

Notes to the income statement

Income

26 Net earned premiums

Net earned premiums

(€ million)	Gross amount		Reinsurers' share		Net amount	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-life earned premiums	20,763	20,975	-1,079	-1,157	19,685	19,818
Premiums written	20,779	20,898	-1,028	-1,136	19,751	19,762
Change in the provision for unearned premiums	-16	77	-51	-21	-67	56
Life premiums	46,412	49,425	-745	-737	45,667	48,689
Other premiums written	0	0	0	0	0	0
Total	67,176	70,400	-1,824	-1,894	65,352	68,507

27 Fee and commissions income and income from financial service activities

Fee and commissions income from financial services activities

(€ million)	31/12/2016	31/12/2015
Fee and commission income from banking activity	137	155
Fee and commission income from asset management activity	655	676
Fee and commission income related to investment contracts	184	230
Fee and commission income related to pension funds management	19	18
Other fees and commission income	15	15
Total	1,010	1,094

28 Net income from financial asset at fair value through profit and loss

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

(€ million)	Financial investments held for trading		Financial investments back to policies where the investment risk is borne by the policyholders and related to pension funds		Financial investments designated at fair value through profit or loss		Total financial investments at fair value through profit or loss	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Interest income	43	47	416	297	491	428	950	772
Realized gains	407	216	369	663	23	178	799	1,057
Realized losses	-293	-220	-456	-518	-92	-173	-841	-911
Unrealized gains	963	1,741	5,301	6,840	629	1,063	6,893	9,644
Unrealized losses	-1,389	-2,723	-3,902	-5,007	-687	-891	-5,979	-8,621
Total	-270	-939	1,727	2,275	365	605	1,822	1,941

The net income from financial assets at fair value through profit or loss mainly referred to the life segment (€ 1,830 million). This item is not material for non-life segment (€ -29 million) and for the holding and other businesses segment (€ 20 million).

29 Income and expenses from subsidiaries, associated companies and joint venture

Income and expenses from subsidiaries, associated companies and joint ventures

(€ million)	31/12/2016	31/12/2015
Dividends and other income	113	118
Realized gains	7	12
Reversal of impairment	14	0
Total	133	130

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

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

(€ million)	31/12/2016	31/12/2015
Interest income	9,955	10,075
Interest income from held to maturity investments	93	105
Interest income from loans and receivables	1,693	1,926
Interest income from available for sale financial assets	8,116	8,007
Interest income from other receivables	6	8
Interest income from cash and cash equivalents	47	30
Other income	2,043	2,065
Income from land and buildings (investment properties)	852	909
Other income from available for sale financial assets	1,190	1,156
Realized gains	2,605	3,873
Realized gains on land and buildings (investment properties)	169	364
Realized gains on held to maturity investments	0	6
Realized gains on loans and receivables	345	184
Realized gains on available for sale financial assets	2,089	3,319
Realized gains on other receivable	0	0
Realized gains on financial liabilities at amortised cost	2	0
Reversal of impairment	258	206
Reversal of impairment of land and buildings (investment properties)	88	73
Reversal of impairment of held to maturity investments	1	0
Reversal of impairment of loans and receivables	39	30
Reversal of impairment of available for sale financial assets	37	8
Reversal of impairment of other receivables	92	94
Total	14,860	16,219

31 Other income

Other income

(€ million)	31/12/2016	31/12/2015
Gains on foreign currencies	1,088	2,297
Income from tangible assets	191	197
Reversal of other provisions	164	200
Leasing fees	0	0
Income from service and assistance activities and recovery of charges	559	604
Income from non-current assets or disposal group classified as held for sale	0	1
Other technical income	827	575
Other income	98	196
Total	2,927	4,070

Expenses

32 Net insurance benefits and claims

Net insurance benefits and claims

(€ million)	Gross amount		Reinsurers' share		Net amount	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Non-life net insurance benefits and claims	13,211	13,604	-376	-524	12,836	13,081
Claims paid	13,293	13,316	-567	-639	12,726	12,677
Change in the provisions for outstanding claims	-53	240	190	112	138	352
Change in claims paid to be recovered	-55	6	1	-3	-54	3
Change in other insurance provisions	26	42	0	7	26	48
Life net insurance benefits and claims	51,704	56,600	-577	-590	51,127	56,010
Claims payments	35,578	36,082	-546	-554	35,031	35,528
Change in the provisions for outstanding claims	361	184	-22	-45	339	139
Change in the mathematical provisions	11,729	12,552	3	29	11,732	12,581
Change in the provisions for policies where the investment risk is borne by the policyholders and provisions for pension funds	3,404	5,564	5	4	3,409	5,568
Change in other insurance provisions	633	2,218	-17	-25	616	2,193
Total	64,916	70,204	-953	-1,113	63,963	69,091

33 Fee and commissions expenses and expenses from financial service activities

Fee and commissions expenses and expenses from financial service activities

(€ million)	31/12/2016	31/12/2015
Fee and commission expenses from banking activity	334	323
Fee and commission expenses from asset management activity	192	157
Fee and commission expenses related to investment contracts	74	94
Fee and commission expenses related to pension funds management	11	12
Total	611	586

34 Expenses from subsidiaries, associated companies and joint ventures

Expenses from subsidiaries, associated companies and joint ventures

(€ million)	31/12/2016	31/12/2015
Realized losses	17	2
Impairment losses	27	14
Total	43	16

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

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

(€ million)	31/12/2016	31/12/2015
Interest expense	1,110	1,103
Interest expense on subordinated liabilities	605	563
Interest expense on loans, bonds and other payables	345	397
Interest expense on deposits received from reinsurers	29	9
Other interest expense	131	135
Other expenses	350	390
Depreciation of land and buildings (investment properties)	173	171
Expenses from land and buildings (investment properties)	177	219
Realized losses	471	686
Realized losses on land and buildings (investment properties)	27	11
Realized losses on held to maturity investments	0	0
Realized losses on loans and receivables	15	35
Realized losses on available for sale financial assets	424	637
Realized losses on other receivables	4	3
Realized losses on financial liabilities at amortized cost	0	0
Impairment losses	1,495	1,035
Impairment of land and buildings (investment properties)	41	62
Impairment on held to maturity investments	1	3
Impairment of loans and receivables	264	308
Impairment of available for sale financial assets	1,136	622
Impairment of other receivables	52	41
Total	3,425	3,215

36 Acquisition and administration costs

Acquisition and administration costs

(€ million)	Non-life segment		Life segment		Holding and other businesses	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net acquisition costs and other commissions	4,246	4,229	3,810	3,950	0	0
Investment management expenses(*)	66	44	327	265	46	30
Other administration costs	1,150	1,184	1,011	1,005	433	392
Total	5,463	5,457	5,148	5,220	479	422

(*) Before the elimination of intra-group transactions between segments.

The item “other administration costs” includes expenses related to real estate activity which, overall, increased amounting to € 53 million (€ 37 million at 31 December 2015), focusing mainly in the holding and other businesses segment for an amount of € 43 million.

In the Property&Casualty segment, non-insurance administration expenses, equal to € 8 million, slightly declined in respect to the previous year (€ 9 million at 31

December 2015); a proportion of € 6 million of these expenses are related to real estate activities.

Within “other administrative costs” of the Life segment, the investment management expenses amounted to € 73 million (€ 76 million at 31 December 2015), the non-insurance management expenses amounted to € 7 million and are mainly refer to real estate activities.

37 Other expenses

Other expenses

(€ million)	31/12/2016	31/12/2015
Amortization and impairment of intangible assets	345	329
Amortization of tangible assets	95	83
Expenses from tangible assets	160	193
Losses on foreign currencies	805	1,133
Restructuring charges, termination employee benefit expenses and allocation to other provisions	453	648
Other taxes	209	200
Expenses from service and assistance activities and charges incurred on behalf of third parties	372	440
Expenses from non-current assets or disposal group classified as held for sale	0	0
Other technical expenses	651	619
Holding costs	529	510
Other expenses	447	636
Total	4,066	4,792

38 Income taxes

This item shows the income taxes due by the Italian and the foreign consolidated companies by applying the income tax rates and rules in force in each country.

The components of the income tax expense for 2016 and 2015 are as follow:

Income taxes

(€ million)	31/12/2016	31/12/2015
Income taxes	1,036	1,183
Deferred taxes	-119	-71
Total taxes of period	918	1,112
Income taxes on discontinued operations	0	5
Total income taxes	918	1,117

In Italy, with respect to the 2016 fiscal year, income taxes are calculated by using the ordinary corporate income tax rate of 27.50%. Furthermore, income taxes of Italian companies include the regional tax on productive activities (IRAP), which was computed – in respect of insurance companies – at the ordinary tax rate generally equal to 6.82%.

Income realised in Germany is subject to the corporate income tax - which is calculated on a rate of 15% plus a solidarity surcharge of 5.50% - and the trade tax (Gewerbesteuer). The trade tax rate varies depending on the municipality in which the company is situated. In 2016 the weighted average tax rate remained substantially unchanged at approximately 16.20%.

In France, income taxes are calculated by using an over-

all corporate income tax rate of 34.43%. In particular, this overall rate includes the basic rate expected in the tax on corporate income, equal to 33.33%, increased by an additional (contribution sociale) of 3.30% and a further additional temporary always calculated with reference the standard rate.

All other foreign subsidiaries apply their national tax rates, including: Austria (25%), Belgium (34%), Bulgaria (10%), China (25%), Czech Republic (19%), Netherlands (25%), Romania (16%), Spain (25%), Switzerland (22%) and United States (35%).

The following table shows a reconciliation from the theoretical income tax expense, by using the Italian corporate income tax rate of 27.50%, to the effective tax rate.

Reconciliation from theoretical income tax expenses to the effective tax rate

(€ million)	31/12/2016	31/12/2015
Expected income tax rate	27.5%	27.5%
Earning before taxes	3,157	3,407
Expected income tax expense	868	937
Effect of permanent differences and foreign tax rate differential	-170	-142
Effect of fiscal losses	-6	0
IRAP, trade tax and other local income taxes	164	154
Substitute taxes	74	180
Foreign withholding taxes not recoverable	20	26
Income taxes for prior years	-58	-38
Other	0	-5
Tax expenses	918	1,112
Effective tax rata	29.1%	32.6%

With respect to the 2016 fiscal year, the effective tax rate decreased to 3.5 basis points compared to the previous fiscal year and amounted to 29.1%. In particular, due to the impacts linked to the decrease of the substitute taxes due to the reduction of the scope of the CFC companies, the reduction of the nominal corporate income taxes in France and Spain, as well as extraordinary income recognized in Germany in relation to lower for previous years.

Fiscal losses carried forward are recognised to the extent that future taxable income will be sufficient to offset the amount of the losses before their expiration.

Fiscal losses carried forward as of 31 December 2016 and 2015 are scheduled according to their expiry periods as follows.

Fiscal losses

(€ million)	31/12/2016	31/12/2015
2016	0	0
2017	0	0
2018	0	2
2019	0	0
2020	0	25
2021	24	0
2022	0	0
2023	0	0
2024 and over	0	0
Unlimited	944	864
Fiscal losses carried forward	968	891

With regards to fiscal losses, it is worth noting that Italian Law by Decree 98/2011 introduced that fiscal losses can be carried forward with no time limits (as opposed to the previous five year limitation). Losses from a given year may, however, only be used to offset up to 80% of the taxable income of any following fiscal year.

Deferred income taxes are calculated on the temporary differences between the carrying amounts of assets and liabilities reported in the financial statements and their tax base, by using the tax rates applicable at the expected time of realisation according to each country's current legislation. In particular, with regard to Italian companies, in 2016 fiscal year, the deferred taxes have been determined taking into account the reduction in the corporate income tax rate (IRES) at 24% from 2017, as provided by Law no. 208/2015.

The ultimate realisation of deferred tax assets is dependent on the generation of future taxable income during

the periods in which those temporary differences become deductible.

Furthermore, in making this assessment, management considers the scheduled reversal of deferred tax liabilities and tax planning strategies.

Assessments show that deferred tax assets will be recovered in the future through either (i) expected taxable income of each consolidated company or (ii) expected taxable income of other companies included in the same tax group (e.g. "Consolidato fiscale" in Italy, "Steuerliche Organschaft" in Germany and "Régime d'intégration fiscale" in France).

Deferred taxes as of 31 December 2016 and 2015 are related to the following assets and liabilities.

Net deferred tax assets

(€ million)	31/12/2016	31/12/2015
Intangible assets	119	128
Tangible assets	74	77
Land and buildings (investment properties)	614	648
Available for sale financial assets	5,552	6,020
Other investments	336	222
Deferred acquisition costs	16	17
Other assets	324	336
Fiscal losses carried forward	77	73
Allocation to other provisions and payables	623	593
Insurance provisions	538	533
Financial liabilities and other liabilities	976	1,380
Other	275	317
Total deferred tax assets	9,524	10,344
Netting	-7,047	-7,692
Total net deferred tax assets	2,477	2,652

Net deferred tax liabilities

(€ million)	31/12/2016	31/12/2015
Intangible assets	205	241
Tangible assets	102	111
Land and buildings (investment properties)	394	380
Available for sale financial assets	7,280	7,782
Other investments	247	417
Deferred acquisition costs	403	388
Other assets	52	48
Other provisions and payables	94	122
Insurance provisions	597	987
Financial liabilities and other liabilities	173	108
Other	117	141
Total deferred tax liabilities	9,663	10,726
Netting	-7,047	-7,692
Total net deferred tax liabilities	2,616	3,034