



Vittoria Assicurazioni

SOCIETÀ PER AZIONI
REGISTERED OFFICES: VIA IGNAZIO GARDELLA, 2 - 20149 MILAN - ITALY
SHARE CAPITAL: EURO 67,378,924 FULLY PAID-UP
FISCAL CODE AND MILAN COMPANIES REGISTER
NO. 01329510158 - REA NO. 54871
COMPANY REGISTERED TO REGISTER OF INSURANCE AND REINSURANCE COMPANIES –
SECTION I NO.1.00014
PARENT COMPANY OF VITTORIA ASSICURAZIONI GROUP REGISTERED TO REGISTER OF
INSURANCE GROUPS NO.008

Business report for the 95th year

2016 Annual Report & Accounts

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

Table of contents	page
Corporate bodies and officers	4
Directors' report	7
Balance Sheet & Income Statement	47
Explanatory Notes to Accounts	67
Format and content of year-end financial statements	67
Reclassified Balance Sheet	68
Reclassified Income Statement	70
Parte A - Accounting policies	71
Parte B - Information on Balance Sheet and Income Statement	87
Balance Sheet	87
Income Statement	113
Tax schedules	124
Parte C - Other information	127
Appendices 1-32 to Explanatory Notes	137
Attestation of financial statements in accordance with art. 153 of Legislative Decree 58/98	197
Board of statutory auditors' report	199
Independent auditors' and actuarial report	207
Company's development since its corporation	211

BOARD OF DIRECTORS

Carlo ACUTIS Andrea ACUTIS	Emeritus Chairman Chairman
Roberto GUARENA	Deputy Chairman
Cesare CALDARELLI	Chief Executive Officer
Adriana ACUTIS BISCARETTI di RUFFIA	Director
Marco BRIGNONE	Independent director
Giorgio Roberto COSTA	Director
Lorenza GUERRA SERÀGNOLI	Independent director
Giorgio MARSIAJ	Independent director
Maria Antonella MASSARI	Independent director
Marzia MORENA	Independent director
Lodovico PASSERIN d'ENTREVES	Independent director
Luca PAVERI FONTANA	Director
Giuseppe SPADAFORA	Independent director
Roberta URBAN	Independent director
Laura MILANO	Secretary

BOARD OF STATUTORY AUDITORS

Giuseppe CERATI	President
Giovanni MARITANO Francesca SANGIANI	Standing statutory auditor Standing statutory auditor
Monica MANNINO Maria Filomena TROTTA	Substitute statutory auditor Substitute statutory auditor

GENERAL MANAGEMENT

Claudio RAMPIN	Joint General Manager
Matteo CAMPANER Paolo NOVATI	Deputy Director Deputy Director
Luca ARENSI Maurizio MONTICELLI Giuseppe TRAVERSO Enzo VIGHI	Central Manager Central Manager Central Manager Central Manager

INDEPENDENT AUDITOR

Deloitte & Touche S.p.A.

APPOINTMENTS AND REMUNERATION COMMITTEE

Lodovico PASSERIN d'ENTREVES	Independent non-executive president
Luca PAVERI FONTANA	Non-executive member
Maria Antonella MASSARI	Independent non-executive member
Giuseppe SPADAFORA	Independent non-executive member

INTERNAL CONTROL COMMITTEE

Giuseppe SPADAFORA	Independent non-executive president
Luca PAVERI FONTANA	Non-executive member
Roberta URBAN	Independent non-executive member

FINANCE COMMITTEE

Andrea ACUTIS	Non-executive president
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive member
Carlo ACUTIS	Non-executive member
Cesare CALDARELLI	Executive member
Giorgio Roberto COSTA	Non-executive member
Roberto GUARENA	Non-executive member
Luca PAVERI FONTANA	Non-executive member
Giuseppe SPADAFORA	Independent non-executive member

REAL ESTATE COMMITTEE

Andrea ACUTIS	Non-executive president
Adriana ACUTIS BISCARETTI di RUFFIA	Non-executive member
Carlo ACUTIS	Non-executive member
Cesare CALDARELLI	Executive member
Giorgio Roberto COSTA	Non-executive member
Roberto GUARENA	Non-executive member
Marzia MORENA	Independent non-executive member
Luca PAVERI FONTANA	Non-executive member
Giuseppe SPADAFORA	Independent non-executive member

RELATED PARTIES COMMITTEE

Roberta URBAN	Independent non-executive president
Marco BRIGNONE	Independent non-executive member
Giuseppe SPADAFORA	Independent non-executive member

STRATEGIES COMMITTEE

Andrea ACUTIS	Non-executive president
Carlo ACUTIS	Non-executive member
Cesare CALDARELLI	Executive member
Roberto GUARENA	Non-executive member
Giuseppe SPADAFORA	Independent non-executive member
Roberta URBAN	Independent non-executive member

Directors' report

Table of contents	page
Main Key Performance Indicators	8
Strategy goals	11
Review of operating performance	12
Life business	14
Non-Life business	16
Reinsurance	21
Commercial organisation	22
Products - Research and development	22
Overheads and operating costs	23
Investments Assets	24
Real estate	26
Fixed-income securities, equity investments, and mutual investment funds	26
Investments benefiting Life policyholders who bear related risk and relating to pension fund management	31
Risk Report	32
Human resources	40
Solvency Capital Requirements	41
Relations with the Supervisory Authority	41
Management and coordination	42
Infragroup and related parties transactions	43
Report on remuneration	44
Report on corporate governance and ownership structures	44
Performance in early months of FY2017 and expected business progress	44
Allocation of earnings	45

€/million

Main Key Performance Indicators			
	31/12/2016	31/12/2015	Δ
Non Life business			
Gross Premiums written - direct Non Life business	1,081.1	1,069.1	1.1%
(1) - Loss Ratio (retained)	64.6%	63.9%	0.7
(2) - Combined Ratio (retained)	89.4%	89.1%	0.3
(3) - Expense Ratio (retained)	24.7%	24.8%	(0.1)
Non Life business technical balance (before transferral of technical profits from investments)	116.7	119.6	-2.5%
Net Income Non Life business	138.5	66.1	109.6%
Life business			
Gross Premiums written - direct Life business	189.5	218.3	(13.2)%
(4) Annual Premium Equivalent (APE)	28	30.6	(8.5)%
Segregated fund performance: Rendimento Mensile	3.03%	3.21%	(0.18)
Segregated fund performance: Valore Crescente	4.61%	3.84%	0.77
Segregated funds assets	1,038.9	947.4	9.7%
Index/Unit - linked and Pension funds assets	56.3	58.6	(3.9)%
Life business technical balance	(0.5)	0.6	n.s.
Net Income Life business	1.0	0.2	n.s.
Total Agencies			
Total Agencies	430	413	17
Average of employees	536	527	9
Investments with the risk borne by the Company	2,794.8	2,575.9	8.5%
Overhead costs as a % of GPW - direct business	8.2%	9.0%	(0.8)
Total net ordinary and extraordinary income from investments with risk borne by the Company	114.7	52.7	117.8%
Profit (loss) before taxation	200.2	120.1	66.7%
Net profit (loss)	139.5	66.3	110.5%
Shareholders' equity	665.2	539.2	23.4%
ROE	23.2%	12.9%	10.3
Dividend per share	0.21	0.20	5.0%

Legend

- 1) Loss Ratio – retained business: is the ratio of current year claims to current year earned premiums;
- 2) Combined Ratio – retained business: is the ratio of (current year claims + operating costs + intangible assets amortization + technical charges) to current year earned premiums;
- 3) Expense Ratio – retained business: is the ratio of (operating costs + intangible assets amortization + net technical charges) to current year gross premiums written;
- 4) APE: Annual Premium Equivalent, is a measure of the new business volume which includes 100% of sales of regular recurring premium business and 10% of sales of single premium business.

Dear Shareholders,

The financial statements for our 95th financial year submitted for your approval show a net profit of 139,487 thousand euro (+110.5% compared with the net profit of 66,269 thousand euro for the previous year).

The year's result benefited from 44,037 thousand euro of capital gains, after tax, from the sale of Italian government bonds mainly classified as long-term portfolio allocated to Non-Life business, which took place in November 2016 with the scope to diversify the bond portfolio.

Thanks to the continuous consolidation and development of the existing portfolio, premium income is essentially aligned with last year's levels: the total premiums written on the 31st December 2016 amounted to 1,270,731 thousand euro (1,287,543 thousand euro on the 31st December 2015), an increase of 1.1% in non-life business and a decrease of 13.2% in life business, the latter was due to the strategy of containment of the revaluable single premiums products linked to segregated funds.

Motor and Non-Marine lines continue to make a profit, thanks to the continuous review of the risks in the portfolio, a cautious approach on how we underwrite new risks and a constant rate review. The technical performance trend shows a slight decrease compared to the previous year, mainly due to a reduction of profitability in the Motor T.P.L. line, due to the continuous decline of the average premium. It also highlights a recovery in Specialty lines, thanks to the efforts undertaken in previous years, targeted to the technical of balance in the Credit and Deposit lines.

The Life business showed a positive result, a slight increase compared to last year.

The loss ratio and the combined ratio for retained business are respectively: 64.6% and 89.4% (63.9% and 89.1% in the previous year). This is the result of a prudent underwriting policy and a particular and constant focus on the rationalisation of administrative costs.

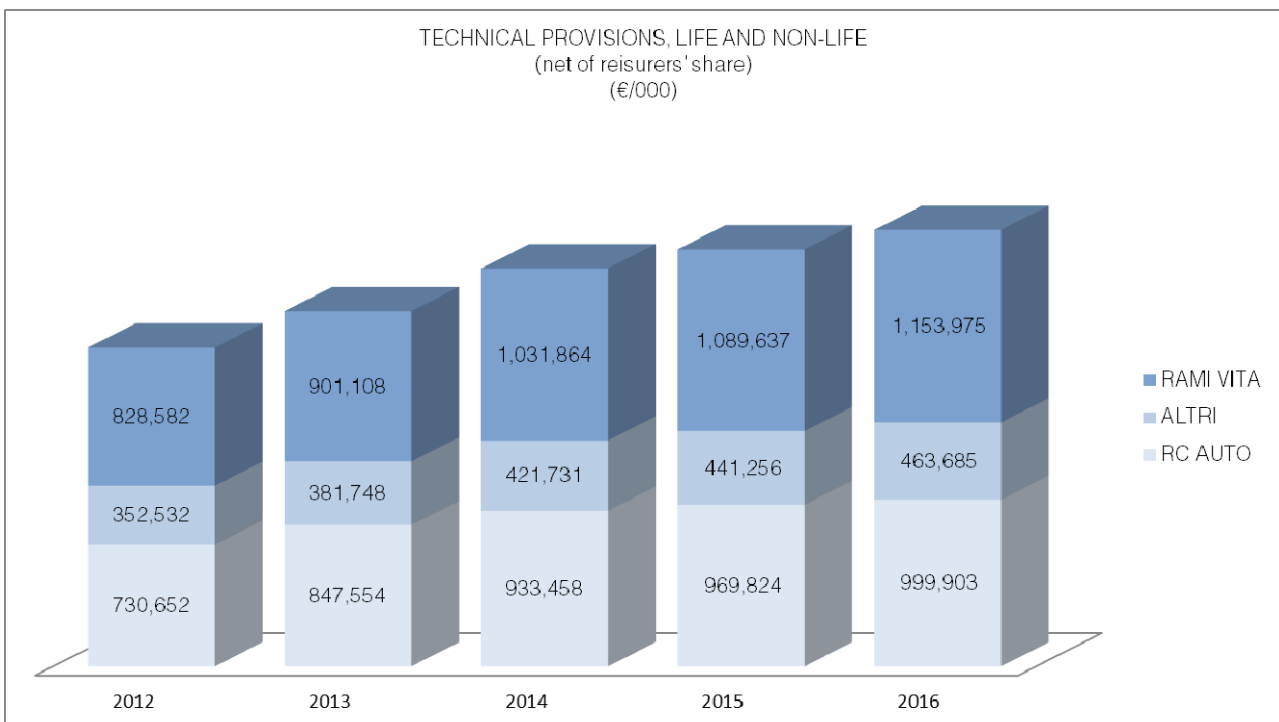
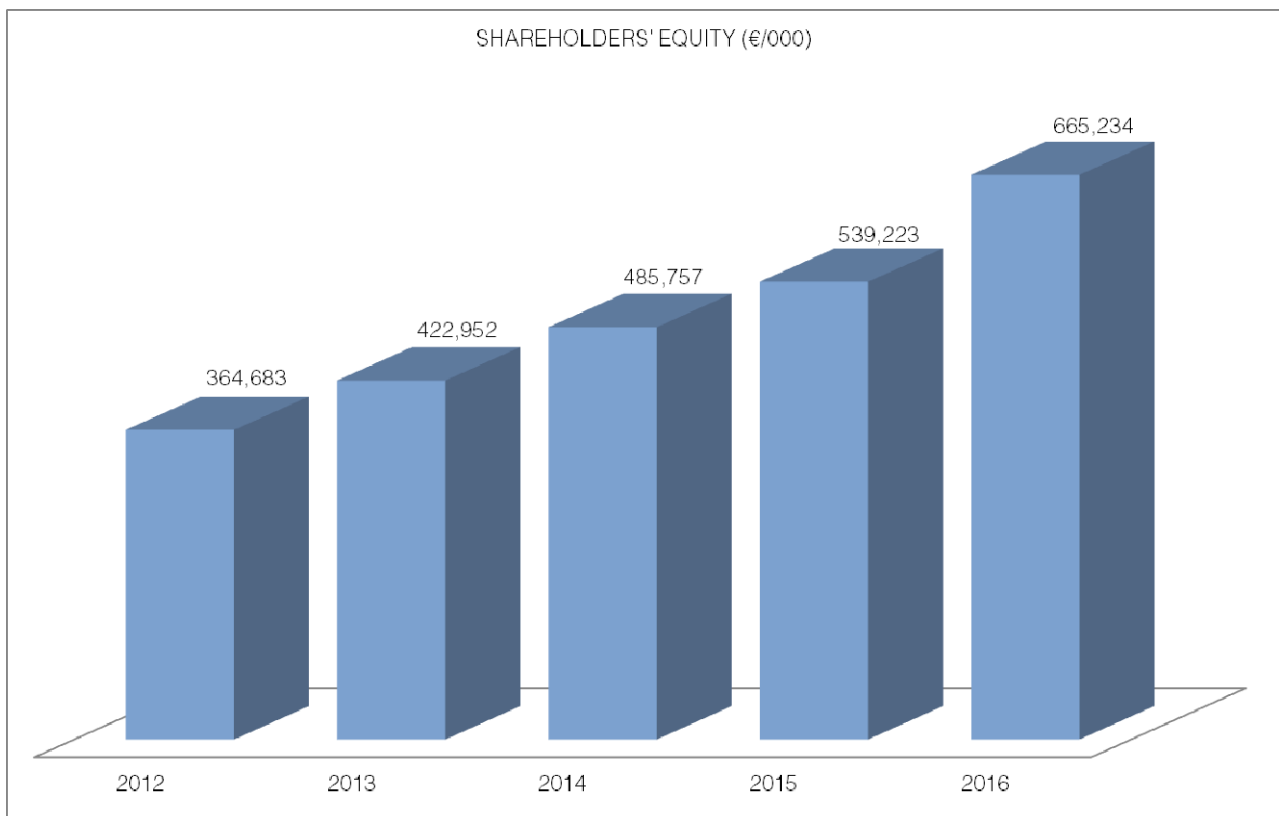
Investments, in more detail illustrated in the chapter "Investment assets", totalled 2,851,169 thousand euro (+8.2% compared with 31 December 2015).

Ordinary and extraordinary income from investments with risk borne by the company totalled 114,717 thousand euro, (52,667 thousand euro at 31 December 2015), and include capital gains of 58,685 thousand euro arising from the extraordinary operation shown above. In addition, the Company has considered to be prudent to write-down 40% of the investment held in the "Fondo Atlante", value adjustments of 1,623 thousand euro. Due to the continuous economic and financial climate, the Company recorded impairment losses on investments in subsidiaries and associated companies for a total amount of 8,564 thousand euro.

Group shareholders' equity (IAS/IFRS accounting standards) totalled 745,611 thousand euro, an increase of 7.9% compared to 691,244 thousand euro recorded on 31st December 2015.

Group's net profit totalled 135,367 thousand euro (+91.7% compared with the net profit of 70,620 thousand euro for the previous year).

The following charts show local shareholders' equity trend and technical provisions amount in the last five FYs:



Strategic goals

Vittoria Assicurazioni operates in all lines of insurance business, and founds its activities on a long experience in the insurance field, gained since 1921, for the protection of individuals, families and companies.

The main objective of the company is to honour in proper time contractual commitments to policyholders, realizing a reasonable profit margin.

This goal is supported by the achievement of technical profitability, a policy of consolidation of the portfolio acquired, the loyalty of existing customers, but also by the increase in market share in non-life and the acquisition of new production in the Life business.

In carrying out its insurance activities, the company pays attention to the management of its risk profile, principally through:

- an accurate risk pricing;
- a careful diversification of risks based on customer segmentation. In particular, although preferring the risks of personal lines and small / medium businesses, it is not neglected segment of large companies, on which are provided adequate reinsurance covers;
- diversification of sales channels achieved through careful geographical segmentation of markets;
- the continuous training of the agency network that determines a careful portfolio selection and a constant search for common objectives.

Next to the insurance business, the company implements low-risk investment policies that ensure an adequate return without departing from its risk appetite goals. Investment management, led by the profile of the insurance liabilities, pays particular attention to the protection of the financial strength of the company (most of the profits are reinvested in the company), without disregarding the search for adequate returns.

Review of operating performance

The following table compares, for each line, premiums written in FYs 2016 and 2015 and their contribution to the total portfolio mix:

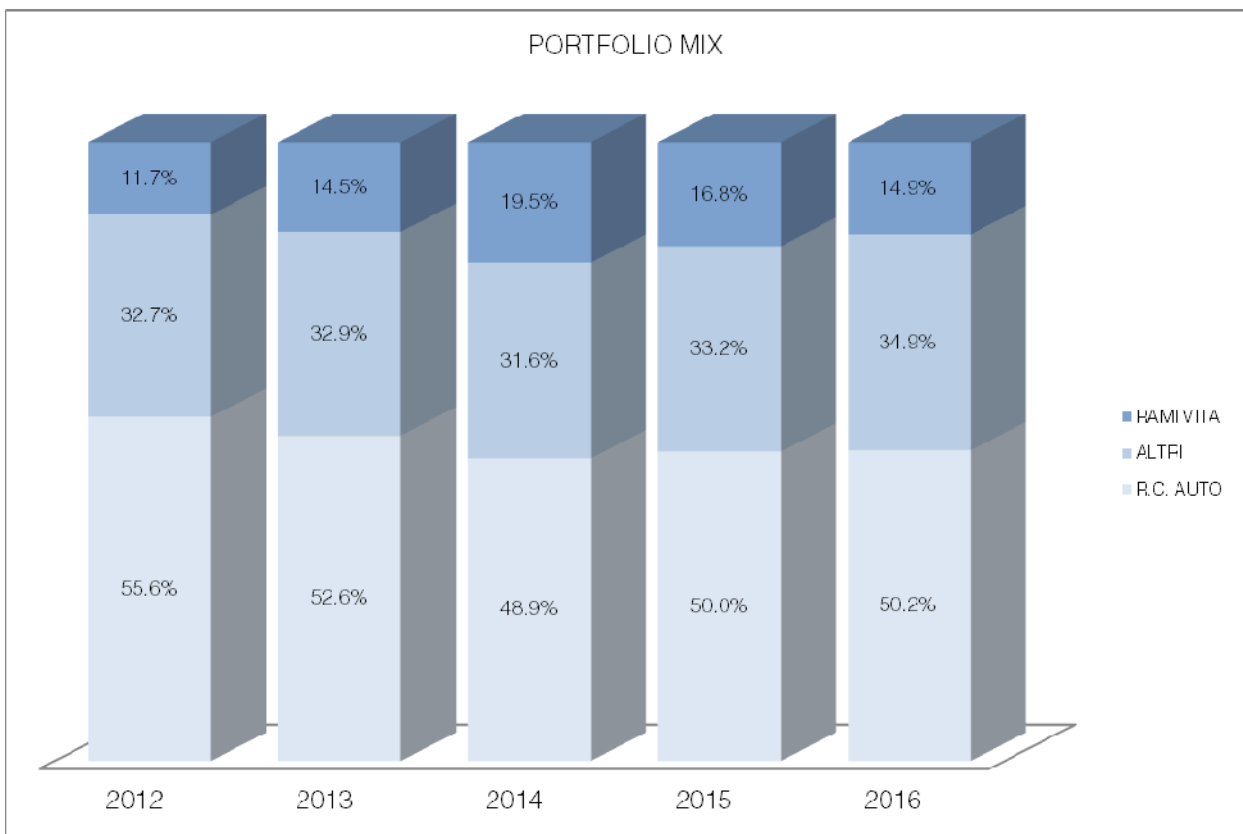
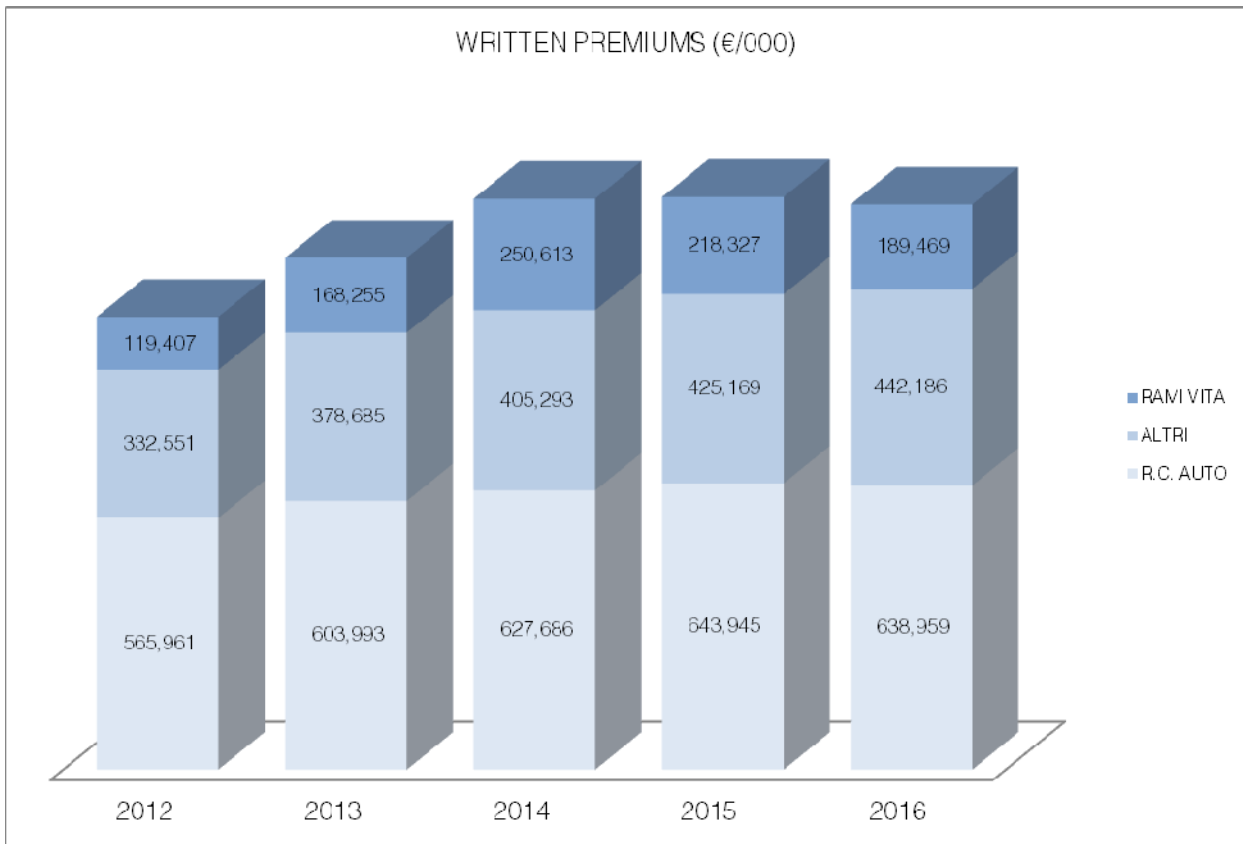
	(€/000)				
	Year 2016	Year 2015	YoY change %	% of total book	
				2016	2015
Domestic direct business					
Life business					
I Whole- and term life	172,862	192,404	-10.2	13.6	14.9
III Unit-linked policies	3,309	4,337	-23.7	0.3	0.3
IV Health (long-term care)	631	642	-1.7	0.0	0.0
V Capitalisation	11,158	19,370	-42.4	0.9	1.5
VI Unit trust management	1,509	1,574	-4.1	0.1	0.1
Total Life business	189,469	218,327	-13.2	14.9	16.8
Non-Life business					
Accident	80,780	80,099	0.9	6.4	6.2
Health	13,038	12,357	5.5	1.0	1.0
Fire and natural events	51,900	49,109	5.7	4.1	3.8
Miscellaneous damage	44,783	42,299	5.9	3.5	3.3
General TPL (third-party liability)	52,519	50,277	4.5	4.1	3.9
Pecuniary losses	48,418	48,459	-0.1	3.8	3.8
Legal protection	4,872	4,626	5.3	0.4	0.4
Total non-marine lines (exc. specialty and motor)	296,310	287,226	3.2	23.3	22.4
Railway rolling stock	4	-	n.v	0.0	0.0
Aircraft hulls	1	1	0.0	0.0	0.0
Marine hulls	1,099	1,185	-7.3	0.1	0.1
Cargo insurance	1,335	1,286	3.8	0.1	0.1
Aviation TPL	2	2	0.0	0.0	0.0
Credit insurance	-569	54	n.v	0.0	0.0
Bond insurance	5,814	7,492	-22.4	0.5	0.6
Total specialty lines	7,686	10,020	-23.3	0.7	0.8
Third-party motor liability	638,959	643,945	-0.8	50.2	50.0
Third-party marine liability	961	914	5.1	0.1	0.1
Motor vehicle hulls	113,457	106,489	6.5	8.9	8.3
Support and assistance	23,772	20,520	15.9	1.9	1.6
Total motor lines	777,149	771,868	0.7	61.1	60.0
Total Non-Life business	1,081,145	1,069,114	1.1	85.1	83.2
Total direct business	1,270,614	1,287,441	-1.3	100.0	100.0
Domestic indirect business					
Non-Life business	117	102	14.7	0.0	0.0
Total indirect business	117	102	14.7	0.0	0.0
Grand Total	1,270,731	1,287,543	-1.3	100.0	100.0

The Company operates in France on the basis of the free-provision-of-services regime; during the year there has been no significant premium collection.

With regard to the Italian insurance market, it is noted that the premiums as at 30 September 2016 (latest Ania Trends data) show, compared to the same period of last year, a decrease in life business of -10.3% and in Non-Life business of -1.6% (of which Motor Third Party Liability -5.9%).

The following charts highlight premium volume and portfolio breakdown in the last five FYs.

Italian Direct Business



Life business

The products currently offered by the company cover all insurance business lines, from savings (“revaluable” policies relating to segregated accounts), to protection (policies covering risks of death, disability, and non-self-sufficiency (i.e. long-term care) and supplementary pension plans (individual pension schemes and open-ended pension fund). The product range also includes unit-linked financial policies and composite products, which represent a new investment solution that combines return potential resulting from equity funds (Class III) and the safety of segregated fund (Class I). The strategy of containment of the products in single premiums revaluable linked to segregated funds is going on.

The lines marketed include presently policies that envisage the possibility of converting the benefit accrued into an annuity. Conversion takes place at the conditions in force when the option is exercised. The insurance pricing types used are those for endowment, whole-life and term-life policies, on both an annual and single-premium basis, and fixed term policies, plus group insurance pricings for whole/term life and/or disability policies. Contractual terms are updated constantly and are in line with those commonly offered by the market.

The key features of FY2016 are summarised in the following table, where they are compared with data for the previous FY:

LIFE Business - 2016 Results - Net of reinsurance							(€/000)	
	2016 Results			2015 Results			Change	%
	Non - linked	Linked	Total	Non - linked	Linked	Total		
Premium Income	183,470	4,817	188,287	211,207	5,911	217,118	-28,831	-13.3
Other technical Income/(Costs)	-301	477	176	-249	445	196	-20	-10.4
Change in Technical Provisions	-64,740	3,458	-61,282	-56,620	3,017	-53,603	-7,679	n.s.
Claims paid	-130,020	-7,821	-137,841	-165,055	-13,140	-178,195	40,354	-22.6
Overheads	-16,747	-562	-17,309	-15,260	-403	-15,663	-1,646	10.5
Ordinary and Extraordinary Investment net income	30,009	-322	29,687	27,384	4,073	31,457	-1,770	-5.6
Operating Profit before Tax	1,670	48	1,718	1,407	-97	1,310	408	31.1

In FY2016 the funds relating to segregated funds achieved the following returns. The rate of return allocated to policyholders complies with the specific contractual terms stipulated.

	(€/000)			
	Rate of return		Total Assets	
	2016	2015	2016	2015
Vittoria Rendimento Mensile	3.03%	840,048	3.21%	758,574
Vittoria Valore Crescente	4.61%	106,945	3.84%	134,916
Vittoria Obiettivo Crescita**	2.19%	20,013	-	-
Vittoria Liquinvest*	4.51%	1,996	4.30%	1,993
Vittoria Previdenza*	3.40%	69,861	3.90%	51,936

* Observation period: 01/10/2015 - 30/09/2016

** Active since: 31/03/2016

For non-Italian readers: with the Italian “revaluable” policy, which is of the endowment type, the insurance company, at the end of each year, grants a bonus that is credited to mathematical reserves and depends on the performance of an investment portfolio. This bonus is determined in such a way that total interest credited to the insured is equal to a given percentage of the annual return of the reference portfolio and in any case does not fall below the minimum interest rate guaranteed. The “revaluable” policy is therefore of the participating type.

Premiums

The Premiums for direct Life business amounted to 189,469 thousand euro, against 218,327 thousand euro in the previous year (-13.2%) and are broken down as follows:

	(€/000)				
	Year 2016	Year 2015	YoY change %	% of total book	
				2016	2015
Annual premiums	56,237	57,898	-2.9	29.7	26.5
Single premiums	133,232	160,429	-17.0	70.3	73.5
Total Life business	189,469	218,327	-13.2	100.0	100.0

Claims, accrued capital sums & annuities, and surrenders

The following table summarises data for direct business relating to claims, accrued capital sums and annuities and surrenders (net of liquidation expenses), compared with data of previous year.

	(€/000)		
	31/12/2016	31/12/2015	YoY change %
Claims	18,623	23,123	(19.5)
Accrued capital sums & annuities	71,041	99,129	(28.3)
Surrenders	39,700	42,835	(7.3)
Total	129,364	165,087	(21.6)

Surrenders and claims relating to investments for which policyholders bear the risk (Classes III unit- and index-linked policies) and VI (open-ended pension fund) totalled 7,814 thousand euro vs. 13,056 thousand euro in FY2015.

Non-Life business

Technical result

The following table shows – in total and by line of business – the technical results of direct and indirect business, net of related outward reinsurance, equalisation (i.e. smoothing) reserves – compared with the same data for the previous FY. The result shown does not take allocation of investment income earned during the FY into account.

Non Life Business - 2016 Results		(€/000)		
Line of business		2016 Technical result	2015 Technical result	YoY Change %
Code	Description			
01	Accident	21,595	27,020	-20.1
02	Health	634	471	34.6
03	Land motor vehicle hulls	17,236	13,829	24.6
04	Railway rolling stock	2	0	0.0
05	Aircraft hulls	0	0	0.0
06	Marine hulls	7	-526	n.s.
07	Cargo insurance	295	25	n.s.
08	Fire and natural events	10,829	10,997	-1.5
09	Miscellaneous damage	-4,129	-5,045	-18.2
10	Motor TPL	27,988	48,942	-42.8
11	Aviation TPL	-25	-16	56.3
12	Marine TPL	-104	-272	-61.8
13	General TPL	4,110	7,493	-45.1
14	Credit insurance	-738	-4,840	-84.8
15	Bond insurance	-3,928	-20,536	-80.9
16	Pecuniary losses	35,626	34,033	4.7
17	Legal protection	1,703	1,819	-6.4
18	Support and assistance	5,552	6,232	-10.9
Total Non-Life businesses		116,653	119,626	-2.5

Technical performance

The technical performance featured an outcome in line with the previous year. The Motor TPL line of business showed a decrease exclusively due to the steady decline in the average premium. The result was positive as a result of an ongoing review of the risks in the portfolio, a careful policy of underwriting new risks and a steady tariff review. The following sets out the considerations for the different lines of business:

NON MARINE

Overall Non Marine line of business recorded an increase in premiums thanks to the acquisition of new customers and to the continuation of the policy of consolidation and development of monoline motor customers.

The overall technical result remained positive.

More specifically, each line of business featured the following technical results:

Accident: this line of business shows a growth in terms of premium, thanks to the development of the sale of the collateral injuries of the driver in combination with the motor policies. The technical result shows a decrease compared to the previous year, due to the higher incidence of serious claims and claims from macro injury.

Health: the line registered a 5.58% increase in premiums, with a technical result improved compared to last year (+34.6%), thanks to the effects of portfolio reforms implemented in previous years.

Fire and natural events: this line of business shows an increase in premiums (+5.7%) and a positive technical result, substantially in line compared to the previous year.

Miscellaneous damages: premiums, including the risk of theft, hail and damage to electronic and technological equipment, recorded an increase compared to previous year (+5.9%). The technical result, still negative, recorded a further improvement compared to the previous year (+18.2%), thanks to the effects of actions in progress related to the tariffs revision and risks in the portfolio.

General TPL: premiums increased by 4.5%. The technical result is positive, despite the incidence of serious accidents in part referring to residual risks related to the segment of Professional TPL already decommissioned.

Various pecuniary losses: premiums remained almost unchanged. The technical result is positive, an improvement over the previous year (+4.7%), thanks to the increase of premiums linked to new Motor guarantees with a low loss ratio.

Legal protection: premiums in this line of business registered an increase (5.3%) with a positive technical result.

SPECIAL BUSINESS

This business showed a decrease in premiums of 23.3% with a negative technical balance, albeit a significant improvement compared to that recorded in the previous year.

In particular:

Credit: this line of business includes exclusively the risks related to the Salary-Backed Loans for which it has retained the right of recourse against the borrowers.

Also in 2016 we see a decrease in premiums written, a consequence of the continuation of the significant downsizing of the line of business process.

This reduced activity led to a negative technical result, even though with a significant improvement compared to the previous year.

Surety: premiums written showed a significant decrease compared to the previous year (-22.4%), the result of a thorough review of the underwriting policy that led to the acquisition of smaller risks in terms of exposure and the consequent lower average pricing. The risks taken are marginally related to the urbanization expenses sector.

The technical result is still negative but in significant improvement compared to the previous year thanks to the first results from the changed underwriting policy.

Watercraft (sea, lake and river) hulls and railway rolling stock: this line of business recorded a decrease in premiums written (-7.3%), due also to the drop in sales in the watercraft.

The technical result was broadly in balance, recording an improvement compared to the previous year.

Goods in transit: premiums advanced by 3.8%, with a positive technical result, recording an improvement compared to the previous year.

MOTOR

The business saw a 0.7% rise in the premiums written, with an overall positive technical result.

The portfolio consolidation policy continued.

In particular:

Third-party liability for land motor vehicles and for watercraft (sea, lake, and river): dedicated portfolio selection, tariff policies and careful claims management enabled the business to maintain a positive technical result. The decline in the result compared to the previous year (42.7%) is mainly attributable to the reduction in the average premium paid by policyholders (despite an overall increase in premiums written), phenomenon is recorded in the entire Motor market.

Land motor vehicle hulls: premiums reported a growth on the previous year (+6.5%). The technical result was positive, recording an improvement over the previous year.

Assistance: premiums grew by 15.9%, partly due to a renewed package of guarantees, with a positive technical result.

Claims

Reported claims

The following chart, concerning reported claims, has been prepared using data from positions opened during the year:

Reported claims - direct business (€/000)									
	Numer of Reported claims		YoY Change %	Numer of Reported claims without consequences		YoY Change %	Numer of Reported claims closed		YoY Change %
	31/12/2016	31/12/2015		31/12/2016	31/12/2015		31/12/2016	31/12/2015	
Accident	10,118	9,487	6.7%	1,963	1,830	7.3%	4,696	4,182	12.3%
Health	3,901	3,725	4.7%	337	363	-7.2%	2,985	2,803	6.5%
Fire and natural events	6,029	7,073	-14.8%	1,419	1,691	-16.1%	3,838	4,586	-16.3%
Miscellaneous damage	18,963	17,513	8.3%	3,396	3,108	9.2%	13,626	12,572	8.4%
General TPL (third-party liability)	8,246	7,722	6.8%	1,934	1,806	7.1%	4,490	4,002	12.2%
Pecuniary losses	951	1,078	-11.8%	314	220	42.7%	179	238	-24.8%
Legal protection	308	368	-16.3%	29	46	-37.0%	50	86	-41.9%
Total non-marine lines	48,516	46,966	3.3%	9,392	9,064	3.6%	29,864	28,469	4.9%
Marine hulls	109	87	25.3%	24	9	166.7%	36	37	-2.7%
Cargo insurance	113	118	-3.7%	15	20	-25.0%	47	32	46.9%
Credit insurance	667	847	-21.2%	162	139	16.5%	49	59	-16.9%
Bond insurance	167	175	-4.9%	67	42	59.1%	14	51	-72.5%
Total specialty lines	1,056	1,227	-13.9%	268	210	27.6%	146	179	-18.4%
Third-party motor liability	149,189	138,945	7.4%	18,798	16,904	11.2%	98,489	92,211	6.8%
Third-party marine liability	92	69	33.3%	9	9	0.0%	44	30	46.7%
Motor vehicle hulls	44,759	43,751	2.3%	2,000	2,149	-6.9%	36,377	35,646	2.1%
Support and assistance	45,738	38,007	20.3%	20	27	-25.9%	34,163	27,651	23.6%
Total motor lines	239,778	220,772	8.6%	20,827	19,089	9.1%	169,073	155,538	8.7%
Total Non-Life businesses	289,350	268,965	7.6%	30,487	28,363	7.5%	199,083	184,186	8.1%

As regards Motor TPL reported claims, the company has received n. 109,385 reports of claim events to be managed as originator (+6.6% compared to 2015) and the total cost, net of the recovery of the lump-sum paid by the debtor companies, amounted to 50,746 thousand euro (+7.7% compared to 2015).

Claims paid

The gross cost of all generations of claims, which comprises the cost of the claims handling organisation, is shown in Appendix 19 to the Explanatory Notes. The following table shows the amount of claims paid for direct business, net of recoveries, and the amount charged to reinsurers:

(€/000)										
	Claims paid 31/12/2016			Claims recovered from reinsurers	Claims paid 31/12/2015			Claims recovered from reinsurers	Change gross claims %	Change claims recovered from reinsurers %
	Current year	Previous years	Total		Current year	Previous years	Total			
Accident insurance	7,477	14,522	21,999	250	6,088	14,975	21,063	271	4.5	-8.0
Health insurance	4,413	3,606	8,019	7	3,906	3,115	7,021	31	14.2	-77.5
Fire and natural events	10,228	6,610	16,838	1,010	13,935	8,269	22,204	2,788	-24.2	-63.8
Miscellaneous damages	25,043	5,981	31,024	3,831	23,075	7,083	30,158	3,107	2.9	23.3
Third-party general liability	5,132	16,101	21,233	722	4,747	14,904	19,651	392	8.1	84.2
Pecuniary losses	397	240	637	373	478	3,900	4,378	120	-85.5	211.6
Legal protection	35	215	250	216	12	203	215	183	16.1	17.9
Total non-marine businesses	52,725	47,275	100,000	6,409	52,242	52,449	104,690	6,892	-4.5	-7.0
Third-party marine liability	193	950	1,143	437	330	1,345	1,675	992	-31.8	-56.0
Cargo insurance	144	267	411	18	238	441	679	38	-39.5	-53.4
Third-party aviation liability	-	373	373	344	-	2	2	2	n.s.	n.s.
Credit insurance	335	3,643	3,978	-	364	4,466	4,830	-	-17.7	n.s.
Bond insurance	1,559	7,887	9,446	5,566	5,015	29,180	34,195	18,635	-72.4	-70.1
Total Special businesses	2,231	13,120	15,351	6,365	5,947	35,434	41,381	19,667	-62.9	-67.6
Third-party motor liability	208,389	253,333	461,722	5	191,083	245,602	436,685	1,618	5.7	n.s.
Third-party marine liability	191	448	639	-	141	260	401	-	59.4	n.s.
Motor vehicle hulls	44,527	14,240	58,767	159	42,579	12,898	55,477	250	5.9	-36.5
Support and assistance	5,640	2,656	8,296	7,214	4,688	2,418	7,106	6,141	16.8	17.5
Total motor businesses	258,747	270,677	529,424	7,368	238,491	261,178	499,669	8,009	6.0	-8.0
Total non-life businesses	313,703	331,072	644,775	20,142	296,679	349,061	645,740	34,568	-0.2	-41.7

The additional cost borne in 2016 for the road-accident victim guarantee fund was 15,320 thousand euro vs. 15,267 thousand euro in the previous year.

Claims settlement speed

The following table illustrates how quickly reported claims (by number) were paid net of claims eliminated without consequences, broken down by current generation and previous generation in reference to the principal lines of business:

	(percentages)			
	current generation		previous generations	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Accident insurance	57.58	54.62	66.31	69.82
Health insurance	83.74	83.39	77.56	70.44
Motor vehicle hulls	85.07	85.68	80.33	81.72
Fire and natural events	83.27	85.20	74.29	78.81
Miscellaneous damages - theft	87.53	87.28	86.20	87.95
Third-party motor liability	75.52	75.54	67.82	64.90
Third-party general liability	71.13	67.64	37.35	37.64

Anti-fraud activities

Claims which are presumed to be possible cases of fraud are handled with anti-fraud criteria established by company's guidelines.

Savings for the year in relation to the Motor TPL business, quantified in accordance with Law 27/2012 implemented by Regulation ISVAP n. 44, amounted to 4.5 million euro.

As a result of the deepening in relation to fraud risk, savings of 3.9 million euro were achieved for claims that have been defined without result and 0.6 million euro for claims settled definitively, compared to the assessed value posted to technical reserves.

Claims reserve run-off – Retained risks

The claims reserve existing at the beginning of FY2016, compared with costs borne in the year for previous years' claim events - consisting of payments made and year-end reserving for claims yet to be paid – showed, for the only direct business, a surplus of 15,355 thousand euro, i.e. 1.5% of opening reserves, as highlighted in the following table:

Retained Risks	(€/000)		
	2016	2015	YoY change %
Claims reserve brought forward	1,028,496	987,303	4.2
Amounts paid in the year related to claims occurred in previous years	(334,002)	(341,511)	(2.2)
Balance of claims recovered or to be recovered by policyholders	8,739	7,771	12.5
Claims reserve carried forward	(687,878)	(640,137)	7.5
Aggregate profit (loss) development table	15,355	13,426	14.4
% of incidence on claims reserve brought forward	1.5	1.4	0.1

Reinsurance

LIFE BUSINESS

Outward reinsurance

In the Life business, with respect to Class "I", there are an excess of loss treaty and a pure commercial premiums treaty, the latter for the sale set up in 1996 and 1997.

Ceded premiums in FY16 amounted to 1,182 thousand euro (1,209 as at 31 December 2015).

Inward reinsurance

With respect to the life business, there is a traditional pure-premium treaty no longer fed with new business, which merely records changes occurring in the related portfolio.

NON-LIFE BUSINESS

Outward reinsurance

As far as outward reinsurance is concerned, the corporate policy is based on selective underwriting of risks and on book development and entity in relation to the risks covered. It aims to balance net retention. Transactions are undertaken internationally with players in the reinsurance markets featuring high ratings.

The main treaties in place are the following:

Excess claims: Accident, Motor vehicle Hulls, Marine Hulls, Cargo (goods in transit), Fire and natural events, Motor TPL and General TPL;

Pure premium: Suretyship, Legal protection, Assistance and Miscellaneous damage in relation to Hail, Engineering risks and ten year guarantees.

Ceded premiums in FY16 totalled 31,574 thousand euro (28,586 thousand euro in 2015).

Inward reinsurance

Acceptance of risks relating to the indirect business mainly arises from participation in syndicates and from acceptance of shares in Italian businesses, which are entered into voluntarily.

As regards credit risk, we highlight the fact that the company makes use of premier reinsurers. Rating companies of reference are Standard & Poor's, Moody's, Fitch and A.M. Best; the following table shows the balance sheet transactions in place as at reporting date, by rating:

(€/000)				
S&P / Moody's Rating	Current and Deposit accounts	Reinsurers' share of technical reserves	Total net balance sheet items	% of breakdown
AA	-9	573	564	1.3
AA-	-14,005	39,524	25,519	59.5
A+	-606	2,580	1,974	4.6
A	-418	2,192	1,774	4.1
A3*	-1,812	10,787	8,975	20.9
A-	-213	2,105	1,892	4.4
Not rated	-2,415	4,599	2,184	5.2
Total	-19,478	62,360	42,882	100.0

* provided by Moody's

Commercial organisation

The development activity has resulted in the opening of 18 new agencies and the reorganization of other 27, while 1 agencies have been closed; as at 31 December 2016 Vittoria Assicurazioni was nationally present with 430 General Agencies (413 as at 31 December 2015) and 1,008 Sub-Agencies Professional (966 as at 31 December 2015).

The training activities are going on for the primary sales network (General Agencies), for those involved in the sale of "second level" (producers and sub-agents) and for employees of the agencies.

In particular, to the latter were dedicated training sessions to improve the knowledge Group's processes and tools.

During 2016, the training was delivered by the company's internal trainers and, for a selected number of agencies, was completed with the addition of a series of professional training courses, using external providers, selected on the basis of the requirements of Reg. 6/2014 art. 14.

The training plan was completed in 2016 with the release of modules to upgrade the products according to the following content: Non-Life - Motor, Non-Life - Accidents and Health, Multirisks commercial and travels business, and Life - Savings policies, in the insurance and reinsurance technical areas and administrative and management area.

In 2016, the company continued the training courses in the second edition (the first three-year period ended in 2013) of the Project Victory Academy, which aims to managerial development courses for Agents, sub-agents and Administrative Employees.

Products - Research and development

During the year continued the review for technical operations and regulatory compliance to industry (IVASS, COVIP, CONSOB), of the products of the Life and Non-Life business.

As part of the Non Marine business was introduced the new product "Assicurazioni Infortuni Globale", with the possibility of granting, in a single policy, the accident guarantees, disease, care and legal protection.

In the Life business, it has started the commercialization of the product "Vittoria InvestiMeglio Evoluzione Crescita", a single premium tariff linked to the new segregated fund "Vittoria Obiettivo Crescita".

It had also started the commercialization of the product composite "Vittoria InvestiMeglio-DoppiaEvoluzionePAC", a tariff with recurring premiums aim at establishing a capital accumulation plan, by combining the segregated funds advantages and the investment opportunities in the Internal Insurance Funds.

Overhead costs – direct business

The total amount of personnel costs, other costs, and depreciation & amortisation charges, before allocation to specific functions, i.e. claims handling, business production organisation, and asset administration, amounted to 103,597 thousand euro vs. 115,884 thousand euro in 2015, a decrease of 10.6% YoY.

Besides current operating expenses, these costs also include amortisation of investments in IT structures and processes aimed at containing, in future, overheads burdening the HQ and the agency network, whilst also improving services for policyholders as regards insurance cover and claims settlement.

The following table shows the breakdown of these costs, with “Other costs” consisting primarily of office operating costs, IT costs, legal and legal-entity costs, mandatory contributions, and association membership fees.

	(€/000)		
	31/12/2016	31/12/2015	Change %
Personnel expenses	53,906	51,442	4.8
Other costs	41,551	42,223	-1.6
Depreciations	8,140	22,219	-63.4
Gross Operating Costs	103,597	115,884	-10.6
Percentage of Premiums Written	8.2%	9.0%	-0.8

Overheads as a percentage of direct business premiums recorded was 8.2% (9.0% as at 31 December 2015). The significant decrease in depreciations is attributable to the review of the remaining useful life of the application of management systems operated in the previous year.

The item depreciations does not include the amortization of operating buildings, such as the registered office in the Portello area of Milan. This depreciation is classified under the item “Capital and financial charges”, as indicated in the explanatory notes to these financial statements.

Operating costs – direct business

The following table shows the breakdown of operating costs for direct business, calculated gross of commissions and reinsurer profit-sharing.

	(€/000)		
	31/12/2016	31/12/2015	Change %
Operating Costs, net of expenses transferred to acquisition, claims handling and investment management expenses (A)	74,454	68,331	9.0
- Acquisition and collection costs	176,464	174,463	1.1
- Other acquisition costs	18,377	19,926	-7.8
Total Acquisition Costs (B)	194,841	194,388	0.2
Total Overheads (A+B)	269,295	262,719	2.5
Percentage of Premiums Written	21.2%	20.4%	0.8

Investments

Investments reached a value of 2,851,169 thousand euro with an increase of 8.2% YoY.

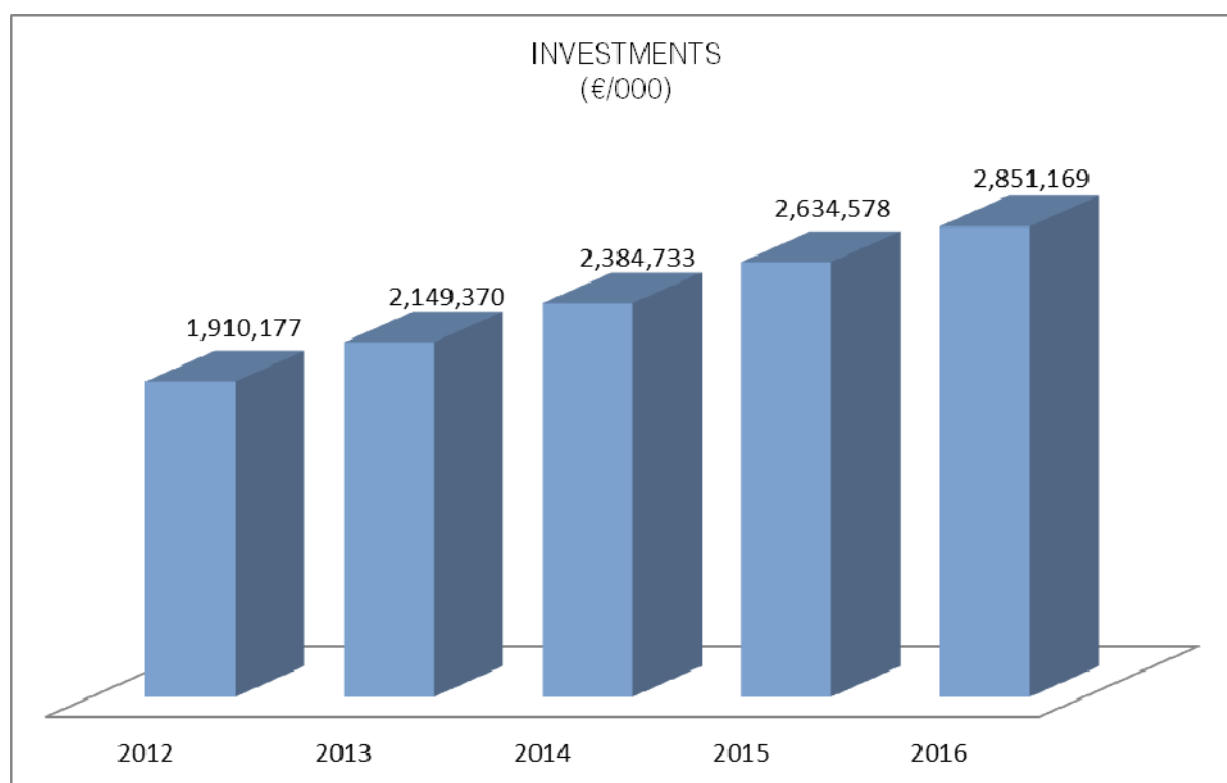
Their breakdown is shown in the table below:

(€/000)

Investments	31/12/2016	31/12/2015	Change %
Land and buildings	188,202	189,281	-0.6
Investments in group and other companies			
- Equity investments	550,386	468,162	17.6
- Loans	21,233	15,783	34.5
Other financial investments:			
- Unit trust units	69,624	48,408	43.8
- Bonds and other fixed-interest securities	1,954,848	1,845,030	6.0
- Loans	8,378	7,093	18.1
- Deposits with banks	2,000	2,010	-0.5
Deposits with ceding companies	149	175	-14.9
Total investments where the company bears the risk	2,794,820	2,575,942	8.5
Investments benefiting life policyholders bearing the risk	56,349	58,636	-3.9
Total investments	2,851,169	2,634,578	8.2
Bank accounts and cash-in-hand	226,094	138,206	63.6

As part of operation aimed at the diversification of the portfolio bonds, during the year, the sale of Italian Government bonds allocated to the long-term portfolio non-life; the liquidity from the sale has been reinvested in terms of adequate diversification, with the acquisition of government bonds and investment-grade corporate bonds in the Eurozone. The overall exposure of Vittoria Assicurazioni S.p.A. on Italian Government securities sector, totally assigned to life insurance, amounted to 31.8% of the total investment (69.5% in the previous year).

The chart below illustrates the evolution of investments, which occurred over the past five years.



The following table shows net income from investments by splitting them in ordinary and extraordinary part.

	(€/000)		
	31/12/2016	31/12/2015	
Ordinary and extraordinary Income on investments (net of related costs)	Amount	Amount	Change %
Income on equity investments	336	180	86.7
Income (cost) on other investments:			
- land and buildings	2,470	1,795	37.6
- bonds and other fixed-interest securities	59,280	63,192	(6.2)
- income on unit trust units	1,769	399	n.s.
- interest on loans	517	425	21.6
- interest on deposits with ceding companies	(401)	(372)	7.8
- other financial investments	11	14	(20.1)
Total net income	63,982	65,633	(2.5)
Adjustments to investment values:			
- land and buildings	(7,359)	(7,788)	(5.5)
- equity investments	(1,307)	(13,623)	n.s.
- unit trust units	(1,623)	-	n.a.
- bonds and other fixed-interest securities	(837)	(1,042)	(19.7)
Total net adjustments to investment values:	(11,126)	(22,453)	(50.4)
Ordinary profit (loss) on sale of investments:			
- bonds and other fixed-interest securities	(3,726)	62	n.s.
Total net profit on sale of investments	(3,726)	62	n.s.
Total net ordinary income on investments where the company bears the risk	49,130	43,242	13.6
Extraordinary profit (loss) on sale of investments:			
- land and buildings	148	-	n.a.
- equity investments	283	-	n.a.
- unit trust units	(4)	33	n.s.
- bonds and other fixed-interest securities	65,160	9,392	n.s.
Total net extraordinary profit on sale of investments	65,587	9,425	595.9
Total net ordinary and extraordinary income on investments where the company bears the risk	114,717	52,667	117.8
Net income on investments benefiting life policyholders bearing the risk	-187	4,238	n.s.
Grand Total	114,530	56,905	n.s.

The weighted average yield of bonds and other fixed-income securities amounted to 6.4% (4.2% in 2015).

Ordinary and extraordinary investment income, a significant increase compared to the previous year, benefited from extraordinary income from the sale of Italian government bonds allocated to non-current segment of Non-Life.

As detailed in the section dedicated to the handling of the equity portfolio of the Company, value adjustments on shares related to the revaluation of the investment in the company Nuove Partecipazioni S.p.A. for 7,257 thousand euro; also they include write-downs for impairment of investments in subsidiaries and associated companies for a total of 8,564 thousand euro.

Adjustments to the value of mutual funds amounted to 1,623 relate to the write-down for impairment in value of investment in closed-end investment fund "Atlante".

Real estate

The real estate at 31 December 2016 amounted to 188,202 thousand euro (189,281 thousand euro at December 31, 2015).

The items making up the balance are as follows:

- 87,793 thousand euro relating to the company's registered office building;
- 851 thousand euro relating to own use properties;
- 82,225 thousand euro for buildings in the Portello in Milan leased to third parties;
- 5,449 thousand euro relating to real estate for free loan to the Agencies;
- 11,884 thousand euro used by third parties.

The change compared to 31 December 2015 is primarily due to the amortization for the period totaling 7,359 thousand euro, of which 3,634 thousand euro related to own-use properties and 3,725 thousand euro in real estate used by third parties; at 31 December 2016, have been purchased for use by third parties properties for 7,028 thousand euro and sold properties for use by agencies for 1,355 thousand euro. Were also capitalized expenses amounted to 607 thousand euro relating to the company's registered office building.

For more details, please refer to the Notes.

Fixed-income securities, equity investments, mutual investment funds

Bond Portfolio

During the year it has made a diversification of the bond portfolio which ended with the sale of the Italian portfolio government bonds. Cash from sales of Italian government bonds amounted to 820,135 thousand euro (500,099 thousand euro in securities assigned to the non-current segment), realizing a net gain of 65,389 thousand euro.

Investments have focused on:

- Government bonds of the euro area for 1,067,889 thousand euro (104,877 thousand euro relating to Italian government bonds) of which 661,564 thousands of euro allocated to the non-current segment;
- Bonds of investment grade corporate issuers in euro for 81,691 thousand euro, entirely allocated to the non-current segment.

The bond repayments generated net cash flows of 269,858 thousand euro, with recognition of net capital losses for 4,016 thousand euro.

As envisaged by the investment policies of the company during the year they were transferred from non-current segment to segment assets in fixed income securities for 249,906 thousand euro with a residual maturity of less than two years.

Mutual investment funds

During the financial year the changes relating to collective investment funds, for long-term use were as follows:

- 9,878 thousand euro were paid for fund recall and credits for the amount of 817 thousand euro were received as partial refund of units, with respect to Italian closed-end investment funds managed by Yarpa Investimenti SGR S.p.A., a 100% subsidiary of associate Yarpa S.p.A.;
- paid 11,098 thousand euro in units of closed alternative investment funds and reimbursements received for 1,373 thousand euro with recognition of 4 thousand euro of net capital losses;
- Fondo Atlante: signed a total commitment of 5,000 thousand Euros of which at year-end are paid 4,059 thousand euro. The Company has decided to write down the fund for 1,623 thousand euro for impairment loss, based on an evaluation of an independent expert appointed by the fund management company, adjusted to consider the year-end capital calls that, based on public information, were aimed at covering provisions for previous losses made by banks.

Equity Portfolio

The following were the changes during the financial year with respect to the Equity Portfolio for long-term use, excluding controlled companies, associate Companies and Subsidiaries:

- Nuove Partecipazioni S.p.A.: recorded a recovery of 7,257 thousand euro value for equity adjustments, subsequently received credit for distributing of capital to 7,822 thousand euro.

The following were the operations related to Controlled Companies, Associate Companies and Subsidiaries:

- Vaimm Sviluppo S.r.l.: paid 42,500 thousand euro, of which 1,000 thousand euro for capital increase;
- VP Sviluppo S.r.l.: 2015 paid 37,000 thousand euro, of which 1,000 thousand euro for capital increase;
- Acacia 2000 S.r.l.: shares purchased for 4.06% of the capital for an outlay of 9,714 thousand euro, thus becoming owner of a holding of 71.6% of the capital;
- Immobiliare Bilancia Prima S.r.l.: paid in capital account 2,250 thousand euro;
- Vittoria Immobiliare S.p.A.: recognized a write-down of the investment of 4,217 thousand euro for impairment loss;
- Touring Vacanze S.r.l.: recognized a write-down of 2,783 thousand euro for alignment to net assets of the company;
- Movincom Servizi S.p.A.: recognized a write-down of the investment of 1,520 thousand euro for impairment loss;
- Consorzio Movincom S.c.r.l.: recognized a write-down of 44 thousand euro for impairment loss;
- Touring Digital S.r.l.: acquired a 45% stake in the company at a cost of 270 thousand euro;
- Sint S.p.A.: completely sold its stake in the company, a gain of 283 thousand euro.

Pursuant to the article 2428, paragraphs 3 and 4, it is certified that Vittoria Assicurazioni S.p.A. did not carry out any transaction, directly or indirectly, involving its own shares and shares of the Parent Company.

Securities portfolio breakdown

The following table shows the carrying value of the securities portfolio with risk borne by the company, between Life and Non-Life, by investment type (debt securities, equity securities and mutual funds) and provides some guidance in concerning financial risks and uncertainties of flows.

NON LIFE PORTFOLIO

(€/000)

Investment nature	Amount 31/12/2016	% of breakdown	Amount 31/12/2015	% of breakdown
DEBT SECURITIES	1,028,406	94.7%	935,953	95.3%
Listed treasury bonds:	962,955	88.7%	933,381	95.0%
Fixed-interest rate	962,955	88.7%	923,920	94.0%
Variable interest rate	-	0.0%	9,461	1.0%
Listed corporate bonds:	65,312	6.0%	2,512	0.3%
Fixed-interest rate	64,298	5.9%	2,512	0.3%
Variable interest rate	1,014	0.1%	-	0.0%
Unlisted corporate bonds:	139	0.0%	60	0.0%
Fixed-interest rate	139	0.0%	60	0.0%
of which				
Total fixed-interest securities	1,027,392	99.9%	926,492	99.0%
Total variable-interest securities	1,014	0.1%	9,461	1.0%
Total debt securities	1,028,406	100.0%	935,953	100.0%
of which				
Total listed securities	1,028,267	100.0%	935,893	100.0%
Total unlisted securities	139	0.0%	60	0.0%
Total debt securities	1,028,406	100.0%	935,953	100.0%
EQUITY INSTRUMENTS (*)	28,412	2.7%	28,918	3.0%
listed shares	10,354	1.0%	10,354	1.1%
unlisted equity instruments	18,058	1.7%	18,564	1.9%
OEIC UNITS	28,228	2.6%	16,662	1.7%
TOTAL	1,085,046	100.0%	981,533	100.0%

The Non-life fixed-income securities portfolio has a duration of 1.9 years.

LIFE PORTFOLIO

(€/000)

Investment nature	Amount 31/12/2016	% of breakdown	Amount 31/12/2015	% of breakdown
DEBT SECURITIES	926,441	95.7%	909,077	96.6%
Listed treasury bonds:	891,695	92.2%	893,532	95.0%
Fixed-interest rate	861,698	89.1%	863,535	91.8%
Variable interest rate	29,997	3.1%	29,997	3.2%
Unlisted treasury bonds:	967	0.1%	1,173	0.1%
Variable interest rate	967	0.1%	1,173	0.1%
Listed corporate bonds:	33,779	3.5%	14,370	1.5%
Fixed-interest rate	30,780	3.2%	11,372	1.2%
Variable interest rate	2,999	0.3%	2,999	0.3%
Unlisted corporate bonds:	-	0.0%	1	0.0%
Fixed-interest rate	-	0.0%	1	0.0%
of which				
Total fixed-interest securities	892,478	96.3%	874,908	96.2%
Total variable-interest securities	33,964	3.7%	34,169	3.8%
Total debt securities	926,442	100.0%	909,077	100.0%
of which				
Total listed securities	925,473	99.9%	907,902	99.9%
Total unlisted securities	967	0.1%	1,174	0.1%
Total debt securities	926,440	100.0%	909,077	100.0%
OEIC UNITS	41,397	4.3%	31,746	3.4%
TOTAL	967,838	100.0%	940,823	100.0%

The Life fixed-income securities portfolio has a duration of 5.5 years.

The following are the book values of fixed-rate securities by maturity and the carrying amounts of floating rate securities by type of rate, separately indicated in Non-life and life business.

NON LIFE PORTFOLIO

Fixed - interest securities (€/000)			
Maturity	Amount	% of breakdown	
< 1 year	405,880	39.5%	
1<X<2	130,826	12.7%	
2<X<3	136,043	13.2%	
3<X<4	173,774	16.9%	
4<X<5	139,346	13.6%	
5<X<10	38,842	3.8%	
more	2,681	0.3%	
Total	1,027,392	100.0%	

Variable - interest securities (€/000)			
Type of rate	Indexation	Amount	% of breakdown
variable	3 months treasury bonds	1,014	100.0%
Total		1,014	100.0%

LIFE PORTFOLIO

Fixed - interest securities (€/000)			
Maturity	Amount	% of breakdown	
< 1 year	108,002	12.1%	
1<X<2	36,940	4.1%	
2<X<3	57,937	6.5%	
3<X<4	65,969	7.4%	
4<X<5	78,461	8.8%	
5<X<10	388,235	43.5%	
more	156,934	17.6%	
Total	892,478	100.0%	
of which repayable in advance		5,161	

Variable - interest securities (€/000)			
Type of rate	Indexation	Amount	% of breakdown
Constant mat. Swap	Euroswap 10Y	24,999	73.7%
Constant mat. Swap	Euroswap 30Y	7,998	23.5%
variable	3 months treasury bonds	967	2.8%
Total		33,964	100.0%

Credit risk

In implementing its investment policy, the company limits its exposure to credit risk by investing in highly-rated issuers.

As can be seen in the table below, as at 31/12/2016 nearly all corporate bonds held by the group were rated as investment grade.

(€/000)

Rating (Standard & Poor's)	Amounts	% of breakdown
AAA	395,552	20.2%
AA+ / AA-	249,622	12.8%
A+ / A-	146,159	7.5%
BBB+ / BBB- (*)	1,162,365	59.5%
Total investment grade	1,953,698	99.9%
Non investment grade	1,149	0.1%
Totale	1,954,847	100.0%

(*) of which 889,929 relating to Italian government bonds.

Investments benefiting Life policyholders who bear related risk and relating to pension fund management

As at 31 December 2016 these investments amounted to 56,349 thousand euro (58,636 thousand euro as 31 December 2015).

Of the total 7,949 thousand euro related to unit-linked policies linked to funds outside the company, 29,420 thousand euro to unit-linked policies linked to the company's internal funds, and 18,980 thousand euro to the Vittoria Formula Lavoro open-ended pension fund.

Overall net return was negative and totalled -187 thousand euro (4,238 thousand euro in 2015).

Risk Report

The Risk Report is intended to provide all the information required by IFRS 7 regarding risks arising from financial instruments and insurance products to which the Group is exposed, both information on the objectives, processes and capital management policies, according to the general principles of Solvency II regulations, which came into force on 1st January 2016.

System of Internal Control and Risk Management

The risk monitoring is carried out primarily where the risk itself originates. Therefore, the implementation of activities aimed at limiting the risks is the specific duty of every person, according to their powers. In this sense, the corporate bodies of all Group companies are required to the application of appropriate control mechanisms for the mitigation of risks related to specific operations, which would assure to all levels a structured and regular course of business, internal and external regulatory compliance as well as the principles of sound and prudent management.

The company maintains and updates over time an internal documental complex consisting of procedures and organizational requirements, as well as arrays of activities and controls, aimed to making operational management principles, lines of general behavior, organizational models, roles and responsibilities on the management processes, then adjusting the internal operations and consequently the risk management.

Roles and responsibilities

Government bodies

The company has adopted a traditional model of administration and control, where the Board of Directors is the central body of the system of corporate governance and the Board of Auditors performs control functions.

The Board is supported by specific committees created within it.

Board of Directors

Responsibility for the risk management system lies with the Board of Directors, which sets its guidelines and periodically verifies its adequacy and effectiveness, ensuring that the business risks are identified and properly managed.

The Board of Directors defines and approves policies and risk management strategies as well as the propensity, preferences and levels of tolerance to risk, defining performance targets consistent with the level of capital adequacy.

The Board ensures that senior management properly implements the risk management system in line with the guidelines provided and verify its efficiency, completeness, appropriateness and timeliness of information flows. The Board, in order to efficiently and effectively manage the risks, approves the model of powers and mandates, paying particular care to avoid an excessive concentration of powers in a single person, and puts in place monitoring tools on the exercise of delegated powers.

As a result of the identification of risks to which the Group is or could be exposed, the Board approves appropriate emergency plans in order to protect the assets and to ensure alignment with risk appetite.

Audit and Risk Committee

The main function of the Committee, as part of the management system and risk control, is to support, through adequate investigations, assessments and decisions of the Board of Directors regarding the establishment of guidelines and verification the adequacy of the management system and risk control.

Finance Committee

The main function of the Committee, as part of the risk management system, is to support the assessments and decisions of the Board of Directors with respect to the definition of investment risk management policies and strategies and in the supervision of the implementation of the same.

Strategy Committee

The Strategy Committee is responsible for supporting the Board and senior management in setting goals and business strategies.

Real Estate Committee

Real Estate Committee supervises the performance of the Group's real-estate investments, defines development strategies for the segment and periodically assesses individual investment proposals submitted in the period.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee assists the Board in defining the remuneration policy of the company in accordance with the principles of sound and prudent risk management and in line with the strategic objectives, ensuring that the incentive remuneration system does not encourage excessive risk exposure.

Committee for the assessment of transactions with related parties

The Committee, as part of the risk management system, expresses a motivated opinion regarding the company interest in making transactions with related parties and the convenience and substantial correctness of the relative conditions.

The following are the roles and responsibilities of the control functions, of the main non-Board Committees and of line functions within the company risk management system.

Line controls (so-called "first level controls")

They are performed from line functions, as part of the risk management system, carrying out direct control activities, each for the scope of its competence, aiming to apply the guidelines approved by the Board of Directors, in respect of:

- risk management;
- identification of risks related to its operations;
- assessment of their impact;
- monitoring of their progress on an ongoing basis;
- disclosure of information to the relevant departments;
- where necessary, activating all the required corrective actions.

Controls performed on risks and compliance (so-called "second-level controls")

Risk Management

Risk Management oversees the events included in the risk management process related to: insurance risks, market risks, credit risks, liquidity risk, reputational risk, operational risk and risks arising from belonging to the Group.

The Risk Management function supports the top management in the identification, implementation and monitoring of a system (methods and models) of assumption, assessment and management of business risks in line with the strategies, policies and risk appetite defined by the Board of Directors for the company and its subsidiaries.

Compliance

Compliance is the business function that oversees the risk of non-compliance, in order to prevent the risk of incurring legal or administrative sanctions, financial losses or reputational damage as a result of violations of laws, regulations or decisions of the Regulatory Authority or self-regulations.

Actuary

The Actuarial department coordinates the calculation of both Non-Life and Life technical reserves according to Solvency II principles, assesses the adequacy of both Non-Life and Life technical reserves calculated for the purposes of preparation of the Statutory Financial Statements and Solvency II and certifies the correctness of the procedures followed. The function also checks the appropriateness of the data used in support of the assumptions and the appropriateness of the methodologies, models and assumptions used and assesses the general underwriting policies and the reinsurance arrangements, giving specific opinions.

Anti-money Laundering Department

The Anti-Money Laundering department prevents and fights money-laundering operations and the financing of terrorism, ensuring compliance with anti-money laundering laws.

With regard to the above, this department is responsible for preparing and managing the related information flows to the Supervisory Authority in the manner and timing provided about the identified doubtful operations.

Anti-fraud department

The Anti-Fraud department prevents and acts against, directly and indirectly, insurance fraud, also in cost containment perspective. To this end, the Anti-fraud department helps to define guidelines, rules and measures to prevent fraud against the company, carrying out specific activities with the aim of identifying potential frauds.

Financial Reporting Officer

Financial Reporting Officer reports to the Board of Directors periodically, also via the Control and Risk Committee in which he participates, in relation to the activities performed in the exercise of his functions, aimed at ensuring the provision of appropriate administrative and accounting procedures for the preparation of financial statements, the consolidated financial statements and all other financial documents.

Risk Management Committee

The company has established a Risk Management Committee in order to ensure the implementation and monitoring of a system of risk assumption, evaluation and management, consistent with the operations carried out by individual departments.

Anti-money Laundering Committee

The company set up an Anti-Money Laundering Committee whose purpose is to evaluate the operations reported as unexpected by the application system or by the operational departments (Management and distribution network functions), in order to support the Head of Anti-Money Laundering department in the decision to dismiss the report or to proceed with sending it to the Financial Intelligence Unit (FIU).

Steering Committee for Disaster Recovery Emergency

The company has set up a special committee with the task of ensuring the presence of a disaster recovery plan, expected to meet serious emergencies that may affect the smooth business operations. The plan also is periodically updated depending on the outcome of the annual test of Recovery.

Internal audit (so-called "third-level controls")

Internal Audit

The Internal Audit function assists in the development of the risk management system by evaluating its design and monitoring its aspects of effectiveness and efficiency. It verifies the completeness, functionality, reliability and adequacy of the internal control and risk management (including the first and second level controls) as well as the company's operations to be consistent with it.

The risk management system

The risk management system is the set of rules, processes, resources (human, technological and organizational), and the tools used to support the Group's risk management strategy and allows an adequate understanding of the nature and significance of the risks to which the Group and the individual companies are exposed. The risk management system allows the company to have a single point of view and a holistic approach to risk management as a part of the running of business.

An integral part of the risk management system are the detailed policies that allow it to decline, consistently, the approach and methodology for the management of specific risk categories, risks within specific processes, risk mitigation techniques, methods for measuring individual risk factors, their correlations and the underlying principles, monitoring and analysis methodologies.

Such risk management policies are defined and implemented with reference to the integrated view of assets and liabilities, whereas the development of techniques and asset-liability management models is crucial for the proper understanding and management of risk exposures that may result from the interrelations and the mismatch between assets and liabilities.

The processes of identification and assessment of risks are performed on an ongoing basis, to take account both of the changes in the nature and size of the business and market environment, both in the occurrence of new risks or change of the existing ones.

The risk management process of the company allows to detect, measure, monitor and possibly mitigate risk and consists of the following stages:

- Risk identification;
- Assessment of exposure to risks;
- Risk monitoring;
- Risk treatment.

Risk Appetite and Risk Appetite Framework

The risk appetite is the level of risk that the company intends to take in total and by each of the areas, and ensures an adequate level of capitalization and the pursuit of defined strategic objectives. The Framework is a set of metrics, processes and systems that support the proper management of the level and the type of risk.

The Risk Appetite adopted and reviewed periodically by the Board of Directors is defined on the basis of three dimensions: Capital, Value and Profit and results operationally in key indicators (e.g. performance and/or risk) for which appropriate thresholds are defined. The indicators are subject to continuous monitoring and the recognition of violations of the thresholds, according to different levels of early warning, allows the activation of escalation processes and of business plans revisions.

The ORSA process

The Own Risk and Solvency Assessment is an assessment of the current and prospective risk profile of the company. The evaluation is based on methodologies, processes and techniques appropriate to the nature, scope and complexity of the risks inherent in the business exercised. The results achieved allow the company to take decisions in key areas such as capital management and allocation, strategic planning, product development and design and corporate risk management.

The ORSA, representing the projection of the overall solvency needs over a period coinciding with that of the strategic plan of the company, reflects the risk profile, the risk appetite and business strategy.

Risk Identification

Significant risks of the company, whose consequences can undermine the solvency or constitute a serious obstacle to the achievement of business objectives, are set periodically by the Board of Directors. The cases considered in the context of the risk management process are mainly related to insurance risks, market risks, credit risks, liquidity risk, concentration risk, risks of regulatory non-compliance, reputational risks, operational risks and risks arising from belonging to the group.

Major **Insurance Risks** included in the risk management process are related to the underwriting criteria, pricing models, the quantification of reserves and risk transfer techniques. The main risks to which the company is exposed are referred to:

- a. Underwriting risk (underwriting and pricing): it reflects the risk that premiums are not sufficient to cover claims plus expenses and is derived from the selection of risks and the covered events (including catastrophe) as well as by results in the actual loss experience compared to that estimated.
- b. Reservation Risk: derives from the quantification and runoff of technical provisions and considers the possibility that the asset will not be appropriate in respect of commitments to policyholders and injured parties.
- c. Pricing risk of the Motor business: it is associated to the processes followed for the definition of the tariff to be applied to Motor policies, with particular reference to the Civil Liability guarantee.
- d. Risk of Reinsurance Retention: it derives from the definition and implementation of an inadequate reinsurance policy that may result in a less than optimal level of retention and an inefficient mitigation of exposure to risks.

The main **market risks** included in the risk management process are referred to:

The Interest rate risk, respect to the bond portfolio and insurance liabilities.

The debt securities are exposed to interest rate risk. The risk of the market value interest rate appears to be the risk that the value of a financial instrument will fluctuate because of changes in interest rates on the market. A decrease in interest rates would raise the market value of such securities, while an increase in rates would decrease the value.

The risk of interest rate risk on cash flows relates to possible changes of the coupons of floating rate notes.

The debt securities, fixed and floating rate, exposed to interest rate risk on market value are shown separately for Non-life and Life business, with an indication of the duration, in the underparagraph entitled "Securities portfolio breakdown", previously reported, together with the layering of the portfolio by maturity.

Life insurance contracts provide a guaranteed minimum interest rate and have a direct link between investment income and benefits to be paid to policyholders, governed by the aforementioned assets/liabilities integrated management model.

In particular, the Group manages the risk of interest rate by matching the cash flows of assets and liabilities as well as keeping a balance between the duration of liabilities and that of the investment portfolio directly related to them.

Duration is an indicator of the sensitivity of the assets and liabilities market value to changes in interest rates.

The **Equity risk** reflects the possible adverse changes in the level and volatility of the market value of financial instruments and equities. The company is exposed to equity risk with reference to shares and interests in listed and unlisted companies and units in investment funds and mutual funds.

The **Real estate risk** reflects the possible adverse changes in the level and volatility of market prices of real estate. The company is exposed to real estate risk in reference to land, buildings, rights on property and the direct or indirect investments in real estate companies. The estate properties for own use of the company are included in this type of risk.

The **Spread risk** is the possible adverse change in the level and volatility of credit spreads. The company is exposed to the spread risk in reference to bonds, to finance, to mutual debt funds, non-residential mortgages and loans. The loans to associated companies and subsidiaries are included in this type of risk.

The **Currency Risk** derives from adverse changes in the level and volatility of currency exchange rates. The company is marginally exposed to currency risk in relation to financial instruments and bank accounts denominated in foreign currencies.

The **Maturity mismatch risk** arises from the possibility that the company is unable to generate cash inflows that have a time frame aligned with the cash outflows and its risk/return goals.

The **Government risk** is defined as the risk arising from the possibility that the issuers of Government securities are not able to efficiently fulfill their commitments, and the risk arising from a change in the implied spread.

The **credit or default risk** reflects potential losses generated by an unexpected default, or deterioration in the credit standing, of the counterparties and debtors of the company. Company exposure to credit risk, which are not included in the spread risk, mainly refer to: reinsurance agreements (see table above in the section on reinsurance), receivables from other companies, cash at bank or at post office, receivables from intermediaries (e.g. receivables from agents) and customers (e.g. for premiums, for deductibles) and loans (residential mortgage).

The **liquidity risk** reflects possible losses arising from the difficulty of honoring the cash commitments, expected or unexpected, owed to counterparties. The risk arises mainly from the "Liquidity Mismatch Risk" i.e. the mismatch between cash inflows and cash outflows or an inadequate treasury management and

from the "Market Liquidity Risk", i.e. the sale of assets (such as less liquid assets) in unfair economic and timing conditions, accordingly influencing the Net Asset Value of the company.

As of December 31, 2016, as noted in the tables in the previous section " Securities portfolio breakdown", more than 95% of financial assets held was listed on a regulated market.

The breakdown of financial liabilities by maturity is given in the relevant section.

The **concentration risk** is represented by all risk exposures with a potential loss, enough to threaten the solvency or the financial position of the company.

The **risk of non-compliance with standards** is defined as the risk of incurring legal or administrative sanctions, significant financial losses or reputational damage as a result of violations of mandatory rules (laws, regulations), of self-regulatory standards (e.g. statutes, codes of conduct, self-regulatory codes, etc.) or the risk arising from adverse changes in the law or legal guidelines.

The **reputational risk** is defined as the risk of decrease in profits or capital arising from a negative perception of the Group by its main stakeholders (customers, shareholders, investors, lenders, regulatory authorities, employees, partners, distribution network, suppliers, general public, etc.). The appreciation judgment is usually tied to the organization's quality, the characteristics and behaviors that derive from experience, from hearsay or from the observation of past actions of the organization.

The **risk related to the group or the risk of "contagion"** is the risk that, as a result of the relationship between the company and other Group entities, difficult situations that arise in an entity of the same group can propagate with negative effects on the solvency of the company itself. In this type of risk is included the risk of conflict of interest which is regulated by the Related Parties Procedure adopted by the company which defines the rules, the procedures and principles necessary to ensure the transparency and substantial and procedural fairness of transactions undertaken with related parties of the company.

Risk assessment

The assessment phase is aimed at measuring risks through quantitative methods, where it is possible, and/or qualitative methods. The quantitative measurement of risks is performed using several procedures, which are used to determine both the present situation both the medium to long-term situation.

In addition, in order to assess its vulnerability to extreme but plausible events, the company makes use of specific quantitative techniques. In particular the stress tests allows to assess the effects on economic and financial conditions arising from specific events or from changes in a set of economic-financial and insurance variables in the event of adverse scenarios.

The quantitative techniques used by the company determine the risk profile or the risk measure actually taken and detected at a given time instant. Any deviation from the level of risk appetite is monitored, as described in the following paragraph.

In addition, the company determines through quantitative measurement techniques the Solvency Capital, being the amount of equity that the company must hold, for regulatory and capital soundness purposes, to cover risks arising from the business.

Risk Monitoring

The monitoring is based on controlling, on an ongoing basis, exposure to different types of risk and is performed by verifying:

- compliance with the principles / guidelines defined in the policies;
- compliance with risk and operational limits for specific risk categories;
- trend indicators such as those of capital value and liquidity.

The risk monitoring process is structured into three phases:

- production of a risk measurement report: the risk owner prepares reporting defined for the risk monitoring with the frequency and the operating procedures defined in the reference policy;
- analysis of the measured risk and proposal of mitigation plan: the risk owner examines data on the risk measurement report of its competence and prepares a report aimed at sharing its findings, at explaining certain phenomena encountered and possibly at proposing a plan of action to deal with the risk. The report and the reports are transmitted to the Risk Management;
- approval of a reaction and risk mitigation plan: the Risk Manager analyses information set out in reports, completes the exam with additional analysis deemed appropriate and makes the resulting evaluations. During the first meeting of the Risk Management Committee or, if deemed necessary, in a special session, mitigating/reacting plans, proposed by the responsible for the line of activity or the Risk Manager, are submitted for discussion and approval.

Risk treatment

The risk treatment of is to evaluate the possible options regarding the reaction to risk and then activate the one that is considered more appropriate. The choice, which also depends on the type and severity of the risk, is made between the following options: acceptance, avoidance, or attenuation and mitigation.

The acceptance option can result in the revision of risk targets, while avoidance can lead to re-examination of the objectives and business strategies.

The treatment that addresses the adverse consequences of action is called "risk mitigation"; while the one which affects the probability is defined action of "attenuation of risk." The risk treatment can create new risks or modify existing risks. Any violations of the risk profile, operating limits or tolerances are managed through the process of definition of recovery actions.

In particular the escalation process distinguishes stages and responsibilities depending on the severity of the violation:

- in cases of breach within the tolerance thresholds, the Vice President shall promptly inform the Audit and Risk Committee and, with the support of the Board Committees and the Risk Management Department and Senior Management, defines the eventual recovery plan;
- for breaches beyond the tolerance thresholds, the Vice President shall promptly inform the Board of Directors with the aim of establishing and approving the measures deemed necessary and the relative timing. In the definition of proposals to the Board of Directors the Board Committees, the Risk Management Department and the Senior Management are involved.

Reporting

The internal reporting system of the company, designed for the purpose of communicating the information needed to make timely and effective decisions even in critical situations, follows the aim of promoting, at the appropriate hierarchical levels, all assumable, undertaken and future risks in the various business segments highlighting, in an integrated logic, the correlations of the risks and interrelations with the external environment.

Information flows provided by internal reporting system, as part of the risk management system, provide for the approach:

- from the top, in relation to communications from the Board of Directors to senior management and the company structures involved;
- from below, in reference to the flow of information, for the Board and the Committees, prepared especially by the control and top management functions;
- cross, alleging the information flows between the control functions and the various business units and senior management.

Human resources

As is spelt out in the Company's Code of Business Ethics, the Vittoria Assicurazioni safeguards and enhances the value of its human resources, while assuring respect individuals' moral and professional dignity.

We pursue this objective via:

- assessment of candidacies based on the match between requirements and the professional profiles to acquired. The priority for identification of resources is internal recruitment, to aid professional growth. When in-house candidacies consistent with the profile sought cannot be identified, external market recruitment processes are activated to hire particularly qualified people in terms of their academic background and/or professional experience acquired in the sector;
- commitment to providing training appropriate to the role covered by each person, consistently with the Company's objectives and strategies. The Vittoria Assicurazioni Group in fact believes that human resources play a key role in the value creation process and, because of this, it pays special attention to planning training and development activities;
- preference for forms of flexibility in organising work, respecting individual/family and company needs;
- prevention of all forms of discrimination;
- adoption of a reward system based on assignment of personal or group targets to specific professional figures and the careful supervision of the pay system, implemented either through careful remuneration policy is through the allocation of business objectives, group or personal formalized, Vittoria Assicurazioni is gradually extending to the entire workforce;
- constant commitment to achieving workplaces and units that not only comply with legal safety standards, to protect the health of those using them, but are also pleasant places in which to be.

Solvency Capital Requirements

(pursuant to paragraph 7 of Article. 4 of ISVAP Regulation no. 22 of 4 April 2008, amended and supplemented by IVASS Regulatory order n.53 / 2016)

As required by the Supervisory regulations, we indicate assessments with regard to the Solvency II Capital Requirements:

<u>Volatility Adjustment Evaluations of euro</u>	<u>amounts in millions</u>
Solvency Capital Requirement	472
Minimum Capital Requirement	212
Solvency II Own Funds (net of dividend to be distributed in 2017)	804

Company's own funds belong to Tier 1 for 776 million euro and to Tier 3 for 28 million euro. The solvency ratio (ratio of equity and S.C.R.) is estimated at 170.3%.

A significant increase of the Solvency Ratio might be registered, should the Supervisory Authority authorize, in due time for the issuance of the final reports, the process for the use of Undertaking Specific Parameters, which reflect the Non-life business risks of the company in a more accurate way than the Standard Formula.

Relations with the Supervisory Authority

On 2nd February 2016, the company sent to IVASS its own considerations, the overall action plan and the actions already undertaken on the in-depth inquiry on the government, management and control of investments and financial risk, advanced on 3 December 2015 by IVASS officials to the Board of Directors of the company.

During 2016 it continued the exchange of data and information between IVASS and the company, about the request made by the latter for the use of USP (Undertaking Specific Parameters). As reported above, at the date of approval of this Report, the Institute has not yet issued a final opinion on the matter. The company is waiting to receive the relevant authorization.

Management and coordination

Until the date of preparation of this Report, Vittoria Assicurazioni is not subject to others management and coordination pursuant to art. 2497 of the Civil Code, as the parent companies have only the role of holding companies.

Following the amendments to the Legislative Decree of 7 September 2005 n. 209 (Code of Private Insurance) by Legislative Decree n. 74/2015 transposing Directive 2009/138/CE (Solvency II) and the entry into force of the Regulation n. 22 IVASS of 1 June 2016 on the supervision of insurance groups, Yafa S.p.A., as the ultimate Italian parent company, has put in force a plan for the implementation of the organizational and structural adjustments needed in order to carry out the formalities required by the mentioned legislation and therefore effectively become the parent company.

The registration of Yafa S.p.A. in the parent company register provided for by art. 210-ter of the Code of Private Insurance Companies will be finalized in 2017 and will require the exercise of the direction and coordination activities for all the subsidiaries of the Group, including Vittoria Assicurazioni S.p.A..

At 31/12/2016 Vittoria Assicurazioni S.p.A., within the insurance group regulated by the above mentioned regulations, holds the role of Parent Company and performs activities of direction and co-ordination of the following companies:

Real estate companies

Vittoria Immobiliare SpA – Milan
Acacia 2000 Srl – Milan
Immobiliare Bilancia Srl – Milan
Immobiliare Bilancia Prima Srl - Milan
V.R.G. Domus Srl – Turin
Vittoria Properties Srl – Milan
Valsalaria Srl – Rome
Vaimm Sviluppo Srl – Milan
Interimmobili Srl - Rome
Gestimmobili Srl – Milan
VP Sviluppo 2015 S.r.l. - Milan

Service companies

Interbilancia Srl - Milan
Aspevi Firenze Srl - Florence
Assiorviato Servizi S.r.l. - Orvieto
Plurico Srl - Milan

Infragroup and related-party transactions

The Company has adopted a "Procedure for the management of related-party transactions" pursuant to Consob Regulation 17221 of 12 March 2010 as amended and supplemented, briefly described in the report on corporate governance and ownership structures. The full text of the procedure is available in the Governance section of the Company internet site of www.vittoriaassicurazioni.com

The Board also approved the "Policy of Inter-Group Transactions" setting the guidelines relating to inter-group transactions identified pursuant to art. 377 paragraph 2 of the Delegated Acts and Ivass Regulation no. 30 of 26 October 2016, so that they will be consistent with the principles of sound and prudent management, do not produce negative effects on the solvency and are not prejudicial to the interests of policyholders.

There were no financial or commercial transactions with the direct controlling company - Vittoria Capital S.p.A., or the indirect controlling shareholders, Yafa Holding S.p.A. and Yafa S.p.A..

The table below shows the balances resulting from the transactions carried out during the year with Group companies, involving mainly administration and management of the property portfolio, administrative and IT services, loans, and adjustments on equity investments.

	(€/000)			
	Subsidiaries	Associated	Total as at 31/12/2016	Total as at 31/12/15
<i>Assets</i>				
Investments	506,609	16,929	523,539	439,245
Loans	20,000	1,233	21,233	15,783
Receivables and other assets	2,793	1,811	4,604	3,960
Total Assets	529,402	19,973	549,375	458,987
<i>Liabilities</i>				
Payables and other liabilities	5,924	394	6,318	6,527
Total Liabilities	5,924	394	6,318	6,527
Dividends	-	-	-	34
Adjustments values	4,217	4,348	8,564	13,623
Revenues for service business	105	13	118	849
Costs for service business	865	48	913	6,423
Commissions	1,059	4,644	5,703	3,938
Net income on investments	295	345	640	124

The loans receivable from subsidiaries relate to four loans, each of 5,000 thousand euro, granted to Immobiliare Bilancia Prima S.r.l., Vaimm Sviluppo S.r.l., Vittoria Immobiliare S.p.A. and VP Sviluppo 2015 S.r.l.; to associates was granted a single loan to Spefin Finanziaria S.p.A..

Receivables and other assets mainly relate to Group VAT.

Payables and other liabilities primarily related to the IRES debt, approximately 5,426 thousand euro arising from the adoption of the tax consolidation and the debts of Group VAT.

The impairment losses on shares for a total of 8,564 thousand euro (13,623 thousand euro at 31 December 2015) refer to the above information reported in the comment on the equity portfolio.

Revenues from services relate to the chargeback of administrative expenses incurred by Vittoria Assicurazioni S.p.A. on behalf of Group companies.

Costs for services provided by subsidiaries refer to the property management provided by the Companies of Vittoria Immobiliare Group and mainly by Gestimmobili.

The change compared to the previous year was due to the sale to third parties of the investment in Sint S.r.l..

Payable commissions were paid to Aspevi Roma S.r.l., Aspevi Firenze S.r.l. and Assiorviato Servizi S.r.l..

As recommended by the CONSOB in its memorandum no. 98015375 of 27 February 1998 and its subsequent memorandum no. 6064293 of 28/07/2006, we certify that the transactions carried out with Group companies referred to the normal course of business with use of specific professional services at market rates and did not include any unusual transactions.

A description of the Companies and additional disclosures are shown in the Notes, part C – other information and in the Consolidated Financial Statements.

Report on remuneration

(pursuant to Article 123-ter of Italian Legislative Decree, No. 58/1998 and IVASS Regulation no. 39)

Information concerning remuneration policy of members of the administrative body and board of control, general director and strategically accountable managers are shown in the Report on remuneration published pursuant to Art. 123-ter of Italian Legislative Decree, No. 58/1998.

Report on corporate governance and ownership structures

(pursuant to Article 123/2 of T.U.F.)

The annual report on corporate governance and ownership structures established by article 123/2 of T.U.F. can be consulted on the company's website in the section "Governance" at the following address: www.vittoriaassicurazioni.com.

Performance in early months of FY2017 and business outlook

The company's performance in the first months of 2017 is in line with the targets, with the exception of claims of Non Marine line of business of particular economic relevance, which have occurred to a greater extent with respect to the same period last year.

Allocation of earnings

Shareholders,

At the end of the Directors' Report, and considering the contents of the year-end financial statements and accounts, we submit the following allocation of the year's earnings pursuant to the article no. 20 of Social Statute as follows:

Net profit of Non-Life Business	138,504,075
Net profit of Life Business	982,571
Total (equal to 0.9835 per share)	139,486,646
Allocation to Life Business Legal Reserve	49,129
Total available net profit	139,437,517
of which:	
Available net profit of Non-Life Business	138,504,075
Available net profit of Life Business	933,442

Shareholders,

the operating plans that have been prepared lead us to make the following motion for allocation of net profit:

to each of the 67,378,924 shares constituting the entire share capital 0.21 euro for a total of 14,149,574 euro. Remaining 125,287,943 euro which we propose be allocated to increasing the Non-Life Available Reserve for 124,354,501 euro and Life Available Reserve for 933,442 euro.

The operational plans formulated to achieve the strategic objectives can predict a steady annual adjustment of dividends service.

If you agree with and approve our proposal, the dividend will be paid as from 10 May 2017 c/o custodian intermediaries with detachment of coupon no. 35 on 8 May 2017. Those who hold shares at the end of the record date of 9 May 2017, decided by the company in accordance with the Italian Stock Exchange's calendar, will be entitled to collect the dividend.

In concluding this report, we wish to thank shareholders and policyholders for the trust placed in the company, as well as employees, agents and their staff for their hard work and effort.

The Board of Directors

Milan, 15th March 2017

Financial statements
as at and for the year ended
31 December 2016

Previous year

				181	0
		182	0		
183	5,790,536				
184	0	185	5,790,536		
		186	0		
		187	0		
		188	0		
		189	10,503,875	190	16,294,411
		191	91,671,379		
		192	97,609,367		
		193	0		
		194	0		
		195	0	196	189,280,747
197	0				
198	419,361,967				
199	0				
200	19,882,600				
201	28,917,881	202	468,162,447		
203	0				
204	0				
205	0				
206	0				
207	0	208	0		
209	0				
210	13,500,000				
211	0				
212	2,282,791				
213	0	214	15,782,791	215	483,945,238
		to carry forward			16,294,411

BALANCE SHEET

ASSETS

Current year

			brought forward		14,524,506
C. INVESTMENTS (continues)					
III - Other financial investments:					
1. Equity investments					
a) Listed shares	36	0			
b) Unlisted shares	37	0			
c) Quotas	38	0	39	0	
2. Unit trust units			40	69,624,443	
3. Bonds and other fixed-interest securities					
a) listed	41	1,953,741,341			
b) unlisted	42	1,106,472			
c) convertible bonds	43	0	44	1,954,847,814	
4. Loans					
a) secured loans	45	3,145,445			
b) loans on policies	46	1,275,779			
c) other loans	47	3,956,375	48	8,377,598	
5. Shares in investment pools			49	0	
6. Deposits with banks			50	2,000,000	
7. Other financial investments			51	0	52
IV - Deposits with ceding companies				2,034,849,854	
			53	148,734	54
					2,794,819,208
D. INVESTMENTS BENEFITING LIFE POLICYHOLDERS BEARING THE RISK AND STEMMING FROM PENSION FUND MANAGEMENT					
I - Investments relating to index-linked policies				55	37,368,378
II - Investments relating to pension fund management				56	18,980,348
					57
					56,348,726
D bis. REINSURERS' SHARE OF TECHNICAL RESERVES					
I - NON-LIFE BUSINESSES					
1. Premium reserve			58	17,189,676	
2. Claims reserve			59	38,812,509	
3. Profit participation and reimbursement reserve			60	0	
4. Other technical reserves			61	0	62
					56,002,185
II - LIFE BUSINESSES					
1. Mathematical reserves			63	7,446,621	
2. Complementary insurance premium reserve			64	0	
3. Reserve for payable amounts			65	0	
4. Profit participation and reimbursement reserve			66	0	
5. Other technical reserves			67	31,924	
6. Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management			68	0	69
					7,478,545
					70
					63,480,730
			to carry forward		2,929,173,170

Previous year

	brought forward		16,294,411
216	0		
217	0		
218	0	219	0
		220	48,408,491
221	1,843,795,697		
222	1,233,855		
223	0	224	1,845,029,552
225	2,313,063		
226	1,650,739		
227	3,129,531	228	7,093,334
		229	0
		230	2,010,186
		231	0
		232	1,902,541,563
		233	174,519
		234	2,575,942,068
		235	41,495,894
		236	17,140,405
		237	58,636,299
		238	17,438,845
		239	39,581,007
		240	0
		241	0
		242	57,019,852
		243	6,965,872
		244	0
		245	0
		246	0
		247	31,488
		248	0
		249	6,997,359
		250	64,017,211
	to carry forward		2,714,889,990

BALANCE SHEET

ASSETS

Current year

	brought forward			2,929,173,170
E. RECEIVABLES				
I - Receivables relating to direct insurance due from:				
1. Policyholders				
a) premiums for the year	71	50,367,452		
b) premiums for previous years	72	1,841,696	73	52,209,148
2. Insurance brokers and agents			74	95,771,497
3. Current account companies			75	6,177,133
4. Amounts to be recovered from policyholders and third parties			76	24,090,128
			77	178,247,907
II - Receivables relating to reinsurance due from:				
1. Insurance and reinsurance companies				
			78	810,686
2. Reinsurance brokers and agents				
			79	0
			80	810,686
III. - Other receivables				
			81	40,823,521
			82	219,882,113
F. OTHER ASSETS				
I - Tangible assets and inventory:				
1. Office furniture and machines and internal transport systems				
			83	6,511,298
2. Registered chattel property				
			84	155,342
3. Plant and machinery				
			85	897,111
4. Inventory and other assets				
			86	11,029
			87	7,574,781
II - Liquid funds				
1. Bank and postal accounts				
			88	226,043,456
2. Cheques on hand and cash-in-hand				
			89	50,213
			90	226,093,669
III - Own shares or quotas				
			91	0
IV - Other assets				
1. Suspense reinsurance accounts				
			92	0
2. Sundry assets				
			93	79,350,624
			94	79,350,624
			95	313,019,074
G. PREPAYMENTS AND ACCRUED INCOME				
1. Interest				
			96	25,105,965
2. Rent instalments				
			97	849,068
3. Other prepayments and accrued income				
			98	3,562,383
			99	29,517,416
TOTAL ASSETS				100
				3,491,591,773

Previous year

	brought forward		2,714,889,990
251	52,627,136		
252	2,983,142	253	55,610,278
		254	98,192,431
		255	7,394,118
		256	27,064,334
		257	188,261,161
		258	6,333,123
		259	0
		260	6,333,123
		261	64,839,022
		262	259,433,307
		263	7,026,781
		264	89,778
		265	1,000,624
		266	0
		267	8,117,182
		268	138,187,395
		269	18,453
		270	138,205,848
		271	0
272	0		
273	83,930,667	274	83,930,667
		275	230,253,696
		276	22,224,770
		277	725,279
		278	3,082,238
		279	26,032,288
		280	3,230,609,280

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

Current year

A. SHAREHOLDERS' EQUITY			
I - Subscribed share capital or equivalent fund		101 67,378,924	
II - Share premium reserve		102 33,355,418	
III - Revaluation reserves		103 18,192,709	
IV - Legal reserve		104 12,628,491	
V - Statutory reserves		105 0	
VI - Reserve for own shares		106 0	
VII - Other reserves		107 394,191,936	
VIII - Retained earnings or losses carried forward		108 0	
IX - Net profit (loss) for the year		109 139,486,646	
X - Negative reserve for own shares		401 0	110 665,234,124
B. SUBORDINATED LIABILITIES			111 0
C. TECHNICAL RESERVES			
I - NON-LIFE BUSINESSES			
1. Premium reserve	112 394,239,206		
2. Claims reserve	113 1,118,633,700		
3. Profit participation and reimbursement reserve	114 0		
4. Other technical reserves	115 408,603		
5. Equalisation reserves	116 6,307,572	117 1,519,589,081	
II - LIFE BUSINESSES			
1. Mathematical reserves	118 1,072,341,569		
2. Complementary insurance premium reserve	119 78,282		
3. Reserve for payable amounts	120 26,328,815		
4. Profit participation and reimbursement reserve	121 48,573		
5. Other technical reserves	122 6,307,700	123 1,105,104,939	124 2,624,694,020
D. TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND RESERVES ARISING FROM PENSION FUND MANAGEMENT			
I - Reserves arising from index-linked policies		125 37,368,378	
II - Reserves arising from pension fund management		126 18,980,348	127 56,348,726
to carry forward			3,346,276,870

Previous year

	281	67,378,924	
	282	33,355,418	
	283	18,192,709	
	284	12,619,027	
	285	0	
	286	0	
	287	341,408,592	
	288	0	
	289	66,268,593	
	501	0	290 539,223,263
			291 0
292	393,874,571		
293	1,068,076,486		
294	0		
295	408,603		
296	5,741,069	297 1,468,100,729	
298	1,002,404,497		
299	90,706		
300	28,315,595		
301	26,957		
302	7,160,976	303 1,037,998,731	304 2,506,099,460
		305 41,495,894	
		306 17,140,405	307 58,636,299
to carry forward			3,103,959,022

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

		Current year	
	brought forward		3,346,276,870
E. PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES			
1	Pension and similar provisions	128	0
2	Provision for taxation	129	11,838,794
3	Other provisions	130	9,555,812
		131	21,394,606
F. DEPOSITS FROM REINSURERS			
		132	12,933,017
G. PAYABLES AND OTHER LIABILITIES			
I - Payables arising from direct insurance business due to:			
1.	Insurance brokers and agents	133	5,029,035
2.	Current account companies	134	2,066,388
3.	Guarantee deposits and premiums paid by policyholders	135	1,118,459
4.	Guarantee funds in favour of policyholders	136	239,718
		137	8,453,600
II - Payables arising from reinsurance business due to:			
1.	Insurance and reinsurance companies	138	7,504,447
2.	Reinsurance brokers and agents	139	0
		140	7,504,447
III. - Bond issues			
		141	0
IV - Due to banks and other financial institutions			
		142	0
V - Secured debts			
		143	0
VI - Sundry loans and other financial payables			
		144	0
VII - Employees' leaving entitlement			
		145	2,905,025
VIII - Other sums payable			
1.	Policyholders' tax due	146	23,638,079
2.	Other sums payable to taxation authorities	147	6,711,311
3.	Social security charges payable	148	2,798,163
4.	Sundry payables	149	32,049,916
		150	65,197,469
IX - Other liabilities			
1.	Suspense reinsurance accounts	151	0
2.	Commissions on premiums under collection	152	13,292,204
3.	Other liabilities	153	13,621,021
		154	26,913,226
	to carry forward		155
			110,973,768
			3,491,578,261

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

		Current year	
	brought forward		3,491,578,261
H. ACCRUED EXPENSES AND DEFERRED INCOME			
1.	Interest	156	0
2.	Rent instalments	157	0
3.	Other accrued expenses and deferred income	158	13,512
		159	13,512
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
		160	3,491,591,773

Previous year

brought forward			3,103,959,022
	308	0	
	309	998,331	
	310	5,092,307	311 6,090,638
			312 14,424,896
313	3,951,696		
314	2,499,120		
315	705,250		
316	996,784	317 8,152,850	
318	8,280,095		
319	0	320 8,280,095	
	321	0	
	322	0	
	323	0	
	324	0	
	325	3,228,043	
326	22,790,018		
327	2,246,823		
328	2,573,790		
329	34,053,043	330 61,663,674	
331	0		
332	12,372,044		
333	12,438,018	334 24,810,061	335 106,134,723
to carry forward			3,230,609,279

Previous year

brought forward			3,230,609,279
	336	0	
	337	0	
	338	0	339 0
			340 3,230,609,280

PROFIT AND LOSS ACCOUNT

Current year

				Current year	
I. NON-LIFE BUSINESS TECHNICAL ACCOUNT					
1	PREMIUMS, NET OF OUTWARDS REINSURANCE				
	a) gross premiums accounted for	1	1,081,262,064		
	b) (-) outwards reinsurance premiums	2	31,573,619		
	c) Change in gross premium reserve	3	364,656		
	d) Change in reinsurer premium reserve	4	-249,169	5	1,049,074,620
2	(+) INCOME ON INVESTMENTS TRANSFERRED FROM NON-TECHNICAL ACCOUNT (Caption III.6)			6	13,974,060
3	OTHER TECHNICAL INCOME, NET OF OUTWARDS REINSURANCE			7	5,985,902
4	CHARGES RELATING TO CLAIMS, NET OF RECOVERIES AND OUTWARDS REINSURANCE				
	a) Amounts paid				
	aa) Gross amount paid	8	660,029,479		
	bb) (-) reinsurers' share	9	20,142,339	10	639,887,140
	b) Change in recoveries, net of reinsurers' share				
	aa) Gross amount recovered	11	12,257,577		
	bb) (-) reinsurers' share	12	-929,247	13	13,186,825
	c) Change in claims reserve				
	aa) Gross amount	14	50,545,410		
	bb) (-) reinsurers' share	15	-779,713	16	51,325,123
5	CHANGE IN OTHER TECHNICAL RESERVES, NET OF OUTWARDS REINSURANCE			17	678,025,438
6	REVERSALS AND PROFIT PARTICIPATION, NET OF OUTWARDS REINSURANCE			18	
7	OPERATING COSTS:			19	
	a) Acquisition commissions	20	160,872,502		
	b) Other acquisition costs	21	45,122,063		
	c) Change in commissions and other acquisition costs to be amortised	22			
	d) Premium collection commissions	23	10,111,822		
	e) Other administrative costs	24	35,722,038		
	f) (-) Profit participation and other commissions received by reinsurers	25	4,452,027	26	247,376,398
8	OTHER TECHNICAL CHARGES, NET OF OUTWARDS REINSURANCE			27	12,439,334
9	CHANGE IN EQUALISATION RESERVES			28	566,503
10	RESULT OF NON-LIFE BUSINESS TECHNICAL ACCOUNT (Caption III. 1)			29	130,626,909

Previous year

		111	1,069,216,102			
		112	28,585,543			
		113	15,596,098			
		114	1,431,488	115	1,026,465,949	
				116	10,893,909	
				117	3,736,117	
	118	661,988,943				
	119	34,567,998	120	627,420,945		
	121	7,708,211				
	122	-4,582,062	123	12,290,273		
	124	42,891,088				
	125	1,699,101	126	41,191,986	127	656,322,658
				128		
				129		
		130	156,478,100			
		131	50,435,242			
		132	-1,812,332			
		133	10,352,282			
		134	27,848,036			
		135	4,746,721	136	242,179,271	
				137	11,540,110	
				138	533,971	
				139	130,519,965	

PROFIT AND LOSS ACCOUNT

Current year

				Current year	
II. LIFE BUSINESS TECHNICAL ACCOUNT					
1	PREMIUMS, NET OF OUTWARDS REINSURANCE:				
	a) Gross premiums accounted for	30	189,468,833		
	b) (-) outwards reinsurance premiums	31	1,182,179	32	188,286,654
2	INCOME ON INVESTMENTS:				
	a) Income on equity investments	33			
	(of which: from group companies	34)	
	b) Income on other investments:				
	aa) land and buildings	35	2,806,060		
	bb) other investments	36	41,074,000	37	43,880,060
	(of which: from group companies	38)	
	c) Adjustments to investment values	39			
	d) Profit on sale of investments	40	647,811		
	(of which: from group companies	41)	
				42	44,527,870
3	INCOME AND NON-REALISED CAPITAL GAINS RELATING TO INVESTMENTS BENEFITTING POLICYHOLDERS BEARING THE RISK AND INVESTMENTS STEMMING FROM PENSION FUND MANAGEMENT			43	2,886,890
4	OTHER TECHNICAL INCOME, NET OF OUTWARDS REINSURANCE			44	737,818
5	CHARGES RELATING TO CLAIMS, NET OF OUTWARDS REINSURANCE:				
	a) Amounts paid				
	aa) Gross amount paid	45	140,283,119		
	bb) (-) reinsurers' share	46	455,263	47	139,827,857
	b) Change in reserve for amounts payable				
	aa) Gross amount	48	-1,986,780		
	bb) (-) reinsurers' share	49		50	-1,986,780
				51	137,841,077
6	CHANGE IN MATHEMATICAL RESERVES AND OTHER TECHNICAL RESERVES, NET OF OUTWARDS REINSURANCE				
	a) Mathematical reserves:				
	aa) Gross amount	52	64,894,616		
	bb) (-) reinsurers' share	53	480,750	54	64,413,866
	b) Complementary insurance premium reserve:				
	aa) Gross amount	55	-12,424		
	bb) (-) reinsurers' share	56		57	-12,424
	c) Other technical reserves				
	aa) Gross amount	58	-853,276		
	bb) (-) reinsurers' share	59	436	60	-853,712
	d) Technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management				
	aa) Gross amount	61	-2,287,573		
	bb) (-) reinsurers' share	62		63	-2,287,573
				64	61,260,156

Previous year

	140	218,326,625		
	141	1,208,928	142	217,117,698
	143			
(of which: from group companies	144)		
	145	2,769,678		
	146	38,516,912	147	41,286,590
(of which: from group companies	148)		
	149			
	150	307,412		
(of which: from group companies	151)	152	41,594,002
			153	6,305,064
			154	609,875
	155	179,407,074		
	156	763,697	157	178,643,377
	158	-448,435		
	159		160	-448,435
			161	178,194,942
	162	58,403,986		
	163	356,599	164	58,047,387
	165	-20,692		
	166		167	-20,692
	168	-1,268,221		
	169	-7,012	170	-1,261,209
	171	-3,187,056		
	172		173	-3,187,056
			174	53,578,430

PROFIT AND LOSS ACCOUNT

		Current year	
7	REVERSALS AND PROFIT PARTICIPATION, NET OF OUTWARDS REINSURANCE		65 21,616
8	OPERATING COSTS:		
	a) Acquisition commissions	66 4,808,173	
	b) Other acquisition costs	67 5,360,159	
	c) Change in commissions and other acquisition costs to be amortised	68 85,666	
	d) Premium collection commissions	69 764,217	
	e) Other administrative costs	70 6,627,304	
	f) (-) Profit participation and other commissions received by reinsurers	71 165,124	72 17,309,064
9	CAPITAL AND FINANCIAL CHARGES:		
	a) Investment management charges and interest payable	73 10,171,234	
	b) Adjustments to investment values	74 3,917,391	
	c) Loss on sale of investments	75 180,247	76 14,268,872
10	CAPITAL AND FINANCIAL CHARGES AND NON-REALISED CAPITAL LOSSES RELATING TO INVESTMENTS BENEFITTING POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS STEMMING FROM PENSION FUND MANAGEMENT		77 -3,073,814
11	OTHER TECHNICAL CHARGES, NET OF OUTWARDS REINSURANCE		78 561,827
12	(-) INCOME ON INVESTMENTS TRANSFERRED TO NON-TECHNICAL ACCOUNT (caption III.4)		79 2,565,358
13	RESULT OF LIFE BUSINESS TECHNICAL ACCOUNT (Caption III. 2)		80 -462,552
III. NON-TECHNICAL ACCOUNT			
1	RESULT OF NON-LIFE BUSINESS TECHNICAL ACCOUNT (Caption I.10)		81 130,626,909
2	RESULT OF LIFE BUSINESS TECHNICAL ACCOUNT (Caption II.13)		82 -462,552
3	INCOME ON INVESTMENTS IN NON-LIFE BUSINESS:		
	a) Income on equity investments	83 496,421	
	(of which: from group companies	84 496,421)	
	b) Income on other investments:		
	aa) land and buildings	85 3,154,304	
	bb) other investments	86 36,470,629	87 39,624,934
	(of which: from group companies	88 300,723)	
	c) Adjustments to investment values	89 7,257,019	
	d) Profit on sale of investments	90 4,367,773	
	(of which: from group companies	91)	92 51,746,146

Previous year

		175	25,326
		<hr/>	
	176	5,082,773	
	177	7,323,498	
	<hr/>		
	178	115,524	
	179	860,671	
	180	2,649,681	
	181	138,640	182
	<hr/>		15,662,459
	<hr/>		
	183	8,077,604	
	184	4,119,803	
	185	313,408	186
	<hr/>		12,510,815
	<hr/>		
		187	2,067,043
		<hr/>	
		188	413,204
		<hr/>	
		189	2,593,574
		<hr/>	
		190	580,844
		<hr/>	
		191	130,519,965
		<hr/>	
		192	580,844
		<hr/>	
	193	506,816	
(of which: from group companies	194	506,816)
	<hr/>		
	195	3,073,011	
	196	35,338,681	197
	<hr/>		38,411,692
(of which: from group companies	198	124,442)
	<hr/>		
	199		
	200	1,290,271	
(of which: from group companies	201)
	<hr/>		202
			40,208,780
	<hr/>		

PROFIT AND LOSS ACCOUNT

		Current year
4	(+) INCOME ON INVESTMENTS TRANSFERRED FROM LIFE BUSINESS TECHNICAL ACCOUNT (caption II) 12)	93 2,565,358
5	CAPITAL AND FINANCIAL CHARGES OF NON-LIFE BUSINESS:	
	a) Investment management charges and interest payable	94 9,848,496
	b) Adjustments to investment values	95 14,466,170
	c) Loss on sale of investments	96 8,560,874
6	(-) INCOME ON INVESTMENTS TRANSFERRED TO NON-LIFE BUSINESS TECHNICAL ACCOUNT (caption I . 2)	98 13,974,060
7	OTHER INCOME	99 2,839,984
8	OTHER CHARGES	100 11,780,849
9	RESULT OF ORDINARY BUSINESS	101 128,685,396
10	EXTRAORDINARY INCOME	102 71,823,846
11	EXTRAORDINARY EXPENSE	103 336,531
12	RESULT OF EXTRAORDINARY ORDINARY BUSINESS	104 71,487,316
13	PROFIT (LOSS) BEFORE TAXATION	105 200,172,711
14	TAXATION ON PROFIT FOR THE YEAR	106 60,686,066
15	NET PROFIT (LOSS) FOR THE YEAR	107 139,486,646

Previous year

		203	2,593,574
	204	6,495,695	
	205	18,333,383	
	206	1,221,286	207
			26,050,365
		208	10,893,909
		209	2,902,513
		210	29,374,790
		211	110,486,612
		212	10,166,306
		213	550,142
		214	9,616,164
		215	120,102,776
		216	53,834,183
		217	66,268,593

EXPLANATORY NOTES TO ACCOUNTS

To Our Shareholders

Together with the Balance Sheet and Income Statement for the financial year ending on 31 December 2016, we also submit for your approval these Explanatory Notes, which, pursuant to Article 2423 of the Italian Civil Code, are an integral part of the year-end financial statements.

Format and content of year-end financial statements

The financial statements, prepared in euro, are presented in the specific format envisaged for insurance companies as per the requirements of Italian Legislative Decree no. 209 of 7 September 2005 "Private Insurance Company Code". For items not covered by the aforementioned Decree or by its implementation ordinances, the provisions of the Italian Civil Code and those of Italian Legislative Decree no. 173 of 26 May 1997.

Specifically, in compliance with ISVAP Regulation no. 22 of 4 April 2008, the financial statements have been prepared as follows:

- the balance sheet and income statement are expressed in euro units. The arithmetical sum of rounding differences are recorded under captions F.IV.2) Sundry assets or G.IX.3) Sundry liabilities in the balance sheet and III.10) Extraordinary income or III.11) Extraordinary expense in the income statement;
- the Explanatory Notes to accounts, their appendices, and the restated balance sheet and income statement are presented in thousands of euro. Related rounding has been calculated to ensure consistency with the figures in euro units shown in the balance sheet, income statement and Cash flow Statements.

As is required by regulations, the Explanatory Notes consist of three parts, i.e.

Part A – Accounting policies

Part B – Information on the balance sheet and income statement

Part C – Other information and cash flow statement.

The Notes include 32 appendices that analyse the technical and financial components of insurance and financial operations.

In order to provide more complete information, it has been deemed appropriate, as already done in previous years, also to present the restated balance sheet and income statement.

Restated balance sheet captions are shown net of reinsurance effects.

Other disclosures

Vittoria Assicurazioni S.p.A. has decided to exercise its right as provided in article 70, paragraph 8 and article 71, paragraph 1-bis of the Regulations for Issuers, to waive the obligation to publish documents that are required in significant merger, split, share capital increase by transfer of assets in kind, acquisition or transfer operations.

Reclassified balance sheet

(€/000)

ASSETS	31/12/2016	31/12/2015
Investments		
Land and buildings	188,202	189,281
Investments in group and other companies		
- Equity investments	550,386	468,162
- Loans	21,233	15,783
Other financial investments:		
- Unit trust units	69,624	48,408
- Bonds and other fixed-interest securities	1,954,848	1,845,030
- Loans	8,378	7,093
- Other financial investments	2,000	2,010
Deposits with ceding companies	149	175
Investments benefiting life policyholders	56,349	58,636
Total investments	2,851,169	2,634,578
Receivables		
Receivables relating to direct insurance business from:		
- Policyholders	52,209	55,610
- Insurance brokers and agents	95,771	98,192
- Current account companies	6,177	7,394
- Amounts to be recovered from policyholders and third parties	24,090	27,065
Receivables relating to reinsurance business	811	6,333
Other receivables	40,824	64,839
Total receivables	219,882	259,433
Intangible assets	14,525	16,294
Tangible assets and inventory	7,575	8,117
Liquid funds	226,094	138,205
Other assets	79,351	83,932
Prepayments and accrued income	29,517	26,032
TOTAL ASSETS	3,428,113	3,166,591

Reclassified balance sheet

(€/000)

LIABILITIES AND SHAREHOLDERS' EQUITY	31/12/2016	31/12/2015
Shareholders' equity		
- Share capital	67,379	67,379
- Share premium reserve	33,355	33,355
- Revaluation reserves	18,193	18,193
- Legal reserve	12,628	12,619
- Other reserves	394,192	341,408
- Net profit (loss) for the year	139,487	66,269
Total shareholders' equity	665,234	539,223
Technical reserves, net of reinsurance		
- Premium reserve	377,050	376,436
- Claims reserve	1,079,822	1,028,494
- Mathematical reserves	1,064,896	995,438
- Reserve for amounts payable	26,329	28,316
- Other technical reserves	13,119	13,397
- Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management	56,349	58,636
Total technical reserves	2,617,565	2,500,717
Payables		
Deposits from reinsurers	12,933	14,425
Payables arising from direct insurance business due to:		
- Insurance brokers and agents	5,029	3,952
- Current account companies	2,066	2,499
- Guarantee deposits and premiums paid by policyholders	1,118	705
- Guarantee funds in favour of policyholders	240	997
Payables arising from reinsurance business	7,504	8,280
Other sums payable	65,197	61,664
Total payables	94,087	92,522
Provisions for contingencies and other charges	21,395	6,091
Employees' leaving entitlement	2,905	3,228
Other liabilities	26,913	24,810
Accrued expenses and deferred income	14	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,428,113	3,166,591

Reclassified individual profit and loss account

	(€/000)	
	31/12/2016	31/12/2015
Technical account		
Life businesses:		
Direct insurance		
(+) Gross premiums accounted for	189,469	218,327
(-) Charges relating to claims	138,301	178,959
(-) Change in mathematical and other technical reserves	61,766	53,928
(+) Other technical captions, net	153	171
(-) Operating costs	17,474	15,801
(+) Return on investments where the company bears the risk net of the portion transferred to the non-technical account	27,694	26,476
(+) income on investments where policyholders bear the risk - Class D	-187	4,238
Direct insurance result	-412	524
Outwards reinsurance result	-81	43
Retained direct insurance result	-493	567
Indirect and retroceded insurance result	30	-
Result of life business technical account	-463	567
Non-life businesses:		
Direct insurance		
(+) Gross premiums accounted for	1,081,145	1,069,114
(-) Change in premium reserve	357	15,596
(-) Charges relating to claims	698,257	697,122
(+) Other technical captions, net	-6,453	-7,806
(-) Operating costs	251,821	246,918
Direct insurance result	124,257	101,672
Outwards reinsurance result	-7,079	18,442
Retained direct insurance result	117,178	120,114
Indirect and retroceded insurance result	42	46
Total retained direct insurance result	117,220	120,160
(-) Change in equalisation reserves	567	534
(+) Income on investments transferred from the non-technical account	13,974	10,894
Result of non-life business technical account	130,627	130,520
Result of technical account	130,164	131,087
(+) Income on non-life business investments net of the portion transferred to the technical account	4,897	3,265
(+) Income on investments transferred from the life business technical account	2,565	2,594
(+) Other income	2,840	2,914
(-) Other charges	11,781	29,373
Result of ordinary business	128,685	110,487
(+) Extraordinary income	71,825	10,166
(-) Extraordinary expense	337	550
Profit (loss) before taxation	200,173	120,103
(-) Taxation on profit for the year	60,686	53,834
Net profit (loss)	139,487	66,269

Part A

Accounting policies

The accounting policies used to draw up year-end financial statements comply with the requirements of Articles 2426 and 2427 of the Italian Civil Code, of Italian Legislative Decree no. 209 of 7 September 2005, of Italian Legislative Decree no. 173 of 26 May 1997 (to which the “Private Insurance Company Code” refers), of the ISVAP regulation no. 22 of 4 April 2008 and of dispositions require by corporate law (Italian Legislative Decree no. 6 of 17 January 2003 and the following integrations and modifications), are described below.

In addition, the year-end financial statements comply with the requirements of Italian Legislative Decree no. 58 of 24 February 1998 (TUF) and of CONSOB (Italian securities & exchange commission) guidelines, in particular no. 11971 of 14 May 1999 and the following integrations and modifications. Unless otherwise specified, accounting policies relating to direct insurance also apply to outward reinsurance.

Taking into account the solvency ratio, the profitability of the Company and its careful management of risks, the financial statements have been prepared on a going concern basis.

Technical insurance captions

Classification of risks by business line

For the purposes of allocation of gross premiums written and of related transactions, classification of risks by business line is defined by Article 2 of Italian Legislative Decree no. 209 of 7 September 2005.

NON-LIFE

Premiums and related premium reserves are allocated to the various Non-Life Business lines analytically for single guarantee; operating costs and technical income are allocated to the various Non-Life Business lines through appropriated drivers.

Costs relating to claims are directly allocated to the individual lines if they refer to transactions relating to an individual event, since allocations are made on the basis of the type of cover involved in a claim. Costs common to several claims are allocated to the various officially defined lines according to the weight of indemnities paid during the financial year. Costs borne for claims in the current and previous financial years are allocated in proportion to the indemnities paid in the various years concerned. Only for the Motor TPL (third-party liability) line is the impact of the number of claims occurring in the year taken into account.

LIFE

Allocation of Life technical captions is done on a direct basis since the entire portfolio matches the regulatory classification.

Gross premiums

LIFE/ NON-LIFE

Premiums, together with their ancillary costs, gross of outward reinsurance are recognised as revenues upon maturity, regardless of when documents are recorded and of the date when they are effectively collected.

In the Non-Life business, cancellations of individual policies caused by technical events and by cancellations due to non-renewal are directly deducted from premiums, as long as they are issued in the same year. In the case of Non-Life business, the caption comprises all cancellations except for those relating to first-year premiums written in previous financial years.

For Non-Life business, allocation to the year is made via adjustment of the premium reserve. For the Life business, instead, it is implicit in the calculation of the mathematical reserves, of the complementary insurance premium reserve, and of other technical reserves of the life business.

Ceded and retroceded reinsurance premiums are accounted for in accordance with the contractual agreements made with reinsurers.

Operating costs

NON-LIFE/
LIFE

Operating costs include:

- acquisition commissions
They include the commissions paid on the acquisition and renewal (also tacit) of contracts. They also include extra commissions and commission bonuses commensurate with achievement of productivity targets;
- other acquisition costs
They include personnel expenses, logistics costs, costs for services and purchase of goods of the management departments involved in the assessment, issue and management of insurance contracts. They also include costs accorded to the agency network for the issuing of contracts and for extra bonuses and commission bonuses not linked to productivity targets, plus costs incurred for medical check-ups;
- changes in commissions and other acquisition costs to be amortised
The item includes the year's portion of amortisation for acquisition commissions and other acquisition expenses;
- premium collection commissions
This item includes commissions paid for collection of premiums relating to long-term contracts;
- other administrative costs
They include personnel expenses, logistics costs, costs for services and purchase of goods of the company departments other than those relating to the other acquisition costs indicated above and those allocated to claims settlement and investment management. They also include charges incurred for the termination of agency agreements not the part not subject to compensation;
- commissions and profit participation received by reinsurers
This includes commissions and profit-participation amounts for reinsurers as established by contractual agreement for premiums ceded and retroceded.

Premium reserve

NON-LIFE

The Non-Life premium reserve is calculated on a pro-rata temporis basis, contract by contract, based on premiums written net of direct costs and of the unearned portion of premiums, i.e. pertaining to the period after December 31st in the financial year concerned.

There is an exception to this rule for the calculation of the reserve for some business lines for which risk exposure does not decrease as time elapses or for which the correlation between policy premiums and potential claim costs does not follow the usual economic and technical criteria.

The ISVAP Regulation no. 22 of 4 April 2008, title III bis, art. 23-ter, amended and supplemented by IVASS regulatory order no. 53/2016, defines the business lines and the criteria of calculation, which are recalled below:

- Bond insurance: the additional reserve follows the criteria envisaged by Annex no. 15 to ISVAP regulation no. 22/2008;
- Hail insurance: the additional reserve follows the criteria envisaged by paragraphs 13 and 14 of Annex 15 to ISVAP regulation no. 22/2008 that they define, respectively, the method of calculation and use;
- Miscellaneous asset damage - (earthquake, seaquake and volcanic eruption insurance): the additional reserve follows the criteria envisaged by paragraphs 13 and 14 of Annex no. 15 to ISVAP regulation no. 22/2008;

- Nuclear risks: the additional reserve follows the criteria envisaged by paragraph 19 of Annex. 15 to ISVAP regulation no. 22/2008.

The premium reserve is supplemented by:

- The reserve for unexpired risks: this reserve is set up to cover risks incumbent upon the company after the balance sheet date, in compliance with Italian Legislative Decree no. 209 of 7 September 2005. It is a technical provision, mandatorily required by paragraph no.7 of Annex. 15 to ISVAP regulation no. 22/2008, possibly normalized to consider non-recurring events, made if, and to the extent that, the total amount of the presumed cost of expected claims – relating to in-force policies – is estimated to exceed the reserve for unearned premiums plus premiums outstanding, net of acquisition costs, for deferred-premium policies.

For the assessment of Unexpired risk reserve of the 14 line of business - Credit is not considered that the empirical method is consistent with the type of portfolio risks Vittoria which is entirely represented by the Salary-Backed Loans with the possibility of recourse.

The inadequacy of the empirical method is to use the pro rata premium reserve which assumes a linear distribution of risks. The expected loss ratio is in fact linked to the outstanding principal of outstanding contracts that is decreasing with respect to their maturity. Being a portfolio developed in the past years that today is an average of half of the period of coverage and so already today do not detect a significant new production, it was considered more appropriate to use a method of estimating the expected loss ratio.

Reinsurers' premium reserve: this is calculated applying the same criteria as those used for direct business and inward reinsurance.

Other technical reserves

NON-LIFE

This caption comprises the aging reserve for health insurance as required by Article 37 of Italian Legislative Decree no. 209 of 7 September 2005.

Calculations include all the products that, in setting premiums, do not take into account changes in the policyholder's age and contain clauses that limit the Company's ability to withdraw, as indicated by paragraphs 42-43-44 of Annex no. 15 to ISVAP Regulation no. 22 of 4 April 2008, amended and supplemented by IVASS regulatory order no. 53/2016. The estimate is based on a comparison between estimated cash inflows (all premiums expected to be collected in future years on the contracts held in portfolio at December 2016) and estimated cash outflows (all losses expected to be paid for the contracts held in portfolio at December 2016).

For consistency and as a comparison, the reserve was calculated on a lump-sum basis by setting aside 10% of gross premiums written, as envisaged by paragraph 44 of Annex no. 15 to ISVAP Regulation 16/2008, amended and supplemented by IVASS regulatory order no. 53/2016.

Equalisation reserves

NON-LIFE

Equalisation reserves comprise all sums provisioned in compliance with Article 37 of Italian Legislative Decree no. 209 of 7 September 2005 in order to smooth fluctuations in claims rate in future years or to cover special risks.

The item includes:

- the offsetting reserve for credit insurance envisaged by paragraph 39 of Annex. 15 to ISVAP regulation no. 22/2008, amended and supplemented by IVASS regulatory order no. 53/2016;
- the equalisation reserve for risks of natural disasters; the calculation is in accordance with the Ministerial Decree no. 705 of 19/11/1996.

Equalisation reserving for FY2016, by business line, is shown in Appendix 25 to the Explanatory Notes.

Costs relating to claims paid

NON-LIFE	<p>In the Non-Life business costs relating to claims paid include amounts paid in the year as indemnities and direct expenses, as well as claims adjustment expenses and the cost of the contribution to the guarantee fund for road-accident victims.</p> <p>Direct expenses are those incurred to avoid or minimise claim damage, including litigation costs as per Article 1917, paragraph 3, of the Italian Civil Code, rescue expenses in transport and aviation insurance, and extinguishing costs in fire insurance.</p> <p>Settlement costs include amounts paid to professionals appointed for the purpose, personnel expenses, logistics costs, and costs for services and goods of the company departments dedicated to claims settlement and handling.</p>
LIFE	<p>Costs relating to claims in the Life business include sums recognised in the financial year against capital sums and annuities accruing, surrenders, and claims, including those relating to complementary insurance.</p>
NON-LIFE/ LIFE	<p>The amount of reinsurers' share of costs is calculated according to the provisions of provisions of contracts in place.</p>

Recoverables

NON-LIFE	<p>The caption includes, sums to be recovered from policyholders and third parties for remedying of claims in policies with no-claims clauses, for deductibles, and for subrogations.</p> <p>The income statement recognises the difference between the amount at year-end and the amount existing on 31 December of the previous year, together with what has been recovered during the year.</p>
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Claims reserve

NON-LIFE	<p>The claims reserve reflects the prudent evaluation of estimated indemnities and adjustment costs for claims relating to direct business that have been incurred and not yet paid, either totally or in part, as at balance sheet date. This valuation is performed considering the specific features of each line, based on all components forming the requirement for coverage of the claim's ultimate cost. "Ultimate cost" means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame).</p> <p>Assessment of each claim is performed according to the following phases:</p> <ul style="list-style-type: none">- Preparation of inventory estimates for each open position by non-life claims settlement inspectors through sessions during the year;- Analysis and checking of data and review of documentation concerning major claims by corporate management through sessions during the year. <p>Activities performed as part of claims assessment procedures are based on the following general criteria:</p> <ul style="list-style-type: none">- Accurate and complete basic year-end inventory of all claims partly or totally not settled, highlighting claims that are the subject of disputes- Analysis of claims featuring several positions in order to ascertain that proper evidence exists supporting each individual position;- Separate indication of the quantification of bodily injury and property damage;- Inclusion of estimated direct and settlement costs in the claims reserve. Settlement costs include both amounts paid to professionals taking part in claims handling and internal company costs relating to the claims handling department;- Assessment of claims relating to credit and bond insurance in compliance with the criteria laid down in paragraphs no. 32-33-34 annex no. 15 to ISVAP
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regulation no. 22/2008 amended and supplemented by IVASS regulatory order no. 53/2016.

As regards current-generation claims, case documentation is examined at least quarterly to check the claim's progress and see whether the previous assessment was correct. In addition, the "continuous reserve" operating procedure is applied, which means that, when each partial payment is made or whenever new information is gathered, the claim is reviewed.

The field claims settlement network is supported by the audit technical management. The latter checks, in terms of merit and method, that corporate house rules are properly applied.

The claims reserve includes the estimate for IBNR claims, i.e. claims pertaining to the year that have been incurred but not yet reported by year-end but pertaining to the year. Amounts are calculated considering the average cost of the current generation.

For all line of business they are used actuarial statistical methods popular on the market for estimating the number and the amounts of late claims. For TPL line estimate in question is conducted separately for each type of risk. The TPL claims are subject to verification by the actuary in charge of R.C. Car under Legislative Decree. N. 209/2005. In any case, the managerial structures perform quarterly back testing relative to the amount made in the previous budget.

The claims reserves thus calculated that relate to mass risks, insofar as they refer to positions settled in the medium-long term, are subjected to statistical and actuarial checks to assess their consistency with ultimate cost and, when necessary, are topped up.

The claims reserve for Card and No Card of TPL line comply with the requirements by paragraphs no. 30 of Annex 15 ISVAP Regulation no. 22/2008, in the case of the company would be "managing" and paragraph 2 in the case of the company would be "indebted".

The total amount of claims reserve has been calculated in compliance with paragraph no. 31 of the above regulation.

Reinsurers' claims reserve: this is calculated applying the same criteria as those used for direct business and inward reinsurance.

Mathematical reserves and other technical reserves

LIFE

Technical reserves for the Life business are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date when contracts were signed, insofar as they are still valid. Calculation of technical reserves is based on the rate of return determined on the basis of the related investments for respective "revaluable" benefits and on the mortality rate used to calculate pure premiums. In accordance with current regulations, the premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis. The reserve for operating expenses is calculated taking operating loading as the basis and the other technical bases of the tariffs applied. For policies featuring health- and/or profession-related premium surcharges, an additional reserve is calculated equal to a full annual premium surcharge.

The premium reserve for complementary accident insurance is calculated analytically, applying the premium-carry-forward criterion to related pure premiums.

In no case is the mathematical reserve lower than surrender value.

In compliance with the requirements established by paragraph no. 36 Annex no. 14 to ISVAP regulation no. 22/2008, amended and supplemented by IVASS regulatory order no. 53/2016, an additional demographic risk reserve has been set up relating to annuity contracts and to capital contracts with a contractually guaranteed annuity conversion factor, in order to adjust the demographic bases used to calculate mathematical reserves to direct portfolio experience.

Mathematical reserves are always supplemented, when necessary, in order to take into account the time lag between the period when a contractually recognised return accrued and the time when it is accorded to the insured (paragraph no. 23 Annex no. 14 to ISVAP regulation no. 22/2008, amended and supplemented by IVASS regulatory order no. 53/2016).

In compliance with the rules established by paragraphs no. 24-32 Annex no.14 to ISVAP regulation no. 22/2008, amended and supplemented by IVASS regulatory order no. 53/2016, an ALM (Asset & Liability Management) procedure is implemented for joint analysis of asset and liability portfolios of internal separately managed accounts considered significant. The aim is to calculate forecast returns for each of them.

The reserves relating to unit-linked policies and pension funds have been calculated taking into account both the contractual commitments and the financial assets linked to these policies. They are made in compliance with paragraphs 39-41 of Annex. 14 to ISVAP regulation no. 22 of 2008, amended and supplemented by IVASS regulatory order no. 53/2016 and covering the commitments deriving from the Life business whose return is determined by reference to investments for which the insured bears the risk, or by reference to an index. It has been also set up to VI line of business (open-ended pension fund), an additional reserve, in accordance with paragraph 41 of Annex.14 to ISVAP regulation no. 22/2008 amended and supplemented by IVASS regulatory order no. 53/2016, to meet the commitments the Company have made to the policyholders including all guarantees of performance provided by contracts.

Reversals and profit participation

NON-LIFE/LIFE

Profit participation includes all amounts pertaining to the year, paid and to be paid to Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or reduce future premiums, as long as they constitute distribution of technical profits arising from non-life and life insurance activities, after deduction of amounts accrued in previous years' that are no longer necessary.

Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.

Other technical costs

LIFE/
NON-LIFE

Other technical costs include:

- For the Non-Life business, premiums cancelled, due to technical events, of individual policies issued in previous financial years
- For the Life business, cancellation of first-year premiums written in previous years;
- Uncollectable premiums of amounts receivable from both Non-Life and Life policyholders;
- Costs relating to goods and services purchased to complement Non-Life insurance covers;
- Costs stemming from management of the knock-for-knock system.

Other technical income

LIFE/
NON-LIFE

Other technical income includes:

- Commissions relating to cancelled premiums included in other technical costs of the Non-Life and Life businesses;
- Income relating to management of the knock-for-knock system and to the subsidy accorded by the ANIA (Italian insurers' association) to encourage scrapping of damaged vehicles in the Non-Life business.

Transfer of investment income

LIFE/
NON-LIFE

The allocation of investment income to the non-life business technical account and the transfer of the life business technical account to the non-technical account was carried out in accordance with article 55 of Legislative Decree no. 173 of 26 May 1997 and articles 22 and 23 of ISVAP Regulation no. 22 of 4 April 2008.

For the non-life business, the income to be transferred was determined by multiplying the non-life business investment income, net of capital and financial charges recorded in the non-technical account, by the percentage obtained from the ratio between the sub-total of the technical reserves net of reinsurance at the end of the current year and at the end of the previous year and the same sub-total plus the sub-total of the equity at the end of the current year and at the end of the previous year.

For the non-life business, the income to be transferred was determined by multiplying the non-life business investment income, net of capital and financial charges recorded in the non-technical account, by the percentage obtained from the ratio between the sub-total of the technical reserves net of reinsurance at the end of the current year and at the end of the previous year and the same sub-total plus the sub-total of the equity at the end of the current year and at the end of the previous year.

If the income from the investments allocated to the life business technical account is lower than the technical interest recognised by contract to the policyholders during the year, the amount to be transferred to the non-technical accounting must be correspondingly reduced, until it reaches zero, by an amount equal to this lower value.

Inward reinsurance

NON-LIFE/
LIFE

Inward life insurance is recorded on an accruals basis.

If there are no specific negative indications, the economic effects of non-life inward reinsurance are accounted for one year later than the year to which they refer, as the necessary information is not available at balance sheet date. Related financial and balance sheet movements are recorded in the balance sheet under Other assets – Other liabilities in the reinsurance suspense accounts.

Treaties concerning aircraft hulls represent an exception to the above accounting treatment as the space risk business is accounted for on a strict accruals basis.

Indirect business claims reserves generally reflect those reported by the ceding insurer and Vittoria Assicurazioni supplements them when they are deemed inadequate with respect to the commitments underwritten.

Retrocession

NON-LIFE/
LIFE

Retroceded business mainly relates to Line 05 Aircraft hulls – space risks. Items relating to retrocession are measured according to the same policies as those applied to inward reinsurance.

Allocation of costs and revenues common to both the life and non-life businesses

NON-LIFE/
LIFE

The company is authorised to operate in life and non-life insurance and reinsurance.

The criteria and methods for allocating costs and revenues common to both the life and non-life businesses are indicated in the report issued in accordance with article 4 of ISVAP Regulation no. 17 of 11 March 2008. The main criteria for allocating the P&L items not directly attributable to either business are:

Other acquisition costs (including commission)

The costs for the company's sales function are allocated between the two businesses by dividing them into two distinct categories:

- the acquisition costs not directly attributable to purchase / collection commission (development plans, incentives, levies) use the mix of premiums issued at agency level as a driver.
- The remaining acquisition costs (contributions, agency rent, agent pension fund) use the mix of premiums at agency level as a driver.

The other acquisition costs also include personnel costs and overheads both of cost centres which are directly associated with acquiring policies (sales, assumptions) and those charged back to cost centres which carry out activities common to all company areas (general areas, IT). The costs can be allocated between the two businesses directly (as with the RE assumption service and the life business assumption service) or indirectly (general expenses) by using earned premiums as a driver.

Before doing this the costs are weighted in relation to the cumulative policies, in order to determine the total amounts for the life and non-life businesses.

Other administrative expenses (personnel costs and miscellaneous administrative expenses)

This category includes, in accordance with article no. 53 of Legislative Decree no. 173/95, all the remaining expenses not allocated to acquisition and liquidation costs.

For this category of costs the distinction between the two businesses is also made by using a direct criteria for all cost centres directly attributable to the non-life business or the life business, or by using the earned premiums (calculated using the same criteria adopted for other acquisition costs) as an allocation driver.

Investment captions

C I – Land and buildings

In compliance with Article no. 15, paragraph no. 2, of Italian Legislative Decree no. 173 of 26 May 1997, land and buildings are considered to be assets for enduring, long-term use, except in the case of buildings available for sale.

Refurbishments, improvements, and plant upgrades – which are all designed to extend building units' life and increase their profitability – are capitalised.

Ordinary maintenance costs are established in a long-term plan and are expensed in the income statement annually.

Market value

Measurement is based on the market value of each plot of land and building, taken from independent appraisals, which are drawn up taking into account, for property leased, the contractual lease payments required while for the head office, it was estimated a fee realizable potential in the current market conditions.

“Market value” means the price at which the plot of land or the building can be freely sold by means of an agreement between two parties (the seller and the buyer) in normal and evenly balanced conditions and, more specifically, if:

- Both parties act after have gathered the necessary information on the property's officially designated urban use, marketability, and absence of any prejudicial annotations as regards title;
- The seller is free, or otherwise, to sell and there are no economic/financial circumstances forcing him to do so;
- The buyer is not being encouraged to purchase by non-market related factors.

Furthermore, the following conditions are taken into account:

- The asset has been on the market for a time reasonably long enough to permit its fair sale;
- The deed of sale has been signed after negotiations permitting the definition of price and terms.

Besides considering differences relating to age, position with respect to the importance of the zone where it is located, the valuation of each building also considers typical factors (building type and quality, and state of preservation, etc.), possible profitability, any town-planning constraints and/or restrictions imposed by the Heritage Ministry, and anything else that which may have an impact on the asset's valuation.

Valuation of leased buildings takes into account the type of contract, its expiry date and rental, also as regards possible revisions.

C II – Investments in Group companies and other investees

Pursuant to paragraph no. 2, Article no. 15 of Italian Legislative Decree no. 173 of 26 May 1997, investments in Group companies and other investee companies are considered to be long-term assets.

Group companies

Article no. 5 of Italian Legislative Decree no. 173 of 1997 define group companies as being:

- a) Parent companies;
- b) Subsidiaries;
- c) Affiliates, i.e. companies, other than those included in item b) that are controlled by the same entity controlling the parent company or subject to common management as defined by paragraph 1, Article 60, of the above decree;
- d) Associate companies.

For the purposes of this classification, the concept of “control” is as defined in Article no. 2359, paragraphs no. 1 and no. 2, of the Italian Civil Code.

Other investee companies

This item comprises companies held for their strategic function or support of the insurance business.

Investments in group and other companies are measured according to the following criteria:

- Investments denominated in euro are measured at acquisition cost inclusive of ancillary costs;
- Investments denominated in foreign currency are measured at acquisition cost, inclusive of ancillary costs, converted into euro at the exchange rate in force on transaction date.

Acquisition cost is written down to allow for any permanent impairment shown in investee companies’ financial statements. If the reasons for such write-down no longer exist, the original value is reinstated in subsequent financial statements.

Dividends distributed by investee companies held are recognised when the right to collect them is established.

Information and changes concerning investments are provided in Annexes 6 and 7 to these Explanatory Notes.

C III – Other financial investments

Equity investments

This category includes short-term investments in shares and quotas. Measurement criteria are as follows:

- Listed securities are stated in year-end accounts at weighted average cost or, if lower, presumed realisable value based on market trends. This lower value is not maintained in subsequent year-end accounts if the reasons for the adjustment no longer exist;
- Unlisted securities are stated at purchase cost, net of any losses recorded in investee companies’ approved year-end accounts. Once again, this lower value is not maintained in subsequent year-end accounts if the reasons for the adjustment no longer exist.

Foreign currency investments are converted into euro as follows:

- Purchases: at the exchange rate in force on the date of transaction or subscription;
- Sales: at the exchange rate in force on transaction date;
- Fair value: at the year-end exchange rate.

Dividends distributed by these companies are recognised when the right to collect them is established.

Units in mutual investment funds

Investments in this category, allocated to the current and non-current sector, are stated in year-end accounts at weighted average cost or, if lower, at realisable value based on market trends. This lower value is not maintained in subsequent year-end accounts if the reasons for the adjustment no longer exist.

Unlisted closed-end mutual securities investment funds and real estate investment funds are measured at acquisition cost.

The value of investments in foreign-currency mutual investment funds is converted into euro applying the following criteria:

- Purchases: at the exchange rate in force on the date of transaction or subscription;
- Sales: at the exchange rate in force on transaction date
- Fair value: at the year-end exchange rate.

Bonds and other fixed-income debt securities

In accordance with the IVASS Regulation no. 24 of 6 June 2016, the Board of Directors has issued guidelines for classification of the debt securities portfolio. Fixed-income securities are therefore classified as shown below.

Investment securities

These securities are stated at acquisition cost, inclusive of all ancillary costs. Cost is adjusted in the eventuality of permanent impairment of value. The higher or lower cost with respect to their repayment price is amortised on a straight-line basis over the period from acquisition to maturity.

These securities are held until they mature as the company has the financial resources to do this. Their classification depends on their importance and/or the expected normalisation of the rate of return of technical reserves in general and of segregated Life accounts in particular.

Trading securities

Securities in this category, recognised at purchase cost inclusive of all ancillary costs, are stated in year-end accounts at weighted average cost or, if lower, at presumed realisable value based on market trends. This lower value is not maintained in subsequent year-end accounts if the reasons for the adjustment no longer exist. The cost of fixed-income securities is adjusted for the quota accruing in the year of margin, i.e. the difference between issue price and repayment value.

“Market trends” means, for listed securities, the price recorded on the last trading day of the financial year.

Foreign-currency securities are converted into euro applying the following criteria:

- Purchases: at the exchange rate in force on the date of transaction or subscription;
- Sales: at the exchange rate in force on transaction date
- Fair value: at the year-end exchange rate.

Fair value of financial instruments

In compliance with the requirements of Article 2427/2 of the Italian Civil Code, in Part B of the Explanatory Notes we provide information on the fair value of derivative financial instruments as well as – for non-current financial assets recognised at a value higher than their fair value (excluding investments in subsidiaries, affiliates, and joint ventures) – related carrying value and fair value, together with the reasons why carrying value has not been reduced.

The fair value of assets in Classes C II and C III, traded in regulated markets, is the price recorded on the last trading day of the financial year.

As envisaged in Article 2427/2 of the Italian Civil Code, for the definition of “financial instrument”, “derivative instrument”, “fair value”, and “generally accepted measurement model and technique”, reference is made to international accounting standards compatible with European Union rules concerning the subject.

If a market valuation is not available for the investment, fair value is determined either on the basis of another similar financial instrument’s fair market value or via use of appropriate valuation techniques. The latter include use of recent

transactions, discounted cash flow analysis, or models able to provide reliable estimates of presumed prices in current market transactions. If fair value cannot be reliably measured, cost is used, adjusted for any impairment loss.

Investments benefiting policyholders bearing risk

Financial investments benefiting policyholders who bear the risk of such investments are stated at fair value, i.e. at the price and exchange rate of the last trading day of the financial year in compliance with Articles 16,17 and 19 of Italian Legislative Decree no. 173 of 26 May 1997.

The concept of “policyholders bearing the investment risk” is the feature decisive for application of the fair-value accounting standard to measure assets, as it immediately reveals the relationship between the trend in technical reserves and that of assets covering such reserves.

In year-end financial statements, these investments are classified as follows:

D I - unit-linked and index-linked investments

D II - investments arising from pension fund management

Mortgages and loans

Mortgage loans granted are all expressed in euro and are shown on the basis of residual principal as they are secured by mortgages on buildings.

Loans are all expressed in euro and, if rated as collectable, are stated at the residual principal value. They are adjusted by means of appropriate bad-debt provision.

Other captions

Tangible assets

Tangible assets are recognised at purchase cost inclusive of ancillary costs. They are shown net of related cumulative depreciation. Assets are depreciated on a straight-line basis over their estimated useful lives.

Intangible assets

Intangible assets are recognised at cost and amortised on a straight-line basis as follows:

- Business and/or product trademarks = over a 10-year period;
- Over a period that takes their residual possibility of use if they are assets coming under the 2nd point of Article 2426 of the Italian Civil Code;
- Start-up and expansion costs pursuant to the 5th point of Article 2426 of the Italian Civil Code;
- Goodwill is recognised as an asset upon approval of the board of statutory auditors, if acquired against payment, within the limit of the amount paid and is amortised and it is amortized according to the residual useful life; if exceptionally it is not possible to estimate the residual useful life, is amortized over a period not exceeding 10 years.

This caption includes deferred acquisition costs to be amortised, only refer to the Life business, as from the year 2015 the acquisition costs for long-term contracts of Non-Life are charged entirely to the profit and loss account in the year in which those costs are incurred.

LIFE

Acquisition costs for new contracts, for the part not outwardly reinsured, are capitalised, within the limits of their respective loading, and are amortised on a straight-line basis over the duration of the underlying contract, with the maximum

limit of 10 years. The amortisation period is considered to be economically consistent. Residual commissions of policies cancelled during the amortisation period are expensed in the financial year when the policies are eliminated from the portfolio.

Receivables

Receivables are shown in year-end accounts at face value adjusted to presumed realisable value via bad-debt provision.

With reference to the requirements of Article 2427 of the Italian Civil Code and of Italian Legislative decree no. 173/97, if in the section analysing balance sheet items, receivables are not specifically indicated as having a residual duration of more than one year and five years, they are taken to have a duration of less than one year.

Accrued, prepaid and deferred items

Accrued income, prepaid expenses, accrued liabilities, and deferred income link costs and income to the financial year to which they refer, even although related cash movements may take place after or before 31 December.

These items include only costs and income relating to two or more financial years.

Payables

Payables are shown in year-end accounts at face value.

With reference to the requirements of Article 2427 of the Italian Civil Code and of Italian Legislative decree no. 173/97, if in the section analysing balance sheet items, payables are not specifically indicated as having a residual duration of more than one year and five years, they are taken to have a duration of less than one year.

Reserve for employee severance indemnities

The reserve for employee severance indemnities is calculated in compliance with current regulations and, as at balance sheet date, fully covers amounts ultimately payable to eligible staff.

Provisions for risks and charges

Provisions for risks and charges include provisions to cover liabilities of a predetermined nature, of a certain or probable existence, for which, however, at year-end either the amount or date of occurrence are indeterminate.

Income taxes

Income taxes for the period are recognized in accordance with the laws in force. Deferred taxes are calculated on the basis of the tax rates applicable when the temporary differences will reverse, making the necessary adjustments in case of changes in tax rates for the previous years, provided that the law that changed the tax rate has already been enacted at the balance sheet date.

Prepaid tax assets (or deferred tax assets) are recognized when there is the reasonable certainty that there is an amount of taxable profit, in the years in which the deductible temporary differences that gave rise to such deferred tax assets will reverse, at least equal to the amount of such differences.

Deferred tax liabilities, if any, are provisioned in the "Tax provision" caption of the balance sheet, whilst deferred tax assets are recorded under "Other assets".

Conversion into euro

Long term items expressed in foreign currency, are converted at spot exchange rates. For balance sheet items still existing at year-end, the exchange rate on the last trading day of the financial year is applied.

Part B

Information on Balance Sheet and Income Statement

BALANCE SHEET

ASSETS

CLASS B – INTANGIBLE ASSETS

31/12/2016	31/12/2015	Change
14,525	16,295	-1.769

Intangible assets are stated net of amortisation calculated as stated in "Part A - Accounting policies" of these Explanatory Notes.

The Annex 4 to these Explanatory Notes detailed changes over the year.

B.1 – Deferred Acquisition costs

31/12/2016	31/12/2015	Change
5,876	5,791	+85

As more fully described in "Part A - Accounting Policies" of the Explanatory Notes, the deferred acquisition commissions refer only to the Life business, as from the year 2015 the acquisition costs for long-term contracts of Non-Life are charged entirely to the profit and loss account in the year in which those costs are incurred, pursuant of the regulation of the sector, which allows the policyholder to withdraw annually from the contract.

If all policies have reached their full maturity, the different duration used for amortisation vs. actual policy duration would have led to an increase in shareholders' equity, before the related tax effect, in shareholders' equity of 463 thousand euro (2015: 420 thousand euro) for the Life business.

B.1.a – Deferred acquisition commissions – Life business

31/12/2016	31/12/2015	Change
5,876	5,791	+85

Life business deferred acquisition commissions changed due to:

commissions on policies acquired in the year	+1.653
commissions for policies cancelled in the year	-487
annual amortization	-1.081

B.5 – Other deferred costs

31/12/2016	31/12/2015	Change
8,648	10,504	-1,856

Deferred expenses, stated in year-end accounts at cost, are directly amortised. The decreasing over the year of 1,856 thousand euro is due to acquisitions for 4,193 thousand euro, and amortisation for 6,048 thousand euro.

CLASS C - INVESTMENTS

31/12/2016	31/12/2015	Change
2,794,819	2,575,942	+ 218,877

The comparison with investments' fair value is shown by type in the Annexes 4, 5 and 6 to these Explanatory Notes.

Below are shown the main investments:

C.I Land and buildings

	31/12/2016	31/12/2015	Change
	188,202	189,281	-1,079
<i>Of which:</i>			
C.I 1. Operating buildings	88,645	91,671	-3,026
C.I 2. Buildings used by third parties	99,557	97,610	1,948

Changes over the year are shown in the following table, separately for the two types of properties:

	(€/000)		
	Operating buildings	Buildings used by third parties	Total
Amount as at 31 December 2015	91,671	97,610	189,281
Acquisitions	608	7,027	7,635
Sales	-	-1,354	-1,354
Amortization	-3,634	-3,726	-7,360
Amount as at 31 December 2016	88,645	99,557	188,202

The other revaluations in prior years are provided in the statement of real estate assets contained in Part C Other information to these explanatory notes.

C.II Investments in group and in other companies

31/12/2016	31/12/2015	Change
571,618	483,945	+ 87,673

As required by Article 2426 of the Italian Civil Code and by Article 58 of Italian consolidated law on income tax, investments in group (subsidiaries, associated and other investee companies) shall be deemed non-current financial assets.

Any differences between acquisition value and Associated shareholder's equity are attributable to surplus values not recognised to equity, due to unrealised capital gains on properties, current and future. Any remaining differences are within a range of acceptable values and are not assessed as impairment losses.

Changes in Investments in group and in other companies are shown in Annex 5 to these Explanatory Notes.

Details about companies in which Vittoria holds an investment are shown in Annexes 6 and 7 to these Explanatory Notes.

C.II 1. Equity investments

	31/12/2016	31/12/2015	Change
	550,386	468,162	+ 82,224

C.II 1.b Subsidiaries

	31/12/2016	31/12/2015	Change
	506,609	419,362	+ 87,247

The investments in subsidiaries totalled 506,609 thousand euro and are allocated for 50,693 thousand euro to the life business and for 455,916 thousand euro to the non-life business.

C.II 1.d Associated companies

	31/12/2016	31/12/2015	Change
	15,364	19,882	-4,519

The investments in associated companies totalled 15,364 thousand euro and are entirely allocated to the non-life business.

C.II 1.e Other investee companies

	31/12/2016	31/12/2015	Change
	28,412	28,918	-506

The item includes investments other than those in subsidiaries and associates, entirely allocated to the non-life business.

Change over the year in the item "Equity investments" is fully reported, as well as in the Directors' report in the comments on the equity portfolio, also in Annex 7 to these Explanatory Notes.

C.II 3. Loans to group companies

	31/12/2016	31/12/2015	Change
	21,233	15,783	+5,450

Of which:

C.II 3.b Subsidiaries

	31/12/2016	31/12/2015	Change
	20,000	13,500	+6,500

The amount as at 31 December 2016 referred to four loans each of 5,000 thousand euro, granted to the subsidiaries Vaimm Sviluppo S.r.l., V.P. Sviluppo 2015 S.r.l., Vittoria Immobiliare S.p.A. and Immobiliare Bilancia Prima S.r.l.

The loan duration is 1 year and the current interest rate applied is equal to three-month euribor.

C.II 3.d Associated companies

	31/12/2016	31/12/2015	Change
	1,233	2,283	-1,050

The amount as at 31 December 2016 referred to the interest bearing loan toward the associate Spefin Finanziaria S.p.A..

The loan duration is more than 1 year and the current interest rate applied is equal to three-month euribor.

C.III Other financial investments

	31/12/2016	31/12/2015	Change
	2,034,850	1,902,541	+132,309

The information on the breakdown and changes in other financial investments according to use and at current value are contained in Annexes 8 and 9 to these Notes.

The income and charges are shown in Annexes 21 and 23 of the Explanatory Notes.

The account refers to the following items:

C.III 2 Units in mutual investment funds

	31/12/2016	31/12/2015	Change
	69,624	48,408	+21,216

Investments in units in mutual funds are long-term investments. These totalled 69,624 thousand euro and are allocated as follows: 41,396 thousand euro to the life business, and 28,228 thousand euro to the non-life business.

Change over the year is fully reported, in the Directors' report in the comments on the *Units in mutual investment funds*.

C.III 3 Bonds and other fixed-income securities

	31/12/2016	31/12/2015	Change
	1,954,848	1,845,030	+109,818
<i>Of which:</i>			
C.III 3.a Listed	1,953,741	1,843,796	+109,945
C.III 3.b Not listed	1,107	1,234	-127

The investments in bonds and other fixed-income include short-term securities of 614,908 thousand euro and long-term securities of 1,339,940 thousand euro. These totalled 1,954,848 thousand euro and are allocated as follows: 1,028,406 thousand euro to the non-life business, and 926,442 thousand euro to the life business.

The following table provides a breakdown of the bond portfolio as at 31 December 2016:

- Italian government securities	45.5%
- Foreign government securities	49.4%
- Italian corporate bonds	1.4%
- Foreign corporate bonds	3.7%

At 31 December 2016, the Company holds in its portfolio no. 4 bonds with subordination clauses, for which the following table summarizes the main features:

Debt securities with subordination clauses						(€/000)
Beneficiary	Carrying value FY 2016	Currency	Interest rate	Expiration date	Early redemption clauses	
Assicurazioni Generali S.p.a.	1,819,017	Euro	4.13%	04/05/2026	No clause	
Assicurazioni Generali S.p.a.	5,160,722	Euro	5.50%	27/10/2047	Call 27/10/2027	
BCC Banca del Vomano	100,000	Euro	6.00%	20/06/2023	No clause	
Landesbank Baden-Württemberg	695,906	Euro	3.63%	16/06/2025	No clause	
Total	7,775,646					

In case of default or liquidation of the issuer, the redemption of bonds and payment of interest is achievable only after full satisfaction of senior creditors.

As indicated in Annex 9 to these Notes, during the year 249,906 thousand euro was transferred from the long-term portfolio to the short-term portfolio, in compliance with the minimum limits established for securities to be allocated to the short-term portfolio by the company's framework resolution on investments.

C.III 3.a Bonds and other fixed-income securities Listed

The change over the year is due to the following transactions:

- increase depending on normal portfolio management and trading for 1,149,480 thousand euro and decrease depending on reimbursements and sales for 1,028,393 thousand euro;
- adjustment for negative trading margins and issue differentials for 10,305 thousand euro;
- downward alignment at fair value of trading securities for 837 thousand euro.

C.III 3.b Bonds and other fixed-income securities Not listed

The change over the year is due to the decrease depending on reimbursements for 227 thousand euro and to a subscription for 100 thousand euro.

The following table provides a comparison of the financial instruments required by Article 2427/2 of the Italian Civil Code, as at 31 December 2016, of the book value with the relative «fair value» from the market trend at year end.

		(€/000)	
	Account class	Carrying value FY 2016	Fair value (*)
Investments - Other investee companies		571,619	646,200
- Equity investments in other investee companies	C.II.1	550,386	624,967
<i>of which carried at a value higher than fair value</i>		<i>10,354</i>	<i>9,503</i>
- Bonds issued by other investee companies	C.II.3.b)	20,000	20,000
- Loans to affiliate companies	C.II.3.d)	1,233	1,233
Other financial investments		2,034,850	2,139,442
- Units in mutual investment funds	C.III.2	69,624	82,430
<i>of which carried at a value higher than fair value</i>		<i>14,873</i>	<i>14,684</i>
- Bonds and other fixed-income securities	C.III.3	1,954,848	2,046,634
<i>of which carried at a value higher than fair value</i>		<i>251,954</i>	<i>249,979</i>
- Loans	C.III.4	8,378	8,378
- Bank deposits	C.III.6	2,000	2,000

(*) Fair value corresponds to what is indicated in Annex 8 to the Explanatory Notes.

The shares held in the company Mediobanca S.p.A, are recorded at the date of 31 December 2016, to a carrying value equal to 8.45 euro per share, higher than the stock market price equal to 7.76 euro per share, for which, however, there are no elements such as believing that there is a impairment loss.

Operations involving repurchase agreements

During the year no operations involving repurchase agreements were carried out.

C.III 4 Loans

	31/12/2016	31/12/2015	Change
	8,378	7,093	1,285
<i>Of which:</i>			
C.III 4.a Secured loans	3,145	2,313	+832
C.III 4.b Loans against insurance policies	1,277	1,650	-373
C.III 4.c Other loans	3,956	3,130	+826

Details and related changes over the year involving this account are shown in Annex 10 to these Explanatory Notes.

C.III 4.a Secured loans

	31/12/2016	31/12/2015	Change
	3,145	2,313	+832

The item consists solely of mortgage loans granted by the company. The minimum interest rate applied to mortgages is 1.56%.

The amount of mortgage with a residual duration of more than 1 year and 5 years is, respectively 3,145 thousand euro and 2,959 thousand euro.

C.III 4.b Loans against insurance policies

	31/12/2016	31/12/2015	Change
	1,277	1,650	-373

These are loans granted to company Life policyholders.

These loans can be considered to have a duration of more than 5 years. The current interest rate applied to the loans is equal to the rate of return of segregated funds retroceded to policyholders, increased by 2 points.

C.III 4.c Other loans

	31/12/2016	31/12/2015	Change
	3,956	3,130	+826

The item mainly consists of loans granted to company employees and agents.

The minimum interest rate applied to loans is 1.0% and relates to loans granted to the agency network to upgrade its IT facilities.

The amount of loans with a residual duration of more than 1 year and 5 years is, respectively 3,729 thousand euro and 2,429 thousand euro.

C.III 6 Other financial investments

	31/12/2016	31/12/2015	Change
	2,000	2,010	-10

The item consists of time deposit at the BCC Vomano.

C.IV Deposits with ceding companies

	31/12/2016	31/12/2015	Change
	149	175	-26

The amount of these deposits relates to the technical reserves for indirect business, due to the inward reinsurance contract for Life business with Generali Italia S.p.A..

CLASS D – INVESTMENTS FOR THE BENEFIT OF LIFE POLICYHOLDERS BEARING THE RISK AND THOSE RELATING TO PENSION FUND MANAGEMENT

31/12/2015	31/12/2014	Change
56,349	58,636	-2,287

D.I Investments relating to unit- and index-linked policies

31/12/2016	31/12/2015	Change
37,369	41,496	-4,127

The changes occurring over the year by asset category are detailed as follows:

Unit - Linked portfolio	-4,127
- increase due to purchase and subscription of securities	+3,837
- decreases following sales of securities, redemptions and switch	-7,647
- profit/loss on internal fund management	-368
- alignment at fair value - write-ups	+138
- alignment at fair value - write-downs	-87

Investments breakdown by asset category belonging to Class D.I are shown in the Annex 11 to these Explanatory Notes.

D.II Investments relating to pension fund management

31/12/2016	31/12/2015	Change
18,980	17,140	+1,840

Changes occurring over the year by asset category are detailed as follows:

- balance of social security management (net collection)	+1,694
- financial management result	+414
- management expenses	-240
- substitute tax receivable	-28

These investments are entirely concerning to the open pension fund called "Vittoria Formula Lavoro" and are shown in the Annex 12 to these Explanatory Notes.

For further details, please refer to the Pension fund's annual report, enclosed to this annual financial report.

CLASS D bis – REINSURERS’ SHARE OF TECHNICAL RESERVES

	31/12/2016	31/12/2015	Change
	63,481	64,017	-536

As regards their breakdown by type of reinsurance business, reference should be made to the description in Balance Sheet Liabilities - Class C - Technical Reserves.

Their breakdown by insurance segment is as follows:

			(€/000)
	31/12/2016	31/12/2015	Change
D Bis. I Non - Life business	56,003	57,020	- 1,017
<i>Of which:</i>			
Premium reserve	17,190	17,439	- 249
Claims reserve	38,813	39,581	- 768
D Bis. II Life business	7,479	6,997	+ 482
<i>of which:</i>			
Mathematical reserves	7,447	6,966	+ 481
Other technical reserves	32	31	+ 1

The item Other financial reserves for Life business refers to operating expense reserves for Class 1 - Whole and term life totalled 2 thousand euro and Class IV - Health insurance totalled 30 thousand euro.

CLASS E - RECEIVABLES

31/12/2016	31/12/2015	Change
219,882	259,433	-39,551

The amount is payable from 2017. This item is shown net of related adjustment provisions. The changes over the year are detailed as follows:

E.I Receivables relating to direct insurance transaction

	31/12/2016	31/12/2015	Change
<i>Towards:</i>	178,248	188,261	-10,013
E.I.1 Policyholders	52,209	55,610	-3,401
E.I.2 Insurance agents and brokers	95,772	98,193	-2,421
E.I.3 Insurance companies – current accounts	6,177	7,394	-1,217
E.I.4 Policyholders and third parties for recoverables	24,090	27,064	-2,974

In particular:

E.I 1. Direct insurance receivables, for premiums due from policyholders

	31/12/2016	31/12/2015	Change
<i>Of which:</i>	52,209	55,610	-3,401
E.I 1.a For current years' premiums	50,367	52,627	-2,260
E.I 1.b For previous years' premiums	1,842	2,983	-1,141

This item is shown net of related adjustment provisions, which, as at 31 December 2016, totalled 10,418 thousand euro (10,991 thousand euro as at 31 December 2015), related entirely to the non-life business, due to write-downs of estimated bad debts based on previous years' experience.

The provision made in the previous year has been in line with the subsequent evidence.

E.I 2. Receivables relating to direct insurance, due from insurance agents and brokers

	31/12/2016	31/12/2015	Change
	95,772	98,192	-2,421

Amounts receivable from insurance agents and brokers are stated net of the related provision which, as at 31 December 2016, amounted to 15,978 thousand euro (16,012 thousand euro in the previous year), determined based on an analytical assessment of the recoverability and seniority and the implicit risk of the portfolio.

The item was adjusted by 8,140 thousand euro for the non-life business and 7,838 thousand euro for the life business.

The item includes 23,689 thousand euro for the recovery of the portfolio against leaving indemnities paid in the past to intermediaries who have ceased their activities. Of the remaining loans, totaling 72,083 thousand euro, as of 28 February 2017, 2,546 thousand euro are still to be collected.

In addition, the total amount includes receivables toward subsidiary companies, in particular, Aspevi Roma Srl for 1,800 thousand euro.

The amount of receivables with a residual duration of more than 1 years and 5 year, are respectively 20,985 thousand euro and 10,759 thousand euro.

E.I 3. Receivables relating to direct insurance, due from insurance companies – current accounts

	31/12/2016	31/12/2015	Change
	6,177	7,394	-1,217

This item primarily consists of receivables stemming from current accounts reflecting the results of technical management of co-insurance transactions, net of the related provision which, as at 31 December 2016, amounted to 562 thousand euro (650 thousand euro in the previous year).

E.I 4. Receivables relating to direct insurance, due from policyholders and third parties for recoverables

	31/12/2016	31/12/2015	Change
	24,090	27,064	-2,974

The item shows amounts receivable from policyholders and third parties for deductibles and claim subrogation.

The decrease compared to the previous year is mainly attributable to the Deposit business, where sums have been recovered during the year and for which a revision of the amounts to recover was carried out, eliminating the positions that, based on current market conditions, it is believed to be no longer recoverable.

E.II - Receivables relating to reinsurance business

	31/12/2016	31/12/2015	Change
1. Insurance and reinsurance companies	811	6,333	-5,522

This item comprises receivables stemming from current accounts reflecting the results of technical management of reinsurance treaties net of related provision of 1,110 thousand euro (2,021 thousand euro as at 31 December 2015), based on expected losses for uncollectible accounts.

E.III – Other receivables

	31/12/2016	31/12/2015	Change
	40,824	64,839	-24,015

This item is shown net of related adjustment provisions of 5,041 thousand euro (5,491 thousand euro as at 31 December 2015), related entirely to the non-life business.

The most significant items forming “Other receivables” are:

- receivables from Tax Authorities for 35,229 thousand euro for tax credits on mathematical reserves in accordance with D.L. 209/2002, advance payment on Non – Life business (ex D.L. 282/2004), and receivables on local tax (IRPEG and IRES) for which reimbursement has been requested including related interests; these receivables are considered collectable essentially by next year;
- receivables for insurance agreements for 1,298 thousand euro (870 thousand euro as at 31 December 2015);
- advance payments for claims for 401 thousand euro (571 thousand euro as at 31 December 2015);
- receivables from subsidiary companies for 2,176 thousand euro for tax consolidation (2,310 thousand euro as at 31 December 2015).

The amount of receivables with a residual duration of more than 1 and 5 years are, respectively, 1,753 thousand euro and 70 thousand euro.

CLASS F – OTHER ASSETS

31/12/2016	31/12/2015	Change
313,019	230,254	+82,765

Of which:

F. I Tangible assets and inventory

	31/12/2016	31/12/2015	Change
	7,575	8,117	-542
F. I.1 Office, furniture & machinery, and internal transport systems	6,511	7,027	-516
F. I.2 Registered chattels	155	90	+65
F. I.3 Plant and equipment	897	1,000	-104
F. I.4 Inventory and other assets	11	0	+11

Assets related to the item F.I Tangible assets and inventory are stated at cost less cumulative depreciation. The change is due to the purchases during the year for 1,572 thousand euro and amortisation for 2,085 thousand euro and net disposals for 29 thousand euro.

Below, are detailed the items forming this sub-category F. I.1 Office, furniture & machinery, and internal transport systems:

	31/12/2016	31/12/2015	Change
Furniture	5,009	5,355	-343
Fittings	965	988	-23
Ordinary office machinery	453	587	-134
Electronic office machinery	84	96	-12
Total	6,511	7,027	-516

Operations of financial lease

During the year no operations of financial lease were carried out.

F. II Cash & cash equivalents

	31/12/2016	31/12/2015	Change
	226,094	138,206	+87,888

Year-end liquidity came primarily from the agency network's remittances on December and from the cash included in Life segregated funds.

The total amount is composed for 226,094 thousand euro by bank deposits and post office current accounts and for 50 thousand euro by cheques and cash in hand.

The changes of Cash & cash equivalents is detailed in the cash flow statement enclosed to the Part C "Other information" to these Explanatory Notes.

F. IV Other assets

	31/12/2016	31/12/2015	Change
	79,351	83,931	-4,580

The main items forming this item are shown below:

- deferred tax assets relating to previous years' taxable items for 74,599 thousand euro (81,511 thousand euro as at 31 December 2015). For details, reference should be made to the schedule shown later on in the chapter "Information on the balance sheet and income statement";
- sums unavailable on current accounts as a result of foreclosures exercised by third parties to pending cases, amounted to 2,962 thousand euro;
- invoices to be issued and credit notes to be received for 86 thousand euro (216 thousand euro as at 31 December 2015).

CLASS G – ACCRUED INCOME & PREPAID EXPENSES			
	31/12/2016	31/12/2015	Change
	29,517	26,032	+3,485
G.1 Interest	25,106	22,225	+2,881
G.2 Rent instalments	849	725	+124
G.3 Other accrued income & prepaid expenses	3,562	3,082	+480

G.1 Interest

This refers mainly to interest totalling 23,801 thousand euro on fixed-income securities (22,137 thousand euro as at 31 December 2015).

G.2 Rent instalments

These are prepaid expense items relating to premises owned by third parties.

G.3 Other accrued income & prepaid expenses

The item refers to prepaid expenses calculated on miscellaneous invoices.

BALANCE SHEET

LIABILITIES

CLASS A – SHAREHOLDERS' EQUITY

	31/12/2016	31/12/2015	Change
	665,234	539,223	+126,011

The outline of changes in shareholders' equity as at 31 December 2016 is shown below, as required by Article 2427 Civil Code:

	Share capital	Legal reserve	Share premium	Revaluation reserve	Available reserve	Net profit for the year	Total
	(€/000)						
Balance as at 31/12/2011	67,379	11,107	33,355	10,939	160,546	35,329	318,655
Dividend distribution	-	-	-	-	-	-11,454	-11,454
Allocation to earnings reserve 2011	-	797	-	-	23,078	-23,875	-
2012 net profit	-	-	-	-	-	57,482	57,482
Balance as at 31/12/2012	67,379	11,904	33,355	10,939	183,624	57,482	364,683
Dividend distribution	-	-	-	-	-	-11,454	-11,454
Allocation to earnings reserve 2012	-	419	-	-	45,609	-46,028	-
Revaluation real estate reserve	-	-	-	7,256	-	-	7,256
2013 net profit	-	-	-	-	-	62,467	62,467
Balance as at 31/12/2013	67,379	12,323	33,355	18,195	229,233	62,467	422,952
Dividend distribution	-	-	-	-	-	-12,128	-12,128
Allocation to earnings reserve 2013	-	242	-	-	50,097	-50,339	-
Revaluation real estate reserve	-	-	-	-2	-	-	-2
2014 net profit	-	-	-	-	-	74,935	74,935
Balance as at 31/12/2014	67,379	12,565	33,355	18,193	279,330	74,935	485,757
Dividend distribution	-	-	-	-	-	-12,802	-12,802
Allocation to earnings reserve 2014	-	54	-	-	62,079	-62,133	-
2015 net profit	-	-	-	-	-	66,269	66,269
Balance as at 31/12/2015	67,379	12,619	33,355	18,193	341,408	66,269	539,223
Dividend distribution	-	-	-	-	-	-13,476	-13,476
Allocation to earnings reserve 2015	-	9	-	-	52,783	-52,793	-
2015 net profit	-	-	-	-	-	139,487	139,487
Balance as at 31/12/2016	67,379	12,628	33,355	18,193	394,192	139,486	665,234

As at 31 December 2016 share capital, fully paid in, consisted of no. 67,378,924 ordinary shares of a par value of 1,00 euro each, authorised, issued and fully released.

Revaluation reserves refers to the real estate revaluation carried out in 2008, as required by Article 15, paragraph 20, of the Legislative Decree of 29 November 2008, no. 185 and in 2013 as required by Law no. 147/2013.

The following table highlights the nature and possibility of use of equity reserves as required by the aforementioned article of the Italian Civil Code:

(€/000)

Nature/Description	Amount as at 31/12/2016	Possibility of utilization (*)	Available amount	Summary of utilisation in the previous 3 financial years	
				to cover losses	for other reasons
Share capital	67,379				
Equity reserves					
Share premium reserves	33,355	A, B, C	33,355		
Revaluation reserves (2)					
Revaluation reserve - Law 147/2013	7,254	A, B, C	7,254		
Revaluation reserve - Law 185/2008	10,939	A, B, C	10,939		
Earnings reserves					
Legal reserve	12,628	B	-		
Other available reserves	394,192	A, B, C	394,192		
Net profit for the year	139,487	A, B, C	139,487		
Total shareholders' equity	665,234		585,227		
Non-distributable portion of share premium reserve (1)			848		
Residual distributable portion			584,379		

(*) A: for capital increases

B: to cover losses

C: for distribution to shareholders

(1) Under Article 2431 of the Italian Civil Code, the entire amount of this reserve can be distributed only if the legal reserve has reached the limit established by Article 2430 of the Italian Civil Code.

(2) These reserves might be decreased as established by Article 2445 of the Italian Civil Code, paragraph 2 and 3.

(3) This represents the non-distributable reserve quota earmarked for coverage of deferred costs that have not yet been amortised ex Article 2426 of the Italian Civil Code.

Disclosure of equity reserves used for capital increases, as required by circular no. 8 issued by the Italian Finance Ministry on 16/03/1984:

(€ '000)

Date of Extraordinary shareholders' resolution	Year of recognition in accounts	As per Visentini Law	Amount
19/5/78	1978	576/75	258
14/5/79	1980	576/75	516
15/4/81	1982	576/75	258
28/6/88	1988	576/75	13
28/6/88	1988	72/83	1,020
28/6/88	1990	72/83	3,099
27/6/08	2008	-	6,370

CLASS C – TECHNICAL RESERVES

31/12/2016	31/12/2015	Change
2,624,694	2,506,099	+118,595

The following tables show changes over the year of Non-Life business technical reserves:

C.I – Non-Life business

	31/12/2016	31/12/2015	Change
	1,519,589	1,468,101	+51,488
C.I.1 - Premium reserve	394,239	393,875	+364
C.I.2 - Claims reserve	1,118,633	1,068,076	+50,557
C.I.4 - Other technical reserve	409	409	-
C.I.5 - Equalisation reserve	6,308	5,741	+567

Information about analytical evaluation and accounting criteria of the technical reserves are enclosed in "Part A - Accounting Policies" to this financial report.

Changes over the year are shown by business line and type in Annexes 13 and 25 to these Explanatory Notes.

C.I.1 – Premium reserve

The breakdown and changes over the year of the premium reserve is shown below (in /000):

	31/12/2016	31/12/2015	Change
For directly insured risks	394,190	393,833	+ 357
For inwardly insured risks	49	42	+ 7
Gross reserves	394,239	393,875	+ 364
Reinsurers' share	17,190	17,439	- 249
Net reserves	377,049	376,436	+ 613

The breakdown of the direct insurance premium reserve, calculated in accordance with the "pro-rata temporis" criterion and the specific criteria set out in "Part A - Accounting policies" for each line, is as follows:

Reserve for unearned premiums and additions to reserve

Line of business	(€/000)				TOTAL
	Direct insurance		Indirect insurance		
	Reserve for unearned premiums	Unexpired risks reserve	Reserve for unearned premiums	Unexpired risks reserve	
01 - Accident	25,411				25,411
02 - Health	5,009				5,009
03 - Land motor vehicle hulls	39,548				39,548
04 - Railway rolling stock	2				2
06 - Marine hulls	297				297
07 - Cargo insurance	479				479
08 - Fire and natural events	31,780				31,780
09 - Miscellaneous damage	16,058	1,740			17,798
10 - Motor TPL	203,293				203,293
11 - Aviation TPL	1				1
12 - Marine TPL	388				388
13 - General TPL	19,077		36		19,113
14 - Credit insurance	4,682	5,471			10,154
15 - Bond insurance	10,118	6,092	7		16,217
16 - Pecuniary losses	15,699				15,699
17 - Legal protection	1,599				1,599
18 - Support and assistance	7,445		6		7,451
Total premium reserve	380,887	13,303	49	-	394,239

Unexpired risk reserve

Unexpired risk reserve as at 31 December 2016 is referred to 9 line of business - Miscellaneous damage and to 15 line - Bond insurance has been evaluated in accordance with the ISVAP Regulation n. 22/2008, amended by IVASS Regulatory order no. 53/2016 set out in "Part A - Accounting policies" to this financial report.

For the assessment of Unexpired risk reserve of the 14 line of business - Credit is not considered that the empirical method is consistent with the type of portfolio risks Vittoria which is entirely represented by the Salary-Backed Loans with the possibility of recourse.

It was considered, therefore, more appropriate to use a method of estimating the expected losses.

C.1.2 – Claims reserve

The breakdown and changes over the year of the claims reserve is shown below (in /000):

	31/12/2016	31/12/2015	Change
For directly insured risks	1,117,713	1,067,205	+ 50,508
For inwardly insured risks	920	871	+ 49
Gross reserves	1,118,633	1,068,076	+ 50,557
Reinsurers' share	38,460	39,239	- 779
Retrocessionaries' share	353	342	+ 11
Net reserves	1,079,820	1,028,495	+ 51,325

Non-Life Business:

In continuity with the previous year in order to achieve an estimate of ultimate cost [for the purposes of reserving] closer to operating reality - which features a variety of cases featuring significant differences in the parameters used to measure the entity of claims - the parent company Vittoria Assicurazioni S.p.A. has decided to perform separate analysis of claims occurring before introduction of the knock-for-knock system (KFK for short) (i.e. events before 2007) and after its introduction. In doing so, it has in turn split them by type of management and by claims featuring only property damage and those involving hybrid damage (i.e. those with at least one case of bodily injury).

To do this, preliminary methodological work was done to identify an actuarial method permitting accurate estimation of ultimate-cost reserves at the level of detail indicated above.

Different methods were identified, of a different nature in order to have a more precise monitoring of the evolving dynamics of claims::

- Main method: Paid Chain Ladder: this method estimates the amount of future payments, until run-off of generations, constructing – using the historical series available – the triangles of cumulative amounts paid (organised by event) and calculating on the latter the observable development factors. These factors are then applied to cumulative data up to the current balance-sheet year to calculate estimated future payments.
In order to verify the sensitivity of the results, this methodology was subjected to a range of hypotheses and scenarios, in order to verify the sensitivity of the results.
- Alternative methods:
 - o Incurred Chain Ladder: this method is similar to the previous one, except that the coefficients of development for each year of the event are calculated on the total amount of claims (payments already observed + reserves) in the various financial years. The rates are applied to the data accumulated up to the end of the current financial year, in order to estimate the total amount of future claims.
 - o Fisher Lange: the method is based on the projection of the number of outstanding claims and the average cost estimate. This method consists to estimate for claim duration the vectors of claims settlement speed, rate of claims with follow-up, average cost of claims and future inflation trends. These

performance measures are evaluated by the analysis of the triangles of run-off in the number of claims paid, reserved, without follow-up and reopened, and the average costs recorded for each generation / policy year.

- o Bornhuetter Ferguson – Paid/Incurred: which method makes it possible to average the results obtained from the Chain Ladder methods described above and those of the Expected method Claims Technique. The latter provides an estimate of the total cost of claims starting from the identification of a Loss Ratio priori determined by the Expert judgment of the Company, possibly by reference to market data.

In order to obtain an adequate assessment, or rather less affected by possible modifications on shifting timing of the information in the “*room*”, the above method has been also applied to IBNR payments observed, obtaining so a conjoint estimate of ultimate cost and IBNR reserve (the last one has been calculated directly with the method above mentioned).

For all the businesses, since they have sufficient historical depth, the queuing projection coefficients were estimated separately for each component analysed, in order to show the different developments (the time series were projected using appropriate regression functions).

Other risks:

For General TPL line, verifications on claims reserve (including IBNR) appropriateness have been made with Chain-Ladder method. For the valuation of risks for other businesses, the inventory was used. In addition, observable data were analysed and valued according to historical portfolio series.

IBNR claims:

Calculation of the reserve for IBNR (incurred but not reported) claims requires estimation for each business of both the number and average cost of late claims. The estimate was made using as its source the balance-sheet input forms for the years 2004-2016 taking in consideration possible gaps between prior year allocation and the final amount.

For Motor TPL, the estimate is made separately for each type of management.

C.I.4 - Other technical reserves

	31/12/2016	31/12/2015	Change
	409	409	-

These reserves refer to direct business and consist of the Health insurance ageing reserve. In order to evaluate this reserve analytical and lump sum criteria were used as described in the “Part A - Accounting Policies” to this financial report.

C.I.5 - Equalisation reserve

	31/12/2016	31/12/2015	Change
	6,308	5,741	+567

The reserves refer solely to direct business and feature the following breakdown by business line, accordance with the provisions contained in Annex n.15 of the Regulations ISVAP n.22 /2008 amended by IVASS Instruction no. 53/2016:

<i>Line of business</i>	<i>31/12/2016</i>	<i>31/12/2015</i>	<i>Change</i>
03 Land vehicle hulls	3,704	3,364	+ 340
05 Aircraft hulls	138	138	-
07 Cargo (goods in transit)	118	114	+ 4
08 Fire and natural elements	1,742	1,587	+ 156
09 Other property damage	606	539	+ 66
Total equalisation reserve	6,308	5,741	+ 567

Breakdown and changes of technical reserve for the Life business over the year are shown in the following table:

C.II - Life business

	31/12/2016	31/12/2015	Change
	1,105,105	1,037,999	+67,106
C.II.1 - Mathematical reserves	1,072,342	1,002,404	+69,938
C.II.2 - Complementary insurance premium reserve	78	91	-13
C.II.3 - Reserve for payable amounts	26,328	28,316	-1,988
C.II.4 - Profit participation and reversal reserve	49	27	+22
C.II.5 - Other technical reserves	6,308	7,161	-853

Information about analytical evaluation and accounting criteria of technical reserves are enclosed in "Part A - Accounting Policies" to this financial report.

Changes over the year related to Mathematical reserves (class C.II.1) and to Profit participation and reversal reserve (class C.II.4) are detailed by line and type in Annex n.14 to these Explanatory Notes.

C.II.1 - Mathematical reserves

Breakdown and changes of technical reserve for the Life business over the year are shown in the following table:

	31/12/2016	31/12/2015	Change
For directly insured risks	1,072,193	1,002,231	+ 69,962
For inwardly insured risks	149	173	- 24
Gross reserves	1,072,342	1,002,404	+ 69,938
Reinsurers' share	7,447	6,966	+ 481
Net reserves	1,064,895	995,438	+ 69,457

The mathematical reserves comprise an additional reserve for longevity risk relating to annuity agreements and capital agreements with a contractually guaranteed coefficient of conversion to an annuity (paragraph no. 36 of Annex14 to ISVAP regulation no. 22/2008) amounting to 1,746 thousand euro (1,827 thousand euro in the previous year); in the case of capital agreements, account is taken of the propensity to convert to an annuity when it is calculated.

The mathematical reserves also include additional reserves for the guaranteed interest rate risk (paragraph no. 22 of Annex14 to ISVAP regulation no. 22/2008) amounting to 643 thousand euro (413 thousand euro in the previous year), obtained by joint analysis of the asset and liability portfolios of the segregated internal funds "Vittoria Rendimento Mensile", "Vittoria Valore Crescente" and "Vittoria Previdenza", the average rates of return on which were used to value the "Liquinvest" funds, "Obiettivo Crescita" funds and revaluable policies.

C.II.4 - Profit participation and reversal reserve

Breakdown and changes of profit participation and reversal reserve over the year are shown in the following table:

	<i>31/12/2016</i>	<i>31/12/2015</i>	<i>Change</i>
For directly insured risks	49	25	+ 24
For inwardly insured risks	0	2	- 2
Net reserves	49	27	+ 22

C.II.5 - Other technical reserves

The amount of this item as at 31 December 2016 is 6,308 thousand euro and refers solely to operating expenses which is expected to incur, based on conservative valuation as required by ISVAP regulation No. 21/2008.

Breakdown and changes of other technical reserves over the year are shown in the following table:

	<i>31/12/2016</i>	<i>31/12/2015</i>	<i>Change</i>
For directly insured risks	6,308	7,161	- 853
Gross reserves	6,308	7,161	- 853
Reinsurers' share	32	31	+ 1
Net reserves	6,276	7,130	- 854

The following table shows the split by line of business:

	<i>31/12/2016</i>	<i>31/12/2015</i>	<i>Change</i>
Line of Business I	5,801	6,550	- 749
Line of Business IV	237	211	+ 26
Line of Business V	270	400	- 130
Total	6,308	7,161	- 853

CLASS D – TECHNICAL RESERVES WHEN INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND RESERVES RELATING TO PENSION FUND MANAGEMENT

	31/12/2016	31/12/2015	Change
	56,349	58,636	-2,287
D.I – Reserves for unit- and index-linked policies	37,368	41,496	-4,128
D.II - Reserves relating to pension fund management	18,980	17,140	+1,840

The following table shows the breakdown and changes by product type relating the class D.I:

Below are detailed the key actuarial assumptions concerning technical reserves for direct business as at 31 December 2016:

Risk category	Capital sums, annuities	Technical reserves	Year of issue	Technical basis	
				financial	demographic
Temporary	4,764,554	41,033	1990 - 1997	4%	SIM 81
			1998 - 2001	3% - 4%	SIM 91
			2001 - 2007	3%	SIM 91 al 70%
			2008 - 2011	3%	SI 91 al 50% e 70%
			2012 - 2014	3%	IM 2001 al 90%- 65%
			dal 2015	2%	IM 2001 al 90%- 65%
Adjustable	6	9	1969 - 1979	3%*	SIM 51
Indexed	4	5	1980 - 1988	3%*	SIM 51
Other types	400	14			
Revaluable	1,196,283	1,032,617	1988 - 1989	3%*	SIM 71
			1990 - 1996	4%*	SIM 81
			1997 - 1999	3%*	SIM 91
			2000 - 2011	1,5% - 2%*	SIM 81-91
			2012 - 2014	2%	SIM 2001 al 80%
			2014 - 2015	1%	SIM 2001 al 70%
			dal 2015	0%	SIM 2001 al 70%
			L.T.C.	27,008	2,919
			2004 - 2011	3%	(2)
			dal 2012	3%	(3)
Pension fund	18,980	18,982	dal 1999	---	---
Unit Linked	36,777	37,400	1998 - 2014	0%	SIM 91
			dal 2015	0%	SIM 2001
Total ordinary	6,044,013	1,132,980			
ALL revaluable	1,996	1,996	1986 - 1998	4% *	SIM 51
			1999 - 2004	3% *	SIM 81
Total business lines	6,046,009	1,134,976			

* Due to the effect of the contractually guaranteed revaluation, technical rates have increased to:

for indexed policies: 3.0% for adjustable policies: 3.0% for ALL revaluable policies: 3.56%
for revaluable policies: Vittoria Valore Crescente 3.46%; Vittoria Rendimento Mensile 2.51%; Vittoria Previdenza 2.20%.

(1) SIM 91 reduced to 62%; SIF 91 reduced to 53%; mortality rates and LTC (long term care) rates taken from insurers' studies

(2) SIM 91 reduced to 60%; mortality rates and LTC rates taken from insurers' studies

(3) SIU 2001 indistinct; mortality rates and incidence rates LTC derived from reinsurers' studies

CLASS E – PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES

	31/12/2016	31/12/2015	Change
	21,395	6,090	+15,304
E.2 – Tax provision	11,839	998	+10,841
E.3 – Other provisions	9,556	5,092	+4,464

E.2 – Tax provision

The change mainly was due to allocation of deferred tax liabilities for 11,270 thousand euro relating to capital gains realized in 2016, and whose taxation for IRES is paid in instalments in accordance with to art. 86 of Italian consolidated law on income tax.

Changes of this item are also shown to the Annex 15 to these Explanatory Notes.

E.3 – Other provisions

The item as at 31 December 2016 is related to a provisioning for litigations in progress, attributable to normal operations of the company.

CLASS F – DEPOSITS RECEIVED FROM REINSURERS

	31/12/2016	31/12/2015	Change
	12,933	14,425	-1,492

These deposits are related to the technical reserves of reinsured direct business.

CLASS G – PAYABLES AND OTHER LIABILITIES

	31/12/2016	31/12/2015	Change
	110,973	106,135	+4,838
G.I - Payables arising from direct insurance business	8,454	8,153	+301
G.II - Payables arising from reinsurance business	7,504	8,280	-776
G.VII - Reserve for employee severance indemnities	2,905	3,228	-323
G.VIII – Other payables	65,197	61,664	+3,533
G.IX – Other liabilities	26,913	24,810	+2,103

Relating to G.I item, the following table shows the breakdown and change over the year:

G.I - Payables arising from direct insurance business

	31/12/2016	31/12/2015	Change
	8,454	8,153	+301
<i>Of which:</i>			
G.I.1 – due to insurance agents and brokers	5,029	3,952	+1,077
G.I.2 – due to current accounts with other insurers	2,067	2,499	-432
G.I.3 – due to policyholders for performance deposits and premiums	1,118	705	+413
G.I.4 – due to guarantee funds for policyholders	240	997	-757

G.I.1 Payables arising from direct insurance business, due to insurance agents and brokers

	31/12/2016	31/12/2015	Change
	5,029	3,952	+1,077

These amounts refer to balances not yet settled as at 31 December 2016 and to indemnities payable at the end of agency mandates.

The item is allocated as follows: 4,523 thousand euro to the Life business and 506 thousand euro to the Non-Life business.

G.I.2 Payables arising from direct insurance business, due to current accounts with other insurers

	31/12/2016	31/12/2015	Change
	2,067	2,499	-432

This item includes amounts payable arising from current accounts comprising the technical results of co-insurance transactions.

The item is allocated as follows: 1,968 thousand euro to the Non-Life business, and 99 thousand euro to the Life business.

G.I.3 Payables arising from direct insurance business, due to policyholders for performance deposits and premiums

	31/12/2016	31/12/2015	Change
	1,118	705	+413

The item refers to the performance deposits paid by policyholders for insurance coverage. The item is allocated as follows: 559 thousand euro to the Non-Life business, to both the Life business.

G.I.4 Payables arising from direct insurance business, due to guarantee funds for policyholders

	31/12/2016	31/12/2015	Change
	240	997	-757

This item is mainly referred to the amount payable to CONSAP for the contribution to the fund for road-accident victims.

G.II Payables, arising from reinsurance business, due to insurers and reinsurers

	31/12/2016	31/12/2015	Change
	7,504	8,280	-776

This item is relative to payables arising from the current accounts comprising the technical results of reinsurance dealings.

The item is allocated as follows: 7,324 to the Non-Life business and 180 thousand euro to the Life business.

G.VII Reserve for employee severance indemnities

	31/12/2016	31/12/2015	Change
	2,905	3,228	-323

The item expresses the retirement allowance provision towards personnel as at 31 December 2016, in compliance with the Italian Civil Code.

The item is allocated as follows: 2,585 to the Non-Life business, and 320 thousand euro to the Life business.

Changes are also reported to the Annex 15 to these Explanatory Notes. The overall change over the year is due to the following movements:

- decrease due to indemnities paid out for severance and to advance payouts granted for 121 thousand euro;
- increase due to provisioning for the year for 2,415 thousand euro;
- transfers to Pension Fund and Social Security fund for 2,040 thousand euro;
- recover of receivables toward Social Security fund for 73 thousand euro.

The payables in question must be taken to have a residual duration of more than 5 years.

G.VIII - Other payables

	31/12/2016	31/12/2015	Change
	65,197	61,663	+3,534
<i>Of which:</i>			
G.VIII.1 – for policyholders' taxes	23,638	22,790	+848
G.VIII.2 – for miscellaneous taxes	6,711	2,247	+4,464
G.VIII.3 – for social security & pension agencies	2,798	2,573	+225
G.VIII.4 – other sundry payables	32,050	34,053	-2,003

G.VIII.1 Other payables for policyholders' taxes

	31/12/2016	31/12/2015	Change
	23,638	22,790	+848

The item mainly includes amounts due from the tax authorities for taxes on insurance for premiums written, net of the advance instalments paid during the year, and the amounts due for the contribution to the National Health Service and for other tax charges payable by the policyholders.

The item is allocated as follows: 23,466 thousand euro to the Non-Life business, and 172 thousand euro to the Life business.

G.VIII.2 Other payables for miscellaneous taxes

	31/12/2016	31/12/2015	Change
	6,711	2,247	+4,464

The item is allocated as follows: 5,542 to the non-life business, and 1,249 thousand euro to the life business.

The amount as at 31 December 2016 is mainly composed as follows:

- Payables to the tax authorities for 3,680 thousand euro mainly due to IRES and IRAP taxation for the current year, which amounted respectively to 3,079 and 602 thousand euro;
- tax deduction on wages & salaries for 1,675 thousand euro (1,276 thousand euro as at 31 December 2015);
- tax deduction on fees for self-employed staff and advisors for 698 thousand euro (616 thousand euro as at 31 December 2015);
- tax deduction related to policies redemptions in life business for 278 thousand euro (292 thousand euro as at 31 December 2015).

G.VIII.3 Other payables for social security & pension agencies

	31/12/2016	31/12/2015	Change
	2,798	2,573	+225

This item consists mainly of amounts payable to INPS (the state pension & welfare agency) on salaries paid in December.

G.VIII.4 Other sundry payables

	31/12/2016	31/12/2015	Change
	32,050	34,053	-2,003

The item is allocated as follows: 28,147 to the non-life business, and 3,903 thousand euro to the life business.

The amount as at 31 December 2016 is mainly composed as follows:

- amounts payable to employees for payments settled in January 2017 and also for accruals for holidays not taken for 2,794 thousand euro (2,587 thousand euro as at 31 December 2015);
- payables arising from directors, statutory auditors and managers with strategic responsibilities for 2,565 thousand euro (4,134 thousand euro as at 31 December 2015);
- trade payables for 9,972 thousand euro (8,583 thousand euro as at 31 December 2015);
- fees payable to professionals for 6,263 thousand euro (7,568 thousand euro as at 31 December 2015);
- amounts payable to subsidiaries for tax consolidation for 5,890 thousand euro (5,746 thousand euro as at 31 December 2015).

G.IX – Other liabilities

	31/12/2016	31/12/2015	Change
	26,913	24,810	+2,103
<i>Of which:</i>			
G.IX.2 – commissions on premiums under collection	13,292	12,372	+920
G.IX.3 -- other liabilities	13,621	12,438	+1,183

G.IX.2 Commissions on premiums under collection

This item is relative to the provision for agent payable commissions on premiums that were in the process of collection at year-end for 9,349 thousand euro (9,569 thousand euro as at 31 December 2015).

G.IX.3 Other liabilities

This item is mainly relative to the following components:

- invoices and notes to be received from suppliers for 5,679 thousand euro (5,849 thousand euro as at 31 December 2015);
- technical accounts to be settled with agencies and sundry liabilities for 744 thousand euro (219 thousand euro as at 31 December 2015);
- provision for variable compensation for employees for 6,652 thousand euro (5,587 thousand euro as at 31 December 2015).

CLASS H – ACCRUED LIABILITIES & DEFERRED INCOME

	31/12/2016	31/12/2015	Change
	14	0	+14
H.3 – Other accrued liabilities & deferred income	14	0	+14

INCOME STATEMENT

I.10 - RESULT OF NON-LIFE BUSINESS TECHNICAL ACCOUNT

	31/12/2016	31/12/2015	Change
	130,627	130,520	+107

Summary information concerning to Non life business technical account are shown in Annexes 19, 25 and 26 to these Explanatory Notes.

Technical costs and revenues are classified as follows:

I. 1 – Premiums, net of outwards reinsurance

	31/12/2016	31/12/2015	Change
	1,049,075	1,026,465	+22,610
<i>Of which:</i>			
a) Gross premiums written	1,081,263	1,069,216	+12,047
b) (-) Ceded premiums	31,574	28,586	+2,988
c) (-) Change in gross premium reserve	365	15,596	-15,231
d) Change in reinsurers' share of premium reserve	-249	1,431	-1,680

The Company develops its business entirely in Italy. As shown in the Management Report, the Company operates in France on the basis of the free-provision-of-services regime.

The gross premiums written amounted to 1,081,263 thousand euro, of which 1,081,146 thousand euro relating to direct business and for 117 thousand euro relating to indirect business. Premiums ceded in the FY2016 totalled 31,574 thousand euro.

The breakdown of premiums by business has been indicated in the Management Report.

I. 2 – (+) Portion of investment income transferred from non-technical account

	31/12/2016	31/12/2015	Change
	13,974	10,894	+3,080

The amount to be transferred from the non-technical account to the technical account of the Non-Life business was determined in accordance with ISVAP Regulation no. 22/2008, as indicated in "Part A – Valuation Criteria" of the Explanatory Notes.

As at 31 December 2016 were transferred to Non-Life technical account investment income amounting to 13,974 thousand euro (10,894 thousand euro in the previous year), accounting for 74.05% of total net investment income amounting to 18,871 thousand euro (14,158 thousand euro in the previous year).

I. 3 – Other technical income, net of outwards reinsurance

	31/12/2016	31/12/2015	Change
	5,986	3,736	+2,250

This item is mainly referred to:

- reversal of commissions for previous years' cancelled premiums for 1,397 thousand euro (1,570 thousand euro in the previous year);
- 780 thousand euro for other technical items mainly relating to recoveries of settlement costs related to claims subject to CARD agreements (1,085 thousand euro in the previous year);
- 942 thousand euro related to recoveries of receivables for premiums under litigation (937 thousand euro in the previous year);
- 2,478 thousand euro incentives awarded to the Company as part of the CARD claims management.

I. 4 – Charges relating to claims, net of recoveries and outwards reinsurance

	31/12/2016	31/12/2015	Change
	678,025	656,323	+21,702
<i>Of which:</i>			
aa) Amounts paid – gross amount	660,029	661,989	-1,960
bb) (-) Reinsurers' share	20,142	34,568	-14,426
aa) Change in recoveries net of reinsurers' share			
– gross amount	12,258	7,708	+4,550
bb) (-) Reinsurers' share	-929	-4,582	+3,653
aa) Change in claims reserve – gross amount	50,545	42,891	+7,654
bb) (-) Reinsurers' share	-780	1,699	-2,479

Amounts paid

They relate to indemnities for 569,012 thousand euro (567,686 thousand euro in the previous year), direct expenses for 13,377 thousand euro (15,003 thousand euro in the previous year), settlement costs for partial or definitive payments of claims reported during the year or reserved at the end of the previous year for 62,297 thousand euro (63,973 thousand euro in the previous year) and the amount payable to CONSAP for the contribution to the fund for road-accident victims for 15,320 thousand euro (15,266 thousand euro in the previous year). The item includes indemnities to indirect business for 23 thousand euro (61 thousand euro in the previous year).

Change in recoveries net of reinsurers' share

This is the balance between amounts to be recovered from policyholders and third parties for deductibles, subrogation and remedying of claims at the previous year-end, the amounts recovered during the year and amounts yet to be recovered at year-end.

Change in claims reserve

The item includes estimated indemnities, direct and settlement costs to be paid in future years for claims reported during the current and previous years and not yet settled as at 31 December.

I. 7 – Operating costs

	31/12/2016	31/12/2015	Change
	247,376	242,179	+5,197
<i>Of which:</i>			
a) Acquisition commissions	160,873	156,478	+4,395
b) Other acquisition costs	45,122	50,435	-5,313
c) Change in commissions and other acquisition costs to be amortised	0	-1,812	+1,812
d) Premium collection commissions	10,111	10,353	-242
e) Other administrative expenses	35,722	27,848	+7,874
f) (-) Commissions received by reinsurers	4,452	4,747	-295

They relate to purchase and collection commissions proportional to premiums written, incentives accrued by brokers and agents and common costs incurred for the sales network. The item also includes overheads and depreciation of tangible assets not allocated to claims settlement and investments.

The amount related to transactions with subsidiaries and associated companies is provided in the Directors' Report.

I.8 - Other technical charges, net of outwards reinsurance

	31/12/2016	31/12/2015	Change
	12,439	11,540	+899

The item includes items relating to:

- technical write-offs of premiums and of uncollectible premiums for 4,685 thousand euro (3,598 thousand euro in the previous year);
- charge to the provision for bad debt from policyholders for 4,375 thousand euro (5,632 thousand euro in the previous year);
- other technical charges mainly relating to services supporting insurance covers and costs for premiums under litigation for 1,891 thousand euro (1,059 thousand euro in the previous year).

I.9 - Change in equalisation reserves

	31/12/2016	31/12/2015	Change
	567	534	+33

The change detailed for line of business is shown in the item C.I.5 in the Balance Sheet.

II.13 - RESULT OF LIFE BUSINESS TECHNICAL ACCOUNT

	31/12/2016	31/12/2015	Change
	-463	567	-1,044

Summary information concerning to life business technical account are shown in Annexes 20, 27 and 28 to these Explanatory Notes.

Technical costs and revenues are classified as follows:

II. 1 – Premiums, net of outwards reinsurance

	31/12/2016	31/12/2015	Change
	188,287	217,118	-28,831
<i>Of which:</i>			
a) Gross premiums written	189,469	218,327	-28,858
b) (-) Ceded premiums	1,182	1,209	-27

The gross premiums written amounted to 189,469 thousand euro, entirely attributable to direct business. Premiums ceded in the FY2016 totalled 1,182 thousand euro.

A premiums breakdown by line of business is shown in the Directors' report.

II. 2 – Investments income

	31/12/2016	31/12/2015	Change
	44,528	41,594	+2,934
<i>Of which:</i>			
a) Income from equity investments	-	-	-
b) Income from other investments	43,880	41,287	+2,593
c) Write-backs on investments	-	-	-
d) Profits made on sale of investments	648	307	+341

b) The item includes:

- Income on land and buildings rented and other income on property for 2,806 thousand euro (2,770 thousand euro in the previous year);
- income on fixed-income securities for interest, issue and trading differentials for 39,956 thousand euro (37,944 thousand euro in the previous year);
- income on unit trust units for 1,059 thousand euro (430 thousand euro in the previous year).

d) The item refers to capital gains arising from fixed-income securities' reimbursement and sale.

Investment income are detailed in Annex 21 to these Explanatory Notes, which also report non-technical account data relating to Non-Life business investment.

II. 3 - Income and unrealised capital gains relating to investments benefiting policyholders bearing the risk and investments relating to pension fund management

	31/12/2016	31/12/2015	Change
	2,887	6,305	-3,418

The increasing is due to the positive trend of the financial markets compared with the last year trend.

A breakdown of unrealised gains relating to investments benefiting policyholders bearing the risk is shown in Annex 22 to these Explanatory Notes.

II.4 - Other technical income, net of outwards reinsurance

	31/12/2016	31/12/2015	Change
	738	610	+128

The item includes commissions relating to first-year premiums cancelled and commissions retroceded by financial managers in relation to investments of unit-linked premiums and pension funds.

II.5 - Charges relating to claims, net of outwards reinsurance

	31/12/2016	31/12/2015	Change
	137,841	178,195	-40,354
<i>Of which:</i>			
aa) Amounts paid – gross amount	140,283	179,407	-39,124
bb) (-) Reinsurers' share	455	764	-309
aa) Change in reserve for payable amounts – gross amount	-1,987	-448	-1,539
bb) (-) Reinsurers' share	-	-	-

The amounts paid in the FY2016 totalled 140,283 thousand euro mainly due to direct business. They refer to costs relating to claims for 1,123 thousand euro (816 thousand euro in the previous year), claims for 17,386 thousand euro (24,081 thousand euro in the previous year), expired policies for 73,862 thousand euro (96,623 thousand euro in the previous year), surrenders for 47,411 thousand euro (57,449 thousand euro in the previous year) and annuities for 496 thousand euro (438 thousand euro in the previous year). The item includes indemnities to indirect business for 5 thousand.

II.6 - Change in mathematical reserves and other technical reserves, net of outwards reinsurance

	31/12/2016	31/12/2015	Change
	61,260	53,578	+7,682
<i>Of which:</i>			
aa) Mathematical reserves – gross amount	64,895	58,404	+6,491
bb) (-) Reinsurers' share	481	357	+124
aa) Complementary insurance premium reserve – gross amount	-12	-21	+9
aa) Other technical reserves – gross amount	-853	-1,268	+415
bb) (-) Reinsurers' share	-	-7	+7
aa) Technical reserves when investment risk is borne by policyholders or relating to pension fund management	-2,288	-3,187	+899

This refers to the change in technical reserves; for further information about evaluation and accounting method, please refer to the chapter "Part A - Accounting Policies" to these Explanatory Notes.

II.7 - Reversals and profit participation, net of outwards reinsurance

	31/12/2016	31/12/2015	Change
	+22	-25	-3

This item comprises amounts paid in the year for profit participation, as well as the change in the related reserve. The amount is solely referred to direct business.

II.8 – Operating costs

	31/12/2016	31/12/2015	Change
	17,309	15,662	+1,647
<i>Of which:</i>			
a) Acquisition commissions	4,808	5,083	-275
b) Other acquisition costs	5,360	7,323	-1,963
c) Change in commissions and other acquisition costs to be amortised	-86	-116	+30
d) Premium collection commissions	764	861	-97
e) Other administrative expenses	6,628	2,650	+3,978
f) (-) Commissions received by reinsurers	165	139	+26

They relate to purchase and collection commissions proportional to premiums written, incentives accrued by brokers and agents and common costs incurred for the sales network. The item also includes overheads and depreciation of tangible assets not allocated to investment-related costs.

II.9 - Capital and financial charges

	31/12/2016	31/12/2015	Change
	14,269	12,511	+1.758
<i>Of which:</i>			
a) Investment management costs and interest expense	10,171	8,078	+2,093
b) Investment write-downs	3,918	4,119	-202
c) Losses on sale of investments	180	314	-133

a) The item mainly refers to:

- costs relating to municipal tax on property (IMU) charging 403 thousand euro to 2016 profit and loss (403 thousand euro in the previous year);
- housing expenses, taxes and building management costs for 688 thousand euro (936 thousand euro in the previous year);
- costs relating to fixed-income securities for issue and trading differentials, taxes, and operating and personnel expenses for 9,081 thousand euro (6,739 thousand euro in the previous year);

b) The item refers to write-downs of financial instruments, like indicated in the Management report, and it is mainly related for 1,058 thousand euro (1,506 thousand euro in the previous year) to write-downs of equity investments, for impairment relating to the portion allocated to the life business of the investment in Subsidiary Vittoria Immobiliare SpA. Included are also, amortization on property totaling 2,485 thousand euro (2,500 thousand euro in the previous year) of which 835 thousand euro (857 thousand euro in the previous year) relating to the head office in Portello area in Milan.

Annex 23 to these Explanatory Notes reports details relating to Capital and financial charges on Life investments.

II.10 – Capital and financial charges and unrealised capital losses relating to investments benefiting policyholders bearing the risk and to investments connected with pension fund management

	31/12/2016	31/12/2015	Change
	3,074	2,067	+1,007

Details of charges and unrealised capital losses relating to the above types of investments are provided in Annex 24 to these Explanatory Notes.

II.11 - Other technical charges, net of outwards reinsurance

	31/12/2016	31/12/2015	Change
	562	413	+149

The item refers, as well as to allocations to the provision for bad debt toward policyholders also to fees payable by the company, relegated to sales channels, regarding internal funds linked to unit-linked policies and to the open pension fund called “Vittoria Formula Lavoro” for 129 thousand euro (140 thousand euro in the previous year) and to legal expenses to request repayment premiums of 152.

II.12 – (-) Income on investments transferred to non-technical account

	31/12/2016	31/12/2015	Change
	2,565	2,594	-29

The amount to be transferred from the non-technical account to the technical account of the non-life business was determined in accordance with ISVAP Regulation no. 22/2008, as indicated in “Part A – Valuation Criteria” of the Explanatory Notes.

RESULT OF NON-TECHNICAL ACCOUNT

31/12/2016	31/12/2015	Change
70,007	-10,997	+81,004

Non-technical costs and revenues are classified as follows:

III. 3 – Income from Non-Life investments

	31/12/2016	31/12/2015	Change
	51,746	40,209	+11,537
<i>Of which:</i>			
a) Income from equity investments	496	507	-11
b) Income from other investments	39,625	38,412	+1,213
c) Adjustments to investment values	7,257	-	+7,257
d) Profits made on sale of investments	4,368	1,290	+3,078

- a) This item includes the dividend collected by the other subsidiaries.
- b) The item consists of the following items:
- land and buildings amounting to 3,154 thousand euro (3,073 thousand euro in the previous year), relating to rental and to expenses recover and other income;
 - other investments amounting to 36,471 thousand euro (35,339 thousand euro in the previous year), of which 35,236 thousand euro relating to income on fixed-income securities for interest, issue and trading differentials.
- c) The item refers only to capital gains arising from the investment in Nuove Partecipazioni S.p.A..
- d) Profit on sale of investments refers to capital gains on repayment and sale of bonds and other fixed-interest securities.

Annex 21 to these Explanatory Notes reports details relating to Income from Life and Non-Life investments.

III.4 - (+) Income on investments transferred from Life business technical account

31/12/2016	31/12/2015	Change
2,565	2,593	-29

Please refer to information reported in Life technical account chapter.

III.5 - Capital and financial charges of Non-Life business

	31/12/2016	31/12/2015	Change
	32,876	26,050	+6,826
<i>Of which:</i>			
a) Investment management costs and interest expense	9,849	6,496	+3,353
b) Investment write-downs	14,466	18,333	-3,867
c) Loss on sale of investments	8,561	1,221	+7,340

a) The item mainly includes:

- costs for fixed-income securities relating to issue and trading differentials, taxes, and operating and personnel expenses amounting to 7,137 thousand euro (3,342 thousand euro in the previous year);
- housing expenses, taxes and building management costs for 1,541 thousand euro (1,869 thousand euro in the previous year);
- costs relating to municipal tax on property (IMU) charging 859 thousand euro to 2016 profit and loss (879 thousand euro in the previous year);
- interest on deposits from reinsurers for 110 thousand euro (142 thousand euro in the previous year).

b) The item refers to write-downs of financial instruments, like indicated in the Management report, and it is mainly related for:

- 3,158 thousand euro relating to the investment in subsidiary Vittoria Immobiliare SpA. to cover losses;
- 2,783 thousand euro relating to the investment in associate Touring Vacanze S.r.l. for for alignment to net assets of the company;
- 44 thousand euro relating to the investment in associated company Consorzio Movincom S.c.r.l. for impairment loss;
- 1,520 thousand euro relating to the investment in associated company Movincom Servizi S.p.A. for impairment loss;
- 463 thousand euro relating to the losses resulting from fixed-income securities' reimbursement;
- 1,623 thousand euro relating to the investment in Fondo Atlante for impairment loss.

Included are also amortization on property totaling 4,874 thousand euro of which 2,779 thousand euro relating to the head office in Portello area in Milan.

c) The item refers to the losses resulting from fixed-income securities' reimbursement and alienation.

Annex 23 to these Explanatory Notes reports details relating to Capital and financial charges of Life and Non-Life investments.

III.6 - (-) Investment income transferred to the Non-Life business technical account

	31/12/2016	31/12/2015	Change
	13,974	10,894	+3,080

Please refer to information reported in Non-Life technical account chapter.

III.7 - Other income

	31/12/2016	31/12/2015	Change
	2,840	2,916	-63

This item includes income other than that on investments, such as that relating to the general balance-sheet classes E - Receivables and F - Other assets.

As at 31 December 2016, the item is mainly includes:

- interest on bank current account for 68 thousand euro (910 thousand euro in the previous year);
- revenues from active billing and reimbursements for 895 thousand euro (406 thousand euro in the previous year);
- withdrawals from the provision for doubtful receivables for 911 thousand euro (0 thousand euro in the previous year).

III.8 - Other charges

	31/12/2016	31/12/2015	Change
	11,781	29,375	-17,594

As at 31 December 2016, the items mainly includes:

- interest and charges on bank accounts for 642 thousand euro (441 thousand euro in the previous year);
- annual amortisation of intangible assets for 6,048 thousand euro (9,309 thousand euro in the previous year);
- 4,498 thousand euro provisioning for contingencies and other charges of which 3,636 thousand euro related to litigations in progress and 800 thousand euro of fund expenses for the renewal of the labour contract.

III.10 - Extraordinary income

	31/12/2016	31/12/2015	Change
	71,824	10,166	+61,658

This item contains income from sale of long-term investments and other profits made on the sale of assets classified in the general balance-sheet Class F - Other assets.

Their main breakdown is shown below:

- a result of the diversification of the bond portfolio are realized extraordinary income on disposals of Italian government bonds assigned to the non-current segment for 65,160 thousand euro, which resulting entirely allocated to the Non-Life business;
- extraordinary income for 6,178 thousand euro allocated for 6,052 thousand euro to the Non-Life business and for 126 thousand euro to the life business, are mainly attributable to lower IRES taxes for previous years, as a result of specific ruling exposed to Italian Tax Authorities which it ended successfully.

III.11 - Extraordinary charges

	31/12/2016	31/12/2015	Change
	337	550	-213

This item refers to charges due to sale of long-term investments and other losses arising from the sale of assets classified in the general balance-sheet Class F - Other assets, and mainly refers to incidental costs and charges amounting to 285 thousand euro (523 thousand euro in the previous year).

III.14 - Taxation

	31/12/2016	31/12/2015	Change
	60,686	53,834	+6,852

Current taxes set aside relate to the IRES and IRAP estimate for the current year, which was calculated in accordance with current tax rules.

With Law no. 208/2015 ("Stability Law 2016") was established a drop of 3.5% (from 27.5% to 24%) of IRES, beginning in fiscal year 2017.

The company, having already aligned with the new tax rate of 31.12.2015 active and passive deferred taxes, related to items that by law or reasonable expectation would not be subject to deduction / IRES taxation during the year 2016, it has allocated (and / or further aligned) to 24% the deferred IRES active and passive for temporary changes in the tax base as at 31.12.2016.

The total effect on the result for 2016 resulting from the alignment of the active and passive deferred taxes, amounted approximately to 66 thousand euro of higher net profit, having the two components (of opposite sign) offset almost entirely.

Reconciliation between the tax charge recognised in the financial statements and theoretical tax charge is shown below:

(€/000)						
	Taxable base		Tax		Tax rate	
	IRES	IRAP	actual	theoretical	actual	theoretical
IRES						
Profit before taxation	200,173			55,048		27.50%
+ Temporary differences deductible in future years	45,162					
- Temporary differences taxable in future years	49,960					
+ Use of temporary differences	-63,559					
Permanent differences:						
+ Non-deductible interest and taxes	1,213					
+ Non-deductible accruals, costs and expenses	1,276					
+ Investment Portfolio	8,564					
- Tax-exempt income and Dividends	473					
+ Other deductible items	-18,311					
Taxable base	124,085					
A. Current IRES			34,123			17.05%
IRAP						
Profit before taxation	200,173			13,652		6.82%
- Profit & Loss items not taxable/deductible for IRAP purpose	70,009					
Life insurance business profit & loss + Non-life insurance business profit & loss	130,164					
+ Permanent taxable differences	58,206					
- Permanent deductible differences	60,978					
Theoretical taxable base	127,392					
+(Increase - Decrease) of temporary differences	-1,416					
Taxable base	125,976					
B. Current IRAP			8,592			4.29%
C=(A+B) Total current Tax relating to 2016			42,715			21.34% 34.32%
Deferred tax assets						
Taxable base for deferred tax assets of the previous year	322,721	26,677				
+(Increase - Decrease) in deferred tax assets during the current year (27.5% IRES tax rate)	-64,100	-1,416				
+(Increase - Decrease) in deferred tax assets during the current year (24% IRES tax rate)	44,140					
Taxable base for deferred tax assets of the current year	302,761	25,261				
Deferred IRES assets on (Increase - Decrease) considering a 27.5% IRES tax rate				-17,628		
Deferred IRES assets on (Increase - Decrease) considering a 24% IRES tax rate				10,594		
Deferred IRAP assets on (Increase - Decrease)				-97		
D. Total deferred tax assets relating to 2016				-7,131		-3.56%
Deferred tax liabilities						
Taxable base for provision for deferred tax liabilities of the previous year	3,932					
+(Increase - Decrease) in the provision for deferred tax liabilities during the current year (27.5% IRES tax rate)	-1,564					
+(Increase - Decrease) in the provision for deferred tax liabilities during the current year (24% IRES tax rate)	46,960					
Taxable base for provision for deferred tax liabilities of the current year	49,328					
Deferred IRES liabilities on (Increase - Decrease) considering a 27.5% IRS tax rate				-430		
Deferred IRES liabilities on (Increase - Decrease) considering a 24% IRS tax rate				11,270		
Deferred IRAP liabilities on (Increase - Decrease)				0		
E. Total deferred tax liabilities relating to 2016				10,840		5.42%
Total IRES relating to 2016				51,997		25.98%
Total IRAP relating to 2016				8,689		4.34%
F= (C-D+E) Total tax relating to 2016				60,686	68,700	30.32% 34.32%

The above schedule compares taxes related to local financial statements, apart from variances due to tax rules application in determining IRES and IRAP amounts with taxes related to tax rules compliance.

Schedules of deferred taxes pursuant to article 2427 of the civil code, are described in the tables below.

These were calculated by applying to such temporary differences the nominal rates in force at the time when they will appear, already approved at the date of these financial statements.

Detail and movement of deferred tax **assets**:

SCHEDULE OF DEFERRED TAXES PURSUANT TO
ARTICLE 2427 OF THE CIVIL CODE

(€/000)

Description of temporary difference	IRES		IRAP		IRES+IRAP Tax
	Taxable base	tax rate	Taxable base	tax rate	
2015 deferred tax assets					
Exchange rate fluctuations					
Depreciation of tangible assets	2,295		376		576
Charge backs non-life (27.5% IRES tax rate)	1,205				331
Charge backs non-life (24% IRES tax rate)	591				142
Provisions for bad debts (27.5% IRES tax rate)	2,154				592
Provisions for bad debts (24% IRES tax rate)	55,906				13,418
Directors' fees (27.5% IRES tax rate)	676				186
Directors' fees (24% IRES tax rate)	980				235
Goodwill (24% IRES tax rate)	2,250		2,475		709
Goodwill (27.5% IRES tax rate)	225				62
Depreciation of intangible assets (27.5% IRES tax rate)	842		23,827		1,856
Depreciation of intangible assets (24% IRES tax rate)	437				105
Change in life technical reserves (ex d.l. 78/2010- 24% IRES tax rate)	4,010				962
Change in non-life claims reserves (27.5% IRES tax rate)	51,815				14,249
Change in non-life claims reserves (24% IRES tax rate)	188,690				45,286
Provision for risk and charges (27.5% IRES tax rate)	6,764				1,860
Provision for risk and charges (24% IRES tax rate)	2,861				687
rate)	268				74
Taxable earnings entering in future accounts (real estate free rent period) (24% IRES tax rate)	752				180
	258,772	24%	26,677	6.82%	81,511
	63,950	27.50%			
2016 use to deferred tax assets					
Exchange rate fluctuations					
Charge backs non-life (27.5% IRES tax rate)	1,205				331
Depreciation of tangible assets	235				56
Recoveries from agents (24% IRES tax rate)	86				21
Provision for bad debt from policyholders (27.5% IRES tax rate)	2,154		1,191		592
Provisions for bad debts (IRES tax rate of 27.5%)	150				41
Provisions for bad debts (IRES tax rate of 24%)	1,485				356
Directors' fees (27.5% IRES tax rate)	676				186
Directors' fees (24% IRES tax rate)	978				235
Provision for risk and charges (27.5% IRES tax rate)	4,997				1,374
Provision for risk and charges (24% IRES tax rate)	6				2
Goodwill (Sace - life) (27.5% IRES tax rate)	225		225		62
Change in non-life claims reserves (ex dcr. 209/2002- 27.5% IRES tax rate)	51,815				14,249
Depreciation of intangible assets (27.5% IRES tax rate)	842				232
Revenues not Accounted for A building (27.5 IRES tax rate)	268				74
	2,790	24%	1,416	6.82%	17,908
	62,332	27.50%			
2016 adjustments to deferred tax assets					
Provision for risk and charges	1,767				62
	1,767	3.50%	0		62

Detail and movement of deferred tax **assets** (follow):

(€/000)

Description of temporary difference	IRES		IRAP		IRES+IRAP
	Taxable base	tax rate	Taxable base	tax rate	Tax
2016 increase in deferred tax assets					
Exchange rate fluctuations					
Charge backs non-life	1,219				293
Depreciation of tangible assets	301				72
Recoveries	96				23
Depreciation of financial assets	1,623				390
Directors' fees	418				100
Provision for risk and charges	9,596				2,303
Change in non-life claims reserves (ex dcr. 209/2002- 27.5% IRES tax rate)	30,795				7,391
Change in life technical reserves	953				229
Depreciation of intangible assets	161				39
	45,162	24%	0	6.82%	10,839
2016 deferred tax assets					
Exchange rate fluctuations					
Charge backs non-life	1,810				434
Depreciation of tangible assets	2,361		376		592
Recoveries	345				83
Financial non-current assets devaluation	1,623				390
Provision for doubtful receivables from policyholders	40,946		22,635		11,371
Provision for doubtful other receivables	13,326				3,193
Directors' fees	419				101
Provision for risk and charges	13,882				3,332
Goodwill (Sace - life) (27.5% IRES tax Rate)	2,250		2,250		693
Change in non-life claims reserves (ex dcr. 209/2002- 27.5% IRES tax rate)	219,485				52,676
Change in life technical reserves	4,963				1,191
Depreciation of intangible assets	599				144
Revenues not Accounted for A building	752				180
	302,761	24%	25,261	6.82%	74,380

Detail and movement of deferred tax **liabilities**:

SCHEDULE OF DEFERRED TAXES PURSUANT TO
ARTICLE 2427 OF THE CIVIL CODE

(€/000)

Description of temporary difference	IRES		IRAP		IRES+IRAP
	Taxable base	tax rate	Taxable base	tax rate	Tax
2015 deferred tax liabilities					
Division by instalments of realised gains on Investment Portfolio (24% tax rate)	2,368				568
Division by instalments of realised gains on Investment Portfolio (27,5% tax rate)	1,564				430
	2,368	24%		6.82%	998
	1,199	27.5%			
2016 use to deferred tax liabilities					
Division by instalments of realised gains on Investment Portfolio (27,5% tax rate)	1,564				430
	1,564	27.50%		6.82%	430
2016 increase in deferred tax liabilities					
Division by instalments of realised gains on Investment Portfolio (24% of taxable rate)	46,960				11,270
	46,960	24%			11,270
2016 deferred tax liabilities					
Division by instalments of realised gains on Investment Portfolio (24% of IRES tax rate)	49,328				11,839
	49,328	24%	0	0.00%	11,839

Part C

Other information

Assets allocated to coverage of technical reserves

Non-Life Business

	(€ million)
	31/12/2016
Technical Reserves (A)	1,416.7
Securities issued or secured by Governments	882.7
Bonds or other similar securities	24.8
Shares traded in a regulated market	9.5
Shares not traded in a regulated market	56.7
Real Estate	298.7
Closed-end mutual fund shares are not traded on a regulated market, reserved funds and hedge funds	28.8
Receivables	65.0
Bank accounts	50.5
Othe assets	-
Total Assets Allocated (B)	1,416.7
% of coverage (B/A)	100.0%

Life Business

	(€ million)
	31/12/2016
Technical Reserves (A)	1,171.6
Securities issued or secured by Governments	973.1
Bonds or other similar securities	23.2
Shares not traded in a regulated market	12.7
Real Estate	61.1
Closed-end mutual fund shares are not traded on a regulated market, reserved funds and hedge funds	23.8
Receivables	1.8
Bank accounts	72.9
Othe assets	-
Total Assets Allocated (B)	1,171.6
% of coverage (B/A)	100.0%

	(€ million)
	31/12/2016
Technical Reserves when investment risk is borne by policyholders	52.2
Total Assets Allocated	56.3

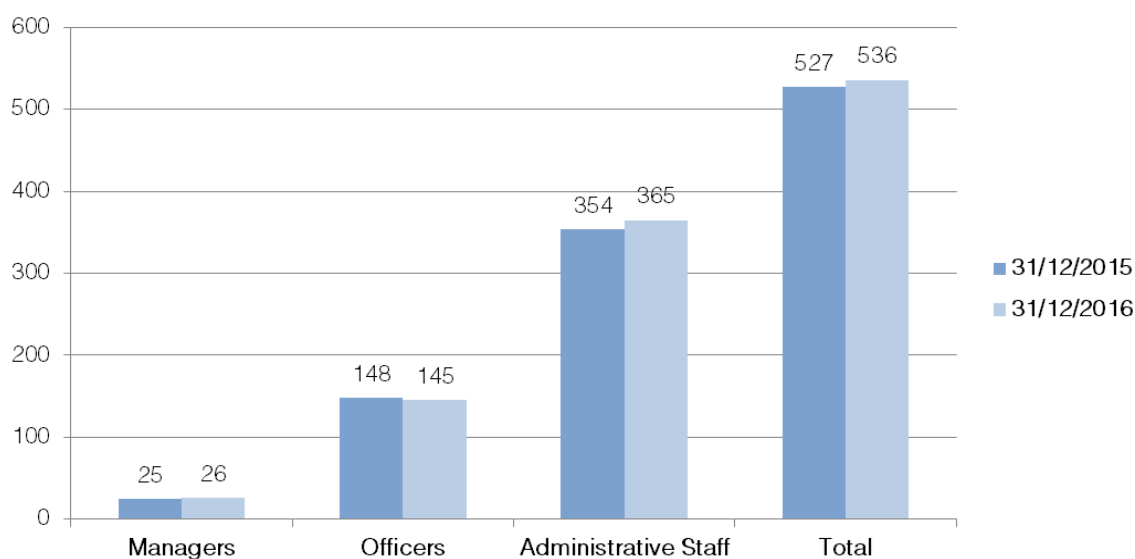
Finance expense allocated to balance sheet assets

Pursuant to the first paragraph, point 8, of Article 2427 of the Italian Civil Code, we declare that no finance expense was capitalised in the year in amounts posted in balance sheet assets.

Employees

The cost of salaries, related social security charges, severance indemnity provisioning, and of miscellaneous personnel-related expenses are shown in Annex 32.

Employees on the payroll as at 31 December 2016 numbered 542 heads (532 heads to 31 December 2015). The average number of employees on the payroll during the year, by category and calculated according to in-force presence, was as follows:



Disclosure of auditing fees

As required by Article 149/12 of CONSOB Regulation 11971 of 14 May 1999, below we report the fees relating to FY2016, net of VAT, for services rendered to the Company by the auditing company Deloitte & Touche SpA – and by entities forming part of its network.

Type of services rendered	(€/000)	
	Auditing company	Entities forming part of its network
Independent audit services	196	-
Independent audit services subsidiaries	146	-
Verifications for issue of attestations*	56	-
Other services*	235	-

* related to segregated funds, unit linked and pension fund.

** related to balance sheet SII, concordate procedures on capital requirement and to activities relating to services of assurance on specific parameters.

Breakdown of direct insurance premiums by business category and geographical area

The breakdown of the company's premiums – all referring to the Italian portfolio - by official Ministerial business line is shown in Annexes 19 and 20.

The following table shows the geographical breakdown of premiums, calculated on the basis of agency locations.

Regions	(€/000)				
	Agencies	Non-Life Business		Life Business	
		Premiums	%	Premiums	%
NORTH					
Emilia Romagna	34	87,481		11,815	
Friuli Venezia Giulia	5	9,083		1,724	
Liguria	15	46,786		3,421	
Lombardy	107	223,823		67,454	
Piedmont	48	89,076		10,388	
Trentino Alto Adige	8	11,223		1,158	
Valle d'Aosta	1	4,018		430	
Veneto	38	63,442		13,004	
Total NORTH	256	534,932	49.5	109,394	59.3
CENTRE					
Abruzzo	12	51,196		7,549	
Lazio	29	107,240		15,640	
Marche	18	38,227		5,642	
Tuscany	50	114,573		13,081	
Umbria	15	50,208		7,507	
Total CENTRE	124	361,444	33.4	49,419	26.8
SOUTH AND ISLANDS					
Basilicata	4	9,318		659	
Calabria	2	3,492		55	
Campania	11	40,169		3,716	
Molise	2	5,414		591	
Puglia	6	27,261		16,965	
Sardinia	11	40,695		838	
Sicily	12	58,332		3,014	
Total SOUTH AND ISLANDS	48	184,681	17.1	25,838	14.0
Total ITALY	428	1,081,057	100.0	184,651	100.0
France	0	88	0.0	0	0.0
OVERALL TOTAL	428	1,081,145		184,651	

Real estate assets

Real estate assets are listed in the following table :

							(€/000)
AS AT 31 DECEMBER 2016							
	Historical value	Monetary revaluations	Fiscally-driven and voluntary revaluations	Law 02/2009 Revaluations	Law 147/2014 Revaluations	Accumulated depreciation and impairment losses at 31/12/2016	T o t a l 2016
BUILDINGS HELD FOR INVESTMENT							
Operating buildings							
Milano - Via V. Colonna 2	306	0	0	477	21	-100	704
Milano - Via I. Gardella 2	98,591	0	0	0	8,301	-19,098	87,793
Perugia - Via Pellas 44	151	11	0	189	0	-204	147
Total operating buildings	99,048	11	0	666	8,322	(19,402)	88,644
Buildings used by third parties							
Acqui - Piazza Matteotti 25	53	10	77	63	0	-29	174
Alessandria - P. Za Carducci 1	79	79	0	102	0	-70	190
Asti - C. So Alfieri 130	50	57	0	264	0	-148	223
Biella - Piazza V. Veneto 16	17	43	34	274	0	-197	171
Brescia - Via Saffi 1	121	67	0	395	0	-213	370
Busto Arsizio - Via C. Tosi 8	80	31	0	197	0	-128	180
Como - V. Le Rosselli 13	116	22	77	549	0	-455	309
Cremona - P. Za Roma 7	137	24	23	271	0	-205	250
Cuneo - Piazza Europa 26	62	75	0	420	0	-257	299
Ferrara - Via Don Minzoni 17	98	10	93	287	0	-135	353
Gallarate - P. Za Risorgimento 10	34	7	44	98	0	-28	155
Livorno - Via Grande 225	128	5	0	187	0	-168	152
Lodi - C. So V. Emanuele II° 12	13	10	41	209	0	-121	151
Milano - Via Ariosto 21	2,485	0	0	609	212	-428	2,878
Milano - Via B. D'Alviano 2	22	46	62	532	0	-187	474
Milano - Via Correggio 3	145	0	0	95	86	-45	281
Milano - Palazzo A	48,845	0	0	0	0	-5,633	43,212
Milano - Palazzo C	38,029	0	0	0	0	-4,753	33,276
Milano - Area Commerciale	6,108	0	0	0	0	-370	5,738
Modena - Via Ganaceto 39	33	13	46	553	0	-312	333
Napoli - Via S. Carlo 26	63	45	155	1,197	0	-578	882
Parma - Via Longhi 1	87	42	62	439	0	-174	456
Perugia - Via Pellas 44 - AG	122	7	0	126	0	-86	169
Pistoia - Via S. Fedi 67	75	39	0	176	0	-126	164
Pontedera - C. So Matteotti 108	61	41	0	205	0	-77	231
Rovigo - C. So Del Popolo 4	63	24	0	121	0	-97	111
Roma - Via Lima 4	7,001	0	0	0	0	-15	6,986
Sondrio - Via C. Alessi 16	54	15	0	97	0	-67	99
Terni - Via Beccaria 22	17	28	0	195	0	-103	137
Trieste - Via Torrebianca 18	15	36	21	136	0	-27	181
Udine - Via Carducci 4	39	72	0	247	0	-160	198
Varese - Via Mazzini 1	158	71	41	289	0	-193	366
Vicenza - C. So Palladio 155	84	76	36	280	0	-67	409
Total buildings used by third parties	104,492	995	812	8,613	298	(15,652)	99,558
TOTAL BUILDINGS HELD FOR INVESTMENT	203,540	1,006	812	9,279	8,620	(35,054)	188,202
TOTAL BUILDINGS	203,540	1,006	812	9,279	8,620	(35,054)	188,202

Cash flow Statements

(€/000)

	31/12/2016	31/12/2015
Net profit for the year	139,487	66,269
Positive or negative adjustments relating to unsettled positions:		
Net increase (+) decrease (-) in:		
claims reserve	49,339	40,744
premium reserve	1,179	14,698
life business technical reserves	66,325	58,222
Increase (-) Decrease (+) in receivables from policyholders	3,401	354
Net increase (-) decrease (+) in agent, reinsurer and coinsurer balances	7,564	-940
Net increase (-) decrease (+) in intangible assets	1,769	19,951
Increase in specific provisions	15,305	1,320
Employees' leaving entitlement:		
accruals	2,415	2,301
utilisation	-2,739	-2,310
Increase (-) decrease (+) in other receivables, sundry assets and accrued income	28,629	25,166
Increase (+) decrease (-) in other sums payable, other liabilities and accrued expenses	5,306	485
Adjustments to securities	11,125	22,415
Adjustments to class D securities	-51	-335
Cash flow from operating activities	329,054	248,340
Disposal of fixed assets	1,354	-
Sale of bonds and other fixed-interest securities	1,043,197	417,715
Sale of investments	8,262	1,875
Sale of unit trusts	3,084	14,469
Sale of class D	8,283	13,483
Repayment of loans and borrowings	3,438	11,820
Cash flow arising from disinvesting activities	1,069,628	459,362
Cash flow generated	1,398,682	707,702

Cash flow Statements

	(€/000)	
	31/12/2016	31/12/2015
Buildings	7,635	559
Fixed-interest securities	1,153,851	499,959
Investments	91,792	162,496
Unit trusts	25,922	34,474
Other financial investments	2,000	2,010
Class D investments	5,945	9,961
Loans to third parties	10,172	21,829
Previous year's dividend distributed	13,476	12,802
Total application of funds	1,310,793	744,090
Increase/decrease in liquid funds	87,889	-36,388
TOTAL	1,398,682	707,702
Liquid funds at the beginning of the year	138,205	174,593
Liquid funds at the end of the year	226,094	138,205

Investments in subsidiaries

Vittoria Immobiliare S.p.A.

Registered offices in Milan - Galleria San Babila 4/B

Share Capital: euro 112,418,835 - equity interest: 100.00%.

This company is active in the real estate trading sector and is also a holding company for investments in companies operating in the real estate management, brokerage and promotion sectors.

The draft financial statements reviewed by the Board of Directors on 15 March 2017 show shareholders' equity of 95,174 thousand euro, including 1,815 thousand euro of net loss for the year. The consolidated financial statements, prepared for the purposes of parent company consolidation, show consolidated shareholders' equity of 97,369 thousand euro, including the year's net profit of 2,650 thousand euro.

Immobiliare Bilancia S.r.l. ["S.r.l." = private limited liability company]

Registered offices in Milan - Galleria San Babila 4/B

Share capital: euro 6,650,000 - equity interest: 100.00%.

A company active in real estate trading.

The draft financial statements reviewed by the Board of Directors on 9 March 2017 show shareholders' equity of 32,236 thousand euro, including the year's net loss of 420 thousand euro.

Immobiliare Bilancia Prima S.r.l.

Registered offices in Milan - Galleria San Babila 4/B

Share capital: euro 3,000,000 - equity interest: 100.00%.

A company active in real estate trading.

The draft financial statements reviewed by the Board of Directors on 9 March 2017 show shareholders' equity of 48,780 thousand euro, including the year's net loss of 523 thousand euro.

Acacia 2000 S.r.l.

Registered offices in Milan - Via Gardella 2

Share capital: euro 369,718 – 71.60% directly owned and 28.40% via Vittoria Immobiliare SpA

A company active in real estate development trading.

The draft financial statements reviewed by the Board of Directors on 9 March 2017 show shareholders' equity of 225,252 thousand euro, including the year's net profit of 2,900 thousand euro.

VAIMM Sviluppo S.r.l.

Registered offices in Milan - Galleria San Babila 4/B

Share capital: euro 3,000,000 - equity interest: 100.00%.

A company active in real estate development trading.

The draft financial statements reviewed by the Board of Directors on 9 March 2017 show shareholders' equity of 56,106 thousand euro, including the year's net loss of 2,142 thousand euro.

VP Sviluppo 2015 S.r.l.

Registered offices in Milan - Via Gardella 2

Share capital: euro 2,000,000 - equity interest: 100.00%.

A company active in real estate development.

The draft financial statements reviewed by the Board of Directors on 9 March 2017 show shareholders' equity of 53,959 thousand euro, including the year's net loss of 1,855 thousand euro.

Vittoria Properties Srl

Registered offices in Milan – Via Gardella 2

Share capital: euro 8,000,000 - equity interest: 100.00%

A company active in the management and letting of its property assets.

The draft financial statements reviewed by the Board of Directors on 9 March 2017 show shareholders' equity of 17,334 thousand euro, including the year's net loss of 146 thousand euro.

Interbilancia Srl

Registered offices in Milan – Via Gardella 2

Share capital: euro 80,000 - equity interest: 100.00%

A holding company for investments in companies active in the service sector.

Draft financial statements reviewed by the Board of Directors on 9 March 2017 show shareholders' equity of 2,428 thousand euro including the year's net profit of 288 thousand euro.

The following table provides the essential data of 2016 annual report of the subsidiaries and associated companies as required by ex Article n. 2429 of the Italian Civil Code:

Subsidiaries Companies

Denomination	Registered offices	Share Capital	Shareholders Equity	Of which net profit (+) or loss (-)	Value placed on the balance sheet (€/000)	
					% Ownership	
Vittoria Immobiliare S.p.A.	Milan	112,419	95,174	-1,815	100.00	111,758
Immobiliare Bilancia S.r.l.	Milan	6,650	32,236	-420	100.00	33,562
Immobiliare Bilancia Prima S.r.l.	Milan	3,000	48,780	-523	100.00	46,596
Vittoria Properties S.r.l.	Milan	8,000	17,334	-146	100.00	18,016
Interbilancia S.r.l.	Milan	80	2,428	288	100.00	1,638
Vaimm Sviluppo S.r.l.	Milan	3,000	56,106	-2,142	100.00	60,886
VP Sviluppo 2015 S.r.l.	Milan	2,000	53,959	-1,855	100.00	56,040
Acacia 2000 S.r.l.	Milan	370	225,252	2,900	71.60	178,114

Associated Companies

Denomination	Registered offices	Share Capital	Shareholders Equity	Of which net profit (+) or loss (-)	Value placed on the balance sheet (€/000)	
					% Ownership	
Yarpa S.p.A.	Genoa	30,000	30,306	1,175	27.31	8,280
Touring Vacanze S.r.l.	Milan	12,900	14,819	75	46.00	6,814
Touring Digital S.r.l.	Milan	2,400	2,008	-392	45.00	270
Consorzio Movincom S.c.r.l.	Turin	103	55	-40	29.17	-
Movincom Servizi S.p.A.	Turin	3,081	1,440	-1,294	49.34	-

Litigation

Litigation existing at the end of the period is related to the normal operation linked to the claims management.

Tax situation

In the year 2016, the Company confirmed or exercised the option for the National Tax Consolidation Regime (art. 117 and following of Presidential Decree 22 December 1986, n. 917) with the subsidiaries Immobiliare Bilancia S.r.l., Immobiliare Bilancia Prima S.r.l., Acacia 2000 S.r.l., Vaimm Sviluppo S.r.l., Vittoria Properties S.r.l., Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili S.r.l., Interbilancia S.r.l., VRG Domus S.r.l., Valsalaria S.r.l. and VP Sviluppo 2015 S.r.l..

Consolidated IRES national tax with these subsidiaries will persist also in 2017.

With reference to the year 2016, the Company exercised the option for VAT payment at the group level under D.M. 12.13.1979, together with its subsidiaries Vittoria Immobiliare S.p.A., Gestimmobili S.r.l., Interimmobili srl, Acacia 2000 Srl, VRG Domus Srl, Vittoria Properties Srl, Immobiliare Bilancia Prima Srl, Immobiliare Bilancia Srl, Vaimm Sviluppo srl, Valsalaria srl and VP Sviluppo 2015 S.r.l..

It is noted that for the year 2017, the Company exercised this option, along with the same subsidiaries listed above.

In accordance with Law no. 147/2013, at the end of 2013 the company revalued the residential buildings in Milan and the building housing its registered office. The revaluation was declared in the UNICO 2014 tax return for the 2013 tax period. As a result, the parent company will pay a substitute tax on the gains recorded for IRES and IRAP purposes. This recognition will take effect from the 2016 tax period, unless the assets are disposed of, in which case the recognition will be postponed until 2017. The substitute tax is 16% for depreciable property and 12% for non-depreciable property.

The value recognised in the balance sheet was aligned to the fair value, determined by an independent evaluation expert. Against these greater values recognised in the balance sheet, the parent company recorded in equity a reserve equal to the revaluation less the substitute tax.

In 2009, the company was subject to a tax inspection by the Italian Tax Authorities for fiscal years 2004, 2005 and 2006, from which disputes related to IRES, IRAP and VAT have ensued.

Between 2009 and 2011 higher assessments for all three years under inspection were notified with details of higher IRES and IRAP, fines and interest for an overall amount of 101 thousand euro; regarding VAT, the higher tax rate, the fines and interest amount to 387 thousand euro.

The company has settled its tax obligations related to IRES and IRAP for all three years, while regarding VAT, has appealed against the assessments for the three years.

The company obtained a favourable judgement in the first and second instance in relation to the three years (2004, 2005 and 2006), and appeals of the Tax Authorities with the Supreme Court of Cassation are pending.

With Law no. 208/2015 ("Stability Law 2016") was established a drop of 3.5% (from 27.5% to 24%) of IRES, beginning in fiscal year 2017.

The company, having already aligned with the new tax rate of 31.12.2015 active and passive deferred taxes, related to items that by law or reasonable expectation would not be subject to deduction / IRES taxation during the year 2016, it has allocated (and / or further aligned) to 24% the deferred IRES active and passive for temporary changes in the tax base as at 31.12.2016.

The total effect on the result for 2016 resulting from the alignment of the active and passive deferred taxes, amounted approximately to 66 thousand euro of higher net profit, having the two components (of opposite sign) offset almost entirely.

The Board of Directors

Milan, 15th March 2017

Annexes to the notes to the financial statements

page		
138	Annex 1	Balance sheet - Non-life business
148	Annex 2	Balance sheet - Life business
149	Annex 3	Allocation of the net profit (loss) for the year between non-life and life businesses
160	Annex 4	Assets - Changes in intangible assets (caption B) and land and buildings (caption C.I)
161	Annex 5	Assets - Changes in investments in group and other companies: equity investments (caption C.II.1), bonds (caption C.II.2) and loans (caption C.II.3)
162	Annex 6	Assets - Information on companies in which Vittoria holds an investment
164	Annex 7	Assets - Changes in investments in group and other companies: equity investments
168	Annex 8	Assets - Allocation based on the use of other financial investments: equity investments, unit trust units, bonds and other fixed-interest securities, shares in investment pools and other financial investments (captions C.III.1,2,3,5,7)
169	Annex 9	Assets - Changes in other financial investments: investment portfolio: equity investments, unit trust units, bonds and other fixed-interest securities, shares in investment pools and other financial investments (captions C.III.1,2,3,5,7)
170	Annex 10	Assets - Changes in loans and deposits with banks (captions C.III.4,6)
171	Annex 11	Assets - List of assets relating to unit-linked and index-linked policies (caption D.I)
172	Annex 12	Assets - List of assets arising from pension fund management (caption D.II)
173	Annex 13	Liabilities - Changes in premium reserve (caption C.I.1) and claims reserve (caption C.I.2) of non-life business
174	Annex 14	Liabilities - Changes in mathematical reserves (caption C.II.1) and profit participation and reimbursement reserve (caption C.II.4)
175	Annex 15	Liabilities - Changes in provisions for contingencies and other charges (caption E) and employees' leaving entitlement (caption G.VII)
176	Annex 16	List of assets and liabilities relating to group and other companies
178	Annex 17	List of classes I, II, III and IV of "guarantees, commitments and other memorandum and contingency accounts"
179	Annex 18	Commitments for derivative transactions
180	Annex 19	Summarised non-life business technical account
181	Annex 20	Summarised life business premiums and reinsurance balance
182	Annex 21	Income on investments (captions II.2 and III.3)
183	Annex 22	Income and unrealised capital gains relating to investments benefiting policyholders bearing the risk and investments stemming from pension fund management (caption II.3)
184	Annex 23	Capital and financial charges (captions II.9 and III.5)
185	Annex 24	Capital and financial charges and unrealised capital losses relating to investments benefiting policyholders bearing the risk and investments stemming from pension fund management (caption II.10)
186	Annex 25	Non-life business - Summarised technical account by line of business - Domestic portfolio
188	Annex 26	Non-life business - Summarised technical account
189	Annex 27	Life business - Summarised technical account by line of business - Domestic portfolio
190	Annex 28	Life business - Summarised technical account
191	Annex 29	Life and non-life business - Summarised technical account - Foreign portfolio
192	Annex 30	Intercompany relationships
194	Annex 31	Summarised direct insurance premiums accounted for
195	Annex 32	Personnel expenses and directors' and statutory auditors' fees

Company VITTORIA ASSICURAZIONI S.p.A.

BALANCE SHEET - NON-LIFE BUSINESS

ASSETS

		Current assets	
A. SHARE CAPITAL PROCEEDS TO BE RECEIVED			1
of which: called-up	2		
B. INTANGIBLE ASSETS			
1. Acquisition commissions to be amortised	4		
2. Other acquisition costs	6		
3. Start-up and capital costs	7		
4. Goodwill	8		
5. Other deferred costs	9	4,870	10 4,870
C. INVESTMENTS			
I - Land and buildings			
1. Operating buildings	11	68,365	
2. Buildings used by third parties	12	60,670	
3. Other buildings	13		
4. Other property rights	14		
5. Assets under construction and payments on account	15		16 129,035
II - Investments in group and other companies:			
1. Equity investments in:			
a) parent companies	17		
b) subsidiaries	18	455,916	
c) related companies	19		
d) associated companies	20	15,364	
e) other companies	21	28,412	22 499,692
2. Bonds issued by:			
a) parent companies	23		
b) subsidiaries	24		
c) related companies	25		
d) associated companies	26		
e) other companies	27		28
3. Loans to:			
a) parent companies	29		
b) subsidiaries	30	20,000	
c) related companies	31		
d) associated companies	32	1,233	
e) other companies	33		34 21,233 35 520,925
		to carry forward	4,870

Previous year

			181
182			
184			
186			
187			
188			
189	6,049		190 6,049
191	70,697		
192	57,071		
193			
194			
195		196	127,768
197			
198	367,611		
199			
200	19,883		
201	28,918	202	416,412
203			
204			
205			
206			
207		208	
209			
210	13,500		
211			
212	2,283		
213		214 15,783	215 432,195
	to carry forward		6,049

BALANCE SHEET - NON-LIFE BUSINESS

ASSETS

Current year

		brought forward		4,870
C.	INVESTMENTS (continues)			
III	- Other financial investments:			
	1. Equity investments			
	a) Listed shares	36		
	b) Unlisted shares	37		
	c) Quotas	38	39	
	2. Unit trust units		40	28,228
	3. Bonds and other fixed-interest securities			
	a) listed	41	1,028,267	
	b) unlisted	42	139	
	c) convertible bonds	43	44	1,028,406
	4. Loans			
	a) secured loans	45	3,145	
	b) loans on policies	46		
	c) other loans	47	3,956	48
	5. Shares in investment pools		49	
	6. Deposits with banks		50	
	7. Other financial investments		51	52
IV	- Deposits with ceding companies			53
				54
D bis.	REINSURERS' SHARE OF TECHNICAL RESERVES			
	I - NON-LIFE BUSINESSES			
	1. Premium reserve		58	17,190
	2. Claims reserve		59	38,813
	3. Profit participation and reimbursement reserve		60	
	4. Other technical reserves		61	62
				56,003
				1,774,568
			to carry forward	

Previous year			
	brought forward		6,049
216			
217			
218	219		
	220	16,662	
221	935,893		
222	60		
223	224	935,953	
225	2,313		
226			
227	3,130	228	5,443
		229	
		230	
		231	
		232	958,058
		233	
		234	1,518,021
	238	17,439	
	239	39,581	
	240		
	241		
	242	57,020	
	to carry forward		1,581,090

BALANCE SHEET - NON-LIFE BUSINESS

ASSETS

				Current year	
		brought forward			
					1,774,568
E. RECEIVABLES					
I	- Receivables relating to direct insurance due from:				
	1. Policyholders				
a)	premiums for the year	71	46,641		
b)	premiums for previous years	72	916	73	47,557
	2. Insurance brokers and agents			74	84,598
	3. Current account companies			75	6,177
	4. Amounts to be recovered from policyholders and third parties	76	24,090	77	162,422
II	- Receivables relating to reinsurance due from:				
	1. Insurance and reinsurance companies	78	741		
	2. Reinsurance brokers and agents	79		80	741
III	- Other receivables			81	29,564
				82	192,727
F. OTHER ASSETS					
I	- Tangible assets and inventory:				
	1. Office furniture and machines and internal transport systems	83	5,944		
	2. Registered chattel property	84	155		
	3. Plant and machinery	85	867		
	4. Inventory and other assets	86	11	87	6,977
II	- Liquid funds				
	1. Bank and postal accounts	88	145,481		
	2. Cheques on hand and cash-in-hand	89	50	90	145,531
III	- Own shares or quotas			91	
IV	- Other assets				
	1. Suspense reinsurance accounts	92			
	2. Sundry assets	93	76,565	94	76,565
	of which: giro account with life business	901		95	229,073
G. PREPAYMENTS AND ACCRUED INCOME					
	1. Interest			96	13,649
	2. Rent instalments			97	849
	3. Other prepayments and accrued income			98	3,116
				99	17,614
TOTAL ASSETS					100
					2,213,982

Previous year

		brought forward		1,581,090	
251	48,120				
252	1,703	253	49,823		
		254	87,126		
		255	7,394		
		256	27,064	257	171,407
		258	5,840		
		259		260	5,840
				261	52,145
				262	229,392
		263	6,276		
		264	90		
		265	966		
		266		267	7,332
		268	107,553		
		269	18	270	107,571
				271	
		272			
		273	81,351	274	81,350
		903		275	196,253
				276	10,736
				277	725
				278	2,767
				279	14,228
				280	2,020,963

BALANCE SHEET - NON-LIFE BUSINESS
LIABILITIES AND SHAREHOLDERS' EQUITY

Current year

A. SHAREHOLDERS' EQUITY			
I	- Subscribed share capital or equivalent fund	101	39,427
II	- Share premium reserve	102	19,032
III	- Revaluation reserves	103	16,582
IV	- Legal reserve	104	7,885
V	- Statutory reserves	105	
VI	- Reserve for own shares	106	
VII	- Other reserves	107	344,717
VIII	- Retained earnings or losses carried forward	108	
IX	- Net profit/(loss) for the year	109	138,504
X	- Negative reserve for own shares	401	566,148
B. SUBORDINATED LIABILITIES			111
C. TECHNICAL RESERVES			
I	- NON-LIFE BUSINESSES		
	1. Premium reserve	112	394,239
	2. Claims reserve	113	1,118,634
	3. Profit participation and reimbursement reserve	114	
	4. Other technical reserves	115	409
	5. Equalisation reserves	116	6,308
	to carry forward		1,519,590
			2,085,736

Previous year

	281	39,427		
	282	19,032		
	283	16,582		
	284	7,885		
	285			
	286			
	287	292,114		
	288			
	289	66,080		
	501		290	441,120
			291	
292	393,875			
293	1,068,076			
294				
295	409			
296	5,741		297	1,468,101
to carry forward				1,909,221

BALANCE SHEET - NON-LIFE BUSINESS
LIABILITIES AND SHAREHOLDERS' EQUITY

		Current year	
	brought forward		2,085,736
E. PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES			
1.	Pension and similar provisions	128	
2.	Provision for taxation	129	11,813
3.	Other provisions	130	9,494
		131	21,307
F. DEPOSITS FROM REINSURERS			
		132	5,454
G. PAYABLES AND OTHER LIABILITIES			
I	- Payables arising from direct insurance business due to:		
1.	Insurance brokers and agents	133	4,523
2.	Current account companies	134	1,968
3.	Guarantee deposits and premiums paid by policyholders	135	559
4.	Guarantee funds in favour of policyholders	136	240
		137	7,290
II	- Payables arising from reinsurance business due to:		
1.	Insurance and reinsurance companies	138	7,324
2.	Reinsurance brokers and agents	139	
		140	7,324
III	- Bond issues	141	
IV	- Due to banks and other financial institutions	142	
V	- Secured debts	143	
VI	- Sundry loans and other financial payables	144	
VII	- Employees' leaving entitlement	145	2,585
VIII	- Other sums payable		
1.	Policyholders' tax due	146	23,466
2.	Other sums payable to taxation authorities	147	5,463
3.	Social security charges payable	148	2,527
4.	Sundry payables	149	28,147
		150	59,603
IX	- Other liabilities		
1.	Suspense reinsurance accounts	151	
2.	Commissions on premiums under collection	152	12,773
3.	Other liabilities	153	11,896
	of which: giro account with life business	902	
		154	24,669
		155	101,471
H. ACCRUED EXPENSES AND DEFERRED INCOME			
1.	Interest	156	
2.	Rent instalments	157	
3.	Other accrued expenses and deferred income	158	14
		159	14
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			160
			2,213,982

Previous year

brought forward			1,909,221
	308		
	309	841	
	310	5,092	311 5,933
			312 7,428
313	3,499		
314	2,431		
315	511		
316	997	317 7,438	
318	8,075		
319		320 8,075	
		321	
		322	
		323	
		324	
		325 2,893	
326	22,628		
327	1,822		
328	2,342		
329	30,491	330 57,283	
331			
332	11,653		
333	11,041	334 22,694	335 98,383
904			
	336		
	337		
	338		339
			340 2,020,963

Company VITTORIA ASSICURAZIONI S.p.A.**BALANCE SHEET - LIFE BUSINESS****ASSETS**

Current year

A. SHARE CAPITAL PROCEEDS TO BE RECEIVED				1			
of which: called-up			2				
B. INTANGIBLE ASSETS							
1. Acquisition commissions to be amortised	3		5,876				
2. Other acquisition costs	6						
3. Start-up and capital costs	7						
4. Goodwill	8						
5. Other deferred costs	9		3,778		10 9,654		
C. INVESTMENTS							
I - Land and buildings							
1. Operating buildings	11		20,280				
2. Buildings used by third parties	12		38,888				
3. Other buildings	13						
4. Other property rights	14						
5. Assets under construction and payments on account	15		59,168		16		
II - Investments in group and other companies:							
1. Equity investments in:							
a) parent companies	17						
b) subsidiaries	18		50,693				
c) related companies	19						
d) associated companies	20						
e) other companies	21		50,693		22		
2. Bonds issued by:							
a) parent companies	23						
b) subsidiaries	24						
c) related companies	25						
d) associated companies	26						
e) other companies	27		28				
3. Loans to:							
a) parent companies	29						
b) subsidiaries	30						
c) related companies	31						
d) associated companies	32						
e) other companies	33		34		35 50,693		
to carry forward						9,654	

Previous year			
			181
182			
183	5,791		
186			
187			
188			
189	4,455		190 10,246
191	20,975		
192	40,538		
193			
194			
195		196 61,513	
197			
198	51,751		
199			
200			
201	202 51,751		
203			
204			
205			
206			
207	208		
209			
210			
211			
212			
213	214	215 51,751	
	to carry forward		10,246

BALANCE SHEET - LIFE BUSINESS

ASSETS

		Current year	
		brought forward	9,654
C. INVESTMENTS (continues)			
III	- Other financial investments		
	1. Equity investments		
	a) Listed shares	36	
	b) Unlisted shares	37	
	c) Quotas	38	39
	2. Unit trust units	40	41,397
	3. Bonds and other fixed-interest securities:		
	a) listed	41	925,474
	b) unlisted	42	967
	c) convertible bonds	43	44
			926,441
	4. Loans		
	a) secured loans	45	
	b) loans on policies	46	1,276
	c) other loans	47	48
			1,276
	5. Shares in investment pools	49	
	6. Deposits with banks	50	2,000
	7. Other financial investments	51	52
			971,114
IV	- Deposits with ceding companies	53	54
			149
			1,081,124
D. INVESTMENTS BENEFITING LIFE POLICYHOLDERS BEARING THE RISK AND STEMMING FROM PENSION FUND MANAGEMENT			
I	- Investments relating to index-linked policies	55	37,368
II	- Investments relating to pension fund management	56	57
			18,980
			56,348
D bis. REINSURERS' SHARE OF TECHNICAL RESERVES			
II - LIFE BUSINESSES			
	1. Mathematical reserves	63	7,447
	2. Complementary insurance premium reserve	64	
	3. Reserve for amounts payable	65	
	4. Profit participation and reimbursement reserve	66	
	5. Other technical reserves	67	32
	6. Technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management	68	69
			7,479
		to carry forward	1,154,605

Valori dell'esercizio precedente

	brought forward		10,246
216			
217			
218	219		
	220	31,746	
221	907,902		
222	1,174		
223	224	909,076	
225			
226	1,651		
227	228	1,651	
	229		
	230	2,010	
	231	232	944,483
		233	175
		234	1,057,922
		235	41,496
		236	17,140
		237	58,636
	243	6,966	
	244		
	245		
	246		
	247	31	
	248		249
			6,997
	to carry forward		1,133,801

BALANCE SHEET - LIFE BUSINESS

ASSETS

		Current year			
		brought forward		1,154,605	
E. RECEIVABLES					
I	- Receivables relating to direct insurance due from:				
	1. Policyholders				
	a) premiums for the year	71	3,727		
	b) premiums for previous years	72	926	73	4,653
	2. Insurance brokers and agents			74	11,174
	3. Current account companies			75	
	4. Amounts to be recovered from policyholders and third parties	76		77	15,827
II	- Receivables relating to reinsurance due from:				
	1. Insurance and reinsurance companies	78	70		
	2. Reinsurance brokers and agents	79		80	70
III	- Other receivables			81	11,260
F. OTHER ASSETS					
I	- Tangible assets and inventory:				
	1. Office furniture and machines and internal transport systems	83	567		
	2. Registered chattel property	84			
	3. Plant and machinery	85	30		
	4. Inventory and other assets	86		87	597
II	- Liquid funds				
	1. Bank and postal accounts	88	80,562		
	2. Cheques on hand and cash-in-hand	89		90	80,562
III	- Own shares or quotas			91	
IV	- OTHER ASSETS				
	1. Suspense reinsurance accounts	92			
	2. Sundry assets	93	2,785	94	2,785
	of which: giro account with non-life business	901			
G. PREPAYMENTS AND ACCRUED INCOME					
	1. Interest			96	11,457
	2. Rent instalments			97	
	3. Other prepayments and accrued income			98	447
				99	11,904
TOTAL ASSETS				100	1,277,610

Previous year		brought forward		
				1,133,801
251	4,507			
252	1,280	253	5,787	
		254	11,066	
		255		
		256	257 16,853	
		258	493	
		259	260 493	
			261 12,694	262 30,040
		263	751	
		264		
		265	35	
		266	267 786	
		268	30,634	
		269	270 30,634	
			271	
		272		
		273	2,581	274 2,581
		903		275 34,001
			276 11,489	
			277	
			278 316	279 11,805
				280 1,209,647

BALANCE SHEET - LIFE BUSINESS
LIABILITIES AND SHAREHOLDERS' EQUITY

		Current year	
A. SHAREHOLDERS' EQUITY			
I	- Subscribed share capital or equivalent fund	101	27,952
		<hr style="border-top: 1px dashed black;"/>	
II	- Share premium reserve	102	14,323
		<hr style="border-top: 1px dashed black;"/>	
III	- Revaluation reserves	103	1,611
		<hr style="border-top: 1px dashed black;"/>	
IV	- Legal reserve	104	4,743
		<hr style="border-top: 1px dashed black;"/>	
V	- Statutory reserves	105	
		<hr style="border-top: 1px dashed black;"/>	
VI	- Reserve for own shares	106	
		<hr style="border-top: 1px dashed black;"/>	
VII	- Other reserves	107	49,475
		<hr style="border-top: 1px dashed black;"/>	
VIII	- Retained earnings or losses carried forward	108	
		<hr style="border-top: 1px dashed black;"/>	
IX	- Net profit (loss) for the year	109	983
		<hr style="border-top: 1px dashed black;"/>	
X	- Negative reserve for own shares	401	99,086
		110	<hr style="border-top: 1px dashed black;"/>
B. SUBORDINATED LIABILITIES			
		111	<hr style="border-top: 1px dashed black;"/>
C. TECHNICAL RESERVES			
II - LIFE BUSINESSES			
1.	Mathematical reserves	118	1,072,342
		<hr style="border-top: 1px dashed black;"/>	
2.	Complementary insurance premium reserve	119	78
		<hr style="border-top: 1px dashed black;"/>	
3.	Reserve for amounts payable	120	26,329
		<hr style="border-top: 1px dashed black;"/>	
4.	Profit participation and reimbursement reserve	121	49
		<hr style="border-top: 1px dashed black;"/>	
5.	Other technical reserves	122	6,308
		123	<hr style="border-top: 1px dashed black;"/>
D. TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND RESERVES ARISING FROM PENSION FUND MANAGEMENT			
I	- Reserves arising from index- linked policies	125	37,368
		<hr style="border-top: 1px dashed black;"/>	
II	- Reserves arising from pension fund management	126	18,980
		127	<hr style="border-top: 1px dashed black;"/>
to carry forward			<hr style="border-top: 1px dashed black;"/>
			1,260,541
			<hr style="border-top: 1px dashed black;"/>

Previous year

		281	27,952	
		282	14,323	
		283	1,611	
		284	4,734	
		285		
		286		
		287	49,295	
		288		
		289	191	
		501		290 98,106
				291
	298	1,002,404		
	299	91		
	300	28,316		
	301	27		
	302	7,161		303 1,037,999
		305	41,496	
		306	17,140	307 58,636
	to carry forward			1,194,741

BALANCE SHEET - LIFE BUSINESS
LIABILITIES AND SHAREHOLDERS' EQUITY

		Current year	
brought forward			1,260,541
E. PROVISIONS FOR CONTINGENCIES AND OTHER CHARGES			
1.	Pension and similar provisions	128	
2.	Provision for taxation	129	26
3.	Other provisions	130	62
		131	88
F. DEPOSITS FROM REINSURERS			
			132
			7,479
G. PAYABLES AND OTHER LIABILITIES			
I - Payables arising from direct insurance business due to:			
1.	Insurance brokers and agents	133	506
2.	Current account companies	134	98
3.	Guarantee deposits and premiums paid by policyholders	135	559
4.	Guarantee funds in favour of policyholders	136	137
			1,163
II - Payables arising from reinsurance business due to:			
1.	Insurance and reinsurance companies	138	181
2.	Reinsurance brokers and agents	139	140
			181
III - Bond issues			
			141
IV - Due to banks and other financial institutions			
			142
V - Secured debts			
			143
VI - Sundry loans and other financial payables			
			144
VII - Employees' leaving entitlement			
			145
			320
VIII - Other sums payable			
1.	Policyholders' tax due	146	172
2.	Other sums payable to taxation authorities	147	1,249
3.	Social security charges payable	148	271
4.	Sundry payables	149	3,903
		150	5,595
IX - Other liabilities			
1.	Suspense reinsurance accounts	151	
2.	Commissions on premiums under collection	152	520
3.	Other liabilities	153	1,725
		154	2,245
of which: giro account with non-life business		902	155
			9,504
H. ACCRUED EXPENSES AND DEFERRED INCOME			
1.	Interest	156	
2.	Rent instalments	157	
3.	Other accrued expenses and deferred income	158	159
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			160
			1,277,610

Previous year

brought forward		1,194,741
	308	
	309	158
	310	158
		311
		6,997
313	453	
314	68	
315	195	
316	317	716
318	205	
319	320	205
	321	
	322	
	323	
	324	
	325	335
326	162	
327	425	
328	232	
329	3,562	330
		4,381
331		
332	719	
333	1,397	334
		2,116
904		335
		7,753
	336	
	337	
	338	339
		340
		1,209,647

Company VITTORIA ASSICURAZIONI S.p.A.

Year 2016

Allocation of the net profit (loss) for the year between non-life and life businesses

		Non-life businesses		Life businesses		Total	
Result of technical account	1	130,620	21	-461	41	130,165	
Income on investments	+	2	51,746		42	51,746	
Capital and financial charges	-	3	32,875		43	32,875	
Income on investments transferred from the life business technical account	+		24	2,565	44	2,565	
Income on investments transferred to the non-life business technical account	-	5	13,974		45	13,974	
Operating result	6	135,523	26	2,104	46	137,627	
Other income	+	7	2,540	27	300	47	2,840
Other expense	-	8	10,236	28	1,545	48	11,781
Extraordinary income	+	9	70,911	29	913	49	71,824
Extraordinary expense	-	10	284	30	53	50	337
Profit (loss) before taxation	11	198,455	31	1,719	51	200,173	
Taxation on profit for the year	-	12	59,951	32	736	52	60,686
Net profit (loss) for the year	13	138,504	33	983	53	139,487	

Year 2016

Company VITTORIA ASSICURAZIONI S.p.A.

Assets - Changes in intangible assets (caption B) and
land and buildings (caption C.I)

		Intangible assets B	Land and buildings C.I
Gross opening book value	+	1 119,173	31 211,447
Increase of the year	+	2 5,846	32 7,634
for: acquisitions or increases		3 5,846	33 7,634
write-backs		4	34
revaluations		5	35
other variations		6	36
Decrease of the year	-	7 487	37 1,628
for: sales or decreases		8 487	38 1,628
permanent write-downs		9	39
other variations		10	40
Gross closing book value (a)		11 124,532	41 217,453
Amortisation and depreciation:			
Opening book value	+	12 102,878	42 22,166
Increase of the year	+	13 7,129	43 7,359
for: amortisation/depreciation charge of the year		14 7,129	44 7,359
other variations		15	45
Decrease of the year	-	16	46 275
for: disposals		17	47 275
other variations		18	48
Closing book value (b) (*)		19 110,007	49 29,250
Book value (a - b)		20 14,525	50 188,203
Current value			51 224,117
Total revaluations		22	52
Total write-downs		23	53
(*) of which resulting from fiscally-driven entries		24	54

Company VITTORIA ASSICURAZIONI S.p.A.

Year 2016

Assets - Changes in investments in group and other companies: equity investments (caption C.II.1), bonds (caption C.II.2) and loans (caption C.II.3)

		Equity investments C.II.1	Bonds C.II.2	Loans C.II.3
Opening book value	+	1 468,163	21	41 15,783
Increase of the year	+	2 99,049	22	42 6,500
for: acquisitions, subscriptions or lending		3 91,792	23	43 6,500
write-backs		4	24	44
revaluations		5		
other variations		6 7,257	26	46
Decrease of the year:	-	7 16,826	27	47 1,050
for: sales or repayments.....		8 440	28	48 1,050
write-downs		9 8,564	29	49
other variations		10 7,822	30	50
Book value		11 550,386	31	51 21,233
Current value		12 624,966	32	52
Total revaluations		13		
Total write-downs.....		14 8,564	34	54

Caption C.II.2 includes:

Listed bonds	61
Unlisted bonds	62
Book value	63
of which: convertible bonds	64

Assets - Information on subsidiaries (*)

Number	Type	Listed or unlisted	Business activity	Name and registered offices	Currency
	(1)	(2)	(3)		
1	b	NQ	2	VITTORIA IMMOBILIARE S.p.A. - Galleria San Babila 4/B - 20122 Milano	242
2	b	NQ	2	VITTORIA IMMOBILIARE S.p.A. - Galleria San Babila 4/B - 20122 Milano	242
3	e	NQ	9	SINT S.p.A. - Via Bertola 34 - 10122 Torino	242
4	d	NQ	2	YARPA S.p.A. - Via Roma 3 - 16121 Genova	242
5	e	NQ	2	GRUPPO G.P.A. S.p.A. in Liquidazione - Via Melchiorre Gioia 124 - 20125 Milano	242
6	e	NQ	3	BANCA PASSADORE & C. S.p.A. - Via E.Vernazza 27 - 16121 Genova	242
7	e	NQ	3	BCC VALDOSTANA Soc.Coop. - Fraz.Taxel 26 - 11020 Gressan AO	242
8	e	NQ	3	ROVIGO BANCA Cred.Coop. - Via Casalini n.10 - 45100 Rovigo	242
9	e	NQ	9	DOWNALL ITALIA S.r.l. in Liquidazione - Piazza Sicilia 6 - 20146 Milano	242
10	e	NQ	9	U.C.I. S.cons.r.l. - Corso Sempione 39 - 20145 Milano	242
11	e	NQ	2	MEDINVEST INTERNATIONAL S.C.A. - 26-28 Rives de Clausen - L-2165 Lussemburgo	242
12	b	NQ	2	INTERBILANCIA S.r.l. - Via Ignazio Gardella n.2 - 20149 Milano	242
13	b	NQ	4	IMMOBILIARE BILANCIA S.r.l. - Galleria San Babila 4/B - 20122 Milano	242
14	b	NQ	4	IMMOBILIARE BILANCIA S.r.l. - Galleria San Babila 4/B - 20122 Milano	242
15	d	NQ	9	TOURING VACANZE S.r.l. - Corso Italia n.10 - 20122 Milano	242
16	b	NQ	4	VITTORIA PROPERTIES S.r.l. - Via Ignazio Gardella n.2 - 20149 Milano	242
17	b	NQ	4	IMMOBILIARE BILANCIA PRIMA S.r.l. - Galleria San Babila 4/B - 20122 Milano	242
18	e	NQ	3	BCC APUANA Sc in LIQUIDAZIONE - Viale Eugenio Chiesa n.4 - 54100 Massa	242
19	e	Q	3	MEDIOBANCA S.p.A. - P.tta E.Cuccia 1 - 20121 Milano	242
20	d	NQ	7	CONSORZIO MOVINCOM S.c.r.l. - Via Bertola 34 - 10122 Torino	242
21	e	NQ	2	YAM INVEST N.V. - Herengracht 450 - 1017 CA Amsterdam	242
22	e	NQ	3	BANCO FIORENTINO Mugello Impruneta Signa - Via Villani 13 - 50033 Fiorenzuola FI	242
23	e	NQ	3	BCC DI CARUGATE E INZAGO Soc.Coop. - Via De Gasperi 11 - 20061 Carugate	242
24	e	NQ	3	BCC DEL VOMANO Soc.Coop. - Via Pellecchia, 14 - 64100 Teramo	242
25	e	NQ	2	NUOVE PARTECIPAZIONI S.p.A. - Via Lodovico Mancini n.5 - 20129 Milano	242
26	e	NQ	3	BCC ROMAGNA in Liq.Coatta.Amm. - Via Leopoldo Lucchi, 135 - 47521 Cesena FC	242
27	d	NQ	9	MOVINCOM SERVIZI SpA - Via Bertola 34 - 10122 Torino	242
28	b	NQ	4	ACACIA 2000 S.r.l. - Via Ignazio Gardella n.2 - 20149 Milano	242
29	e	NQ	2	PORTA ROMANA 4 S.r.l. - Corso di Porta Romana 6 - 20122 Milano	242
30	b	NQ	4	VAIMM SVILUPPO S.r.l. - Galleria San Babila 4/B - 20122 Milano	242
31	b	NQ	4	VP SVILUPPO 2015 S.r.l. unipersonale - Via Ignazio Gardella n.2 - 20149 Milano	242
32	e	NQ	7	CONSORZIO SERVIZI ASSICURATIVI - Via Ignazio Gardella 2 - 20149 Milano	242
33	e	NQ	7	CONSORZIO SERVIZI ASSICURATIVI coll - Via Ignazio Gardella 2 - 20149 Milano	242
34	d	NQ	9	TOURING DIGITAL S.r.l. - Corso Italia n.10 - 20122 Milano	242

(*) List of group companies and other companies held either directly or through trustee or nominee.

(1) Type

- a = Parent companies
- b = Subsidiaries
- c = Related companies
- d = Associated companies
- e = Other companies

(2) Indicate Q for listed securities and NQ for unlisted securities

(3) Business activity

- 1 = Insurance company
- 2 = Financial company
- 3 = Bank
- 4 = Real estate company
- 5 = Trust
- 6 = Trust management company
- 7 = Consortium
- 8 = Manufacturing company
- 9 = Other

(4) Amounts in original currency

(5) Indicate total holding percentage

Share capital		Shareholders' equity (**)	Net profit or loss for the last year (**)	Percentage held (5)		
Amount (4)	Number of shares			(4)	(4)	Direct %
112,419	261,818	95,174	-1,815	25.09		25.09
112,419	261,818	95,174	-1,815	74.91		74.91
1,050	1,050,000					
30,000	30,000,000	30,306	1,175	27.31		27.31
8,528	16,400,000			9.74		9.74
50,000	50,000,000			2.76		2.76
6,574	1,273,959			0.30		0.30
2,069	80,128			0.12		0.12
100	100,000			10.00		10.00
510	1,000,000			0.79		0.79
9,963	7,663,600			3.91		3.91
80	80,000	2,428	888	100.00		100.00
6,650	6,650,000	32,236	-420	67.48		67.48
6,650	6,650,000	32,236	-420	32.52		32.52
12,900	12,900,000	14,819	75	46.00		46.00
8,000	8,000,000	17,334	-146	100.00		100.00
3,000	3,000,000	48,780	-523	100.00		100.00
5,724	28,594			0.67		0.67
435,178	870,355,094			0.14		0.14
103	102,900	55	-40	29.16		29.16
63,083	63,083,168			18.75		18.75
21,780	843,532			0.22		0.22
43,284	1,676,383			0.11		0.11
5,181	51,808			0.97		0.97
1,000	249,314,516			5.59		5.59
15,041	601,637			0.33		0.33
3,081	3,080,810	1,440	-1,294	49.34		49.34
370	369,718	225,252	2,900	71.60	28.40	100.00
100	100,000			6.45		6.45
3,000	3,000,000	56,106	-2,142	100.00		100.00
2,000	2,000,000	53,959	-1,855	100.00		100.00
362	362,000			0.11		0.11
362	362,000					
600	600,000	2,008	-392	45.00		45.00

(**) To be compiled only for subsidiary and associated companies

Assets - Changes in investments in group and other companies: equity investments

Number	Type	Name	Increase of the year			
			Acquisitions		Other increases	
			Quantity	Amount		
(1)	(2)	(3)				
1	b	V	VITTORIA IMMOBILIARE S.p.A. - Galleria San Babila 4/B - 20122 Milano			
2	b	D	VITTORIA IMMOBILIARE S.p.A. - Galleria San Babila 4/B - 20122 Milano			
3	d	D	SINT S.p.A. - Via Bertola 34 - 10122 Torino	72,285		
4	d	D	YARPA S.p.A. - Via Roma 3 - 16121 Genova			
5	e	D	GRUPPO G.P.A. S.p.A. in Liquidazione - Via Melchiorre Gioia 124 - 20125 Milano			
6	e	D	BANCA PASSADORE & C. S.p.A. - Via E.Vernazza 27 - 16121 Genova			
7	e	D	BCC VALDOSTANA Soc.Coop. - Fraz.Taxel 26 - 11020 Gressan AO			
8	e	D	ROVIGO BANCA Cred.Coop. - Via Casalini n.10 - 45100 Rovigo			
9	e	D	DOWNALL ITALIA S.r.l. in Liquidazione - Piazza Sicilia 6 - 20146 Milano			
10	e	D	U.C.I. S.cons.r.l. - Corso Sempione 39 - 20145 Milano			
11	e	D	MEDINVEST INTERNATIONAL S.C.A. - 26-28 Rives de Clausen - L-2165 Lussemburgo			
12	b	D	INTERBILANCIA S.r.l. - Via Ignazio Gardella n.2 - 20149 Milano			
13	b	V	IMMOBILIARE BILANCIA S.r.l. - Galleria San Babila 4/B - 20122 Milano			
14	b	D	IMMOBILIARE BILANCIA S.r.l. - Galleria San Babila 4/B - 20122 Milano			
15	d	D	TOURING VACANZE S.r.l. - Corso Italia n.10 - 20122 Milano			
16	b	D	VITTORIA PROPERTIES S.r.l. - Via Ignazio Gardella n.2 - 20149 Milano			
17	b	D	IMMOBILIARE BILANCIA PRIMA S.r.l. - Galleria San Babila 4/B - 20122 Milano			2,250
18	e	D	BCC APUANA Sc in LIQUIDAZIONE - Viale Eugenio Chiesa n.4 - 54100 Massa			
19	e	D	MEDIOBANCA S.p.A. - P.tta E.Cuccia 1 - 20121 Milano			
20	d	D	CONSORZIO MOVINCOM S.c.r.l. - Via Bertola 34 - 10122 Torino			
21	e	D	YAM INVEST N.V. - Herengracht 450 - 1017 CA Amsterdam			
22	e	D	BANCO FIORENTINO Mugello Impruneta Signa - Via Villani 13 - 50033 Fiorenzuola FI	917		
23	e	D	BCC DI CARUGATE E INZAGO Soc.Coop. - Via De Gasperi 11 - 20061 Carugate			
24	e	D	BCC DEL VOMANO Soc.Coop. - Via Pellecchia, 14 - 64100 Teramo			
25	e	D	NUOVE PARTECIPAZIONI S.p.A. - Via Lodovico Mancini n.5 - 20129 Milano			7,257
			Total C.II.1			
	a		Parent companies			
	b		Subsidiaries			
	c		Related companies			
	d		Associated companies			
	e		Other companies			
			Total D.I			
			Total D.II			

(1) It should match that indicated in Annex

(2) Type
a = Parent companies
b = Subsidiaries
c = Related companies
d = Associated companies
e = Other companies

(3) Indicate:

D investment allocated to the non-life business (caption C.II.1)
V investments allocated to the life business (caption C.II.1)
V1 investments allocated to the life business (caption D.I)
V2 investments allocated to the life business (caption D.2)
Even if it is only a portion, the investment should be identified with the same number

Year 2016

Decrease of the year		Other decreases	Book value (4)		Acquisition cost	Current value
Sales			Quantity	Amount		
Quantity	Amount					
		1,058	65,703	28,046	28,046	28,046
		3,158	196,115	83,713	83,713	83,713
505,995	440		8,193,406	8,280	8,280	8,280
			1,596,959			
			1,377,848	3,540	3,540	8,818
			3,800	41	41	41
			100	3	3	3
			9,999	21	21	21
			7,879	4	4	4
			300,000	1	1	1
			80,000	1,638	1,638	1,638
			4,487,398	22,647	22,647	22,647
			2,162,602	10,914	10,914	10,914
		2,783	5,934,000	6,814	6,814	6,814
			8,000,000	18,016	18,016	18,016
			3,000,000	46,596	46,596	46,596
			193	30	30	30
			1,225,350	10,354	10,354	9,503
		44	30,010			
			11,828,094	6,594	6,594	65,500
			1,817	46	46	46
			1,818	46	46	46
			500	50	50	50
		7,822	13,929,850	6,108	6,108	17,357

(4) Insert (*) if stated with the equity method (only for types b and c)

Assets - Changes in investments in group and other companies: equity investments

Number (1)	Type (2)		Name (3)	Increase of the year		
				Acquisitions		Other increases
				Quantity	Amount	
26	e	D	BCC ROMAGNA in Liq.Coatta.Amm. - Via Leopoldo Lucchi, 135 - 47521 Cesena FC			
27	d	D	MOVINCOM SERVIZI SpA - Via Bertola 34 - 10122 Torino			
28	b	D	ACACIA 2000 S.r.l. - Via Ignazio Gardella n.2 - 20149 Milano	15,000	9,714	
29	e	D	PORTA ROMANA 4 S.r.l. - Corso di Porta Romana 6 - 20122 Milano			58
30	b	D	VAIMM SVILUPPO S.r.l. - Galleria San Babila 4/B - 20122 Milano	1,000,000		42,500
31	b	D	VP SVILUPPO 2015 S.r.l. unipersonale - Via Ignazio Gardella n.2 - 20149 Milano	1,000,000		37,000
32	e	D	CONSORZIO SERVIZI ASSICURATIVI - Via Ignazio Gardella 2 - 20149 Milano	400		
33	d	D	CONSORZIO SERVIZI ASSICURATIVI coll - Via Ignazio Gardella 2 - 20149 Milano			
34	d	D	TOURING DIGITAL S.r.l. - Corso Italia n.10 - 20122 Milano	1,080,000		270
			Total C.II.1		9,714	89,335
	a		Parent companies			
	b		Subsidiaries		9,714	81,750
	c		Related companies			
	d		Associated companies			270
	e		Other companies			7,315
			Total D.I			
			Total D.II			

(1) It should match that indicated in Annex 1

(2) Type
a = Parent companies
b = Subsidiaries
c = Related companies
d = Associated companies
e = Other companies

(3) Indicate:
D investment allocated to the non-life business (caption C.II.1)
V investments allocated to the life business (caption C.II.1)
V1 investments allocated to the life business (caption D.1)
V2 investments allocated to the life business (caption D.2)
Even if it is only a portion, the investment should be identified with the same number

Year **2016**

Decrease of the year			Book value (4)		Acquisition cost	Current value
Sales		Other decreases	Quantity	Amount		
Quantity	Amount					
			2,000	50	50	50
		1,520	1,520,164		1,520	
			264,718	178,114	178,114	178,114
			6,450	1,522	1,522	1,522
			3,000,000	60,886	60,886	60,886
			2,000,000	56,040	56,040	56,040
			400			
400			1,080,000	270	270	270
	440	16,385		550,384	551,948	624,966
		4,216		506,610	506,610	506,610
	440	4,347		15,364	16,928	15,364
		7,822		28,410	28,410	102,992

(4) Insert (*) if stated with the equity method (only for types b and c)

Assets - Allocation based on the use of other financial investments: equity investments, unit trust units, bonds and other fixed-interest securities, shares in investment pools and other financial investments (captions C.III.1., 2., 3., 5., 7)

I - Non-life business

	Investment portfolio		Trading portfolio		Total	
	Book value	Current value	Book value	Current value	Book value	Current value
1. Equity investments:						
a) listed shares	21	41	61		81	101
b) unlisted shares	22	42	62		82	102
c) quotas	23	43	63		83	103
2. Unit trust units	24	44	64		84	104
3. Bonds and other fixed-interest securities	25	36,194	65	28,228	85	36,194
a) listed government securities	26	518,967	66	509,807	86	1,028,406
a2) other listed securities	27	453,141	67	509,807	87	962,955
b) unlisted government securities	28	67,327	68		88	67,327
b2) other unlisted securities	29		69		89	
c) convertible bonds	30	139	70	139	90	139
5. Shares in investment pools	31		71		91	
7. Other financial investments	32		72		92	
	33		73		93	

II - Life business

	Investment portfolio		Trading portfolio		Total	
	Book value	Current value	Book value	Current value	Book value	Current value
1. Equity investments:						
a) listed shares	141	161	181		201	221
b) unlisted shares	142	162	182		202	222
c) quotas	143	163	183		203	223
2. Unit trust units	144	164	184		204	224
3. Bonds and other fixed-interest securities	145	46,237	185	41,397	205	46,237
a) listed government securities	146	820,972	186	106,798	206	926,441
a2) other listed securities	147	786,226	187	106,798	207	891,695
b) unlisted government securities	148	33,779	188		208	33,779
b2) other unlisted securities	149		189		209	
c) convertible bonds	150	967	190	967	210	967
5. Shares in investment pools	151		191		211	
7. Other financial investments	152		192		212	
	153		193		213	

Assets - Changes in other financial investments - investment portfolio: equity investments, unit trust units, bonds and other fixed-interest securities, shares in investment pools and other financial investments (captions C.III.1, 2, 3, 5, 7)

	Equity investments C.III.1	Unit trust units C.III.2	Bonds and other fixed-interest securities C.III.3	Shares in investment pools C.III.5	Other financial investments C.III.7
Opening book value	21	48,408,41	1,301,631,81	101	
Increase of the year:	22	25,922,42	745,028,82	102	
for: acquisitions	23	3,766,43	743,155,83	103	
write-backs	24	44		104	
transfers from the trading portfolio.....	25	45		105	
other variations	26	22,156,46	1,873,86	106	
Decrease of the year:	27	4,706,47	706,720,87	107	
for: sales	28	937,48	435,001,88	108	
write-downs	29	49		109	
transfers to the trading portfolio	30	50	235,802,90	110	
other variations	31	3,769,51	35,917,91	111	
Book value	32	69,624,52	1,339,939,02	112	
Current value	33	82,430,53	1,430,029,93	113	

Year 2016Company VITTORIA ASSICURAZIONI S.p.A.

Assets - Changes in loans and deposits with banks (captions C.III.4, 6)

		Loans C.III.4		Deposits with banks C.III.6
Opening book value	+	1 7,094	21	2,010
Increase of the year	+	2 3,672	22	
for: lending		3 3,672		
write-backs		4		
other variations		5		
Decrease of the year:	-	6 2,388	26	10
for: repayments		7 2,388		
write-downs.....		8		
other variations		9		
Book value		10 8,378	30	2,000

Company **Vittoria Assicurazioni S.p.A.** Year **2016**

Assets - List of assets relating index-linked policies (caption D.I)

Unit trust code: Unit trust description:

	Current value		Acquisition cost	
	Year	Previous year	Year	Previous year
I. Land and buildings	21	41	61	
II. Investments in group and other companies:				
1. Equity investments	22	42	62	
2. Bonds	23	43	63	
3. Loans	24	44	64	
III. Unit trust units	30,064 25	27,841 45	27,773 65	25,429
IV. Other financial investments:				
1. Equity investments	125 26	7,158 46	205 66	7,042
2. Bonds and other fixed-interest securities	3,793 27	4,765 47	3,805 67	6,577
3. Bank deposits	28	48	68	
4. Other financial investments	29	175 49	69	19
V. Other assets	1,398 30	-93 50	1,661 70	-93
VI. Liquid funds	1,988 31	1,649 51	1,856 71	1,649
.....	32	52	72	
.....	33	53	73	
Total	37,368 34	41,495 54	35,300 74	40,623

Company **Vittoria Assicurazioni S.p.A.**Year **2016**

Assets - List of assets arising from pension fund management (caption D.II)

Code: Pension fund description

	Current value		Acquisition cost	
	Year	Previous year	Year	Previous year
I. Investments in group and other companies:				
1. Equity investments	21	41	61	
2. Bonds	22	42	62	
II. Other financial investments:				
1. Equity investments	23	43	63	
2. Bonds and other fixed-interest securities	8,376 24	8,089 44	7,984 64	7,082
3. Unit trust units	8,870 25	8,085 45	6,398 65	5,555
4. Bank deposits	26	46	66	
5. Other financial investments	27	47	67	
III. Other assets	283 28	-200 48	283 68	-200
IV. Liquid funds	1,451 29	1,165 49	1,451 69	1,165
	30	50	70	
	31	51	71	
Total	18,980 32	17,139 52	16,116 72	13,602

Company VITTORIA ASSICURAZIONI S.p.A.Year 2016Liabilities - Changes in premium reserve (caption C.I.1) and claims reserve
(caption C.I.2) of non-life business

Type	Year	Previous year	Change
Premium reserve:			
Unearned premium reserve	1 380,936	11 381,156	21 -220
Reserve for current risks:	2 13,303	12 12,719	22 584
Book value	3 394,239	13 393,875	23 364
Claims reserve:			
Reserve for claims settlement and direct expenses	4 979,445	14 933,290	24 46,155
Reserve for settlement costs	5 58,994	15 58,149	25 845
IBNR reserve	6 80,195	16 76,638	26 3,557
Book value	7 1,118,634	17 1,068,077	27 50,557

Company VITTORIA ASSICURAZIONI S.p.A.Year 2016Liabilities - Changes in the mathematical reserves (caption C.II.1) and
profit participation and reimbursement reserve(caption C.II.4)

Type	Year	Previous year	Change
Pure premium reserve	1 1.061.680	11 991.031	21 70.649
Premiums carried forward	2 8.254	12 9.122	22 -868
Mortality risk reserve	3 1	13 1	23
Integration reserves	4 2.406	14 2.250	24 156
Book value	5 1.072.341	15 1.002.404	25 69.937
Profit participation and reimbursement reserve.....	6 49	16 27	26 22

Company VITTORIA ASSICURAZIONI S.p.A.

Year 2016

Liabilities - Changes in provisions for contingencies and other charges (caption E) and employees' leaving entitlement (caption G.VII)

		Employees' leaving entitlement and similar provisions	Provision for taxation	Other accruals	Employees' leaving entitlement
Opening book value	+	1	998	21	3,228
Accruals of the year.....	+	2	10,972	22	2,415
Other increases	+	3		23	
Utilisation of the year	-	4	132	24	320
Other decreases	-	5		25	2,419
Book value		6	11,838	26	2,904

List of assets and liabilities relating to group and other companies

I: Assets

	Parent companies	Subsidiaries	Related companies	Associated companies	Other companies	Total
Equity investments	1	2	3	4	5	6
Bonds	7	8	9	10	11	12
Loans	13	14	15	16	17	18
Shares in investment pools.....	19	20	21	22	23	24
Bank deposits	25	26	27	28	29	30
Other financial investments	31	32	33	34	35	36
Deposits with ceding companies	37	38	39	40	41	42
Investments relating to index-linked policies.....	43	44	45	46	47	48
Investments relating to pension fund management	49	50	51	52	53	54
Receivables relating to direct insurance business.....	55	56	57	58	59	60
Receivables relating to reinsurance business	61	62	63	64	65	66
Other receivables	67	68	69	70	71	72
Bank and postal accounts.....	73	74	75	76	77	78
Sundry assets	79	80	81	82	83	84
Total	85	86	87	88	89	90
of which: subordinated assets	91	92	93	94	95	96

List of assets and liabilities relating to group and other companies

II: Liabilities

	Parent companies	Subsidiaries	Related companies	Associated companies	Other companies	Total
Subordinated liabilities	97	98	99	100	101	102
Deposits from reinsurers	103	104	105	106	107	108
Payables arising from direct insurance business	109	110	111	112	113	114
Payables arising from reinsurance business	115	116	117	118	119	120
Due to banks and other financial institutions	121	122	123	124	125	126
Secured debts	127	128	129	130	131	132
Sundry loans and other financial payables	133	134	135	136	137	138
Sundry payables	139	140	141	142	143	144
Other liabilities	145	146	147	148	149	150
Total	151	152	153	154	155	156
		5,924		146	274	6,344
		5,890			24	5,914
		34			250	430

Company VITTORIA ASSICURAZIONI S.p.A.Year 2016

List of classes I, II, III and IV of "guarantees, commitments and other memorandum and contingency accounts"

	Year	Previous year
I. Guarantees given:		
a) sureties and endorsements given in the interest of parent companies, subsidiaries and related companies	1	31
b) sureties and endorsements given in the interest of associated companies and other group companies	2	32
c) sureties and endorsements given in the interest of third parties	3	33
d) other personal guarantees given in the interest of parent companies, subsidiaries and related companies	4	34
e) other personal guarantees given in the interest of associated and other group companies	5	35
f) other personal guarantees given in the interest of third parties	6	36
g) collateral against obligations of parent companies, subsidiaries and related companies	7	37
h) collateral against obligations of associated companies and other group companies	8	38
i) collateral against third party obligations	9	39
l) guarantees given against company's obligations	10	40
m) assets pledged as guarantee deposit against inwards reinsurance	11	41
Total	12	42
II. Guarantees received:		
a) from associated and other group companies	13	43
b) from third parties	14	17,672
Total	15	17,672
III. Guarantees given by third parties in the interest of the company:		
a) from associated and other group companies.....	16	46
b) from third parties	17	47
Total	18	48
IV. Commitments:		
a) purchase commitments with resale obligation	19	49
b) sale commitments with repurchase obligation	20	50
c) other commitments	21	73,482
Total	22	73,482
V. Assets pertaining to pension funds managed in favour and on behalf of third parties	23	18,980
VI. Securities held by third parties	24	2,090,225
Total	25	2,109,205
	55	1,979,907

Commitments for derivative transactions

Derivative	Current year				Previous year				
	Purchase		Sale		Purchase		Sale		
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	
Futures:									
on shares	101	21	121	41	141	61	161		
on bonds	102	22	122	42	142	62	162		
on currencies	103	23	123	43	143	63	163		
on exchange rates	104	24	124	44	144	64	164		
other	105	25	125	45	145	65	165		
Options:									
on shares	106	26	126	46	146	66	166		
on bonds	107	27	127	47	147	67	167		
on currencies	108	28	128	48	148	68	168		
on exchange rates	109	29	129	49	149	69	169		
other	110	30	130	50	150	70	170		
Swaps:									
on currencies	111	31	131	51	151	71	171		
on exchange rates	112	32	132	52	152	72	172		
other	113	33	133	53	153	73	173		
Other transactions	114	34	134	54	154	74	174		
Total	0	35	0	35	0	75	0	75	0

Notes: - Include only derivative transactions existing at the balance sheet date which imply a commitment for the company; where the derivative does not exactly match one of the above captions or relates to more than one caption, it should be included in the one more related; no offsetting is allowed if not related to purchase/sale transactions relating to the same derivative category (same contents, maturity, underlying asset, etc.).

- Derivatives involving two currency swaps should be stated only once, referring to the currency to be purchased. Derivatives involving both interest rate and currency swaps should only be included in currency swaps. Derivatives relating to interest rate swaps are classified as "purchases" or "sales" depending on whether or not they imply the fixed rate purchase or sale.

(1) Derivatives which involve or may involve capital forward exchanges should be stated at their regulated price; all other derivatives should be stated at their nominal value

(2) Indicate fair value of derivatives;

Company VITTORIA ASSICURAZIONI S.p.A.

Summarised non-life business technical account

		Gross premiums accounted for	Gross premiums earned	Gross claims charge	Management fees	Reinsurance balance
Direct insurance:						
Accident and health insurance (classes 1 and 2)	1	93,818 ²	92,593 ³	35,797 ⁴	32,721 ⁵	-401
Third-party motor liability (class 10)	6	638,959 ⁷	638,575 ⁸	492,306 ⁹	116,397 ¹⁰	-1,112
Hull insurance for motor vehicles (class 3)	11	113,457 ¹²	111,333 ¹³	60,158 ¹⁴	31,794 ¹⁵	-1,451
Marine, aviation and transport insurance (classes 4, 5, 6, 7, 11 and 12)	16	3,402 ¹⁷	3,366 ¹⁸	2,221 ¹⁹	817 ²⁰	-86
Fire and miscellaneous damages (classes 8 and 9)	21	96,683 ²²	95,162 ²³	52,110 ²⁴	30,847 ²⁵	-4,108
Third-party general liability (class 13)	26	52,519 ²⁷	52,229 ²⁸	31,182 ²⁹	16,655 ³⁰	341
Credit and bond insurance (classes 14 and 15)	31	5,245 ³²	9,867 ³³	14,497 ³⁴	1,631 ³⁵	3,274
Pecuniary losses (class 16)	36	48,418 ³⁷	49,670 ³⁸	593 ³⁹	13,127 ⁴⁰	-138
Legal protection (class 17)	41	4,872 ⁴²	4,749 ⁴³	863 ⁴⁴	1,351 ⁴⁵	-806
Support and assistance (class 18)	46	23,772 ⁴⁷	23,243 ⁴⁸	8,531 ⁴⁹	6,482 ⁵⁰	-2,591
Total direct insurance	51	1,081,145 ⁵²	1,080,787 ⁵³	698,258 ⁵⁴	251,822 ⁵⁵	-7,078
Indirect insurance	56	117 ⁵⁷	110 ⁵⁸	60 ⁵⁹	7 ⁶⁰	
Total domestic portfolio	61	1,081,262 ⁶²	1,080,897 ⁶³	698,318 ⁶⁴	251,829 ⁶⁵	-7,078
Foreign portfolio	66					
Total	71	1,081,262 ⁷²	1,080,897 ⁷³	698,318 ⁷⁴	251,829 ⁷⁵	-7,078

Company VITTORIA ASSICURAZIONI S.p.A.Year 2016

Summarised life business premiums and reinsurance balance

	Direct insurance	Indirect insurance	Total
Gross premiums:	1 189,469	11	21 189,469
a) 1. individual policies	2 184,646	12	22 184,646
2. group policies	3 4,823	13	23 4,823
b) 1. periodic premiums	4 56,237	14	24 56,237
2. single premiums	5 133,232	15	25 133,232
c) 1. non-profit participation contracts.....	6 11,340	16	26 11,340
2. profit participation contracts.....	7 173,324	17	27 173,324
3. contracts where the investment risk is borne by policyholders and pension fund	8 4,806	18	28 4,806
Reinsurance balance	9 -81	19 -30	29 -111

Company VITTORIA ASSICURAZIONI S.p.A.

Year 2016

Income on investments (captions II.2 and III.3)

	Non-life business	Life business	Total
Income on equity investments			
Dividends and other income on equity investments in group companies	1 496	41 81	496
Dividends and other income on equity investments in other companies.....	2	42 82	
Total	3 496	43 83	496
Income on investments in land and buildings	4 3,154	44 2,806	84 5,960
Income on other investments:			
Income on bonds issued by group companies.....	5	45 85	
Interest on loans to group companies	6 301	46 86	301
Income on unit trust units	7 766	47 1,059	87 1,825
Income on bonds and other fixed-interest securities	8 35,236	48 39,956	88 75,192
Interest on loans	9 168	49 59	89 227
Income on shares of investment pools	10	50 90	
Interest on bank deposits.....	11	51 91	
Income on other financial investments	12	52 92	
Interest on deposits with ceding companies.....	13	53 93	
Total	14 36,471	54 41,074	94 77,545
Adjustments to investment values:			
Land and buildings	15	55 95	
Equity investments in group companies.....	16 7,257	56 96	7,257
Bonds issued by group companies	17	57 97	
Other equity investments	18	58 98	
Other bonds	19	59 99	
Other financial investments.....	20	60 100	
Total	21 7,257	61 101	7,257
Profits on sale of investments:			
Profit on sale of land and buildings	22	62 102	
Profit on sale of equity investments in group companies	23	63 103	
Profit on sale of bonds issued by group companies	24	64 104	
Profit on sale of other equity investments	25	65 105	
Profit on sale of other bonds	26 4,368	66 648	106 5,016
Profit on sale of other financial investments.....	27	67 107	
Total	28 4,368	68 648	108 5,016
TOTAL	29 51,746	69 44,528	109 96,274

Company VITTORIA ASSICURAZIONI S.p.A.

Year 2016

Income and non-realised capital gains relating to investments benefiting policyholders bearing the risk and investments stemming from pension fund management (caption II.3)

I. Investments relating to index-linked policies

	Amount
Income on:	
Land and buildings	1
Investments in group companies	2
Unit trust units	3 67
Other financial investments	4 319
- of which: bonds..... 5 124	
Other assets	6
Total	7 386
Profit on sale of investments	
Profit on sale of land and buildings	8
Profit on sale of investments in group companies	9
Profit on sale of unit trust units	10 192
Profit on sale of other financial investmentsi	11 605
- of which: bonds 12 180	
Other income.....	13 138
Total	14 935
Non-realised capital gains	15 820
TOTAL.....	16 2,141

II. Investments relating to pension fund management

	Amount
Income on:	
Investments in group companies.....	21
Other financial investments	22 429
- of which: bonds..... 23 329	
Other assets	24 56
Total	25 485
Profit on sale of investments	
Profit on sale of investments in group companies	26
Profit on sale of other financial investments.....	27 1
- of which: bonds 28	
Other income.....	29
Total	30 1
Non-realised capital gains	31 261
TOTAL	32 747

Company VITTORIA ASSICURAZIONI S.p.A.

Year 2016

Capital and financial charges (captions II.9 and III.5)

	Non-life business		Life business		Total	
Investment management and other charges						
Charges relating to equity investments	1	152	31	9	61	161
Charges relating to investments in land and buildings.....	2	2,400	32	1,091	62	3,491
Bond charges	3	7,137	33	8,774	63	15,911
Charges relating to unit trust units.....	4	50	34	7	64	57
Charges relating to shares in investment pools	5		35		65	
Other financial investment charges	6		36		66	
Interest on deposits from reinsurers	7	110	37	291	67	401
Total	8	9,849	38	10,172	68	20,021
Adjustments to investment values:						
Land and buildings	9	4,874	39	2,485	69	7,359
Equity investments in group companies	10	7,506	40	1,058	70	8,564
Bonds issued by group companies	11		41		71	
Other equity investments.....	12		42		72	
Other bonds	13	463	43	374	73	837
Other financial investments	14	1,623	44		74	1,623
Total	15	14,466	45	3,917	75	18,383
Loss on sale of investments						
Loss on sale of land and buildings	16		46		76	
Loss on sale of equity investments	17		47		77	
Loss on sale of bonds	18	8,561	48	180	78	8,741
Loss on sale of other financial investments	19		49		79	
Total	20	8,561	50	180	80	8,741
TOTAL	21	32,876	51	14,269	81	47,145

Company VITTORIA ASSICURAZIONI S.p.A.Year 2016

Capital and financial charges and non-realised capital losses relating to investments benefiting policyholders who bear the risk and investments stemming from pension fund management (caption II.10)

I. Investments relating to index-linked policies

	Amount
Management charges arising from:	
Land and buildings	1
Investments in group companies	2
Unit trust units	3 26
Other financial investments	4 15
Other assets	5 308
Total	6 349
Loss on sale of investments	
Loss on sale of land and buildings	7
Loss on sale of investments in group companies	8
Loss on sale of unit trust units	9 309
Loss on sale of other financial investments	10 1,319
Other charges.....	11 92
Total	12 1,720
Non-realised capital losses	13 402
TOTAL	14 2,471

II. Investments relating to pension fund management

	Amounts
Management charges arising from:	
Investments in group companies	21
Other financial investments	22 270
Other assets.....	23
Total	24 270
Loss on sale of investments	
Loss on sale of investments in group companies	25
Loss on sale of other financial investments	26 88
Other charges	27
Total	28 88
Non-realised capital losses	29 243
TOTAL	30 601

	Class 01		Class 02	
	Accident insurance		Health insurance	
	(name)		(name)	
Direct insurance gross of outwards reinsurance				
Gross premiums accounted for	1.00	80,780	1.00	13,038
Change in premium reserve (+ or -)	2.00	874	2.00	351
Charges relating to claims	3.00	27,942	3.00	7,855
Change in other technical reserves (+ or -) (1)	4.00		4.00	
Other technical captions, net (+ or -)	5.00	-1,274	5.00	-171
Management fees	6.00	28,759	6.00	3,962
Direct insurance technical result (+ or -) A	7.00	21,931	7.00	699
Outwards reinsurance result (+ or -) B	8.00	-337	8.00	-64
Indirect insurance net result (+ o -) C	9.00	1	9.00	
Change in equalisation reserve (+ o -)	10.00		10.00	
Income on investments transferred from non-technical account	11.00	617	11.00	110
Result of technical account (+ or -) (A + B + C - D + E)	12.00	22,212	12.00	745

	Class 07		Class 08	
	Cargo insurance		Fire and natural events	
	(name)		(name)	
Direct insurance gross of outwards reinsurance				
Gross premiums accounted for	1.00	1,335	1.00	51,900
Change in premium reserve (+ or -)	2.00	53	2.00	666
Charges relating to claims	3.00	498	3.00	20,030
Change in other technical reserves (+ or -) (1)	4.00		4.00	
Other technical captions, net (+ o -)	5.00	-49	5.00	-770
Management fees	6.00	376	6.00	16,975
Direct insurance technical result (+ or -) A	7.00	359	7.00	13,459
Outwards reinsurance result (+ or -) B	8.00	-60	8.00	-2,475
Indirect reinsurance net result (+ o -) C	9.00		9.00	1
Change in equalisation reserve (+ o -)	10.00	4	10.00	156
Income on investments transferred from non-technical account	11.00	17	11.00	532
Result of technical account (+ or -) (A + B + C - D + E)	12.00	312	12.00	11,361

	Class 13		Class 14	
	Third-party general liability		Credit insurance	
	(name)		(name)	
Direct insurance gross of outwards reinsurance				
Gross premiums accounted for	1.00	52,519	1.00	-569
Change in premium reserve (+ or -)	2.00	290	2.00	-2,103
Charges relating to claims	3.00	31,182	3.00	2,057
Change in other technical reserves (+ or -) (1)	4.00		4.00	
Other technical captions, net (+ or -)	5.00	-657	5.00	-22
Management fees	6.00	16,655	6.00	193
Direct insurance technical result (+ or -) A	7.00	3,735	7.00	-738
Outwards reinsurance result (+ or -) B	8.00	341	8.00	
Indirect reinsurance net result (+ o -) C	9.00	34	9.00	
Change in equalisation reserve (+ o -)	10.00		10.00	
Income on investments transferred from non-technical account	11.00	1,298	11.00	205
Result of technical account (+ or -) (A + B + C - D + E)	12.00	5,408	12.00	-533

(1) This caption includes changes in "Other technical reserves" as well as changes in "Profit participation and reimbursement reserve"

Year 2016

account by line of business - Domestic portfolio

Class 03 Motor vehicle hulls (name)	Class 04 Railway truck hulls (name)	Class 05 Aviation hulls (name)	Class 06 Marine hulls (name)
1.00 113,457	1.00 4	1.00 1	1.00 1,100
2.00 2,123	2.00 2	2.00	2.00 -2
3.00 60,158	3.00	3.00	3.00 706
4.00	4.00	4.00	4.00
5.00 -339	5.00	5.00	5.00 -29
6.00 31,794	6.00	6.00	6.00 264
7.00 19,043	7.00 2	7.00 1	7.00 103
8.00 -1,451	8.00	8.00	8.00 -110
9.00	9.00	9.00	9.00
10.00 340	10.00	10.00	10.00
11.00 692	11.00	11.00 1	11.00 12
12.00 17,944	12.00 2	12.00 2	12.00 5

Class 09 Miscellaneous damages (name)	Class 10 Third-party motor liability (name)	Class 11 Third-party aviation liability (name)	Class 12 Third-party marine liability (name)
1.00 44,783	1.00 638,959	1.00 2	1.00 961
2.00 855	2.00 384	2.00	2.00 -17
3.00 32,079	3.00 492,306	3.00 109	3.00 907
4.00	4.00	4.00	4.00
5.00 -408	5.00 -775	5.00	5.00 -1
6.00 13,872	6.00 116,397	6.00 4	6.00 172
7.00 -2,431	7.00 29,097	7.00 -111	7.00 -102
8.00 -1,633	8.00 -1,112	8.00 86	8.00 -1
9.00 1	9.00 2	9.00	9.00
10.00 66	10.00	10.00	10.00
11.00 291	11.00 9,566	11.00	11.00 18
12.00 -3,838	12.00 37,553	12.00 -25	12.00 -85

Class 15 Bond insurance (name)	Class 16 Pecuniary losses (name)	Class 17 Legal protection (name)	Class 18 Support and assistance (name)
1.00 5,814	1.00 48,418	1.00 4,872	1.00 23,772
2.00 -2,519	2.00 -1,252	2.00 123	2.00 530
3.00 12,439	3.00 593	3.00 863	3.00 8,531
4.00	4.00	4.00	4.00
5.00 -1,657	5.00 -185	5.00 -26	5.00 -91
6.00 1,439	6.00 13,127	6.00 1,351	6.00 6,482
7.00 -7,202	7.00 35,765	7.00 2,509	7.00 8,138
8.00 3,274	8.00 -138	8.00 -806	8.00 -2,591
9.00	9.00	9.00	9.00 3
10.00	10.00	10.00	10.00
11.00 261	11.00 295	11.00 13	11.00 46
12.00 -3,667	12.00 35,922	12.00 1,716	12.00 5,596

Life business - Summarised technical account by line of business - Domestic portfolio

	Class 01 Whole and term life insurance (name)	Class 02 Marriage and birth insurance (name)	Class 03 Insurance linked to unit trusts (name)
Direct insurance gross of outwards reinsurance			
Gross premiums accounted for	172,862		3,309
Charges relating to claims	100,297		6,907
Change in mathematical and other technical reserves (+ or -) (*)	81,696		-3,856
Other technical captions, net (+ or -)	-294		279
Management fees	15,905		397
Income on investments net of the portion transferred to the non-technical account (**)	25,399		-425
Direct insurance result gross of outwards reinsurance (+ or -) A	69		-285
Outwards reinsurance result (+ or -) B	71		
Indirect insurance net result (+ or -) C	30		
Result of technical account (+ or -) (A + B + C)	170		-285

	Class 04 Health insurance (name)	Class 05 Capitalisation transactions (name)	Class 06 Unit trust Management (name)
Direct insurance gross of outwards reinsurance			
Gross premiums accounted for	631	11,158	1,509
Charges relating to claims	40	30,142	914
Change in mathematical and other technical reserves (+ or -) (*)	329	-16,778	398
Other technical captions, net (+ or -)	-7		198
Management fees	107	901	165
Income on investments net of the portion transferred to the non-technical account (**)	-24	2,454	102
Direct insurance result gross of outwards reinsurance (+ or -) A	124	-653	332
Outward reinsurance result B	-151		
Indirect insurance net result (+ or -) C	9		
Result of technical account (+ or -) (A + B + C)	-27	-653	332

(*) The caption "other technical reserves" includes "other technical reserves" and "technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management".

(**) Algebraic sum of the items relating to the domestic line of business and portfolio included in captions II.2, II.3, II.9, II.10 and II.12 of the profit and loss account

Summarised life business technical account
Domestic portfolio

	Direct insurance risks		Indirect insurance risks		Retained risks Total 5 = 1 - 2 + 3 - 4	
	1 Direct risks	2 Transferred risks	3 Inwards reinsurance risks	4 Outwards reinsurance risks		
Premiums accounted for	189,469	11	1,182	21	41	188,287
Charges relating to claims.....	138,300	12	455	22	42	137,841
Change in mathematical and other technical reserves (+ or -) (*)	61,789	13	481	23	43	61,282
Other technical captions, net (+ or -)	176	14		24	44	176
Management fees.....	17,475	15	165	25	45	17,310
Income on investments net of the portion transferred to the non-technical account (***).....	27,506			26	46	27,506
Result of technical account (+ or -)	-413	17	81	27	47	-464

(*) The caption "other technical reserves" includes "other technical reserves" and "technical reserves where investment risk is borne by policyholders and reserves relating to pension fund management".

(***) Algebraic sum of the items relating to the domestic portfolio included in captions II.2, II.3, II.9, II.10 and II.12 of the profit and loss account

Company VITTORIA ASSICURAZIONI S.p.A.Year 2016**Summarised life and non-life business technical accounts - foreign portfolio**

Section I: Non-life businesses

		Total lines of business
Direct insurance gross of outwards reinsurance		
Gross premiums accounted for	+	1
Change in premium reserve (+ or -).....	-	2
Charges relating to claims	-	3
Change in other technical reserves (+ or -) (1).....	-	4
Other technical captions, net (+ or -).....	+	5
Management fees	-	6
Direct insurance technical result (+ or -)		A
Outwards reinsurance result (+ or -)		B
Indirect insurance net result (+ or -).....		C
Change in equalisation reserves (+ or -)		D
Income on investments transferred from non-technical account		E
Result of technical account (+ or -)		(A + B + C - D + E)

Section II: Life business

		Total lines of business
Direct insurance gross of outwards reinsurance		
Gross premiums accounted for	+	1
Charges relating to claims	-	2
Change in mathematical and other technical reserves (+ or -) (2)	-	3
Other technical captions, net (+ or -)	+	4
Management fees	-	5
Income on investments net of the portion transferred to the non-technical account (3)	+	6
Direct insurance result gross of outwards reinsurance (+ or -)		A
Outwards reinsurance result (+ or -)		B
Indirect insurance net result (+ or -)		C
Result of technical account (+ or -)		(A + B + C)

(1) This caption includes changes in "Other technical reserves" as well as changes in "Profit participation and reimbursement reserve"

(2) The caption "other technical reserves" includes "other technical reserves" and "technical reserves where investment risk is borne by policyholders and reserves arising from pension fund management".

(3) Algebraic sum of the items relating to the foreign portfolio included in captions II.3, II.2, II.3, II.9 and II.10 of the profit and loss account

Intercompany relationships

II: Expense

	Parent companies	Subsidiaries	Associated companies	Related companies	Other companies	Total
Investment management charges and interest payable:						
Charges relating to investors	92	610	94	95	96	610
Interest on subordinated liabilities	98	99	100	101	102	
Interest on deposits from reinsurers.....	104	105	106	107	108	
Interest on payables arising from direct insurance business.....	110	111	112	113	114	
Interest on payables arising from reinsurance business.....	116	117	118	119	120	
Interest on sums due to banks and financial institutions.....	122	123	124	125	126	
Interest on secured debts.....	128	129	130	131	132	
Interest on other sums payable	134	135	136	137	138	
Losses on receivables.....	140	141	142	143	144	
Administrative and third party charges	146	147	148	149	150	
Other charges	152	153	154	155	156	
Total	158	610	160	161	162	610
Charges and non-realised capital losses on investments benefiting policyholders bearing the risk and investments stemming from pension fund management						
.....	164	165	166	167	168	
Loss on sale of investments (*)	170	171	172	173	174	
Extraordinary expense	176	177	178	179	180	
TOTAL.....	182	610	184	185	186	610

(*) With reference to the counterparty

Company VITTORIA ASSICURAZIONI S.p.A.

Summarised direct insurance premiums accounted for

	Non-life business		Life business		Total	
	Establishment	Freedom to provide services	Establishment	Freedom to provide services	Establishment	Freedom to provide services
Gross premiums accounted for:						
in Italy	1	5	11	15	21	25
in other EU countries	2	6	12	16	22	26
in non-EU countries.....	3	7	13	17	23	27
Total	4	8	14	18	24	28
		1,081,057		189,469		1,270,526

Company VITTORIA ASSICURAZIONI S.p.A.

Year 2016

Personnel expenses and directors' and statutory auditors' fees

I: Personnel expenses

	Non-life business	Life business	Total
Employees' expenses:			
Domestic portfolio:			
- Wages and salaries	1 34,662 31	3,361 61	38,023
- Social security contributions	2 8,804 32	854 62	9,658
- Accruals to the employees' leaving entitlement and similar provisions	3 2,205 33	214 63	2,419
- Other personnel expenses.....	4 3,469 34	336 64	3,805
Total	5 49,140 35	4,765 65	53,905
Foreign portfolio:			
- Wages and salaries	6	66	
- Social security contributions.....	7	67	
- Other personnel expenses	8	68	
Total	9	69	
Total.....	10 49,140 40	4,765 70	53,905
Consultants' fees:			
Domestic portfolio	11 46,713 41	478 71	47,191
Foreign portfolio	12	72	
Total.....	13 46,713 43	478 73	47,191
Total personnel expenses.....	14 95,853 44	5,243 74	101,096

II: Allocation captions

	Non-life business	Life business	Total
Investment management charges.....	15 1,329 45	95 75	1,424
Charges relating to claims	16 56,269 46	503 76	56,772
Other acquisition costs	17 16,525 47	2,022 77	18,547
Other administrative costs	18 21,490 48	2,620 78	24,110
Administrative and third party charges	19	79	
Other technical captions	20 241 50	3 80	244
Total	21 95,854 51	5,243 81	101,097

III: Average number of employees for the year

	Number
Managers	91 26
White collars	92 510
Blue collars	93
Other	94
Total.....	95 536

IV: Directors and statutory auditors

	Number	Fees
Directors	96 15 98	2,452
Statutory auditors	97 3 99	252

Management attestation

Attestation of local annual financial statements pursuant to Article 81/3 of CONSOB Regulation no. 11971 of 14 May 1999 as subsequently amended and supplemented

1. The undersigned Cesare Caldarelli (as Chief Executive Officer) and Luca Arensi (as the Manager Charged with preparing the financial reports), of Vittoria Assicurazioni S.p.A., taking into consideration Article 154-bis (subparagraph 3 and 4) of Italian Legislative Decree February 24th 1998 n.58, do hereby certify:

- the adequacy in relation to the Legal Entity features and
- the actual application

of administrative and accounting procedures for formation of financial statements during the period 1 January 2016 - 31 December 2016.

2. In this respect no remarks emerged besides what already reported in Director's report to the financial report as at 31 December 2016.

3. It is also attested that:

3.1 the financial statements as at 31 December 2016:

- a) Having been prepared in compliance with (a) the Italian Civil Code, (b) the requirements indicated in Italian Legislative Decree no. 173 of 26 May 1997, (c) the Italian Legislative Decree no. 209 of 7 September 2005, and (d) applicable ISVAP (Italian insurance regulator – now IVASS) ordinances, regulations, and circulars, are – to the best of their knowledge – such as to provide fair and true representation of the assets and liabilities, profit or loss, and financial position of the issuer.
- b) Match corporate books and accounting records

3.2 the directors' report contains a reliable analysis of the business outlook and management result, the financial position of the issuer and a description of the main risks and uncertain situation to which they are exposed.

Milan, 15th March 2017

Cesare Caldarelli
Chief Executive Officer

Luca Arensi
*Manager Charged with
preparing the financial reports*

Board of Statutory Auditors' Report

VITTORIA ASSICURAZIONI S.p.A.

STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS OF VITTORIA ASSICURAZIONI S.P.A. PURSUANT TO ART. 153 OF LEGISLATIVE DECREE NO. 58/98, OF LEGISLATIVE DECREE NO. 39/2010 AND ART. 2429, PARAGRAPH 3, CIVIL CODE

Dear Shareholders

During 2016, we carried out the supervisory activities as required by Law, and in particular by art. 149 of Legislative Decree N. 58/98 and by art. 2403 Civil Code, by the communications from CONSOB (the Italian stock exchange authority) and IVASS (the Italian insurance regulatory authority Institute), as well as by consolidated professional practices.

We premise that the Board of Statutory Auditors in its current composition was appointed by the Ordinary Shareholders' Meeting of 27th April 2016, which appointed the supervisory body for the period 2016/2018 partially renewing its composition.

Until that date the Board was chaired by Mr. Alberto Giussani.

In reporting the activities carried out, we expose the following.

In compliance with the tasks conferred upon the Board of Statutory Auditors by Legislative Decree. N. 58/98, we confirm that:

- we attended the meetings of the Board of Directors and obtained, at least quarterly, information on operations and on the most important economic, financial and equity transactions made by the company and its subsidiaries, ensuring that the decisions taken complied with the law and company mission and they were not in conflict of interest or in contrast with resolutions adopted in Shareholders' Meetings;
- we ascertained, insofar as it falls within our competence, compliance with the principles of proper management by the Directors in fulfilling their duties, with direct observations, gathering information from those responsible for administrative requirements and through meetings with the independent auditors aimed at sharing data and information;
- we monitored, during the financial year, the organizational structure, the internal control system and the administrative-accounting system and its reliability in correctly representing management events through:
 - ✓ obtaining information from the department managers, including the manager responsible for preparing the financial reports;

- ✓ examining company documents and the reports of the Internal Audit and of the Compliance and Risk Management functions;
- ✓ periodic meetings with the independent auditor who, during the year, informed us about the outcome of quarterly checks on proper bookkeeping;
- ✓ dealing with the Supervisory Board pursuant to Legislative Decree N. 231/01, examining the periodic reports and receiving updates on the activities performed;
- ✓ reviewing the minutes of the Strategies, Finance, Real Estate, Related Parties, Appointments and Compensation Committees;
- ✓ participating in the Control and Risk Committee.

Constant participation in the Control and Risks Committee enabled the Board of Statutory Auditors to coordinate with said Control and Risks Committee the execution of its Internal Control Committee functions and its auditing functions as provided by Article 19 of Legislative Decree 39/2010, and specifically to monitor:

- ✓ the financial reporting process;
- ✓ the effectiveness of internal control systems, internal audit and risk management;
- ✓ the profiles concerning the compliance with money laundering regulations;
- ✓ the statutory audit of annual and consolidated accounts;
- ✓ the matters relating to the independence of the external auditors, with particular reference to the services provided other than statutory audit. During the financial year three consulting services costing €235,000, other than statutory audit, were commissioned to Deloitte & Touche S.p.A., related to the process of compliance to Solvency II regime.

The independent auditors anticipated that the report pursuant to Article 19, Paragraph 3 of Legislative Decree 39/2010 will not highlight significant weaknesses in the internal control system with reference to the financial information process.

Based on the work that was carried out, the internal control system therefore proved to be adequate on the whole, and there were no critical issues to report.

Board of Statutory Auditors also reports that carried out, where applicable, additional special audit in compliance with IVASS legislation.

In particular, the Board of Auditors acknowledges that it:

- monitored the compatibility of the general investment policies approved by the Board of Directors, pursuant to the Regulations ISVAP no. 36 of 31st January 2011 and IVASS no. 24 of 6th June 2016, with the economic and financial balance of the Company and the compliance of the same with the management acts;
- performed the required controls on the use of derivative financial instruments;
- verified the administrative procedures for handling, custody and accounting of financial instruments allocated to cover the technical liabilities, ensuring the instructions given to the depositary entities in order to sending periodic account statements with appropriate evidence of any restrictions;
- checked during the periodic monitoring freedom from constraints and the full availability of the assets allocated to cover the technical provisions;
- found correspondence with the register of assets covering technical provisions;
- carried out audits of the procedures required in money laundering legislation;
- received, in compliance with the Regulations ISVAP no. 24 of 19th May 2008 and IVASS n. 30 of 24th March 2015, quarterly reports on complaints prepared by the Internal Audit and that they did not reveal any critical situation or organizational shortcomings;
- met the members of the Supervisory Body established pursuant to Legislative Decree. n. 231/01, which has set specific half-yearly reports to the Board of Directors and that such positions did not reveal any critical issues that need to be identified in this report;
- was directly updated by a member of this Board, member of the control body of the subsidiaries, in regard to the management, control and the general performance of their activities in accordance with art. 151, paragraph 2, of Legislative Decree no. 58/98 and CONSOB communication DAC/RM/97001574 dated 20th February 1997;
- verified that the Company has put in place regulations, procedures and structures aimed at monitoring the insurance, financial, credit and business risks, in accordance with ISVAP regulation no. 20/2008 and the changes in force since 30th June 2014 and the guidelines of the letter to market issued by IVASS on 15th April 2014;

- took note of actions taken to comply with Solvency II regulations, which took effect from 1st January 2016, as described in the Management Report, and in particular:
 - ✓ the updating of the already in place policies and the finalization of the remaining policies required by the regulations;
 - ✓ the request to IVASS for the use of USP (Undertaking Specific Parameters) in respect of which the Company is expecting to receive the necessary prior authorization;
 - ✓ the indication in the Management Report of information about the solvency situation under Solvency II metrics, in accordance with ISVAP regulation no. 22 of 4th April 2008, as amended by IVASS Instruction no. 53 of 6th December 2016;
- found the proper operation of the procedures relating to related parties;
- has determined that the Company, on 28th July 2016, adopted a new internal regulation on internal dealing, according to EU Regulation no.596/14 and that the management and communication of information concerning the Company is organically regulated and governed in accordance with it.

In compliance with CONSOB recommendations, the Statutory Auditors state that:

- information provided by the Board of Directors, also specifically regarding subsidiaries, intercompany transactions and transactions with related parties are considered adequate;
- as far as we know there were no atypical or unusual transactions carried out either with Group companies or related parties, and even with third parties, as evidenced by the Directors in the Management Reports;
- ordinary transactions with Group companies and related parties are carried out at market conditions and respond to the interest of the Company and are performed in compliance with the specific procedure approved by the Board of Directors; they are described in the Management Reports with details of their entity and their economic effects on the operating result;
- during 2016 no.22 meetings of the Board of Auditors were held, including no.10 meetings in joint with the Control and Risk Committee; the Statutory Auditors attended all of 12 meetings of the Board of Directors;

- instructions given by the Company – as issuer - to the subsidiaries for the fulfillment of the disclosure requirements pursuant to Article 114, paragraph 2, of Legislative Decree no. 58/98, are considered to be adequate;
- during the year under review, the Board has issued, pursuant to the law, two opinions on the remuneration of Directors with special duties;
- any significant event happened after year end has been reported;
- the Company has adopted the Corporate Governance Code established by the Committee for Corporate Governance of Listed Companies. The Board of Directors has adopted and periodically updated it by giving it concrete implementation, in the terms indicated in its related report to the Shareholders' Meeting;
- the Company verified the actual independence of the independent directors and we confirm that we have verified the correct application of the criteria and procedures adopted by the Board of Directors, as well as the persistence of our independence as required the Self-Regulation Code;
- we have no comments on the Remuneration Report for 2016 prepared in accordance with ISVAP Regulation no.39 of 9th June 2011 and submitted for approval to the Shareholders' Meeting;
- during the financial year, we did not receive any complaints pursuant to article 2408 of the Italian Civil Code and neither have any other reports been made.

The Company has drawn up the Financial Statements and the Consolidated Financial Statements according to (as required by law) the National Accounting Principles (the Financial Statements) and IAS / IFRS accounting principles, such as endorsed by the EU (Consolidated Financial Statements).

With regard to these financial statements, the independent auditor Deloitte & Touche S.p.A. today released audit reports in accordance with Articles no.14 and no.16 of Legislative Decree no. 39/10 for the Financial Statements and the Group Consolidated Financial Statements at 31st December 2016. These reports were issued with no qualifications or requests for additional disclosures, also expressing consistency judgment with the financial statements, the Management Reports and the information contained in the Report on Corporate Governance and Ownership Structure as well as the judgment of the sufficiency of technical reserves.

Dear Shareholders

taking into account the foregoing considerations, the Board sees no impediment to the approval of the financial statements at 31st December 2016, as prepared by the Board of Directors, and issues a favorable opinion on the proposal made for the allocation of profit of the year:

€49,129 to the legal reserve, €125,287,943 to available reserves and €14,149,574 as dividends.

Milan, 29th March 2017

THE BOARD OF STATUTORY AUDITORS

Giuseppe Cerati

Giovanni Maritano

Francesca Sangiani

Report of Independent auditors

**INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND
WITH ARTICLE 102 OF LEGISLATIVE DECREE No. 209 OF SEPTEMBER 7, 2005**

**To the Shareholders of
VITTORIA ASSICURAZIONI S.p.A.**

Report on the Financial Statements

We have audited the financial statements of Vittoria Assicurazioni S.p.A., which comprise the balance sheet as at December 31, 2016, the income statement for the year then ended and the explanatory notes.

Management's Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation of these financial statements that give a true and fair view in accordance with the Italian law governing financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11 of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Vittoria Assicurazioni S.p.A. as at December 31, 2016, and of its financial performance for the year then ended in accordance with the Italian law governing financial statements.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance and ownership structure with the financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance and ownership structure required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Vittoria Assicurazioni S.p.A., with the financial statements of Vittoria Assicurazioni S.p.A. as at December 31, 2016. In our opinion the report on operations and the information included in the report on corporate governance and ownership structure referred to above are consistent with the financial statements of Vittoria Assicurazioni S.p.A. as at December 31, 2016.

Opinion in accordance with the art. 102, n°2, of the Legislative Decree no. 209 of September 7, 2005, relating to the non-life technical reserves

In carrying out the engagement appointed by Vittoria Assicurazioni S.p.A., in accordance with the art. 102, n°2, of the Legislative Decree no. 209/2005, we have audited the items relating to the non-life insurance technical reserves, included in the liabilities of the financial statements of Vittoria Assicurazioni S.p.A. for the year ended December 31, 2016. The Company's Directors are responsible to establish technical reserves to the extent necessary to guarantee the insurance and reinsurance obligations. On the basis of the procedures performed in accordance with the art. 102, n°2, of the Legislative Decree no. 209/2005, with the ISVAP Regulation n. 22/2008, and the related guidelines included in the application document published by IVASS on January 31, 2017 on its website, the above mentioned technical reserves included in the liabilities of the financial statements of Vittoria Assicurazioni S.p.A. for the year ended December 31, 2016 are sufficient in accordance with the applicable law and regulations and correct actuarial techniques, in compliance with the principles set out in the ISVAP Regulation 22/2008.

Opinion in accordance with the art. 102, n°2, of the Legislative Decree no. 209 of September 7, 2005, relating to life technical reserves

In carrying out the engagement appointed by Vittoria Assicurazioni S.p.A., in accordance with the art. 102, n°2, of the Legislative Decree no. 209/2005, we have audited the items relating to the life insurance technical reserves, included in the liabilities of the financial statements of Vittoria Assicurazioni S.p.A. for the year ended December 31, 2016. The Company's Directors are responsible to establish technical reserves to the extent necessary to guarantee the insurance and reinsurance obligations. On the basis of the procedures performed in accordance with the art. 102, n°2, of the Legislative Decree no. 209/2005, with the ISVAP Regulation n. 22/2008, and the related guidelines included in the application document published by IVASS on January 31, 2017 on its website, the above mentioned technical reserves included in the liabilities of the financial statements of Vittoria Assicurazioni S.p.A. for the year ended December 31, 2016 are sufficient in accordance with the applicable law and regulations and correct actuarial techniques, in compliance with the principles set out in the ISVAP Regulation 22/2008.

Other Matter

The determination of the technical reserves is a complex estimation process that includes many subjective variables whose change may involve a significant variation in the final result. Therefore, we have developed a range of values considered reasonable, to take into account the level of the uncertainty embedded into these variables. In order to evaluate the sufficiency of the technical reserves, we have also verified that such reserves are within this range.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Milano, Italy
March 29, 2017

This report has been translated into the English language solely for the convenience of international readers.

Company's development from incorporation

YEAR	PREMIUS		Technical reserves		Capital		Monetary		Net profit	Equity reserves	Share capital fully paid-up
	Gross	Ceded	Retained	and payable amounts net of reinsurance	Investments	income net of charges	revaluation reserves	reserves			
1922	6	4	2	1	1	0	-	0	0	-	3
1930	6	3	3	2	4	0	-	0	0	0	3
1940	14	6	8	7	15	1	-	0	0	1	6
1950	424	165	259	176	301	14	61	3	3	8	62
1960	1,581	353	1,227	1,685	2,061	104	-	63	63	222	258
1970	4,525	844	3,681	6,800	5,814	319	-	25	25	425	258
1975	10,092	1,693	8,399	12,943	11,186	632	1,046	1	1	1,099	258
1980	24,693	5,436	19,257	30,174	22,649	2,140	271	718	718	2,979	1,033
1985	57,175	10,124	47,051	74,108	76,515	8,150	4,912	3,119	3,119	6,023	1,291
1990	112,689	11,074	101,616	168,239	198,395	18,440	781	4,704	4,704	43,691	15,494
1995	197,690	17,744	179,946	392,946	393,862	35,550	3,911	4,220	4,220	50,146	15,494
1996	221,584	20,185	201,399	467,309	460,189	39,109	3,911	4,264	4,264	51,595	15,494
1997	249,580	20,195	229,385	553,201	550,231	36,523	3,911	4,665	4,665	51,965	15,494
1998	289,033	54,849	234,184	614,684	653,252	44,466	3,911	6,322	6,322	54,012	15,494
1999	339,363	67,464	271,899	700,653	762,696	41,342	3,911	8,400	8,400	57,562	15,494
2000	391,485	79,638	311,847	818,799	898,521	34,209	3,911	6,835	6,835	63,038	15,494
2001	386,400	77,879	308,521	884,849	978,279	19,300	3,911	10,744	10,744	52,289	30,000
2002	407,054	83,605	323,449	934,347	1,027,554	21,975	3,911	12,806	12,806	59,733	30,000
2003	457,564	95,129	362,435	1,005,640	1,114,418	46,385	3,911	15,147	15,147	68,939	30,000
2004	519,268	94,965	424,303	1,115,862	1,234,421	47,511	3,911	17,779	17,779	80,186	30,000
2005	551,202	86,514	464,688	1,198,173	1,322,597	49,000	3,911	20,330	20,330	93,765	30,000
2006	587,489	75,717	511,772	1,305,203	1,451,137	67,146	3,911	27,437	27,437	111,310	30,452
2007	636,526	50,281	586,245	1,443,579	1,557,261	66,341	3,911	36,495	36,495	142,290	32,666
2008	630,718	32,798	597,920	1,444,379	1,561,805	43,317	-	37,939	37,939	155,972	65,766
2009	671,307	32,656	638,651	1,545,324	1,646,765	69,137	-	24,290	24,290	182,814	65,789
2010	817,539	37,645	779,894	1,658,527	1,750,118	55,295	-	29,256	29,256	198,146	67,379
2011	937,566	27,779	909,787	1,785,955	1,880,749	31,230	-	35,329	35,329	215,947	67,379
2012	1,018,323	30,757	987,566	1,911,766	2,031,532	52,065	-	57,482	57,482	239,822	67,379
2013	1,151,294	37,878	1,113,416	2,130,410	2,290,440	57,555	-	74,935	74,935	293,106	67,379
2014	1,283,786	37,252	1,246,534	2,387,053	2,559,151	46,010	-	66,268	66,268	343,444	67,379
2015	1,287,543	29,795	1,257,748	2,500,719	2,772,609	47,466	-	139,487	139,487	405,577	67,379
2016	1,270,731	32,756	1,237,975	2,617,562	3,077,114	48,943	-			458,369	67,379