



UNIPOL GROUP: PRELIMINARY CONSOLIDATED RESULTS OF 2017 EXAMINED

- Banking business restructuring concluded: good bank in operation from 1 February 2018
- Normalised consolidated net profit of €655m, not including the one-off effects of the Group banking business restructuring plan. Considering said effects, there was a consolidated net loss of €169m (€535m in 2016).
- Direct insurance income of €12.3bn (€14.8bn in 2016)
 - ✓ Non-Life business: €7.9bn (+0.7%)
 - ✓ Life business: €4.4bn (-36.8%)
- Direct business combined ratio 95.1%
- Return on financial investments of 3.7%
- Consolidated solvency ratio based on economic capital equal to 169%¹
- Expected dividend of €0.18 per share (dividend yield 4.3%²)

Bologna, 9 February 2018

The Board of Directors of Unipol Gruppo S.p.A., which met yesterday under the chairmanship of Pierluigi Stefanini, analysed the preliminary consolidated results for 2017. The definitive results will be examined by the Board of Directors at its meeting scheduled for 22 March next.

¹ Economic capital is the measure of absorbed capital calculated on the basis of the principles and models applied in the Partial Internal Model and having operational value.

² Price at 8 February 2018.

If the one-off effects of the banking business restructuring plan are not considered, the Unipol Group closed 2017 with a **consolidated net profit** of €655m, a significant increase on the €535m recorded the previous year, mainly due to the improved contribution from financial management. The restructuring plan had a negative financial impact of €824m on the **consolidated net result** of the Unipol Group which therefore recorded a loss of €169m.

The **consolidated pre-tax profit** of the insurance business amounted to €1,015m (+19.4% compared to €850m in 2016). This result comprised €687m from the Non-Life business (€471m in 2016), and €328m from the Life business (€379m in 2016).

Direct insurance income, including reinsurance ceded, stood at €12,291m (-17.0% compared to €14,806m in 2016).

Non-Life Business

Direct income for the Group amounted to €7,867m (+0.7% compared to €7,809m in 2016), with €7,355m relating to the UnipolSai Group (+1.9% compared to €7,218m in 2016). Among the other Companies, UniSalute continued to capitalise on its specialist expertise, recording premium income of €371m (+10.1% compared to 31 December 2016). With premium income amounting to €110m, Arca Assicurazioni recorded an increase of 5.6% over the previous year (€104m). Linear recorded a significant increase in premium income, achieving €172m, +14.9% over the previous year income of €150m. UniSalute and Linear have been under the direct control of UnipolSai Assicurazioni S.p.A. since the fourth quarter of 2017.

MV premium income stood at €4,169m, down 1.9% from €4,252m in 2016 due to continued competitive pressure on rates. Otherwise, the technical performance was positive in terms of frequency and reduction of costs. Unipol continues to be a European leader in the area of black boxes installed in vehicles, increasing from 3.1 million in 2016 to 3.5 million in 2017.

Non-MV business recorded premium income of €3,698m (+3.9% compared to €3,558m in 2016) thanks to strong performance in the retail business.

Despite the improvement in claims in the final quarter, there was a significant increase in claims due to weather events in 2017, with the number of significant claims also increasing.

In this context, as at 31 December 2017, the Unipol Group recorded a **combined ratio**³ of 96.4% (95.1% on direct business) compared to 95.6% recorded in the same period of 2016. The **loss ratio**³ stood at 69.0% (68.1% at 31 December 2016). The **expense ratio**³ stood at 27.4% (27.5% in the same period of 2016).

Pre-tax profit for the business amounted to €687m (€471m in 2016).

³ Net Reinsurance.

Life Business

In the **Life business**, in a market that continues to have very low or negative short-term interest rates, the Group confirmed its strategic decision to limit the sale of traditional products with returns linked to segregated accounts, focusing the offer towards hybrid and unit-linked products.

Direct income from Life products amounted to €4,424m in 2017, a decrease of 36.8% (€6,997m in 2016) due especially to the bancassurance channel (-61.5%), mainly as a result of the sharp decline in income earned by Popolare Vita (-66.9%), a joint venture with the Banca BPM Group terminated at the end of December 2017.

UnipolSai, the Group's main company, earned direct income of €2,892m (-4.9% compared to €3,042m in 2016), with the hybrid and unit-linked products enjoying great market success.

The **pre-tax result** for the business was a profit of €328m (€379m in 2016).

Banking Business

A restructuring plan was implemented in 2017, with markets informed of this at the end of June. This led to an overall increase of the coverage of non-performing loans of about €1bn. Unipol ReC was established as part of the plan (finalised on 1 February 2018) and operates in the recovery of non-performing loans. The majority of Unipol Banca's bad loans were transferred there. Direct income amounted to €12,008m (+14.0% compared to €10,535m in 2016).

Loans⁴ to customers amounted to €7,908m (-7.8% compared to €8,579m in 2016). The total coverage ratio of non-performing exposures, at the highest levels in the Italian banking system, amounted to 71.1% (80% for the bad loans and 40% for the unlikely-to-pay exposures).

The **pre-tax result** in the business was a loss of €987m, affected by the negative effect of the banking business restructuring for a total of €1,003m⁵.

The CET1 of the Unipol Banking Group was equal to 31.5%.

Real Estate Business

In the real estate business, the renovation of certain property units in the portfolio continued, especially in the Milan area, in order to improve the profitability or potential sale value as well as including buildings to be used for the company business. Certain buildings were also sold in 2017 for significant amounts in accordance with the Strategic Plan.

The **pre-tax result** in the business was a loss of €24m compared to -€22m in 2016.

⁴ Net of receivables from the Parent Company.

⁵ Management data.

Holdings and Other Businesses

In the **other businesses** in which the Group operates, operations continued to be focused on development of commercial activities and, as regards the hotel industry in particular, on completion of the integration of the Atahotels and Una Hotels facilities. The new company, established following the acquisition of the hotel management company branch from UNA S.p.A., closed the year with revenue of €127m and a positive net result.

There was an overall **pre-tax loss** in Holdings and Other Businesses of €183m (-€128 in 2016) including, *inter alia*, the negative effects of the indemnity agreement between the parent company and the subsidiary Unipol Banca, of €105m, carried out as part of the above-mentioned banking business restructuring plan.

Financial Management

With regard to the **management of financial investments**, the gross profitability of the Group's portfolio continued to achieve significant yields in 2017, of 3.7% of the invested assets (3.5% in 2016), of which 3.3% relating to the coupon and dividend component.

Balance Sheet

The total equity as at 31 December 2017 amounted to €7,453m (€8,134m as at 31 December 2016), of which €5,486m attributable to the Group. The total AFS reserve stood at €964m (up from €814m as at 31 December 2016, mainly due to a change in the value of the bonds).

The **Group solvency ratio**, calculated in accordance with Solvency II rules (standard formula using USPs - Undertaking Specific Parameters), as at 31 December 2017, showed a ratio between own funds and capital requirement of 152%⁶, compared to 141% at 31 December 2016.

The consolidated Solvency Ratio of the Unipol Group as at 31 December 2017, based on the Economic Capital, amounted to 169%⁷ (161% as at 31 December 2016).

Estimated Individual Accounting Records and Dividend for the Year 2017

The individual accounting records of Unipol Gruppo S.p.A, which are still preliminary, show an estimated profit of €213m as at 31 December 2017. In view of this figure, a dividend of €0.18 per ordinary share should be expected for 2017, with a pay-out of 60%.

Approval of the draft statutory and consolidated financial statements of the Unipol Group as at 31 December 2017, and the proposed allocation of the profit for the period to be submitted to the Shareholders' Meeting, is scheduled for 22 March next. Therefore, the information in this

⁶ Figure calculated in accordance with Standard Formula using the USPs (Undertaking Specific Parameters), to be considered as preliminary since the Supervisory Authorities will be notified of the definitive results pursuant to the timescales provided under prevailing law

⁷ Economic capital is the measure of absorbed capital calculated on the basis of the principles and models applied in the Partial Internal Model and having operational value.

documentation is to be considered preliminary, referring to today's date, and as such, may be subject to change. The independent auditors have not yet completed their audit of these figures needed to issue their audit reports.

Finally, since the Shareholders' Meeting to approve the 2017 financial statements is scheduled for 24 April 2018, any dividend payment based on the results of the year is expected in May.

Presentation of results to the financial community

A conference call will be held at 12:00 pm today during which financial analysts and institutional investors may submit questions to management on the preliminary consolidated results at 31 December 2017. The phone numbers to dial to attend the event are: +39/02/8058811 (from Italy and all other countries), +1/718/7058794 (from the US) and +44/121/2818003 (from the UK). The multimedia file with the pre-recorded comment on the results can be found in the Investors section of the website www.unipol.it.

In order to allow complete disclosure of the preliminary results for the financial year 2017, please find attached hereto the preliminary Consolidated Balance Sheet, the Consolidated Income Statement and the summary of the Consolidated Income Statement by Business Segment.

Maurizio Castellina, Manager in charge of financial reporting of Unipol Gruppo S.p.A. and UnipolSai Assicurazioni S.p.A. declares, pursuant to Article 154-*bis*, paragraph 2, of the Consolidated Law on Finance, that accounting records contained herein correspond to the figures in corporate accounting records, ledgers and documents.

Glossary

CET1: Common Equity Tier 1, core measure of banking financial strength Basel III

DIRECT BUSINESS COMBINED RATIO: indicator that measures the balance of Non-Life direct technical management, represented by the sum of the loss ratio (ratio between direct claims for the period + other technical charges and direct premiums earned) and the expense ratio (ratio between operating expenses and direct premiums recognised).

COMBINED RATIO AFTER REINSURANCE: indicator that measures the balance of Non-Life total technical management, represented by the sum of the loss ratio (ratio between claims for the period + other technical charges and premiums earned) and the expense ratio (ratio between operating expenses and premiums earned).

AFS RESERVE: reserves on assets classified as "available-for-sale".

Unipol Gruppo S.p.A.

Unipol is one of the main insurance groups in Europe, with total premiums of roughly €12.3bn, of which €7.9bn in Non-Life and €4.4bn in Life (figures from 2017). Unipol adopts an integrated offer strategy and covers the entire range of insurance and financial products, operating primarily through the subsidiary UnipolSai Assicurazioni S.p.A., founded at the start of 2014 and a leader in Italy in the Non-Life business, particularly MV TPL. The Group is also active in direct MV insurance (Linear Assicurazioni), transport and aviation insurance (Siat), health insurance (UniSalute) and supplementary pensions, and maintains a presence in the bancassurance channel. Lastly, it also operates in the banking realm through the network of Unipol Banca branches and manages significant diversified assets in the real estate, hotel and agricultural (Tenute del Cerro) sectors. Unipol Gruppo S.p.A. is listed on the Italian Stock Exchange.

Unipol Gruppo

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Consolidated Balance Sheet – Assets

Amounts in €m

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



Consolidated Balance Sheet – Equity and Liabilities

Amounts in €m

		Preliminary at 31/12/2017	31/12/2016
1	EQUITY	7,453.0	8,133.6
1.1	attributable to the owners of the Parent	5,486.1	5,648.8
1.1.1	Share capital	3,365.3	3,365.3
1.1.2	Other equity instruments	0.0	0.0
1.1.3	Equity-related reserves	1,729.4	1,724.6
1.1.4	Income-related and other reserves	78.5	-281.7
1.1.5	(Treasury shares)	-25.7	-27.8
1.1.6	Translation reserve	3.5	2.2
1.1.7	Gains or losses on available-for-sale financial assets	695.5	535.5
1.1.8	Other gains or losses recognised directly in equity	-14.6	1.0
1.1.9	Profit (loss) for the year attributable to the owners of the Parent	-345.8	329.6
1.2	attributable to non-controlling interests	1,966.9	2,484.8
1.2.1	Share capital and reserves attributable to non-controlling interests	1,522.6	2,004.8
1.2.2	Gains or losses recognised directly in equity	267.6	274.6
1.2.3	Profit (loss) for the year attributable to non-controlling interests	176.8	205.4
2	PROVISIONS	460.3	480.7
3	TECHNICAL PROVISIONS	53,426.8	64,109.8
4	FINANCIAL LIABILITIES	16,399.7	16,897.9
4.1	Financial liabilities at fair value through profit or loss	2,488.7	3,264.8
4.2	Other financial liabilities	13,911.0	13,633.0
5	PAYABLES	908.4	954.9
5.1	Payables arising from direct insurance business	148.1	150.4
5.2	Payables arising from reinsurance business	96.6	76.4
5.3	Other payables	663.7	728.1
6	OTHER LIABILITIES	11,324.6	1,320.0
6.1	Liabilities associated with disposal groups held for sale	10,016.5	0.0
6.2	Deferred tax liabilities	29.4	33.2
6.3	Current tax liabilities	37.9	53.1
6.4	Other liabilities	1,240.8	1,233.6
	TOTAL EQUITY AND LIABILITIES	89,972.9	91,896.9



Consolidated Income Statement

Amounts in €m

		Preliminary at 31/12/2017	31/12/2016
1.1	Net premiums	11,262.9	13,786.8
1.1.1	Gross premiums	11,681.6	14,187.8
1.1.2	Ceded premiums	-418.7	-401.0
1.2	Fee and commission income	172.9	142.7
1.3	Gains and losses on financial instruments at fair value through profit or loss	126.0	41.2
1.4	Gains on investments in subsidiaries and associates and interests in joint ventures	7.0	16.1
1.5	Gains on other financial instruments and investment property	2,625.9	2,762.7
1.5.1	Interest income	1,928.4	2,005.8
1.5.2	Other gains	174.3	162.7
1.5.3	Realised gains	449.3	503.9
1.5.4	Unrealised gains	73.9	90.3
1.6	Other revenue	493.5	472.4
1	TOTAL REVENUE AND INCOME	14,688.2	17,221.9
2.1	Net charges relating to claims	-9,621.1	-12,094.4
2.1.1	Amounts paid and changes in technical provisions	-9,807.9	-12,263.8
2.1.2	Reinsurers' share	186.7	169.4
2.2	Fee and commission expense	-43.9	-42.6
2.3	Losses on investments in subsidiaries and associates and interests in joint ventures	-4.3	-3.2
2.4	Losses on other financial instruments and investment property	-1,739.8	-868.8
2.4.1	Interest expense	-202.7	-229.7
2.4.2	Other charges	-44.9	-52.7
2.4.3	Realised losses	-152.7	-295.7
2.4.4	Unrealised losses	-1,339.6	-290.6
2.5	Operating expenses	-2,736.4	-2,746.9
2.5.1	Commissions and other acquisition costs	-1,720.5	-1,763.4
2.5.2	Investment management expenses	-94.9	-100.5
2.5.3	Other administrative expenses	-920.9	-883.0
2.6	Other costs	-721.8	-759.8
2	TOTAL COSTS AND EXPENSES	-14,867.3	-16,515.6
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	-179.1	706.3
3	Income tax	10.0	-171.3
	POST-TAX PROFIT (LOSS) FOR THE YEAR	-169.0	535.0
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	0.0	0.0
	CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	-169.0	535.0
	attributable to the owners of the Parent	-345.8	329.6
	attributable to non-controlling interests	176.8	205.4



Condensed Consolidated Income Statement by Business Segment

Amounts in €m

	NON-LIFE BUSINESS			LIFE BUSINESS			INSURANCE BUSINESS			BANKING BUSINESS			HOLDINGS/SERVICES/ OTHER BUSINESSES			REAL ESTATE BUSINESS (*)			Intersegment Elimination		CONSOLIDATED TOTAL		
	dec-17	dec-16	var.%	dec-17	dec-16	var.%	dec-17	dec-16	var.%	dec-17	dec-16	var.%	dec-17	dec-16	var.%	dec-17	dec-16	var.%	dec-17	dec-16	dec-17	dec-16	var.%
Net premiums	7,458	7,502	-0.6	3,805	6,284	-39.5	11,263	13,787	-18.3	0	0		0	0		0	0		0	0	11,263	13,787	-18.3
Net fees and commissions	0	0	48.3	26	26	-0.1	26	26	-0.4	143	104	37.1	12	26	-51.7	0	0	91.6	-52	-56	129	100	29.0
Financial income/expenses (**)	557	378	47.3	1,342	1,446	-7.2	1,898	1,823	4.1	-806	182		-59	-82	-28.7	-2	4	n.s.	-169	-104	863	1,823	-52.7
<i>Net interest</i>	387	396		1,244	1,268		1,631	1,664		203	216		-52	-58		-6	-3		-49	-43	1,727	1,776	
<i>Other income and expenses</i>	55	74		57	65		112	139		5	6		-9	-8		15	20		-14	-31	109	125	
<i>Realised gains and losses</i>	172	51		109	163		281	214		-3	21		2	-5		0	-2		0	0	281	228	
<i>Unrealised gains and losses</i>	-57	-142		-69	-51		-126	-193		-1,012	-61		0	-11		-11	-11		-105	-30	-1,254	-306	
Net charges relating to claims	-4,989	-4,979	0.2	-4,480	-6,991	-35.9	-9,469	-11,969	-20.9	0	0		0	0		0	0		0	0	-9,469	-11,969	-20.9
Operating expenses	-2,118	-2,147	-1.4	-269	-306	-12.0	-2,387	-2,453	-2.7	-343	-311	10.1	-111	-102	8.8	-26	-12	112.7	130	131	-2,736	-2,747	-0.4
<i>Commissions and other acquisition costs</i>	-1,656	-1,664	-0.5	-120	-146	-18.2	-1,775	-1,810	-1.9	0	0		0	0		0	0		55	47	-1,721	-1,763	-2.4
<i>Other expenses</i>	-463	-483	-4.2	-149	-160	-6.4	-612	-643	-4.8	-343	-311	10.1	-111	-101	9.0	-26	-12	112.7	75	84	-1,016	-983	3.3
Other income / expense	-220	-283	-22.4	-96	-81	19.2	-316	-364	-13.2	20	32	-38.7	-27	30	n.s.	4	-14	n.s.	91	29	-228	-287	-20.5
Pre-tax profit (loss)	687	471	46.0	328	379	-13.6	1,015	850	19.4	-987	7	n.s.	-183	-128	-43.1	-24	-22	-7.5	0	0	-179	706	n.s.
Income tax	-174	-90	94.6	-93	-116	-19.6	-267	-205	30.2	240	0		35	30	15.3	2	4	-40.8	0	0	10	-171	n.s.
Profit (loss) on discontinued operations	0	0		0	0		0	0		0	0		0	0		0	0		0	0	0	0	
Consolidated profit (loss) for the period	513	381	34.6	235	263	-10.9	748	645	16.0	-747	6		-148	-98	51.7	-22	-18	18.3	0	0	-169	535	n.s.
Profit (loss) attributable to the owners of the Parent																					-346	330	
Profit (loss) attributable to non-controlling interests																					177	205	

(*) Real Estate business only includes real estate companies controlled by the Group

(**) Excluding assets/liabilities at fair value related to contracts issued by insurance companies with investment risk borne by customers and arising from pension fund management