EUROVITA

Valore alle tue prospettive

FINANCIAL STATEMENTS FOR THE YEAR 2017

Eurovita S.p.A.

Registered Address and Headquarters:
20141 Milan, Italy
Via Pampuri 13

Fully paid-in share capital € 90,498,908

Company authorized to provide life insurance
under Ministerial Decree dated 6 April 1992
(Italian OJ No. 85 of 10 April 1992)

Company under management and coordination
of Eurovita Holding
(formerly Phlavia Investimenti S.p.A.)

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COMPOSITION OF CORPORATE BODIES

BOARD OF DIRECTORS

Chairman	Davide CROFF
Chief Executive Officer	Erik STATTIN
Directors	Heinz-Peter ROSS
	Caspar BERENDSEN
	Eugenio PREVE
	Andrea BERTOLINI
	Mario CUCCIA

BOARD OF STATUTORY AUDITORS

Chairman	Claudio MAUGERI
Standing Auditors	Mauro LAGNESE
	Raoul Francesco VITULO

INDEPENDENT AUDITOR	KPMG S.p.A.

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The composition of the Board of Directors was that in place at the date of presentation of this document.

EUROVITA

REPORT ON OPERATIONS

Shareholders,

the financial statements at 31 December 2017 of Eurovita S.p.A. (formerly Ergo Previdenza S.p.A.), which we submit for your approval, show a net profit of €19.1 million, compared to a profit of €29.9 million in financial year 2016, and were adversely affected by a reduction in net financial income of €21.8 million and by a reduction of €10.5 million in technical income net of reinsurance. These effects were partially offset by a tax benefit of €9.9 million and other costs and revenues which led to a benefit of €12.9 million. The merger transaction, further detailed below, did not impact the Company's Income Statement. Since the same took place on 31 December, it showed its effects in shareholders' equity, as it was not backdated from an accounting and fiscal standpoint.

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

(amounts in Euro million)

	31 December 2017	31 December 2016
Gross earned premiums	**240,5**	257,6
Decrease in gross premiums	**-6,6%**	-9,9%
Acquisition costs and admin. exp.	**37,8**	33,2
Impact on premiums	**15,7%**	12,9%
Net insurance benefits and claims	**212,3**	212,1
Total financial income	**139,0**	171,5
Total financial charges	**53,9**	64,5
Investments	**17.698,7**	4.482,2
Capital and reserves	**426,2**	191,5
Net profit	**19,1**	29,9
No. of shares	**90.498.908**	90.000.000
net profit per share	**0,21**	0,33
Number of employees	**277**	161
Average number of employees	**308**	166

1. Introduction

Recognition of the Business Combination

During financial year 2017, the Company 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 was completed.

In this regard, the following should be specified:

- On 7 April 2017, Ergo 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 Previdenza S.p.A., Old Mutual Wealth Italy S.p.A., and Eurovita Assicurazioni S.p.A., respectively on 27 April 2017 (for EP and OMWI) and on 24 April 2017 (for EVA), approved the merger plan into Ergo Previdenza prepared in adoption of Articles 2501-*ter* and 2505-*bis* of the Italian Civil Code.

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 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.

For the preparation of the statutory financial statements of Eurovita S.p.A., the merger, in accordance with IAS / IFRS international accounting standards, qualifies as a merger with a restructuring nature and, in particular, a "mother-daughter integration". Therefore, the transaction should not be classified as a business combination, since it did not involve any exchange with third-party enterprises with reference to the activities that are being aggregated, nor an acquisition in the business sense. For this reason, the merger for the statutory financial statements is outside the scope of IFRS 3.

In the absence of any specific reference to IFRS principles or interpretations in regard of this transaction, considering its peculiarity, it is believed that the choice of the most appropriate accounting standard should be guided by the general rules set forth by IAS 8.

Based on IAS 8.10, the management team had to use its own judgment to develop and apply the accounting treatment providing a disclosure that is both relevant and reliable. In forming its own judgment, the Company's management team had to consider (i) the rules and application guidelines contained in IFRS which regulate similar and related cases, and (ii) the definitions, criteria, and concepts contained in the so-called systematic framework.

The choice of accounting standards should therefore favor principles that are suitable for ensuring continuity of values. Applying the principle of continuity of values means giving importance to the pre-existence of the control relationship between the companies involved in the merger transaction, as well as to the cost incurred by the parent company for the original acquisition of the merged companies. This cost, as well as the allocation thereof at fair value of the merged companies' assets and liabilities and goodwill, is shown in the Group's consolidated financial statements. In other words, the merger with a restructuring nature will determine the convergence of the consolidated financial statements at the merger date with the merging company's post-merger financial statements, thereby implementing the so-called "legal consolidation".

It should be specified that, for the purposes of the Group's consolidated financial statements, the international accounting standard IFRS 3 - Business combination and related Purchase Price Allocation or "PPA" -, was found to be applicable, recognizing the assets and liabilities of the merged companies OMWI and EVA at fair value at their respective acquisition dates. Therefore, the consolidated financial statements at 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 (9 January 2017) and Eurovita Assicurazioni (11 August 2017) by Ergo Retirement (now Eurovita).

The entry of assets and liabilities arising from the merged companies in the merging company's financial statements did not lead to the emergence of higher fair values for such assets, compared to those presented in the consolidated financial statements, nor therefore of greater goodwill. It follows that the cancellation difference between the cost of the equity investment and the corresponding portion of the merged entities' shareholders' equity was allocated to the merged companies' assets as they did not exceed the values presented in the consolidated financial statements.

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 was significantly affected by the merger, which had a major impact on all Balance Sheet items. With regard to the Income Statement, however, there was no impact as the accounting effects of the merger were charged as at 31 December 2017. Therefore, the profit and loss data only refer to the company EP. Consequently, in the continuation of this Report on Operations, any comments on accounting data only refer to the former company Ergo, unless otherwise specified, while any comments on the Balance Sheet refer to the company resulting from the merger.

In order to facilitate the comparative analysis of Balance Sheet data, additional data are provided in the following table. In particular, the Balance Sheet which highlights the changes compared to 31 December 2016 separately due to the merger and other changes related to operations for the period.

For a better understanding of the changes 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 the merging company Eurovita Holding S.p.A.;
- values resulting from the Balance Sheet of the merged companies OMWI and EVA at 1 January 2017 restated according to IAS international accounting standards.

Furthermore, where deemed appropriate, the tables show changes, in the appropriate columns, due to the merger transaction. The breakdown of the merger changes are summarized below:

(amounts in Euro million)

ASSETS		31/12/2016 EP	ERGO CHANGE	OMWI MERGER CHANGE	EVA MERGER CHANGE	EUROVITA 2017
1	**INTANGIBLE ASSETS**	**1.713**	**206**	**121.816**	**2.481**	**126.216**
1.1	Goodwill	-	-	22.050	-	**22.050**
1.2	Other intangible assets	1.713	206	99.766	2.481	**104.166**
2	**TANGIBLE ASSETS**	**219**	**-40**	**38**	**377**	**594**
2.1	Land and buildings (self used)	-	-	-	-	**-**
2.2	Other tangible assets	219	-40	38	377	**594**
3	**AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**1.611.455**	**-100.038**	**16**	**11.565**	**1.522.998**
4	**INVESTMENTS**	**4.482.174**	**-78.623**	**7.182.704**	**6.112.486**	**17.698.742**
4.1	Land and buildings (investment properties)	-	-	-	-	**-**
4.2	Investments in subsidiaries, associated companies and joint ventures	-	394.401	-265.853	-128.547	**-**
4.3	Held to maturity investments	-	-	-	-	**-**
4.4	Loans and receivables	306.027	-4.808	-	217.511	**518.731**
4.5	Available for sale financial assets	4.150.670	-468.178	55.521	5.600.228	**9.338.242**
4.6	Financial assets at fair value through profit or loss	25.477	-38	7.393.036	423.294	**7.841.769**
5	**RECEIVABLES**	**40.309**	**10.012**	**16.922**	**24.033**	**91.275**
5.1	Receivables arising out of direct insurance operations	23.276	6.452	145	9.336	**39.209**
5.2	Receivables arising out of reinsurance operations	7.774	-1.909	-	1.208	**7.074**
5.3	Other receivables	9.258	5.469	16.777	13.489	**44.993**
6	**OTHER ASSETS**	**174.556**	**-69.051**	**210.558**	**104.841**	**420.905**
6.1	Non-current assets or disposal groups classified as held for sale	-	-	-	-	**-**
6.2	Deferred acquisition costs	22.160	-592	-	7.354	**28.922**
6.3	Deferred tax assets	-	-	-	-	**-**
6.4	Tax receivables	79.617	3.781	133.886	94.037	**311.321**
6.5	Other assets	72.779	-72.240	76.672	3.451	**80.662**
7	**CASH AND CASH EQUIVALENTS**	**120.840**	**-94.127**	**29.001**	**38.702**	**94.417**
TOTAL ASSETS		**6.431.267**	**-331.660**	**7.561.055**	**6.294.486**	**19.955.147**

(amounts in Euro million)

LIABILITIES		31/12/2016 EP	ERGO CHANGE	OMWI MERGER CHANGE	EVA MERGER CHANGE	EUROVITA 2017
1	**SHAREHOLDERS' EQUITY**	**221.383**	**187.416**	**3.426**	**33.105**	**445.331**
1.1	**Group capital**	221.383	187.416	3.426	33.105	**445.331**
1.1.1	Share capital	90.000	-	-	499	**90.499**
1.1.2	Other equity instruments	-	-	-	-	**-**
1.1.3	Capital reserves	34.332	204.002	-	4.055	**242.388**
1.1.4	Revenue reserves and other reserves	18.516	23.923	3.518	34.326	**80.283**
1.1.5	(Own shares)	-	-	-	-	**-**
1.1.6	Reserve for currency translation differences	-	-	-	-	**-**
1.1.7	Reserve for unrealized gains and losses on available for sales financial assets	48.701	-29.721	-92	3.178	**22.066**
1.1.8	Reserve for other unrealized gains and losses through equity	-89	42	-	-8.953	**-8.999**
1.1.9	Result of the period	29.923	-10.830	-	-	**19.093**
1.2	**Third parties capital**	-	-	-	-	**-**
1.2.1	Third parties capital and reserves	-	-	-	-	**-**
1.2.2	Reserve for other unrealized gains and losses through equity	-	-	-	-	**-**
1.2.3	Result of the period	-	-	-	-	**-**
2	**OTHER PROVISIONS**	**14.644**	**-4.058**	**4.968**	**6.630**	**22.185**
3	**INSURANCE PROVISIONS**	**4.559.714**	**-408.575**	**45.833**	**5.791.092**	**9.988.064**
4	**FINANCIAL LIABILITIES**	**1.570.660**	**-108.920**	**7.388.593**	**446.948**	**9.297.282**
4.1	Financial liabilities at fair value through profit or loss	8.096	-90	7.388.593	397.301	**7.793.900**
4.2	Other financial liabilities	1.562.563	-108.830	-	49.648	**1.503.382**
5	**PAYABLES**	**28.150**	**2.539**	**24.981**	**20.602**	**76.272**
5.1	Payables arising out of direct insurance operations	1.301	-942	18.696	10.834	**29.890**
5.2	Payables arising out of reinsurance operations	12.512	3.763	5	1.618	**17.899**
5.3	Other payables	14.336	-283	6.280	8.149	**28.483**
6	**OTHER LIABILITIES**	**36.716**	**-63**	**93.253**	**-3.893**	**126.014**
6.1	Liabilities directly associated with non-current assets and disposal groups classified as held for sale	-	-	-	-	**-**
6.2	Deferred tax liabilities	23.202	-11.438	51.125	-40.560	**22.328**
6.3	Tax payables	5.098	9.331	32.452	25.674	**72.555**
6.4	Other liabilities	8.416	2.044	9.677	10.994	**31.131**
TOTAL EQUITY AND LIABILITIES		**6.431.267**	**-331.660**	**7.561.055**	**6.294.486**	**19.955.147**

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 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 remained low, at 1.4% in December; the underlying component remained weak, hampered by still moderate wage growth in many economies of the area. The Governing Council of the ECB recalibrated its monetary policy instruments, while, on a forward-looking basis, also preserving extremely expansive monetary conditions, which remained 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 was confirmed over the last quarter, but was still below the European average. The increase purportedly affected services and industry in the strict sense. Surveys report that business confidence returned to pre-recession levels; they also indicate favorable conditions for capital accumulation. These assessments were 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 were also favorable. The current account surplus remained at high levels, representing 2.8 percent of GDP in the four quarters ending in September; the surplus contributed 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 remained below pre-crisis levels. According to the workforce Survey, the unemployment rate stood at 11.0 percent in November. The wage trend remained moderate even if, on the basis of employment contracts that were renewed in the second half of last year, it showed signs of recovery.

Despite a recovery in prices at source, consumer price inflation in Italy remained 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 were contained, even if higher than the minimum levels reached at the end of 2016. The surveyed companies expected increases in their price lists just above 1 percent in the current year.

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

The quality of bank debt continued to improve, favored by the consolidation of growth. The flow of new non-performing loans in proportion to borrowings fell to 1.7 percent, below the levels recorded before the global crisis; the impact of the amount of non-performing loans on total borrowings 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, i.e. 1.4 excluding this correction), should grow by 1.4 percent in the current year and by 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 which took place at the beginning of 2017. In the next two years, prices should start rising again by an annual average of 1.5 percent, 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 significant 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 the financial markets and risk premiums, adversely 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 were 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 by supporting investment and consumption choices and, on the other, will ensure credibility to the path of public debt reduction by taking advantage of the favorable situation of the global economy.

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

3. Situation of the Italian Life Insurance Market

In 2017, the new business 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 there was a contraction of 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 there was a decline of 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, total new 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 in prior 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 of €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 to date (3% of total new business).

Individual and collective new business pertaining to the management of pension funds (Class VI) amounted to €851 million 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 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 the market share 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 the previous year, while the directly operated agencies channel registered an opposite trend, growing by 5.8% for a total amount 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 prior 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 policies), 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**	**Var. (%) 17/16**
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 OF PREMIUMS BY CHANNEL					
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 Company's Performance

The financial statements of Eurovita S.p.A. at 31 December 2017 show a net profit of €19.1 million, compared to a profit of €29.9 million earned at the end of financial year 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 technical income 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, a decrease of 6.6% compared to 2016.

  New business, amounting 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, is 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 measurement criteria, (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 Segregated funds. Segregated 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 is however aware of the uncertainty of net contingent 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 calculated by 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. It should also be noted that, due to the merger transaction, a negative Value in Force of €202,745 thousand relating to the former company Eurovita Assicurazioni was recognized among technical provisions.

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) due to the portion of the personnel 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. 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. Please refer to the specific section of the Explanatory Notes for all details.

The Board of Directors has the reasonable expectation that the Company will continue its operating existence in the foreseeable future and has therefore prepared this Report on a going-concern assumption. The acquisitions and mergers that characterized the year 2017 laid the foundations for the establishment of a new insurance company of primary importance on the Italian market, increasingly committed to expanding its distribution network and developing new products in the life sector.

With regard to the risks to which the Company is exposed, please refer to the appropriate section of the Explanatory Notes.

The Company 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 €276.04 million, own funds to cover requirements are equal to €552.12 million, which implies a Solvency II Ratio of 200%.

Based on the requirements of I.S.V.A.P. 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 Euro thousand)

Available own funds eligible to cover SCR	**Own funds available**	**Eligibility adjustments**	**Own funds eligible**
Tier 1 unrestricted	505.970	-	505.970
Tier 1 restricted	-	-	-
Tier 2	46.147	-	46.147
Tier 3	-	-	-
Total OF	**552.117**	**-**	**552.117**
Total SCR			**276.043**
Surplus (shortage)			**276.074**

(amounts in Euro thousand)

Available own funds eligible to cover MCR	**Own funds available**	**Eligibility adjustments**	**Own funds eligible**
Tier 1 unrestricted	505.970	-	505.970
Tier 1 restricted	-	-	-
Tier 2	46.147	21.391	24.756
Tier 3	-	-	-
Total OF	**552.117**	**21.391**	**530.726**
Total MCR			**124.219**
Surplus (shortage)			**406.507**

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 the 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.

5. Sales Networks

During the year 2017, the Company used various distribution channels, including its subsidiaries, for the performance of insurance brokerage activities:

- Agents (Sec. A of Italian register of brokers) (EP's typical channel);
- Financial advisers (which covers over 80% of new business originating from OMWI);

- Banks (typical channel of EVA's business);
- Brokers (Sec. B of the Italian Register of Intermediaries);
- Securities brokerage firms (Sec. D of the Italian Register of Intermediaries).

Former ERGO network

Traditional agencies

Support for this network focuses on assistance, coaching, commercial support, development, and coordination of training activities for Agencies.

At 31 December 2017, the total number of operational Traditional Agencies, including the HQ agency, was 129 units. Reorganization activities started at the beginning of the year and led to the closure of 25 points-of-sales and the opening and/or reorganization of 7 Agencies. Closure operations, in almost all cases, involved non-profitable agencies with small portfolios scarcely oriented towards the acquisition of new customers.

At 31 December 2017, the new business issued by EP's Agents Channel amounted to €53,818,234 - in terms of APE equal to €13,853,584.

This positive result was also achieved thanks to the results obtained during the financial year in marketing campaigns focused on the recovery of customers with capital expiring in the year.

As usual, the training plan for the brokers' professional updating continued. The updating of the on-line training platform is on an ongoing basis.

Lastly, the ongoing verification of the regularity of all brokers registered in the Italian Register of Intermediaries continued, in compliance with the statutory provisions governed by I.S.V.A.P. Regulation No. 5, concerning insurance brokerage activities, with the consequent cancellation of the approval for all brokers not in compliance with the law. At the end of May 2017, the last mandates with the brokers of the ERGO network were closed. The process of reorganizing the network was therefore completed. It also witnessed the inclusion of some sub-agents in Traditional Agencies already operational.

Financial Institutions

The Company manages a portfolio deriving from distribution agreements no longer in place. An evaluation of the review of the CQP Business is underway, also in light of corporate developments.

Former EVA network

During the course of the year 2017, in order to carry on the insurance brokerage activity, in addition to the traditional banking channel that has always characterized the its business, the Company made use of intermediaries such as brokers (Section B of the Italian Register of Intermediaries), agents (Section A of the Italian Register of Intermediaries), and securities brokerage firms (Section D of the Italian Register of Intermediaries), increasing partnership relations.

With reference to the brokerage assignment given to the company Global Assicurazioni (Agency), it should be specified that the same uses the Credito Valtellinese Banking Group for the placement of policies, and during the year 2017 no other distribution agreements were entered into with other sales networks by Global Assicurazioni.

Therefore, at present, the Company's distribution channel is made up as follows:

- 36 Partner banks
- 8 Brokerage companies
- 1 Securities brokerage firms
- 1 multi-firm Insurance Agency, Global Assicurazioni, which places the Company's products through the Creval Group (Credito Valtellinese)
- 1 multi-firm Insurance Agency, Finanza & Previdenza, which places the Company's products through Agents
- 12 Banks through the Assicra mandate
- 8 Banks through the Assicooper mandate

Consistent with the business plan, the Company set strategic objectives aimed at developing its specialized distribution capacity and new business through the expansion of the sales network. The actions undertaken were aimed at developing transactions with the new distribution channels and refining the product range by enlarging the catalog of multi-class and unit-linked products with the PIR compliant product and, secondly, at developing the operational integration process with the various IT providers of the partner intermediaries.

Training activities continued throughout 2017, emphasizing the training courses of a technical, regulatory, and business nature, following a consultancy approach targeting customers' demands and insurance needs. As usual, training activities also involved all the new products being distributed. The entire activity was integrated by the IT support of *AVAC* (*Ambiente Virtuale per l'Apprendimento Collaborativo*, Virtual Environment for Collaborative Learning), made available to all intermediaries, for the use of self-training courses, a platform compliant with I.V.A.S.S. Regulation No. 6.

Furthermore, the Company organized an insurance Master class entitled "Succession planning, transmission of wealth and generational change" initially reserved for the Top Management of our distributors and subsequently provided to the sales networks in conjunction with the granting of the ISO9001: 2008 Certification for the design and provision of classroom and distance training courses, guaranteeing to its intermediaries the quality of the management system of training courses offered by the Company.

Former OMWI network

During the course of the year 2017, in order to carry on the insurance brokerage activity, in addition to the traditional channel of financial advisers that covers over 80% of new business, the Company made use of some cooperative credit banks / savings banks, brokers (Section B of the Italian Register of Intermediaries), Agents (Section A of the Italian Register of Intermediaries), and securities brokerage firms (Section D of the Italian Register of Intermediaries).

Throughout 2017, training activities in the market continued with training courses of a technical, regulatory and economic nature, following a consultancy approach targeting customers' demands and insurance needs.

At the level of agreements in place, during 2017 a new intermediary was activated, represented by a bank created by the merger of several cooperative entities.

On the other hand, 16 collaborations were closed, often as a result of mergers between cooperative credit banks and/or closure of the intermediary's activities.

Overall situation of all intermediaries in Sec. A

There were 131 Traditional Agencies at 31 December 2017, including 7 codes belonging to the Management Agency.

The global situation of the intermediary network examined above was as follows:

	Northern Italy	Central Italy	Southern Italy and major islands	Total
Situation at 31.12.2016	57	54	36	147
OMWI and EVA Agencies	2	0	0	2
Open agencies	3	0	4	7
Closed agencies	12	6	7	25
Situation at 31.12.2017	**50**	**48**	**33**	**131**

6. Production (New Business)

In financial year 2017, new business, including accessories, stood at the following levels (policies in units and premiums in Euro million):

(amounts in Euro million)

	2017		2016	
Insurance Products / Financial and Insurance products with DPF	**Individual policies**	**Collective policies**	**Individual policies**	**Collective policies**
No. of policies	**8.011**	**71**	8.519	1.520
Annual premiums	**9,16**	**1,41**	11,06	1,71
Single premiums	**46,21**	**-3,10**	37,45	0,62
Financial Products	**Individual policies**	**Collective policies**	**Individual policies**	**Collective policies**
No. of policies	**269**	**-**	-	-
Annual premiums	**0,43**	**-**	-	-
Single premiums	**0,38**	**-**	-	-

Compared to last year, new business was created in 2017 in relation to financial products. The annual premiums also include those relating to guarantees for supplementary coverage (accidents, permanent disability, and sickness).

7. Premiums Issued

The premiums issued by the former company Ergo relating to direct business amounted to €233.7 million for financial year 2017.

The following is a summary of the premiums issued for direct business by geographical area (amounts in Euro million):

(amounts in Euro million)

	2017	2016	Var. %
- Northern Italy	**178,74**	201,41	-11,3%
- Central Italy	**18,69**	15,50	20,6%
- Southern Italy and major islands	**36,25**	33,28	8,9%
- Foreign countries	**0,02**	0,02	-3,0%
Total	**233,70**	**250,21**	**-6,6%**

Overall, the Company's distribution activity is spread throughout the country, with a prevalence in northern Italy. The breakdown by geographical area is influenced by sales networks distributed throughout the market. It should be noted that the marginal production referred to the Republic of San Marino is shown separately as foreign market.

The total amount of premiums issued, including accessories and values relating to indirect business, is given in detail in the following table (amounts in Euro million):

(amounts in Euro million)

	2017	2016	Var. %
Direct business			
Annual premiums			
- new business	**10,56**	12,77	-17,3%
- business from prior years	**180,00**	199,37	-9,7%
Total annual premiums	**190,57**	**212,13**	**-10,2%**
Total single premiums	**43,11**	38,08	13,2%
Total direct business premiums issued	**233,68**	**250,21**	**-6,6%**
Indirect business	**6,79**	7,38	-8,0%
Total direct and indirect business	**240,47**	**257,59**	**-6,6%**

Financial year 2017 recorded a decrease of 17% in new business with annual premiums going from a premium volume of €12.77 in 2016 to a volume of €10.56 in 2017. Conversely, new business with single premiums showed an increase of 13%, going from €38 million in 2016 to €43 million in 2017.

The premiums for indirect business recorded a decrease of 8%, due to the fact that, as of 1 January 2009, the Company no longer reinsured new business issued by ERGO Insurance N.V. België (formerly Hamburg-Mannheimer), as the treaty remained in place only for annual renewals.

The income for financial products, or products classified as such in compliance with the IAS / IFRS standards, amounted to €1.24 million in 2017 (including €0.81 million in new business), a significant increase compared to 2016, when production had been €0.21 million.

8. Trends in Claims and Redemptions

The following table summarizes the overall data regarding the amount of claims settlements of the former company ERGO Previdenza at year end broken down by type, compared with data for 2016 (amounts in Euro million):

(amounts in Euro million)

	Amount at 31/12/2017	Amount at 31/12/2016	Change	(%) change
Claims paid	**41,9**	36,5	5,4	15%
Redemptions paid	**98,4**	119,4	-21,0	-18%
Maturities liquidated	**514,0**	432,9	81,1	19%
Change in reserves for amounts to be paid	**32,0**	-18,5	50,5	-273%
Total gross	***686,3***	***570,3***	***116,0***	***20%***
Claims paid	**-6,0**	-7,6	1,6	-21%
Redemptions paid	**-34,8**	-43,6	8,8	-20%
Maturities liquidated	**-149,3**	-149,6	0,3	0%
Change in reserves for amounts to be paid	**-9,9**	30,8	-40,7	-132%
Total portion borne by reinsurers	***-200,0***	***-170,0***	***-30,0***	***18%***
Total including reinsurance	**486,3**	**400,3**	**86,0**	**21%**

9. Insurance Provisions

Gross insurance provisions at 31 December 2017, including amounts to be paid, totaled €9,988 million, with a considerable increase compared to the provisions allocated at the end of 2016, totaling €4,559.7 million.

They include shadow accounting of €430.1 million, Value in Force (VIF) of €202.74 million, and actuarial provisions relating to policies of €8,800.97 million with a revaluation clause linked to segregated funds. The amount of provisions can be broken down as follows (amounts in Euro milion):

(amounts in Euro million)

	2017 former EP	2017 former EVA + former OMWI	31/12/2017 Total	31/12/16
Provisions for policies "Fondo EUROVITA 2000"	1.090,32	-	**1.090,32**	1.565,73
Provisions for policies "Fondo EUROVITA Nuovo Secolo"	2.025,80	-	**2.025,80**	1.913,93
Provisions for policies "Fondo EUROVITA Nuovo PPB"	430,67	-	**430,67**	430,55
Provisions for policies "Fondo EUROVITA Euroriv"	-	3.217,78	**3.217,78**	-
Provisions for policies "Fondo EUROVITA Futuriv"	-	11,70	**11,70**	-
Provisions for policies "Fondo EUROVITA Primariv"	-	2.001,10	**2.001,10**	-
Provisions for policies "Fondo EUROVITA Smart"	-	21,25	**21,25**	-
Provisions for policies "Fondo EUROVITA Previdenza"	-	2,36	**2,36**	-
Total insurance provisions of segregated funds	**3.546,79**	**5.254,18**	**8.800,97**	**3.910,21**
Provisions for pure risk policies	40,34	88,68	**129,02**	55,08
Supplementary provisions	4,55	8,85	**13,40**	11,71
Technical provisions for indirect business	78,53	-	**78,53**	76,71
Total pure actuarial reserves	**3.670,21**	**5.351,71**	**9.021,92**	**4.053,71**
Provisions for Unit Linked policies	18,30	78,98	**97,28**	17,38
Provisions for supplementary policies	11,42	0,21	**11,63**	13,72
Other technical provisions	190,04	34,34	**224,38**	163,28
Shadow Reserves	261,17	168,94	**430,11**	311,55
VIF		202,74	**202,74**	
TOTAL INSURANCE PROVISIONS	**4.151,14**	**5.836,93**	**9.988,06**	**4.559,64**

Actuarial reserves relating to adjustable policies take into account the returns attributable under the specific contractual conditions.

Other technical provisions, amounting to €224.38 million (€163.28 million in 2016), include provisions for future management expenses of €29.2 million, provisions for amounts to be paid of €189.43 million, and supplementary provisions of €14.6 million (which include €9.9 million due to the supplementary provision for decreases in rates pursuant to Article 1801 of the Italian Civil Code).

10. Deferred Acquisition Costs and Deferred Income Revenue

Deferred acquisition costs

The amount of deferred acquisition costs on Insurance and Investment products with DPF was €28.92 million at 31 December 2017 compared to €22.16 million at 31 December 2016.

Deferred acquisition costs on investment products, classified under "Other assets", include any welcome bonus granted to customers.

The value of deferred acquisition costs at 31 December 2017 on Investment products amounted to €73.3 million, against €0.26 million in 2016. The change is substantially due to the contribution to the merger transaction (equal to €72.94 million).

DIR (Deferred Income Revenue)

The value of DIR at 31 December 2017 of investment products amounted to €6.7 million, compared to €0.3 million in 2016. The change is linked to the merger transaction, which contributed €6.5 million.

11. Transactions with Reinsurers

In 2017, the Company's reinsurance policy 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 adjustable 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.

The Company's business result for 2017 (relating to Ergo Previdenza alone) was a loss of €15.9 million, compared to a loss of €26.7 million for 2016.

(amounts in Euro thousand)

	2017		2016	
	Comm. Reins.	**Risk Reins.**	**Comm. Reins.**	**Risk Reins.**
Premiums Ceded	-55.109	-2.553	-61.620	-2.630
Claims	4.967	985	6.600	970
Redemptions	34.793	-	43.640	-
Maturities	149.351	-	149.620	-
Change in reserve	-99.745	-228	-105.380	-160
Commissions	4.606	50	5.580	720
Other technical income and charges	138	656	-1.290	-
Technical sub total	***39.001***	**-1.090**	37.150	**-1.100**
Interest on deposits	-53.800	-	-62.800	-
Total	**-14.799**	**-1.090**	-25.650	**-1.100**
GRAND TOTAL	**-15.899**		**-26.750**	

With regard to outward reinsurance, there are still contracts in place with Ergo Vida and FIATC, companies operating on the Spanish market, although they only concern the management of annual renewals of the portfolio ceded up to 2004. Starting from 2006, the former company Ergo

Previdenza entered into an outward reinsurance treaty covering a 20% quota of new business of the company ERGO Insurance N.V. België (formerly Hamburg Mannheimer Belgium); as of January 2009, as previously mentioned, the treaty was not renewed and the reinsurance only concerns the management of annual renewals related to contracts concluded previously.

The business result recorded an increase of €0.45 million, from €2.04 million in 2016 to €2.49 million in 2017.

(amounts in Euro thousand)

Commercial Outward Reinsurance Result of indirect business	2017	2016
Premiums borne	**6.792**	7.304
Claims	**-4.162**	-3.552
Redemptions	**-**	-
Maturities	**-**	-
Change in reserve	**-1.824**	-3.045
Commissions	**-99**	-
Change in DAC	**-330**	-640
Interest	**2.126**	1.986
Other net technical income	**-**	-
Profit and Loss Account	**-10**	-10
Total indirect business	**2.493**	**2.043**

12. Research & Development and New Products

In early 2017, the former company Ergo Previdenza 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 savings product was launched with *Eurovita Smart* coupons during 2017, with the new *SMART Segregated funds* as underlying; at the same time, the development activity of PPI-type products was realized through leading brokers.

Simultaneously with the development of standard multi-class products, the former company EVA launched the product *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 segregated 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 Previdenza 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 update activity 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 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.

13. Personnel and Specific Training

During 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 Company'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.

14. Pending Litigation and Provisions for Risks

The provisions amounting to €22.18 million (€14.6 million in the previous year - €22.6 million on a like-for-like basis) include the allocations made for the voluntary redundancy funds for employees and the pension schemes to cover severance indemnities for the Company's agents, taking into account their effective recoverability. They also include the risks of losing tax disputes and other pending disputes (with former agents, former employees, policyholders, and suppliers).

The change compared to the previous financial year is mainly due to a contribution of €11,598 thousand of the merged companies (€6,630 thousand attributable to the former company EVA and €4,968 thousand to the former company OMWI) and to a reduction of €4,057 thousand for the period.

A summary of the changes in provisions is shown below, starting from the value on a like-for-like basis at 31 December 2016, broken down by the single companies merged:

(amounts in Euro thousand)

	Amount at 31/12/2016	Incr. From merger	Change for the period	Amount 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 policies	**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*
Agency network provisions	**4.957**	**2.642**	**-**	**7.599**
of which, former EP - Agents' pension scheme				5.099
of which, former EP - Restructuring of agency network				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	**22.646**	**9.614**	**-10.075**	**22.185**

The main provisions at 31 December 2017 are analyzed below:

Tax litigation:

- former company EVA: €330 thousand allocated for the refund claims relating to taxes for 2004, submitted in 2007, whose appeal is still pending before the Court of Cassation, and provisions of €461 relating to the tax litigation concerning the denied I.R.A.P. (regional tax on productive activities) refund for 1998 and related interest. The provisions cover the entire amount of recognized principal and interest that had been set aside up to financial year 2015;

- former company OMWI for tax litigation for the tax years 2007 and 2009: total provisions of €1,720 thousand for taxes and penalties relating to tax litigation for the tax periods 2007 (€370 thousand allocated), 2009 (€1,350 thousand allocated). During the course of 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. (corporate income tax). 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.

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.

Various disputes with third parties: the amounts relate to allocations made against certain or probable lawsuits related to leased properties, reimbursement for local renovation work, and pending disputes with suppliers and third parties.

Agency network provisions: provision for retirement benefits to cover severance indemnities for the Company's agents, taking into account their effective recoverability and provisions relating to allocations for restructuring the agency network.

Various disputes with the agency network: this includes allocations for risks of losing pending disputes with former agents.

Various disputes with customer: these provisions include allocations for the risks of losing pending disputes with policyholders and former policyholders.

Voluntary redundancy incentives and other provisions relating to personnel: allocations for the voluntary redundancy of management personnel, voluntary redundancy of employees and incentives for employed personnel.

15. Equity and Financial Management

Also in 2017 the European bond markets, the Company's main strategic investment area 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 (Holland, 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 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 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 segregated 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 posted such result in shareholders' equity directly.

The net investment result, only relating to the former company ERGO Previdenza, equal to €85.1 million, decreased compared to the previous financial year (down 20.4% by €21.8 million compared to €106.9 million in 2016). In particular, there was a reduction in investment income of €34.5 million, due to lower interest income of €18.1 million, lower realized gains of €12.7, and a reduction in other income of €3.6 million. The income reduction was partially offset by a decrease in financial charges for a total of €10.7 million, which includes €9 million in interest expense. Net income from financial instruments at fair value through profit or loss also contributed a benefit, for a total of €2 million.

In particular, the ordinary component, net of reinsurance interest expense, stood at €71.2 million, compared to €83.9 million in 2016, down by 15.2% thanks to the reinsurance interest expense, which dropped from €62.8 million in 2016 to €53.8 million in 2017. Income from investments without the impact of reinsurance costs was affected by the decrease in the average balance of the overall portfolio (down 11.4%), as well as by the persistence of a situation of exceptionally low interest rates, which also continued to adversely affect the returns on investments in 2017 (3.26% compared to 3.48% in 2016); despite the adverse impact of these trends, overall the portfolio proved its ability to generate returns.

Net realization gains (gain of €12.6 million against a gain of €24.6 in 2016) were the result of a plurality of portfolio strategies, carried out in a particularly favorable price environment, such as the optimization of the ALM structure of some portfolios, participation in market tenders, partial consolidation of accumulated income, as well as additional gains distributed by alternative investments in Private Equity funds.

After the impairment recorded in the previous financial year (€1 million) due to the final write-downs of investments held in national banking institutions (Veneto Banca and Banca Popolare di Spoleto), the valuation on the merging company's portfolio at the end of 2017 did not reveal any permanent loss in value. Likewise, the same applied to embedded portfolios gave a negative result.

The result arising from "Financial assets at fair value through profit or loss" generated a positive result (gain of €1.4 million compared to a loss of €0.7 million in 2016), exclusively linked to the performance of Unit-Linked Internal Funds, which benefited from the good performance of the equity markets in which portfolios are mainly invested.

Valuation of Investment Portfolio

The Company's total investment portfolio at book value, after the merger transaction, amounted to €17,699 million at 31 December 2017 (€4,482.2 million at 31 December 2016, €17,663 million on a like-for-like basis).

The duration of the company's post-merger securities portfolio is approximately 5.6 years.

The "Loans and receivables" portfolio, equal to €518.7 million (€306 million in 2016, €549.5 on a like-for-like basis), represents 2.9% of the total portfolio at 31 December 2017, highlighting net theoretical valuation gains of €26.1 million, which was stable compared to the same figure for 2016 (€34.4 million) despite the decrease in the average duration, now 5.2 years (5.6 years in 2016).

The portfolio of "Available for sale financial assets" (AFS), equal to €9,338.2 million (€4,150.7 million in 2016, €9,257 million on a like-for-like basis), represents 52.8% of total portfolio and highlights a positive Equity Reserve of €284.5 million, down from the value recorded in the previous financial year, i.e. €381.9 million. The performance of the Equity Reserve was affected by the contraction of the portfolio due to maturities, despite the average duration of the merging company's portfolio, from which almost all of the reserve derives due to the accounting consolidation of the merged companies' portfolios at market value, substantially stable.

"Financial assets at fair value through profit or loss", equal to €7,842 million (€25.5 million in 2016, €7,856 million on a like-for-like basis), represent 44.3% of the total portfolio. The contribution of post-merger portfolios was significant and allowing the asset class to take on a different importance thereby balancing the weight of other investments.

Further Information

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, was 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. will be 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.

16. Trends in Overhead Expenses and Acquisition Costs

Overhead expenses, gross of transfers to other acquisition costs, claims, investment management, and including amortization of intangible assets, amounted to €35.4 million, i.e. an increase compared to the same period of the previous year (€24.3 million in 2016). This increase, equal to €11.1 million, is mainly due to extraordinary costs incurred in 2017, relating to personnel redundancy incentive costs for approximately €9.4 million withdrawn from the related provisions posted in the previous financial year (and supplemented by the contribution of Darag, formerly Ergo Assicurazioni, as required contractually) and relating to the integration costs with the companies acquired during the year.

During the course of 2017, the Company provided services to Darag (formerly Ergo Assicurazioni) as part of the adjustment phase in the separation project. This allowed for the recovery of expenses of around €2.5 million.

The Company incurred costs of €2.6 million with counterparties within the Eurovita Group: mainly against Eurovita Holding (formerly Phlavia Investimenti) for chargebacks for personnel, amounting to €1.6 million, and against Eurovita Service (formerly Ergo Italia Business Solutions) for the use of the building, amounting to €1 million; it also charged back €0.6 million to other Group companies mainly in relation to services.

Other administration expenses amounted to €22.1 million, i.e. an increase of €3.8 million, representing 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 personnel redundancy incentive recovered with the withdrawal from the related provisions set aside in 2016.

Acquisition Commissions (purchase commissions and commission bonuses), net of acquisition commissions received from reinsurers, amounted to €7.5 million compared to €9.1 million in 2016.

Purchase commissions, net of reinsurance commissions, decreased from €8.1 million in 2016 to €6.7 million in 2017. This decrease essentially derives from the decrease in the income volume of new business with annual premiums. Commission bonuses showed a decrease from €1 million in 2016 to €0.7 million in 2017; as for purchase commissions, this decrease should be considered related to the lower new business with annual premiums issued during the year, thus generating lower incentives to the distribution network.

Collection commissions in December 2017, net of commissions received from reinsurers, show a decrease compared to the previous year, standing at €0.6 million compared to €1.1 million in 2016. The change in deferred acquisition costs (DAC) amounted to €0.6 million and shows a decrease of €1.1 million compared to the previous financial year (loss of €0.5 million).

Other acquisition costs (indirect expenses, incentives, and miscellaneous contributions to the sales network) show an increase of €1.8 million, i.e. 33.3%, from €5.3 million in 2016 to €7.0 million in 2017. This increase is mainly related to the portion of the redundancy incentive recovered through the withdrawal from the related provisions set aside in 2016. Investment management expenses decreased mainly due to changing the investment manager, which occurred in the second half of 2016 and led to a reduction in operating costs.

17. Information Systems, Organization, and Significant Projects

During the course of 2017, the Company 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 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 (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.

18. Management and Coordination

The Company is subject to the management and coordination of the Parent Company Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.). Eurovita Holding S.p.A. continues - among others – to satisfy the characteristics required by Article 5 of I.V.A.S.S. Regulation No. 22/2016 to be qualified as parent company of the insurance Group. The Company is in fact the ultimate Italian holding company pursuant to Article 210, paragraph 2, of Legislative Decree No. 209/2005.

With effect from 1 January 2017, also in order to ensure a sound and prudent management of the Insurance Group, Eurovita Holding S.p.A., formerly Phlavia Investimenti S.p.A., acquired ERGO Italia S.p.A. At the time of the merger, the transformation of Phlavia Investimenti S.r.l. into a joint-stock corporation was approved with a simultaneous increase in the share capital to a total value of €1 million, with effects - as mentioned above - starting from 1 January 2017.

On 21 December 2017, the Extraordinary General Meeting of Shareholders of the Parent Company Phlavia Investimenti S.p.A. resolved to change its name to Eurovita Holding S.p.A. and the insurance Group's name to "Eurovita" Group with the resulting amendment to the Bylaws.

Transactions with the entity carrying on coordination and control activities are set out in detail in the following paragraph.

19. Transactions with Group Companies

The transactions with the entity carrying on coordination and control activities and with all the Group companies are detailed below.

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 pays the Company's compensation to Agents by installments, in accordance with the National Bargaining

Agreement for Agents. Agenzia Eurovita S.r.l. 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 were 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 charged.

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

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, the Company maintained normal transactions for the payment of social security contributions with the "Pension Fund for employees and executives of the Eurovita Group".

20. Transactions with the Insurance Supervisory Authority (I.V.A.S.S.)

During the course of 2017, frequent contacts were held with I.V.A.S.S. as part of normal operations and in the context of extraordinary transactions that allowed the creation of a solid and independent Group, which is the leader in the Italian life market.

21. Exposure to Risks

Please refer to section 5.C of the Explanatory Notes.

22. Business Outlook

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

23. Significant Events after the End of the Financial Year

There are no significant events to report after the end of the financial year.

In the month of December 2017, the independent auditor KPMG S.p.A. (for the segregated funds Eurovita Nuovo PPB) and BDO S.p.A. (for the segregated fund "Previdenza") and in the month of February 2018, the independent auditor KPMG S.p.A. alone (for all the remaining segregated funds), expressed their positive professional opinion on the fair value of the returns of the funds, published in two national newspapers and shown below:

- Return of the segregated fund "*Fondo Eurovita 2000*": 3.66%
- Return of the segregated fund "*Eurovita Nuovo Secolo*": 3.51%
- Return of the segregated fund "*Eurovita Nuovo PPB*": 3.75%
- Return of the segregated fund "*Primariv*": 3.51%
- Return of the segregated fund "*Euroriv*": 2.44%
- Return of the segregated fund "*Futuriv*": 2.53%
- Return of the segregated fund "*Smart*": 2.32%
- Return of the segregated fund "*Previdenza*": 2.40%

In order to maximize efficiency in terms of processes and costs, the Company 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.

Shareholders,

We hereby propose to approve these financial statements comprising the Balance Sheet, the Income Statement, the Comprehensive Income Statement, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, and the Explanatory Notes, and accompanied by the Report on Operations.

The profit for financial year 2017 amounted to €19,092,916.27.

We hereby propose to allocate €99,781.68 to the legal reserve and pay out a dividend of €100,000,000, as follows:

Profit for the year	**19.092.916**
Legal reserve	99.782
Distribution of profit for the year	18.993.135
Distribution of reserve for retained earning	61.767.034
Distribution of capital contribution reserves	19.239.831

Concluding this report, we would like to thank the Shareholders and the Policyholders for the trust given to the Company.

We would also like to thank the Agents and our Sales Networks, their Collaborators, and our Employees, who, through their activity and commitment, made it possible to achieve the results described herein.

Milan, 28 March 2018

FOR THE BOARD OF DIRECTORS

Erik Stattin

Chief Executive Officer

EUROVITA

FINANCIAL STATEMENTS AND DISCLOSURE

BALANCE SHEET - ASSETS

(amounts in Euro)

		31/12/17	31/12/16
1	**INTANGIBLE ASSETS**	**126.216.191**	**1.713.313**
1.1	Goodwill	**22.050.297**	-
1.2	Other intangible assets	**104.165.894**	1.713.313
2	**TANGIBLE ASSETS**	**594.158**	**219.092**
2.1	Land and buildings (self used)	**-**	-
2.2	Other tangible assets	**594.158**	219.092
3	**AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**1.522.997.659**	**1.611.454.695**
4	**INVESTMENTS**	**17.698.741.538**	**4.482.174.383**
4.1	Land and buildings (investment properties)	**-**	-
4.2	Investments in subsidiaries, associated companies and joint ventures	**-**	-
4.3	Held to maturity investments	**-**	-
4.4	Loans and receivables	**518.730.727**	306.026.986
4.5	Available for sale financial assets	**9.338.241.591**	4.150.670.279
4.6	Financial assets at fair value through profit or loss	**7.841.769.221**	25.477.118
5	**RECEIVABLES**	**91.275.334**	**40.308.540**
5.1	Receivables arising out of direct insurance operations	**39.208.858**	23.276.289
5.2	Receivables arising out of reinsurance operations	**7.073.857**	7.774.303
5.3	Other receivables	**44.992.618**	9.257.948
6	**OTHER ASSETS**	**420.905.054**	**174.556.373**
6.1	Non-current assets or disposal groups classified as held for sale	**-**	-
6.2	Deferred acquisition costs	**28.921.980**	22.160.429
6.3	Deferred tax assets	**-**	-
6.4	Tax receivables	**311.321.367**	79.617.160
6.5	Other assets	**80.661.707**	72.778.783
7	**CASH AND CASH EQUIVALENTS**	**94.416.969**	**120.840.268**
TOTAL ASSETS		**19.955.146.902**	**6.431.266.665**

BALANCE SHEET - LIABILITIES AND SHAREHOLDERS' EQUITY

(amounts in Euro)

		31/12/17	31/12/16
1	**SHAREHOLDERS' EQUITY**	**445.330.559**	**221.382.819**
1.1	Share capital	**90.498.908**	90.000.000
1.2	Other equity instruments	**-**	-
1.3	Capital reserves	**242.388.321**	34.331.522
1.4	Revenue reserves and other reserves	**80.283.491**	18.516.457
1.5	(Own shares)	**-**	-
1.6	Reserve for currency translation differences	**-**	-
1.7	Reserve for unrealized gains and losses on available for sales financial assets	**22.065.835**	48.700.618
1.8	Reserve for other unrealized gains and losses through equity	**-8.998.913**	-88.826
1.9	Result of the period	**19.092.916**	29.923.047
2	**OTHER PROVISIONS**	**22.184.804**	**14.644.180**
3	**INSURANCE PROVISIONS**	**9.988.064.203**	**4.559.713.654**
4	**FINANCIAL LIABILITIES**	**9.297.281.588**	**1.570.659.637**
4.1	Financial liabilities at fair value through profit or loss	**7.793.899.983**	8.096.252
4.2	Other financial liabilities	**1.503.381.606**	1.562.563.385
5	**PAYABLES**	**76.271.600**	**28.149.914**
5.1	Payables arising out of direct insurance operations	**29.889.997**	1.301.148
5.2	Payables arising out of reinsurance operations	**17.898.774**	12.512.416
5.3	Other payables	**28.482.830**	14.336.351
6	**OTHER LIABILITIES**	**126.014.148**	**36.716.461**
6.1	Liabilities directly associated with non-current assets and disposal groups classified as held for sale	**-**	-
6.2	Deferred tax liabilities	**22.328.121**	23.202.318
6.3	Tax payables	**72.554.644**	5.097.916
6.4	Other liabilities	**31.131.382**	8.416.227
TOTAL EQUITY AND LIABILITIES		**19.955.146.902**	**6.431.266.665**

INCOME STATEMENT

(amounts in Euro)

		31/12/17	31/12/16
1.1	**Net earned premiums**	**182.828.338**	**193.338.337**
1.1.1	*Gross earned premiums*	**240.491.259**	257.591.911
1.1.2	*Earned premiums ceded*	**-57.662.921**	-64.253.574
1.2	Fee and commission income and income from financial service activities	**113.908**	-229.262
1.3	Net income from financial instruments at fair value through profit or loss	**1.357.528**	-681.071
1.4	Income from subsidiaries, associated companies and joint ventures	**0**	0
1.5	Income from other financial instruments and land and buildings (investment properties)	**137.632.268**	172.130.697
1.5.1	*Interest income*	**122.760.603**	140.898.452
1.5.2	*Other income*	**2.234.647**	5.870.267
1.5.3	*Realized gains*	**12.637.018**	25.361.977
1.5.4	*Unrealized gains and reversal of impairment losses*	**0**	**0**
1.6	Other income	**17.901.699**	**36.136.916**
1	**TOTAL INCOME**	**339.833.741**	**400.695.618**
2.1	Net insurance benefits and claims	**212.339.766**	212.117.692
2.1.1	*Claims paid and change in insurance provisions*	**302.398.144**	307.307.306
2.1.2	*Reinsurers' share*	**-90.058.379**	**-95.189.615**
2.2	Fee and commission expenses and expenses from financial service activities	**-246.243**	64.659
2.3	Expenses from subsidiaries, associated companies and joint ventures	**0**	0
2.4	Expenses from other financial instruments and land and buildings (investment properties)	**53.864.761**	64.539.843
2.4.1	*Interest expenses*	**53.803.106**	**62.795.238**
2.4.2	*Other expenses*	**0**	0
2.4.3	*Realized losses*	**61.655**	787.194
2.4.4	*Unrealized losses and impairment losses*	**0**	957.411
2.5	Acquisition and administration costs	**40.027.752**	38.234.248
2.5.1	*Commissions and other acquisition costs*	**15.701.140**	14.909.322
2.5.2	*Investment management expenses*	**2.242.865**	5.083.164
2.5.3	*Other administration costs*	**22.083.747**	18.241.762
2.6	Other expenses	**9.558.594**	40.696.175
2	**TOTAL EXPENSES**	**315.544.630**	**355.652.617**
	EARNINGS BEFORE TAXES	**24.289.111**	**45.043.001**
3	**Taxation**	**5.196.194**	**15.119.954**
	EARNINGS AFTER TAXES	**19.092.916**	**29.923.047**
4	**RESULT OF DISCONTINUED OPERATIONS**	**0**	**0**
	RESULT OF THE PERIOD	**19.092.916**	**29.923.047**

STATEMENT OF COMPREHENSIVE INCOME

(amounts in Euro)

	31/12/17	31/12/16
RESULT OF THE PERIOD	**19.092.916**	**29.923.047**
Items that may not be reclassified to profit and loss in future periods	**40.303**	**-43.620**
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	**40.303**	-43.620
Other		
Items that may be reclassified to profit and loss in future periods	**-35.585.174**	**-58.603.849**
Foreign currency translation differences		
Net unrealized gains and losses on investments available for sale	**-26.634.784**	-58.603.849
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	**-35.544.871**	**-58.647.470**
TOTAL COMPREHENSIVE INCOME	**-16.451.955**	**-28.724.422**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(amounts in Euro)

	Amount as at 31.12.2015	Change in amounts	Allocation	Transfer to profit or loss account	Other transfer	Amount as at 31.12.2016
Share capital	90.000.000,00	-	-		-	90.000.000,00
Other equity instruments	-	-	-		-	-
Capital reserves	**104.753.146,51**	-	-		-70.421.624,59	34.331.521,92
Revenue reserves and other reserves	**57.838.279,63**	-	-		-39.321.822,73	18.516.456,90
(Own shares)	**-**	-	-		-	-
Result of the period	**41.256.552,68**	-	29.923.047,27		-41.256.552,68	29.923.047,27
Other comprehensive income	**107.259.262,27**	-	-38.985.456,13	-19.662.013,53	-	48.611.792,61
Total	**401.107.241,09**	**-**	**-9.062.408,86**	**-19.662.013,53**	**-151.000.000,00**	**221.382.818,70**

(amounts in Euro)

	Amount as at 31.12.2016	Change in amounts	Allocation	Transfer to profit or loss account	Other transfer	Amount as at 31.12.2017
Share capital	90.000.000,00	-	498.908,41		-	90.498.908,41
Other equity instruments	-	-	-		-	-
Capital reserves	**34.331.521,92**	-	208.056.799,45		-	242.388.321,37
Revenue reserves and other reserves	**18.516.456,90**	-	61.767.034,18		-	80.283.491,08
(Own shares)	**-**	-	-		-	-
Result of the period	**29.923.047,27**	-	-4.830.131,00		-6.000.000,00	19.092.916,27
Other comprehensive income	**48.611.792,61**	-	-12.445.254,35	-23.099.616,54	-	13.066.921,72
Total	**221.382.818,70**	**-**	**253.047.356,69**	**-23.099.616,54**	**-6.000.000,00**	**445.330.558,85**

CASH FLOW STATEMENT (indirect method)

(amounts in Euro)

	31/12/17	31/12/16
Earnings before taxes	**24.289.111**	**45.043.001**
Changes in non-cash items	**-248.293.081**	**78.154.404**
Change in the provisions for unearned premiums and for unexpired risks for non-life segment	-	-
Change in the provisions for outstanding claims and other insurance provisions for non-life segment	-	-
Change in the mathematical provisions and other insurance provisions for life segment	-308.536.623	94.081.219
Change in deferred acquisition costs	592.315	-547.228
Change in other provisions	-4.057.871	5.490.988
Other non-cash expenses and revenues arising out of financial instruments, investment properties and investments in subsidiaries, associated companies and joint ventures	-8.617	-
Other changes	63.717.715	-20.870.575
Change in receivables and payables from operating activities	**1.865.640**	**-31.290.412**
Change in receivables and payables arising out of direct insurance and reinsurance operations	-1.722.002	-26.550.443
Change in other receivables and payables	3.587.641	-4.739.968
Income taxes paid	**-9.339.047**	**-23.824.445**
Net cash flows from cash items related to investing or financing activities	**-43.495**	**9.594.964**
Financial liabilities related to investment contracts	-89.908	-983.770
Other financial instruments at fair value through profit or loss	46.414	10.578.733
NET CASH FLOWS FROM OPERATING ACTIVITIES	**-231.520.873**	**77.677.512**
Net cash flows from investment properties	-	-
Net cash flows from investment in subsidiaries, associated companies and joint ventures		-
Net cash flows from loans and receivables	4.807.599	2.882.267
Net cash flows from held to maturity investments	-	-
Net cash flows from available for sale financial assets	468.177.983	514.791.486
Net cash flows from tangible and intangible assets	-684.315	-2.240.851
Net cash flows from other investing activities		-
NET CASH FLOWS FROM INVESTING ACTIVITIES	**472.301.267**	**515.432.903**
Net cash flow from equity instruments	-152.374.045	-58.647.470
Net cash flow from own shares	-	-
Dividends payment	-6.000.000	-151.000.000
Net cash flow from subordinate liabilities and from participation financial instruments	-	-
Net cash flow from other financial liabilities	-108.829.650	-339.131.854
CASH FLOW FROM FINANCING ACTIVITIES	**-267.203.695**	**-548.779.323**
Effect of exchange rate changes on cash and cash equivalents	**-**	**-**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	120.840.268	76.509.177
CHANGE IN CASH AND CASH EQUIVALENTS	-26.423.300	44.331.091
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**94.416.969**	**120.840.268**

5.A Basis of Preparation

The Financial Statements at 31 December 2017 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union. The term 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 Company 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.

Even after delisting from *Mercato Telematico Azionario*, which took place on 9 April 2009, the Company continued to use the International Financial Reporting Standards as part of the current regulatory provisions (Legislative Decree No. 38/2005).

With regard to the technical forms of preparation, the Financial Statements were prepared in compliance with I.S.V.A.P. Regulation no. 7/2007, as amended.

The financial statements were prepared in accordance with the following tables set out in I.S.V.A.P. Regulation No. 7/2007:

- Balance Sheet;
- Income Statement;
- Statement of Comprehensive Income;
- Statement of Changes in Shareholders' Equity;
- Cash Flow Statement;
- Explanatory Notes;
- Annexes;

and are accompanied by the Directors' Report on Operations.

The reporting date is 31 December 2017.

The Financial Statements were prepared in Euros; the amounts in the Explanatory Notes, unless otherwise specified, are shown in Euro thousand.

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

It should be noted that the comparative analysis of the Income Statement and Balance Sheet data was significantly affected by the merger by acquisition of Old Mutual Wealth Italy S.p.A. (hereinafter also "OMWI") and Eurovita Assicurazioni S.p.A. (hereinafter also "EVA") into Ergo Previdenza S.p.A. (hereinafter also "Ergo" or "EP"), which gave rise to Eurovita S.p.A. In order to facilitate the reading of the comparative Balance Sheet figures in the Explanatory Notes, where deemed appropriate, the comparison with the aggregate data related to the previous financial year (aggregate 2016) is 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 IAS international accounting standards.

For the preparation of the statutory financial statements of Eurovita S.p.A., the merger, in accordance with IAS / IFRS international accounting standards, qualifies as a merger with a restructuring nature and, in particular, a "mother-daughter integration". Therefore, the transaction cannot be classified as a business combination, since it did not involve any exchange with third-party enterprises with reference to the activities that are being aggregated, nor an acquisition in the business sense. For this reason, the merger for the statutory financial statements is outside the scope of IFRS 3.

In the absence of any specific reference to IFRS principles or interpretations in regard of this transaction, considering the peculiarity of the transaction, it is believed that the choice of the most appropriate accounting standard should be guided by the general rules set forth by IAS 8.

Based on IAS 8.10, the management team had to use its own judgment to develop and apply the accounting treatment that provides a disclosure that is both relevant and reliable. In forming its own judgment, the Company's management team had to consider (i) the rules and application guidelines contained in IFRS which regulate similar and related cases, and (ii) the definitions, criteria, and concepts contained in the so-called systematic framework.

The choice of accounting standards should therefore favor principles that are suitable for ensuring continuity of values. Applying the principle of continuity of values means giving importance to the pre-existence of the control relationship between the companies involved in the merger transaction, as well as to the cost incurred by the parent company for the original acquisition of the merged companies. This cost, as well as the allocation thereof at fair value of the merged companies' assets and liabilities and goodwill, was shown in the Group's consolidated financial statements. In other words, the merger with a restructuring nature will determine the convergence of the consolidated financial statements at the merger date with the merging company's post-merger financial statements, thereby implementing the so-called "legal consolidation".

It should be specified that, for the purposes of the Group's consolidated financial statements, the international accounting standard IFRS 3 - Business combination and related Purchase Price Allocation or "PPA" -, was found to be applicable, recognizing the assets and liabilities of the merged companies OMWI and EVA at fair value at their respective acquisition dates. Therefore, the consolidated financial statements at 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 (9 January 2017) and Eurovita Assicurazioni (11 August 2017) by Ergo Retirement (now Eurovita).

The entry of assets and liabilities arising from the merged companies in the merging company's financial statements did not lead to the emergence of higher fair values for such assets, compared to those presented in the consolidated financial statements, nor therefore of greater goodwill. It follows that the cancellation difference between the cost of the equity investment and the corresponding portion of the merged entities' shareholders' equity was allocated to the merged companies' assets as they did not exceed the values presented in the consolidated financial statements.

In this regard, it should be noted that the adoption of IFRS 3 in the consolidated financial statements at the acquisition date of the company Eurovita Assicurazioni S.p.A. (11 August 2017) led to the recognition of income through profit or loss for the purchase at favorable prices ("good business deal") for € 21.1 million. In the absence of specific instructions in the IFRS and in OPI 2R, the good business deal was recognized in the financial statements of Eurovita S.p.A. directly in shareholders' equity, as in the stand-alone financial statements the merger transaction had legal and accounting effect as of 31 December 2017 and, therefore, the profit and loss effects connected to the business combination were recorded in the financial statements starting as from such date.

Measurement criteria were adopted on a going-concern assumption, using the accrual method, 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.

5.B Accounting Standards and Measurement Criteria

ACCOUNTING STANDARDS

The Board of Directors reasonably expects that the Company will continue its operational existence in the foreseeable future and prepared the 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 Company's going concern.

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

Other Tangible Assets

In compliance with IAS 16, these should be recognized at purchase cost including ancillary charges and 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

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 Company 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 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).

UCI 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 Company 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.

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

For the purposes of the impairment test, the Company 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 Company 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 prior periods is considered a condition for further impairment if the security was still producing a loss at the measurement date.

If an equity 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); and
- 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 Company 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 measurements 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

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.

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 were not used.

Other Asset

Deferred Acquisition Costs

Starting from the end of financial year 2003, the Company 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; and
- 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. In case of partial redemption, commissions are expensed pro-quota (in proportion to the exited provisions), charging the residual commission through profit or loss

Tax Receivables

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.

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

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

Deferred 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

This 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

Capital Reserves

This item, in particular, includes the share premium reserve.

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. 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 cash flow hedging instruments.

Dividends

Payable dividends are represented as changes in shareholders' equity in the financial year in which they are approved by the General Meeting of Shareholders.

Other Provisions

This macro-item includes provisions recognized in accordance with IAS 37, i.e. if there is a current (statutory 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.

Insurance 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.

For supplementary guarantees, these are:

- premium reserve (*pro-rata temporis* and for risks in progress);
- claims reserve (including the estimate of claims for the period not yet reported).

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

At the end of the period, 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) will also be 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.

Shadow accounting provisions are determined as a Balance Sheet adjustment to actuarial provisions and are 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 tariffs that may be revalued, 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 contingent 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, were suitable for covering 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 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

This 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

Payables Arising out of Reinsurance Operations

In compliance with IAS 39, 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 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

Tax Payables

Deferred Tax Liabilities

The item Current tax liabilities includes payables to the (Italian) Tax Authorities for current taxes.

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 Contracts, 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) is charged through profit or loss for the residual portion of the commission. This 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 residual portion of liabilities is recognized at nominal value.

INCOME STATEMENT

Net Earned Premiums

This item includes premiums for the year 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. 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 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 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, as required by IAS 39. 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 Income

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 claims reserve and non-life reversal reserve, 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 reversals, and 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 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 Taxes

Deferred Taxes

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

Shareholders' equity includes prepaid and deferred taxes.

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 Company 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 Company 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 1/07/2007 (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 period in which they actually occur.

Insurance Contracts

IFRS 4 lays down the obligation to temporarily use 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.

5.C Risk Analysis

Introduction

The Company is equipped with 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 bears risks prudentially by pursuing the following objectives:

- only bear risks pertaining to the core business, developing and offering products for which the Company 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 corporate 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 Company's 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 set own funds and the current and prospective solvency capital requirement. Finally, the Compliance Department, in addition to identifying the regulations applicable to the Company on an ongoing basis, 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 Company 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 is capable of finding, evaluating, also on a forward-looking basis, and controlling risks, including risks deriving from non-compliance with the rules, guaranteeing the goal of safeguarding assets, including in the medium to long term.

Senior Management is responsible for the implementation, maintenance, and monitoring of the internal risk control and 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 Company's corporate governance and internal control departments, it is also considered useful to note that the following Board 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 department, 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 management and risk appetite model. 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 the summary reporting of findings regarding the underlying risk profile 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 Company's 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 with policyholders, in order to improve the Company's profitability. For some of the Company's Segregated funds, financial management was delegated to external companies (Goldman Sachs Asset Management, BNP Paribas Asset Management)

The most relevant risk factors for the “Class C portfolio”, given the nature of investments, are risks relating to interest rate, credit, concentration, liquidity, and depreciation of equity and real estate assets, unfavorable trends in exchange rates, and liquidity risk.

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

With regard to investments in the “Class D portfolio”, 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 liability 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 were 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 portfolio market risk. 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 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 for the optimization of investment performance and an ongoing monitoring of matching between assets and liabilities by segregated funds.

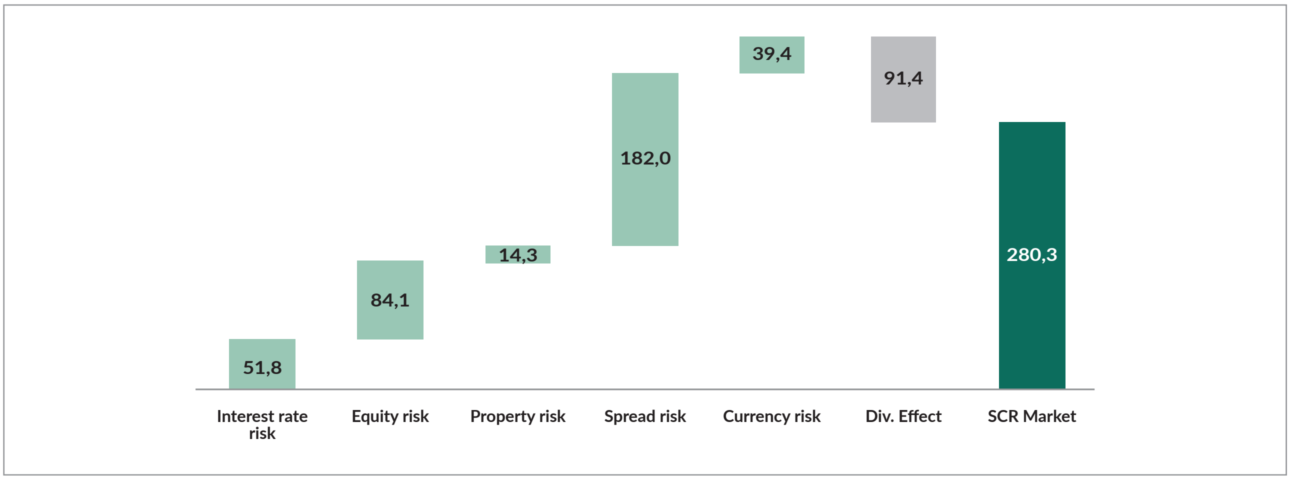
The Company manages *concentration risk* by defining specific limits by asset class, reviewed annually by the Board of Directors upon approval of the Framework Resolution on Investments.

The Risk Management Department has been regularly monitoring compliance with the above limits.

The Company’s “Class C” 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 the Standard Formula. Considering the composition of the Company’s portfolio, the results of the evaluation show a consistent exposure mainly to the spread risk, as shown in the following chart.



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. Monitoring of the risk is performed regularly through the "Liquidity Contingency Plan" by 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 was 200% at 31 December 2017.

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 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.).

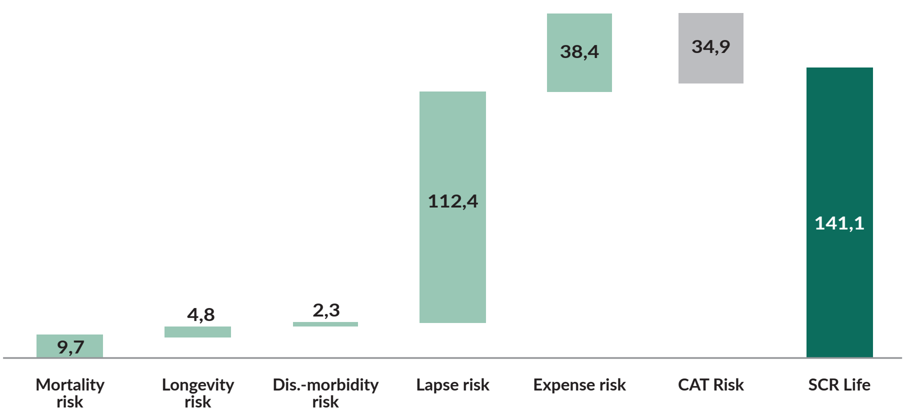
With regard to mortality risk, i.e. relating to insurance contracts in the "event of death", the mortality tables used for pricing are prudential and risk exposure is monitored through a comparison between actual mortality and theoretical mortality deduced from the tables themselves.

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 policyholder'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 policyholders' health condition, linked to certain professions and/or sports activities).

Risk is assessed through the Standard Formula and the chart below illustrates that the Company's exposure to underwriting risk is mostly due to lapse risk and expense risk.



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

(amounts in Euro million)

Gross Direct Premiums by Business Line			
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	170,06
Investment DPF	686,42	82,89	769,31
Investment	1.171,23	0,81	1.172,04
Total	**2.044,63**	**91,01**	**2.135,64**

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

(amounts in Euro million)

Insurance Provisions of the Life Segment by Return Guarantee	
	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 brokers 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 Company'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 Company'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 Company 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 Company 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 infrastructure 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 Company 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 drop 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; and
- 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.

5.D 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 submitted to 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, convene 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 his/her 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 any transactions between related parties of a significant nature or not at market conditions.

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

5.E Information on the Balance Sheet at 31 December 2017

The entries in the statement of financial position and the changes in the relevant amounts compared to 31 December of the previous financial year are commented on and supplemented hereunder.

For a better understanding of the changes compared to the previous financial year, the comments also show the changes with respect to the values on a like-for-like basis, recalculated as indicated in the section on the basis for preparation. Furthermore, where deemed appropriate, the tables show the changes due to the merger transaction in the appropriate columns.

Assets

1 Intangible Assets

The following table shows the changes in the aforementioned item during the closing period:

(amounts in Euro thousand)

	Amount at 31/12/2016	Incr.	Decr.	Amount at 31/12/2017	Acc. Amort 31/12/2016	Incr.	Decr.	Amm.to Cum. 31/12/2017	Book value 31/12/2017
Goodwill	-	22.050	-	22.050	-	-	-	-	22.050
Total Goodwill	-	*22.050*	-	*22.050*	-	-	-	-	*22.050*
VIF OMWI	-	126.985	-	126.985	-	27.308	-	27.308	99.677
Software	1.621	4.591	-	6.212	1.523	3.413	-	4.936	1.276
Other intangible fixed assets	1.940	3.095	887	4.148	325	610	-	935	3.213
Total other intangible fixed assets	*3.561*	*134.671*	*887*	*137.345*	*1.848*	*31.331*	-	*33.179*	*104.166*
Total intangible assets	**3.561**	**156.721**	**887**	**159.395**	**1.848**	**31.331**	-	**33.179**	**126.216**

1.1 Goodwill

The item, amounting to €22,050 thousand, consists of the goodwill generated as a result of the merger by acquisition of Old Mutual Wealth Italy S.p.A. into Ergo Previdenza S.p.A. (now Eurovita S.p.A.). Goodwill with an indefinite useful life shown in the financial statements underwent an annual impairment test.

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

This item, amounting to €104,166 thousand (€1,713 thousand in 2016, €3,609 thousand on a like-for-like basis), mainly consists of the value of the Life portfolio of Old Mutual Wealth Italy S.p.A. acquired in 2017 (VIF) for €99,677 thousand and costs incurred for the purchase of software and other intangible assets for €4,489 thousand.

As previously reported in the section on accounting standards and preparation criteria, the value of purchased contracts (VIF) was calculated by estimating the present value of future cash flows of existing contracts, net of the effects deriving from reinsurance. The VIF was amortized on the basis of the residual average life of the contracts acquired.

The amortization of other intangible assets is calculated on the basis of the 20% tax rate considered to be representative of their useful life.

The breakdown is provided in a specific attachment.

2 Tangible Assets

2.2 Other Tangible Assets

The changes in other tangible assets are shown in the following table:

(amounts in Euro thousand)

	Amount at 31/12/2016	Incr.	Decr.	Amount at 31/12/2017	Acc. depr. 31/12/2016	Incr.	Decr.	Amm.to Cum. 31/12/2017	Amount at 31/12/2017
Furniture and fixtures	678	703	490	891	678	629	462	845	46
Electronic machines	281	1.185		1.466	137	1.179		1.316	150
Plants and equipment	593	511		1.104	517	189		706	398
Total tangible assets	**1.552**	**2.399**	**490**	**3.461**	**1.332**	**1.997**	**462**	**2.867**	**594**

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

- Furniture and Fixtures 12%
- Electronic Machines 20%
- Plants and Equipment 10%

3 Amount Ceded to Reinsurers from Insurance Provisions

The amount 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 of the former companies Old Mutual Wealth Italy and Eurovita Assicurazioni.

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount 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 amount ceded to reinsurers from insurance provisions reflects the evolution of the recurring annual premium portfolio and of the temporary death and supplementary policies of the portfolio of the former company ERGO Previdenza. 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)

	Amount at 31/12/2017	Amount at 31/12/2016	Change
Change in Technical provisions ceded	**-100.038**	-105.643	5.605
Premiums 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 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 amount 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)	Reserves ceded
AA+	100.257
AA-	1.420.723
A+	1.078
A	838
BBB+ and lower / 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 €518,731 thousand, by type of investment compared with the corresponding values at the end of the previous financial year (€306,027 thousand in 2016, €549,469 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	**43.040**	**43.040**	**43.040**	70.325	70.325	71.863
Debt securities	**380.464**	**380.464**	**406.559**	159.482	159.482	192.374
Deposits with banking 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	**518.731**	**518.731**	**552.856**	**306.027**	**306.027**	**351.492**

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;
- recoveries from agents of €951 thousand, which includes €600 thousand relating to the associated company Agenzia Eurovita S.r.l. The 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 €684 thousand (€474 thousand to Agenzia Eurovita), which includes €205 thousand exceeding five years (€138 thousand to Agenzia Eurovita);
- deposits with banking 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 €380,464 thousand.

Debt securities comprise private placement issues and unlisted bonds of €299,015 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 gain equal to €26,095 thousand.

4.5 Available for Sale Financial Assets

The breakdown of Available for sale financial assets 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 Euro thousand)

	31/12/17				31/12/16			
	Amort. cost	Book value	Equity reserve	Fair Value	Amort. cost	Book value	Equity reserve	Fair Value
Debt securities	**8.633.047**	**8.918.886**	**285.839**	**8.918.886**	3.621.207	3.990.977	369.771	3.990.977
of which, listed	***8.633.047***	***8.918.886***	***285.839***	***8.918.886***	*3.621.207*	*3.990.977*	*369.771*	*3.990.977*
UCI units	**377.800**	**388.535**	**10.735**	**388.535**	146.972	159.147	12.174	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*
Equity investments in affiliated companies	**1.138**	**1.138**	**-**	**1.138**	382	382		382
Total Available for Sale Financial Assets	**9.040.769**	**9.338.242**	**297.473**	**9.338.242**	**3.768.725**	**4.150.670**	**381.945**	**4.150.670**

Available for sale financial assets totaled €9,338 million, compared to €4,151 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 €297,473 thousand at 31 December 2017 (the portion of portfolio corresponding to the value €381,945 thousand was €288,609 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, which, as observed above, mainly regards the parent company's portfolio, remained particularly sensitive to interest rates as a natural consequence of the duration of the bond portfolio, which, in the case of the parent company's portfolio, was in any case steadily in line with the previous financial year (3.8).

"UCI / ETF Units", amounting to €388,535 thousand considering post-merger values, 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 same value relating to the acquiring company was 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). Considering profit-taking during the financial year (equal to €4,405 thousand) following the partial consolidation of profits accrued by the units of bond investments, the Equity Reserve of the category (€9,198 thousand, the portion of the parent company's portfolio corresponding to the value of €12,174 thousand for the previous year) was in slight 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 acquiring company's portfolio remained valid including after the contribution of the largest portfolio of the acquired companies, 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). The Equity Reserve of this category (a negative €899 thousand) was almost exclusively linked to the acquired companies' portfolio.

The item "Investments in associated companies", valued at cost, includes the investment of €1,138 thousand in Eurovita Service S.c.r.l., a 1.82% stake of which was acquired in 2009. The investment, valued at cost, increased during 2017 as a 4.39% stake was acquired from Darag Italia S.p.A. (formerly Ergo Assicurazioni).

Through an impairment test, the Company verified whether any conditions that would justify the recognition of permanent losses in value on a final basis had been met. At 31 December 2017, no indicators of permanent losses in value emerged. Similarly, it should be noted that the same valuations applied to the acquired companies' portfolios before the merger showed no losses in value.

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	-	-	-	582	582	582
of which, listed	-	-	-	*582*	*582*	*582*
of which, not listed	-	-	-			
UCI units	7.799.332	7.799.332	7.799.332	24.329	24.329	24.329
Equity securities at fair value	-	-	-	306	306	306
of which, listed	-	-	-	*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 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 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 acquired companies' portfolios, as the acquiring company's share 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	2.690.109	2.780.157	90.048	2.780.157
SPANISH GOVERNMENT	940.010	978.619	978.978	360	978.978
FRENCH GOVERNMENT	586.492	624.080	647.398	23.318	647.398
IRISH GOVERNMENT	358.760	386.769	390.996	4.227	390.996
PORTUGUESE GOVERNMENT	292.020	331.690	340.580	8.890	340.580
BELGIAN GOVERNMENT	200.860	209.501	217.621	8.120	217.621
AUSTRIAN GOVERNMENT	182.350	194.844	200.528	5.684	200.528
DUTCH GOVERNMENT	137.970	141.715	142.997	1.282	142.997
FINNISH GOVERNMENT	136.655	139.942	151.333	11.391	151.333
BANK OF AMERICA CORP.	136.120	137.969	141.117	3.148	141.117
AYT CEDULAS CAJAS V	110.000	110.927	115.436	4.508	115.436
BARCLAYS BANK PLC	103.000	104.499	110.877	6.378	110.877
GERMAN GOVERNMENT	102.743	107.709	110.529	2.820	110.529
CAISSE D'AMORTISSEMENT DETTESOCIALE	78.300	80.057	88.004	7.947	88.004
EURPAEISCHE HYPOTEKENBANK SA	70.000	71.579	72.991	1.412	72.991
INTESA SANPAOLO SPA	65.500	70.789	72.952	2.163	72.952
CAISSE FRANCAISE DE FIN LOC.(DEXIA)	65.000	75.219	75.219	-	86.113
NRW.BANK	60.000	68.777	68.777	-	80.275
CAIXABANK SA	58.000	59.025	64.842	5.817	64.842
BANCO BILBAO VIZCAYA ARGENTARIA SA	52.600	54.689	66.626	11.937	66.626
DEXIA CREDIT LOCAL	52.100	53.677	54.172	495	54.172
Deutsche Bahn Finance BV	50.000	51.879	52.392	513	52.392
ESPV SA	50.000	56.604	56.771	166	56.771
OTHER ISSUERS =< €50M	2.103.739	2.223.616	2.308.830	85.215	2.312.533
Total	**8.318.642**	**9.024.284**	**9.310.123**	**285.839**	**9.336.218**

5. Receivables

5.1 Receivables Arising out of Direct Insurance Operations

Details are as follows:

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount 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 on 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	Amount at 31/12/2016	Merger incr.	Change for the period	Amount 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**

Changes for the period in the allowance for doubtful accounts to brokers are due to withdrawals during the financial year, mainly due to the settlement of certain pending disputes.

5.2 Receivables Arising out of Reinsurance Operations

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount 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 operations 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 merger amounting to €1,208 thousand and a reduction in receivables of the former company Ergo Previdenza amounting to €1,908 thousand, mainly due to changes in the settlement method of balances of the main reinsurer MRI for about €2,800 thousand.

5.3 Other Receivables

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount at 31/12/2017
Tax credit	1.555	13.373	-203	**14.725**
Receivables from financial operators	-	10.974		**10.974**
Other receivables	7.703	5.885	5.706	**19.294**
Total Other receivables	**9.258**	**30.232**	**5.503**	**44.993**

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 €5,503 thousand to the increase for the period of the Company before the merger.

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)

	Amount 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)

	Amount at 31/12/2017
Receivables from parent company for tax consolidation	**9.845**
Trade receivables	**2.219**
Sundry receivables	**2.267**
Receivables for subscriptions	**1.354**
Intercompany receivables	**332**
Receivables for management fees	**707**
Receivables for fund certification charges	**310**
Sundry receivables for Life payments	**859**
Other receivables	**1.401**
Total Other receivables	**19.294**

6. Other Asset

6.2 Deferred Acquisition Costs

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	Amount at 31/12/2016	Unwind due to renewal failure	Unwind for installment amort.	New Business	Merger incr.	Amount 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 merger transaction that took place in 2017.

6.3 Deferred Tax Assets

As required by the accounting standard IAS 12.74, deferred tax assets and liabilities were offset when they referred to the same type of tax. For the year 2017, deferred taxes exceeded prepaid taxes, thus liabilities of €22,328 thousand were recognized under this item, while liabilities of €23,202 thousand had been recognized in 2016.

6.4 Tax Receivables

(amounts in Euro thousand)

DAC Local	Amount at 31/12/2016	New Business	Merger incr.	Amount 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 Tax receivables	**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 merger 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

(amounts in Euro thousand)

DAC Local	Amount at 31/12/2016	New Business	Merger incr.	Amount 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 the merger 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 €72,278 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 merger, 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 merger	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, equal to €94,417 thousand (compared to €120,840 thousand at the end of the previous financial year, €165,958 on a like-for-like basis), represent the balances of ordinary current accounts held with various banking institutions, checks in hand and cash in hand, which decreased by €26,423 thousand in total. 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 the end of the financial year being influenced by the substantial separation of liquidity management of the three companies whose merger was finalized on the last day of the year, whereby the positive effects of the integration will allow integrated management only as of 2018.

8 Intercompany Equity and Business Transactions

(amounts in Euro thousand)

	Parent company	Affiliated companies	Total
Assets			
Loans and Receivables - receivables for recoveries			-
Agenzia Eurovita Srl	-	600	600
Other receivables			-
Eurovita Holding SpA	9.897	-	9.897
Eurovita Service Scrl	-	280	280
Total Assets	**9.897**	**880**	**10.777**
Liabilities			
Payables arising from direct insurance transactions			
Agenzia Eurovita Srl	-	5.099	5.099
Other payables			-
Eurovita Holding SpA	96	-	96
Eurovita Service Scrl	-	32	32
Total Liabilities	**96**	**5.131**	**5.227**

(amounts in Euro thousand)

	Parent company	Affiliated companies	Total
Services charged			
Eurovita Holding SpA	-1.535	-	-1.535
Eurovita Service Scrl	-	-1.051	-1.051
Services recovered			
Agenzia Eurovita Srl	-	248	248
Eurovita Holding SpA	102	-	102
Eurovita Service Scrl	-	216	216
Commissions			
Agenzia Eurovita Srl	-	-2.846	-2.846
Income Statement total	**-1.433**	**-3.433**	**-4.866**

Liabilities

1 Shareholders' Equity

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

It should be noted that the General Meeting of Shareholders held on 2 April 2017 resolved to allocate the profit for the year 2016, amounting to €29,923 thousand, to retained earnings of €23,923 thousand and to pay out a dividend of €0.6667 per share, for a total of €6,000 thousand, regularly paid in May 2017.

The following table shows a breakdown of shareholders' equity and the related changes during the course of 2017:

(amounts in Euro thousand)

	Amount at 31/12/2016	Effect of OMWI merger	Effect of EVA merger	Change for the period	Amount at 31/12/2017
Share Capital	90.000	-	499	-	**90.499**
Share premium reserve	34.332	-	4.055	-	**38.387**
Reserves for capital contributions	-	-	-	204.002	**204.002**
Legal reserve	18.000	-	-	-	**18.000**
Organization fund	516	-	-	-	**516**
Reserve for Retained Earning	-	3.518	34.326	23.923	**61.767**
AFS reserve	48.701	-92	3.178	-29.721	**22.066**
IAS 19 reserve	-89	-	-2	42	**-49**
Reserve for expected cash flow transactions	-	-	-8.950	-	**-8.950**
Result of the period	29.923	-	-	-10.830	**19.093**
Total Shareholders' Equity	**221.383**	**3.426**	**33.106**	**187.416**	**445.331**

As fully described in the Report on Operations, the Company acquired the companies Old Mutual Wealth Italy S.p.A. (also "OMWI") and Eurovita Assicurazioni S.p.A. (also "EVA") in 2017. At 31 December 2017, the merger by acquisition took place, with income, accounting, and tax effects commencing at 31 December 2017.

The main changes are due to:

- On the basis of the exchange rate established in the merger plan, Eurovita (formerly Ergo Previdenza) issued 498,908 new shares with a nominal value of €1 each, equal to a capital increase of €499 thousand for the purpose of the merger;
- On 5 and 9 January 2017, the parent company Eurovita Holding (formerly Phlavia Investimenti) made a capital contribution of €190,000 thousand for the acquisition of Old Mutual Wealth Italy S.p.A. and on 10 August 2017 a further capital contribution of €14,002 thousand for the acquisition of Eurovita Assicurazioni S.p.A., for a total of €204,002 thousand;
- increase in the share premium reserve for € 4,005 thousand deriving from the merger of EVA, for the part relating to third parties;
- Retained earnings increased by €23,923 thousand deriving from the allocation of profit for financial year 2016;
- Greater retained earnings of €3,518 thousand deriving from the elimination of the equity investment in OMWI as a result of the merger;
- Greater retained earnings of €34,326 thousand deriving from the elimination of the equity investment in EVA as a result of the merger;
- Allocation of expected Cash flow hedge reserve: this includes changes in the fair value of derivative financial instruments generated as part of cash flow hedges, net of deferred tax effects;

- Change in the AFS reserve (net of the shadow accounting effect) for a total of €26,635 thousand, due to the merger, which resulted in a net contribution of €3,086 thousand, and due to the reduction in gains / losses on financial assets available for sale during 2017.

With reference to the reserve for expected cash flow hedge transactions, details of the changes during the period are provided below:

(amounts in Euro thousand)

At the beginning of the current financial year	Increase for change in fair value	Decrease for change in fair value	Release in Income Statement	Release to adjust assets / liabilities	Deferred tax effect	At the end of the current financial year
Hedging forward contracts	2.774	-15.711	-	-	3.987	-8.950

Shareholders' equity items, other than the result for the year, are detailed below, specifying their nature, possibility of use, and distributable portion.

(amounts in Euro thousand)

Nature/description	Amount	Possibility of utilization	Available portion	Used in the past three year	
				to cover losses	for other reasons
Share Capital	90.499				
Organization fund	516	A, B			
Share premium reserve	38.387	A, B, C (1) and (2)	38.387		
Reserves for capital contributions	204.002	A, B, C (2)	204.002		
Legal reserve	18.000	B	18.000		
Reserve for Retained Earning	61.767	A, B, C	61.767		
Reserve for fin. assets held for sale	22.066		-		
IAS 19 reserve and Cash flow hedge	-8.999		-		
Total	**426.238**		**322.056**		
Non-distributable portion			18.616		
Residual distributable portion			340.672		

(A) for share capital increase - (B) to cover losses - C) for distribution to shareholders
(1) The share premium reserve can be used for distribution to shareholders provided that the legal reserve has reached one-fifth of the share capital.
(2) Pursuant to Article 2431 of the Italian Civil Code, the entire amount can only be distributed provided that the legal reserve has reached one-fifth of the share capital.

The share capital is fully subscribed and paid up and consists of 90,498,908 ordinary shares with a par value of €1 per share.

Profit per share amounted to €0.21.

2 Other Provisions

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount at 31/12/2017
Provisions	14.644	11.598	-4.057	**22.185**
Total Other Provisions	**14.644**	**11.598**	**-4.057**	**22.185**

Provisions recorded an increase of €7,541 thousand in total, going from €14,644 thousand in 2016 (€22,646 thousand on a like-for-like basis) to €22,185 thousand. The change is due to the merged companies' contribution of €11,598 thousand (€6,630 thousand ascribable to the former company EVA and €4,968 thousand to the former company OMWI) and to the reduction in the period of €4,057 thousand.

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

A summary of the changes in provisions is shown below, starting from the value on a like-for-like basis at 31 December 2016, broken down by individual company being merged:

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount 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 policies	**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*
Agency network provisions	**4.957**	**2.642**	**-**	**7.599**
of which, former EP - Agents' pension scheme				***5.099***
of which, former EP - Agency network restructuring				***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	**22.646**	**9.614**	**-10.075**	**22.185**

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

Tax litigation:

- former company EVA for refund claims: €330 thousand allocated for 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 a suspension of the proceedings was requested 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 had not been set at the reporting date, the amount was 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 had been set at the reporting date 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:

- provisions for Agents' retirement benefits: this includes the provision for retirement benefits to cover the Company's agents' severance indemnities, taking into account its effective recovery. The provision increased by €142 thousand in 2017, reaching a total of €5,099 thousand;
- Restructuring of the agency network: provisions of €2,500 thousand related 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

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount at 31/12/2017
Insurance provisions	4.248.166	5.465.245	-358.202	**9.355.209**
Shadow accounting	311.548	168.936	-50.374	**430.110**
VIF - Value in force	-	202.745	-	**202.745**
Total Insurance Provisions	**4.559.714**	**5.836.926**	**-408.576**	**9.988.064**

Insurance provisions show a considerable increase, going from €4,560 million in 2016 (€9,902 million on a like-for-like basis) to €9,988 million at 31 December 2017. The change is essentially linked to the merger, while the stand-alone statements of Eurovita (formerly Ergo Previdenza) recorded a reduction of €408,576 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	261.174	168.936	430.110	311.548
VIF	-	202.745	202.745	-
Total	**4.151.139**	**5.836.925**	**9.988.064**	**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 passage 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.

Demographic assumptions on the policyholders' behavior and on expenditure used for valuation were derived from the Company's experience. Macroeconomic assumptions were derived from market information and 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 contractual flows were consistently discounted 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 the 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 highlighted a slight inadequacy for contracts relating to the Segregated fund *Eurovita 2000* for €2.1 million, as can be inferred from the table below, which was recognized in the Income Statement. From a general perspective, however, a global adequacy of the insurance liabilities posted to the Financial Statements emerged.

4 Financial Liabilities

4.1 Financial Liabilities at Fair Value through Profit or Loss

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount 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**

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 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.

Changes in financial liabilities relating to contracts classified as “Investments” are provided below:

(amounts in Euro thousand)

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 table below shows the breakdown of this item:

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount 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	Amount 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

Payables deriving out of direct insurance operations went from €1,301 thousand in 2016 (€31,860 thousand on a like-for-like basis) to €29,890 thousand, mainly due to the merger.

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.

5.2 Payables Arising out of Reinsurance Operations

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 increase compared to December 2016 is linked to the merger for €1,623 thousand and the increase of approximately €3,000 thousand during the course of 2017, 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)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount at 31/12/2017
Employees' severance indemnities	925	562	-233	**1.254**
Tax payables borne by policyholders	679	212	-354	**537**
Sundry tax liabilities	1.226	4.617	357	**6.200**
Payables to pension and social security institutions	1.092	533	-384	**1.241**
Sundry payables	10.414	8.505	332	**19.251**
Total Other payables	**14.336**	**14.429**	**-282**	**28.483**

Employees' Severance Indemnities

Payables for employees' severance indemnities amounted to €1,254 thousand (€925 thousand in 2016). The balance includes the estimate of such indemnities, calculated in line with the IFRS accounting principles.

Tax Payables Borne by Policyholders

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

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 €6,200 thousand (€1,226 thousand in 2016). The increase is essentially attributable to the merger that took place during 2017.

Payables to Pension and Social Security Institutions

This item contains payables to I.N.P.S. for contributions to be paid by workers and by the Company, amounting to €1,241 thousand, compared to €1,092 thousand in 2016.

Sundry Payables

Sundry payables, amounting to €19,251 thousand, recorded a substantial increase especially due to the merger (which generated €8,505 thousand).

The following table shows the breakdown of this item at 31 December 2017:

(amounts in Euro thousand)

	Amount 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**

6 Other Liability

6.2 Deferred Tax Liabilities

As required by accounting standard IAS 12.74, deferred and prepaid taxes should be offset when they refer to the same type of tax. 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 €23,202 thousand.

Prepaid and deferred tax assets mainly derive from the 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, and adjustments due to positive and negative Value in Force.

It should be noted that following the amendments introduced by Decree-Law No. 78 of 31-5-2010, converted into Law No. 122 of 30-7-2010, the change in the net technical provisions of the life business became partially non-deductible / taxable; this effect can be reabsorbed in future financial years.

Following the approval of Law No. 208 of 28 December 2015 (2016 Stability Law), the I.R.E.S. rate fell from 27.50% to 24% as of the year 2017.

The attached table shows the details, with an indication whether the deferred / prepaid tax refers only to I.R.E.S. with an applicable 24% rate or also includes I.R.A.P. (6.82%) for a total of 30.82% for the two tax rates.

Net deferred taxes calculated by applying the 24% I.R.E.S. rate amounted to €18,116 thousand on temporary differences of €75,479 thousand and those calculated by applying the 6.82% I.R.A.P. rate amounted to €4,212 thousand calculated on temporary differences of €75.479 thousand.

Breakdown of prepaid taxes	Financial Year 2017 Amount	Rate	Tax effect	Financial Year 2016 Amount	Rate	Tax effect	Change in tax effect 2017-16
Taxed allowances and taxed risks	**18.696**	**24,00%**	**4.487**	24.677	24,00%	5.922	-1.435
Other tangible assets	**-**	**30,82%**	**0**	-	30,82%	0	0
Deferred commission income	**290**	**30,82%**	**89**	273	30,82%	84	5
Other payables	**33**	**24,00%**	**8**	139	24,00%	33	-25
Losses and investment valuations	**3.638**	**24,00%**	**873**	5.885	24,00%	1.412	-539
Prepaid taxes offset in Income Statement	**22.657**		**5.457**	**30.974**		**7.451**	**-1.994**
Liabilities to policyholders (shadow accounting)	**261.240**	**30,82%**	**80.514**	311.548	30,82%	96.019	-15.505
Negative Value in Force	**202.745**	**30,82%**	**62.486**	-	30,82%	0	62.486
Other items	**53.807**	**30,82%**	**16.583**	-	30,82%	0	16.583
Losses on AFS and IAS 19 reserve	**444.491**	**30,82%**	**136.992**	412	30,82%	127	136.865
Prepaid taxes offset in Shareholders' Equity	**962.283**		**296.575**	**311.960**		**96.146**	**200.429**
Total prepaid taxes	**984.940**		**302.032**	**342.934**		**103.597**	**198.435**

Breakdown of deferred taxes	Financial Year 2017 Amount	Rate	Tax effect	Financial Year 2016 Amount	Rate	Tax effect	Change in tax effect 2017-16
Losses on bonds - financial fixed assets	**36.090**	**24,00%**	**8.662**	37.156	24,00%	8.917	-255
Employees' severance indemnities	**-**	**24,00%**	**0**	-	24,00%	0	0
Deferred commission expense	**379**	**30,82%**	**117**	258	30,82%	80	37
Other items	**-**	**30,82%**	**0**	-	30,82%	0	0
Deferred taxes offset in Income Statement	**36.469**		**8.778**	**37.414**		**8.997**	**-218**
Liabilities to policyholders (shadow accounting)	**30.696**	**30,82%**	**9.461**	-	30,82%	0	9.461
Positive Value in Force	**99.677**	**30,82%**	**30.720**	-	30,82%	0	30.720
Deferred commission expense	**66.876**	**30,82%**	**20.611**	-	30,82%	0	20.611
Other items	**488**	**30,82%**	**150**	-	30,82%	0	150
Gains on AFS	**826.213**	**30,82%**	**254.639**	382.226	30,82%	117.802	136.837
Deferred taxes offset in Shareholders' Equity	**1.023.950**		**315.581**	**382.226**		**117.802**	**197.779**
Total deferred taxes	**1.060.419**		**324.360**	**419.640**		**126.799**	**197.561**

Breakdown of prepaid / deferred taxes	Financial Year 2017 Amount	Rate	Tax effect	Financial Year 2016 Amount	Rate	Tax effect	Change in tax effect 2017-16
Prepaid taxes offset in Income Statement	**22.657**		**5.457**	30.973		7.451	-1.994
Deferred taxes offset in Income Statement	**-36.469**		**-8.779**	-37.414		-8.997	218
Prepaid / deferred taxes offset in Income Statement	**-13.812**		**-3.322**	**-6.441**		**-1.546**	**-1.776**
Prepaid taxes offset in Shareholders' Equity	**962.283**		**296.575**	311.960		96.146	200.429
Deferred taxes offset in Shareholders' Equity	**-1.023.950**		**-315.581**	-382.226		-117.802	-197.779
Prepaid / deferred taxes offset in Shareholders' Equity	**-61.667**		**-19.006**	**-70.266**		**-21.656**	**2.650**
Total prepaid / deferred taxes	**-75.479**		**-22.328**	**-76.707**		**-23.202**	**874**

Compared to the previous financial year, the changes in prepaid and deferred taxes offset in the Income Statement, equal to a net increase of €1,776 thousand, were as follows:

- decrease of €1,435 thousand in prepaid taxes on allowance for doubtful accounts and taxed provisions for risks;
- decrease of €539 thousand in prepaid taxes on valuation losses deductible at the time of disposal;
- decrease of €25 thousand in prepaid taxes on other payables;
- increase of €37 thousand in deferred taxes on commission expense;
- decrease of €255 thousand in deferred taxes on capital losses on financial fixed assets.

Compared to the previous financial year, the most significant changes in prepaid and deferred taxes offset in shareholders'' equity, equal to a net decrease of €2,650 thousand, were as follows:

- decrease of €15,505 thousand in prepaid taxes net of the reduction in deferred taxes on shadow accounting;
- increase of €136,865 thousand in prepaid taxes calculated on the losses on securities available for sale;
- increase of €62,486 thousand in prepaid taxes calculated on the negative Value in force of the merged company OMWI;
- increase of €16,583 thousand in prepaid taxes calculated on other items;

- increase of €9,461 thousand in deferred taxes on payables to policyholders (shadow accounting);
- increase of €30,720 thousand in deferred taxes on positive Value in force of the merged company Eurovita Ass.ni;
- increase of €20,611 thousand in deferred taxes on deferred commission expense of the merged companies;
- increase of €136,837 thousand in deferred taxes on gains on securities available for sale.

6.3 Tax Payables

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 merger (€5,098 thousand in the previous year), not yet paid.

6.4 Other Liabilities

(amounts in Euro thousand)

	Amount at 31/12/2016	Merger incr.	Change for the period	Amount 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**
Commission bonuses 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**

The account shows a considerable increase of €20,670 thousand mainly due to the merger and €2,045 for increases for the period, in particular for higher suspended premiums collected.

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 €2,239 thousand, and accrued liabilities and deferred income of €2,572 thousand.

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

(amounts in Euro thousand)

Investment Products	31/12/16	Changes in portfolio	Unwind for installment amort.	New Business	Increase from merger	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 merger, thanks to the contribution of the former company OMWI, specialized in the marketing of Unit-Linked products.

5.F Information on the Income Statement at 31 December 2017

As specified above, the Income Statement was immune to the effects of the merger as it became effective as of 31 December.

1 Net Earned Premiums

1.1.1 Gross Earned Premiums for the Year

Details are as follows:

(amounts in Euro thousand)

	Amount at 31/12/2017	Amount at 31/12/2016	Change	(%) change
Annual premiums in the first year	**10.565**	12.767	-2.202	-17,2%
Annual premiums in subsequent year	**180.021**	199.366	-19.345	-9,7%
Single premiums	**43.113**	38.078	5.035	13,2%
Total direct business	**233.699**	**250.211**	**-16.512**	**-6,6%**
Premiums on reinsured risks (indirect business)	**6.792**	7.381	-589	-8,0%
Total gross earned premiums	**240.491**	**257.592**	**-17.101**	**-6,6%**

The breakdown by IAS / IFRS classification showing business not classified as insurance contracts is as follows:

(amounts in Euro thousand)

IAS Classification (in Euro thousand)	Premiums in subsequent years	Premiums in the first year	Total
Supplementary	17.239	201	**17.440**
Indirect business	6.792	-	**6.792**
Insurance	131.399	613	**132.011**
Investment DPF	31.383	52.865	**84.247**
Grand total	**186.813**	**53.678**	**240.491**
Investment	425	813	**1.238**
Grand total	**187.238**	**54.491**	**241.729**

1.1.2 Earned Premiums Ceded

Earned premiums ceded to reinsurers amounted to €57,663 thousand, showing a decrease of €6,591 thousand compared to 2016.

The following table shows details of the changes in net premiums, i.e. retained business:

(amounts in Euro thousand)

	Amount at 31/12/2017	Amount at 31/12/2016	Change	(%) change
Direct and indirect business	**240.491**	257.592	-17.101	-6,6%
Ceded and retroceded business	**-57.663**	-64.254	6.591	-10,3%
Total preserved business	**182.828**	**193.338**	**-10.510**	**-5,4%**

The breakdown of net premiums is shown in the annex specifying the corresponding value of the previous period.

1.2 Fee and commission income and income from financial service activities

Commission income on financial products, net of the amortization of commissions earned in prior years, amounted to €114 thousand (loss of €229 thousand at 31 December 2016).

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

(amounts in Euro thousand)

	Amount at 31/12/2017	Amount at 31/12/2016	Change
Net income from financial instruments at fair value through profit or loss	**1.358**	-681	2.039

This item includes 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 (€1,820 thousand compared to €323 thousand in the previous financial year).

Assets "Held for trading" in the merging company's portfolio, also gross of restatement of financial products, did not generate any result (loss of €869 thousand in the previous financial year).

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)

Investment Income	31/12/17					31/12/16				
	Interest income	Other income	Realized gains	Valuation gains	Total	Interest income	Other income	Realized gains	Valuation gains	Total
Held for trading	-	-	-	-	-	-	-	717	827	1.544
Designated at Fair Value	12	11	492	2.922	3.437	34	-	261	1.235	1.530
Total Income from financial instruments at fair value through profit or loss	**12**	**11**	**492**	**2.922**	**3.437**	**34**	**-**	**978**	**2.062**	**3.074**

(amounts in Euro thousand)

Investment Charges	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	-	-2.413
Designated at Fair Value	-	-390	-179	-1.048	-1.617	-	-362	-506	-340	-1.208
Restatement of financial products	-	-462	-	-	-462	-	-135	-	-	-135
Total Expenses from financial instruments at fair value through profit or loss	**-**	**-852**	**-179**	**-1.048**	**-2.079**	**-**	**-497**	**-2.919**	**-340**	**-3.756**

1.5 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:

(amounts in Euro thousand)

	31/12/17					31/12/16				
	Interest income	Other income	Realized gains	Valuation gains	Total	Interest income	Other income	Realized gains	Valuation gains	Total
Available for sale financial assets	112.639	2.235	12.637	-	127.511	130.629	5.870	25.362	-	161.861
Loans and receivables	10.121	-	-	-	10.121	10.270	-	-	-	10.270
Total Income from other financial instruments and land and buildings (investment properties)	**122.760**	**2.235**	**12.637**	**-**	**137.632**	**140.899**	**5.870**	**25.362**	**-**	**172.131**

Ordinary income in the category "Financial assets available for sale" decreased in terms of amount (due to a contraction of 11.9% in the average portfolio) and in terms of average yield (3.24% on average compared to 3.32% in the previous financial year due to the low interest rates that continued to influence investments in recent periods), although the portfolio maintained a remarkable ability to generate profitability. “Loans and receivables” also show a similar behavior in relation to their amount, while the yield was slightly up (3.64% on average compared to 3.57% in the previous financial year).

Realized gains remained significant (€12,637 thousand), in any case showing a decrease over the amount of the previous financial year (€25,362 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 (€7.5 million), participation in market tenders (€1,442 thousand), partial consolidation of prior income accrued on indirect exposures in the corporate segment (€2,881 thousand), as well as additional profits distributed by alternative investments in Private Equity funds €1,541).

1.6 Other Income

The breakdown of Other revenues is as follows:

(amounts in Euro thousand)

	Amount at 31/12/2017	Amount at 31/12/2016	Change	(%) change
Other technical income	**569**	20.084	-19.515	-97,2%
Withdrawals from provisions	**11.950**	5.317	6.633	124,8%
Contingent assets	**1.441**	570	871	152,8%
Other revenues	**3.942**	10.166	-6.224	-61,2%
Total Other income	**17.902**	**36.137**	**-18.235**	**-50,5%**

As can be inferred from the table above, Other revenues show a decrease of 50%, equal to €18,235 thousand. In particular, the following should be highlighted:

- a reduction of €19.5 million in other technical income due to the reinsurance commission posted in the previous financial year. In 2016, other reinsurance technical income of €Euro 19.5 million had been recorded relating to the entry fee paid by Munich RE and linked to the clean cut made with Swiss RE. This revenue was substantially offset by the same amount recognized under technical charges;
- a decrease of €6,244 thousand in other revenues, due to a reduction of €7,746 thousand in recoveries from subsidiaries and associated companies, partially offset by an increase of €1,614 thousand in other income and recoveries. The decrease in recoveries from Group companies is mainly due to staff secondment being ceased and other costs recovered from the Eurovita Service consortium (formerly Ergo Italia Business Solutions). Other income and “various” recoveries, on the other hand, increased due to the TSA contract with Darag Italia (formerly Ergo Assicurazioni), which had been part of the Group until 30 November 2016.
- an increase of €6,633 thousand in withdrawals from provisions, mainly due to an increase of €8,651 thousand in provisions for risks and charges, for details of which please refer to the section above regarding Provisions, and to the reduction of €2,145 thousand in withdrawals from the allowance for doubtful accounts;
- an increase of €871 thousand in total in contingent assets.

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.

Contingent assets are due to the rearrangement of items of prior years.

Other revenues mainly include recoveries of €1,165 thousand (compared with €8,788 thousand in the previous financial year) from Group companies.

2.1 Net insurance benefits and claims

The breakdown of net charges is as follows:

(amounts in Euro thousand)

	Amount at 31/12/2017	Amount at 31/12/2016	Change	(%) change
Amounts paid	**654.286**	588.734	65.552	11,1%
Change in technical provisions	**-351.888**	-281.427	-70.461	25,0%
Direct and indirect business	***302.398***	***307.307***	***-4.909***	***-1,6%***
Amounts paid - ceded	**-190.097**	-200.833	10.736	-5,3%
Change in insurance provisions ceded	**100.039**	105.643	-5.604	-5,3%
Ceded and retroceded business	***-90.058***	***-95.190***	***5.132***	***-5,4%***
Net amounts paid	**464.189**	387.901	76.288	19,7%
Change in net insurance provisions	**-251.849**	-175.784	-76.065	43,3%
Total Net insurance benefits and claims	**212.340**	**212.117**	**669**	**0,3%**

The breakdown of the charges relating to claims, specifying the amounts paid, recoveries, and changes in reserves for each type thereof, separately for gross amounts and amounts borne by reinsurers, specifying the corresponding value of the previous period, is provided in an appropriate annex.

The amounts paid show an increase of 11% (€65.55 million in absolute terms), mainly due to the effect of the increase of €81.1 million in settled payments, 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 a decrease of €442 million in the actuarial provisions and other technical provisions, partially offset by an increase of €50 million in reserves for amounts to be paid.

2.2 Fee and commission expenses and expenses from financial service activities

Commission expense on financial products, net of the amortization of commission expense in prior years, amounted to a loss of €246 thousand (gain of €65 thousand at 31 December 2016).

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

The charges from investments in the category "Financial assets available for sale" 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)

	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	-	-	62	-	62	-	-	787	957	1.744
Loans and receivables	53.803	-	-	-	53.803	62.795	-	-	-	62.795
Total Expenses from other financial instruments and land and buildings (investment properties)	**53.803**	**-**	**62**	**-**	**53.865**	**62.795**	**-**	**787**	**957**	**64.539**

Interest expense refers to interest on deposits from reinsurers. The 2016 figure for valuation losses refers to the impairment of the investment in Italian banking institutions (Veneto Banca and Banca Popolare di

Spoleto), while, at 31 December 2017, the impairment test did not show any indicators of permanent losses in value.

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

Operating costs are detailed in the following table:

(amounts in Euro thousand)

	Amount at 31/12/2017	Amount at 31/12/2016	Change	(%) change
Acquisition commissions	**7.584**	9.288	-1.704	-18,3%
Other acquisition costs	**7.038**	5.281	1.757	33,3%
Change deferred acquisition costs	**592**	-547	1.139	-208,2%
Collection commissions	**6.332**	7.196	-864	-12,0%
Commissions and profit sharing ceded	**-5.845**	-6.309	464	-7,4%
Total commissions and other acquisition costs	***15.701***	***14.909***	***792***	***5,3%***
Investment management expenses	**2.243**	5.083	-2.840	-55,9%
Other administration costs	**22.084**	18.242	3.842	21,1%
Total Acquisition and administration costs	**40.028**	**38.234**	**1.794**	**4,7%**

The increase in operating costs, which rose from €38,234 thousand at 31 December 2016 to €40,028 thousand at the end of 2017, is mainly due to the increase of €3,842 thousand in other administration expenses, partially offset by the reduction of €2,840 thousand in investment management expenses. Commissions and other net acquisition costs show an overall increase of €792 thousand.

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.

The breakdown of insurance management costs, separately by type of expense, specifying the corresponding value of the previous period, is provided in an annex.

2.6 Other Expenses

Other costs are broken down in the following table:

(amounts in Euro thousand)

	Amount at 31/12/2017	Amount at 31/12/2016	Change	(%) change
Other technical charges	**1.308**	22.235	-20.927	-94,1%
Provisions set aside	**2.980**	7.508	-4.528	-60,3%
Losses on receivables	**409**	172	237	137,8%
Contingent liabilities	**284**	121	163	134,7%
Amortization of intangible fixed assets	**535**	312	223	71,5%
Other costs	**4.043**	10.348	-6.305	-60,9%
Total Other expenses	**9.559**	**40.696**	**-31.137**	**-76,5%**

Other technical charges (€1,308 thousand compared to €22,235 thousand in 2016) mainly include cancellations due to non-collection. The change is linked to an exit commission paid to Swiss RE in the year 2016 on the clean cut of €20,698, not present in 2017.

Provisions to reserves (€2,980 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 upon 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 employees' voluntary early retirement.

Other costs are mainly due to costs of €3,641 thousand charged by other Group companies compared to €9,215 thousand in 2016, and losses on transactions relating to legal disputes (€330 thousand against €1,119 thousand in 2016) not covered by the withdrawals from provisions specifically set aside in previous financial years. The reduction in other costs is mainly due to the lower charge for personnel secondment from the Eurovita Service consortium (formerly Ergo Italia Business Solutions).

3. Taxes

Income taxes for the year and I.R.A.P. (regional tax on productive activities) allocated by the Company amounted to a total of €5,196 thousand, representing an impact of 21.39% on the pre-tax profit, down compared to the impact of 33.57% on the pre-tax profit of the previous year; this reduction is mainly due to non-taxable contingent assets and costs not deducted in prior financial years.

It should be noted that following the approval of Law of 28 December 2015 (2016 Stability Law), the I.R.E.S. (corporate income tax) rate decreased to 24% as from the year 2017.

Taking into account the provisions of Article 76 of the Lombardy Region Law No. 10 of 10 July 2003 and the abovementioned increase, the I.R.A.P. rate for the year 2017 was 6.82%.

The tax burden for 2017 was calculated by applying the following rates on taxable income for I.R.E.S. purposes and taxable income for I.R.A.P. purposes:

- I.R.E.S.: 24.00% on I.R.E.S. taxable income
- I.R.A.P.: 6.82% on I.R.A.P. taxable income

Income taxes for the year consisted in I.R.E.S. current taxes of €2,850 thousand and I.R.A.P. current taxes of €563 thousand, a growth due to the decrease in prepaid taxes of €2,001 thousand offset in the Income Statement and a decline due to the reduction in deferred taxes of €218 thousand offset in Income Statement. Taxes for the year therefore amounted to €5,196 thousand.

For details of changes in prepaid and deferred taxes offset the Income Statement, reference should be made to the foregoing.

Reconciliation table between statutory tax burden and theoretical tax burden	Financial Year 2017			Financial Year 2016		
Reconciliation between statutory tax burden and theoretical tax burden (I.R.E.S.)						
Profit (loss) before income taxation		**24.289**			45.043	
Theoretical tax burden (rate of 27,5% for the year 2016 and 24% in 2017)			**8.744**			16.215
Temporary differences deductible in subsequent fiscal years:						
+ Taxed provisions for risks	**2.980**			7.667		
+ Other non-deductible provisions	**-**			-		
Total		**2.980**			7.667	
Temporary differences taxable in subsequent fiscal years:						
+/- Adjustments to financial fixed assets (AFS)	**-1.755**			4.251		
- Net effect of the adoption of IFRS standards	**-195**			-2		
Total		**-1.950**			4.249	
Use of temporary differences from prior financial years:						
+ Value adjustments to shares not held as fixed assets from prior years	**-**			-		
- Use of taxed provisions	**-8.922**			-5.612		
- Other costs not deducted in prior financial years	**-4.091**			-1.094		
Total		**-13.013**			-6.706	
Permanent differences:						
+ Entertainment expenses and other non-deductible costs	**885**			716		
- Tax break on dividend receipts	**-**			-		
- Non-taxable contingent assets	**-1.317**			-379		
Total		**-432**			337	
Taxable amount - I.R.E.S.		**11.874**			50.590	
Current taxes for the year - I.R.E.S.			**2.850**			**13.912**
Reconciliation between statutory tax burden and theoretical tax burden (I.R.A.P.)						
Difference between production value and cost		**5.922**			39.503	
Net costs not relevant for I.R.A.P. purposes		**2.335**			2.149	
Total		**8.257**			41.652	
Theoretical tax burden (rate of 6.82% for the years 2016 and 2017)			**563**			2.841
Taxable amount - I.R.A.P.		**8.257**			41.652	
Current taxes for the year - I.R.A.P.			**563**			**2.841**
Total current taxes for the year - I.R.A.P. and I.R.E.S.			**3.413**			**16.753**
Change in prepaid taxes			**2.001**			-1.364
Change in deferred taxes			**-218**			-269
Total taxes for the year			**5.196**			**15.120**

The following table shows the reconciliation between the statutory tax burden and the theoretical tax burden (amounts in Euro thousand):

Reconciliation table between applicable tax rate and actual tax rate:	Financial Year 2017	Financial Year 2016
Applicable ordinary tax rate - I.R.E.S.	**24,00%**	27,50%
Effect of increases on ordinary rate		
+ Entertainment expenses and other non-deductible costs	**0,87%**	0,44%
Effect of decreases on ordinary rate		
- Tax break on dividend receipts	**0,00%**	0,00%
- Non-taxable contingent assets	**-1,30%**	-0,23%
I.R.E.S. actual rate without temporary differences	**23,57%**	27,71%
Temporary differences deductible in subsequent financial years	**2,94%**	4,68%
Temporary differences taxable in subsequent financial years	**-14,78%**	-1,50%
I.R.E.S. actual tax rate	**11,73%**	30,89%
I.R.A.P. applicable ordinary rate	**6,82%**	6,82%
Effect of increases on ordinary rate		
+ Different I.R.A.P. taxable amount	**-5,16%**	-0,84%
+ Net costs not relevant for I.R.A.P. purposes	**0,66%**	0,33%
I.R.A.P. actual tax rate	**2,32%**	6,31%
Changes in prepaid taxes:	**8,24%**	-3,03%
Changes in deferred taxes:	**-0,90%**	-0,60%
I.R.E.S. and I.R.A.P. actual tax rates	**21,39%**	**33,57%**

It should be noted that during the year 2013, the Company submitted a refund claim for I.R.E.S. due to the partial deductibility of I.R.A.P. relating to personnel expenses for the tax periods from 2007 to 2011 pursuant to Law-Decree No. 201/2011, and a similar application was submitted by the parent company Eurovita Holding S.p.A. (formerly ERGO Italia S.p.A. now merged into Eurovita Holding) on the same date.

The total amount claimed for all years amounted to €175 thousand, but no refund or communication was received in such respect; in accordance with the principle of prudence, no amount was recorded among the Company's revenues.

Together with the parent company Eurovita Holding S.p.A. (formerly ERGO Italia S.p.A. now merged into Eurovita Holding), the Company opted for the national tax consolidation system for the current year pursuant to Legislative Decree No. 344 of 12 December 2003.

Eurovita Holding will fulfill the obligations related to the tax return and settlement of I.R.E.S. The economic and financial transactions between the two companies in relation to the national tax consolidation are regulated under a specific contract. The years still open for tax purposes, both for direct tax and V.A.T. purposes, are the financial years starting from 2013.

There was no pending tax litigation with the Italian Revenue Agency at 31 December 2017.

5.G Other Information

1 Solvency Margin

Starting on 1 January 2016, the Company has been calculating the capital required by the supervisory regulations and the eligible own funds on the basis of the Solvency II legislation as established by Legislative Decree No. 74 of 12 May 2015 implementing Directive 2009/138/EC.

At 31 December 2017, the Company's Own Funds totaled €552.17 million (€341.64 million in 2016) and included the subscribed and paid-up share capital of €90,499 thousand, the Share Premium Reserve of €34,332 thousand, subordinated liabilities of €46,147 thousand, and the reconciliation reserve of €381,139 thousand.

The Company calculated its Own Funds (hereinafter also "OF") to cover the solvency capital requirement (hereinafter also "SCR") and the minimum capital requirement (hereinafter also "MCR") by carrying out the subsequent "tier" classification following the rules established by Article 93, and following, of the Directive.

The eligibility thresholds used are those established by Article 82 of the Regulations, which provide for the following criteria to satisfy the Solvency Capital Requirement:

- Tier 1 proportion must be at least 50% of SCR;
- the amount of Tier 3 items should be less than 15% of SCR;
- the sum of Tier 2 and Tier 3 items should not exceed 50% of SCR.

Following the assessments carried out for solvency purposes, the following chart shows the structure and the quantity of OFs to cover the SCR and the MCR calculated at 31 December 2017. The quality of OFs is shown in detail by Tier:

(data in Euro thousand)

Available and eligible own funds for SCR coverage	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	505.970	-	505.970
Tier 1 restricted	-	-	-
Tier 2	46.147	-	46.147
Tier 3	-	-	-
Total OF	**552.117**	**-**	**552.117**
Total SCR			**276.043**
Surplus (shortage)			**276.074**

(data in Euro thousand)

Available and eligible own funds for MCR coverage	Own funds available	Eligibility adjustments	Own funds eligible
Tier 1 unrestricted	505.970	-	505.970
Tier 1 restricted	-	-	-
Tier 2	46.147	21.391	24.756
Tier 3	-	-	-
Total OF	**552.117**	**21.391**	**530.726**
Total MCR			**124.219**
Surplus (shortage)			**406.507**

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 the Minimum Capital Requirement specified above should be understood as an estimate. The corresponding final data will be communicated to the supervisory authority and included in the Solvency and Financial Condition Report (SFCR) according to the timeframe established by the I.V.A.S.S. regulations on Solvency II.

Against a solvency capital requirement (SCR) of €276.04 million, the Company's own funds to be hedged amount to €552.12 million, which implies a Solvency II Ratio of 200%.

2 Assets Hedging Technical Provisions

This is to notify that, in compliance with current regulations, technical provisions were hedged by evaluating the assets and technical commitments according to the supervisory principles required by I.V.A.S.S. at 31 December 2017 (I.V.A.S.S. Regulation No. 24 of June 2016). After performing the evaluation according to such principles, the technical provisions were found to be fully hedged.

The hedging was proven by sending I.V.A.S.S. the document "Hedging of Technical Provisions at 31 December 2017 at IAS Values", formulated in a triple version on all applicable accounting assumptions (amortized cost, book value, or fair value) and prepared according to the prior template required by the hedging Model set out in the prior I.S.V.A.P. Regulation No. 36 of January 2011.

3 Exemption from the Obligation to Prepare Consolidated Financial Statements

Eurovita S.p.A. does not hold significant financial investments in other companies nor does it effectively control other enterprises through the unified management of their governing bodies. Therefore, in accordance with general statutory regulations, it need not prepare consolidated financial statements.

This is also to announce that Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.), parent company of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.), prepares consolidated financial statements pursuant to Article 95, paragraph 2, of Legislative Decree No. 209/2005 and Article 25 of Legislative Decree No. 127/1991, which provide the information required to illustrate the Group's performance.

Unified management – a condition met on a presumptive basis pursuant to Article 96, paragraph 1, of Law-Decree No. 209/2005 when the governing bodies mainly comprise the same persons - which characterizes the Parent Company Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.) and its subsidiaries is adequately reflected in the consolidated financial statements of Eurovita Holding S.p.A. (formerly Phlavia Investimenti S.p.A.). The correctness of the above mentioned structure was confirmed by I.V.A.S.S.

Compensation Paid to the Independent Auditor KPMG S.p.A., Directors, and Statutory Auditors

Compensation for the year for the provision of auditing services amounted to a total of €188 thousand (not including V.A.T., expenses, and contributions) and €482 thousand for the provision of certification services.

Compensation for the year paid to the Board of Directors was zero, compensation being paid directly by the Parent Company Eurovita Holding S.p.A. Compensation paid to the Board of Statutory Auditors amounted to €188 thousand, including expenses and V.A.T.

6 Interim Dividends

During the year 2017, no interim dividends were paid out or approved for financial year 2017.

7 Average Number of Employees

The average number of employees at 31 December 2017 was 308.

8 Subsequent Events

In December 2017, the independent auditor KPMG S.p.A. (for the segregated fund "*Eurovita Nuovo PPB*") and BDO S.p.A. (for the segregated fund "*Previdenza*") and in February 2018 the auditing company KPMG S.p.A. (for all the remaining segregated funds) expressed their positive professional opinion on the fairness of the returns of the funds, published in two national newspapers, as shown below:

- Return of segregated fund "*Fondo Eurovita 2000*": 3.66%
- Return of segregated fund "*Eurovita Nuovo Secolo*": 3.51%
- Return of segregated fund "*Eurovita Nuovo PPB*": 3.75%
- Return of segregated fund "*Primariv*": 3.51%
- Return of segregated fund "*Euroriv*": 2.44%
- Return of segregated fund "*Futuriv*": 2.53%
- Return of segregated fund "*Smart*": 2.32%
- Return of segregated fund "*Previdenza*": 2.40%

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

9 Data of the Parent Company

As required by Article 2497-*bis*, paragraphs 4 and 5, of the Italian Civil Code, please find attached hereunder a summary statement with the essential data of the latest approved financial statements of the company that carried direction and coordination of Eurovita:

Eurovita Holding S.p.A.

formerly Phlavia Investimenti S.p.A.

(figures in Euro units)

	STATEMENTS AT 31.12.2016		STATEMENTS AT 31.12.2017	
Description	**Interim**	**Total**	**Interim**	**Total**
PRODUCTION VALUE				
Revenues from sales of goods and services	-		-	
Other revenues	82		-	
TOTAL PRODUCTION VALUE		**82**		**-**
PRODUCTION COST				
Services		377.232		1.828
Leased assets		-		-
Personnel		-		-
Depreciation, amortization and write-downs		1.050		1.049
Provisions for risks		-		-
Other operating expenses		5.306		-
TOTAL PRODUCTION COST		**383.588**		**2.877**
FINANCIAL INCOME AND CHARGES				
Income from equity investments		-		-
Other financial income		97		-
Interest and other financial charges		-9		-
TOTAL FINANCIAL INCOME AND CHARGES		**88**		**-**
VALUE ADJUSTMENTS TO FINANCIAL ASSETS AND LIABILITIES				
Write-ups	-		-	
Write-downs	-		-	
TOTAL ADJUSTMENT TO FINANCIAL ASSETS AND LIABILITIES		**-**		**-**
Profit (loss) before income taxation (+A-B+C+D)		-383.418		-2.877
Taxes for the year				40
+ PROFIT / - LOSS FOR THE YEAR		**-383.418**		**-2.917**
EQUITY INVESTMENTS		288.081.784		-
CAPITAL AND RESERVES		242.179.330		8.216
NUMBER OF EMPLOYEES		1		1

Shareholders,

We hereby propose to approve these financial statements comprising the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Cash Flow Statement, and Explanatory Notes, and accompanied by the Report on Operations.

The profit for financial year 2017 amounted to 19,092,916.27.

We propose to allocate €99,781.68 to the legal reserve and a dividend of €100,000,000, as shown below:

Profit for the year	**19.092.916**
Legal Reserve	99.782
Distribution of profit for the year	18.993.135
Distribution of reserve for profit carried forward	61.767.034
Distribution of capital contribution reserves	19.239.831

Milan, 28 March 2018

FOR THE BOARD OF DIRECTORS

Erik Stattin

Chief Executive Officer

5.H Annexes and Additional Tables

Eurovita S.p.A.

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BALANCE SHEET BY CLASSES

(amounts in Euro)

		Non-Life		Life		Total	
		31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
1	**INTANGIBLE ASSETS**	**0,00**	**0,00**	**126.216.191,23**	**1.713.313,10**	**126.216.191,23**	**1.713.313,10**
2	**TANGIBLE ASSETS**	**0,00**	**0,00**	**594.157,59**	**219.092,16**	**594.157,59**	**219.092,16**
3	**AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS**	**0,00**	**0,00**	**1.522.997.659,08**	**1.611.454.694,77**	**1.522.997.659,08**	**1.611.454.694,77**
4	**INVESTMENTS**	**0,00**	**0,00**	**17.698.741.538,05**	**4.482.174.383,15**	**17.698.741.538,05**	**4.482.174.383,15**
4.1	Land and buildings (investment properties)	0,00	0,00	0,00	0,00	0,00	0,00
4.2	Investments in subsidiaries, associated companies and joint ventures	0,00	0,00	0,00	0,00	0,00	0,00
4.3	Held to maturity investments	0,00	0,00	0,00	0,00	0,00	0,00
4.4	Loans and receivables	0,00	0,00	518.730.726,66	306.026.985,54	518.730.726,66	306.026.985,54
4.5	Available for sale financial assets	0,00	0,00	9.338.241.590,68	4.150.670.279,32	9.338.241.590,68	4.150.670.279,32
4.6	Financial assets at fair value through profit or loss	0,00	0,00	7.841.769.220,71	25.477.118,29	7.841.769.220,71	25.477.118,29
5	**RECEIVABLES**	**0,00**	**0,00**	**91.275.333,87**	**40.308.540,26**	**91.275.333,87**	**40.308.540,26**
6	**OTHER ASSETS**	**0,00**	**0,00**	**420.905.053,82**	**174.556.372,69**	**420.905.053,82**	**174.556.372,69**
6.1	Deferred acquisition costs	0,00	0,00	28.921.979,59	22.160.429,30	28.921.979,59	22.160.429,30
6.2	Other assets	0,00	0,00	391.983.074,23	152.395.943,39	391.983.074,23	152.395.943,39
7	**CASH AND CASH EQUIVALENTS**	**0,00**	**0,00**	**94.416.968,65**	**120.840.268,41**	**94.416.968,65**	**120.840.268,41**
TOTAL ASSETS		**0,00**	**0,00**	**19.955.146.902,29**	**6.431.266.664,54**	**19.955.146.902,29**	**6.431.266.664,54**
1	**SHAREHOLDERS' EQUITY**	**0,00**	**0,00**	**445.330.558,85**	**221.382.818,70**	**445.330.558,85**	**221.382.818,70**
2	**OTHER PROVISIONS**	**0,00**	**0,00**	**22.184.804,30**	**14.644.179,91**	**22.184.804,30**	**14.644.179,91**
3	**INSURANCE PROVISIONS**	**0,00**	**0,00**	**9.988.064.203,05**	**4.559.713.653,84**	**9.988.064.203,05**	**4.559.713.653,84**
4	**FINANCIAL LIABILITIES**	**0,00**	**0,00**	**9.297.281.588,41**	**1.570.659.637,13**	**9.297.281.588,41**	**1.570.659.637,13**
4.1	Financial liabilities measured at fair value through profit or loss	0,00	0,00	7.793.899.982,67	8.096.252,18	7.793.899.982,67	8.096.252,18
4.2	Other financial liabilities	0,00	0,00	1.503.381.605,74	1.562.563.384,95	1.503.381.605,74	1.562.563.384,95
5	**PAYABLES**	**0,00**	**0,00**	**76.271.599,99**	**28.149.914,22**	**76.271.599,99**	**28.149.914,22**
6	**OTHER LIABILITY**	**0,00**	**0,00**	**126.014.147,69**	**36.716.460,74**	**126.014.147,69**	**36.716.460,74**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**0,00**	**0,00**	**19.955.146.902,29**	**6.431.266.664,54**	**19.955.146.902,29**	**6.431.266.664,54**

INCOME STATEMENT BY CLASSES

(amounts in Euro)

		Non-Life		Life		Total	
		31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
1.1	Net earned premiums	0,00	0,00	182.828.337,74	193.338.337,12	182.828.337,74	193.338.337,12
1.1.1	*Gross earned premiums*	0,00	0,00	240.491.258,98	257.591.910,90	240.491.258,98	257.591.910,90
1.1.2	*Earned premiums ceded*	0,00	0,00	-57.662.921,24	-64.253.573,78	-57.662.921,24	-64.253.573,78
1.2	Fee and commission income and income from financial service activities	0,00	0,00	113.907,77	-229.261,51	113.907,77	-229.261,51
1.3	Net income from financial instruments at fair value through profit or loss	0,00	0,00	1.357.527,81	-681.070,56	1.357.527,81	-681.070,56
1.4	Income from subsidiaries, associated companies and joint ventures	0,00	0,00	0,00	0,00	0,00	0,00
1.5	Income from other financial instruments and land and buildings (investment properties)	0,00	0,00	137.632.267,82	172.130.696,77	137.632.267,82	172.130.696,77
1.6	Other income	0,00	0,00	17.901.699,49	36.136.915,90	17.901.699,49	36.136.915,90
1	**TOTAL INCOME**	**0,00**	**0,00**	**339.833.740,63**	**400.695.617,72**	**339.833.740,63**	**400.695.617,72**
2.1	Net insurance benefits and claims	0,00	0,00	212.339.765,88	212.117.691,64	212.339.765,88	212.117.691,64
2.1.1	*Claims paid and change in insurance provisions*	0,00	0,00	302.398.144,49	307.307.306,33	302.398.144,49	307.307.306,33
2.1.2	*Reinsurers' share*	0,00	0,00	-90.058.378,61	-95.189.614,69	-90.058.378,61	-95.189.614,69
2.2	Fee and commission expenses and expenses from financial service activities	0,00	0,00	-246.242,81	64.659,39	-246.242,81	64.659,39
2.3	Expenses from subsidiaries, associated companies and joint ventures	0,00	0,00	0,00	0,00	0,00	0,00
2.4	Expenses from other financial instruments and land and buildings (investment properties)	0,00	0,00	53.864.761,23	64.539.842,74	53.864.761,23	64.539.842,74
2.5	Acquisition and administration costs	0,00	0,00	40.027.752,07	38.234.248,06	40.027.752,07	38.234.248,06
2.6	Other expenses	0,00	0,00	9.558.593,69	40.696.175,09	9.558.593,69	40.696.175,09
2	**TOTAL EXPENSES**	**0,00**	**0,00**	**315.544.630,06**	**355.652.616,92**	**315.544.630,06**	**355.652.616,92**
	EARNINGS BEFORE TAXES	**0,00**	**0,00**	**24.289.110,57**	**45.043.000,80**	**24.289.110,57**	**45.043.000,80**

BREAKDOWN OF EQUITY INVESTMENTS

Company name	Country	Assets (1)	Type (2)	% Direct shareholding	% Total interest (3)	% Available votes in General Meeting (4)	Management (5)	Book value

(1) 1=Italian ins. cos.; 2=EU ins. cos.; 3=Third country ins. cos.; 4=insurance holding cos.; 4.1 Enterprises with mixed financial investments; 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) subsidiaries (IFRS 10); b=affiliated cos. (IAS28); c=joint ventures (IFRS11); indicate with asterisk (*) companies classified as held for sale in compliance with IFRS 5 and show legend below 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.
(5) Indicate:
D for investments assigned to Non-Life business
V for investments assigned to Life business

BREAKDOWN OF TANGIBLE AND INTANGIBLE ASSETS

(amounts in Euro)

	At cost	At restated value or fair value	Total book value
Land and buildings (investment properties)	0,00	0,00	0,00
Land and buildings (self used)	0,00	0,00	0,00
Other tangible assets	594.157,59	0,00	594.157,59
Other intangible assets	126.216.191,23	0,00	126.216.191,23

AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS

(amounts in Euro)

	Direct business		Indirect business		Total book value	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Non-life amounts ceded to reinsurers from insurance provisions	0,00	0,00	0,00	0,00	0,00	0,00
Provisions for unearned premiums					0,00	0,00
Provisions for outstanding claims					0,00	0,00
Other insurance provisions					0,00	0,00
Life amounts ceded to reinsurers from insurance provisions	1.508.839.071,09	1.596.515.524,22	14.158.587,99	14.939.170,65	1.522.997.659,08	1.611.454.694,87
Mathematical provisions	55.559.472,61	45.305.498,70	529.130,50	383.259,73	56.088.603,11	45.688.758,43
Provisions for outstanding claims	1.453.003.738,44	1.550.863.019,91	13.629.457,49	14.555.910,92	1.466.633.195,93	1.565.418.930,83
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	0,00	0,00	0,00	0,00	0,00	0,00
Other insurance provisions	275.860,04	347.005,61	0,00	0,00	275.860,04	347.005,61
Total Amounts ceded to reinsurers from insurance provisions	1.508.839.071,09	1.596.515.524,22	14.158.587,99	14.939.170,65	1.522.997.659,08	1.611.454.694,87

AMOUNTS CEDED TO REINSURERS FROM INSURANCE PROVISIONS

(amounts in Euro)

	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			
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Equities at cost	0,00	0,00		0,00	1.138.246,09	382.246,09	0,00	0,00	0,00	0,00	1.138.246,09	382.246,09
Equities at fair value	0,00	0,00		0,00	29.683.247,78	163.984,60	30.000,00	0,00	3.720.693,35	305.620,72	29.713.247,78	469.605,32
of which quoted equities	*0,00*	*0,00*		*0,00*	*1.109.250,00*	*156.016,00*	*30.000,00*	*0,00*	*720.693,35*	*305.620,72*	*1.139.250,00*	*461.636,72*
Bonds	0,00	0,00	380.463.453,54	159.481.613,53	8.918.885.236,06	3.990.977.481,19	10.774.050,84	0,00	100.996.226,16	582.218,69	9.310.122.740,44	4.151.041.313,41
of which quoted bonds	*0,00*	*0,00*	*75.940.042,08*	*0,00*	*8.918.885.236,06*	*3.990.977.481,19*	*5.855.147,30*	*0,00*	*100.996.226,16*	*582.218,69*	*9.000.680.425,44*	*3.991.559.699,88*
Investment fund units	0,00	0,00		0,00	388.534.860,79	159.146.567,44	0,00	0,00	7.694.615.283,71	24.329.093,87	8.187.867.064,01	183.475.661,31
Deposits under reinsurance business accepted	0,00	0,00	77.793.443,72	76.219.930,89	0,00	0,00	0,00	0,00		0,00	77.793.443,72	76.219.930,89
Financial asset components of insurance contracts	0,00	0,00		0,00	0,00	0,00	0,00	0,00	26.387.812,65	0,00	26.387.812,65	0,00
Other loans and receivables	0,00	0,00	43.039.829,33	70.325.441,12	0,00	0,00	0,00	0,00		0,00	43.039.829,33	70.325.441,12
Derivatives	0,00	0,00		0,00	0,00	0,00	2.471.500,00	0,00	0,00	0,00	2.471.500,00	0,00
Hedging derivatives	0,00	0,00		0,00	0,00	0,00	2.773.654,45	0,00		0,00	2.773.654,45	0,00
Other financial investments	0,00	0,00	17.434.000,00	0,00	0,00	0,00	0,00	0,00		260.185,01	17.434.000,00	260.185,01
Total	**0,00**	**0,00**	**518.730.726,59**	**306.026.985,54**	**9.338.241.590,72**	**4.150.670.279,32**	**16.049.205,29**	**0,00**	**7.825.720.015,87**	**25.477.118,29**	**17.698.741.538,47**	**4.482.174.383,15**

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

(amounts in Euro)

	Benefits linked to investment funds and market indexes		Benefits linked to the management of pension funds		Total	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Total Assets	**7.820.731.980,17**	**25.477.118,29**	**0,00**	**0,00**	**7.820.731.980,17**	**25.477.118,29**
Financial liabilities	7.733.023.104,93	8.096.252,18	0,00	0,00	7.733.023.104,93	8.096.252,18
Insurance provisions recognized	87.019.691,26	17.379.950,26	0,00	0,00	87.019.691,26	17.379.950,26
Total Liabilities	**7.820.042.796,19**	**25.476.202,44**	**0,00**	**0,00**	**7.820.042.796,19**	**25.476.202,44**

INSURANCE PROVISIONS

(amounts in Euro)

	Direct business		Indirect business		Total book value	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Non-Life insurance provisions	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
Provisions for unearned premiums					0,00	0,00
Provisions for outstanding claims					0,00	0,00
Other insurance provisions					0,00	0,00
of which provisions for liability adequacy test					*0,00*	*0,00*
Life insurance provisions	**9.909.531.371,89**	**4.483.006.366,40**	**78.532.831,16**	**76.707.287,44**	**9.988.064.203,05**	**4.559.713.653,84**
Provisions for outstanding claims	188.687.484,02	128.354.144,83	739.388,52	488.641,67	189.426.872,54	128.842.786,50
Mathematical provisions	8.989.237.012,24	4.015.527.545,18	77.793.442,64	76.218.645,77	9.067.030.454,88	4.091.746.190,95
Provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	96.619.384,02	17.379.950,26	0,00	0,00	96.619.384,02	17.379.950,26
Other insurance provisions	634.987.491,61	321.744.726,13	0,00	0,00	634.987.491,61	321.744.726,13
of which provisions for liability adequacy test	*2.132.914,88*	*0,00*	*0,00*	*0,00*	*2.132.914,88*	*0,00*
of which deferred policyholder liabilities	*430.109.678,31*	*311.547.862,12*	*0,00*	*0,00*	*430.109.678,31*	*311.547.862,12*
Total Insurance Provisions	**9.909.531.371,89**	**4.483.006.366,40**	**78.532.831,16**	**76.707.287,44**	**9.988.064.203,05**	**4.559.713.653,84**

FINANCIAL LIABILITIES

(amounts in Euro)

	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					
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Preference shares	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Subordinated liabilities	0,00	0,00		0,00	45.427.861,82	0,00	45.427.861,82	0,00
Financial liabilities related to investment contracts issued by insurance companies	0,00	0,00	7.772.374.364,12	8.096.252,18	0,00	0,00	7.772.374.364,12	8.096.252,18
when the investment risk is borne by policyholders	0,00	0,00	7.772.374.364,12	8.096.252,18	0,00	0,00	7.772.374.364,12	8.096.252,18
pension funds	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
other liabilities related to investment contracts	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Deposits received from reinsurers	0,00	0,00	0,00	0,00	1.457.953.743,92	1.562.563.384,95	1.457.953.743,92	1.562.563.384,95
Deposit components of insurance contracts	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Bonds	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Other loans	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Derivatives	5.814.135,00	0,00	0,00	0,00	0,00	0,00	5.814.135,00	0,00
Hedging derivatives	15.711.483,55	0,00	0,00	0,00	0,00	0,00	15.711.483,55	0,00
Other financial liabilities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total	**21.525.618,55**	**0,00**	**7.772.374.364,12**	**8.096.252,18**	**1.503.381.605,74**	**1.562.563.384,95**	**9.297.281.588,41**	**1.570.659.637,13**

FINANCIAL LIABILITIES

(amounts in Euro)

	31/12/17			31/12/16		
	Gross amount	**Reinsurers' share**	**Net amount**	**Gross amount**	**Reinsurers' share**	**Net amount**
Non-life business						
NET EARNED PREMIUMS	0,00	0,00	0,00	0,00	0,00	0,00
a Premiums written			0,00			0,00
b Change in the provisions for unearned premiums			0,00			0,00
NET INSURANCE BENEFITS AND CLAIMS	0,00	0,00	0,00	0,00	0,00	0,00
a Claims paid			0,00			0,00
b Change in the provisions for outstanding claims			0,00			0,00
c Change in claims to be recovered			0,00			0,00
d Change in other insurance provisions			0,00			0,00
Life business						
NET EARNED PREMIUMS	240.491.258,98	57.662.921,24	182.828.337,74	257.591.910,90	64.253.573,78	193.338.337,12
NET INSURANCE BENEFITS AND CLAIMS	302.398.144,49	90.058.378,61	212.339.765,88	307.307.306,33	95.189.614,69	212.117.691,64
a Claims paid	654.286.377,60	190.096.626,21	464.189.751,39	588.734.105,58	200.833.057,75	387.901.047,83
b Change in the provisions for outstanding claims	31.980.304,56	9.891.625,21	22.088.679,35	-18.544.920,83	-30.807.295,30	12.262.374,47
c Change in the mathematical provisions	-401.909.895,74	-109.858.727,24	-292.051.168,50	-259.751.176,13	-74.836.147,76	-184.915.028,37
d Change in the provisions for policies where the investment risk is borne by the policyholders and in the provisions for pension funds	-999.336,20		-999.336,20	-1.329.578,60	0,00	-1.329.578,60
e Change in other insurance provisions	19.040.694,27	-71.145,57	19.111.839,84	-1.801.123,69	0,00	-1.801.123,69

ACQUISITION AND ADMINISTRATION COSTS OF INSURANCE BUSINESS

(amounts in Euro)

							Unrealized gains and reversal of impairment losses		Unrealized losses and impairment losses				
	Interests	Other income	Other expenses	Realized gains	Realized losses	Total realized gains and losses	Unrealized gains	Reversal of impairment losses	Unrealized losses	Impairment losses	Total unrealized gains and losses	Total income and expenses December 2017	Total income and expenses December 2016
Income and expenses from investments	**122.772.329,34**	**2.245.253,85**	**852.604,81**	**13.129.407,80**	**240.422,05**	**137.053.964,13**	**2.922.200,55**	**0,00**	**1.048.024,28**	**0,00**	**1.874.176,27**	**138.928.140,40**	**169.840.374,45**
a from land and buildings (investment properties)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
b from investments in subsidiaries, associated companies and joint ventures	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
c from held to maturity investments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
d from loans and receivables	10.121.507,70	0,00	0,00	0,00	0,00	10.121.507,70	0,00	0,00	0,00	0,00	0,00	10.121.507,70	10.269.657,38
e from available for sale financial assets	112.639.095,74	2.234.646,71	0,00	12.637.017,67	61.655,23	127.449.104,89	0,00	0,00	0,00	0,00	0,00	127.449.104,89	160.116.434,20
f from financial assets held for trading	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-868.575,35
g from financial assets designated as at fair value through profit or loss	11.725,90	10.607,14	852.604,81	492.390,13	178.766,82	-516.648,46	2.922.200,55	0,00	1.048.024,28	0,00	1.874.176,27	1.357.527,81	322.858,22
Income and expenses from receivables	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
Income and expenses from cash and cash equivalents	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
Income and expenses from financial liabilities	**-53.803.106,00**	**0,00**	**0,00**	**0,00**	**0,00**	**-53.803.106,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**-53.803.106,00**	**-62.930.590,98**
a from financial liabilities held for trading	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
b from financial liabilities designated as at fair value through profit or loss		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-135.353,43
c from other financial liabilities	-53.803.106,00	0,00	0,00	0,00	0,00	-53.803.106,00	0,00	0,00	0,00	0,00	0,00	-53.803.106,00	-62.795.237,55
Income and expenses from payables	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
Total	**68.969.223,34**	**2.245.253,85**	**852.604,81**	**13.129.407,80**	**240.422,05**	**83.250.858,13**	**2.922.200,55**	**0,00**	**1.048.024,28**	**0,00**	**1.874.176,27**	**85.125.034,40**	**106.909.783,47**

ACQUISITION AND ADMINISTRATION COSTS OF INSURANCE BUSINESS

(amounts in Euro)

		Non-Life business		Life business	
		31/12/17	31/12/16	31/12/17	31/12/16
Commissions and other acquisition costs		0,00	0,00	21.545.956,93	21.211.728,74
a	Acquisition and administration commissions	0,00	0,00	7.583.346,43	9.287.815,24
b	Other acquisition costs	0,00	0,00	7.038.088,79	5.281.445,94
c	Change in deferred acquisition costs	0,00	0,00	592.315,28	-547.227,96
d	Collecting commissions	0,00	0,00	6.332.206,43	7.189.695,52
Commissions and profit commissions from reinsurers		0,00	0,00	-5.844.817,00	-6.302.406,65
Commissions and other acquisition costs net of commissions and profit commissions from reinsurers		0,00	0,00	2.242.865,18	5.083.164,39
Other administration costs		0,00	0,00	22.083.746,96	18.241.761,58
Total		**0,00**	**0,00**	**40.027.752,07**	**38.234.248,06**

DETAILS ON OTHER COMPREHENSIVE INCOME

	Allocation		Transfer to profit and loss account		Other transfer		Total variation		Taxes		Amount	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Items that may not be reclassified to profit and loss in future periord	**40.302,90**	**-43.620,49**			**0,00**	**0,00**	**40.302,90**	**-43.620,49**	**21.617,18**	**15.951,00**	**-48.522,93**	**-88.825,83**
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	40.302,90	-43.620,49					40.302,90	-43.620,49	21.617,18	15.951,00	-48.522,93	-88.825,83
Others												
Items that may be reclassified to profit and loss in future periord	**-12.485.557,25**	**-38.941.835,64**	**-23.099.616,54**	**-19.662.013,53**	**0,00**	**0,00**	**-35.585.173,79**	**-58.603.849,17**	**-5.842.989,36**	**26.108.277,41**	**13.115.444,65**	**48.700.618,44**
Reserve for currency transition differences												
Net unrealized gains and losses on investments available for sale	-3.535.167,08	-38.941.835,64	-23.099.616,54	-19.662.013,53			-26.634.783,62	-58.603.849,17	-9.830.428,29	26.108.277,41	22.065.834,82	48.700.618,44
Net unrealized gains and losses on hedging derivatives	-8.950.390,17						-8.950.390,17		3.987.438,93		-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	**-12.445.254,35**	**-38.985.456,13**	**-23.099.616,54**	**-19.662.013,53**	**0,00**	**0,00**	**-35.544.870,89**	**-58.647.469,66**	**-5.821.372,18**	**26.124.228,41**	**13.066.921,72**	**48.611.792,61**

INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

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 Euro)

		Level 1		Level 2		Level 3		Total	
		31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Financial assets and liabilities at fair value on a recurring basis									
Available for sale financial assets		8.783.960.699,25	3.831.316.754,26	347.088.586,00	313.946.544,81	207.192.305,47	5.406.980,26	9.338.241.590,72	4.150.670.279,33
Financial assets at fair value through profit or loss	Financial assets held for trading	8.502.184,67	-	12.535.056,32	-	-	-	21.037.240,99	-
	Financial assets designated at fair value through profit or loss	7.817.731.980,17	25.477.118,29	-	-	3.000.000,00	-	7.820.731.980,17	25.477.118,29
Investment properties		-	-	-	-	-	-	-	-
Tangible assets		-	-	-	-	-	-	-	-
Intangible assets						121.726.898,49		121.726.898,49	-
Total financial assets at fair value on a recurring basis		16.610.194.864,09	3.856.793.872,55	359.623.642,32	313.946.544,81	331.919.203,96	5.406.980,26	17.301.737.710,37	4.176.147.397,62
Financial liabilities at fair value through profit or loss	Financial liabilities held for trading	-15.711.483,55		-5.814.135,00				-21.525.618,55	-
	Financial liabilities designated at fair value through profit or loss	-7.772.374.364,12	-8.096.252,18					-7.772.374.364,12	-8.096.252,18
Total financial liabilities at fair value on a recurring basis		-7.788.085.847,67	-8.096.252,18	-5.814.135,00	-	-	-	-7.793.899.982,67	-8.096.252,18
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									

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

(amounts in Euro)

	Financial assets			Investment properties	Tangible assets	Intangible assets	Financial liabilities at fair value through profit or loss	
	Available for sale financial assets	Financial assets at fair value through profit or loss					Financial liabilities held for trading	Financial liabilities designated at fair value through profit or loss
		Financial assets held for trading	Financial assets designated at fair value through profit or loss					
Opening balance	5.406.980		-			0,00		
Purchases and issues	756.000		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		-			121.726.898		
Closing balance	207.192.305		3.000.000			121.726.898		

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

(amounts in Euro)

	Book value		Fair value							
			Level 1		Level 2		Level 3		Total	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Assets										
Held to maturity investments										
Loans and receivables	518.730.726,66	306.026.985,54	81.448.913,43	0,00	299.014.540,18	179.478.201,72	138.267.273,05	126.548.783,82	518.730.726,66	306.026.985,54
Investments in subsidiaries, associated companies and joint ventures	0,00						0,00		0,00	
Land and buildings (investment properties)	0,00									
Tangible assets	594.157,59						594.157,59		594.157,59	
Total assets	**519.324.884,25**	**306.026.985,54**	**81.448.913,43**	**0,00**	**299.014.540,18**	**179.478.201,72**	**138.861.430,64**	**126.548.783,82**	**519.324.884,25**	**306.026.985,54**
Liabilities										
Other liabilities	-1.503.381.605,74	-1.562.563.384,95					-1.503.381.605,74	-1.562.563.384,95	-1.503.381.605,74	-1.562.563.384,95

INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Name of structured entity	Revenues earned by structured entity during the period	Book value (at the transfer date) of assets transferred to the structured entity in the period	Book value of assets recognized in own financial statements and relating to the structured entity	Corresponding item in Balance Sheet assets	Book value of liabilities recognized in own financial statements and relating to the structured entity	Corresponding item in Balance Sheet liabilities	Maximum exposure to loss risk

EUROVITA

INDEPENDENT AUDITORS' REPORT

KPMG

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(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, article 10 of Regulation (EU) no. 537 of 16 April 2014 and article 102 of Legislative decree no. 209 of 7 September 2005

To the shareholders of
Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.)

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) (the "Company"), which comprise the statement of financial position as at 31 December 2017, the income statement and the 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 separate financial statements give a true and fair view of the Company's financial position 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 regulations 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 separate financial statements*" section of our report. We are independent of 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.

KPMG

Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.)
Independent auditors' report
31 December 2017

Key audit matters

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

Recognition of the merger

Notes to the separate financial statements:

Section 5.A – Basis of preparation;

Section 5.E – Information on the statement of financial position as at 31 December 2017

Key audit matter	Audit procedures addressing the key audit matter
Following authorisation by IVASS (the Italian supervisory body for private insurance), the merger of Old Mutual Wealth Italy S.p.A. and Eurovita Assicurazioni S.p.A. into ERGO Previdenza S.p.A. became effective on 31 December 2017. The latter concurrently changed its name to Eurovita S.p.A.. The merger took accounting, tax and financial effects on the same date. Considering the restructuring nature of the merger and, especially, the fact that it was a parent-subsidiary merger, it was not classifiable as a business combination as it did not entail any exchange with third parties of the merged businesses, nor was it an acquisition in financial terms. As such, the Company's directors did not recognise the transaction in accordance with IFRS 3, but used an accounting treatment that ensured the continuity of the carrying amounts, in order to consider the existing control over the merged companies as well as the cost incurred by the parent to originally acquire them. Such cost and its allocation to the fair value of the merged companies' assets and liabilities and goodwill, if any, have been recognised in the Group's consolidated financial statements. Due to the materiality of the above merger and the accounting and operating complexity involved in the recognition of the merged companies' assets and liabilities in the merging company's separate financial statements, we believe that the recognition of the above merger is a key audit matter.	Our audit procedures included: — analysing the contract documents relating to the merger; — checking the accounting treatment used that ensured the continuity of the carrying amounts presented in the Group's consolidated financial statements; — checking the criteria used to recognise the merged companies' assets and liabilities in the merging company's separate financial statements; — checking the process used to migrate the asset and liability balances from the merged companies' to the merging company's IT systems; — checking the method used to recognise the financial effects of the merger; — assessing the appropriateness of the disclosures about the merger.

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Measurement of financial instruments

Notes to the separate financial statements:

Section 5.B – Accounting policies. "Investments";

Section 5.E – Information on the statement of financial position as at 31 December 2017: "4 Investments (caption 4 of assets)" and "4.1 Financial liabilities at fair value through profit or loss - derivatives" (caption 4.1 of liabilities)

Section 5.H – Annexes and supplementary schedules: Financial assets and liabilities and breakdown by fair value level

Key audit matter	**Audit procedures addressing the key audit matter**
The separate financial statements at 31 December 2017 include financial instruments of €17,698.7 million, accounting for approximately 89% of total assets, and derivative liabilities at fair value through profit or loss of €21.5 million, recognised in the caption "financial liabilities at fair value through profit or loss" under liabilities. Measuring financial instruments, particularly those unquoted on active markets or illiquid (classified at fair value levels 2 and 3), requires estimates, including by using specific valuation methods, which may present a high level of judgement and are, by their very nature, uncertain and subjective. For the above reasons, we believe that the measurement of financial instruments is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of financial instruments and the related IT environment and assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — analysing the significant changes in financial instruments and related income statement items compared to the previous years' figures and discussing the results with the relevant group departments; — checking the measurement of all quoted financial instruments in portfolio at 31 December 2017; — checking, on a sample basis, the measurement of unquoted financial instruments (fair value levels 2 and 3), by analysing the reasonableness of input data and parameters used; we carried out these procedures with the assistance of experts of the KPMG network; — assessing the appropriateness of the disclosures about financial instruments.

Measurement of technical provisions

Notes to the separate financial statements:

Section 5.B – Accounting policies: "Technical provisions";

Section 5.E – Information on the statement of financial position as at 31 December 2017: "3 Technical provisions (caption 3 of liabilities)"

Section 5.H – Annexes and supplementary schedules: Technical provisions

Key audit matter	**Audit procedures addressing the key audit matter**
The separate financial statements at 31 December 2017 include technical provisions of €9,988.1 million, accounting for about 50% of total liabilities. The Company measures this caption using appropriate actuarial valuation techniques which entail, in certain instances, a high level of complex and subjective judgement relating to past and future internal and external variables with respect to which any changes in the underlying assumptions may have a significant impact on the measurements of these liabilities. For the above reasons, we believe that the measurement of technical provisions is a key audit matter.	Our audit procedures included: — understanding the process for the measurement of technical provisions and the related IT environment and assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — analysing the significant changes in technical provisions compared to the previous years' figures and discussing the results with the relevant group departments; — checking, on a sample basis, the valuation models adopted and the reasonableness of the input data and parameters used; we carried out these procedures with the assistance of experts of the KPMG network; — checking the appropriateness of the methods used to calculate the shadow accounting liability included in the technical provisions and to check the adequacy of the technical provisions using the liability adequacy test (LAT). We carried out these procedures with the assistance of experts of the KPMG network; — checking the compliance of the calculation of the overall technical provisions with the applicable laws and regulations and correct actuarial techniques. We carried out this procedure with the assistance of experts of the KPMG network; — assessing the appropriateness of the disclosures about technical provisions.

Other matters – Management and coordination

As required by the law, the Company's directors disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own separate financial statements. Our opinion on the separate financial statements of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) does not extend to such data.

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) for the separate financial statements

The directors are responsible for the preparation of separate 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 Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate 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 Company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate 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 Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537 of 16 April 2014

On 20 April 2016, the shareholders of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) appointed us to perform the statutory audit of its separate financial statements as at and for the years ending from 31 December 2016 to 31 December 2024.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537 of 16 April 2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

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

The directors of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) are responsible for the preparation of the Company's directors' report at 31 December 2017 and for the consistency of such report with the related separate 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 Company's separate 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 separate financial statements of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) at 31 December 2017 and has been prepared in compliance with the applicable law.

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.

Opinion pursuant to article 102.2 of Legislative decree no. 209 of 7 September 2005

Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) appointed us to perform the check required by article 102.2 of Legislative decree no. 209/2005 of the technical provisions, calculated in relation to contracts issued on the basis of the provisions of ISVAP regulation no. 22 of 4 April 2008, recognised under liabilities and included in the disclosures presented in the Company's separate financial statements at 31 December 2017.

The directors are responsible for the sufficiency of the technical provisions recognised to cover the obligations arising from insurance and reinsurance contracts.

Based on the procedures carried out in accordance with article 102.2 of Legislative decree no. 209/2005, ISVAP regulations no. 7 of 13 July 2007 and no. 22 of 4 April 2008 and the Clarification published by IVASS on its website on 31 January 2017, the above technical provisions recognised under liabilities and included in the disclosures presented in the separate financial statements of Eurovita S.p.A. (formerly ERGO Previdenza S.p.A.) at 31 December 2017 are sufficient in conformity with the applicable laws and regulations and correct actuarial techniques, in accordance with the requirements of ISVAP regulations no. 7 of 13 July 2007 and no. 22 of 4 April 2008.

Milan, 12 April 2018

KPMG S.p.A.

(signed on the original)

Paolo Colciago
Director of Audit

EUROVITA

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