

In determining the fair value of financial instruments, three different levels of input are identified:

- level 1: input represented by quoted prices (unmodified) in active markets for identical assets or liabilities which can be accessed at the valuation date;

- level 2: inputs other than quoted prices included in Level 1 that are directly or indirectly observable for the assets or liabilities to be valued;

- level 3: unobservable inputs for the asset or liability, for which estimates and assumptions made by the evaluator are used.

The choice between the aforementioned methodologies is not optional, since they must be applied in hierarchical order. Please refer to the annexes to the Explanatory Notes for details on the breakdown of financial instruments by fair value levels.

Loans and Receivables

This item includes loans on policies, mortgages, loans to employees, deposits with ceding entities (reinsurers), repurchase agreements, time deposits, receivables for claims against agents, unlisted debt securities not available for sale that the Group intends to hold in the foreseeable future, and the existing collateral under any forward contracts signed.

This category also includes unlisted debt securities, possibly comprising a bond component separated from structured products.

For loans and receivables of a non-insurance nature, initial recognition is made at fair value (amount disbursed including transaction costs and directly attributable commissions). The subsequent valuations are carried out at amortized cost, using the effective interest method, including any write-downs.

Loans and receivables of an insurance nature should be recognized and valued according to the criteria established by the Italian standards, in accordance with the provisions of IFRS 4, i.e. they are recognized at their nominal value and subsequently valued at their presumed realizable value.

Available for sale financial assets

This category includes debt securities, equity securities, UCI units, and equity investments deemed strategic (shares of less than 20% of the share capital, of strategic importance from a commercial or corporate standpoint).

OICR units should be allocated in their respective asset classes on the basis of the prevailing underlying. Therefore, fixed-income were allocated to capital instruments items.

This category is defined in residual terms by IAS 39 and includes non-derivative financial assets designated as available for sale or that have not been otherwise classified.

At the time of initial recognition, the financial instrument is measured at cost (including directly attributable transaction costs), as an expression of fair value at that date, in accordance with IAS 39; financial assets are recognized in the Balance Sheet when the Group becomes a party to the contractual clauses of the instrument. In case of initial recognition deriving from a restatement of the instrument from a different class, fair value at the time of transfer is used.

Any subsequent measurements are carried out at fair value, represented by the listing at that date or, in the event of non-listing on an active market, it will be calculated by using valuation techniques generally recognized by the financial markets.

For the purpose of the listing, a market is considered active when it can set a price at which a transaction could occur, the existence of official prices in a regulated market being an optimal, but not required, condition for setting a fair value; however, in the event that the prices on regulated markets do not represent a condition of sufficient liquidity, markets capable of representing effective trading, even if not regulated, are preferred by favoring the principle of substance over that of form.

The Income Statement includes charges and income capitalized on the basis of the amortized cost according to the effective return rate method. Unrealized gains and losses are instead recorded in a specific shareholders' equity reserve (including taxation).

In the event of sale or loss in value caused as a result of an impairment test, any unrealized gains or losses accumulated up to that moment in shareholders' equity are transferred to the Income Statement.

A financial asset available for sale is canceled from the Balance Sheet if, following its natural maturity, disposal, or other event, the contractual rights on the cash flows, as well as the risks and benefits associated with the same, expire or are transferred. Simultaneously with the cancellation of the asset, the amount corresponding to the gains and losses accumulated in the equity reserve is recognized in the Income Statement.

Assets are recorded at the settlement date.

Impairment policy for financial assets

In light of the merger that characterized financial year 2017, in order to make the impairment policy more consistent with the new investment portfolio and market practices, the Company's management decided to modify the impairment test triggers, as explained below.

At each reporting date, if there is reasonable evidence of the existence of a permanent loss, the value of the instrument is adjusted accordingly (impairment), recognizing the corresponding cost in the Income Statement.

IAS 39 requires that, at each reporting date, companies must check whether there is any objective evidence that a financial asset, or group of financial assets, has suffered impairment.

The units of mutual funds are considered as equity securities for the purposes of the impairment test.

For the purposes of the impairment test, the Group analyzed the following situations for equity securities:

a) the market price was always lower than the initial recognition value in the past 12 months;

b) the decrease in value at the reference date was 30% higher than the initial recognition value.

It should be noted that particular cases, such as FIAs in a start-up phase (where the initial loss in value is natural), will be analyzed in detail in order to verify the actual and objective loss in value.

For the aforementioned securities, if evidence of impairment is confirmed, the overall change in fair value is recognized in the Income Statement with a write-off of the reserve on assets available for sale.

With regard to fixed-return financial instruments, in order to verify the possible need to proceed with impairment, the Group examines objective factors or concrete information that calls into question the payment of benefits (payment of coupons or repayment at maturity); losses in value of more than 20% of the amortized cost of the investment or decreases in the fair value below 70% of the nominal value constitute further indications and grounds for assessment. It should be specified that the 70% threshold is not valid for the zero coupon securities component.

The recognition of impairment over previous periods is considered a condition for further impairment if the security was still producing a loss at the measurement date.

If a capital security has suffered impairment, any subsequent value recoveries will be recorded in the specific shareholders' equity reserve, reversal of impairment being prohibited. The recovery of value adjustments up to the corresponding amortized cost value is permitted for debt securities, provided that the reasons underlying the permanent loss have ceased to be effective on the basis of objective evidence. This value recovery is recorded in the Income Statement.

Financial assets at fair value through profit or loss

This category includes assets held for trading in the short term (in line with the definitions of IAS 39, supplemented with the provisions of European Commission Regulation No. 1864 of 15 November 2005) and assets designated at fair value through profit or loss.

The following assets are assigned to the latter category:

- structured instruments, in which there is an embedded derivative not strictly connected to the primary contract, for which IAS 39 (paragraph 12) provides for the separate accounting of the two components and which the Group has decided not to account for separately;
- derivative components, separated from the primary contracts according to IAS 39 (paragraph 11), in turn accounted for among other categories (Loans and receivables - Assets available for sale);
- derivative contracts excluding hedging contracts.

The assets designated at fair value through profit or loss also include assets hedging the Company's commitments for insurance and/or investment contracts with investment risk borne by policyholders, as well as derivative financial instruments that do not meet the conditions qualifying an effective hedging, according to the definition provided by the IFRS, between the derivative instrument and the hedged item.

In accordance with IAS 39, financial assets should be recognized in the Balance Sheet when the Group becomes a party to the contractual clauses of the instrument.

Initial recognition is carried out at cost, as an expression of fair value at that date. The subsequent valuations are carried out at fair value, represented by the pricing at that date or, in the event of non-listing on an active market, calculated by using valuation techniques generally recognized by the financial markets.

For the purpose of the calculation, a market is considered active when it can set a price at which a transaction could occur, the existence of official prices in a regulated market being an optimal, but not required, condition for setting a fair value; however, in the event that the prices on regulated markets do not represent a condition of sufficient liquidity, markets capable of representing effective trading, even if not regulated, are preferred by favoring the principle of substance over that of form.

Unrealized gains and losses were recorded in the Income Statement.

Assets were recorded at the settlement date.

Receivables

Receivables arising out of direct insurance operations and Receivables arising out of reinsurance operations

In accordance with IAS 39, these items include receivables from policyholders, insurance and reinsurance brokers, and insurance and reinsurance companies.

They are recognized at nominal value and subsequently measured at their presumed realizable value. Since these are short-term receivables, discounting methods are not used since the effects thereof would not be significant.

Other Receivables

In compliance with IAS 39, this item includes non-insurance receivables.

They are recognized at nominal value and subsequently valued at their presumed realizable value. Since these are short-term receivables, discounting methods are not used since the effects thereof would not be significant.

Other Asset

Deferred Acquisition Costs

Starting from the end of financial year 2003, the Group amortized commissions in prepaid form relating to policies with annual premiums with regular payment of the premium, within the limits of the charge included in the portion of the commissionable premium, with the exception of:

- commissions relating to individual forms of insurance, including guarantees associated with the same - temporary insurance in the event of death and disability, and optional temporary insurance in the event of death;
- commissions relating to unit-linked policies;
- commissions relating to supplementary guarantees.

Commission bonuses were excluded from the acquisition costs to be amortized.

The above charges, to be calculated on each individual policy, are amortizable for a maximum period of 10 years, and are in any case amortized within the limit of the contractual duration and premium charges.

At each closing, the deferred acquisition costs relating to contracts issued during the reference period (also for partial redemption), are expensed by charging the residual commission through profit or loss.

Current and Deferred Tax Assets

Income taxes are calculated in compliance with current tax legislation, Presidential Decree No. 917/1986, as amended by Legislative Decree No. 38/2005, also taking into account the amendments brought by Law No. 244/2007 (2008 Finance Law), the provisions of Law No. 208 of 28 December 2015 (2016 Stability Law), the prevailing interpretations provided by legal theory and official instructions by the (Italian) Financial Administration.

I.R.A.P. (regional tax on productive activities) is calculated in compliance with the provisions of Legislative Decree No. 446/1997, as amended by the aforementioned Law No. 244/2007.

The tax burden is represented by the total amount of current and deferred taxation included in the calculation of profit or loss for the period. Income taxes are recorded in the Income Statement with the exception of those relating to items debited or credited directly to shareholders' equity. The Company records the effects related to current and prepaid taxes applying tax rates in force.

Provisions for income taxes are calculated on the basis of a prudent forecast of the current, prepaid, and deferred tax burden.

Prepaid and deferred taxes are calculated on the basis of the temporary differences between the value attributed to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes, without any time limit.

Temporary differences can be:

- taxable, i.e. they will result in taxable amounts when computing the taxable income of future financial years when the book value of the asset or liability has been realized or eliminated;
- deductible, i.e. they will be translated into amounts that are deductible when computing the taxable income of future financial years when the book value of the asset or liability has been realized or eliminated.

Prepaid tax assets represent income taxes recoverable in future financial years attributable to:

- deductible temporary differences;
- carry-forward of unused tax losses.

Prepaid tax assets are recognized in the Financial Statements to the extent that they are likely to be recovered, which is also assessed on the basis of the Company's and the Group's ability, as a result of opting for the "tax consolidation", to generate positive taxable income on an ongoing basis.

Deferred tax liabilities represent taxes due in future financial years attributable to temporary taxable differences. All deferred tax liabilities are recognized in the Financial Statements.

Deferred tax assets and liabilities being recognized are regularly measured to take into account any changes in tax rules or tax rates.

Starting in financial year 2008, the new formulation of the standard IAS 12.74 was implemented. It provides for the obligation to offset deferred tax assets and liabilities relating to income taxes of the same type and attributable to the same taxable person or different taxable persons who intend to settle such items on a net basis, or to realize the assets and settle the liabilities simultaneously, in each subsequent financial year.

Other Assets

The item mainly includes deferred acquisition costs (DAC) on insurance and reinsurance contracts classified as Investment Contracts in accordance with the provisions of IFRS 4 and treated in compliance with the provisions of IAS 18.

These costs refer to costs incurred for the financial management service to be provided over the duration of the contract. The acquisition costs also include any "welcome bonus" attributed to the customer.

For single-premium contracts, amortization is carried out over a period of 10 years. For annual premium contracts, the duration of amortization is based on the duration of the contract (with a maximum limit of 10 years). At each closing, it should be noted that deferred acquisition costs relating to contracts issued during the reference period (including for partial redemption), are expensed by charging the residual costs through profit or loss.

Cash and Cash Equivalents

This item includes cash, sight deposits, and bank deposits with the central bank, recognized at their nominal value.

Shareholders' Equity Attributable to the Group

Capital Reserves

This item, in particular, includes the share premium reserve of the company that draws up the Financial Statements.

Revenue Reserves and Other Reserves

This item, as required by IFRS 1, includes the reserve comprising any gains and losses arising from the first adoption of the IFRS standards. Consolidation reserves and other profit reserves are also included and any gains and losses arising from material misstatements and changes in accounting policies or estimates adopted, as required by IAS 8, may be included.

Reserve for unrealized gains and losses on available for sales financial assets

The item includes any gains or losses arising from the measurement of financial assets available for sale (IAS 39.55 (b)) directly entered in Shareholders' Equity, net of the component relating to the deferral of profits or losses to be attributed to policyholders (Shadow Accounting) and net of the related tax effects.

Reserve for other unrealized gains and losses through equity

This item includes any gains or losses arising from direct recognition in Shareholders' Equity, including gains or losses on hedging instruments of a financial flow.

Provisions

This macro-item includes provisions recognized in accordance with IAS 37, i.e. if there is a current (legal or implicit) obligation as a result of a past event, the use of resources to fulfill such obligation is probable and necessary and the amount thereof may be estimated reliably.

Technical Provisions

This macro-item includes any commitments that arise from contracts falling within the scope of IFRS 4, or contracts that, following the classification process described in the appropriate paragraph, have been classified among insurance contracts, with or without discretionary participation feature (DPF), or among investment contracts with DPF.

In life insurance, these are:

- actuarial reserves for pure, supplementary, and additional premiums, of premium reserves and technical provisions of supplementary insurance and expense reserves;
- provisions for sums to be paid, set aside for any exit from the portfolio due to claims, redemption, annuity, or maturity which, at year end, had not yet given rise to the corresponding payment;
- profit sharing and retrocession provisions.

Within technical provisions relating to investment contracts with DPF, a special reserve was set aside to limit volatility due to the presence of net unrealized gains / losses on assets (referred to as shadow accounting).

At the end of the financial year, in order to verify the fairness of the technical provisions and in compliance with the provisions of IFRS 4, an adequacy test is carried out based on the expected future cash flow values generated by the portfolio in place at the valuation date. Any inadequacy found will give rise to a supplementary provision pursuant to IFRS 4.15 (Liability Adequacy Test, or LAT).

Any negative goodwill paid for the acquisition of Life portfolios (value in force, or VIF) is also included in the technical provisions: the value of contracts purchased is calculated by estimating the present value of future cash flows of contracts in place. VIF is amortized on the basis of the average effective life of the contracts acquired. This estimate is reviewed every year.

Shadow Accounting Provisions

The shadow accounting technique, set forth in IFRS 4, makes it possible to account for unrealized losses and/or gains among technical provisions of insurance or investment contracts with discretionary participation feature, as if they had been realized.

The shadow accounting provision is determined as a Balance Sheet adjustment to actuarial provisions and is equal to the difference between the actuarial provision set aside and the actuarial provision that would have been set aside if all the valuation gains and losses (unrealized and recognized in shareholders' equity) had been implemented with a so-called "going concern" approach. It follows that shadow accounting is applicable to contracts for which the realization of net valuation gains and losses has an effect on actuarial provisions. Generally, for Italian products, this occurs for valuable tariffs, linked to segregated funds.

It should be noted that, before the merger by acquisition that characterized financial year 2017, the Company used the liquidation approach, therefore assuming that the capital gains and losses had all been realized at the cut-off date, without taking into account the any going-concern assumption of the policies. In light of the merger transaction and in order to make the shadow accounting calculation approach more consistent with reality, the Company's management decided to change the calculation approach, moving to the going-concern approach.

The shadow accounting going-concern approach allows to obtain:

- greater stability of the results for the period and changes in the Company's shareholders' equity;
- a faithful representation of the economic reality of business: the assumption of instant realization of valuation gains and losses is in general not consistent with the Company's discretion regarding the time and amount of the realization of investments of segregated funds;
- consistency with value measurements though profit or loss that take into account portfolio development;
- truthful and correct calculation of capital and results for IAS / IFRS purposes in scenarios of significant capital losses: the assumption of instant realization of capital losses could result in an unjustified capital reduction even if there is a current business performance well above guaranteed minimums;
- adherence to the 'going-concern' principle (included in the framework of IAS / IFRS standards), according to which the Financial Statements should be prepared on the assumption of the company's future going concern. In particular, in view of the commitments for maturities / redemptions, the Company can count on future cash flows deriving from the collection of premiums and/or from the collection of coupons / dividends, and from the repayment of bonds at maturity;
- consistency with the valuation system of Article 36 of Regulation 21 of 28 March 2008. The assumption of instant realization could penalize capital due to a possible 'double counting' of capital losses already considered in the supplementary provisions recognized according to the aforementioned Regulation No. 21/2008.

The "going-concern approach" is an approach that, in short, considers the following elements:

- the balance of potential gains and losses at the reference date for the period that are realized prospectively over a period of several years, consistent with the Company's management policies. The analysis is performed by single segregated fund;
- the reference yield on which to measure the impact of the realization of capital gains/losses is the "prospective natural return" of the individual segregated fund. The natural rate is defined as the rate of return before any possible realization and, from a theoretical standpoint, consists of income from equity investments, income from real estate investments, coupon flows, and issuing and trading discounts for bonds, and from the return on liquidity. Therefore, for the purposes of estimating the natural rate of return, only coupon flows, issuing and trading discounts generated by bond investments, and income that will be distributed by the bond funds which, according to their regulation, require the systematic distribution of earnings, are taken into consideration. It follows that the natural rate expresses the profitability of the segregated fund regardless of the management policies implemented by the Company. The analysis is performed by single segregated fund;
- the percentage of participation in gains / losses by policyholders taking into account the minimum guaranteed contractual rate, the minimum commission withheld by the Company for the management of contracts, and the average percentage of retrocession on returns if any. The analysis is carried out for each segregated fund and within the same by brackets of minimum guaranteed return.

Liability Adequacy Test (LAT)

In accordance with the provisions of IFRS 4, in order to verify the fairness of provisions, a Liability Adequacy Test (LAT) was carried out. This test was conducted in order to verify whether the technical provisions, including deferred liabilities to policyholders, are adequate to cover the fair value of future cash flows relating to insurance contracts.

The adequacy test is therefore performed by comparing the IAS / IFRS provision (which includes the portion deriving from the adoption of shadow accounting and the VIF) net of any deferred acquisition costs or intangible assets linked to the contracts in question, with the fair value of future cash flows relating to insurance contracts. Any eventual inadequacy is immediately charged through profit or loss.

Financial liabilities

Financial Liabilities at fair value through profit or loss

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

- financial liabilities held for trading, where negative positions on derivative contracts are classified;
- financial liabilities designated at fair value through profit or loss, where financial liabilities relating to contracts issued by insurance companies whose investment risk is borne by policyholders are classified, in the presence of insignificant insurance risk, and without discretionary participation feature. The item refers to the financial liabilities governed by IAS 39 (IAS 39.9,47 (a)) and therefore includes the financial liabilities constituted by the deposit component of investment contracts (within the meaning of IFRS 4.IG2) issued by the Company, comprising technical provisions relating to unit-linked, index-linked products.

With regard to the criteria applied in the estimation of the time when to account for a financial liability, when to derecognize it, in the initial and subsequent valuations, as well as the methods for recognizing any related charges, please refer to the paragraph relating to financial assets measured at fair value through profit or loss.

Other Financial Liabilities

The items of an insurance nature mainly refer to deposits received from reinsurers recognized at nominal value, and subordinated liabilities measured at amortized cost.

Payables

Payables arising out of direct insurance operations and Payables arising out of reinsurance operations

This item includes trade payables arising from direct and indirect insurance transactions. These payables are recognized at nominal value.

Other Payables

Among other things, this item includes provisions for amounts due to employees for Severance Indemnities, accrued up to 01/01/2007, valued, as required by IAS 19, based on actuarial assumptions of a demographic, economic, and financial type. For a detailed description of the method used to measure this liability, please refer to the paragraph “Employee Benefits”; the residual part of payables is recognized at nominal value, in accordance with IAS 39.

Other Liability

Current and Deferred Tax Liabilities

The item Current tax liabilities include payables to the (Italian) Tax Authorities for taxes to be paid.

Deferred tax liabilities are recognized for all taxable temporary differences between the book value of assets and liabilities and the corresponding value recognized for tax purposes, except for the cases provided for by IAS 12. Deferred tax liabilities are calculated by applying the tax rate according to the regulations in force at the end of the financial year. Please refer to the paragraph on tax assets for further details.

Other Liabilities

This item includes deferred commission income related to insurance and reinsurance contracts that do not fall within the scope of IFRS 4, as required by IAS 18.

These are up-front charges, i.e. acquisition charges relating to the financial management service provided, recorded and deferred over the duration of the contract. For contracts classified as Investment, the premium charges, generally on single premiums, intended to cover commissions, recurring expenses, and additional hedges, as well as to generate profits for the Company, are deferred on a straight-line basis over the duration of the contract, through the creation of a special reserve called DIR (Deferred Income Reserve), which includes reserves for future expenses, calculated with the Level 1 bases. The portion of premium charges to be deferred is that which is obtained from the gross premium, after excluding the part of the deposit (treated according to IAS39) relating to the invested premium, and removing the insurance component relating to additional hedges (when not financed entirely by recurring commissions).

For single-premium contracts, amortization is carried out over a period of 10 years. For annual premium contracts, the duration of amortization is based on the duration of the contract (without any limit). Deferred commission income relating to contracts issued during the reference period (including by partial redemption), are charged through profit or loss for the residual portion of the commission. The item also includes provisions for amounts due to employees for other long-term social security payments and remuneration. For a detailed description of the method used to measure this liability, please refer to the paragraph “Employee Benefits”.

The remaining part of liabilities is recognized at nominal value.

Income Statement

Net Earned Premiums

This item includes premiums relating to contracts pursuant to IFRS 4.2.

Premiums are accounted for with reference to their maturity irrespective of the date on which their actual cash collection takes place and net of taxes to be paid by policyholders. Premiums ceded to reinsurers include the amounts due to reinsurers under contractual reinsurance treaties concluded by the companies included in the scope of consolidation. During the financial year, with a view to harmonizing the criteria of the two merged companies, the insurance contracts identified were contracts underwriting insurance risk equal to or greater than 5%, obviously including the contracts under which the Company underwrites a significant insurance risk linked to longevity, mortality, or other biometric risks.

Fee and commission income and income from financial service activities

This item includes the accounting of revenues connected with financial services provided, as required by IAS 18.

This item therefore includes the operating commission income and other technical revenues relating to investment contracts, which do not fall within the scope of IFRS 4.

It also includes the amortization in the Income Statement of deferred income in connection with insurance and reinsurance contracts having a non-significant insurance risk and therefore valued according to IAS 39. This in particular refers to the positive margins deferred through the Deferred Income Reserve (DIR), as well as the Deferred Acquisition Costs (DAC) relating to commissions received under reinsurance treaties governed by IAS 39.

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

This macro-item includes realized gains and losses and increases and decreases in the value of financial assets and liabilities measured at fair value in the Income Statement.

Income from subsidiaries, associated companies and joint ventures

This macro-item includes income generated from investments in subsidiaries, affiliated companies, and joint ventures recognized in the corresponding asset item.

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

This macro-item includes income arising from financial instruments not valued measured at fair value through profit or loss. Namely: interest income (calculated using the effective interest method), other income from investments (dividends and other), realized gains, and valuation gains (reversal of impairment).

Other Revenues

This macro-item, among other things, includes other technical income in connection with insurance contracts falling under IFRS 4, exchange differences accounted for in accordance with the provisions of IAS 21, as well as gains realized and recoveries relating to tangible and intangible assets, as required by IAS 16 and IAS 38.

Net insurance benefits and claims

With reference to insurance contracts under IFRS 4.2, this macro-item includes the amounts paid, the change in the reserve for amounts to be paid, the actuarial provisions, the technical provisions when the investment risk is borne by the policyholders if related to insurance contracts, and other technical provisions of the life classes.

Recognition is carried out gross of settlement costs, net of reinsurance.

Fee and commission expenses and expenses from financial service activities

This item includes the recognition of costs connected to financial services received, as required by IAS 18. This item therefore includes other technical charges relating to investment contracts that do not fall within the scope of IFRS 4.

It also includes the amortization in the Income Statement of deferred charges in connection with insurance and reinsurance contracts with non-significant insurance risk and therefore valued in accordance with IAS 39. This in particular refers to commission expense deferred through the Deferred Acquisition Costs (DAC) relating to contracts governed by IAS 39.

Expenses from subsidiaries, associated companies and joint ventures

This macro-item includes the charges arising from investments in subsidiaries, affiliated companies, and joint ventures recorded in the corresponding asset item.

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

This macro-item includes charges arising from financial instruments not measured at fair value through profit or loss, as required by IAS 39. In detail: interest expense (calculated using the effective interest method), other investment charges, realized losses, and valuation losses (impairment).

Acquisition and administration costs

Commissions and Other Acquisition Costs

This item includes the fees due to the sales network in relation to the acquisition of insurance contracts pursuant to IFRS 4.2.

Investment Management Expenses

This item includes overheads and personnel expenses related to the management of financial instruments.

Other Administration Costs

This item includes overheads and personnel expenses not attributed to charges relating to the acquisition of contracts, settlement of claims, and management of investments. In particular, this item also includes overheads and personnel expenses associated with the administration of investment contracts that do not fall within the scope of IFRS 4.

Other Expenses

This macro-item, among other things, includes other technical charges related to insurance contracts falling within the scope of IFRS 4, exchange differences, supplementary provisions made during the financial year, as well as the losses realized, and permanent loss in value relating to intangible assets and relating to tangible assets for the portion not otherwise allocated to other cost items.

Current and Deferred Taxes

These items include charges relating to current taxes, calculated according to the tax legislation in force for the companies included in the scope of consolidation, as well as changes in deferred taxes, as defined and regulated by IAS 12.

Deferred taxes follow the same accounting treatment as the items to which they refer.

Other Information

Defined Benefits after Termination of Employment and Other Long-Term Benefits

Defined benefits should be set apart from defined contribution benefits due to the fact that, unlike the latter, not all actuarial and investment risks are borne by the party entitled to the same.

Defined benefits refer to pension plans (including severance indemnities) and healthcare assistance that the Group grants to its employees after termination of employment. The benefits due are based on the remuneration received by employees during a predetermined period of service, as well as on the working life of such employees. These benefits are assessed using actuarial criteria; the gains and losses arising from this valuation are recorded in the statement of comprehensive income of the vesting period, using the projected unit credit method.

The amendment to IAS 19 no longer allows for the use of the "corridor" method (which was not chosen by the Group in previous financial years), not making it possible to recognize part of the actuarial gains and losses when the change compared to the previous financial year was less than 10%.

Following the supplementary pension reform referred to in Legislative Decree No. 262 of 5 December 2005, the portions of employees' severance indemnities accrued up to 31/12/06 remained within the Company, while the portions of employees' severance indemnities accrued starting from 1 January 2007 were, at the employee's choice (by 30 June 2007), allocated to a supplemental pension scheme or to the I.N.P.S. Treasury Fund.

Any employees' severance indemnities accrued up to 31/12/2006 (or up to the date between 01/01/2007 and 30/06/2007 chosen by the employee in case of allocation of his/her severance indemnities to a supplemental pension scheme) will continue to be "Defined benefits" and therefore subject to actuarial valuation, albeit with a simplification in the actuarial assumptions, which will no longer take into account the forecast on future salary increases.

Any portions accrued from 01/07/2007 (or up to the date between 01/01/2007 and 30/06/2007 chosen by the employee in case of allocation of his/her severance indemnities to a supplemental pension scheme) were considered as a "Defined contribution" plan (since the Company's obligation ceases when the accrued severance indemnities are paid into the pension scheme chosen by the employee) and therefore the relevant cost for the period is equal to the amounts paid into the supplemental pension scheme or into the I.N.P.S. Treasury Fund.

Derecognition of Financial Instruments from Assets and Liabilities

A financial instrument will be derecognized from the Balance Sheet if, following its natural expiry, disposal, or other event, the contractual rights on the cash flows, as well as the risks and benefits associated with it, expire or are transferred.

Use of Estimates

The preparation of the Financial Statements and related notes in adoption of IFRS entails making estimates and assumptions that produce effects on the values relating to assets, liabilities, costs, and revenues, as well as on the presentation of contingent assets and liabilities at the reporting date. Such estimates and measurements are regularly reviewed by the Company's management on the basis of past experience and other factors deemed reasonable in such circumstances. Actual results may differ from such estimates due to different operating conditions and different assumptions.

Any changes in estimates are recognized in the Income Statement in the financial year in which they actually occur.

Insurance Contracts

IFRS 4 lays down the obligation to temporarily continue using the national accounting standards used until 2004 to account for insurance contracts, defined as contracts with a significant insurance risk, while life contracts with a high financial content and with no guaranteed return, or that do not provide for the discretionary participation feature are considered financial instruments falling within the scope of IAS 39, without prejudice to their representation in the life segment of the Financial Statements.

Risk Analysis

Introduction

The Group is equipped a risk management model, integrated into business, aimed at optimizing its risk-return profile by increasing profitability and maintaining an adequate level of economic / regulatory capital, thereby guaranteeing the expectations of shareholders and policyholders in terms of value creation and safeguard of the Company's assets.

The Company assumes risks prudentially by pursuing the following objectives:

- only bear risks pertaining to its core business, developing and offering products for which it is able to guarantee consolidated and high-level skills;
- only bear risks for the management of which the Company has suitable expertise and resources;
- ensure satisfactory and lasting results to shareholders through risk management, safeguarding the expectations of the contracting parties and policyholders and maintaining a capital surplus even in the face of extreme events;
- adopt prudent investment policies that aim to achieve efficient risk-return combinations;
- promote ethical values and a risk culture at all company levels;
- ensure the integration of risk management in the business through:
    - current and forward-looking risk assessment process, aligned and integrated with the main decision-making processes (e.g. definition of business plan);
    - assessment of the Company's Risk Appetite and control mechanisms over consistency between the latter and the actual risk profile;
    - explicit consideration of the impacts of the Company's business initiatives on the risk profile;
    - continuous monitoring of the Solvency Position by means of a sensitivity analysis.

The internal risk control and management system, proportional to the Company's size and operational characteristics, is structured according to three "Defense Lines", organized as follows:

- the First Line consists of persons - essentially belonging to "business" and "staff" Organizational Units - responsible for risk assumption and for monitoring risks in terms of initial identification, assessment, control / monitoring, management, and reporting thereof;
- the Second Line consists in the "second level" Control Functions, i.e. Risk Management, Compliance, and Actuarial Departments. In particular, the Risk Management department has the task of monitoring and maintaining the entire Risk Management System, which contributes to ensuring it effectiveness including by supporting the Board of Directors and Senior Management in relation to the definition and implementation of the same. The Actuarial Department contributes to effectively applying the risk management system, with particular regard to technical and capital aspects, making sure that the assumptions used in the calculation of technical provisions are consistent with the assumptions, criteria, and methods used by the Company to calculate own funds and the current and prospective solvency capital requirement. Finally, the Compliance Department, in addition to identifying the regulations applicable to the

Group on an ongoing basis by evaluating the impact thereof on processes and procedures, also has specific tasks in regard of non-compliance risk prevention;

- the Third Line consists in the Internal Audit Department, with respect to its role to provide independent "assurance".

The main elements of the risk management System are represented by:

- a process for defining the risk strategy, which will constitute the link between the Company's business strategy and risk management and will determine the general risk appetite framework by defining a set of risk management limits and requirements (Risk Appetite Framework);
- a process for identifying risks aimed at detecting the internal and external risk factors relevant to the Group and any changes that can have a significant impact on its business strategy and objectives on a continuous and ad hoc basis;
- a risk measurement and assessment process, aimed at quantifying the economic impact (with qualitative / quantitative methods) in terms of expected average loss in a complete and systematic way for each risk category through the use of the Standard Formula;
- a risk monitoring process, based on feedback inherent in the risk management process and on verification of the identified operational limits;
- a risk reporting process governing specific information flows between all the departments involved;
- dissemination of a risk management culture, aimed at increasing value creation, minimizing possible negative impacts.

The System aims to guarantee risk-based decision-making processes in accordance with the relevant national and European regulations and applies both to risks in place and to risks that can arise in existing businesses or in new businesses.

The Board of Directors is ultimately responsible for the internal control and risk management system, of which it ensures the continual completeness, functionality, and effectiveness, including in relation to outsourced activities. The governing body ensures that the risk management system enables the identification, evaluation also on a forward-looking basis, and risk control, including risks deriving from non-compliance with the rules, guaranteeing the goal of safeguarding assets, including in the medium-long term.

Senior Management is responsible for the implementation, maintenance, and monitoring of the internal control and risk management System, including risks deriving from non-compliance with the rules, in line with the directives of the Governing Body.

The Board of Statutory Auditors, as a body having control functions, verifies the adequacy of the organizational, administrative, and accounting structure adopted by the Company and its concrete operation.

The Supervisory Body, pursuant to Legislative Decree No. 231/2001, has supervisory and control functions on the operation, effectiveness, adequacy, and compliance of the Organization and Management Model adopted by the Company and is responsible for its updating.

In order to illustrate the corporate governance and internal control safeguards within the Group, it is also considered useful to note that committees have been established within the BoD of the parent company Eurovita Holding S.p.A.:

- Audit, Internal Control, and Risk Committee;
- Appointments and Remuneration Committee;
- Board Group Investment Committee.

These committees report to the parent company's BoD, which has approved their respective Operating Regulations.

Finally, the organizational area coordinated by the Chief Risk Officer includes the Anti-Money Laundering function, which aims to:

- ensure the suitability of the internal control system and corporate procedures with regard to the risk of money laundering and terrorist financing;
- prevent and combat the violation of laws, regulations, and codes of conduct on the matter.

The widespread risk management policy applied within the Company, reviewed and updated on an annual basis, defines the risk governance and risk appetite model. The taxonomy, measurement, control, and management of risks, and the risk reporting system, have been defined.

Mechanisms for sharing and exchanging information between the corporate bodies, the Supervisory Body, Senior Management, as well as the aforementioned Board Committees of the parent company, have been defined in order to make the activities of departments responsible for risk monitoring and control fully effective.

The rules and operational procedures followed for the management and monitoring of risks to which the Company is exposed have been defined in the Risk Management Directive of the Parent Company Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.), which in particular require the review of risks on an ongoing basis and at least quarterly and that the findings regarding the underlying risk profile be reported to the Board of Directors using the appropriate forms.

Based on the findings of the risk detection and assessment processes, a system of limits and triggers has been established by the Board of Directors setting risk tolerance limits on the risk bearing capacity.

Risks are being currently detected and managed on the basis of the provisions of the Risk Management Directive and in compliance with the provisions of Article 19 of Reg. No. 20/2008. Including in consideration of the Solvency II framework, such risks have been classified in the following risk categories:

- Financial risk;
- Life technical risk;
- Risk of counterparties' default;
- Other risks.

1 Financial Risk

The variables with the greatest impact on financial portfolios were monitored during the financial year. Therefore, the effects of market changes on the portfolio were assessed as part of risk management, both in qualitative and quantitative terms, with a view, on the one hand, to ensuring the availability of assets and, on the other, defining an investment management strategy related to the structure of commitments to policyholders, in order to improve the Company's profitability. For some of the Company's Segregated funds, financial management has been delegated to external companies (Goldman Sachs Asset Management, BNP Paribas Asset Management).

The most relevant risk factors for the "Class C portfolio" (traditional), given the nature of investments, are risks relating to interest rate, credit, concentration, liquidity, depreciation of equity and real estate assets, unfavorable exchange rates and also liquidity risk.

With a view to diversifying the portfolio and reducing interest rate risk (spread), the Company has increased the weight of indirect investments in credit and alternative funds and has stipulated (long and short) forward derivative contracts on government bonds in the Euro area.

With regard to investments in the "Class D portfolio" (unit-linked), the Company is indirectly exposed to a market risk transmitted by the policyholders' assets, since management fees are withdrawn in proportion to the market value of the customers' funds, rather than in proportion to their initial investment. This is an accepted risk of the Company's business model, which pursues the objective of making the proposal more attractive to customers.

The Company maintains a continuous monitoring of financial risks in order to implement any corrective measures and minimize the effects of adverse market changes that could lead to a depreciation of the value of investments, influence the behavior of policyholders, and increase the cost of yield guarantees embedded in the liabilities portfolio. Through an integrated analysis of assets and liabilities by individual Segregated funds, the sustainability of the guaranteed minimum amounts is evaluated with respect to the prospective macroeconomic scenario and the matching between assets and liabilities is analyzed in terms of net cash flows and duration. Targeted asset and return optimization actions have been carried out both in terms of ALM and for the purpose of a prospective reduction of the Solvency II capital requirement.

The Company, as also required by I.V.A.S.S. Regulation No. 24/2016, has arranged for and drafted the Framework Resolution on Financial Investments aimed at measuring and containing exposure to the market risk of portfolios. Moreover, it has established a Management Investment Committee, which meets monthly and in which corporate business and control bodies are invited to participate. This Committee works in support of the Board Group Investment Committee, at least quarterly, in which the Chief Risk Officer is invited to participate and whose purpose is to monitor the results achieved and verify the adequacy of the strategies and management tactics adopted in relation to the continuous evolution of the markets.

For a correct management of the Company's exposure to the financial markets, the management team has adopted the appropriate strategies developed with a view to defining the most consistent risk / return combination with the Company's objectives.

Interest rate risk is managed through a policy of optimizing investment performance and constant monitoring of the matching of assets and liabilities separately for separate management.

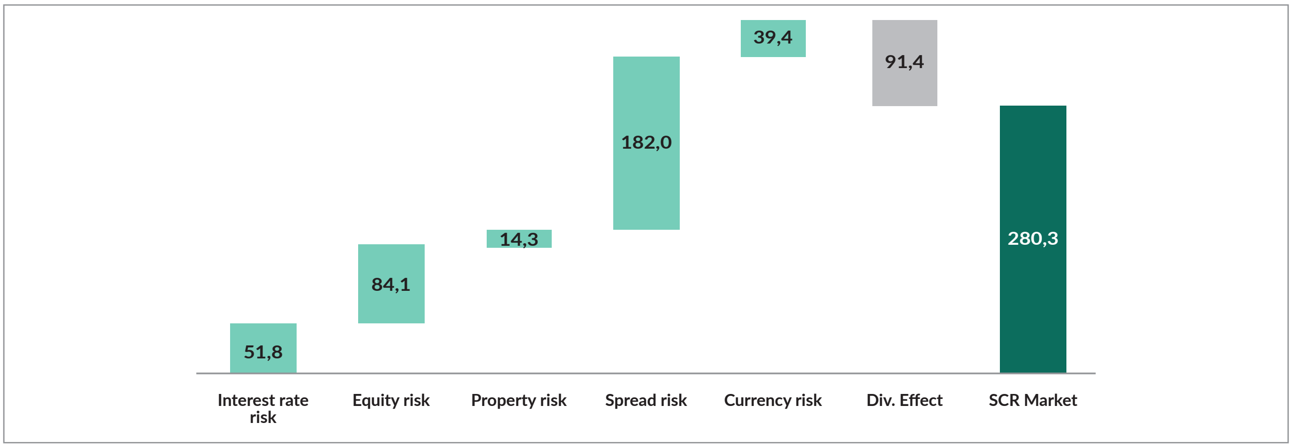
The Company manages *concentration risk* by defining specific limits by asset class, reviewed annually by the Board of Directors upon approval of the Framework Resolution on Investments.

The Risk Management Department periodically monitors compliance with the above limits.

The Company's "Class C" (traditional) portfolio at 31 December 2017 amounted to €9,693.6 million. It was stable and mainly comprised bond instruments (approximately 96.1%), equity securities (approximately 0.4%), alternative funds (approximately 2.1%), derivatives (approximately down 0.2%), real estate (approximately 0.5%) and liquidity in current accounts (approximately 1.1%).

The bond portfolio mainly includes securities issued in the Euro zone and mainly comprises government securities (approximately 66.3%), covered bonds, and corporate bonds (approximately 29.8%).

Market risk is assessed by Standard Formula. Considering the composition of the Company's portfolio, the results of the valuation report a consistent exposure mainly to the spread risk as reported in the following graph.



Liquidity risk arises when the Company, in order to meet the liquidity needs of Segregated funds, has no available funds and is unable to promptly liquidate the investment in securities without suffering significant losses in value.

The Company constantly carries out a careful analysis of its cash flows and, during the year, carried out a management action in order to mitigate this risk by limiting exposure to illiquid and structured products. Periodically monitoring of the risk is performed through the "Liquidity Contingency Plan", verifying whether the value of the Liquidity Coverage Ratio (LCR), i.e. the ratio of liquid assets to inflows / outflows, is not less than 125%. The Liquidity Coverage Ratio, at December 31, 2017, was equal to 200%.

2 Life Technical Risk

The Company's portfolio is represented by a balanced mix of hedging products with a main savings content, unit-linked products without guarantees, and pure risk hedging products for a residual portion.

In relation to the nature of the business and composition of the portfolio, it was found that the main underwriting risks to which the Company is exposed are as follows:

lapse risk, determined by changes in the level or volatility of the rates for early repayments due to withdrawals, partial redemptions, total redemptions, reductions (termination of premium payments), and other reasons;

- expense risk, linked to the possibility that the income generated by the business may not cover all the related costs incurred;
- biometric risk, with particular reference to the risks of mortality, disability, and morbidity, which is also mitigated through reinsurance.

With regard to longevity risk, this is negligible by virtue of the low number of annuity contracts. Guaranteed option ratios are not provided for in the products in the portfolio.

For risks associated with with-profit policies with minimum yield guarantees, in addition to integrating appropriate criteria that take into account the situation of the financial markets and the existing regulatory restrictions, the holding of the corresponding financial investments is measured over time using ALM techniques.

With regard to purely technical insurance risks, the Company pays particular attention to risks associated with the launch of new products and their assessment through profit testing to verify the sustainability of the coverage being offered, the riskiness, and the margins generated for the Company. The pricing is based on statistical analyzes of the actuarial type, including on a forward-looking basis, to ensure an adequate assumption of risks in setting the premium and margins, including in relation to contract placement and management / maintenance costs. There is also a continuous comparison and monitoring of market trends and foreseeable scenarios, a capital requirement calculation using the Solvency II "standard formula", and a careful assessment of exposure to insurance risk within the limits of risk tolerance in terms of quantity and type of new business during the annual planning phase.

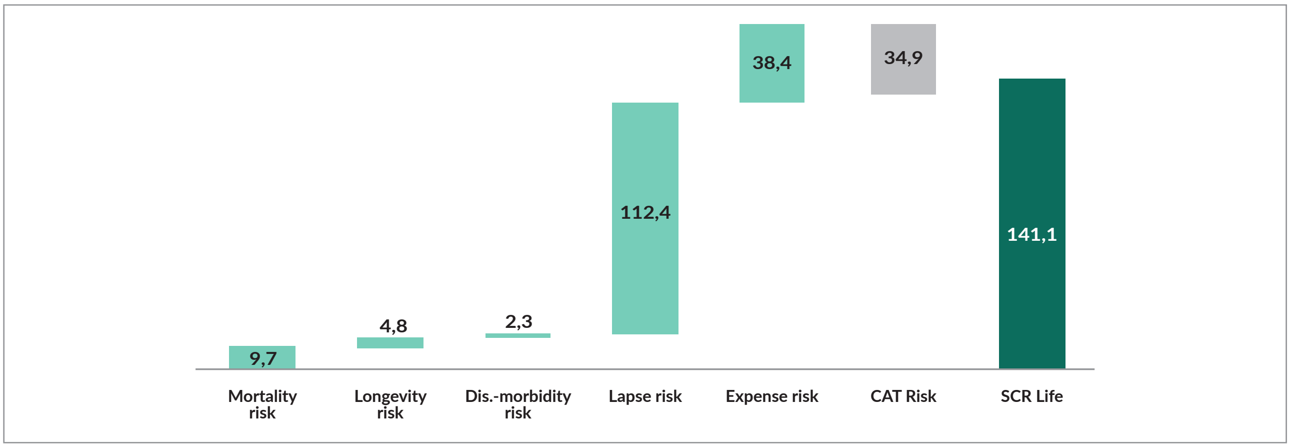
Product pricing follows the same risk measurement standards (assumptions, flow modeling, etc.) as those included in the overall risk management framework. To this end, the Company favors recourse to verified historical data (assumptions concerning redemption rates, mortality cases), used in a discriminate manner, i.e. paying attention to their overall solidity (historical series depth, correctness of the surveys, presence of anomalous data, suitability of historical data for use as predictive tools, etc.).

With regard to mortality risk, i.e. relating to insurance contracts in the "event of death", the mortality tables used for pricing are prudential and risk exposure is monitored through a comparison between actual mortality and theoretical mortality deduced from the tables themselves. Among risk mitigation factors, reinsurance is critical, especially for mortality risk.

The risk management policies adopted in association with life insurance contracts require the adoption, in the contract acquisition phase, of appropriate prudential rules aimed at achieving a careful selection of risks.

With regard to contracts that provide for payment of capital in the event of death, the underwriting policy provides for the acquisition of suitable health documentation, which should be the more detailed the higher the capital to be insured and the insured's age. The analysis and evaluation of the documentation received will then determine the decision to request further documentation, underwrite or reject the risk, or apply appropriate extra premiums (in relation to the insured's health condition, linked to certain professions and/or sports activities).

The risk is assessed through the Standard Formula and the graph below illustrates how the exposure to the risk of underwriting the Company is mostly due to the risks of early repayment and expenses.



The table below shows the concentration of direct gross premiums by business line; for the purposes of illustrating the exposure to insurance risks, the total amount of € 2,135.65 mln also includes premiums relating to the Eurovita Assicurazioni company for the pre-acquisition period.

(data in millions of euros)

Direct gross earned premiums per line of business			
IAS Classification	**first year's premiums**	**next year's premiums**	**Total**
Complementary	17,24	0,20	17,44
Indirect business	6,79	-	6,79
Insurance	162,95	7,11	170,05
Investment DPF	686,42	82,89	769,31
Investment	1.171,23	0,81	1.172,04
Total	**2.044,63**	**91,01**	**2.135,65**

The table below shows the concentration of the technical provisions of the direct gross business of the life segment by guarantee level offered.

(data in Euro millions)

Life insunce reserves for the performance guaraee	
	Direct Business December 2017
Reserves with interest rate guarantees	**8.800,97**
from >=0% to <=1%	**3.521,66**
from >=1% to <=2%	**3.018,65**
from >=2% to <=3%	**1.403,08**
from >=3% to <=4%	**857,58**
Over 4%	**-**
Reserve for mortality risk	**89,17**
Reserves linked to specific assets	**34,77**
Unit-Linked Reserves	**98,60**
Other Technical reserves	**206,88**
Shadow accounting reserve	**261,24**
Total	**9.491,63**

3 Risk of Counterparties' Default

The risk of counterparties' default (or "credit risk", or "default risk") reflects the possible losses due to unexpected defaults or deterioration of the creditworthiness of the Company's counterparties and creditors in the following 12 months. Credit risk sets apart at least three types of exposures subject to default, namely:

- the default of banking institutions where current accounts are held;
- the default of reinsurance companies;
- the default of other counterparties, including issuers of risk mitigation contracts, including vehicle companies, insurance securitization, and derivatives.

The Company periodically monitors the exposure to this risk and has certain management strategies in place, such as the setting by the Board of Directors of specific limits for the insolvency risk of financial intermediaries and quality, commitment, and solvency criteria with regard to the insolvency risk of reinsurers. The reinsurers with whom the Company operates must, in general, meet criteria of quality, commitment, and solvency; the Company's reinsurance policy is generally oriented towards prudent hedging of exposures to avoid unwanted risk concentrations.

The insolvency risk of financial brokers (bank exposures) is monitored and checked on a monthly basis as part of the monitoring of investments.

4 Other Risks

The Group's Risk Management System, in line with the provisions of I.S.V.A.P. Regulation No. 20/2008 and the Solvency II Directive, provides for the detection, assessment, and treatment of any other risks that, while not attributable to the categories referred to above, are deemed potentially detrimental to the achievement of the Group's objectives.

Therefore, an analysis is performed of the types of risk not included in the classifications illustrated above, including operational risk, legal compliance risk, strategic risk, and reputational risk. For these risks, the assessment of which is mostly qualitative, the Group has set up a management system that is considered suitable for containing the same at an acceptable level.

Operational risk is defined as the risk of suffering losses arising from the inadequacy or malfunction of processes, human resources, and internal systems, or due to external events. Risk management is essentially delegated to the business line managers, who are called to find and implement mitigation actions.

In relation to IT systems, the security, access, continuity, and performance requirements are guaranteed and integrated with the Disaster Recovery Plan system, which is geographically distant from the headquarters. The Group has a Disaster Recovery Plan in place that represents a specific strategic plan aimed at minimizing the loss of information and time for restoring corporate information in particularly critical situations; this plan defines the set of technology measures suitable for restoring systems, data, and infrastructures necessary for the provision of services as a result of catastrophic events.

Another important control consists in the mapping of corporate processes (business, government and support processes). In this regard, a specific Framework was developed, called S.e.r.p.i.c.o. (System for Enterprise Regulation of Process and Integrated Controls), which represents an integrated tool of business processes, analyzed by activity, and of the related risks and controls associated with individual activities. The S.e.r.p.i.c.o. Tool enables the risk and control analysis to be carried out by using a methodological and operational approach capable of providing the Risk Manager and other control functions with an effective tool for their auditing activities, spreading a culture of control over risks through a widespread knowledge of business processes.

With regard to the measurement of operational risk and the setting of the relevant capital absorption, the Group uses the standard formula method defined by EIOPA (in the Solvency II system).

Strategic risk is defined as the current or prospective risk of a decrease in profits or capital arising from external factors, such as insurance market, competitors, and customers, or internal factors, such as business strategy, and the achievement of strategic objectives set by the Board of Directors. Senior Management, with the support of the Risk Management Department and other departments involved, is responsible for detecting and assessing risks and setting out the actions and resources necessary for their management. The ongoing adoption of measures ensures the achievement of business objectives and strategic objectives, as well as a continuous assessment of the effectiveness of such measures.

Reputational risk is defined as the risk of deterioration of the corporate image and increased conflict with policyholders also due to the poor quality of services offered, the placement of inadequate policies, or the behavior of the sales network. The management of reputational risk involves setting certain control measures, categorized on the basis of risk factors, such as:

- Supervisory Authority,
- customers, products, and business;
- sales network;
- human resources.

The risk is also managed and monitored through the risk of non-compliance with rules, or the risk deriving from non-compliance with legislation, regulations, or measures of the Supervisory Authority, with the resulting possibility of incurring judicial or administrative penalties, or suffering losses resulting from reputational damage.

Transactions with Related Parties

1. Legal Framework

"Related parties" are parties defined as such by the International Accounting Standard IAS 24 concerning the financial statement disclosures on transactions with related parties.

In drafting this section of the Explanatory Notes, reference should be made to the applicable statutory provisions, the standard IAS 24, and the applicable provisions contained in I.V.A.S.S. Regulation No. 30 of 26 October 2016, which, with effect from 1 December 2016, repealed the aforementioned Regulation No. 25/2008.

In consideration of the delisting, which took place in April 2009, the procedures for managing transactions with related parties carried out by the Company no longer take into account the specificities and purposes related to the statutory and regulatory provisions set forth with regard to listed companies.

Following the issuance of I.V.A.S.S. Regulation No. 30/2016, which ordered the repeal, with effect from 1 December 2016, of I.S.V.A.P. Regulation No. 25/2008, intercompany transactions are defined by the "Policy for the Management of Intercompany Transactions", while transactions with related parties are governed by the "Policy for the Management of Transactions with Related Parties".

Both documents were presented and approved by the Board of Directors on 18 November 2016 and are reviewed at least annually. The document is currently under review and will be submitted for approval by the Board of Directors at the meeting to be held on 28 March 2018.

2. Management of Transactions with Related Parties

In accordance with the procedures and timeframe set out in the "Policy for the Management of Transactions with Related Parties", the appointed department provides the Chief Executive Officer, the Audit Committee, Internal Control and Risk, the Board of Directors, the Board of Statutory Auditors, and the Supervisory Body with adequate information regarding any transactions related party.

In particular, in case of transactions with related parties carried out by one of the entities as defined in the "Policy for the Management of Transactions with Related Parties", a timely notice (referred to as transaction notice) must be sent to the appropriate corporate body containing the following information: a) characteristics of the transaction; b) whether the transaction was directly ordered by the Company or through a subsidiary company; c) information on the effective / potential counterparty and whether it is a Related Party; d) classification of the transaction on the basis of the categories set out in the Policy and reasons underlying the classification (e.g. whether it is a transaction of major / minor importance); e) any elements that make it possible to link the transactions to a Framework Resolution; f) information as to the value of the transaction and tentative timeframe of commencement; for transactions of a non-negligible amount, the Transaction Notice should also contain: g) objective evidence confirming the fact that the transaction has been concluded on terms equivalent to market or standard conditions; h) reasons underlying the classification of the transaction.

The corporate body in charge, as a result of the information received, will perform checks with reference to the classification of the transaction and completeness of the documentation received. It will also support the corporate department involved in preventative monitoring activities for the approval of transactions and will launch the approval process required for significant and very significant transactions, notifying the Chief Executive Officer and/or the Chairman of the Audit Committee, Internal Control & Risk, who will, upon receipt of this communication, provide for the convening of the Committee for the purpose of issuing a non-binding opinion.

Transactions with related parties carried out by the Company must be recorded in a specific list, the management and keeping methods of which are set out in the Policy.

2.1. Transactions with Related Parties to be Submitted to the Examination and Prior Approval of the Board of Directors

The most significant transactions with a value, considering each individual transaction, equal to or greater than €5,000,000 will be submitted to the prior examination and approval of the Audit Committee, Internal Control & Risk, and the Board of Directors of the Company.

In particular, the Committee will, after receiving the documentation and information, examine the transaction and issue a reasoned opinion to the Board of Directors on the Company's interest (and on the subsidiary's interest for any transactions carried out through the same) in carrying out the transaction, as well as on the cost-effectiveness and substantial fairness of the relevant conditions.

If the Committee has expressed a reasoned opinion that is not favorable to the completion of the transaction, the Board of Directors may: i) approve the transaction in compliance with the conditions set by the Committee; ii) approve the transaction provided that the completion of the transaction is authorized by the General Meeting of Shareholders; iii) not approve the transaction. In any case, any resolution approving the transaction must acknowledge the proper adoption of the Policy and provide an adequate reason as to the Company's interest in carrying it out, as well as the cost-effectiveness and substantial correctness of the relevant conditions.

For transactions of lesser importance, the documentation will be sent to the Chief Executive Officer, who will examine the transaction and authorize it if this falls within the powers granted to the same or, in cases where the transaction does not fall within its powers, or in the event that the latter considers it appropriate, an opinion is given to the Committee on the Company's interest in carrying out the transaction, so that the same Committee may refer the relevant assessment and decision to the decision-making body. In any case, any resolutions approving the transaction must provide adequate reasons regarding the Company's interest in carrying it out, as well as the cost-effectiveness and substantial correctness of the relevant conditions. In case of approval of the Chief Executive Officer, the decision will be noted in specific reports.

3. Transactions with Related Parties Conducted during the Year

Pursuant to the applicable provisions on the subject, it should be noted that the monitoring activities carried out did not reveal transactions between related parties of a significant nature or not at market conditions.

Please refer to the Directors' Report on Operations for the identification of intercompany transactions with related parties in the financial year under review.

Information on the Consolidated Balance Sheet and Income Statement

The consolidated Financial Statements were prepared in a comparative form showing the corresponding values of the previous financial year.

It should be noted that the comparative analysis of Balance Sheet and Income Statement data is significantly affected by the acquisitions of Old Mutual Wealth Italy S.p.A. and Eurovita Assicurazioni S.p.A. carried out during the year. To facilitate the reading of the comparative Balance Sheet figures in the Explanatory Notes, where deemed appropriate, the comparison with the aggregate data for the previous financial year (aggregate 2016) is also shown. It was calculated as follows:

- values at 31 December 2016 of the merging company Ergo Previdenza S.p.A.;
- values resulting from the Balance Sheet of the merged companies OMWI and EVA at 1 January 2017 restated according to international accounting standards (IAS).

Some tables of the Explanatory Notes show details for companies included within the scope of consolidation. For the sake of simplicity of analysis, it should be noted that the comparative figure for financial year 2016 of the company Eurovita S.p.A., a company created from the merger of OMWI and EVA into Ergo Previdenza on 31 December 2017, includes data of the merging company only, formerly ERGO Previdenza.

Balance Sheet - Assets

1. Intangible Assets

1.1 Goodwill

The item Goodwill includes the value thereof generated following the acquisition of the insurance company Old Mutual Wealth Italy S.p.A. in 2017.

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	22.050	-
Total	**22.050**	**-**

The surplus of the acquisition cost of the shareholding of Old Mutual Wealth Italy, compared to the share at fair value of assets and liabilities, was accounted for as goodwill and represents a payment made in anticipation of future economic benefits arising from assets that cannot be identified individually and were recorded separately. The ancillary costs incurred at the time of acquisition were expensed in the Income Statement for the year.

The Company carried out an impairment test on this asset with an indefinite useful life that confirmed the book value. Therefore, the asset was not written down.

Furthermore, this valuation was supported by the evidence characterizing the 2017 management. With reference to events following the reporting date of financial year 2017, it should be noted that the positive business trend in the first weeks of 2018 and the forecasts for the entire financial year do not show elements of significant discontinuity with respect to 2017 such as to be negatively affect the past measurement due to subsequent events.

1.2 Other Intangible Assets

The item Other intangible assets was made up as follows:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	104.166	1.713
Eurovita Service S.c.r.l.	-	10
Agenzia Eurovita	610	956
Eurovita Holding S.p.A.	139.418	159.257
Total	**244.194**	**161.936**

The item, equal to €244,194 thousand (€161,936 thousand in 2016, €163,831 thousand on a like-for-like basis) shows an increase of €82 million compared to 2016.

All intangible assets have a definite useful life.

The following table illustrates the changes in the aforementioned item during the closing year:

(amounts in Euro thousand)

TOTAL IAS CONSOLIDATION	VALUE 31.12.2016	INCREASE	DECREASE	GROSS VALUE 31.12.2017	ACC. AMORT.	NET VALUE 31.12.2017
EXPANSION COSTS	-	-	0	-		-
LONG-TERM PROJECTS	763	-	0	763		763
VIF	159.258	126.984	0	286.242	-47.148	239.095
SOFTWARE	170	4.591	0	4.761	-3.439	1.322
RECOVERIES	893	51	0	944	-380	564
ASSETS IN PROGRESS	852	3.095	-887	3.060	-610	2.450
TOTAL	**161.936**	**134.721**	**-887**	**295.770**	**-51.577**	**244.194**

Amortization was calculated on the basis of the following rates considered representative of the useful life of each category:

Income expenses for third party assets:	12.50%
Start-up and expansion costs:	20%
Plant and equipment:	10%
Concessions and licenses:	20%
Software:	20%

The intangible assets recognize in the Parent Company Eurovita Holding S.p.A. related to the recognition of the VIF (Value in force) following the acquisition of the former Ergo Italia Group on 30 June 2016. The relevant amortization was set on the basis of the actual residual average life of the value-generating portfolio.

The increase in intangible assets is mainly due to the acquisition of the company Old Mutual Wealth Italy S.p.A. and related recognition of its gross VIF, equal to €126,985 thousand, and related amortization of €27,309 thousand, calculated on the average duration of its portfolio.

With regard to the subsidiary Agenzia Eurovita S.r.l., it should be noted that the intangible assets refer to the net value of recoveries charged by the principal companies for €564 thousand for the assignment of the insurance portfolio. With regard to the other subsidiaries, the Balance Sheet item mainly refers to software.

The breakdown of Other intangible assets (Item 1.2 Assets) separately specifying assets recognized at cost and those recognized at the restated value, or at fair value, is provided in the mandatory attachments, as per I.S.V.A.P. Regulation No. 7/2007.

2. Tangible Assets

2.2 Other Tangible Assets

The following table is proposed:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	594	219
Eurovita Service S.c.r.l.	88	565
Agenzia Eurovita	3	4
Eurovita Holding S.p.A.	-	-
Total	**685**	**788**

Statement of changes in tangible fixed assets:

(amounts in Euro thousand)

TOTAL IAS CONSOLIDATION	VALUE 31.12.2016	INCREASE	DECREASE	GROSS VALUE 31.12.2017	ACC DEPR.	NET VALUE 31.12.2017
FURNITURE AND FIXTURES	106	703	-538	271	-167	104
ELECTRONIC MACHINES	172	1.185	-	1.357	-1.179	178
PLANTS AND EQUIPMENT	469	511	-429	551	-190	361
SUNDRY ACC. OF REAL PROPERTY	42	-	-	42	-	42
TOTAL	**789**	**2.399**	**-967**	**2.221**	**-1.536**	**685**

The fair value, considered equal to the value in use, is provided in the appropriate attached table, with information on the corresponding value of the previous financial year.

Depreciation was calculated on the basis of the following tax rates considered representative of the useful life of each category:

Furniture:	12%
Electronic machines:	20%
Plant and equipment:	10%

2.1 Land and buildings (self used)

Land and buildings worth €15.28 million in total was recognized at 31 December 2016.

In December 2017, the building owned by the subsidiary Eurovita Service S.c.r.l., located in Milan Via Pampuri 13, where the Group companies operating in Italy have their registered offices, was sold by adding the obligation to enter into a lease agreement for the building for a duration of 12 years with no possibility of withdrawal, renewable for a further period of 6 years as a condition precedent for the completion of the sale transaction.

The adjoining land, ancillary goods, and instrumental facilities were sold together with the real property. The sale and leaseback transaction of the same asset represented a transaction within the scope of IAS 17 Leases. Since the sale and leaseback transaction was completed at market values by 31 December

2017, and the leasing contract is classifiable as operating lease, the conditions set forth in IAS 17 for the recognition in the Income Statement of the sale of the property were satisfied.

The total sale price amounted to €17 million and therefore led to a net capital gain of €2,006 thousand.

3. Amounts ceded to reinsurers from insurance provisions

Amounts ceded to reinsurers from insurance provisions, including business ceded and retroceded, amounted to €1,522,998 thousand (€1,611,455 thousand in 2016, €1,619,031 thousand on a like-for-like basis), with a total decrease of €88,457 thousand compared to 31 December 2016, due to the onset of the maturity on a significant generation being reinsured, although mitigated by the entry of reserves deriving from the acquisitions made during the year.

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Actuarial reserves	1.562.841	11.073	-109.584	1.464.330
Reserves for complementary ins. premiums	2.578		-275	2.303
Reserve for amounts due	45.689	508	9.892	56.089
Reserves for gains on equity investments	347		-71	276
Total Amounts ceded to reinsurers from insurance provisions	**1.611.455**	**11.581**	**-100.038**	**1.522.998**

The performance of the technical provisions borne by reinsurers reflects the evolution of the recurring annual premium portfolio and of the temporary death and supplementary policies. The actuarial reserves borne by reinsurers were calculated by applying the same criteria used for gross provisions.

Premium provisions on supplementary policies refer to accident and permanent disability coverage and were calculated by applying the *pro-rata temporis* criterion adopted for gross provisions.

The increase in the provisions for sums to be paid is due to the presence of a greater number of expiring policies compared to the end of the previous financial year.

The result of the ceded technical account is analyzed below, including the change in technical provisions, sums paid, profit shares, and commissions paid by reinsurers on the sum of the premiums ceded (amounts in Euro thousand):

(amounts in Euro thousand)

	Value at 31/12/2017	Value at 31/12/2016	Change
Change in technical provisions ceded	-100.038	-105.643	5.605
Premiums earned ceded	-57.663	-64.254	6.591
Commissions received from reinsurers	4.657	5.565	-908
Profit sharing and other technical charges / income	766	-487	1.253
Interest expense	-54.795	-83.493	28.698
Amounts paid borne by reinsurers	190.098	200.833	-10.735
Technical result ceded	**-16.975**	**-47.479**	**30.504**

The result of the ceded technical account was a negative €16.97 million, bringing a benefit of €30.5 million compared to the previous year, due to a decrease in interest expense on deposits, change in the ceded technical provisions, and premiums ceded, partially offset by the reduction in the amounts paid recovered from reinsurers.

The amounts ceded to reinsurers from insurance provisions are covered at 95.71% by deposits of the same reinsurers.

The table below shows the balance of provisions by type of reinsurer rating:

(amounts in Euro thousand)

Rating (Standard & Poor)	Provisions ceded
AA+	100.257
AA-	1.420.723
A+	1.078
A	838
BBB+ and less / No Rating	102
Grand total	**1.522.998**

4. Investments

4.4 Loans and Receivables

The following table shows the breakdown of Loans and Receivables, totaling €547,630 thousand, by type of investment compared with the corresponding values at the end of the previous financial year (€340,866 thousand in 2016, €584,308 thousand on a like-for-like basis):

(amounts in Euro thousand)

	31/12/17			31/12/16		
	Amort. cost	Book value	Fair Value	Amort. cost	Book value	Fair Value
Other loans and receivables	**42.440**	**42.440**	**42.440**	70.325	70.325	70.325
Debt securities	**409.963**	**409.963**	**406.559**	194.321	194.321	192.374
Deposits with credit institutions	**17.434**	**17.434**	**17.434**	-	-	-
Deposits with reinsurers	**77.793**	**77.793**	**85.823**	76.220	76.220	87.255
Total Loans and Receivables	**547.630**	**547.630**	**552.256**	**340.866**	**340.866**	**349.954**

In particular, it should be noted that the item Loans and receivables includes:

- loans amounting to €42,089 thousand, which includes €41,262 thousand relating to loans on policies;
- net recoveries from agents of €351 thousand. This amount includes €232 thousand relating to the allowance for doubtful accounts for recoveries. Among these, gross loans with a maturity of over one year amounted to €254 thousand, which includes €67 thousand exceeding five years;
- deposits with credit institutions of €17,434 thousand referable to the deposit with counterparties for collateral relating to forward securities subscribed during 2017;
- deposits with ceding institutions for a total of €77,793 thousand;
- debt securities, including the related accrued income of €409,963 thousand.

Debt securities comprise private placement issues and unlisted bonds of €328,514 thousand (including the bond component taken away from structured products included in the Financial assets measured at fair value through profit or loss) of mainly European banking and financial institutions, as well as repurchase agreements in place with Italian banking institutions with underlying Italian government securities of €81,449 thousand; at the end of the financial year, this category showed a net contingent capital loss equal to €3,404 thousand.

4.5 Available for sale financial assets

The breakdown of financial assets available for sale classified by type of investment is shown in the following table compared with the corresponding values at the end of the previous financial year:

(amounts in thousand Euro

	31/12/17				31/12/16			
	Amort. cost	Book value	Equity Reserve	Fair Value	Amort. cost	Book value	Equity Reserve	Fair Value
Debt securities	**8.912.518**	**8.918.886**	**6.368**	**8.918.886**	4.010.649	3.990.977	-19.672	3.990.977
of which, listed	***8.912.518***	***8.918.886***	***6.368***	***8.918.886***	*4.010.649*	*3.990.977*	*-19.672*	*3.990.977*
UCI / ETF units	**386.203**	**388.535**	**2.332**	**388.535**	160.199	159.147	-1.052	159.147
Equity securities at fair value	**28.784**	**29.683**	**899**	**29.683**	164	164	-	164
of which, listed	***1.173***	***1.109***	***-64***	***1.109***	*156*	*156*		*156*
of which, not listed	***27.611***	***28.574***	***963***	***28.574***	*8*	*8*		*8*
Total Financial Assets Held for Sale	**9.327.504**	**9.337.104**	**9.600**	**9.337.104**	**4.171.012**	**4.150.288**	**-20.724**	**4.150.288**

Available for sale financial assets totaled €9,337 million, compared to €4,150 million in 2016 (€9,257 million on a like-for-like basis).

The investment in Debt securities consists of fixed or floating rate bonds issued by government issuers, supranational financial institutions, and leading international issuers, and is totally concentrated in issues denominated in Euros. The investment activity was mainly directed towards government bonds and corporate issues of both core and peripheral European countries in search of returns consistent with the commitments to policyholders, paying particular attention to the quality of assets with the aim of containing the decline in profitability. In particular, the exposures in Italian government bonds were kept substantially stable and exposures in Spanish and Portuguese government bonds were slightly increased thereby confirming the Group's marked attention to portfolio diversification. Investments met the requirements of corporate directives and were characterized by durations consistent with ALM requirements.

The Equity Reserve (understood as the difference between amortized cost and fair value) equal to a negative €9,600 thousand at 31 December 2017 (-€20,724 thousand at the end of the previous financial year) decreased due to the contraction of the average portfolio duration and, to a lesser extent, due to the consolidation of part of the capital gains. Despite the excellent diversification level, the Reserve remained particularly sensitive to interest rates as a natural consequence of the duration of the bond portfolio.

"UCI / ETF Units", amounting to €388,535 thousand, represent a variety of investment categories that include monetary assets (€29,992 thousand), bonds (€105,325 thousand), shares (€436 thousand), and alternative assets (€252,782 thousand); the latter are diversified between Private Equity, Infrastructure Equity, Real Estate Equity, Real Estate Debt, Loan Debt, and Direct Lending subdivided into over 40 specialized instruments. The value relating to the former company Ergo Previdenza was also substantially stable with a residual amount in a Private Equity Fund investment of €3,353 thousand (€5,024 thousand in the previous financial year) and a bond portion represented by ICIs and ETFs specializing in corporate issues used to ensure a high risk diversification of €99,863 thousand, down compared to the previous financial year (€154,121 thousand). The Equity Reserve of the category (€2,332 thousand, corresponding to the value of the previous year of - €1,052 thousand) was in growth.

The item Equity securities at fair value constitutes a residual weight in line with the policy of limiting equity risk. This feature of the former company Ergo Previdenza portfolio remained valid including after the contribution of the largest portfolio of companies acquired during the year, which consisted of Italian listed shares (€1,109 thousand) and shares of Italian banking institutions and other unlisted financial companies linked to the Company through distribution agreements (€21,574 thousand), as well as 280 shares of the Bank of Italy (€7,000 thousand).

4.6 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss by type of investment are detailed in the table below, which compares the corresponding values at the end of the previous financial year.

(amounts in Euro thousand)

	31/12/17			31/12/16		
	Amort. cost	Book value	Fair Value	Amort. cost	Book value	Fair Value
Hedge derivatives	**2.774**	**2.774**	**2.774**	-	-	-
Non-hedge derivatives	**2.471**	**2.471**	**2.471**	-	-	-
Debt securities	**10.774**	**10.774**	**10.774**	-	-	-
of which, listed	***5.855***	***5.855***	***5.855***	-	-	-
of which, not listed	***4.919***	***4.919***	***4.919***	-	-	-
Equity securities at fair value	**30**	**30**	**30**	-	-	-
of which, listed	***30***	***30***	***30***	-	-	-
Assets held for trading	***16.049***	***16.049***	***16.049***	**-**	**-**	**-**
Debt securities	100.996	100.996	100.996	582	582	582
of which, listed	*100.996*	*100.996*	*100.996*	*582*	*582*	*582*
of which, not listed	-	-	-			
UCI / ETF units	7.694.615	7.694.615	7.694.615	24.329	24.329	24.329
Equity securities at fair value	3.721	3.721	3.721	306	306	306
of which, listed	*721*	*721*	*721*	*306*	*306*	*306*
Other Financial investments	26.388	26.388	26.388	260	260	260
Assets designated at fair value	***7.825.720***	***7.825.720***	***7.825.720***	***25.477***	***25.477***	***25.477***
Total Financial Assets at Fair Value through profit or loss	**7.841.769**	**7.841.769**	**7.841.769**	**25.477**	**25.477**	**25.477**

Financial assets measured at fair value through profit or loss totaled €7,842 million, compared to €25.5 million in 2016 (€7,856.4 million on a like-for-like basis).

Among the investments held for trading, the item Debt securities includes structured bonds for which it was decided not to proceed with the accounting separation of embedded derivatives, monetary UCIs (€4,988 thousand) for temporary investments in addition to derivative components (€2,471 thousand) separated from structured products classified under Loans and Receivables, while the item "Hedge derivatives" refers to the positive positions of the forward hedge contracts (€2,771 thousand) subscribed during 2017, whose change in fair value was booked to shareholders' equity in the item Reserve for expected cash flow hedges.

The item Financial assets designated at fair value includes investments for the benefit of life policyholders who bear the risk thereof (comprising 127 internal unit-linked funds and 1,537 external unit-linked funds), which totaled €7,821 at 31 December 2017 million (€7,569.7 million on a like-for-like basis). The increase is the result of the contribution of the portfolios of the Companies acquired during the year, as the share of the former company Ergo Previdenza was residual (8 internal funds for €25.4 million).

The following is a restatement of the overall bond portfolio by issuer risk:

(amounts in Euro thousand)

	Breakdown of debt securities by issuer risk				
	Nominal Value	Amortized cost	Book value	Equity reserve	Fair Value
ITALIAN GOVERNMENT	2.326.423	2.787.676	2.780.157	-7.518	2.780.157
SPANISH GOVERNMENT	940.010	981.252	978.978	-2.273	978.978
FRENCH GOVERNMENT	586.492	648.437	647.398	-1.039	647.398
IRISH GOVERNMENT	358.760	390.814	390.996	181	390.996
PORTUGUESE GOVERNMENT	292.020	331.690	340.580	8.890	340.580
BELGIAN GOVERNMENT	200.860	218.019	217.621	-398	217.621
AUSTRIAN GOVERNMENT	182.350	201.041	200.528	-512	200.528
DUTCH GOVERNMENT	137.970	143.909	142.997	-912	142.997
FINNISH GOVERNMENT	136.655	153.577	151.333	-2.244	151.333
BANK OF AMERICA CORP.	136.120	139.928	141.117	1.189	141.117
AYT CEDULAS CAJAS V	110.000	115.133	115.436	303	115.436
BARCLAYS BANK PLC	103.000	110.501	110.877	377	110.877
GERMAN GOVERNMENT	102.743	111.064	110.529	-535	110.529
CAISSE D'AMORTISSEMENT DETTESOCIALE	78.300	88.109	88.004	-105	88.004
EURPAEISCHE HYPOTEKENBANK SA	70.000	72.807	72.991	184	72.991
INTESA SANPAOLO SPA	65.500	71.809	72.952	1.143	72.952
CAISSE FRANCAISE DE FIN LOC.(DEXIA)	65.000	88.248	75.219	-	86.113
NRW.BANK	60.000	82.891	68.777	-	80.275
CAIXABANK SA	58.000	64.859	64.842	-17	64.842
BANCO BILBAO VIZCAYA ARGENTARIA SA	52.600	66.264	66.626	362	66.626
DEXIA CREDIT LOCAL	52.100	53.677	54.172	495	54.172
Deutsche Bahn Finance BV	50.000	52.397	52.392	-6	52.392
ESPV SA	50.000	56.604	56.771	166	56.771
OTHER ISSUERS =< €50M	2.103.740	2.302.550	2.308.830	8.637	2.312.533
Total	**8.318.642**	**9.333.255**	**9.310.123**	**6.368**	**9.336.218**

5. Receivables

5.1 Receivables Arising out of Direct Insurance Operations

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.a.	39.209	23.276
Total	**39.209**	**23.276**

For Eurovita S.p.A., the breakdown is as follows:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Receivables from policyholders for late premium payments	18.128	9.282	5.886	**33.296**
Receivables from insurance brokers	5.148	199	566	**5.913**
Total Receivables arising out of direct insurance operations	**23.276**	**9.481**	**6.452**	**39.209**

Receivables arising out of direct insurance operations amounted to €39,209 thousand, compared to €23,276 thousand in 2016 (€43,303 thousand on a like-for-like basis).

In accordance with sector regulations, the balance of receivables from policyholders does not include receivables referring to premiums of subsequent years, of a seniority exceeding twelve months, as they are completely written down.

As required by I.S.V.A.P. Regulation No. 7/2007, receivables for recoveries were allocated among loans and receivables.

The balance of receivables from agents arising from direct insurance transactions takes into account the allowance for doubtful accounts of €2,288 thousand, with a reduction of €1,590 thousand compared to the previous financial year, mainly including €424 thousand in regard of trade receivables, €568 thousand in regard of receivables from agents for litigation for the closure of some positions and the restatement of the Allowance for doubtful accounts to recover €598 thousand in the item Loans and receivables.

For the sake of completeness, the following analytical table is presented showing changes in the Allowance for doubtful accounts:

(amounts in Euro thousand)

Allowance for doubtful accounts	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Receivables from policyholders for late premium payments	671	1.038	151	**1.860**
Receivables from insurance brokers	3.878	-	-1.590	**2.288**
Total Allowance for doubtful accounts	**4.549**	**1.038**	**-1.439**	**4.148**

5.2 Receivables Arising out of Reinsurance Operations

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.a.	7.074	7.774
Total	**7.074**	**7.774**

The following is a breakdown of changes in receivables arising from reinsurance transactions:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Receivables reinsurance companies	6.591	1.208	-1.675	**6.124**
Receivables from reinsurance brokers	1.183	-	-233	**950**
Total Receivables arising out of reinsurance operations	**7.774**	**1.208**	**-1.908**	**7.074**

Receivables arising out of reinsurance transactions went from €7,774 thousand at 31 December 2016 (€8,213 thousand on a like-for-like basis) to €7,074 thousand. The item shows a total reduction of €700 thousand, due to the increase in receivables from reinsurance companies as a result of the acquisitions made during the year amounting to €1,208 thousand and the reduction in receivables of the former company Ergo Previdenza amounting to €1,908 thousand, mainly due to the change in the settlement method of balances of the main reinsurer MRI for about €2,800 thousand.

5.3 Other Receivables

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	35.085	5.058
Eurovita Service S.c.r.l.	444	1.431
Agenzia Eurovita	306	103
Eurovita Holding S.p.A.	14.889	4.656
Total	**50.723**	**11.248**

This item mainly includes receivables from the tax authorities and receivables for invoices to be issued, payable within twelve months net of intercompany transactions. Other receivables at 31 December 2016 on a like-for-like basis would have amounted to €27,318 thousand.

The breakdown by type is shown below:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Tax credit	6.122	13.373	-203	**19.292**
Receivables from financial operators	-	10.974		**10.974**
Other receivables	5.126	5.885	9.446	**20.457**
Total Other receivables	**11.248**	**30.232**	**9.243**	**50.723**

As can be inferred from the table above, the increase in the item Other receivables is attributable for €30,232 thousand to acquisition transactions made in 2017 and for €19,088 thousand to the increase for the period of Companies already within the scope of consolidation.

For Eurovita S.p.A., the breakdown is as follows:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Tax credit	1.555	13.373	-203	**14.725**
Receivables from financial operators	-	10.974		**10.974**
Other receivables	3.503	5.885	-2	**9.386**
Total Other receivables	**5.058**	**30.232**	**-205**	**35.085**

Receivables from financial operators for €10,974 thousand refer to the financial rebates of management fees paid by financial advisers and were almost entirely collected in the first few months of the following financial year.

The following table shows the breakdown of receivables due from the tax authorities at 31 December 2017:

(amounts in Euro thousand)

	Value at 31/12/2017
Receivables for prepaid tax stamp	**4.026**
Tax credit for refund claims	**3.014**
Interest on tax credit for refund claims	**1.963**
tax credit claimed as a refund	**1.853**
Withholding tax	**1.970**
Insurance tax credit	**1.627**
Other tax credit	**272**
Total Tax Credit	**14.725**

The following table shows the breakdown of Other receivables at 31 December 2017:

(amounts in Euro thousand)

	Value at 31/12/2017
Trade receivables	**2.488**
Sundry receivables	**2.267**
Receivables for subscriptions	**1.354**
Receivables for management fees	**707**
Receivables for fund certification charges	**310**
Sundry receivables for Life payments	**859**
Other receivables	**1.401**
Total Other receivables	**9.386**

6. Other Asset Components

6.2 Deferred Acquisition Costs

The following table details the relevant information by Company:

(amounts in Euro thousand

	31/12/17	31/12/16
Eurovita S.p.A.	28.922	22.160
Total	**28.922**	**22.160**

Deferred acquisition costs amounted to €28,922 thousand, compared to €22,160 thousand in 2016 (€24,609 thousand on a like-for-like basis).

The breakdown is as follows:

(amounts in Euro thousand)

DAC Local	Value at 31/12/2016	Unwind due to renewal failure	Unwind for installment amort.	New Business	Incr. from combination	Value at 31/12/2017
Direct business	21.837	-2.397	-2.674	4.801	7.354	28.922
Indirect business	323		-323	-	-	-
Total Deferred Acquisition Costs	**22.160**	**-2.397**	**-2.997**	**4.801**	**7.354**	**28.922**

Deferred acquisition costs refer to the amortization of commissions charged in advance on annual premium products marketed since 2007 and not ceded to reinsurers. As can be inferred from the above breakdown, the change is mainly attributable to the acquisition transactions that took place during 2017.

6.3 Deferred Tax Assets

As required by the accounting standard IAS 12.74, deferred tax assets and liabilities were offset, as they referred to the same type of tax. For the year 2017, deferred taxes exceeded prepaid taxes, thus liabilities of €68,809 thousand were recognized under this item, while liabilities of €74,797 thousand had been recognized in 2016.

6.4 Tax Receivables

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	311.321	79.771
Total	**311.321**	**79.771**

In detail, the item consists of the following parts:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
I.R.E.S. (corporate income tax) credit		4.677	-	**4.677**
I.R.A.P. (regional tax on productive activities) credit	918	1.545	1.264	**3.727**
Tax credit on actuarial reserves	78.699	221.700	2.518	**302.917**
Total Current tax assets	**79.617**	**227.922**	**3.782**	**311.321**

The item contains the tax credit for the levy of €302,917 thousand on actuarial reserves provided for by Law-Decree No. 209 of 24-9-2002, converted into Law No. 265 of 22-11-2002, an increase compared to €78,699 thousand in the previous financial year mainly due to the acquisitions made during the year and credits for I.R.E.S. (corporate income tax) advance payment of €4,677 thousand and I.R.A.P. of €3,727 thousand, relating to the surplus of advances paid during 2017.

6.5 Other Assets

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	80.662	72.779
Eurovita Holding S.p.a.	106	39
Total	**80.768**	**72.818**

In detail, Other assets referring to Eurovita S.p.A. can be broken down as follows:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Comm. to be amort. on invest. contracts	258	72.942	121	**73.321**
Accrued income	72.277	6.438	-72.278	**6.437**
Deferred income	244	743	-83	**904**
Total Other assets	**72.779**	**80.123**	**-72.240**	**80.662**

This item recorded an overall increase of €7,883 thousand, mainly due to two factors: an increase deriving from acquisitions of €80,123 thousand and a reduction of €72,240 thousand for the period, mainly due to the restatement of accrued income on securities from the item "Other assets" to the item Investments, for €72,277 thousand.

The change in deferred acquisition costs relating to contracts classified as Investments, which represent the most significant increase, is shown below. The increase is essentially linked to the acquisition transactions, thanks to the contribution of the former company OMWI, specialized in the marketing of Unit Linked products:

(amounts in Euro thousand)

Investment Products	31/12/16	Changes in portfolio	Unwind for installment amort.	New Business	Increase from combination	31/12/17
DAC	258	123	-1	-	72.942	73.321

Accrued income mainly refers to the accrual of management fees accrued at the end of the financial year, which mainly affect external funds.

7. Cash and Cash Equivalents

Cash and cash equivalents, € 125,805 thousand, represent the balances of ordinary current accounts held with various banking institutions, checks in hand, and cash in hand.

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	94.417	120.840
Eurovita Service S.c.r.l.	22.739	933
Agenzia Eurovita	1.865	1.313
Eurovita Holding S.p.A.	6.784	129.602
Total	**125.805**	**252.688**

Particular attention was paid to the management of banking risk, which generally confirmed the containment of deposits and diversification towards individual exposures, despite the levels at year end being influenced by the substantial separation of liquidity management of the three companies whose merger was finalized on the last day of the year and for which positive integration effects will enable integrated management only as of 2018.

8. Intercompany Asset Transactions

(amounts in Euro thousand)

BREAKDOWN OF INTERCOMPANY ITEMS AT 31.12.2017	Eurovita Holding S.p.A.	Eurovita S.p.A.	Agenzia Eurovita S.p.A.	Eurovita Service S.c.r.l.	Total
Assets					
Loans - Receivables					
Agenzia Eurovita S.p.A.	-	331	-	-	331
Receivables					
Eurovita Holding S.p.A.	-	2.945	511	331	3.787
Eurovita S.p.A.	9.845	-	5.099	280	15.224
Agenzia Eurovita S.p.A.	396	-	-	-	396
Eurovita Service S.c.r.l.	15	32	-	-	47
Total assets	**10.256**	**3.308**	**5.610**	**611**	**19.785**
Liabilities					
Loans - Receivables					
Eurovita S.p.A.	-	-	331	-	331
Payables					
Eurovita Holding S.p.A.	-	9.845	396	15	10.256
Eurovita S.p.A.	2.945	-		32	2.977
Agenzia Eurovita S.p.A.	511	5.099	-	-	5.610
Eurovita Service S.c.r.l.	331	280	-	-	611
Phlavia Holdco Limited	117.611	-	-	-	117.611
Total liabilities	**121.398**	**15.224**	**727**	**47**	**137.396**

Balance Sheet - Liabilities

1. Shareholders' Equity

The breakdown of shareholders' equity is shown in the following table:

(amounts in Euro thousand)

SHAREHOLDERS' EQUITY	31/12/17	31/12/16	Change
Share capital	1.000	10	990
Other equity instruments	-	-	-
Capital reserves	250.494	242.553	7.941
Revenue reserves and other reserves	203.304	-	203.304
(Own shares)	-	-	-
Reserve for currency translation differences	-	-	-
Reserve for unrealized gains and losses on available for sales financial assets	-21.255	-1.707	-19.548
Reserve for other unrealized gains and losses through equity	-8.949	89	-9.038
Result of the period	35.353	200.849	-165.495
Group capital	**459.947**	**441.793**	**18.154**
Third parties capital and reserves	2.399	851	1.548
Reserve for other unrealized gains and losses through equity	-50	-	-50
Result of the period	105	9	97
Third parties capital	**2.455**	**860**	**1.595**
Total Shareholders' Equity	**462.402**	**442.653**	**19.750**

The breakdown by type of shareholders' equity items is provided in the Financial Statements.

The main changes were due to:

- Increase in share capital of €990 thousand on 1 January 2017, using capital reserves;
- Increase in equity reserves due to: capital contribution of €14 million received on 9 August 2017, dividends pay-out of €5 million, and reduction for share capital increase of €990 thousand;
- Establishment of revenue reserves and other reserves: deriving from the allocation of the 2016 profit and the effect of the acquisitions made during the year for a total of €203.4 million;
- Allocation of the Cash flow hedge reserve: this includes changes in the fair value of derivative financial instruments generated as part of net cash flow hedges, net of deferred tax effects
- Change in the AFS reserve (net of the shadow accounting effect) for a total of €19.5 million.

2. Other Provisions

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	17.086	9.688
Agenzia Eurovita	-	30
Eurovita Holding S.p.A.	102	114
Total	**17.188**	**9.832**

The balance of the item "provisions" includes the allocations made to cover certain or probable losses whose amount or date of occurrence, however, cannot be determined with certainty at the end of the financial year.

The table below shows the relevant changes during the year:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Provisions	9.832	11.599	-4.243	**17.188**
Total Provisions	**9.832**	**11.599**	**-4.243**	**17.188**

The provisions recorded an overall increase of €7,356 thousand, going from €9,832 thousand in 2016 (€17,832 thousand on a like-for-like basis) to €17,188 thousand in 2017. The change is mainly due to the contribution of the acquired companies for €11,599 thousand (€6,630 thousand ascribable to the former company EVA and €4,968 thousand to the former company OMWI) and to the decrease €4,243 thousand for the period.

The following is a summary of changes in the provisions of the company Eurovita S.p.A., starting from the value on a like-for-like basis at 31 December 2016, broken down by the individual companies that were acquired during the year:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Tax litigation	**1.742**	**1.054**	**-285**	**2.511**
of which, former EVA - Refund Claim				***330***
of which, former EVA - I.R.A.P. appeal				***461***
of which, former OMWI				***1720***
Provisions for defaulted index-linked units	**3.089**	**-**	**-57**	**3.032**
of which, former EVA				***3.032***
Sundry disputes with third parties	**140**	**1.118**	**-10**	**1.248**
of which, former EVA				*1.004*
of which, former OMWI				*110*
of which, former EP				*134*
Provisions agency network	**-**	**2.500**	**-**	**2.500**
Litigation with agency network	**836**	**147**	**-109**	**874**
of which, former EP				*874*
Sundry disputes with customers	**2.405**	**316**	**-1.161**	**1.560**
of which, former EP				***857***
of which, former OMWI				***647***
of which, former EVA				***56***
Redundancy benefits and other personnel provisions	**7.373**	**4.337**	**-6.349**	**5.361**
of which, former EP				***1.128***
of which, former OMWI				***2.482***
of which, former EVA				***1751***
Other provisions	**2.104**	**-**	**-2.104**	**-**
of which, former OMWI				*1.048*
of which, former EVA				*1056*
Total Provisions	**17.689**	**9.472**	**-10.075**	**17.086**

The changes that occurred during financial year 2017 are analyzed below:

Tax litigation:

- former company EVA for refund claims: €330 thousand allocated for the refund claims relating to taxes for 2004, submitted in 2007, and for which the related refund amount of €1,853 thousand was posted among receivables. The appeal is still pending before the Court of Cassation;

- former company EVA for I.R.A.P. appeal: the amount set aside relates to the tax dispute relating to the refusal to pay the I.R.A.P. refund for 1998 and related interest. The provision covers the amount of capital and interest, set aside up to financial year 2015;
- former company OMWI for tax litigation for the years 2007 and 2009: total provisions of €951 thousand in 2016 for taxes and penalties relating to tax litigation for the tax periods 2006 (€266 thousand allocated), 2007 (€370 thousand allocated) and 2009 (€315 thousand allocated). In 2017, the provision relating to the tax period 2006 for higher I.R.A.P. assessed by the Italian Revenue Agency was canceled because it was requested to suspend the proceedings before the Tax Court and the suspension will be in effect until 31 December 2018, with subsequent termination of the proceedings. Also for 2007, the provision (of €370 thousand) relates to higher I.R.A.P. assessed by the Italian Revenue Agency. In 2015, the Company had appealed to the Court of Cassation, against which the Italian Revenue Agency brought counterclaims. Since the date of the hearing has not been set yet, the amount has been kept unchanged compared to 2016. The assessment on the tax period 2009 concerns both I.R.A.P. and I.R.E.S. In 2017, the Company submitted a conciliation proposal, but no date has yet been set for the discussion of the dispute before the appellate Judges. The provision of €315 thousand set aside in 2016 was increased by an additional €1,027 thousand for capital and interest and €27 thousand for consultancy expenses for the dispute.

Provisions for defaulted index-linked products: provision for index-linked policies with defaulted bond component whose contractors have not yet adhered to customer care initiatives and for which individual settlement agreements will be defined in the future. Total amount allocated at 31 December 2017 equal to €2,437 thousand plus €595 thousand in legal fees.

Various disputes with third parties: the amounts relate to allocations made against certain or probable legal cases related to leased properties and risks of loss in pending disputes with suppliers and third parties.

Agency network provisions: Restructuring of the agency network: provisions of €2,500 thousand relating to allocations for restructuring the agency network.

Various agency network disputes: Provision for litigation with the agency network includes allocations for risks of loss in pending disputes with former agents. The change for the year is mainly related to legal expenses linked to the disputes.

Various customer disputes:

- former company EP: the provision includes allocations made for risks of loss in pending disputes with policyholders and, at 31 December 2016, it amounted to €1,770 thousand. The change during the year is related to the withdrawal of €990 thousand for the settlement of disputes with customers and provisions of €77 thousand for disputes with former policyholders.
- former company OMWI and former company EVA: amounts related to allocations for open litigation files and legal cases of certain or probable existence with customers.

Employee redundancy benefits and other provisions relating to personnel: Additional allocations were made for the redundancy of management personnel, voluntary layoff of employees, and incentives for employees. At 31 December 2016, the former company Ergo Previdenza had set aside €6,941 thousand for voluntary incentives for employees. A further €3,615 thousand were allocated (including €3,500 from Darag Italia in compliance with a contractual clause) and €9,429 thousand were used. The former company Old Mutual and former company EVA had set aside €142 thousand and €290 thousand respectively for arrears due under the assumption of renewal of the Ania collective bargaining agreement, paid during the course of 2017.

Other provisions

For the former company OMWI, in 2016, allocations were made relating to tax credits on mutual investment funds, equal to €1,048 thousand in 2016, used completely during the year.

For the former company EVA, at 31 December 2016, a total of €1,056 thousand had been allocated to:

- pension fund: the provision related to a capitalization policy for compensation due to the former Chief Executive Officer. The policy expired in 2017 and therefore the fund was used up and set to zero;
- various legal cases closed in 2017: the amount set aside in 2016 for a total of €366 thousand was used during the financial year, including €200 thousand relating to a dispute over IT matters, a dispute settled by mutual agreement with the counterparty;
- additional coupon of subordinated loan: €340 thousand allocated last year in relation to the additional coupon, provided for in the issuance regulation, which bondholders would have been entitled to if they had decided to convert the bond into shares. In July 2017, the bond loan matured naturally and was repaid without any bondholder exercising this option, therefore the fund was eliminated for the same amount.

3. Insurance Provisions

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	10.008.625	4.589.980
Total	**10.008.625**	**4.589.980**

The relevant breakdown is represented in the following table:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Insurance provisions	4.248.166	5.465.245	-358.202	**9.355.209**
Shadow accounting	341.814	138.670	-29.813	**450.671**
VIF - Value in force	-	202.745	-	**202.745**
Total Insurance Provisions	**4.589.980**	**5.806.660**	**-388.015**	**10.008.625**

The breakdown by type of Technical provisions, broken down by direct and indirect business, specifying the corresponding value of the previous financial year, is provided in the mandatory attachments as per I.S.V.A.P. Regulation No. 7/2007. The annex also shows the amount posted as a result of the adequacy testing of liabilities and deferred liabilities to policyholders.

Technical provisions show a considerable increase, going from €4,590 million in 2016 (€9,932 million on a like-for-like basis) to €10.009 million at 31 December 2017. The change is essentially linked to the acquisition transactions, while the former company Ergo Previdenza stand-alone statements recorded a reduction of €388,015 thousand.

As can be inferred from the table above, Technical provisions also include €202,745 thousand relating to the negative value of the Life portfolio of the former company Eurovita Assicurazioni S.p.A., acquired in 2017 (VIF - Value in force). The VIF is reduced annually on the basis of the residual average life of the contracts acquired.

The breakdown by type of Technical provisions, specifying the corresponding value of the previous financial year, is shown below:

(amounts in Euro thousand)

	31/12/2017 former EP	31/12/2017 former OMWI former EVA	31/12/2017 Total	31/12/16
Actuarial reserves	3.537.163	5.342.592	8.879.755	3.911.830
Reserve for premium recoveries	79.783	2.226	82.009	88.525
Reserve for rate expiry risk	1.161	8.750	9.911	11.207
Reserve per demographic basis adjustments	2.952	2.378	5.330	90
Reserves for direct business	77.794	-	77.794	76.219
Reserve for mortality risk	168	2.323	2.491	188
Reserves for special redemptions	405	-	405	384
Reserves for Class D	18.298	78.321	96.619	17.380
Reserves for supplementary insurance	11.257	211	11.468	13.533
Reserve for amount to be paid	160.984	28.443	189.427	128.810
Shadow accounting reserve	281.735	168.936	450.671	311.548
VIF	-	202.745	202.745	-
Total	**4.171.700**	**5.836.925**	**10.008.625**	**4.559.714**

In implementation of the provisions contained in paragraph 3 of Article 11-*bis* of I.S.V.A.P. Regulation No. 7 of 13 July 2007 and in paragraph 15 of IFRS 4, the adequacy of the insurance liability was tested as at 31 December 2017 according to the principles of the Liability Adequacy Test (LAT).

According to such rules for insurance contracts (and, if the entire discretionary component is set aside as a technical provisions, also for investment contracts with DPF), an adequacy test of the contractual technical provisions is required (actuarial reserves for pure, additional, supplementary premiums, for future and other expenses), net of intangible assets relating to the acquisition of contracts (deferred acquisition costs - value in force). In other words, the LAT aims to verify that the *Statutory Reserve* (value of all contractual provisions) net of the intangible assets linked to the contracts (Deferred Acquisition Cost and VIF) is greater than or equal to the *Realistic Reserve* calculated on the basis realistic future commitments as further specified below.

The statutory reserve is given by the sum of the following items:

Actuarial reserve, revaluation reserve, provision for expenses, and additional reserve for expenses, additional reserve for insufficient demographic bases, additional reserve for insufficient rates and for the passing of time, and the shadow accounting reserve.

Deferred acquisition costs, considered with opposite sign, calculated policy by policy.

The value in force of portfolios linked to insurance products.

The test was carried out on the closed portfolio, therefore without future new business, in place at 31 December 2017, and consisting exclusively of insurance and investment products with DPF. The identification of the products to be tested was based on the provisions of IFRS4.

The realistic reserve is defined as follows:

(+) fair value of the company's business

(-) fair value of premiums

(+) fair value of expenses.

In particular:

FV of flows for payment at maturity + FV of flows for redemption payment +

FV of flows for coupon payment + FV of flows for annuity payments +

FV of flows for commission payments + FV of flows for expenses -

FV of flows for premium collections - FV of flows for the collection of coupon payment expenses.

The approach adopted for the computation of technical items useful for the implementation of the LAT is, for each product line, based on a calculation model that enables the valuation of technical provisions as the fair value of the expected cash flows generated by the closed portfolio in force at the valuation date. The technical forms considered were aggregated by types of contracts with respect to the main discriminating parameters, such as tariff form, minimum guaranteed rate, retrocession rates, and segregated fund.

The projection, for each aggregate, was carried out through Milliman's "MG-ALFA" actuarial software, with particular reference to the time structure of premiums, insured benefits, payments for claims, maturities, or redemptions, as well as revaluation clauses, and any other contractual option in place.

The demographic assumptions, those on the policyholders' behavior, and those on expenditure used for the valuation derived from the Company's experience, the macroeconomic ones from market information and derived from analyzes to which reference was made for the calculation of the supervisory technical provisions and solvency.

With regard to the financial assumptions on the prospective return of segregated funds, the Company deemed it appropriate to apply a credit spread adjustment to the risk-free rate curve provided by EIOPA. The adjustment was achieved through a parallel upward shift of 48.2 bps, obtained as the weighted average of the credit spreads relating to the assets found in the various segregated funds.

For products with benefits that can be revalued, the insured sums were revalued according to the contractual conditions on the basis of the one-year forward rate curve obtained from the spot curve retrieved according to the procedure described above. The discounting of the contractual flows was consistently carried out on the basis of the same financial assumptions.

The realistic reserve obtained from the projection over a period of 40 years, was finally proportioned to include the portion of the portfolio not being modeled.

In order to take account of the portfolio not modeled (less than 3% of provisions) and of certain particular provisions, the realistic reserve, deriving from discounting of cash flows was proportioned, for each management, on the basis of the impact of the financial reserves of modeled contracts.

For the Asset Reinsurance contracts, the Realistic Reserves was obtained on the basis of the flows determined by the reinsurer.

Supplementary insurance, taking into account the verification of sufficient premiums pursuant to paragraphs 6 and 7 of Annex 15 to I.S.V.A.P. Regulation No. 22 of 4 April 2008, which has so far never led to a specific additional reserve for risks in progress, was not the subject of projection.

The adequacy testing of insurance liabilities carried out according to the principles of the Liability Adequacy Test (LAT) and the method set out above, as can be inferred from the table below, highlighted a slight inadequacy for contracts relating to the Segregated fund *Eurovita 2000* for €2.1 million, recognized in the Income Statement. From a general perspective, however, a global adequacy of the insurance liabilities posted to the Financial Statements emerges.

4. Financial Liabilities

4.1 Financial Liabilities at Fair Value through Profit or Loss

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	7.793.900	8.096
Total	**7.793.900**	**8.096**

This item includes liabilities of €7,794 million for financial contracts at 31 December 2017 (€8,096 thousand at 31 December 2016, €7,514 million on a like-for-like basis) and total negative hedge, or otherwise, derivatives of €21,526 thousand entirely due to portfolios of the merged companies.

Details of the breakdown of the item can be found below:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Financial liabilities - Investment contracts	8.096	7.764.368	-90	**7.772.374**
Non-hedge derivatives	-	5.814	-	**5.814**
Hedge derivatives	-	15.712	-	**15.712**
Total fin. liabilities at fair value through profit or loss	**8.096**	**7.785.894**	**-90**	**7.793.900**

Details of assets and liabilities relating to contracts issued by insurance companies when the investment risk is borne by customers, with reference to benefits connected with investment funds or market indices, is provided in the annex specifying the corresponding value of the previous financial year.

The changes in financial liabilities relating to contracts classified as "Investments" are provided below:

(amounts in thousand Euro

Actuarial Reserve at 31/12/2016	**8.096**
Change in reserve for premiums collected for the year	1.141
Change in reserve for liquidation for the year	-1.451
Change in reserve as a result of revaluation	520
Change in reserve for amounts to be paid	752
Changes in portfolio	-1.917
Change for OMWI and EVA integrations	7.725.882
Actuarial Reserve at 31/12/2017	**7.733.023**
Reserve for amounts to be paid on investments	39.351
Balance sheet reserve 31/12/2017	**7.772.374**

Hedge derivatives amounted to €15,712 thousand and relate to forward contracts, the offsetting item being recorded in the so-called cash flow hedge reserve, recognized in shareholders' equity including the related tax effects.

Non-hedge derivatives instead, amounting to €5.814 million, relate to the negative component of the separated derivatives, whose underlying asset was recognized under Loans and receivables.

4.2 Other Financial Liabilities

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	**31/12/16**
Eurovita S.p.A.	1.503.382	1.562.563
Total	**1.503.382**	**1.562.563**

The change during the year is summarized in the following table:

(amounts in Euro thousand)

	Value at 31/12/2016	**Incr. from combination**	**Change for the period**	**Value at 31/12/2017**
Subordinated liabilities		45.428		**45.428**
Deposits received from reinsurers	1.562.563	4.220	-108.829	**1.457.954**
Total Other financial liabilities	**1.562.563**	**49.648**	**-108.829**	**1.503.382**

Other financial liabilities amounted to €1,503,382 thousand, compared to €1,562,563 thousand in 2016 (€1,621,853 thousand on a like-for-like basis).

This item includes deposits received from reinsurers, equal to €1,457,954 thousand, decreased by €104,609 thousand compared to 2016, and subordinated liabilities of €45,428 thousand. Deposits received from reinsurers are correlated with the reinsurers' reserves at year end. The reduction is therefore mainly linked to the decrease in reserves ceded. The remuneration of deposits was calculated on the basis of the rates of return certified on the segregated funds.

The following table shows the details of subordinated loans subscribed or issued in the form of bonds with the related maturities and financial terms and conditions:

(amounts in Euro thousand)

	Amount	Subscription	Maturity	Rate	Value at 31/12/2017
Bond loan	5.000	01/10/15	01/10/25	4,75%	**5.016**
Bond loan	40.000	22/12/15	22/12/25	6,00%	**40.412**
Total Subordinated liabilities	**45.000**				**45.428**

5. Payables

5.1 Payables Arising out of Direct Insurance Operations

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	29.890	651
Total	**29.890**	**651**

Payables deriving out of direct insurance operations went from €651 thousand in 2016 (€31,210 thousand on a like-for-like basis) to €29,890 thousand, mainly due to the acquisition transactions.

The balance mainly includes €29,098 thousand relating to commissions and fees due to brokers and banks on premiums collected and settled mainly in the first few months of 2018, €359 thousand to agents for the chargeback of costs deriving from the investment of subscribed contracts, €433 thousand relating to payables to agents for commissions to be settled and balances of the accounts to the agency network.

The change for the year can be represented as follows:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Payables arising out of direct insurance operations	651	29.530	-291	**29.890**
Total	**651**	**29.530**	**-291**	**29.890**

5.2 Payables Arising out of Reinsurance Operations

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	17.899	12.512
Total	**17.899**	**12.512**

The item Payables arising out of reinsurance operations, which went from €12,512 thousand in 2016 (€12,810 on a like-for-like basis) to €17,899 thousand in 2017 and includes payables due to reinsurers for risk premium and commercial treaties and for the indirect business.

The following table shows the changes during the year:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Payables arising out of reinsurance operations	12.512	1.623	3.764	**17.899**
Total	**12.512**	**1.623**	**3.764**	**17.899**

The increase compared to December 2016 is linked to the acquisition transactions for €1,623 thousand and the increase during the course of 2017, for approximately €3,000 thousand, mainly due to the unwind of the 1997 generation of commercial reinsurance.

5.3 Other Payables

The following table shows the details by category:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	28.483	10.878
Eurovita Service S.c.r.l.	982	729
Agenzia Eurovita S.r.l.	960	178
Eurovita Holding S.p.A.	122.535	49.347
Total	**152.960**	**61.132**

For each category of debt, the breakdown by company is shown below:

Employees' severance indemnities:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	1.254	925
Eurovita Holding S.p.A.	53	49
Total	**1.307**	**974**

The balance includes the estimate of these indemnities, calculated in line with the IFRS accounting standards. The changes occurred in 2017 can be represented as follows:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Employees' severance indemnities	974	562	-229	**1.307**
Total	**974**	**562**	**-229**	**1.307**

Tax payables borne by policyholders:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	537	679
Total	**537**	**679**

Tax payables borne by policyholders amounted to €537 thousand (€679 thousand in 2016). The decrease is due to the reduction in absolute value of the subsequent annual payments still subject to taxation.

Sundry tax payables

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	6.200	1.226
Eurovita Holding S.p.A.	246	-
Total	**6.446**	**1.226**

The item refers to the tax charges for which the company acts as a tax collection agent and to payables for taxes other than income taxes. These amounted to €6,446 thousand (€1,226 thousand in 2016). The increase is essentially attributable to the acquisition transactions that took place during 2017.

Payables to pension and social security institutions:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	1.241	1.092
Eurovita Holding S.p.A.	204	62
Total	**1.445**	**1.154**

This item contains payables to I.N.P.S. for contributions to be paid by workers and by the company, equal to €1,445 thousand, compared to €1,154 thousand in 2016.

Sundry payables:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	19.251	6.956
Eurovita Service S.c.r.l.	1.622	729
Agenzia Eurovita S.r.l.	320	178
Eurovita Holding S.p.A.	122.032	49.235
Total	**143.225**	**57.098**

Sundry payables, amounting to €143,225 thousand, recorded a substantial increase compared to the previous year (€57,098 thousand).

Sundry payables attributable to Eurovita Holding S.p.A. relate to a loan of €115,510 thousand received from Flavia Holdco Limited, relating to the acquisition of Old Mutual Wealth Italy S.p.A.

With regard to Eurovita S.p.A., the breakdown of sundry payables can be represented as follows:

Amounts in Euro thousand

	Value at 31/12/2017
Trade payables and Invoices to be received	10.616
Payables to employees	1.484
Payables for unit commissions	170
Sundry payables	6.485
Other payables	496
Total Sundry payables	**19.251**

Sundry payables, equal to €19,251 thousand, recorded a substantial increase mainly due to the acquisition transactions (which generated €8,505 thousand).

6. Other Liability

6.2 Deferred tax liabilities

Deferred tax liabilities, equal to €68,809 thousand, refer to net deferred taxes relating to Group companies. The breakdown of the item is shown in the following table:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	22.328	23.203
Eurovita Service S.c.r.l.	843	918
Agenzia Eurovita S.r.l.	-	-
Eurovita Holding S.p.A.	-85	-85
Purchase Price Allocation ex Ergo Prev.	45.723	50.761
Total	**68.809**	**74.797**

As required by accounting standard IAS 12.74, deferred and prepaid taxes should be offset as they refer to the same type of tax.

With regard to the subsidiary Eurovita, it should be noted that this year, deferred taxes exceeded prepaid taxes and therefore this item was recognized under liabilities for €22,328 thousand, while in 2016 this item was also recognized under liabilities for €23,203 thousand.

Prepaid and deferred tax assets mainly derive from the following temporary differences on value adjustments on taxed risk provisions, on deferred acquisition income and costs, on the valuation of "long-term" securities according to fiscal principles, on the valuation of securities available for sale, and on shadow accounting.

The deferred tax liabilities of Eurovita Holding S.p.A. arise from the temporary differences generated by the adoption of the Purchase Price Allocation.

6.3 Tax Payables

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	72.555	5.098
Eurovita Service S.c.r.l.	181	76
Agenzia Eurovita S.r.l.	25	22
Eurovita Holding S.p.A.	-	-
Total	**72.761**	**5.196**

This item includes the portion for the period of the tax on actuarial reserves, as provided for by Law-Decree No. 209 of 24-9-2002, converted into Law No. 265 of 22-11-2002, equal to €72,555 thousand, which includes €58,125 thousand generated as a result of the acquisition transactions (€5,098 thousand in the previous year), not yet paid.

6.4 Other Liabilities

The following table details the relevant information by Company:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	31.131	8.416
Eurovita Holding S.p.A.	1.306	-
Total	**32.437**	**8.416**

The account shows a considerable increase of €20,670 thousand mainly due to the acquisition transactions and €2,045 for increases for the period of the subsidiary Eurovita, in particular for higher suspended premiums collected. The increase in Eurovita Holding is instead referred to other personnel costs of €1,306 thousand.

The table below shows details of other liabilities referring to the parent company Eurovita S.p.A.:

(amounts in Euro thousand)

	Value at 31/12/2016	Incr. from combination	Change for the period	Value at 31/12/2017
Deferred commission income	273	6.498	-74	**6.697**
Suspended premiums collected	4.631	7.876	2.184	**14.691**
Commissions to be paid on late premiums	1.295	194	165	**1.654**
Rappels and agency network contributions	1.285	1.650	-183	**2.752**
Personnel expenses	932	1.908	-75	**2.765**
Accrued liabilities and deferred income	-	2.544	28	**2.572**
Total Other Liabilities	**8.416**	**20.670**	**2.045**	**31.131**

This account includes deferred commission income on investment contracts, amounting to €6,697 thousand, suspended premiums collected, for which the issue of the relevant policies or identification of the reason for collection is pending, equal to €14,691 thousand, commissions payable relating to late premiums at year end, totaling €1,654 thousand, the estimate for commission bonuses and contributions to be paid to the agency network of €2,752 thousand, other personnel costs of €2,765 thousand, and accrued liabilities and deferred income of €2,572 thousand.

The changes in commission income on investment contracts are attached below:

(amounts in Euro thousand)

Investment Products	31/12/16	Changes in portfolio	Unwind for installment amort.	New Business	Increase from combination	31/12/17
DIR	273	-73	-2	-	6.498	6.697

As for acquisition commissions on investment contracts to be amortized, also for the so-called DIR, the increase is essentially linked to the acquisition transaction, thanks to the contribution of the former company OMWI, specialized in the marketing of Unit-Linked products.

Income Statement

It should be noted that the Income Statement, following the business combination process pursuant to IFRS 3, is composed as follows:

- for the former company OMWI, the profit and loss values refer to the period January 9 - 31 December 2017; the result for the 12 months shows a €3,454 thousand of profit;
- for the former company EVA, the profit and loss values refer to the period 11 August - 31 December 2017; the result for the period shows a €13,562 thousand of profit;
- for the Parent Company Eurovita Holding and the other companies included in the scope of consolidation (including the former company Ergo), the profit and loss values refer to the whole of 2017.

As required by IFRS 3, in order to enable the evaluation of the nature and the financial effects of the business combinations, the following table is a summary of the revenues and operating result of Eurovita Holding at 31 December 2017, assuming that the acquisition date of EVA and OMWI carried out in 2017 coincided with the beginning of the same, i.e. 1 January 2017. The values shown include the good business deal at the time of the acquisition of the former company EVA, equal to at €21M.

(amounts in Euro thousand)

Net earned premiums	900.714
Fee and commission income and income from financial service activities	217.906
Income and charges from financial instruments at FV through profit or loss	16.276
Income arising from other financial instruments and real property investments	156.753
Other revenues	46.085
Total Revenues and Income	**1.337.734**
Total Costs and Charges	**1.296.635**
Profit (loss) for the year before taxation	41.099
Taxes	-5.677
Profit (loss) for the year	**35.422**

1. Net earned premiums (Item 1.1 Income Statement)

The following is a breakdown of premiums divided by insurance activities:

(amounts in Euro thousand)

	Life	Life	Non-Life
	31/12/17	31/12/16	
Gross earned premiums	521.431	140.813	21.427
Earned premiums ceded	61.186	36.832	403
Total net earned premiums	**460.245**	**103.981**	**21.024**

The breakdown of net earned premiums, with indication of the premiums recognized and the change in premium reserve, separately for non-life and life business, and gross amounts and amounts borne by reinsurers, with an indication of the corresponding value of the previous financial year, is provided in a specific attachment.

1.1.1 Gross Earned Premiums

This item includes the balances of the insurance companies Old Mutual, Eurovita Assicurazioni, and Ergo Previdenza, all merged at 31 December 2017 into the latter, which changed its name to Eurovita S.p.A.:

(amounts in Euro thousand)

	31/12/17	31/12/16
Ergo Previdenza S.p.A.	240.491	140.813
Old Mutual Wealth Italy S.p.A.	3.011	-
Eurovita Assicurazioni S.p.A.	277.929	-
Darag Italia (già Ergo Ass.ni SpA)	-	21.427
Total	**521.431**	**162.240**

1.1.2 Earned Premiums Ceded

This item includes the balances of the insurance companies Old Mutual, Eurovita Assicurazioni, and Ergo Previdenza, all merged at 31 December 2017 into the latter, which changed its name to Eurovita S.p.A.:

(amounts in Euro thousand)

	31/12/17	31/12/16
Ergo Previdenza S.p.A.	57.663	36.832
Old Mutual Wealth Italy S.p.A.	22	-
Eurovita Assicurazioni S.p.A.	3.501	-
Darag Italia (già Ergo Ass.ni SpA)	-	403
Total	**61.186**	**37.235**

2. Fee and commission income and income from financial service activities

Commission income recorded a significant increase compared to the previous period, going from a loss of €290 thousand to again of €215 million, in particular due to the acquisition of the company Old Mutual Wealth Italy, which specialized in the marketing of unit-linked products.

The breakdown of this item is represented in the following table:

(amounts in Euro thousand)

	31/12/17
Premium charges	469
Rebates	48.185
Management Fees	160.966
Penalties	5.051
Total	**214.671**

3. Net income from financial instruments at fair value through profit or loss

(amounts in Euro thousand)

	31/12/17	31/12/16
Net income from financial instruments at fair value through profit or loss	12.281	-1.862
Total	**12.281**	**-1.862**

This item only relates to the company Eurovita S.p.A. and contains the net income relating to investments whose risk is borne by policyholders.

Gross of restatements in regard of financial products, the result of the investment category whose risk is borne by policyholders benefited from the performance of the equity markets in which the portfolio assets of internal unit-linked funds of the merging company are mainly invested (€311,218 thousand compared to €2,008 thousand last year). The increase is essentially linked to the acquisition and subsequent merger of the companies Eurovita Assicurazioni and Old Mutual Wealth Italy. The latter in particular specialized in the marketing of unit-linked products.

Income from investments in the category of "financial assets measured at fair value through profit or loss" are detailed in the following table specifying the corresponding values of the previous financial year:

(amounts in Euro thousand)

Income from Investments	31/12/17					31/12/16				
	Interest income	Other income	Gains realized	Valuation gains	Total	Interest income	Other income	Gains realized	Valuation gains	Total
held for trading	-	-	-	-	-	-	-	717	-	717
Designate a Fair Value	13.402	9.975	83.587	352.867	459.831	11	-	190	2.109	2.310
Total Income from financial instruments at fair value through profit or loss	**13.402**	**9.975**	**83.587**	**352.867**	**459.831**	**11**	**-**	**907**	**2.109**	**3.027**

(amounts in Euro thousand)

Expenses from Investments	31/12/17					31/12/16				
	Interest expense	Other charges	Realized losses	Valuation losses	Total	Interest expense	Other charges	Realized losses	Valuation losses	Total
held for trading	-	-	-	-	-	-	-	-2.413	-2.315	-4.728
Designate a Fair Value	-	-12.390	-41.029	-95.193	-148.612	-	-181	-126	-	-307
Restatement of financial products	-	-298.937	-	-	-298.937	-	-676	-	-	-676
Total Expenses from financial instruments at fair value through profit or loss	**-**	**-311.327**	**-41.029**	**-95.193**	**-447.549**	**-**	**-857**	**-2.539**	**-2.315**	**-5.711**

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

Income from investments in the category of "Available for sale financial assets" and "Loans and receivables" are detailed in the following table, specifying the corresponding values at the end of the previous financial year and referable to the company Eurovita S.p.A. only:

(amounts in Euro thousand)

	31/12/17					31/12/16				
	Interest income	Other income	Gains realized	Valuation gains	Total	Interest income	Other income	Gains realized	Valuation gains	Total
Financial assets available for sale	50.110	2.235	11.044	-	63.389	5.690	4.057	6.302	-	16.049
Loans and receivables	3.907				3.907	1.994	-	-	-	1.994
Total Income from other financial instruments and land and buildings (investment properties)	**54.017**	**2.235**	**11.044**	**-**	**67.296**	**7.684**	**4.057**	**6.302**	**-**	**18.043**

The increase is essentially linked to the acquisition and subsequent merger of the companies Eurovita Assicurazioni and Old Mutual Wealth Italy. The increase in interest income is mainly linked to the coupons on the AFS securities relating to the investment portfolio acquired with the company Eurovita Assicurazioni, as well as the increase in the item Loans and receivables.

Realized gains remained significant (€11,044 thousand), marking an increase over the amount of the previous financial year (€6,302 thousand), which was the result of a number of portfolio strategies carried out in a context of particularly favorable prices, which, inter alia, included the optimization of the ALM structure of some portfolios, participation in market tenders, partial consolidation of prior income accrued on indirect exposures in the corporate segment, as well as additional profits distributed by alternative investments in Private Equity funds.

1.6 Other Revenues

The following table gives details by revenue category:

(amounts in Euro thousand)

	31/12/17	31/12/16
Other technical income	872	726
Other revenues	27.535	225.023
Capital gains	2.006	
Withdrawals from provisions	12.528	3.327
Contingent assets	2.090	1.279
Exchange differences	5	24
Total	**45.035**	**230.379**

The item "*capital gains*" refers to the sale of the building owned by the subsidiary Eurovita Service S.c.r.l. in Via Pampuri - Milan, registered office of the Group companies, together with adjoining land, ancillary goods and instrumental plants. The total sale price amounted to €17 million and therefore led to a net gain of €2,006 thousand.

For the category "*Other technical income*", details are as follows:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	872	278
Ergo Assicurazioni S.p.A.	-	448
Total	**872**	**726**

Other technical income includes the management fees retroceded by the managers of mutual funds included in the investments for the benefit of policyholders, recovery of management fees, and penalties on policies.

In regard of the category "*Withdrawals from provisions*", details are as follows:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	12.517	3.031
Ergo Assicurazioni S.p.A.	-	265
Eurovita Holding S.p.A.	11	31
Total	**12.528**	**3.327**

Withdrawals from provisions refer to the settlement of disputes with former agents, former policyholders, and former employees, and to reductions in existing risks. The withdrawal against costs incurred due to voluntary early retirement of employees for which a provision had been set aside in the previous financial year was significant. The increase in the withdrawal from reserves is mainly due to the increase in the withdrawal from reserves for risks and charges of Eurovita S.p.A., for details of which please refer to the foregoing, in the section dedicated to Provisions and to the increase in withdrawals from the allowance for doubtful accounts.

In regard of the category "*Contingent assets*", details are as follows:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	1.624	482
Ergo Assicurazioni S.p.A.	-	453
Eurovita Holding S.p.A.	84	18
Agenzia Eurovita S.r.L.	34	45
Eurovita Service S.c.r.l.	348	281
Total	**2.090**	**1.279**

Contingent assets are mainly due to the settlement of items from prior years.

For the category "*other revenues*", details are as follows:

(amounts in Euro thousand)

	31/12/17	31/12/16
Eurovita S.p.A.	25.554	1.700
Ergo Assicurazioni S.p.A.	-	550
Eurovita Holding S.p.A.	533	227.396
Agenzia Eurovita S.r.L.	74	283
Eurovita Service S.c.r.l.	1.374	450
Total	**27.535**	**230.379**

For Eurovita S.p.A., other revenues include the recognition of the gain from the good business deal of €21.1 million calculated as the difference between the fair value of the assets acquired by the consolidating company and the price paid, relative to the acquisition of the company Eurovita Assicurazioni S.p.A.

For Eurovita Holding S.p.A., it should be noted that in 2016 the gain from the good business deal was recorded due to the acquisition of the ERGO Group, equal to €202.98 million, which, pursuant to the provisions of IFRS3, was accurately restated in light of more complete information that became available in the first half of 2017.

2.1 Net insurance benefits and claims

With regard to the items "Claims paid and change in insurance provisions", and "Reinsurers' share", the following table is proposed:

(amounts in Euro thousand)

	31/12/17	31/12/16
Claims paid and change in insurance provisions		
Reinsurers' share	475.972	106.078
Total Net insurance benefits and claims	-93.539	-51.504
Total	**382.433**	**54.574**

The increase is essentially linked to the acquisition and subsequent merger of the companies Eurovita Assicurazioni and Old Mutual Wealth Italy.

With regard to the stand-alone statements of the former company Ergo Previdenza, it should be noted that the amounts paid recorded an increase of 11% (€65.55 million in absolute terms) mainly due to the effect of the increase in matured payments of €81.1 million, partially offset by the reduction in redemptions paid which fell by €21 million. Claims paid increased by €5.4 million. The change in technical provisions is mainly linked to the decrease in actuarial reserves and other technical provisions, partially offset by the increase in reserves for amounts to be paid.

Details of the charges relating to claims, specifying the amounts paid, recoveries, and changes in reserves for each type thereof, separately for the non-life and life businesses, and gross amounts and amounts borne by reinsurers, specifying the corresponding value of the previous financial year, is provided in an appropriate attachment.

2.2 Fee and commission expenses and expenses from financial service activities

Commission expense had the following balance:

(amounts in Euro thousand)

	31/12/17	31/12/16
Commission expense	154.679	27
Total	**154.679**	**27**

The item “commission expense on financial products” for the previous financial year included the portion of the financial services commissions (DAC) of ERGO Previdenza S.p.A. only, amounting to €27 thousand.

The increase during the financial year is attributable to the acquisition transaction and the related accounting in this item of acquisition costs on investment contracts not falling within the scope of IFRS 4 of the acquired companies and in particular relating to the acquired company Old Mutual Wealth Italy, specialized in the marketing of unit-linked products.

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

The charges from investments in the category “Available for sale financial assets” and “Financial liabilities” are detailed in the table below specifying the corresponding values at the end of the previous financial year.

(amounts in Euro thousand)

Charges from Investments	31/12/17					31/12/16				
	Interest expense	Other charges	Realized losses	Valuation losses	Total	Interest expense	Other charges	Realized losses	Valuation losses	Total
Available for sale financial assets	10	-	5.961	-	5.971	-	-	787	384	1.171
Loans and receivables	55.072	-	-	-	55.072	32.744	-	-	-	32.744
Total Expenses from other financial instruments and land and buildings (investment properties	**55.082**	**-**	**5.961**	**-**	**61.043**	**32.744**	**-**	**787**	**384**	**33.915**

Interest expense mainly refers to interest on deposits from reinsurers, which increased due to the acquisition and subsequent merger of the company Eurovita Assicurazioni.

A further breakdown of financial charges and investments by type, specifying the corresponding value of the previous financial year, is provided in the mandatory I.V.A.S.S. annexes.

2.5 Acquisition and administration costs

The following items, Commissions and other acquisition costs on insurance contracts, investment management expenses, and other administrative expenses are detailed in the following table:

(amounts in Euro thousand)

	31/12/2017	31/12/2016
Acquisition commissions	**21.843**	4.491
Other acquisition costs	**19.459**	4.027
Change in deferred acquisition costs	**-4.313**	14
Commissions for collections	**6.640**	5.083
Commissions and equity investments for gains ceded	**-7.553**	-3.370
Total commissions and other acquisition costs	***36.076***	***10.245***
Investment management expenses	**5.434**	2.684
Other administration costs	**47.477**	13.386
Total Acquisition and administration costs	**88.987**	**26.315**

The breakdown of costs in the insurance business, separately for non-life business and life business and type of expense, specifying the corresponding value of the previous financial year, is provided in a specific attachment.

The increase is essentially linked to the acquisition and subsequent merger of the companies Eurovita Assicurazioni and Old Mutual Wealth Italy.

With regard to the stand-alone statements of the former company Ergo Previdenza, it should be noted that an increase in operating expenses, which rose from €38,234 thousand at 31 December 2016 to €40,028 thousand at the end of 2017, mainly due to the increase in other administration expenses, was partially offset by the reduction in investment management expenses.

Investment management expenses decreased mainly due to changing the investment manager in the second half of 2016, which led to savings in operating costs.

Other administration expenses amounted to €22.1 million, an increase of €3.8 million, i.e. 21.1%, compared to the same period of the previous year (€18.2 million in 2016). This increase is mainly related to the portion of the early retirement incentive for personnel recovered with the withdrawal from the related provisions set aside in 2016.

2.6 Other Costs

The following table shows details by cost category:

(amounts in Euro thousand)

	31/12/17	31/12/16
Other technical charges	5.422	4.791
Provisions to reserves	5.320	7.225
Losses on receivables	450	235
Contingent liabilities	393	73
Capital losses	401	-
Exchange differences	-	28
Depreciation and amort. of fixed assets	1.229	7.693
Amortization of Value in force	47.148	-
Other costs	10.134	12.210
Total	**70.497**	**32.255**

The following companies contributed significantly to the balance in financial year 2017:

(amounts in Euro thousand)

	31/12/17	31/12/16
ex Ergo Previdenza S.p.A.	9.559	12.790
ex Old Mutual Wealth Italy S.p.A.	29.807	-
ex Eurovita Assicurazioni S.p.A.	5.918	-
Agenzia Eurovita S.r.l.	484	441
Eurovita Service S.c.r.l.	2.818	620
Eurovita Holding S.p.A.	21.911	13.589
ex Ergo Assicurazioni S.p.A.		4.815
Totale	**70.497**	**32.255**

Other technical charges (€5,422 thousand compared to €4,791 thousand in 2016) mainly include cancellations due to non-collection. Provisions to reserves (€5,320 thousand compared to €7,508 thousand in 2016) refer to the adjustment of the allowance for doubtful accounts and to the provision for risks for pending litigation, and the allocation of the estimated non-recoverable portion of indemnities to the agency network, which will be liquidated at the termination of the agency relationship. The reduction compared to the previous financial year is mainly related to the allocation, in 2016, of the cost for the voluntary early retirement of employees of the former company Ergo Previdenza.

With regard to Old Mutual Wealth, it should be noted that the main item consists in the amortization of VIF by €27,308 thousand. In the company Eurovita Holding S.p.A., this item mainly relates to the amortization of VIF by €19,839 thousand for the acquisition of Ergo Previdenza.

3. Taxes

The breakdown of current taxes is provided in the following table:

(amounts in Euro thousand)

	31/12/17
Eurovita Holding S.p.A.	-1.403
Eurovita Service S.c.r.l.	599
Agenzia Eurovita S.r.L.	578
Eurovita S.p.A.	16.950
Total	**16.725**

The breakdown of deferred / prepaid taxes is provided in the following table:

(amounts in Euro thousand)

	31/12/17
Eurovita Holding S.p.A.	-8.559
Eurovita Service S.c.r.l.	-76
Agenzia Eurovita S.r.L.	-
Eurovita S.p.A.	-1.659
Total	**-10.294**

The former company ERGO Italia S.p.A. (now merged into Eurovita Holding S.p.A.), together with the subsidiaries Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.), Agenzia Eurovita S.r.l. (formerly ERGO Italia Direct Network S.r.l.), and Eurovita Service S.c.r.l. (formerly ERGO Italia Business Solutions S.c.r.l.) have now also opted for the national tax consolidation for the current year pursuant to Legislative

Decree No. 344 of 12 December 2003 and will fulfill the obligations related to the tax return and settlement of I.R.E.S. as consolidating company.

The item income taxes for the year includes both current and deferred taxes.

The economic and financial transactions relating to opting for the national tax consolidation have been regulated by specific contracts between Eurovita Holding S.p.A. and its subsidiaries.

The following table contains the reconciliation between the expected tax burden and the actual tax burden; the reconciliation is at the level of each company taking into account the tax rates and the impact of intercompany transactions.

(amounts in Euro thousand)

	Eurovita Service Scrl	Agenzia Eurovita Srl	Eurovita SpA	PPA effect former ERGO Previdenza	Eurovita Holding SpA	Total at 31/12/2017
Theoretical rate	**27,90%**	**27,90%**	**30,82%**	**30,82%**	**29,57%**	
Profit for the year before taxation	**1.664**	**2.088**	**72.529**	**-50.554**	**16.162**	**41.889**
Theoretical tax burden	**464**	**583**	**22.353**	**-15.581**	**4.779**	**12.599**
Non-deductible costs for tax purposes	57	6	273		345	681
Non-taxable income	-3	-11	-1.667		-5	-1.686
Use of tax losses carried forward	-	-	-			-
Other local taxes	137	1	-247			-109
Other adjustments	-131	-	93	7.331	-6.831	462
Amortization of Value in force	-	-	-8.417			-8.417
Tax burden	**524**	**579**	**12.388**	**-8.250**	**-1.712**	**3.530**
Actual rate	**31,5%**	**27,7%**	**17,1%**	**16,3%**	**-10,6%**	**8,4%**
CURRENT TAXATION	600	578	16.950	-	-1.403	16.725
DEFERRED TAXATION	-76	-	-1.659	-8.250	-309	-10.294
TOTAL TAXATION	**524**	**578**	**15.291**	**-8.250**	**-1.712**	**6.431**

Other information

Compensation Paid to Directors and Statutory Auditors

Compensation paid to Directors amounted to €300 thousand in total, while compensation paid to Statutory Auditors amounted to €280 thousand.

Compensation paid to the Independent Auditor KPMG S.p.A.

As pursuant to Article 149-*duodecies*, paragraph 2, of Issuers' Regulation of C.O.N.S.O.B. (Italian stock exchange supervisory authority), this is to specify that the compensation for the year for the provision of auditing services amounted to a total of €96 thousand for the parent company Eurovita Holding S.p.A., €188 thousand for the subsidiary Eurovita S.p.A., €22 thousand for the subsidiary Agenzia Eurovita S.r.l., and €24 thousand for the subsidiary Eurovita Service S.c.a.r.l., while the compensation for the provision of certification services amounted to €362 thousand for Eurovita S.p.A.

Solvency II Information

The Group has a significant capital solidity assessed in accordance with the provisions of Directive 2009/138/EC (Solvency II): against a solvency capital requirement (SCR) of €276.8 million, own funds are equal to €581.6 million, which implies a Solvency II Ratio of 210.14%.

Based on the requirements of ISVAP regulation No. 7/2007, the following is the mandatory information on compliance with Solvency Capital Requirements, in particular the amount of the Solvency Capital Requirement and the Minimum Capital Requirement, as well as the eligible amount of own funds to cover the aforementioned requirements classified by levels:

(amounts in thousand Euro

Available own funds eligible to cover SCR	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	419.986	-	419.986
Tier 1 restricted	115.511	-10.514	104.997
Tier 2	46.147	10.514	56.661
Tier 3	-	-	-
Total OF	**581.644**	**-**	**581.644**
Total SCR			**276.795**
Surplus (shortage)			**304.849**

(amounts in thousand Euro

Available own funds eligible to cover MCR	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	419.986	-	419.986
Tier 1 restricted	115.511	-10.514	104.997
Tier 2	46.147	-21.236	24.911
Tier 3	-	-	-
Total OF	**581.644**	**-31.750**	**549.894**
Total MCR			**124.588**
Surplus (shortage)			**425.336**

According to the provisions of Article 62 - Transitional provisions of I.V.A.S.S. Measure No. 53/2016 -, it should be noted that the data relating to the Solvency Capital Requirement and Minimum Capital Requirement set out above should be understood as estimates. The corresponding final data will be communicated to the supervisory authority and included in the Solvency and Financial Condition Report (SFCR) within the timeframe established by I.V.A.S.S. regulations on Solvency II.

The Parent Company continued its coordination work and support for all Group companies. With regard to the risks to which the Group is exposed, please refer to the specific section of the Explanatory Notes.

Information on Employees

The total number of workers employed by the Group Companies at 31 December 2017 was as follows:

	31/12/17	31/12/16
Number of employees with the Group		
Managers	17	13
Middle-managers and office workers	274	172
Total	**291**	**185**

broken down as follows:

	31/12/17	31/12/16	Change
Number of employees with the Group			
former Ergo Previdenza S.p.A.	98	168	-70
former Phlavia Investments S.p.A.	14	0	14
former Old Mutual Wealth Italy S.p.A.	88	0	88
former Eurovita Assicurazioni S.p.A.	91	0	91
former Ergo Italia S.p.A. (change in company name to Phlavia Inv)	0	17	-17
Total	**291**	**185**	**106**

Milan, 28 March 2018

FOR THE BOARD OF DIRECTORS

Erik STATTIN

Chief Executive Officer

EUROVITA HOLDING

ANNEXES AS PER I.S.V.A.P. REGULATION NO. 7/2007

Annex	Reference	Description	Notes
		Balance sheet by activity sector	
		Income statement by activity	
1	Assets	Scope of Consolidation	
2	Assets	Breakdown of non-consolidated equity invest-ments	
3	Assets	Breakdown of tangible and intangible assets	Breakdown by measurement criteria
4	Assets	Amounts ceded to reinsurers from insurance provisions	
5	Assets	Breakdown of financial assets	Breakdown by asset class
6	Assets	Assets and liabilities related to policies where the investment risk is borne by policyholders and to pension funds	Summary of assets and liabilities relating to contracts with risk borne by the policyholder (former Class D) - regardless of the insurance or financial classification of the original contract
7	Liabilities	Insurance provisions	
8	Liabilities	Financial liabilities	Breakdown by liability class.
9	CE	Technical insurance items	Breakdown of data relating to premiums and claims.
10	CE	Income and expenses from investments, receivables and payables	Breakdown of financial income and charges by original equity item
11	CE	Acquisition and administration costs of insurance business	Breakdown of data relating to management expenses.
15	CE	Details on other comprehensive income	Breakdown of data relating to management expenses.
15	CE	Details on financial assets reclassified and its effect on profit or loss account and comprehensive income	Breakdown of data relating to management expenses.
8	Assets	Assets and liabilities measured at fair value on recurring and non-recurring basis: fair value hierarchy	
9	Assets	Details of the variation of assets and liabilities measured at fair value on a recurring basis classified in Level 3	

BALANCE SHEET - BY ACTIVITY SECTOR

(amounts in Euros)

		NON-LIFE CLASSES		LIFE CLASSES		OTHER		INTERCOMPANY INTER SECTORS		TOTAL	
		DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016
1	**INTANGIBLE ASSETS**	**0,00**	**0,00**	**126.216.191**	**58.103.577**	**140.028.843**	**103.831.934**	**0**	**0**	**266.245.034**	**161.935.511**
1.1	Goodwill	0,00	0,00	22.050.297	0	0	0	0	0	22.050.297	0
1.2	Other intangible assets	0,00	0,00	104.165.894	58.103.577	140.028.843	103.831.934	0	0	244.194.737	161.935.511
2	**TANGIBLE ASSETS**	**0,00**	**0,00**	**594.158**	**219.092**	**90.538**	**15.852.877**	**0**	**0**	**684.696**	**16.071.969**
2.1	Land and buildings (self used)	0,00	0,00	0	0	0	15.284.396	0	0	0	15.284.396
2.2	Other tangible assets	0,00	0,00	594.158	219.092	90.538	568.481	0	0	684.696	787.573
3	**AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**0,00**	**0,00**	**1.522.997.659**	**1.611.454.695**	**0**	**0**	**0**	**0**	**1.522.997.659**	**1.611.454.695**
4	**INVESTMENTS**	**0,00**	**0,00**	**17.698.741.538**	**4.482.008.694**	**28.361.395**	**569.585.434**	**600.026**	**534.962.508**	**17.726.502.908**	**4.516.631.620**
4.1	Land and buildings (investment properties)	0,00	0,00	0	0	0	0	0	0	0	0
4.2	Investments in subsidiaries, associated companies and joint ventures	0,00	0,00	1.138.246	382.246	-1.138.246	533.705.604	0	534.087.850	0	0
4.3	Held to maturity investments	0,00	0,00	0	0	0	0	0	0	0	0
4.4	Loans and receivables	0,00	0,00	518.730.727	305.861.297	29.499.641	35.879.830	600.026	874.658	547.630.342	340.866.469
4.5	Available for sale financial assets	0,00	0,00	9.337.103.345	4.150.288.033	0	0	0	0	9.337.103.345	4.150.288.033
4.6	Financial assets at fair value through profit or loss	0,00	0,00	7.841.769.221	25.477.118	0	0	0	0	7.841.769.221	25.477.118
5	**RECEIVABLES**	**0,00**	**0,00**	**91.275.334**	**40.308.540**	**21.095.767**	**16.053.109**	**15.364.733**	**14.063.448**	**97.006.368**	**42.298.201**
5.1	Receivables arising out of direct insurance operations	0,00	0,00	39.208.858	23.276.289	67	0	0	0	39.208.925	23.276.289
5.2	Receivables arising out of reinsurance operations	0,00	0,00	7.073.857	7.774.303	0	0	0	0	7.073.857	7.774.303
5.3	Other receivables	0,00	0,00	44.992.618	9.257.948	21.095.700	16.053.109	15.364.733	14.063.448	50.723.585	11.247.609
6	**OTHER ASSETS**	**0,00**	**0,00**	**420.905.054**	**174.556.374**	**106.357**	**192.294**	**0**	**0**	**421.011.411**	**174.748.668**
6.1	Non-current assets or disposal groups classified as held for sale	0,00	0,00	0	0	0	0	0	0	0	0
6.2	Deferred acquisition costs	0,00	0,00	28.921.980	22.160.429	0	0	0	0	28.921.980	22.160.429
6.3	Deferred tax assets	0,00	0,00	0	0	0	0	0	0	0	0
6.4	Tax receivables	0,00	0,00	311.321.367	79.617.160	0	153.056	0	0	311.321.367	79.770.216
6.5	Other assets	0,00	0,00	80.661.707	72.778.785	106.358	39.238	0	0	80.768.065	72.818.023
7	**CASH AND CASH EQUIVALENTS**	**0,00**	**0,00**	**94.416.969**	**120.840.268**	**31.388.207**	**131.848.054**	**0**	**0**	**125.805.175**	**252.688.322**
TOTAL ASSETS		**0,00**	**0,00**	**19.955.146.902**	**6.487.491.240**	**221.071.107**	**837.363.702**	**15.964.759**	**549.025.956**	**20.160.253.251**	**6.775.828.986**
1	**SHAREHOLDERS' EQUITY**	**0,00**	**0,00**	**445.330.559**	**261.740.320**	**17.071.872**	**715.000.415**	**0**	**534.087.850**	**462.402.431**	**442.652.885**
2	**OTHER PROVISIONS**	**0,00**	**0,00**	**22.184.804**	**14.644.180**	**101.988**	**143.479**	**5.098.824**	**4.957.028**	**17.187.969**	**9.830.631**
3	**INSURANCE PROVISIONS**	**0,00**	**0,00**	**9.988.064.203**	**4.557.601.280**	**20.560.846**	**32.379.061**	**0**	**0**	**10.008.625.049**	**4.589.980.341**
4	**FINANCIAL LIABILITIES**	**0,00**	**0,00**	**9.297.281.588**	**1.570.659.637**	**0**	**0**	**0**	**0**	**9.297.281.588**	**1.570.659.637**
4.1	Financial liabilities at fair value through profit or loss	0,00	0,00	7.793.899.983	8.096.252	0	0	0	0	7.793.899.983	8.096.252
4.2	Other financial liabilities	0,00	0,00	1.503.381.606	1.562.563.385	0	0	0	0	1.503.381.606	1.562.563.385
5	**PAYABLES**	**0,00**	**0,00**	**76.271.600**	**28.149.914**	**135.343.529**	**56.127.255**	**10.865.935**	**9.981.079**	**200.749.194**	**74.296.090**
5.1	Payables arising out of direct insurance operations	0,00	0,00	29.889.997	1.301.148	0	0	0	649.666	29.889.997	651.482
5.2	Payables arising out of reinsurance operations	0,00	0,00	17.898.774	12.512.416	0	0	0	0	17.898.774	12.512.416
5.3	Other payables	0,00	0,00	28.482.830	14.336.350	135.343.529	56.127.255	10.865.935	9.331.413	152.960.424	61.132.192
6	**OTHER LIABILITIES**	**0,00**	**0,00**	**126.014.148**	**54.695.908**	**47.992.872**	**33.713.492**	**0**	**0**	**174.007.020**	**88.409.400**
6.1	Liabilities directly associated with non-current assets and disposal groups classified as held for sale	0,00	0,00	0	0	0	0	0	0	0	0
6.2	Deferred tax liabilities	0,00	0,00	22.328.121	41.181.765	46.481.096	33.615.171	0	0	68.809.217	74.796.936
6.3	Tax payables	0,00	0,00	72.554.644	5.097.916	206.118	98.321	0	0	72.760.762	5.196.237
6.4	Other liabilities	0,00	0,00	31.131.382	8.416.227	1.305.658	0	0	0	32.437.040	8.416.227
TOTAL EQUITY AND LIABILITIES		**0,00**	**0,00**	**19.955.146.902**	**6.487.491.238**	**221.071.107**	**837.363.702**	**15.964.759**	**549.025.956**	**20.160.253.251**	**6.775.828.984**

INCOME STATEMENT BY ACTIVITY SECTOR

(amounts in Euros)

		NON-LIFE CLASSES		LIFE CLASSES		OTHER		INTER-SECTOR ELIMINATIONS		TOTAL	
		DEC 2017	DEC 2017	DEC 2017	DEC 2017	DEC 2017	DEC 2017	DEC 2017	DEC 2017	DEC 2017	DEC 2017
1.1	Net earned premiums	0	21.023.584	460.245.158	103.980.817	0	0	0	0	460.245.158	125.004.401
1.1.1	*Gross earned premiums*	0	21.426.782	521.430.856	140.812.953	0	0	0	0	521.430.856	162.239.735
1.1.2	*Earned premiums ceded*	0	403.198	-61.185.698	36.832.136	0	0	0	0	-61.185.698	-37.235.334
1.2	Fee and commission income and income from financial service activities	0	0	214.671.070	-289.966	0	0	0	0	214.671.070	-289.966
1.3	Net income from financial instruments at fair value through profit or loss	0	822.580	12.281.324	-2.684.790	0	0	0	0	12.281.324	-1.862.210
1.4	Income from subsidiaries, associated companies and joint ventures	0	0	0	0	0	108.157.352	0	108.157.352	0	0
1.5	Income from other financial instruments and land and buildings (investment properties)	0	1.011.591	185.093.218	102.089.566	-117.797.301	-85.057.733	0	0	67.295.918	18.043.424
1.5.1	*Interest income*	0	477.126	161.880.152	72.124.916	-107.863.651	-64.918.282	0	0	54.016.501	7.683.760
1.5.2	*Other income*	0	150.855	2.234.647	3.906.406	0	0	0	0	2.234.647	4.057.261
1.5.3	*Realized gains*	0	383.610	20.978.419	26.058.244	-9.933.649	-20.139.451	0	0	11.044.770	6.302.403
1.5.4	*Unrealized gains and reversal of impairment losses*	0	0	0	0	0	0	0	0	0	0
1.6	Other income	0	2.459.424	41.136.994	57.964.819	9.802.256	183.536.043	5.904.030	13.581.222	45.035.220	230.379.064
1	**TOTAL INCOME**	**0**	**25.317.179**	**913.427.765**	**261.060.446**	**-107.995.045**	**206.635.662**	**5.904.030**	**121.738.574**	**799.528.690**	**371.274.713**
2.1	Net insurance benefits and claims	0	6.194.196	494.775.515	115.949.116	-112.342.642	-67.569.648	0	0	382.432.873	54.573.664
2.1.1	*Claims paid and change in insurance provisions*	0	5.224.245	588.314.315	168.423.120	-112.342.642	-67.569.648	0	0	475.971.673	106.077.717
2.1.2	*Reinsurers' share*	0	969.951	-93.538.799	-52.474.004	0	0	0	0	-93.538.799	-51.504.053
2.2	Fee and commission expenses and expenses from financial service activities	0	0	154.678.992	27.101	0	0	0	0	154.678.992	27.101
2.3	Expenses from subsidiaries, associated companies and joint ventures	0	0	0	0	0	80.663.189	0	80.663.189	0	0
2.4	Expenses from other financial instruments and land and buildings (investment properties)	0	0	59.569.678	35.853.754	1.473.580	0	0	0	61.043.257	35.853.754
2.4.1	*Interest expenses*	0	0	55.081.516	32.743.660	0	0	0	0	55.081.516	32.743.660
2.4.2	*Other expenses*	0	0	0	0	0	0	0	0	0	0
2.4.3	*Realized losses*	0	0	4.488.161	3.110.094	1.473.580	0	0	0	5.961.741	3.110.094
2.4.4	*Unrealized losses and impairment losses*	0	0	0	0	0	0	0	0	0	0
2.5	Acquisition and administration costs	0	8.849.495	86.591.348	18.734.169	8.299.758	3.964.758	5.904.030	5.234.005	88.987.077	26.314.417
2.5.1	*Commissions and other acquisition costs*	0	4.551.562	38.923.415	7.336.270	0	0	2.846.375	1.643.077	36.077.041	10.244.755
2.5.2	*INVESTMENT MANAGEMENT EXPENSES*	0	176.349	5.433.166	2.507.397	0	0	0	0	5.433.166	2.683.746
2.5.3	*Other administration costs*	0	4.121.584	42.234.766	8.890.502	8.299.758	3.964.758	3.057.655	3.590.928	47.476.870	13.385.916
2.6	Other expenses	0	4.814.950	45.283.314	5.986.046	25.213.886	29.801.656	0	8.347.217	70.497.200	32.255.435
2	**TOTAL EXPENSES**	**0**	**19.858.641**	**840.898.847**	**176.550.186**	**-77.355.418**	**46.859.955**	**5.904.030**	**94.244.411**	**757.639.400**	**149.024.371**
	EARNINGS BEFORE TAXES	**0**	**5.458.538**	**72.528.918**	**84.510.260**	**-30.639.627**	**159.775.707**	**0**	**27.494.163**	**41.889.290**	**222.250.342**
3	**Income taxes**	**0**	**1.799.221**	**15.290.383**	**27.444.793**	**-8.859.456**	**-7.850.848**	**0**	**0**	**6.430.928**	**21.393.167**
	Current taxes	0	1.299.465	15.290.383	14.181.647		-7.829.183	0	0	15.290.383	7.651.929
	Deferred taxes	0	499.756		13.263.146	-8.859.456	-21.665	0	0	-8.859.456	13.741.237
	EARNINGS AFTER TAXES	**0**	**3.659.317**	**57.238.534**	**57.065.467**	**-21.780.172**	**167.626.555**	**0**	**27.494.163**	**35.458.363**	**200.857.175**
4	**RESULT OF DISCONTINUED OPERATIONS**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	CONSOLIDATED RESULT OF THE PERIOD	**0**	**3.659.317**	**57.238.534**	**57.065.467**	**-21.780.172**	**167.626.555**	**0**	**27.494.163**	**35.458.363**	**200.857.175**
	Attributable to the Group	**0**	**3.659.317**	**57.133.278**	**57.065.467**	**-21.780.172**	**167.626.555**	**0**	**27.494.163**	**35.353.106**	**200.848.539**
	Attributable to Minority Interests	**0**	**0**	**105.257**	**0**	**0**	**0**	**0**	**0**	**105.257**	**8.636**

ANNEX 1 - SCOPE OF CONSOLIDATION

Company name	Country	Method (1)	Assets (2)	% Direct shareholding	% Total interest (3)	% Available votes in General Meeting (4)	% of consolidation
Eurovita S.p.A.	IT	G	1	99,45	100		100
Agenzia Eurovita S.r.l.	IT	G	11	100	100		100
Eurovita Service S.c.r.l.	IT	G	11	100	100		100

(1) Consolidation method: Line-by-line integration =G, Proportional integration=P, Line-by-line integration by Department=U.
(2) 1=Italian ins. cos.; 2=EU ins. cos.; 3=Third country ins. cos.; 4=insurance holding cos.; 5=EU reins. cos.; 6=Third country reins. cos.; 7=banks; 8=mutual guarantee schemes; 9=other holding cos.; 10=real estate cos. 11=other.
(3) This is the product of shareholdings relationships pertaining to all the companies that, placed along the shareholding chain, may be interposed between the company that draws up the consolidated financial statements and the company in question. If the latter is directly owned by several subsidiaries, the individual products should be added up.
(4) Total availability in percentage of votes in the annual general meeting of shareholders if different from the direct or indirect shareholding.

BREAKDOWN OF NON-CONSOLIDATED EQUITY INVESTMENTS

Company name	Country Registered address	Country Operating office	Assets (1)	Type (2)	% Direct shareholding	% Total interest (3)	% Availability of votes in in the annual general meeting (4)	Book value

(1) 1=Italian ins. cos.; 2=EU ins. cos.; 3=Third country ins. cos.; 4=insurance holdings; 4.1= mixed financial cos.; 5=EU reins. cos.; 6=Third country reins. cos.; 7=banks; 8=mutual guarantee schemes; 9=other holding cos.; 10=real estate cos.; 11=other.
(2) a=subsidiaries (IFRS 10); b=affiliated companies (IAS28); c=joint ventures (IFRS11); indicate with an asterisk (*) any companies classified as available for sale in accordance with IFRS 5 and include key at the bottom of the table.
(3) This is the product of shareholdings relationships pertaining to all the companies that, placed along the shareholding chain, may be interposed between the company that draws up the consolidated financial statements and the company in question. If the latter is directly owned by several subsidiaries, the individual products should be added up.
(4) Total availability in percentage of votes in the annual general meeting of shareholders if different from the direct or indirect shareholding.

SCOPE OF CONSOLIDATION: EQUITY INVESTMENTS IN COMPANIES WITH SIGNIFICANT MINORITY INTERESTS

% minority interests	% Availability of votes in the annual general meeting for minority interests	Consolidated profit (loss) attributable to minority interests	Shareholders' Equity attributable to minority interests	Summary of economic and financial data							
				Total assets	Investments	Technical Provisions	Financial liabilities	Shareholders' equity	Profit (loss) for the year	Dividends paid out to minority interests	Gross premiums recognized

INTERESTS IN NON-CONSOLIDATED STRUCTURED ENTITIES

Company name of structured entity	Revenues received by structured entity during the period under review	Book value (at the transfer date) of transfer-red assets to the structured entity during the period under review	Book value of recognized assets relating to structured entity	Corresponding asset item in Balance Sheet	Book value of recognized liabilities relating to structured entity	Corresponding liability item in Balance Sheet	Maximum exposure to loss risk	Valore di bilancio

BREAKDOWN OF TANGIBLE AND INTANGIBLE ASSETS

(amounts in Euros)

	At cost	At restated value or at fair value	Total Book value
Land and buildings (investment properties)	0	0	0
Land and buildings (self used)	0	0	0
Other tangible assets	684.696	684.696	684.696
Other intangible assets	266.245.034	266.245.034	266.245.034

AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS

(amounts in Euros)

	Direct business		Indirect business		Total Book value	
	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016
Non-life amounts ceded to reinsurers from insurance provisions	**9.624.587,00**	**8.933.146,00**	**0,00**	**0,00**	**9.624.587,00**	**8.933.146,00**
Provisions for unearned premiums	0	0	0	0	0	0
Provisions for outstanding claims	0	0	0	0	0	0
Other insurance provisions	0	0	0	0	0	0
Life amounts ceded to reinsurers from insurance provisions	**1.508.839.071**	**1.596.515.525**	**14.158.588**	**14.939.171**	**1.522.997.659**	**1.611.454.695**
Mathematical provisions	1.453.003.738	1.550.863.020	13.629.457	14.555.911	1.466.633.196	1.565.418.931
Provisions for outstanding claims	55.559.473	45.305.499	529.131	383.260	56.088.603	45.688.758
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	0	0	0	0	0	0
of which, DI index and unit linked	0	0	0	0	0	0
of which, DII pension funds	0	0	0	0	0	0
Other insurance provisions	275.860	347.006	0	0	275.860	347.006
Total Amounts ceded to reinsurers from insurance provisions	**1.508.839.071**	**1.596.515.525**	**14.158.588**	**14.939.171**	**1.522.997.659**	**1.611.454.695**

BREAKDOWN OF FINANCIAL ASSETS

(amounts in Euros)

	Investments held to maturity		Loans and receivables		Available for sale financial assets		Financial assets at fair value through profit or loss				Total Book value	
							Financial assets held for trading		Financial assets designated at fair value through profit or loss			
	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016
Equities at cost	0	0		0	0	0	0	0	0	0	0	0
Equities at fair value	0	0		0	29.683.248	163.985	30.000	0	3.720.693	305.621	29.713.248	469.605
of which quoted equities	0	0		0	1.109.250	156.016	30.000	0	720.693	305.621	1.139.250	461.637
Bonds	0	0	409.963.116	193.631.754	8.918.885.236	3.990.977.481	10.774.051	0	100.996.226	582.219	9.339.622.403	4.185.191.454
of which quoted bonds	0	0	157.388.976	0	8.918.885.236	3.990.977.481	5.855.147	0	100.996.226	582.219	9.082.129.360	3.991.559.700
Investment fund units	0	0		0	388.534.861	159.146.567	0	0	7.694.615.284	24.329.094	8.187.867.064	183.475.661
Loans and receivables from customers	0	0		0	0	0	0	0	0	0	0	0
Loans and receivables from banks	0	0		0	0	0	0	0	0	0	0	0
Deposits under reinsurance business accepted	0	0	77.793.444	76.219.931	0	0	0	0	0	0	77.793.444	76.219.931
Deposit components of reinsurance contracts	0	0		0	0	0	0	0	26.387.813	0	26.387.813	0
Other loans and receivables	0	0	42.439.783	71.014.784	0	0	0	0	0	0	42.439.783	71.014.784
Derivatives	0	0		0	0	0	2.471.500	0	0	0	2.471.500	0
Hedging derivatives	0	0		0	0	0	2.773.654	0	0	0	2.773.654	0
Other financial investments	0	0	17.434.000	0	0	0	0	0	0	260.185	17.434.000	260.185
Total	**0**	**0**	**547.630.342**	**340.866.469**	**9.337.103.345**	**4.150.288.033**	**16.049.205**	**0**	**7.825.720.016**	**25.477.118**	**17.726.502.908**	**4.516.631.620**

ASSETS AND LIABILITIES RELATED TO POLICIES WHERE THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND TO PENSION FUNDS

(amounts in Euros)

	Benefits linked to investment funds and market indexes		Benefit linked to the management of pension funds		Total	
	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016
Assets	7.820.731.980	25.477.118			7.820.731.980	25.477.118
Intra-group assets (*)						
Total assets	**7.820.731.980**	**25.477.118**			**7.820.731.980**	**25.477.118**
Financial liabilities	7.733.023.105	8.096.252			7.733.023.105	8.096.252
Insurance provisions (**)	87.019.691	17.379.950			87.019.691	17.379.950
Intra-group liabilities (*)						
Total Liabilities	**7.820.042.796**	**25.476.202**			**7.820.042.796**	**25.476.202**

(*) Intra-group assets and liabilities refer to assets and liabilities which are eliminated in the consolidation process.
(**) Insurance provisions are net of amounts ceded to reinsurers from insurance provisions.

INSURANCE PROVISIONS

(amounts in Euros)

	Direct business		Indirect business		Total Book value	
	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016
Non-life insurance provisions	**0**	**0**	**0**	**0**	**0**	**0**
Provisions for unearned premiums	0	0	0	0	0	0
Provisions for outstanding claims	0	0	0	0	0	0
Other insurance provisions	0	0	0	0	0	0
of which provisions for liability adequacy test	0	0	0	0	0	0
Life insurance provisions	**9.930.092.218**	**4.513.273.054**	**78.532.831**	**76.707.287**	**10.008.625.049**	**4.589.980.341**
Provisions for outstanding claims	188.687.484	128.354.145	739.389	488.642	189.426.873	128.842.787
Mathematical provisions	8.989.237.012	4.015.527.545	77.793.443	76.218.646	9.067.030.455	4.091.746.191
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	96.619.384	17.379.950	0		96.619.384	17.379.950
Other insurance provisions	655.548.338	352.011.414	0		655.548.338	352.011.414
of which provisions for liability adequacy test	2.132.915		0		2.132.915	0
of which deferred policyholder liabilities	450.670.524	341.814.550	0		450.670.524	341.814.550
Total Insurance Provisions	**9.930.092.218**	**4.513.273.054**	**78.532.831**	**76.707.287**	**10.008.625.049**	**4.589.980.341**

FINANCIAL LIABILITIES

(amounts in Euros)

	Financial liabilities at fair value through profit or loss				Other financial liabilities		Total Book value	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss					
	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016	DEC 2017	DEC 2016
Preference shares	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0	0	0	0
Financial liabilities related to investment contracts issued by insurance companies	0	0	7.772.374.364	8.096.252	0	0	7.772.374.364	8.096.252
when the investment risk is borne by policyholders	0	0	7.772.374.364	8.096.252	0	0	7.772.374.364	8.096.252
pension funds	0	0	0	0	0	0	0	0
other liabilities related to investment contracts	0	0	0	0	0	0	0	0
Deposits received from reinsurers	0	0	0	0	1.503.381.606	1.562.563.385	1.503.381.606	1.562.563.385
Deposit components of insurance contracts	0	0	0	0	0	0	0	0
Bonds	0	0	0	0	0	0	0	0
Liabilities to customers	0	0	0	0	0	0	0	0
Liabilities to banks	0	0	0	0	0	0	0	0
Other loans	0	0	0	0	0	0	0	0
Derivatives	5.814.135	0	0	0	0	0	5.814.135	0
Hedging derivatives	15.711.484	0	0	0	0	0	15.711.484	0
Other financial liabilities	0	0	0	0	0	0	0	0
Total	**21.525.619**	**0**	**7.772.374.364**	**8.096.252**	**1.503.381.606**	**1.562.563.385**	**9.297.281.589**	**1.570.659.637**

TECHNICAL INSURANCE ITEMS

(amounts in Euros)

		DEC 2017			DEC 2016		
		Gross amount	Reinsurers' share	Net amount	Gross amount	Reinsurers' share	Net amount
Non-life business							
NET EARNED PREMIUMS		0	0	0	21.426.782	403.198	21.023.584
a	Premiums WRITTEN	0	0	0	19.417.257	471.101	18.946.156
b	Change in the provisions for unearned premiums	0	0	0	2.009.526	-67.903	2.077.428
NET INSURANCE BENEFITS AND CLAIMS		0	0	0	5.224.245	-969.951	6.194.196
a	Claims paid	0	0	0	15.929.380	1.975.058	13.954.322
b	Change in the provisions for outstanding claims	0	0	0	-10.214.969	-2.945.009	-7.269.961
c	Change in claims to be recovered	0	0	0	-444.977		-444.977
d	Change in other insurance provisions	0	0	0	-45.189		-45.189
Life business							
NET PREMIUMS		521.430.856	61.185.698	460.245.158	140.812.953	36.832.136	103.980.817
NET INSURANCE BENEFITS AND CLAIMS		475.971.673	93.538.799	382.432.873	91.456.417	52.474.004	38.982.413
a	Claims paid	834.647.902	190.378.426	644.269.476	275.234.818	82.720.530	192.514.288
b	Change in the provisions for outstanding claims	45.179.628	10.097.158	35.082.470	27.361.849	8.422.268	18.939.581
c	Change in the mathematical provisions	-453.019.606	-106.865.639	-346.153.967	-211.301.787	-38.668.794	-172.632.993
d	Change in the provisions for policies where the investment risk is borne by the policyholders and in the provisions for pension funds	23.764.557	0	23.764.557	-764.253	-	-764.253
e	Change in other insurance provisions	25.399.192	-71.146	25.470.337	925.790	-	925.790

INCOME AND EXPENSES FROM INVESTMENTS, RECEIVABLES AND PAYABLES

(amounts in Euros)

	Interests	Other income	Other expenses	Realized gains	Realized losses	Total realized gains and losses	Unrealized gains and reversal of impairment losses		Unrealized losses and impairment losses		Total unrealized gains and losses	Total income and expenses December 2017	Total income and expenses December 2016
							Unrealized gains	Reversal of impairment losses	Unrealized losses	Impairment losses			
Income and expenses from investments	**66.139.688**	**12.209.413**	**13.788.416**	**94.631.719**	**46.990.164**	**112.202.241**	**352.867.151**	**0**	**95.192.772**	**0**	**257.674.379**	**369.876.620**	**13.747.651**
a from land and buildings (investment properties)	0	0	0	0	0	0	0	0	0	0	0	0	0
b from investments in subsidiaries, associated companies and joint ventures	0	0	0	0	0	0	0	0	0	0	0	0	0
c from held to maturity investments	0	0	0	0	0	0	0	0	0	0	0	0	0
d from loans and receivables	2.638.009	0	0	0	5.960.996	-3.322.987	0	0	0	0	0	-3.322.987	1.993.607
e from available for sale financial assets	50.099.722	2.234.647	0	11.044.385	0	63.378.754	0	0	0	0	0	63.378.754	12.939.724
f from financial assets held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
g from financial assets designated as at fair value through profit or loss	13.401.957	9.974.766	13.788.416	83.587.335	41.029.168	52.146.474	352.867.151	0	95.192.772	0	257.674.379	309.820.854	-1.185.679
Income and expenses from receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income and expenses from cash and cash equivalents	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Income and expenses from financial liabilities	**-53.803.106**	**0**	**297.539.529**	**0**	**0**	**-351.342.635**	**0**	**0**	**0**	**0**	**0**	**-351.342.635**	**-33.420.191**
a from financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0
b from financial liabilities designated as at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0	-676.531
c from other financial liabilities	-53.803.106	0	297.539.529	0	0	-351.342.635	0	0	0	0	0	-351.342.635	-32.743.660
Income and expenses from payables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**12.336.582**	**12.209.413**	**311.327.945**	**94.631.719**	**46.990.164**	**-239.140.394**	**352.867.151**	**0**	**95.192.772**	**0**	**257.674.379**	**18.533.985**	**-19.672.540**

ACQUISITION AND ADMINISTRATION COSTS OF INSURANCE BUSINESS

(amounts in Euros)

		Non-Life business		Life business	
		DEC 2017	DEC 2016	DEC 2017	DEC 2016
Commissions and other acquisition costs		-	4.512.297	43.629.903	9.102.583
a	Acquisition and administration commissions	-	576.095	21.842.833	3.914.515
b	Other acquisition costs	-	1.391.582	19.459.505	2.635.841
c	Change in deferred acquisition costs	-		-4.312.997	13.436
d	Collecting commissions	-	2.544.621	6.640.562	2.538.791
Commissions and profit commissions from reinsurers		-	-276	-7.552.862	-3.369.849
Commissions and other acquisition costs net of commissions and profit commissions from reinsurers		-	176.349	5.433.166	2.507.397
Other administration costs		-	3.401.711	47.476.870	9.984.205
Total		**-**	**8.090.081**	**88.987.077**	**18.224.337**

DETAILS ON OTHER COMPREHENSIVE INCOME

(amounts in Euros)

	Allocation		Transfer to profit and loss account		Other transfer		Total variation		Taxes		Amount	
	Total Year 2017	Total Year 2016	Total Year 2017	Total Year 2016	Total Year 2017	Total Year 2016	Total Year 2017	Total Year 2016	Total Year 2017	Total Year 2016	at 31-12-2017	at 31-12-2016
Items that may not be reclassified to profit and loss in future perlord	**-15.206**	**88.826**	**-**	**-**	**-**	**-**	**-15.206**	**88.826**	**60.968**	**-39.572**	**-48.026**	**88.826**
Revenue reserve from valuation of equity												
Reserve for revaluation model on intangible assets												
Reserve for revaluation model on tangible assets												
Result of discontinued operation												
Actuarial gains or losses arising from defined benefit plans	-15.206	88.826					-15.206	88.826	60.968	-39.572	-48.026	88.826
Others												
Items that may be reclassified to profit and loss in future perlord	**-28.498.534**	**-1.706.883**	**-**	**-**	**-**	**-**	**-28.498.534**	**-1.706.883**	**12.642.031**	**760.424**	**-30.083.771**	**-1.706.883**
Reserve for currency transition differences												
Net unrealized gains and losses on investments available for sale	-19.548.144	-1.706.883	-	-			-19.548.144	-1.706.883	8.654.592	760.424	-21.133.381	-1.706.883
Net unrealized gains and losses on hedging derivatives	-8.950.390						-8.950.390		3.987.439		-8.950.390	
Net unrealized gains and losses on hedge of a net investment in foreign operations												
Shares of other comprehensive income of associates												
Result of discontinued operation												
Others												
TOTAL OTHER COMPREHENSIVE INCOME	**-28.513.740**	**-1.618.057**	**-**	**-**	**-**	**-**	**-28.513.740**	**-1.618.057**	**12.702.999**	**720.852**	**-30.131.797**	**-1.618.057**

DETAILS ON FINANCIAL ASSETS RECLASSIFIED AND ITS EFFECT ON PROFIT OR LOSS ACCOUNT AND COMPREHENSIVE INCOME

Financial asset categories affected by the reclassification		Financial assets	Amount of the financial assets reclassified in the year at the reclassification date	Book value of reclassified financial assets at 31/12/2017		Fair value AS AT 31/12/2017		Financial assets reclassified in 2017		Financial assets reclassified until 2017		Financial assets reclassified in 2017		Financial assets reclassified until 2017	
from	to			Financial assets reclassified in 2017	Financial assets reclassified until 2017	Financial assets reclassified in 2017	Financial assets reclassified until 2017	Fair value gains or losses through profit or loss	Fair value gains or losses through equity	Fair value gains or losses through profit or loss	Fair value gains or losses through equity	Fair value gains or losses that would be recognized through profit or loss without reclassification	Fair value gains or losses that would be recognized through equity without reclassification	Fair value gains or losses that would be recognized through profit or loss without reclassification	Fair value gains or losses that would be recognized through equity without reclassification
Total															

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON RECURRING AND NON-RECURRING BASIS: FAIR VALUE HIERARCHY

(amounts in Euros)

		Level 1		Level 2		Level 3		Total	
		Year 2017	Year 2016	Year 2017	Year 2016	Year 2017	Year 2016	Year 2017	Year 2016
Financial assets and liabilities at fair value on a recurring basis		**8.822.109.016**	**3.848.697.620**	**353.809.507**	**313.946.545**	**210.192.305**	**5.406.980**	**9.384.972.583**	**4.168.051.145**
Available for sale financial assets		8.783.960.699	3.831.316.754	347.088.586	313.946.545	206.054.059	5.406.980	9.337.103.345	4.150.670.279
Financial assets at fair value through profit or loss	Financial assets held for trading	-	-	-	-	-	-	-	-
	Financial assets designated at fair value through profit or loss	7.826.234.164	25.477.118	12.535.056	-	3.000.000	-	7.841.769.221	25.477.118
Investment properties		-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-
Investment properties						-		-	-
Total financial assets at fair value on a recurring basis		16.610.194.864	3.856.793.873	359.623.642	313.946.545	210.192.305	5.406.980	17.178.872.565	4.176.147.398
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-15.711.484		-5.814.135				-21.525.619	-
	Financial liabilities designated at fair value through profit or loss	-7.772.374.364	-8.096.252					-7.772.374.364	-8.096.252
Total financial liabilities at fair value on a recurring basis		-7.788.085.848	-8.096.252	-5.814.135	-	-	-	-7.793.899.983	-8.096.252
Financial assets and liabilities at fair value on a non-recurring basis		-	-	-	-	-	-	-	-
Non-current assets or of discontinued operations								-	-
Non-current liabilities or of discontinued operations								-	-

DETAILS OF THE VARIATION OF ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS CLASSIFIED IN LEVEL 3

(amounts in Euros)

	Available for sale financial assets	Financial assets at fair value through profit or loss		Investment properties	Tangible assets	Intangible assets	Financial liabilities at fair value through profit or loss	
		Financial assets held for trading	Financial assets designated as at fair value through profit or loss				Financial liabilities held for trading	Financial liabilities designated as at fair value through profit or loss
Opening balance	5.024.734		-			0,00		
Purchases and issues			3.000.000					
Disposals through sales and settlements	-		-					
Pay-backs	-2.296.424		-					
Net gains and losses recognized in P&L	1.540.561		-					
- of which net unrealised gains and losses	-		-					
Net unrealised gains and losses recognized in OCI	3.311.394		-					
Net transfers to Level 3	-		-					
Net transfers out of Level 3	-		-					
Other changes	198.473.794		-			261.144.928		
Closing balance	**206.054.059**	**-**	**3.000.000**	**-**	**-**	**261.144.928**	**-**	**-**

ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE: FAIR VALUE HIERARCHY

(amounts in Euros)

	Book value		Fair value							
			Level 1		Level 2		Level 3		Total	
Assets	Year 2017	Year 2016	Year 2017	Year 2016	Year 2017	Year 2016	Year 2017	Year 2016	Year 2017	Year 2016
Held to maturity investments									-	-
Loans and receivables	409.963.116	341.032.157	81.448.934		328.514.181	215.358.031		125.674.126	409.963.116	341.032.157
Investments in subsidiaries, associated companies and joint ventures									-	-
Land and buildings (investment properties)	-	105.015					-	105.015	-	105.015
Tangible assets	-	17.640.207					-	17.640.207	-	17.640.207
Total assets	**409.963.116**	**358.777.380**	**81.448.934**	**-**	**328.514.181**	**215.358.031**	**-**	**143.419.349**	**409.963.116**	**358.777.380**
Liabilities										
Other liabilities	-1.503.381.606	-1.562.563.385					-1.503.381.606	-1.562.563.385	-1.503.381.606	-1.562.563.385

EUROVITA HOLDING

INDEPENDENT AUDITORS' REPORT

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Eurovita Group (the "Group"), which comprise the statement of financial position as at 31 December 2017, the income statement and statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Eurovita Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian Regulation implementing article 90 of Legislative decree no. 209 of 7 September 2005.

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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.) (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.) for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulation implementing article 90 of Legislative decree no. 209 of 7 September 2005 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- obtain 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 Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- conclude on the appropriateness of the directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level 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 identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.) are responsible for the preparation of the Group's directors' report at 31 December 2017 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the Group's consolidated financial statements at 31 December 2017 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the consolidated financial statements of the Eurovita Group at 31 December 2017 and has been prepared in compliance with the applicable law.

Eurovita Group (formerly Flavia Group)
Independent auditors' report
31 December 2017

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 12 April 2018

KPMG S.p.A.

(signed on the original)

Paolo Colciago
Director of Audit

EUROVITA
HOLDING

Eurovita Holding S.p.A.
Via Pampuri, 13 - 20141 Milan - Italy
www.eurovita.it