2016 Draft Annual Report

CLOSE TO REALITY.
TOGETHER BEYOND NUMBERS.

Unipol GRUPPO

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Annual Report

2016

Unipol GRUPPO

CLOSE TO REALITY. TOGETHER BEYOND NUMBERS.

To bring more security and confidence in the future into people's lives while supporting them in their choice of protection and savings solutions and in life quality decisions thanks to the active presence of local networks. This is the vision of the Unipol Group, a group made up of Companies who work every day to be of real help to individuals by offering them solutions to protect, support and achieve their plans.

Close to reality, together beyond numbers. This is the sense of our commitment. For Unipol, for us, a geographical network, presence and proximity are decisive factors founded on in-depth awareness of the real world.

In 2016 the Group launched its new three-year Business Plan and, to use an artistic metaphor, laid out its new vision, "designing" its new objectives and sketching out a path to be followed with four very precise key drivers: simplicity, speed, innovation and proactivity. Being increasingly closer to the situations, increasingly connected to the world around us, means knowing how to deeply understand the essence of reality and its needs.

The pages that follow offer a first outline of this design which, combining rationality, pragmatism, creativity and inventiveness, has seen the various Group Companies working together to create value for all their stakeholders and for the community.

Summary

Company bodies

	HONORARY CHAIRMAN	Enea Mazzoli	
BOARD OF DIRECTORS	CHAIRMAN	Pierluigi Stefanini	
	VICE CHAIRMAN	Maria Antonietta Pasquariello	
	CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER	Carlo Cimbri	
	DIRECTORS	Gianmaria Balducci	Pier Luigi Morara
		Francesco Berardini	Antonietta Mundo
		Silvia Elisabetta Candini	Milo Pacchioni
		Paolo Cattabiani	Sandro Alfredo Pierri
		Ernesto Dalle Rive	Annamaria Trovò
		Patrizia De Luise	Adriano Turrini
		Anna Maria Ferraboli	Rossana Zambelli
		Daniele Ferrè	Carlo Zini
		Giuseppina Gualtieri	Mario Zucchelli
		Claudio Levorato	
	SECRETARY OF THE BOARD OF DIRECTORS	Roberto Giay	
BOARD OF STATUTORY AUDITORS	CHAIRMAN	Mario Civetta	
	STATUTORY AUDITORS	Silvia Bocci	
		Roberto Chiusoli	
	ALTERNATE AUDITORS	Massimo Gatto	
		Chiara Ragazzi	
MANAGER IN CHARGE OF FINANCIAL REPORTING		Maurizio Castellina	
INDEPENDENT AUDITORS		PricewaterhouseCoopers SpA	

Introduction

Macroeconomic background and market performance

Macroeconomic background

2016 was characterised by global economic growth of a little less than 3%, slightly down compared to 2015.

The Euro area, aided by the constant support of the European Central Bank (ECB) and by a less restrictive fiscal policy that sustained domestic demand, achieved an expansion of the Gross Domestic Product (GDP) around 1.7%, higher than in 2015 and than the potential growth estimated between 0.9% and 1.2%.

In 2016, the ECB intervened on the monetary policy bias on two distinct occasions. In the March meeting, in light of the constant weakness of headline inflation (-0.1% was the figure in that month), caused by the low cost of energy and of most commodities, the ECB reduced to zero the discount rate and to -0.40% the deposit rate paid by the monetary authority on the treasury accounts of commercial banks. Moreover, within the scope of Quantitative Easing (QE), the monthly amount of securities purchases was raised from €60bn to €80bn with the inclusion among the purchasable securities, of non-financial corporate bonds issued in Euro and having at least investment grade rating. In the December meeting, the ECB decided to adapt the QE to a European economic environment of moderate but constant growth. The QE was extended through 2017 with the reduction back to the original €60bn, starting in April, of the monthly amount of the purchases.

In the United States, the economy grew by slightly more than 1.5%: after a disappointing first quarter (0.8% growth year on year), which coincided with the collapse of the price of commodities (including oil) and with financial instability in China, the rest of the year saw the economy bounce back significantly thanks to domestic consumption, buoyed by the high level of employed attained (December unemployment was 4.7%).

In light of the American economic scenario and with inflation near the 2% target (the average for 2016 was 1.3%, the December figure was 2.1%), the Federal Reserve (FED), in the last meeting of 2016, raised the official rate by 25 basis points, to 0.75%. The FED stated that the monetary policy normalisation process in 2017 could entail additional raises of the discount rate: this assumption postulates the continuation of the positive performance of the US economy, which should also be assisted by the expansionary fiscal policy envisioned by the Trump Administration. In this context, the Dollar appreciated relative to numerous currencies, including the Euro.

In spite of the activism of the Bank of Japan directed at weakening the Yen, in 2016 Japan recorded only tentative economic growth, estimated at approximately 0.8%. Not even the constant support from public spending seems able to lift the country back up from a condition of substantial deflation.

In the early months of 2016, China recorded a marked decline in the currency reserves used to contrast the depreciation of the Yuan, caused by significant capital outflows from the country. The government adopted spending policies directed at supporting the change process of the development model, with the goal of making domestic demand grow further and reducing the weight of exports and investments. Overall, in 2016 China saw the growth of its gross domestic product (+6.7%) align to the target set by the government (a range between 6.5% and 7%). However, the risk associated with excessive debt in the private sector remains.

Lastly, Emerging Countries expressed economic results substantially correlated with commodity prices. A first part of the year, made difficult by the drop in commodity prices, was followed by a second half in which, thanks to the recovery of the prices, especially of oil, widespread positive signals were recorded, in particular in Russia.

In 2016, the Italian economy achieved a growth rate of approximately 0.9%. The key factors underlying this result were a less restrictive fiscal policy and the consequent recovery in domestic demand, in particular in the durable goods sector. However, the results observed on the employment front are still contradictory: in December, 242 thousand new jobs were recorded compared to the figure of twelve months before, however the general unemployment rate rose to 12% and the youth unemployment rate returned above 40%. The result of the constitutional referendum led to the collapse of the government, quickly replaced by a new administration. Several political issues remain open, including the electoral law review which will be drafted on the basis of the recent

Constitutional Court pronouncement. In the meantime, the full extent of the problem of impaired loans affecting the Italian banking system, inherited from a recession that lasted until 2014, emerged. This called for public intervention which, in compliance with European regulations, sought to forestall the risk of contagion. In total, the government set aside €20bn in support for banks in difficulty.

As regards public finances, whilst the picture appears on the whole to be under control, the unsatisfactory growth rate of the Italian economy is proving to be an obstacle to reducing the incidence of Italian public debt on GDP. Though this is not an immediate threat, the gradual increase in rates, also involving Italian government security yields, is destined to have an impact on the expense to service the debt, restricting the degree of freedom of the government's fiscal policy.

Financial markets

In 2016 there was a general downward shift in the interest rate curve on the money market, hitting a low during the summer and later bouncing back in the final quarter, but failing to return to the 2015 year-end levels. A similar curve was seen for German securities. Italian government security rates showed a more marked upward trend after the summer, reaching values higher than those of the end of 2015 for securities maturing in more than 5 years. Thus, in the past year, the spread between Italian and German securities rose across all maturities, from 34 points for the two-year security to 79 points for the thirty-year security.

The euro started 2016 at 1.089 to the dollar, then weakened towards year end, standing at 1.055 at 31 December. This trend reflects the divergent monetary policies pursued on the two sides of the Atlantic, as well as, since the US election results, the overlapping effects of the more expansive fiscal policy and the resulting acceleration of monetary restriction in the USA.

In the first half of 2016, the financial markets saw periods of strong volatility due to the rekindling of deflationist fears in Europe, slowing Chinese growth, plus the unexpected victory of Brexit supporters in the referendum held in the United Kingdom. Contrary to expectations, the election of Donald Trump to the presidency of the United States buoyed stock prices. In this scenario, the result of the constitutional referendum in Italy added no significant shockwaves.

With market rates generally lower compared to the end of 2015, the performance of European stock markets was modest: the Eurostoxx 50 index, which represents the performance of the stocks with the largest market capitalisation in the Eurozone, was up by 0.7% (+9.6% in the fourth quarter). The German Dax performed well with a rise of +6.9% (+9.2% in the last quarter of the year), while the Milan FTSE Mib index - heavy with banking securities - performed negatively, particularly in the first half, recording -10.2% (+17.3% in the fourth quarter).

Looking outside Europe, the Standard & Poor's 500 index, which represents the performance of the largest listed companies in the US, this year rose by +9.5% (+3.3% in the fourth quarter), while in Japan the Nikkei index, burdened by a negative first half-year, gained only 0.4% the whole year (+16.2% in the fourth quarter).

Lastly, in relation to the emerging market indices, the most representative index, the Morgan Stanley Emerging Market, rose by 7.1% in 2016 (-1.8% in the fourth quarter).

The iTraxx Senior Financial index, representing the average spread of financial sector companies with a high credit rating, fell by 8.2 basis points, from 101.8 to 93.6 at the end of the fourth quarter. The improvement in the last quarter of the year is essentially due to the confirmation of economic growth in the United States and in the Euro area, as well as to the partial abating of the stresses on the banking system.

Insurance Sector

The past year ended with a further contraction of the volume of premiums, both in the Non-Life and in the Life sector.

There was a 1.6% decrease in activity on the Non-Life business (including cross-border operations), in the first three quarters of 2016, with respect to the same period in 2015. The decline was concentrated in the MV segment, where motor vehicle TPL was down 5.9%. This result seems due to the high rate of competition of the sector, as a result of which, according to Ania data, premiums decreased by slightly less than 5% on average for the year. This decline cannot be explained by the trend of claims frequency, as this recorded a 0.06% increase in the first three quarters of

2016: this parameter has recorded small, but constant, increases for seven quarters in a row. On the contrary, in the Land Vehicle Hulls business, there was a 5.5% increase in turnover, with support provided by the good performance of the automotive market (+16% new vehicle registrations in 2016).

In the Non-MV Non-Life market, premiums increased by 1.1% in the first nine months of 2016 (including cross-border activities). Certain classes recorded significant growth: Health (+8.3%), Bonds (+7.5%) and Assistance (+7.5%). The aggregate of representative insurance companies in the European Economic Area recorded a 2.5% decline in premiums collected, versus 1.9% growth for Italian and non-EU insurance companies.

Because of the challenging economic background, the propensity to save of Italian households continues to be high: the ISTAT household budget survey shows a 9.3% saving rate in September, in line with that of the previous quarters, but higher than the average in 2015.

In this context, the new production of Individual Life policies has recorded, in 2016, an 11.5% decrease compared to 2015, for a monetary volume close to €101.6bn (including cross border activity). Several factors contributed to this result, including insurers' low propensity to place class I products, in light of the low level reached by interest rates. On the other hand, investors did not find unit linked policies very attractive because of the volatility experienced by financial markets, especially in the first half of 2016. These dynamics caused a modest decline in the premiums subscribed in traditional products (-4.5%) while the activity on class III policies experienced a significant setback (-30%). Considering collective policies in the calculation, sizeable increases emerge in class IV (+31.1%), but over very limited volumes, while a modest growth was recorded for open pension funds (+3.9%). In terms of distribution, premiums from financial advisors dropped (-24.8%) while the banking and post office channel is aligned to the market average with a 12% decline. The agency networks closed 2016 with a modest drop in premiums: -1.7%.

In 2016 net Life flows, i.e. the difference between premiums and services paid by insurers, remained positive. This is the result of a limited decline in gross premiums and of a reduction in the size of claims. Of note in the first nine months of 2016 is the stabilisation on values below 7% of the surrender ratio (the ratio between amounts paid for partial or total surrenders and technical provisions). As a result of these changes, technical provisions for the Life business increased by more than €51bn in the last twelve months.

Pension funds

In 2016 the result is a fair growth in subscriptions to Integrated Pension Funds. The available data, published by Covip, and relating to the first nine months of 2016, show over 7.6 million of total subscribers of the different supplementary pension schemes with an increase of 5.7% compared to the same period of 2015.
Funds assigned to services exceeded €146bn, with a 4.5% increase with respect to the previous year.
Again in reference to the first nine months of 2016, the average yields of Occupational Pension Funds (2.2%) were above the revaluation guaranteed by post-employment benefits (1%).

Banking Sector

In 2016, the problem of impaired loans afflicting the Italian banking system emerged in all its severity. Experience with the application of "bail in" to four local banks, in hardship at the end of 2015, induced marked risk aversion, which manifested itself through a phase of a severe volatility of the sector's index. The unsuccessful outcome of the stress tests administered by the European Central Bank on Monte dei Paschi di Siena in July and the failure of the capital increase directed at individuals in December forced the government to intervene. Shortly before Christmas, the Council of Ministers approved an allocation of €20bn to strengthen the Italian banking sector.
As at the end of November 2016, loans to non-financial companies decreased by 1% on the end of 2015, while loans to households increased by 0.7%, due to growth in the transactions in the real estate market and to the good health of durable consumer goods. The overall stagnation of loans also dragged down direct deposits, which declined by 1.5%. The most rapidly declining form was bonds (-10% compared to December 2015).
Funding from abroad contracted by 5.3%, while the securities portfolio grew by more than €6bn (+0.9% compared to the end of 2015). It should be stressed that the component of Italian government bonds declined only by a modest amount, to €382.8bn, versus approximately €390bn at the end of 2015.
In November, the total amount of gross bad and doubtful loans returned above €199bn after reaching a low of €196bn in February: net of impairments, the total is slightly above €85 billion. In the eleven months examined, the Italian banking system increased the rate of provisioning for bad and doubtful loans, bringing it to 57.2% (55.7% in December 2015).

Rates on new loans were down: borrowing costs for new loans to non-financial companies declined from 1.92% in December 2015 to 1.56% in November 2016 and the rate applied on home purchase loans to households decreased from 2.50% at the end of 2015 to 2.05% eleven months later. With regard to direct deposits, there was only a slight decrease in the rates paid on newly acquired funds: on term deposits, they reached 0.98% in November 2016 (1.22% in December 2015); for repurchase transactions the decline was by approximately 12 basis points (from 0.53% to 0.41%). The average rate on the balance of the bonds issued declined from 2.94% in December 2015 to 2.75% in November 2016.

Real Estate market

According to Land Registry figures, in the third quarter of 2016 the number of real estate transactions in the residential segment recorded a 17.3% increase with respect to the same period of 2015. Positive also the performance of the sales of property for services (+31.1%), production activities (+24.5%) and commercial use (+23.3%). The sector was supported both by the decline in prices and by the low nominal interest rates charged by banks for mortgages.
Nomisma estimated a decline in the unit prices of all types of property, from -1.2% for homes to -2.3% for offices.
The survey on the Italian housing market, conducted quarterly by the Bank of Italy on a sample of real estate agents questioned on the state of the housing market, shows that a majority expects prices to stabilise, a trend that has lasted for seven consecutive quarters. This survey also shows the decline in the average discount relative to the initial price, which in the third quarter of 2016 dropped to 13%. Selling times, reduced to less than nine months, also contracted compared to the previous surveys.

Main regulatory developments

New accounting standards approved by the OIC (Italian Accounting Standards Setter)

Directive 2013/34/EU (so-called "Accounting Directive"), regarding separate and consolidated financial statements, replaces the previous directives on accounting in order to simplify the administrative charges (with special reference to small-sized companies) and to increase the clarity and comparability of the financial statements with the intention of providing accounting information that is more meaningful to users.
This directive was adopted in the Italian system through the approval of the Legislative Decree 139 of 18 August 2015 and Legislative Decree 136/2015, which introduced several new elements with regard to the preparation of separate and consolidated financial statements. The new provisions apply to the financial statements of financial years beginning on or after 1 January 2016. The most significant changes concern the general principles of preparation of the financial statements, the initial recognition of some items, the valuation methods and the information to be provided in the notes to the financial statements and in the Management Report.

Legislative Decree 139/2015 (hereafter also "Decree") also explicitly refers to the OIC national accounting standards for the necessary practical application, including possible regulations on specific cases. In this context in March 2016 the OIC (Italian Accounting Standards Setter) launched a public consultation, prioritising its review of the accounting standards on provisions that have a greater innovative impact with respect to the legislation previously in force (see amortised cost for the recognition of receivables, payables and debt securities, fair value measurement of derivatives, elimination of research and advertising costs that can no longer be capitalised and elimination of the extraordinary section of the income statement). After a further consultation with the national institutions and authorities involved in accounting matters (Ministry of the Economy and Finance, Bank of Italy, Consob, IVASS and the Tax Authorities), on 22 December 2016 the OIC published the new updated accounting standards. A summary of the main changes in the new OIC accounting standards is provided below, listed in numeric order:

OIC 9 Impairment losses on property, plant, equipment and intangible assets
Impairment loss is defined as a "decrease that renders the recoverable value of a fixed asset, determined over the long term, lower than its carrying amount", also providing a list of potential impairment indicators. The definition of "fair value" is confirmed as "the price at which an asset could expect to be sold or that would expect to be paid to transfer a liability in an arm's length transaction between market operators at the measurement date", consistent with the provisions of international accounting standards.

OIC 10 Statement of Cash Flows
Art. 2425-*ter* of the Civil Code envisaged a compulsory statement of cash flows for companies preparing full financial statements. Exemption is envisaged, however, for companies preparing condensed format financial statements and for micro-businesses.

OIC 12 Composition and layouts of separate financial statements
The extraordinary section of the income statement has been eliminated: the amount and nature of individual revenue or cost items of exceptional size or impact are illustrated in the notes to the financial statements (e.g. fixed asset purchases and disposals).

OIC 13 Inventories
Inventories are initially recognised on the date on which risks and benefits associated with the goods purchased are transferred, even if this does not coincide with the date of transfer of ownership. In practice, if due to contractual clauses the date of transfer of the risks/benefits and the date of transfer of ownership do not coincide, the former prevails.

OIC 14 Cash and cash equivalents
For companies involved in centralised treasury management, liquid funds paid in qualify as a receivable for the treasury management company. The financial assets for centralised treasury management are recognised among "Current financial assets".

OIC 15 Receivables
For the measurement of receivables, Art. 2426, paragraph 8 of the Civil Code envisages recognition in the financial statements in accordance with the amortised cost criterion, taking into account the time factor and the estimated realisable value. However, based on the general materiality principle, the amortised cost cannot be applied to receivables due in less than 12 months and, if due later than 12 months, in cases where the related transaction costs and any difference between the initial value and the value on the due date are negligible.

OIC 16 Property, plant and equipment
In Art. 2423-*bis* of the Civil Code, the principle of "economic function" has been replaced with that of "economic substance": the accounting standard illustrates the scope of application for the purpose of recognising fixed assets in the financial statements. Property, plant and equipment are initially recognised on the date the risks and benefits are transferred, which could not coincide with the date of transfer of ownership.

OIC 17 Consolidated financial statements and the equity method
Legislative Decree 139/15 amends numerous articles of Legislative Decree 127/91 on the preparation of consolidated financial statements. OIC 17 introduces a number of new aspects, amongst which the inclusion of the Statement of Cash Flows among the consolidated financial statements. Also envisaged is the optional exclusion of subsidiaries from the consolidation when their shares or quotas are held solely for subsequent disposal within twelve months from the control acquisition date.

OIC 18 Accruals and deferrals
OIC 18 introduces the new paragraph dedicated to companies that prepare condensed format financial statements and to micro-businesses. Art. 2435-*bis* of the Civil Code envisages the option, also for this type of company, of including prepayments and accrued income under the item C.II "Receivables" and accrued expense and deferred income under item D "Payables".

OIC 19 Payables
For the measurement of payables, Art. 2426, paragraph 8 of the Civil Code envisages recognition in the financial statements in accordance with the amortised cost criterion, taking into account the time factor. In addition, the paragraph on "elimination of accounting records", now also applicable in the event of a substantial change in the contractual terms of all or part of an existing payable, has been supplemented for companies applying the amortised cost criterion.

OIC 20 Debt securities

Art. 2426, paragraph 1 of the Civil Code envisages that fixed assets represented by securities are recognised in the financial statements using the amortised cost criterion. Amortised cost takes into account the effective interest. However, this criterion cannot be applied if the effects are immaterial compared to the value measured on the basis of standard cost rules.

OIC 21 Investments

An important new element is introduced with regard to the recognition of dividends from subsidiaries in the financial statements of the holding company, which may only take place after the investee's Shareholders' Meeting resolution on distribution (converging with the provisions of international accounting standards on the subject). In other terms, the dividends are recognised in the year when the legal entitlement to receive them arises; their recognition in the year of accrual of the profit subject to distribution is no longer allowed. On first-time application, the new provisions can be applied retroactively.

OIC 23 Contract work in progress

If it is probable that the total costs of an individual contract exceed the total revenue, the contract is measured at cost (eliminating margins already recognised) and the loss from completion is recognised as a decrease in contract work in progress. The excess is allocated to a provision for risks and charges.

OIC 24 Intangible assets

Research and advertising costs are no longer capitalised, in line with the provisions of IAS/IFRS international accounting standards. Goodwill must be amortised based on the useful life (maximum 20 years) and, if this cannot be determined, within 10 years. Moreover, the useful life estimated at the time of the initial recognition cannot be changed in subsequent years.

OIC 25 Income tax

Following elimination of the extraordinary section of the income statement, item 20 on income tax is divided into four sub-items relating to current taxes, taxes of previous years (including interest and penalties), deferred tax assets/liabilities and tax consolidation gains.

OIC 26 Transactions, assets and liabilities in foreign currencies

The accounting standard contains a paragraph relating to hedging the foreign currency risks transactions planned as highly probable or irrevocable commitments through non-derivative financial instruments. The application of these new rules must be retroactive in accordance with OIC 29.

OIC 28 Shareholders' equity

The main change related to the recognition of treasury shares which are no longer held in an asset item but as a direct reduction of Shareholders' equity in a specific item called Negative reserve for treasury shares in the portfolio (as amended by the Civil Code), in line with international accounting practices. Furthermore, recognised in Shareholders' equity is the Cash flow hedging reserve for cash flows pending the measurement of related derivatives and the recognition of error corrections and changes in accounting standards.

OIC 29 Changes in accounting standards - Changes in accounting estimates, correction of errors, events after the end of the financial year.

The changes in standards and error corrections are recognised in Shareholders' equity. The change of standards is admitted only if required by new provisions or by new accounting standards, or if adopted independently by the issuer of the financial statements under its own responsibility and at its own discretion to better represent the events or transactions in the financial statements. There is a clear convergence with international accounting practices.

OIC 31 Provisions for risks and charges and Post-employment benefits

For the recognition of provisions in the Income Statement, the criterion of cost classification "by nature" prevails, whether referring to core business or accessory transactions, or relating to financial management. The option of discounting has been introduced for provisions and charges for known legal obligations.

OIC 32 Financial derivatives
Art. 2426, paragraph 11-*bis* of the Civil Code envisages recognition in the financial statements of financial derivatives and their related fair value measurement. The accounting standard also illustrates the hedging derivatives used. A specific paragraph on generic hedge accounting is also envisaged. A strong correspondence is seen between the new implementation and the IAS/IFRS international accounting standards.

On issue of the update to the accounting standards, note that OIC 22 - Memorandum accounts (in line with international accounting practices) and OIC 3 - Financial instrument disclosures have been repealed, instead to be included in the notes to the financial statements and in the management report.

Main Measures and Regulations issued by IVASS

The new Private Insurance Code ("Codice delle Assicurazioni Private" or CAP) published in the Italian Official Gazette on 16 June 2015, which transposes Legislative Decree 74 of 12 May 2015, to implement Directive 2009/138/EC ("Solvency II"), in force since 1 January 2016, provided an indispensable revision of most of the secondary regulations issued by IVASS. In this context, the provisions pertaining to the financial statements of insurance companies were also revised, reflecting, inter alia, the amendments made to the Civil Code as a result of transposition of the "Accounting Directive". At the same time, the new Solvency II rules made it necessary to review all supervisory forms to assess their actual, harmonised consistency with the new regulations.

The main Measures and Regulations issued by IVASS in 2016 and in early 2017, consequent to the national implementation of the EIOPA guidelines on the financial requirements of the new supervisory system, are summarised below.

IVASS Measure no. 53 of 6 December 2016
The Measure amends ISVAP Regulation no. 22 of 4 April 2008, concerning the provisions and layouts for preparation of the financial statements and the half-yearly financial reports of insurance and reinsurance companies, ISVAP Regulation no. 7 of 13 July 2007, regarding the layouts for the financial statements of insurance and reinsurance companies obligated to adopt international accounting standards, as well as IVASS Measure no. 3/2013 concerning procedures and terms for the transmission of systematic communications.
In particular, the amendments to Regulation 7/2007 concerning the Unipol Group relate to:
- elimination, in the consolidated Half-Yearly Financial Report, of the annexes to the Notes to the Financial Statements relating to statement of financial position data and reduction of supervisory forms relating to the consolidated financial statements, which now requires only the Disclosure on premiums and the Report on consolidated financial statement items, replaced by the Solvency II reports;
- Transmission of the financial statements and of the half-yearly financial report to the Supervisory Authority only in digital format, and no longer in hardcopy format.

IVASS Regulation no. 17 of 19 January 2016
This document regulates in detail the criteria and procedures for determining the group's solvency (Solvency II), repealing ISVAP Regulation no. 18/2008, on adjusted solvency assessment, which concerned the calculation procedures (and corresponding forms) as well as the capital adequacy at the level of financial conglomerate (Solvency I).

IVASS Regulation no. 18 of 15 March 2016
The Regulation contains the provisions that specify the general principles, the application rules and the methods to be adopted to determine the technical provisions and their validation. It also regulates the role of the actuarial function within the process of revision and validation of the quality of the data to be used in their assessment. Lastly, the document describes the activities to be carried out in case of significant deficiencies of the data themselves.

IVASS Regulation no. 21 of 10 May 2016
The document regulates the macro-prudential disclosure (Financial Stability Reporting), directed at assuring the consistent and uniform application of the new data collection system for the purposes of financial stability and enhancing the convergence of European supervision practices, while rendering the set of provisions pertaining to the disclosure more organic. The Regulation indicates the criteria for identifying entities subject to reporting, the general principles of periodic quantitative information (annual, quarterly) as well as the content, terms and formats for transmitting data to the supervisory authority.

IVASS Regulation no. 22 of 1 June 2016
The document pertains to supervision activity on groups and establishes a differentiated set of rules according to whether the ultimate holding company of the national subgroup is based in a Member State or in a non-EU State. In particular, for the ultimate holding company of the national subgroup based in a member State, the supervision instruments prescribed on the national subgroup do not apply, unless otherwise provided by IVASS, and for the ultimate holding company of the national subgroup based in a non-EU State, in general, the supervision instruments apply on the Italian subgroup, unless otherwise provided by the same Authority.

IVASS Regulation no. 24 of 6 June 2016
The Regulation bears provisions on investments and assets covering technical provisions consequent to the national implementation of the guidelines on the corporate governance system, with particular reference to the principle of the prudent person pertaining to investments. To assure compliance with the prudent person principle in the management of investments, companies define their own policies for investments, for managing assets and liabilities and for managing liquidity risk, consistent with the nature, the scope and the complexity of the corporate activity carried out.

IVASS Regulation no. 25 of 26 July 2016
The document pertains to the national transposition of the EIOPA guidelines on the procedures to identify, assess and classify the Tier 1 equity components, the different authorisation procedures for the refunds or redemptions of the core equity components at different Tier levels, as well as the exceptional waivers to the cancellation or postponement of the distributions, and the authorisation of elements not included in the lists.

IVASS Regulation no. 30 of 26 October 2016
The document encloses the supervisory provisions for intercompany transactions and risk concentrations, with the aim of updating, to Solvency II logic, the rules for intercompany transactions (per ISVAP Regulation no. 25 of 27 May 2008, repealed) and for monitoring risk concentrations both at the individual and group levels.

IVASS Regulation no. 32 of 9 November 2016
The document pertains to Own Risk and Solvency Assessment (ORSA) provisions. ORSA assesses the total solvency requirement and the entity's ability to continuously fulfil the mandatory capital requirements and the requirements pertaining to the technical provisions of the new solvency rules (Solvency II), further delving into the deviations from the ORSA of the assumptions underlying the calculation of the solvency capital requirement (SCR). Therefore, entities must define adequate processes and procedures commensurate to the organisational structure and to the risk management system that takes into account the nature, scope and complexity of the risks pertaining to the activity carried out.

IVASS Regulation no. 33 of 6 December 2016
The Regulation transposes the EIOPA Guidelines on Solvency II reporting to the public and to the Supervisory Authority, as well as those pertaining to methods for the determination of market shares for exemptions from quarterly quantitative reporting obligations.
Specifically, with regard to public disclosure, entities are obligated to publish an annual Solvency and Financial Condition Report (SFCR), whose specific content is prescribed by primary regulations and by the related implementation measures. In addition, to enable the supervisory Authority to perform its functions, entities are obliged to periodically provide a report to the IVASS (Regular Supervisory Report - RSR) which, providing broader more extensive information than is intended for the public, is a support instrument for the assessment of their global solvency.

IVASS Regulation no. 34 of 7 February 2017
The Regulation defines the IVASS implementing provisions at national level on the measurement of assets and liabilities (other than technical provisions) in the Solvency II Report, aimed at implementing EIOPA Guidelines on Governance (Pillar II requirements), and on recognition and measurement of assets and liabilities (Pillar I requirements). The assessment must be consistent with the mark-to-market principle, reflecting the amount at which the different items could be exchanged, sold or settled between knowledgeable and willing parties in an arm's length transaction. In general, for assets and liabilities other than technical provisions, the regulations allow the use of IAS/IFRS International Financial Reporting Standards, except for some specific cases, specified in the Delegated Acts, where the IAS/IFRS differ.

IVASS Regulation no. 35 of 7 February 2017
The document concerns the issue of adjustment for the ability to absorb the losses of technical provisions and of deferred taxes in the determination of solvency capital requirements calculated with the standard formula.

IVASS Regulation no. 36 of 28 February 2017
The document introduces provisions on the matter of communication to IVASS of data and information for conducting statistical analyses, studies and analyses pertaining to the insurance market, achieving the necessary reconciliation with the implementing regulations for financial statements and supervisory reporting.

Update to Consob regulations

Legislative Decree 25 of 15 February 2016, in force since 18 March 2016, incorporated the new Directive 2013/50/EU (the new Transparency Directive, hereinafter also the "*Directive*") by eliminating the obligation to publish the Interim Financial Report envisaged by Art. 154-*ter* of Legislative Decree 58/1998.
However, the decree gave Consob the right to issue a regulation requiring the publication of additional periodic financial information after the publication of a dedicated impact analysis examining the fulfilment of the conditions laid out by the Directive.

By resolution no. 19770 dated 26 October 2016, Consob made the resulting amendments to the Issuer's Regulation, in particular introducing the new Art. 82-ter, whereby listed companies have the right to choose whether to publish additional periodic financial information. If they do choose to publish it on a voluntary basis, they must disclose this decision to the market, specifying the information that they intend to provide, so as to ensure that the decisions adopted are clear and stable over time. Any decision to suspend publication must be justified and made public and will become effective starting from the following financial year. The regulatory amendments introduced by Consob Resolution no. 19770 apply starting on 2 January 2017.

In line with the amendments made in the reference regulatory framework, starting next year the Unipol Group will make its quarterly financial disclosure briefer and more focused on its business.
The disclosure will be provided in the form of a dedicated press release, the content of which will be amended with respect to the quarterly periodic press release published until 2016. However, the Group's interim financial report will no longer be published, and as a result the statement of financial position and income statement which are currently an integral part of the press release will not be included.

Therefore, starting in 2017 the content of the voluntary quarterly financial disclosure will regard at least the main quantitative performance indicators, such as:
- Non-Life and Life premium trends;
- Combined ratio;
- Profit (loss) for the period;
- Shareholders' equity;
- Solvency II ratio.

The press release, which will also contain qualitative information regarding trends in the Group's main businesses, will be approved by the Board of Directors and published on the Group's website based on the timing set forth in the regulations previously in force.

The following main legislative changes were introduced to the tax domain:

Decree Law no. 193 of 22 October 2016 converted with Law no. 225 of 1 December 2016 ("Connected to the 2017 Budget Law") which introduces certain changes pertaining to periodic VAT obligations designed to combat evasion, as well as a number of tax simplifications. Among the latter, of note is the move to 30 June of the deadline for paying the balance and first advance payment of IRES and IRAP taxes, the tacit renewal on expiry of the optional rules on tax consolidation and transparency, the possibility of filing supplementary returns for income tax, IRAP, VAT and withholding agents no later than expiry of the assessment deadlines, the fiscal relevance of the exchange rates used in the financial statements according to the correct accounting standards. Specific provisions are also included on the matter of collection, including the facilitated definition of overdue and as-yet unpaid amounts and the attribution of the collection functions, from 1 July 2017, to the Tax Authority-Collection instead of Equitalia.

Law no. 232 of 11 December 2016 ("2017 Budget Law"), which among the various provisions introduced individual long-term saving plans (PIR), managed by insurance companies and by financial intermediaries, to enable natural person savers to benefit from the tax exemptions with a long-term outlook, specifically for investments of at least 5 years, which can also be implemented with insurance policies. It also introduces group VAT, applicable starting from 2019-2021, whereby a single taxable entity may be identified in groups; the enhancement of tax credit on costs incurred for research and development activities; the expansion of tax relief provisions pertaining to productivity bonuses and welfare in favour of the employees; the streamlining of the Aid to Economic Growth (ACE) with the reduction of the notional yield coefficient of own capital changes from 4.7% to 2.3% for 2017 and to 2.7% for the subsequent years; the extension and the expansion of deductions for energy efficiency and anti-seismic requalification of buildings; the extension and strengthening of the increased depreciation; the reopening of the terms for the revaluation of corporate assets and for the realignment of the civil and fiscal values; the extension of the terms for the facilitated assignment of the assets to shareholders.

MANAGEMENT
REPORT

Share performance

Information on share performance

At the end of December 2016 the official price of the ordinary Unipol share was €3.42, in the last 12 months recording a decrease of 28.5% against a decline in the FTSE Italia All-share banks index of 38.2% (the index with which the Unipol share is strongly associated).

Capitalisation values

Total capitalisation was €2,457m at the end of December 2016 (€3,418m at 31/12/2015).

Shareholding structure

The company is controlled by Finsoe S.p.A., holder of an investment in Unipol equal to 31.404% of the ordinary share capital: this represents a controlling investment, as defined in Art. 2359, paragraph 1.2 of the Civil Code. Finsoe does not exercise powers of management or coordination, either technical or financial, on Unipol.

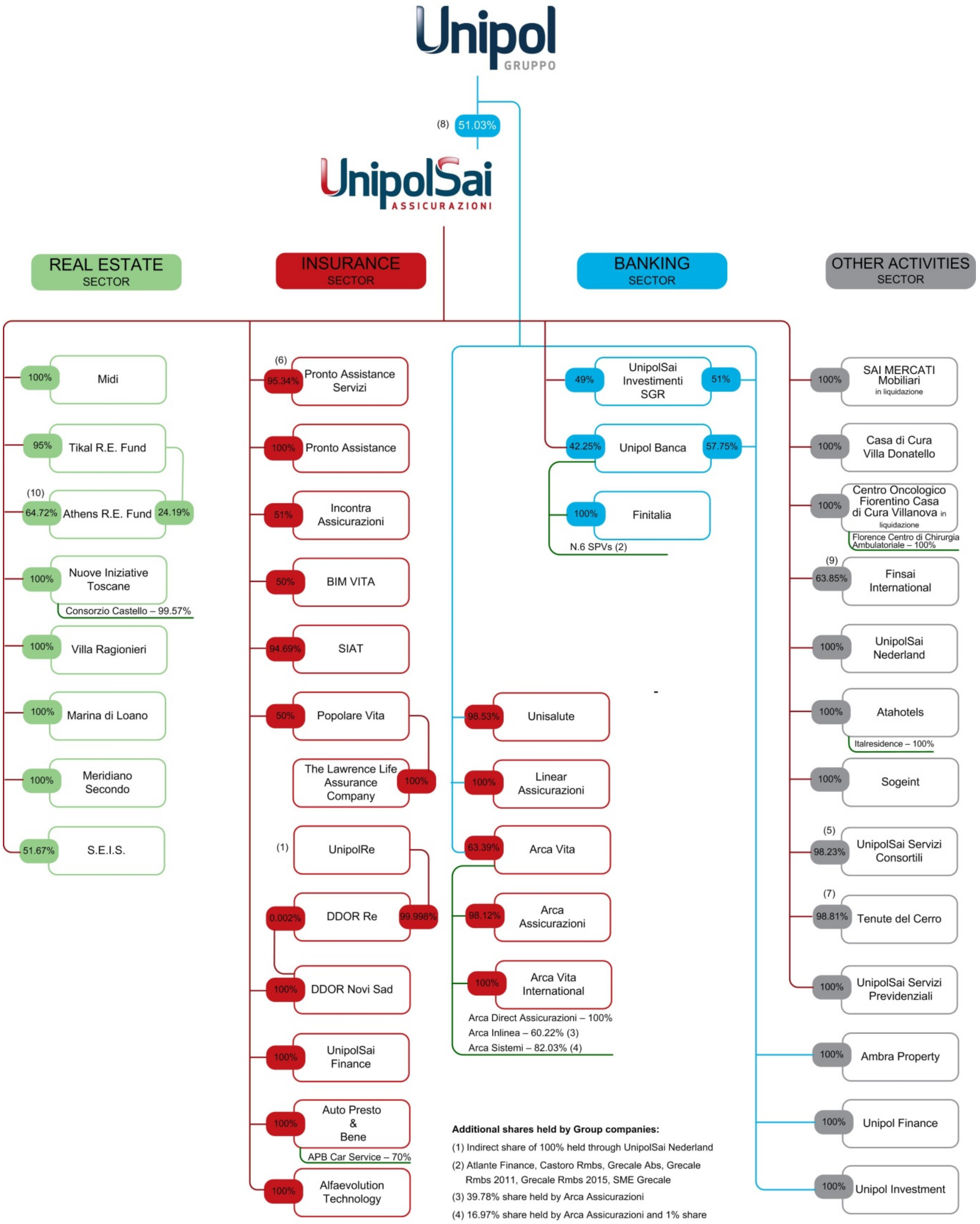
The shareholding structure is shown in the chart below:

Unipol Gruppo Finanziario

DECLARANT	% OF HOLDING
Market	**54.92%**
Finsoe S.p.A.	**31.40%**
Coop Alleanza 3.0 Soc. Coop.	**9.61%**
Nova Coop s.c. a r.l.	**4.07%**

Group structure at 31 December 2016

(direct holding out of total share capital)



Additional shares held by Group companies:

(1) Indirect share of 100% held through UnipolSai Nederland

(2) Atlante Finance, Castoro Rmbs, Grecale Abs, Grecale Rmbs 2011, Grecale Rmbs 2015, SME Grecale

(3) 39.78% share held by Arca Assicurazioni

(4) 16.97% share held by Arca Assicurazioni and 1% share held by Arca Inlinea

(5) 1.77% share held by other Group companies

(6) 4.66% share held by other subsidiaries

(7) 1.19% share held by Pronto Assistance

(8) 9.99% share held by Unipol Finance and 5.91% share held by Unipol Investment

(9) 36.15% share held by da UnipolSai Finance

(10) 0.68% share held by da Unipol Banca

1. Management Report

Preamble

On 1 January 2016 the provisions of Legislative Decree 139/2015 entered into force, implementing Directive 2013/34/EU (the "Accounting Directive") and reforming the rules for separate and consolidated financial statements for years beginning on or after 1 January 2016.

The amendments dictated by the reform introduce accounting rules that tend to be more in line with IAS/IFRS, with the aim of increasing clarity and comparability of financial statements.

The most significant amendments applying to the Company's financial statements refer to the accounting of dividends from subsidiaries, which can no longer be recognised in the year in which they accrue, but instead recognised only at the time the legal entitlement to the dividend arises, which normally coincides with the date of the Shareholders' Meeting to approve the financial statements. Other minor amendments refer mainly to the different classification of Statement of Financial Position and Income Statement items.

The new accounting standards are applied retroactively, in compliance with the general provisions of the new OIC 29 accounting standard, "Changes in accounting standards, changes in accounting estimates, correction of errors, events after the end of the financial year", and make use in particular of the option envisaged in OIC 21 on dividend accounting. Unipol decided to apply this standard retroactively in order to provide a truthful and accurate representation of the profit for the year and ensure full comparability of financial statements over time in terms of reporting. Retroactive application of the standard led to retained losses of €370,757k at 1 January 2015, reduced to €292,744k at 1 January 2016.
The retroactive application of the accounting standards led to restatement of the 2015 financial statements, also for comparison purposes, in accordance with the new accounting rules introduced by the reform.

For further information in this respect and for the detailed analysis of the impact on the financial statements, reference should be made to the paragraph "Amendments to the accounting standards adopted and restatement of figures of the previous year" in the Notes to the Financial Statements.

All the changes commented upon in this Management Report are based on comparison between the 2016 values and the restated 2015 values.

Management Report

Dear Shareholders,

The main event of 2016 was the launch of the **2016-2018 Business Plan of the Unipol Group** (**UnipolToBe**), approved by the Board of Directors on 12 May 2016. The Plan is based on four key areas, which highlight, amongst other things, the Group's expertise in the provision of insurance services and in the application of on-line services to insurance products, leveraging the fact that it has the largest agent distribution network in the insurance business in Italy, which will be reorganised in order to increase productivity by optimising territorial coverage and the economic sustainability of the agencies.

1. Innovative and distinctive offer
In the **Non-Life Business** UnipolSai intends to strengthen its market leadership in the **MV sector**, setting itself the objective of increasing the portfolio by around 400,000 new customers by 2018, also by extending repair and assistance services (Auto Presto & Bene, MyGlass). Furthermore, it intends to extend its extensive **knowhow** in on-line and insurance services to the **Non-MV sector** (specifically home, retail and SMEs), setting itself the objective of increasing premiums by 8% in Retail and SME segments by 2018.
On-line services will be the strategic lever to personalise customer relations, and will contribute to achieving an important benefit in terms of cutting the cost of claims. More specifically, in the MV sector, the percentage impact on the MV portfolio of *black boxes* installed will be increased from the present 30% to around 45% in 2018, with the objective of achieving a cumulative benefit of around €50m on the cost of settling claims over the three-year period. Alfaevolution Technology, the Group company established specifically for this purpose, will sustain the development of on-line services with an overall investment of around €100m, by centralising the service model and expertise internally.
As regards the protection of health requirements, the development and integration of the specialist, winning model of UniSalute with the agency network is envisaged.
The products and services offered in the **Life Business** will be integrated with protection and assistance services and the portfolio mix will be reviewed (bringing the weight of Class III to approximately 30% of total premiums) with a focus on improving profitability.

2. Simplified customer and agent experience
The attention paid to the end customer and to the agency network is a core feature of the Plan, which envisages the activation of a series of personalisable online services, which seek to facilitate the customer's decision-making process, also by offering a multiple of channels, backed by the professionalism and the expert advice of the agency network.
The agency network will play a central role in relations with the customer; for this reason, there will be significant investment made on developing the network, in terms of simplifying and digitalising both sales and administrative processes.

3. More effective physical distribution
The process to reorganise UnipolSai's agency network, the strategic core of the Plan, will continue with a view to increasing productivity by optimising territorial coverage and making agencies economically sustainable.
The organisational model will be focused on the specialisation of the sales force in specific customer segments, envisaging, over the period covered by the Plan, a consistent rise in the number of Family Welfare Consultants and SME Business Specialists, with a view to increasing Affluent clientele and the SME and Small Business segment.

4. Excellence of the business operating mechanism
Internal organisation, processes and technology are key factors of the Plan. More specifically, important changes are envisaged for claims settlement processes, with the support of online data, as well as rendering the recruitment process more efficient and automating sales processes.
In terms of *information technology*, investments of around €150m are envisaged over the three-year period, with a view to improving service quality and cutting costs, while training programmes for employees and agents will be the focus of UNICA - Unipol Corporate Academy, the single training centre for the entire Group, operational since March 2016.

Other business areas
Investment management strategy will focus on structurally sustaining financial returns in the medium and long term

by means of policies that also take the equilibrium required by *Solvency II* metrics into account. In terms of *asset class*, a gradual reduction of the share of government securities is envisaged, with a view to a progressive diversification, based on a selective increase of corporate securities and other financial assets.
The guidelines in the real estate sector envisage the valorisation and stabilisation of the percentage represented by the real estate portfolio - forecast as around €4.3bn in 2018 - of the Group's total assets, with measures set to increase the quality of the portfolio and to support the future improvement of the profitability of the third party portfolio.
In the reinsurance business, the objective of the Plan is to increase presence on foreign markets through UnipolRe, the Group's Reinsurance company, based in Dublin, with a view to bringing premiums from €39m in 2015 to around €300m in 2018.

Further more detailed information is available on the Group's institutional website, www.unipol.it, where a full copy of the Plan is available.

The Unipol Group at the meeting of the Clinton Global Initiative

At the annual meeting of the Clinton Global Initiative (CGI) held in New York from 19 to 21 September, the Unipol Group stood by the United Nations High Commissioner for Refugees (UNHCR) in providing healthcare to Syrian refugees in Lebanon. A commitment to the action announced by Carlo Cimbri, Unipol Group CEO, in the presence of Filippo Grandi, the United Nations High Commissioner for Refugees. The **partnership between Unipol and the UNHCR** allows life-saving and emergency hospital care - including natural or Caesarean births - to Syrian refugees in Lebanon, the country with the world's highest concentration of refugees per capita, i.e. over a million people in a population of around 4 million. This two-year commitment involves covering 75% - or 90% in more vulnerable cases - of the hospitalisation costs of refugees and of treatment to be provided through the hospital network with which the UNHCR already has agreements. The UNHCR launched a medical care project in Lebanon which, in 2015 alone, guaranteed emergency hospital services to over 58 thousand people.

Support plan for communities hit by the earthquake

Through its insurance companies (UnipolSai Assicurazioni, Linear, UniSalute and Arca) and banking business (Unipol Banca), as support for the populations and businesses in Central Italy affected from August 2016 onwards in earthquakes that had tragic consequences in terms of human lives, seriously damaging homes and production activities, the Unipol Group has launched a structured and integrated plan of action in favour of the various categories of stakeholders of the Group located in that area (customers, civil societies, employees, agents, member organisations and suppliers).
The support also went over and beyond the action associated with the Group's normal business activities in promoting action targeting local communities. The most important contribution was the internal collection of funds donated by employees and agents, which amounted to over €500k. The Group doubled the amount to reach €1,055k, which will be delivered to the Special Commissioner for the reconstruction of the areas affected by the earthquake.

Unipol best practices at international level in reputation building and protection

On 4 and 5 October 2016, the Unipol Group was a key participant in the "**Global Reputation Leaders Network Summit**" in Boston, a well-known major international event organised by the Reputation Institute, a world leader in corporate reputation management. During this event, the most important global companies met to discuss reputation management strategies and the most effective best practices.
Unipol was considered a "best case" because it knew, before and better than others, how to understand the importance of positioning reputation as a corporate asset to be enhanced (through communication) and protected (through risk management), as well as integrating it into the business metrics and gradually become part of the Group's strategic planning process. In the Unipol Group, reputation is a strategic asset capable of orienting business and is becoming a form of managerial leverage in activating internal and external cultural change able to contribute to creating value.

Acquisition of the hotel and property management business "Una Hotels & Resorts" finalised

On 29 December 2016, the subsidiaries Atahotels and UnipolSai Investimenti SGR (the latter on behalf of Real Estate Investment Fund Athens R.E. Fund) began execution of the agreements signed with Una S.p.A. ("Una") on 25 May 2015

regarding the acquisition, through two separate transactions, of the hotel management unit of Una (for a provisional €29m) and the corresponding property portfolio held for hotel purposes (for €259m).
The execution of the two transactions began after obtaining the necessary approval from the competent authorities and after endorsement of Una's debt rescheduling agreement.
Through the aforementioned acquisition, Atahotels became the **new national leader in the Italian hotel sector**, with 43 facilities (both business and leisure), about 5,500 rooms and with an aggregate turnover of around €120m.

Establishment of Leithà

On 22 December 2016, with a share capital of €100k UnipolSai established Leithà, a company with the purpose of providing support in the construction of software prototypes, testing of new technologies and the predictive analysis of data to aid development of the Group's businesses and IT systems, in line with the provisions of the Group Innovation Plan.

Operating performance

In 2016, the Unipol Group achieved significant economic and financial performance, in line with the 2016-2018 Business Plan objectives, despite a complex macroeconomic and sector situation characterised by persisting low interest rates, high volatility in the financial markets and strong competitive pressures, particularly in the MV insurance segment, in which the Group is the market leader.

More precisely, in the **Non-Life sector**, actions meant to reinvigorate the product lines supported a recovery in premiums in the Non-MV classes and significant growth in the MV TPL contract portfolio. Constant competitive pressure on tariffs in the MV TPL segment, as shown by the drop in average market premiums, equal to -5.9% year on year in the third quarter of 2016[1], continues to result in a decline in premiums from this business, with an impact on total premiums. In terms of MV business, UnipolSai confirmed its European leadership in black boxes installed in vehicles, rising from 2.5 million in 2015 to 3.1 million in 2016, now supplied by the subsidiary Alfaevolution which, in line with the Business Plan, is the centre of excellence for innovative technologies and already expanding to include Non-MV products.

Direct Non-Life premiums at 31 December 2016 amounted to €7,809m (€7,883m at 31/12/2015, -0.9%). More precisely, MV TPL premiums stood at €3,617m, down 4.9% compared to 2015. A slight recovery was reported in the Land Vehicle Hulls class, with premiums equal to €634m (+2.7%), while the Non-MV segment recorded premiums of €3,558m, a rise of 2.8%.
With regard to the core companies, Non-Life direct premiums of UnipolSai alone, the Group's main company, stood at €6,960m (-1.7%, including, at 31/12/2015, the premiums of Liguria Assicurazioni incorporated from 2016), of which €4,042m in the MV classes (-3.8%) and €2,919m in the Non-MV classes (+1.2%).
UniSalute continues to successfully expand its business model with premiums amounting to €337m, up 12%, whilst SIAT, focusing on the Sea Vehicles segment, recorded growth of 13.7%. The Group's other core company operating in the MV segment, Linear, recorded premiums of €150m, -6,7% on 2015, with the contribution of the portfolio acquired from the former Dialogo Assicurazioni. Through the development of Non-MV classes, Arca Assicurazioni, which operates in the Non-Life bancassurance channel, recorded premiums of €104m, a slight increase on last year (+1.5%).

As regards Non-Life claims, the positive trend seen in the Non-MV classes, marginally impacted by the serious earthquake events that took place in central Italy in the second half of the year, combined with the constant monitoring of the average cost of claims, allowed the offsetting of most of the effects on the *loss ratio* deriving from the further considerable reduction recorded in the average MV TPL premium caused by the currently strong competitive pressure.
At 31 December 2016, the loss ratio for direct business (including the balance of other technical items) was 67.1% against 65.6% at 31 December 2015.
The *expense ratio* of direct business was in line with the same period of the previous year (27.9%), as a result of the decline in the overheads components which offset the drop in premiums and the increase in commissions paid

[1] *Source: IVASS, IPER Statistical Bulletin, 9 February 2017*

following the standardisation of pay and incentive schemes for the various agency networks that are part of UnipolSai.
Overall, the Group's *combined ratio* of direct business stood at 95% compared to 93.5% at 31 December 2015.

In the **Life business**, within a market environment still characterised by interest rates which are extremely low and negative in the short term, the Group - with a view to limiting financial risk - has gradually enhanced the slowing of production of traditional guarantee-backed products, seeking to orient the commercial offering towards Class III and Multisegment products. Total Life business direct premiums at 31 December 2016 totalled €6,997m, down 18.6% on 2015. As regards the bancassurance channel, the Arca Vita Group reported direct premiums of €1,718m, marking a decrease of 11.6%, while the Popolare Vita Group recorded premiums of €2,130m, corresponding to a decline of 30%. UnipolSai achieved direct premiums of €3,042m (-11.6% considering the premiums of Liguria Vita, merged from 2016, in the data at 31/12/2015).
New business in terms of APE, net of non-controlling interests, amounted to €484m (€473m at 31/12/2015, +2.5%), of which €222m contributed by bancassurance companies and €262m by traditional companies.

As regards the **management of financial investments**, again in 2016 there was no lack of tension in the financial markets, particularly the equity markets, due to fears regarding the stability of the credit systems in European countries and the possible impacts of any future relaxation of the expansive monetary policies adopted to date by the main central banks. In 2016, in accordance with the strategic guidelines set in the Business Plan, the policy to gradually reduce the share of government bonds continued to be implemented, with a view to gradual diversification towards a selective increase of corporate securities and other financial assets. Although aiming to preserve the risk/return profile of the assets and the consistency between assets and liabilities towards the policyholders, the profitability of financial investments portfolio produced a significant return in the period in question, approximately 3.5% of invested assets, of which 3.4% relating to the coupons and dividends component. It should be remembered that the returns recorded in 2015 (4.6%) were significantly influenced by capital gains, partly resulting from the forward sale of several securities.

The current interest rate situation is penalising the profitability of the **Banking sector** of the Group, particularly the financial margin. The lending policy, primarily oriented towards retail and SME customers, remains selective with overall stocks in decline. The margin from services component was up. The stock of impaired loans was down further compared to the levels seen in December 2015, due to the significant reduction of inflows and the management and closure of non-performing positions.
Overall, the Banking business made a positive contribution to the net income of the Group in 2016, further strengthening the financial position, despite the expenses incurred for the contribution to the Fondo di Risoluzione Nazionale (€15.1m).

In relation to the **real estate assets**, operations in 2016 again focused on the major renovation and enhancement works on the properties in portfolio, particularly in Milan, necessary in order to seek opportunities to increase value or generate income. The persisting difficult situation of the market, also at the end of 2016 led to a need for a number of write-downs following updating of the independent valuation reports, mostly relating to certain assets awaiting short/medium-term enhancement.

As regards the results of companies in other areas of the Group's operations, the commercial development continues of the **diversified companies** in accordance with strategies outlined in the respective business plans.
It is also worth mentioning the liquidation in 2016 of Centro Oncologico Fiorentino, given the impossibility of making the company's operations economically sustainable.

The Financial Statements of Unipol for the year ended 31 December 2016, hereby submitted for your review and approval, show a **profit of €159.9m** (€243.5m in 2015, restated).
The effects of restatement of the 2015 Financial Statements in accordance with the new Civil Code provisions and new OIC accounting standards are reported in the paragraph "Amendment to the accounting standards applied and restatement of figures of the previous year" in the Notes to the Financial Statements.

The Financial Statements of Unipol are audited by the independent auditors PricewaterhouseCoopers SpA (PwC), which has been appointed to audit the financial statements for the 2012-2020 period.

Salient aspects of business operations

The economic figures that best summarise the operating performance of the Company are the following:

A. Gains on investments: these were €298.7m (€375.9m in 2015) and represent dividends agreed and collected during the year from subsidiaries (€296.8m) and from other companies (€1.9m).

B. Other revenue and income: these amounted to €44.3m (€55.0m in 2015) and represent for €26m commissions collected from the subsidiary Unipol Banca (€26.7m at 31/12/2015) in connection with the credit indemnity agreement, for €15.2m the recovery of costs for personnel seconded to Group companies (€19.4m at 31/12/2015) and for the remaining €3.1m remuneration paid to Company executives holding corporate offices in other Group companies and other minor revenue (€8.9m at 31/12/2015).

C. Costs of production: these were €77.7m (€185.9m in 2015) and included the operating costs deriving from ordinary holding operations, as well as €30.9m of provision for risks and charges (€100.6m at 31/12/2015), of which €30m for the credit indemnity agreement stipulated with the subsidiary Unipol Banca (€100m at 31/12/2015).

D. Other ordinary financial income/expense: these amounted to -€71.5m at 31 December 2016 and are in line with the previous year (-€71.4m at 31/12/2015). The item includes interest expense on bond loans issued for €58.9m (€55.1m at 31/12/2015).

E. Value adjustments to financial assets: these were negative for €55.6m, of which €36.6m relating to write-down of the investment in the subsidiary Unipol Banca, against a €71.3m negative adjustment at 31 December 2015.

F. Pre-tax profit (loss): positive for €138.2m (€102.3m at 31/12/2015).

G. Income tax: this had a positive impact on the income statement for €21.7m (€141.3m at 31/12/2015).

H. 2016 profit for the year: €159.9m (€243.5m at 31/12/2015).

Shareholders' Equity of the Company at 31 December 2016, including profit for the year, was €5,475.5m (€5,437.9m at 31/12/2015). The change results from a €128m decrease in distributed dividends and a €159.9m increase in profits for the year.

Asset and financial management

Financial operations

Financial operations in 2016 were consistent with the Investment Policy guidelines adopted by the Company and with the recommendations of the Group Investments Committee and Financial Investments Committee. The objective of the investment policy was the optimisation of the risk/return profile of the portfolio with the specified liquidity and prudential standards.
Operating activities were characterised by maintaining a strong level of liquidity at the end of the year.
Operations focused on the bonds segment, where a net reduction in exposure to Euro area government securities and corporate financial issuers was arranged.
The volatility of government and banking sector bond yields affecting all of 2016, added to a primary market characterised by new issues with interesting risk-return profiles, offered trading opportunities. These activities aimed to achieve the profitability objectives.
At 31 December 2016, the duration of the portfolio was equal to 0.73 years, down compared to the previous year (0.97 years) and within the limits set by the Investment Policy.

Property, plant and equipment and intangible assets

In 2016 the balance of property, plant and equipment and intangible assets, net of depreciation/amortisation, went from €7.8m to €6.0m, with a €1.8m decrease with respect to the previous year, due to the depreciation/amortisation for the year.
The breakdown of property, plant and equipment and intangible assets and the changes on the previous year is provided in the table below.

Amounts in €m

	31/12/2016	31/12/2015	Changes value	%
Property, plant and equipment				
- Plant and equipment	0.2	0.3	(0.1)	(47.0)
- Other assets	1.1	1.4	(0.2)	(17.0)
Total	**1.3**	**1.7**	**(0.4)**	**(22.5)**
Intangible assets				
- Concessions, licences, trademarks and similar rights	3.8	4.6	(0.7)	(15.8)
- Fixed assets in progress and payments on account	0.0	0.1	(0.0)	(65.3)
- Other	0.8	1.5	(0.7)	(45.0)
Total	**4.7**	**6.1**	**(1.4)**	**(23.4)**
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**6.0**	**7.8**	**(1.8)**	**(23.2)**

For details of fixed assets, reference should be made to Annexes 4 and 5 of the Notes to the Financial Statements.

Financial fixed assets

The breakdown of financial fixed assets, with changes on the previous year, is provided in the following table.

Amounts in €m

	31/12/2016	31/12/2015	Changes value	%
Financial fixed assets				
-Investments				
-Subsidiares	6,301.2	5,957.8	343.4	5.8
Total	**6,301.2**	**5,957.8**	**343.4**	**5.8**
-Receivables				
-Other companies	5.2	5.4	(0.2)	(3.4)
Total	**5.2**	**5.4**	**(0.2)**	**(3.4)**
Other securities	113.8	153.7	(39.9)	(26.0)
TOTAL FINANCIAL FIXED ASSETS	**6,420.2**	**6,116.9**	**303.3**	**5.0**

For details of the investments, reference should be made to the table in the Notes to the Financial Statements (Annex 6).

The breakdown of investments by business segment and changes compared to the previous year was as follows:

Amounts in €m

	2016	*Changes compared to 2015*
Insurance	5,013.6	25.0
Banks and financial services	439.8	(36.6)
Other investments	847.9	355.0
	6,301.2	**343.4**

Other investments included Ambra Property S.r.l., Unipol Finance S.r.l. and Unipol Investment S.p.A. (formerly Linear Life S.p.A.).

Over the year, the investments held were subject to the following changes:

Contributions to future share capital increases of subsidiaries

UniSalute S.p.A.
On 26 February 2016 a payment of €25m was made for future capital increases in order to strengthen the company's equity.

Unipol Finance S.r.l.
On 15 February 2016 a payment of €50m was made for future capital increases for the purchase of 27,200,000 shares of the associate UnipolSai Assicurazioni, equal to 0.96%, for a total of €49m.

Unipol Investment S.p.A.
In 2016 payments were made for future capital increases for a total of €305m, in order to purchase 167,200,000 shares of the associate UnipolSai Assicurazioni, equal to 5.91%, for a total of €298m.

Write-downs

Unipol Banca S.p.A.
The value of the investment in Unipol Banca at 31 December 2016 was written down for €36.6m. This value adjustment has become necessary as a result of an impairment test of the investment, carried out adopting, as in previous years, an income-based methodology based on the 2017-2021 Plan prepared by the bank itself. At the same time the provision for liabilities and charges, created on 31 December 2013, was also increased by €17.4m against the put and call option contract taken on 27.49% of the investment currently held by UnipolSai Assicurazioni in Unipol Banca.

In 2016, there were no decreases due to the sale, transfer or divestment of subsidiaries.

Treasury shares and shares of the holding company

At 31 December 2016, 4,760,207 treasury shares were held in the portfolio for a value of €15.5m. These shares have been purchased for the compensation plans based on financial instruments of the performance share type for the executive staff of the Group, approved by the Shareholders' Meetings of 30 April 2012 (end of plan), 30 April 2013 and 28 April 2016. In July the final tranche of shares was allocated in implementation of the compensation plan based on financial instruments for the period 2010-2012 and the first tranche of shares in implementation of the compensation plan based on financial instruments for the period 2013-2015.

With regard to treasury shares, the Shareholders' Meeting of 28 April 2016 approved the restoration, pursuant to Art. 2359-*bis* of the Civil Code, of the balance of the provision for treasury shares for a total of €100m and authorised the Board of Directors to purchase shares within the limits set to the total value of this provision.
With regard to shares of the holding company Finsoe S.p.A., the Shareholders' Meeting of 28 April 2016 approved the restoration, pursuant to Art. 2359-*bis* of the Civil Code, of the balance of the provision for the purchase of holding company shares by €45m and authorised the Board of Directors to purchase shares within the limits set to the total value of this provision. At 31 December 2016, the Company did not hold shares of the holding company Finsoe S.p.A.

Current financial assets

Current financial assets were €105.3m, with a decrease of €210.5m with respect to the previous year, mainly due to the sale of securities and listed bonds in 2016, in particular all the government securities which at 31 December 2015 totalled €201.9m.

The breakdown of the item was as follows:
- listed corporate bonds for €100m (€109.9m at 31/12/2015);
- unlisted bonds for €0.4m (unchanged with respect to 31/12/2015);
- listed shares of UnipolSai for €1.5m (none at 31/12/2015). purchased for the 2016-2018 compensation plans based on financial instruments of the performance share type for the executive staff of the Company, approved by the Shareholders' Meeting of 28 April 2016;
- unlisted shares (private equity fund units) for €3.5m (€3.7m at 31/12/2015).

The list of shares and securities recognised as current assets at 31 December 2016 is provided in Annex 7 of the Notes to the Financial Statements.

Cash and cash equivalents

At 31 December 2016, bank deposits and cash were €1,064.8m, with an increase of €189.6m with respect to the balance at 31/12/2015.

Share capital

No transactions were carried out on the share capital in 2016. At 31 December 2016, the breakdown of the share capital, subscribed and fully paid-up, was as follows:

	Share capital at 31/12/2016		Share capital at 31/12/2015	
	No. of shares	Euro	No. of shares	Euro
Ordinary shares	717,473,508	3,365,292,408.03	717,473,508	3,365,292,408.03
Total	**717,473,508**	**3,365,292,408.03**	**717,473,508**	**3,365,292,408.03**

Debt

At 31 December 2016, the bonds issued by Unipol were €1,608.6m (€1,599.4m at 31/12/2015) and represent three *senior unsecured* bond loans, listed on the Luxembourg Stock Exchange:

I. €1,000m nominal value, 3% interest rate, 2025 maturity;
J. €317.4m nominal value, 4.375% interest rate, 2021 maturity;
K. €298.6m nominal value, 5% interest rate, 2017 maturity.

There were also loans payable to the subsidiary UnipolSai Assicurazioni S.p.A. for €267.8m (the same as in 2015), all or part of which repayable on demand at the request of UnipolSai Assicurazioni S.p.A., with an interest rate equal to 3M Euribor rate plus 100 b.p.
The net debt (described in Annex 9 to the Notes to the Financial Statements) went from -€570.7m to -€763.4m, mainly as a result of the divestment of securities and liquidity and equity investments.

Risk management policies (Art. 2428 of the Civil Code)

The report aims to provide additional and support information to allow an assessment of the financial position of Unipol Gruppo Finanziario.
Financial risk is managed through the regular monitoring of the main indicators of exposure to interest rate risk, credit risk, equity risk, and liquidity risk.

Interest rate risk

The duration of the investment portfolio, an indicator of the Company's interest rate risk exposure, was 0.73 years at 31 December 2016. With specific reference to the bond portfolio, the duration was 4.35 years.
The table shows the sensitivity of the bond portfolio to a parallel shift in the yield curve of reference for the financial instruments.

Amounts in €

Risk Sector	Breakdown	Duration	10 bps increase	50 bps increase
Government	53.04%	4.12	(469,524)	(2,347,619)
Financial	46.96%	4.61	(465,231)	(2,326,154)
Bonds	**100%**	**4.35**	**(934,755)**	**(4,673,773)**

Credit risk

With specific reference to the bond portfolio alone, as shown in the table below, the investments include investment grade securities for 60.48% of the portfolio.
Specifically, 3.46% of bonds had an AA rating and 57.02% a BBB rating.

Credit risk is monitored by measuring the portfolio's sensitivity to changes in benchmark credit spreads. The following table shows the sensitivity at 31 December 2016:

Amounts in €

Rating	Breakdown	1 bps increase	10 bps increase	50 bps increase
AA	3.46%	(2,724)	(27,243)	(136,213)
BBB	57.02%	(93,092)	(930,916)	(4,654,580)
NIG	39.52%	(39,215)	(392,154)	(1,960,768)
Bonds	**100.00%**	**(135,031)**	**(1,350,312)**	**(6,751,561)**

Equity risk

Equity risk is monitored by analysing the equity portfolio's sensitivity to changes in the reference markets represented by sector indices.
The equities segment consists entirely of Private Equity Funds.
The following table shows the sensitivity at 31 December 2016:

Amounts in €

Sector	Breakdown	Beta coefficient	Shock -10%
Equity	100%	1.00	(389,809)

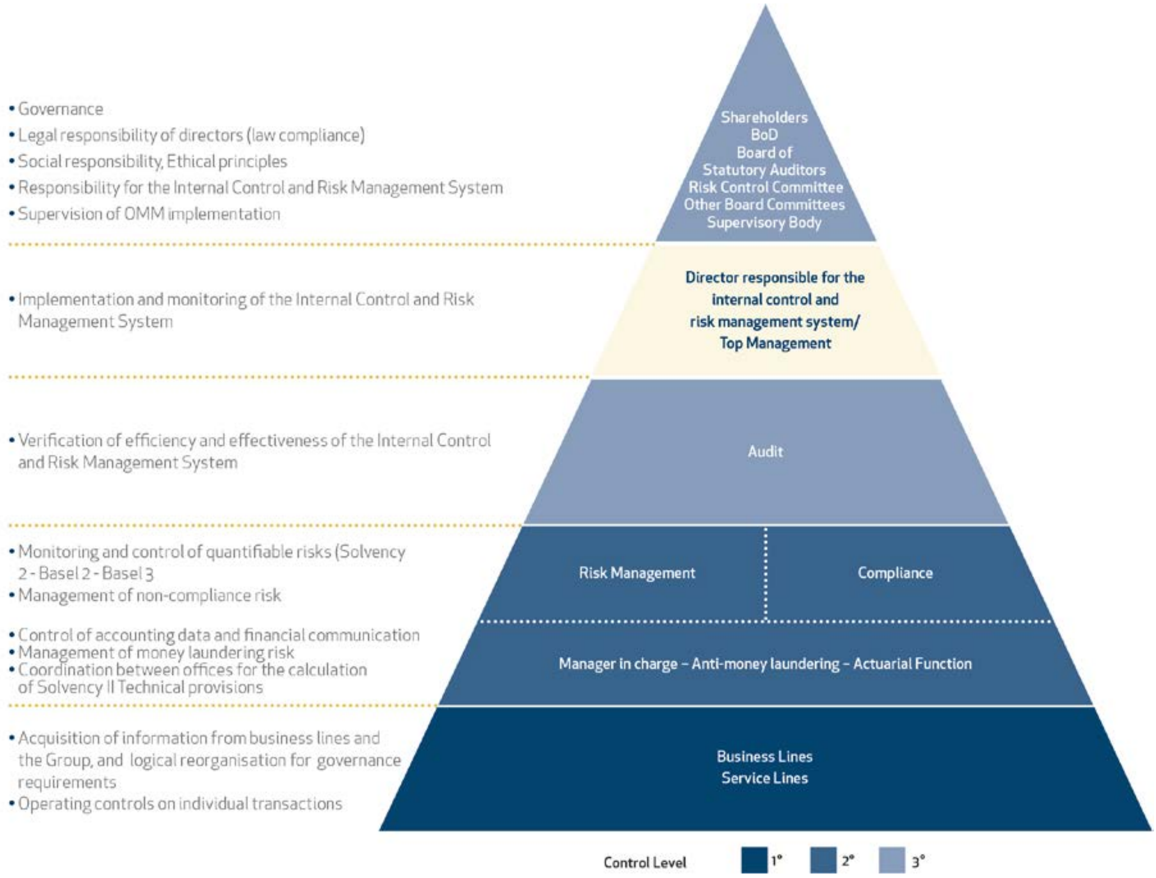
Liquidity risk

In the construction of the investment portfolio, priority is given to financial instruments that can be quickly transformed into cash and quantitative limits are specified for the purchases of securities that do not guarantee a rapid sale and/or a sale at fair conditions, because of their type or specific terms.

Internal Control and Risk Management System of the Unipol Group

The Internal Control and Risk Management System (the "System") is a fundamental element in the overall structure of the corporate governance system. The System is defined in the relevant Directives ("SCI Directives") approved by the Unipol Board of Directors in December 2008 and subsequently subject to periodic updates, the latest of which was approved by the Board of Directors' meeting in December 2016.
In general, the Company Bodies and top management of the Group companies promote the dissemination of a culture of control which, at all levels, make staff aware of their role, also in reference to the control activities, and encourages the involvement of all company departments in pursuing the business objectives and creating value.
The System assigns suitable positioning to the organisational units that, through consistent articulation, guarantees the segregation of duties in the process activities and is divided across multiple levels.

By way of a non-exhaustive example, the Unipol Group's Risk and Control Governance model is shown below.



- The **Board of Directors**, based on prior judgment of the Control and Risks Committee, defines the guidelines of the Internal Control and Risk Management System, to ensure that the main risks facing the Company and the Group companies are correctly identified, and adequately measured, managed and monitored. The Board performs an assessment, at least annually, of the adequacy of the current and forward-looking System with respect to the characteristics of the Parent and the Group and to the defined risk appetite, as well as its efficiency and capacity to adapt to evolving company risks and the interaction between them.
- The **Risk Control Committee** plays a propositional, advisory, investigative and support role to the Board of Directors in relation to the Board's assessments and decisions mainly concerning the Internal Control and Risk Management System.
- The **Director responsible** for the internal control and risk management system, handles the identification of the main company risks, taking account of the characteristics of the activities carried out by the Company and its subsidiaries, periodically subjecting them to review by the Board of Directors; he also implements the guidelines defined by the Board of Directors, overseeing the design, implementation and management of the internal control and risk management system, and constantly verifying its adequacy and effectiveness.
- **Top Management** supports the Director in charge of designing and implementing the Internal control and risk management system, including therein those deriving from non-compliance with the regulations, in line with the directives and the risk governance policies defined by the Board.
- **Corporate Control Functions**: pursuant to applicable industry legislation, the Company's organisational structure requires that the Corporate Control Functions (Audit, Risk Management and Compliance) report directly to the Board of Directors and operate with the coordination of the Director responsible for the internal control and risk management system.
- Since 19 December 2013, the "Risk Management" and "Compliance and Anti-money laundering" functions report hierarchically to the "Chief Risk Officer" (who reports to the Chief Executive Officer - Group CEO and General Manager). This structure makes it possible, by preserving the characteristics of independence and separateness of the individual company Control Functions, and guaranteeing compliance with the principle of segregation of operating functions and control functions, to further strengthen the integrated monitoring of the risks to which the Group is exposed in the various areas in which it conducts its business.

- The **Risk Management Department** is responsible for ensuring an integrated evaluation of the various risks (***Enterprise Risk Management*** – ERM) at Group level, supports the Board of Directors, the Director responsible for the internal control and risk management system and Top Management in the evaluation of the structure and effectiveness of the Risk Management System and reports its conclusions to said bodies, highlighting any deficiencies and suggesting ways of resolving them. The Risk Management Department carries out this work as part of the process of "Own Risk and Solvency Assessment" (ORSA) for insurance business and the "Internal Capital Adequacy Assessment Process" (ICAAP) for banking business, ensuring that the work carried out by the various company departments dealing with risk management is coordinated. This does not exempt the individual operating departments from their specific responsibilities for managing the risks relating to their own work since the departments themselves must have the necessary tools and expertise.
  Within the risk management system, the Risk Management Department is in charge of continuously identifying, measuring, assessing and monitoring the current and prospective risks at individual and aggregated level which the Company is or may be exposed to and the relevant interdependencies.

Monitoring Procedures: Company committees

As part of the Group's Governance and Internal Control and Risk Management System, some internal company committees have been set up to support the Chief Executive Officer while implementing and monitoring the policies on guidelines, coordination and operating strategy laid down by the Board of Directors and Top Management.

Risk Management System

The Group's system is subject to periodic assessment and review in relation to developments in company operations and the reference context. During 2016, corporate policies referring to the aforementioned System were reviewed and updated. The principles and processes of the System as a whole are governed by the following Group policies: "Risk management policy", "Current and Forward-looking Risk Assessment Policy", "Operational Risk Management Policy" and "Group-level Risk Concentration Policy".
The policies setting the principles and guidelines below are an integral part of this System: (i) management of specific risk factors (e.g. Investment Policy for market risk and Credit Policy for credit risk), (ii) risk management as part of a specific process, (iii) risk mitigation and (iv) risk measurement model management.
A risk management process is defined within the System to allow for risk identification, measurement, monitoring and mitigation.

The risk identification, assessment and monitoring processes are performed on an ongoing basis, to take into account any changes in their nature, business volumes and market context, and any insurgence of new risks or changes in existing risks.
These processes are carried out using methods that guarantee an integrated approach at Group level. The Parent ensures that the risk management policy is implemented consistently and continuously within the entire Group, taking into account the risks of each company in the scope of additional supervision and their mutual interdependencies.

Risk Appetite and Risk Appetite Framework

The Risk Management System adopted by the Group is inspired by an enterprise risk management logic. This means that is based on the consideration, with an integrated approach, of all the current and prospective risks the Group is exposed to, assessing the impact these risks may have on the achievement of the strategic objectives and replies on a fundamental element: the Risk Appetite.
In quantitative terms, the Group's Risk Appetite is determined on the basis of the following elements:
- capital at risk;
- capital adequacy;
- Liquidity/ALM ratios.

Quality objectives are defined in reference to compliance, strategic, emerging, reputational and operational risks.

The ORSA/ICAAP processes

Under their own risk management systems Unipol and the companies that fall within the scope of the Current and forward-looking risk assessment policy use the following to assess the effectiveness of the risk management system:
- ORSA (*Own Risk and Solvency Assessment*) for the insurance business;

- ICAAP (*Internal Capital Adequacy Assessment Process*) for banking business.

The internal ORSA and ICAAP assessment processes allow the risk profile analysis of the Insurance Group and the Banking Group, whether final or forward-looking, based on strategy, the market context and business development. In addition, ORSA and ICAAP are an element of the assessments made to support operational and strategic decisions.

Capital management

The latest updated text of the "Capital management and dividend distribution policy", drawn up in compliance with applicable regulations, was approved by the Board of Directors of UGF in October 2016.
The Policy outlines the capital management strategies and objectives of the Unipol Group and identifies the principles of capital management and the distribution of dividends or other elements of own funds.

The capital management and dividend distribution process (also referred to as the "Process") contributes to the Group's strategic orientation together with other key corporate processes such as:
- Strategic planning, which defines the profitability and growth objectives in the timeframe considered;
- ORSA/ICAAP and *risk appetite statement*, which defines the target risk profile and the tolerance levels of the Group and the individual Companies.

As part of the Process, the capital return objectives of the business units/departments are defined and monitored, also based on the risk constrains and the capital absorption.

Insurance Sector

Solvency II framework
Activities by the competent corporate organisations of the Group were carried out in 2016 in implementation of Solvency II regulations and the supervisory provisions issued by IVASS.

Internal Model
Particularly important was the action taken in relation to the Internal Model approval process. In this respect, following the application for authorisation submitted by the Group companies, UnipolSai Assicurazioni S.p.A. and Arca Vita S.p.A. on 7 February 2017, the Supervisory Authority authorised the two companies to use the Partial Internal Model for calculating the individual Solvency Capital Requirement with effect from 31 December 2016.

Undertaking Specific Parameters (USP)
Note that, following submission of the application for authorisation, by the Measures of 2 February 2016 and with effect from 1 January 2016, IVASS authorised the Unipol Group as a whole and UnipolSai S.p.A. to use the specific parameters in place of the sub-set of parameters defined in the standard formula for the calculation of the Group's Solvency Capital Requirement.
In particular, the use of the specific parameters concerns the tariff-setting and provision risks in the segments of Non-Life insurance and reassurance obligations under Annex II to EU Delegated Regulation 2015/35 of 10 October 2014, as specified below:
- Segment 1, Proportional insurance and reinsurance on TPL resulting from the circulation of vehicles;
- Segment 4, Proportional insurance and reinsurance against fire and other damage to property;
- Segment 5, Proportional insurance and reinsurance on general TPL.

Banking Sector

The Group has adopted a System also for the banking sector that is suitable for constantly identifying, measuring and verifying banking business risks.
With reference to Pillar I risks, in compliance with the provisions of Bank of Italy Circular no. 285 of 17 December 2013, standardised approaches were adopted for credit, counterparty and market risks, and the basic approach for operational risk.
In line with their class 2 allocation, the indications and approaches defined in the aforementioned Circular are adopted for Pillar II risks. The procedural solutions for calculating capital requirements available to banking intermediaries in its class were adopted, applying decisions compliant with regulatory practices in such a way as to encourage maximum dialogue with the Supervisory Authority. Internal approaches not used for regulatory purposes were also adopted to measure certain types of risk.

Report on corporate governance and ownership structures pursuant to Art. 123-*bis* of Legislative Decree 58 of 24 February 1998

The information required by the Art. 123-*bis*, Legislative Decree 58 of 24 February 1998, amended by Art. 5 of Legislative Decree 173 of 3 November 2008, is included in the annual report on corporate governance, approved by the Board of Directors and published, together with the Management Report, in accordance with Art. 89-bis of the Regulation adopted by Consob in its Resolution no. 11971 of 14 May 1999, and with Section IA.2.6. Instructions on the Regulation governing markets organised and managed by Borsa Italiana S.p.A.
The Annual Corporate Governance Report is available in the "Corporate Governance" section of the Company's website (**www.unipol.it**).

Performance of directly controlled companies

The key figures of directly controlled companies are provided below. Reference should be made to their respective financial statements for details of companies under their direct control.

The financial statements of (direct and indirect) subsidiaries and associated companies were filed pursuant to Art. 2429 of the Civil Code.

Note that as a result of the new regulations described in the Introduction, where necessary the comparative values for 2015 were restated in accordance with the new accounting standards published by the OIC in December 2016.

UnipolSai Assicurazioni S.p.A.

Registered office: Bologna
Share capital: €2,031,456k
Carrying amount: €4,527,708k
% holding: 66.93% of share capital - 51.03% direct holding and 15.9% indirect holding

The company is authorised to operate as insurer and reinsurer in the Non-Life, Life and Capitalisation sectors. It may also set up and manage open pension funds.

On 25 January 2016 the merger deed was signed for the merger by incorporation of Liguria Società di Assicurazioni S.p.A. and Liguria Vita S.p.A. into UnipolSai Assicurazioni S.p.A.
The merger, after registration with the competent Registers of Companies, took effect on 31 January 2016, with accounting and tax effects from 1 January 2016.
On 28 December 2016, the merger deed was signed for the merger by incorporation of Dialogo S.p.A. in Liquidazione into UnipolSai. The merger, after registration on 30 December 2016 with the competent Register of Companies, took effect on 31 December 2016, with accounting and tax effects from 1 January 2016.

Comments are provided below only in relation to changes in the aggregate results for the previous year of the merged companies.

UnipolSai closed 2016 with a profit of €458.5m. The aspects best characterising the operating performance in the year ended at 31 December 2016 were the following:

- Premiums in direct business down 5.1%. Specifically, Non-Life premiums (direct business) fell by 1.7%, while Life premiums were down by 11.6%. At the end of 2016, premiums were €10,010.5m, of which €10,001.9m in direct business, with breakdown as follows:

Amounts in €m

Premiums	Non-Life	Life	Total 2016	Total 2015	*% var.*	*Variation on 2015*
Direct business	6,960.2	3,041.7	10,001.9	10,524.8	(5.0)	(522.8)
Indirect business	8.0	0.6	8.6	26.9	(68.2)	(18.4)
	6,968.2	**3,042.3**	**10,010.5**	**10,551.7**	**(5.1)**	**(541.2)**
Premiums ceded	416.6	8.3	424.9	412.3	3.1	12.6
Premiums retained	**6,551.6**	**3,034.0**	**9,585.6**	**10,139.4**	**(5.5)**	**(553.8)**
% breakdown	68.3	31.7	100.0			

- The net retention of acquired premiums was 95.8%, slightly down with respect to the previous year (96.1%).
- The loss ratio for direct business (including the balance of the other technical items) was equal to 67.9% against 65.6% a year earlier.
- The result from technical insurance management, which also includes operating expenses and allocation of the share of gains on investments, was overall positive for €570.6m (€700.6m in 2015), with the breakdown showing a positive €220.8m for the Life business and €349.8m for the Non-Life business.
- Total operating expenses (including acquisition and collection commissions and other acquisition and administrative costs) were €2,132.2m (-1.4%), with a 21.3% incidence on (Life and Non-Life) premiums (20.5% in 2015). Net of reinsurers' commissions, total operating expenses were equal to €1,989.1m (-2.8%).
- Technical provisions for the Life and Non-Life businesses reached a total amount, at the end of 2016, of €43,687.5m (+1.3%), €43,043.1m net of the reinsurers' share (+1.4%). The technical provisions-premiums ratio was 211.9% in the Non-Life business (217.6% in 2015) and 950.7% in the Life business (803.7% in 2015).

The shareholders' equity of the Company, including the profit for the year, was €5,528.5m.

Compagnia Assicuratrice Linear S.p.A.

Registered office: Bologna
Share capital: €19,300k
Carrying amount: €70,507k
% holding: 100% held directly

The company is authorised to conduct Non-Life insurance business, and in particular the direct distribution of MV insurance products by phone and online.

The company reported profits for the year of €6.2m, against €3.2m at 31 December 2015. The aspects best characterising the operating performance in the year ended at 31 December 2016 were the following:

- A 3.1% increase in premiums with respect to the previous year. Written premiums were €150m at 31 December 2016 (€145.1m at 31/12/2015). The net retention of acquired premiums was 97.6%, in line with 2015 (97.2% at 31/12/2015).
- The loss ratio (direct business) was 77.8%, against 73.7% in 2015.
- The result from technical insurance management, which also includes operating expenses and allocation of the share of gains on investments, was €1.8m (€2.9m in 2015).
- Total operating expenses (including acquisition and collection commissions and other acquisition and administrative costs) were €36.1m (€42.2m at 31/12/2015), with an incidence on written premiums of 24.6% (29.9% in 2015).
- Gross technical provisions, at the end of 2016, were €290m (€313.4m at 31/12/2015), €280.8m net of the reinsurers' share (€298.2m at 31/12/2015). The technical provisions-gross premiums ratio was 193.4% (215.9% in 2015).

The shareholders' equity of the company, including profit for the year, was €90.3m.

UniSalute S.p.A.

Registered office: Bologna
Share capital: €17,500k
Carrying amount: €61,613k
% holding: 98.53% held directly

The company is authorised to conduct Non-Life insurance business, and specialises in the Health and Assistance segments.

The company reported €40.8m profit for the year, against €36.6m in 2015. The aspects best characterising the operating performance in the year ended at 31 December 2016 were the following:

- A 9.8% increase in premiums with respect to the previous year. Written premiums were €408.5m at 31 December 2016 (€372m at 31/12/2015). The net retention of acquired premiums was 99.8%, in line with the previous year.
- The loss ratio for direct business was equal to 69.8%, up on the previous year (71.3% at 31/12/2015).
- The result from technical insurance management, which also includes operating expenses and allocation of the share of gains on investments, was €63.9m (€54.7m in 2015).

- Total operating expenses (including acquisition and collection commissions and other acquisition and administrative costs) were €52.9m (€48m at 31/12/2015), with an incidence on written premiums of 12.9% (unchanged from 2015).
- Gross technical provisions, at the end of 2016, were €298.5 m (€270.8m at 31/12/2015), €296.7m net of the reinsurers' share (€268.8m at 31/12/2015). The technical provisions-gross premiums ratio was 73.1% (72.8% in 2015).

Company shareholders' equity, including profit for the year, amounted to €140.7m.

Unipol Investment S.p.A. (formerly Linear Life S.p.A.)

Registered office: Bologna
Share capital: €5,180k
Carrying amount: €308,577k
% holding: 100% held directly

An agreement was signed for the transfer of the insurance company of Linear Life to UnipolSai on 15 December 2015, effective 31 December 2015, which has resulted in the transferring company losing its authorisations to carry out insurance activity. On 18 February 2016, the name of the company has been changed to Unipol Investment S.p.A., having as object the acquisition of interests and investments in other companies, not from the public, as well as the trading of financial instruments in general, for investment purposes.
In 2016 payments were made for future capital increases for a total of €305m, in order to purchase 167,200,000 shares of the associate UnipolSai Assicurazioni for a total of €298m.

The company reported a profit for the year of €9.8m, against a loss of €0.3m in 2015. The aspects best characterising the operating performance in the year ended at 31 December 2016 were the following:

- Gains on investments of €8.6m (none at 31/12/2015).
- Costs of production of €0.5m (€0.9m at 31/12/2015).
- Financial fixed assets of €298.2m (none at 31/12/2015), representing the 5.91% investment in the associate UnipolSai Assicurazioni acquired in 2016.

The shareholders' equity of the company, including profit for the year, was €318.3m.

Arca Vita S.p.A.

Registered office: Verona
Share capital: €208,279k
Carrying amount: €353,739k
% holding: 63.39% held directly

The company is authorised to conduct Life insurance business.

The company's performance recorded profit for the year of €35.1m, compared to €29.4m in 2015. The aspects best characterising the operating performance in the year ended at 31 December 2016 were the following:

- An increase in premiums, in terms of gross premiums written, equal to 4.9% on the previous year. Gross premiums written were €1,689.1m at 31 December 2016 (€1,609.9m at 31/12/2015). The net retention of acquired premiums was 99.6%, the same the previous year.
- The result from technical insurance management, which also includes operating expenses and the allocation of the share of gains on investments, was equal to €37.6m (€28.4m at 31/12/2015).
- Operating expenses (including acquisition and collection commissions and other acquisition and administrative costs) were €27.7m (€26.8m at 31/12/2015), with an incidence on written premiums of 1.6% (1.7% at 31/12/2015).
- Gross technical provisions, at the end of 2016, were €6,818m (€5,559m at 31/12/2015), €6,807m net of the reinsurers' share (€5,548m at 31/12/2015). The technical provisions-gross premiums written ratio was 403.6% (345.3% at 31/12/2015).

The shareholders' equity of the company, including profit for the year, was €323.2m.

Unipol Banca S.p.A.

Registered office: Bologna
Share capital: €897,384k
Carrying amount: €429,059k
% holding: 100% - Direct holding of 57.75% and an indirect holding of 42.25% in the ordinary share capital

The company reported a €3.5m profit for the year, against a profit of €3.6m in 2015. The aspects best characterising the operating performance in the year ended at 31 December 2016 were the following:

- Direct deposits reached €10.5bn, with a 5.2% increase on 31 December 2015 (€10bn), while net loans to customers were equal to €9.1bn, with a decrease of 1.8% on 31 December of the previous year (€9.3bn).
- Doubtful loans were €1,669m (€1,653m in 2015), with an incidence on total loans of 18.4% (17.9% in 2015).
- Indirect deposits were €50.6bn (€51.2bn in 2015), of which €45.8bn from companies of the group and €4.8bn from ordinary customers.
- Gross operating income was €315.8m (+2.6% compared to 2015).
- Value adjustments for impairment of receivables and other financial assets amounted to €43.9m (€45.4m in 2015).

The shareholders' equity of the company, including profit for the year, was €719.3m.

Ambra Property S.r.l.

Registered office: Bologna
Share capital: €25,100k
Carrying amount: €56,485k
% holding: 100% held directly

The company provides hospitality services at the property located in Piazza della Costituzione 1, Bologna (Hotel Bologna Fiera) and the "Villa Cicogna" property complex in San Lazzaro di Savena (BO).

The company reported a €0.3m loss for the year, against €1.6m in 2015. The aspects best characterising the operating performance in the year ended at 31 December 2016 were the following:

- Value of production of €8.6m (€7.9m at 31/12/2015).
- Costs of production of €9.7m (€9.3m at 31/12/2015).
- Recognised property, plant and equipment for €64.6m (€66.6m at 31/12/2015) representing the property used as Hotel Bologna Fiera and the property complex in San Lazzaro di Savena (BO), partly used as hotel and partly becoming the registered office of UNICA.

The shareholders' equity of the company, including profit for the year, was €55.1m.

Unipol Finance S.r.l.

Registered office: Bologna
Share capital: €5,000k
Carrying amount: €482,800k
% holding: 100% held directly

The company's corporate purpose is to acquire interests and investments in other companies, not from the public, and increase their value for long-term investment purposes, rather than for placement or brokerage with the public.

The company reported €42.2m profit for the year (€51.4m at 31/12/2015), mainly due to the recognition of dividends distributed by the associate UnipolSai Assicurazioni S.p.A., a subsidiary of Unipol Gruppo Finanziario. The aspects best characterising the operating performance in the year ended at 31 December 2016 were the following:

- Gains on investments of €42.4m (€52.2m at 31/12/2015).
- Costs of production of €0.3m (€0.2m at 31/12/2015).
- Financial fixed assets of €481.6m (€432.3m at 31/12/2015), representing the 9.99% investment in UnipolSai Assicurazioni (9.03% at 31/12/2015).

The shareholders' equity of the company, including profit for the year, was €488.2m. In 2016 a payment was made for future capital increases for a total of €50m, in order to purchase 27,200,000 shares of the associate UnipolSai Assicurazioni for a total of €49m.

UnipolSai Investimenti SGR S.p.A.

Registered office: Turin
Share capital: €3,914k
Carrying amount: €10,710k
% holding: 100% of share capital - 51% direct holding and 49% indirect holding

UnipolSai Investimenti SGR manages the real estate investment funds Tikal and Athens.

The company reported €1.4m profit for the year, in line with that of 2015. The aspects best characterising the operating performance in the year ended at 31 December 2016 were the following:

- €3.7m commission income for fees received for the management of the two closed real estate investment funds Tikal and Athens (€3.8m at 31/12/2015).
- €2m costs for services and miscellaneous (in line with the 31/12/2015 figure), of which €1.6m due to UnipolSai Assicurazioni S.p.A. for seconded staff and miscellaneous services.
- €3.9m gross operating income (€4.1m at 31/12/2015, -4.6%).
- €1.9m net operating income (in line with the figure at 31/12/2015).

The shareholders' equity of the company, including profit for the year, was €14.4m.

Relations with Group companies and related party transactions

As the investment and services holding company and Parent of the Unipol Insurance Group (registration no. 046 in the Insurance Groups Register) and Parent of the Unipol Banking Group (entered in the Register with no. 20052 pursuant to Art. 64 of the Consolidated Law on Banking), Unipol carries out management and coordination activities pursuant to Art. 2497 et seq. of the Civil Code.

It should be noted that none of the shareholders of Unipol carries out management and coordination activities in accordance with Art. 2497 et seq. of the Civil Code.
At 31 December 2016, Finsoe SpA held an investment in Unipol equal to 31.40% of the ordinary share capital (unchanged compared to 31/12/2015): this represents a controlling investment as defined in Art. 2359, paragraph 1.2 of the Civil Code.
Finsoe does not exercise powers of management or coordination, either technical or financial, on Unipol.

The “Procedure for related party transactions” (the “Procedure”), prepared in accordance with Art. 4 of Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments, was approved by Unipol’s Board of Directors on 6 October 2016 with effect from that date. The Procedure is published on Unipol’s website (www.unipol.it), in the Section Corporate Governance/ Related party transactions.
The Procedure defines the rules, methods and principles that ensure the transparency and substantive and procedural fairness of the transactions with related parties executed by Unipol, either directly or through its subsidiaries.

No transaction “of major relevance” with related parties took place in 2016 and neither did any transaction that, according to Art. 2427, paragraph 2 of the Civil Code, had any significant effect on Unipol’s financial position and results of operations.

The types of intragroup services provided in 2016 and the providing company are summarised below.

UnipolSai Assicurazioni provided services relating to the following areas:

- *Governance* (services supporting internal control, risk management and *compliance*);
- Anti-money laundering and Anti-terrorism;
- Finance;
- Model 231 monitoring;
- Innovation & New Business Solutions;

- Communications and Media relations;
- External Relations;
- Assessment of Investments;
- Human Resources and Organisation (external selection, training, development, remuneration systems, personnel management, trade union relations and disputes, employee welfare, safety, organisation, personnel administration);
- Claims Settlement;
- Insurance (regulatory management of distribution networks, MV tariffs and portfolio management, reinsurance, marketing, bancassurance Life business unit);
- Legal (corporate affairs, group legal, anti-fraud, institutional response, legal insurance consulting, privacy, general legal and disputes, corporate legal, complaints and specialist assistance to customers, management of investments);
- IT services;
- Actuarial Function Validation;
- Administration (accounting, tax, administrative and financial statements services, economic management control, purchases and general services);
- Real estate (logistics, asset and investment management and core offices portfolio), as well as services relating to the management of real estate assets of certain Group companies.

Following the merger of UnipolSai Real Estate, UnipolSai provides a number of Group companies with services relating to real estate asset management.

UniSalute provides the following services for the other companies in the Group:
- managing addressing services, providing medical advice and assistance by telephone, making bookings, managing and settling claims relating to specific guarantees/products on behalf of UnipolSai and Linear;
- support for employee training and learning on behalf of Unipol, UnipolSai, and Linear;
- policyholder record updating and administrative services associated with the payment of health policy claims for UnipolSai.

The services provided by **UniSalute** to its subsidiary UniSalute Servizi mainly concern the following areas:
- Administration and budget;
- Planning and management control;
- Marketing;
- IT services;
- Suppliers;
- Human resource monitoring;
- Training process support;
- Commercial and welfare development.

SIAT performs the following services in favour of UnipolSai:
- technical assistance in the negotiation and stipulation of transport and aviation contracts;
- portfolio services for agreements in the transport sector;
- administrative support in the relationships with insurance counterparties.

Auto Presto & Bene performs car repair services in favour of a number of Group companies.

UnipolSai Servizi Previdenziali performs administrative management of open pension funds on behalf of a number of Group companies.

UnipolRe DAC carries out for UnipolSai administrative and accounting services for inwards and outwards reinsurance.

UnipolSai Investimenti SGR administers on behalf of UnipolSai the units of property funds set up by third-party asset managers, owned by UnipolSai.

Pronto Assistance Servizi (PAS) provides the following services for the consortium member Companies:
- organisation, provision and 24/7 management of services provided by the assistance insurance coverage, by taking the action requested and managing relations with professionals and independent suppliers to which the

material execution of the action is assigned, also including settlement of the related remuneration. As part of the Tourism claims management, in addition to the provision of normal Assistance services, at the request of an individual consortium member PAS can advance medical expense payments on behalf of that member;
- contact centre activities for the customers, specialists and agencies of the Group, whose services consist in:
  - providing front office services to existing or potential customers at all stages of relations with the consortium members and their respective sales networks, or to any intermediaries acting on their behalf (brokers, banks);
  - providing after-sales services on policy statuses or on any transactions that can be made on existing policies;
  - providing customer services;
  - providing support services to the agency network in relations with customers and consortium members;
  - providing contact centre services dedicated to opening claims and related information requests.

In 2016, the consortium **UnipolSai Servizi Consortili** continued to operate only in the management of a few supply and service agreements:
- Leasing of facilities;
- Real estate logistics and organisational services;
- Communications, image and Unipol Group brand management.

Arca Vita provides the following services to Group companies:
- human resource management and development, training, organisation, corporate affairs, purchasing, legal services and complaints, secretariat and general services, security and privacy, administration, management control for Arca Inlinea, Arca Sistemi and Arca Direct Assicurazioni;
- provider of workstations and general services necessary and functional to the outsourcing of internal control, anti-money laundering and anti-terrorism functions for UnipolSai Assicurazioni;
- leasing of premises in the property at Via del Fante 21, Verona, and the related parking spaces in Lungadige Capuleti, Verona, to Arca Assicurazioni., Arca Direct Assicurazioni and Arca Sistemi.

From 1 January 2016, the following services are no longer provided by Arca Vita, but instead by **UnipolSai:**
- internal control, risk management and compliance for Arca Assicurazioni;
- internal controls for Arca Vita International Ltd;
- anti-terrorism services for Arca Assicurazioni.

Arca Inlinea provides sales support services to Arca Assicurazioni, Arca Vita, Arca Direct Assicurazioni and Arca Vita International.

Arca Sistemi provides the following services:
- design, development and management of IT systems for Arca Vita, Arca Assicurazioni, Arca Inlinea and Arca Direct Assicurazioni;
- design, development and management of alternative storage for Arca Vita and Arca Assicurazioni;
- services as IT architecture provider for Arca Vita International.

Unipol Banca provides internal auditing services to its subsidiaries:

No atypical or unusual transactions were carried out in the execution of these services.

Fees are mainly calculated on the basis of the external costs incurred, for example the costs of products and services acquired from suppliers, and the costs resulting from activities carried out directly, i.e. generated by their own staff, and taking account of:
- performance objectives set for the provision of the service to the company;
- strategic investments required to ensure the agreed levels of service.

The following elements are specifically taken into consideration:
- personnel costs;
- operating costs (logistics, etc.);
- general costs (IT, consultancy, etc.).

The costs for financing activities are calculated by applying a fee on managed volumes. The services provided by UnipolSai for real estate asset management, UniSalute (except operating services provided to UniSalute Servizi for which the costs are split), Auto Presto & Bene, UnipolSai Investimenti SGR and UnipolRe involve fixed prices.

Both the Parent Unipol and its subsidiaries, including UnipolSai, Unipol Banca, Arca Vita and Arca Assicurazioni, second their staff to other Group companies to optimise the synergies within the Group.

Financial and commercial transactions between the banking companies and the other companies in the Group were the usual types of transaction carried out within a complex group and related to services, deposit accounts or corporate financing and finance lease agreements. Agreements were also entered into for the sale and/or management of banking, financial and insurance products and services and the provision of auxiliary banking services in general. These transactions were usually carried out at the market terms applied to prime customers.

Credit indemnity agreement between Unipol and the subsidiary Unipol Banca

With regard to the credit indemnity agreement between Unipol and the subsidiary Unipol Banca, in 2016 Unipol allocated an additional amount of €30m to the provision for risks, which therefore, net of uses in the same year (€6.3m), was €590.7m at 31 December 2016. Commissions accrued in 2016 and due by Unipol Banca to Unipol were €26m.

Tax regime for taxation of group income (so-called “tax consolidation”)

From 2015 the Parent Unipol opted, as consolidating company, for the tax consolidation governed by Title II, Chapter II, Section II of the Consolidated Income Tax Act (Articles 117-129) for the three-year period 2015-2017. All companies in the Unipol Group that meet the regulatory requirements take part in this regime as consolidated companies.

The information required by Consob Communication DEM/6064293/2006 is contained in the paragraph on transactions with related parties in the Notes to the financial statements.

Social and environmental responsibility

Sustainability is directly handled within the Unipol Group by the holding company for all Group companies in order to guarantee policy uniformity and consistency. The operating structure is made up of the staff reporting to the Chairman to ensure conformity with the values and completeness of vision on the activities carried out, while the policy function is carried out by the Sustainability Committee of the Unipol Group Board of Directors, which examined and evaluated the path taken throughout the entire year, and issued its judgments on the process adopted and on the main sustainability decisions taken by the Group.
Following renewal of the Board of Directors, the Committee also renewed its membership during the year. In accordance with the Code of Ethics approved in 2015, these no longer perform duties as Ethics Committee in order to make control activities more transparent with respect to guidance activities.
The Unipol Group's attention to social responsibility starts with the Charter of Values and the Code of Ethics of the Unipol Group, based on the Vision and Mission redefined in the **2016-2018 Business Plan**, which for the first time incorporates Sustainability objectives and action.
Convinced of the importance of sustainability in business process to develop long-term competitiveness, the Group decided to integrate it with the economic and financial aspects both at planning stage and reporting stage. For this reason a single Three-Year Plan was drawn up and an Integrated Report was published at Group level.

Of particular note among the projects included in the Plan are:
- the commitment to increase the resilience of SMEs to climate change-related risks through the *DERRIS* project, funded through the European Life Fund, to define a model of public-private partnership to improve the resilience of industrial areas with a high concentration of SMEs against natural catastrophes. In 2016 a pilot project was developed in the Municipality of Turin and the IT tool to define individual resilience plans based on future risk was implemented;
- the attention to financial inclusion for the weaker brackets, starting with uncontracted workers, in order to develop products that facilitate their access to private welfare systems;
- third sector needs analysis to better prepare a worthy proposal, in insurance and banking terms;

- further development of the *PerGiocoNonPerAzzardo* campaign to raise awareness among the public of the risk of indiscriminate and addictive gambling. Different approaches (exhibitions, competitions, shows) were used, which were publicised through the social networks and particularly involved young people. The *Young Millennials and Gambling Observatory* was also developed in partnership with Nomisma and the University of Bologna;
- further improvements in the structure of activities for the *Eos, Conoscere l'Assicurazione* programme targeting schools, involving over 1,000 children during the year in a sensitisation and information course.

During the year, the dedicated website, especially constructed last year, was constantly updated on activities relevant to the development of Group sustainability, as were the respective pages of the company websites. A number of meetings were held to present the Sustainability Report in some Italian cities with the goal of sharing the main results and further delve into some aspects of the Plan.

Lastly, the Sustainability Committee of the Board of Directors examined and evaluated the activities carried out throughout the entire year, and provided its opinion on the process adopted and on the main sustainability decisions taken by the Group.

Research and development activities

In response to a market scenario strong in technological developments, the Group has invested in developing and accelerating innovation.
In particular, on 22 December 2016 UnipolSai established Leithà with the aim of supporting the construction of software prototypes, testing new technologies and the predictive analysis of date in support of developing the Group's business and IT systems, in line with the provisions of the Group Innovation Plan.
Furthermore, a new unit was set up as part of UnipolSai Head Office dedicated to innovation and research, the Innovation & New Business Solutions Department.

Privacy obligations (Legislative Decree 196/2003)

The company adopted all measures necessary to ensure compliance with obligations deriving from personal data protection legislation (Legislative Decree 196/2003) so as to guarantee the protection and integrity of customer, employee and partner data and, in general the data of all those with whom the Company comes into contact.

Human resources

The Company's workforce at 31 December 2016 numbered 19 employees (82 at 31/12/2015). The decrease is attributable to staff transfers to the subsidiary UnipolSai Assicurazioni on 1 January 2016 as part of the manoeuvres to return the company's activities to only those of an investment management holding. Even if calculated as full time equivalent (FTE), that is, considering the number of hours actually worked, the number of employees would still be 19.

	31/12/2016			31/12/2015		
	Average	Final	FTE	Average	Final	FTE
Permanent	19	19	19	83	82	82
Total	**19**	**19**	**19**	**83**	**82**	**82**

Training

During 2016, **Unica - Unipol Corporate Academy** was set up; this structure of excellence is a centre for innovation and cultural integration based at Villa Cicogna in San Lazzaro di Savena (Bologna).
Unipol Corporate Academy is responsible for the training products for all the Unipol Group, with the aim of producing excellent courses that target the development of knowledge and expertise in every professional sphere for personnel and for the entire sales network.
Unica's learning products were prepared to this end, composed of a catalogue of over 200 courses, developed using different methods based on the level of depth.
The product mix is also enhanced by the in-house Trainers Register, which aids the creation of a strong identity as well as developing a sense of belonging to the Unipol Group. At 31 December 2016 the Trainers Register listed 116 in-house trainers that had completed the "Train the Trainer" course during the year.

The training activities that mostly involved staff were of a managerial, regulatory and technical-insurance nature, whilst those targeting the sales network referred to building courses useful to further increasing the skills of the entire sales network, also in compliance with training obligations envisaged in the IVASS Regulation.

During 2016, the training activities dedicated to all Unipol Group companies recorded a total of 1,236,798 man-hours, an increase compared to 2015, with breakdown as follows:
- 170,808 man-hours for Group employees;
- 1,065,990 man-hours for the sales network (including bancassurance companies).

As regards the learning methods, overall the man-hours of classroom training and distance learning are distributed differently between employees and network intermediaries:
- for employees the classroom man-hours are prevalent (144,357, 85% of total hours) versus 26,451 man-hours (15% of total hours) for distance learning.
- for network intermediaries, on the other hand, the distance learning man-hours are prevalent (692,020, 65% of total hours) versus 373,970 man-hours (35% of total hours) for classroom training or webinars.

In particular, in 2016 dedicated Unipol training involved classroom-based courses for a total of 126 man-hours and distance learning courses for 12 man-hours.

Share-based compensation plans

The Unipol Group pays additional benefits (long-term incentives) to the Chief Executive Officer and Key Managers and other senior executives under closed three-year, share-based compensation plans by which Unipol and UnipolSai shares (performance shares) are granted if specific targets of Gross Profit and solvency capital requirement, as well as individual and consolidated targets, are achieved.

The compensation plan based on financial instruments (Unipol shares) for the period 2010-2012 ended on 31 December 2012. The first tranche, amounting to 210,093 shares, was paid to those entitled on 1 July 2014, the second tranche amounting to 210,093 shares on 1 July 2015, and the final tranche for 194,752 shares on 1 July 2016.

The compensation plan based on financial instruments (Unipol shares) for the period 2013-2015 ended on 31 December 2015. The first tranche, for 1,964,855 shares, was paid to those entitled on 1 July 2016 and the second and third tranches will be paid on 1 July 2017 and 1 July 2018, respectively.

On 28 April 2016, the Shareholders' Meeting of Unipol approved the new 2016-2018 compensation plan based on financial instruments (performance share type), which on achieving the predefined objectives envisages the assignment of UnipolSai and Unipol shares over three years with effect from the end of April 2019.

The Information Documents, prepared pursuant to Art. 114-bis of the Consolidated Law on Finance and Art. 84-*bis* of the Consob Issuer's Regulation no. 11971/1999, are available on the relevant websites, in the Governance/Shareholders meetings/Meeting April 2016 section.

Similar resolutions were adopted in 2016 by the Company Bodies of the other Group companies.

IT services

In 2016 the Group IT Services completed activities for the 2013-15 Business Plan and began action on the 2016-18 Plan. In particular, in relation to activities commenced in previous years, in 2016:
- the migration of the Unipol network to the new Flotte application was completed and the pilot project was launched on the former Fondiaria-Sai network;
- the migrations of UnipolSai individual and collective Life policies to the target platform were completed;
- start-up of the new claims system on the former Fondiaria-Sai network was completed and the related migration of claims from the previous system began;
- the new portal for claims adjusters, also usable via mobile, was created and the related start-up for all General Class adjusters was completed;
- new fast quote calculators were also created for MV and General Class products and creation of the new sales support tool began.

At the end of the year the new Group web site, created using new technologies, was released and the client App was enhanced with new online services.

Worthy of note among the other activities leading to the introduction of new technologies or the digitalisation of agency and mobility processes are:

- the production start-up in March of the new IT system of Alfaevolution Technology, based on the *Group Big Data Hub* (a project that began in 2015), which allowed the company to start its activities in accordance with Business Plan forecasts and, from March to December, handle the date for around 3 million vehicle black boxes;
- the creation of new products such as KM&Servizi, Commercio&Servizi and Linear Auto Box with new online services based on the introduction of new devices and functions, and strong integration between the UnipolSai IT systems and services;
- the implementation of a new mobility infrastructure that allows agents to use their own mobile devices (PCs, tablets, smartphones) to activate UnipolSai applications according to the concept *"Bring Your Own Device"*. In this respect, a new mobile digital signing method was created, integrated with the previous method, but without the use of biometric signature pads and a new integrated payments system with the business platform based on the use of fixed and mobile POS;
- the extension to all agencies of digital receipts and use of the new "Liquido" claims system for the management of new claims (approximately €3.4m in claims managed by Liquido in 2016);
- the start-up at the end of the year of the final roll-out step for the new technology infrastructure for agencies in the former Aurora and Navale networks (11,700 devices at 1,300 agencies), so that the standardisation of infrastructures across all the agencies could be completed at the start of 2017.

Internet

www.unipol.it is the website of Unipol, from which the user can access the websites of the different companies of the Group and obtain information on Unipol.

Business outlook

With regard to the trends of the business sectors in which the Group operates, there are no particularly significant events to report. In the Non-Life business, even though the market remains strongly competitive, the Group is carrying out sales initiatives aimed at maintaining positive technical margins.
In the Life business, in consideration of the situation of the financial markets and of the need to assure a prospective balance to the profitability of segregated funds, all production networks confirmed policies aimed at limiting premiums on traditional products in favour of multisegment products with a non-guaranteed investment component.
The Banking business continues to pursue a prudent lending policy, directing business largely at retail customers and SMEs.

Excluding unforeseeable events also connected with the reference context, the operating result is expected to remain positive this year.

Bologna, 23 March 2017

The Board of Directors

FINANCIAL STATEMENTS
FOR THE YEAR 2016

Unipol Gruppo Finanziario S.p.A.
Statement of Financial Position

Amounts in €

ASSETS	31.12.2016		31.12.2015 Restated	
A) SUBSCRIBED CAPITAL, UNPAID				
- of which called				
B) FIXED ASSETS				
I Intangible assets				
4) Concessions, licences, trademarks and similar rights	3,842,642		4,564,422	
6) Fixed assets in progress and payments on account	19,764		57,000	
7) Other	822,110		1,495,745	
Total		**4,684,517**		**6,117,167**
II Property, plant and equipment				
2) Plant and equipment	163,562		308,747	
4) Other assets	1,134,520		1,366,249	
Total		**1,298,082**		**1,674,997**
III Financial fixed assets				
1) Investments in:				
a) subsidiaries	6,301,204,672		5,957,787,655	
Total investments		**6,301,204,672**		**5,957,787,655**
2) Receivables:				
d-bis) from others		5,174,106		5,358,850
- of which payable within 12 months	*201,184*		352,662	
Total receivables		**5,174,106**		**5,358,850**
3) Other securities		113,795,392		153,720,636
Total		**6,420,174,170**		**6,116,867,141**
TOTAL FIXED ASSETS		**6,426,156,769**		**6,124,659,305**

Unipol Gruppo Finanziario S.p.A.
Statement of Financial Position

Amounts in €

ASSETS	31.12.2016		31.12.2015 Restated	
C) CURRENT ASSETS				
I Inventories				
4) Finished products and goods for resale			26,368	
Total				**26,368**
II Receivables				
1) from customers		71,193		41,196
2) from subsidiaries		24,373,587		169,716,192
3) from associates		620		281,582
4) from holding companies		2,164,559		2,237,805
- of which payable after 12 months	*2,164,559*		*2,237,805*	
5 - bis) tax receivables		30,199,132		128,353,295
- of which payable after 12 months	*2,853,850*		*2,809,647*	
5 - ter) deferred tax assets		496,431,884		490,601,348
- of which payable after 12 months	*288,005,470*		*247,437,199*	
5) from others		400,892		551,637
Total		**553,641,867**		**791,783,055**
III Current financial assets				
1) Investments in subsidiaries		1,517,936		
6) Other securities		103,792,443		315,845,343
Total		**105,310,379**		**315,845,343**
IV Cash and cash equivalents				
1) Bank and post office deposits		1,064,756,937		875,185,638
- of which from subsidiaries	*1,064,741,027*		*874,585,612*	
3) Cash at bank and in hand		10,419		9,709
Total		**1,064,767,356**		**875,195,347**
TOTAL CURRENT ASSETS		**1,723,719,602**		**1,982,850,113**
D) ACCRUALS AND DEFERRALS				
1) Accruals		468,306		1,017,052
2) Deferrals		302,665		549,931
TOTAL ACCRUALS AND DEFERRALS		**770,971**		**1,566,983**
TOTAL ASSETS		**8,150,647,342**		**8,109,076,400**

Unipol Gruppo Finanziario S.p.A.
Statement of Financial Position

Amounts in €

LIABILITIES			31.12.2016		31.12.2015 Restated	
A)	SHAREHOLDERS' EQUITY					
	I	Share capital		3,365,292,408		3,365,292,408
	II	Share premium reserve		1,410,009,264		1,410,009,264
	III	Revaluation reserves		20,700,874		20,700,874
	IV	Legal reserve		545,676,981		529,126,963
	VI	Other reserves		282,159,979		261,217,482
		- Extraordinary reserve	120,375,123		97,902,023	
		- Treasury/holding company share reserve	143,469,396		145,000,000	
		- Share swap reserve	18,315,460		18,315,460	
	VIII	Retained profit (loss)		(292,743,600)		(370,756,586)
	IX	Profit (loss) for the year		159,885,369		243,513,165
	X	Negative reserve for treasury shares		(15,492,810)		(21,210,133)
TOTAL SHAREHOLDERS' EQUITY				**5,475,488,465**		**5,437,893,438**
B)	PROVISIONS FOR RISKS AND CHARGES					
	3)	Financial derivative liabilities		142,978,058		122,807,152
	4)	Other		594,268,006		570,835,381
TOTAL PROVISIONS FOR RISKS AND CHARGES				**737,246,065**		**693,642,532**
C)	POST-EMPLOYMENT BENEFITS			**35,888**		**230,258**
D)	PAYABLES					
	1)	Bonds		1,608,576,521		1,599,433,423
		- of which payable after 12 months	*1,268,792,087*		*1,558,972,056*	
	3)	Payables to shareholders		14,805		14,805
	5)	Payables to other lenders		515,186		515,186
	7)	Trade payables		3,886,993		4,258,372
	9)	Payables to subsidiaries		312,214,271		361,075,235
	10)	Payables to associates		502		252
	12)	Tax payables		1,041,747		1,672,035
	13)	Social security charges payable		687,064		817,198
	14)	Other payables		10,939,835		9,523,666
TOTAL PAYABLES				**1,937,876,924**		**1,977,310,172**
TOTAL LIABILITIES				**8,150,647,342**		**8,109,076,400**

Unipol Gruppo Finanziario S.p.A.
Income Statement

Amounts in €

	31.12.2016		31.12.2015 Restated	
A) VALUE OF PRODUCTION				
2) Change in inventories of work in progress, semi-finished and finished products				952
5) Other revenue and income				
b) sundries	44,345,722		54,969,484	
Total other revenue and income		44,345,722		54,969,484
TOTAL VALUE OF PRODUCTION		**44,345,722**		**54,970,436**
B) COSTS OF PRODUCTION				
6) Raw materials, consumables and goods for resale		92,782		288,488
7) Services		16,018,244		22,542,706
8) Use of third party assets		892,481		2,196,964
9) Personnel:				
a) wages and salaries	20,439,911		7,291,335	
b) social security expenses	3,166,215		4,164,032	
c) post-employment benefits	578,472		1,080,231	
e) other costs	1,505,658		3,764,294	
Total personnel		25,690,256		16,299,893
10) Amortisation, depreciation and write-downs:				
a) amortisation of intangible assets	1,537,453		37,411,640	
b) depreciation of property, plant and equipment	389,827		436,220	
Total amortisation, depreciation and write-downs		1,927,280		37,847,860
12) Provisions for risks		30,900,591		100,515,045
14) Sundry operating expenses		2,211,692		6,206,527
TOTAL COSTS OF PRODUCTION		**77,733,325**		**185,897,483**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)		**(33,387,603)**		**(130,927,047)**
C) FINANCIAL INCOME AND CHARGES				
15) Gains on investments:				
a) in subsidiaries	296,824,943		375,926,954	
d) in other companies	1,905,502			
Total gains on investments		298,730,445		375,926,954
16) Other financial income:				
a) from receivables recognised under fixed assets		2,265		8,764
4) from others	2,265		8,764	
b) from securities held as fixed assets		1,269,612		
c) from securities recognised under current assets		8,255,920		7,913,521
d) other income		647,432		1,497,715
1) from subsidiaries	98,531		823,668	
4) from others	548,902		674,046	
Total other financial income		10,175,229		9,419,999
17) Interest and other financial charges:				
a) subsidiaries	2,180,243		2,858,843	
d) others	79,761,200		78,019,432	
Total interest and other financial charges		81,941,443		80,878,275
17-bis) Exchange gains (losses)		240,057		56,347
TOTAL FINANCIAL INCOME AND CHARGES		**227,204,288**		**304,525,026**

Unipol Gruppo Finanziario S.p.A.
Income Statement

Amounts in €

			31.12.2016		31.12.2015 Restated	
D)	VALUE ADJUSTMENTS TO FINANCIAL ASSETS					
18)	Write-ups:					
	c)	of securities recognised under current assets	1,222,290		217,119	
		Total write-ups		1,222,290		217,119
19)	Write-downs:					
	a)	of investments	36,582,983		45,772,051	
	c)	of securities recognised under current assets	57,980		657,704	
	d)	of financial derivative instruments	20,170,907		25,132,613	
		Total write-downs		56,811,870		71,562,368
TOTAL ADJUSTMENTS				**(55,589,580)**		**(71,345,249)**
PRE-TAX PROFIT (LOSS)				**138,227,104**		**102,252,730**
20)	Income tax for the year: current and deferred					
	a)	Current taxes	(15,655,935)		(30,143,623)	
	b)	Taxes related to prior years	244,441		(172,231)	
	c -	bis) Deferred tax assets	(6,246,771)		(110,944,581)	
		Total income tax for the year		(21,658,265)		(141,260,435)
PROFIT (LOSS) FOR THE YEAR				**159,885,369**		**243,513,165**

Unipol Gruppo Finanziario S.p.A
Statement of cash flows

Amounts in €

	31.12.2016	31.12.2015
A. Cash flows arising from income management (indirect method)		
Profit (loss) for the year	**159,885,369**	**243,513,165**
Income tax	(21,658,265)	(141,260,435)
Interest expense/(interest income)	58,913,688	55,121,533
(Dividends)	(296,824,943)	(375,926,954)
(Capital gains)/losses arising from disposal of assets	7,856,169	(4,447)
1.Pre-tax profit (loss) for the year, interests, dividends and capital gains/losses on disposals	**(91,827,982)**	**(218,557,139)**
Adjustments for non-monetary items with no impact on net current assets		
Allocation to provisions	30,629,065	114,156,560
Depreciation of fixed assets	1,920,493	37,847,860
Write-downs for impairment losses	36,582,983	45,772,051
Value adjustments to financial assets and liabilities relating to financial derivatives, not involving monetary transactions	20,170,907	25,132,613
Other adjustments to non-monetary items	24,418,202	30,800,645
Opening balance adjustments		(78,012,985)
Total adjustments to non-monetary items	*113,721,650*	*175,696,744*
2. Cash flows before adjustments to net current assets	**21,893,669**	**(42,860,395)**
Change in net current assets		
Decrease (increase) in inventories	26,368	(952)
Decrease (increase) in receivables from customers	(29,997)	(148,978,713)
Decrease (increase) in trade payables	(371,380)	80,545,042
Decrease (increase) in prepayments and accrued income	796,012	(4,393,637)
Increase (decrease) in accrued expense and deferred income		12,172,753
Decrease (increase) in receivables from subsidiaries	145,342,605	54,176,933
Other changes in net current assets	50,870,384	(85,539,298)
Total changes in net current assets	*196,633,993*	*(92,017,872)*
3. Cash flows after adjustments to net current assets	**218,527,662**	**(134,878,267)**
Other adjustments		
(Tax income paid)		
Dividends received	296,824,943	375,926,954
Other collections/payments		
Total other adjustments	*230,714,815*	*294,585,657*
Cash flows arising from income management (A)	**449,242,477**	**159,707,389**

Unipol Gruppo Finanziario S.p.A
Statement of cash flows

Amounts in €

	31.12.2016	31.12.2015
B. Cash flows arising from investing activity		
Property, plant and equipments		
(Investments)	(12,964)	(194,379)
Disposals	9,491	7,172
Intangible assets		
(Investments)	(104,802)	(67,128)
Financial fixed assets		
(Investments)	(380,000,000)	(204,462,895)
Disposals	32,085,663	297,629
Financial current assets		
(Investments)	(1,517,936)	(184,518,075)
Income on disposals	212,160,422	440,585
Cash flows arising from investing activity (B)	**(137,380,126)**	**(388,497,090)**
C. Cash flows arising from financing activity		
Loans received		
Loans execution		688,550,344
Equity		
Sale (purchase) of treasury shares	5,717,323	705,100
(Dividends and interim dividends distributed)	(128,007,665)	(126,330,003)
Cash flows arising from financing activity (C)	**(122,290,342)**	**562,925,441**
Increase (decrease) in cash and cash equivalents (A ± B ± C)	189,572,009	334,135,740
Cash and cash equivalents at 1 January	**875,195,347**	**541,059,606**
of which:		
Bank and post office deposits	875,185,638	541,051,596
Cash at bank and in hand	9,709	8,011
Cash and cash equivalents at 31 December	**1,064,767,356**	**875,195,347**
of which:		
Bank and post office deposits	1,064,756,937	875,185,638
Cash at bank and in hand	10,419	9,709

NOTES
TO THE FINANCIAL STATEMENTS

Structure and contents of the Financial Statements

Unipol 2016 Financial Statements were prepared in compliance with the provisions of the Civil Code and the national accounting standards approved by the OIC (Italian Accounting Standards Setter). In fact, since it qualifies as an insurance holding company pursuant to Art. 1, par. 1:aa) of Legislative Decree 209/2005 (the Insurance Code), Unipol is required to prepare consolidated financial statements in compliance with international accounting standards but cannot apply these international accounting standards to the company's separate financial statements pursuant to Art. 4 of Legislative Decree 38/2005.
The financial statements include the Statement of Financial Position, the Income Statement, the Statement of Cash Flows and these Notes. They are also accompanied by the Management Report.
As stated in Art. 2423, paragraph 6 of the Civil Code, the amounts in the Statement of Financial Position and the Income Statement are expressed in Euro, without decimals, whilst amounts indicated in the Notes to the Financial Statements are expressed in €k, unless otherwise indicated, as permitted by the provisions of Art. 2423 of the Civil Code.
The measurement criteria were adopted on the basis of going concern assumptions, in application of the principles of accrual, materiality and significance of the transactions or contracts, pursuant to Articles 2423 and 2423-*bis* of the Civil Code.
No significant events occurred after year end that could affect the financial statement results. In any event, the nature and effect on the Statement of Financial Position, Income Statement and Statement of Cash Flows of the main significant events after year end are reported in a special chapter of these Notes.

In order to integrate disclosures provided in the aforementioned mandatory statements, the Income Statement figures were restated in the attached reclassification statement and were accompanied by the Statement of Changes in Shareholders' Equity and the Statement of Cash Flows.

The layout of the financial statements offers a comparison with the figures of the previous year. The figures of the previous year were restated consequently to the retrospective application of the new accounting standards issued by the OIC in December 2016, after Legislative Decree 139/2015 came into force, which amended the Civil Code, adopting EU Directive 2013/34/EU (so-called "Accounting Directive"). For further information reference should be made to the paragraph below "Amendment to the accounting standards applied and restatement of figures of the previous year".

Unipol administrative bodies and the manager in charge of financial reporting have provided the Statement on the financial statements pursuant to Art. 81-*ter*, Consob Regulation 11971 of 14 May 1999, with later amendments and integrations.

These financial statements were audited by PricewaterhouseCoopers SpA, appointed independent auditors by the Shareholders' Meeting for the years 2012-2020.

Amendment to the accounting standards applied and restatement of figures of the previous year

In August 2015 the Council of Ministers approved Legislative Decree 139/2015 (published in the Official Gazette of 4 September 2015) and Legislative Decree 136/2015, which adopted Directive 2013/34/EU (so-called "Accounting Directive"), introducing several new elements regarding the preparation of the individual and consolidated financial statements from 1 January 2016.

Legislative Decree 139/2015 also made some changes to the substance of the articles of the Civil Code that govern preparation of the separate financial statements, giving the OIC the explicit mandate to update the Italian accounting standards in order to present the data regarding the financial position in a more accurate and standardised manner, also to align more closely with the IAS/IFRS international accounting standards. On 22 December 2016, the OIC (Italian Accounting Standards Setter) issued the new set of Italian accounting standards that define the preparation and measurement criteria for separate financial statements and interim financial reporting.

The most significant changes introduced by the reform concern the general principles of preparation of the financial statements, the recognition of some items, the valuation methods and the information to be provided in the notes to the financial statements and in the Management Report. Listed below are the main changes brought about by the reform:

- introduction of the materiality principle;
- introduction of the principle of substance over form for a transaction;
- changes to the formats of the Statement of Financial Position and the Income Statement;
- introduction of the Statement of Cash Flows as compulsory among the financial statements;
- elimination of the memorandum accounts from the financial statements and inclusion of the related disclosure in the Notes to the Financial Statements;
- change in the contents of the disclosures presented in the Management Report and the Notes to the Financial Statements;
- changes in the following recognition/measurement criteria:
    - derivatives: measured at fair value, separated if necessary from their host financial instruments and hedging transactions are permitted. Specific asset, liability and Income Statement items are also envisaged for their related reporting;
    - debt securities and non-current receivables and payables: measured at amortised cost, applying the internal effective rate of return;
    - intangible assets: research and advertising costs cannot be capitalised, and must instead be recognised in the Income Statement in the year in which they are incurred;
    - treasury shares in the portfolio: must be recognised at their purchase value as a decrease in shareholders' equity, in a special item "Negative reserve for treasury shares in the portfolio". The item A.VI. Reserve for treasury shares in the portfolio is no longer present, which overlapped with the treasury shares previously recognised under assets. The gains or losses achieved from the disposal of treasury shares must not be recognised in the Income Statement, but instead in an item of shareholders' equity;
    - dividends from subsidiaries: can no longer be recognised in the year in which they accrue, but must be recognised only at the time the legal entitlement to the dividend arises, which normally coincides with the date of the Shareholders' Meeting called to approve the financial statements;
    - extraordinary operations: the Income Statement no longer envisages the separate recognition of extraordinary income and expenses, which must therefore be recognised in the respective items by nature, but adequate disclosure of "exceptional" items must be provided in the Notes to the Financial Statements.

The new OIC 29 "Changes in accounting standards - Changes in accounting estimates, correction of errors, events after the end of the financial year", approved in December 2016, requires that changes in accounting standards must be applied retrospectively unless otherwise envisaged in specific transitional provisions related to mandatory changes in those standards.
With regard to dividend accounting in particular, OIC 21 offers the retrospective application option (not an obligation) to companies that previously recognised the dividends of subsidiaries in the year in which they accrued. Unipol decided to apply this standard retroactively in order to provide a truthful and accurate representation of the profit for the year and ensure full comparability of financial statements over time in terms of reporting. Retroactive application of the standard led to retained losses of €370,757k at 1 January 2015, reduced to €292,744k at 1 January 2016.

The retroactive application of the accounting standards led to changes in the opening balances and restatement of the 2015 financial statements, also for comparison purposes, in accordance with the new accounting rules introduced by the reform.

The reclassifications and adjustments made to the Financial Statements at 31 December 2015 originally approved, in order to obtain the restated 2015 Financial Statements in accordance with the changes required by Legislative Decree 139/2015 and the new OIC accounting standards, are illustrated below:

- the first column shows the balance at 31 December 2015 as originally approved;
- the second column shows only the reclassifications;
- the third column shows the value adjustments following application of the amended criteria;
- the fourth column shows the restated balance at 31 December 2015.

Amounts in €

ASSETS			31/12/2015 Annual Report originally approved	Reclassifications	Adjustments	31/12/2015 Restated
A)	SUBSCRIBED CAPITAL, UNPAID					
B)	FIXED ASSETS					
	I	Intangible assets				
	4)	Concessions, licences, trademarks and similar rights	4,564			4,564
	6)	Fixed assets in progress and payments on account	57			57
	7)	Other	1,496			1,496
	Total		**6,117**			**6,117**
	II	Property, plant and equipment				
	2)	Plant and equipment	309			309
	4)	Other assets	1,366			1,366
	Total		**1,675**			**1,675**
	III	Financial fixed assets				
	1)	Investments in:				
		a) subsidiaries	5,957,788			5,957,788
		Total investments	**5,957,788**			**5,957,788**
	2)	Receivables:				
		d-bis) from others	5,359			5,359
		Total receivables	**5,359**			**5,359**
	3)	Other securities	153,721			153,721
	Total		**6,116,867**			**6,116,867**
	TOTAL FIXED ASSETS		**6,124,659**			**6,124,659**
C)	CURRENT ASSETS					
	I	Inventories				
	4)	Finished products and goods for resale	26			26
	Total		**26**			**26**
	II	Receivables				
	1)	from customers	41			41
	2)	from subsidiaries	466,541		(296,825)	169,716
	3)	from associates	282			282
	4)	from holding companies	2,238			2,238
	5 -	bis) tax receivables	128,353			128,353
	5 -	ter) deferred tax assets	490,601			490,601
	5 -	from others	552			552
	Total		**1,088,608**		**(296,825)**	**791,783**
	III	Current financial assets				
	5)	Treasury Shares	21,210	(21,210)		
	6)	Other securities	315,845			315,845
	Total		**337,055**	**(21,210)**		**315,845**
	IV	Cash and cash equivalents				
	1)	Bank and post office deposits	875,186			875,186
		- of which from subsidiaries	*874,586*			*874,586*
	3)	Cash at bank and in hand	10			10
	Total		**875,195**			**875,195**
	TOTAL CURRENT ASSETS		**2,300,885**	**(21,210)**	**(296,825)**	**1,982,850**
D)	ACCRUALS AND DEFERRALS					
	1)	Accruals	1,017			1,017
	2)	Deferrals	9,168	(8,618)		550
	3)	Discounts on loans	57,455	(57,455)		
	TOTAL ACCRUALS AND DEFERRALS		**67,640**	**(66,073)**		**1,567**
TOTAL ASSETS			**8,493,184**	**(87,283)**	**(296,825)**	**8,109,076**

Amounts in €

LIABILITIES		31/12/2015 Annual Report originally approved	Reclassifications	Adjustments	31/12/2015 Restated
A)	**SHAREHOLDERS' EQUITY**				
I	Share capital	3,365,292			3,365,292
II	Share premium reserve	1,410,009			1,410,009
III	Revaluation reserves	20,701			20,701
IV	Legal reserve	529,127			529,127
VI	Riserve for treasury shares in portfolio	21,210	(21,210)		
VI	Other reserves	240,007	21,210		261,217
VIII	Retained profit (loss)			(370,757)	(370,757)
IX	Profit (loss) for the year	165,500		78,013	243,513
X	Negative reserve for treasury shares		(21,210)		(21,210)
	TOTAL SHAREHOLDERS' EQUITY	**5,751,847**	**(21,210)**	**(292,744)**	**5,437,893**
B)	**PROVISIONS FOR RISKS AND CHARGES**				
1)	For post-employment benefits and similar obligations				
2)	For taxes, including deferred	4,081		(4,081)	
3)	Financial derivative liabilities		122,807		122,807
4)	Other	680,751	(109,916)		570,835
	TOTAL PROVISIONS FOR RISKS AND CHARGES	**684,833**	**12,891**	**(4,081)**	**693,643**
C)	**POST-EMPLOYMENT BENEFITS**	**230**			**230**
D)	**PAYABLES**				
1)	Bonds	1,615,999	(16,566)		1,599,433
3)	Payables to shareholders	355	(341)		15
5)	Payables to other lenders	515			515
7)	Trade payables	4,258			4,258
9)	Payables to subsidiaries	361,002	73		361,075
12)	Tax payables	1,672			1,672
13)	Social security charges payable	817			817
14)	Other payables	22,074	(12,551)		9,524
	TOTAL PAYABLES	**2,006,694**	**(29,384)**		**1,977,310**
E)	**ACCRUALS AND DEFERRALS**				
1)	Accruals	49,580	(49,580)		
	TOTAL ACCRUALS AND DEFERRALS	**49,580**	**(49,580)**		
TOTAL LIABILITIES		**8,493,184**	**(87,283)**	**(296,825)**	**8,109,076**

Amounts in €

INCOME STATEMENT			31/12/2015 Annual Report originally approved	Reclassifications	Adjustments	31/12/2015 Restated
A)	VALUE OF PRODUCTION					
	2)	Change in inventories of work in progress, semi-finished and finished products	1			1
	5)	Other revenue and income				
		b) sundries	49,615	5,355		54,969
		Total other revenue and income	**49,615**	**5,355**		**54,969**
	TOTAL VALUE OF PRODUCTION		**49,616**	**5,355**		**54,970**
B)	COSTS OF PRODUCTION					
	6)	Raw materials, consumables and goods for resale	288			288
	7)	Services	22,543			22,543
	8)	Use of third party assets	2,197			2,197
	9)	Personnel:				
		a) wages and salaries	7,291			7,291
		b) social security expenses	4,164			4,164
		c) post-employment benefits	1,080			1,080
		e) other costs	3,764			3,764
		Total personnel	**16,300**			**16,300**
	10)	Amortisation, depreciation and write-downs:				
		a) amortisation of intangible assets	37,412			37,412
		b) depreciation of property, plant and equipment	436			436
		Total amortisation, depreciation and write-downs	**37,848**			**37,848**
	12)	Provisions for risks	115,352			115,352
	14)	Sundry operating expenses	5,471	736		6,207
	TOTAL COSTS OF PRODUCTION		**199,999**	**736**		**200,734**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)			**(150,383)**	**4,619**		**(145,764)**
C)	FINANCIAL INCOME AND CHARGES					
	15)	Gains on investments:				
		a) in subsidiaries	296,826		79,101	375,927
		Total gains on investments	**296,826**		**79,101**	**375,927**
	16)	Other financial income:				
		a) from receivables recognised under fixed assets	9			9
		c) from securities recognised under current assets	7,914			7,914
		d) other income	1,495			1,498
		1) from subsidiaries	824			824
		4) from others	671	3		674
		Total other financial income	**9,417**	**3**		**9,420**
	17)	Interest and other financial charges:				
		a) subsidiaries	2,859			2,859
		d) others	78,019			78,019
		Total interest and other financial charges	**80,878**			**80,878**
	17-bis)	Exchange gains (losses)	56			56
	TOTAL FINANCIAL INCOME AND CHARGES		**225,422**	**3**	**79,101**	**304,525**

Amounts in €

INCOME STATEMENT	31/12/2015 Annual Report originally approved	Reclassifications	Adjustments	31/12/2015 Restated
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS				
18) Write-ups:				
c) of securities recognised under current assets	217			217
Total write-ups	**217**			**217**
19) Write-downs:				
a) of investments	45,772			45,772
c) of securities recognised under current assets	10,954	(10,296)		658
d) of financial derivative instruments		10,296		10,296
Total write-downs	**56,726**			**56,726**
TOTAL ADJUSTMENTS	**(56,509)**			**(56,509)**
E) EXTRAORDINARY INCOME AND EXPENSES				
20) Extraordinary income:				
a) Gains on disposals	4	(4)		
b) Other	5,526	(5,526)		
Total extraordinary income	**5,531**	**(5,531)**		
21) Extraordinary expenses:				
c) Other	737	(737)		
Total extraordinary expenses	**737**	**(737)**		
TOTAL EXTRAORDINARY ITEMS	**4,794**	**(4,794)**		
PRE-TAX PROFIT (LOSS) (A-B+-C+-D)	**23,324**	**(172)**	**79,101**	**102,253**
20) Income tax for the year: current and deferred				
Total income tax for the year	**(142,176)**	**(172)**	**1,088**	**(141,260)**
PROFIT (LOSS) FOR THE YEAR	**165,500**		**78,013**	**243,513**

The amounts in grey indicate financial statements items no longer included in the statements following the regulatory changes.

Main items:

- Treasury shares reclassified from current assets to shareholders' equity for €21,210k;
- Prepayments and Discounts on loans, previously recognised under assets, reclassified to Bond Payables for €66,073k;
- Accrued expense reclassified to Bond Payables for €49,507k;
- Other provisions for risks and charges to Provisions for risks relating to financial derivative payables for €109,916k;
- Other payables reclassified under Provisions for risks relating to financial derivative payables for €12,551k;
- Write-downs of securities recognised under current assets recorded among Write-downs of other financial instruments for €10,296k;
- Extraordinary income and expenses in the Income Statement restated under items A.5.b. Sundry revenues and B.14. Sundry operating expenses for €4,794k.

The Adjustments column refers only to the effects of retroactive application of the recognition criterion for dividends of subsidiaries, and led to higher 2015 profit for €78,013k, lower receivables from subsidiaries for €296,825k and retained losses for €370,757k.

All the changes commented upon in the Financial Statements are based on comparison between the 2016 values and the restated 2015 values.

Measurement criteria

The measurement criteria used for the preparation of the financial statements for the year ended 31 December 2016, the most important of which are listed below, are adapted to the new accounting standards approved by the OIC in December 2016.

Intangible assets

Intangible assets are recognised at historical acquisition or production cost, including accessory charges, and are amortised over their residual useful lives (3-5-10 years). For projects under development, amortisation is suspended until the year in which they are first used.
Start-up and expansion costs are amortised on a straight-line basis over five years from the effective date of the related transaction, taking into account their future usefulness and their estimated useful life.
Other long-term costs are amortised over their estimated useful lives. If the intangible assets are no longer believed to have future usefulness, the assets are written off and charged to the Income Statement.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost and adjusted for the corresponding accumulated depreciation. The carrying amount takes into consideration any accessory charges and direct/indirect costs in the portion reasonably attributable to the asset.

Depreciation is calculated according to the useful life of the asset:

- plant and equipment: useful life of 3 to 7 years;
- movable assets entered in public registers: useful life of 4 years;
- office furniture and machines: useful life of 3 to 8 years;
- data processing centre machines: useful life of 2 to 5 years;
- assets up to €516: fully depreciated over 1 year.

Financial fixed assets

These are mainly represented by controlling interests.
The investments concerned are recognised at purchase or subscription cost or at a value below cost if, on the basis of the financial position of the companies invested in, the investments show evidence of impairment.
The bonds held as investments in the Company's equity are measured at amortised cost, applying the internal effective rate of return (effective interest criterion). The value is adjusted for any impairment losses.
If the reasons for recognition of the value adjustment no longer apply, the value of the security is restored to the extent of the amortised cost, calculated as if the previous adjustments had not been recognised.

Receivables

Receivables are measured at amortised cost, applying the internal effective rate of return (effective interest criterion), taking into account the time factor, except for current receivables (due in less than 12 months).

Current financial assets

Shares classified as current assets and mutual investment fund units are recognised at the lower of average purchase cost and market value, which for listed securities is the average price recorded in the last month of the year and for unlisted securities a prudent estimated realisable value.
Furthermore, for listed securities, if the December average is not representative of the market value, the average believed to be more representative is used as a prudent measure.
Bonds classed as current are recognised at the lower of the purchase cost and the realisable value estimated from market trends, for listed securities based on the arithmetic mean of prices recorded in December and for unlisted securities on the estimated realisable value at 31 December, calculated on basis of the current value of securities traded on regulated markets and with similar characteristics. Write-downs in previous years are not maintained if the reasons giving rise to such write-downs should no longer apply.

Financial derivatives

Financial derivatives are recognised and measured at fair value. Changes in fair value are recognised in the income statement, or if the derivative hedges against the risk of changes in the expected cash flows of another financial instrument, directly in a positive or negative reserve in shareholders' equity. This reserve is recorded in the income

statement to the extent and timing corresponding to cash flows occurring or changing from the hedged instrument or if the transaction hedged is performed.
Financial derivatives are used only for hedging purposes, to reduce the risk profile of the assets/liabilities hedged, i.e. to optimise their risk/return profile. Derivative contracts in place at the end of the year are measured in a manner consistent with the assets/liabilities hedged.
The current value of derivative contracts is calculated with the replacement cost method, using prices and rates at the end of the year for the same maturity and comparing these with contractual prices and rates.

Premiums collected or paid for options on securities, shares, currencies or interest rates in place at the end of the year are recognised in items C.III.5) "Financial derivative receivables" and B.3) "Provisions for risks and charges - Financial derivative payables", respectively.
On expiry of the option:

- if exercised, the premium is recorded as an adjustment to the purchase or sale price of the underlying asset;
- otherwise, the premium is recognised under item C) "Financial income and charges".

Income and charges deriving from derivative measurement are recognised in section D. Value adjustments to financial assets and liabilities.

Accruals and deferrals

Accruals and deferrals are calculated on an accrual basis.

Provisions for risks and charges

Provisions for risks and charges are allocated to cover losses or liabilities of certain or probable existence, but for which the amount or contingency date cannot be reliably determined at the end of the year. The measurement of these provisions complies with general prudent and accrual criteria and the amounts allocated reflect the best possible estimate based on available information.

Post-employment benefits

Post-employment benefits reflect the liability accrued to employees at the end of the year, net of amounts devolved to supplementary pension funds and to the INPS Treasury Fund in accordance with current regulations.

Payables

Payables recognised in the financial statements according to the amortised cost criterion, applying the internal effective rate of return (effective interest criterion) and taking into account the time factor. The amortised cost criterion does not apply to current payables (i.e. due in less than 12 months).

Dividends

Dividends are recognised at the moment in which, following a resolution of the Shareholders' Meeting of the investee to distribute profit or possibly reserves, the investor's entitlement to their collection arises.

Recognition of costs and revenues

Revenues and costs are recognised according to prudent and accrual principles.

Income tax for the year

Income tax for the year is calculated according to current tax regulations and recognised among costs for the year. These comprise charges/income for:

- current tax for the year;
- tax from previous years, the amount of which has changed at the initiative of the taxpayer or the Tax Administration, or due to the closure of disputes;
- deferred tax assets and liabilities arising during the year and usable in future years;
- the portion for the year of deferred tax assets and liabilities generated in previous years.

Pursuant to Art. 117 et seq. of Presidential Decree 917/1986 and Ministerial Decree of 9 June 2004, for the years 2015-2016-2017 the Company has chosen the IRES tax consolidation regime, with 37 companies, among which UnipolSai, taking part as consolidated companies in 2016. Unipol has signed an agreement with these companies regulating the financial and procedural aspects governing the regime in question, recognising in its financial position the effects of the transfer of the IRES taxable income of the consolidated companies, calculated pursuant to the law, keeping into account the applicable consolidation adjustments and the tax credits accrued.

Income tax also includes IRAP for the year, calculated on the basis of estimates believed to be accurate on the basis of the information available at the time of preparation of the financial statements and taking into consideration current tax regulations.
Lastly, in application of Accounting Principle no. 25 of the Italian Accounting Standards Setter, deferred tax assets and liabilities are recognised under Income tax, calculated on the temporary differences (arisen or deducted during the year) between profit (loss) for the year and taxable income, affecting assets and provision for deferred taxes, respectively. Deferred tax assets are recognised only if it is reasonably certain that they will be recovered in future years.
Deferred tax liabilities are calculated on the basis of the tax rates set by current tax regulations and applicable to the future years in which all or part of the temporary differences that produce them are expected to be reabsorbed.
The disclosure pursuant to Art. 2427, par. 1, no. 14 of the Civil Code, together with the statement of reconciliation between theoretical and effective tax charges, is provided in the section "Income Statement - Income tax for the year: current and deferred".

Translation of balances in foreign currencies

Items expressed in foreign currencies are treated in accordance with the principles of multicurrency accounting.
In compliance with Art. 2426, par. 8-*bis* of the Civil Code, property, plant and equipment, intangible assets and financial assets (held as investments) in foreign currencies are recognised at the spot rate at the time of purchase. Other items expressed in a foreign currency are recognised at the year-end rates. All translation differences are recognised in the Income Statement.
Any net unrealised gain after translation is recognised - at the time of the allocation of profit - to a non-distributable reserve until it is actually realised.

Exchange rates used

The main exchange rates used for the translation into euros are as follows:

Currencies	31/12/2016	31/12/2015
US Dollar	1.0541	1.0887
Pound Sterling	0.8562	0.7340
Swiss Franc	1.0739	1.0835
Yen	123.4000	131.0700
Danish Krone	7.4344	7.4626
Czech Republic Koruna	27.0210	27.0230

Exceptions pursuant to Art. 2423, paragraph 5 of the Civil Code

No exceptions pursuant to Art. 2423, paragraph 5 of the Civil Code were applied.

Uncertainty in the use of estimates

The application of certain accounting standards implies significant elements of judgment based on estimates and assumptions which are uncertain at the time they are formulated.
As regards the 2016 financial statements, it is believed that the assumptions made are appropriate and, therefore, that the financial statements have been drafted clearly and give a true and fair view of the statement of financial position, income statement and statement of cash flows. The relevant paragraphs of the Notes to the Financial Statements provide full details of the reasons underlying the decisions made and the measurements performed. In order to formulate reliable estimates and assumptions, reference has been made to past experience, and to other factors considered reasonable for the case in question, based on all available information.

However, we cannot exclude that changes in these estimates and assumptions may have a significant effect on the statement of financial position and income statement as well as on the potential assets and liabilities reported in the financial statements for disclosure purposes, if different elements emerge with respect to those considered originally.

In particular, a greater use of subjective assessments by company management is required in the following cases:

- calculation of impairment losses on equity investments;
- calculation of the current value of financial assets and liabilities where this cannot be directly observed on active markets. In this case, the subjective elements lie in the choice of measurement models or input parameters that cannot be directly observed on the market;

- definition of parameters used in the analytical assessment of securities investments to verify any impairment. In particular, reference is made to the choice of measurement models and the main assumptions and parameters used;
- assessment of the recoverability of deferred tax assets;
- quantification of provisions for risks and charges where there is uncertainty about the amount required and the contingency periods.

In such cases an explanation is provided with the aim of providing investors with a better understanding of the main causes of uncertainty, but in no way is meant to suggest that alternative assumptions might be appropriate or more valid. In addition, the financial statements measurements are made on the basis of going concern assumptions, as no risks have been identified that could compromise orderly business operations.

Information on the Statement of Financial Position and Income Statement

The items in the Statement of Financial Position and the changes in corresponding balances with respect to the previous year are given below, with additional information as required by current regulations.

Statement of Financial Position - Assets

B. Fixed assets

B) I – Intangible assets

Intangible assets totalled €4,685k at 31 December 2016, down by €1,433k compared to the previous year's balance, almost exclusively due to amortisation for the year.
The intangible asset items are:

- Concessions, licences, trademarks and similar rights for €3,843k (€4,564k at 31/12/2015), referring to software user licences and accessory costs for related customisation;
- Fixed assets in progress and payments on account for €20k (€57k at 31/12/2015), referring to expense incurred during the year for the extension of an IT consulting contract for the creation of the Unipol Group's new web site on the Drupal software platform, not yet producing economic benefits for the company and therefore not yet subject to amortisation;
- Other for €822k (€1,496k at 31/12/2015). The change in the balance is entirely due to amortisation for the year.

The above amounts were recognised as assets with the consent of the Board of Statutory Auditors, where necessary.

B) II – Property, plant and equipment

The item Property, plant and equipment was at 31 December 2016 €1,298k (€1,675k at 31/12/2015) and referred mainly (€1,135k) to furnishings, hardware and works of art (€1,366k at 31/12/2015).

The changes in intangible asset items, property, plant and equipment items and the related accumulated amortisation/depreciation are described in Annexes 4 and 5 to these Notes to the Financial Statements.

B) III – Financial fixed assets

1. Investments

The total value of investments was at 31 December 2016 equal to €6,301,205k, against €5,957,788k at the end of the previous year, with an increase of €343,417k (+5.8%).
Details are provided in the table below:

Amounts in €k

			% holding		
Company	Business activities	Share capital	direct	indirect	Carrying amount
UnipolSai Assicurazioni S.p.A.	Insurance and reinsurance	2,031,456	50.99	15.90	4,527,708
Compagnia Assicuratrice Linear S.p.A.	Insurance and reinsurance	19,300	100.00		70,507
Unipol Investment S.p.A.	Investment holding	5,180	100.00		308,577
Unisalute S.p.A.	Insurance and reinsurance	17,500	98.53		61,613
Arca Vita S.p.A.	Insurance and reinsurance	208,279	63.39		353,739
Unipol Banca S.p.A.	Bank	897,384	57.75	42.25	429,059
Ambra Property S.r.l.	Hotel business	25,100	100.00		56,485
Unipol Finance S.r.l.	Investment holding	5,000	100.00		482,800
UnipolSai Investimenti SGR S.p.A.	SGR	3,914	51.00	49.00	10,710
UnipolSai Servizi Consortili S.c.r.l.	Other	5,200	0.02	99.98	7
Total					**6,301,205**

At 31 December 2016, Unipol also holds 1,000,000 UnipolSai shares, classified among current financial assets, purchased to service the compensation plan based on financial instruments (performance share type) approved by the Shareholders' Meeting of 28 April 2016 for the period 2016-2018. If these shares are also considered, the investment in UnipolSai is 51.03%.
The details of changes in item B.III1) "Investments" are provided in Annex 6 to these Notes to the Financial Statements.

The change in the balance is due to the following transactions carried out in 2016:

- **Unipol Investment S.p.A.** (formerly Linear Life)
  In 2016 payments were made for future capital increases for a total of €305,000k, to provide the company with the funding necessary to purchase 167,200,000 shares of UnipolSai.

- **Unisalute S.p.A.**
  On 26 February 2016, a payment of €25,000k was made for future capital increases, to provide the company with own funds adequate to meet Solvency II prudential requirements.

- **Unipol Finance S.r.l.**
  On 15 February 2016 a payment was made for future capital increases for €50,000k, to provide the company with the funding necessary to purchase 27,200,000 shares of UnipolSai.

- **Unipol Banca S.p.A.**
  Write-down for €36,583k of the investment held in the subsidiary Unipol Banca, as a result of the measurement carried out with an income-based methodology on the basis of the 2017-2021 Impairment Plan prepared by the bank itself.

The following table lists the subsidiaries, indicating the carrying amount and related percentage of shareholders' equity calculated on the basis of the last draft financial statements approved by the subsidiary's Board of Directors.

Amounts in €k

Company	Carrying amount	% holding	Shareholders' equity at 31/12/2016	Portion of shareholders' equity attributable
UnipolSai Assicurazioni S.p.A.	4,527,708	50.99	5,528,469	2,818,966
Compagnia Assicuratrice Linear S.p.A.	70,507	100.00	90,264	90,264
Unipol Investment S.p.A.	308,577	100.00	318,327	318,327
Unisalute S.p.A.	61,613	98.53	140,678	138,610
Arca Vita S.p.A.	353,739	63.39	323,191	204,871
Unipol Banca S.p.A.	429,059	57.75	719,263	415,375
Ambra Property S.r.l.	56,485	100.00	55,106	55,106
Unipol Finance S.r.l.	482,800	100.00	488,185	488,185
UnipolSai Investimenti SGR S.p.A.	10,710	51.00	14,414	7,351
UnipolSai Servizi Consortili S.c.r.l.	7	0.02	36,264	7
Total	**6,301,205**		**7,714,163**	**4,537,063**

Any recognised value of the investment in excess of the corresponding portion of the carrying amount of shareholders' equity, refers to the equity, economic and strategic value of the company together with its future profitability. In particular, we note that:

- for **UnipolSai Assicurazioni**, an SOP (Sum of Parts) methodology was adopted, estimating separately the value assigned to assets in the Non-Life and Life businesses, using:
  - an excess capital version of the Dividend Discount Model (DDM) methodology for UnipolSai Assicurazioni - Non-Life;
  - an Appraisal Value methodology for UnipolSai Assicurazioni - Life;
- for the **other insurance subsidiaries**:
  - if operating in the Non-Life business, the excess capital version of the Dividend Discount Model described above was used;

  - if operating in the Life business, the Appraisal Value methodology was used;

- for the investment in **Unipol Banca**, an income-based methodology was adopted, as in previous years, taking the projected economic and financial figures for the period 2017-2021 as reference for definition of the related profit forecasts, prepared by the bank and approved by its Board of Directors. The outcome of this measurement, taking into account the sensitivity analysis carried out, has shown the need for a €36,583k adjustment to the carrying amount of the investment; at the same time, the provision for risks on investments, allocated on 31 December 2013, was increased by €17,417k against the put and call option contract taken on the 27.49% investment currently held in Unipol Banca shares by UnipolSai, thereby resulting in positioning in the minimum band of the selected measurement range;
- for the investment held in **Ambra Property**, no adjustments were made as the higher carrying amount recognised in the financial statements compared to the corresponding portion of shareholders' equity is attributable to unrealised gains on property assets;
- the investment in **UnipolSai Investimenti SGR** shows a recognised value in excess of the corresponding portion of shareholders' equity, representing goodwill recognised at the time of the acquisition last year of the 51% stake previously held by UnipolSai, on the basis of an assessment by an independent *advisor*.

The value of the investments measured at equity was not provided as the consolidated financial statements are prepared in accordance with IAS/IFRS.

All insurance and banking sector subsidiaries comply with the solvency requirements set by their respective sector regulations.

For further information on the performance of the subsidiaries, reference should be made to the Management Report.

2. Receivables

Receivables recognised as fixed assets were €5,174k, against €5,359k at 31 December 2015. The decrease is mainly due to the repayment of portions of mortgages and loans by the employees.

This item, which consists entirely of "Receivables from others", includes:

- the receivable of €4,444k for the advance to Banca Popolare dell'Emilia Romagna and Banca Popolare di Sondrio on a potential final payment, to be calculated in 2019, in application of the "*earn in/earn out*" contractual clause on the June 2010 purchase of a controlling interest in Arca Vita. The contract envisages a total price adjustment calculated over a ten-year period, settled at the end of each five-year period. The amount of any price adjustment, paid at the end of the first five-year period, will be offset at the end of the second five-year period.
- €634k for collateralised loans;
- €85k for loans granted to employees guaranteed by Life policies;
- €11k for utility guarantee deposits.

The amounts due after 31 December 2017 were equal to €4,973k, of which none due after 31 December 2021.

C. Current assets

C) I – Inventories

There were no inventories at 31 December 2016, compared to inventories of €26k at 31 December 2015, composed of goods held at the CUBO multimedia museum store, management of which was transferred to the subsidiary UnipolSai in 2016.

C) II – Receivables

The balance of this item at 31 December 2016 was €553,642k, with a decrease of €238,141k with respect to 31 December 2015. The breakdown for this item and the comparison with the previous year are shown in the following table:

Amounts in €k

	31/12/2016	31/12/2015
1) Receivables from customers	71	41
2) Receivables from subsidiaries	24,374	169,716
3) Receivables from associates	1	282
4) Receivables from holding companies	2,165	2,238
5 bis) Tax receivables	30,199	128,353
5 ter) Deferred tax assets	496,432	490,601
5 quater) Receivables from others	401	552
Total	**553,642**	**791,783**

The amounts due after 31 December 2017 totalled €293,024k, of which €208,426k after 31 December 2021.

The item "Receivables from subsidiaries", equal to €24,374k (€169,716k at 31/12/2015), includes the chargeback of costs for personnel seconded to Group companies and the commission income for fees charged for the loan guarantee of the subsidiary Unipol Banca and receivables from Group companies adopting the Unipol VAT consolidation. The decrease compared to the previous year is mainly due to the settlement on 5 May 2016 of a twelve-month term loan of €150,000k by the subsidiary Unipol Banca.

The receivable from the holding company Finsoe S.p.A., totalling €2,165k at 31 December 2016, related to IRES reimbursement claims filed with the Tax Authority by Finsoe S.p.A. as consolidating company, for the deduction from 2004-2007 IRES taxable income of 10% of the IRAP payable pursuant to Art. 6 of Decree Law 185 of 29 November 2008.

"Tax receivables" amounted to €30,199k (€128,353k at 31/12/2015), and mainly consisted of:

- €25,104k for tax receivables for IRES balance deriving from the taxable income of the tax consolidation (€122,949k at 31/12/2015), of which €2,737k relating to foreign tax receivables from previous years;
- €1,894k in IRAP tax receivables from previous years (€2,594k at 31/12/2015);
- €1,762k for other tax receivables, mainly relating to taxes paid in previous years on cases in litigation for which successful outcomes resulting in reimbursement are confidently expected.

The balance of the deferred tax assets at 31 December 2016, equal to €496,432k, shows a marked increase of €5,831k with respect to 31 December 2015. The changes during the year are summarised in the following table.

Amounts in €k

Opening balance at 1/1/2016	**490,601**
Increases in the year	10,781
Uses in the year	(4,535)
Other changes	(416)
Closing balance at 31/12/2016	**496,432**

Net tax assets are deemed to be recoverable on the basis of the provisional plans of Group companies, taking into account the effects of the tax consolidation and current regulations both on unlimited carry-forward of tax losses to future years, and the transformation into tax receivables of deferred tax assets in cases of statutory loss and/or tax loss in the presence of amortisation of taxable goodwill.

With regard to the statement of temporary differences which led to the recognition of deferred tax assets and liabilities (Art. 2427, paragraph 1, no. 14 of the Civil Code), reference should be made to Annex 8 to the Notes to the Financial Statements.

The item "Receivables from others" under Current Assets went from €552k at 31 December 2015 to €401k at 31 December 2016.
This item mainly refers to:

- €94k sundry receivables from current and former employees;
- €67k receivables for utility guarantee deposits.

- €27k receivable from the Sicilian Regional Government for regional grants on a mortgage loan settled in previous years.

This item is recognised net of the related write-down provisions.

C) III – Current financial assets

The breakdown of this item, equal to €105,310k at 31 December 2016, is as follows:

Amounts in €k

	31/12/2016	31/12/2015
Investments in subsidiaries	1,518	
Other securities	103,792	315,845
Total	**105,310**	**315,845**

"Investments in subsidiaries" are composed of UnipolSai shares, classified among current financial assets, purchased to service the compensation plan based on financial instruments (performance share type) approved by the Shareholders' Meeting of 28 April 2016 for the period 2016-2018.

"Other securities" refer to:
- listed bonds for €99,963k (€109,862k at 31/12/2015);
- unlisted bonds for €375k (unchanged with respect to 31/12/2015);
- foreign funds for €3,454k (€3,735k at 31/12/2015).

The decrease compared to the previous year is mainly due to the sale of all government securities which at 31 December 2015 amounted to €201,873k.

Details of the shares and securities recognised as current assets are provided in Annex 7 to the Notes to the Financial Statements.

C) IV - Cash and cash equivalents

Cash and cash equivalents, which at 31 December 2016 were €1,064,767k (€875,195k at 31/12/2015), consist almost entirely of bank and post office deposits, equal to €1,064,757k, of which €1,064,741k deposited with the subsidiary Unipol Banca S.p.A. (€875,186 at 31/12/2015, of which €874,586k deposited with the subsidiary Unipol Banca S.p.A.).

D. Accruals and deferrals

The item "Accruals and deferrals" at 31 December 2016 was €771k (€1,567k at 31/12/2015), and consisted of the following:

Amounts in €k

	31/12/2016	31/12/2015
Accruals	468	1,017
Deferrals	303	550
Total	**771**	**1,567**

The accruals related entirely to interest on securities.

Statement of Financial Position - Liabilities

A. Shareholders' equity

Movements in shareholders' equity recognised during the year with respect to the previous year are set out in the attached Statement of Changes in Shareholders' Equity (Annex 2).

A statement of use and availability of equity reserves has also been prepared, as required by Art. 2427, par. 1, letter 7-*bis* of the Civil Code (Annex 3).

The share capital and equity reserves at 31 December 2016 (excluding the result for the year) were €5,315,603k (€5,194,380k at 31/12/2015). The increase of €121,223k in the balance was due to the following effects:

- allocation of 2015 profit for the year, net of the amount distributed to shareholders, for €37,493k to reserves, and €78,013k to reduce the losses carried forward resulting from the retrospective application of the new accounting standards;
- reduction of the negative reserve for treasury shares in portfolio for €5,717k following assignment to those entitled as part of the Long Term Incentive (LTI) Plans based on performance share type financial instruments (€7,248k), net of purchases of shares to service the new 2016-2018 plan for €1,531k.

At 31 December 2016 the share capital was €3,365,292k (unchanged with respect to 31/12/2015), subscribed and fully paid-up, and consisted of 717,473,508 shares, all ordinary shares.

The breakdown of equity reserves, €1,950,311k at 31 December 2016, is provided in the following table together with the previous year's values:

Amounts in €k

		31/12/2016	31/12/2015
A.II	Share premium reserve	1,410,009	1,410,009
A.III	Revaluation reserve pursuant to Law 413/91	20,701	20,701
A.IV	Legal reserve	545,677	529,127
A.VI	Extraordinary reserve	120,375	97,902
	Provision for purchase of treasury shares	98,469	100,000
	Provision for purchase of holding company shares	45,000	45,000
	Share swap reserve	18,315	18,315
A.VIII	Retained profit (loss)	(292,744)	(370,757)
A.X	Negative reserve for treasury shares	(15,493)	(21,210)
		1,950,311	**1,829,088**

B. Provisions for risks and charges

The following table summarises the changes during the year in "Provisions for risks and charges", which at 31 December 2016 was equal to €737,246k, (€693,643k at 31/12/2015).

Amounts in €k

		Increases	Decreases		
	31/12/2015	Provisions	Uses	Other	31/12/2016
3) Financial derivative liabilities					
Option on Unipol Banca shares	109,916	17,417			127,333
Option on Finsoe shares	12,891	2,754			15,645
4) Other					
Provision for sundry risks and charges	568,854	30,901	(7,004)	(272)	592,478
Employee leaving provision	192		(192)		
Provision for taxes from previous years	1,790				1,790
	693,643	**51,072**	**(7,196)**	**(272)**	**737,246**

"Financial derivative payables" include:

- provisions due in connection with the option contract outstanding on the 246,726,761 Unipol Banca shares held by UnipolSai as a result of the valuation carried out on the investment (€127,333k);
- provisions allocated against losses from financial derivative measurement (one call option and one put option) with underlying shares of the holding company Finsoe S.p.A. (€15,645k);

Allocations to the "Provision for sundry risks and charges" were almost entirely in connection with the contract of indemnity for credits with the subsidiary Unipol Banca S.p.A. against which, following specific analytical assessment of the risks undertaken, the recoverability of the receivables and the suitability of collateral used to safeguard them, a provision of €30,000k was made in 2016 (€100,000k in 2015).

The "Provision for taxes from previous years", unchanged with respect to the previous year, represents the provision made for the dispute of the former Aurora Assicurazioni for the 2007 tax year.

Relations with the Tax Authorities

The IRES and IRAP dispute is still pending for the 2005 and 2007 tax periods of the former Aurora Assicurazioni, merged by incorporation into Unipol in 2007, pertaining mostly to findings relating to specific insurance provisions. For the dispute concerning the years 2005 and 2006, a court hearing will be scheduled at the Supreme Cassation Court, while for the dispute concerning 2007, a hearing will be scheduled by the Regional Tax Commission as a result of the appeal of the Tax Authorities against the ruling in favour of the Company issued by the Provincial Tax Commission. The provisions made at 31 December 2016 are believed to be adequate against the risks arising from these disputes.

C. Post-employment benefits

The balance of post-employment benefits at 31 December 2016, equal to €36k, decreased with respect to the previous year by €194k, mainly as a result of the transfer of staff to other companies of the Group.
The breakdown of the changes over the year is provided in the following table:

Amounts in €k

Balance at 1/1/2016		**230**
Increases in the year		
	Provisions in the year	575
Decrases in the year		
	Transfer of personnel among Group companies	(194)
	Transfer to pension fund	(388)
	Transfers to INPS treasury fund	(134)
	Settlements in the year	(1)
	Other decreases	(53)
Closing balance at 31/12/2016		**36**

D. Payables

The balance of Payables at 31 December 2016 was equal to €1,937,877k (€1,977,310k at 31/12/2015). The breakdown and related comparison with the previous year are provided in the following table:

Amounts in €k

	31/12/2016	31/12/2015
Bonds	1,608,577	1,599,433
Payables to shareholders	15	15
Payables to other lenders	515	515
Trade payables	3,887	4,258
Payables to subsidiaries	312,214	361,075
Payables to associates	0.5	0.3
Tax payables	1,042	1,672
Social security charges payable	687	817
Other payables	10,940	9,524
Total	**1,937,877**	**1,977,310**

All payables are due within 12 months, except "Bonds", the conditions of which are summarised below.

The item "Bonds" was €1,608,577k (€1,599,433k at 31/12/2015), and consists of the following:

- for a total of €313,113k (€312,539k at 31/12/2015) on the *senior* bond loan (nominal value of €298,647k), listed on the Luxembourg Stock Exchange, with a seven-year duration (January 2017 maturity) and 5% fixed interest rate;
- for a total of €315,954k (€312,840k at 31/12/2015) on the *senior* bond loan (nominal value of €317,352k), listed on the Luxembourg Stock Exchange, with a seven-year duration (March 2021 maturity) and 4.375% fixed interest rate;
- for a total of €979,509k (€974,054k at 31/12/2015) on the *senior* bond loan (nominal value of €1,000,000k), listed on the Luxembourg Stock Exchange, with a ten-year duration (March 2025 maturity) and 3% fixed interest rate.

The issues described above were implemented as part of the *Euro Medium Term Notes (EMTN Programme*), with a maximum total nominal amount of €2bn, established in December 2009.
Total interest payments for the year were €58,914k (€55,122k at 31/12/2015).

At 31 December 2016 the item "Payables to shareholders" was €15k (unchanged compared to 31/12/2015) and consists of dividends to shareholders approved in previous years but not yet paid.

The item "Trade payables" went from €4,258k at 31 December 2015 to €3,887k at 31 December 2016.

The balance of the item "Payables to subsidiaries" was €312,214k at 31 December 2016 (€361,075k at 31/12/2015), and consisted mainly of:

- €267,836k (€267,858k at 31/12/2015), for two outstanding loans with the subsidiary UnipolSai Assicurazioni S.p.A. granted at the time it took over the role of issuer of the bond loans originally issued by Unipol. The loans, repayable on demand either in full or in part at the request of UnipolSai Assicurazioni S.p.A. and in any event at least three days before the repayment date of the aforementioned bond loans, bear interest at the 3M Euribor rate plus 100 b.p. spread. In 2016 interest expense of €2,066k accrued;
- €44,157k due to subsidiaries for the current tax consolidation;
- €221k due to subsidiaries for the Group VAT settlement.

The balance of "Tax payables" was € 1,042k at 31 December 2016, with a €630k decrease with respect to the previous year, mainly resulting from the Group VAT return which showed a balance in credit at the end of 2016.

The balance of the "Social security charges payable" was €687k at 31 December 2016 (€817k at 31/12/2015). This item represents outstanding payments due at the end of the year to welfare institutions for contributions payable by the Company and borne by employees on December salaries.

The balance of the "Other payables" at 31 December 2016 was €10,940k, up with respect to the previous year by €1,416k. The balance mainly refers to:

- €9,961k for estimated liabilities for employee salary incentives (€7,325k at 31/12/2015);
- €649k due to employees for leave not taken (€1,369k at 31/12/2015).

Guarantees, commitments and other contingent liabilities

The guarantees, commitments and other contingent liabilities, not recorded in the Statement of Financial Position, are illustrated (at their contractual value) in the following table:

Amounts in €k

	31/12/2016	31/12/2015
Guarantees		
Sureties to subsidiaries	14,181	32,729
Sureties and endorsements given in the interest of third parties	8	
Other personal guarantees given in the interest of subsidiaries	791,425	1,393,281
Collateral received from third parties	105	221
Guarantees given by third parties in the interest of the company	1,666	1,666
Guarantees given by subsidiaries in the interest of the company	15	45
Total	**807,399**	**1,427,941**
Commitments		
Other commitments	736,590	726,369
Total	**736,590**	**726,369**
TOTAL GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES	**1,543,990**	**2,154,310**

"Other personal guarantees given in the interest of subsidiaries" include:

- guarantees given for the subsidiary UnipolSai Assicurazioni S.p.A. in connection with the subordinated bond loans originally issued by Unipol, which UnipolSai Assicurazioni S.p.A. took over as issuer in 2009: UGF 7% 2021 maturity (for €300,000k) and UGF 5.66% 2023 maturity (for €261,689k);
- guarantees on the receivables of the subsidiary Unipol Banca S.p.A. for €232,286k for the outstanding indemnity agreement. This amount equals the difference between the total receivables guaranteed, for €820,413k, and the provision for other risks and charges recognised in the specific item of the financial statements for €590,677k.

The item "Other commitments" refers to:

- €16,092k, for the sale contract of a put option on 30,646,000 shares of the holding company Finsoe S.p.A. The commitment recognised at 31 December 2016 is net of the capital loss identified on the put option at the end of the year, equal to €2,754k;
- €331,627k, for the sale contract of a put option on 246,726,761 shares of Unipol Banca held by UnipolSai Assicurazioni, to be exercised by 6 January 2019;
- €350,473k, for the call options related to the put options described above, of which €331,627k for the call option on 246,726,761 shares of the subsidiary Unipol Banca and €18,846k for the call option on Finsoe S.p.A. shares;
- €38,297k, for assets pledged against the option with underlying shares of the holding company Finsoe. The assets pledged are bonds issued by Banca Popolare di Verona e Novara maturing 15 November 2012 and with an interest rate of 1.65%, delivered to the counterparty to the JP Morgan option contract.

Information on financial derivatives

In compliance with the guidelines established by resolution of the Company's Board of Directors on 6 October 2016, financial derivative transactions during the year were performed solely to achieve two objectives: reduce investment risk (hedging) or achieve effective management of the portfolio, excluding therefore purely speculative purposes.
These aims were achieved through the specific derivatives listed in the Board of Directors resolution and involved securities held in portfolio at the time of conclusion of the related contract and for its entire duration.
All transactions were performed with banking counterparties or similar.

The derivative positions open at the end of the year are described below.

A. Derivative contracts involving forward equity swaps

The value recognised is the settlement price of the contracts. For transactions in foreign currencies the agreed forward rate was applied:

Amounts in €k

Transaction description	No. of transactions	Notional value at 31/12/2016
Purchase of call options	2	350,473
Sale of put options	2	347,720

The amounts indicated in the table refer to the following contracts:

- a call option purchase agreement on 30,646,000 shares of the holding company Finsoe S.p.A., corresponding to 1% of the share capital, associated with a put option sale agreement with the same characteristics and notional value. In July 2015 these agreements were renewed until January 2017. At 31 December 2016 an unrealised loss equal to €2,754k was recognised on the put option contract;
- put option contract on 246,726,761 Unipol Banca S.p.A. shares held by UnipolSai, with January 2019 maturity, at a price equal to the carrying amount of that investment at the time of signing the contract (i.e. €331,627k), with a corresponding call option on the same investment, with the same price but exercisable by Unipol at any time until maturity (January 2019).

Pursuant to Art. 2427-*bis*, par. 1 of the Civil Code, note that the fair value of the put and call option on Finsoe shares at 31 December 2016 was negative for €15,645k, and that of the option on Unipol Banca was negative for €127,333k.

B. Derivative contracts not involving forward equity swaps

At 31 December 2016 the Company did not hold contracts of this type.

Income Statement

The Income Statement is structured in accordance with the provisions of Art. 2425 of the Civil Code. Costs and revenues are recognised separately without netting.

A. Value of production

The total value of production at 31 December 2016 was €44,346k, against €54,970k at 31 December 2015.

A.5 Other revenue and income

"Other revenue and income" fell from €54,969k at 31 December 2015 to €44,346k at 31 December 2016.
The items included in the balance referred mainly to:

- commission income on the credit indemnity agreement of the subsidiary Unipol Banca S.p.A., for €25,977k (€26,682k at 31/12/2015);
- recovery of costs for services of Unipol personnel seconded to Group companies, for €15,246k (€19,406k at 31/12/2015);
- remuneration charged back to the Company for Director duties performed by executives at other companies, for €2,130k (€3,166k at 31/12/2015).

At 31 December 2015 there had also been extraordinary revenues for €4,417k relating to the reversal of social security expenses not due, recognised in previous years on provisions for performance share type share-based payment policies.
At 31 December 2016 there were €571k in extraordinary gains, relating mainly to the surplus of provisions for legal actions and disputes with employees concluded during the year.

B. Costs of production

The total value of the costs of production at 31 December 2016 was €77,733k against €185,897k at 31/12/2015.

B.6 Raw materials, consumables and goods for resale

The item, equal to €93k (€288k at 31/12/2015) consists of purchase costs of printed materials and stationery for the offices.

B.7 Costs for services

The item was equal to €16,018k at 31 December 2016 (€22,543k at 31/12/2015), broken down as follows:

Amounts in €k

	31/12/2016	31/12/2015
Costs for IT services	41	136
Technical, legal and administrative consulting	2,673	6,018
Electricity, heating and cleaning	379	1,087
Corporate bodies	3,429	3,077
Seconded personnel services	309	499
Post and telephone	229	213
Other overheads	322	438
Corporate and Shareholders' Meeting costs	344	469
Advertising	1,467	3,770
Software maintenance, repairs and upgrades	206	246
Fees for auditing and other certification services	323	264
Conventions, meetings and corporate events	25	216
Subsidiary services	6,272	6,108
Total	**16,018**	**22,543**

The decrease in costs for services is mainly due to the reduction last year in costs for non-IT consulting and to costs for advertising and sponsorships.

B.8 Costs for use of third party assets

The item, equal to €892k at 31 December 2016 (€2,197k at 31/12/2015), mainly refers to rents due on properties used by the Company (€488k at 31 December 2016). The item also includes €246k for car rental contracts of cars allocated to executives.

B.9 Personnel costs

Personnel costs at 31 December 2016 amounted to€25,690k, against €16,300k in the previous year. The increase compared to the previous year related to the sub-item "wages and salaries" and is attributable to the recalculation of charges and estimated recoveries on the share-based payment plans for executives seconded to other companies, as seen in the table below.

Amounts in €k

	2016	2015
Fixed remuneration	7,770	14,361
Variable remuneration	7,479	6,731
LTI provision adjustment on seconded personnel, contigent on future profits		(13,801)
Shares attributed for the year to seconded personnel and recharged to the posting Company (*)	5,190	
Total cost for salaries and wages	**20,440**	**7,291**

(*) the item A.5 Other Income contains an income of an equal amount

The company workforce went from 82 at 31 December 2015 to 19 at 31 December 2016, with changes as follows:

	31/12/2015	Recruitments	Terminations	Transfers to Group companies	31/12/2016
Admin. personnel - Permanent	82			(63)	19
Total	**82**			**(63)**	**19**

The average workforce is specified below:

	2016	2015
Executives	18	45
Employees	1	38
Total	**19**	**83**

B.10 Amortisation, depreciation and write-downs

The balance of this item, which at 31 December 2016 was €1,927k (€37,848k at 31/12/2015), can be broken down as follows:

- amortisation of intangible assets for €1,537k;
- depreciation of property, plant and equipment for €390k.

The decrease compared to the previous year is due mainly to the amortisation at 31 December 2015 of start-up and expansion costs relating to the costs of the 2012 capital increase (€35,880k).

Details of changes in intangible assets and property, plant and equipment are provided in Annexes 4 and 5 to these Notes.

B.12 Provisions for risks

The item, equal to €30,901k at 31 December 2016 (€100,515k at 31/12/2015), referred almost entirely to the provision for risks associated with the credit indemnity agreement in favour of the subsidiary Unipol Banca S.p.A. (€30,000k compared to €100,000k at 31/12/2015).

B.14 Sundry operating expenses

The item amounted to €2,212k at 31 December 2016 (€6,207k at 31/12/2015) and refers mainly to:

- contributions paid to supervisory authorities and other associations, for €1,004k (€3,258k at 31/12/2015);
- donations for €514k (€1,100k at 31/12/2015);
- corporate and shareholders' meeting costs for €355k (€687k at 31/12/2015).

C. Financial income and charges

C.15 Gains on investments

The item amounted to €298,730k at 31 December 2016 (€375,927k at 31/12/2015) and consists almost entirely (€296,825k of dividends collected during the year from the subsidiaries UnipolSai, Unisalute, Arca Vita and Unipol Finance (€375,927k at 31/12/2015).

C.16 Other financial income

The composition of this item, with a total amount equal to €10,175k (€9,420k at 31/12/2015), is summarised in the following table:

Amounts in €k

	31/12/2016	31/12/2015
A) Receivables recognised under fixed assets		
4. Others	2	9
Total	**2**	**9**
C) Securities recognised under current assets	**8,256**	**7,914**
D) Other income		
1. Subsidiaries	99	824
4. Others	549	674
Total	**647**	**1,498**
TOTAL	**10,175**	**9,420**

Other income from receivables recognised under fixed assets refers entirely to interest on mortgages and loans granted to employees.

Income from securities recognised under current assets, equal to €8,256k, includes mainly interest on bonds for €3,162k (€4,292k at 31/12/2015) and capital gains on bond trading for €4,737k (€3,187k at 31/12/2015).

Other income, equal to €647k, mainly referred to:

- interest income on the current accounts open at the subsidiary Unipol Banca S.p.A. for €99k (€304k at 31/12/2015);
- unrealised gains on the valuation of liabilities to employees for performance share type long-term incentives for €539k (none at 31/12/2015).

C.17 Interest and other financial charges - C.17.bis Exchange gains (losses)

Interest and other financial charges for €81,941k were recognised at 31 December 2016 (€80,878k at 31/12/2015); the item Exchange gains (losses) was positive for €240k (positive for €56k at 31/12/2015).

Amounts in €k

	31/12/2016	31/12/2015
Interest and other financial charges:		
a. Subsidiaries	(2,180)	(2,859)
d. Others	(79,761)	(78,019)
Total	**(81,941)**	**(80,878)**
Exchange gains (losses)	240	56
TOTAL	**(81,701)**	**(80,822)**

"Interest and financial charges due to subsidiaries", equal to €2,180k (€2,859k at 31/12/2015), includes interest, commissions and charges due to Group banks and companies. The item mainly refers to interest expense on the loan in place with UnipolSai which at 31 December 2016 was €2,066k (€2,744k at 31/12/2015).

"Interest and financial charges due to others", equal to €79,761k (€78,019k at 31/12/2015), mainly includes:

- interest expense on the three bond loans for €58,914k (€55,122k at 31/12/2015);
- charges arising from the issue of the three bond loans for €9,046k (€8,302k at 31/12/2015);
- losses on share and bond trading for €10,852k (€427k at 31/12/2015).

D. Value adjustments to financial assets

At 31 December 2016 the item had a negative balance for €55,590k (negative for €71,345k at 31/12/2015). The negative balance at the end of 2016 was affected by the write-down on the investment in the subsidiary Unipol Banca S.p.A. (€36,582k).

In addition to this write-down, at 31 December 2016 the item included:

- write-backs of bonds recognised under current assets for €1,222k (€217k at 31/12/2015);
- unrealised losses on securities recognised under current assets for €58k (€658k at 31/12/2015);
- losses on financial derivatives for €20,171k (€25,133k at 31/12/2015), of which €2,754k relating to the write-down of derivative contracts with underlying shares of the holding company Finsoe S.p.A. and €17,417k as the allocation to the provision for risks on options against the measurement of the Unipol Banca S.p.A. investment (€14,837k at 31/12/2015).

Income tax for the year: current and deferred

Taxes for the year were equal to €21,658k (income of €141,260k at 31/12/2015) corresponding to the valuation of the tax loss for €15,656k, taxes relating to previous years for €244k and the net balance of deferred tax assets and liabilities for €6,247k, as shown in the following table:

Amounts in €k

	IRES	Total 2016	IRES	Total 2015
Current taxes	**15,656**	**15,656**	**30,144**	**30,144**
Taxespertaining to prior years	**(244)**	**(244)**	**172**	**172**
Deferred tax assets and liabilities:				
- use of deferred tax assets	(4,535)	(4,535)	(14,569)	(14,569)
- recognition of deferred tax assets	10,781	10,781	30,122	30,122
- re-alignment rates			95,392	95,392
Balance of deferred tax assets/liabilities	**6,247**	**6,247**	**110,944**	**110,944**
Total	**21,658**	**21,658**	**141,260**	**141,260**

No income or charges were recognised for IRAP tax, since the taxable income for IRAP purposes was negative and regulations do not allow IRAP losses to be carried forward.

The statement of reconciliation between theoretical and effective IRES tax charges is provided below.

Amounts in €k

	2016		2015	
Pre-tax profit (loss)		**138,227**		**102,253**
Taxespertaining to prior years		(244)		172
Theoretical IRES - Income/(Expenses)		(37,945)		(28,167)
Tax effect deriving from taxable income permanent changes				
Increases:		(18,205)		(24,234)
- Derivatives - write-downs	(757)		(6,202)	
- Provisions for tax liabilities	(4,790)		(4,080)	
- Interest expense	(770)		(735)	
- PEX investments - write-downs	(10,060)		(12,587)	
- Other changes	(1,828)		(630)	
Decreases:		78,053		98,269
- Dividends excluded	78,000		98,211	
- Other changes	53		58	
IRES pertaining to the year - Income/(Expenses)		**21,902**		**45,868**
Adjustment to deferred tax assets (IRES) - 24%				**95,392**
Profit (loss) after taxes		**159,885**		**243,513**

With regard to the statement of temporary differences which led to the recognition of deferred tax assets and liabilities (Art. 2427, paragraph 1, no. 14 of the Civil Code), reference should be made to Annex 8 to the Notes to the Financial Statements.

Other information

Consolidated Financial Statements

Unipol Gruppo Finanziario, Parent of the Unipol Insurance Group (registered in the Insurance Groups Register with reg. no. 046), prepares the Consolidated Financial Statements in accordance with Art. 154-*ter* of Legislative Decree 58/1998 (Consolidated Law on Finance) and of ISVAP Regulation no. 7 of 13 July 2007, as amended. They conform to the IAS/IFRS standards issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of Regulation (EC) no. 1606/2002 in force on the closing date of the financial statements. A copy of the Consolidated Financial Statements at 31 December 2016 is available from the company's registered office and on the web site (www.unipol.it).

The layout, given the company's status as an insurance holding company pursuant to Art. 1, paragraph 1, letter aa) of Legislative Decree 209/2005 (Insurance Code), conforms to the provisions of ISVAP Regulation 7 of 13 July 2007, Part III as amended, relating to the layout of the consolidated financial statements of insurance and reinsurance companies that must adopt IFRS.

Unipol Gruppo Finanziario S.p.A. is an investee of the mixed financial holding company Finsoe S.p.A., an unlisted company head of the Unipol financial conglomerate, that holds 31.404% of the Unipol Gruppo Finanziario share capital. This represents a de facto controlling interest pursuant to Art. 2359, paragraph 1.2 of the Civil Code. Finsoe does not exercise powers of management or coordination, either technical or financial, in relation to Unipol Gruppo Finanziario.
Finsoe, with registered office at Piazza Costituzione 2/2, Bologna, prepares the Consolidated Financial Statements pursuant to ISVAP Regulation 7 of 13 July 2007, and subsequent amendments, in compliance with IAS/IFRS international accounting standards issued by IASB and approved by the EU. A copy of the Consolidated Financial Statements at 31 December 2016 is available from the company's registered office.

Fees for legally-required audit and non-audit services

Pursuant to Art.149-*duodecies* of the Consob Issuer's Regulation, the following table shows the fees paid by the Unipol Group to the independent auditors, or a member of their network, for the provision of auditing and other services, by type or category.

Amounts in €k

Type of services	Provider of the service	Recipient	Fees (*)
Legally-required audit	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	187
Other professional services	PricewaterhouseCoopers S.p.A.	Unipol S.p.A.	28
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Unipol S.p.A.	97
Total Unipol Gruppo Finanziario			**313**
Legally-required audit	PricewaterhouseCoopers S.p.A.	Subsidiaries	3,188
Legally-required audit	PricewaterhouseCoopers Dublin	Subsidiaries	189
Legally-required audit	PricewaterhouseCoopers d.o.o.	Subsidiaries	77
Attestation services	PricewaterhouseCoopers S.p.A.	Subsidiaries	549
Other professional services	PricewaterhouseCoopers S.p.A.	Subsidiaries	352
Other services: tax services	TLS Professional Association of Lawyers and Accountants	Subsidiaries	180
Other professional services	PricewaterhouseCoopers Advisory S.p.A.	Subsidiaries	189
Total subsidiaries			**4,723**
Grand total			**5,036**

(*) Fees do not include non-deductible VAT, if any, and recharged expenses

Transactions with related parties

Indemnity agreement on Unipol Banca S.p.A. receivables

A credit indemnity agreement is in place with the subsidiary Unipol Banca S.p.A., signed in August 2011, in regard to specific credit categories, mainly mortgages. At 31 December 2016, the indemnity applied to credits for a total of €820,413k. At the end of the year, the indemnity applied to 73 positions.
Against the commitments undertaken, in 2016 Unipol collected from Unipol Banca S.p.A. commissions for €25,977k and allocated €30,000k to the provision for risks and charges, thereby bringing the total provision to €590,677k, net of €6,279k already paid to Unipol Banca S.p.A. in 2016 as indemnity on certain positions.

Tax consolidation for the three-year period 2015-2017

Starting from 2015 and for the three year period 2015-2017, a single tax consolidation was established with the consolidating company Unipol and all the companies belonging to the Unipol Group in their capacity as consolidated companies.

UnipolSai Assicurazioni S.p.A. loans payable

Two loan agreements are in place, arranged in 2009, for €267,785k (unchanged with respect to the previous year). Interest paid to UnipolSai Assicurazioni S.p.A. in 2016 was equal to €2,066k.

In addition to the information provided in previous paragraphs of these Notes to the Financial Statements, the breakdown of assets, liabilities, costs and revenues involving related parties is provided below:

Amounts in €k

	Holding company	Subsidiaries	Associates	Total	% impact			
Fixed shares and holdings		6,301,205		6,301,205	77.3	(1)	1,402.6	(3)
Other receivables	2,165	24,374	1	26,539	0.3	(1)	5.9	(3)
Bank deposits		1,064,741		1,064,741	13.1	(1)	237.0	(3)
Azioni e quote circolanti		1,518		1,518	0.0	(1)	0.3	(3)
TOTAL ASSETS	**2,165**	**7,391,837**	**1**	**7,392,484**	**90.7**	**(1)**	**1,645.5**	**(3)**
Sundry payables		312,214	1	312,215	3.8	(1)	69.5	(3)
TOTAL LIABILITIES		**312,214**	**1**	**312,215**	**3.8**	**(1)**	**69.5**	**(3)**
Income from land and buildings		70		70	0.0	(2)	0.0	(3)
Dividends and other income from shares and holdings		296,825		296,825	3.6	(2)	66.1	(3)
Other financial income		99		99	0.0	(2)	0.0	(3)
Other revenue and income	13	43,112	1	43,126	0.5	(2)	9.6	(3)
TOTAL INCOME	**13**	**340,106**	**1**	**340,120**	**4.2**	**(2)**	**75.7**	**(3)**
Interest and financial charges		2,180		2,180	0.0	(2)	0.5	(3)
Costs for services	268	7,149		7,417	0.1	(2)	1.7	(3)
Costs for use of third party assets		508		508	0.0	(2)	0.1	(3)
Sundry operating expenses		3		3	0.0	(2)	0.0	(3)
TOTAL EXPENSES	**268**	**9,840**		**10,108**	**0.1**	**(2)**	**2.3**	**(3)**

(1) Percentage of total assets in the statement of financial position
(2) Percentage of pre-tax profit (loss)
(3) Percentage of total sources of funds in the statement of cash flows

Remuneration paid to members of the Administration and Control Bodies, the General Manager and Key Managers

Remuneration for 2016 due to Directors, Statutory Auditors and Key Managers of the Parent, for carrying out their duties in Unipol and in other consolidated companies, was €15,978k, with breakdown as follows:

Amounts in €k

Directors and General Manager	7,644
Statutory Auditors	431
Other Key Managers	7903 (*)

(*) mainly includes compensation of employees.

The remuneration of the General Manager and the other Key Managers relating to benefits granted under the capital participation plans (*Performance Shares*), is duly represented in the Remuneration Report, prepared according to Art. 123-*ter* of the Consolidated Law on Finance and made available, pursuant to current regulations, on the Company website.

In 2016 the Group companies paid Unipol the sum of €1,764k as remuneration for the activities carried out by the Chairman, the Chief Executive Officer, the General Manager and the Key Managers of those companies.

Non-recurring significant transactions during the year

No non-recurring significant transactions were carried out in the year ending 31 December 2016.

Atypical and/or unusual transactions during the year

No atypical and/or unusual transactions were carried out in the year ending 31 December 2016.

Significant events after the reporting period

Repayment of the Senior Bond Loan 5% 2017 issued by Unipol

On 11 January 2017, Unipol Gruppo Finanziario carried out the repayment, based on maturity, of the Senior Unsecured Bond Loan listed on the Luxembourg Stock Exchange, issued in December 2009, for €298.6m. At the same time, loan-related interest was also paid for €14.9m.

UnipolSai Assicurazioni included in FTSE4Good – A recognition of its environmental, social and governance practices

On 30 January 2017, FTSE Russell (a partnership brand of FTSE International Limited and Frank Russell Company) confirmed that UnipolSai Assicurazioni satisfies the requirements to be included in the FTSE4Good Index Series.
This index measures the performance of companies that apply rigorous environmental, social and governance (ESG) practices and, therefore, their conduct in areas such as the fight against climate change, governance, respect for human rights and the fight against corruption.
The UnipolSai security obtained an absolute score of 3.4 out of 5. This milestone was achieved thanks to constant monitoring of all activities and sustainability results, which represent an important element of credibility and transparency in the dialogue with our stakeholders.
A company's presence within the sustainability indexes is of increasing interest in the assessments of investors which ever more frequently consider non-financial parameters in their portfolio decisions, as sustainable businesses are considered less risky in the medium/long term.

New partnership between UnipolSai Assicurazioni and Ducati Corse for the MotoGP World Championship

On 20 January 2017, UnipolSai Assicurazioni announced a new partnership, in which it is the official sponsor of Ducati Corse for the MotoGP World Championship 2017, that will take off on 26 March at the Losail circuit in Qatar.
In its partnership with the Borgo Panigale (Bologna) team, the UnipolSai brand will be present on the tail of the Desmosedici GP of the Spanish multi-time world champion Jorge Lorenzo and the Italian Andrea Dovizioso, on the racers' uniforms, on the helmet and on other Ducati Corse materials inside the paddock for each of the 18 races on the schedule and for the official tests.

Proposals to the Ordinary Shareholders' Meeting

Dear Shareholders,

We submit the following resolution proposal for your approval:

"The Ordinary Shareholders' Meeting of Unipol Gruppo Finanziario S.p.A. (the "Company"),

- having examined the draft financial statements at 31 December 2016;
- having examined the results of said draft financial statements, which:

  i) reflects the effects of the retroactive application of the change to the accounting standards with regard to the accounting of dividends from subsidiaries and treasury shares, consequently to Legislative Decree 139/2015 coming into force (which adopted the so-called Accounting Directive) and the issue of the new accounting standards by the OIC (Italian Accounting Standards Setter); these affects namely imply (a) the adjustment of the opening balances at 1 January 2016 for a total value of retained losses of €292,743,600.36 allocated to the item "Retained Losses" under shareholders' equity and (b) the recognition of the "Negative reserve for treasury shares in the portfolio", equal to €21,210,132.91 at 1 January 2016, as a direct decrease in shareholders' equity; and

  ii) close with a profit for the year of €159,885,368.66;
- having read the Management Report at 31 December 2016 prepared by the Board of Directors;
- having accepted the Board of Statutory Auditors report and the report prepared by the Independent Auditors, PricewaterhouseCoopers S.p.A.;
- having acknowledged that at today's date, the Company holds 4,760,207 ordinary treasury shares,

hereby resolves

- to approve the financial statements of Unipol Gruppo Finanziario at 31 December 2016, accompanied by the Management Report and recording profit for the year of €159,885,368.66;
- to approve the proposed allocation of profit for the year as recorded in the financial statements of Unipol Gruppo Finanziario at 31 December 2016, in compliance with Art. 19 of the By-Laws, as follows:
  - to the Legal Reserve €15,988,536.87;
  - to the Extraordinary Reserve €15,608,437.61;
  - the remainder of the profit, equal to 80.24% of the total, as a dividend for the 712,713,301 ordinary shares outstanding, for a total of €128,288,394.18 (€0.18 per share);
- to approve, as a result, the distribution of a unit dividend, also in consideration of the redistribution of the dividend pertaining to treasury shares, equal to €0.18 for each entitled ordinary share, for a total of €128,288,394.18, also with warning that the possible increase in the number of treasury shares in the portfolio of the Company at the time of the distribution will have no incidence on the amount of the unit dividend as established above, but will increase the amount allocated to Extraordinary Reserve;
- to provide for the full coverage of the above-mentioned retained losses of €292,743,600.36, for the entire amount as noted above as a result of the referenced change in accounting standards issued by the OIC (Italian Accounting Standards Setter), in the following manners:
  - through the full use of the Extraordinary reserve up to its total amount, inclusive of the share of profit for 2016 allocated to that Reserve on the basis of this resolution;
  - through the full use of the Revaluation reserves in the amount of €20,700,874.45, of which €14,761,620.11 pursuant to Law no. 413 of 30 December 1991;
  - through the full use of the Share swap reserve in the amount of €18,315,459.71;
  - through the full use of the Provision for the purchase of treasury shares posted in compliance with the resolution of the Ordinary Shareholders' Meeting of 28 April 2016, in the amount - equal to €98,469,395.92 - which remains following the purchases of those shares following the same Shareholders' Meeting;

- for the remainder, through the partial use of the Provision for the purchase of shares of the holding company, posted in the amount of €45,000,000.00, in compliance with the referenced resolution of the Ordinary Shareholders' Meeting of 28 April 2016;

- to set the dividend payment date as 24 May 2017 (ex-dividend date of 22 May 2017 and record date of 23 May 2017)."

Bologna, 23 March 2017

The Board of Directors

TABLES
APPENDED TO THE NOTES TO THE FINANCIAL STATEMENTS

Annex 1

Reclassified Income Statement

Amounts in €k

		31.12.2016		31.12.2015	
1)	Gains on investments:				
	in subsidiaries	296,825		375,927	
	in other companies	1,906			
	Total gains on investments		**298,730**		**375,927**
2)	Other financial income:				
	a) from receivables recognised under fixed assets		2		9
	from others	2		9	
	b) from securities held as fixed assets		1,270		
	c) from securities recognised under current assets		8,256		7,914
	d) income other than above		647		1,498
	from subsidiaries	99		824	
	from others	549		674	
	Total other financial income		**10,175**		**9,420**
3)	Interest expense and other financial charges:				
	subsidiaries	(2,180)		(2,859)	
	other	(79,761)		(78,019)	
	Total interest expense and other financial charges		**(81,941)**		**(80,878)**
	Exchange gains (losses)		240		56
	TOTAL FINANCIAL INCOME AND CHARGES		**227,204**		**304,525**
4)	Write-ups:				
	c) of securities recognised under current assets	1,222		217	
	Total write-ups		**1,222**		**217**
5)	Write-downs:				
	a) of investments	(36,583)		(45,772)	
	c) of securities recognised under current assets	(58)		(658)	
	d) of financial derivative instruments	(20,171)		(25,133)	
	Total write-downs		**(56,812)**		**(71,562)**
	TOTAL ADJUSTMENTS		**(55,590)**		**(71,345)**
6)	Other operating income	44,346		54,970	
	TOTAL OTHER OPERATING INCOME		**44,346**		**54,970**
7)	Costs for non-financial services	(16,111)		(22,831)	
8)	Costs for use of third party assets	(892)		(2,197)	
9)	Personnel costs	(25,690)		(16,300)	
10)	Amortisation, depreciation and write-downs	(1,927)		(37,848)	
11)	Provisions for risks	(30,901)		(100,515)	
13)	Sundry operating expenses	(2,212)		(6,207)	
	TOTAL OTHER OPERATING COSTS		**(77,733)**		**(185,897)**
	PRE-TAX PROFIT (LOSS)		**138,227**		**102,253**
16)	Income tax for the year	21,658		141,260	
17)	**PROFIT (LOSS) FOR THE YEAR**		**159,885**		**243,513**

Statement of changes in shareholders' equity

Amounts in €k

		Equity reserves			
	Share capital	Share premium reserve	Revaluation reserves	Legal reserve	Reserve for treasury/holding company shares
BALANCES AT 31 DECEMBER 2014	**3,365,292**	**1,410,009**	**20,701**	**512,388**	**145,000**
Shareholders' Meeting resolutions of 18 June 2015:					
Allocation of 2014 profit					
- legal reserve				16,739	
- extraordinary reserve					
- dividend to shareholders					
Change in the opening balances for dividends restatement					
Change in the opening balances for reclassification of treasury shares					
Allocation of treasury shares to third parties					
Profit (loss) for the year 2015					
BALANCES AT 31 DECEMBER 2015	**3,365,292**	**1,410,009**	**20,701**	**529,127**	**145,000**
Shareholders' Meeting resolutions of 28 April 2016:					
Allocation of 2015 profit					
- legal reserve				16,550	
- extraordinary reserve					
- dividend to shareholders					
Change in the opening balances for dividends restatement					
Allocation of treasury shares to third parties					
Purchase of treasury shares					(1,531)
Profit (loss) for the year 2016					
BALANCES AT 31 DECEMBER 2016	**3,365,292**	**1,410,009**	**20,701**	**545,677**	**143,469**

Annex 2

and unallocated profit

Reserve for treasury shares in portfolio	Extraordinary reserve	Other reserves	Retained Profit (loss)	Profit (loss) for the year	Negative reserve for treasury shares	TOTAL
21,915	**51,668**	**18,315**		**167,387**		**5,712,677**
				(16,739)		
	24,319			(24,319)		
				(126,330)		(126,330)
			(370,757)			(370,757)
(21,915)	21,915				(21,915)	(21,915)
					705	705
				243,513		243,513
	97,902	**18,315**	**(370,757)**	**243,513**	**(21,210)**	**5,437,894**
				(16,550)		
	20,942			(20,942)		
				(128,008)		(128,008)
			78,013	(78,013)		
					7,248	7,248
	1,531				(1,531)	(1,531)
				159,885		159,885
	120,375	**18,315**	**(292,744)**	**159,885**	**(15,493)**	**5,475,489**

Annex 3

Statement of use and availability of equity reserves at 31/12/2016

Amounts in €k

Nature/Description	Amount		Possibility of use (*)	Available portion		Summary of uses made in the last three years: to cover losses	Summary of uses made in the last three years: for other reasons
Share capital	**3,365,292**						
Capital reserves							
Share premium reserve	1,410,009		A, B	1,410,009	(a)		
Legal reserve	365,499	(b)	B				
Extraordinary reserve	22,620	(b)	A, B	22,620			
Provision for purchase of treasury shares	77,379	(b)	A, B	77,379			
Provision for purchase of holding company shares	45,000	(b)	A, B	45,000			
Revaluation reserve pursuant to Law 413/91	14,762		A, B, C	14,762	(c)		
Property revaluation reserve	5,939		A, B, C	5,939	(c)		
Share swap reserve (formerly revaluation Law 413/91)	18,315		A, B, C	18,315	(c)		
Income-related reserves							
Legal reserve	180,178		B				
Extraordinary reserve	97,755		A, B, C	97,755			
Provision for purchase of treasury shares	21,090		A, B, C	21,090			
Retained Profit (loss)	(292,744)			(292,744)			
Negative reserve for treasury shares in portfolio	(15,493)			(15,493)			
Total	**5,315,602**			**1,404,633**			
Non-distributable portion				127,381	(d)		
Distributable portion				**1,277,251**			

(*) A: for share capital increase
B: to cover losses
C: for distribution to shareholders

(a) Distributable only if the legal reserve has reached the limit set forth in Art. 2430 of the Civil Code
(b) For transfer from share premium reserve
(c) Taxable if distributed to the company and to shareholders
(d) Includes the residual amount required to top up the legal reserve to one-fifth of share capital pursuant to art. 2430 of the Italian Civil Code

Statement of changes in intangible assets

Amounts in €k

	OPENING POSITION		
	Historical cost	Amortisation	Net amount at 31/12/2015
Start-up and expansion costs	73,835	(73,835)	
Research, development and advertising costs	9,259	(9,259)	
Concessions, licences, trademarks and similar rights	9,512	(4,948)	4,564
Fixed assets in progress and payments on account	57		57
Other	3,373	(1,877)	1,496
TOTAL	**96,036**	**(89,919)**	**6,117**

Statement of changes in property, plant and equipment

Amounts in €k

	OPENING POSITION		
	Historical cost	Accumulated depreciation	Net amount at 31/12/2015
Plant and equipment	618	(309)	309
Other assets	3,064	(1,698)	1,366
TOTAL	**3,682**	**(2,007)**	**1,675**

Annex 4

MOVEMENTS DURING THE PERIOD					CLOSING POSITION		
HISTORICAL COST			AMORTISATION				
Increases	Decreases		Increases	Decreases			
Purchases	Sales	Reversals	Pro-rata current portion	Sales	Historical cost	Amortisation	Net amount at 31/12/2016
					73,835	(73,835)	-
					9,259	(9,259)	-
105		37	(864)		9,654	(5,812)	3,843
		(37)			20	-	20
			(674)		3,373	(2,550)	822
105			**(1,537)**		**96,141**	**(91,457)**	**4,685**

Annex 5

MOVEMENTS DURING THE PERIOD				CLOSING POSITION		
HISTORICAL COST		ACCUMULATED DEPRECIATION				
Increases	Decreases	Increases	Decreases			
Purchases	Sales	Current portion	Sales	Historical cost	Accumulated depreciation	Net amount at 31/12/2016
		(145)		618	(455)	164
13	(7)	(245)	7	3,070	(1,936)	1,135
13	**(7)**	**(390)**	**7**	**3,688**	**(2,390)**	**1,298**

Statement of changes in fixed investments

Amounts in €k

	CARRYNG AMOUNT AT 31/12/2015	
Name	No. of shares/ holdings	Value
UnipolSai Assicurazioni S.p.A.	1,442,912,800	4,527,708
UnipolSai Investimenti SGR S.p.A.	1,995,930	10,710
Arca Vita S.p.A.	22,005,690	353,739
Compagnia Assicuratrice Linear S.p.A.	19,300,000	70,507
Unipol Investment S.p.A. (ex Linear Life S.p.A.)	3,430,535	3,577
Unisalute S.p.A.	17,242,993	36,613
Unipol Banca S.p.A	518,228,842	465,642
Ambra Property S.r.l.	1	56,485
Unipol Finance S.r.l.	1	432,800
UnipolSai Servizi Consortili S.c.a.r.l.	2,000	7
Total subsidiaries	**2,025,118,792**	**5,957,788**
TOTAL B.III.1)	**2,025,118,792**	**5,957,788**

Annex 6

INCREASES IN THE YEAR				DECREASES IN THE YEAR				**CARRYNG AMOUNT AT 31/12/2016**	
FOR PURCHASES/SUBSCRIPTIONS		OTHER		FOR SALES		OTHER			
No. of shares/ holdings	Value	No. of shares/ holdings	Value	No. of shares/ holdings	Value	No. of shares/ holdings	Value	**No. of shares/ holdings**	**Value**
								1,442,912,800	4,527,708
								1,995,930	10,710
								22,005,690	353,739
								19,300,000	70,507
			305,000					3,430,535	308,577
			25,000					17,242,993	61,613
							(36,583)	518,228,842	429,059
								1	56,485
			50,000					1	482,800
								2,000	7
			380,000				**(36,583)**	**2,025,118,792**	**6,301,205**
			380,000				**(36,583)**	**2,025,118,792**	**6,301,205**

Annex 7

List of shares and securities included in current assets at 31/12/2016

Amounts in €k

ISIN Code	Security description	No. of shares/holdings at 31/12/2016	Carrying amount at 31/12/2016	Current value at 31/12/2016	Write-downs	Type
IT0004827447	UnipolSai Ord.	1,000,000	1,518	1,993		Listed Italian shares
	Total listed shares	**1,000,000**	**1,518**	**1,993**		
unipwcs9215	Banca di Rimini	1				Unlisted foreign shares
EQUINOXA	Equinox Two S.C.A. A shares	20	15	31		Unlisted foreign shares
EQUINOX	Equinox Two S.C.A. R shares	2,715	3,439	3,867		Unlisted foreign shares
	Total unlisted shares	**2,736**	**3,454**	**3,898**		

ISIN Code	Security description	Nominal value at 31/12/2016 (in €)	Carrying amount at 31/12/2016	Current value at 31/12/2016	Write-downs	Type
XS0272309385	Banca Popolare di Verona e Novara 1,65% 15/11/2021 ex Cms	85,000,000	81,382	81,382		Other listed bonds
XS0555834984	Banco Popolare 6% 05/11/2020	2,000,000	1,997	2,054		Other listed bonds
XS1109765005	Intesa San Paolo 3,928% 15/09/2026	1,000,000	1,000	1,019		Other listed bonds
XS1379171140	Morgan Stanley 1,75% 11/03/2024	6,000,000	5,979	6,210		Other listed bonds
XS1072613380	Poste Vita 2,875% 30/05/2019 Sub	1,500,000	1,497	1,561		Other listed bonds
XS1195574881	Societè Generale 2,625% 27/02/2025 Sub	700,000	682	710		Other listed bonds
XS1314351344	Sumitg 2,251% 02/11/2020 USD	8,000,000	7,426	7,426	(58)	Other listed bonds
	Total listed bonds	**104,200,000**	**99,963**	**100,363**	**(58)**	
QS000212A0D3	Sns 6,25% 26/10/2020 Sub tmp	5,000,000	375	375		Other unlisted bonds
	Total unlisted bonds	**5,000,000**	**375**	**375**		
TOTAL SHARES AND SECURITIES INCLUDED IN CURRENT ASSETS			**105,310**	**106,629**	**(58)**	

Annex 8

Statement of temporary differences that involved the recognition of deferred tax assets and liabilities

Amounts in €k

DEFERRED TAX ASSETS	2015		INCREASES		DECREASES		2016	
	Taxable amount	Tax effect (*)	Taxable amount	Tax effect (*)	Taxable amount	Tax effect (*)	**Taxable amount**	**Tax effect (*)**
Unrealised losses relating to short-term investments	2,876	690					2,876	690
Excess amortisation/depreciation	250	69	6	1	231	63	25	6
Provisions for personnel expenses	7,498	1,800	13,833	3,320	11,227	2,695	10,104	2,425
Bad debt provision	13	3					13	3
Provision for future charges	572,340	137,362	30,901	7,416	7,276	1,746	595,965	143,032
Other changes	12,021	3,300	185	44	129	31	12,077	3,313
Realigned goodwill	1,447,406	347,377				416	1,447,406	346,961
TOTAL	**2,042,404**	**490,601**	**44,925**	**10,781**	**18,863**	**4,951**	**2,068,466**	**496,431**

(*) IRES tax rate of 27.5% reduced to 24% for reversals after 31 December 2016.

Annex 9

Information on debt at 31 December 2016

Amounts in €k

		31/12/2016		31/12/2015	
A	Cash		10		10
B	Other cash and cash equivalents		1,064,757		875,186
	- of which subsidiaries	1,064,741		874,586	
	- of which others	16		600	
C	Securities held for trading		105,779		337,902
D	**Cash and cash equivalents (A) + (B) + (C)**		**1,170,546**		**1,213,097**
E	**Current financial receivables**				**150,000**
F	Current bank payables				
G	Current portion of non-current debt		(49,604)		(49,507)
H	Other current financial payables		(268,300)		(268,300)
I	**Current financial debt (F) + (G) + (H)**		**(317,905)**		**(317,808)**
J	**Net current financial debt (I) - (E) - (D)**		**852,641**		**1,045,290**
K	Non-current bank payables				
L	Bonds issued		(1,615,999)		(1,615,999)
M	Other non-current payables				
N	**Non-current financial debt (K) + (L) + (M)**		**(1,615,999)**		**(1,615,999)**
O	**Net financial debt (J) + (N)**		**(763,358)**		**(570,709)**

STATEMENT
ON THE FINANCIAL STATEMENTS IN ACCORDANCE WITH ART. 81-TER
OF CONSOB REGULATION NO. 11971/1999

Statement on the Financial Statements

**STATEMENT ON THE FINANCIAL STATEMENTS
IN ACCORDANCE WITH ART. 81-*ter*, CONSOB REGULATION NO. 11971
OF 14 MAY 1999 AND SUBSEQUENT AMENDMENTS AND ADDITIONS**

1. The undersigned, Carlo Cimbri, as Chief Executive Officer, and Maurizio Castellina, as Manager in charge of financial reporting of Unipol Gruppo Finanziario S.p.A., hereby certify, also taking into account the provisions of Art. 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

   - the adequacy in relation to the characteristics of the company and
   - the effective application,

   of the administrative and accounting procedures for the preparation of the financial statements for the period 1 January 2016 - 31 December 2016;.

2. The assessment of the adequacy of the administrative and accounting procedures for preparing the financial statements for the year ended 31 December 2016 is based on a process defined by Unipol Gruppo Finanziario S.p.A., inspired by the COSO Framework (Internal Control - Integrated Framework, issued by the COmmittee of Sponsoring Organisations of the Treadway Commission and, as regards the IT component, by the COBIT Framework (Control OBjectives for IT and related technology), unanimously recognized as the reference standards for the implementation and evaluation of internal control systems.

3. It is also certified that:

   3.1 The financial statements at 31 December 2016:

   – were prepared in compliance with provisions of the Civil Code and the national accounting principles approved by the OIC (Italian Accounting Standards Setter);

   – correspond to the book results and accounting records;

   – are suitable to provide a true and fair view of the equity, economic and financial situation of the issuer;

   3.2 the management report includes a reliable analysis of the performance and of the operating result, and of the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Bologna, 23 March 2017

The Chief Executive Officer
Carlo Cimbri

The Manager in charge
of financial reporting
Maurizio Castellina

(signed on the original)

BOARD OF STATUTORY AUDITORS' REPORT

Board of Statutory Auditors' Report of Unipol Gruppo Finanziario S.p.A. to the Shareholders' Meeting

pursuant to Art. 153-*bis* of Legislative Decree 58 of 24 February 1998 and Art. 2429, paragraph 2 of the Civil Code

Dear Shareholders,

in the year ending on 31 December 2016, the Board of Statutory Auditors carried out the monitoring activity required by law, according to the principles of conduct of the Board of Statutory Auditors of listed companies issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (National Institute of Chartered Accountants), the Consob recommendations on corporate controls and the activities of the board of statutory auditors (in particular, communications DAC/RM 97001574 of 20 February 1997 and DEM/1025564 of 6 April 2001 as amended), as well as the instructions laid out in the Corporate Governance Code for listed companies.
Note that this Board of Statutory Auditors was appointed by the Shareholders' Meeting of 28 April 2016, which partly renewed the membership by calling upon Mario Civetta, appointed from the minority list, to act as Chairman. Both the Statutory Auditors Roberto Chiusoli and Silvia Bocci, appointed from the majority list, were members of the Board of Statutory Auditors in the previous three years of business.
As regards the activities carried out, the Board of Statutory Auditors reports the following.

I. Preliminary evidence regarding the legal provisions governing the preparation of the Financial Statements of Unipol Gruppo Finanziario S.p.A. at 31 December 2016.

The Financial Statements presented to you show the management activity carried out during the year and the equity, financial and economic position of your Company at 31 December 2016.

The Financial Statements at 31 December 2016 were prepared in compliance with provisions of the Civil Code and the accounting standards approved by the **OIC** (Italian Accounting Standards Setter). As Unipol Gruppo Finanziario S.p.A. ("**UGF**" or the "**Company**") qualifies as an insurance holding company pursuant to Art. 1, paragraph 1, letter aa) of Legislative Decree 209 of 7 September 2005 (the "Insurance Code") it is required to prepare the Consolidated Financial Statements in compliance with International Accounting Standards, but cannot apply those standards to the company's Separate Financial Statements (i.e. the Separate Financial Statements subject to your approval) in accordance with Art. 4 of Legislative Decree 38 of 28 February 2005.

The measurement criteria were adapted to the new OIC accounting standards approved in December 2016 and were adopted on the basis of going concern assumptions, in application of the principles of accrual, materiality and significance of the accounting data and of the transactions or contracts, pursuant to Articles 2423 and 2423-bis of the Civil Code.

In this regard, please note that on 1 January 2016, the new regulatory provisions on separate financial statements came into effect, as introduced by Legislative Decree 139 of 18 August 2015 ("**Legislative Decree 139/2015**"), which adopted Directive 2013/34/EU (the "**Accounting Directive**"). The most significant changes introduced by these provisions concern the general principles of preparation of the financial statements, the initial recognition of some items, the valuation methods and the information to be provided in the notes to the financial statements and in the Management Report. Legislative Decree 139/2015 also explicitly refers to OIC national accounting standards for the practical application, including possible regulations on specific cases. In this context on 22 December 2016 the OIC published a set of updated accounting standards regarding the provisions that have a greater innovative impact with respect to the legislation previously in force.

In this respect, note that the most significant amendments applying to the Company's financial statements refer to the accounting of dividends from subsidiaries, which can no longer be recognised in the year in which they accrue, but are instead recognised only at the time the legal entitlement to the dividend arises, which normally coincides with the date of the subsidiary's Shareholders' Meeting that approves the dividend distribution. Other minor amendments refer mainly to the different classification of Statement of Financial Position and Income Statement items.
The new accounting standards were applied retroactively by the Company, in compliance with the general provisions of the new OIC 29 accounting standard, "*Changes in accounting standards, changes in accounting estimates, correction of errors, events after the end of the financial year*", and also make use of the option envisaged in OIC 21 on

dividend accounting. In fact, UGF decided to apply this standard retroactively in order to ensure full comparability of financial statements over time in terms of reporting. Retroactive application of the standard led to retained losses of €370,757k at 1 January 2015, reduced to €292,744k at 1 January 2016.

The retroactive application of the accounting standards led to changes in the opening balances and restatement of the 2015 financial statements, also for comparison purposes, in accordance with the new accounting rules introduced by the reform.

No significant events occurred after year end that could affect the financial statement results.

II. Details of the control activity performed by the Board of Statutory Auditors.

In 2016, the Board of Statutory Auditors held 19 meetings, including those of the previous control body with an average duration of around one and a half hours each.

In addition, the Board participated in the 9 meetings of the Board of Directors, the 3 meetings of the Remuneration Committee, the 3 meetings of the Committee for Transactions with Related Parties (the "**Related Parties Committee**") and the 8 meetings of the Control and Risk Committee.

As part of its duties and for the mutual exchange of information between the bodies and departments involved in the internal control and risks management system, the Board of Statutory Auditors also met with:
- the Head of the Audit Department, the Head of the Compliance and Anti-Money Laundering Department, the Head of Risk Management, the Chief Risk Officer, the Manager in charge of financial reporting and the Heads and/or representatives of the company departments concerned by the supervisory activity of the control body from time to time;
- the Supervisory Board established pursuant to Legislative Decree 231 of 8 June 2001 ("**Legislative Decree 231/2001**");
- the representatives of the company charged to audit the accounts, PricewaterhouseCoopers S.p.A., within the framework of relationships between the control body and the auditor required by regulations in force.

Pursuant to Art. 151 of Legislative Decree 58 of 24 February 1998 (the "**Consolidated Law on Finance**"), the Board of Statutory Auditors also held additional meetings and exchanged information with the control bodies of the subsidiaries.

In observance of the legal and regulatory provisions mentioned above, the Board acknowledges the outcome of its supervisory activities and verifications and therefore acknowledges that it has:

1. monitored observance of the law and the by-laws;

2. obtained information from the Directors on the activity carried out and on the transactions of greatest economic, financial and equity significance performed by the Company, including through direct or indirect subsidiaries. On the basis of the information made available, the Board of Statutory Auditors can reasonably assert that the actions resolved and implemented conform to the law and the By-Laws, and do not appear to be manifestly imprudent, hazardous, or in contrast with the resolutions adopted by the Shareholders' Meeting, or such to compromise the integrity of the company's assets. In addition, the transactions that involve a potential conflict of interests were resolved in compliance with the law and the codes of conduct adopted.

   With reference to the transactions of greatest economic, financial and equity significance performed by the Company in 2016, the Board of Statutory Auditors reports as follows:
   - 2016-2018 Business Plan approved: on 12 May 2016, the Board of Directors of UGF approved the 2016-2018 Business Plan. The Plan is based on four key areas - (i) innovative and distinctive offer, (ii) simplified customer and agent experience, (iii) more effective physical distribution and (iv) excellence of the business operating mechanism - which highlight, amongst other things, the Group's distinction in the provision of insurance services and in the application of on-line services to insurance products;
   - acquisition of the "Una Hotels & Resorts" hotel and property management business finalised: on 29 December 2016, the subsidiaries Atahotels S.p.A. and UnipolSai Investimenti SGR S.p.A. (the latter on behalf of Real Estate Investment Fund Athens R.E. Fund) began execution of the agreements signed with Una Hotels S.p.A. ("Una") on 25 May 2015 regarding the acquisition, through two separate transactions, respectively of the hotel management unit of Una and the corresponding property portfolio held for hotel purposes. The execution of the two transactions began after obtaining the necessary approval from the

competent authorities and after endorsement of Una's debt rescheduling agreement. Through the aforementioned acquisition, Atahotels S.p.A. became the new national leader in the Italian hotel sector;
- the company Leithà S.r.l. established: on 22 December 2016, Leithà S.r.l., a single-member company, was established by UnipolSai Assicurazioni S.p.A. ("UnipolSai") with the purpose of providing support in the construction of software prototypes and of testing new technologies and the predictive analysis of data to aid development of the Group's businesses and IT systems.

With reference to the significant events after the reporting period, the Board of Statutory Auditors wishes to report as follows:
- Senior 5% 2017 Bond Loan issued by UGF repaid: on 11 January 2017, Unipol Gruppo Finanziario carried out the repayment, based on maturity, of the Senior Unsecured Bond Loan listed on the Luxembourg Stock Exchange, issued in December 2009, for €298.6m;
- authorisation to use the Partial Internal Model for UnipolSai and Arca Vita S.p.A.: as a result of the authorisation procedure, on 7 February 2017 the Supervisory Authority authorised UnipolSai and Arca Vita S.p.A. to use the Partial Internal Model for calculating the individual Solvency Capital Requirement with effect from 31 December 2016;
- UnipolSai included within FTSE4Good – recognition for environmental, social and governance practices: on 30 January 2017, FTSE Russell (a partnership brand of FTSE International Limited and Frank Russell Company) confirmed that UnipolSai satisfies the requirements to be included in the FTSE4Good Index Series, which measures the performance of companies that apply rigorous environmental, social and governance (ESG) practices and, therefore, their conduct in areas such as the fight against climate change, governance, respect for human rights and the fight against corruption;

3. acquired knowledge on and monitored, for matters within its competence, the adequacy of the Company's organisational structure, in compliance with the principles of proper administration, and the adequacy of the instructions it gives to subsidiaries, pursuant to Art. 114, paragraph 2 of the Consolidated Law on Finance, in order to promptly obtain the information required to fulfil the obligations laid out in paragraph 1 of the same article, also by collecting information from managers and through meetings with the Independent Auditors. No particular elements worth reporting emerged from these activities;

4. monitored - using (i) the information collected from the managers of the respective departments, (ii) the examination of the company documents, (iii) the analysis of the results of the work carried out by the Independent Auditors and the bodies and departments responsible for internal control - the adequacy of the internal control system and the administrative-accounting system, and the latter's reliability in correctly representing operating events. In addition - through both direct verification of the activities carried out by the Audit, Compliance and Anti-Money Laundering and Risk Management Departments and by the Manager in charge of financial reporting, and by taking part in all meetings of the Control and Risk Committee - the activities performed by the company control functions were examined to verify their adequacy and to obtain an evaluation of the actual functioning of the overall internal control system. Based on the checks carried out in fulfilment of the monitoring obligations imposed, the Board highlights no elements to be reported in relation to the internal control system. The Board also believes that the Audit, Compliance and Anti-Money Laundering and Risk Management Departments, just like the Manager in charge of financial reporting, are able to ensure significant coverage to guarantee a suitable control of the internal control system;

5. monitored the activities implemented by UGF as part of its role as Parent of the Banking Group. The Board of Statutory Auditors believes that the activities performed – at Banking Group level – by the control functions are suitable to control the completeness, adequacy, functionality and reliability of the internal control system and the Risk Appetite Framework (RAF);

6. acknowledged the update of the Organisational, Management and Control Model prepared pursuant to Legislative Decree 231/2001, Art. 6, letter a). The Board of Statutory Auditors also acquired the required information on the organisational and procedural activities carried out in compliance with Legislative Decree 231/2001, by meeting with the Supervisory Board in relation to the audit and control activities respectively performed. No facts and/or circumstances worth noting emerged from the disclosure provided by the Supervisory Board, including through its Annual Report, with respect to the activities carried out;

7. monitored, including by participating in Related Parties Committee meetings, that the transactions with related parties met the substantive and procedural correctness criteria and that they were not in conflict with the Company's interest. To the extent of its duties, the Board of Statutory Auditors also confirmed compliance with

instructions issued by the Bank of Italy for transactions with related parties. Note in particular that, in the course of the year, no transactions of major relevance were submitted to the Related Parties Committee for examination. The Management Report shows the relations of an equity, financial and economic nature with the Group companies and the other related parties. The Board of Statutory Auditors also verified that UGF arranged the centralisation of most service contracts into UnipolSai. The related costs recognised were primarily calculated on the basis of external costs incurred, except with regard to financing activities, the costs for which are calculated by applying a fee on managed volumes. Certain services instead envisage fees calculated at a fixed rate. Both the Parent UGF and its subsidiaries second their staff to other Group companies to optimise the synergies within the Group. Financial and commercial transactions between the banking companies and the other companies in the Group were the usual types of transaction carried out within a complex group and related to services, deposit accounts or corporate financing and finance lease agreements. Agreements were also entered into for the sale and/or management of banking, financial and insurance products and services and the provision of auxiliary banking services in general. These transactions were usually carried out at the market terms applied to prime customers. Relating to the overall context of the above mentioned transactions performed in 2016, the absence was ascertained of atypical or unusual transactions, which may give rise to doubts relating to the accuracy and completeness of the information, conflicts of interest and the safeguard of the company's assets;

8. agreed with the justifications which resulted in the amendments of the "Procedure for the performance of related party transactions" (the "**Procedure**") adopted by UGF and prepared pursuant to Art. 4 of the Regulation introducing provisions pertaining to transactions with related parties adopted by Consob with resolution no. 17221 of 12 March 2010 as amended (the "**Consob Regulation**"), to exclude from its subjective scope of application the company IGD – Immobiliare Grande Distribuzione SIIQ S.p.A. ("**IGD**"), which was previously included on a voluntary basis in light of the framework agreement between UGF, UnipolSai and IGD, now terminated. The Board of Statutory Auditors participated in meetings of the Related Parties Committee called to express its justified opinion with respect to the cited amendments to the Procedure, verifying its compliance with the Consob Regulation, and therefore, in turn, expressed its favourable opinion in this regard;

9. held periodic meetings with representatives of PricewaterhouseCoopers S.p.A., the independent auditors, pursuant to Art. 150, paragraph 3 of the Consolidated Law on Finance and - in relation to the Financial Statements for the year ended 31 December 2016 - no significant data or information came to light. The Report to the Financial Statements for the year ended 31 December 2016, issued today by the independent auditors, did not contain any remarks or information requests. Considering that as of today PricewaterhouseCoopers S.p.A. has not yet issued the report on the fundamental issues emerged during the audit and particularly on the significant defects found in the internal control system in relation to the financial disclosure process pursuant to Art. 19, paragraph 3 of Legislative Decree 39 of 27 January 2010, in the event that findings emerge from it, the Board reserves the right to integrate this Report;

10. exchanged information with the Boards of Statutory Auditors of the subsidiaries, pursuant to Art. 151 of the Consolidated Law on Finance, being informed about the checks that were carried out by the same while exercising their supervisory activities. In this regard, no situations worthy of mention in this Report emerged;

11. monitored, based on the provision contained in Art. 19, paragraph 1 of Legislative Decree 39 of 27 January 2010, the independence of the company charged with the audit of the accounts. In particular, the Board of Statutory Auditors examined the further engagements and/or services other than auditing assigned in the course of 2016 to PricewaterhouseCoopers S.p.A. and companies in its network, the consideration for which is reported in detail in the Notes to the Financial Statements, to which reference is therefore made. Taking into account the annual declaration confirming its independence, issued by PricewaterhouseCoopers S.p.A. pursuant to Art. 17 of Legislative Decree 39 of 27 January 2010, amended by Legislative Decree 135 of 17 July 2016, and the nature of the engagements assigned to it and the companies in its network, no evidence or situations emerged such so as to believe that there are any risks for the independence of the company responsible for auditing the accounts;

12. verified that the Company adopted all measures necessary to ensure compliance with obligations deriving from personal data protection legislation (Legislative Decree 196/2003) so as to guarantee the protection and integrity of customer, employee and partner data and, in general the data of all those with whom the Company comes into contact;

13. gave, during the year, the opinions, observations and/or certifications required by law and/or by regulations in force and the internal procedures. In addition to what is mentioned above, the Board of Statutory Auditors, in particular, issued:

- a favourable opinion pursuant to Art. 2389, paragraph 3 of the Civil Code on the determination of annual gross remuneration due to the Chairman and Vice Chairman of the Board of Directors, the Chief Executive Officer and the members of the board committees;
- a favourable opinion on the appointment of the Manager in charge of financial reporting and the update of the Guidelines with respect to that person's activity;
- a favourable opinion with respect to the Annual plan of activities of the Control functions;
- a favourable opinion on UGF's compliance with the Bank of Italy Instructions of 23 October 2009, and in the part in which the Board of Directors is required to inform the Supervisory Authority of its valuations of the coherence of Unipol Group strategies and policies in the asset management sector;

14. monitored observance of the legal provisions as regards the process of preparing the Financial Statements and the contents of the Management Report, which are believed to be exhaustive. In that regard, we report to you that, on the basis of the provisions of Art. 14 of Legislative Decree 39 of 27 January 2010, the judgment of consistency of the Management Report with the Separate Financial Statements is the responsibility of the Independent Auditors, whose report contains no findings in this respect;

15. consent given to the recognition of start-up, expansion and development costs with long-term utility, under the item Intangible Assets in the Assets section of the Statement of Financial Position;

16. evaluated, insofar as it is responsible - taking into account that the Company complies with the Corporate Governance Code issued by Borsa Italiana S.p.A. - the content of the "Annual report on corporate governance and ownership structures" and has no observations to make in this regard. Referencing what is laid out pursuant to Art. 123-bis of the Consolidated Law on Finance in relation to the judgment of consistency to be expressed by the Independent Auditors with regard to certain information included in the above-mentioned "Annual report on corporate governance and ownership structures", the Board of Statutory Auditors highlights that the Report issued by PricewaterhouseCoopers S.p.A. has no findings in this regard;

17. acknowledged that the Board of Directors evaluated its functioning, size and composition, also in relation to the board committees, relying on the support of a major consulting firm. The Board of Statutory Auditors also checked the proper application of the criteria and procedures carried out by the Board of Directors to assess the independence of non-executive directors, in compliance with the provisions established in the Corporate Governance Code for listed companies, and in accordance with Art. 147-ter, paragraph 4 of the Consolidated Law on Finance;

18. checked that the independence requirements of the members of the Board of Statutory Auditors itself were met, pursuant to the provisions of Art. 8 of the Corporate Governance Code, acknowledging the checks carried out by the Board of Directors pursuant to Art. 144-novies of the Issuer's Regulation in relation to the fulfilment of the independence requirements laid out in Art. 148, paragraph 3, of the Consolidated Law on Finance by the members of the Board of Statutory Auditors;

19. examined the remuneration policy adopted, without making any observations in relation to its consistency with the recommendations of the Corporate Governance Code for listed companies.

In 2016, the Board of Statutory Auditors received no complaints in accordance with Art. 2408 of the Civil Code or reports from third parties.

Obligation to draft the Consolidated Financial Statements and report of the control body.

The Board of Statutory Auditors found that UGF, investment and services holding company, the Parent of the Unipol Insurance Group and the Unipol Banking Group, is required to draft the Consolidated Financial Statements. The Board reports that it verified fulfilment of the obligation to draft the Consolidated Financial Statements, approved at the meeting of the Board of Directors on 23 March 2017.

The Board of Statutory Auditors also reports that, for the first time, UGF has prepared the Group Integrated Report, prepared on the basis of principles contained in the International Integrated Reporting Framework. The reporting process aims to integrate the information contained in the traditional financial statements with an account of environmental, social and governance performance, within a document that illustrates the business model on the basis of an analysis of different types of capital, so as to represent the factors that materially impact the capacity to generate value.

UGF's Consolidated Financial Statements were drawn up in accordance with Art. 154-ter of the Consolidated Law on Finance and of ISVAP Regulation no. 7 of 13 July 2007, as amended. They conform to the IAS/IFRS standards issued by the IASB and endorsed by the European Union, along with the interpretations issued by IFRIC, in accordance with the provisions of EC Regulation 1606/2002 in force on the closing date of the financial statements.

The consolidated financial statements are made up of:
- Statement of Financial Position;
- Income Statement and Comprehensive Income Statement;
- Statement of Changes in Shareholders' Equity;
- Statement of Cash Flows;
- Notes to the financial statements;
- Tables appended to the notes to the financial statements.

The layout conforms to the provisions of ISVAP Regulation no. 7 of 13 July 2007, Part III as amended, relating to the layout of the Consolidated Financial Statements of insurance and reinsurance companies that must adopt international accounting standards.

The information requested by Consob Communications DEM/6064293 of 28 July 2006 and DEM/11070007 of 5 August 2011 is also provided.

The Consolidated Financial Statements are drawn up on the assumption that the company will continue as a going concern, in application of the principles of accrual accounting, materiality and truthfulness of accounting information, in order to provide a true and fair view of the equity-financial position and economic result, in compliance with the principle of the prevalence of the economic substance of transactions over their legal form.

With regard to the consolidation scope, the Unipol Group's Consolidated Financial Statements at 31 December 2016 have been drawn up by combining the figures of the Parent UGF and those for the 57 direct and indirect subsidiaries (IFRS 10). Subsidiaries deemed to be too small to be of relevance are excluded from the line-by-line consolidation. The Financial Statements report changes in the consolidation scope during the year.

Taking into account that - pursuant to Art. 14 of Legislative Decree 39 of 27 January 2010 and Art. 41 of Legislative Decree 127 of 9 April 1991, - the Report on the Consolidated Financial Statements must be prepared by the Independent Auditors and includes the opinion on coherence between the Management Report and the Consolidated Financial Statements, having noted that this task is the responsibility of the Independent Auditors PricewaterhouseCoopers S.p.A., the Board of Statutory Auditors - in performing its monitoring of the audit - verified the work plan of the Independent Auditors in relation to the Consolidated Financial Statements and exchanged information with the latter regarding the outcomes of the work performed; it did not register any anomalies worthy of mention in this Report. The Report issued by PricewaterhouseCoopers S.p.A. on the Consolidated Financial Statements for the year ended 31 December 2016 does not contain any remarks or information requests.

During the course of the supervisory activity performed and based on the information obtained from the Independent Auditors, no omissions and/or censurable events and/or irregularities were recorded or, in any case, any significant events as such that needed to be reported to the control bodies, or mentioned in this report on the Financial Statements for the year ended 31 December 2016.

Therefore, based on the supervisory activity performed during the year, the Board deems that the Financial Statements for the year ended 31 December 2016, as presented to you by the Board of Directors, may be approved, and expresses a favourable judgment on the proposal regarding the allocation of profit and the distribution of the dividend put forward by the same Board of Directors.

Bologna, 5 April 2017

Board of Statutory Auditors

Signed by Mario Civetta, Chairman

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N° 39 OF 27 JANUARY 2010

To the Shareholders of
Unipol Gruppo Finanziario SpA

REPORT ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

We have audited the accompanying financial statements of Unipol Gruppo Finanziario SpA, which comprise the balance sheet as at 31 December 2016, the income statement and statement of cash flow for the year then ended and related notes.

Directors' responsibility for the financial statements

The directors of Unipol Gruppo Finanziario SpA are responsible for the preparation of financial statements that give a true and fair view in compliance with the Italian laws governing the criteria for their preparation.

Auditors' 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) drawn up pursuant to article 11 of Legislative Decree N° 39 of 27 January 2010. 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 audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional 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.

PricewaterhouseCoopers SpA

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Unipol Gruppo Finanziario SpA as at 31 December 2016 and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

REPORT ON COMPLIANCE WITH OTHER LAWS AND REGULATIONS

Opinion on the consistency with the financial statements of the management report and of certain information set out in the report on corporate governance and ownership structure

We have performed the procedures required under auditing standard (SA Italia) 720B in order to express an opinion, as required by law, on the consistency of the management report and of the information set out in the report on corporate governance and ownership structure, available in Unipol Gruppo Finanziario SpA web-site section "*Governance*", referred to in article 123-bis, paragraph 4, of Legislative Decree 58/1998, which are the responsibility of the directors of Unipol Gruppo Finanziario SpA, with the financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2016. In our opinion, the management report and the information in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Unipol Gruppo Finanziario SpA as at 31 December 2016.

Milan, 5 April 2017

PricewaterhouseCoopers SpA

Signed by

Angelo Giudici
(Partner)

This report has been translated into the English language from the original, which was issued in Italian and in accordance with Italian law, solely for the convenience of international readers.

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Share capital
€3,365,292,408.03 fully paid-up
Bologna Register of Companies
Tax and VAT No. 00284160371
R.E.A. No. 160304

Parent of the Unipol Insurance Group
Entered in the Register of Insurance Groups – No. 046

Parent of the Unipol Banking Group
Entered in the Register of Banking Groups

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